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Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 26-Mar-2020 | Report No: PIDISDSA28449



BASIC INFORMATION

A. Basic Project Data

Country Liberia	Project ID P172654	Project Name AF - Liberia: Public Financial Management Reforms for Institutional Strengthening	Parent Project ID (if any) P165000
Parent Project Name Public Financial Management Reforms for Institutional Strengthening	Region AFRICA	Estimated Appraisal Date 17-Apr-2020	Estimated Board Date 01-Jun-2020
Practice Area (Lead) Governance	Financing Instrument Investment Project Financing	Borrower(s) Republic of Liberia	Implementing Agency Ministry of Finance and Development Planning

Proposed Development Objective(s) Parent

The project development objective (PDO) is to improve domestic revenue mobilization systems, and strengthen financial control and accountability in public finances.

Components

- 1: Enhancing DRM Sources and Systems
- 2: Stabilizing and Strengthening Performance of Financial Controls and Systems
- 3: Improving Public-Sector Capacity for Enhanced Oversight and Accountability
- 4: Improving Upstream and Downstream PFM Systems in Selected Sectors
- 5: Project Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	4.50
Total Financing	4.50
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS



Non-World Bank Group Financing

Trust Funds	4.50
Trust Funds	4.50

Environmental Assessment Category

C-Not Required

Decision

The review did authorize the team to appraise and negotiate

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Other Decision (as needed)

B. Introduction and Context

Country Context

Liberia is one of the poorest countries in West Africa with a high unemployment rate (85%) and enhanced corruption at almost every level of the Liberian government. The country is recovering from a 14-year civil war where 250,000 people were killed and many thousands more fled the fighting. In 2014 the country was also affected by the worst Ebola epidemic in history Liberia . The country has a population of about 4.5 million people (in 2015). Capital and largest city is Monrovia, (named after, no not Marilyn Monroe, but James Monroe, the fifth President of the United States (1817–1825)). The country's major cities are located along the coast like the port cities of Harper and Buchanan.

Liberia's political history is as unique as its economic history. Liberia has been an independent state since 1847; its GDP grew from \$48m to \$366m during the period 1950 to 1969 when most Sub-Sahara African states were still under colonial rule, however, Liberia's governance institutions remained weak and its economic growth was neither equitable nor sustainable. This failure is deeply rooted in the division of Liberia's economy into two distinct economies; one of which can be characterized as a traditional agrarian economy coexisting with economic activities managed and owned by urban social, political and economic elites, with the latter dominated by foreigners. The other economy is basically an enclave economy characterized by raw material export-led growth, which has historically failed to significantly impact the quality of life of ordinary Liberians. Both economies were significantly damaged by a violent civil war which lasted for about 14 years

It is one of only three sovereign countries in the world that were founded by former slaves, the others being Haiti and Sierra Leone, established by Great Britain. It takes pride in the fact that it was the first Republic in Africa that never got colonized.



In 1847, the American Colonization Society (ACS) encouraged Liberia to proclaim independence, as it no longer wanted to support it, although some Northern state governments continued to provide money in the 1850s. The United States declined to act on requests from the ACS to make Liberia an American colony, or to establish a formal protectorate over Liberia, but it did exercise a "moral protectorate" over Liberia, intervening when European powers threatened its territory or sovereignty. Liberia retained its independence throughout the Scramble for Africa by European colonial powers during the late 19th century, while remaining in the American sphere of influence. Since 1980, the country has been ruled by members of the indigenous peoples, who constitute the majority of the population. Years of civil war have devastated the country and its economy.

The 1990 civil war had a profoundly deleterious impact on Liberia's economic growth and development. Conflict generally caused the growth collapse experienced in the 1990s, during which per capita income plunged to a low of about US\$50. The impact of conflict had particularly been pronounced in critical infrastructure- power, roads and bridges--which were significantly damaged during more than 14 years of violence, as well as in human capacity development.

In 2003, the Accra Comprehensive Peace Accord (CPA) was signed bringing an end to Liberia's civil war. In 2005, free and fair democratic elections were held, leading to the election of Mrs. Ellen Johnson Sirleaf as President of Liberia. Since the end of the civil war and the beginning of the Sirleaf Administration, Liberia experienced steady economic growth and the reactivation of its traditional productive sectors, as well as off-shore oil and gas exploration. Creating the enabling environment for sustained growth and development is a major challenge facing the government.

Eight years of civil strife were brought to a close in 1997 when free and open presidential and legislative elections were held. President Charles Taylor held strong executive power with no real political opposition. Years of fighting, coupled with the flight of most businesses, disrupted formal economic activity. An unsettled domestic security situation slowed the process of rebuilding the social and economic structure of this war-torn country. In 2001, the UN imposed sanctions on Liberian diamonds, along with an arms embargo and a travel ban on government officials, for Liberia's support of the rebel insurgency in Sierra Leone. Renewed rebel activity has further eroded stability and economic activity. An August 2003 peace agreement ended the war and prompted the resignation of president Charles Taylor. After two years of rule by a transitional government, democratic elections in late 2005 brought President Ellen Johnson Sirleaf whose term ended in 2017.

Liberia has seen tremendous progress in the last 15 years. Following the most recent civil war, the country elected President Ellen Johnson Sirleaf in 2005 — the first democratically elected female leader in Africa. Over her 12 years in power, the country worked to expand opportunity and build its economy. In 2017, George Weah took over as President of the Republic after a democratic election that brought about the transition.

Sectoral and Institutional Context

Liberia has a democratic presidential system with a bicameral legislature. President and Representatives have a tenure of six years while that for the Senate is nine years. Liberia has held presidential and lower house elections in 2005 ,2011 and 2016. These elections were rated free and fair by international observers. The largest opposition party, the Congress for Democratic Change (CDC) won the 2016 elections after consistently denouncing the previous elections as flawed and indeed boycotted the runoff



in 2011. For large segments of the population trust in the democratic process is low. The president is subject to a limit of two terms and a successor to Ellen Johnson Sirleaf in the name of George Weah took office in 2017.

By all available evidence, the postwar elections have been remarkably free and fair. The National Elections Commission (NEC) displays impartiality in organizing elections. Elections do, however, take place in a neo-patrimonial environment and are influenced by patronage practices. Further, the links between elites and grassroots are weak, and people often feel neglected by those in power. The elections take place during the rainy season, which decreases accessibility for rural populations.

Liberia continues to face enormous intertwined development and governance and macro-economic challenges. The economy has witnessed the highest levels of inflation rising to 31% in November 2019. Corruption, poor governance and misuse of public resources is a problem that the new government is fighting to contain. In the public sector, rules, and internal controls are not followed. The situation is worsened by high levels of patronage.

A pro-poor agenda-as a mantra for the new development blue print has been in put in place. This notwithstanding, infrastructure deficits in roads, energy, transport and ICT are impinging on investment and leading to the high cost of doing business—leaving much of the population at risk of being left behind. Additionally, Liberia’s high dependency on exports of primary commodities with limited diversification and value chain linkages impacts export earnings, reduces reserves, and worsens the country’s current account.

Liberia’s legacy of centralized governance, which has consistently failed to serve all citizens equally, combined with the fragile nature of legitimate state authority outside the capital, makes achieving good governance central target in the country all the more crucial for sustaining peace. The desire for a more just, accountable and effective governance has been growing among the general population and civil society in Liberia and is evident from the growing number of demonstrations calling for the implementation of reforms, policies and mechanisms that can address corruption, foster political inclusion and improve management of natural and economic resources in the country. Meanwhile, institutional capacity to respond to these expectations is crucial for addressing fragility and sustaining peace. This is where the PFM reform agenda plays a key role in addressing these weaknesses and also contributing to building the state legitimacy.

C. Proposed Development Objective(s)

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet. *Please delete this note when finalizing the document.*

Original PDO

The project development objective (PDO) is to improve domestic revenue mobilization systems, and strengthen financial control and accountability in public finances.



Current PDO

The current PDO remains the same as the original one. Its aim is to improve domestic revenue mobilization systems and strengthen financial control and accountability in the public finances.

Key Results

The projects key results areas include (a) establishing effective tax systems including ITAS that allow for improved online time filing for large and medium tax papers(b) increased usage of IFMIS across MACs to allow for a more standardized and realistic budget formulation across government, while promoting better control over budget execution through the full integration of budget execution data. IFMIS would also cater for improving the quality and availability of information necessary at various stages of public financial management, such as budgeting, treasury management, accounting and auditing (c) building institutionalized capacity in the core areas of public financial management and procurement to effectively undertake government functions anchored in the skills that have been lacking in Liberia(d) improve service delivery through tackling PFM anchored aspects within the Ministries of Health and Education and (e) exercising effective and efficient procurement that assists in getting value for money from limited government resources

D. Project Description

The project is an Additional Finance to an original project (P165000). The AF resources will top up resources allocated the various components in the original project. The original project provides key technical support activities to the following GOL anchored PFM Reform strategy activities:

- **Enhancing Domestic Resource Mobilization sources and Systems:** This component provides support to improve Tax Policy of GOL and also capacity development and strengthening of Tax Administration through supporting ITAS;
- **Stabilizing and strengthening Financial controls and Systems Performance:** This component will support activities focused at improving IFMIS Roll Out; Enhanced Budget Framework; supporting the PPCC in establishing core foundations for strengthening electronic procurement systems in the Public Sector; as well as activities that support Open data to enhance transparency of government and allow for a complete feedback loop mechanism to its citizens;
- **Improving Public Sector Capacity for Enhanced Oversight and Accountability:** This component will support Parliamentary committee oversight; improve Internal and External oversight effectiveness. The same component will also provide support to the University of Liberia to institutionalize core capacity building activities in the areas of procurement and financial management so as to effectively provide effective service within MACs;
- **Improving Upstream and Downstream PFM systems:** The component will address unblock the key PFM service delivery bottlenecks in the Ministries of Education and Health. Besides the planned activities, the project will strengthen foundations for improved PFM systems in the two sectors so as to ensure higher and more predictable budget allocations, reduced fragmentation in revenue streams and funding flows, timely budget execution, and better financial accountability and transparency.
- **Project Management and Just in Time Resources:** The AF resources will buttress resources allocated for overall project management. At the same time, it will also allow the PMU to take on new but fundamental activities that may have been overlooked at the design stage that are essential to stronger and effective government wide PFM to achieve overall fiscal discipline,



allocation of resources to priority needs, and efficient and effective allocation of public service.

E. Implementation

Institutional and Implementation Arrangements

The project will be implemented within the ambit of the parent project. The central coordinating agency will be the MFD through the Project Management Unit (PMU). All Financial Management activities will be undertaken by the Project Financial Management Unit given that is already implementing 90 percent of the World Bank and other donor-financed projects in Liberia and has built adequate capacity within its existing 24 staff. The Director of the PMU and his deputy are Chartered Accountants; and all PFMU staff are familiar with Bank procedures.

Procurement arrangements will be the same as for the parent project. Procurement implementation, contract management and related decision-making authority under the proposed project shall be implemented by the MFD through the PMU, the Liberia Revenue Authority (LRA) and the PPCC. The PMU will also assume a coordination role for the participating implementing agencies of the project.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

G. Environmental and Social Safeguards Specialists on the Team

Sekou Abou Kamara, Environmental Specialist
Akhilesh Ranjan, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	



Pest Management OP 4.09	No
Physical Cultural Resources OP/BP 4.11	No
Indigenous Peoples OP/BP 4.10	No
Involuntary Resettlement OP/BP 4.12	No
Safety of Dams OP/BP 4.37	No
Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

No safeguards issues have been identified for this project.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

No safeguards related large scale, significant and/or irreversible impacts are anticipated.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

No safeguards issues have been identified and thus no such assessment of borrower capacity has been undertaken.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

There are no safeguards-related consultations.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)



CONTACT POINT

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APPROVAL

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Approved By

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