

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)**

Additional Financing

Report No.: PIDISDSA21519

Date Prepared/Updated: 26-Apr-2017

I. BASIC INFORMATION

A. Basic Project Data

Country:	Sierra Leone	Project ID:	P162667
		Parent Project ID (if any):	P133424
Project Name:	Public Financial Management Improvement and Consolidation - Additional Financing Project (P162667)		
Parent Project Name:	Public Financial Management Improvement and Consolidation Project (P133424)		
Region:	AFRICA		
Estimated Appraisal Date:	26-Apr-2017	Estimated Board Date:	07-Jun-2017
Practice Area (Lead):	Governance	Financing Instrument:	Investment Project Financing
Borrower(s)	GOVERNMENT OF SIERRA LEONE		
Implementing Agency	MOFED		
Financing (in USD Million)			
Financing Source			Amount
International Development Association (IDA)			10.00
Financing Gap			0.00
Total Project Cost			10.00
Environmental Category:			
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate		
Other Decision:			
Is this a Repeater project?	No		

B. Introduction and Context

Country Context

Country Context and Development Challenges

Sierra Leone has achieved significant political and economic progress since the civil war ended in January 2002. The country has reestablished democratic institutions, made strong progress in peace building, achieved macroeconomic stability, and sought to include the citizenry more in political processes. In spite of major challenges and setbacks associated with the outbreak of Ebola, during which the economy shrunk by 21.1 percent in 2015, Sierra Leone is expected to recover to 4.3 percent real gross domestic product (GDP) growth in 2016, according to the International Monetary Fund (IMF). Emphasis has now shifted to redressing the lasting social and economic effects under the National Post-Ebola Recovery Strategy of the Government of Sierra Leone (GoSL).

Despite this resilience, macroeconomic challenges remain. Consumer price inflation reached 10.9 percent in July 2016 and the local currency, the Sierra Leonean Leone, has been depreciating. The country's overall fiscal balance (excluding grants) is expected to recover but only slightly, to -8.1 percent of non-iron ore GDP in 2016 from -9.6 percent in 2015.

Sectoral and Institutional Context

Ebola-related challenges, as well as inadequate controls over the disbursement of Ebola funds, have led the GoSL to double down on enhanced public financial management (PFM), including transparency and accountability. PFM reforms, which the World Bank leads in conjunction with the Ministry of Finance and Economic Development (MoFED), covers the entire PFM cycle. Within these reforms, the budget credibility and procurement have been major areas of weaknesses despite gains made over time. Long-term contracts have consistently led to serious over-expenditures. These have had a negative impact on the Government's fiscal discipline. On the domestic revenue side, there remains a tendency to underestimate expected revenues relative to the actual revenues collected. This is further compounded by the nondiscretionary nature of the tax discretions, which has further undermined the tax base. An Integrated Financial Management Information System (IFMIS) has been rolled out to 30 ministries, departments, and agencies (MDAs). Its major use is to control the commitment processes and level of arrears, some of which were accumulated during the war, and recently over unpaid bills owing to tight fiscal space. In its 'Report on the Audit of the Management of the Ebola Funds', the Audit Service of Sierra Leone (ASSL) unearthed a number of financial irregularities associated with the spending of Ebola aid. Scaling up PFM reforms as part of the AF is a direct response to the GoSL's urgent challenges and identified need to improve accountability and good governance.

There are other areas of PFM where the GoSL has made progress. These include limited progress in Treasury management, although problems still remain. The Government chart of accounts uses Government Financial Statistics (GFS) and is compliant with the Classification of the Functions of Government (COFOG), particularly in areas of poverty-related codes. The PFMICP has recently resolved to ensure proper alignment between this classification and budget coding, as the two have not been in line for some time.

The Local Governments Equitable Grants Distribution Formula provides an adequate and accurate basis for distribution of resources to the existing 19 local councils (LCs). This formula mainly covers devolved services although the actual transfers of the resources are seriously below approved budgets and inordinately released.

While on paper MDAs are supposed to prepare costed strategies, inadequate capacity has consistently constrained their accuracy and their usefulness such that they do not render much meaning.

Civil society's role in PFM oversight has improved, owing to support provided by this project,

although there is still room for improvement. A number of nongovernmental organizations are involved in sensitization meetings mainly in areas of budgeting. This has mainly been influenced through preparation of an annual citizen budget. District-level Budget Oversight Committees have also been established and their vibrancy strengthened over time.

However, the GoSL lacks accurate and reliable data that could be used for improved planning, management, and monitoring of domestic resource allocation and use. Data collected by the Government and development partners is generally not shared, limiting the ability of stakeholders to engage in evidence-based policy making or policy discussions or to ensure transparency and accountability to citizens. Investing in data generation, sharing, and use among government entities and by NSAs; piloting new methods of data collection; and boosting access to and understanding existing data for strengthened accountability and enhanced oversight are essential.

Furthermore, the GoSL has difficulties processing tax returns and amendments, as the National Revenue Authority (NRA) does not have a fully integrated tax assessing and collecting system. The PFMICP supported the acquisition and implementation of a more robust, commercial off-the-shelf (COTS) tax administration system to address the shortcomings of the Diagnostic Trade Integration Study (DTIS), which the NRA was using till then. The PFMICP also contributed to the implementation of the transition to an Automated System for Customs Data (ASYCUDA WORLD), helping the country meet its World Trade Organization (WTO) requirements, modernize its tax administration systems, and establish a specialist resource revenue unit within the NRA. This unit is aimed at advising on establishment issues and make available to the Customs and Excise Department (CED) complementary resources to engage in technical assistance (TA) to address operating and capacity-building requirements of the institution.

However, the NRA has not been able to implement ITAS to become the main vehicle for processing business taxes, including value added tax, employer pay as you earn (PAYE), and relevant contracts tax. While ITAS has supported the processing of tax payments, tax refunds, and certain compliance activities for income tax and corporation tax customers, the 'Assessing System' which processes the tax return data and computes the tax liability has, until now, remained on an older system. ITAS would transform the NRA's information provision systems. Instead of crafting each new information system locally, the NRA would be in a position to install a well-integrated, internationally sourced package that seeks to incorporate best practice from information technology systems worldwide. This package will also provide rich choice in features and functions so that the NRA could tailor the package implementation to meet its identified specific needs. ITAS will allow for the full incorporation of Income Tax and Corporation Tax Assessing Systems, which will be a major milestone for revenue in achieving a fully integrated assessing and collection system. It will address many issues and challenges, including addressing the limited ability of the NRA staff to process tax returns and amendments. It will have access to the online calculation of tax liability facility screens to process tax returns and amendments and, upon completion, could also integrate with the Government-wide IFMIS solution.

Audit reports from the last three years have flagged serious core budgeting and procurement issues. The GoSL currently undertakes procurements through a manual tendering process. This process involves obtaining internal approval of the project, publishing a Notice Inviting Tenders in several media outlets, receiving bid submissions (voluminous sheaths of paper) by suppliers, engaging in bid evaluations by buyers, and, finally, the awarding of the procurement order and signing of agreements. The complete process requires a long chain of internal authorizations and scrutiny (at times involving several departments), several visits by suppliers to departments, and the generation of reams of paper-based statements and evaluations. This manual process has been known to be the core source of rent-

seeking behavior by officials that control the requisite processes.

The current manual tender system suffers from many deficiencies, some of which have been adequately captured in the annual government audit reports. In particular, the ASSL's 'Audit Report on Procurement in Selected Public Sector Entities 2016' red-flagged a number of indicators, including but not limited to unfair application of criteria, apparent unreasonable ignoring of the lowest better, non-submission of bid documents or erosion of audit trail, and permitting unexplained 'contingencies'. In general, there is discrimination and delay in the issuance of tender schedules to suppliers. Thus, government departments control the issuance of tender documents to the bidders, after verifying their applications. This gives rise to the existence of an element of subjectivity and discrimination in the process, in addition to delays in the preparation of tender schedules due to shortages of paper and related stationery items in the Government departments. The process has also given rise to cartel formation through dubious means of the participating entities: bidders can gather the list of prospective bidders for a procurement request and use this information to lobby for the formation of syndicates or cartels and bid at higher quotations. Tampering of tender files has also risen: for the purposes of evaluation, the bid documents are transported across the administrative hierarchy, which introduces the risk of tampering or loss along the way.

The transportation of bid documents, manually and through surface mail, is also a time-consuming process, and delays have been noted in the finalization of tenders. Issues such as red tape, lack of transparency, and manual movement of files across the administrative hierarchy have resulted in inordinate delays in the finalization of tenders: typically, tenders for major projects take 90 to 150 days to process. These delays have contributed to cost and time overruns for projects. Procurement is considered a sensitive function, with all related information tightly controlled and closely guarded by Government departments, resulting in a severe lack of transparency in the entire process. This lack of transparency leads to misinformation and a lack of trust in the system by the bidders, media, and the citizens. The creation of an e-Procurement marketplace has therefore been decided upon to deal with such weaknesses. This would facilitate online tendering to provide 'anywhere, anytime' access to the bidders for participating in tendering. This would also eliminate the non-value-adding activities such as manual sale of tender documents, manual opening and reading of bids, preparation of comparative statements (as they are automatically available), audit/cross-check of comparative statements, time spent in movement of files from one person to another, and manual creation of purchase order and delivery schedule, among others.

C. Proposed Development Objective(s)

Original Project Development Objective(s) - Parent

The project development objective (PDO) is: 'to improve budget planning and credibility, financial control and accountability, and legislative and public oversight in the management and use of government finances in Sierra Leone'. Through strengthened institutional capacity for the delivery of effective PFM and oversight, the project will contribute to enhancing fiscal discipline, strategic allocation of resources, and service delivery efficiency.

With this objective, a sound PFM system will be established and nurtured under the proposed project to contribute to poverty reduction as: (i) it serves as a prerequisite for long-term and sustainable poverty reduction, enabling the country to manage its own development; (ii) it helps ensure that budget planning and discipline are compatible with macroeconomic stability, resource allocation is in line with poverty reduction strategies, activities are implemented efficiently, and results are followed up; (iii) national policies are transformed into actions through the PFM system, and services are delivered; and (iv) democratic governance entails democratic control over resources.

In order to achieve the PDO, the Project will support the implementation of priority reform actions identified in the GoSL approved PFM Reform Strategy (2014-2017) which was developed under the following key themes: (i) Budget Planning, Comprehensiveness, and Credibility; (ii) Financial Control and Accountability, Service Delivery and Oversight; (iii) Revenue Mobilization; and (iv) Strengthening Local Governance Financial Management through Local Councils for Effective Decentralization. It will establish tangible improvements in budget credibility, coverage, and realism through improvements in macro-fiscal planning and forecasting, budget compilation and comprehensiveness, it will instill improved internal and external controls and accountability processes in expenditure management for enhanced service delivery, it will strengthen revenue collection, accounting and reporting as a basis for improved fiscal management; it will strengthen the capacity of the decentralized service delivery arm of government (the local councils) to plan and account for the resources transferred to them; and it will support the overall governance and management platform for coordinating and monitoring the implementation of not only the PFM reform project but the PFM reform strategy as a whole.

The PFM Reform Strategy objectives against each of the themes have been accordingly built in the relevant components of the proposed project for efficiency and for the sake of operational implementation of the project. The strategy is anchored on five basic criteria: sequencing of major actions; simplicity and realism; lessons learned in prior reforms; ownership and sustainability; and partnership and collaboration.

Project Beneficiaries: The beneficiaries of the Project will include: the Ministry of Finance and economic Planning (Comptroller and Accountant General's Department, Budget Bureau, PFM Reforms Unit, Aid and Debt Management Unit, and Macro-Fiscal Analysis Unit), National Revenue Authority, Audit Service of Sierra Leone, the Finance and Appropriations Committee and the Public Accounts Committee of Parliament, National Public Procurement Authority, Local Councils. MDAs will also be key stakeholders and beneficiaries of the reforms supported under the project. In addition, the Project will benefit the non-state actors in executing their demand-side oversight responsibilities in the area of PFM.

Proposed Project Development Objective(s) - Additional Financing

The modified project development objective reads as follows: to improve the public financial management system and accountability in the use of government finances.

Key Results

D. Project Description

Detailed Description of New and Scale-up Project Activities

New Activities within Subcomponent 1.3: Public and Electronic Procurement System (Total of US\$ 3.0 million)

Rationale

In Sierra Leone, procurement at all levels of government is decentralized to procurement entities. It is subject to monitoring by the NPPA, a regulatory body with oversight responsibilities in public

procurement matters. Development of the current procurement regime stems from the activities of a tender board established in 2002 to oversee public procurement activities.

With the advanced introduction of web-based technologies across government and the implementation of IFMIS, it has become necessary that the subject matter of electronic procurement be taken advantage of. Although web-based technology is the core of an e-Procurement system, in a place like Sierra Leone its successful use depends on far more than just technology. It is about the appropriate leadership, high-level commitment, policy and legal framework, institutional change management, and human resources that ought to exist to drive the breadth and depth of the reform. The balanced interaction of all these factors will provide the basis for an efficient e-Procurement system with the expected benefits to help tame some of the core problems the country has been facing for quite some time in the governance arena.

Furthermore, with an increased worldwide awareness of the value of opening up a procurement information to improve transparency and accountability, facilitate interoperability of information management systems, and enable effective analysis of procurement performance, it is essential for the GoSL to open up this data as well. This involves having a clear understanding of the type of procurement information that should be available in the new e-Procurement system, the manner in which it should be made public (that is, open formats), and the opportunities for NSAs to engage with this information to enhance oversight and accountability.

Objective

The objective of this subcomponent is to enhance the efficiency and transparency in public procurement within the GoSL through the implementation of a comprehensive, end-to-end e-Procurement solution and to route the entire public procurement activity to be undertaken by the Government through such a system in a phased manner. Doing this will allow for efficiency in handling public procurement by the Government, as well as enhance procurement through automation and process re-engineering, wherein the e-Procurement system shall enable the Government to maintain a clear, unambiguous picture of its procurement activities on a real-time basis.

Through e-Procurement in public procurement, the PFMICP will assist the Government to introduce transparency, achieve cost savings, and reduce inventory cost. The designed e-Procurement processes riding on the back of the IFMIS will ensure that the Government and the supplier community have equal, fair, and unbiased access to opportunities advertised online.

Following the open contracting principles, this subcomponent will allow for the implementation of an open data approach aimed at creating mechanisms to publish procurement data in structured and open formats, according to the Open Contracting Data Standard (OCDS), that could be embedded in the core structure of the e-Procurement system. The OCDS can help improve the quantity, quality, and timeliness of the procurement information and data to be published by providing technical specifications on how to publish contracting data in a more accessible, interoperable, and useful manner.

Proposed Activities

The component activities, which are detailed in the following paragraphs, will be implemented by the NPPA and all participating MDAs. The key to ensuring the sustainability—as well as generating the expected payoff—of e-Procurement is making it operational across MDAs and districts. However, the central agency coordinating and overseeing all these activities and the entire project will continue to be

MoFED.

Establishment of the System by the NPPA (US\$2.5 million of total)

An open contracting assessment will be conducted before establishment of the system to identify the challenges and needs in policies, legal framework, systems, and practices, as well as develop recommendations on how to advance a program that integrates open contracting into the Government's public procurement operational framework. Following that, the NPPA will establish, in close collaboration with the IFMIS team, a centralized e-Procurement system which will be in a position to offer the following services to all MDAs:

- Centralized view of all suppliers registered/blacklisted for all classes
- Online advertising of bidding opportunities
- Online short-listing, comments, and corrections and approvals
- Online submission of bids
- Online sealing of virtual tender box
- Online bid opening, evaluation, and approvals
- Issuance of purchase/work orders online
- Contract award publications
- Data collection and dissemination
- Tracking and handling of procurement-related complaints
- Measurement of procurement performance
- Publication of open procurement/contract data

Capacity Building (US\$0.5 million of total)

Owing to the new way of working for department users and supplier community, the NPPA will develop a strategy to be adopted for provision of training. Such training needs to be multifaceted. As the first step toward capacity building, various one-day awareness programs will be conducted for Government officials in MDAs at a number of locations and, separately, at various districts of the regions. This will be done with the help of the LC administration, where necessary. As a final step, to accustom the e-Procurement users, a comprehensive training calendar will be developed.

Training will be conducted in Freetown in the initial phase and shall subsequently be conducted across various districts. The training shall be provided in classroom contexts wherein the user community shall obtain hands-on experience in using the e-Procurement system. About 25–30 users will be trained in a batch for better training effectiveness. Simultaneously, in addition to training users in a class-room environment, other ways will be adopted, such as development of a training facility at regional centers accessible to Government users. At some point, this may entail e-Learning, wherein a screenshot wise, e-Procurement training manual will be uploaded on the website for ready reference and 'Train-the-Trainer' capability.

Scaled-up Activities within Subcomponent 1.4: Revenue Management Systems and Legal Frameworks (Total of US\$4.5 million)

Rationale

Implementing ITAS will lead to improved revenue administration, business environment, and accountability for the revenues collected by the NRA. Due to a financing gap within the PFMICP, NRA has been unable to procure ITAS to improve taxpayer compliance, service delivery and revenue accounting, as originally planned and proposed by the GoSL and the World Bank. This funding

shortfall was envisioned during the PFMICP design. However, the expected project savings that were to be used to fill this gap never materialized. Furthermore, the partial cancellation of the MDTF has further constricted the existing funds available to fund this activity.

Objective

The objective of this subcomponent is to implement a more robust, off-the-shelf tax administration system that allows for online taxpayer, tax administration, and customs services. The immediate outcome is integrated management of Domestic Tax Revenues and the completion of BPR studies for both customs and domestic taxes. The ultimate outcome is improved services delivery, taxpayer compliance, and tax administration—taxpayer registration, filing, payment and refunding, dispute resolution management, taxpayer services, enforcement, and risk management—leading to improved resource mobilization.

Proposed Activities

Subcomponent activities involve adoption of ITAS; TA for the configuration of the system; migration of data from existing systems, preparation of manuals and training of staff and stakeholders; and comprehensive actions to improve key processes, legislation, and institutions encompassing tax administration functions. On that note, change management, communication activities, and legislative activities will also be funded, the latter including TA in support of the development of adequate legal frameworks that support ITAS and ASYCUDA World.

New Activities within Subcomponent 2.2: Open/Big Data and NSA Oversight (Total of US\$2.5 million)

Rationale

The GoSL has embraced the open data agenda and accomplished significant achievements to date. With support from the World Bank, the Government launched an open data portal, held an International Open Data Day, and engaged in data literacy trainings. The latter helped boost demand for and capacity to use data and leverage information and communication technology (ICT) for improved development results. Most critically, with the World Bank's support, in late 2015, the Ministry of Information and Communication (MIC) led the GoSL in conducting an ODRA—the World Bank's action-oriented assessment of the readiness of the Government to evaluate, design, and implement an open data initiative. However, data and ICT demand and usage remain low, limiting the development impact of such measures. This notwithstanding, MoFED formally requested US\$2.5 million of financial and TA from the World Bank around open data and big data. In response, the task team conferred with the project management team of the PFMICP during the MTR mission to design a new subcomponent around improved service delivery and external accountability.

Issues around service delivery quality in Sierra Leone are central. The need to develop an effective feedback loop to ensure that front line ministries receive the information needed to improve efficiency and effectiveness of their services is crucial. There are currently no effective mechanisms for determining the quality of service delivery aspects in the front line. Through piloting of service quality and anticorruption surveys, followed by institutionalized service delivery feedback loop mechanisms to be financed and established, it is expected that a proper and effective framework for improving such services can be established to the satisfaction of the citizenry.

Information systems set up through IFMIS will be a backbone to enhance increased need for data that

the citizens will need for monitoring service delivery in various sectors of the economy. Big data introduction into the project will make the IFMIS application core for the PFM systems as a center to provide data for a transformational change in sectors.

Objective

The objective of this subcomponent is to strengthen accountability through open and big data, access to information, and enhanced oversight by NSAs. The outcome is enhanced accountability and oversight of resource expenditure, service delivery, and PFM. Such transparency and accountability measures will contribute to the World Bank's broader PFM agenda in Sierra Leone, as well as the project development objective of the PFMICP: to improve efficiency and accountability of PFM systems.

Proposed Activities

Subcomponent activities, which are detailed in the following paragraphs, will be implemented partially by MoFED's NSA authority—an existing implementing unit within the PFMICP—and partially by the Right to Access Information Commission and the MIC. Additional funds in their entirety will be managed by the Project Management Unit (PMU).

Open and big data application activities include integrating open data, big data, and beneficiary feedback into service delivery operations. This will be done through designing, piloting, and scaling up a combination of exploratory uses of big data for enhanced service delivery, service delivery surveys and quality feedback mechanisms, and enhanced grievance redress mechanisms in service delivery operations of key sectors. Following consultations with the task team and PMU, these selected sectors include education, health, land, and water. Activities around improving the open data enabling environment include implementation of Odra recommendations, including piloting the use of big data applications for enhanced service delivery, relaunching and revamping the Government's Open Data Portal, developing sectoral data dashboards, incentivizing the public disclosure of existing government datasets, conducting sensitization campaigns around open data, and introducing a provision for open data by default.

Access to information activities involve ensuring full and effective implementation of the Right to Access Information (RAI) Act. This includes identifying and training RAI officers in MDAs, promoting proactive disclosure of information, popularizing the RAI Act, demand-side data and information trainings, piloting records management good practices with MDAs, and harmonizing digital records management regulations currently in development with the existing RAI Act. This will ensure that access to government information and data is open and available to all.

External oversight and data literacy activities involve scaling up the provision of grants to NSAs and support for fiscal transparency and participation measures (such as the citizens budget and NSA participation in annual budget formulation and policy hearings). The new component will expand and scale up grants to NSAs for carrying out PFM activities, as well as provide both training and grants around social accountability on service delivery in the education, health, water, and land sectors. Furthermore, a new national grant competition will be developed for journalists working on issues of transparency and accountability.

Component Name:

N/A

Comments (optional)

N/A

E. Project location and Salient physical characteristics (if known)

relevant to the safeguard analysis

Freetown and all 19 councils

F. Environmental and Social Safeguards Specialists

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II. IMPLEMENTATION

Existing implementation arrangements of the ongoing PFMICP will be maintained under the proposed AF. MoFED, under the leadership of the minister, and supported by the PMU through the administrative authority of the Financial Secretary as Principal Accounting Officer of MoFED, will be responsible for the overarching strategic coordination and oversight of the project. The PFM Reforms Steering Committee, continuing from the one established under the previous project, has as its main objective to provide strategic oversight and help address all inter-ministerial issues as pertaining to the entire PFM reform agenda of the Government. It will be responsible for providing the overall policy coordination and guidelines for the project in particular and for the PFM reforms in general. It will also be the forum for addressing strategic issues that hamper implementation of project activities. The Steering Committee will continue to meet at least on a semiannual basis. Membership of the committee shall include the Minister of Finance and Economic Development (Chair), the Attorney General and Minister of Justice, Auditor General, Commissioner General of the NRA, the CEO of the NPPA, a representative of the NSAs, the Financial Secretary (being the Deputy Chair of the PFM Technical Management Committee), and the Director of PFM Reforms, who shall serve as the Secretary to the committee. The new entrant to this arrangement will be the Chair of the Open Data Council. Development Partners from the AfDB, DFID, the EU, and the World Bank shall be coopted as members.

The PFMRU shall continue to be responsible for the overall coordination of the PFM reform programs of the GoSL, as outlined in the PFM Reform Strategy and the A4P. This includes broader reforms supported by the Government, the World Bank, the European Commission, DFID, AfDB, the German Development Cooperation, and others. The Acting Director will continue to provide technical advice and support to the Financial Secretary on the planning and implementation of all PFM reforms, liaise with stakeholders and other implementing agencies on the pace and progress of the reforms, and monitor and draw recommendations for the development of all PFM reform programs. The Director shall consolidate and deliver progress reports to MoFED management, PFM Reform Technical Management Committee members, and development partners. The Directorate is headed by an Acting Director of the PFMRU and supported, among others, by a Monitoring and Evaluation Specialist who will be responsible for monitoring the overall PFM reform agenda.

At the request of the Government, a common PFM Unit is being created within MoFED. This unit will manage and take care of all fiduciary functions that include financial management (FM), procurement, monitoring and evaluation, and internal auditing of all World Bank-funded projects. When the unit is created, these aspects of the projects functions would be transferred into the new unit as appropriate. This change would also fit relevant staff within this project into

the organizational structure created for the new unit, as guided by the Financial Secretary. This new unit is planned to be functional on July 1, 2017.

Financial Management, Disbursement, and Procurement

An FM assessment of the PMU of MoFED, the main implementing agency of the project, was conducted at the start of the project. It was later reviewed during the MTR and AF preparation. The FM systems have remained the same and continue to ensure that accurate records are kept and requisite reports produced on time. The objective of the assessment was to determine whether the PMU within MoFED has continued to maintain adequate FM arrangements in place to ensure that the project funds of the AF will be used for the purposes intended in an efficient and economical manner.

The assessment complied with the Financial Management Manual for World Bank-Financial Investment Operations that became effective on March 1, 2010, but was issued on February 4, 2015, as well as the Governance Global Practice Financial Management Assessment and Risk Rating Principles.

Internal controls. The existing internal controls have continued to remain the same. This notwithstanding, there is need to produce a project Financial Management Manual capturing all systems that the project has used to date.

Budgeting. The budgeting cycle and processes for the project have remained the same as the original project.

Accounting and financial reporting. Project accounts inclusive of the AF will continue to be maintained on a cash basis, supported with appropriate records and procedures to track commitments and to safeguard project assets. Quarterly unaudited Interim Financial Reports (IFRs) will continue to be produced every quarter.

Disbursement

Disbursement Methods

The project will continue to use report-based disbursement (IFRs) arrangement as in the original similar to the original project.

Additional instructions for disbursement will remain the same and will be provided in the Disbursement Letter for the AF and be discussed during negotiations.

Financial reporting. IFRs will be prepared on a quarterly basis. They will include sources and uses of funds by project expenditures classification. They will also include a comparison of budgeted and actual project expenditures (commitment and disbursements) to date and for the quarter inclusive of the original project funds. The PMU will submit the IFRs to the World Bank within 45 days following the end of the calendar quarter.

The PMU will produce annual financial statements, and these statements will comply with the World Bank's requirements. These financial statements will comprise the following:

- A Statement of Sources and Uses of Funds
- A Statement of Commitments
- Accounting policies adopted and explanatory notes
- A management assertion that project funds have been expended for the intended purposes as specified in the relevant financing agreements

External audit. The financing will require the submission of audit reports of financial statements for the AF project. Each such audit of the financial statements shall cover the period of one fiscal year of the recipient. An external auditor auditing the original project with qualification and experience satisfactory to the World Bank will be formally appointed to conduct the audit of the AF project's financial statements. A single opinion combining that of the original project and the AF in compliance with International Standards on Auditing will be required. The external auditor will prepare a Management Letter giving observations and comments and providing recommendations for improvements in accounting records, systems, controls, and compliance with financial covenants in the Financing Agreement. The audited financial statements shall be furnished to the World Bank not later than six months after application deadline. The PMU will amend the existing audit contract to include the financial statements for 2017 AF.

Procurement

The borrower will carry out procurement under the project in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers' (Procurement Regulations), dated July 2016, under the New Procurement Framework; the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006 and revised in January 2011; and other provisions stipulated in the Financing Agreements.

Procurement under this project shall be carried out by the PFMICP Implementation Unit that is implementing the current project.

The procuring entity as well as bidders and service providers (that is suppliers, contractors, and consultants) shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance with paragraph 3.32 and annex IV of the Procurement Regulations.

As part of the preparation of the AF of the project, the PMU shall prepare a Project Procurement Strategy for Development (PPSD) which will describe how procurement activities will support project operations for the achievement of project development objectives and deliver value for money. The procurement strategy will be linked to the project implementation strategy ensuring proper sequencing of the activities. The PPSD will consider institutional arrangements for procurement; roles and responsibilities; thresholds, procurement methods, and prior review, and the requirements for carrying out procurement. It will also include a detailed assessment and description of PMU capacity for carrying out procurement and managing

contract implementation, within an acceptable governance structure and accountability framework. Other issues to be considered will include the behaviors, trends, and capabilities of the market (that is, market analysis) to respond to the procurement plan.

III. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	The project does not involve works or activities with environmental and social impacts. No environmental or social safeguards policies are being triggered for the AF of the project. The environmental category of the project remains at category “C”.
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	The project does not involve land acquisition leading to involuntary resettlement or restrictions of access to resources or livelihoods.
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	

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>No environmental or social safeguards policies are being triggered for the AF of the project. The environmental category of the project remains at category “C”</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p> <p>There are no significant changes in fiduciary, safeguard, or other design aspects of the project since it was appraised., thus there are no potential indirect and long term impact related to anticipated future activities of the project.</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p>

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

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why::
No environmental or social safeguards policies are being triggered for the AF of the project. The environmental category of the project remains at category "C".

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information						
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	NA	<input checked="" type="checkbox"/>
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	NA	<input checked="" type="checkbox"/>
All Safeguard Policies						
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	NA	<input checked="" type="checkbox"/>
Have costs related to safeguard policy measures been included in the project cost?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	NA	<input checked="" type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	NA	<input checked="" type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	NA	<input checked="" type="checkbox"/>

V. Contact point

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Borrower/Client/Recipient

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VI. For more information contact:

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VII. Approval

Task Team Leader(s):	Name:Donald Herrings Mphande	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Maman-Sani Issa (SA)	Date: 02-May-2017
Practice Manager/Manager:	Name: George Addo Larbi (PMGR)	Date: 10-May-2017
Country Director:	Name:Sergiy V. Kulyk (CD)	Date:15-May-2017