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IDA/R2017-0170/1

May 18, 2017

<p>Closing Date: Wednesday, June 7, 2017 at 6 p.m.</p>

FROM: Vice President and Corporate Secretary

Sierra Leone

Public Financial Management Improvement and Consolidation Project

Additional Financing and Restructuring

Project Paper

Attached is the Project Paper regarding a proposed additional credit and restructuring to Sierra Leone for a Public Financial Management Improvement and Consolidation Project (IDA/R2017-0170), which is being processed on an absence-of-objection basis.

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Report No: PAD2235

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT AND RESTRUCTURING

IN THE AMOUNT OF SDR 7.30 MILLION
(US\$10 MILLION EQUIVALENT)

TO THE

REPUBLIC OF SIERRA LEONE

FOR A

PUBLIC FINANCIAL MANAGEMENT IMPROVEMENT AND CONSOLIDATION
PROJECT

May 16, 2017

Governance Global Practice
Africa Region

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CURRENCY EQUIVALENT

(Exchange Rate Effective April 28, 2017)

Currency Unit = Sierra Leonean Leone (SLL)

US\$0.72938396 = SDR 1

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AA	Administration Agreement
AF	Additional Financing
AGD	Accountant General's Department
AfDB	African Development Bank
ASSL	Audit Service of Sierra Leone
ASYCUDA	Automated System for Customs Data
BoSL	Bank of Sierra Leone
BPR	Business Process Re-engineering
CAATs	Computer Assisted Audit Techniques
CED	Customs and Excise Department
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DFID	U.K. Department for International Development
DTIS	Domestic Tax Information System
EDMS	Electronic Document Management System
EU	European Union
FA	Financing Agreement
FM	Financial Management
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GoSL	Government of Sierra Leone
GRP	Government Resource Planning
GRS	Grievance Redress Services
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IMF	International Monetary Fund
IPF	Investment Project Financing
ISR	Implementation Status and Results Report
ITAS	Integrated Taxation Administration System
JCAS	Joint Country Assistance Strategy
LC	Local Council

MDAs	Ministries, Departments, and Agencies
MDTF	Multi-Donor Trust Fund
MIC	Ministry of Information and Communication
MoFED	Ministry of Finance and Economic Development
MTR	Midterm Review
NPPA	National Public Procurement Authority
NRA	National Revenue Authority
NSA	Non-state Actor
OCDS	Open Contracting Data Standard
ODRA	Open Data Readiness Assessment
PAYE	Pay as You Earn
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMICP	Public Financial Management Improvement and Consolidation Project
PMU	Project Management Unit
PPSD	Procurement Strategy for Development
RAI	Right to Access Information
SCD	Systematic Country Diagnostic
SME	Small and Medium Enterprise
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TSA	Treasury Single Account
WTO	World Trade Organization

Regional Vice President:	Makhtar Diop
Country Director:	Henry G.R. Kerali
Senior Global Practice Director:	Deborah L. Wetzel
Country Manager:	Parminder P. S. Brar
Practice Manager/Manager:	George Larbi
Task Team Leader:	Donald Herrings Mphande

REPUBLIC OF SIERRA LEONE
PUBLIC FINANCIAL MANAGEMENT IMPROVEMENT AND CONSOLIDATION
PROJECT ADDITIONAL FINANCING (P162667)

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ADDITIONAL FINANCING DATA SHEET

Sierra Leone

*Public Financial Management Improvement and Consolidation - Additional Financing Project
(P162667)*

AFRICA

Governance Global Practice

Basic Information – Parent							
Parent Project ID:	P133424	Original EA Category:	C - Not Required				
Current Closing Date:	31-Mar-2018						
Basic Information – Additional Financing (AF)							
Project ID:	P162667	Additional Financing Type:	Restructuring, Financing Gap				
Regional Vice President:	Makhtar Diop	Proposed EA Category:	C				
Country Director:	Henry G. R. Kerali	Expected Effectiveness Date:	30-September 2017				
Senior Global Practice Director:	Deborah L. Wetzel	Expected Closing Date:	31-March-2020				
Practice Manager/Manager:	George Addo Larbi	Report No:	PAD2235				
Team Leader(s):	Donald Herrings Mphande						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Government of Sierra Leone	Momodu Kargbo	Minister	23230209350	Mkargbo@gmail.com			
Project Financing Data - Parent (Public Financial Management Improvement and Consolidation Project-P133424) (in US\$, millions)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P133424	IDA-53500	Effective	27-Nov-2013	17-Jan-2014	19-Sep-2014	31-Mar-2018	31-Mar-2018
P133424	TF-17201	Effective	25-Jul-2014	25-Jul-2014	19-Sep-2014	31-Mar-2018	31-Mar-2018
Disbursements							

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P133424	IDA-53500	Effective	US\$	12.00	12.00	0.00	6.88	4.20	57.36%
P133424	TF-17201	Effective	US\$	4.60	4.60	0.00	4.60	0.00	100%

Project Financing Data - Public Financial Management Improvement and Consolidation - Additional Financing Project (P162667) (in US\$, millions)

[] Loan [] Grant [] IDA
[X] Credit [] Guarantee [] Other

Total Project Cost: 10.00 Total Bank Financing: 10.00

Financing Gap: 0.00

Financing Source – Additional Financing (AF)	Amount
IDA Credit	10.00
Total	10.00

Policy Waivers

Does the project depart from the CAS in content or in other significant respects? No

Explanation

Does the project require any policy waiver(s)? No

Explanation

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Donald Herrings Mphande	Team Leader (ADM Responsible)	Lead Financial Management Specialist	Lead Financial Management Specialist	GGO31
Innocent Kamugisha	Procurement Specialist (ADM Responsible)	Procurement Specialist	Procurement Specialist	GGO01
Sydney Augustus Olorunfe Godwin	Financial Management Specialist	Financial Management Specialist	Financial Management Specialist	GGO31
Daniel Nogueira-Budny	Team Member	Consultant	Consultant	GGODR
Marie J. Bolou	Team Member	Senior Operations Assistant	Senior Operations Assistant	GGO31
Victor Boakye-Bonsu	Team Member	Senior Financial Management	Senior Financial Management Specialist	GGO31

		Specialist			
Extended Team					
Name		Title		Location	
Elena Correa		Senior Social Scientist		India	
Ezgi Canpolat		Consultant		World	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Sierra Leone		Tonkolili District	X	X	All local councils are participating in the project.
Sierra Leone		Pujehun District	X	X	
Sierra Leone		Port Loko District	X	X	
Sierra Leone		Moyamba District	X	X	
Sierra Leone		Kono District	X	X	
Sierra Leone		Koidu New Sembehun City	X	X	
Sierra Leone		Koinadugu District	X	X	
Sierra Leone		Kenema District	X	X	
Sierra Leone		Kenema City	X	X	
Sierra Leone		Kambia District	X	X	
Sierra Leone		Kailahun District	X	X	
Sierra Leone		Bonthe District	X	X	
Sierra Leone		Bonthe Municipal City	X	X	
Sierra Leone		Bombali District	X	X	
Sierra Leone		Makeni City	X	X	
Sierra Leone		Bo District	X	X	
Sierra Leone		Bo City	X	X	
Sierra Leone		Freetown City	X	X	
Sierra Leone		Western Rural District	X	X	
Institutional Data					
Parent (Public Financial Management Improvement and Consolidation Project-P133424)					

Practice Area (Lead)
Governance
Contributing Practice Areas: None
Additional Financing AF: (Public Financial Management Improvement and Consolidation Project-P162667)
Practice Area (Lead)
Governance
Contributing Practice Areas: None
Consultants (Will be disclosed in the Monthly Operational Summary)
Consultants Required? Consultants will be required.

Project Paper

I. Introduction

1. **This Project Paper seeks the approval of the Executive Directors to provide an Additional Financing (AF) of US\$10.0 million equivalent to the Republic of Sierra Leone for the Public Financial Management Improvement and Consolidation Project (PFMICP, P133424).** The proposed AF is an International Development Association (IDA) credit to (a) introduce an electronic procurement (e-Procurement) platform, (b) address the funding gap associated with implementation of the Integrated Taxation Administration System (ITAS), and (c) introduce new activities around open and big data and scale-up of the support of non-state actors (NSAs) within the new Component 1.

2. **The proposed AF will strengthen the overall development impact of the PFMICP, adjust the World Bank's assistance to better reflect changing government priorities and circumstances, and enhance the overall achievement of the Project Development Objective (PDO).** As part of the proposed AF, the overall project will be restructured to (a) revise the PDO; (b) revise several components to reflect new and dropped activities; (c) revise the Results Framework and Monitoring to reflect the AF and progress to date; and (d) extend the closing date by two years, to March 31, 2020.

II. Background and Rationale for Additional Financing

Country Context and Development Challenges

3. **Sierra Leone has achieved significant political and economic progress since the civil war officially ended in February 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 addressing the lasting social and economic effects under the National Post-Ebola Recovery Strategy of the Government of Sierra Leone (GoSL).

4. **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.

Sector Context

5. **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, led by the Ministry of Finance and Economic Development (MoFED) and supported by the World Bank and other development partners, cover 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 some more recently as the result of 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.

6. **The GoSL has made limited progress in other PFM areas, including in Treasury management, where problems remain.** The Government chart of accounts uses Government Financial Statistics (GFS)-2001 and is compliant with the Classification of the Functions of Government (COFOG), particularly in poverty-related areas. The GoSL through 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.

7. **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 below approved budgets and not released on time to facilitate timely budgetary implementation.

8. **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. These costed strategies usually bear little connection to the actual submitted and approved budget.

9. **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.

10. **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 not proactively 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.

11. **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 Domestic Tax Information System (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 supported operations of the specialist resource revenue unit within the NRA by providing them with two vehicles to aid their mines inspections.

12. **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 intends to support 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 meet its identified specific needs. ITAS will allow for the full incorporation of Income Tax and Goods and Services Tax Assessing Systems, which will be a major milestone for the NRA in achieving a fully integrated assessment 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.

13. **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 sheets 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.

14. **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 bidder, 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 current process is prone to the rise of cartel formation through dubious means of the participating entities: bidders could gather the list of prospective bidders for a procurement request and then use this information to lobby for the formation of syndicates or cartels and bid at higher quotations. Tampering of tender files has also reportedly 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.

15. **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.

Description of the Project and Its Performance

16. **Performance of the project and related PDO indicators.** The project was approved by the World Bank Board on November 27, 2013 and was expected to become effective on March 1, 2014. The effectiveness date was delayed by almost nine months to September 19, 2014 owing to the Government’s inability to meet some of the core requirements, such as the hiring of an International Procurement Specialist. For the first two missions, the project was rated Unsatisfactory because of limited implementation owing to the Ebola crisis. Subsequent progress resulted in both the PDO and Implementation Progress being upgraded to Moderately Satisfactory in April 2016. Since then both ratings have remained Moderately Satisfactory. At midterm review (MTR), in October 2016, the project had already met 50 percent of its PDO-level indicators. The core beneficiary targets slated at 200 (Year 1) has been exceeded and the percentage of female beneficiaries within the composition of beneficiaries is above the target of 50 percent for each year. The scope, nature, and follow-up of external audits (PI-26) currently has a rating of C+ (up from D+, with an end target of B), average return outturn compared to original approved budget (PI-3) currently has a rating of A (up from D, with an end target of B), and average expenditure outturn compared to original approved budget (PI-1) currently has a rating of A (up from C, with an end target of C).

17. **Overall project performance.** The project has made considerable progress to date, despite losing close to seven months to the Ebola crisis since effectiveness. The IFMIS solution

has already been rolled out to 30 sites, representing 67 percent of the project's original target. Over 60 percent of the Government budget and related expenditures are now captured live within the new system. A Public Investment Policy and related manual have been developed to guide overall capital investment. Significant regulatory reforms within the NRA have been made to establish the foundation for enhanced revenue collection. A Citizen Budget Charter has been developed and is now in use, enabling citizens to access and better understand the budget cycle and budgeting decisions. The ASSL audit coverage has increased from a low base of 45 percent when the project became effective, to 80 percent. The GoSL undertook a payroll audit covering over 50 percent of government employees, which resulted in the removal of 12,500 ghost workers. These achievements notwithstanding, the project has met a few challenges. These include difficulties in properly coordinating planned reforms within the project owing to a multiplicity of players, as well as lack of capacity to direct and implement reforms that have far reaching impact and entail sustained downstream policy and structural reforms emanating from what has been hitherto undertaken.

18. **The project achieved a 69 percent overall disbursement rate.** The original financing arrangement comprised an IDA credit (US\$12 million), parallel financing from the African Development Bank (AFDB) (US\$3.50 million), and two contributors to the Multi-Donor Trust Fund (MDTF): the European Union (EU) (US\$1.81 million) and U.K. Department for International Development (DFID) (US\$11.19 million). The current disbursement rate emanates from US\$6.88 million of US\$12.00 million, or 57.36 percent of the IDA credit, and US\$6.24¹ million of US\$13.00 million disbursed to the MDTF against a projected cumulative disbursement rate of 72 percent by the October 2016 MTR (see Table 1, below). More than half of the intermediate indicators had been met by then. In Component 1 (Enhancing Budget Planning and Credibility), two out of four intermediate indicators had been met. Two out of six targeted intermediate indicators have been met within Component 2 (Procurement, Financial Control, Accountability, and Oversight). None of the set targeted intermediate indicators for Component 3 (Supporting the Strengthening of Revenue Mobilization and Administration Systems) have been met, though core indicator activities leading to the attainment of the set targets are almost complete. Within Component 4 (Strengthening Local Governance, Financial Management, and Accountability Systems), one of the four set targeted intermediate indicators has been met. At the MTR of the project, a decision was made to reorganize the components, enhance coordination and implementation, and refocus activities on just a few areas that have been agreed, to meet the intended intermediate indicators and objective within the period so that the progress is appropriately measured and tracked.

¹ While only US\$4.6M is reflected on Operations Portal, DFID released an additional US\$1.63M on August 8, 2016. This amount is not yet available in Client Connections, as DFID funds are routed through a parent trust fund; this amount has yet to be transferred from the parent trust fund to the child trust fund.

Table 1: Original Financing Arrangement and Disbursements to Date (in US\$ million)

Project Data			Project Performance Ratings (no formal rating for current mission)		
Financier	Original Allocation	Disbursed (US\$ Equivalent)			
IDA	12.00	6.88	<i>Summary Ratings:</i>	Last	Now
MDTF (EU & DFID)	13.00	6.24	<i>Achievement of PDO:</i>	MS	MS
AfDB	3.50	1.65	<i>Implementation Progress:</i>	MS	MS
Total	28.50	14.77	<i>PDO = Project Development Objectives</i>		

19. **The project’s ability to meet its intended development objectives was rated Moderately Satisfactory.** Its implementation progress was also rated the same. These ratings reflect a mixture of core improvements across most components, as outlined above, except for one (Component 4), which encountered some challenges. Overall, the biggest challenge has been appropriate and timely coordination across various stakeholders within the Government where there is low capacity. Furthermore, the Ebola crises took away seven months of implementation time. The confluence of weak governance environment and latent elite capture has at times stalled the desired reforms. By reorganizing the project and refocusing on a few core pillars which will be appropriately coordinated and monitored, it is expected that much progress will be made. Preparatory work, which is at advanced stages in revenue systems and IFMIS will be delivered easily. An increase in the demand side through big data for service delivery will give citizens enough voice to demand reform. Through digitizing procurement which will be directly linked to budgeting, it is expected that a key level of control will be established to thwart a core avenue which has in the past promoted weak governance and corruption. Improvements in these selected reform areas, better coordination across the Government departments and extended hands-on implementation support by the World Bank team are likely to lead to satisfactory performance of the project.

20. **There is substantial compliance with key loan covenants, including audit and FM requirements.** The only lagging covenant had been the hiring of an International Procurement Specialist. However, a specialist has since been hired.

Consistency with the Country Assistance Strategy

21. **The proposed AF is fully consistent with the GoSL’s Agenda for Prosperity (A4P), as well as the World Bank’s FY10-13 (which was extended to end in 2016) Joint Country Assistance Strategy (JCAS, Report No 52297-SL) with the AfDB and its draft Systematic Country Diagnostic (SCD).** The A4P provides the framework for the country’s social and economic development for 2013–2018 and its vision to become a middle-income country by 2035. This includes a particular focus on governance and public sector reform, including PFM: ‘anticorruption and transparency; improving budgeting, expenditure management, and revenue mobilization; developing the work of the Audit Service, as well as internal audit; strengthening public procurement and fiscal decentralization.’ Sierra Leone’s JCAS holds as its first pillar

‘Good Governance, Security, and Peace’, which includes PFM, local government reforms, and anticorruption measures. The draft SCD cites the importance of mitigating the impact of governance constraints on development, including through investments in mechanisms to increase communication and feedback channels between citizens and the state, improve citizen trust in public institutions, and capture accurate and reliable data on citizen needs and demands so that the state can effectively deliver public services. This AF was prepared in line with the draft SCD, the JCAS, and the World Bank’s focus on strengthening country systems and helping to build the demand for good governance, as well as Pillar 7 of the GoSL’s A4P: ‘Governance and Public Sector Reform’.

Rationale for the Additional Financing

22. **The team recommends the approval of the AF owing to the Government’s request to reprioritize project activities, consistent incremental performance of the project to date after a slow start (arising from exogenous factors), and the project’s current financing gap.** This has been done through adding new, critical activities as well as dropping less critical ones. The AF is appropriate and will cover the financing gap in the project, specifically within the old Component 3 around support for domestic resource mobilization that arose from original under-costing², which was then exacerbated with the exit of key development partners from the project due to their changing priorities and focus since the project became effective. Generally, the longer a project takes, the greater the project costs will be. Project timescales are dependent on the specification of a project. While it was envisioned that the procurement of ITAS would be undertaken earlier on within the project, the onset of Ebola took away the preparatory time and the increase in the cost of the system could not be fully met through project cost savings. The additional resources will place the project in a better position to meet its core development objectives. Further, the resources will help ensure attainment of desired results that meet government priorities; address the financing gap, and allow for simplification of the project design and extension of the closing date.

23. **The AF is aimed at enhancing development effectiveness of the project through the financing of three complementary policy areas that aim to have a positive cumulative effect on the country’s PFM.** This will happen through enhanced efficiency and transparency in public procurement, improved revenue accounting systems within the NRA, greater openness, and use of open and big data for enhanced development results. Taken together with prior activities being funded by the project, these activities will improve public engagement and oversight, which will contribute to the World Bank’s broader PFM agenda in Sierra Leone of enhancing fiscal discipline, strategic allocation of resources, and service delivery efficiency.

(a) Financing Gap

24. **Part of the AF will be for a fundamental restructuring of existing components and subcomponents in light of the significant funding gap within the parent project, as based on the findings of the MTR in October 2016.** The original financing plan was as follows: IDA: US\$12 million, AfDB: US\$3.50 million (parallel financing), MDTF-EU: US\$1.81 million,

² The shortfall to finance ITAS was envisaged at the time of project preparation. However, it was initially envisaged that it would be met through project savings that have not been possible to date. An additional US\$4.5 million is thus necessary to enable the full functionality of the integrated system within the NRA.

MDTF-DFID: US\$11.19 million of which only US\$6.24 million has been released. Within this arrangement, the AfDB has only paid US\$1.65 million to date (although the rest of their commitment is expected to be released). The EU has not released any funds to date. Following the MTR, DFID indicated that it will not release the remaining tranches³ amounting to US\$4.95 million according to the Administration Agreement (AA) because of changes in its priorities and focus. During preparation of the project, the World Bank had placed a moratorium on signing any new AAs with the EU until further notice. The funds which would have been earmarked for the project were therefore redeployed elsewhere pending further action from the World Bank. Annex 3 shows the remaining total resources within the project resource envelope after the DFID and EU planned withdrawal, as well as the proposed reallocation based on original design and project components.

25. **The overall financing gap within the project was estimated at US\$10 million before the DFID and EU pullout and the projected possible currency fluctuation.** This gap is at variance with government estimation of the same as adduced in their letter of November 17, 2016 which estimates the financing gap at US\$15 million. The World Bank and development partners assessed that the Government's estimation is overstated because it encompasses reforms beyond the ambit of the project.

26. **With the withdrawal of DFID's and EU's remaining resources, the project has to be restructured to fit the available finance and focus on core activities linked to new priorities and the proposed revised PDO.** Given this reduced level of available resources, the proposed restructuring will streamline the existing activities—including dropping a number of smaller, less pressing reform programs⁴—and focusing the existing resources and AF on two main pillars that have been identified by the GoSL and the World Bank as priority areas: Strengthening Budget, Financial, Procurement, and Taxation Systems (new Component 1) and Improving PFM Oversight and Accountability Systems (new Component 2). Component 3 will remain the same in form and substance to the original Component 5: PFM Reform Coordination and Project Management. Budget aspects of Component 4 have been absorbed into the new Component 1. With other cost savings made, remaining activities will be within the anticipated budget.

(b) Introduction of New Subcomponents

27. **The GoSL formally requested two new activities, necessitating the need to scale up the project to address these new demands through the introduction of two new subcomponents.** These are (a) open and big data and (b) e-Procurement. Annex 2 provides a detailed description of these two new project activities.

28. **The Government is committed to delivering upon these two aforementioned activities.** The Task Team confirms that scope of the scale-up can be accommodated in the context of the ongoing project, relying on the Borrower's existing implementation capacity and

³ DFID tranches - on project effectiveness GBP 3,100,000 (paid; by August 31, 2014 – GBP 1,250,000 (paid); by April 30, 2015 – GBP 1,500,000 (withdrawn); by October 31, 2015 - GBP 1,250,000 (withdrawn); and by April 30, 2016 – GBP 918,382 (withdrawn).

⁴ Dropped reforms include activities around: public investment management; fiscal risk management and reporting; cash, debt, and aid management; and local governance-strengthening public procurement systems and strengthening oversight and transparency systems and practices.

other project arrangements in place. The new and revised activities would not raise any additional environmental categories of the project or trigger any new safeguard policies. Similarly, the proposed activities are largely consistent with the original PDO and are strategically aligned with the JCAS and the draft SCD.

(c) Restructuring

29. **The restructuring required for the AF provides an opportunity for the reorganization and recalibration of the project to ensure that it focuses on fewer but impactful activities.** Streamlining and simplifying activities will facilitate implementation and oversight of the project and better ensure satisfactory achievement of the PDO. This is particularly the case in post conflict contexts with weak institutional capacity, such as Sierra Leone, which face a number of uncertainties and hurdles such that action plans—even if based on well-designed, reform agendas—unfold in unpredictable ways.⁵ **At preparation stage, the project was designed with five components and 25 subcomponents.** Inclusion of some subcomponents was based not on objectives but the competing interests of stakeholders. This structural complexity has complicated coordination and implementation of activities on the client side and tracking of progress through monthly reports on the donor side.

30. **With the introduction of new subcomponents and activities, all subcomponents were reviewed and evaluated as to their merit.** Given the financing gap, some of these subcomponents were dropped altogether based on reprioritization and the interest by other development partners of supporting such activities outside the project. Annex 3 details the proposed reorganized and restructured project components and subcomponents.

(d) Justification for Requested Closing Date Extension

31. **The GoSL, in consultation and agreement with the Task Team, is requesting a 24-month extension in view of the significant time lost in implementation due to the Ebola crisis and implementation of the additional AF activities.** The new project closing date would be March 31, 2020. The introduction of core new PFM and transparency-related reforms calls for sufficient time and implementation to ensure that they are effective and yield the intended results going forward.

III. Proposed Changes

Summary of Proposed Changes

Overall, the resource envelope is anticipated to change following the AF and the withdrawal of the EU and DFID from the project. Furthermore, a major change is the reorganization of the project components to focus on the core aspects of Sierra Leone's PFM reform agenda. Consequently, changes include: (a) revision of the PDO, (b) change in component composition and cost, (c) introduction of new subcomponents, (d) realignment of the Results Framework; and, (e) revision of the closing date.

⁵ See, for instance, World Bank. 2012. Public Financial Management Reforms in Post-Conflict Countries: Synthesis Report. Washington, DC: World Bank

Change in Implementing Agency	Yes [] No [X]
Change in Project's Development Objectives	Yes [X] No []
Change in Results Framework	Yes [X] No []
Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [X] No []
Change in Loan Closing Date(s)	Yes [X] No []
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [X] No []
Change in Disbursement Estimates	Yes [X] No []
Change to Components and Cost	Yes [X] No []
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [X] No []
Change in Procurement	Yes [X] No []
Change in Implementation Schedule	Yes [X] No []
Other Change(s)	Yes [] No [X]
Development Objective/Results	
Project's Development Objectives	
Original PDO	
The Project Development Objective (PDO) is to improve budget planning and credibility, financial control, accountability and oversight in government finances in the Recipient's territory.	
Change in Project's Development Objectives	
Explanation:	
The existing PDO, noted above, will be modified to reflect the proposed AF and restructuring and introduction of the new subcomponents on e-Procurement and open and big data activities.	
Proposed New PDO - Additional Financing (AF)	
The revised PDO is to improve the public financial management system and accountability in the use of government finances.	
Change in Results Framework	

Explanation:

By MTR (October 2016), the project had met 61 percent of its intended intermediate indicators as outlined in Annex 1. Due to the addition of the two new subcomponents, the Results Framework is being revised. A summary of the additional intermediate indicators is further outlined in Annex 1. End target dates are also updated to reflect the revised closing date.

PDO and intermediate indicators will be revised and new ones will be proposed to measure progress on the newly introduced activities within the designated subcomponents. Annual and end targets for some indicators will also be adjusted. While most of the Public Expenditure and Financial Accountability (PEFA)-based indicators were proposed to be dropped during the MTR to simplify the Results Framework and Monitoring so that implementation can be assessed more frequently, a few have been retained since they provide the most appropriate way to measure progress. For PEFA-based indicators which have been retained, some are for the sake of consistency and clearly established baselines, as the GoSL has established a system for tracking such indicators. A few proxy indicators to measure progress in new and old areas have since been introduced while most have been dropped as proposed by the MTR.

The team has selected a minimal number of indicators to measure where necessary whether absolute progress towards the strategic objective is being achieved. In a few circumstances, proxy indicators have been adopted to indirectly measure achievement of progress where direct measures are difficult to assign. These indicators will not create an additional burden on the client to collect relevant data.

Compliance

Covenants - Additional Financing (Public Financial Management Improvement and Consolidation -Additional Financing Project - P162667)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
IDA	Schedule 2 Section I.2	Without limitation upon the provisions of paragraph 1 of Schedule 2 of the Financing Agreement (FA) the recipient shall maintain, at all times during the implementation of the Project, the PFM Reforms Steering Committee, with a composition, mandate, terms of reference, and resources satisfactory to the Association, to be responsible for, <i>inter alia</i> , providing strategic oversight and policy guidance on matters relating to the Project.		<input type="checkbox"/>	Continuous	New
IDA	Schedule 2 Section I.3	Without limitation upon the provisions of paragraphs 1 and 2 of		<input type="checkbox"/>	Continuous	New

		Schedule 2 of the FA the Recipient shall maintain, at all times during the implementation of the Project, a PFM Technical Management Committee, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for providing quality assurance on technical aspects of the Project.				
IDA	Schedule 2 Section I.4	Without limitation upon the provisions of paragraphs 1, 2 and 3 of Schedule 2 of the FA, the Recipient shall maintain, at all times during the implementation of the Project, an IFMIS Project Management Implementation Coordination Team, with a composition, mandate, terms of reference and resources satisfactory to the Association, to be responsible for, inter alia, day to day implementation, coordination and management of activities under Part 1(b)(i) of the Project. To this end, the Recipient shall, through MoFED, not later than two (2) months after the Effective Date, appoint in accordance with the provisions of Section III of this Schedule 2, and thereafter maintain at all times during Project implementation, an IFMIS project manager, with qualifications, experience and terms of reference satisfactory to the Association.		<input type="checkbox"/>	Ongoing	New
IDA	Schedule 2 Section I.5	Without limitation upon the provisions of paragraphs 1, 2, 3 and 4 of Schedule 2 of the FA, the Recipient shall designate, at all times during the implementation of the Project, the Audit Service of Sierra Leone, with a composition, mandate, terms of reference and resources satisfactory to the		<input type="checkbox"/>	Continuous	New

	<p>Association, to be responsible for audit of the Project, subject to the provisions of Section II.B.5 of the FA.</p> <p>The Recipient shall, no later than six (6) months after the Effective Date, appoint an External Auditor, in accordance with the provisions of Section III of Schedule 2 of the FA. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.</p>				
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Conditions

Source of Fund	Name	Type
IDA	Project Implementation Manual	

Description of Condition

The Recipient has revised and adopted the Project Implementation Manual in accordance with paragraph B.1 of Schedule 2 to the FA.

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	Substantial
OVERALL	Substantial

Finance						
Loan Closing Date - Additional Financing (Public Financial Management Improvement and Consolidation -Additional Financing Project - P162667)						
Source of Funds				Proposed Additional Financing Loan Closing Date		
IDA Credit				March 31, 2020		
Loan Closing Date(s) - Parent (Public Financial Management Improvement and Consolidation Project - P133424)						
Explanation:						
The closing date of the project will be extended to March 31, 2020 to be aligned with the closing date of the AF and the proposed restructuring.						
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)	
IDA-53500	Effective	31-Mar-2018	31-Mar-2018	31-Mar-2020	31-Mar-2018	
TF-17201	Effective	31-Mar-2018	31-Mar-2018	31-Mar-2020 ⁶	31-Mar-2018	
Expected Disbursements (in US\$, millions) (including all Sources of Financing)						
Fiscal Year	2017	2018	2019	2020	2021	Fiscal Year
Annual	3.20	7.90	2.80	1.60	0.72	Annual
Cumulative	18.69	26.59	29.39	30.99	31.71	Cumulative
Allocations - Additional Financing (Public Financial Management Improvement and Consolidation -Additional Financing Project - P162667)						
Source of Fund	Currency	Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Proposed	Proposed	Proposed	Proposed
IDA	US\$	Goods, non-consulting services, consultants services, Training and Operating Costs	9,700,000.00		97.00	
IDA	US\$	NSA Sub-Grants	300,000.00 ⁷		3.00	

⁶ This will entail amending the existing Trust Fund Agreements, to be done one month after approval of the AF by the World Bank Board.

⁷ NSA sub-grants will be discrete but any resources for strengthening oversight will be under Subcomponent 2.3 in the reorganized arrangement.

		Total:	10,000,000.00	
Components				
Change to Components and Cost				
<p>Explanation:</p> <p>Overall, the project will be restructured and reorganized into two core components. These are (a) PFM IT systems and (b) Public Oversight and Accountability. The old Component 5 has now become Component 3 and its composition has not changed; budgetary activities from old Component 4 were shifted to the new Component 1 while local governance activities from old Component 4 were mostly dropped.</p> <p>Component 1 – Strengthening Budget, Financial, Procurement, and Taxation Systems</p> <p>1.1 - Budget planning, credibility and framework formulation (national and local);</p> <p>1.2 - IFMIS and accounting and reporting systems;</p> <p>1.3 - public and electronic procurement systems;</p> <p>1.4 - revenue management systems and reform of legal framework</p> <p>Component 2 – Improving PFM Oversight and Accountability Systems</p> <p>2.1 - Strengthening audit (internal and external) and oversight aspects</p> <p>2.2 - Open/big data and NSA oversight.</p> <p>The AF will focus on restructuring existing components to introduce two subcomponents. The first new subcomponent is 1.3: Public and Electronic Procurement System, which will finance introduction of an electronic procurement system at the National Public Procurement Authority (NPPA), followed by a complete rollout of the system to other MDAs and capacity building for the same, in addition to delivering upon existing activities within the old Subcomponent 2.3: Strengthening Public Procurement and Contract Management Systems. Activities under this subcomponent are detailed in Annex 2 and include establishment of the system under the NPPA as well as capacity building and related work around open contracting. The second new subcomponent will be 2.2: Open/Big Data and NSA, which will finance scaled-up activities around NSAs (old Subcomponent 2.5.2: NSA) as well as new activities around the introduction of open data and big data into the Government. The AF will also provide additional resources to the existing ITAS under Subcomponent 1.4: Revenue Management Systems and Reform of Legal Frameworks, the old Subcomponent 3.2: Revenue Systems, Business Processes, Collection, and Reconciliation.</p> <p>Furthermore, owing to DFID’s and the EU’s withdrawal from the MDTF, costs for all subcomponents had to be reduced accordingly. To ensure successful implementation of activities, this necessitated dropping the following subcomponents: 1.2 (Support for the Public Investment Management Function); 1.3 (Fiscal Risk Management and Reporting); 2.2 (Cash, Debt, and Aid Management); 3.1 (Tax Legislation and Regulatory Policy) with the exception of ITAS and ITAS-related legislative aspects; 4.3 (Local Governance – Strengthening Public Procurement Systems); and 4.4 (Strengthening Oversight and Transparency Systems and Practices)..</p> <p>All the remaining subcomponents were restructured into two new components mentioned above: Strengthening Budget, Financial, Procurement, and Taxation Systems (new Component 1) and</p>				

Improving PFM Oversight and Accountability Systems (new Component 2). The old subcomponents that will remain following the AF will be organized into the following new subcomponents: old 1.1 (Strengthening Budgetary and Macro-Forecasting) and 1.4 (Strengthening Budget Framework and Formulation) will be merged into the new 1.1 (Budget Planning, Credibility, and Framework Formulation); old 2.1 (Strengthening Financial Systems, Controls, Accounting and Reporting) will be merged into the new 1.2 (IFMIS/Accounting and Reporting Systems), with the exception of activities around the Internal Audit, which will be moved into the new 2.1 (Strengthening Audit and Oversight); old 2.3 (Strengthening Public Procurement and Contract Management Systems) will be combined with the new e-Procurement activities into the new 1.3 (Public and Electronic Procurement System); old 2.4 (Strengthening External Audit) will be merged into the new 2.1 (Strengthening Audit and Oversight); 2.5 (Enhancing Legislative and Public Oversight) will be merged into the new 2.1 (Strengthening Audit and Oversight), with the exception of activities around NSA, which will be combined with new activities around open and big data in the new 2.2 (Open/Big Data and NSA); 3.2 (Revenue Systems, Business Processes, Collection and Reconciliation) will be merged into the new 1.4 (Revenue Management Systems and Reform of Legal Frameworks); old 4.1 (Strengthening Budgetary Planning Systems) will be merged into the new 1.1 (Budget Planning, Credibility, and Framework Formulation); and old 4.2 (Strengthening Budget Execution, Accounting, and Reporting systems) will be merged into the new 1.2 (IFMIS/Accounting and Reporting Systems). All of Component 5 (PFM Reform Coordination and Project Management) will be left intact and become the new Component 3.

Current Component Name	Proposed Component Name	Current Cost (US\$, million)	Proposed Cost, including AF (US\$, million)	Action
Component 1: Enhancing Budget Planning and Credibility	Dropped but retain 1.1 and 1.4 within new Component 1	1.52	0.00	Dropped
Component 2: Procurement, Financial Control, Accountability, and Oversight	Component 1: Strengthening Budget, Financial, Procurement, and Taxation Systems	15.28	24.48	Revised
Component 3: Supporting the Strengthening of Revenue Mobilization and Administration Systems	Component 2: Improving PFM Oversight and Accountability Systems	4.56	4.96	Revised
Component 4: Strengthening Local Governance, Financial	Dropped, with 4.1 and 4.2 moved to new Component 1	4.13	0.00	Dropped

Management, and Accountability Systems				
Component 5: PFM Reform Coordination and Project Management	Component 3: PFM Reform Coordination and Project Management	2.98	2.28	Revised
	Total:	28.47	31.71 ⁸	
Other Change(s)				
Implementing Agency Name	Type		Action	
MoFED	Implementing Agency		No change	
Change in Implementation Schedule				
Explanation:				
The change in implementation schedule reflects the proposed extension of the project closing date, from March 31, 2018, to March 31, 2020, to allow for successful implementation of the scaled-up and newly introduced activities.				

IV. Appraisal Summary

Economic and Financial Analysis

Explanation: The World Bank is the lead partner to Sierra Leone's PFM reform program owing to its global knowledge and technical expertise on PFM, which it can bring to bear on PFM reforms such that their direct, indirect, and induced benefits will be well beyond the total investment made into the project. Financing PFM reforms is a core part of the development process to ensure sound accountability and efficient management of public resources; it is also a public good to the country and the citizens, with long-term benefits that contribute to the World Bank's twin goals of poverty reduction and shared prosperity. The economic and financial benefits financed under the AF remain the same as for the ongoing and completed activities. When the existing activities are combined with new subcomponents, the benefits from the program will be much higher than the total sum of resources to be invested in the project of US\$31.7 million (of which, US\$22.0M is from the existing IDA credit and the proposed AF IDA credit). These reforms and consequent benefits can only be provided to the citizenry as public goods in the absence of profit motive from the private sector. The World Bank adds value to the proposition given its convening power among development partners and the global expertise that it brings to bear.

The largest beneficiary from the proposed AF will be the NRA, which is proposed to obtain US\$4.5 million. This financing will lead to full implementation of ASYCUDA WORLD, ITAS, and a revenue reconciliation system. It will make the customs clearance process more customer friendly and quick, leading to larger economic benefits. It will also help remove existing and

⁸ This number is equal to US\$28.47M plus US\$10M minus the amount lost from the withdrawal of DFID and EU from the MDTF (US\$4.95M and US\$1.81M, respectively).

observed inflexibilities of ASYCUDA++, currently in use in light of the ever-changing business needs. With the full automation of the NRA, the downtime experienced previously will be eliminated. It will enable greater usage of the system and, henceforth, serving more customers and lead to greater efficiency. The new system will enhance and increase voluntary compliance with existing customs laws, regulations, and procedures, which have been lacking and leading to less collection of revenues. Sierra Leone has one of the lowest tax-to-GDP in Sub-Saharan Africa (11 percent compared to Sub-Saharan average of 15 percent). ASYCUDA WORLD would help promote a secure international trade supply chain in a country where most of items are mostly imported out of the country. The new system would also promote customs-to-business partnerships within the Mano River Union, Economic Community of West African States (ECOWAS), and the region as a whole.

It is anticipated that the new system will lead to improved transparency, as clients will now view the status of their declarations in addition to receiving status notifications issued by the system. There will be quick declaration processing because of the online submission and paperless declaration processing, which will result in reduction of average clearance time from 7 to less than 2 days and reduce the environmental footprint through reduction of paper usage by 80 percent in some customs stations.

The introduction of ITAS will lead to the full establishment of an efficient tax system in Sierra Leone, enabling taxpayers to meet their tax obligations quickly and cost effectively. It will enable the NRA to operate its processes in a simpler and more transparent fashion. It will encourage those in the informal sector—which is the largest sector in Sierra Leone—to formalize their businesses, bringing economic benefits to the country. Efficient and quick customs procedures will encourage cross-border trading and international trade.

ASYCUDA World will consequently encourage greater compliance and stimulate new business opportunities not only in Sierra Leone but also in neighboring countries which help enhance competition. Single window systems to be provided by ASYCUDA World will allow for trade facilitation, provide even greater efficiency as they provide an electronic platform for all parties involved in the export and import of goods to submit, receive, and process documents used for trade related cargo.

The ultimate impact of ITAS therefore is in maximizing revenue generation and improving governance. Automation will reduce revenue leakages through the reduction of direct interaction with the taxpayers and help improve tax compliance through increased access to more reliable taxpayer data for auditing and compliance monitoring. Taxpayers will also file their tax returns online without the need to visit the tax offices. Payment for taxes will also be made electronically thus easing the burden on the taxpayer and increasing the ability to account for and reconcile tax payments. Further, ITAS will provide a platform for interfacing with other government systems (for example, IFMIS) and hence improving reporting and reconciliation.

There has been increasing evidence of significant revenue collection following the introduction of ITAS in several tax jurisdictions. In Tanzania, revenue collected from the large taxpayer office increased by 43 percent between 2006 and 2007 after introduction of ITAS. Similarly, in El Salvador, revenue/GDP ratio increased from 9.7 percent to 11.9 percent between 1991 and 1995 due to tax administration reforms especially the introduction of integrated tax administration reforms with support from the U.S. Agency for International Development (USAID). The

projected gains from going the same route based on available data is demonstrated in Table 2.

Table 2. Projected Gains Following ITAS

No.	Detail of Improvement Area	2016 ^a	2017	2018	2019	2020	2021
1	Revenue projection covering all taxes (SLL, millions)	2,799	3,614	4,156	4,987	6,982	7,680
2	Number of registered taxpayers	7,285	8,050	8,900	9,800	10,800	12,000
3	Number of taxpayers that account for 80% of tax revenues	185	227	227	250	270	280
4	Number and frequency of declaration	35,908 (55%)	43,450 (57%)	47,795 (60%)	52,600 (63%)	57,860 (65%)	63,646 (70%)
5	Amounts of taxes in arrears at year end (SLL, millions)	2,826	n.a.	n.a.	n.a.	n.a.	n.a.
6	Amounts of tax refunds annually (SLL, millions)	0	n.a.	n.a.	n.a.	n.a.	n.a.
7	Number of employees in the NRA	486	533	540	580	610	630

Note: a. 2016 figures are actual.

The AF will also finance the introduction of electronic processing of procurement. Procurement is by far the largest non-payroll expenditure of the GoSL. Over the years, by reputation among citizens, procurement is thought to be a major source of fraud and corrupt practices and significantly contributes to putting the country in the top quartile of Transparency International's Corruption Perceptions Index. Further, the last three to five years have witnessed significant infrastructural projects, which are largely executed through large procurement contracts. Such issues have raised concerns from the ASSL. A number of control weaknesses have been observed, some of which have contributed to the annual adverse qualification of the national financial statement audit reports. e-Procurement will be critically beneficial because it will automate the procurement process, link the process to budgeting systems, bring about higher productivity with reusable tenders and templates, and improve buying methods across government. It will help standardize the procurement processes, ensure that spending across MDAs is leveraged for better pricing, and establish mechanisms to protect unauthorized spending. With the new system, there will be higher efficiency: the cost per transaction will be reduced and information and data about procurement activity will be easily kept, analyzed, and used as an audit trail, which has been cause for audit qualifications in the past. Information about procurement activities across government will be used to prove and manage compliance with governmental policies and procedures. Negotiation with vendors will be automated and optimized. Agreed procurement workflows will be defined and enforced, amount of paper created by the procurement process dramatically reduced, and the procurement cycle time reduced—typically by 80 percent.

It is anticipated that the benefits to be obtained from the reform activity in the procurement area will far exceed the cost being injected into the project. The major benefit will be to make procurement processes more transparent and accessible to the stakeholders, which will enable

competition and eventually control possible corruption. Tentative tabulation of the anticipated benefits is provided in Table 3.

Table 3. Projected Procurement Benefits.

No	Description of Efficiency Area	2015	2016	2017	2018	2019	2020	2021
1	Value of procurable items out of national budget (%)	65	65	70	70	70		
2	Estimated % wasted through procurement	30	30	25	20	15	10	10
3	Reduced transactional time (%)	—	—	—	8	15	30	35
4	Electronic catalogues (%)				15	35	50	70
5	Expected supplier base (number)		350	500	800	900	1,000	1,100
6	Reduced time/cost of processing transactions (%)			5	15	25	30	35
7	Estimated savings from increased vendor purchasing (%)			5	15	25	30	35
8	Anticipated value of corruption to be curtailed within government budget annually (%)	3	3	5	10	15	20	25

Source: NPPA.

The economic benefit of infusing open and big data for service delivery will not only accrue to the country as a whole but to citizens as well. For public service agencies, benefits from greater transparency and participation will include increased citizen engagement, enhanced service delivery, lower costs, reduced waste and corruption, improved compliance, and more efficient policies. As the Government seeks to improve outcomes for citizens against a backdrop of cost pressure, big data will enable them to do more with less, whose benefit will be beyond the project investment of US\$2.5 million. MDAs will be in a position to see and track results—such as increases in revenues for the NRA and customers being serviced. Furthermore, such activities would enhance the demand side of ensuring credibility of budget and PFM as an instrument for policy implementation, leading to the more efficient allocation and use of public resources.

Technical Analysis

Explanation: The design of the proposed AF builds on lessons from the existing project. The NRA requirements within the AF are informed by a detailed analysis of what is required to fully implement ASYCUDA WORLD arising from a conducted BPR. The break-up of the costs to be incurred from the AF include customization and implementation of ASYCUDA software, deployment, and integration of the same whose budget has to be increased as it was under-costed at project design. The cost of ASYCUDA WORLD implementation has been informed by a detailed analysis undertaken with the assistance of the United Nations Conference on Trade and Development.

ITAS strengthening also builds on a number of existing institutional reforms and BPR studies. In particular, the 2016 Tax Administration Diagnostic Assessment Tool (TADAT) provides an independent, standardized, evidence-based, quality-assured, all-around assessment of the performance of the GoSL’s tax administration system to date. The TADAT Improvement Plan that was then approved by their senior management team has as its core recommendation to embark on ITAS; this plan has been successfully ongoing for the past six months. The NRA’s Domestic Tax Department has since set up teams to implement the plan, which will ensure that the NRA improves its TADAT scores on tax administration. Most activities in this plan have been incorporated into the NRA’s new Strategic Plan (2018–2022), as have the 2017 NRA Presidential Contract and its 2017 Operational Plans for the Domestic Tax Department (as well as support departments). Furthermore, the TADAT recommendations have been incorporated into the IMF’s Revenue Mobilization Trust Fund Plan (2017–2020). The total increase in budget because of the implementation of these revenue systems amounted to US\$4.5 million.

Technical analysis has been undertaken by the Procurement Team regarding the introduction of electronic procurement, whose outcomes have since been prioritized accordingly. The same has been further informed by a recent audit on specialized audits on five core government entities. The results of the audit buttressed the need to adopt the system.

The open and big data activities were developed based on the GoSL’s Open Data Readiness Assessment (ODRA) action plan, as well as other international benchmarks and diagnostics, including through recommendations proposed by the cross-agency Open Data Council.

Social Analysis

Explanation: The project does not trigger any social safeguards policies. The social impacts of the project are expected to be positive, as it will increase the timely disclosure of overall government revenue collections, improve the link between procurement and budget, and henceforth improve procurement efficiency, all leading to greater accountability.

Environmental Analysis

Explanation: 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’.

Risk

Explanation: The overall project risk remains Substantial. This is because of the entrenched nature of governance problems Sierra Leone faces, intertwined with recent macroeconomic problems, large number of stakeholders and counterparts engaged within the project, and the varying degrees of absorption capacity needed within the Government MDAs implementing the various subcomponents.

Political and Governance (Substantial). The AF is being processed during the run-up to the 2018 presidential elections. The political environment and temperature may be raised such that the zest for PFM and related reforms may be affected negatively. After the Ebola epidemic, the Government had to contend with growing social tensions because of rising poverty levels and the lack of infrastructure, which limited its ability to respond properly to the spread of the virus. Recurring allegations of government corruption against a backdrop of fiscal austerity could fuel tensions. The risk of social and political instability in the short term may affect the already difficult business climate (148th out of 190 economies, according to the World Bank’s Ease of Doing

Business Index 2016). The inflow of donations in a country largely reliant on international aid is expected to remain significant in 2017. Transparency challenges and corruption remain a significant impediment. To mitigate these risks, the team has ensured continued feedback from Government actors to ensure continued buy-in. It is expected that the key civil servants will stand their ground to see through the depth of the PFM reforms.

Macroeconomic (Substantial). Sierra Leone's economy has proved resilient after suffering major shocks from the Ebola epidemic and the collapse of iron ore prices (and associated loss of production in 2014–2015). These have strained the fiscal space for serious capital expenditure that was essential to achieving the goal of becoming a middle-income country by 2020. This target date may be a little too ambitious. Consumer price inflation continues to rise on account of the exchange rate impact. Rising from a base of 9.5 percent (year-on-year) in December 2015, inflation reached 10.9 percent in July 2016 and continued to rise by October 2016. Exchange rate pressures remain unabated. The local currency depreciated by 20.4 percent (year-on-year) in June 2016. Since the last quarter of 2015, economic growth has resumed, and it remains on an upward trend, supported by new investments in mining, agriculture, and fisheries. The recovery under way, according to IMF projections, is expected to remain sustainable over the medium term. The core mitigation measure is for the Government to continue and sustain its austerity measures by spending on priority items and shelve very ambitious projects. This has already been discussed with the authorities under the Bank's Development Financing arrangement.

Institutional capacity for the implementation and sustainability (Substantial). The Reforms Coordination Unit within MoFED will continue to be central for coordinating the AF, with clearly aligned responsibilities and procedures. The institutional capacity risk is assessed as Substantial because it includes some potentially sensitive reforms that change the way business is done across government. To mitigate this risk, the project will strengthen further collaboration with respective players involved and ensure that the reforms take root. Substantial training and on-the-job capacity-building activities, which are currently budgeted for within the existing project and the AF, including workshops and training activities, will be undertaken. Furthermore, the new actors involved with the AF activities have been briefed on accelerated protocol procedures and teamed up with existing players within the project to deliver the desired objectives.

Fiduciary (Substantial). In the last six months, various reviews in the World Bank and other donor-supported projects have revealed an increased level of abuse, embezzlement, fraud, and corrupt practices. These have been attributed to weak internal controls coupled by weak capacity within most government agencies. This is further exemplified from the Ebola audit responses where the ASSL noted inadequate controls over the disbursement of Ebola funds, hazard payments being made to hospitals with no proof that the money was actually going to health workers. In some cases, there was a 'complete disregard for the law' in procurement. This suggested mismanagement. Further, there has been increased amount of funds within a number of IDA-funded projects where expenditures have been declared ineligible owing to weak internal controls. Since fixing such observations takes time coupled with appropriate behavior change, it is expected that some remnant improper aspects may affect this AF environment. This risk has been partially mitigated with the hiring of a new International Procurement Specialist, who started work in May 2017, and increasing implementation support, which will commence in September 2017.

Other Risks (Substantial):

- **Stakeholders.** A number of stakeholders are involved in the existing and proposed new

subcomponents, complicating coordination, implementation, and supervision of the new activities. To mitigate this, the Task Team and Project Management Unit (PMU) within MoFED have staged a number of stakeholder conventions to ensure that MDAs work together to achieve the project's AWP, objectives, and desired results.

- **External issues affecting procurement.** Public procurement practitioners have always faced challenges in Sierra Leone. These include market, legal environment, political environment, organizational environment, and socioeconomic and other environmental factors. It is hoped that the introduction of e-Procurement will address some of these issues in the medium to long term.
- **Wastage in procurement.** Due to many reasons (including greater scrutiny of taxpayers and competing vendors), public procurement has been perceived as an area of waste and corruption. The GoSL is developing measures to tackle waste through clearly articulated austerity measures, reforming procurement procedures, and related controls.
- **Corruption.** In the last three years, the Transparency Perception Corruption Index for the country has remained at 113. There has been an increase in newspaper reports indicating a worsening of the problem.

V. World Bank Grievance Redress

32. Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

ANNEX 1. Revised Results Framework and Monitoring Indicators

Table 1.1. Changes to Original Project Results Framework (as per Operations Portal)

Results							
Core sector indicators are considered: Yes				Results reporting level: Project Level			
Project Development Objective Indicators							
Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Marked for Deletion	Direct project beneficiaries	<input type="checkbox"/>	Number	Value	0.00	200.00	400.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Female beneficiaries	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	556.00	600.00
New	Average time of quarterly budget release to MDAs within start of quarter	<input type="checkbox"/>	Weeks	Value	5.00	2.80	2.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2020
				Comment			
New	Increase in customs revenues paid into the Consolidated Revenue Fund, adjusted for inflation	<input type="checkbox"/>	Percentage	Value	20.00	30.00	50.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2020
				Comment			
New	Percentage of contracts (by value) awarded in the fiscal year through open competitive procurement	<input type="checkbox"/>	Percentage	Value	0.00		50.00
				Date	13-Mar-2013		31-Mar-2020
				Comment			

New	Timely submission of the audited report of the public accounts to the legislature (in months from submission of the audit report by the Auditor General)	<input type="checkbox"/>	Months	Value	8.00		6.00
				Date	31-Aug-2013		31-Mar-2020
				Comment			
New	Non-state actors and citizens participating in annual budget discussions	<input type="checkbox"/>	Number	Value	0	50.00	250.00
				Date	13-Mar-2013	31-Oct-2016	31-Mar-2020
				Comment			
Marked for Deletion	Extent of Legislative Scrutiny of annual audits (PI-28)	<input type="checkbox"/>	Text	Value	C+ (2013)	C+	B+
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Scope, nature & follow-up of external audits (PI-26)	<input type="checkbox"/>	Text	Value	D+ (2013)	+C	B
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Effectiveness of Internal Audit (PI-21)	<input type="checkbox"/>	Text	Value	D+ (2013)	D+	C+
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Transparency, Competition & Complaints mechanisms in procurement (PI-19)	<input type="checkbox"/>	Text	Value	C (2013)	D	B
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Multi-year perspective in fiscal planning, expenditure policy & Budgeting (PI-12)	<input type="checkbox"/>	Text	Value	C (2013)	C	B
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for	Average revenue outturn	<input type="checkbox"/>	Text	Value	D (2013)	A	B

Deletion	compared to original approved budget (PI-3)	<input type="checkbox"/>	Text	Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
Marked for Deletion	Average expenditure outturn compared to original approved budget (PI-1)			Value	C (2013)	A	B
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Intermediate Results Indicators							
Status	Indicator Name	Corporate	Unit of Measure		Baseline	Actual(Current)	End Target
Marked for Deletion	Ratio between LCs actual primary expenditure and LCs original budgeted primary expenditure	<input type="checkbox"/>	Percentage	Value	95.00	69.20	98.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
New	Coverage of internal audit (as % of total expenditures)	<input type="checkbox"/>	Percentage	Value	10.00		65.00
				Date	27-Jun-2017		31-Mar-2020
				Comment			
New	Percent of Audit Committee recommendations on quarterly internal audit reports of MDAs that are implemented	<input type="checkbox"/>	Percentage	Value	0.00	26.40	50.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2020
				Comment			
New	Percentage of public procurement professionals within GoSL trained in e-Procurement processes	<input type="checkbox"/>	Percentage	Value		0.00	90.00
				Date		31-Oct-2016	31-Mar-2020
				Comment			
New	Percentage of trainees female	<input type="checkbox"/>	Percentage Sub Type Breakdown	Value		0.00	50.00
				Date		31-Oct-2016	31-Mar-2020
				Comment			
Marked for	LCs processing transactions	<input type="checkbox"/>	Number	Value	0.00	0.00	6.00

Deletion	real-time within Petra			Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	LCs Audit Committees meeting quarterly	<input type="checkbox"/>	Number	Value	0.00	8.00	15.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	LCs with annual procurement plans	<input type="checkbox"/>	Number	Value	0.00	19.00	19.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Ratio between LCs actual own source revenue and LCs original budgeted own source revenue (Disaggregated by LCs)	<input type="checkbox"/>	Percentage	Value	56.00	62.80	95.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Increase in non-tax revenue paid to Consolidated Revenue Fund, adjusted for inflation	<input type="checkbox"/>	Percentage	Value	40.00	34.00	50.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Increase in customs revenues paid into the Consolidated Revenue Fund, adjusted for inflation.	<input type="checkbox"/>	Percentage	Value	20.00	30.00	50.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Revised	Daily report of revenues based on ASYCUDA++, DTIS (or substitute), CS DRMS, BoSL interfaced with IFMIS	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2020
				Comment			
Marked for Deletion	Time between receipt by ASSL of draft accounts from AGD to submission of audited accounts to Parliament	<input type="checkbox"/>	Months	Value	9.00	8.00	6.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			

Marked for Deletion	New/additional (increase) in expenditure arrears (Outstanding Obligations) during the year as % of total primary expenditures	<input type="checkbox"/>	Percentage	Value	-8.00	-19.00	-20.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Revised	30 largest MDA budget heads with annual procurement plans within annual budget ceiling	<input type="checkbox"/>	Number	Value	4.00	19.00	30.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2020
				Comment			Change to end date
Marked for Deletion	Public Investment Program with planned investment expenditures regardless of funding sources included in the budget statement and estimates submitted to Parliament	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	31-Jul-2014	31-Oct-2016	31-Mar-2018
				Comment			
Revised	MDAs processing transactions real-time from IFMIS at respective rolled-out site	<input type="checkbox"/>	Number	Value	7.00	30.00	54.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2020
				Comment			Change to end date
Marked for Deletion	Procurement Directorate established and staffed in MoFED	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Revised	Ratio between actual primary expenditure and original budgeted primary expenditure	<input type="checkbox"/>	Percentage	Value	121.00		107.00
				Date	31-Aug-2013		31-Mar-2020
				Comment			Change to end date
Marked for Deletion	Average time of quarterly budget release to LCs within	<input type="checkbox"/>	Weeks	Value	5.00	8.00	2.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018

	start of quarter			Comment			
Marked for Deletion	Average time of quarterly budget release to MDAs within start of quarter	<input type="checkbox"/>	Weeks	Value	5.00	2.80	2.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Audit Committees in MDAs resolutions on quarterly internal audit report appropriately implemented	<input type="checkbox"/>	Percentage	Value	0.00	26.40	25.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	Time between ASSL submission of audit report on the accounts of Sierra Leone to PAC and completion of scrutiny and lay in Parliament by PAC	<input type="checkbox"/>	Months	Value	12.00	8.00	6.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			
Marked for Deletion	MDAs Audit Committees meeting quarterly	<input type="checkbox"/>	Number	Value	4.00	7.00	25.00
				Date	31-Aug-2013	31-Oct-2016	31-Mar-2018
				Comment			

Table 1.2. Detailed Revisions to Results Framework

Revisions to the Results Framework		Comments/Rationale for Change
PDO		
Current (PAD)	Proposed	
To improve budget planning and credibility, financial control, accountability and oversight in government finances in the Recipient’s territory.	To improve the public financial management system and accountability in the use of government finances	The PDO has been revised to allow for better definition of the strategic objective of the project, the achievement of which will represent the ultimate impact envisioned for the set of activities to be financed. This changed PDO will allow for accommodation of retained old and newly introduced activities and better define high-order changes in PFM and accompanying systems that the project aims for.
PDO Indicators		
Current (PAD)	Proposed change	
Direct project beneficiaries	Dropped	Indicator dropped as it is no longer mandatory
Female beneficiaries	Dropped	Indicator dropped as it is no longer mandatory
Average expenditure outturn compared to original approved budget (PI-1)	Dropped	Indicator as a composite score of PEFA dropped; however, the credibility of budget will be measured by an intermediate outcome indicator.
Average revenue outturn compared to original approved budget (PI-3)	Dropped	Indicator as a composite score of PEFA dropped; however, the credibility of budget will be measured by an intermediate outcome indicator.
Multiyear perspective in fiscal planning, expenditure policy, and budgeting (PI-12)	Dropped	Indicator as a composite score of PEFA dropped
Transparency, competition, and complaints mechanisms in procurement (PI-19)	Dropped	Indicator as a composite score of PEFA dropped; however, a new indicator suggested below—‘Percentage of contracts (by value) awarded in the fiscal year through open competitive bidding’ will measure transparency and competition of procurement.
Effectiveness of internal audit (PI-21)	Revised (Dropped as PDO indicator, added as intermediate indicator)	PDO indicator dropped down to an intermediate indicator for Component 2 (Subcomponent 2.1) and rephrased as, ‘coverage of internal audit (as % of total expenditures)’
Scope, nature, and follow-up of external audit (PI-26)	Dropped	Indicator as a composite score of PEFA dropped; however, revised intermediate indicator below will measure the improvement of audit.
Extent of legislative scrutiny of annual audit reports (PI-28)	Dropped	Indicator as a composite score of PEFA dropped
Percentage of contracts (by value) awarded in the fiscal year through open competitive procurement	New	Indicator added to reflect new activities associated with AF (Component 1)
Non-state actors and citizens participating in annual	New	Indicator added to reflect new activities associated with AF

budget discussions		(Component 2)
Average time of quarterly budget release to MDAs within start of the quarter	Revised (Dropped as intermediate indicator, added as PDO indicator)	Existing intermediate indicator, changed to PDO indicator to make a linkage between the intended objective and related activities more specific. (Component 1)
Increase in customs revenues paid into the Consolidated Revenue Fund, adjusted for inflation	Revised (Dropped as intermediate indicator, added as PDO indicator)	Existing intermediate indicator, changed to PDO indicator to make a linkage between the intended objective and related activities more specific. (Component 1)
Timely submission of audited reports of the public accounts to the legislature (in months from submission of the audit report by the Auditor General)	Revised (Dropped as intermediate indicator, added as PDO indicator)	Existing intermediate indicator, changed to PDO indicator to make a linkage between the intended objective and related activities more specific. (Component 2)
Intermediate Results Indicators		
Current (PAD)	Proposed Change	
Component 1: Enhancing Budget Planning and Credibility		
Average time of quarterly budget release to MDAs within start of the quarter	Revised	Upgraded into a PDO-level indicator
Average time of quarterly budget release to LCs within start of the quarter.	Dropped	Indicator dropped following change in PDO and project structure
Ratio between actual primary expenditure and original budgeted primary expenditure	Retained	Retained within new Component I (Subcomponent 1.1)
Public Investment Program with planned investment expenditures regardless of funding sources included in the budget statement and estimates submitted to the Parliament	Dropped	Indicator dropped because associated activity dropped as part of AF restructuring
Component 2: Procurement, Financial Control, Accountability and Oversight		
Largest MDA budget heads with annual procurement plans within annual budget ceiling	Retained	Retained as intermediate indicator within new Component 1 (Subcomponent 1.3)
New/additional(increase) in expenditure arrears (outstanding obligations) during the year as % of total primary expenditures	Dropped	Indicator dropped following change in PDO and project structure
Procurement Directorate established and staffed in MoFED	Revised	Retained as intermediate indicator but revised to read, ‘% staff trained on new procurement processes’ since original indicator was already met (Subcomponent 1.4)
MDAs Audit Committees meeting quarterly	Dropped	Indicator dropped following change in PDO and project structure
Audit Committees in MDAs resolutions on quarterly internal audit report appropriately implemented	Revised	Retained as intermediate indicator but revised to read, ‘Share of Audit Committees’ implemented recommendations on MDAs’ quarterly internal audit reports’ (Subcomponent 2.1)
Time between receipt by the ASSL of draft accounts from AGD to submission of audited accounts to the Parliament	Dropped	Indicator dropped following change in PDO and project structure
Time between the ASSL submission of audit report on the	Revised	Upgraded into a PDO-level indicator to reflect importance

accounts of Sierra Leone to PAC and completion of scrutiny and lay in Parliament by PAC		
MDAs processing transactions real time from IFMIS at respective rolled-out sites	Retained	Retained as intermediate indicator within new Component 1 (Subcomponent 1.2)
Component 3: Supporting the Strengthening of Revenue Mobilization and Administrative Systems		
Daily report of revenues based on ASYCUDA++, DTIS (or substitute), CS-DRMS, BoSL interfaced with IFMIS	Retained	Retained as intermediate indicator within new Component I (Subcomponent 1.4)
Customs revenues paid into the Consolidated Revenue Fund, adjusted for inflation.	Revised	Existing intermediate indicator, changed to PDO indicator to make a linkage between the intended objective and related activities more specific
Increase in non-tax revenue paid to Consolidated Revenue Fund, adjusted for inflation	Dropped	Indicator dropped following change in PDO and project structure
Component 4: Strengthening Local Governance, Financial Management and Accountability Systems		
Ratio between LCs' actual own source revenue and LCs' original budgeted own source revenue (Disaggregated by LCs)	Dropped	Indicator dropped because associated activity dropped as part of AF restructuring
LCs with annual procurement plans	Dropped	Indicator dropped because associated activity dropped as part of AF restructuring
LCs Audit Committees meeting quarterly	Dropped	Indicator dropped because associated activity dropped as part of AF restructuring
LCs processing transactions real time within PETRA	Dropped	Indicator dropped following change in PDO and project structure

ANNEX 2. Detailed Description of New and Scale-up Project Activities

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

Rationale

1. In Sierra Leone, procurement at all levels of the 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.

2. With the advanced introduction of web-based technologies across the Government departments and the implementation of IFMIS, it is important to take advantage of electronic procurement. 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 address some of the core problems that the country has been facing for quite some time in the governance arena.

3. Furthermore, with an increased worldwide awareness of the value of opening up 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

4. 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.

5. 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.

6. 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

7. 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 will continue to be MoFED.

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

8. 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 to develop recommendations on how to advance a program that integrates open contracting into the Government's public procurement operational framework.

9. Following that, the NPPA will—in close collaboration with the IFMIS team, the Public Procurement Directorate of MoFED, and the Ministry of Information and Communication (MIC)—establish, procure, and implement the requisite infrastructure that will support a centralized e-Procurement system. This system 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)

10. Owing to the new way of working for department users and supplier communities, 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, an awareness program will be conducted for Government officials in every MDA and all 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.

11. 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, as an 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 Reform of Legal Frameworks (US\$4.5 million equivalent)

Rationale

12. 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 on time to improve taxpayer compliance, service delivery, and revenue accounting, as originally planned and proposed by the GoSL and the World Bank. This is also true for the migration to ASYCUDA World and a revenue reconciliation system, which could not be procured without the proposed AF. This funding shortfall was envisioned during the PFMICP design, with the expectation that cost savings in other components would allow for resource reallocations to address the gap; 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 these activities.

Objective

13. The objective of this subcomponent is to implement a more robust, off-the-shelf tax administration system that allows for online taxpayer, tax administration, customs services, and revenue reconciliation. The immediate outcome is integrated management of domestic tax revenues, improved trade facilitation, and revenue reconciliation. 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

14. 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, migration to ASYCUDA World, implementation of revenue reconciliation systems, 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 (US\$2.5 million equivalent)

Rationale

15. 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 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 resources 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.

16. 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. Through piloting of service delivery 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.

17. 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

18. 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 PDO of the PFMICP: to improve efficiency and accountability of PFM systems.

Proposed Activities

19. 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 PMU.

20. Open and big data application activities include integrating open data, big data,⁹ 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.

21. 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.

22. 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.

⁹ Big data refers to datasets that are so large or complex that they require special data processing software to be used. Examples of big data are satellite imagery, mobile phone, social network, and smart meter data.

ANNEX 3: Revised Estimate of Project Costs

Table 3.1. Proposed Restructuring of Project Structure

Original Components	AF Changes	New Components
Component 1: Enhancing Budget Planning and Credibility	The whole component collapsed with core budget aspects moved to new 1.1	Component 1: Strengthening Budget, Financial, Procurement, and Taxation Systems
1.1 Strengthening Budgetary and Macro-Forecasting	Merged into new 1.1	1.1 Budget Planning, ¹⁰ Credibility, and Framework
1.2 Support for the Public Investment Management Function	Dropped	1.2 IFMIS/Accounting and Reporting Systems
1.3 Fiscal Risk Management and Reporting	Dropped	1.3 Public and Electronic Procurement System
1.4 Strengthening Budget Framework and Formulation	Merged into new 1.1	1.4 Revenue Management Systems and Reform of Legal Framework
Component 2: Financial Control, Accountability, and Oversight	2.1, 2.1.1, and 2.1.2 merged into new 1.2	Component 2: Improving PFM Oversight and Accountability Systems
2.1 Strengthening Financial Systems, Controls, Accounting, and Reporting		2.1 Strengthening Audit and Oversight
2.1.1 IFMIS		2.2 Open/Big Data and NSA
2.1.2 Accounting and Reporting		Component 3: PFM Reform Coordination and Project Management
2.1.3 Internal Audit	Moved into new 2.1	3.1 Project Management and Coordination
2.2 Cash, Debt, and Aid Management	Dropped	3.2 PFM Reforms Directorate
2.2.1 Establishment of a TSA		
2.2.2 Debt Management		
2.2.3 Aid Management		
2.2.4 Multilateral Projects Division		
2.3 Strengthening Public Procurement and Contract Management Systems	2.3, 2.3.1, and 2.3.2 (existing activities as set out in original project description) merged and combined with new e-Procurement activities into new 1.3	
2.3.1 Strengthening Public Procurement Systems		
2.3.2 Strengthening Contract Management Systems		
2.4 Strengthening External Audit	Moved into new 2.1	
2.5 Enhancing Legislative and Public Oversight	2.5 and 2.5.1 merged into new 2.1	

¹⁰ This will include all core budget elements from the old Component 4 dealing with LCs.

2.5.1 <i>Enhancing Legislative Oversight over PFM</i>		
2.5.2 <i>Non-state Actors</i>	Combined with new open/big data activities into new 2.2 (grants to NSAs will be retained as originally designed)	
Component 3: Supporting the Strengthening of Revenue Mobilization and Administrative Systems	Dropped, with legislative aspects in ITAS moved to 1.4	
3.1 Tax Legislation and Regulatory Policy		
3.1.1 <i>Revenue and Tax Policy of MoFED</i>		
3.1.2 <i>Customs Legislation</i>		
3.2 Revenue Systems, Business Processes, Collection, and Reconciliation	Moved to new 1.4	
Component 4: Strengthening Local Governance, Financial Management and Accountability Systems	Moved to new 1.1	
4.1 Strengthening Budgetary Planning Systems		
4.2 Strengthening Budget Execution, Accounting, and Reporting Systems	Moved to new 1.2	
4.3 Local Governance-Strengthening Public Procurement Systems	Dropped	
4.4 Strengthening Oversight and Transparency Systems and Practices		
Component 5: PFM Reform Coordination and Project Management	Left intact (now Component 3)	
5.1 Project Management and Coordination		
5.2 PFM Reforms Directorate (PFMRU)		

Table 3.2. Detailed Reallocation Based on Original Design and Project Components (US\$)

Original No.	Component Category	Original Allocation	Revised Total, Given MDTF Revision	Proposed Reallocation/ AF	New Proposed Subcomponent Balance	New Subcomponent No.
1	Enhancing Budget Planning land Credibility	1,519,666.60	1,158,856.98	(419,415.24)	739,441.73	
1.1	Strengthening Budgetary and Macro-Forecasting	689,666.60	525,921.25	0.00	525,921.25	1.1
1.2	Support for the Public Investment Management Function	420,000.00	320,280.73	(320,280.73)	0.00	DROPPED
1.3	Fiscal Risk Management and Reporting	130,000.00	99,134.51	(99,134.51)	0.00	DROPPED
1.4	Strengthening Budget Framework and Formulation	280,000.00	213,520.49	0.00	213,520.49	1.1
2	Financial Control, Accountability, and Oversight	15,280,463.00	11,652,471.10	5,136,252.60	16,788,723.70	
2.1	Strengthening Financial Systems, Controls, Accounting and Reporting	10,096,213.00	7,699,101.15	0.00		MERGED
2.1.1	<i>IFMIS</i>	<i>8,485,213.00</i>	<i>6,470,595.77</i>	<i>0.00</i>	<i>6,470,595.77</i>	<i>1.2</i>
2.1.2	<i>Accounting and Reporting</i>	<i>1,139,000.00</i>	<i>868,570.84</i>	<i>0.00</i>	<i>868,570.84</i>	<i>1.2</i>
2.1.3	<i>Internal Audit</i>	<i>472,000.00</i>	<i>359,934.54</i>	<i>0.00</i>	<i>359,934.54</i>	<i>2.1</i>
2.2	Cash, Debt, and Aid Management	477,000.00	(363,747.40)	(363,747.40)	0.00	DROPPED
2.3	Strengthening Public Procurement and Contract Management Systems	1,958,250.00	1,493,308.91	3,000,000.00	4,493,308.91	1.3
2.4	Strengthening External Audit	1,270,000.00	968,467.93	0.00	968,467.93	2.1
2.5	Strengthening Legislative and Public	1,479,000.00	1,127,845.72	2,500,000.00		MERGED

Original No.	Component Category	Original Allocation	Revised Total, Given MDTF Revision	Proposed Reallocation/ AF	New Proposed Subcomponent Balance	New Subcomponent No.
	Oversight					
2.5.1	<i>Enhancing Legislative Oversight over PFM</i>	745,000.00	568,117.01	0.00	568,117.01	2.1
2.5.2	<i>Non-state Actors</i>	734,000.00	559,728.71	2,500,000.00	3,059,728.71	2.2
3	Supporting the Strengthening of Revenue Mobilization and Administration Systems	4,560,400.00	3,477,638.68	7,022,134.50	10,499,773.18	
3.1	Tax Legislation and Regulatory Policy	470,000.00	358,409.39	0.00	358,409.39	1.4
3.2	Revenue Systems, Business Processes, Collection, and Reconciliation	4,090,400.00	3,119,229.29	7,022,134.50	10,141,363.79	1.4
4	Strengthening Local Governance, Financial Management and Accountability Systems	4,127,400.00	3,147,444.50	1,408,472.64	1,408,472.64	
4.1	Strengthening Budgetary Planning Systems	200,000.00	152,514.63	0.00	152,514.63	1.1
4.2	Strengthening Budget Execution, Accounting, and Reporting Systems	1,647,000.00	1,255,958.01	0.00	1,255,958.01	1.2
4.3	Local Governance - Strengthening Public Procurement Systems	550,950.00	420,139.69	(420,139.69)	0.00	DROPPED
4.4	Strengthening Oversight and Transparency Systems and Practices	1,729,450.00	1,318,832.17	(1,318,832.17)	0.00	DROPPED
5	PFM Reform Coordination and	2,984,000.00	2,275,518.34	0.00	2,275,518.34	

Original No.	Component Category	Original Allocation	Revised Total, Given MDTF Revision	Proposed Reallocation/ AF	New Proposed Subcomponent Balance	New Subcomponent No.
	Project Management					
5.1	Project Management and Coordination	2,380,000.00	1,814,924.14	0.00	1,814,924.14	3.1
5.2	PFM Reforms Directorate (PFMRU)	604,000.00	460,594.19	0.00	460,594.19	3.2
	GRAND TOTAL	28,471,929.60	21,711,929.60	10,000,000.00	31,711,929.60	

Table 3.3. PFMICP Structure after AF/Restructuring

New No.	New Component Category	Allocation of Remaining Funds (US\$)
1	Strengthening Budget, Financial, Procurement, and Taxation Systems	24,480,163.08
1.1	Budget Planning, Credibility, and Framework Formulation (national and local)	891,956.37
1.2	IFMIS/Accounting and Reporting Systems	8,595,124.62
1.3	Public and Electronic Procurement System	4,493,308.91
1.4	Revenue Management Systems and Reform of Legal Frameworks	10,499,773.18
2	Improving PFM Oversight and Accountability Systems	4,956,248.18
2.1	Strengthening Audit and Oversight	1,896,519.47
2.2	Open/Big Data and NSA	3,059,728.71
3	PFM Reform Coordination and Project Management	2,275,518.34
3.1	Project Management and Coordination	1,814,924.14
3.2	PFM Reforms Directorate	460,594.19
	Total	31,711,929.60

ANNEX 4. Implementation Arrangements and Support

1. Project implementation will continue to be the responsibility of the GoSL. Nevertheless, an Implementation Support Plan for the World Bank and its partners is in place. This has been updated and enhanced to ensure timely follow-up on the status of implementation of agreed actions geared toward delivery of core project results. The team plans to undertake implementation support every six months. This will encompass various technical experts covering revised components, financial management, and procurement specialists. Further support will be done through quarterly progress reports which shall be discussed with the client as need arises to keep the project on course and ensure effective action is taken. Where necessary, extended hands-on implementation support will be rendered periodically to ensure the building of required capacity and that timely action is taken.

1. Project Institutional and Implementation Arrangements

2. 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.

3. 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, and others. The 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.

4. 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

5. 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.

6. 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.

7. **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.

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

9. **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

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

11. Additional instructions for disbursement will remain the same and have been provided in the Disbursement Letter for the AF, as discussed during negotiations.

Table 4.1. Financing Allocated

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive Taxes)
(1)(a) Goods, non-consulting services, consultants' services, Training and Operating Costs under Parts 1, 2(b)(i), (b)(ii), (b)(iii)(A) (b)(iii)(B) and (b)(iii)(C).	7,000,000	Such percentage of Annual Work Plan Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient
(2)(a) NSA Sub-Grants under	300,000	Such percentage of Annual Work Plan Expenditures as the Association may determine for each Fiscal Year and communicate to the Recipient
Total Amount	7,300,000	

12. **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.

13. 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 FAs

14. **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. ASSL will formally appoint an external auditor, with qualification and experience satisfactory to the World Bank, to conduct the audit of the AF project's financial statements within six months of the date of effectiveness. 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 FA. The audited financial statements shall be furnished to the World Bank not later than six months after application deadline. The terms of reference of the external auditor will include an audit of the financial statements for 2017 AF.

Procurement

15. The Borrower will carry out procurement under the project in accordance with the World Bank's 'Procurement Regulations for Investment Project Financing (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 FAs.

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

17. 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.

18. As part of the preparation of the AF of the project, the PMU has prepared a Project Procurement Strategy for Development (PPSD) which describes how procurement activities will support project operations for the achievement of PDOs and deliver value for money. The procurement strategy has provided a link to the project implementation strategy ensuring proper sequencing of the activities. The PPSD has considered institutional arrangements for procurement; roles and responsibilities; thresholds, procurement methods, and prior review; and the requirements for carrying out procurement. It has also included 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 that have been included in the PPSD relate to the behaviors, trends, and capabilities of the market (that is, market analysis) to respond to the procurement plan.

19. MoFED acknowledges the need to improve procurement capacity and has begun action to redress the situation by engaging an international procurement consultant to support the team and to build procurement capacity. Due to the fragile nature of the environment, local small and medium enterprises (SMEs) lack the capacity to offer some of the proposed services. However, there are sufficient international and regional service providers that can enter into contracts as single entities or in joint venture among themselves or with local SMEs. The funding provided by the World Bank will be an incentive for competition in the procurement processes.

20. The PPSD has noted that, overall, there is limited procurement capacity within the PMU to implement the AF. The implementing agency is strengthening its procurement capacity with the engagement of an international procurement consultant. It will also recruit a local procurement specialist to complement its current resources. As Sierra Leone is a fragile country, this project will get procurement support through hands-on extended implementation support on fiduciary and technical aspects inclusive of procurement until reasonable capacity is built.

21. The depth of the financial sector is also quite shallow, with the absence of a viable stock market and the lack of a sovereign credit rating. The awareness about procurement at all levels within the public sector takes a higher level of patronage with increased donor funding. This awareness has buoyed the enthusiasm of local bidders to participate in bidding opportunities. The National Public Procurement Act provides for complaint review procedures; however, there is no

documented guidance on how to handle complaints at the project level. Although the country has just recovered from Ebola, it is expected that many bidders will be attracted because of the support provided by the World Bank, which guarantees payment. The AF's relationship with the World Bank will be clearly stated in the bidding documents to avoid bidders adding unnecessary premiums to their pricing. Pricing in the market is relatively stable.

22. Key procurement risks arise from external and internal environments. The external environment involves economic, social, political, and technological issues while the internal environment involves management of operations within the project. Though the existing PMU is implementing the PFMICP, the procurement risk is considered High prior to mitigation measures. The risk will be reduced to a residual rating of Substantial upon consideration of successful implementation of mitigation measures.

23. An updated procurement plan for the entire project has been prepared and since been submitted to the World Bank for no-objection. The team has since reviewed the same and provided no-objection subject to a few proposed changes.

ANNEX 5. Summary of Results Chain (Based on Revised Project Costs)

The table below summarizes the revised results chain given the proposed additional subcomponents and restructuring. Activities per subcomponent feed into key outputs, and up to short-, medium-, and long-term outcomes. PDO and Intermediate Indicators, detailed in Annex 1, will be used to monitor and evaluate the status of the project in achieving these outcomes and the project indicators.

Long-term Outcomes	Medium/Short-term Outcomes	Key Outputs	Activities	Inputs
Component 1: Strengthening Budget, Financial, Procurement, and Taxation Systems				
<p>1.1 Budget planning, credibility, and framework formulation enhanced</p> <p><i>(PDO Indicator: Average time of quarterly budget release to MDAs within start of the quarter)</i></p>	<p>The GoSL transitions to medium-term budgeting to address key systems and resource management issues</p> <p><i>(Intermediate Indicator: Ratio between actual primary expenditure and original budgeted primary expenditure)</i></p>	<ul style="list-style-type: none"> Budget Bureau staff trained on new planning and execution modules of IFMIS performance budgeting software GFS2001-compliant budget classification established Integration of budget planning and execution in an integrated IFMIS system Decentralized budget execution processes by MDAs in enhancing timeliness and effectiveness in budget execution Introduction of contract management and management of multiyear commitment control and arrears IFMIS chart of accounts migrated from GFS2001 to GFS2014 Budget Bureau staff trained on Government Resource Planning (GRP) v7 budget execution processes and functions and capability of such staffs to generate budget reports for management reporting and end-user reporting. Capacity of LCs to execute budgets strengthened 	<ul style="list-style-type: none"> TA on planning, implementation, and monitoring of activity-based budgeting Train Budget Bureau staff on new planning and execution modules of IFMIS performance budgeting software TA migration from government finance statistics manual (GFSM) 1986 to 2001 for budget formulation and reporting Configuration, testing, and quality review of the GRP v7 appropriations and budget modules in ensuring seamless integration of budget preparation and budget execution. Configuration of appropriations and budgeting module to support both centralized and decentralized budget operations of government. Contract management sub-module of the GRP to be seamlessly integrated with appropriations and budgeting and other general ledger functionalities that will ensure complete contract management and management of multiyear commitment controls and arrears. Transition strategy and migration of budget classification of expenses from GFS2001 to GFS2014. Functional end-user training on budget planning, budget execution, and reporting. TA for LCs on medium-term budgeting 	<ul style="list-style-type: none"> TA Software Logistical support

<p>1.2 IFMIS/accounting and reporting systems improved</p>	<p>Improved capacity to effectively manage public resource through improved budget preparation, budget execution, cash management, and financial reporting</p> <p><i>(Intermediate Indicator: MDAs processing transactions real time from IFMIS at respective rolled-out sites)</i></p>	<ul style="list-style-type: none"> • IFMIS upgraded to latest version (FreeBalance v7) • IFMIS rolled out to all remaining MDAs • IFMIS data center compliant with basic security standards • Implementation of an electronic document management system (EDMS) • BoSL, CS-DRMS, ASYCUDA, and ITAS interfaced with IFMIS • Financial reporting using International Public Sector Accounting Standards (IPSAS) adopted and implemented • PETRA enhanced with 'procure-to-pay-functions' and commitment control • Power supply available through battery banks for PETRA implementation • Cadastral system established for improved revenue collection in districts • LCs trained in collection and accounting for revenues • LCs trained in the use of the citizens' budget template developed • IFMIS rolled out to LCs • Effective use of IFMIS at LCs for use as financial management system: recording, reporting, and bank reconciliation of accounts • Budget Execution Report of LC's fiscal operations on IFMIS generated • Timely release/ publication of LC financial reporting 	<ul style="list-style-type: none"> • Procure updated IFMIS version • Development of comprehensive training strategy for technical and support staffs • Acquire and implement EDMS • Implementation of an electronic funds transfer system • Undertake comprehensive review of budgeting and accounting procedures • TA around system interfacing • Technical needs assessment for enhancement of PETRA with 'procure-to-pay functions' and commitment control. • Revamp existing PETRA infrastructure • Upgrade PETRA software and licenses • Scale-up property cadaster system in Bo, Kambia, Kenema, Port Loko, and Pujehun districts, and Bonthe Coty • Develop a property cadaster management manual including training of key staff on the use of the manual. • Training of valuers, chief administrators and valuation committee members on the use of the cadaster management manual • Review capacity (human and logistics) of chiefdom functionaries and facilitate training on budgeting and revenue mobilization and administration using manuals including guidelines on revenue collection and sharing • Support development of citizens' friendly templates for LC budgets (guidelines and training of LCs on use of guidelines) • Mentoring/training and coaching of LCs on 2016–2018 MTEF budgets. • Configurations of IFMIS, acquisition of computer equipment, installation/refresh of LAN's, provision of power system solar and inverter, and training of functional end users. • Recruitment and in-post of regional PFM coordinators to be assigned to specific LC's in 	<ul style="list-style-type: none"> • TA • Software • Logistical support
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			<p>each region.</p> <ul style="list-style-type: none"> Monitoring the use of IFMIS at LC's: transaction recording, budget execution reporting, and financial reporting. Support the LC's as part of the rollout training and post go-live support services in the execution of their financial management activities using IFMIS. Consolidation of financial reports on time using IFMIS 	
<p>1.3 Efficient and effective procurement systems developed</p> <p><i>(PDO Indicator: Percentage of contracts (by value) awarded in the fiscal year through open competitive procurement)</i></p>	<p>Establishment of an electronic procurement system at the central and local level:</p> <ul style="list-style-type: none"> Linking budget to procurement plans Control over-expenditure Ensure fiscal discipline by forcing expenditure within the budget <p><i>(Intermediate Indicator: Largest MDA budget heads with annual procurement plans within annual budget ceiling)</i></p> <p><i>(Intermediate Indicator: Percentage of public procurement professionals within</i></p>	<ul style="list-style-type: none"> Centralized view of all suppliers registered/blacklisted for all classes Online advertising of bidding opportunities Online short-listing, comments, and corrections and approvals 	<ul style="list-style-type: none"> Conduct e-Procurement readiness assessment Conduct open contracting assessment TA business process review and management of implementation phase Develop implementation roadmap and establish e-Procurement governance structure and unit TA for switching from manual procurement systems to an e-Procurement system Study tour to a jurisdiction with successful e-Procurement implementation Procure an off-the-shelf or proprietary designed system Development of training modules Development of prototypes Capacity development Consultancy for rollout Procurement of computers 	<ul style="list-style-type: none"> TA Equipment Software Logistical support

	<i>GoSL trained in e-Procurement processes. Percentage of trainees female)</i>			
1.4 Revenue generation maximized and tax revenue governance improved <i>(PDO Indicator: Increase in customs revenues paid into the Consolidated Revenue Fund, adjusted for inflation)</i>	Integrated management of domestic tax revenues <i>(Intermediate Indicator: Daily report of revenues based on ASYCUDA++, DTIS (or substitute), CS-DRMS, BoSL interfaced with IFMIS)</i>	<ul style="list-style-type: none"> ITAS system in place ITAS interfaced with IFMIS Capacity in the area of ITAS built 	<ul style="list-style-type: none"> Consultancies for procurement and evaluation of ITAS Procurement of revenue systems infrastructure for ITAS and ASYCUDA World (computers, servers, inverter/battery power backup system, and other electronic items) Tendering, evaluation, and due diligence Building capacities for effective ITAS and ASYCUDA World implementation Customization and deployment of ASYCUDA World Revenue collection, reconciliations and accounting system Study tour to Kenya and Rwanda on Electronic Cash Register for General sales Tax Integration with systems within and with IFMIS 	<ul style="list-style-type: none"> TA Software Logistical support
Component 2: Improving PFM Oversight and Accountability Systems				
2.1 Audit and oversight strengthened <i>(PDO Indicator: Timely submission of audited reports of the public accounts to the legislature (in months from submission of the audit report by the Auditor General))</i>	Improve the effectiveness, independence, and objectivity of internal audit function and financial oversight role of the ASSL <i>(Intermediate Indicator: Coverage of internal audit (as % of total expenditures))</i> <i>(Intermediate</i>	<ul style="list-style-type: none"> Auditing capacity built through computer-assisted audit techniques (CAATs)' training Enhance ability of Internal Audit Committees and Principal Accounting Officers to follow up on audit recommendations 	<ul style="list-style-type: none"> Training of internal auditors across MDAs Provide professional training and certification for MoFED Internal Audit Department staff Develop standard internal audit operating procedures manual with templates Strengthen Audit Committees in MDAs Provide equipment for internal auditors in MDAs Training of audit committee members in 30 MDAs on role and functions of the Audit Committee Training of internal auditors across MDAs on CAATs Local training on risk-based auditing for internal auditors at the Central Government Training of recently recruited audit Assistants and auditors on audit planning, execution and 	<ul style="list-style-type: none"> TA Equipment Logistical support

	<i>Indicator: Percent of Audit Committee recommendations on quarterly internal audit reports of MDAs that are implemented)</i>		report writing for IA in the public sector	
2.2 Accountability systems based on open data principles, big data, and enhanced oversight by NSAs strengthened <i>(PDO Indicator: Non-state actors and citizens participating in annual budget discussions)</i>	<p>Improving citizens access to service delivery information in selected sectors</p> <p>Better understanding of the Government budget by citizens</p>	<ul style="list-style-type: none"> • Citizens trained to access and use government data • NSAs trained in external oversight activities • Open data policies in place • Collection and feedback methods established and instituted • Improvement in open data system 	<ul style="list-style-type: none"> • Consultancy for design and implementation of open data systems • Piloting and scaling up of records management activities • Sensitization and implementation of the RAI Act • Consultancy for design of citizen feedback mechanisms • Implementation of ODRA recommendations • Pilot of big data applications • Relaunch of the government portal • Development of sectoral data dashboards • Training • Scale-up of citizen budget-related activities 	<ul style="list-style-type: none"> • TA • Equipment • Salaries • Logistical support

ANNEX 6. Map

