

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA7697

Date ISDS Prepared/Updated: 13-Feb-2014

Date ISDS Approved/Disclosed: 08-Apr-2014

I. BASIC INFORMATION

1. Basic Project Data

Country:	Maldives	Project ID:	P145317
Project Name:	Maldives: PFM Systems Strengthening Project (P145317)		
Task Team Leader:	Jiwanka B. Wickramasinghe		
Estimated Appraisal Date:	20-Feb-2014	Estimated Board Date:	29-May-2014
Managing Unit:	SARFM	Lending Instrument:	Specific Investment Loan
Sector(s):	General public administration sector (100%)		
Theme(s):	Public expenditure, financial management and procurement (100%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	6.50	Total Bank Financing:	6.50
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
IDA Grant			6.50
Total			6.50
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The proposed project development objectives (PDO) are to enhance budget credibility, transparency, and financial reporting of central government finances.

3. Project Description

The proposed project aims to enhance budget credibility, transparency, financial reporting and controls of central government finances. The proposed project will leverage the ongoing PFM work,

which is unfinished, to enable focusing on the immediate — indeed, urgent—requirements.

Project Components

1. Strengthening the PFM Environment (US\$1,400,000)

The objective of this component is to set the foundation and create an enabling environment for a sound PFM system. This component will have 3 subcomponents: (1.1) strengthening the legislative and institutional PFM framework, (1.2) enhancing the macro fiscal framework, and (1.3) strengthening medium-term debt management.

1.1 Strengthening the legislative and institutional framework for PFM (US\$440,000) .

The objective of this subcomponent is to enhance the legislative and institutional framework for sustainable PFM development. A number of stand-alone pieces of legislation and sets of rules and regulations governing various aspects of PFM have been introduced over recent years; these laws and their interpretations at times undermine budget discipline and financial controls. This subcomponent will include a comprehensive review of such laws and regulations to identify and recommend measures to remove inconsistencies and fill gaps in the existing PFM regulatory framework. This subcomponent will also finance part of the implementation of a communications strategy that focuses on interpersonal communications, inter department/stakeholder communications, and change management needed to support the legal and institutional changes that the subcomponent finances. This subcomponent will also strengthen the institutional framework for identified departments of the MOFT to support the work under the other subcomponents. This will build on the previous institutional assessment that have been carried out and complement MoFT's plan to revisit its organizational structure. The work of this subcomponent is closely linked with Component 2, Strengthening Budget Execution as: (1) legislation will underpin financial regulations that will spell out financial control principles and, either within the regulations or as separate guidelines/manual, the procedures to implement financial control principles; ii) Institutional assessment is closely linked to the business process review and its recommendations.

1.2 Enhancing the medium-term macro fiscal framework (US\$600,000) .

The objective of this subcomponent is to improve macro fiscal planning and forecasting for credible budgeting and strategic planning. The subcomponent will support strengthening the economic and fiscal policy capacity in the Fiscal Affairs and Economic Policy Planning Division, develop a credible medium-term fiscal framework (MTFF), prepare and train staff on budget preparation guidelines, and set up processes and techniques to prioritize capital projects. The project will also support fiscal planning with necessary computer hardware and software, including interfacing budget preparation with the public accounting system for a more efficient budget preparation process.

1.3 Strengthening debt and cash management (US\$360,000 million) .

The objectives of this subcomponent is to (i) lower the cost and risk of debt through strengthened debt and risk management capacity and institutions and better integration between debt and cash management; and (ii) increase the predictability in the availability of funds to ministries,

departments, and agencies (MDAs) for commitment of expenditures via better cash forecasting and thereby lower the amount of payment arrears. Given the large borrowing requirements, there is great need for an analytical strategy that is based on rigorous cost-risk considerations to support authorities in meeting their financing gap at lower costs. This subcomponent will support medium-term debt management by strengthening staff to maintain a robust debt management strategy that aims to reduce the cost and risk of debt and meet debt-related provisions in the Fiscal Responsibility Act. In addition, the Project will also support debt management with necessary hardware and software, including interfacing budget preparation with the public accounting system under component 2.1.

This subcomponent also aims to support effective cash management by improving cash management processes such as the establishment of a cash management committee that will include all key stakeholders, including the line departments, implementing a model that will produce regular and reliable forecasts of cash inflows and of major outflows that are linked to the budget implementation and commitment plans for individual MDAs, and by incorporating the planned in-year borrowing to ensure adequate liquidity at any time. The cash management initiatives will be closely linked to debt management, PAS implementation, and the business process review.

2. Strengthening Budget Execution (US\$4,350,000)

The objective of this component is to improve the efficiency of resource utilization and the credibility, comprehensiveness, and timeliness of financial reporting. There will be 2 subcomponents: (2.1) strengthening the public accounting system and (2.2) improving the control environment.

2.1 Strengthening the public accounting system (US\$ 3,500,000).

The objective of this subcomponent is to improve financial reporting practices to include timely production of budget execution reports, project financial statements, and other financial reports providing relevant information such as value of arrears, commitments, and contingent liabilities. This subcomponent will support (a) financing a business process review, preparation of an IT master plan, and implementation of the review recommendations and the master plan through technical and functional PAS improvements (areas already identified for support include the use of SAP platform for maintaining establishment information to strengthen payroll controls, cash forecasting, and implementation of project system to capture donor-funded activities in the public accounting system); (b) SAP training for staff; (c) part of the urgent technical and functional upgrades and maintenance that will be performed under SAP consultancy planned to be awarded under the Pensions Project; (d) procurement of computer hardware and software, including additional software licenses; and (e) establishing maintenance arrangements and incentives for SAP experts for which financing support from the project will be provided for 3 years and 2 years respectively with the Government taking over from there onwards.

2.2 Improving the control environment (US\$ 850,000).

The objective of this subcomponent is to strengthen internal financial controls, internal audit, and procurement management practices. Internal financial controls will be strengthened through the finalization and dissemination of the Financial Regulations, Standard Operating Procedures and other guidance materials identified as appropriate during comprehensive Business Process Review of

financial management and procurement processes. The subcomponent will also provide hands-on consultant support to the internal audit function within the government. This will include verifying the accuracy of budget execution reports generated by the public accounting system, along with a payroll audit in the Ministry of Education and a procurement audit in the Ministry of Defense.

Procurement management will be strengthened by standardization and establishing procurement benchmarks based on international good practice and thereby reducing the vulnerability of the procurement process, through the following activities: (a) setting up of the procurement policy section; (b) strengthen the tender division within the MOFT-based National Tender Board; (c) develop procurement manuals and standard operating procedures for harmonizing the procurement practices across the country; and (d) review and update the standard bidding documents. The project will also assist procurement management by establishing an institutionalized and sustainable procurement training mechanism via the Civil Service Commission by developing training modules to address the training needs of public officials both at the level of decision-makers and practitioners, training of trainers, and designing a process for regularly analyzing training needs of procurement staff and upgrading the skills.

This subcomponent will also finance part of the implementation of a communications strategy that focuses on interpersonal communications, inter-department/stakeholder communications, and change management needed to support recommendations of the Business Process Review.

3. Project Management (US\$ 650,000)

The objective of this component is to provide support to the MOFT for coordination, monitoring, administration, communication, change management, financial management, and procurement of the Project. The project management component will finance the costs of: (a) an international management implementation support consultant and local consultants for project coordination and M&E activities; (b) any relevant training required to strengthen the skills of the project coordinating staff.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project interventions will be focused in the Island of Male, the capital of the Maldives, located at the southern edge of North Male Atoll. All project counterpart agencies are based on the Male Island

5. Environmental and Social Safeguards Specialists

Susrutha Pradeep Goonesekera (SASDS)

Mokshana Nerandika Wijeyeratne (SASDI)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	As a category C project, the project does not trigger OP 4.01 - Environmental Assessment. No physical construction/reconstruction/ rehabilitation is envisioned under the project interventions.

		It is expected that no e-waste will be generated via the upgrading of computer servers under component b (i) as the old servers are expected to be used as backup servers. The hardware upgrade will not involve upgrading of any PC Units or other hardware.
Natural Habitats OP/BP 4.04	No	Project interventions are not expected to have any significant impacts on the natural habitats within the project locality
Forests OP/BP 4.36	No	There are no forest areas on the Island of Male and no project interventions will be conducted in such areas
Pest Management OP 4.09	No	Not Applicable as no project interventions are made where significant use of pesticides and other such substances are utilized.
Physical Cultural Resources OP/ BP 4.11	No	Project interventions do not involve any physical interventions, thus there are not impacts expected any physical cultural resources designated on the Island of Male
Indigenous Peoples OP/BP 4.10	No	The project will not affect any indigenous groups.
Involuntary Resettlement OP/BP 4.12	No	Project activities are not expected to involve any resettlement
Safety of Dams OP/BP 4.37	No	No dams will be affected via project interventions.
Projects on International Waterways OP/BP 7.50	No	The project location does not fall in route of any international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project location does not fall within a disputed area.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
There will be no safeguard issues impacts associated with project interventions. The project will not finance any physical interventions nor partake in any activities that will lead to irreversible environmental impacts. The borrower has confirmed that the project will not lead to the generation of any e-waste during computer hardware (server) upgrades planned under Component b (i) , the old servers will be used as backup servers within the institution.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
Not Applicable
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse

impacts.
Not Applicable
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
Not Applicable
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Not Applicable

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:
Not Applicable

C. Compliance Monitoring Indicators at the Corporate Level

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

III. APPROVALS

Task Team Leader:	Name: Jiwanka B. Wickramasinghe	
<i>Approved By</i>		
Regional Safeguards Advisor:	Name: Francis V. Fragano (RSA)	Date: 18-Feb-2014
Sector Manager:	Name: Fily Sissoko (SM)	Date: 08-Apr-2014