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This action is funded by the European Union

ANNEX 1

of the Commission Decision on the Annual Action Programme 2017 in favour of the Republic of Liberia to be financed from the 11th European Development Fund

Action Document for: European Union State Building Contract with Liberia : Moving Liberia forward – Improving service delivery and public investment

1. Title/basic act/ CRIS number	European Union State Building Contract with Liberia: Moving Liberia forward – Improving service delivery and public investment CRIS number: LR/FED/040-045 financed under the 11th European Development Fund (EDF)	
2. Zone benefiting from the action/location	West Africa, Liberia	
3. Programming document	National Indicative Programme (NIP)[1] for the period 2014-2020 for Liberia	
4. Sector of concentration/ thematic area	Sector Specific objective	DEV. Aid[2]: YES
5. Amounts concerned	Total estimated cost: EUR 57 000 000 Total amount of EDF contribution EUR 27 000 000 of which: EUR 24 000 000 00 for budget support and EUR 3 000 000 for complementary support. This action is co-financed in joint co-financing by: the World Bank and the African Development Bank for an amount of EUR 30 000 000	
6. Aid modality(ies) and	Budget Support Direct management:	

[1] Commission Decision on the adoption of National Indicative Programme for the Republic of Liberia (2014-2020) C(2015) 1267 of 26.2.2015.

[2] Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

implementation modality(ies)	• Budget Support: State Building Contract • Procurement of Services Indirect management: • complementary support measures with World Bank			
7 a) DAC code(s)	General Budget Support – code A01			
b) Main Delivery Channel	Main Channel 10000 - PUBLIC SECTOR INSTITUTIONS			
8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	☐	☐	**X**
	Aid to environment	**X**	☐	☐
	Gender equality (including Women In Development)	☐	**X**	☐
	Trade Development	**X**	☐	☐
	Reproductive, Maternal, New born and child health	**X**	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	**X**	☐	☐
	Combat desertification	**X**	☐	☐
	Climate change mitigation	**X**	☐	☐
	Climate change adaptation	**X**	☐	☐
9. Global Public Goods and Challenges (GPGC) thematic flagships	Non-applicable			
10. Sustainable Development Goals (SDGs)	Main SDG 16: Promote just, peaceful and inclusive societies. Secondary SDG 1: End poverty in all its forms everywhere.			

SUMMARY

The proposed EU budget support operation for Liberia is a follow-up to the State Building Contract I to be implemented from January 2018 to December 2020 under a new State Building Contract II with an additional envelope of EUR 27 million. The overall objective is to assist the Government of the Republic of Liberia in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving democratic and economic governance.

The specific objectives are to produce the following outcomes: Improved confidence of the population in the performance of the Government, particularly as regards governance, Public Finance Management (PFM), the budget process and service delivery. In this regard, improvements are made in the perception of corruption. Increased use of goods and services provided by the public sector and enhanced resulting benefits. In this regard the Government's ability to achieve short-term policy objectives is strengthened and a new mid-

term national development strategy is developed, implemented and monitored. Transparency and accountability of public service delivery and public investment is increased. Increased private sector production and investment.

EUR 24 million is foreseen under budget support fixed and variable tranches and EUR 3 million are foreseen for complementary support. A continuous monitoring and solid policy dialogue will form the core of the budget support related activities. Capacity development will form a major component of the complementary support programme. Actions will further promote the business environment development, improved revenue mobilisation, create conditions for a more coordinated programme-based budgeting across priority sectors, fight against corruption, and will mainstream gender equality in programme outcomes.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

The strategic objectives set out in the current national development strategy, the Agenda for Transformation (AfT) reflect the commitment of the government of Liberia in eradicating poverty and reducing inequality aligned to the objectives of the European Union (EU) prescribed in the National Indicative Programme (NIP) 2014-2020.

The preparation of the SBC II support programme for Liberia 2018-2020 coincides with the end of the current Agenda for Transformation (AfT) 2012-2017 and towards starting up of a new national development strategy in partnership with a new Administration and other donor agencies.

Although Liberia has enjoyed relative peace and stability since the end of the civil war in 2003, the country remains fragile on the environmental, economic, security, political and societal dimensions of the 2016 Organisation for Economic Co-operation and Development (OECD) fragility framework. Most notably are the economic dimension of fragility due the country's weak economic fundamentals, low-skilled human capital and high vulnerability to exogenous shocks, as well as the political dimension due to issues of capacity, corruption and concentration of power meaning Liberia remains a long way from a genuine democracy where government responds to the needs and expectations of the people.

The presidential and legislative elections of October 2017 will be a milestone in Liberia's post-war transition, as they will represent the first transition since the end of the civil war and will take place with a significantly reduced presence of the United Nations Mission In Liberia (UNMIL), whose mandate in December 2016 was extended for a final period until 30 March 2018. The new administration will face important challenges that have not been fully addressed during the Johnson-Sirleaf administration: With the end of the AfT, the new government will be responsible for the preparation of a new national development strategy that addresses many of the issues important for Liberians, such as corruption, a weak education system and reconciliation, which will be huge tasks. At the same time, budget shortfalls can limit a new government's possibilities for delivering.

Liberia suffered three consecutive years of flat growth caused by the Ebola crisis and the substantial drop of commodity prices ending in 2016 which has hit Liberia particularly hard, as the country remains highly dependent on export income from natural resources. The International Monetary Fund's (IMF's) debt sustainability analysis rates Liberia as moderate bordering high with a general Government gross debt of 41 % of gross domestic product (GDP) in 2016.

Local businesses struggle with electricity, transportation costs and transaction costs which are aggravated by a lack of transparency and corruption. Ranked 174th out of 190 countries in the 2017 'Doing Business' Report[3], Liberia's business climate constitutes a disincentive/high risk environment for foreign investors.

Liberia remains one of the poorest countries in the world with one of the lowest levels of human development (ranking 177 out of 188 countries), weak state capacity, and a high level of dependence on international donors. The incidence of poverty at the national level fell to 54 % in 2014 from 64 % in 2007, due mainly to the decline in rural poverty. The overall drop in poverty reflects economic growth, lower inflation and the government's income support to the poor and vulnerable. Although exact estimates of poverty levels await the completion of the 2016 household survey, projections show that the impact of the Ebola crisis reversed the post-war trend of decreasing poverty.

Liberia has a young age structure, with approximately 63 % of the total population under the age of 25. Inequality, as measured by the Gini coefficient, was marginally lower in 2014 than in 2010, but remains higher in urban areas compared to rural areas. This risk factor to society is aggravated by a large youth population with lack of education and opportunities beyond the informal economy.

Liberia is one of the lowest ranked countries in the United Nations Development Programme (UNDP) Gender Inequality index in 2016. Women remain disadvantaged relative to men across a range of measures related to employment, health, education, and political participation. Gender based violence remains a persistent problem in the country.

Over the last years, the national budget has been gradually developed around eleven sectors and has grown rapidly and largely in disproportion to the institutional capacities of the state. Fundamental issues[4] in the budget procedure lead to lack of coordination and delays, as well as lack of transparency and realism in budget appropriations.

Liberia continues to struggle with high levels of corruption. Liberia's score in Transparency International's Corruption Perception Index has remained unchanged for the last three years. The Liberia Anti-Corruption Commission (LACC) has limited powers, leverage and impact and is under-resourced with only six investigators who are capable of conducting 3-5 corruption investigations each year. Few of its investigations proceed to prosecution because the Ministry of Justice concludes that insufficient evidence has been presented.

Basic objectives, priority areas and expected results in support of state building in Liberia will be defined at this stage in dialogue with the current Government. The newly elected Government can subsequently confirm the set priorities for policy dialogue. At that time, the definition of tangible and verifiable indicators and related targets for variable tranches might have to be revised following possible change in priorities.

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[3] Doing Business 2017 Report 'Equal Opportunity for All', The World Band Group. www.doingbusiness.org/reports/global-reports/doing-business-2017

[4] E.g. the Legislature introducing unrealistic revenue increases during the budget approval process and rejecting proposed tax measures on the revenue side and the lack of policy-based budgeting in general.

1.1.1. Public policy Assessment and EU policy framework

EU policies guiding this action are the New Consensus on Development and the "Collect More, Spend Better" initiative. The New Consensus on Development is the EU response to the 2030 Agenda for Sustainable Development and highlights the importance of national development paths and the responsibilities of national governments in implementing the 2030 agenda. It also stresses the importance of generating domestically additional resources for sustainable development in partner countries. The EU initiative "Collect More, Spend Better" also promotes effective and efficient resource mobilisation and use.

The national development strategy paper, Liberia's Agenda for Transformation (AfT) 2013-2017 is a comprehensive medium-term strategy launched in 2013 to lead Liberia to middle income status by 2030. The AfT has two key objectives: (1) to create wealth and (2) to increase inclusiveness for a more equal and just society. In order to achieve these objectives, the five year plan sets key priorities under five pillars, which are consistent with identified current challenges for Liberia: (I) Peace, security and rule of law, (II) Infrastructure and economic transformation, (III) Human development, (IV) Governance and Public Institutions, and (V) Cross-cutting issues.

The Government of Liberia has shown a high level of commitment in implementing the national development plan, but remains hampered by the weak institutional capacity and policy framework to coordinate and follow-up on implementation. To implement the plan Liberia has moved forward with and adopted a number of good quality policies, strategies and work plans in a number of sectors. However, there has not always been coherence between the AfT and these sector plans, in particular as regards funding priorities and indicators. The Ebola outbreak and price falls in the main export commodities led to a reprioritisation of the AfT actions up to the elections of October 2017. A mid-term review of the AfT was published in the first quarter of 2017, and while it found advances in a number of sectors, it also showed that there were still big challenges in terms of achieving the objectives of the AfT, as well as more specifically in monitoring and financing its implementation.

The AfT will coincide with the end of the current administration. Trying to avoid a potential gap in development planning during the transition, the Government has already initiated the process of formulating a successor strategy. Firstly, it has formulated a national roadmap to domesticate the SDGs, which will serve as the basis for the AfT successor strategy. The roadmap identifies activities of the AfT which have not been completed and foresees a stakeholder dialogue for bottom-up prioritisation guided by the SDGs. Likewise the Government has drawn up a map of the goals in the SDGs in comparison to the existing AfT objectives, and has made some initial consultations within government ministries and agencies. While the process has started its continuation will depend on the new administration.

The institutional capacity across government will only improve gradually, but some lessons have been learnt from the AfT mid-term review and a Monitoring and Evaluation Unit has been established in the Ministry of Finance and Development Planning (MFDP).

1.1.2. Stakeholder analysis

The MFDP, the Liberia Revenue Authority (LRA), and the Public Procurement and Concessions Commission (PPCC) are the key institutions of the State Building Contract II for Liberia under both budget support and complementary measures.

The MFDP is responsible for the formulation and implementation of fiscal and economic development policies for the promotion of sound and efficient management of financial resources of the government. The MFDP plays a leading role in the budget process and, while its capacity has been strengthened in tandem with PFM reforms in Liberia, it still needs strengthening to fully fulfil its mandate. The PFM eligibility assessment below and in annex go into more detail, but in general the MFDP still has difficulties leaving its silo and cooperating proactively with line ministries and PFM agencies. For example, policy-based budgeting is still a challenge for the government, because Ministries & Agencies (M&As) have low capabilities to pro-actively participate in the budget preparation and the Medium-Term Expenditure Framework (MTEF) is, in practice, not functioning. Likewise, there is low capacity to appraise public investment projects.

The LRA is responsible for administering and collecting taxes and customs duties in the country. It confronts shortages of capacity and skilled staff and needs to overhaul its tax policy framework to adequately address its technical, administrative and audit capacities to mobilise more tax revenues. The 2016 Tax Administration Diagnostic Assessment Tool (TADAT) identified the following key weaknesses of the LRA: (i) unreliable and inaccurate tax registration database; (ii) incomplete and inaccurate taxpayer accounts arising from significant delays in posting deposits in the revenue account and payments to the taxpayer ledger; (iii) weak internal and external oversight of LRA and its IT system; (iv) high use of manual operations and poor document management; (v) little to no analysis of internal or external data or monitoring of performance. In addition, the tax administration operations are complicated by use of standard operating procedures (SOPs) that are still in draft form.

The PPCC manages procurement reforms, maintains the procurement system and oversees the way in which government does business with the private sector. PPCC has gained credibility as guardian of the regulatory framework for procurement; however there are still Ministries and Agencies that think they could go around the rules by using derogative provisions. The PPCC does not as yet have sufficient capacities to carry out procurement audits. So far the PPCC has developed a framework that sets out a detailed approach to resolving the existing capacity challenge and how quality procurement audits will be conducted in the future. In the meantime, the PPCC relies on the General Auditing Commission (GAC) to audit procurement activities as, for example, at the Ministry of Public Works.

Other key institutions potentially benefitting from the proposed budget support programme are the Internal Audit Agency, the General Auditing Commission, the Legislature (legislative oversight committee on public accounts and audit (PAAC), Ways and Means Committee, Legislative Budget Office), the Liberia Anti-Corruption and Concession Commission, the Ministry of Justice, the Judiciary, the Civil Service Agency and the Ministry of Education. These stakeholders vary greatly in the strength of their mandate, their institutional capacity and leadership. All of them are duty bearers with a responsibility to uphold civic and gender rights and to prevent their violation.

1.1.3. Priority areas for support/problem analysis

Budget support provided by the European Union primarily aims to ensure fiscal balances, so that the state can assume its core functions and maintain the pace of public investment. Under the pressure of public investment needs for the Public Sector Investment Plan (PSIP) which exceed domestic revenue forecasts and in a context of considerable drop of Official Development Assistance (ODA) after the Ebola crisis, public debt and the current account deteriorated. The dependency of commodity exports for revenue in foreign exchange and the structural lack of diversification of the economy put at risk macro-economic stability of the dual currency economy, which relies heavily on foreign exchange for its functioning; a non-conducive business climate is hindering the development of the private sector and hence the needed diversification.

There is a need to ensure financial support particularly at the time of (1) serious fiscal and forex constraints in the wake of a stronger than expected impact of commodity price shock, (2) the end of the Ebola outbreak-related external support and projects, (3) the decline in terms of domestic revenue caused by a stagnant economy due to low commodity prices and lack of diversification of the economy, (4) the depreciation and erosion of forex reserves in a double currency regime.

In fact, the fiscal space of the government is very limited to secure public investment in basic services to support the development process. The implementation of the Agenda for Transformation has been quite a challenge for the government, even if one takes into account the interruptions of the Ebola health crisis. A major challenge has been to properly monitor and evaluate the progress instead of reporting on activities. If the government does not adopt a successor development policy, donors will push for resource allocation by line ministries for different sectors with limited coherence and respect of the overall resources available. Likewise, budget support can create more ownership in the implementation of the development strategy than if donors finance initiatives aligned with the strategy as was the case under the AfT.

The Public Financial Management (PFM) sector needs particular attention; it suffered severe decline during the civil war as transparency and accountability in the use of public resources became almost non-existent. With assistance from Development Partners, the government embarked on a major legislative and institutional reform which begun with enactment of the PFM Act and other legislation in 2009 to strengthen transparency and accountability of public officials. Despite major efforts in PFM systems, the country is still facing poor service delivery, also in sectors supported by the EU National Indicative Programme 2014-2020, such as education, agriculture and energy.

The proposed State Building Contract (SBC) for Liberia takes stock on the lessons and experience of the predecessor EU budget support programmes and the Integrated Public Finance Management Reform Programme (IPFMRP) I.

The proposed SBC needs to ensure that the government, in line with its mandate, can complete its functions, continue ongoing reforms (e.g. PFM) and preserve spending for basic services including health, education, security and rule of law and expand state functions.

Compared to the ongoing SBC, the proposed budget support programme has partly shifted its approach and it now focuses on supporting government actions and initiatives geared towards domestic revenue mobilisation and business climate, budget credibility for service delivery, improved controls and prevention of corruption and improve transparency. Transparency and accountability will be key areas of the dialogue with the government, emphasising that the government's obligations are first and foremost to the Liberian citizens and civil society and only secondly to donors. Only if the government improves on both service delivery and transparency will the Liberian population stop considering the government prone to vested interests and nepotism (rather than working to the benefit of the country) and the widespread perception of impunity of corruption.

Institutional and capacity building issues in PFM that are critical for ensuring good governance and operational functioning of the state of Liberia will be built through the

IPFMRP II focussing on (1) Enhancing domestic resource mobilisation sources and international tax systems (2) Stabilizing and strengthening PFM financial controls and accountability, (3) Deepening service delivery and PFM in selected sectors, and (4) Programme governance & management.

1.2. Other areas of assessment:

1.2.1. Fundamental values

Liberia has made great progress in the area of human rights and democracy since the end of the civil conflict in 2003, as was acknowledged during its Second Universal Periodic Review in 2015. It is a multi-party democracy and successive Presidential and legislative elections have been judged generally free and fair. The current government has made clear its commitment to human rights and over the last decade, significant efforts have been made to set up the institutional frameworks needed to monitor, promote and enforce human rights and good governance. There is no evidence of systematic, state-sponsored human rights violations. Liberia's Constitution respects fundamental freedoms (association, expression, religion) and these are generally respected.

The government is committed to addressing some of the serious challenges that remain. Sexual and gender based violence is widespread, harmful traditional practices like Female Genital Mutilation (FGM), trial by ordeal and ritual killings persist, and prisons overcrowded with pre-trial detainees are a symptom of wider problems in the justice system. No Liberian has ever been tried for crimes committed in Liberia during the civil conflict and alleged war criminals continue to play a prominent role in society.

1.2.2. Macroeconomic policy

A stability-oriented macroeconomic framework addresses key imbalances as confirmed in the assessment of macroeconomic eligibility for the disbursement that took place in June 2016. The structural lack of diversification of the economy, low banking profitability and low access to finance have been identified as challenges. Structural imbalances are compounded by weakening of the Liberian Dollar and inflationary pressures in 2016/17, low central bank reserves, as well as gaps in the FY15/16 and FY16/17 budgets. Continuous dialogue with the Government of Liberia, under the leadership of the IMF, will focus on the maintenance of foreign exchange reserves and an effective monetary policy to address pressures on the Liberian dollar and on the inflation rate.

The Government of Liberia has taken a strong stance to reduce the revenue shortfall by cutting expenditures through a number of measures, and efforts to increase the tax base through the recently created LRA.

In financial year (FY) 15/16 the country received USD 85 million in the form of budget support compared to an actual budget of USD 559 million. After Ebola frontloading, the IMF (International Monetary Fund) projects a downturn in aid support and with the African Development Bank (AfDB), EU, IMF and World Bank programmes coming to an end this year the new government cannot rely on major macroeconomic/budget support programmes.

1.2.3. Public Financial Management (PFM)

Liberia is making satisfactory progress in improving its PFM systems as confirmed in the Delegation's Annual Monitoring Report on PFM Reform dated May 2017. The relevance of the Government of Liberia's 2013 PFM Reform Strategy in addressing systemic weaknesses was confirmed by the 2016 Public Expenditure and Financial Accountability Assessment (PEFA). The Ministry of Finance and Development Planning (MFDP) has started drafting a successor PFM strategy, which will be adopted and come into force later in 2017, which has the following key themes: (i) robust legal and regulatory framework; (ii) credible budget to support service delivery; (iii) revenue mobilisation; (iv) robust and linked systems and processes; (v) comprehensive and transparent financial reporting; (vi) strengthened external scrutiny and, lastly, the cross thematic area of capacity building. The credibility of the outgoing and incoming PFM Reform Strategies are also assessed positively, given that they bring together Ministries and Agencies across Liberian institutions and harness and coordinate a significant amount of donor support for increasing accountability.

1.2.4. Transparency and oversight of the budget

The executive's budget proposal was published on 16 May 2016 on the government's specific budget webpage[5] just after it had been submitted to the legislature. However, the National Budget Law FY 2016/17 was only published six months into the fiscal year (5 December 2016). Part of the delay can be attributed to a paralysis in the legislature which only approved the budget on 20 September 2016. The latest published Open Budget Index (OBI 2015) shows a slight deterioration from the 2012 to the 2015 assessment. The reason for the decline was that the Government of Liberia had failed to publish the Pre-Budget Statement and the Citizens Budget in a timely manner as well as to produce and publish the Year-End Report. However, the 2016 OBI update notes that draft budget, enacted budget, year-end report and citizens' budget were all published.

5 https://www.mfdp.gov.lr/index.php/the-budget#

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Overall developmental risk as the Government is struggling to align its resources and focus its energies to its priorities in the context of scarce resources and multiple priorities.	H	Intensive policy dialogue. Political and understandable targets under the indicators. EU will strive to obtain co-chair of relevant component of next development strategy.
Fiduciary risks due to weak public financial management and weak capacity to prepare a realistic budget aligned to priorities, together with operational procurement and cash plans is at the root of many of the subsequent challenges in the execution of the budget.	H	Contribution to strengthening PFM will specifically be addressed through the support measures, as well as other projects, such as support to the General Auditing Commission (GAC).
Developmental/ effectiveness and human rights risks as deployment of personnel and deconcentration of services advance in the context of weak internal accountability and management controls.	H	Strong focus on controls, accountability and transparency through the budget support indicators and the complementary measures.
Reputational risk as lack of understanding of the concept of general budget support leads to tensions between Ministers regarding the 'distribution' of EU funds.	L	National Authorising Officer (NAO) and MFDP/Budget Department to engage with Ministries and Agencies, and provision of training and awareness, for instance through NAO support project.
Core PFM processes and systems targeted in the budget support programme do not integrate well to IFMIS, thereby causing malfunctioning of the internal control framework across M&As and County Treasuries.	M	Implementation of Integrated Financial Management Information System (IFMIS) audit recommendations IPFMRP investments into integrating IT systems.
Lack of gender sensitive approach increase gender inequalities and doesn’t allow equal participation for women. Lack of gender awareness, lack of political will to mainstream gender and lack of gender responsive	H	Include gender analysis and gender disaggregated data when designing the indicators; use the gender analysis of the budget process and public sector reform to inform the policy dialogue; apply a gender sensitive approach in the design and implementation of the

budgeting.		complementary measures.

Assumptions
Main assumptions are as follows: (1) Smooth/stable political transition after 2017 presidential elections (2) the incoming/ new Government of Liberia will be strongly committed to the public financial management reform programme and establishing modern and effective management and control procedures in order to enhance accountability, transparency, effectiveness and efficiency in the use of public resources; (3) MFDP senior management fully buy-in to and take full ownership; (4) MFDP will ensure sustainability and continuity by putting in place measures to enable PFM players take responsibility.

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1. Lessons learnt

More attention is required to be directed towards the low organisational and individual capacities in the MFDP and Ministries & Agencies (M&As) to ensure the expected impact of the PFM reform strategy in the next years. Likewise, if indicators are in an area outside of the NIP focal sectors capacity on the side of the EU Delegation to track their performance and conduct policy dialogue to push reform, process remains limited. In order to have a fruitful policy dialogue and holistic approach it is recommended to include indicators only in the areas where the Delegation has an effective added-value through its active engagement in the NIP focal sectors.

Effective Policy dialogue implies a common approach/aligned messages of BS donor community towards the Government of Liberia.

As regards complementary measures under budget support operations

- The IPFMRP has made major inroads into the area of PFM but being extremely ambitious and lacking a strategic approach only achieved moderately satisfactory results. The advantage is that it covers all main PFM stakeholders with a wide and flexible approach on activities. The pilot under the Non State Actors Secretariat has produced interesting results which have contributed to the identification/formulation of the Civil Society Organisation (CSO) programme.
- The technical assistance directed through the Budget Strengthening Initiative of the Overseas Development Institute (BSI-ODI) under the SBC I has been mostly ad hoc demand-driven based on MFDP needs, but not sufficiently focused on addressing specific fundamental weaknesses in PFM processes and systems in a rather programmatic and sequenced basis.
- The contribution to the Household Income and Expenditure Survey (under the 10th EDF budget support operation) has produced useful statistics, disaggregated by gender.

3.2. Complementarity, synergy and donor coordination

Complementarity exists between EU funded SBC, other EU programmes and other Development Partners (DPs) programmes. Other EU programmes include commitments to assist the Government's efforts to the reform of customs administration during 2016-2019 and the General Auditing Commission EUR 5 million respectively.

The World Bank led Multi-donor Trust Fund Integrated Public Financial Management Reform Programme (IPFMRP) remains the main channel of donor support to PFM reforms in Liberia, with contributors currently being the United States Agency for International Development (USAID), Sweden, African Development Bank (AfDB) and the EU. The World Bank is currently in the phase of closing IPFMRP I and identification for IPFMRP II. Expected components are (1) Enhancing domestic resource mobilisation sources and international tax systems (2) Stabilizing and strengthening PFM financial controls and accountability, (3) Deepening service delivery and PFM in selected sectors, and (4) Programme governance & management. The World Bank has earmarked USD 25 million for the IPFMRP II and African Development Bank is currently developing a USD 8.72 million contribution to the programme.

An overview of relevant actions from other donors in the area of PFM include:

- USAID: Revenue Generation for Governance and Growth (USD 7 million; 2016-2018); Local Empowerment for Government Inclusion & Transparency (LEGIT) (USD 5.7 million; 2016-2019; Public Sector Modernisation Project (USD 5.5 million; 2014-2019).
- International Monetary Fund (IMF): new 5 year multi-donor project with long term and short term technical assistance and training in 7 areas of PFM, started up in April 2017; Strengthening Core Budget Functions in Fragile States until 2018.
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Regional resource governance in fragile states of West Africa focussing on mineral resources in Liberia and Sierra Leone, 2015 – 2018, including resident advisor in natural resource unit in LRA
- The Swedish International Development Cooperation Agency (SIDA) support to CSOs (EUR 7 million) with view to strengthening demand for accountability at the legislature;

A well-functioning PFM Donor Coordination Group is chaired by the AfDB, and serves to coordinate reform activities and the various support provided. The PFM Steering Committee chaired by the Minister of Finance should meet twice per year, but regularity and participation of all donors is not ensured.

Currently three other donors are providing budget support to Liberia, namely the World Bank, Norway which works through the World Bank, and the IMF that did budget support in its recent extension plus augmentation to fill the budget gap. The African Development Bank is currently evaluating and auditing its last budget support operations.

Civil society has potential for monitoring reform and engaging in dialogue with the government, but there is weak civil society capacity to engage in a substantive discussion, and based on this some past reluctance from the executive to engage substantively with civil society. The EU will increase support to civil society to encourage appropriate engagement in economic governance and general development debate both under IPFMRP II and the CSO programme.

3.3. Cross-cutting issues

The following cross-cutting issues will be brought into the mainstream of the programme:

Gender issues

Design of indicators will try to address some of the specific problems faced by women in Liberia. Each indicator will be analysed in terms of its impact on women. Under support measures there will be a specific focus on gender budgeting, women's access to budget information and role in PFM reforms, and how PFM reforms can be better tailored to address issues of gender inequality in Liberia. The statistical complementary support will produce data disaggregated by gender where applicable.

Right based approach (RBA)

The principles of participation, non-discrimination, accountability, transparency and inclusion of all rights are inherent in all components of the budget support programme. Indicators will be defined so as to achieve the maximum impact on final beneficiaries, and support measures will be designed to cover all aspects of the RBA, in particular accountability and transparency which are core in the PFM reform support. Participation will also be addressed, but has been difficult to achieve in the policy level dialogue. Some promising initial efforts under IPFRMP will try to be expanded.

Environment and Climate Change

This programme does not include specific actions relating to environment and climate change. Notwithstanding the absence of specific actions, the programme mainstreams environmental issues by addressing governance in different agricultural sectors (timber, fishery, rubber, mining, palm oil), their "sustainable" financial management and corruption (e.g. tax exemptions), and the direct incomes they generate for the budget (through concessions and other taxes).

4. DESCRIPTION OF THE ACTION

4.1. Objectives/results and options

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of Sustainable Development Goal 16 "Promote just, peaceful and inclusive societies" but also promotes progress towards SDG 1 "End poverty in all its forms everywhere". This does not imply a commitment by The Republic of Liberia benefiting from this programme.

4.1.1. Objectives/results

The overall objective of this SBC is to assist the Government of the Republic of Liberia in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving democratic and economic governance.

The specific objectives are to produce the following outcomes:

- Improved confidence of the population in the performance of the Government, particularly as regards governance, PFM, the budget process and service delivery. In this regard, improvements are made in the perception of corruption.
- Increased use of goods and services provided by the public sector and enhanced resulting benefits. In this regard, the Government’s ability to achieve short-term policy objectives is strengthened and a new mid-term national development strategy is developed, implemented and monitored.

- Transparency and accountability of public service delivery and public investment is increased.
- Increased private sector production and investment.

Therefore the induced outputs of this intervention are:

- Overall, improved macroeconomic and budget management (such as fiscal, monetary, trade and economic growth policies).
- Increased quantity and quality of basic services delivery including good governance (including anti-corruption measures, decentralisation and land rights) by stronger public sector institutions which are capable to formulate realistic public policies and effectively execute them.
- Strengthened provision of administrative functions in the management of public finances to ensure that public funds are increasingly generated and efficiently and transparently managed, with focus on domestic revenue mobilisation, the effectiveness of budget management, execution, procurement and controls.
- Improved credibility, transparency and accountability and oversight of the budget processes including through organisations preventing/fighting corruption and civil society/citizens. Besides, corruption is prevented and prosecuted.
- Increased efficiency in PFM systems, processes and capacities as well as a more transparent and accountable planning and budgeting system through implementation of reform actions identified in the soon to be adopted PFM Reform Strategy.

The direct outputs are as follows:

- Sufficient financial allocation to ensure the provision of basic services and public investment.
- Increased size and share of budget available for capital expenditure and other discretionary spending compared to budget required for recurrent spending.
- Maintained size and share of external assistance funds made available on-budget such that external assistance as a whole is better harmonised and aligned to government policies and systems.
- Policy dialogue is coordinated and improved in terms of regularity and quality and overall conducive for implementation of government strategies.

4.2. Main activities

4.2.1. Budget support

Budget support comprises engagement in dialogue around government reform priorities, definition of criteria to assess performance in the reform implementation, the verification of the fulfilment of these criteria and the payment of budget support tranches.

The activities are:

- Transfer of up to a maximum of EUR 24 million to the Budget of Liberia in Fiscal Years 2017/2018-2020/2021;

- Continued political and policy dialogue with the Government to ensure implementation of the national development policy and reform agenda.
- A continued effort to reinforce the government's capacities in the area of PFM through both budget support and complementary support measures.
- Continued dialogue between the EU Delegation and other donors to coordinate and further align our development cooperation with a view to avoiding duplication of activities and relieving in Government from multiple reporting duties.
- Regular monitoring of budget support eligibility criteria.

The main fora for coordination, review of progress and dialogue will be:

- Monitoring of macro-economic developments will be performed in the context of regular IMF missions and other relevant assessments, as well as a sustained dialogue with the IMF.
- Fiscal discipline and budget execution performance will be assessed on a regular basis through quarterly meetings of the policy-level Budget Support Working Group chaired by the Minister of Finance, and quarterly technical-level Budget Support Working Group.
- Monitoring of the PFM performance will be done on the basis of the PFM analysis through standardised diagnostic tools – Public Expenditure and Financial Accountability (PEFA), Public Investment Management Assessment (PIMA), Tax Administration Diagnostic Assessment Tool (TADAT), as well as quarterly and annual reports on the progress of the implementation of the PFM Strategy and Action Plan. In addition, the public financial management reforms Steering Committee chaired by the Minister of Finance is supposed to invite donors twice a year to its quarterly meetings. Likewise, the planned quarterly review missions of the Integrated Public Finance Management Reform Programme (IPFMRP) II will provide opportunities for dialogue on progress in PFM.
- Monitoring of achievement of national development priority objectives will be undertaken on the basis of annual progress reports and other reviews.
- Monitoring of budget transparency will be undertaken through verifying public availability of appropriate documentation.

In terms of substance of the dialogue, emphasis will be placed on the institutionalisation and deepening of policy dialogue to leverage reforms that target improvements in service delivery (e.g. in the education sector), also with respect to reduced geographical and gender disparities in access and quality of the services provided.

4.2.2. Complementary support

This support will aim to:

1) Provide technical assistance to the Ministry of Finance and Development Planning (MFDP) and ministries in the areas of the NIP to introduce the basic foundations of programme-based budgeting, strengthen the sector working groups and inter-ministerial dialogue, and improve budget execution at the line ministry level.
2) Through earmarking in the IPFMRP II, build and strengthen the institutional, organisational, individual and stakeholder capacity within all spheres of government to implement good and sound public finance management practises for an efficient and effective public service.

3) Through statistical trust fund, assist Liberia Institute of Statistics and Geo-Information Services (LISGIS) to improve availability and quality of basic and economic data where appropriate disaggregated by gender.
4) Provide support for the strengthening of econometric research and forecasting for informed policy decision making for MFDP and Universities.

4.3. Intervention logic

Given the history of revenue shortfalls and budgets consisting, to a large extent, of spending on salaries, goods and services to keep ministries and agencies operating the budget support is supposed to provide the government with sufficient fiscal space to make public investments and provide citizens with basic services. To achieve this, it is important that the government earns more revenue domestically, prepares and implements better budgets, has systems in place which prevent and penalise corruption and gives citizens the possibility to check if the government delivered what it planned to do.

The budget support will provide the government with funds on-budget which can be used to fund basic services and public investments beyond the high recurrent spending for salaries and operational expenditures (fuel, stationary, scratch cards etc.) The policy dialogue with the government will underline the importance of sound macro-economic policy making and the implementation of the development strategy. Likewise, the dialogue will be used to encourage the government to push forward with good governance, PFM reforms, transparency and accountability, fight against corruption and the like.

The indicators for the specific conditions for disbursement will facilitate dialogue in particular on:

- Public services delivery to citizens of all ages and genders in an effective and efficient manner and in accordance with a timely approved budget;
- Sufficient generation of revenues domestically to facilitate the delivery of services to the public;
- Accountability for public money and integrity of the PFM system through integrity institutions and participation and scrutiny by citizens/civil society;
- Prevention and prosecution of corruption.

The complementary measures will assist the government in carrying out reforms with technical expertise and better understanding of the existing shortcomings. Institutional and capacity building within PFM reform process are critical for ensuring good governance and operational functioning of the state of Liberia. This will be built through the IPFMRP II focussing on (1) Enhancing domestic resource mobilisation sources and international tax systems (2) Stabilizing and strengthening PFM financial controls and accountability, (3) Deepening service delivery and PFM in selected sectors, and (4) Programme governance & management. This will provide more steering possibilities and deep insights into the progress of implementing PFM reforms.

In order to improve the business and investment climate to attract foreign investment, the European External Investment Plan (EIP) could be an important element in helping the

Liberia to catalyse investment and create employment. For that reason this SBC will look for synergies with an EIP for Liberia.

Taken together this should ideally lead to the delivery of more and better public services and public investment to the benefit of the Liberian population and strengthen the confidence of companies in the stability of the economy.

5. IMPLEMENTATION

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation.

5.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2. Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 24 million, and for complementary support is EUR 3 million. This amount is based on the need to keep the EU's average annual contribution to Liberia's National Budget relatively stable to support expanding state functions and service delivery and to serve as a catalyst for reforms. The amount also provides continuity of EU budget support to a fragile country.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Formulation, approval and satisfactory progress in the implementation of a successor public policy and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of PFM Reform Strategy and Action Plan;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) Areas for the specific conditions for disbursement that may be used for variable tranches are the following:

1. Domestic Revenue Mobilisation

2. Business climate
3. Budget credibility for service delivery, particularly in NIP sectors
4. Improvement in access of deconcentrated services
5. Improved controls, prevention and prosecution of corruption
6. Transparency

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Finance and Development Planning may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Fixed and variable tranches will be used for this non-targeted budget support as per the general and specific conditions outlined above.

Budget support is provided as direct untargeted budget support to the National Treasury. The crediting of the euro transfers disbursed into United States Dollars[6] will be undertaken at the appropriate exchange rate in line with the relevant provision of the financing agreement.

[6] While the currency of Liberia is the Liberian dollar, the U.S. dollar is also legal tender. The de facto exchange rate regime is classified as ‘other managed’ by the IMF, while the de jure exchange rate regime classification remains ‘managed floating’. The Government of Liberia prepares the national budget in U.S. dollars.

5.4 Implementation modalities for complementary support of budget support

5.4.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Complementary technical assistance for support in budget preparation, research and analysis	Services	3	Third quarter of 2018

5.4.2 Indirect management with the World Bank - PFM

A part of this action may be implemented in indirect management with the World Bank in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. This implementation entails complementary support measures to PFM and statistics. This implementation is justified because these are second phases of previous support measures in form of multi-donor trust funds which facilitate coordination, alignment and harmonisation.

The entrusted entity would carry out budget-implementation tasks in the management of the multi-donor trust fund sourcing the Integrated Public Financial Management Reforms Programme (IPFMRP) supporting the implementation of the Public Financial Management Reform Strategy (managing and enforcing contracts, procurements procedures, making payments, accepting or rejecting deliverables, enforcing checks and controls and recovering found) .

If negotiations with the above-mentioned entrusted entity fail, that part of this action related to PFM may be implemented in indirect management with International Monetary Fund. The implementation by this alternative entrusted entity would be justified because the IMF's Fiscal Affairs Department, as well as the West Africa AFRITAC (Africa Regional Technical Assistance Centres), are already providing technical assistance to the Ministry of Finance on public financial management reform. The alternative entrusted entity would be entrusted with capacity building in the area of public financial management complementary to the IPFMRP. The entrusted entity would carry out budget-implementation tasks: managing and enforcing contracts, procurements procedures, making payments, accepting or rejecting deliverables, enforcing checks and controls and recovering founds.

The entrusted international organisation and the alternative entrusted international organisation are currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. The Commission’s authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisations can be entrusted with budget-implementation tasks under indirect management.

5.4.3 Indirect management with the World Bank - Statistics

A part of this action may be implemented in indirect management with the World Bank in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Regulation (EU) No 323/2015. This implementation entails complementary support measures to Statistics. This implementation is justified because these are second phases of previous support measures in form of multi-donor trust funds which facilitate coordination, alignment and harmonisation.

The entrusted entity would carry out budget-implementation tasks in the management of the multi-donor trust fund sourcing for a successor programme with the Liberia Institute of Statistics & Geo-Information Services (LISGIS).

The entrusted entity would carry out budget-implementation tasks: managing and enforcing contracts, procurements procedures, making payments, accepting or rejecting deliverables, enforcing checks and controls and recovering founds.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 17 of Regulation (EU) 2015/323. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisations can be entrusted with budget-implementation tasks under indirect management.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

In accordance with Article 22(1)(a) of Annex IV to the ACP-EU Partnership Agreement the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: Benin, Burkina Faso, Cape Verde, Ivory Coast, The Gambia, Ghana, Guinea, Guinea Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo (ECOWAS - Economic Community of West African States - countries).The supplies originating there shall also be eligible.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Programme components	EU contribution (EUR)	Indicative third party contribution, in currency identified
5.3 Budget support (State Building Contract)	24 000 000	
5.4.1 Technical Assistance (direct management)	500 000	
5.4.2 Indirect Management with World Bank Support measure to PFM 5.4.3 Indirect Management with World Bank Support measure to Statistics	 1 800 000 500 000	 3 ,000 000 EUR
5.9 Evaluation and 5.10 Audit (direct management)	100 000	
5.11 Communication and visibility (direct management)	100 000	
Total	**27 000 000**	

5.7 Organisational set-up and responsibilities

Review and monitoring of progress in the implementation of the State Building Contract will be entrusted to the Ministry of Finance and Development Planning together with the Office of the National Authorising Officer. Please refer to section 4.2.1 for the main coordination and dialogue fora.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

PFM Strategy and Action Plan implementation is also monitored by the MFDP and reported in its annual and quarterly progress reports. In addition, regular IPFMRP review mission will be undertaken to take stock of progress. In addition to M&E of the overall progress on PFM reform, GoL has systems in place for monitoring basic capacities of target M&As and M&E of service delivery outcomes under the IPFMRP II.

5.9 Evaluation

Having regard to the nature of the action, evaluations will be carried out for this action or its components via either independent consultants contracted by the Commission or through a joint mission or via an implementing partner.

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation mission. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The complementary support activities may be audited through the respective larger programmes: The evaluation of programmes under indirect management with the World Bank will be commissioned by the World Bank.

Additional evaluation of complementary actions may be procured through framework contracts.

The evaluation report shall be shared with the partner country and other key stakeholders. The implementing partners and the Commission shall analyse the conclusions and recommendations of the evaluation and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in 2021.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded in 2020 or 2021.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Once the Manual is replaced, the EU Delegation will share the new requirements and vademecum with all parties concerned.

The EU Delegation will directly procure communication and visibility services as indicated in section 5.6.

Indicatively, 2 contracts for communication and visibility shall be concluded in 2018 or 2019.

6. PRE-CONDITONS

N/A

APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)[7]

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	**Indicators**	**Baselines** (incl. reference year)	**Targets** (incl. reference year)	**Sources and means of verification**
overall objective: Impact	1. Eradicating poverty	1. Rate of absolute poverty (disaggregated by sex)	1. Absolute poverty in 2014: 54.6 % of male –headed households, 52.7 % of female headed households	1. no target set in national policy; statistically significant decrease	1. LISGIS
	2. Promoting sustainable and inclusive growth	2.1 Growth rate of GDP	2.1 2016: -0.5 %	2.1 2019: 5.7 % 2020: 6 %	2.1 IMF reports
		2.2 Vulnerable employment rate	2.2 Q1+Q2 2014: 74.2 %	2.2 no target set in national policy; statistically significant decrease	2.2 LISGIS
		2.3 Informal employment rate	2.3 Q1+Q2 2014: 67.9 %	2.3 no target set in national policy; statistically significant decrease	2.3 LISGIS
	3. Consolidating and improving democratic and economic governance	3. WGI Government effectiveness**	3. 2015: 7.96	3. 2020: 9.62	3. World Bank WGI

7 Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Specific objective(s): Outcome(s)	1. Improvement in corruption perception 2. A new mid-term national development strategy is developed, implemented and monitored 3. Transparency and accountability of public service delivery and public investment is increased. 4. Increased private sector production and investment	1. Transparency International Corruption perception index (score on 100; higher the better) 2. Status of new development strategy 3. WGI voice and accountability** 4. Foreign direct investment (net) percent of GDP	1. 2016: 37 2. AfT ends 2017 3. 38.92 percentile rank in 2015 4. 2015: 12.6 %	1. 2020: 45 2. Implementation of new strategy as of 2019 3. 50 by 2020 4. 2018: 13.3 %	1. Transparency International Corruption Perception Index 2. Strategy and implementation reports 3. World Bank WGI 4. IMF reports

Induced outputs	1. Improved macroeconomic and budget management 2.Increased quantity and quality of basic services delivery including good governance (including anti-corruption measures, decentralisation and land rights) 3. Strengthened provision of administrative functions in the management of public finances with focus on domestic revenue mobilisation, the effectiveness of budget management, execution, procurement and controls. 4. Improved credibility, transparency and accountability and oversight of the budget processes including through organisations preventing/fighting corruption and civil society/citizens. 5. Increased efficiency in PFM systems, processes and capacities	1.1 Gross official reserves 2.1 Status of Local Government Act 2.2 Number of County Treasuries operational as proxy for fiscal deconcentration 2.3 Percentage of population reporting satisfaction with quality of public services delivered in relevant sectors 3.1 Annual growth in tax collection 3.2 Government domestic revenue collection as share (%) of GDP** 3.3 Variance between approved and actual expenditure* 4. Open Budget Index score 5. Progress on implementation of PFM strategy through IPFMRP**	1.1 2.6 months in 2015 2.1 LGA pending approval of Senate, June 2017 2.2 2017: 4 2.3 2017: no data 3.1 Last 5 years in a range of -5 % to +5 % 3.2 2015: 22.5 % 3.3 10 % in 2010/11 4. 38 in 2015 4. PFM strategy in draft and IPFMRP II in identification, June 2017	1.1 3 months by 2019 2.1 Implementation of LGA 2.2 2020: 15 2.3 This can only be defined once methodology for baseline measurement is designed 3.1 10 % 3.2 2020: 24.7 3.3 less than 5 % 4. 43 by 2020 5. At least moderately satisfactory implementation by June 2019	1.1 IMF reports 2.1 annual reports of Ministry for Local Government 2.2 report on the budget execution at county treasuries 2.3 Satisfaction assessment by CSOs 3.1 LRA and MFDP reports 3.2 LRA and MFDP reports, IMF reports 3.3 implementation reports of PFM strategy, PEFA 4. Open Budget Survey 5. Aide Memoires of IPFMRP

Direct outputs	1. Sufficient financial allocation to ensure the provision of basic services and public investment	1. Share of PSIP in national budget (disaggregated by relevant sectors)	1. FY17/18 draft: 5.2 %	1. no target set in national policy; statistically significant increase	1. National Budget
	2. Increased size and share of budget available for capital expenditure and other discretionary spending compared to budget required for recurrent spending.	2. Goods and services budget as a % of total budget	2. 18.9 % (2016/17 Budget)	2. 33 % by end 2020	2. National Budget
	3. Maintained size and share of external assistance funds made available on-budget	3.1 Size of external assistance funds made available on budget	3.1 FY15/16: 85.7 million USD	3.1 FY19/20: 85.7 million USD	3.1 Quarterly and Annual Development Assistance Reports, Aid annex to budget
		3.2 Share of external assistance funds made available on budget	3.2 FY15/16: 12.2 %	3.2 FY19/20:12.2 %	3.2 Quarterly and Annual Development Assistance Reports, Aid annex to budget
	4. Policy dialogue is coordinated and improved in terms of regularity	4.1 Frequency of political dialogue (number of meeting /year)	4.1 2017: 1	4.1 2020: 1	4.1 Report by EU Delegation
		4.2 Frequency of technical level Budget Support Working Group (BSWG) (number of meeting /year)	4.2 2016: 3	4.2 2020: 4	4.2 Minutes by MFDP
		4.3Frequency of policy level BSWG (number of meeting /year)	4.3 2016: 2	4.3 2020: 4	4.3 Minutes by MFDP