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REPORT NO.: RES34580

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

BELARUS PUBLIC FINANCIAL MANAGEMENT MODERNIZATION PROJECT

APPROVED ON MARCH 28, 2016

TO

MINISTRY OF FINANCE

GOVERNANCE

EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA

Product Information

Project ID P146997	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 28-Mar-2016	Current Closing Date 30-Sep-2019

Organizations

Borrower Ministry of Finance	Responsible Agency Data-Processing Center

Project Development Objective (PDO)

Original PDO

To improve policy alignment of the budget, consolidate cash balances, improve budget transparency and lay foundations for implementation of an Integrated Financial Management Information System (FMIS)

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-86060	28-Mar-2016	01-Apr-2016	27-Jul-2016	30-Sep-2019	10.00	2.93	7.07

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

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I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

Note: *Formatting instructions for this document.*

A. Header

1. [All sub-sections must have a continuous paragraph numbering for the entire main text or for each annex per institutional standard.]

(a) This is the sub-para numbering for this level. This is the sub-para numbering for this level. This is the sub-para numbering for this level.

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II. DESCRIPTION OF PROPOSED CHANGES

Note: *Formatting instructions for this document.*

B. Header

1. [All sub-sections must have a continuous paragraph numbering for the entire main text or for each annex per institutional standard.]

(b) This is the sub-para numbering for this level. This is the sub-para numbering for this level. This is the sub-para numbering for this level.

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III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US$M)	Action	Proposed Component Name	Proposed Cost (US$M)
Budget management regulations and procedures	4.92	Revised	Budget management regulations and procedures	3.06
PFM IT solutions	3.45	Revised	PFM IT solutions	5.73
Change management	1.60	Revised	Change management	1.18
TOTAL	**9.97**			**9.97**

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-86060	Effective	30-Sep-2019		30-Jul-2021	30-Nov-2021

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Year	Current	Proposed
2016	30,000.00	0.00
2017	600,000.00	78,000.00
2018	3,300,000.00	1,354,000.00
2019	3,600,000.00	1,500,000.00
2020	2,470,000.00	3,400,000.00
2021	0.00	2,767,800.00
2022	0.00	900,000.00

Results framework

COUNTRY: Belarus

BELARUS PUBLIC FINANCIAL MANAGEMENT MODERNIZATION PROJECT

Project Development Objectives(s)

To improve policy alignment of the budget, consolidate cash balances, improve budget transparency and lay foundations for implementation of an Integrated Financial Management Information System (FMIS)

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	End Target
Improve policy alignment of the budget			
Improved alignment of policies and budgets (Percentage)		16.00	50.00
Consolidate cash balances			
Increase the level of consolidation of cash balances (by reducing balances outside of TSA) (Percentage)		11.00	7.00
Improve budget transparency			
Improved budget transparency (Text)		Citizen's budget has not been prepared.	Citizens' budget is published online on annual basis and includes information on budget execution disaggregated at the level of approved budget;information on medium term financial program; and analysis of links between financing and results. Citizens' questions and feedback are published on the website along with responses of the MoF to frequently asked questions.
Lay foundations for implementation of FMIS			

Indicator Name	DLI	Baseline	End Target
Foundations for FMIS (Text)		Future business processes to be supported by IFMIS are not fully defined.	Bidding documents for FMIS are prepared based on approved revised business processes and Unified Chart of Accounts and cover the following functionality including planning,execution, financial control, accounting and reporting, debt management.
Action: This indicator has been Revised	***Rationale:*** ***No change in the content of the indicator. Timeframe for achieving the end target extended by 22 month***		

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Budget management regulations and procedures			
Conceptual framework for public sector accounting reform (Text)		Public sector accounting reform is defined as a priority in PFM Strategy, but the reform direction is not defined.	Public sector accounting reform implementation launched by finalizing development of first 3-4 accounting standards compliant with IPSAS
Action: This indicator has been Revised	***Rationale:*** ***No change in the content of the indicator. Timeframe for achieving the end target value is extended by 12 months.***		
Program budgeting methodology (Text)		Program budgeting methodology does not clearly link objectives and resources.	Program budgeting methodology is approved, allows looking at different social dimensions, including gender, in selected relevant programs.

Indicator Name	DLI	Baseline	End Target
Enhanced quality of debt management reports (Text)		Debt management reports do not cover contingent liabilities	100% of sovereign loan guarantees are included in debt management reports. Risk analysis of government contingent liabilities is produced
Action: This indicator has been Marked for Deletion	***Rationale:*** ***On track without support from the project. Based on IMF's TA delivered in 2017 the MoF proceeded with assessment of contingent liabilities on their own. The MoF prepared first assessment of the fiscal risks stemming from the state-owned enterprises as of January 1, 2018, the report will be prepared on a quarterly bases***		
Tax expenditures assessment (Text)		Tax expenditure assessments not conducted	Tax expenditure estimates are prepared as part of the annual budgeting process
Action: This indicator has been Marked for Deletion	***Rationale:*** ***On track without support from the project. Partnering with the Ministry of Taxes and Duties (MoTD) beginning with 2016 the MoF started preparing estimates of actual tax expenditures for the value added tax, corporate income tax, custom duties, and property taxes as part of the annual budget preparation process and presenting them in the budget explanatory materials. Methodology for assessing efficiency of the tax expenditures is under development. The IMF also supported MoF' efforts to improve revenue forecasting and tax expenditures assessment by providing the authorities with the revenue forecasting models, including a VAT model, which also allow to assess tax expenditures, providing training on the use of the models, as well as preparing Belarus tax expenditure assessment based on alternative methodology. The PFMMP didn't contribute to achieving this indicator due to initial delays with launching the tender, weak response from the market and subsequent failure of contract negotiations.***		
Improved capacity for macroeconomic forecasting for medium term budgeting (Text)		No financial programming model is used	Financial programming model is used for preparation of macroeconomic forecast
Action: This indicator has been Marked for Deletion	***Rationale:*** ***On track without support from the project. MoE's capacity for macroeconomic forecasting had been improved with support from the IMF (financial programming model as well as training provided). In addition to it the authorities reviewed the gaps in forecasting methodologies and developed and approved a list of social and economic indicators required to prepare***		

Indicator Name	DLI	Baseline	End Target
		draft budgets and medium term financial programs, as well as assigned responsibilities and timeline for their collection (Resolution of the Council of Ministers N303 dated April 19, 2018).	
PFM IT solutions			
Integration of budget and financial reporting based on international standards (Text, Custom) (Text)		Methodological basis for public sector financial and budget reporting has not been integrated and deviates from applicable international standards.	Unified Chart of Accounts integrated with the budget classification and guidelines for its application are approved.
Modernization of business processes (Text)		Future business processes to be supported by FMIS are not fully defined.	Revised business processes approved
Action: This indicator has been Revised			
Reliability and fault tolerance of the ASFS (Text)		The ASFS at the republican level operates at two geographically distant sites. There is no full-fledged backup system; there is a high probability of data loss in the event of an accident. Domain and postal structures of the ASFS are scattered. The IT infrastructure at the Oblast level is outdated. It is not possible to deploy a fault-tolerant cluster (FTC) allowing for control of computing resources using the new equipment	A uniform distribution of the load on the ASFS and efficient data processing and backup through "Active-Active" geographically distributed cluster. Modern IT infrastructure with server virtualization software and virtualization management centers is established at the republican and oblast levels (12 sites) including virtual machines control center and capabilities to deploy a fault-tolerant cluster (FTC)
Action: This indicator is New			
ASFS centralized storage capacity (Text)		There is no centralized storage of the ASFS databases for planning and execution of local budgets. It is not possible	Centralized storage of databases of MoF territorial bodies and local finance bodies at MoF is ensured through high-speed and reliable data storage system. The capability to

Indicator Name	DLI	Baseline	End Target
		to operate the ASFS segment in emergency (abnormal) mode using the backup equipment	operate the ASFS in emergency (abnormal) mode using the backup equipment is ensured
Action: This indicator is New			

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