



AFRICAN DEVELOPMENT FUND

PROJECT: Multinational - The West African Monetary Zone (WAMZ)
Payments System Development Project

COUNTRIES: The Gambia, Guinea, Sierra Leone, and Liberia

SUPPLEMENTARY GRANT

PROJECT APPRAISAL REPORT

Date: July 2010

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Currency Equivalents

Currency Unit	=	Gambian Dalasi (GMD)
	=	Guinean Francs (GNF)
	=	S. Leonean Leone (SLL)
	=	Liberia Dollar (LRD)

(April 2008)

1 UA	=	35.2396 GMD
1 UA	=	8283.20 GNF
1 UA	=	4770.3 SLL
1 UA	=	1.5156 US\$

(June 2010)

1 UA	=	105.415 LRD
1 UA	=	1.47433 US\$

Financial Year

January 01 to December 31

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ACH	Automated Clearing House
ACP	Automated Cheque Processing
AfDB or Bank	African Development Bank
ADF or Fund	African Development Fund
BCRG	Banque Centrale de la République de Guinée
BSL	Bank of Sierra Leone
CB	Central Bank
CBG	Central Bank of The Gambia
CBL	Central Bank of Liberia
CSP	Country Strategy Paper
ECOWAS	Economic Community of West African States
EMCP	ECOWAS Monetary Cooperation Program
ETLS	ECOWAS Trade Liberalization Scheme
GDP	Gross Domestic Product
IMF	International Monetary Fund
LAN	Local Area Network
LIC	Limited International Competition
MAN	Metropolitan Area Network
NCB	National Competitive Bidding
NPSC	National Payment System Committee
PCR	Project Completion Report
PMU	Project Management Unit
RPGs	Regional Public Goods
RTGS	Real Time Gross Settlement
SBD	Standard Bidding Documents
SSSS	Scriptless Securities Settlement System
UA	Unit of Account
UEMOA	Union Economique et Monétaire Ouest-Africaine
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone
WB	World Bank

Grant Information

Client's Information

RECIPIENT:	West African Monetary Institute (WAMI)
EXECUTING AGENCY:	West African Monetary Institute (WAMI) Premier Towers, PMB CT 75 Accra, Ghana Telephone (233-21) 676901/2 Fax (233-21) 676903

Financing Plan

Source	Original (Million UA)	New (Million UA)	Additional (Million UA)
ADF (Grant)	14.00	19.00	5.00
The Central Banks of The Gambia, Guinea, Sierra Leone, and Liberia	1.62	2.37	0.75
Commercial Banks in The Gambia, Guinea, Sierra Leone, and Liberia	1.94	2.88	0.94
TOTAL COST	17.56	24.25	6.69

Timeframe - Main Milestones (expected)

Concept Note Approval	N/A
Project Approval	November 2010
Effectiveness	November 2010
Completion	December 2012
Last Repayment	N/A

Executive Summary

<p>Project Overview</p>	<p>Program Name/Number: Multinational - The West African Monetary Zone (WAMZ) Payments System Development Project/ P-Z1-HZ0-001¹</p> <p>Geographic Scope: The following four West African Monetary Zone (WAMZ) countries: The Gambia, Guinea, Sierra Leone, and Liberia.</p> <p>Overall Timeframe: May 2008 for a period of 4 years</p> <p>Original Grant Amount: UA 14 million</p> <p>Supplementary Grant Amount: UA 5 million</p> <p>Expected Outputs: Key outputs have not changed from the ongoing project, which was approved by the Board, under the Regional Public Goods (RPGs) window (see Document: ADF/BD/WP/2008/48, dated 6 June 2008). These are: well functioning: Real Time Gross Settlement (RTGS) system – including Scrippless Securities Settlement System (SSSS) –; Retail Payments Automation (RPA), a clearing system comprising Automated Cheque Processing (ACP), and Automated Clearing House (ACH); and Central Banking Applications (CBA) system; and telecommunication infrastructure, and standby generators that operate satisfactorily.</p>
<p>Project Description</p>	<p>The project aims to improve the basic infrastructure of the financial sector in the WAMZ region through the upgrade of the payment systems of four countries in the zone: The Gambia, Guinea, Sierra Leone, and Liberia. At the time the WAMZ Payments System Development Project was designed in 2008, Liberia, was not ready to participate owing to other priorities of post-conflict rehabilitation. Since Liberia acceded as a member of the WAMZ in February 2010, the supplementary grant facility aims to extend the implementation of the WAMZ Payments System Development Project to Liberia. The project components remain as for the ongoing project: RTGS; RPA; CPA; Infrastructure Upgrade; and Project Management.</p>
<p>Project Outcomes and Beneficiaries</p>	<p>Expected project outcomes include increased participation of the private sector businesses, and the citizens of The Gambia, Guinea, Sierra Leone, and Liberia in the formal financial sector, and enhanced efficiency of funds transfers across the four WAMZ member states. Project beneficiaries will include: the entire population of the four WAMZ countries – of which a majority are women – (through increased participation in the formal financial sector); and commercial banks, and private sector businesses – especially small and medium enterprises –, (through more efficient transfers of funds).</p>
<p>Needs Assessment</p>	<p>Improvement of the payments system, is one of the top priorities of the following six West African member States: The Gambia, Ghana, Guinea, Nigeria, Sierra Leone, and Liberia². Two member states of the WAMZ – Ghana and Nigeria – have improved financial systems, and are enjoying substantial benefits. The ongoing project’s implementation in three other WAMZ member states – The Gambia, Guinea, and Sierra Leone – is smooth – apart from the initial delay to engage the supervision consultants, and the service providers for the new state-of-the-art payments system – with strong support from the Governments’ of the WAMZ region, and other stakeholders. By extending the ongoing project to Liberia, the Bank would enable the country to enjoy the benefits of the Regional Public Goods (RPGs) the project is creating. Further, by improving and standardizing the payments system in Liberia through the supplementary ADF Grant of UA 5 million, from the Regional Operation envelope, with a waiver of the cost sharing requirement, the Bank will improve the country’s general economic efficiency, by increasing the use of non-cash instruments as mediums of settling transaction, and by enhancing Liberian’s confidence with the banking system. Finally, the supplementary grant will go a long way to enhancing payments systems in Liberia as part of the preparation for a successful launch of the regional monetary zone across all six member countries of the WAMZ.</p>
<p>Bank’s Added Value</p>	<p>As with the ongoing operation, the Bank will continue bringing to bear its cumulative experience in implementation of payment systems, and mutual trust with the authorities of the Central Banks of the four countries, and with WAMI. Furthermore, it is part of the Bank’s mandate to build the capacity in post-conflict countries such as Liberia, where payment systems were destroyed or severely damaged by conflicts, or are non-existent.</p>
<p>Institutional Development and Knowledge Building</p>	<p>To enhance knowledge of financial sector developmental challenges and priorities, the Bank will intensify dialogue with the Central Banks of the four countries, and with WAMI throughout the implementation of the project. Lessons learned will inform the Bank Group’s advisory services for financial sector work across the continent as well as lead to a better design of Bank projects relating to payment systems going forward. The Bank will continue to document the lessons learned and disseminate the results Bank-wide through a variety of channels, including seminars and newsletters.</p>

¹ See Document: ADF/BD/WP/2008/48, Dated 6 June 2008.

² Cape Verde, the final potential member of the WAMZ is on observer status.

**Multinational: The WAMZ Payments System Development Project (The Gambia, Guinea, Sierra Leone, and Liberia)
Result-based Logical Framework (Revised)**

HIERARCHY OF OBJECTIVES	EXPECTED RESULTS	REACH	PERFORMANCE INDICATORS	INDICATIVE TARGETS	ASSUMPTIONS/ RISKS
<p><u>Sector Goal:</u></p> <p>Achieve full economic and monetary union of WAMZ countries, to foster a more conducive environment for private sector-led growth.</p>	<p><u>Long-Term Outcomes:</u></p> <p>Full economic and financial integration of the WAMZ region</p>	<p><u>Beneficiaries:</u></p> <p>National populations of the WAMZ region</p>	<p><u>Impact Indicators:</u></p> <ol style="list-style-type: none"> 1. Deeper financial sector integration in the WAMZ region 2. Increased share of intra trade to total trade 3. Increased private sector investment <p><i>Source/ Method:</i></p> <p>(i) WAMZ Economic Surveillance Reports; (ii) Reports of WAMI; (iii) Reports of ECOWAS; and (iv) IMF Country Reports</p>	<p><u>Progress (Long-Term):</u></p> <ol style="list-style-type: none"> 1. Level of financial depth as measured by broad money supply (M2) as a percentage of GDP increases from 20% in 2007 to 30% by 2015 2. Share of intra trade to total trade in the WAMZ region passes from about 2.5% in 2007 to 10% by 2018 3. Average private investment growth in the WAMZ region reach 15% per annum in 2015 	<p><u>Assumptions:</u></p> <p>(i) Governments of the WAMZ committed to full implementation of economic and monetary integration, including related policy, regulatory, and institutional reforms</p> <p>(ii) Political and economic stability in the WAMZ region</p> <p>(iii) Continued sound macroeconomic policies are implemented</p>
<p><u>Project Purpose:</u></p> <p>To improve the basic infrastructure of the financial sector in WAMZ through the upgrade of the payment systems in four WAMZ member countries: The Gambia, Guinea, Sierra Leone, and Liberia</p>	<p><u>Outcomes:</u></p> <ol style="list-style-type: none"> 1. Increased participation of the citizens of the four WAMZ countries in the formal financial sector 2. The efficiency of funds transfers across the four WAMZ countries is enhanced 	<p><u>Beneficiaries:</u></p> <p>(i) Citizens of the four WAMZ countries</p> <p>(ii) Private sector actors, including stock market participants</p> <p>(iii) Commercial banks</p>	<p><u>Outcomes Indicators:</u></p> <ol style="list-style-type: none"> 1. Percentage of the citizens with access to the formal financial services 2. Growth in inter-bank funds transfers <p><i>Source/ Method:</i></p> <p>(i) WAMZ Economic Surveillance Reports; (ii) Reports of WAMI; and (iii) Reports of ECOWAS</p>	<p><u>Progress (Medium-Term):</u></p> <ol style="list-style-type: none"> 1. Percentage of the citizens of WAMZ with access to the formal financial sector increases from about 8% in 2007 to 12% by 2012, of which a majority are expected to be women. 2. Volume of high value funds transfers in the four countries increases by 45% from 1,370 in 2007 to 2,000 by 2012 3. Clearing cycle in number of days of local and upcountry checks in the four countries reduced by up to 50% by 2012 4. Volume of low value transactions, through checks, increases by 45% from 3,514 in 2007 to 5,145 by 2012 	<p><u>Assumptions/Risks:</u></p> <p>(i) Technical solutions may not be sustained. This risk is mitigated as the technologies deployed are industry standard, and planned training of users</p> <p>(ii) Lack of resources for project operational costs post implementation, could jeopardize sustainability. Charges levied on users will mitigate this risk</p>

HIERARCHY OF OBJECTIVES				EXPECTED RESULTS	REACH	PERFORMANCE INDICATORS	INDICATIVE TARGETS	ASSUMPTIONS/RISKS
Inputs and Activities:				Outputs: 1. Well functioning Real Time Gross Settlement (RTGS) system, including Scripless Securities Settlement System (SSSS) 2. Well functioning clearing system – Retail Payments Automation (RPA) – comprising Automated Cheque Processing (ACP), and Automated Clearing House (ACH) systems 3. Well functioning Central Banking Applications (CBA) system 4. Satisfactory performance of telecommunication infrastructure, and standby generators	Beneficiaries: (i) The Central Banks of The Gambia, Guinea, Sierra Leone, and Liberia (ii) Commercial Banks in The Gambia, Guinea, Sierra Leone, and Liberia	Output Indicator: 1.1. Automation of high value funds transfers 1.2. Automation of government security trades 2.1. Automation of cheque processing and clearing 3. Automation of information technology (IT) systems in four countries' Central Banks 4. Telecommunication infrastructure, and standby generators installed at the four Central Banks Source/ Methods: <i>(i) Reports of the Central Banks; (ii) Project Progress Reports by WAMI; (iii) Reports of Commercial Banks in the four countries; and AfDB Supervision Reports</i>	Progress (Short-Term): 1.1. Harmonized payments system law enacted by parliaments in the four countries by end 2011 1.2. High value funds transfers in the four countries effected through RTGS systems and not by bank checks in 2012 1.3. Real Time funds transfers within WAMZ achieved by 2011 1.4. Security trading in the four countries is automated in 2012 2.1. New check standards implemented in the four countries in 2011 2.2. Clearing House operations in the four countries completely automated in 2012 3. The Central Banks in the four countries are disposed of modern IT systems capable of interfacing with the new payment systems in 2011 4. Telecommunication infrastructure for the new payments system, and standby generators for supplementary power supply, are installed by 2011	Assumptions/Risks: (i) The full functionalities of the new systems are not successfully implemented. This risk is mitigated by continued commitment and ownership of the new systems by the Central Banks; Further commercial banks are expected to remain committed because of the significant benefits they expect to derive from the new systems (ii) The project introduces new ways of doing business, and thus users may face challenges of operationalizing the new systems. To mitigate this risk, the project design incorporates extensive training of users, and change management techniques
<u>Project Costs (UA million)</u>								
Component	Original	New	Addition					
A. Real Time Gross Settlement (RTGS)	4.04	5.39	1.35					
B. Retail Payments Automation (RPA)	4.25	5.94	1.69					
C. Central Banking Application (CPA)	2.98	4.68	1.70					
D. Infrastructure Upgrade	2.88	4.24	1.36					
E. Project Management	1.82	2.09	0.27					
Sub-total	15.97	22.34	6.37					
Contingencies	1.59	1.91	0.32					
Total	17.56	24.25	6.69					
<u>New Financing Plan</u>								
Source	Total							
ADF Grant	19.00							
Central Banks	2.37							
Commercial Banks	2.88							
Total	24.25							
Requirements for Supplementary Grant: UA 5 million for Extension to Liberia								

**Multinational: The WAMZ Payments System Development Project (The Gambia, Guinea, Sierra Leone, and Liberia)
Project Timeframe (Revised)**

No	Component		Expected Completion Time																				
			2008				2009				2010				2011				2012				
			1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
		Project Identification & Appraisal			■																		
		Grant Protocol Signature & Effectiveness				■																	
1	Project Consultants	Preparation of TOR and bidding documents			■																		
		Shortlist of Consulting Firms			■	■																	
		Bank Review				■																	
		Request for Proposals				■																	
		Receipt of Proposals					■																
		Analysis/Recommendation					■																
		Bank Review and approval					■																
		Award of Contract					■																
		Commencement of Assignment					■																
2	RTGS, ACP, & ACH	Review specifications & finalize bidding docs								■													
		Bids invitation, receipt, & evaluation									■												
		Negotiations & award of contract										■											
		Implementation																					■
3	Banking Application SSSS	Review of specifications & finalize bidding docs																					
		Invitation for bids, receipt of bids																					
		Bids evaluation, negotiations & contract award																					
		Implementation																					■
4	Infrastructure Development	Design and preparation of bidding documents																					
		Bids invitation, receipt, & evaluation																					
		Negotiations and award of Contracts																					
		Implementation																					■

Key:  Extension for Liberia

**REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE
ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED
SUPPLEMENTARY GRANT TO WAMI FOR THE MULTINATIONAL -
WAMZ PAYMENTS SYSTEM DEVELOPMENT PROJECT (THE GAMBIA,
GUINEA, SIERRA LEONE, AND LIBERIA)**

Management submits the following Report and Recommendation on a proposed supplementary ADF Grant for UA 5 million to finance the Multinational – The West African Monetary Zone (WAMZ) Payments System Development Project (The Gambia, Guinea, Sierra Leone, and Liberia).

1. INTRODUCTION

1.1 The Economic Community of West African States (ECOWAS)’ Monetary Cooperation Program (EMCP), adopted in 1987, called for the creation of a single monetary zone in the sub-region. As part of their efforts to implement the EMCP, the Heads of States of six ECOWAS countries decided in 2000 to establish a second monetary zone in the sub-region known as the West African Monetary Zone (WAMZ). The WAMZ comprises mostly the Anglophone countries (Nigeria, Ghana, Sierra Leone, The Gambia, and Liberia) plus Guinea³, who are not members of the Union Economique et Monétaire Ouest-Africaine (UEMOA). The latter comprises mainly francophone countries (Côte d’Ivoire, Sénégal, Mali, Niger, Burkina Faso, Togo, and Benin) plus Guinea Bissau.

1.2 Since 2002, the Bank Group has been supporting economic integration among UEMOA member countries through two multinational projects. An African Development Fund (ADF) loan to BCEAO (the Central Bank of West African States) of UA 6.20 million to finance the project to reform systems and means of payment in UEMOA countries has been successfully completed. The implementation of the ongoing WAMZ Payment System Development Project (The Gambia, Guinea and Sierra Leone) that is financed by an ADF grant of UA 14 million, and that was approved in July 2008⁴, is progressing well.

1.3 As outlined in the appraisal report for the ongoing project (see Document: ADF/BD/WP/2008/48, dated 6 June 2008, paragraph 2.1.3) this groundbreaking Regional Public Good (RPG) operation would significantly improve the efficiency in the funds transfer, and reduce over reliance on cash as the preferred medium of exchange in the WAMZ. The harmonized payments system law that is being adopted by all WAMZ member countries will enhance the region’s transnational and national financial markets regulatory regime. Further, the project is building the capacity of both the West African Monetary Institute (WAMI) and the three countries’ Central Banks to better oversee national and transnational financial systems, including payment and securities settlement systems. This would in turn enhance the effectiveness of implementation of monetary policy, and promote macroeconomic stability. Further, the project would enhance cross border trade, and lead to economic expansion and growth across all countries in the WAMZ. Stakeholders continue to emphasize that major benefits will be realized once the systems are fully implemented. In this regard, given that

3 Another potential member of the WAMZ is Cape Verde, a country that is currently on observer status.

4 See Document: ADF/BD/WP/2008/48, Dated 6 June 2008 “Multinational – Proposal for the award of an ADF Grant of UA 14.00 million to finance the WAMZ Payment System Development Project (The Gambia, Guinea and Sierra Leone).

financial sector is a technologically intensive sector, commercial banks in the WAMZ expect that the new systems will stimulate and catalyze innovation for new financial products. Already there is evidence that commercial banks are responding favourably. In Sierra Leone, for example, commercial banks are conceptualizing a project that will create a National Switch for interoperability of ATM cards and credit cards, and that would considerably improve customer service and cash access to clients. Furthermore, the benefits of modern wholesale and retail payment and settlement systems that other WAMZ member countries are enjoying – for example, Ghana’s SWIFT messaging traffic has increased by 67% since it reformed its payment and settlement systems in line with the WAMZ requirements – will soon be enjoyed by The Gambia, Sierra Leone, and Guinea. As such, the project continues to be of broad public interest and benefit. Finally, apart from the initial delay to engage the supervision consultants, and the service providers for the new state-of-the-art payments system, the implementation of the ongoing project has been smooth with strong support from the Governments’ of the WAMZ region, and other stakeholders.

1.4 At the time of the ongoing project’s appraisal, Liberia did not participate as the country was still pre-occupied with the challenges of post-conflict rehabilitation. Liberia acceded into the WAMZ program in February 2010. As a result, both WAMI, and the Government of Liberia, have requested the Bank for a supplementary grant to extend the ongoing project to the country.

1.5 A Bank mission visited Liberia in June 2010 to appraise the supplementary grant for the extension of the project. This report is based on the information gathered during the mission.

2. THE INITIAL PROJECT

2.1 Objectives

2.1.1 The sector goal for WAMZ is to achieve full economic and monetary union of its six member states: Nigeria, Ghana, The Gambia, Guinea, Sierra Leone, and Liberia, to foster a more conducive environment for private sector-led growth. The primary objective of the ongoing project is to augment the payment systems in The Gambia, Guinea, and Sierra Leone in order to enhance the performance of their financial systems. In addition to deepening these countries’ financial sectors, the project aims to foster increased private investment through improved efficiency of financial intermediation. Further, the project will facilitate the process for the launch of a monetary union in the Zone, and would stimulate increased economic and trade relations in the region.

2.2 Description of Components

2.2.1 The project comprises the following key components: (A) Real Time Gross Settlement (RTGS); (B) Retail Payments Automation (RPA); (C) Central Banking Application (CBA); (D) Infrastructure Upgrade; and (E) Project management.

2.2.2 (A) Real Time Gross Settlement (RTGS): This component includes financing of the acquisition of an “off-the-shelf” RTGS (large value funds transfer and settlement) system for the Central Banks of The Gambia, Guinea, and Sierra Leone. It includes related vendor services for customization, implementation and training. In addition to financing host server machines in the primary production environment, the project will also finance servers for the remote back-up site. The new RTGS system will interface with a Scriptless Securities Settlement System (SSSS), that will enhance the settlement of securities on a real-time basis or in a Delivery Versus Payment (DvP) manner.

2.2.3 (B) Retail Payments Automation (RPA): This component entails the development of Automated Cheque Processing (ACP), and Automated Clearing House (ACH), systems. The ACP system is a check scanning, imaging, truncation and clearing system. At the clearing house, the system will electronically sort and distribute check images and data files to the paying commercial banks for validation. The system will perform multi-lateral netting of accepted items before settlement in the RTGS. The project will finance the core software and hardware of the ACP and ACH systems, and the related vendor services for the implementation of the system and knowledge transfer.

2.2.4 (C) Central Banking Application (CBA): This component includes implementation of the core banking application software for the Central Banks of Guinea and Sierra Leone, as well as the upgrade of the banking software for Central Bank of The Gambia. Further, the project is financing the services of the vendor to customize and install the systems, and to train the staff of the Central Banks to operate the new systems.

2.2.5 (D) Infrastructure Upgrade: This component involves an upgrade of the infrastructure of the Central Banks of The Gambia, Guinea and Sierra Leone to the state-of-the-art IP-based data communication networks, and through provision of reliable uninterrupted power supply. The project will finance stand-by power generators and the upgrade of the Local Area Network (LAN) and the Metropolitan Area Network (MAN) in line with the needs identified for each Central Bank.

2.2.6 (E) Project Management: This component is financing: (i) the consultancy services for supervision of the implementation of the payments system; and (ii) the operational costs, including: cost incurred by the project teams and the National Payment Systems Committees; cost of the annual project's external audits; and training and skills improvement activities at the three Central Banks.

2.3 *Project Costs*

2.3.1 The estimated cost of the project was UA 17.56 million, of which the foreign cost was UA 14.72 million or 83.8% and the local cost element was UA 2.84 million or 16.2%. A summary of the initial cost estimates for the project by component is presented in Table 1 below, while more details, including project cost estimates category of expenditures, and by country, are provided in Annex I (Tables AI.1 and AI.3, respectively).

Table 1: Initial Project Cost Estimates by Component

Components	('000 US\$)			('000 UA)		
	FC	LC	Total	FC	LC	Total
A. RTGS & SSSS	5,641	474	6,115	3,722	313	4,035
B. RPA	5,940	499	6,439	3,919	329	4,248
C. CBA	4,170	350	4,520	2,751	231	2,982
D. Infrastructure Upgrade	2,400	1,964	4,364	1,584	1,296	2,880
E. Project Management	2,125	629	2,754	1,402	415	1,817
Total Base Cost	20,276	3,916	24,192	13,378	2,584	15,962
Contingencies ⁵	2,028	392	2,419	1,338	258	1,596
Grand Total	22,304	4,308	26,611	14,716	2,842	17,558

⁵ Overall contingencies were provided at 10%: price contingencies, at 3% and 7% for foreign, and local cost components, respectively. Contingencies were also provided to accommodate possible changes in the scope of the different services.

2.4 Financing Conditions

2.4.1 The initial project's financing plan by component is shown in Table 2, below, while Table 3 is the initial project financing plan by source of finance. The ADF contributed UA 14.00 million to the project financing, representing about 79.7% of the total project cost. The three national Central Banks collectively contributed UA 1.62 million or 9.2% to the project's cost in local currency, while the estimated contribution of the commercial banks in the three countries was UA 1.9 million or 11.1%.

Table 2: Initial Project Financing Plan by Component and Source of Financing

Component	('000 US\$)			
	ADF	Central Banks	Commercial Banks	Total
A. RTGS & SSSS	6,205	521	0	6,726
B. RPA	4,851	549	1,683	7,083
C. CBA	4,587	385	0	4,972
D. Infrastructure Upgrade	2,520	540	1,261	4,321
E. Project Management	3,055	454	0	3,509
Total	21,218	2,449	2,944	26,611

Table 3: Initial Project Financing Plan by Source of Finance

Source of Finance	('000 US\$)			('000 UA)			%
	FC	LC	Total	FC	LC	Total	
ADF	20,224	994	21,218	13,344	656	14,000	79.7
Central Banks	0	2,449	2,449	0	1,616	1,616	9.2
Commercial Banks	2,080	865	2,944	1,372	570	1,942	11.1
Total	22,304	4,308	26,611	14,716	2,842	17,558	100.0

3. STATUS OF IMPLEMENTATION OF THE INITIAL PROJECT

3.1.1 After approval in July 2008, under the Regional Public Goods (RPGs) window⁶, the WAMZ Payments System Development Project (The Gambia, Guinea, and Sierra Leone)'s Protocol Agreement was signed in August 2008. The project was declared effective in December 2008, after applicable conditions were fulfilled. Progress on the implementation of the project's activities is broadly on track. It is rated "satisfactory" as its operation's objectives are being achieved with only minor shortcomings relating to progress on procurement. The project, comprising six components and several contracts is complex, and involves long bidding processes. However, the major part of the tendering process is complete, although this process took more than a year to accomplish.

3.1.2 Procurement of Consulting Services: All consulting services have been successfully procured in accordance with Bank's Rules and Procedures for the use of Consultants, and good progress has been made to implement activities under the related contracts. Logical Management Consulting, commenced its work to supervise the implementation of the project's activities in The Gambia, Guinea, and Sierra Leone in May 2009, while project's external auditor, was recruited in January 2010.

3.1.3 Procurement of Goods: Tendering for the solution providers for the payments system software (RTGS, including SSSS; ACP and ACH; and CBA) for the Gambia, Guinea, and Sierra Leone, has been successfully completed in accordance with the Bank's Rules and Procedures for the Procurement of Goods, Works and Related Services. The software solution providers have

⁶ See Board Document: ADF/BD/WP/2008/48, dated 6 June 2008).

conducted the initial training of users, and are presently undertaking gap analysis, and software functional validation, in consultation with users in three countries' Central Banks and commercial banks. Furthermore, the tendering process for the Infrastructure Upgrade component for The Gambia and Sierra Leone has been completed successfully, in accordance with the Bank's Rules and Procedures for the Procurement of Goods, Works, and Related Services. In The Gambia, the pilot site, the Infrastructure Upgrade service provider is on site, and work is progressing well. In Sierra Leone, the building that would house the new systems is being modified and the supplier is expected to commence work soon. In Guinea, although the contract negotiations with the supplier of the Infrastructure Upgrade were unsuccessful because of pricing issues, the Central Bank of Guinea (Banque Centrale de la République de Guinée) is progressing well to finish renovations of the building where the new payments systems could be housed. As a result, the tendering process for the Infrastructure Upgrade component in Guinea has been re-launched.

3.1.4 **Financial Implementation:** The ADF grant provided to WAMI for the implementation of the project is UA 14 million (equivalent to US\$21.2 million). Nine (out of ten) contracts, amounting to US\$ 21.2 million, have been successfully negotiated with solution providers and consultants, and have been signed. The only contract pending is that for Guinea's Infrastructure Upgrade component, whose related procurement process has been re-launched. As at June 2010, about 54% of the budget for operational expenses and consulting services amounting to US\$3.1 million, had been disbursed. While 6% of the total cost for goods under the project, amounting to US\$18.1 million had been disbursed by June 2010, it is expected that about 54% would be disbursed by end-December 2010. Activities under the ongoing project are expected to be completed by end-December 2011, within the planned timeframe, and budget.

4. THE REAPPRAISED PROJECT

4.1 *Rationale for the Supplementary Grant*

4.1.1 The WAMZ economy, with a combined GDP of US\$390.6 billion (PPP), accounts for 73.3 percent and 19.1 percent, of the total ECOWAS' and Africa's GDP, respectively. The zone covers a total land area of 1.60 million square kilometers and a total combined population of 194.7 million people, representing 77.3 percent and 20.6 percent of the population of ECOWAS and Africa, respectively. Nigeria is the dominant economy, with over 76.5 percent of the population, and 85.6 percent of the zone's GDP. Ghana follows with 9.2 percent of the zone's GDP, while Liberia and The Gambia are the two smallest economies constituting 0.4 and 0.6 percent of the GDP, respectively. While there has been major intra-industry trade in the WAMZ countries, agricultural products remained the major exports of The Gambia, Ghana and Sierra Leone, followed by manufacturing. Crude oil accounts for over 97.0 per cent of Nigeria's exports. In Guinea, ores and metals form the greatest share of merchandise exports, while in Liberia rubber (86.1), gold (5.1) and diamonds (4.1) constitute main exports.

4.1.2 Since October 2002, the Bank in collaboration with the World Bank, has been promoting the growth and economic integration of the West African Economic and Monetary Union (UEMOA) by upgrading basic payments system infrastructure in UEMOA member countries: Côte d'Ivoire, Sénégal, Mali, Niger, Burkina Faso, Togo, and Guinea Bissau. Both the UEMOA project and the ongoing WAMZ project are important pillars for establishing and installing an appropriate set of regional payment mechanisms to satisfy the evolving needs of all market sectors in the Economic Community of West African States (ECOWAS). However, within the WAMZ region, the Bank through the ongoing project remains the lead donor in the financial sector (see Annex IV – The West African Monetary Zone (WAMZ) – Strategic

Partners). Nevertheless, capacity-building efforts to restore basic banking and payment system functions in post-conflict countries such as Liberia and Sierra Leone, is an agenda that is strongly supported by the International Monetary Fund (IMF) through its technical assistance program.

4.1.3 The Authority of the Heads of State and Government of the WAMZ in July 2009 announced that the commencement of the monetary union in the WAMZ will be on or before January 2015, to give member states adequate time to achieve necessary degree of macroeconomic convergence, and structural and institutional benchmarks. In the meantime through the support that WAMI is receiving from the Bank and its members, it is enhancing its institutional capacity to better coordinate improved banking supervision in the WAMZ member countries, and to implement cross-border financial integration measures, including statistical harmonization. Furthermore, the 2010-2015 Strategic Plan of WAMI (see extract of the Strategic Plan in Technical Annex I) underscores the crucial role that payments system will play in the development of the WAMZ economy. As the channel through which financial resources flow from one segment of the economy to the other, it represents one of the major foundations of the modern market economy. The ongoing project will therefore continue to contribute to regional financial integration efforts, and to support WAMI's strategic objectives by creating an enabling environment for the financial system stability through the development of payments system infrastructure and telecommunication networks.

4.1.4 At the time the ongoing project was appraised, Liberia did not participate as the country was still pre-occupied with the challenges of post-conflict rehabilitation. Liberia acceded into the WAMZ program on 16 February 2010, and soon thereafter both WAMI and the Government of Liberia made a request to the Bank to extend the ongoing project to country. Liberia's membership of the WAMZ requires transformation of its payments system to the same level as those being implemented under the ongoing project. The Bank/World Bank's Joint Assistance Strategy for Liberia (2008-2011) and Eligibility to the Fragile States Facility asserts that the country would benefit from regional operations consistent with the Bank Group's regional Integration Strategy. Furthermore, the Bank, through its Medium-Term Strategy (2008-2012), has committed itself to investing in infrastructure and governance as a means of contributing directly to regional integration, and fragile states assistance.

4.1.5 Key lessons, drawn from the implementation of the ongoing project and the Bank/World Bank's implementation of the BCEAO Regional Payment Systems Project have informed the design of this operation. The implementation of the BCEAO project, show that there is need for strong leadership, and continuity of staff dedicated to the project. This is an area where WAMI and the countries' Central Banks continue to demonstrate their commitment to the project. In the area of monitoring and evaluation (M&E), a key lesson emerging is the unavailability of statistics to enable adequate measurement of achievement of developmental indicators. However, this is an area where WAMI has put adequate mechanisms to measure evolution for quantitative indicators, as evidenced by the high quality quarterly reports being received by the Bank. Delays in procurement were experienced because of lack of knowledge of the Bank/World Bank's procurement process. This issue that has also emerged from the ongoing project did adversely impact the length of procurement process for the initial contracts. To reap maximum efficiency gains, it is anticipated that all contracts for goods and services under the ongoing project, except those for infrastructural upgrade, will be renegotiated to cover the extension of the project to Liberia. Another lesson learned from both the implementation of the ongoing project and the BCEAO project is the need for consultations with a wide range of stakeholders on complex issues that will emerge regarding technical aspects of the new systems.

Steering Committees at the country level were set up for the ongoing project and that were not part of the original design. This practice will be extended to Liberia.

4.1.6 The additional grant amounting to UA 5 million is intended to cover ADF's contribution to the additional costs of UA 6.69 million arising from the planned extension of the project to Liberia. The project remains economically and financially sustainable in line with the initial design (see page 15 of the Document: ADF/BD/WP/2008/48, dated 6 June 2008). There is continued commitment and ownership of the new payment systems by the Central Banks and the commercial banks in the four countries. As the project would introduce new ways of doing business, its design incorporates extensive user training, and change management techniques, that are expected to enhance acceptability. Further, the Central Banks in the four countries aims to levy user charges on commercial banks, to ensure that operational costs of systems are covered after implementation.

4.1.7 As detailed in the document: ADF/BD/WP/2008/48, dated 6 June 2008 (pages 2 and 3), the project concept and rationale, and its strategic context of removing the constraints on regional integration, and governance, have not changed. Several constraints still persist including, underdeveloped financial infrastructure, inefficiency of financial intermediation, weak liquidity management practices, and shallow financial sectors. Therefore, the Bank's involvement will catalyze the process of WAMZ coming into being and the eventual introduction of a regional single currency through the provision of resources to finance a harmonized payments system. The recent global financial crisis showed that central banks need to continue to sustain their efforts to improve governance over payment and settlement systems; a primary goal of the ongoing project (see Document: ADF/BD/WP/2008/48, dated 6 June 2008, page 16). As such, by extending the project to Liberia, the country will enhance its financial system stability through the implementation of the WAMZ harmonized payments system law, and by effecting high value funds transfers through the RTGS systems to minimize the risks of fraud associated with check payments. Further, by efficiently integrating the settlements of funds and securities, the WAMZ payment and settlement systems will play an important infrastructure role that would contribute to the reliability and stability of the financial system throughout the WAMZ region. Crisis management will be strengthened through the development of backup-systems and business continuity plans. Importantly, the project would enhance the integrity, and efficiency of the financial system, including its auditability by making visible the integrity-related controls, and by enhancing the finality of financial transactions settlements. These actions would then reduce a wide range of risks incurred in financial transactions.

4.1.8 The Bank held extensive consultation with Liberia's stakeholders who will be impacted by the project, within the Central Bank of Liberia, and at all commercial banks. Commercial banks were enthusiastic of the project. They expressed their commitment and readiness to implement the project's activities. They informed the Bank that the project would transform Liberia's predominantly, cash-based economy, to one where the general public's confidence in the banking system is enhanced, and use of paper instruments as a medium of exchange increases. The Central Bank reiterated that it would bring banking services to the unbanked, including an estimated 400,000 salary earners that are outside the banking system⁷. As a result, the Bank will improve the Liberia's general economic and financial system efficiency. From the stakeholder consultations, it was evident that project is of broad public interest and benefit.

⁷ According to a survey by the Central Bank of Liberia, 2009

4.2 Objectives, Description, and Components

4.2.1 The sectoral and specific objectives of the reappraised project have not changed (see Document: ADF/BD/WP/2008/48, dated 6 June 2008); these are to achieve full economic and monetary union of WAMZ countries, to foster a more conducive environment for private sector-led growth, and to improve the basic infrastructure of the financial sector in WAMZ through the upgrade of the payment systems. The sector indicators have however changed. The original design had only one impact indicator, that is to increase the share of intra trade to total trade in the WAMZ region. An additional two

Box 1: Project's Key Outcomes

- Level of financial depth as measured by broad money supply (M2) as a percentage of GDP increases from 20% in 2007 to 30% by 2015
- Share of intra trade to total trade in the WAMZ region increase from about 2.5% in 2007 to 10% by 2018
- Average private investment growth in the WAMZ region reach 15% per annum in 2015

indicators have been incorporated in the reappraised project. These are: (i) deepening financial sector integration, as measured by broad money supply (M2) as a percentage of gross domestic product (GDP); and (ii) increasing private sector investment. It is important to monitor progress on these additional indicators, because the objectives of deepening regional financial integration, and enhancing environment for private sector development, are strategic priorities of the WAMZ member states, as well as of the Bank. The project continue to improve the basic infrastructure of the financial sector in The Gambia, Guinea, Sierra Leone, and Liberia. Except for incorporating Liberia in the project design, there are no other changes in the objectives, descriptions, and key outputs (see the project's Result-based Logical Framework). Further, the project's expected outcomes, remain the same: to increase the participation of the private sector businesses, and the citizens of The Gambia, Guinea, Sierra Leone, and Liberia in the formal financial sector, and to enhance the efficiency of funds transfers across the four WAMZ member states (see Box 1). The project beneficiaries include: the entire population of the four WAMZ countries – of which a majority are women – (through increased participation in the formal financial sector); and commercial banks, and private sector businesses – especially small and medium enterprises –, (through more efficient transfers of funds). Finally, the project will continue to be organized in five components: (A) Real Time Gross Settlement (RTGS); (B) Retail Payments Automation (RPA); (C) Central Banking Application (CBA); (D) Infrastructure Upgrade; and (E) Project management.

4.3 Project Cost Estimates

4.3.1 The revised total project costs estimates, net of all taxes and duties, amount to UA 24.25 million, comprising: UA 21.41 million in foreign costs, and UA 2.84 million in local costs. Compared to the original costs estimates of UA 17.56 million, a project cost increase amounting to UA 6.69 million (38%) has arisen due to changes to the project scope to cover the development of payments system in Liberia.

4.3.2 The revised project costs estimates, that are derived from the actual tender prices based on the lowest evaluated bid, include price contingencies, at 3% for foreign costs, and 7% for local costs, as in the original cost estimates. The revised overall project cost estimates by component for the project is summarized in Table 4, below. Details per category of expenditures, and by country, are shown in Annex I (Tables AI-2, and AI-4, respectively), while Technical Annex II provides further breakdown of costs.

Table 4: Revised Project Cost Estimate by Component (Including Liberia)

Components	('000 US\$)			('000 UA)		
	FC	LC	Total	FC	LC	Total
A. RTGS & SSSS	7,487	461	7,949	5,079	313	5,392
B. RPA	8,278	485	8,763	5,615	329	5,944
C. CBA	6,556	341	6,897	4,447	231	4,678
D. Infrastructure Upgrade	4,335	1,911	6,246	2,941	1,296	4,237
E. Project Management	2,467	612	3,079	1,673	415	2,088
Total Base Cost	29,124	3,810	32,933	19,754	2,584	22,338
Contingencies ⁸	2,443	380	2,823	1,657	258	1,915
Grand Total	31,566	4,190	35,756	21,411	2,842	24,253

4.3.3 Contracts for goods and services under the ongoing project have all been signed, with the exception of that for Infrastructure Upgrade for Guinea. There were twelve bidders for the RTGS (including SSSS), ACH, ACP, and CBA systems, and fourteen, for Infrastructure Upgrade, in The Gambia, Guinea, and Sierra Leone. The original estimated expenditure for software related goods amounted to UA 11.26 million, while that of the Infrastructure Upgrades was UA 2.88 million.

4.3.4 A comparative analysis between appraisal, and re-appraisal cost estimates that show the additional requirements, is shown in Table 5, below. All project costs are classified as foreign costs since Liberia is a “dual currency” economy, where both the Liberia Dollar (LD), and the US Dollar (US\$), are legal tender. The US\$ is largely used for business transactions, while the LD is used by private citizens at the lower end of the retail sector.

Table 5: Comparative Analysis between Initial and Revised Cost Estimates By Component (Plus Liberia)

Components	Original Estimate			Project Cost Including Liberia			Additional Financing		
	('000 UA)			('000 UA)			('000 UA)		
	FC	LC	Total	FC	LC	Total	FC	LC	Total
A. RTGS / SSSS	3,722	313	4,035	5,079	313	5,392	1,357	0	1,357
B. RPA (ACH/ACP)	3,919	329	4,248	5,615	329	5,944	1,696	0	1,696
C. CBA	2,751	231	2,982	4,447	231	4,678	1,696	0	1,696
D. Infrastructure Upgrade	1,584	1,296	2,880	2,941	1,296	4,237	1,357	0	1,357
E. Project Management	1,402	415	1,817	1,673	415	2,088	271	0	271
Total Base Cost	13,378	2,584	15,962	19,754	2,584	22,338	6,376	0	6,376
Contingencies	1,338	258	1,596	1,657	258	1,915	319	0	319
Grand Total	14,716	2,842	17,558	21,411	2,842	24,253	6,695	0	6,695

4.4 Sources of Finance

Table 6: Revised Project Financing Plan by Component and Source of Financing

Component	('000 US\$)			
	ADF	Central Banks	Commercial Banks	Total
A. RTGS & SSSS	6,754	845	1,023	8,622
B. RPA	7,447	931	1,128	9,506
C. CBA	5,861	733	887	7,481
D. Infrastructure Upgrade	5,327	666	807	6,800
E. Project Management	2,622	328	397	3,347
Total	28,011	3,503	4,242	35,756

⁸ Overall, provision for contingencies has been at 8% and 10% for foreign, and local cost components, respectively.

4.4.1 The revised financing plan by components, and by source of financing are shown in Tables 6 (above), and 7 (below).

Table 7: Revised Project Financing Plan by Source of Finance

Source of Finance	('000 US\$)			('000 UA)			%
	FC	LC	Total	FC	LC	Total	
ADF	27,044	967	28,011	18,344	656	19,000	79.7
Central Banks	0	3,503	3,503	0	2,376	2,376	9.2
Commercial Banks	2,021	2,220	4,242	1,371	1,506	2,877	11.1
Total	29,065	6,691	35,756	19,715	4,538	24,253	100

4.4.2 The revised proposed financing plan, show that ADF would need to provide supplementary financing of UA 5 million (equivalent to US\$ 7.37 million) for the Liberia extension, while the Central Bank of Liberia, and the commercial banks in the country, are expected to contribute, UA 0.76 million, and UA 0.94 million, respectively (see Table 8, below). Compared to the approved grant for the ongoing project of UA 14 million, this brings the ADF contribution for the revised project to UA 19 million.

Table 8: Comparative Analysis between Initial and Revised Source of Finance

Source of Finance	Original Source of Finance ('000 UA)			Source of Finance Including Liberia ('000 UA)			Additional Source of Finance ('000 UA)		
	FC	LC	Total	FC	LC	Total	FC	LC	Total
ADF	13,344	656	14,000	18,344	656	19,000	5,000	0	5,000
Central Banks	0	1,616	1,616	760	1,616	2,376	760	0	760
Commercial Banks	1,372	570	1,942	2,307	570	2,877	935	0	935
Total	14,716	2,842	17,558	21,411	2,842	24,253	6,695	0	6,695

4.5 Revised Expenditure Schedule

4.5.1 The yearly expenditure plans by component, and by sources of finance, are presented in Tables 9, and 10, respectively.

Table 9: Revised Expenditure Schedule by Component (Including Liberia)

Components	('000 UA)					
	2008	2009	2010	2011	2012	Total
A. RTGS / SSSS	0	0	2,875	2,255	780	5,910
B. RPA (ACH/ACP)	0	0	2,124	1,985	2,370	6,479
C.CBA	0	0	2,085	1,915	1,140	5,140
D. Infrastructure Upgrade	0	0	2,302	1,935	433	4,670
E. Project Management	0	1,114	158	165	617	2,054
Total	0	1,114	9,544	8,255	5,340	24,253

Table 10: Revised Project Expenditure Schedule by Source of Finance (Including Liberia)

Source of Finance	('000 UA)					
	2008	2009	2010	2011	2012	Total
ADF	0	1,114	6,386	6,600	4,900	19,000
Central Banks	0	0	1,451	700	225	2,376
Commercial Banks	0	0	1,707	955	215	2,877
Total	0	1,114	9,544	8,255	5,340	24,253

4.6 Executing Agency

4.6.1 The existing arrangements regarding Executing Agency are assessed as adequate. Under the ongoing project, the West African Monetary Institute (WAMI) has demonstrated that it has adequate capacity to manage procurement (see 4.7.6) and financial management activities, and to monitor and evaluate project's outputs, outcome, and impact. WAMI, therefore, remains as the Executing Agency of the project, and the recipient of the supplementary grant. The current Organizational Structure of WAMI is shown in Annex II.

4.7 Revised Procurement Arrangements

4.7.1 Under the ongoing project, the solution providers for the software components (RTGS, SSS, ACH, ACP, CBA and Infrastructure Upgrade) have been successfully recruited in accordance with the African Development Bank Group's *Rules and Procedures for the Procurement of Goods, Works and Related Services of May 2008* Edition, and as appropriate, *Rules and Procedures for the Use of Consultants*, using the relevant Bank Standard Bidding Documents (SBDs). Given the complexity in the implementation of the project activities, the uniqueness of the goods and services requirements, and because this is an extension of an ongoing project, all the ongoing contracts with solution providers and consultants will be re-negotiated by WAMI, within the approved budget, to cover the extension to Liberia. The revised procurement arrangement, are shown in Tables 11, while Table 12, shows a comparative analysis between the initial and the revised procurement arrangements as regards the ADF grant.

Table 11: Revised Procurement Arrangement (Including Liberia)

Category	(UA Millions)				
	LIC	Shortlist	NCB	Other*	Total
1. Goods					
1.1 RTGS & SSSS; and RPA (ACH & ACP)	13.21 (9.14)				13.21 (9.14)
1.2 CBA	4.20 (4.00)				4.20 (4.00)
1.3 Telecom Equipment and Stand by Generators			4.20 (3.30)		4.20 (3.30)
2. Consultant Services					
2.1 Project Supervision		1.70 (1.70)			1.70 (1.70)
2.2 Project Audit		0.06 (0.06)			0.06 (0.06)
3. Miscellaneous					
3.1 Operational Expenses				0.88 (0.80)	0.88 (0.80)
Total	17.41 (13.14)	1.76 (1.76)	4.20 (3.30)	0.88 (0.80)	24.25 (19.00)

* Others cover Shopping for Goods and Operational Expenses sourced using WAMI's procurement rules

4.7.2 Goods: Six contracts, relating to the Infrastructure Upgrade (telecommunications equipment, and standby generators for power supply) for The Gambia, Guinea, and Sierra Leone, were tendered under the National Competitive Bidding (NCB) procedures, within the approved budget of UA 1.67 million. However, the tendering process for Guinea was not successful and has been re-launched. The NCB method was used for the procurement under these contracts due to the need to secure a local agent, for after sales maintenance purposes. The

NCB procurement method will also apply for Infrastructure Upgrades for Liberia, for goods estimated to cost UA 1.63 million.

4.7.3 Hardware, software, standards/processes, and related vendor services for the RTGS (including SSSS), RPA (ACH & ACP) systems, and the CBA, with an estimated total cost of UA 10.27 million were tendered through Limited International Competition (LIC) given the specialized nature of the goods and related services. Indeed, although these are standard and readily available off-the-shelf products, their after sales maintenance is restricted to the intensive customization required to address specific user requirements. For

	Original Procurement Arrangement (UA Millions)	Procurement Including Liberia (UA Millions)	Additional Procurement (UA Millions)
1. Goods			
1.1 RTGS & SSSS; & RPA (ACH & ACP)	8.12	9.14	1.02
1.2 CBA	2.15	4.00	1.85
1.3 Telecom Equip. & Stand by Generators	1.67	3.30	1.63
2. Consultant Services			
2.1 Project Supervision	1.50	1.70	0.20
2.2 Project Audit	0.04	0.06	0.02
3. Miscellaneous			
3.1 Operational Expenses	0.52	0.80	0.28
Total	14.00	19.00	5.00

reasons of compatibility, interface, and efficiency, it was agreed that the RTGS (including SSSS), RPA (ACH & ACP), and CBA components would be provided by BFI International Limited, CMA Small Systems, and Temenos, respectively. These suppliers are providing both the core software, and the related hardware. They are also customizing and installing the software, and training users in the Central Banks, and the commercial banks. Given the specialized nature of the goods and related services under the RTGS (including SSSS), RPA (ACH & ACP), and CBA components the ongoing contracts with solution providers will be re-negotiated by WAMI, within the approved budget, to cover implementation of the payments systems in Liberia.

4.7.4 Consulting Services: Consulting services under the ongoing project were procured in accordance with the Bank's *Rules and Procedures for the Use of Consultants*. Two consulting service contracts were successfully negotiated and signed: one for the project supervision consultants, and another for the project external auditors. Because of the complexity in the implementation of the project activities, and because this is an extension of an ongoing project, these consultancy service contracts will be re-negotiated by WAMI to cover implementation activities in Liberia, within the approved budget of UA 1.7 million for project supervision, and UA 0.06 million for project audit. Thus, in a bid to maintain consistency in implementation, the services will be procured through an exceptional basis or sole source to accelerate the procurement process. Given the invaluable experience that WAMI has acquired during the implementation of project activities in The Gambia, Guinea, and Sierra Leone, it is envisaged that WAMI will take a leadership role in supervising the project activities in Liberia, while the interventions of the project supervision consultants, will be lower.

4.7.5 Miscellaneous: Goods and services relating to the Operational Expenses component amounting to UA 0.8 million will be procured in accordance with WAMI's procurement rules and procedures, which have been reviewed, and were found to be acceptable to the Bank. WAMI will increasingly be engaged in supervising the implementation of the project activities

in Liberia, given the invaluable experience it has acquired during the implementation of project activities in The Gambia, Guinea, and Sierra Leone.

4.7.6 Executing Agency: WAMI, supported by the project supervisory consultants and the Central Banks, has overall responsibility for undertaking procurement of goods and services financed by the ADF. The resources, capacity, expertise and experience of WAMI have been assessed as adequate to continue carrying out the procurement under the project, hence, the overall risk is rated as average. The Central Banks and commercial banks will procure the goods and services that they are financing following their respective procurement rules and procedures. To guarantee effective implementation of the project activities, WAMI will ensure that all procurement activities are synchronized and properly phased.

4.7.7 General Procurement Notice (GPN), and Procurement Review: These arrangements remain unchanged as this is a supplementary grant on the ongoing project.

4.8 Other Implementation Mechanisms

4.8.1 The existing implementation arrangements for the project in terms of project external audits, disbursement arrangements, financial reporting and auditing, and monitoring and evaluation, are considered adequate and will remain unchanged. The scope of the current auditors' work will increase to cover activities for Liberia.

4.8.2 As the project's implementation arrangements at the WAMZ headquarters level and in The Gambia, Guinea, and Sierra Leone are considered adequate, and will remain unchanged, those for Liberia will be designed along the same lines. The Central Bank of Liberia (CBL) will be required to establish a core project team with the head of Banking Operations at the Central Bank as the Project Coordinator, and including experts for each of the project components. The Liberia's project team would be responsible for actual project implementation in the country. Furthermore, the CBL will be required to facilitate the establishment of National Payment Systems Committees (NPSC), to comprise representatives of the CBL, the commercial banks, and other stakeholders, such as the revenue authority. The NPSC would meet regularly during the course of project implementation to provide inputs from the users' perspective. These arrangements are shown in Annex III. The constitution of the Project Core Team with the head of Banking Operations at the Central Bank of Liberia as the Project Coordinator, and including experts for each of the project components is a condition of the first disbursement of the supplementary grant resources, while the establishment of the NPSC is also a condition of the supplementary grant.

4.8.3 A useful lesson learned during the implementation of the ongoing project is the need for a Steering Committee at the country level. Such a committee was not envisaged in the design of the ongoing project, but has been formed in The Gambia, Sierra Leone, and Guinea, to provide the strategic direction and oversight required over the implementation of the project's activities. This practice will be extended to Liberia, where a Steering Committee will be formed at the Central Bank of Liberia that will be chaired by the Deputy Governor, who will serve as the Project Sponsor. The Steering Committee would include management level stakeholders that will be directly impacted by the success or outcome of the project, including heads of management information systems, financial markets, banking, research, finance, and legal. During the implementation, the Steering Committee will provide policy direction, and resolve cross-functional and other matters pertaining Liberia's payments system development. The Project Coordinator, as a member of the Steering Committee, would provide the required interface between the project and the committee. Representatives of WAMI, project supervision

consultant, and solution providers, will be invitees to the Steering Committee meetings as need arise.

4.8.4 Implementation of activities under the supplementary grant is expected to be completed by December 2012, as compared to December 2011, under the ongoing project. The revised implementation schedule is necessitated by expanded scope of activities due to the incorporation of Liberia. Implementation of the project activities in the other three countries remain on track, and within the original plan.

5. PROJECT SUSTAINABILITY, RISKS, AND BENEFITS

5.1 The project sustainability, risks, and benefits (including environmental impact) remain the same as stated in the original design (see Document: ADF/BD/WP/2008/48, dated 6 June 2008). Because of the fragility of countries involved in the implementation, the design of the project's components is simple, and its objectives are very realistic. Rather than being overly ambitious, to affect the overall effectiveness of its impact, the project continue to focus on one area of the financial system – payment and settlement systems –, to avoid complexity in design in situations of low capacity to implement. Current assessment is that the overall risk to achieving development outcomes under the project is low. To ensure successful implementation of the full functionalities of the new systems, and sustainability of the technical solution post implementation, the design of the project ensures that the technology being deployed is industry standard and extensive training for users is provided. The capacity to implement the solution is further enhanced by an effective team at WAMI that is full-time engaged in supporting the teams at all Central Banks to achieve the project's developmental objectives. Furthermore, the Bank is intensifying dialogue at the highest level in Central Banks of The Gambia, Sierra Leone and Guinea, to promote public confidence in the banking system as a way of reducing the use of cash, and to resort more to banks for trade transactions within the region. In this regard, a key initiative is for governments to introduce sensitization campaigns and public meetings to further deepen and broaden the use of the new payments systems once implemented. These actions will be replicated in Liberia. However, the Central Bank of Liberia was assessed as having adequate capacity to implement the project. Further, the country is working with the IMF to secure the services of an experienced payment system advisor to support the implementation of the payment and settlement system.

5.2 With the inclusion of Liberia, the outreach of the project's activities as well as its beneficiaries have expanded. Further, inclusion of Liberia implies that project implementation will be extended by 12 months to December 2012. However this is not expected to delay the start of realization of project benefits in The Gambia, Guinea and Sierra Leone, where implementation had commence by end-2008. Indeed, the implementation period for the activities under the supplementary grant is shorter than for the ongoing activities because the implementation teams in WAMI, and Central Banks have learned from the experience and process of the implementation of the ongoing project.

6. LEGAL INSTRUMENTS AND AUTHORITY

6.1 *Legal Instrument*

6.1.1 The financing instrument that will be used for this operation is an ADF Grant of UA 5 million, in the form of project supplementary financing to the West African Monetary Institute (WAMI) from the Regional Operation envelope, with a waiver of the cost sharing requirement.

6.2 Conditions Precedent to Entry into Force

6.2.1 The Supplementary Protocol of Agreement shall enter into force upon its signature by WAMI and the Fund.

6.3 Conditions Precedent to First Disbursement

6.3.1 Taking into consideration the original conditions for the project, the obligations of the Fund to make the first disbursement of the Supplementary Grant shall be conditional upon the entry into force of the Supplementary Protocol of Agreement and the Recipient having provided satisfactory evidence to the Fund of the fulfillment of the following condition:

- The constitution of the Project Core Team at the Central Bank of Liberia, with the Head of Banking Operations, as the Project Coordinator, and including experts for each of the project components, and with terms of reference acceptable to the Fund (see paragraph 4.8.2).

6.3.2 Other Condition: Also taking into consideration the original conditions for the project, the Other Condition, under the Supplementary Grant is:

- Recipient having provided satisfactory evidence to the Fund that the National Payment System Committees (NPSC) in Liberia is established with members and terms of reference approved by the Fund (see paragraph 4.8.2).

6.4 Compliance with Bank Policies

6.4.1 This supplementary grant proposal complies with all applicable Bank Group policies and strategies, including: the Regional Integration Strategy, 2009-2013; the Medium-Term Strategy, 2008-2012; the Approach to Financing Regional Public Goods (RPGs), 2008; the Strategy on Enhanced Engagement with Fragile States, 2008; the Private Sector Strategy, 2004 (updated in 2007); and the Financial Sector Policy, 2003.

7. CONCLUSION

7.1 The UA 6.69 million (38%) project cost increase (of which ADF contribution is UA 5 million) is due to changes to the project scope to include the development of payment and settlement systems in Liberia. This would create a Regional Public Good by enabling the four member countries of WAMZ (The Gambia, Guinea, Sierra Leone and Liberia) to deepen the development of their financial sectors, enhance the environment for private sector development, and contribute to higher economic growth and poverty reduction. Further, this would facilitate the process for the launch of a regional monetary union in the WAMZ, and would contribute towards meeting ECOWAS' strategic objective of increasing economic integration and regional trade in West Africa. The project remains economically and financially sustainable.

8. RECOMMENDATION

8.1 Management recommends that the Board of Directors approve the proposed supplementary ADF Grant of UA 5 million – from the Regional Operation envelope, with a waiver of the cost sharing requirement – to the West African Monetary Institute for the purposes and subject to the conditions stipulated in this report.

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ANNEX I

Project Cost Estimates

Table AI-1: Initial Project Cost Estimate by Category of Expenditure

Category	('000 US\$)			('000 UA)			%
	FC	LC	Total	FC	LC	Total	
Goods	18,151	3,287	21,438	11,976	2,169	14,145	81
Services	1,575	132	1,707	1,039	87	1,126	6
Operating Expenses	550	497	1,047	363	327	690	4
Total Base Cost	20,276	3,916	24,192	13,378	2,584	15,962	91
Contingencies	2,028	392	2,419	1,338	258	1,596	9
Grand Total	22,304	4,308	26,611	14,716	2,842	17,558	100.00

Table AI-2: Revised Project Cost Estimate by Category of Expenditure (Including Liberia)

Category	('000 US\$)			('000 UA)			%
	FC	LC	Total	FC	LC	Total	
Goods	26,656	3,198	29,854	18,081	2,169	20,250	83%
Services	1,532	128	1,660	1,039	87	1,126	5%
Operating Expenses	935	484	1,419	634	328	962	4%
Total Base Cost	29,123	3,810	32,933	19,754	2,584	22,338	92%
Contingencies	2,443	380	2,823	1,657	258	1,915	8%
Grand Total	31566	4,190	35,756	21,411	2,842	24,253	100%

Table AI.3: Initial Project Costs by Country

Component	('000 US\$)			
	The Gambia	Guinea	Sierra Leone	Total
A. RTGS	2,038	2,038	2,038	6,114
B. RPA	2,146	2,146	2,146	6,439
C. CBA	802	1,859	1,859	4,520
D. Infrastructure Upgrade	1,273	1,545	1,545	4,364
E. Project Management	815	970	970	2,754
Total Base Cost	7,075	8,559	8,559	24,192
Contingencies	707	856	856	2,419
Grand Total	7,783	9,415	9,415	26,611

Table A.I.4: Revised Project Cost Estimate by Country (Including Liberia)

Components	('000 US\$)				
	The Gambia	Guinea	Sierra Leone	Liberia	Total
A. RTGS / SSSS	1,983	1,983	1,983	2,000	7,949
B. RPA (ACH/ACP)	2,088	2,087	2,087	2,500	8,762
C.CBA	761	1,818	1,818	2,500	6,897
D. Infrastructure Upgrade	1,234	1,506	1,506	2,000	6,246
E. Project Management	789	945	945	400	3,079
Total Base Cost	6,855	8,339	8,339	9,400	32,933
Contingencies	707	856	856	470	2,823
Grand Total	7,562	9,195	9,195	9,870	35,756

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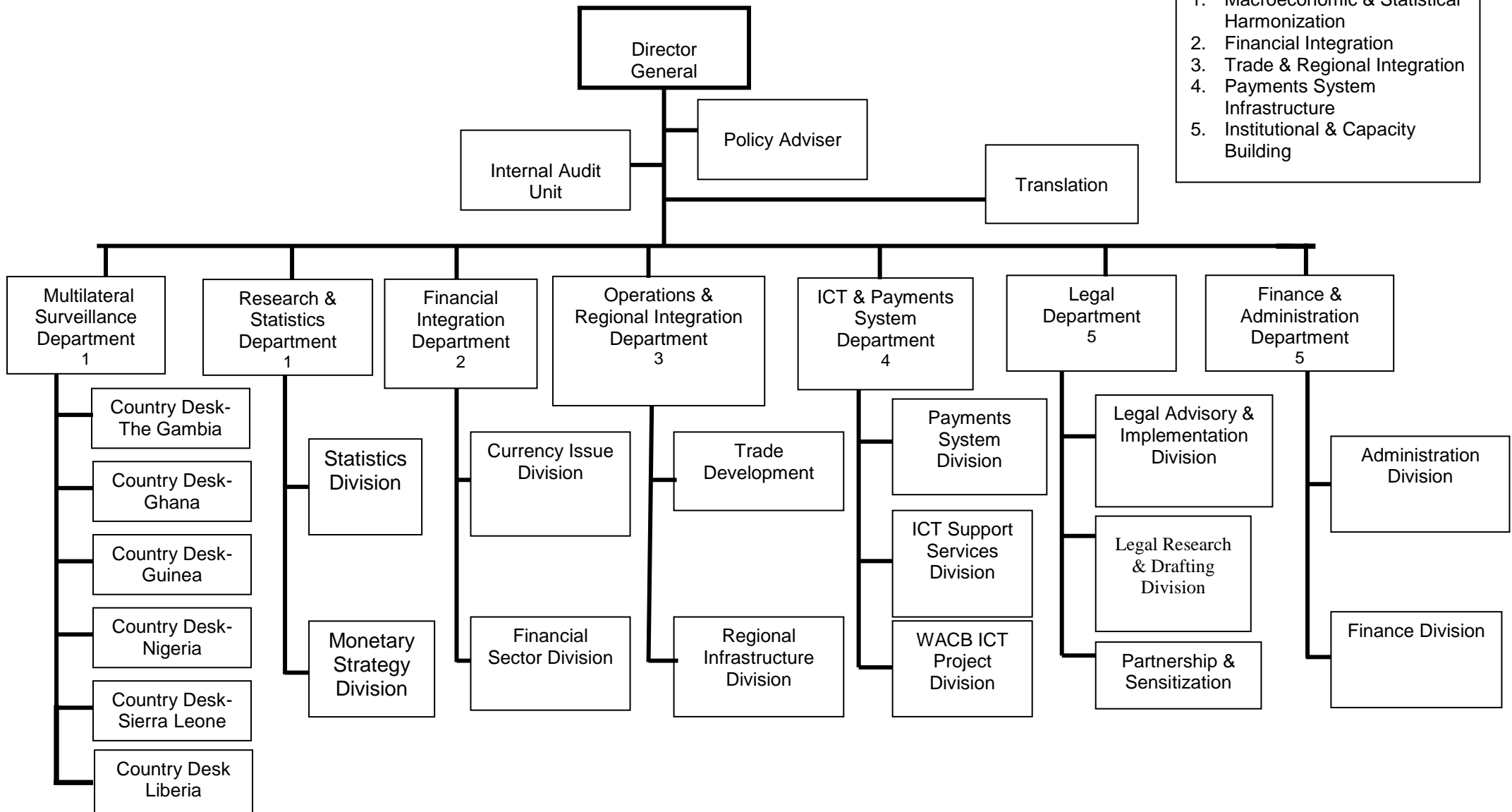
ANNEX II

**West African Monetary Institute's Organizational Structure
(August 2010)**

STRATEGIC PILLARS

KEY

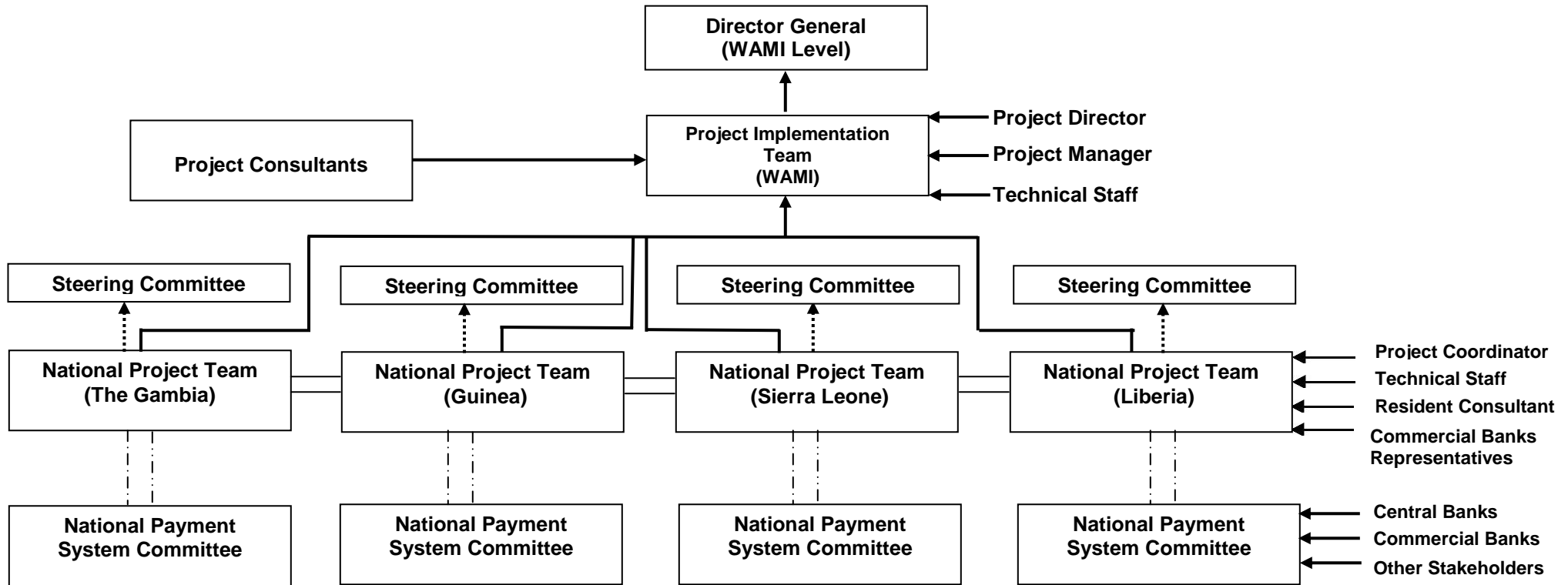
1. Macroeconomic & Statistical Harmonization
2. Financial Integration
3. Trade & Regional Integration
4. Payments System Infrastructure
5. Institutional & Capacity Building



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ANNEX III

Organizational Chart for Project Implementation



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ANNEX IV

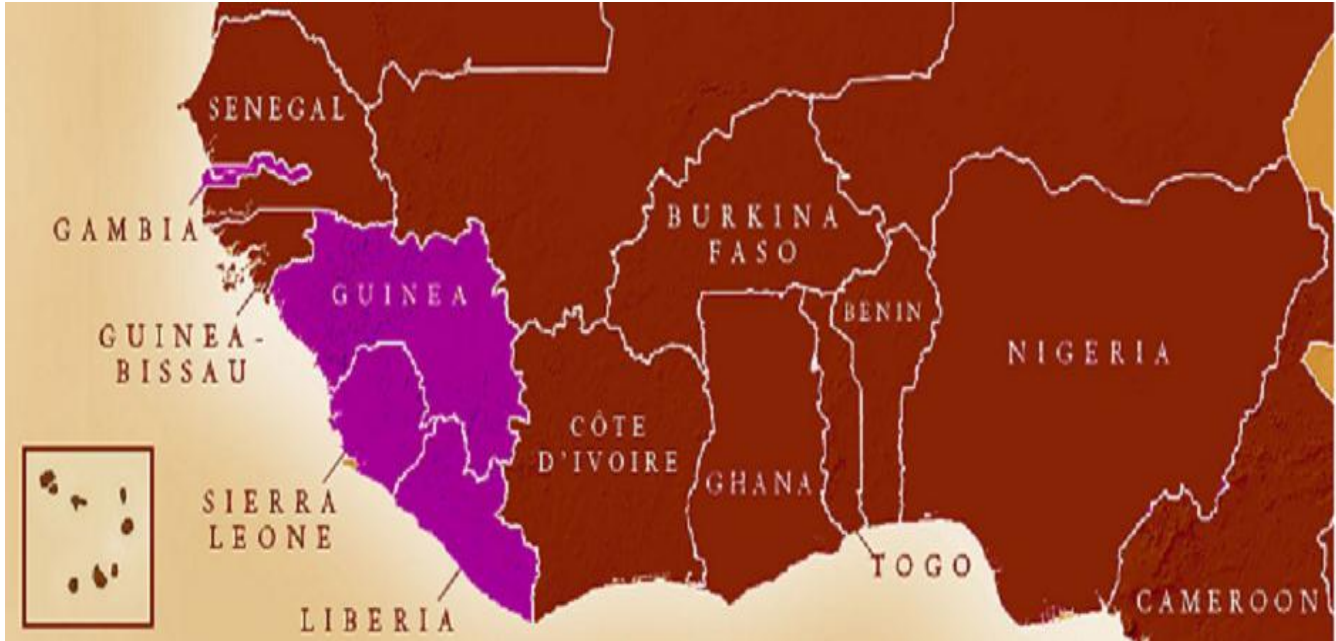
The West African Monetary Zone (WAMZ) – Strategic Partners (Other than the AfDB)

	NAME OF DONOR	AMOUNT (\$)	SECTOR	PERIOD COVERED	INSTRUMENT	GEOGRAPHICAL SPREAD
1	Nigerian Technical Cooperation Fund (NTCF)	250,000.00 (Obtained)	Regional Integration Sector	One year	Grant	WAMZ
2	Islamic Development Bank (IsDB)	7,600,000.00 (Proposed)	Financial Sector	3 Years	Grant	WAMZ
3	Economic Community of West African States (ECOWAS)	1,000,000.00 (Obtained)	ICT/Financial Sector	1 Year	Grant	WAMZ
4	African Capacity Building Foundation (ACBF)	2,500,000.00 (Proposed)	Capacity Building	3 Years	Grant	WAMZ

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ANNEX V

Project Location Map



Key:



Project Locations: Gambia (The), Guinea, Sierra Leone, and Liberia.