

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: PAD1753

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 10.7 MILLION
(US\$15 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GUINEA

FOR A

THIRD VILLAGE COMMUNITY SUPPORT PROJECT

May 9, 2016

Social, Urban, Rural and Resilience Global Practice
AFRICA

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2016)

Currency Unit = Guinea Francs (GNF)
US\$ 1 = GNF 7,588
US\$ 1 = SDR 0.70981389

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACA	<i>Analyse Coût Avantage</i> (Benefit Cost Analysis)
AFD	<i>Agence Française de Développement</i> (French Development Agency)
ADL	<i>Agent de Développement Local</i> (Community Development Agent)
AIP	Annual Investment Program
APL	Adjustable Program Loan
BGEEE	<i>Bureau Guinéen des Etudes et Evaluations Environnementales</i> (Guinea Bureau for Studies and Environment Evaluations)
CCL	<i>Code des Collectivités Locales</i> (Local Governments Code)
CE	Citizen Engagement
CNC	<i>Cellule Nationale de Coordination</i> (National Coordination Unit)
CNFPCE	<i>Centre National de Formation et de Perfectionnement des Cadres et des Élus</i> (National Training Center for Civil Servants and Elected Officials)
CNOP-G	<i>Confederation Nationale des Organizations Paysannes de Guinée</i> (National Confederation of Guinea's Peasants' Organizations)
CPS	Country Partnership Strategy
CR	<i>Commune Rurale</i> (Rural Commune/Municipality)
DND	<i>Direction Nationale de la Décentralisation</i> (National Directorate of Decentralization)
DNDL	<i>Direction Nationale du Développement Local</i> (National Directorate of Local Development)
DSP	<i>Document Stratégie Pays</i> (Country Strategy Document)
EPA	<i>Établissement public à caractère administratif</i> (Public Administrative Agency)
ERA	<i>Equipe Régionale d'Appui</i> (Regional Support Team)
ERR	Economic rate of return
ESMF	Environmental and Social Management Framework
EU	European Union
FM	Financial management
FNDL	<i>Fonds National de Développement Local</i> (National Local Development Fund)

GDP	Gross domestic product
GoG	Government of Guinea
HCREMA	<i>Haut-Commissariat à la Réforme de l'Etat et à la Modernisation de l'Administration</i> (High Commission for the State Reform and Modernization of the Administration)
IC	<i>Ingénieur Conseil</i> (Advising Engineer)
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IM	Implementation Manual
INS	<i>Institut National de Statistique</i> (National Institute of Statistics)
LPN-DDL	<i>Lettre de Politique Nationale de Décentralisation et de Développement Local</i> (National Policy Letter on Decentralization and Local Development)
LDP	Local Development Plan
LIF	Local Investment Fund
LORF	<i>Lois Organiques Relatives aux Lois de Finances</i> (Organic Laws Relating to Finance Laws)
MATD	<i>Ministère de l'Administration du Territoire et de la Décentralisation</i> (Ministry of Territorial Administration and Decentralization)
MEF	Ministry of Economy and Finance
ME	Ministry of Education
MEEF	<i>Ministère de l'Environnement, des Eaux et Forêts</i> (Ministry of Environment, Water and Forestry)
MoH	Ministry of Health
NPV	Net present value
PACV	<i>Programme d'Appui aux Communautés Villageoises</i> (Village Community Support Program)
PAD	Project Appraisal Document
PDO	Project Development Objective
PGCT	<i>Projet de Gestion Communautaire des Terres</i> (Community Based Land Management Project)
PGCMB	<i>Projet de Gestion Côtière et Maritime de la Biodiversité</i> (Coastal Marine and Biodiversity Management Project)
PREMA	<i>Programme de Réforme de l'Etat et de Modernisation de l'Administration</i>
PRSP	Poverty Reduction Strategy Paper
QER	Quality Enhancement Review
RGGBCP	<i>Règlement Général de Gestion Budgétaire et de Comptabilité Publique</i> (General Settlement of budget management and Public Accounting)
RPF	Resettlement Policy Framework
SC	Steering Committee
S&EP	<i>Suivi-Evaluation Participatif</i> (Participatory Monitoring and Evaluation)
SPD	<i>Service Préfectoral de Développement</i> (Prefectural Development Service)
STD	<i>Services Techniques Déconcentrés</i> (Deconcentrated Technical Services)

TC	Technical Committee
TTL	Task Team Leader
WHO	World Health Organization

Regional Vice President:	Makhtar Diop
Country Director:	Pierre Laporte
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez
Practice Manager:	Jan Weetjens
Task Team Leader:	Amadou Alassane

Republic of Guinea
Third Village Community Support Project

TABLE OF CONTENTS

	Page
I. STRATEGIC CONTEXT	1
A. Country Context.....	1
B. Sectoral and Institutional Context.....	2
C. Higher Level Objectives to which the Project Contributes	5
II. PROJECT DEVELOPMENT OBJECTIVE	5
A. PDO.....	5
B. Project Beneficiaries	5
III. PROJECT DESCRIPTION	6
A. Lending instrument, program objectives and phases	6
B. Project Components	7
C. Project Financing	9
D. Lessons Learned and Reflected in the Project Design	10
IV. IMPLEMENTATION	11
A. Institutional and Implementation Arrangements	11
B. Monitoring and Evaluation of Outcomes and Results	13
C. Sustainability.....	13
V. KEY RISKS	14
A. Overall Risk Rating and Explanation of Key Risks.....	14
VI. APPRAISAL SUMMARY	15
A. Economic and Financial Analysis.....	15
B. Technical.....	16
C. Financial Management.....	17
D. Procurement	18
E. Social (including Safeguards)	19
F. Environment (including Safeguards)	20
G. World Bank Grievance Redress.....	20

Annex 1: Results Framework and Monitoring.....	22
Annex 2: Detailed Project Description	27
Annex 3: Implementation Arrangements.....	35
Annex 4: Implementation Support Plan.....	55
Annex 5: Economic and Financial Analysis	59

PAD DATA SHEET*Guinea**Third Village Community Support Project (P156422)***PROJECT APPRAISAL DOCUMENT***AFRICA*

Report No.: PAD1753

Basic Information			
Project ID P156422	EA Category B - Partial Assessment	Team Leader(s) Amadou Alassane	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects [X]		
Project Implementation Start Date 05/31/2016	Project Implementation End Date 04/30/2020		
Expected Effectiveness Date 10/01/2016	Expected Closing Date 10/30/2020		
Joint IFC No			
Practice Manager/Manager Jan Weetjens	Senior Global Practice Director Ede Jorge Ijjasz-Vasquez	Country Director Pierre Laporte	Regional Vice President Makhtar Diop
Borrower: Ministry of Finance			
Responsible Agency: Ministry of Decentralization and Territorial Administration			
Contact: Yamory Conde	Title: General Secretary		
Telephone No.: 622-223320	Email: fallodebaro@gmail.com		
Project Financing Data(in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	
Total Project Cost:	15.00	Total Bank Financing:	15.00
Financing Gap:	0.00		

Financing Source					Amount
BORROWER/RECIPIENT					0.00
International Development Association (IDA)					15.00
Total					15.00
Expected Disbursements (in USD Million)					
Fiscal Year	2016	2017	2018	2019	2020
Annual	0.87	4.00	3.00	6.00	1.13
Cumulative	0.87	4.87	7.87	13.87	15.00
Institutional Data					
Practice Area (Lead)					
Social, Urban, Rural and Resilience Global Practice					
Contributing Practice Areas					
Agriculture, Education, Environment & Natural Resources, Health, Nutrition & Population					
Cross Cutting Topics					
<input type="checkbox"/> Climate Change <input type="checkbox"/> Fragile, Conflict & Violence <input type="checkbox"/> Gender <input type="checkbox"/> Jobs <input type="checkbox"/> Public Private Partnership					
Sectors / Climate Change					
Sector (Maximum 5 and total % must equal 100)					
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %	
Agriculture, fishing, and forestry	Irrigation and drainage	10			
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	10			
Education	Pre-primary education	30			
Health and other social services	Health	30			
Water, sanitation and flood protection	Sanitation	20			
Total		100			
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.					
Themes					
Theme (Maximum 5 and total % must equal 100)					

Major theme	Theme	%
Public sector governance	Decentralization	30
Human development	Education for all	20
Rural development	Rural non-farm income generation	20
Rural development	Rural services and infrastructure	30
Total		100
Proposed Development Objective(s)		
The objective of the Project is to strengthen the local government financing system and improve local service delivery in rural communes and to provide an immediate and effective response in the event of an Eligible Emergency or Crisis.		
Components		
Component Name	Cost (USD Millions)	
Component 1: Local Investment Fund	4.5	
Component 2: Institution and Capacity Building for Sustainable Local Governance and Community Participation	9.0	
Component 3: Project Coordination and Management	1.5	
Component 4: Immediate Response Mechanism	0.0	
Systematic Operations Risk- Rating Tool (SORT)		
Risk Category	Rating	
1. Political and Governance	Substantial	
2. Macroeconomic	Substantial	
3. Sector Strategies and Policies	Moderate	
4. Technical Design of Project or Program	Low	
5. Institutional Capacity for Implementation and Sustainability	Moderate	
6. Fiduciary	Substantial	
7. Environment and Social	Low	
8. Stakeholders	Moderate	
9. Other		
OVERALL	Moderate	
Compliance		
Policy		
Does the Project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the Project require any waivers of Bank policies?	Yes []	No [X]

Have these been approved by Bank management?	Yes []	No []	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Does the Project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
Safeguard Policies Triggered by the Project			
	Yes	No	
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09	X		
Physical Cultural Resources OP/BP 4.11	X		
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Project Implementation Manual (PIM)		Not later than two (2) months after the Effective Date	
Description of Covenant			
The Recipient shall finalize the Project Implementation Manual (PIM) in form and substance acceptable to the Association.			
Name	Recurrent	Due Date	Frequency
Accounting software		No later than one (1) month after the Effective Date	
Description of Covenant			
The Recipient shall cause the PIU to render its accounting software fully operational.			
Name	Recurrent	Due Date	Frequency
External financial auditor		No later than five (5) months after the Effective Date	
Description of Covenant			
The Recipient shall cause the PIU to recruit an external financial auditor with qualifications and experience acceptable to the Association.			
Name	Recurrent	Due Date	Frequency

Procurement specialist and technical operations officer		No later than one (1) month after the Effective Date		
Description of Covenant				
The Recipient shall cause the PIU to recruit a procurement specialist and a technical operations officer				
Conditions				
Source Of Fund	Name	Type		
Credit	Withdrawals	Payments		
Description of Conditions				
Notwithstanding the provisions of Part A of Section IV of the Agreement, no withdrawal shall be made:				
<div>(a)for payments made prior to the date of the Agreement, except that withdrawals up to an aggregate amount not to exceed US\$100,000 equivalent may be made for payments on or after April 1, 2016, for Eligible Expenditures under Category (1).</div> <div>(b)under Category (3), unless a list of the Beneficiaries, deemed eligible according to the criteria and processes stipulated in the PIM, has been furnished to, and approved in writing by, the Association.</div> <div>(c)under Category (4), unless and until the Association is satisfied that the following conditions have been met:<div><div>(i)the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities under the IRM in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;</div><div>(ii)the Recipient’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.B.1 of this Schedule 2 to the Agreement, for the purposes of said activities; and</div><div>(iii)the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association.</div></div></div>				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Amadou Alassane	Team Leader (ADM Responsible)	Senior Agricultural Specialist	Team Leader	GFA01
Alpha Mamoudou Bah	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO07

Mamadou Mansour Mbaye	Procurement Specialist	Procurement Specialist	Procurement	GGO07
Ngor Sene	Financial Management Specialist	Financial Management Specialist	Financial Management	
Celestin Adjalou Niamien	Financial Management Specialist	Senior Financial Management Specialist	Financial Management	GGO13
Abdoul Wahabi Seini	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSU01
Faly Diallo	Team Member	Finance Officer	Finance	WFALA
Barbry R. Keller	Team Member	Senior Operations Officer	Quality Assurance	GSU13
Helene Marie Grandvoinnet	Peer Reviewer	Lead Social Development Specialist	Peer Reviewer	GGO13
Issa Thiam	Team Member	Finance Analyst	Disbursement	WFALA
Janmejay Singh	Peer Reviewer	Senior Strategy and Operations Officer	Peer Reviewer	MNAV P
Abdoul Ganiou Mijiya-wa	Team member	Economist	Economist	GMF01
Joseph-Antoine Ellong	Team Member	Senior Program Assistant	Operations	GSU01
Kadidiatou Bah	Team Member	Program Assistant	Program Support	AFMGN
Maman-Sani Issa	Safeguards Specialist	Senior Environmental Specialist	Environmental Safeguards	GEN07
Nicolas Perrin	Peer Reviewer	Senior Social Development Specialist	Peer Reviewer	GSU01
Oleh P. Khalayim	Team Member	Monitoring and Evaluation Officer	Monitoring and Evaluation	GSUOA
Rajesh K. Advani	Team Member	Senior Infrastructure Specialist	Infrastructure	GSUOA
Safiatou Lamarana Diallo	Team Member	E T Consultant	Operations	AFMGN
Salimatou Drame-Bah	Team Member	Program Assistant	Program Support	AFMGN
Siobhan McInerney-Lankford	Counsel	Senior Counsel	Legal	LEGAM
Sophie Christelle Grumelard	Team Member	Social Development Specialist	Operations	GSURR
Thierno Hamidou Diallo	Team Member	Disbursement Asst.	Disbursement	AFMGN

Zaruhi Tokhmakhyan	Team Member	Senior Infrastruc- ture Specialist		GSUOA	
Extended Team					
Name	Title	Office Phone	Location		
Franz Schorosch	WBG Consultant		Berlin, Germany		
Raymond Audette	WBG Consultant		Quebec, Canada		
Kofi Amponsah	WBG Consultant		Washington, USA		
Locations					
Country	First Administra- tive Division	Location	Planned	Actual	Comments
Guinea	Rural	Rural Communi- ties	304 CR		
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required?	Yes				

I. STRATEGIC CONTEXT

A. COUNTRY CONTEXT

1. Guinea is one of Africa's poorest countries. Home to 10.6 million people, it is a fragile country with an annual per capita of US\$460. Over the past decade, the country has witnessed political instability coupled with military take-over. The presidential election of November 7, 2010 marked the return of the country to constitutional rule after the army seized power on December 23, 2008. After a difficult period of military transition, the first democratically elected president and the new political context paved the way for economic opportunities for Guinea. Several reforms were introduced and Guinea reached the completion point for the Heavily Indebted Poor Countries (HIPC) Initiative in September 2012. This debt cancellation amounted to \$2.13 billion reducing Guinea's total debt, from 65.9 percent of GDP in 2011 to 19 percent of GDP in 2012. The political transition was completed with the legislative elections that took place on September 28, 2013. However, political dispute erupted during the President's term and Members of Parliament (MPs) belonging to the opposition groups withdrew from Parliament for about a year, a few months after the beginning of their term. Ethno-political strains have been and will remain a major threat to stability. For example, there were a number of violent clashes between anti-government activists and security forces in the period leading to the Presidential election. Following pressure from the United Nations, the Government and opposition leaders agreed to resume talks in early June 2015. As a result, the MPs of the opposition returned to Parliament and, in accordance with the constitutional calendar, the new Presidential election was held on October 11, 2015. President Alpha Conde was re-elected, and it is expected that ongoing reforms will be pursued, along with the steady implementation of the post-Ebola recovery plan.

2. From the economic standpoint, mining and agriculture are the dominant sectors of Guinea. The mining sector consists of large-scale mining of bauxite, aluminum, and gold; in 2013, it accounted for about 20 percent of GDP, 80 percent of foreign currency earnings, and 20 to 25 percent of government revenues. That same year, the agriculture sector represented 20 percent of GDP. The implementation of the 2012-2014 economic and financial programs, supported by the IMF Extended Credit Facility, helped to reduce macroeconomic imbalance. Real GDP grew by 3.9 percent in 2011 and reached 3.8 percent in 2012, compared with 1.9 percent in 2010. However, real GDP growth slowed down to 2.3 percent in 2013, due to a combination of external shocks and delays in mining investment, coupled with internal political factors. For 2014, GDP growth rate was 1.1 percent compared to 2.4 percent expected. In 2015, economic growth was stagnant, with GDP growth estimated at 0.1 percent. Thus, over the past two years, Guinea's economic growth has been sluggish due to a combination of factors, including the Ebola crisis, declining commodity prices and political uncertainty in the wake of the presidential election. The agriculture sector, however, has been more resilient than expected and has been the main driver of economic growth; it prevented the economy from negative growth in 2015. In 2016, economic growth is expected to rebound to 4 percent, driven by strong agricultural growth and, improved electricity provision that will support industrial and service sectors with the return of international investors to Guinea. However, given the severity of the shocks that have hit Guinea during the period 2014-15 and continued depressed commodity prices, the recovery will be gradual.

3. Poverty has increased steadily. The 2012 Limited Poverty Evaluation Survey showed that 55 percent of the population was considered to be poor, compared with 53 percent in 2007 and 49

percent in 2002. As is typical for many of the Sub-Saharan African countries, most of the poor are still living in rural areas with a poverty rate of 65 percent against 32 percent in urban areas in 2012. In the meantime, poverty is increasing in urban areas, mainly because of the increase in prices of essential goods, the exodus of the rural population, and the employment crisis.

4. It is important to note that Guinea's economic growth has increasingly become dependent on resource extraction. Mining does not create many direct jobs, and it creates pressures from elites and groups that aim to monopolize political and economic institutions in order to capture these rents, thereby leading to increased income inequalities. To deal with this issue, the government will have to *inter alia* transfer more resources to local communities, increase institutional capacity at the local level to manage these government resources transparently and efficiently, reinforce bottom-up social accountability, promote a diversified, inclusive growth and invest in the development of local human capital.

5. In addition, Guinea has been facing a deadly Ebola virus disease outbreak since mid-February 2014 resulting in 2,078 dead out of 3,338 affected (62.3 percent of confirmed cases) in mid-September 2015, which has had serious socio-economic implications in the country and particularly in rural areas. Because of recent significant progress in the fight against the epidemic, including a successful vaccine trial over a large sample of people, Guinea was declared Ebola-free by WHO in December 29, 2015 and would be celebrating the end of its 90-day heightened surveillance period at the end of March. However, on March 17, 2016, the government reported two new Ebola cases. The country is still suffering from the after-effects of the disease and bringing the epidemic under control, preventing its recurrence and addressing its social and economic impact has become an urgent development issue.

B. SECTORAL AND INSTITUTIONAL CONTEXT

The decentralization process in Guinea

6. Historically, Guinea has been a centralized state with all major economic decisions being taken in the capital. The personnel of technical Ministries serving in the countryside are recruited and paid by the central government in Conakry. Most civil servants prefer to live in the capital and often abandon their posts in remote areas outside the capital because living conditions are less favorable. Discipline within the civil service is not enforced and sanctions are rarely taken. Guinea's citizens, especially the ones living in the countryside have not been empowered to challenge public institutions that deliver poor services. Further, the existing rules are not always applied, and it is not uncommon for citizens to face transaction costs when accessing public services. Limitations to service delivery in remote areas relate to lack of both financial and qualified human resources, which remain largely concentrated at the central level.

7. The process of decentralization began in the 1980s with the adoption of laws related to the organization and operation of decentralized local authorities. These local authorities consist of elected boards that are vested with legal and financial autonomy. Decentralized entities are *Collectivités Locales* which include Urban Communes (CU) and Rural Communes (CR). The country now has seven administrative regions and the special zone of Conakry, 33 prefectures, 38 urban municipalities, and 304 rural communes covering in total 2,300 rural districts. Municipalities are governed by a municipal council headed by an elected mayor and cover 33 areas of competency

that include among others: land-use planning, economic development, social, educational, development of natural resources, etc. In addition, some institutional and regulatory instruments are in place and govern local governance and local development. The following are the most important of those instruments:

8. The Local Government Code / Code des Collectivités Local (CCL), adopted in 2006, focuses among others, on administrative decentralization. The code creates a local public service and provides local authorities with the responsibility to recruit, supervise, and manage the decentralized staff. It also gives important responsibilities to the CRs for the management of local budget and technical sectors (rural development, health, education etc.). The CCL is currently being revised to clarify the magnitude of these responsibilities and the transfer of planned resources to local governments.

9. The National Policy Letter on Decentralization and Local Development (LPN / DDL), adopted in March 2012, is the government's roadmap for decentralization and local development. It is divided into five areas: (i) territorial development; (ii) deconcentration and decentralization; (iii) capacity building for decentralized stakeholders; (iv) fiscal decentralization, with the decision on a minimum percentage of the state budget to be allocated to municipal budgets, revision of local taxation and the establishment of a local development funding mechanism; and (v) piloting of decentralization.

10. The new Mining Code (2011), amended in 2013, provides: (i) the mandatory signature of a local development agreement between a mining company and neighboring local communities, which regulates mining companies' financial contribution to local development; (ii) the creation of a Local Development Fund (LDF) replenished by tax revenues from mining companies; (iii) the introduction of the direct payment of annual taxes calculated according to mining companies' exploitation area and new tax revenue to each municipality concerned; and (iv) the allocation of a 15 percent mining tax to the financing of a local development fund targeting all rural communes (CRs) in the country according to a distribution key yet to be defined.

11. With regard to current issues related to Decentralization and Local Development in Guinea, it is worth noting that, while the process of decentralization is certainly moving, it is however slow and mainly happening through the support of the country's diverse technical and financial partners. Moreover, local entities are in need of legitimacy because their electoral mandates are extending far beyond the constitutional term. Thus, they remain hopeful that the State will organize new local elections in 2016, which would reinforce territorial governance and constitute a key element of State reforms. Should these local elections materialize, the Third Village Community Support Project (PACV3) would contribute to the consolidation of local governments, thereby advancing the decentralization process.

12. The Village Communities Support Program (PACV) - In 1998, with support from external partners including the World Bank, a national program for local development and decentralization support (the PACV), was developed. The program's objective was to strengthen local governance in rural Guinea and promote social and economic empowerment of the rural population, including women, youth and other marginalized groups. It specifically aimed to support the Rural Communes (CR) in the performance of their tasks as follows: (i) identify and prioritize services needed by the communities through a participatory approach; (ii) build and manage their infrastructures;

(iii) mobilize and seamlessly use their financial resources. The program was designed in three phases of four years each.

13. The first phase (or "initiation" phase, PACV1), lasted ten years (2000-2009) and cost US\$38.7 million, of which US\$22 million from IDA. It was co-financed by the *Agence française de développement* (AFD), International Fund for Agricultural Development (IFAD), the World Bank, the Government of Guinea (GoG), and contributions from beneficiaries. It covered 159 Rural Communes and funded 371 Annual Investment Programs (AIP) corresponding to 1,084 micro-projects (education, health, village water supply, agriculture, etc.). It enabled: (i) The emergence of municipal competencies; (ii) the establishment of a participatory approach to planning; (iii) a more professional and transparent management of budgets; and (iv) a better governance of local development actions. The methods and tools applicable to community-driven development (CDD) were tested during this first phase.

14. The second phase (PACV2) lasted five years (2009-2014) and cost US\$46.3 million in total, of which US\$17.4 million from IDA. It was also co-financed by AFD, IFAD, the WB, the GoG, and contributions from beneficiaries. Project coverage was extended to the entire country (304 rural municipalities). It contributed to further capacity-building in planning, management and monitoring of all communes and funded 311 AIPs corresponding to 481 micro-projects in the areas of basic social services and market infrastructures. The PACV became a national benchmark for local development and decentralization. .

15. The third phase (PACV3) will begin in 2016 and end in 2020. It is intended to consolidate the program and sustain its gains by establishing a national funding mechanism and sustainable technical support to local communities. This national funding mechanism would rely on an *Établissement public à caractère administratif* (EPA) to be established, and through which government funds would be channeled. Thus, the EPA would benefit from secure domestic financial resources, especially through the implementation of the funding provisions of the Mining Code (the 2013 - Amendment allows for the allocation of 15 percent of the mining companies' revenue to local development).

16. Guinea has the advantage of a clear vision for decentralization through the LPN/DDL and a legal framework that defines the implementation of decentralization. Despite such advantages, however, several efforts remain to be done, especially in the area of financing. For instance, in 2014, it was estimated that the Government of Guinea transferred to local authorities about 49 billion GNF (or 0.4 percent of the national budget). National budget transfer in Guinea is low compared to neighboring countries such as Benin where local communities receive the equivalent of 4 percent of the national budget. Moreover, while in Guinea local communities receive transfers from the national budget for current expenditures only, in a country like Benin, Government's transfers to local communities are both for current and capital expenditures. Guinea's local communities are also characterized by a low level of local resources mobilization. It has been estimated that local tax revenues represent approximately the equivalent of US\$2 per capita and per year. Thus, moving forward, to increase financial resources for local communities, it will be important for the Government to improve on national budget transfers to local communities and step up its support to these communities to mobilizes more resources.

C. HIGHER LEVEL OBJECTIVES TO WHICH THE PROJECT CONTRIBUTES

17. The Project directly contributes to the Government's vision of poverty reduction in the rural sector and contributes to its Post-Ebola Priority Action Plan. It also pursues the objectives of the World Bank's Country Partnership Strategy (CPS) of: (i) overcoming fragility and laying the foundation for long-term stability; (ii) laying the foundation for good governance; (iii) promoting diversified and inclusive growth; and (iv) strengthening human capital. PACV3 can be expected to strengthen local governance and participation and thereby promote the rule of law and control of corruption at the local level. Through the decentralization process, local accountability networks will be built up that can challenge public institutions and locally-elected officials. Operating and maintenance of rural infrastructure and basic service delivery will be improved through participatory execution of ongoing local development plans. Human capital will be strengthened through tailor-made on-the-job training activities for local actors that are members of a variety of management committees, civil servants of line ministries and staff of regional and local administrations. All of this is aligned with the Government's "Program for State Reform and Administration Modernization" (PREMA) under which the High Commission for State Reform and Administration Modernization (HCREMA) was created. The HCREMA is charged with facilitation and coordination of public sector reforms and creation of a platform for participation and collaboration with civil society. Finally, inclusion of PACV3 in the World Bank's partnership strategy for Guinea is the outcome of the performance and learning review of the CPS of July 18, 2015 where it was decided that the World Bank Group will become more engaged in deepening and consolidating the decentralization process by focusing on local development in order to improve the conditions of the rural population and on achieving shared growth. As such, the Project seeks to strengthen resilience at the local level and will assist the GoG in deploying its local development fund.

II. PROJECT DEVELOPMENT OBJECTIVE

A. PDO

The objective of the Project is to strengthen the local government financing system and improve local service delivery in rural communes and to provide an immediate and effective response in the event of an Eligible Emergency or Crisis.

B. PROJECT BENEFICIARIES

18. The direct beneficiaries of PACV3 will be the rural population living in the targeted Rural Communes (CRs) where through the National Local Development Fund (FNDL) additional resources and technical support will be made available to: (i) complement micro-projects financed under PACV2; (ii) assist CRs touched by Ebola for post-crisis recovery; (iii) support micro-projects in natural resources management and small scale irrigation; and (iv) strengthen CRs in mining areas to deal with their special challenges. Additional beneficiaries will be community leaders, elected officials and civil servants at all levels participating in training and capacity building activities.

19. PDO Level Results Indicators

- i. Funds from FNDL are executed by CRs
- ii. Number of CRs using PACV's participatory budgeting, and monitoring and evaluation system
- iii. Beneficiaries that feel project investments reflected their needs
- iv. Number of direct beneficiaries (disaggregated by gender).

III. PROJECT DESCRIPTION

A. LENDING INSTRUMENT, PROGRAM OBJECTIVES AND PHASES

20. The Village Communities Support Program was initially conceived as an Adaptable Program Loan (APL) with three phases of four years each. It was supported by IDA, AFD and IFAD. The long-term programmatic objective of the APL series was to strengthen local governance in rural Guinea and promote social and economic empowerment of the rural population, including women, youth, and other marginalized groups. The long-term vision of the program was that, upon completion of its final phase, local communities and their local government representatives would have developed: (i) the capability to identify, prioritize, plan, and manage their own infrastructure and service delivery; (ii) the capacity to mobilize and use transparently the resources necessary to finance the establishment, rehabilitation, and maintenance of basic community infrastructure; (iii) the ability to oversee the implementation, operation, and continued maintenance of community infrastructure, either by contracting private firms or through the support of the de-concentrated government services; and (iv) the capacity to sustain development efforts and enhance good governance practices.

21. The first phase starting in 2000 began a learning process for implementing decentralized rural development by supporting local infrastructure investments and institutional reforms. The project's development objectives (PDO) were to (i) establish an operationally effective and efficient decentralized system for local development, and (ii) increase access of the rural population to basic infrastructure and services. Results of Phase 1 were positive and access to basic social services, including health, education, and potable water through the successful completion of community micro-projects was improved. Progress towards the PACV's overall objective of strengthening local governance and promoting the rural population's social and economic empowerment (including that of women and youth) was deemed satisfactory.

22. Phase II, starting in 2007 consisted in an expansion of the Project to cover all 304 Rural Development Communities (*Communautés Rurales de Développement – CRD*) or *Communes Rurales (CR)*. The PDO of Phase II was to enable CRs to fulfill their mandate by planning and implementing inclusive local development activities, and improving revenue performance to sustain their recurrent costs. The range of eligible micro-projects was increased to include all types of socio-economic infrastructure of a public nature, complemented by a short negative list. Phase II succeeded in developing and validating a local tax revenue generation strategy and in assigning Community Receivers (*Receveurs Communautaires*) to all the beneficiary CRs to strengthen local expenditures and revenue generation capacity. Furthermore, a mechanism for intergovernmental fiscal transfer of recurrent expenditures to the CRs was also established and is functional. Howev-

er, actual funds transferred are less than budgeted. To boost local resources, a new mining code that dedicates 15 percent of mining revenues to finance the budgets of all local governments has been developed but is not yet operational. Finally, a legislation that defines the roles and responsibilities of the deconcentrated territorial administration and technical staff in specific sectors has been reviewed and harmonized with the provisions in the *Code des Collectivités Locales* (CCL). The implementation of the CCL would bring about major changes in the roles and responsibilities of government institutions, financing arrangements, staffing and accountability mechanisms.

B. PROJECT COMPONENTS

23. PACV3 will not be just a repeater of the first two phases, but is conceived as an operation that focuses on ensuring the long term sustainability of the achievements of the first two phases by promoting policy dialogue and putting in place sustainable mechanisms for long-term local community participation. To achieve this, the Project will focus on the consolidation of Guinea's decentralization reforms and the institutionalization of the mechanisms and organizational structures to ensure sustainable and high quality support to participatory processes at the community level. The focus is on "soft" aspects and completing/consolidating earlier local investments which have a high pay-off rather than on building new additional infrastructure ("hard" aspects) at the village level.

24. IDA's PACV3 is a companion project to PACV3 of the French Development Agency (AFD) which became effective in September 2015. The two operations will be managed by the same Project Coordination Unit (CNC) and will be closely coordinated under parallel financing. The Project will also collaborate closely on the capacity building side with a sectoral program of the European Union (EU) to strengthen decentralization and deconcentration.

25. The Project will have four components: (1) a local investment fund with specific financing windows; (2) institution and capacity building for sustainable local governance and community participation; (3) project management and enhanced participatory monitoring and evaluation; and (4) immediate response mechanism. See Annex 2 for details.

26. **Component 1: Local Investment Fund (US\$4.5 Million).** The aim of this component is to finance a series of small investments (sub-projects) in the form of Sub-grants in selected CRs through the Local Investment Fund (LIF). The LIF will be the mechanism for transferring funds to CRs and once transferred will be managed by the local communities. A total of 170 CRs with their specific types of small investments were selected based on the following criteria: (a) need to complement past investments in micro-projects and NRM; (b) incidence of the Ebola Epidemic; and (c) need to develop partnerships between CRs and mining companies. These criteria were agreed during appraisal and a list of the CRs with the corresponding types of small investments will be included in the Project Implementation Manual (PIM). In addition, the PIM will specify that: (a) sub-projects must be included in the CRs' local development plan and its corresponding annual investment program; (b) they can be initiated by the selected CRs in collaboration with CNC; (c) they must be economically, financially and technically viable; and (d) they must be in compliance with standards defined in the applicable laws and sectoral policies of GoG relating to health, safety, and environmental protection. Each sub-project will be carried out pursuant to a Sub-Project Grant Agreement to be concluded between CNC on behalf of the Borrower and the selected CR under terms and conditions described in the PIM. The template Sub-Project Grant Agreement defines *inter alia* all the obligations recipient CRs have towards CNC and GoG. The PIM as well as

the template Sub-Project Agreement have to be satisfactory to IDA. The National Coordination Unit has financed similar investments in the past all over the country and all of these investments will be implemented following PACV's procedures that are described in detail in the PIM.t The technical and fiduciary review of the activities are placed at the appropriate level in support of the subsidiary principle. The budget allocations to various CRs under this component were discussed during project preparation and finalized during appraisal. The investment envelope per CR will be made known at the outset so that they can be incorporated into existing local development plans. As in the past, the CRs will manage these funds to implement their activities and will be responsible for contract management, monitoring and evaluation, operation and required maintenance of the investments.

27. The following sub-components will be financed under component 1:

- Complementary investments in PACV2 micro-projects (US\$1.0 million)
- Micro-projects in CRs most affected by the Ebola Epidemic (US\$1.5 million)
- Inter-community micro-projects in natural resources management (NRM) and biodiversity protection (US\$1.0 million).
- Micro-projects in CRs located in mining areas (US\$ 1.0 million).

28. **Component 2: Institution and Capacity Building for Sustainable Local Governance and Community Participation (US\$9.0 Million).** The objective of this component is to set up sustainable mechanisms for long-term local development financing and community participation, particularly through the consolidation of Guinea's decentralization reforms and the institutionalization of the mechanisms and organizational structures to ensure: a) sustainable local development financing and b) high quality support to participatory processes at the community level. Specifically, the Project will support policy dialogue and the necessary studies concerning: (i) the creation and operation of a National Fund for Local Development (FNDL); (ii) the creation of a national government agency (EPA) to manage the FNDL and to provide technical assistance to CRs; and (iii) the transfer of adequate financial resources from the national to the local level (using the legal provisions of the Mining Code) and the mobilization of local resources through better tax collection. This fiscal transfer will also be supported by the Bank through its policy dialogue with GoG in the context of budget support or policy operations. In addition, on a pilot scale, technical staff from line Ministries at local level that so far report to the Sub-Prefect will be detached to the Mayor's office in selected CRs. The capacity building activities under this component will (a) address the technical and fiduciary skills needed at the different decentralized levels to implement local development activities, (b) strengthen community empowerment through training of villagers in participatory budgeting and M&E, and (c) support the Government in developing and implementing the details of the legal framework for further fiscal and administrative decentralization as envisioned in the *Code des Collectivités Locales* Activities under this component will be carried out at national, regional and local levels.

29. Component 2 will be implemented through 4 sub-components:

- Institution building for long-term local development financing
- Pilot scheme for management of technical staff at CR level by Mayor

- Capacity building of central and deconcentrated public services of key sectoral ministries to improve support to local communities
- Capacity building of CRs to improve citizen engagement/participation in planning, management and evaluation of services

30. **Component 3: Project Coordination and Management (US\$1.5 Million).** Project implementation, as under the previous two phases, is the responsibility of the National Coordination Unit (*Cellule nationale de coordination – CNC*). Procedures concerning administrative and financial management will be adapted to the new financing framework (parallel financing instead of joint financing). Nevertheless, the CNC will prepare annual work plans and budgets for IDA and AFD in a unified manner that shows what is being financed by each donor. The Project will use the same monitoring and evaluation (M&E) system as under PACV2, but appropriate instruments and indicators for certain new aspects regarding participatory budgeting and monitoring and evaluation will be added. In the meantime, to accelerate the process of national appropriation a formal partnership will be established with the unit in charge of monitoring the implementation of the LPN-DDL. For this purpose, specific support will be provided to the different units charged with M&E inside key sectoral Ministries that are involved in data generation and analysis in relation with the M&E system of PACV3.

31. A communications strategy and an action plan will be developed to fully capitalize all essential information regarding PACV3 approach, the overall results of the program, and lessons learned. This will include information regarding the process of transparent planning and gender dimensions. The information will be obtained from key sectoral ministries, rural communities, bi- and multilateral partners, and local and international NGOs. To carry out these activities, a position for a communication specialist will be created inside CNC and paid for by the Project.

32. **Component 4: Immediate Response Mechanism (IRM).** This zero budget sub-component establishes a disaster contingency fund that could be triggered in the event of a natural disaster through formal declaration of a national emergency, or upon a formal request from GoG. In such a case, funds from the unallocated expenditure category or from other project components would be re-allocated to finance emergency response expenditures to meet emergency needs. In order to ensure the proper implementation of this component, the Borrower shall prepare and furnish to IDA an operations manual that describes in detail the implementation arrangements for the IRM and that is satisfactory to IDA.

C. PROJECT FINANCING

33. The Project will be financed through an IDA Credit of US\$15 million equivalent under an Investment Project Financing instrument. The Bank support is planned for four years (2016–20). The IDA contribution would consist of investment project financing of SDR 10.7 million (US\$15 million equivalent) for the Republic of Guinea, to be made available upon effectiveness and dis-

bursed on the basis of a withdrawal applications¹. The estimated budgets for the different components are detailed below:

Project Cost and Financing (million US\$)²

Project Components	Project cost	IDA Financing	% Financing
1. Local Investment Fund	4.50	90%	32%
2. Institution and Capacity Building for Sustainable Local Governance and Community Participation	9.0	100%	58%
3. Project Coordination and Management	1.5	100%	10%
4. Immediate Response Mechanism	0.0	100%	0%
Total Costs	15.00		
Total Financing Required	15.00	97%	

D. LESSONS LEARNED AND REFLECTED IN THE PROJECT DESIGN

34. Experience gained in Guinea and elsewhere in Africa over the last two decades shows that successful local community driven development projects should be: (i) designed, formulated, and implemented by communities, based on their needs and resources.; (ii) relatively small and not technically overly complex; and (iii) based on resources, accountability and responsibilities being transferred to local governments. Sustainability of operation and maintenance of physical assets created requires special attention to organizational and institutional arrangements, capacity building (high-quality, timely training), and financing (revenue collection and cost-sharing mechanisms, and willingness and ability to pay). In addition, a number of key lessons were learned from the PACV2 Implementation Completion and Results Report (ICR) of June 2015. They are *inter-alia*: (i) the involvement of decentralized institutions in planning and implementing community activities does not necessarily mean that a decentralization policy will be adopted in the various sectors; (ii) increasing the local tax revenues available to the CRs is not simply the result of establishing market infrastructure or implementing income-generating activities; it also depends on the development of civil society and good governance at the local level; (iii) participatory budgeting and M&E are key project management tools that should be widely used by local stakeholders to effectively drive the local development process; and (iv) ensuring inclusive local planning and development with a special focus on gender and marginalized groups is necessary to ensure equitable distribution of development benefits.

¹ The credits will be financed under regular IDA credit terms, with a 38-year maturity including a 06-year grace period.

² Micro-projects financed under the Local Investment Fund will receive 90% of costs. 10% will be financed by the CR (8% in kind and 2% in money)

35. However, the principal lesson of the PACV 1 and 2 is that its long-term impact and sustainability is questionable. The Program so far has had too much of a “project/program” orientation and is overly dependent on support from international donors. The key staff supporting local communities and local governments, namely the Local Development Agents (ADLs), are paid by external projects and therefore not institutionalized and permanent. Furthermore, it is evident that a key constraint to a viable local government system is the lack of resources to sustain its basic functioning. The revenue base at the local level is insufficient and without a system of intra-governmental transfers a local government system cannot function. Such a transfer system is mandated in the *Code des Collectivités Locales* but is only slowly being put in place. Also, the provisions of the new *Code Minier* (2011), amended in 2013 that stipulates that a National Local Development Fund (*Fonds de Développement Local*) be created and funded by mining revenue is not yet operational. What is needed at this juncture is political resolve at the highest level of Government in order to complete the necessary reforms related to local government financing and government decentralization and deconcentration of services by line Ministries. This requires that creation of a viable local government system at the municipal level is put high on the policy agenda of the Government and its international finance partners. The above lessons have been incorporated into the design of PACV3.

IV. IMPLEMENTATION

A. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

36. **Partnership arrangements.** IDA’s support to PACV3 complements AFD’s financing of its third phase of PACV which became effective in September 2015. The AFD project is a continuation and consolidation of its previous involvement. The parallel financing is for Euro 15.0 million and covers (i) small infrastructure investments through the local investment fund; (ii) institutional support to local development; and (iii) support for project management. The European Union (UE) finances a Sectoral Program in support of Decentralization and Deconcentration and the International Fund for Agricultural Development (IFAD) that used to co-finance PACV2, currently focuses on Agriculture Value Chains Development in directly supporting the *Confederation Nationale des Organizations Paysannes de Guinée* (CNOP-G), one of the key producers organizations in Guinea’s agricultural sector. IFC is heavily involved with the mining sector, especially the Simandou iron ore project that would greatly impact a significant number of CRs. Concrete collaboration modalities, including joint project support and supervision missions and similar progress reporting requirements, have been agreed upon with AFD and during appraisal the team sought to clarify how best to coordinate activities with EU, IFAD and IFC.

37. **Institutional Arrangements.** The key institutions involved in PACV3 are at (i) the national level: the Ministry of Territorial Management and Decentralization (MATD) with the National Directorate of Decentralization (DND) and National Directorate of Local Development (DNDL); the Steering Committee (SC); the Technical Committee (TC), and the National Coordination Unit (CNC); (ii) the regional level: regional project support teams (*Équipes régionales d’appui - ERA*); the regional directorates of the Ministry of Plan, regional technical services in support of local governments (*Service Régional d’Appui aux Collectivités et de Coordination des ONG – SERACCO*); (iii) the prefectural level: the prefectural development services (*Service Préfectoral de Développement – SPD*), prefectural local development agents (*Agent de Développe-*

ment *Local Préfectoral – ADLP*), and the prefectural development council; and at (iv) the CR level: the rural commune with its Mayor and his counselors, the different local committees for transparency, operation and maintenance, procurement, etc., and the local development agents (*Agent de Développement Local – ADL*). A diagram showing the institutional framework for project implementation is in Annex 3, Diagram A 3.1.

38. **Implementation Arrangements.** Implementation arrangements for PACV3 will substantially be the same as in the past until the National Local Development Fund (FNDL) and the government agency (EPA) managing this fund would have been created and become operational in form and substance acceptable to the Association. Overall oversight is with MATD. A Steering Committee provides policy guidance and approves the annual work program and budget, and a technical committee (*Comité Technique d'Exécution – CTE*) brings together on a regular basis all the representatives of the different components and activities. The Steering Committee, its composition, tasks and organization are defined in the Arrêté N.001/MATD/CAB/2015 of February 6, 2015. The SC is chaired by MATD and the CNC provides the secretariat. During negotiations, the set-up of the SC was reviewed to ensure that (i) members are or will be selected nominally, and (ii) that there is continuity and representation at the appropriate level. Overall Project management and coordination are the responsibility of the Project Implementation Unit (*CNC*). The staffing of the CNC will comprise, *inter alia*, a national coordinator, a technical specialist responsible of operations, a financial manager, an accountant, a procurement specialist, an internal auditor, a safeguards policy specialist, and an M&E specialist. The CNC shall be maintained at all times during Project implementation with functions, resources and staffing satisfactory to IDA. CNC is also responsible for Component 1 and sub-component 2.3. DND and DNDL will be in charge of the technical execution of all other activities related to Component 2 (Capacity building for sustainable local governance and community participation). At the regional, prefectural and local level, it is the ADLs that advice local communities on all non-technical aspects of preparing their local development and annual investment plans. Advice on technical matters is provided by SERACCO and SPD, and if they don't have the capacity CRs call on private contractors to provide the necessary services. The Project Implementation Manual (PIM) detailing administrative, procurement, financial management, safeguards, monitoring and evaluation procedures and arrangements for the Project as well as eligibility criteria and procedures for the selection of Subprojects and a template Subproject Agreement will be finalized not later than two months after the Effective Date. A diagram showing the institutional framework for project implementation is in Annex 3, A3.1. The moment the National Local Development Fund (FNDL) and the national government agency (EPA) managing this fund have been created and become operational, the functions of PACV will be absorbed by this new agency. The modalities for this transformation of the Project/Program based PACV into a permanent government agency are currently being studied. The Project includes start-up funds to enable the successor public agency to PACV to take off once it has been legally created.

39. **Knowledge management and communication strategy.** Given that this is the final phase of PACV, special attention will be given to capitalizing the experiences that were gained and to widely share the results. For this, a professional communication strategy and an action plan will be developed that uses *inter alia* mass media (TV, press and radio) at the national level and local radio at the community level. As mentioned before, a knowledge management and communication specialist will be added to the CNC.

B. MONITORING AND EVALUATION OF OUTCOMES AND RESULTS

40. **General characteristics.** The M&E system will be a result-based framework, conceived as a management tool, and emphasizing project impacts and outcomes, as well as the regular monitoring of inputs and outputs covering the three project components. The PACV3 monitoring and evaluation system will build upon the system set up during the implementation of phase 2. To ensure the sustainability of the M&E functions that were developed during the two preceding phases and to integrate them into the decentralization and deconcentration process, specific indicators for the M&E system of the national policy letter (LPN-DDL) will be developed in close consultation with Guinea's donors and the entities charged with piloting the national decentralization policy. Building upon pilot experiences under PACV2, PACV3 will increase the use of participatory planning and M&E tools.

41. **Institutional arrangements.** At the national level, the M&E team of CNC will lead all aspects of monitoring and evaluation and provide operational tools and instruments for data collection at the regional and local levels. Furthermore, the team will assist local governments in monitoring the implementation of their respective local development plans (LDPs). It will collect and validate upstream reports and monitoring information from the regional M&E specialists (/ERAs) and from each of the national institutions involved in project activities, to facilitate decision-making processes. In addition, the Project will seek the harmonization and integration of the Project's M&E system with the national and sectoral M&E system. Within an exit strategy perspective, deliberate efforts will be made to fully empower national institutions in the monitoring and evaluation of the Project's outcomes, ensuring that the system is strongly linked to the national M&E system for the LPN-DDL.

C. SUSTAINABILITY

42. PACV3 has been designed with sustainability as its primary objective. Both components for capacity building and complementary investments in past micro-projects aim at strengthening the ability of all actors in local governance and development to assume their respective roles. With participatory planning and M&E, civil society will have more possibilities to check the actions of locally elected officials and to ensure that resources are widely used for the benefit of all. In the short run, the set-up under PACV3 should ensure sustainability of project actions. However, long-term, a viable local government system and decentralized participatory local development is only feasible and sustainable if: (i) local elections are held as soon as possible and regularly; (ii) the necessary budgetary transfers from the national to the local level are carried out to allow local governments to function; and (iii) technical support to the decentralization effort, so far largely provided by externally-funded project staff, has been institutionalized. In this respect, the local elections planned for the second half of 2016, and the creation of a public agency (*Établissement Public à Caractère Administratif – EPA*) entrusted with intergovernmental resource transfers (mining taxes) and technical staff to advice CRs will be critical.

V. KEY RISKS

A. OVERALL RISK RATING AND EXPLANATION OF KEY RISKS

43. The Systematic Operations Risk-rating Tool (SORT) has been used to evaluate risks across the PACV3 and will continue to be used to monitor risks during implementation. The table below summarizes and rates the major risks associated with the Project.

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

44. The overall risk of the Project is *moderate*. The political and governance risk is substantial due to the difficult socio-political and economic environment under which the Project will be implemented. Local elections now planned for the second half of 2016 have been repeatedly postponed and it remains to be seen how strong the political will is: (i) to institute government transfers from the national to the local level; and (ii) to create the National Local Development Fund (FNDL) and the public agency to take over from PACV and to manage the FNDL. Meanwhile, these risks to the exit strategy of the Project are mitigated by the fact that Guinea's three major international development partners (IDA, AFD and EU) are closely collaborating and supporting the Government to advance on its decentralization and local development policy agenda. In addition, through policy dialogue in the context of a budget support or development policy operations, coupled with the ongoing PFM reforms supported by the Economic Governance TA and Capacity Building Project, the Bank will continue to encourage the Government to ensure that financial support for local development from tax revenues from the mining sector will be forthcoming. Fiduciary risks are addressed inter-alia through a manual of procedures that sets out clearly roles and responsibilities. It will be complemented by a simplified manual of procedures for micro-projects which provides simplified tools for the management of micro-projects including their mode of selection and implementation process.

45. The country macroeconomic situation remains fragile in view of the high fluctuation and declining prices of primary commodities on the international market alongside the negative economic impact stemming from the Ebola crisis. The Bank continues to closely monitor alongside the IMF, that the country maintains its efforts to implement a challenging set of macroeconomic reforms.
46. The realistic and programmatic design of the Program with its emphasis on capacity building and complementing past investments, as well as its focus on national ownership and strategic partnerships, including coordination with other traditional donors and the mining sector's support allow some confidence that obstacles can be overcome and risks mitigated. CNC and its staff are experienced and the Project's operating procedures, including compliance to environmental and social safeguard policies are well tested.
47. All types of local investments and capacity building activities planned under PACV3 have been undertaken in the past and those planned under this Project will be well implemented. Furthermore, participatory local development funded under the Project is expected to contribute to social cohesion and stronger democratic institutions at the local level. Further details on risk and mitigation measures are provided in Annex 3.

VI. APPRAISAL SUMMARY

A. ECONOMIC AND FINANCIAL ANALYSIS

48. The economic and financial analysis of Guinea's Third Village Community Support Project provides the justification for the economic and financial viability of the Project. The Project's interventions are expected to generate direct and indirect benefits to target beneficiaries (rural citizens and local authorities) through an improvement in social infrastructure as well as implementation of income generating activities. To ascertain the economic viability of the Project, a cost-benefit analysis (CBA) technique of evaluating economic viability of investment projects was performed using a 12 percent discount rate, which represented the opportunity cost of capital in Guinea. The CBA showed that the net economic benefits generated by the Project's inputs and outputs resulted in a positive net present value (NPV) of US\$54,673 and an economic rate of return (ERR) of 24 percent.

49. Further analysis (sensitivity analysis) conducted to address the uncertainties associated with the choice of variables for the CBA also showed that the ERRs and NPVs of the proposed activities are not sensitive to changes in key variables (sales prices and operating costs), with the Project's switching values corresponding to small variations in sales prices or operating costs. These results clearly show that the Project's investments are worth undertaking (*see Annex 5 for a detailed analysis*).

50. **Rationale for public involvement.** Decentralization is important for boosting local governance and the two previous phases of the PACV in Guinea have demonstrated how this type of project helps local government entities to remain resilient and fully relevant to take the local development forward, including in a challenging socio-political context. Political and institutional instability can significantly be mitigated by the awareness raising generated by the CDD approach. Because support to local development is, above all, a public management business, the Govern-

ment of Guinea is encouraged to take such an agenda forward in partnership with its traditional donors so that the gains already on the ground could be expanded and sustained.

51. **Value added of the Bank.** The World Bank has a convening power and a comparative advantage in proven access to global knowledge particularly on CDD operations worldwide. The stock of knowledge gained from the previous two phases of the Project in Guinea, including from similar operations in the Africa region and worldwide are valuable advantages from which this Project builds upon and could quickly come up with smart achievements and impacts on local governance to promote local development. Gender issues, including youth employment, is a growing challenge for African Governments that are looking for the best panacea for addressing them. Also, learning from closed or ongoing World Bank interventions and knowledge products on youth employment as well as large consultations with youth would surely help to come up with a good financing mechanism model that would make local governance opportunities appealing for youth participation that the Project would implement. Overall, the Bank's involvement in the Project would contribute to incremental funding and technical expertise required to improve CDD and decentralization, improve the well-being of the poor by increasing access to social infrastructure services, create opportunities for youth employment, and foster a policy and institutional environment for an effective and transformational economic growth at the local level.

B. TECHNICAL

52. The planned investments under Component 1 are mostly simple infrastructures whose objective is to consolidate prior investments in socio-economic infrastructures such as school buildings and health posts. Their average cost is estimated at US\$20,000. They were identified by project management based on their database. CRs that were most affected by the Ebola epidemic and where income generation activities will be financed as well as the CRs located in mining areas and CRs where previously intercommunity micro-projects were financed, are well known and documented. A prioritization of eligible CRs has been undertaken and the activities that will be financed have already been financed in the past. Hence local artisans and entrepreneurs have sufficient technical knowledge and experience to implement and manage them. The local development agents (ADL) of the Project will assist CRs in the whole planning and implementation process and if need be, they can facilitate community access to technical assistance.

53. The capacity building component covers a wide range of training activities, policy studies, exchange visits, consultation platforms and support to the launching of the intra-governmental transfer mechanism and the public agency that will be in charge of it. Project management has extensive experience in managing training activities through its own trainers and local development agents (ADL) and through contracting specialized training providers. It also is well versed in selecting and supervising work of consultants based on precise terms of reference. PACV3 will also collaborate closely with the EU supported training center for civil servants and elected officials (*Centre National de Formation et de Perfectionnement des Cadres et des Élus – CNFPCE*) which has developed training modules for the new mayors and their key staff after the elections in 2016. The Inter-ministerial Committee in charge of following up on the implementation of the National Policy Letter on Decentralization and Local Development will be responsible for all policy aspects. The PACV will attend sessions of the Steering Committee as observer. Coordinator of PACV is the Secretary of this committee.

C. FINANCIAL MANAGEMENT

54. PACV3 will be implemented by the *Cellule Nationale de Coordination* (CNC) and the National Directorate for Decentralization (DND) that successfully implemented the PACV2. Overall, CNC will take responsibility on fiduciary aspects of the Project that includes planning, budgeting, disbursements, accounting, consolidated reporting for project resources, and procurement. Therefore, in line with FM policies of the OP/BP 10.00 on Investment Project Financing, CNC's and DND's financial management system have been assessed to determine whether they are acceptable to the Bank. The objective of the assessment was thus to determine whether, (i) CNC and DND still have adequate financial management procedures to ensure that the project funds will be used for its intended purposes in an efficient and economical way; (ii) the financial reports will be prepared in an accurate, reliable, and timely manner; and (iii) the Project's assets will be safeguarded.

55. The assessment concluded that the financial management system of the assessed implementing entities is adequate to handle the Project's FM activities. CNC and DND have successfully implemented the second phase of the Project and have already started implementing the third phase of PACV financed by the French Development Agency (AFD). At the time of PACV 2 ICR, all Interim Financial Reports (IFRs) were submitted on time, and last year's audit reports were received on time and issued with unqualified audit opinion. In addition, the project team diligently implemented FM recommendations aimed at improving the FM performance and the internal control environment. As a result, the last FM supervision mission found as satisfactory the FM performance and as acceptable the financial management system established for PACV2; hence no significant FM issues were identified that could have significantly undermined the implementing entities' ability to properly manage new project funds. In addition, it is worth mentioning that (i) all involved implementing entities, CNC, DND and associated Regional units are endowed with seasoned FM staff, all of them fully familiar with World Bank FM procedures, (ii) that team is supported by an internal auditor, and (iii) the new accounting software installed under its multi-projects, multi-donors and multi-sites version is adequate to fulfill accounting and reporting requirements under the Project.

56. It is therefore considered that the proposed financial management arrangements within CNC and DND comply with the World Bank's requirements under OP/BP10.00 and provide reasonable assurance that the Project's funds will be used for intended purposes in an efficient and economical manner.

57. However, in order to strengthen the internal control environment the existing manual will be updated to take into account the new project specificities and set up and operationalize a complaint handling mechanism at the Project level to manage all complaints received from beneficiaries. The accounting software currently used for AFD financed operations will also be customized to fit IDA financed operations accounting and reporting needs. With regards to new micro-projects, the simplified procedures manual developed under the PACV2 will be used and made available to them and subsequent trainings will be performed before funds are disbursed to said micro-projects (this should be stated in their respective contracts).

58. **The residual FM risk is considered Substantial** due mainly to the country context and the complex nature of the Project that will involve many implementing entities both at national and regional level and communities with relatively low FM capacities. The Bank FM team will support the accounting team and train them on financial management procedures as needed.

59. During appraisal, questions related to staffing, internal audit, disbursement arrangements and the set up and operationalization of a complaint handling mechanism at the project level (included in the project design) were discussed and agreed upon.

60. FM Conditions and FM covenants:

- i. Update of PACV2 procedures manual taking into account PACV3 specificities not later than two months after effectiveness
- ii. Parameterization of the accounting software to fit accounting and reporting needs of IDA financing not later than one month after effectiveness,
- iii. Recruitment of an external financial auditor acceptable to the Bank, 5 months after effectiveness

61. There will be limited retroactive financing of payments made by the recipient prior to the legal agreement date. The Government of Guinea will pre-finance eligible expenditures under components 1, 2, 3 to be procured in line with Bank procurement guidelines. The recipient will seek reimbursement payments up to US\$100,000 made in this context upon project effectiveness.

62. The detailed financial management arrangements are described in the FM section in Annex 3 (Table A.2 Risk Assessment and Mitigation).

D. PROCUREMENT

63. The Project Coordination Unit (CNC), for purposes of Project implementation, consists of the following staff: (i) a National Coordinator; (ii) a Technical Operations Officer; (iii) an Administrative and Financial Management Specialist; (iv) a Procurement Specialist (PS); and (v) a Procurement Assistant. However, the PS and the Assistant recently moved to other national projects. A cross support is settled with the Assistant who is accompanying the CNC while the process for the recruitment of a PS is ongoing.

64. Responsibility for project implementation is shared among existing government institutions and CRs. The implementation of the Local Investment Fund is the responsibility of CR who will identify, submit for financing and implement their micro-projects including financial and procurement responsibilities. The first phases demonstrated that by empowering local communities through a participatory process, existing latent technical and management capacity will be released, improved and consolidated. The technical knowledge required for the implementation of basic socio-economic infrastructure has been mostly found in the local communities.

65. Procurement at the central level will be handled by the CNC, whose procurement capacity has been evaluated annually during the course of previous phases and has been found satisfactory. Demand-driven micro-projects financed under the Local Investment Fund will be procured in ac-

cordance with the provisions of paragraph 3.17 of the procurement guidelines. These guidelines provide much flexibility for working with Local Governments in as much as procedures are acceptable to IDA. Procurement procedures for demand-driven micro-projects have been detailed in the existing Project Implementation Manual and a recently revised Community Procurement Manual. These have proven to ensure transparent and efficient management of local procurement.

66. As mentioned above, the procurement assessment of the CNC said that the following additional staff would be added: a procurement specialist and a procurement assistant. In addition, a technical operational officer seems to be necessary. The additional staffing is deemed necessary to (i) reinforce the team in scaling-up to national coverage, (ii) address weaknesses in handling procurement processes using World Bank procedures and standard bidding documents, and (iii) ensure that procurement activities for the proposed Project are correctly implemented.

67. The risks identified are: (i) the lack of procurement capacity; (ii) the implementation manual doesn't take into account the activities of the proposed Project; and (iii) the need for capacity building for all staff. The overall project risk from procurement is substantial and is expected to be moderate once the following mitigation measures are implemented: (i) recruit a procurement specialist to handle procurement activities and provide training and support to the staff of the other structures which have to handle procurement activities; (ii) recruit a procurement assistant, (iii) update the Manuals of procedures to take into account the proposed project, and (iv) train technical staff of all components involved in procurement activities.

E. SOCIAL (INCLUDING SAFEGUARDS)

68. In the process of planning and implementation of local development activities supported under Component 1, every effort will be made to ensure wide social inclusion involving women, youth and marginalized groups. A target of a minimum of 50 percent participation of women and youth in micro-projects and in the various village management committees has been agreed upon and will be monitored. In addition, lessons from the previous two phases, which were used in the design, demonstrated that the Project has the ability to create and increase social capital in local communities and therefore is a powerful tool to improve living conditions and can be expected to lead to greater transparency and better results of the Project-supported micro-projects.

69. Citizen engagement (CE) is at the center of this operation. The whole village community is directly involved in analyzing the socio-economic situation of their community (CR), in defining their local development plan and in drawing up the annual investment plan. Selected members of the community are participants of various committees that watch over the implementation process for the agreed upon small infrastructures projects, including procurement decisions. In addition, for each such micro-project there is a committee charged with operation and maintenance (O&M). Finally, PACV3 stands out for its participatory budgeting and M&E set-up. Community members are empowered to discuss local budget matters and to periodically evaluate the quality of the services they receive. An NGO specialized in CE and participatory M&E will be selected to act as a facilitator and to ensure that beneficiary feedback reaches project management and IDA so that corrective actions can be taken in a timely manner.

F. ENVIRONMENT (INCLUDING SAFEGUARDS)

70. Climate change screening: Project investment activities are in rural areas. They are small (approximately \$50,000 per rural community) and spread over the whole country. Overall, the proposed Project can be expected to contribute to reducing greenhouse gas (GHG) emissions through some of the activities under Component 1 - Consolidation and Sustainable O&M, namely investments in the development of small irrigated areas. It is worth noting that less than 200 ha will be developed. Therefore, the impact of improving water conservation, increased biomass and fodder availability is expected to be minimal. Nevertheless, the country as a whole, even while endowed with significant water resources could be affected by climate trends, leading at times to prolonged dry seasons and excessive rainfall in certain areas.

71. Like the previous two phases, PACV3 from an environmental and social safeguard point of view is considered Category B, whereby the environmental and social impacts of the Project are expected to be minimal, site specific, and manageable to an acceptable level. Three safeguard policies are triggered by the Project: (i) Environmental Assessment (OP 4.01); (ii) Involuntary Resettlement Policy (OP 4.12), and (iii) Pest Management (OP 4.09). To deal with these Policies, the Environmental and Social Management Framework (ESMF) as well as the Involuntary Resettlement Framework that were used under the previous phase (PACV2) will be updated and a new pest management plan (PMP) will be prepared. The preparation of the PMP is due to the fact that PACV3 will finance some income generating activities, notably small irrigation works (*bas-fonds*) to be exploited by women and youth. This will imply the use of moderate amounts of fertilizers and pesticides.

72. To ensure that environmental and social aspects of the planned micro-projects will be properly taken into account, the following measures will be taken: (i) each micro-project before its start will be analyzed to identify what specific environmental and social safeguard measures will be needed; (ii) good agricultural practices (GAP) and environmental and social clauses will be followed; (iii) continuous training of the actors directly involved in the use of the environmental and social safeguard documents in conformity with the operational policies of the World Bank and national legislation; (vi) control and environmental and social monitoring by a team from the *Bureau Guinéen des Etudes et Evaluations Environnementales* (BGEEE) at the national and decentralized levels; and (v) information and sensitization activities for the beneficiaries about the potential environmental and social impact of the Project. Only the execution of small irrigation works (*bas fonds*) could require land acquisition and restrictions to resources usually and thereby have some negative environmental and social impact.

G. WORLD BANK GRIEVANCE REDRESS

73. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have

been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Third Village Community Support Project

Project Development Objective (PDO): The objective of the Project is to strengthen the local government financing system and improve local service delivery in rural communes and to provide an immediate and effective response in the event of an Eligible Emergency or Crisis.

Results indicators name	Core	Unit of measurement	Base	Cumulative Values				Frequency	Sources / Methodology	Responsible Data collection
				Year 1	Year 2	Year 3	Year 4			
PDO Indicator R-1 : Funds from FNDL are executed by CRs	<input type="checkbox"/>	%	0	0	0	30%	50%	Annual	EPA yearly report	DND
Indicator R-2 : Number of CRs using PACV's participatory budgeting, monitoring and evaluation system	<input type="checkbox"/>	Nb	21	21	49	100	179	Annual	Project progress report	DNDL
Indicator R-3 : Beneficiaries that feel project investments reflected their needs	<input checked="" type="checkbox"/>	%	26%	55%	65%	75%	85%	Annual	Participative M&E reports	DNDL
Indicator R-4 : Number of direct beneficiaries (disaggregated by gender)	<input checked="" type="checkbox"/>	Nb	2 326 000	2 626 000	3 076 000	3 326 000	3 326 000	Annual	M&E reports	DNDL & CNC
Intermediate Results (IR)										
Component 1: Local Investment Fund										
IR indicator-1.1 : Percentage of CRs where the past investments in infrastructure were incomplete and have benefitted from complementary micro-projects.	<input type="checkbox"/>	%	0%	0%	50%	100%	100%	Semestrial	Project Database	CNC
Indicator-1.2 : Micro-projects or investments for which arrangements for community engagement in post-project sustainability and/or operations and maintenance are established	<input checked="" type="checkbox"/>	%	0%	0%	60%	65%	75%	Annual	Project progress report	CNC
Indicator -1.3 : Percentage of technical and environmental audits that certify that infrastructure put in place under PACV3 are in compliance with the appropriate technical and environmental norms	<input type="checkbox"/>	%	0%	50%	70%	90%	100%	For MTE and end project	Progress report reception report	Consultant

Results indicators name	Core	Unit of measurement	Base	Cumulative Values				Frequency	Sources / Methodology	Responsible Data collection
				Year 1	Year 2	Year 3	Year 4			
Indicator -1.4: Number of micro-projects financed by sub-component : <ul style="list-style-type: none"> Sub-component 1.1 Sub-component 1.2 Sub-component 1.3 Sub-component 1.4 	<input type="checkbox"/>	Nb	0	8	35	50	50	Annual	M&E reports	CNC
			0	10	30	50	50			
			0	8	22	36	36			
			0	10	22	34	34			
Component 2: Institution and Capacity Building										
Indicator -2.1: A National Fund for Local Development (FNLD) is established and operational	<input type="checkbox"/>	Yes /No	No	No	Yes	Yes	Yes	Annual	Decree	DND
Indicator-2.2: A National Government Agency is providing technical assistance to CRs	<input type="checkbox"/>	Yes /No	No	No	Yes	Yes	Yes	Annual	Decree and activity report of agency	DND
Indicator-2.3: Percentage of elected mayors and key staff trained (retrained) in local governance and the use of fiduciary tools	<input type="checkbox"/>	%	25%	50%	100%	100%	100%	Annual	M&E reports	CNC
Indicator-2.4: Percentage of targeted CRs where Local Development Plans have been updated in a participatory manner.	<input type="checkbox"/>	%	0%	0%	50%	85%	100%	Annual	DSEL reports	DNDL
Indicator-2.5: The number of selected CRs where the technical staff of the Sub-prefecture have been detached to the Mayor	<input type="checkbox"/>	Nb	0	0	21	21	21	Annual	progress report DNDL/DND	DNDL
Indicator-2.6: The Government transfers annually to Local Communities 15% of mining revenues as foreseen in Article 165 of the Mining Code	<input type="checkbox"/>	Yes /No	No	No	No	Yes	Yes	Annual	progress report DNDL/DND	DNDL
Indicator-2.7 Percentage of CR having increased collection of their annual revenues by at least 10% compared to the previous year	<input type="checkbox"/>	%	46%	50%	55%	60%	65%	Annual	Progress report DNDL/DND	DNDL
Indicator-2.8: Percentage of deconcentrated technical staff that were trained to support Local Development	<input type="checkbox"/>	%	0%	25%	60%	75%	90%	Annual	Progress report	CNC
Indicator-2.9: A computerized system for M&E at all levels is operational	<input type="checkbox"/>	%	No	Non	Non	Yes	Yes	Annual	progress report	SPD and ERA
Indicator-2.10: Percentage of women and youth in different committees in selected CRs	<input type="checkbox"/>	%	26%	30%	35%	40%	50%	Annual	Project tech. reports	SPD and ERA

Indicator Description

Project Development Objective Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
PDO Indicator R-1 : Funds from FNDL are executed by CRs	Percentage of funds allocated and used during the year by the Rural Communes (CRs) targeted over the amount allocated by the FNDL and actually used by these CRs	Annual	EPA yearly report	DND
Indicator R-2 : Number of CRs using PACV's participatory budgeting, monitoring and evaluation system	Number of CRs targeted whose staff has participated in participatory budgeting and monitoring and evaluation and who have introduced it in their CRs.	Annual	Project progress report	DNDL
Indicator R-3 : Beneficiaries that feel project investments reflected their needs	Beneficiary satisfaction survey for the services provided by local authorities. Covers all CRs that were targeted for interventions in phase 3. The survey covers all of the activities of the CRs (not just the micro projects)	Annual	Participative M&E reports	DNDL
Indicator R-4 : Number of direct beneficiaries (disaggregated by gender)	<p>Direct beneficiaries include:</p> <ul style="list-style-type: none"> • Populations of CRs to which the services have become available or have been improved thanks to infrastructure services provided or rehabilitated by the PACV3 • Actors at all levels involved to varying degrees in the management of the CRs who have benefited from technical training modules • Staff of STD (region, prefecture and sub-prefecture), that was trained to work effectively with local authorities <p>Data will be disaggregated by type of beneficiaries (schools, health, drinking water, income generating activities, genre) and nominal lists will avoid double counting</p>	Annual	M&E reports	DNDL & CNC

Intermediate Results Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Component 1: Local Investment Fund				
IR indicator-1.1 : Number of CRs where the past investments in infrastructure were incomplete and have benefited from complementary micro-projects.	<p>Measures the level of coverage of targeted CRs to achieve their rehabilitation or completion.</p> <p>During planning, the number of infrastructure that would require rehabilitation or additional work was established (50). The number of targeted CRs may be less than the number of micro-projects insofar as some CR will benefit from more than one micro-project</p>	Semestrial	Project M&E Database	CNC
Indicator-1.2 : Micro-projects or investments for which arrangements for	Measures the Project's efforts to improve the management and maintenance of public service infrastructure provided under the Project.	Annual	Project progress report	CNC

Intermediate Results Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
community engagement in post-project sustainability and/or operations and maintenance are established	This percentage is calculated as the ratio between the number of service infrastructures for which the Project put in place a sustainable O&M mechanism compared to the total number of infrastructure micro-projects having received supports in phase 3			
Indicator -1.3: Percentage of technical and environmental audits that certify that infrastructure put in place under PACV3 are in compliance with the appropriate technical and environmental norms	Measures compliance with technical standards (depending on the type of infrastructure / service). At mid-term and end of the Project, a consultant will analyze the level of implementation of basic technical standards for each type of infrastructure and implementation of environmental and social safeguard measures recommended within the CGES. He will work on a representative sample of infrastructures	For MTE and end project	Progress report reception report and consultant report	Consultant with ERA
Indicator -1.4: Number of micro-projects financed by sub-component : <ul style="list-style-type: none"> Sub-component 1.1 Sub-component 1.2 Sub-component 1.3 Sub-component 1.4 	Number of micro-projects funded under PACV3 according to projections. The number of funded micro-projects is used to assess physical project performance	Annual	Project M&E Database	CNC
Component 2: Institution and Capacity Building				
Indicator -2.1 : A National Fund for Local Development (FNDL) is established and operational	The FNDL may be considered operational when the following criteria s are satisfied: <ul style="list-style-type: none"> The Decree creating the FNDL and EPA is signed and published A joint decree on the management arrangements and utilization of funds from the Mining Code (15% of mining revenues) is signed The text specifying the organization of EPA is adopted and the management team is recruited Allocation rules for the use of funds from FNDL are determined and validated by the different actors The Guinea government allocates the money At least 50% of allocated funds are spent 	Annual	Decree and activity report of agency	DND
Indicator-2.2 : A National Government Agency is providing technical assistance to CRs	The indicator 2.2 includes the criteria of 2.1 and focuses on the existence and operation of the technical support staff / advice to CRs to help them properly manage all activities (budgeting, preparing local development and annual investment plans, implementation, and M&E)	Annual	Decree and activity report of agency	DND
Indicator-2.3 Percentage of elected mayors and key staff trained (retrained)	Applies to local communities that will be targeted by the PACV3. The percentage of people trained will be based on the number of people (by category or function)	Annual	M&E reports	CNC

Intermediate Results Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
in local governance and the use of fiduciary tools	who received basic training or retraining (including the various training topics planned in relation to targeted staff needs)			
Indicator-2.4 : Percentage of targeted CRs where Local Development Plans have been updated in a participatory manner.	Ratio between the number of CRs whose main actors were trained on local planning and who have updated their PDLs following the participatory approach disseminated by MATD / PACV3 and the number of targeted CR.	Annual	DSEL reports	DNDL
Indicator-2.5: The number of selected CRs where the technical staff of the Sub-prefecture have been detached to the Mayor	The number of CR where the Mayor has some form of control over the staff of technical services targeted in the sub-prefecture (health, education and agriculture). The calculation of this indicator will require a simple survey of 21 Mayors and their CRs which are targets for pilot operation.	Annual	Progress report DNDL	DNDL
Indicator-2.6: The Government transfers annually to Local Communities 15% of mining revenues as foreseen in Article 165 of the Mining Code	Indicator Yes / No. Indicator is determined by comparing national revenues annually generated by the mining sector and transferred to the national budget and the amount allocated to FNDL.	Annual	Progress Report DNDL et MEF	DNDL
Indicator-2.7 Percentage of CRs having increased collection of their annual revenues by at least 10% compared to the previous year	Measures the effort to mobilize local financial resources.	Annual	Progress report DNDL/DND	DNDL
Indicator-2.8: Percentage of deconcentrated technical staff that were trained to support Local Development	The total number of people working at various levels to support the local authorities in the effective management of their CRs. The number of people to be trained will be based on the standards established for each level (Region, Prefecture and Sub-Prefecture) and their participation in the decentralization and deconcentration process.	Annual	Project Progress Reports	CNC
Indicator-2.9: A computerized system for M&E at all level is operational	The M&E system that will be put in place is based on the database that PACV developed. It will be expanded to allow tracking of activities and various investments of all CRs and reporting of aggregate data at each operational level. The database is fed in each region by the Technical Manager of ERA.	Annual	Project Progress Reports	SPD and ERA
Indicator-2.10: Percentage of women and youth in different committees in selected CRs	The indicator focuses on the number of women and young people (under 35) involved in the different infrastructure management committees (health, education, water, market infrastructure,) funded by PACV3. The situation at the end of PACV 2 will serve as the reference data	Annual	Project Progress Reports	SPD and ERA

Annex 2: Detailed Project Description

Third Village Community Support Project

PDO: The objective of the Project is to strengthen the local government financing system and improve local service delivery in rural communes and to provide an immediate and effective response in the event of an Eligible Emergency or Crisis.

1. **Beneficiaries:** The direct beneficiaries of PACV3 will be the rural population living in the targeted CRs where through the National Local Development Fund additional resources and technical support will be made available to: (i) complement micro-projects financed under PACV2; (ii) assist CRs touched by Ebola for post-crisis recovery; (iii) support micro-projects in natural resources management and small scale irrigation; and (iv) strengthen CRs in mining areas to deal with their special challenges. Additional beneficiaries will be community leaders, elected officials and civil servants at all levels participating in training and capacity building activities.

2. PDO Level Results Indicators

- a. Funds from FNDL are executed by CRs
- b. Number of CRs using PACV's participatory budgeting, and monitoring and evaluation system
- c. Beneficiaries that feel project investments reflected their needs
- d. Number of direct beneficiaries (disaggregated by gender).

3. PACV3 will not be just a repeater of the first two phases, but is conceived as an operation that focuses on ensuring the long term sustainability of the achievements of the first two phases by promoting policy dialogue and putting in place sustainable mechanisms for long-term local community participation. To achieve this, the Project will focus on the consolidation of Guinea's decentralization reforms and the institutionalization of the mechanisms and organizational structures to ensure sustainable and high quality support to participatory processes at the community level. The focus is on "soft" aspects and completing/consolidating earlier local investments which have a high pay-off rather than on building new additional infrastructure ("hard" aspects) at the village level.

4. The Project will include four components: (1) a local investment fund_with specific financing windows; (2) institution and capacity building for sustainable local governance and community participation; (3) project management and enhanced, participatory monitoring and evaluation; and (4) immediate response mechanism.

Component 1: Local Investment Fund (US\$4.5 Million)

5. The aim of this component is to finance a series of small investments in selected CRs through the Local Investment Fund (LIF). The LIF will be the mechanism for transferring funds to CRs that once transferred will be managed by the local communities. A total of 170 CRs with their specific types of small investments were selected based on the following criteria: (a) need to complement past investments in micro-projects and NRM; (b) incidence of the Ebola Epidem-

ic; and (c) need to develop partnerships between CRs and mining companies. These criteria were agreed during appraisal and a list of the CRs with the corresponding types of small investments will be included in the Project Implementation Manual (PIM). In addition, the PIM will specify that: (a) sub-projects must be included in the CRs' local development plan and its corresponding annual investment program; (b) they can be initiated by the selected CRs; (c) they must be economically, financially and technically viable; and (d) they must be in compliance with standards defined in the applicable laws and sectoral policies of GoG. Each sub-project will be carried out pursuant to a Sub-Project Grant Agreement to be concluded between CNC on behalf of the Borrower and the selected CR under terms and conditions described in the PIM. The template Sub-Project Grant Agreement defines *inter alia* all the obligations recipient CRs have towards CNC and GoG. The PIM as well as the template Sub-Project Agreement have to be satisfactory to IDA. The National Coordination Unit has financed similar investments in the past all over the country and all of these investments will be implemented following PACV's procedures that are described in detail in the PIM and its template subproject grant agreement. The technical and fiduciary review of the activities are placed at the appropriate level in support of the subsidiary principle. The budget allocations to various CRs under this component were discussed during project preparation and finalized during appraisal. The investment envelope per CR will be made known at the outset so that they can be incorporated into existing local development plans. As in the past, the CRs will manage these funds to implement their activities and will be responsible for contract management, monitoring and evaluation, operation and required maintenance of the investments.

Sub-components	Amount in US\$ million
1.1 Complementary investments in PACV2 micro- projects	1.0
1.2 Micro-projects in CRs most affected by Ebola Epidemic	1.5
1.3 Inter-community micro-projects in NRM and biodiversity protection	1.0
1.4 Micro-projects in CRs located in mining areas	1.0

6. Sub-component 1.1: Complementary investments in PACV2 micro-projects (US\$1.0 Million). At the outset of PACV2 in 1999, the upper limit for micro-projects funded from the Local Investment Fund were US\$50,000. This sum was adequate to cover the entire costs of a package of investments mainly in health and education infrastructure as recommended by sectoral policies. Over the years, with inflation and increases in the price of construction materials this sum became insufficient. As a consequence, certain micro-projects no longer respected the norms established by sectoral policies. For example, for a health posts it is not enough to build the main building, but it is also necessary to provide an incineration pit, potable water, electricity (solar power), and housing with latrines for the health worker; and for a local school building it is necessary to include housing for the school teacher, potable water, a fence, latrines and elec-

tricity. Without these complementary investments it is difficult to attract and retain teachers and health workers especially in remote villages and the quality of the services suffers.

7. Under PACV3, the infrastructures that are incomplete will be equipped with the missing elements. It is estimated that there are 524 such incomplete infrastructures (353 in the education sector and 171 in the health sector). The total cost for this sub-component would be US\$10.5 million, assuming US\$20,000 per micro-project. This is beyond the available budget envelope of US\$1 million. Therefore, before appraisal, the National Coordination Unit (NCU) will identify a list of about 50 eligible CRs for this funding based on poverty levels and vulnerability due to Ebola. The final list was agreed upon during negotiations.

8. **Sub-component 1.2: Micro-projects in CRs most affected by the Ebola Epidemic (US\$1.5 Million).** At the beginning of the outbreak of the Ebola epidemic information and communication about this deadly virus was often misleading or false. Health workers in health posts were ill equipped to deal with this epidemic and the population lost confidence in the health system. Economic activities were negatively impacted and as a consequence poverty increased in these affected areas. Many children lost their parents and become orphans.

9. Under PACV3, in order to improve economic activities and to reinforce resilience of the CRs directly impacted by the Ebola epidemic, the following activities will be financed: (i) communication aimed at changing hygiene habits; (ii) small investments in improving sanitary conditions (public latrines in open markets, bus stations) and waste management based on small enterprises; and (iii) income generating micro-projects for vulnerable groups such as development of small areas that can be irrigated (*aménagement de bas-fonds*, fish smoking, fish ponds, etc.). The choice of these micro-projects will be done in a participatory manner and based on the *code des collectivités* which provides some orientation and defines criteria for this kind of interventions. They will be located within the CRs in the districts and villages directly impacted by Ebola. About 50 CRs will benefit from this investment with a total amount of US\$1.5 million (US\$30,000 per CR). Investments under this sub-component will be coordinated with other actors in order to harmonize interventions and to make optimal use of the available resources.

10. **Sub-component 1.3: Inter-community micro-projects in natural resources management (NRM) and bio-diversity protection (US\$1.0 Million).** PACV2 managed two additional IDA projects: the Community-Based Land Management Project and the Coastal, Marine and Biodiversity Management Project. The objective of the first project was to reduce land degradation through the integration of sustainable land management (SLM) practices in the overall planning process of communities and local governments in selected pilot sub-watersheds. The second project promoted rational management of coastal biodiversity with an emphasis on assisting communities in and around priority areas to plan, implement and maintain environmentally sustainable and socially inclusive alternative livelihood options. Both projects developed inter-community approaches to deal with these issues and created inter-village development plans and put in place local management committees. Unfortunately, both projects ended before there was enough time to consolidate the achievements.

11. PACV3 will put in place mechanisms to preserve and further develop the achievements of both projects and to continue applying SLM practices on a sub-watershed level and to fund socially inclusive livelihoods in coastal and marine CRs. Activities to consolidate what has been achieved in the 36 CR covered by both projects will be funded and the six management commit-

tees that were put in place will be supported. The total cost of this sub-component is estimated at US\$1.0 million (US\$167,000 per sub-watershed or US\$28,000 per CR). Investment activities will be accompanied by environmental sensitization and education activities as stipulated in the *code des collectivités* (Article 62) regarding sustainable management of land and marine ecosystems.

12. Sub-component 1.4: Micro-projects in CRs located in mining areas (US\$1.0 Million). Guinea's main engine of economic growth is its mineral sector. The sector represents over 80 percent of exports, provides 20 to 25 percent of government revenues and over 10,000 direct jobs. Guinea hosts some of the largest non-developed deposits of bauxite and iron ore in the world. The planned Simandou iron ore project is expected to play a transformational role. It will have significant spillover effects on community development by creating thousands of direct and indirect jobs. However, the growth in the mining sector poses many challenges. In the CRs located next to the mines, population growth is exponential, with the population of villages increasing five to ten fold in the span of a few years. This creates enormous needs for basic social services and creates conflicts of access to land.

13. PACV3 will provide seed money to support CRs where mines are located with: (i) technical assistance in prospective planning that takes into account the safeguard measures that are included in the environmental and social investment plans of the mining companies; (ii) technical assistance in urban and spatial planning; and (iii) socio-economic infrastructure. This support will be for three different categories of CRs:

- CRs that are located in areas with great mining potential and which are likely to receive in the short term major investments by mining companies (GAC, SIMFER, ALLUFER, CPI, etc.). PACV3 will assist these CRs to test pilot planning tools and activities (two CRs per Region) to prepare them to deal with the challenges they will face in the future. Some 10 CRs will be included at a cost of US\$400,000 (US\$40,000 per CR).
- CRs where artisanal mining is ongoing and that are affected by young people leaving for mining activities without finishing schooling. This leads to labor shortages in agriculture and a decline in economic activities in their villages of origin. PACV3 will finance alternative economic income opportunities in some 12 CRs up to US\$600,000 (US\$50,000 per CR).
- CRs where at present industrial extraction of minerals by mining companies is ongoing (SAG, CBK, SMD, SMB, etc.). In these CRs there are many environmental problems that need to be addressed. PACV2 has already developed a number of public-private partnerships (PPP) with certain mining companies (Rio Tinto Alcan, ALCOA) to guide local development efforts. This experience has significantly increased the planning capacity and capacity to mobilize resources by the concerned CRs. This initiative needs to be scaled up as the Local Development Fund and its operational mechanism (EPA) are being put in place. Special attention will be given to strengthen the resilience of local communities vis-à-vis climate change and other natural catastrophes. PACV3 will seek additional PPPs to improve the living conditions in these CRs and to ensure that the mining companies respect the provisions of the *Code des Collectivités Locales* with regard to the principles of CRs being in charge of their local development plans. The cost of this sub-component is estimated at US\$1.0 million. Funding for activities under this sub-component are expected to be provided by the respective mining companies.

14. **Component 2: Institution and Capacity Building for Sustainable Local Governance and Community Participation (US\$9.0 Million).** The objective of this component is to set up sustainable mechanisms for long-term local development financing and community participation, particularly through the deepening of Guinea's decentralization reforms and the institutionalization of the mechanisms and organizational structures to ensure sustainable local development financing and high quality support to participatory processes at the community level. Specifically, the Project will support the policy dialogue and necessary studies concerning: (i) the creation and operation of a National Fund for Local Development (FNDL); (ii) the creation of a national government agency (EPA) to manage the FNDL and to provide technical assistance to CRs; and (iii) the transfer of adequate financial resources from the national to the local level (using the legal provisions of the Mining Code) and the mobilization of local resources through better tax collection. This fiscal transfer will also be supported by the Bank through its policy dialogue with GoG in the context of budget support or policy operations. In addition, on a pilot scale, technical staff from line ministries at local level that so far report to the Sub-Prefect will be detached to the Mayor's office in selected CRs. The capacity building activities under this component will (a) address the technical and fiduciary skills needed at the different decentralized levels to implement local development activities, (b) strengthen community empowerment through training of villagers in participatory budgeting and M&E, and (c) support the Government in developing and implementing the details of the legal framework for further fiscal and administrative decentralization as envisioned in the *Code des Collectivités Locales*. Activities under this component will be carried out at national, regional and local level.

15. Component 2 will be implemented through 4 sub-components:

- Institution building for long-term local development financing
- Pilot scheme for management of technical staff at CR level by Mayor
- Capacity building of central and deconcentrated public services of key sectoral ministries to improve support to local communities
- Capacity building of CRs to improve citizen engagement/participation in planning, management and evaluation of services

16. The capacity building component for local governance and community participation will be under the joint responsibility of DND and DNDL except for sub-component 2.3 which will be the responsibility of CNC. It contains the following sub-components:

Sub-component 2.1: Institution building for long-term local development financing

17. At the national level, support will be provided to: (i) operationalize the new Mining Code (2011), amended in 2013 that will provide funding for investments at the local level; (ii) transform the PACV from a primarily externally financed program unit with project staff into a public agency (*Etablissement public à caractère administratif – EPA*) that manages the National Fund for Local Development (FNDL) and provides advisory services to CRs; (iii) revise the Local Development Code (CCL) and its institutional and regulatory framework in light of past experience; (iv) organize national workshops for policy makers in technical ministries to discuss and analyze the implications of decentralization and local development for their departments, and (v) recruit a specialist for knowledge management and communication and to finance a continuous

multi-media strategic communication strategy in support of the Government's decentralization policy. In addition, PACV3 will provide support to the inter-ministerial commission that is in charge of piloting the LNP-DDL so that they can better fulfill their mandate. Furthermore, this sub-component will organize national workshops for policy makers in technical ministries to discuss and analyze the implications of decentralization and local development for their departments. Finally, this sub-component will finance a continuous multi-media strategic communication strategy in support of the Government's decentralization policy, covering such topics as the LPD-DDL, Local Development Fund, the implications of the Mining Code for local development, intergovernmental transfers to CRs, etc.

Sub-component 2.2: Pilot scheme for management of technical staff at CR level by Mayor

18. At present, all technicians of the various technical Ministries (health, education, agriculture, etc.) at CR level are under the administrative control of the Sub-prefect. Technically, they report to their superiors in the respective Ministry and their salary is paid by their respective Ministry. This situation is unsatisfactory as it is the Mayor with his council and staff that is responsible for all local development activities and who should be in control of this technical staff. According to the CCL and the NPL-DDL of 2011, the organization of the technical staff of sectoral Ministries should be adapted to the needs of the decentralization policy and the local technical staff should be attached to the Mayor. The advantages of this administrative change are as follows: (i) the Mayor has at his command the necessary technical staff to carry out local development activities without having to go through the Sub-Prefect; (ii) it is the Mayor who determines the work program of the technical staff; (iii) the authority and the standing of the Mayor in the community is enhanced; (iv) the Mayor can exert a control over the presence of the technical staff and can sign off at the end of the month whether a given technical staff should be paid or not, and (v) absenteeism of local technical staff can be expected to decline.

19. The Project will support the launching of a Pilot in 21 CRs (3 per region) where this transfer of authority over local staff from the Sub-Prefect to the Mayor will be tested. The modalities of this transfer were discussed during appraisal and the Government made a proposal during the negotiations. During the mid-term review, the results of this pilot will be evaluated and if successful, will be replicated in additional CRs.

Sub-component 2.3: Capacity building of central and deconcentrated public services of key sectoral ministries to improve support to local communities

20. At the national, regional and prefectural levels, support will be provided for the restructuring and training of staff of MATD and key sectoral ministries whose functions are being devolved to CRs.

21. At the prefectural level, support will be provided to train and equip the staff of the SPD/STD so that they can provide the technical services that the CRs expect and need from them. Literacy teachers will be trained and some 200 people from the SPD and ADL will be trained in a set of key skills to assist the mayors, their staff, and selected municipal council members. An annual training plan with specific training modules has been developed. This training plan will be executed by the *Centre National de Formation et de Perfectionnement des Ca-*

dres et des Elus (CNFPCE). This training center is being supported by the EU and the training modules will be financed by PACV3.

Sub-component 2.4: Capacity building of CRs to improve local governance and citizen engagement/participation in planning, management and evaluation of services

22. At the CR level, (i) a national training plan will be implemented to train Mayors and councilors of all CRs, as well as General Secretaries, involved under this sub-component. This training will be conducted by the *Centre National de Formation et de Perfectionnement des Cadres et des Elus (CNFPCE)*. Training modules will cover all aspects of participatory diagnosis, local development planning, annual investment programming, and participatory budgeting and monitoring and evaluation. Most training will take place in the form of on-the-job training to combine theory and practice and consequently its timing will be linked to the preparation or revisions of local development plans and annual investment budgets. The Project will also organize local exchange visits between CRs, whereby CRs recognized as functioning well, serve as mentors and examples for other CRs. In addition, PACV3 will put emphasis on involving civil society at local level and in applying participatory budgeting and monitoring and evaluation tools. The existing tools will be simplified so that they can be applied on a large scale. An NGO specialized in citizen engagement (CE) and participatory M&E will be selected to act as a facilitator and to ensure that beneficiary feedback reaches project management and IDA so that corrective actions can be taken in a timely manner.

23. **Component 3: Project Coordination and Management (US\$1.5 Million).** Implementation arrangements for PACV3 will substantially be the same as in the past. Overall oversight is with the Ministry of Territorial Management and Decentralization. A Steering Committee provides policy guidance and approves the annual work program and budget, and a technical committee (*Comité Technique d'Exécution – CTE*) brings together on a regular basis all the representatives of the different components and activities. Day to day operations of the Project are the responsibility of the National Coordination Unit (*Cellule Nationale de Coordination – CNC*) with its National Coordinator and his staff. CNC is also responsible for Component 1. DND in close collaboration with DNDL is charged with the technical execution of all activities related to Component 2 (Capacity building for sustainable local governance and community participation). At the regional, prefectural and local level, it is the ADLs that advice local communities on all non-technical aspects of preparing their local development and annual investment plans. Advice on technical matters is provided by SERACCO, and SPD and if they don't have the capacity, CRs call on private contractors to provide the necessary services.

24. **Knowledge management and communication strategy.** Given that this is the final phase of PACV, special attention will be given to capitalizing the experiences that were gained and to widely share the results. For this, a professional communication strategy and an action plan will be developed that uses inter alia mass media (TV, press and radio) at the national level and local radio at the community level. A position for a specialist in knowledge management and communication will be created inside the CNC and funded under the Project.

25. **Component 4: Immediate Response Mechanism. (US\$ 0.0 Million).** This zero budget sub-component establishes a disaster contingency fund that could be triggered in the event of a natural disaster through formal declaration of a national emergency, or upon a formal request from

GoG. In such a case, funds from the unallocated expenditure category or from other project components would be re-allocated to finance emergency response expenditures to meet emergency needs. In order to ensure the proper implementation of this component, the Borrower shall prepare and furnish to IDA an operations manual that describes in detail the implementation arrangements for the IRM and that is satisfactory to IDA.

Monitoring and Evaluation (M&E)

26. **General characteristics.** The M&E system will be a result-based framework, conceived as a management tool, and emphasizing project impacts and outcomes, as well as the regular monitoring of inputs and outputs covering the three project components. The PACV3 monitoring and evaluation system will build upon the system set up during the implementation of phase 2. To ensure the sustainability of the M&E functions that were developed during the two preceding phases and to integrate them into the decentralization and deconcentration process, specific indicators for the M&E system of the national policy letter (LPN-DDL) will be developed in close consultation with Guinea's donors and the entities charged with piloting the national decentralization policy. Building upon pilot experiences under PACV2, PACV3 will increase the use of participatory planning and M&E tools.

27. ***Institutional arrangements for M&E.*** At the national level, the M&E team (CNC) will lead all aspects of monitoring and evaluation and provide operational tools and instruments for data collection at the regional and local levels. Furthermore, the team will assist local governments in monitoring the implementation of their respective local development plans (LDPs). It will collect and validate upstream reports and monitoring information from the regional M&E specialists (RCUs/ERA) and from each of the national institutions involved in project activities, to facilitate decision-making processes.

28. **Harmonization and integration with national and sectoral M&E systems.** Within a more precise exit strategy perspective, more consistent efforts will be made to fully empower national institutions in the monitoring and evaluation of the project outcomes, ensuring that the system is strongly linked to the national M&E system for the LPN-DDL.

29. ***Importance of the M&E system.*** By producing timely and pertinent information, the M&E system will be a key management instrument that is aimed at helping the decision making process. The outcomes/results of activities will be measured by a set of qualitative and quantitative indicators.

Annex 3: Implementation Arrangements

Third Village Community Support Project

Institutional and Implementation Arrangements

1. **Partnership arrangements.** The Bank's support to PACV3 complements AFD's financing of its third phase of PACV which became effective in September 2015. The AFD project is a consolidation of its previous involvement. The financing is for Euro 15.0 million and covers: (i) small infrastructure investments through the local investment fund; (ii) institutional support to local development; and (iii) support for project management. The two institutions will work closely together and harmonize their approaches. Implementation support missions will be held jointly. The European Union (UE) finances a Sectoral Program in support of Decentralization and Deconcentration and the International Fund for Agricultural Development (IFAD) that used to co-finance PACV2, currently focuses on Agriculture Value Chains Development in directly supporting the CNOP-G, one of the key producers organizations in Guinea's Agricultural sector. IFC is heavily involved with the mining sector, especially the Simandou iron ore project that would greatly impact a significant number of CRs. Concrete collaboration modalities were agreed upon with AFD and the team clarified how best to coordinate activities with AFD, UE, IFAD and IFC. Table A3.1 below shows all the donor funded public management and technical support projects with which PACV3 will collaborate.

2. **Institutional Arrangements.** The key institutions involved in PACV3 are at (i) the national level: the Ministry in charge of local collectivities and Decentralization with the National Directorate of Decentralization (DND) and National Directorate of Local Development (DNDL); the Steering Committee and the technical committee of implementation; the National Coordination Unit (CNC); (ii) the regional level: regional project support teams (*Équipes régionales d'appui*); the regional directorates of the Ministry of Plan, regional technical services in support of local governments (*Service Régional d'Appui aux Collectivités et de Coordination des ONG – SERACCO*); (iii) the prefectural level: the prefectural development services (*Service Préfectoral de Développement – SPD*), the deconcentrated technical services; prefectural local development agents (*Agent de Développement Local Préfectoral – ADLP*), and the prefectural development council; and at (iv) the CR level: the rural commune with its Mayor and his counselors, the local public service agents, the different local committees for transparency, operation and maintenance, procurement, etc., and the local development agents (*Agent de Développement Local – ADL*). See diagram A 3.1 below.

3. **Implementation Arrangements.** At the **national level**, the implementation arrangements for PACV3 will substantially be the same as in the past. Overall oversight is with the Ministry in charge of Territorial Management and Decentralization. A Steering Committee provides policy guidance and approves the annual work program and budget, and a technical committee (*Comité Technique d'Exécution – CTE*) brings together on a regular basis all the representatives of the different components and activities. The Steering Committee, its composition, tasks and organization are defined in the Arrete N.001/MATD/CAB/2015 of February 6, 2015. The SC is chaired by MATD and the CNC provides the secretariat. During negotiations, the set-up of the SC was reviewed to ensure that there is continuity and representation at the appropriate level. Overall Project management and coordination are the responsibility of the Project Implementation Unit

(CNC). The staffing of the CNC will comprise, *inter alia*, a national coordinator, a technical responsible of operations, a financial manager, an accountant, a procurement specialist, an internal auditor, a safeguard specialist, and an M&E specialist. The CNC shall be maintained at all times during Project implementation with functions, resources and staffing satisfactory to IDA. CNC is also responsible for Component 1 and sub-component 2.3. DND and DNDL, each in what it is concerned will be responsible for the technical execution of all other activities related to Component 2 (Capacity building for sustainable local governance and community participation). At the regional, prefectural and local level, it is the ADLs that advice local communities on all non-technical aspects of preparing their local development and annual investment plans. Advice on technical matters is provided by SERACCO and SPD, and if they don't have the capacity CRs call on private contractors to provide the necessary services. The Project Implementation Manual (PIM) detailing administrative, procurement, financial management, safeguards, monitoring and evaluation procedures and arrangements for the Project as well as eligibility criteria and procedures for the selection of Subprojects and a template Subproject Agreement will be finalized not later than two months after the Effective Date. A diagram showing the institutional framework for project implementation is in Annex 3, A3.1. The moment the National Local Development Fund (FNDL) and the national government agency (EPA) managing this fund have been created and become operational, the functions of PACV will be absorbed by this new agency. The modalities for this transformation of the Project/Program based PACV into a permanent government agency are currently being studied. The Project includes start-up funds to enable the successor public agency to PACV to take off once it has been legally created.

4. At the regional level, project activities are managed by Regional Support Teams (*Équipes Régionales d'Appui - ERA*). There are seven ERAs consisting of a Regional technical person and a fiduciary person. The role of the technical person is similar to that of the Project Coordinator at the national level. He works closely with the CRs, and the regional government authorities (Prefect and Governor). He provides support to the Project's Development Agents (*Agents de Développement*) that are located at the prefectural and local level. The technical responsible assists CRs in obtaining the technical assistance they need to carry out their local development plans and annual investment budgets. He coordinates project activities with the regional technical government services, such as the Regional Directorate of the Ministry of Plan, and the regional technical support service for CRs (SERACCO). He is also in charge of the fiduciary aspects of the Project at his level and assists the Governor in managing a consultation platform where regional development issues are discussed.

5. At the **prefectural level**, the technical responsible works through two development agents (ADLs), one in charge of local economic development and the other one in charge of planning and M&E. The two development agents provide support to the Prefectural Development Services (*Service Préfectoral de Développement - SPD*). The SPD are responsible to assist the CRs with their development plans but also to carry out a posteriori control of investments that were undertaken. The Regional Coordinator also assists the Prefect in managing a consultation platform where development issues are discussed. Altogether, there are 66 ADL at the prefectural level.

6. At the **local level (CR level)**, project activities are managed by the Local Development Agents (ADLs). Over the years, their number has been decreased so that today, one ADL has to work with several CRs. The ADLs work closely with the Mayors and the Communal Councils as well as the different committees that exist within the CR. Their main responsibility is to promote

participatory local development and to assist the CRs to carry out a diagnostic study of their socio-economic situation and on that basis prepare their local development plans and annual investment programs. In addition, the ADLs are responsible for data collection for M&E purposes and to coordinate all project actions with actors outside the CR. All ADLs were carefully selected on a competitive basis. They are mobile, well trained and motivated and are the backbone of the Project. There are 59 ADL at the local level (CR level).

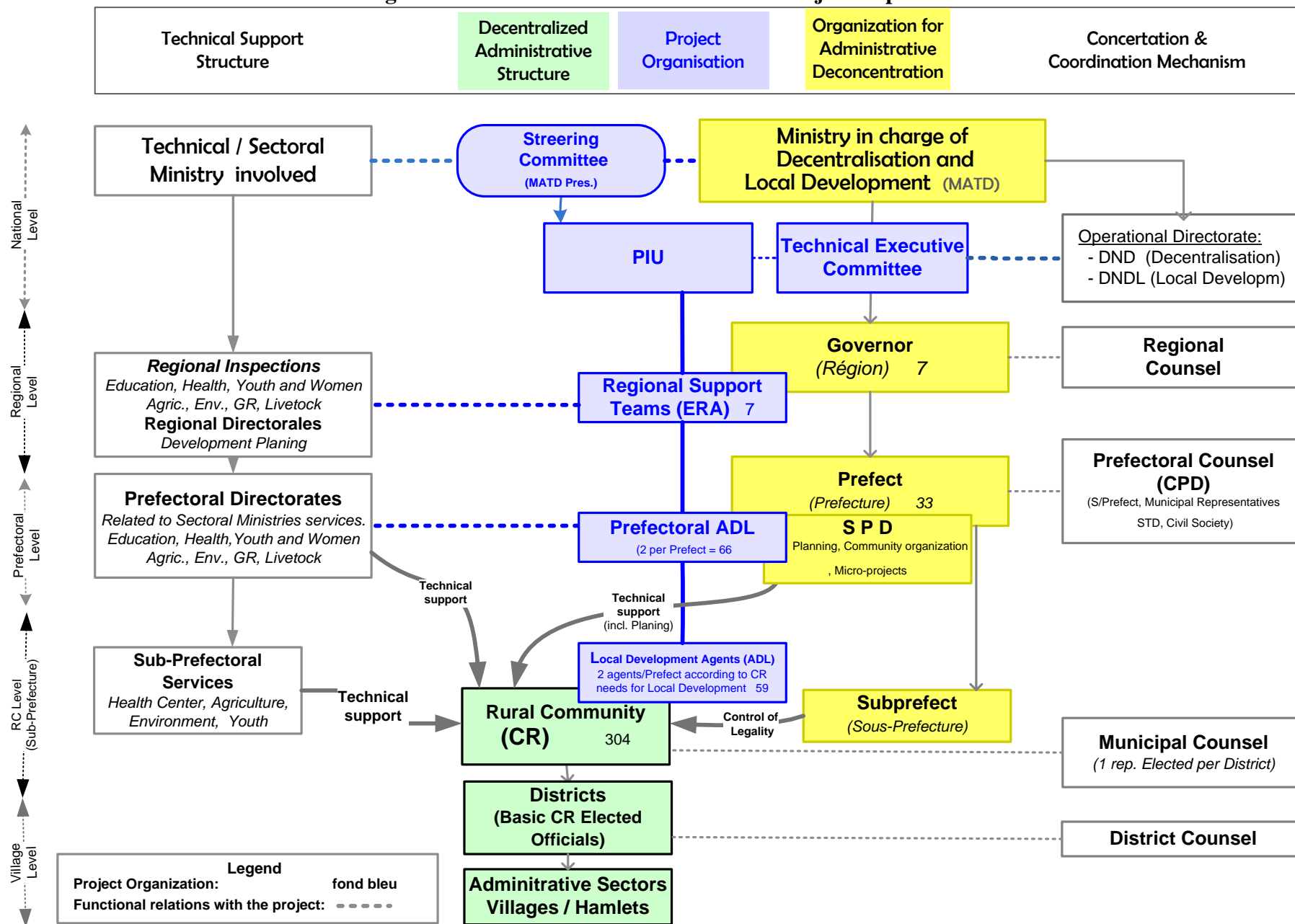
Table A3.1 – Donor-Funded Public Management and Technical Support Projects

Project /Support activities	Financing / Duration	Technical Assistance	Equipment supplied	Synergy and Complementarities
Economic Governance Technical Assistance and Capacity Building Project (EGTACB-WB) Economic reforms (public expenditure management and procurement)	US\$2.6m + US\$1.34m from the EU TF Period: 2013-2017	- Training Sector Dept. to the new procurement code - Capacity building DNIP (public investment)		Capacity building in planning, programming and monitoring of public investments / expenditures, and procurement
Support Project for Economic Planning and Mining Governance / ADB (PAPEGM-BAD) in conjunction with PARCGEF Strengthening the implementation of development policies of the country Sub-component. 1.1 Improved monitoring of the implementation of the PRS (SP, BSD, regions) Sub-comp. 1.2: Modernization of Programming and Monitoring System of public investments and mobilization of External Finance	US\$7.5 m for the component (+US\$7m Mining governance component) Duration : 2012-2016	PRSP Monitoring framework and Framework for measuring the performance level of PRSP and Public Investment Program	Support to 12 BSD incl. the 4 Agric. Sectors + Regional BSD (PC, printers, software)	Sharing Project Coordination Unit with WB EGTACB.- Important complementarity on M&E Design and Capacity building
AFD Guinea Projects under planning: targeted interventions sectors: Institutional diagnosis	Funds for studies €7m + €15 m	✓	✓ Yet to be detailed	Complementarity on all these points with interventions PASAG. Clear interest to sup-

Project /Support activities	Financing / Duration	Technical Assistance	Equipment supplied	Synergy and Complementarities
<p>sis</p> <p>Interventions on improving land issues</p> <p>Irrigation and feeder road Master plan in targeted areas: Lower and Forest Guinea (incl. detailed preliminary design)</p>	(C2D) for projects			<p>port Sector wide approach.</p> <p>Are involved in Donor coordination in agric. sector</p>
<p>PNAFA (FIDA)</p> <p>Project to Support Agricultural Value Chain Actors :</p> <p>Support to BSD/MA and decentralized bodies</p> <p>Support to Farmers Organization (CNOGP)</p> <p>Infrastructure for irrigation</p>	<p>US\$48m</p> <p>Incl. US\$10 m for irrigation infrastructure 2012 / 2019</p>	<p>To improve BSD's M&E system for project implementation (agriculture ministry only)</p>	<p>Motorcycles for Agriculture agents involved in M&E (local level)</p>	<p>Complementarity M&E of project implementation</p>
<p>Islamic Development Bank (IDB)</p> <p>Targeted intervention sectors: Irrigation infrastructure including studies (at least US\$1m)</p>	<p>US\$1m for studies + Irrigation Scheme</p>			<p>Complementarity to Irrigation master plan. Could finance detailed preliminary studies</p>
<p>FAO</p> <p>Ministry of Agriculture request for supporting the design of a distribution policy for agricultural inputs</p> <p>Ministry of Fishing and aquaculture (improving legal framework)</p> <p>Support to the development and validation of the Agricultural Orientation Law (LOA)</p>		<p>✓</p> <p>✓</p> <p>✓</p>		<p>Complementarity to:</p> <p>Component 2</p> <p>Component 1</p> <p>Component 1</p>

Project /Support activities	Financing / Duration	Technical Assistance	Equipment supplied	Synergy and Complementarities
Geo-referenced inventory of lowland forest Guinea	US\$400 000	✓		Input for irrigation master plan
Agriculture and Livestock census preparation (pending funding mobilization by the GoG (US\$10m)		✓		PNIASA M&E

Diagram A3.1 Institutional Framework for Project Implementation



Financial Management, Disbursement and Procurement

Implementation arrangements

7. PACV3 will be implemented by the same National Coordination Unit, CNC and government relevant entities - at both central and decentralized levels - that successfully implemented the PACV2. Therefore day-to-day operations of the Project and consolidation of financial data will be the responsibility of the CNC. It will also be responsible for Component 1 while the National Directorate for Decentralization (DND), in collaboration with the National Directorate for Local Development (DNDL) will be in charge for the execution of all activities related to Component 2 (Capacity building for sustainable local governance and community participation).

8. A Steering Committee will provide policy guidance and approve the annual work program and budget, and a technical committee (*Comité Technique d'Execution – CTE*) will oversee on a regular basis technical execution of the different components and activities.

Country Issues

9. Compared to PEFA 2008, PEFA assessment for 2013 noted some progress. However challenges remain in the area of budget execution, accounting, internal and external audit. The report recommended a multiyear action plan to achieve measurable progress in public financial management area. Guinea Ministry of Finances is committed to the revision of the public financial management reform strategy developed with IMF assistance in 2008. The first draft has been prepared in September 2013 with an action plan covering 5 years period of implementation that aimed among others at setting up in the next five years, an effective system of public financial management, efficient, transparent, capable of meeting the priorities of the PRSP III, establishing and consolidating core fundamental perspectives in alignment with best international practice. This will build on all reforms induced by the adoption of new texts on the *Lois Organiques Relatives aux lois de Finances* (LORF), the *Règlement Général de Gestion Budgétaire et de Comptabilité Publique* (RGGBCP), the Decree on the governance and transparency of public finances and the Procurement Code, as well as their various implementing regulations.

10. The Bank supports the ongoing efforts through the implementation of the Economic Governance Technical Assistance and Capacity Building project which aims at strengthening the capacity of the Government of Guinea to prepare, implement and monitor reform programs in public finance and human resource management.

Table A.3.2 Risk Assessment and Mitigation

Risk	Risk rating	Risk Mitigating Measures Incorporated into Project Design	Risk after mitigation measures
Country level Poor governance and associated risks from a poorly performing public financial management system; weak procurement practices	H	The Economic and Governance TA and Capacity Building Project supports the PFM reforms	H
Entity level Collaboration between CNC and DND might be an issue that could jeopardize the Project implementation	M	Previous collaboration under PACV2 was commendable, the procedures manual will clarify further roles and responsibilities	M
Project level Project complexity involving many beneficiaries with relatively weak fiduciary capacities could hamper the Project implementation	S	A manual of procedures will be elaborated that sets out clearly roles and responsibilities. It will be complemented by a simplified procedures manual for micro projects that provide simplified tools for the micro projects management in addition to their selection and implementation process.	S
INHERENT RISK	S		S
Budgeting Delay in budget preparation and deviations in budget execution of some components not captured by the reports Variations from budgets not authorized	S	A clear timeline and responsibilities for budget preparation and monitoring described in the manual of procedures elaborated during the second phase will be maintained and applied CNC and DND are familiar with budgeting procedures	M
Accounting Delays in the treatment of financial information and in submissions of Financial Statements (interim and annual) as the accounting software might not be set up to record all the project transactions	S	The accounting software will be customized to fulfill the Project's needs	M

Risk	Risk rating	Risk Mitigating Measures Incorporated into Project Design	Risk after mitigation measures
Internal Controls and Internal Audit Risk of ineligible expenditures	S	The Project manual of procedures will include a clear description of roles and functions that will prevent any misuse of project funds. The internal auditor will perform ex post reviews of the Project and micro projects transactions on a risk based approach	S
Funds Flow Funds may be diverted, comingled with existing AFD funds or used for non-project eligible purposes	S	Separate Designated Accounts will be opened in stable commercial banks acceptable to the World Bank.	M
Financial Reporting Delays on the submission of agreed IFRs and annual project financial statements	S	The existing multi projects accounting software will be customized to fit the Project accounting and reporting needs thus ensuring timely recording of financial information as well as timely production of consolidated quarterly and annual financial statements of the Project	S
Auditing Delays on external audit due to a lack of capacity of the Chamber of accounts of the Supreme Court	M	An external auditor will be recruited according to ToRs acceptable to the World Bank	M
CONTROL RISK	S		M
Overall FM risk	S		S

11. The overall residual risk rating is deemed **Substantial**.

Strengths

12. CNC and DND are familiar with World Bank financed projects.

Weaknesses and Action Plan to reinforce the fiduciary arrangements

13. The FM systems in place at CNC and DND are deemed adequate to handle the Project activities. However, additional actions need to be taken in order to reinforce said system. Indeed the manual of procedures will be elaborated based on the existing PACV3 manual (AFD funding) in taking into account the specificity of the IDA funding and the accounting software will need some additional adjustments in compliance with IDA funding requirements and to be able

to record the financial aspects of the project and reporting needs. In addition an external auditor will be recruited on time to avoid any delay in the submission of the audit report.

Table A.3.3. Weaknesses and Action Plan to reinforce the fiduciary arrangements

Significant Weaknesses or risks	Action	Responsible body	Completion
Existing procedures manual might not encompass all the new phase specificities leading to non-proper management	Elaborate FM procedures as part of the implementation manual based on PACV2 existing manual and PACV3 specificities	CNC	No later than two months after effectiveness
Delays on the submission of agreed IFRs and project annual financial statements	Customize the existing multi projects accounting software to fit the new financing accounting and reporting needs thus ensuring timely recording of financial information as well as timely production of consolidated quarterly and annual financial statements of the project	CNC/DND	not later than one month after effectiveness
Delay in submitting external audit report	Recruit an external auditor	CNC	5 months after effectiveness

Financial Management Arrangements

14. Staffing: CNC staff comprises one chief accountant, one accountant assistant and one financial management officer. DND staff comprises one accountant and one accountant assistant and finally at regional level a fiduciary person taking care of all FM and procurement related issues. All of them are familiar with Bank FM procedures and they work under the technical supervision of the FM officer at CNC level. The FM staff will record transactions, monitor the compliance of transactions with fiduciary requirements; prepare the Withdrawal Application and financial reports. All financial staff will receive training on Bank financed projects' financial procedures during implementation as and when needed. The trainings will be provided by World Bank's FM staff and external consultants.

15. Budgeting: Budgeting arrangements will be detailed in the manual of procedures. Annual work plan and budget to be approved by the Steering Committee will describe in realistic manner activities to be performed during the year. Budget execution will be monitored via a computerized information system and in accordance with the budgeting procedures specified in the manual of procedures. Any variances will be identified in the Quarterly Unaudited Interim Financial Reports (IFRs) and corrective actions taken. Only budgeted expenditures will be committed and incurred, so as to ensure that resources are used within the agreed upon allocations and for the intended purposes.

16. **Accounting Policies and Procedures:** The computerized accounting system installed (accounting software multi projects and multi-sites version) for ongoing AFD financed operations will be customized to ensure that accounts of the Project activities are kept orderly and that the financial reports are produced on time in accordance with OHADA (*Organisation pour l'Harmonisation du Droit des Affaires en Afrique*) accounting principles – which are in line with the international accounting standards.

17. **Internal Control and Internal Auditing:** Internal control will be described in the manual. Said manual ensures that adequate internal controls are in place for the preparation, approval and recording of transactions as well as segregation of duties and will be subject to updates as needed. The internal auditor recruited during the second phase of the Project will still be in charge of ex posts reviews of the projects transactions and of capacity building both at central and decentralized level. The internal auditor will conduct reviews at subproject level on a regular basis, based on an annual audit plan set on a risk based approach. The internal audit arrangements were further discussed during appraisal.

18. In addition, the project design includes the setup and operationalization of a complaint handling mechanism at the Project level that will help manage all complaints received from beneficiaries and adjust as needed the project implementation accordingly.

19. **Funds Flow and Disbursement Arrangements:** Disbursements will be made in accordance with the World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

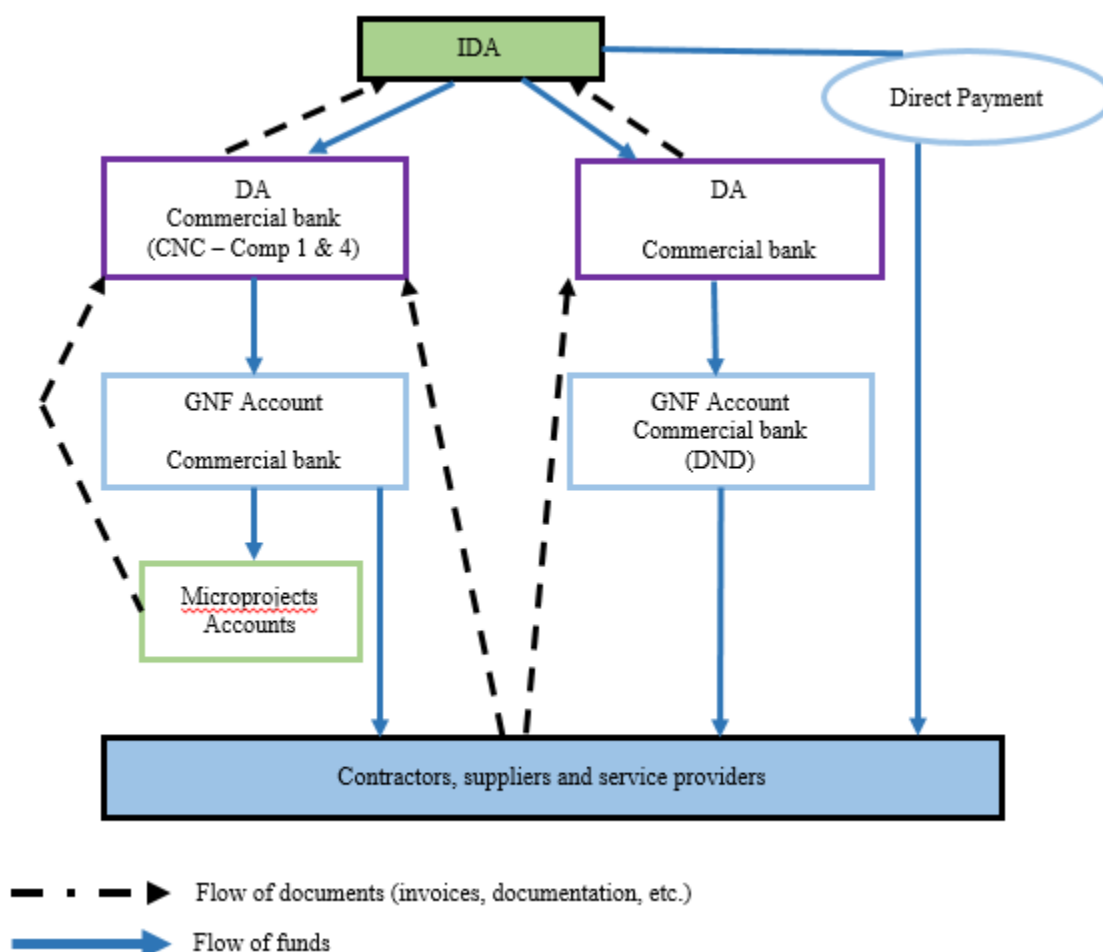
20. **Designated account.** Two (2) Designated Accounts (DAs) in USD, one for components 1 and 3 and one for component 2, will be opened in commercial banks acceptable to the Bank and managed by CNC and DND. They will finance through two (2) associated operations accounts opened in GNF, activities related to the Project according to the disbursement procedures described in the Administrative, Accounting and Financial procedures and the Disbursement Letter (DL). Funds will therefore flow from the DAs to the operation accounts and from there to micro-projects accounts, suppliers and contractors.

21. **Disbursement method and procedures.** Disbursement procedures will be detailed in the accounting, administrative and financial procedures and the disbursement letter. Upon effectiveness, this operation will follow transaction based disbursement. The DAs will receive initial advances up to the ceiling amount of US\$1,100,000 for DA-CNC and US\$400,000 for DA-DND, equivalent to four (4) months expenditures forecast. Subsequent advances will be made upon receiving monthly Withdrawal Applications (WA) supported with Statements of Expenditures (SOEs) reporting on the use of the initial advance to the DAs. In addition to the “advance” method, the option of disbursing the funds through direct payments to a third party, for contracts above a pre-determined threshold for eligible expenditures (e.g., 20 percent of the DA ceiling), will also be available to the Project. The WAs to replenish the DA will be signed by signatories designated by the GoG and communicated to the Bank through the Authorized Signatory Letter (ASL).

22. For the IRM contingent component, the existing flexibility in OP 12.00 Disbursement would be used to provide significant advances in order to provide the necessary liquidity for fast response. The level of the advance needed for the IRM component would be established independently of any existing advances for the Project components and recorded in the revised Dis-

bursament Letter. The advances for the IRM component would be deposited in separate Designated Account established for the purpose.

Diagram A.3.2 Funds flow diagram



Disbursements by category: This table takes into consideration the prevailing Country Financing Parameter for Gabon in setting out the financing levels.

Table A.3.4. Project Disbursements by Category

Category	Amount of the Financing Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, consultant services, non-consultant services, and Training under Component 1, except part 2(3)	4,500,000	100%
Goods, consultant services, non-consultant services, and Training under Component 2	7,800,000	100%
Goods, consultant services, non-consultant services, and Training under Component 3	1,500,000	100%
Contingency Fund	1,200,000	
Goods, consultant services, non-consultant services, and Training under Component 4 (IRM)	0	100%
TOTAL AMOUNT	15,000,000	

23. **Financial Reporting and Monitoring:** Consolidated IFRs (including all components activities) will be submitted to IDA within 45 days after the end of each calendar quarter. DND will ensure financial data related to its component are sent early enough to CNC for consolidation purposes. The IFR will comprise the sources and use of funds and the detailed expenditures by component. The IFR's format will be agreed during project's negotiation. At the end of each fiscal year, annual financial statements will be prepared by CNC and will be subject to annual external audits. Such Financial Statements will comply with OHADA and World Bank requirements and will be comprised of:

- (i) A Statement of Sources and Uses of Funds which includes all cash receipts, cash payments and cash balances;
- (ii) A Statement of Commitments;
- (iii) Accounting Policies Adopted and Explanatory Notes; and
- (iv) A Management Assertion that project funds have been expended for the intended purposes as specified in the relevant financing agreements.

24. **Auditing:** Annual consolidated financial statements will be prepared by CNC and submitted to annual audit by an independent external auditor. The auditor will provide one single

opinion on the annual financial statements in compliance with IFAC Standards on Auditing. In addition to the audit reports, the external auditors will be expected to prepare a Management Letter giving observations, comments, and providing recommendations for improvements in accounting records, systems, controls and compliance with financial covenants in the Financing agreement. The Project will be required to submit to the World Bank, no later than six months after the fiscal year, the audited annual financial statements.

25. FM Conditions and FM covenants

- (i) Update of PACV2 procedures manual taking into account PACV3 specificities not later than two months after effectiveness
- (ii) Parameterization of the accounting software to fit accounting and reporting needs of IDA financing not later than one month after effectiveness
- (iii) Recruitment of an external financial auditor acceptable to the Bank, 5 months after effectiveness

26. **Implementation Support Plan:** FM implementation support missions will be consistent with a risk-based approach, and will involve a collaborative approach with the entire Task Team (including procurement specialist). A first implementation support mission will be performed six months after the project effectiveness. Afterwards, the missions will be scheduled by using the AFTFM risk based approach model and will include the following diligences: (i) monitoring of the financial management arrangements during the supervision process at intervals determined by the risk rating assigned to the overall FM Assessment at entry and subsequently during Implementation (ISR); (ii) review the IFRs; (iii) review the audit reports and management letters from the external auditors and follow-up on material accountability issues by engaging with the task team leader, Client, and/or Auditors; the quality of the audit also is to be monitored closely to ensure that it covers all relevant aspects and provide enough confidence on the appropriate use of funds by recipients; (iv) physical supervision on the ground; and (v) assistance to build or maintain appropriate financial management capacity.

27. The Project includes limited retroactive financing of payments made by the recipient prior to the legal agreement date. The Government of Guinea will pre-finance eligible expenditures under components 1, 2, 3 to be procured in line with Bank procurement guidelines. The recipient will seek reimbursement payments up to US\$100,000 made in this context upon project effectiveness.

28. **Conclusions of the FM Assessment:** The residual FM risk is considered Substantial. The proposed financial management arrangements for this project are considered adequate to meet the Bank's minimum fiduciary requirements under OP/BP10.00.

Procurement Arrangements

A. General

29. Procurement under the proposed project will be carried out in accordance with the World Bank's (i) "Guidelines : Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised in July 2014, (ii) " Guidelines: Selection and Employment of Consultants under IBRD Loans and

IDA Credits & Grants by World Bank Borrowers” dated January 2011, revised in July 2014, and (iii) “ Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” , dated October 15, 2006, as revised in January 2011, as well as provisions stipulated in the Financing Agreement.

30. Use of Bank Guidelines: Procurement for the proposed project would be carried out in accordance with the World Bank’s "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011, revised July 2014; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, revised July 2014, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated as required, but at a minimum annually, to reflect the actual project implementation needs and improvements in institutional capacity.

31. Advertising: A General Procurement Notice (GPN) will be prepared and published in United Nations Development Business (UNDB) and in at least a national newspaper after the Project is approved by the Bank Board, and/or before effectiveness. The GPN would show all International Competitive Bidding (ICB) for works and goods contracts and all International consulting services. Specific Procurement Notices (SPN) for all goods and works to be procured under ICB will also be prepared and published. Expressions of Interest (EOI) for all consulting services to cost the equivalent of US\$100,000 and above would also be published in the UNDB as well as in the national press.

32. Procurement of Works: The Project will only fund small civil works such as office rehabilitation over widely dispersed sites. National Competitive Bidding (NCB) will be used for civil works contracts estimated to be less than US\$5,000,000 and Small Works procedures for contracts estimates to cost less than US\$200,000. Procurement will be done using the Bank's Standard Bidding Documents (SBD) for all ICB and NCB, satisfactory to the Bank. Procedures for civil works executed under the matching grants of the LIF and managed by beneficiary communities, are detailed in the Project Implementation Manual.

33. Procurement of Goods: Goods procured under this Project would include: vehicles, motorbikes as well as office equipment, such as computers, photocopiers, office furniture, etc. National Competitive Bidding (NCB) will be used for locally available goods less than US\$500,000 and Shopping for locally available goods less than US\$100,000. Procurement will be done using the Bank's SBD for all ICB and NCB, satisfactory to the Bank. In exceptional cases procurement from IAPSO could be used for vehicles and office equipment.

34. Procurement of goods by communities would follow procedures detailed in the Project Implementation Manual. A simplified Community-Based Procurement Manual was prepared under previous phases of the PACV. It needs to be updated to take into account the last procurement reforms. Then it has to be validated and disseminated through a series regional workshops that will gather both project and Bank procurement staff.

35. Procurement of non-consulting services: Non-consultant services procured under the Project includes a very limited number of study-tours, surveys and surveillance. They will usually be procured by direct contracting.

36. Other Methods of Procurement of Goods and Works: The following table specifies the methods of procurement, other than International or National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Shopping
(b) Community Participation
(c) Direct Contracting

37. Selection of Consultants: Consulting services would be for the following types of activities: audits, impact evaluation, specific studies related to project implementation and decentralization reforms, capacity building activities, development of training modules, technical advisors, support to communities for participatory diagnosis and local development planning. Consultations also include the organization and facilitation of training programs and workshops. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection Based on Consultants' Qualifications
(b) Least Cost Selection
(c) Selection under a Fixed Budget
(d) Single Source Selection of consulting firms
(e) Selection of individual consultants
(f) Single source selection of individual consultants

38. The Project will enter into agreements with Government and/or donor supported institutions for specific implementation support. As no competitive process would be possible, the Project would only fund incremental costs. In addition, where capacities are weak, the Project may enter into contractual arrangements with NGOs for certain aspects of implementation (beneficiary training, participatory analyses, etc.).

39. Operating Costs: The Project would fund incremental operating costs of the implementing agencies. Normally, national shopping procedures would apply, except for the case of gasoline, which is purchased through a system of vouchers. For this particular item, a national tender would be held each year.

40. Other: The procurement procedures for the matching grants under the Local Investment Fund follow the guidelines for simplified procurement and are detailed in the Project Implementation Manual. The procurement procedures and SBDs to be used for each procurement method,

as well as model contracts for works and goods procured, are presented in the Project Implementation Manual.

41. Review by the World Bank of Procurement Decisions: Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) each contract for goods and works estimated to cost the equivalent of US\$500,000 (for goods) and US\$5,000,000 (for works) or more to be procured on the basis of International Competitive Bidding, Limited International Bidding or National Competitive Bidding, or Direct Contracting; and (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of US\$200,000 or more; (c) each contract for consultants' services provided by an individual consultant estimated to cost the equivalent of US\$100,000 or more. All other contracts shall be subject to Post Review by the World Bank, except all terms of reference and short-lists which are subject to prior reviews regardless the nature or the amount of the contract.

B. Assessment of the agency's capacity to implement procurement

42. All procurement activities will be carried out by the CNC. An assessment of the capacity of the CNC to implement procurement actions has been carried out in March 2016, by Alpha Mamoudou Ba, Senior Procurement Specialist, and Mamadou Mansour Mbaye, Procurement Specialist STC, as part of Project preparation. The assessment of the organizational structure, and the CNCs track record during the implementation of previous phases were found satisfactory for implementing the PACV3. However, to strengthen the procurement capacity of the CNC's, it is recommended to (i) recruit a procurement specialist to handle procurement activities and provide training and support to the staff of the other structures which have to handle procurement activities; (ii) recruit a procurement assistant, (iii) update the Manuals of procedures to take into account the proposed project, and (iv) train technical staff of all Components involved in procurement activities.

43. The overall project risk from procurement is **Substantial** and is expected to be moderate once the mitigation measures listed above are implemented.

C. Procurement Plan

44. The Recipient will develop a procurement plan for the first 18 months of Project implementation, which provides the basis for the procurement methods. This plan will be formally agreed upon at negotiations. It will also be made available in the project's database and in the Bank's external website. The Procurement Plan will be updated quarterly by the procurement staff of the CNC or as required to reflect the actual project implementation needs. The procurement plan will specify the procurement procedures to apply to each contract

D. Frequency of Procurement Supervision

45. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended two annual supervision missions to visit the field to carry out post review of procurement actions.

E. Details of the Procurement Arrangements Involving International Competition

I. General

Project information:

Country:

Project:

Grant No:

Implementing Agency:

II. Goods and Works and non-consulting services.

(i) List of contract packages to be procured: Prior Review Threshold:

	Procurement Method	Levels	Comments
1.	Goods	= or > US\$500,000	Prior review
2.	Works (if any)	= or > US\$5,000,000	Prior review
3	Direct Contracting	All contracts	Prior review

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost US\$	Procurement Method	Prequalification (yes/no)	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
Component 1:								
01								
02								
03								
Component 2:								
01								
02								
03								
04								
Component 3:								
01								
02								
03								

04								
05								
Purchase for components 1, 2 and 4								
01								
02								
03								

46. ICB contracts estimated to cost above US\$5,000,000 per contract for works, US\$500,000 per contract for goods and non-consulting services, the first contract irrespective of the cost estimate and all direct contracting will be subject to prior review

III. Consulting services

Prior Review Threshold:

	Selection Method	Prior Review Threshold	Comment
1.	Selection of firms	US\$200,000	Prior review
2.	Selection of individual consultants	US\$100,000	Prior review
3	Single source for firms and individual consultants	All contracts	Prior review

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated costs (USD)	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
Component						
01						
02						
03						
04						
05						
06						
07						
08						
09						
10						

47. Consultancy services estimated to cost above US\$200,000 per contract for firms and US\$100,000 per contract for individual consultants, the first contract irrespective of the cost es-

timate and every single source selection of consultants (firms) for assignments will be subject to prior review by the Bank.

48. Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Social and Environmental Safeguards – See paragraphs 68 to 72 in main text.

Annex 4: Implementation Support Plan

Third Village Community Support Project

Strategy and Approach for Implementation Support

1. The Project Implementation Manual (PIM) will present the main implementation modalities, and the institutional arrangements to support those modalities. As agreed during Negotiations, the PIM will be finalized and become operational no later than two months after effectiveness.
2. The strategy of the Implementation Support Plan (ISP) has been developed according to the nature and the characteristics of the Project, as well as its risk profile. The strategy will basically aim at making implementation support to the client more flexible and efficient, and will focus on the principal risks identified and the agreed risk mitigation measures described in the SORT. It will also provide the technical advice necessary to facilitate the PDO achievement. The ISP also identifies the minimum requirements to meet the Bank's fiduciary obligations.
3. Collaboration with other key stakeholders and the government is a central factor for the Project implementation. The Government has developed several key policies and has created and/or strengthened national institutions that are directly linked among others to decentralization and local development. These institutions, whose missions and mandates are clearly defined, will play a major role in the implementation of the Project. The key institutions in charge of the implementation of the Project are the following: the Ministry of Decentralization and Territory Administration (MATD); The Ministry of Economy and Finance (ME & F); The Ministry of Budget (MB); Mining and Geology (MMG); The Ministry of Public Services (MPS).
4. The main elements of the strategy are the following:
 - (i) **Technical support.** Technical support will be provided to the participating agencies, in general, and the *Cellule Nationale de Coordination* (CNC / NCU), in particular. This will ensure compliance with different agreed modalities and procedures. On the other hand, experts of the NCU will provide regular inputs to the agencies in each of these activities.
 - (ii) **Procurement.** Implementation support will include the following elements: (a) providing training; (b) reviewing procurement documents and providing timely feedback to the Procurement Committee; and (c) providing detailed guidance on the Bank's Procurement Guidelines to the Procurement Committee; and (d) monitoring procurement progress against the detailed Procurement Plan.
 - (iii) **Financial management.** Support will include the provision of training to the concerned financial management consultants, and reviewing the Project financial management system (on quarterly basis), including accounting, reporting, and internal controls.
 - (iv) **Safeguards:** Support to environmental and social safeguards will need specialized missions to project sites twice a year. Support will include capacity building on safeguards requirements, and support to the implementation of the ESMP, the PMP and

the Resettlement Action Plan (Environmental safeguard specialist 4 SWs; Social safeguard specialists 4 SWs).

- (v) **M&E:** Adequate support to M&E activities will need specialized missions to project sites at least twice a year.
- (vi) **Technical support.** IDA, in synergy with AFD will provide continuous extensive technical support through participating in the supervision missions, MTR and eventual ad hoc advisory services. This support will be crucial to the identification of the main factors that may hinder the proper implementation of the activities. The support will include a continuous assessment of risks (outlined in the SORT), fiduciary requirements and inputs, and safeguards. The World Bank team will also support the implementation of the agreed Governance and Anti-corruption Plan, and provide guidance in resolving any issues identified.
- (vii) **Other Issues.** Sector level risks, specifically those posed by the weak capacities of the new local councils in case the local elections are held. The capacity of public deconcentrated services will be addressed through specific initiatives aimed at strengthening these capacities.
- (viii) **Overall project management.** The Task Team Leader (TTL), based in the country office, will provide regular supervision of all operational aspects, as well as coordination with the Client and among Bank team members.

5. Supervision Arrangements projected

- i. It is projected that a total of 8 supervision missions will be required over the Project period (4 years).
- ii. The NCU will undertake mid-term independent audits and perception survey, which will be undertaken in a random sample of Communes.
- iii. The ISM will be reviewed at least once a year to ensure that it continues to meet the implementation support needs of the Project
- iv. Staff skills required are summarized in the table below:

Table A.4.1 Implementation Support Plan

Time	Focus	Skills needed	Resource Estimated	Partner role
First 12 months	<p>Focus on all key aspects of the activities of all the components, mainly related to:</p> <p>Assisting Communes in planning activities and implementing investments</p> <p>Building and strengthening local capacities</p> <p>Establishing grievance mechanisms at Commune level</p> <p>Setting up the conditions of Inter-communality and support first experiments</p> <p>Implementing adequate M&E system</p> <p>Providing institutional and financial support to CNFPCE</p>	<p>Organizational, leadership, social and environmental safeguards, and procurement.</p> <p>Overall experience in local development, decentralization, and community development and community sensitization.</p> <p>Experience on M&E</p> <p>Public administration/ institutions</p>	<p>TTL/ Operations analysts and consultants 15 SWs</p> <p>Community development specialist 6 SWs</p> <p>Environmental safeguard specialist 4 SWs</p> <p>Social safeguard specialists 4 SWs</p> <p>M&E specialist 4 SWs</p> <p>Public administration/institutions specialist 4 SWs</p>	<p>Consultants are recruited to support the targeting as well as the local level planning and M&E.</p> <p>The World Bank will provide significant TA contributions.</p>
12-48 months	<p>Focus on all key aspects of the activities of all the components, mainly related to:</p> <p>Assisting Communes in planning activities and implementing investments (PAI)</p> <p>Building and strengthening local capacities</p> <p>Supporting inter-commune investments</p> <p>Providing institutional and financial support to the FNDL/EPA;</p> <p>Supporting the CNFPCE</p> <p>Financing independent audits</p> <p>Carrying out supervision missions</p> <p>Etc.</p>	<p>Organizational, leadership, social and environmental safeguards, and procurement.</p> <p>Overall experience on local development, decentralization, and community development and community sensitization.</p> <p>Experience on M&E</p> <p>Public administration/ institutions</p>	<p>TTL/ Operations analysts and consultants 15 SWs</p> <p>Community development specialist 10 SWs</p> <p>Environmental safeguard specialist 12 SWs</p> <p>Social safeguard specialists 4 SWs</p> <p>M&E specialist 4 SWs</p> <p>Public administration/institutions specialist 4 SWs</p>	<p>Consultant firms are recruited to finalize and execute targeting.</p> <p>The World Bank will provide significant TA contributions.</p>

Table A.4.1 Staff needs to support project

Skills needed	Number of Staff Weeks	Number of Trips	Comment
TTL	12 SW annually	3 the first year and two annually thereafter	Based in Conakry
Operations analyst	2 SW annually	Field trips as required	Based in Conakry
Procurement specialist	3 SW annually	Field trips as required	Based in Conakry
FM specialist	3 SW annually	Field trips as required	Based in Bamako
Governance & Local development specialist	4 SW annually	Field trips as required	Based in Conakry
Social safeguard specialist	4 SW annually (from Year 2)	Field trips as required	Based in Washington and / or in Niamey
Environmental safeguard specialist	4 SW annually (from Year 2)	Field trips as required	Based in Dakar
Communication specialist	2 SW annually (from Year 2)	Field trips as required	Based in Conakry
M&E specialist	4 SW annually (from Year 2)	Field trips as required	Based in Ouagadougou or Quebec

Partners

Name	Institution/Country	Role
European Union		Synergy / complementarity
AFD	Paris and Conakry	Synergy / complementarity country wide. Use the same Unit
EU	Brussels and Conakry	Synergy / complementarity in implementation of Activities of Components 1-3

Annex 5: Economic and Financial Analysis

Third Village Community Support Project

Introduction

1. The objective of the Project is to strengthen the local government financing system and improve local service delivery in rural communes and to provide an immediate and effective response in the event of an Eligible Emergency or Crisis. To achieve this objective the Project will support the beneficiary rural communities by providing them with the necessary tools and skills to implement local development activities that would improve their living standards.

Summary of Project Activities

2. The Project will be implemented through four components: (a) a local investment fund with specific financing windows (b) capacity building for sustainable local governance and community participation; (c) immediate response mechanism and (d) project management and enhanced participatory monitoring and evaluation. Component 1 will finance a number of small investments in selected CRs. The activities will include complementary investments aimed at improving micro-projects undertaken under the predecessor project (PACV2), micro-projects in the Ebola affected CRs, micro-projects in the mining CRs, and inter-community micro-projects through the implementation of natural resource management (NRM) micro-projects. Component 2 will improve technical, fiduciary and project management capacity of the local authorities to enable them to undertake local development activities, including support to the implementation of the local government code that is expected to strengthen fiscal and administrative decentralization. Component 3 will mainly finance project coordination and management. Component 4 will be a zero budget component which will establish a disaster contingency fund that could be triggered in the event of a natural disaster. The Project's main beneficiaries are the rural population living in the targeted CRs. Project interventions will increase the beneficiaries' access to quality social infrastructure. It will also improve the beneficiaries' incomes through engagement in community level income generating activities.

Project Benefits and Costs

3. **Benefits.** Benefits are the positive outcomes of a project implementation. Two categories of benefits (direct and indirect benefits) can be distinguished. Direct benefits are benefits that accrue to the beneficiaries who are directly targeted by the Project, while indirect benefits are benefits related to the behavioral change of the Project beneficiaries, and it is usually accrued to beneficiaries not directly targeted by the Project. Due to difficulties in measuring indirect benefits, they were not included in the analysis. The Project will support beneficiary groups to undertake income generating activities to improve their living standards. Experience under the two previous sister projects PACV2 and PGCT showed that when the rural people are given the requisite tools and skills to come together to undertake income generating activities they accrue significant benefits. The implementation of the Project's activities will create employment for the beneficiaries, and hence, improve their incomes. Benefits will include proceeds from the sale of farm produce from the agricultural activities to be undertaken by the beneficiary groups. Also, significant benefits will accrue to the rural population through the use of improved social infra-

structure, such as water points/wells, abattoirs, market centers and youth centers to be provided or strengthened under the Project. Proceeds from the operations of these centers will improve the livelihoods of the beneficiaries through an improved incomes and social well-being. **Project Costs.** Costs are the financial resources used in undertaking a project. Two kinds of costs can be distinguished: (i) direct costs (e.g. equipment and material costs, maintenance costs, utilities such as power costs, and labor costs etc.), and (ii) indirect costs. Lack of data did not allow for the inclusion of indirect costs in the analysis. All the Project's direct costs both investment and recurrent costs computed through the Project's cost tables, were included in the analysis.

4. **Data sources.** The analysis utilized a sample of micro-projects that are expected to generate significant direct benefits to project beneficiaries. The team focused on specific activities of the project's subcomponents, which will generate the expected benefits, and for which data were available. Useful information and data that serve the basis for this analysis was obtained from the impact evaluations of the two previous projects PAVC2 and PGCT that supported local government development and NRM activities in Guinea. The team also obtained significant information from discussions with community authorities and members in order to get their views on the expected project's impacts on the beneficiary communities.

Methodology and underlying assumptions

5. The methodology used for the analysis was based on the assumption that the scope and scale of the proposed investments would be driven by explicit demands from the Project's target population. Therefore, a detailed ex-ante cost-benefit analysis for the entire project was not undertaken. As noted, the team performed the analysis by looking at specific subcomponents/activities for which data were available, and which were expected to provide significant benefits to the Project beneficiaries. Based on these assumptions, production models that would generate the expected benefits from project interventions were built. Using the available primary and secondary data, the team developed and analyzed the following production models for micro-projects to be implemented by the Project. These include: (i) small scale slaughter house (abattoir) for meat retail; (ii) market centers for local trading activities; (iii) youth centers for local entertainment; and (iv) bridges and crossings for local transportation. Based on the evidence under PACV2, the team assumed that improvement in the existing abattoirs, market centers, youth centers, and bridges and crossings resulting from the complementary infrastructure to be provided by the Project would increase the use of the facilities. The increased demand for these facilities will lead to increased incomes of the operators of the facilities. The team also assumed that the local representatives/ authorities who would manage the facilities would collect significant revenues from the operators of the facilities. The revenues will constitute benefits to the beneficiary CRs. It was also assumed that the utilization of the bridges and crossings would boost the local economic activities as transportation will improve significantly. Other production models that were included in the analysis include (i) lowland cultivation of vegetable crops to be undertaken by the beneficiary groups whose incomes are expected to increase and (ii) water points/ wells whose use would bring significant revenues for the CRs from user fees to be collected from the water users. This will be a good source of maintenance funds for the community management committees, who are responsible for maintaining facilities, established under PAVC2.

6. In addition, production models such as stone fences and compost pits to be developed under the NRM interventions were included in the analysis. Empirical evidence shows that

stones fences and compost pits contribute to increased yields and agricultural productivity. These micro-projects are expected to increase agricultural activities in the beneficiary communities. The increased agricultural activities would increase incomes and improve food security. Other social infrastructure (health center, health post, and primary schools) which are typically of social nature and which do not necessarily generate revenues were not included in the analysis.

7. Project benefits regarding capacity building interventions were mainly based on social benefits to be accrued to the society or the community. The team assumed that the beneficiaries whose skills and abilities will be strengthened under the targeted training programs to be supported by the Project will support development planning and implementation activities in their respective CRs. The involvement of these beneficiaries in planning and implementation of local development activities will have significant impacts on the society or the community as whole. Available information and data from PAVC2 show that a variety of capacity building interventions aimed at improving local capacity to plan, manage and implement local development programs were carried out in all the beneficiary CRs. Local authorities were trained in areas such as local financial resource mobilization and budgeting techniques, local planning and project management techniques, administrative, financial, accounting, and procurement management procedures for CRs, participatory budgeting procedures, and community procurement techniques for managing local investment fund (LIF). Over 7,000 community leaders, local authorities, local workers etc. benefited from these interventions, which enhanced their skills that led to development of local infrastructure as well as mobilization of local revenues. For example, it was proven under PACV2 that the capacity of the CRs to mobilize resources significantly improved. An impact assessment survey³ conducted as part of PACV2 closure showed that average tax revenue mobilized by the CRs increased consistently between 2011 and 2014, growing from GNF 22.1 million in 2011 to GNF23.2 in 2012 and then steadily increasing to reach GNF 36.2 million in 2014, an increase of over 64 percent over 2011 and 2014 period. Since PACV3 will sustain the gains of PAVC2, and with high focus on capacity building activities, the analysis assumed significant increase in future revenues of the CRs as a result of the local authorities improved capacity to implement and manage the local facilities. The effective management of the revenues will allow the CRs to improve the well-being of the citizens of their communities by improving the social amenities/infrastructure. Therefore, the revenues to be derived from the operations of the infrastructure supported by the Project will constitute benefits that will accrue to the population living in the CRs.

8. The analysis took into account the Ebola condition and calculated two separate ERRs to show the expected impact of any future Ebola outbreak on micro-project activities. It was assumed that sporadic or some Ebola cases that might affect implementation, may occur now that the country is moving toward Ebola free over the next couple of years. An exchange rate of GNF 7,588 to US\$1 was used for the analysis, and a 12 percent discount rate was assumed as the opportunity cost of capital in Guinea. On the average, a 10-year horizon was used for the analysis. Guinea's GDP per capita = US\$523 (Source: WDI, 2013). Economic project costs were calculated based on the Project's cost tables, which takes into account the effects of taxes and prices.

³ Ministère du Plan, Institut National de la Statistique, Deuxième enquête pour l'évaluation des indicateurs de résultats (ODP et intermédiaires) et des indicateurs SYGRI du PACV2

9. Based on the above assumptions an input-output approach⁴ to CBA was employed. Key inputs and expected outputs, including the associated costs to the operations of the models were used to derive the incremental net benefits of the Project. From the net benefits, the net present value (NPV) and economic rate of return (ERR) were calculated to determine financial and economic viability of the Project. Key methodological considerations include: (i) identification of project inputs and outputs through costing spreadsheet data, and classification of project activities into production models above; (ii) quantification of outputs to determine the benefit stream; (iii) development of value flow tables to determine the net benefits that would be generated from a combination of inputs and outputs; (iv) using techniques of discounting to discount project benefits and costs to calculate the project's net present value (NPV) and the economic rate of return (ERR); (v) conduct of component/activity by component/activity analysis to arrive at overall NPV and ERR using excel spreadsheet's economic and financial function ; (vi) the conduct of a sensitivity analysis to address the uncertainties associated with the underlying assumptions in order to determine the relative responsiveness of changes in some key variables used for the analysis.

Summary of Results of the Analysis

10. **Results of the analysis.** Based on the above assumptions and taking into consideration the expected project benefits, the net present value (NPV) of the Project has been estimated at US\$54,673. The positive NPV means that the Project would generate the expected benefits. The overall economic rate of return (ERR) has also been estimated at 24 percent. Table A.5.1 shows a summary of the analysis.

Table A.5.1 Estimated Net Present Value (NPV) and Economic Rate of Return (ERR) of Project Interventions

Components/Activities	Net Present Value (NPV) (in GNF)	Economic Rate of Return (ERR)
Subcomponent 1.1: Complementary micro-projects		
<i>Abattoir</i>	425,917,093	18
<i>Water points/wells</i>	759,539,136	28
<i>Bridges and crossings</i>	560,623,444	24
<i>Market center</i>	960,538,380	26
<i>Youth center</i>	560,654,244	17
Subcomponent 1.2: Micro-projects in the Ebola affected CRs		
<i>Abattoir</i>	350,654,244	18

⁴ The input-output approach to conducting a CBA is based on the premise that implementation of every project requires a combination of basic factors of production (labor, capital, equipment and material and supplies) to generate the Project's benefits.

Components/Activities	Net Present Value (NPV) (in GNF)	Economic Rate of Return (ERR)
<i>Water points/wells</i>	560,247,368	25
<i>Bridges and crossings</i>	370,654,527	20
<i>Market center</i>	495,654,244	21
<i>Youth center</i>	244,076,405	14
NRM Activities in Ebola affected CRs		
<i>Compost pits and stone fences</i>	13,407,640	16
<i>Low land cultivation/agricultural production</i>	16,568,943	22
Subcomponent 1.3: NRM-Inter-community micro-projects activities		
<i>Compost pits and stone fences</i>	15,589,201	19
<i>Low land cultivation/agricultural production</i>	18,068,943	28
Subcomponent 1.4: Micro-projects in CRs located in mining areas		
<i>Abattoir</i>	808,742,036	35
<i>Water points/wells</i>	976,066,789	33
<i>Bridges and crossings</i>	859,665,370	36
<i>Market center</i>	548,654,376	31
<i>Youth center</i>	281,879,627	20
Subcomponent 2.2 Capacity building of regional/prefectoral staff		
<i>Improving regional capacity in project management</i>	244,076,405	27
Subcomponent 2.3: Local capacity building		
<i>Improving local capacity in project management and planning</i>	26,188,078	25
<i>Improving fiduciary and M&E capacity</i>	29,425,267	23
Overall Average	414,858,717	24

Sensitivity analysis

11. To account for uncertainties associated with the assumptions used in the analysis, a sensitivity analysis was conducted for selected project interventions through a reduction in sales prices and operating costs of the proposed activities. The results of the sensitivity analysis showed that the ERRs and NPVs of the proposed interventions are not sensitive to changes in sales prices or operating costs. The Project's switching values correspond to small variations in sales price or operating costs. Table A.5.2 shows the results of the sensitivity analysis of selected production models.

Table A.5.2. Switching values for input and output for the Project's investments

	Meat Retail	Vegetable	Stone fences	Compost pits	Income gener- ating type So- cial centers
Maximum % decrease in sales prices	13	15	12	12	14
Maximum % increase in operating costs	15	18	16	17	20

Conclusion

12. From the above analysis, and the results in tables A.5.1 and A.5.2, it is clear that when the Project's benefits are compared with its associated costs the NPV and ERR show positive outcomes. This means that the Project's investments are economically and financially viable. A sensitivity analysis conducted to test the robustness of the analysis with regard to the choice of variables for the analysis also showed positive outcomes when the sales prices and operating costs of the interventions were altered.

Rationale for public sector provision/financing

13. Decentralization is important for boosting local governance and the two previous phases of the PACV in Guinea have demonstrated how this type of project helps local government entities to remain resilient and fully relevant to take the local development forward, including in a challenging socio-political context. Political and institutional instability can significantly be mitigated by the awareness raising generated by the CDD approach. Because support to local development is, above all, a public management business, the Government of Guinea is encouraged to take such an agenda forward in partnership with its traditional donors so that the gains already on the ground could be expanded and sustained.

Value added of Bank's Support

14. The World Bank has a convening power and a comparative advantage in proven access to global knowledge particularly on CDD operations worldwide. The stock of knowledge gained from the previous two phases of the Project in Guinea, including from similar operations in the Africa region and worldwide are valuable advantages from which this Project builds upon and

could quickly come up with smart achievements and impacts on local governance to promote local development. Gender issues, including youth employment, is a growing challenge for African Governments that are looking for the best panacea for addressing them. Also, learning from closed or ongoing World Bank interventions and knowledge products on youth employment as well as large consultations with youth would surely help to come up with a good financing mechanism model that would make local governance opportunities appealing for youth participation that the Project would implement. Overall, the Bank's involvement in the Project would contribute to incremental funding and technical expertise required to improve CDD and decentralization, improve the well-being of the poor by increasing access to social infrastructure services, create opportunities for youth employment, and foster a policy and institutional environment for an effective and transformational economic growth at the local level.