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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED RESTRUCTURING AND ADDITIONAL GRANT

IN THE AMOUNT OF SDR 16.1 MILLION  
(US\$22 MILLION EQUIVALENT)

INCLUDING US\$7 MILLION EQUIVALENT FROM IDA CRISIS RESPONSE WINDOW

TO THE  
REPUBLIC OF GUINEA

FOR AN

ECONOMIC GOVERNANCE TECHNICAL ASSISTANCE & CAPACITY BUILDING

May 19, 2017

Governance Global Practice  
Africa Region

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CURRENCY EQUIVALENTS  
(Exchange Rate Effective April 30, 2017)

Currency Unit = Guinean Franc (GNF)  
GNF 9,308 = US\$1  
US\$1 = SDR 0.72938396

FISCAL YEAR  
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACGP	Administration and Control of Large Projects ( <i>Administration et Contrôle des Grands Projets</i> )
ACGTMP	Administration and Control of Large Public Works and Procurement ( <i>Administration et Contrôle des Grands Travaux et des Marchés Publics</i> )
AF	Additional Financing
AfDB	African Development Bank
ARMP	Public Procurement Regulatory Authority ( <i>Autorité de Régulation des Marchés Publics</i> )
DNMP	National Directorate for Public Procurement ( <i>Direction Nationale des Marchés Publics</i> )
DNSI	National Directorate of Information Technology ( <i>Direction Nationale des Systèmes Informatiques</i> )
ECOWAS	Economic Community of West African States
EGTACB	Economic Governance Technical Assistance and Capacity Building
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
GPSA	Global Partnership for Social Accountability
GSG	General Secretariat of Government
HR	Human Resource
HRM	Human Resource Management
ICOR	Incremental Capital Output Ratio
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IIAG	Index of African Governance
IMF	International Monetary Fund
INS	National Statistical Institute ( <i>Institut National des Statistiques</i> )
ISR	Implementation Status and Results Report
IT	Information Technology
LEB	Budget Execution software ( <i>Logiciel d'Execution Budgétaire</i> )
LORLF	Organic Law on Financial Legislation ( <i>Loi Organique relative aux Lois des Finances</i> )
M&E	Monitoring and Evaluation
MB	Ministry of Budget ( <i>Ministère du Budget</i> )

MCS	Ministry of Civil Service ( <i>Ministère de la Fonction Publique et de la Modernisation de l'Administration</i> )
MDAs	Ministries, Departments, and Agencies
MEF	Ministry of Economy and Finance ( <i>Ministère de l'Economie et des Finances</i> )
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
MPCI	Ministry of Planning and International Cooperation ( <i>Ministère du Plan et de la Coopération Internationale</i> )
NPV	Net Present Value
NSO	National Statistics Office ( <i>Institut National de la Statistique</i> )
NSS	National Statistics System
PARFSE	Programme to Reinforce the Statistical Functions of the State ( <i>Programme d'Appui au Renforcement des Fonctions Statistiques de l'Etat</i> )
PCU	Project Coordination Unit
PDO	Project Development Objective
PER	Public Expenditure Review
PFM	Public Financial Management
PIM	Public Investment Management
PIP	Public Investment Program
PM	Prime Minister
PNDES	Social and Economic National Development Plan ( <i>Plan National de Développement Economic et Social</i> )
PREFIP	PFM Reform Strategy
PREMA	Programme for State Reform and Public Administration Modernization ( <i>Programme de Réforme et de Modernisation de l'Administration</i> )
RGCBCP	General Regulation on Budget Management and Public Accounting ( <i>Règlement Général sur la Gestion Budgétaire et la Comptabilité Publique</i> )
SGG	Secretary General of the Government ( <i>Secrétariat Général du Gouvernement</i> )
SIGMAP	Integrated Public Procurement Management Information System ( <i>Système Intégré de Gestion des Marchés Publics</i> )
SPF	Social and Peacebuilding Fund
TA	Technical Assistance
UCEP	Project Coordination and Execution Unit ( <i>Unité de Coordination et d'Exécution de Projets</i> )
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union
WBG	World Bank Group

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**REPUBLIC OF GUINEA**  
**ECONOMIC GOVERNANCE TECHNICAL ASSISTANCE & CAPACITY BUILDING - ADDITIONAL FINANCING**

**TABLE OF CONTENTS**

Additional Financing Data Sheet .....	i
I. Introduction .....	1
II. Background and Rationale for Additional Financing.....	1
III. Proposed Changes.....	9
IV. Appraisal Summary .....	14
V. World Bank Grievance Redress.....	26
Annex 1: Revised Results Framework and Monitoring Indicators .....	27
Annex 2: Results Framework and Monitoring .....	29
Annex 3: Results Chain.....	33
Annex 4: Comparison of activities between the Original and the Additional Financing Projects .....	36
Annex 5: Economic and Financial Analysis .....	39
Annex 6: Guinea PFM Reform Strategy .....	44

Map IBRD 3341 4R1



## Additional Financing Data Sheet

*Guinea*

*Economic Governance TA & Capacity Building - Additional Financing (P157662)*

*AFRICA*

*Governance Global Practice*

Basic Information – Parent							
Parent Project ID:	P125890		Original EA Category:	C - Not Required			
Current Closing Date:	30-Jun-2017						
Basic Information – Additional Financing (AF)							
Project ID:	P157662		Additional Financing Type (from AUS):	Restructuring; Scale up			
Regional Vice President:	Makhtar Diop		Proposed EA Category:	C- Not Required			
Country Director:	Soukeyna Kane		Expected Effectiveness Date:	15-Sep-2017			
Senior Global Practice Director:	Deborah L. Wetzel		Expected Closing Date:	30-Jun-2021			
Practice Manager/Manager:	Chiara Bronchi		Report No:	PAD1787			
Team Leader(s):	Robert A. Yungu						
Borrower							
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Project Financing Data - Parent (Economic Governance Technical Assistance and Capacity Building - P125890) (in US\$, millions)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P125890	IDA-H7650	Effective	20-Mar-2012	23-Apr-2012	17-Oct-2012	31-Dec-2016	30-Jun-2017
P125890	TF-12640	Closed	23-Apr-2012	23-Apr-2012	17-Oct-2012	31-Dec-2013	31-Dec-2014

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P125890	IDA-H7650	Effective	US\$	10.00	10.00	0.00	9.07	0.41	90.75
P125890	TF-12640	Closed	US\$	0.65	0.14	0.51	0.14	0.00	100.00
<b>Project Financing Data - Additional Financing Economic Governance Technical Assistance &amp; Capacity Building - Additional Financing (P157662) (in US\$, millions)</b>									
<input type="checkbox"/>	Loan	<input type="checkbox"/>	Grant	<input checked="" type="checkbox"/>	IDA Grant				
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee	<input type="checkbox"/>	Other				
Total Project Cost:			22.00		Total Bank Financing:			22.00	
Financing Gap:			0.00						
<b>Financing Source - Additional Financing (AF)</b>								<b>Amount</b>	
BORROWER/RECIPIENT								0.00	
IDA Grant								15.00	
IDA Grant from Crisis Response Window (CRW)								7.00	
Total								22.00	
<b>Policy Waivers</b>									
Does the project depart from the CAS in content or in other significant respects?								No	
Explanation									
Does the project require any policy waiver(s)?								No	
Explanation									
<b>Team Composition</b>									
<b>Bank Staff</b>									
<b>Name</b>		<b>Role</b>	<b>Title</b>		<b>Specialization</b>		<b>Unit</b>		
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Extended Team					
Name		Title	Location		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Guinea	Conakry	Conakry Region		X	

<b>Institutional Data</b>
<b>Parent (Economic Governance Technical Assistance and Capacity Building - P125890)</b>
<b>Practice Area (Lead)</b>
Governance
<b>Contributing Practice Areas</b>
<b>Additional Financing Economic Governance TA &amp; Capacity Building - Additional Financing (P157662)</b>
<b>Practice Area (Lead)</b>
Governance
<b>Contributing Practice Areas</b>
Macro Economics & Fiscal Management

## I. Introduction

1. **This Project Paper seeks the approval of the Executive Directors for a proposed restructuring and additional financing (AF) in an amount of US\$22.0 million to the Republic of Guinea for the Economic Governance Technical Assistance and Capacity Building (EGTACB) Project.** The AF responds to an official request of the Minister of Economy and Finance (MEF) received on July 13, 2016, to scale up and increase the scope of the operation (P125890). The AF will be financed from the country IDA allocation (US\$15 million) and the IDA Crisis Response Window (CRW) (US\$7 million).<sup>1</sup> CRW funds will provide support to the Government of Guinea in its efforts to improve fiscal space and service delivery in the aftermath of the 2014-15 Ebola pandemic by: (a) strengthening Public Financial Management reforms to improve efficient spending of limited resources and macro resilience; (b) contributing to high-quality public infrastructure and economy wide productivity through enhanced public investment management; and (c) supporting the statistics as a critical element to strengthening the evaluation and assessment of country's key social and economic indicators, including poverty dynamics. As part of the proposed AF, the overall project will be restructured to (a) add a new component; (b) include new activities; (c) revise the Project Development Objective (PDO) and the Results Framework; and (d) extend the closing from June 30, 2017, to June 30, 2021. The total duration of the overall project, with the new AF, would be nine years.

2. **The proposed AF will help deepen the development impact of the original project and support the implementation of the Social and Economic National Development Plan, 2016–2020 (*Plan National de Développement Economique et Social, PNDES*) and a new component on statistical capacity building.** The project has disbursed 95 percent of IDA US\$10 million and has been rated Moderately Satisfactory or higher for both development objectives and implementation progress over the last two years. Noticeable progress has been achieved in human resource management (HRM) with the elimination of a large number of ghost workers and in public financial management (PFM) through the adoption of a new budget organic law and a new public procurement management framework. Still, significant challenges remain, particularly in the areas of the macro-fiscal framework, public investment programming, multiyear budgeting, value-for-money, financial reporting, and interagency coordination.

## II. Background and Rationale for Additional Financing

### A. Country Context

3. **Guinea is a resource-rich country,<sup>2</sup> but it figures among the poorest in the world with an annual per capita income of only US\$460.** A series of ongoing external shocks, including, the Ebola crisis and the sharp decline of commodity prices, have further exacerbated the poverty rate which was close to 55 percent in 2012. The Ebola virus has had a dramatic impact on the economy—an estimated gross domestic product (GDP) loss of US\$535 million for Guinea in 2015. Guinea, with a population of 10.6 million people, ranks ninth from the bottom of the Human Development Index, with 73 percent of the population living on less than US\$2 a day, only 19 percent having access to sanitation, and an adult literacy rate of 25 percent—the second lowest in the world.

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<sup>1</sup> Management informed the Executive Directors of its intention to allocate an indicative amount of US\$30 million equivalent to support Guinea's response to the impact of the commodity price shock at a technical briefing on October 12, 2016. See the note entitled "IDA Crisis Response Window Support for Liberia, Sierra Leone, Guinea and Chad in Response to the Commodity Price Shock" for additional information.

<sup>2</sup> Guinea holds the largest bauxite reserves and tier-one iron ore deposit in the world. It also holds rich deposits of gold and diamonds.

4. **To return the economy on a solid footing, the Government developed a post-Ebola recovery plan for 2015–2017 and has adopted the 2016–2020 PNDES, which covers all sectors of the economy.** The overall objective of the PNDES is to promote strong and high-quality growth to improve the well-being of Guineans and to effect the structural transformation of the economy, while putting the country on the path of sustainable development. The PNDES strategy is based on four development pillars: (a) promotion of good governance for sustainable development; (b) sustainable and inclusive economic transformation; (c) development of inclusive human capital; and (d) sustainable management of natural capital.
5. **Successful implementation of the PNDES relies on the good execution of investment programs.** PNDES implementation will mostly be supported by strong investments in priority sectors, including agriculture, health, and public works. To this end, the Government has adopted an integrated approach to public investments encompassing each of the different stages of the capital investment project cycle. The first stage is to ensure that the long-term macroeconomic, fiscal, and budgetary framework, as well as the annual capital budget allocations provide stable and sustainable bases for investment planning. The second stage is to enable the integration of national and sectoral strategic planning, investment planning, and capital budgeting, as well as the coordination between central government institutions and sectoral ministries at different stages of the investment project cycle. The third stage is to ensure efficient public procurement, budget execution, and monitoring. Also, the Government seeks to boost the capacity and performance of the civil service, which is the foundation for any successful policy reform and development program. Finally, statistical capacity strengthening will ensure the production of reliable data that will be used to enhance macrofiscal forecasts for budget preparation and monitor PNDES implementation. Timely and reliable statistics are essential to building a more evidence-based policy and budget.
6. **To assess the standard of living and poverty of households, several surveys have been carried out in Guinea since the 1990s.** These include the Living Standard Measurement Study with budget-consumption module in 1994–1995, the budget-consumption survey in 2002–2003, and the Core Welfare Indicators Questionnaire Survey in 2007 and 2012. Since 2012, no such survey has been conducted in the country, which makes the need for updated data urgent. It is thus appropriate to consider supporting the implementation of such a survey in 2017, especially given that the World Bank has recently made a commitment to support IDA countries to conduct regular multi-topic household surveys every three years to improve knowledge and monitoring of the twin goals.
7. **The political situation has stabilized following the November 2015 presidential election.** Since its independence in 1958 till the first democratic election of 2010, Guinea experienced a difficult period of dictatorship and military rule which limited citizen liberty and socioeconomic development. The socialism ideology adopted by President Sekou Touré, who stayed in power for 26 years, failed to build capable institutions and capitalize on the country's vast agricultural and mining resources. The ensuing military regimes maintained a tight control on the country and did not undertake the necessary social and economic development reforms. The reelection of President Alpha Condé, following a relatively peaceful and credible election process, is a positive sign for the consolidation of the democratic process in Guinea.
8. **Power fragmentation and lack of coordination between ministries negatively affect public policy making and implementation.** Three ministries are involved in PFM: Ministry of Economy and Finance (*Ministère de l'Economie et des Finances – MEF*) Ministry of Budget (*Ministère du Budget - MB*), and Ministry of Planning and International Cooperation (*Ministère du Plan et de la Coopération Internationale, MPC*). This leads to significant coordination challenges. There are three institutions coordinating Government action: the Council of Ministers (*Conseil des Ministres*) led by the President, the Intra-Ministerial Council (*Conseil interministériel*) led by the Prime Minister (PM), and Inter-ministerial

Meetings (*Réunions interministérielles*) led by the Secretary General of the Government (*Secrétariat Général du Gouvernement*, SGG). The SGG's role is to support both the President and the PM in coordinating government action. However, overall coordination between ministries, as well as within ministries is limited.

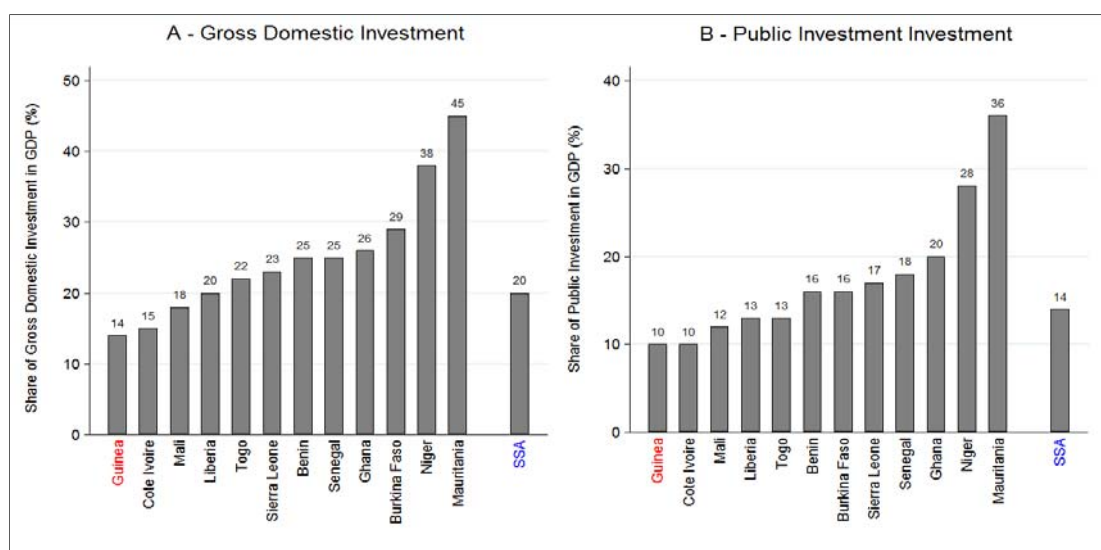
9. **The opportunity provided by the proposed AF to effectively implement the PNDES has fostered ownership and commitment among key stakeholders at the highest level of the Government.** A Steering Committee, chaired by the PM and including four ministers (Planning, Finance, Budget, and Civil Service), has been created and is actively involved in providing guidance in the design and implementation of the proposed operation. Political commitment among stakeholders, who are the main project beneficiaries, is apparent and this could in turn help pave the way for better policy making and coordination. Recent positive institutional changes in key ministries (Ministries of Planning, Finance, and Budget), as well as the demonstrated commitment to the project is expected to have a positive impact on the proposed reforms and effective implementation of the PNDES.

## B. Sector Context

### *Public Investment Management*

10. **An extremely low investment rate lies at the heart of Guinea's dismal growth performance.**<sup>3</sup> A decomposition of the demand side of GDP growth since 1995 shows that the contribution of investment to growth is low and that of consumption is high. Guinea's investment rate was the lowest among West African countries during the first half of the 2010s.

**Figure 1. Average Share of Investment in GDP in Guinea and Neighboring Countries, 2010–2015**



Source: World Bank Macroeconomics and Fiscal Management Global Practice Staff calculations

11. **The Government is seeking to increase economic growth and address the country's development challenges through the PNDES, which draws from the country's public investment program (PIP).** Guinea's PIP is critical for economic growth. Both theoretical and empirical studies have

<sup>3</sup> Draft Guinea Systematic Country Diagnostic, March 2017.

highlighted the positive relation between high-quality public infrastructure and economy-wide productivity (for example, Buffie and others 2012<sup>4</sup>; Ghazanchyan and Stotsky 2013<sup>5</sup>)

**12. Guinea's public investment management (PIM) system inefficiencies hamper good economic and social development.** Public investment in Guinea has fluctuated sharply during the last decade, with a high of 10 percent of GDP in 2015 and a low of 4.7 percent of GDP in 2011 and this volatility of investments impedes proper budget planning of capital investment and poverty reduction goals<sup>6</sup>. Furthermore, the execution rate of Guinea's public investment is low. Over 2010–2015, the average execution rates were a mere 42.7 percent and 51 percent for externally and domestically financed investments respectively. According to the overall Public Investment Management Index, Guinea's score is 1.13, and the country is ranked 53 out of 71 countries, placing Guinea below the average performance of Sub-Saharan African countries, Economic Community of West African States, and lower-income countries.

**13. Recent analytical work by the World Bank and the International Monetary Fund (IMF)<sup>7</sup> shows a number of bottlenecks hampering the planning and multiannual budgeting of capital investments:** (a) a weak medium-term macroeconomic, fiscal, and budget framework due to obsolete forecasting methodologies and poor statistical data; (b) poor medium-term expenditure frameworks (MTEFs), developed by line ministries, rarely reflecting sectoral priorities; (c) low annual investment budget appropriations which limit the protection of budgetary allocations for investments over the lifetime of the capital investment project; (d) lack of a formal process to formulate a rolling three-year PIP, resulting in investment projects often submitted without feasibility and prefeasibility studies; (e) a degree of politicization of public investment decision making; (f) a tight budget calendar: the development and analysis of capital investments proposals begins when budget preparation starts; and (g) dual budgeting process (or budgeting separately for current and capital expenditures) which translates into substantial and unforeseen recurrent costs.

**14. Several constraints affect optimal sectoral investment planning and execution, leading to limited public service delivery.** These constraints include: (a) lack of collaboration within line ministries resulting in uncoordinated and poor planning and budgeting for capital investments; (b) a draft budget that does not reflect sectoral priorities and does not take into adequate account the recurrent expenditure associated with the existing capital investment; (c) delays and uncoordinated preparation of procurement and cash flow plans; (d) a complex and cumbersome expenditure chain for public investments; and (e) an information technology (IT) solution for budget execution not yet decentralized to line ministries and outdated in respect to the new budget and accounting procedures introduced by the Organic Law on Financial Legislation (*Loi Organique relative aux Lois des Finances*, LORLF) and the General Regulation on Budget Management and Public Accounting (*Règlement Général Sur la Gestion Budgétaire et la Comptabilité Publique*, RGCBCP).

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<sup>4</sup> Buffie E. and others, 2012 "Public Investment Growth and Debt Sustainability: Putting Together the Pieces", International Monetary Fund, Washington, D.C.

<sup>5</sup> Ghazanchyan and Stotsky 2013, Drivers of Growth, Evidence from Sub-Saharan Africa countries, International Monetary Fund, Working Paper WP/13/236, Washington D.C.

<sup>6</sup> PER, World Bank, 2017.

<sup>7</sup> World Bank. 2017. "Public Expenditure Review (PER)."; World Bank. 2015. "Stimulating Investments Budget Execution for a better Development Impact."; IMF (International Monetary Fund). 2015. "Guinea: Support to PIP Management."

## **Public Procurement**

15. **Another major issue affecting capital investments' allocative efficiency and value for money in Guinea is public procurement.** The public procurement system is generally cumbersome and slow, and many contracts are awarded through single-source contracting, which affects the credibility and transparency of the system. The Government's Procurement Audit of March 2016<sup>8</sup> highlights the following: (a) long procurement processes, ranging from 90 to 300 days; (b) 92 percent of the audited single-source contracts did not comply with the code; (c) 40 percent of the audited capital projects experienced delays in execution; and (d) lack of a proper capital investments' filing system: 25 percent of the contracts could not be audited because information was missing.

16. **The procurement system is governed by a revised Public Procurement Code, adopted in 2012 and entered into force in June 2014, that is aligned with good international practices.** The code clearly defines the roles and responsibilities of the different government stakeholders: (a) contracting authorities, usually line ministries and public institutions, are responsible for developing tenders and awarding contracts; (b) the National Directorate for Public Procurement (*Direction Nationale des Marchés Publics*, DNMP) and the Administration and Control of Large Public Works and Procurement (*Administration et Contrôle des Grands Travaux et des Marchés Publics*) are in charge of the procurement process according to specific thresholds; and (c) the Public Procurement Regulatory Authority (*Autorité de Régulation des Marchés Publics*, ARMP) has regulation and training as its primary function. This new institutional and regulatory framework ensures greater transparency and competitiveness in the procurement process. Despite this reform, challenges still remain, mostly related to the rollout of the reform.

## **Financial Management Information System**

17. **Country experience suggests that problems in implementation of capital projects are also related to the lack of basic financial management (FM) information systems.** Since 2000, the Government has introduced a budget execution IT application, Chain of Expenditure (*la Chaîne des Dépenses*) developed by the National Direction of Information Technology (*Direction Nationale des Systèmes Informatiques*, DNSI). The DNSI also developed payroll (*solde*) and pension management modules, which are integrated into the system. In the framework of Economic and Financial Reform Support Program of the African Development Bank (AfDB), the Government acquired a budget preparation application (LEB *Logiciel d'Elaboration Budgétaire*) and another IT application (SIFE *Système d'Information Financière*) for fiscal reporting. Notwithstanding, these applications have not been developed according to the new PFM process and procedures introduced by the LORLF and the RGBCBP.

18. **The chain of expenditure application is fraught with redundant procedures which slow down the implementation of capital investments.** The release of funds for public investment occurs from February to March, while the deadline for commitment of expenditure is fixed at the end of November. Therefore, the available time for project managers to engage funds for investment expenditure is limited between March and November and the fiscal year is reduced by three to four months. This late start is further complicated by cumbersome enforcement procedures and duplication of controls in the administrative phase of capital public expenditure (commitments/validation/payment), where it takes more than 33 days for processing. These payment problems affect businesses that often have difficulty delivering projects because of delayed payment of invoices by the state.

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<sup>8</sup> 68 public procurement contracts have been audited.

19. **In addition, several recently implemented IT applications are not yet interconnected in an Integrated Financial Management Information System (IFMIS).** The Government has a customs system (ASYCUDA Automated SYstem for CUsToms DAta) and a human resources (HR) IT system. At present, the interconnection of these systems has not been completed and their functionalities are still to be tested and further developed. The Government in partnership with China (HUAWEI) is installing a fiber optic-based network which is almost completed in Conakry.

### **Civil Service**

20. **The Government's wage bill rose from 3.5 percent of GDP in 2007 to 5.3 percent of GDP in 2015 and is expected to have reach 5.6 percent of GDP in 2016, affecting fiscal space.** Of the four components in the remuneration of the public service—salaries, bonuses, allowances, and family allowances—the share of the salary component has risen for both civil servants (from almost 66 percent in 2007 to almost 70 percent in 2015) and the military (from 52 percent to 73 percent).

21. **HR constraints in the public administration are impediments to effective implementation of reforms and public investments.** According to the 2016 Mo Ibrahim Index, Guinea's public management effectiveness index has declined by three points over the previous 10 years, and the country now ranks 39 out of 52 countries in Africa. The absence of an effective modern HR system for merit-based nomination and promotion and results-based performance management has resulted in a civil service culture that lacks accountability. The 2015 biometric census carried out under this project uncovered a large number of ghost workers and underemployed staff without job assignments, who constitute a heavy burden on public finances. Out of 101,659 permanent employees and contractors registered on the payroll (April 2014), only 91,706 enrolled in the biometric census. This situation of ghost workers and payroll fraud is likely the case for temporary employees, whose files are yet to be biometrically verified. The Government is eager to start the verification.

22. **Efforts by the Government to modernize the public administration to instill a results-based culture and tackle capacity deficits are still nascent.** The Government has adopted, in 2012, a comprehensive program for State Reform and Public Administration Modernization (*Programme for State Reform and Public Administration Modernization [Programme de Réforme et de Modernisation de l'Administration Publique, PREMA]*) which includes four pillars and nine strategic objectives.<sup>9</sup> Under the first two pillars (administration reorganization and civil service reform), the Government is proceeding with the introduction of results-based management tools and procedures in the public administration with a view to improve public service delivery. Effective implementation of the PREMA is hindered by a lack of funding and weak interinstitutional collaboration.

### **Statistical Capacity**

23. **The lack of reliable and timely economic and social statistics hampers the effectiveness of the Government's decision-making process.** According to the 2015 World Bank Country Statistical Capacity Index, Guinea had an overall score of 56.6, which is below the Sub-Saharan Africa average of 60 and the

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<sup>9</sup> The four pillars are administrative reorganization and institutional development, civil service reform, economic and financial governance, and territorial governance and decentralization. The nine strategic objectives are to refine and clarify state missions, strengthen capacity of main state institutions, moralize public life and fight against corruption, strengthen coordination and effectiveness of government work, rationalize structures and norms of the public administration, promote an inspiring and modern working environment in the administration, strengthen the management and capacity of human resources in the public administration, improve economic and financial management of public resources, and improve local governance and operationalize the decentralization.



West African Economic and Monetary Union (WAEMU) average of 64.3. Constraints are related to institutional framework, statistical production, human and financial resources, and data dissemination and archiving.

24. **The statistical framework is recent, with a new statistics law having been adopted only in 2014.** The new law is not yet implemented. In fact, the National Statistical Council has not yet called any meetings, while the National Statistics Office - NSO (National Statistical Institute [*Institut National de la Statistique*, INS]) is still not functioning as an autonomous entity since its creation in 2010. Its board is not yet in place, and the institute has no dedicated independent budget line in the national budget. As a result, no positive change has been observed with regard to data quality or statistical system management and coordination.

25. **The INS and the other sector ministries experience a lack of human resources both in terms of quality and in quantity.** First, there are not enough qualified statisticians in the system. Of the 125 staff working at the NSO, only 20 are professional statisticians, and many of them have almost reached retirement age. Moreover, the INS lacks the material resources and facilities, while the financial resources allocated to statistical activities are low and often limited to salaries.

26. Data dissemination on the Internet by the INS is relatively systematic, because the INS publishes nearly all the statistical products available on its website. While this is true for secondary data, the situation is different for micro data, where dissemination is still a concern for the INS.

### C. Project Implementation Status

27. **The Economic Governance and Technical Assistance Capacity Building (EGTACB) was approved by the Board on March 20, 2012 for an amount of US\$10 million and US\$ 1.34 million from the European Union Trust Fund. EGTACB became effective on October 17, 2012.** The project has disbursed 95 percent of IDA US\$10.14 million (IDA with the European Union [EU] Grant of US\$1.34 million). The Project implementation ratings have consistently been Satisfactory or Moderately Satisfactory for both development objectives and implementation progress in the past two years (see table 1) reflecting the achievement of the projects, including notably: (i) strengthening human resource management with the biometric census that lead to the identification of 2,392 ghost workers and payroll savings of roughly 30 billion of Guinean Francs (equivalent to US\$30 million); and (ii) the development and approval of the Public Procurement Code. All project legal covenants have been complied with and there are no outstanding audits.

**Table 1. Implementation Status and Results Report (ISR) Ratings**

ISR Period	June 2015	June 2016	December 2016
<b>Summary development objective rating</b>	S	S	MS
<b>Overall implementation progress rating</b>	S	S	MS
<b>FM</b>	S	S	MS
<b>Project management</b>	MS	S	MS
<b>Counterpart funding</b>	MS	MS	MS
<b>Procurement</b>	MS	S	S
<b>Monitoring and evaluation (M&amp;E)</b>	MS	S	S

Source: Operations Portal.

Note: MS = Moderately Satisfactory; S = Satisfactory.

28. **Project disbursement rate stands at 95 percent; however, not all PDO indicators have been fully achieved.** The project has supported significant results in terms of the reduced discrepancy between the civil service database and the payroll owing to the successful biometric operation. Also, more public procurements are on a competitive basis, but there continue to be cases of single-source selection, especially for large public works. Also, targets for budget preparation conducted according to the new PFM legal framework, and public investment proposals prepared according to agreed procedures have not been fully met.

#### **Rationale for AF**

29. **Guinea's weak and volatile economic growth performance is mainly explained by a low investment rate.** The proposed AF is focused on improving PIM, so as to generate and sustain a healthy economic growth rate. The proposed AF would help deepen the development impact<sup>10</sup> of the original project. The AF will scale up support in key areas under the original project components and will add a new component on statistics. The proposed project is also well aligned with the World Bank's Country Partnership Strategy (CPS) for Guinea, 2014–2017 (Report No 76230-GN). The CPS states that "the main objective of the World Bank's governance program is enhancing economic governance and public financial management (PFM) to contribute to state effectiveness and economic growth whereas the modernization of the National Statistical System is a priority to assess the impact of major policy reforms and investment projects".

30. **The proposed AF will foster a more integrated approach to public investments which supports the implementation of the PNDES 2016–2020.** The project components and activities have been chosen to ensure gradual and interlinked development of systems and capacity to enable better implementation of public investments. Improved statistics will ensure a sound and stable fiscal and budgetary framework, the bases for investment planning, and contribute to capital projects planning, and M&E. Both the multiyear budgeting and PIM reforms have been included for the delivery of efficient, effective, and fiscally sustainable public investments. Capacity in budget planning and investment preparation have been also strongly linked with procurement and contract management. The e-government subcomponent will support FM of capital investment through timely budget execution and sound internal budgetary monitoring and control. Finally, the human resource management component will establish the foundations for a well-performing system. The human resource component also finances change management activities to facilitate the substantive technical reforms proposed in the other project components.

31. **The proposed AF builds on lessons learned from the implementation of the original project.** Factors related to ownership, capabilities, and sequencing have been duly considered in the design of the project and thoroughly discussed with Government counterparts. The project also learned from the completed US\$2.7 million Social and Peacebuilding Fund (SPF) grant (P149067) designed to complement the original EGTACB Project on fostering leadership and civil society engagement to strengthen reform implementation.

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<sup>10</sup> The PDO indicators are (a) reduction of discrepancy between civil service database and the payroll, (b) public contracts procured through open competition, (c) public investment proposals prepared according to agreed procedures, and (d) budget preparation according to the new PFM legal framework.

## D. Project Design

32. **The proposed AF is a four-year technical assistance (TA) grant which seeks to ensure value-for-money, efficient public investments, and availability of reliable data.** The operation will help with TA for the establishment or upgrade of critical procedures to improve the macro-fiscal framework, multiyear budgeting, expenditure chain, procurement, PIM, public administration, and statistics. Implementing effective reforms requires involving key stakeholders in the identification of problems and having them work together to build long-term solutions. The AF will thus put a high premium on collaborative leadership and consensus building. To this end, change management for development training for high-level officials, as well as deployment of coaches to roll out Rapid Result Initiatives supporting reform implementation will be conducted. The proposed AF will retain the three components of the original project and add a new one on statistical capacity building.

## III. Proposed Changes

Summary of Proposed Changes	
The proposed AF will scale up and increase the scope of the original project by: (a) adding a new component on strengthening statistics capacity; (b) streamlining the original components of human resources and basic expenditure management; (c) revising the PDO and the Results Framework; and (d) extending the closing date by four years. There will also be changes in the implementation arrangements with the setup and introduction of a Steering Committee and the transfer of the ministerial supervision of the Project Coordination Unit (PCU) from the MEF to the MPCl, on the basis that the AF is critical for the implementation of the PNDES. One effectiveness condition of the AF is a decree from the PM that should enshrine the said transfer of the PCU ministerial supervision.	
Change in Implementing Agency	Yes [ X ] No [ ]
Change in Project's Development Objectives	Yes [ X ] No [ ]
Change in Results Framework	Yes [ X ] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [ X ]
Change of EA category	Yes [ ] No [ X ]
Other Changes to Safeguards	Yes [ ] No [ X ]
Change in Legal Covenants	Yes [ ] No [ X ]
Change in Loan Closing Date(s)	Yes [ X ] No [ ]
Cancellations Proposed	Yes [ ] No [ X ]
Change in Disbursement Arrangements	Yes [ ] No [ X ]
Reallocation between Disbursement Categories	Yes [ ] No [ X ]
Change in Disbursement Estimates	Yes [ X ] No [ ]
Change to Components and Cost	Yes [ X ] No [ ]
Change in Institutional Arrangements	Yes [ X ] No [ ]
Change in Financial Management	Yes [ ] No [ X ]
Change in Procurement	Yes [ ] No [ X ]

Change in Implementation Schedule	Yes [ X ] No [ ]		
Other Change(s)	Yes [ ] No [ X ]		
<b>Development Objective/Results</b>			
<b>Project's Development Objectives</b>			
Original PDO			
To re-establish and strengthen basic systems and practices to improve the management of public financial and human resources in Guinea.			
<b>Change in Project's Development Objectives</b>			
Explanation:			
The PDO has been revised to reflect the introduction of the statistical capacity-building component and the deepening of the project activities in the areas of PFM and HRM.			
Proposed New PDO - Additional Financing (AF)			
The PDO is to modernize public financial and human resource management and enhance statistical capacity in Guinea.			
<b>Change in Results Framework</b>			
Explanation:			
The changes in the Results Framework are proposed to reflect the new statistical capacity-building component and added activities for the original PFM and HRM components require new indicators.			
<b>Compliance</b>			
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
PCU rental costs - Schedule 2, Section IV, C, 1	x		Monthly
<b>Description of Covenant</b>			
The Recipient shall finance any rental costs to house the PCU throughout the implementation of the Project, including four months after the Closing Date.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
External Auditor, Schedule 2, Section II, B, 4		31-Jan-2018	
<b>Description of Covenant</b>			
The Recipient shall recruit, no later than four (4) months after the Effective Date, an independent external auditor.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Computerized Accounting System in the PCU, Schedule 2, Section II, 5		31-Jan-2018	

Description of Covenant		
The Recipient shall install and thereafter maintain operational throughout the implementation of the Project a computerized accounting system within the PCU, in form and substance acceptable to the Association, no later than four (4) months after the Effective Date.		
Conditions		
Source of Fund	Name	Type
IDA	Transfer of the PCU supervision, Article V, 5.01	Effectiveness
Description of Condition		
The Recipient has transferred supervision of the PCU from MEF to MPIC and otherwise vested overall responsibility for the implementation of the Project.		
Source of Fund	Name	Type
IDA	Amendment of the Project Operational Manual, Article V, 5.01	Effectiveness
Description of Condition		
The Recipient has amended the Project Operational Manual in accordance with the provisions of Sections I.B.1 and 2 of Schedule 2 of the Financing Agreement.		
Risk		
Risk Category		Rating (H, S, M, L)
1. Political and Governance		Substantial
2. Macroeconomic		Substantial
3. Sector Strategies and Policies		Substantial
4. Technical Design of Project or Program		Substantial
5. Institutional Capacity for Implementation and Sustainability		Substantial
6. Fiduciary		Substantial
7. Environment and Social		Low
8. Stakeholders		Moderate
9. Other		
OVERALL		Substantial
Finance		
Loan Closing Date - Additional Financing (Economic Governance TA & Capacity Building - Additional Financing - P157662)		
Source of Funds		Proposed Additional Financing Loan Closing Date
IDA Grant		30-Jun-2021

Loan Closing Date(s) - Parent (Economic Governance Technical Assistance and Capacity Building - P125890)										
Explanation:										
The original project financing has a disbursement rate of 95 percent. The new proposed closing date for the original project is set for December 30, 2017 when all funds are expected to have been disbursed.										
Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)					
IDA-H7650	Effective	31-Dec-2016	30-Jun-2017	30-Dec-2017	31-Dec-2016, 30-Jun-2017					
TF-12640	Closed	31-Dec-2013	31-Dec-2014		31-Dec-2014, 07-May-2015					
Change in Disbursement Estimates (including all sources of Financing)										
Explanation: The disbursement estimates have been updated to reflect the additional financing and the proposed revised closing date.										
Expected Disbursements (in US\$, millions) (including all sources of financing)										
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Annual	0.00	1.32	1.53	2.67	2.68	3.14	6.50	9.00	4.00	2.51
Cumulative	0.00	1.32	2.85	5.52	8.2	11.34	17.84	26.84	30.84	33.35
Allocations - Additional Financing (Economic Gov TA & Capacity Building - Additional Financing - P157662)										
Source of Fund	Currency	Category of Expenditure	Allocation				Disbursement %(Type Total)			
			Proposed				Proposed			
IDA	US\$	Goods, non-consulting services, consultants' services, Operating Costs and Training for the project	22,000,000.00				100.00			
		Total:	22,000,000.00							
Components										
Change to Components and Cost										
Explanation:										
The proposed AF will retain the three components of the original project and add a new component on statistical capacity building. The original components supporting human resources and basic expenditure management will be streamlined and support in a number of areas will be scaled up. This will include under Component 1: (i) additional support to strengthening the macro fiscal framework and public investment management; (ii) scaled up support to sectoral ministries for improved planning and budgeting for capital investments; streamlining support to the implementation of the Budget Law (2012);										

and (iii) continued support to the development of the Integrated Financial Management Information System (IFMIS). Under Component 2, this will translate into: (i) additional support to biometric census; as well as merit based recruitment process; and (ii) further capacity building of Human Resource (HR) management and Prime Minister (PM) Office.

Component 3: will be added as a new component to strengthen national statistical capacity. Under Component 4 Project Management support to the PCU in coordinating and managing the implementation of the project will continue. In addition, through this component, the project will provide (i) Rapid Result Initiatives coaching to support faster implementation of activities; and (ii) implement a communication strategy to ensure that all project beneficiaries are aware of the Rapid Result Coaching on-demand arrangement.

Current Component Name	Proposed Component Name	Current Cost (US\$, millions)	Proposed AF Cost (US\$, millions)	Cumulative (original & AF)	Action
Strengthening basic public expenditure management	Strengthening basic expenditure management	4.07	12.50	16.57	Revised
Improving Human Resource Management	Improving Human Resource Management	6.13	4.00	10.13	Revised
Project Management	Project Management	1.15	1.50	2.65	Revised
	Statistical Capacity Development	0.00	4.00	4.00	New
	<b>Total:</b>	11.35	22.00	33.35	

#### Other Change(s)

#### Change in Implementing Agency

##### Explanation:

Transfer of the ministerial supervision of the Project Coordination Unit (PCU) from the Ministry of Economy and Finance to the Ministry of Planning and International Cooperation.

Implementing Agency Name	Type	Action
Project Coordination Unit (PCU) - UCEP	Implementing Agency	No Change

#### Change in Institutional Arrangements

##### Explanation:

The PCU will report to the MPCl rather than the MEF, as was previously the case.

#### IV. Appraisal Summary

Economic and Financial Analysis
Explanation:
<p><i>Expected Benefits and Costs of the Project</i></p> <p>The modernization of public finance and human resources and the enhancement of statistical capacity to sustain the Government's PNDES and development objectives mean that the potential benefits of the project are substantial and diverse. At the most direct level, they include improved macroeconomic fiscal forecasts, more efficient public investment and management of funds, a greater fiscal space, and more and improved allocation of those funds that is more aligned to the strategic priorities of the Government. While some of these benefits are difficult to measure, some estimation of their respective positive impact can be made.</p> <p>Given that 80 percent of the project funding will be allocated to strengthening and improving Guinea's public finance and human resources, the financial analysis focuses on these components. The results of the analysis (see annex 5) show a financial real NPV of US\$29.9 million. The analysis assumes an exchange rate of GNF 9,000 for US\$1, a 5 percent discount rate, and a time horizon of four years from 2018 to 2021, consistent with the life of the project.</p> <p>In addition to generating financial benefits, the project will also create a number of economic benefits. While direct attribution of economic benefits to a single intervention is difficult, a cluster of three main aspects of the project could indeed bring about a number of economic benefits that will make the society as a whole better off. The results of the economic analysis (see annex 5) indicate that the project is economically viable.</p> <p><i>Rationale for Public Sector Provision/Financing</i></p> <p>Strengthening public finance and HR and increasing statistical capacity to plan and effectively manage and allocate resources are essential to unlock the growth potential of Guinea. The Government of Guinea, through the PNDES, is making efforts to promote strong and high-quality growth to improve the well-being of Guineans and to effect the structural transformation of the economy while putting the country on the path of sustainable development. Yet, the delivery of these results depends on the public sector and its ability to plan, budget, execute, and account for public resources in an efficient and effective manner. In particular, support to the PIP will generate growth and target poverty reduction. Likewise, the efforts to improve the INS will provide the evidence required to promote pro-poor growth. This in turn will contribute to the World Bank's twin goals.</p> <p><i>Value Added of World Bank's Support</i></p> <p>The technical capacity and convening power of the World Bank are key reasons for it to play a central role in supporting the Government. Given the direct alignment with the Development Policy Operation series, this intervention offers the opportunity for the World Bank to strengthen and sustain a policy dialogue on critical public sector management reform issues that could significantly improve the capability and performance of the Government. Moreover, the World Bank is supporting institutional reforms in other sectors, including among others, education, health, and public works. The proposed operation will therefore offer the opportunity for the Government of Guinea to have a more comprehensive engagement with the World Bank on building state effectiveness and promoting economic governance reforms. Finally, the World Bank will provide, through financing and knowledge sharing, a holistic solution to not only technical problem but also change management issues regarding public investments.</p>



<b>Technical Analysis</b>
Explanation:
<p>The project is ready technically. Technical discussions have been grounded in long-standing interventions and dialogue between the Government of Guinea and the World Bank on civil service, PFM, and statistics. Within each component, the activities have been identified and designed on the basis of the availability and quality of technical studies. The project components and activities have been chosen to ensure gradual and interlinked development of systems and capacity to enable better implementation of public investments. Through strengthening basic expenditure management, the project will ensure a sound and stable fiscal and budgetary framework, support multiyear budgeting and PIM reforms for the delivery of quality and public investments and an integrated IFMIS. The human resource management component will establish the foundations for a well-performing system through human resource system, capacity building of civil servants and change management activities to facilitate the substantive technical reforms proposed in the other project components. Finally, the statistical component will ensure evidence based policy making and monitoring of national socio-economic programs.</p>
<b>Social Analysis</b>
Explanation:
<p>The project is expected to have positive social impacts as a result of the improvements in the allocation and technical efficiency of public investments, civil service, and statistics. Efforts to improve the capacity of the Government to implement its budget priorities and reinforce PFM would enhance efficiency, transparency, and accountability in public resource use and scale up the country's absorptive capacity. Furthermore, more efficient public investments are also likely to improve social well-being while crowding-in more private investment and thus spurring additional growth.</p> <p>The project does not trigger the involuntary resettlement policy because the project activities do not have impacts on land and do not require land acquisition leading to involuntary resettlement and/or restrictions of access to resources or livelihoods.</p> <p>The AF will contribute to foster citizen engagement in Guinea. In a country context with very low access to information in general and vibrant civil society, increased access to information on social and economic statistics, investment project budgeted and execution, PNDES execution, and key state reform implementation will help foster citizen engagement. In addition, the project will support the PREMA—Civil Society platform initiated in 2016 with SPF grant support. Finally, synergies will be built with the planned SPF grant with the GPSA.</p>
<b>Environmental Analysis</b>
Explanation:
<p>The project is rated Category C and does not trigger environment assessment. There are no major environmental issues associated with the project, which focuses primarily on supporting institutional and capacity building</p>
<b>Risk</b>
Explanation:
<p>The overall risk is Substantial because of high political and governance, macroeconomic, implementation capacity and sustainability, and fiduciary risks.</p>

*Political and Governance.* The political and governance risk was assessed as Substantial. The political landscape is still characterized by social and ethnic cleavages. While macroeconomic reforms may well pay long-term dividends, the fact that most citizens have not seen benefits creates real political fragility. Strikes are commonplace and the population continues to make its demands on the streets. The interference by the executive branch and the perception of corruption have been the two causes, and most Guineans have little confidence that the Judiciary is impartial. Guinea is characterized by clientelism, corruption, and poor governance. In the 2016 Ibrahim IIAG, Guinea is ranked 47 out of 53 countries in Africa on accountability of the executive. The fragility of the political setting and corruption risk clearly present substantial challenge for the preparation and implementation of the project.

*Mitigation measures.* The project will address this challenge in part by working closely with the Project Steering Committee which is made up of influential, reform-minded ministers, and chaired by the PM. They are all engaged and determined to ensuring successful implementation of the PNDES, which is strongly supported by this project. As during the implementation of the original project, the PCU will apply the World Bank's rules and procedures and frequent supervision by the fiduciary team and external audits will be conducted to mitigate corruption risks. The World Bank's close high-level engagement with the Government and its collaboration with other development partners in the country, notably the IMF, the EU, and the AfDB, will facilitate careful monitoring of the level of Government commitment throughout project implementation. Also, synergies of the AF activities with the planned Global Partnership for Social Accountability (GPSA) and SPF funding to support citizen engagement in Guinea will be built on, and will contribute to constructive civil society-Government dialogue on reform implementation.

*Macroeconomic.* Guinea's macroeconomic situation is characterized by low and volatile growth. Its growth rate hit a peak of 6.3 percent in 1988. Since then, Guinea's economic growth has followed a trend that could be summarized in four main episodes. The first growth episode spans from 1988 to 1991, when GDP growth declined from 6.3 percent to 2.6 percent. The second growth episode was marked by a recovery, as Guinea's GDP grew from 3.3 percent to 5.2 percent between 1992 and 1997. The third growth episode was a long and fluctuating, but declining, growth period, when Guinea's GDP growth rate declined from 3.6 percent in 1998 to -0.3 percent in 2009. The fourth growth episode started in 2010 and ended in 2015. The last growth episode was marked by a short growth recovery, which lasted two years (2011 and 2012). Since 2013, economic growth has been declining and stagnant in 2015. The last growth episode was marked by declining commodity price and the outbreak of Ebola in Guinea, which may have contributed to economic contraction.

*Mitigation measures.* The project seeks mainly to improve PIM, which is an area where Guinea lags behind most countries and impedes higher and stable economic growth. Effective implementation of this project will improve capacity in statistics for evidence-based policy, macrofiscal forecasts, and all aspects of the project investment cycle, and this should lead to higher and less volatile growth. Furthermore, the country's engagement in macroeconomic stabilization programs and budget support with development partners, particularly the IMF, the World Bank, the EU, and the AfDB, provide adequate safeguards against extreme deterioration of the macroeconomic situation.

*Sector Strategies and Policies.* There is a lack of reliable and effective sector strategies and policies. Existing strategies and policies on PFM, civil service, and statistics may be guided by good diagnostics; however, their action plans and road maps are often poorly articulated and unrealistic. As a result, they are shelved and no major achievements occur.

*Mitigation measures.* To ensure that sector strategies and policies are not just wish lists, the operation is seeking to strengthen statistics for evidence-based policy making and to improve the macro-fiscal and medium-term budgetary framework. Sector MTEF and plans will thus be guided by and done within the framework of available resources.

*Technical design and complexity of the project.* There is a substantial risk that factors related to the technical design and complexity of the project negatively affect the PDO. The project includes several beneficiaries, cuts across central and line ministries, and tries to bring together three major thematic areas, including PFM, civil service, and statistics. The link, coordination, and collaboration between these areas are not always evident.

*Mitigation measures.* Although, the design may appear complex with many beneficiaries and stakeholders, the holistic approach adopted by the operation would likely prove to be effective. Statistical capacity improvement should normally lead to the use of evidence-based policies and the use of good statistics for reliable planning and monitoring of development programs, and the improvement of the public administration capacity would ensure effective implementation of the national development plan (PNDES). Furthermore, the project is seeking to enhance coordination not only at the center of government in the PM Office but also through interministerial, sectoral, and project-level coordination and collaboration.

*Institutional Capacity for Implementation and Sustainability.* The risk was assessed as Substantial. Effective PIM requires the interaction and close collaboration of many different parts of Government. The poor interinstitutional coordination that exists across the PIM expenditure chain could jeopardize efforts to improve PIM.

*Mitigation measures.* The project seeks to mitigate this risk by providing support to all key actors in the PIM expenditure chain and improving interministerial cooperation through the Rapid Result Initiatives approach and support to PM office in facilitating interministerial coordination. More importantly, the fact that the project builds on the PNDES should ensure ownership and sustainability.

*Fiduciary.* The risk was assessed as Substantial. The fiduciary environment is very weak and the risk that required procedures will be circumvented is real. Most of the institutions established to ensure oversight of governance functions, such as the Supreme Audit Institution (Cour des Comptes) and the Judiciary are not adequately funded, and this undermines their effectiveness. The internal control mechanisms within the Government are also weak, and there is limited participation of, or contribution from, non-state actors.

*Mitigation measures.* Through the TA that is planned to boost procurement and monitoring, the project will help mitigate some of the pervasive and pernicious fiduciary risks. There will be extensive training, system upgrade, and elaboration of an operations manual which, combined with the accountability strengthening agenda, should have a real impact on the control of corruption and the improvement of the fiduciary environment. Furthermore, strong mitigation measures, including fiduciary and supervision, by the World Bank team were put in place under the original financing and will continue under the AF. The World Bank's rules and procedures will apply in the implementation of all activities and frequent audits will be conducted. Finally, new citizen engagement activities have been introduced to promote monitoring of project activities and outcomes by citizens and civil society.

## **A. Project Beneficiaries**

33. The main beneficiaries of the project under the AF will be the PM Office, the MB, the MEF, the MPCl, the Ministry of Civil Service, the INS, the ARMP, and the ACGP. Furthermore, the project will benefit indirectly citizens. Indeed, the project will (i) increase access to information on social and economic statistics, investment project budgeted and execution and PNDES execution; and (ii) improve efficient public investments and thus social well-being while crowding-in more private investment and thus spurring additional growth.

## **B. Project Components**

### ***Component 1: Strengthening basic expenditure management (US\$4.07 million by the original project and US\$12.5 million by the AF)***

34. This component has three subcomponents under the original project. The AF will affect the subcomponent number, structure, and content, reflecting Guinea's PFM, PIM, and public procurement developments and remaining challenges since the original project was approved.<sup>11</sup>

#### ***Subcomponent 1.1: Strengthening public investment planning and multiyear and annual budgeting (US\$5.55 million by the AF)***

35. The subcomponent seeks to improve PFM/PIM investment planning and multiyear, annual budgeting both at the central and sectoral levels. Three sectors (agriculture, health, and public works) will receive particular attention because of their strategic relevance for the country's economic development and large investment portfolio. Activities envisaged under this subcomponent include the following:

- (a) TA to the MB for the (i) development of a short-term fiscal and budget framework to ensure that it provides a stable and sustainable basis for investment planning across ministries and level of governments; (ii) establishment of an orderly budget calendar, which allows ample discussion among stakeholders during budget preparation, and implementation of new processes for multiyear investment planning and program budgeting; and (iii) integration between current and capital expenditures.
- (b) Development of a PIM manual<sup>12</sup> to serve as a mandatory reference framework for the preparation and implementation of investment projects. The manual will include guidelines for conducting feasibility studies; preparing concept notes; and carrying out appraisal, supervision, and contract management. It will also include guidelines and information on the prioritization of projects and inclusion of recurrent expenditures. PIM capacity building for all relevant government stakeholders will be also provided.
- (c) Funding of feasibility studies of priority investment projects under PNDES and PIP; defining basic fiscal rules and guiding principles for the inclusion of the projects in the PIP and the budget.

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<sup>11</sup> A comparison table summarizing components, subcomponents, and activities of the original project and the AF is given in annex 5 of this Project Paper.

<sup>12</sup> The PIM manual will include documents related to public investments programming and management, as well as documents on public investments' M&E.

- (d) TA to the MPCl and line ministries for better M&E of investment projects through the development of approaches and tools to evaluate the results of investments against the expected outputs; support for joint and periodic field visits to investment project sites.
- (e) TA and capacity building to the Ministries of Agriculture, Health, and Public Works to develop the MTEF, annual budget, procurement plans, cash flow plans, investments' feasibility studies, prioritization of capital projects, and standard investment costs to improve cost planning and monitoring.

*Subcomponent 1.2: Public procurement (US\$0.5 million by the AF)*

36. The public procurement system is generally cumbersome and slow, and many contracts are awarded through single sourcing, which affects the credibility and transparency of the systems. To address these shortcomings, the following activities are envisaged:

- (a) Capacity building through seminars and trainings of all key actors involved in the procurement system in planning, execution, and contract management as well as on project restructuring and closing of underperforming projects. Furthermore, TA will be provided for the creation of a professional cadre of procurement specialists.
- (b) Development of standardized technical specification for the acquisition of common items to assist the DNMP and the Administration and Control of Large Projects (*Administration et Contrôle des Grands Projets*, ACGP) in evaluating the technical aspects of tender packages.
- (c) TA to evaluate and revise the Public Procurement Code and the implementing regulations drafting additional legislation regulating procurement of major public institutions (for example, Parliament, Judiciary), state-owned enterprises, and decentralized entities.

*Subcomponent 1.3: Support to e-government (US\$6.45 million by the AF)*

37. This subcomponent will support the automatization of government business processes in the area of investment planning and monitoring, procurement, and the gradual introduction of an IFMIS solution. The following activities are envisaged:

- (a) TA to support the development of an application initiated by United Nations Development Programme and the AfDB, to support investment planning, decision making, tracking and monitoring, as well as to serve as an investment project registry.
- (b) Support to the establishment of the DNMP's procurement e-filing (archive) system to register and administer tenders, bidding documents, bidding evaluations, notification letter, and contracts.
- (c) Support to the establishment of an Integrated Public Procurement Management Information System (*Système Intégré de Gestion des Marchés Publics*, SIGMAP). The system will ensure better processing and sharing of public procurement files and documents among the several stakeholders in the chain (contracting authorities, PRMPs, DNMP, ACGP, ARMP) to make the current procurement system more transparent and efficient. The Government will ensure infrastructure networking and a robust Internet system are in place.

- (d) Support to the acquisition of an IFMIS. Elaborate an operational plan for the full-fledged implementation of the LORLF and contribute to the EU's and the IMF's assistance to develop PFM process and procedures in accordance with the LORLF, (for example, new budget and accounting codes); undertake an organizational, functional, and IT audit of the various public finance management applications to identify gaps; upgrade the existing LEB (*Logiciel d'Execution Budgetaire*) and Chain of Expenditures (*Chaîne des Dépenses*) software to ensure their capacity for servicing budget preparation and execution since IFMIS will take several years before it is acquired and four to six years before it becomes operational; establish a rollout plan for the acquisition of a relevant IFMIS solution; and provide TA throughout the process.

***Component 2: Improving Human Resource Management (US\$6.13 million by the original project and US\$4.0 million by the AF)***

38. This component seeks to safeguard the integrity of the payroll system and generate more fiscal space through removal of ghost workers, as well as to improve the capacity of HR to implement investment programs and the PNDES. Envisaged activities include (a) additional biometric census to remove potential ghost workers and cleanup of the HR database; (b) development of an integrated HRM system; (c) development of a merit-based recruitment and career development system and strengthening capacities of HR managers in technical and leadership training; and (d) better coordination of government action.

***Subcomponent 2.1: Civil Service biometric (US\$1 million by the AF)***

39. Since the end of the biometric census conducted in 2015, which led to the identification of 2,392 ghost workers and payroll savings of roughly US\$30 million, there have been additional staff who have been hired and not biometrically registered. Furthermore, the Government wants to expand the biometric census to retirees, temporary staff, and newly recruited staff with a view to eliminate ghost workers and thus safeguard the payroll. The AF will help the Government undertake this additional biometric census through: (i) assisting with the preparation and endorsement of the identification's action plan; (ii) providing specialized training of the operations identification team (including identifiers); (iii) supervising data collection, verification and treatment process; and (iv) carrying out awareness and information campaigns through media and workshops to inform the target groups of the procedures, time schedule and required documents. Based on the outcome of the previous biometric census, 10 percent of personnel targeted in this new biometric census might turn out to be fictitious.

***Subcomponent 2.2: Interfacing the HR database with the payroll system (US\$1 million by the AF)***

40. There is ongoing work of interfacing the biometric file with the payroll file from the MB and the HRM file from the General Secretariat of Government (GSG). The interface is needed to create a unique integrated file (*Fichier Unique de Gestion Administrative et de Solde*). The interface between the civil service and the payroll files is virtually completed, but the integration of the GSG file still requires additional time. Already, the link between the civil service and the payroll file has allowed the development of the Human Resource Management System (*Système de Gestion des Ressources Humaines*), which has enabled the production of interesting management reports and different sorts of statistics related to salary expenditure by ministry, wages or benefits distribution by age and gender, and so on. The envisaged activities under this subcomponent include

- (a) Upgrade of the HR information system to include key modules pertaining to entry exam, performance evaluation, promotion, and retirement;
- (b) Development of an integrated HR/payroll/GSG database. With the web-enabled capability of the HR system, agents will be able to consult, interact, and retrieve their administrative documents online; and
- (c) Acquisition of additional digital fingerprint machines for monitoring staff attendance at work.

*Subcomponent 2.3: Strengthening the capacity for reform implementation (US\$2 million by the AF)*

41. Learning from the activities of the completed SPF grant that was implemented in synergy with the original project, the subcomponent will strategically strengthen the capacity of the Government to implement the ongoing public sector modernization reforms. Setting up effective reforms requires involving key stakeholders in the identification of problems and having them work together to build long-term solutions. The envisaged activities under this subcomponent include:

- (a) Supporting the development of a merit-based recruitment and career development system;
- (b) Strengthening capacities of HR managers in technical and leadership training;
- (c) Providing an intensive and tailored training on change management and leadership to ministers and key collaborators (Permanent Secretaries, Chef de Cabinet, and so on); and
- (d) Strengthening the PM's leadership and capacity to monitor and facilitate interministerial coordination, by providing TA to (i) develop and operationalize a framework for the programming and M&E of ministerial programs; (ii) develop the tools to improve and stimulate the existing concertation framework between the Government and the development partners; (iii) draft the legal text to strengthen the institutional, organizational, and regulatory framework of government coordination; and (iv) strengthen the government strategic communication framework.

***Component 3: Statistical capacity development (US\$4.0 million by the AF)***

42. This component aims to help the INS achieve its objective of providing reliable and regular statistics on demographic, social, economic, and environmental issues. It complements the EU project for strengthening of the country's statistical functions (Programme to Reinforce the Statistical Functions of the State, *Programme d'Appui au Renforcement des Fonctions Statistiques de l'Etat*, PARFSE<sup>13</sup>). There will be an increased collaboration between the World Bank and the EU to actively support institutional reforms.

*Subcomponent 3.1: Capacity building for data collection (US\$3 million by the AF)*

43. The last household survey was conducted in 2012 and no serious enterprise survey has ever been done in Guinea. This subcomponent will help update the basis of national accounts and the GDP.

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<sup>13</sup> PARFSE has two broad objectives. The first one is to strengthen the capacity of the INS, the institutional and organizational arrangements for production, and dissemination and use of statistical data. The second objective is to develop, in quantity and quality, the production of routine administrative statistics in the social, decentralization, justice, and security sectors.

Furthermore, the household survey will allow to estimate the new poverty rate and provide data for policy-relevant evidenced-based analyses, including macroeconomic forecasts and monitoring of the PNDES.

- (a) The implementation of a new household survey in 2017. This subcomponent capitalizes on the ongoing program for the Harmonization and Modernization of Living Conditions Surveys in the WAEMU and draws on the methodologies used in these countries. It seeks to fund the next household survey in Guinea by 2017.
- (b) The implementation of an enterprise census. The general enterprise census in Guinea will allow to have an updated system of geographic information on enterprises, which will help develop better policy decisions in the economic field.

*Subcomponent 3.2: Improving human resources (US\$0.6 million by the AF)*

44. There are not enough qualified statisticians in the system, and unlike in the WAEMU countries, there is no national statistical school in the country. The increase of the capacity of the INS and the whole National Statistics System (NSS) requires several short-, medium-, and long-term actions.

- (a) Scholarship program for training Guineans in statistical schools. Scholarships will be provided to Guineans to attend regional schools in Abidjan (*Ecole Nationale Supérieure de Statistique et d'Economie Appliquée* - ENSEA), Dakar (*Ecole Nationale Supérieure de Statistique et d'Economie Appliquée* ENSAE), and Yaoundé (*Institut Sous-Regional de Statistique et d'Economie Appliquée* - ISSEA). Furthermore, based on training program for the NSS developed with the EU, there will be workshops that will be organized for the staff. Finally, the project will initiate a feasibility study to understand the possibility of creating a national statistical school in line with the existing school models in the WAEMU countries.
- (b) Young professional program. To compensate for the lack of qualified personnel, the project will fund a pool of up to 20 young professionals for two or three years. This will help with the rejuvenation of an increasingly aging staff.

*Subcomponent 3.3: Improving economic and social statistics, archiving and dissemination (US\$0.4 million by the AF)*

45. The INS produces limited data on an irregular basis. In addition to the fact that data are not systematically archived, their dissemination is not consistent with the guidelines of the General Data Dissemination System of the IMF.

- (a) Improving economic and social statistics. This subcomponent will provide assistance to improve economic data quality by conducting small economic surveys that are helpful for improving the quality and timeliness of national accounts. Other activities include conducting studies on the annual performance of national programs and the elaboration of a national development report.
- (b) Improving archiving and dissemination. Activities will include the purchase of tracers for mapping and other printing materials (photocopiers, printers, and binders) and the Geographic Information System software. Support will be provided to the elaboration of a national data dissemination policy, through the recruitment of a consultant.



***Component 4: Project Management (US\$1.15 by the original project and US\$1.5 million by the AF)***

46. This component will support the PCU in coordinating and managing the implementation of the project. Activities will include (a) the development of annual work programs and corresponding procurement plans; (b) the management of fiduciary and monitoring activities; (c) the coordination of technical work and the provision of support services to technical units within the relevant ministries; and (d) the monitoring of and reporting on the implementation of the project's activities. In addition, the project will provide (a) Rapid Result Initiatives coaching to support faster implementation of activities and (b) implement a communication strategy to ensure that all project beneficiaries are aware of the Rapid Result Coaching on-demand arrangement. The project will provide the funding necessary for the acquisition of office equipment and accounting software, as well as for the payment of activities related to project coordination and monitoring.

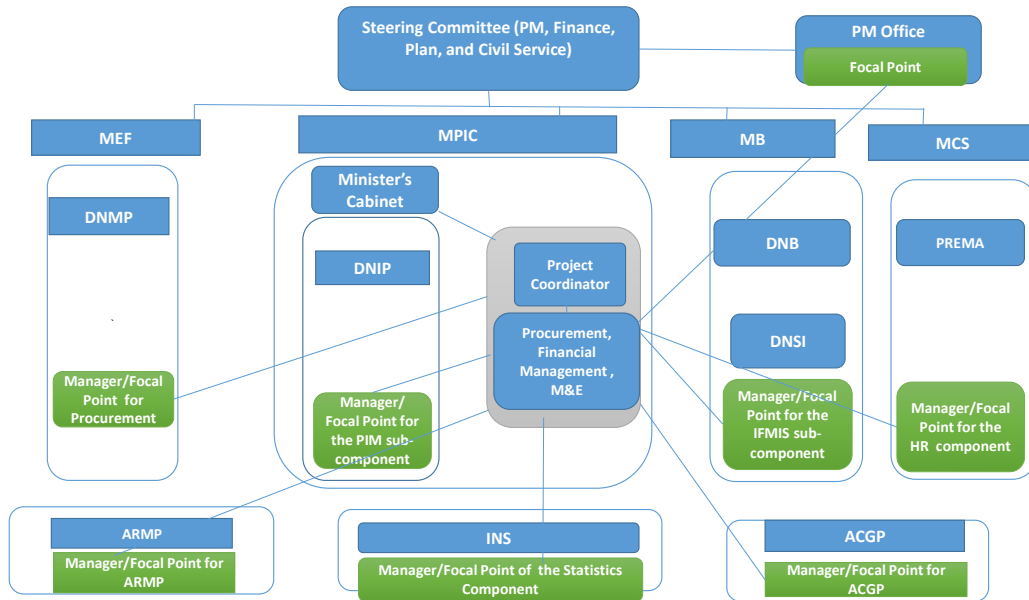
**C. Implementation**

***Institutional and Implementation Arrangements***

47. **Steering Committee.** To ensure adequate coordination between the ministries involved in the project, a Steering Committee, composed of representatives of all ministries and agencies involved in the project, has been established and is being chaired by the PM. It includes the ministers of finance, budget, planning, and civil service, as well as a technical secretariat. The Steering Committee has the responsibility for the overall project oversight.

48. **PCU.** The institutional oversight of the PCU will move from the MEF to the MPCl. The PCU will have FM and organizational responsibilities as well as responsibilities for M&E. The PCU will be responsible for preparing project activity and overall project implementation coordination by (a) preparing annual work programs for the approval of the Steering Committee; (b) working with focal points and managers in charge of implementing activities under various components; (c) monitoring and evaluating the work performed under the project by ministries and agencies involved in project implementation; (d) preparing consolidated technical and financial project reports; and (e) ensuring that the lessons and skills derived from project implementation are disseminated to the ministries and agencies involved in the project implementation. Furthermore, the PCU will be responsible, when needed and on an ad hoc basis, for the identification, recruitment, and deployment of RRI (Rapid Results Initiative) coaches to support faster implementation of activities.

**Figure 2. EGTACB Institutional and Implementation Arrangements**



49. Funds flow arrangements would be largely the same as before, with the project having one Designated Account (DA) located at the central bank and one project account in a commercial bank, which is managed by the MPIC in coordination with the PCU.

#### **D. Financial Management**

50. **The FM system and performance of the PCU under the original project are acceptable to IDA.** The PCU will be responsible for FM of the AF and remains the World Bank focal point. The PCU is familiar with the World Bank FM requirements and is currently managing the first phase of this IDA-financed project. The FM of the AF will follow the same approach as the implementation arrangements in place for the ongoing project managed by the PCU. The current FM staffing composed of an FM officer (*responsible administrative et financier*) and an accountant is adequate. The FM performance was rated Satisfactory following the last supervision mission completed in January 2017 (last ISR rated FM performance MS). No specific FM issue was noted during the supervision mission. For this AF, the fiduciary risk has been assessed Substantial following the primary risk assessment which took into account (a) the country's overall PFM risk level; (b) the lack of effective oversight structure (Steering Committee) during the first phase of the project and delays in the disbursement of government contributions to support the cost of the PCU operating costs; (c) the uncertainties on the institutional arrangements, including the staffing arrangement for the AF; and (d) the lack of an internal audit function.

51. **To mitigate these risks, the staffing arrangement will be strengthened with an update of the terms of reference of the key position within the PCU.** The composition, the mandate, and frequency of meeting of the Steering Committee will be strengthened to mitigate the risks identified. The configuration of the current accounting software, 'TOMPRO', will be updated. The existing FM procedures manual, which was prepared during the first phase of the project, will be used for this AF following updates to reflect the aspects of the AF. An external auditor will be recruited to audit the financial statement of the project AF.

52. The unaudited interim financial reports (IFRs) are prepared every quarter and submitted to the World Bank regularly (for example, 45 days after the end of each quarter) on time. The frequency of IFR preparation as well as its format and content will remain unchanged

53. **There is no formal internal audit function for the project as of today.** It was agreed during the preparation of the AF to explore options to create this function within the PCU because of the increase in the number of activities implemented, which in turn, require more effective internal control systems. A decision will be made in due course during the first 18 months following the AF effectiveness date.

54. **There is no overdue audit report in the project and the sector at the time of preparation of the AF.** The audit report of the project managed by the PCU covering the period ending on December 31, 2015, was submitted on time; the external auditor expressed an unmodified (clean) opinion. The next audit report of IDA-financed projects in the sector in Guinea is due on June 30, 2017. However, because of some delays in the recruitment of the external auditor, there is a risk of delayed submission of the 2016 audit report. The accounts of the AF will be audited on an annual basis and the external audit report will be submitted to IDA not later than six months after the end of each calendar year, similar to the ongoing first phase of the project. The external auditor should be recruited no later than four months following the project effectiveness date. The project will comply with the World Bank disclosure policy of audit reports and place the information provided on the official website within one month of the report being accepted as final by the team.

55. **Upon grant effectiveness, transaction-based disbursements will be used.** The grant will finance 100 percent of eligible expenditures inclusive of taxes. A new Designated Account (DA) will be opened in a commercial bank under terms and conditions acceptable to IDA. The ceiling of the DA will be established at US\$0.5 million. An initial advance up to the ceiling of the DA will be made and subsequent disbursements will be made against submission of Statements of Expenditures reporting on the use of the initial/previous advance. The option to disburse against submission of quarterly unaudited IFR (also known as the report-based disbursements) could be considered as soon as the project meets the criteria. The other methods of disbursing the funds (reimbursement, direct payment, and special commitment) will also be available to the project. The minimum value of applications for these methods is 20 percent of the DA ceiling. The project will sign and submit withdrawal applications electronically using the e-Signatures module accessible from the World Bank's Client Connection website. Funds will be disbursed to decentralized or specialized implementing entities on the basis of three-month budget depicted under a work plan.

56. Based on the current overall residual FM risk which is Substantial, the project will be supervised twice a year to ensure that project FM arrangements still operate well and funds are used for the intended purposes and in an efficient way.

## **E. Procurement**

57. The existing procurement arrangements will be maintained under the proposed AF; however, the updated 'Guidelines for Procurement under IBRD Loans and IDA Credit' published by the World Bank dated January 2011, revised in July 2014, will apply to all contracts financed under the AF. Procurement of consultants' services shall be governed by the 'Guidelines for the Selection and Employment of Consultants by the World Bank Borrowers' published by the World Bank in January 2011, revised in July 2014.

58. The PCU is experienced with the World Bank's procurement and FM procedures. The World Bank-approved existing procurement manuals which will be updated. The PCU will update the preliminary procurement plans that have already been submitted for project implementation.

59. A procurement capacity assessment of the PCU has been carried out and found to be Satisfactory. No specific procurement issue was noted during the first phase of implementation. For this AF, the Procurement risk has been assessed as Substantial following the primary risk assessment which took into account (a) the country's overall procurement risk level; (b) the large number of actors, that is, four ministries' staff; and (c) the new public procurement staff assigned in the ministries who are not familiar with the World Bank procedures.

60. To mitigate these risks, the following is recommended: (a) strengthen the existing staffing arrangement (1 Procurement Officer) by the recruitment of one (1) Procurement Assistant; (b) update the Manual of procedures taking into account this AF; and (c) train the technical staff of components involved in procurement activities on the World Bank procurement procedures.

#### **F. World Bank Grievance Redress**

61. 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 Bank's grievance redress service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel that determines whether harm occurred, or could occur, as a result of Bank noncompliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention and Bank management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Revised Results Framework and Monitoring Indicators

### Guinea: Economic Governance Technical Assistance & Capacity Building - Additional Financing

Revisions to the Results Framework		Comments/ Rationale for Change
<b>PDO</b>		
Current (PAD)	Proposed	
To re-establish and strengthen basic systems and practices to improve the management of public financial and human resources in Guinea	Revised - to modernize public financial and human resource management and enhance statistical capacity.	The PDO has been revised to reflect the introduction of the statistical capacity-building component and the deepening of the project activities in the areas of PFM and HRM.
PDO indicators		
Current (PAD)	Proposed change	
Public contracts procured through open competition	Continued	Target has been revised.
Discrepancy between MEPS Ministry of Employment and Public Service ( <i>Ministère de la Fonction Publique et de la Modernisation de l'Administration</i> or MCS: Ministry of Civil Service) civil service database and the payroll	Continued	Target has not been revised.
Budget preparation occurs according to the new PFM legal framework	Dropped	Target has been removed because the AF will indirectly contribute to this indicator.
Public investment proposals prepared according to agreed procedures	Dropped	Target has been moved to intermediate outcomes.
Direct project beneficiaries	Dropped	Target is no longer considered mandatory by the institution.
Proportion of the PIP compliant with PIM manual, reflected in annual budget	New	The indicator has been added to reflect improved efficiency of capital spending through improved link between the PIP and investment project included in the national budget.
Number of statistical products (household survey, enterprise census, national accounts) completed and published by the INS following international standards	New	The indicator has been added to reflect the introduction of the statistical capacity-building component.
<b>Intermediate Results indicator</b>		
Current (PAD)	Proposed change	
Component 1: Strengthening Basic Expenditure Management		
Public investment proposals prepared according to agreed procedures	New	The indicator has been moved from the PDO.

Revisions to the Results Framework		Comments/ Rationale for Change
Average rate of execution of public procurement commitment plans in the targeted three sectoral ministries	New	The indicator has been added to reflect efficiency through increased implementation rate of procurement plans.
Upgrade of the expenditure chain in compliance with the LORLF	New	The indicator has been added to reflect improved efficiency through upgrade and modernization of the expenditure chain.
New Procurement Code and legal texts adopted	Dropped	The target has been achieved
Publication of regular reports concerning public contracts	Dropped	The indicator has been dropped as the focus is now more on boosting the implementation rate procurement plans, hence capital budget execution.
Legal framework governing the investment fund adopted	Dropped	The target has been achieved.
PFM practitioners trained	Dropped	The AF has broadened the training beyond PFM by also including PIM, HRM, and statistics.
Annual project targets achieved	Dropped	The target has been achieved.
Aggregate Citizen Report Card scores participating sectors – Citizen Engagement (Percentage)	New	The indicator has been added to reflect citizen engagement
<b>Component 2: Improving Human Resource Management</b>		
Regular government employees identified	Dropped	Target has been achieved.
Irregular civil services cases resolved	Dropped	Target has been achieved.
Existing disciplinary cases resolved	Dropped	Target has not been achieved.
Additional biometric census of public agents	New	The indicator has been added to reflect improved HR and payroll management efficiency through removal of ghost workers.
<b>Component 3: Statistical Capacity Development</b>		
New poverty indices (poverty incidence, poverty gap, poverty severity)	New	The target has been added to reflect the production of reliable statistical data from the conduct of the household income and expenditure survey, hence the design and implementation of evidence-based policies.
Number of statisticians or equivalent trained from regional statistics or demography schools	New	The indicator has been added to reflect the production of reliable statistical data through skills upgrade and improved capacity of statisticians.

## Annex 2: Results Framework and Monitoring

### Guinea: Economic Governance Technical Assistance & Capacity Building - Additional Financing (P157662)

Project Development Objectives							
Original Project Development Objective - Parent:							
To re-establish and strengthen basic systems and practices to improve the management of public financial and human resources in Guinea.							
Proposed Project Development Objective - Additional Financing (AF):							
The project development objective (PDO) is to modernize public financial and human resource management and enhance statistical capacity in Guinea.							
Results							
Core sector indicators are considered: Yes				Results reporting level: Project Level			
Project Development Objective Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Public contracts procured through open competition.	<input type="checkbox"/>	Percentage	Value	15.00	71.00	80.00
				Date	01-Feb-2012	30-Nov-2016	30-Jun-2021
				Comment			
Marked for deletion	Budget preparation occurs according to the new PFM legal framework.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
Marked for deletion	Public investment proposals prepared according to agreed procedures.	<input type="checkbox"/>	Percentage	Value	0.00	25.00	75.00
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
New	Proportion of the PIP compliant with PIM manual, reflected in annual budget.	<input type="checkbox"/>	Percentage	Value	0.00	0.00	40.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			

Revised	Discrepancy between MEPS civil service database and the payroll.	<input type="checkbox"/>	Percentage	Value	8.00	0.60	2.00
				Date	01-Feb-2012	30-Nov-2016	30-Jun-2021
				Comment			
New	Number of statistical products (household survey, enterprise census, national accounts) completed and published by the INS following international standards.	<input type="checkbox"/>	Number	Value	0.00	0.00	3.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			
Marked for deletion	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00	259.00	400.00
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
Marked for deletion	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage	Value	0.00	24.00	10.00
			Sub Type				
			Supplemental				
Intermediate Results Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Marked for deletion	New Procurement Code and legal texts adopted.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
Marked for deletion	Publication of regular reports concerning public contracts.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
Marked for deletion	Budget is presented for legislative approval according to the budget calendar.	<input type="checkbox"/>	Yes/No	Value	Yes	No	Yes
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
Marked for deletion	Legal framework governing the investment fund adopted.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2013



				Comment			
Marked for deletion	PFM practitioners trained.	<input type="checkbox"/>	Number	Value	0.00	85.00	400.00
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
New	Average rate of execution of public procurement commitment plans in the targeted three sectoral ministries.	<input type="checkbox"/>	Percentage	Value	30.00	30.00	85.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			
New	Public investment proposals prepared according to agreed procedures.	<input type="checkbox"/>	Percentage	Value	0.00	0.00	90.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			
New	Upgrade of the expenditure chain in compliance with the LORLF.	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Dec-2016	30-Jun-2017	30-Jun-2021
				Comment			
Marked for deletion	Annual project targets achieved.	<input type="checkbox"/>	Percentage	Value	0.00	94.00	85.00
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
New	Additional biometric census of public agents.	<input type="checkbox"/>	Number	Value	0.00	0.00	30,000.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			
Marked for deletion	Existent disciplinary cases resolved.	<input type="checkbox"/>	Percentage	Value	78.00	80.00	80.00
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
Marked for deletion	Irregular civil services cases resolved.	<input type="checkbox"/>	Percentage	Value	100.00	90.00	100.00
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
			Percentage	Value	0.00	90.20	100.00

Marked for deletion	Regular government employees identified.	<input type="checkbox"/>		Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
New	New poverty indexes (poverty incidence, poverty gap, poverty severity)	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			
New	Statisticians or equivalent trained from regional statistics or demography schools	<input type="checkbox"/>	Number	Value	0.00	0.00	5.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			
New	Statisticians or equivalent trained from regional statistics or demography schools	<input type="checkbox"/>	Number	Value	0.00	0.00	5.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			
Marked for deletion	Regular reports produced and disseminated on project results and indicators.	<input type="checkbox"/>	Number	Value	0.00	4.00	0.00
				Date	01-Feb-2012	30-Nov-2016	31-Dec-2016
				Comment			
New	Aggregate Citizen Report Card scores participating sectors – Citizen Engagement (Percentage)	<input type="checkbox"/>	Percentage	Value	0.00	0.00	3.00
				Date	30-Dec-2016	31-Mar-2017	30-Jun-2021
				Comment			

### Annex 3: Results Chain

#### Guinea: Economic Governance Technical Assistance & Capacity Building - Additional Financing (P157662)

The PDO is to modernize public finance and human resource management and enhance statistical capacity.

Long-term Outcomes	Medium/short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
Enhanced capital budget execution rate	<b>Component 1: Strengthening basic expenditure management</b> <ul style="list-style-type: none"> <li>Improved alignment of budget with strategic priorities (PNDES)</li> <li>Improved alignment between the PIP and annual budget</li> <li>Increased number of PIP proposals prepared according to agreed procedures and methodology (for feasibility studies)</li> <li>Improved procurement processes (shorter and more on competitive basis)</li> </ul>	<b>Subcomponent 1.1: Strengthening public investment planning and multiyear and annual budgeting</b> <ul style="list-style-type: none"> <li>Multiyear and links between strategic planning and medium-term budgeting introduced</li> <li>Reliable and realistic MTEF (central and sectoral), MBTF, and the PIP</li> <li>Capacity and capabilities to conduct macrofiscal forecasts and manage multiyear budget programs</li> <li>Adequate and orderly annual budget calendar</li> <li>Business procedures/methods to manage multiyear budget developed</li> </ul>	<ul style="list-style-type: none"> <li>Development of a short-term fiscal and budget framework</li> <li>Establishment of an orderly budget calendar</li> <li>Integration of capital and current expenditures</li> <li>Elaboration of a PIM manual</li> <li>Funding of and support on feasibility studies</li> <li>Support for improved monitoring of investment projects</li> <li>Support for the development of sectoral MTEF, annual budget, procurement plans, cash flow plans, and standard costs for planning and monitoring</li> </ul>	US\$5.55 million
		<b>Subcomponent 1.2: Public Procurement</b> <ul style="list-style-type: none"> <li>Capacities and capabilities in procurement processes and procedures enhanced</li> <li>Status of professional cadre of procurement specialist created</li> <li>Procurement Code and implementing texts revised</li> </ul>	<ul style="list-style-type: none"> <li>Training of all key actors involved in the procurement system</li> <li>Creation of a professional cadre of procurement specialists</li> <li>Development of standardized technical specification for purchase of common items</li> <li>Evaluation and revision of the Procurement Code and implementing texts</li> </ul>	US\$0.5 million

Long-term Outcomes	Medium/short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
	<ul style="list-style-type: none"> <li>Improved capital budget processing, monitoring, and reporting</li> </ul>	<b>Subcomponent 1.3: Support to e-government</b> <ul style="list-style-type: none"> <li>The LORLF PFM process and procedures developed</li> <li>Government business process in investment planning, monitoring, and procurement automatized</li> <li>LEB and <i>chaîne des dépenses</i> updated and functional to support budget preparation and execution</li> <li>Rollout plan for the purchase of an IFMIS developed and agreed upon</li> </ul>	<ul style="list-style-type: none"> <li>Development of an application to support investment planning and monitoring</li> <li>Establishment of a DNMP's procurement e-filing</li> <li>Establishment of a SIGMAP.</li> <li>Elaboration of an operational plan for the implementation of the LORLF and assistance to develop PFM process and procedures in accordance with the LORLF</li> <li>Undertaking of an audit of the various public finance management applications to identify gaps</li> <li>Upgrade of the existing LEB and <i>chaîne des dépenses</i> to ensure its capacity for servicing budget preparation and execution while IFMIS is put in place</li> <li>Establish a rollout plan for the acquisition of an IFMIS</li> </ul>	<b>US\$6.45 million</b>
<b>Improved wage bill management efficiency and enhanced capabilities of civil servants</b>	<b>Component 2. Improving Human Resource Management</b> <ul style="list-style-type: none"> <li>Improved HRM information systems</li> <li>Improved payroll management system</li> <li>Improved capacity and efficacy of civil servants</li> </ul>	<b>Subcomponent 2.1. Civil Service biometric</b> <ul style="list-style-type: none"> <li>Updated comprehensive HR database</li> </ul>	<ul style="list-style-type: none"> <li>Biometric census to remove potential ghost workers and cleanup of the HR database</li> </ul>	<b>US\$1.0 million</b>
		<b>Subcomponent 2.2. Interfacing the HR database with the payroll system</b> <ul style="list-style-type: none"> <li>HR/payroll/GSS databases are integrated</li> <li>Number of department with biometric machines increased</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade of the HR information system</li> <li>Development of an integrated HR/payroll/GSS database</li> <li>Acquisition of additional digital fingerprint machines</li> </ul>	<b>US\$1.0 million</b>
		<b>Subcomponent 2.3. Strengthening the capacity for reform implementation</b>	<ul style="list-style-type: none"> <li>Support to the development of a merit-based recruitment and career development system</li> </ul>	<b>US\$2.0 million</b>

Long-term Outcomes	Medium/short-term Outcomes by Component	Key Outputs by Subcomponent	Activities	Inputs
		<ul style="list-style-type: none"> <li>25 young professionals trained and deployed in key ministries to support reform implementation</li> <li>Effective implementation and monitoring of key reforms (through RRI and PM dashboard)</li> <li>Enhanced alignment of international partners with government priorities</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening capacities of HR managers in technical and leadership training</li> <li>Provide an intensive training on change management and leadership to ministers</li> <li>Development of a framework to facilitate PM's key programs with interministerial coordination</li> <li>Development of tools and guidelines for the Government of Guinea-partners concertation</li> <li>Draft of regulatory framework for government coordination</li> </ul>	
Enhanced evidence-based policy	<b>Component 3: Statistical capacity development</b> <ul style="list-style-type: none"> <li>Increased quantity and quality of national statistics produced and macrofiscal forecasts</li> <li>Increased monitoring on PNDES execution</li> </ul>	<b>Subcomponent 3.1: Capacity building for data collection</b> <ul style="list-style-type: none"> <li>National statistics improved and produced</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of a household survey in 2017</li> <li>Implementation of the general enterprise census</li> </ul>	<b>US\$3.0 million</b>
		<b>Subcomponent 3.2: Improving human resources</b> <ul style="list-style-type: none"> <li>Increased number of qualified statisticians</li> </ul>	<ul style="list-style-type: none"> <li>Scholarship program for training Guineans in statistical schools</li> <li>Young professional program</li> <li>Feasibility study to create a national statistical school</li> </ul>	<b>US\$0.6 million</b>
		<b>Subcomponent 3.3: Improving economic and social statistics, archiving and dissemination</b> <ul style="list-style-type: none"> <li>Increased number of credible statistical information (economic and social, performance of national programs)</li> <li>The INS equipped for data collection and dissemination</li> <li>National data dissemination policy set up</li> </ul>	<ul style="list-style-type: none"> <li>Conduct small economic surveys</li> <li>Conduct studies and develop reports on annual performance of national programs</li> <li>Purchase equipment</li> <li>Elaboration of a national data dissemination policy</li> </ul>	<b>US\$0.4 million</b>

## Annex 4: Comparison of activities between the Original and the Additional Financing Projects

### Guinea: Economic Gov TA & Capacity Building - Additional Financing

Economic Governance Technical Assistance and Capacity Building Project	AF - Economic Gov TA & Capacity Building Project
<b>Component 1: Strengthening basic expenditure management</b>	<b>Component 1: Strengthening basic expenditure management</b>
<b>Subcomponent 1.1: Continue modernization of the public procurement system</b> <ul style="list-style-type: none"> <li>• Adoption of the Procurement Code and standardized texts</li> <li>• Training of procurement practitioners on the new code</li> <li>• Establishment of the Public Administration Reform Strategy</li> </ul>	<b>Subcomponent 1.1: Strengthening public investment planning and multiyear and annual budgeting</b> <ul style="list-style-type: none"> <li>• Development of a short-term fiscal and budget framework</li> <li>• Establishment of an orderly budget calendar</li> <li>• Integration of capital and current expenditures</li> <li>• Elaboration of a PIM manual</li> <li>• Funding of and support on feasibility studies</li> <li>• Support for improved monitoring of investment projects</li> <li>• Support for the development of sectoral MTEF, annual budget, procurement plans, cash flow plans, and standard costs for planning and monitoring</li> </ul>
<b>Subcomponent 1.2: Capacity building in PFM</b> <ul style="list-style-type: none"> <li>• Training to implement the new PFM framework law and to ensure orderly budget preparation and execution.</li> </ul>	<b>Subcomponent 1.2: Public procurement</b> <ul style="list-style-type: none"> <li>• Training of all key actors involved in the procurement system</li> <li>• Creation of a professional cadre of procurement specialists</li> <li>• Development of standardized technical specification for purchase of common items</li> <li>• Evaluation and revision of the Procurement Code and implementing texts</li> </ul>
<b>Subcomponents 1.3: Setting the basis for efficient and affordable public investments.</b> <ul style="list-style-type: none"> <li>• Capacity building of the Division of Investment Preparation and Evaluation</li> <li>• Preparation of the legal texts with governing rules and regulations for the use of the Special Investment Fund</li> </ul>	<b>Subcomponent 1.3: Support to e-government.</b> <ul style="list-style-type: none"> <li>• Development of an application to support investment planning and monitoring</li> <li>• Establishment of a DNMP's procurement e-filing</li> <li>• Establishment of a SIGMAP.</li> <li>• Elaboration of an operational plan for the implementation of the LORLF and assistance to develop PFM process and procedures in accordance with the LORLF</li> <li>• Undertaking of an audit of the various public finance management applications to identify gaps</li> <li>• Upgrade of the existing LEB and <i>chaîne des dépenses</i> to ensure its capacity for servicing budget preparation and execution while IFMIS is put in place</li> <li>• Establishment of a rollout plan for the acquisition of an IFMIS</li> </ul>

<b>Economic Governance Technical Assistance and Capacity Building Project</b>	<b>AF - Economic Gov TA &amp; Capacity Building Project</b>
<b>Component 2: Improving Human Resource Management</b>	<b>Component 2: Improving Human Resource Management</b>
<b>Subcomponent 2.1: Preparation of the strategy for public administration reform</b> <ul style="list-style-type: none"> <li>• Technical assistance to prepare the Public Administration Reform Strategy</li> </ul>	<b>Subcomponent 2.1: Civil Service biometric</b> <ul style="list-style-type: none"> <li>• Biometric census to remove potential ghost workers and cleanup of the HR database</li> </ul>
<b>Subcomponent 2.2: Civil Service biometric identification</b> <ul style="list-style-type: none"> <li>• Preparation and ministerial endorsement of the identification methodology and action plan</li> <li>• Awareness and information campaign through media and workshops to inform the target groups of the procedures, time schedule, and required documents</li> <li>• Biometric identification preceded by a pilot that will help draw lessons for a more effective identification</li> <li>• Specialized training of the operation identification team including identifiers</li> <li>• Supervising data compilation, verification, and treatment process in collaboration with the South African cooperation</li> <li>• Finance an independent identification supervision team to ensure the integrity of the process and the reliability of the identification results</li> </ul>	<b>Subcomponent 2.2: Interfacing the HR database with the payroll system</b> <ul style="list-style-type: none"> <li>• Upgrade of HR information system</li> <li>• Development of an integrated HR/payroll/GSS database</li> <li>• Acquisition of additional fingerprint machines</li> </ul>
<b>Subcomponent 2.3: Capacity Building for HR data management and control</b> <ul style="list-style-type: none"> <li>• Capacity building of the General Inspection of Public Administration (<i>Inspection Générale de l'Administration Publique</i>)</li> <li>• Capacity building and equipment for HR data management in the MEPS and budget</li> </ul>	<b>Subcomponent 2.3: Strengthening the capacity for reform implementation</b> <ul style="list-style-type: none"> <li>• Supporting the development of a merit-based recruitment and career development system</li> <li>• Strengthening capacities of HR managers in technical and leadership training</li> <li>• Providing an intensive and tailored training on change management and leadership to ministers and key collaborators (Permanent Secretaries, Chef de Cabinet, and so on)</li> <li>• Strengthening the PM's leadership and capacity to monitor and facilitate interministerial coordination</li> </ul>
<b>Subcomponent 2.4. Interfacing the HR database with the payroll system</b> <ul style="list-style-type: none"> <li>• Update the master plan for interfacing the HRM system and the payroll system</li> <li>• Interfacing the HRM system in the MPS, the payroll system in the MB, and registry in the GSG</li> </ul>	n.a.

<b>Economic Governance Technical Assistance and Capacity Building Project</b>	<b>AF - Economic Gov TA &amp; Capacity Building Project</b>
<b>n.a.</b>	<b>Component 3: Statistical capacity development</b>
	<b>Subcomponent 3.1: Capacity building for data collection</b> <ul style="list-style-type: none"> <li>• Implementation of a new household survey in 2017</li> <li>• Implementation of an enterprise census</li> </ul>
	<b>Subcomponent 3.2: Improving human resources</b> <ul style="list-style-type: none"> <li>• Scholarship program for training Guineans in statistical schools</li> <li>• Young professional program</li> <li>• Feasibility study to create a national statistical school</li> </ul>
	<b>Subcomponent 3.3: Improving economic and social statistics, archiving and dissemination</b> <ul style="list-style-type: none"> <li>• Conduct small economic surveys</li> <li>• Conduct studies and develop reports on annual performance of national programs</li> <li>• Purchase equipment</li> <li>• Elaboration of a national data dissemination policy</li> </ul>
<b>Component 3: Project Management</b>	<b>Component 4: Project Management</b> <ul style="list-style-type: none"> <li>• Introducing Rapid Result Coaching to facilitate change management and reform implementation (new)</li> </ul>



## Annex 5: Economic and Financial Analysis

### Guinea: Economic Gov TA & Capacity Building - Additional Financing

1. This annex is organized in two main sections:
  - **Financial analysis.** Section A presents the financial analysis to estimate the financial gains from the project over a period of four years. Given that about 80 percent of the project funding will be allocated to improve public finance and human resources, the financial analysis focuses on these components.
  - **Economic analysis.** Section B shows the economic analysis that captures the economic benefits that make the society as a whole better off. Some of the benefits can be quantitatively measured, while others will be assessed in qualitative terms.
2. For the purpose of modelling, the net financial benefits will be calculated with respect to an assumed project life of four years, starting from Year 0. The investment data are derived from both the AF project and the parental project's investment costing and are assumed to be collected over four years. Guinea's real growth rate of GDP is assumed to be 5 percent per year on average. The analysis assumes a market exchange rate fixed at the average 2016 rate of GNF 9,000 for US\$1 and a 5 percent discount rate (unified discount rate adopted in October 2013)<sup>14</sup>. It is also assumed that these macroeconomic assumptions are to remain constant over the project life.<sup>15</sup>

#### A. Financial Analysis

3. The summary of the costs and benefits associated with Components 1 and 2 of the project is presented in table 5.1, while the subsections contain details on the methodology applied to generate these estimated for each component.

**Table 5. 1. Summary of Costs and Benefits Associated with Components 1 and 2 (in US\$)**

		2018	2019	2020	2021	TOTAL
<b>Component 1: Strengthening basic expenditure management</b>	Inflow	2,000,000	4,000,000	4,000,000	2,500,000	12,500,000
	Outflow	0	0	14,000,000	40,000,000	54,000,000
<b>Component 2: Human Resource Management</b>	Inflow	1,390,000	9,750	9,750	9,750	1,419,250
	Outflow	0	4,777,778	4,777,778	4,777,778	14,333,334
<b>Total Inflow</b>		3,390,000	4,009,750	4,009,750	2,509,750	13,919,250
<b>Total Outflow</b>		0	4,777,778	18,777,778	44,777,778	68,333,334
<b>Total Benefit</b>		-3,390,000	768,028	14,768,028	42,268,028	54,414,084
<b>Net Present Value (NPV) at 5%</b>						<b>29,970,435</b>

Source: World Bank Staff estimates and projection

<sup>14</sup> Fifth review under the three year arrangement under the extended credit facility, financing assurances review, and requests for an augmentation of access and extension of the current arrangement – Debt Sustainability Analysis, IMF, January, 2015

<sup>15</sup> Assumptions are consistent with the country financial context and calculations made by the IMF in its eighth review under the framework of the Extended Credit Facility, November 2016.

### ***Component 1. Strengthening basic expenditure management***

4. The NPV under this component is estimated at US\$20.5 million as a result of supporting PFM, updating the existing automated PFM systems, enabling initial rollout of the IFMIS, and enhancing public procurement to increase capital budget execution through efficiency savings. Component 1 contributes to high-quality public infrastructure and economy-wide productivity supporting the Government in improved planning, budgeting, public procurement, execution of capital investments, and FM information systems. Component 2 will be allocated US\$12.5 million. To estimate the benefits, it is assumed that the ratio of investment to GDP is stable to 5 percent and the Incremental Capital Output Ratio (ICOR) implied is of 3.5.

**Table 5.2. Costs and Benefits Associated with Component 1**

Component 1										
Project Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
<b>INFLOW</b>										
Project Cost (US\$Million)						2	4	4	2.5	12.5
<b>Total inflows</b>						2	4	4	2.5	12.5
<i>WITHOUT PROJECT</i>										
REAL GDP (2018 PRI) (billions of GNF)						73,961				
without project							77,565	81,349	85,322	
GDP growth	1.5	1.0	0.1	5.2	4.6	4.9				
without project							4.9	4.9	4.9	
Gov capex Dom (billions of GNF)						3,428				
Gov capex foreign (billions of GNF)						2,699				
tot gov inv						6,127	6,433	6,755	7,093	
inv gr							5%	5%	5%	
Private Inv (billions of GNF)						6,450	6,773	7,111	7,467	
in % GDP						9%				
gr in pvt inv							5%	5%	5%	
Total investment / GFCF (billions of GNF)						12,577				
without project							13,206	13,866	14,559	
Inv/GDP	20.4	9.6	10.5	17.1	17.1	17				
without project							17.0	17.0	17.1	
ICOR implied		20.4	96.0	2.0	3.7	3.5	3.5	3.5	3.5	
<i>WITH PROJECT</i>										
REAL GDP (2018 PRI) (billions of GNF)						73,961				
with project							77,565	81,472	85,673	
GDP growth (billions of GNF)	1.5	1.0	0.1	5.2	4.6	4.9				
with project							4.9	5.0	5.2	
Gov capex Dom (billions of GNF)						3,428				
Gov capex foreign (billions of GNF)						2,699				
tot gov inv						6,127	6,862	7,548	8,152	
inv gr							12%	10%	8%	
Private Inv (billions of GNF)						6,450	6,773	7,111	7,467	
in % GDP						9%				
gr in pvt inv							5%	5%	5%	
Total investment / GFCF (billions of GNF)						12,577				
with project							13,635	14,660	15,619	
Inv/GDP	20.4	9.6	10.5	17.1	17.1	17				
with project							17.6	18.0	18.2	
ICOR implied		20.4	96.0	2.0	3.7	3.5	3.5	3.5	3.5	
NET GDP increase (million of GNF)						0	0	123	351	
Total outflow/NET GDP increase (US\$Million)						0	0	14	40	54
Net Benefit						-2	-4	10	37.5	
<b>Net Present Value (NPV) at 5%</b>										<b>20,496</b>

Source: World Bank Staff estimates and projection

## **Component 2. Improving Human Resource Management**

5. The NPV under this component is estimated at US\$9.6 million as a result of supporting the biometric census of civil service employees, the purchase of digital fingerprint devices, and reducing the

**wage bill.** The parent project ‘Economic Governance Technical Assistance and Capacity Building’ from 2012 to 2016 enabled identification of 2,392 ghost workers. Component 2 of the AF project will keep on strengthening HRM through the same modus operandi. The costs include the acquisition and installation of fingerprint devices, their operation and maintenance, and the fees for TA to support and train government institutions on biometric systems and processes. To estimate the size of the benefits, it is assumed that the AF will survey at least an equal number of civil servants. It is also assumed that the wage bill will remain at 2016 level.

**Table 5.3 Costs and Benefits Associated with Component 2**

<b>Component 2</b>					
<b>Project Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
<b>INFLOW (in US\$)</b>					
Purchase of digital fingerprint devices	162,500	0	0	0	162,500
Installation, configuration and training	27,500	0	0	0	27,500
Operation and maintenance of fingerprint devices		9,750	9,750	9,750	29,250
Consultant/Service provider (biometric census)	1,200,000	0	0	0	1,200,000
<b>Total inflows</b>	<b>1,390,000</b>	<b>9,750</b>	<b>9,750</b>	<b>9,750</b>	<b>1,419,250</b>
<b>OUTFLOW</b>					
Wage bill reduction savings		4,777,778	4,777,778	4,777,778	
<b>Total outflows (in US\$)</b>		<b>4,777,778</b>	<b>4,777,778</b>	<b>4,777,778</b>	<b>14,333,334</b>
Net Benefits	-1,390,000	4,768,028	4,768,028	4,768,028	12,268,381
<b>Net Present Value (NPV) at 5%</b>					<b>9,623,261</b>

*Source: World Bank Staff estimates and projection*

## **B. Economic Analysis**

6. While quantifying all the benefits of the project is difficult, one can get a sense of the scale of potential economic impact of a cluster of three main aspects of the project.

7. Recent public investment in Guinea represents about 9 percent of GDP. The execution rate of this investment is 46 percent of allocated funds (domestic and external financing). Increasing the execution of public investments and given the level of current marginal productivity of the overall investment as represented by the ICOR level of 3.5, will add roughly 0.1–0.2 percentage points to the annual GDP growth.

8. Under Subcomponent 1.3, the project will support the rollout of the new IFMIS software which should lead to considerable efficiencies in public spending. Although, it is difficult to quantify the impact of this kind of resource reallocation, there are potential economic benefits. Over the life of the project, it is estimated that the costs of directly managing productive current expenditure will drop. This is not easily measured and may result in unchanged total current expenditure to GDP ratio or a reduced one as the investment to the GDP ratio increases, depending on how freed resources are spent, which could lead to higher GDP growth.

9. The INS produces information of general usefulness. Estimating its value is difficult but a study for the United Kingdom gives us some guidelines. The total value of public information is estimated at GBP 6.5 billion for 2011–2012. Using quarterly data, it was estimated that the GDP was 387.5 billion for that period and thus yielded a ratio of 1.65 percent of GDP. This is for a society where a vast array of high-quality information is currently produced and used. Guinea is not at the same level of development so it

can be assumed that the current value of such information is 1/20th or 0.08 percent of GDP. The project is supposed to improve the quality of information therefore the value of information will become a higher percentage of GDP. This better information would yield better economic outcomes leading to higher GDP.

## **Annex 6: Guinea PFM Reform Strategy**

### **Guinea: Economic Gov TA & Capacity Building - Additional Financing**

1. The Ministries of Finance and Budget as the lead ministries for the PFM sector have developed the PFM Reform Strategy (PREFIP) and its accompanying three-year rolling implementation plan (2016–2018) in consultation with relevant stakeholders including development partners. The PFM Strategy was formulated following a period of diagnostic review and analysis and wide consultations with stakeholders; in particular, the Public Expenditure and Financial Accountability Assessment carried out in April–May 2013. The PREFIP had been adopted by the Council of Ministers in May 2014. Its prime objective is ‘setting and consolidating the basic of PFM first, before addressing more complex reforms.’
2. The PREFIP has identified nine areas of focus, which include the following:
  - (a) Macroeconomic framework and budget preparation
  - (b) Mobilization and management of domestic revenue
  - (c) External resource mobilization and debt management
  - (d) Budget execution
  - (e) Assets management
  - (f) Treasury management
  - (g) Accounting reform and financial information system
  - (h) Local finance
  - (i) Internal and external audit
3. A well-functioning institutional framework for the PFM sector is imperative for successful development of the sector in general and implementation of the strategy, in particular. The Public Finance Steering Committee is the highest policy coordination organ for the PFM sector. The Public Finance Steering Committee is supported by a Technical Unit in charge of the day-to-day implementation of the reform.
4. The PFM Strategy encompasses a whole range of activities including planning and budgeting, resource mobilization, budget execution and expenditure control, reporting and accountability, and audit. These activities will be implemented across nine programs. Furthermore, the strategy foresees four cross-cutting programs: (a) strengthening HR capacity; (b) communication; (c) IT; and (d) rehabilitation of infrastructures.
5. The sections below describe the priorities per program and particular strategies for achieving outcomes.

## **Macrofiscal Framework and Budget Preparation**

6. The objectives of this program are to improve government capacity on tax revenue forecasting for the preparation and monitoring of the implementation of finance law, building on the macroeconomic model (MSEGUI *Modèle de Simulation pour l'Economie Guinéenne*) and adding a natural resources module. Furthermore, the Government plans to strengthen the medium-term budget framework (MTBF)/MTEF, placing more emphasis on training and capacity building as the main priorities for implementing the MTEF. Despite the integration of the MTBF/MTEF into the budget cycle, the effectiveness of the MTEF process is weakened by lack of fully costed sector strategies, the weak link between the sector strategies and the budget, and the limited use of the MTEF outer years as basis for the yearly budget preparation. Other reform priorities consist of program budgeting, computerization of budget preparation, and multiyear investment planning.

## **Mobilization and Management of Domestic Revenue**

7. The objective of this program is to increase domestic revenue generation and the tax base to a sustainable level through the revision of the tax legal and regulatory framework, improving tax efficiency by both implementing the computerization of the tax collection and increasing taxpayer's compliance.

## **External Resource Mobilization and Debt Management**

8. The Government plans to improve the management of the external resource by adopting an IT system to better monitor and coordinate external financing. Staff capacity is also again an issue. Furthermore, a debt strategy should be developed and debt management strengthened.

## **Budget Execution**

9. The key axes of this program consist of the decentralization of the budget control function to the sectoral ministries and improved public procurement.

## **Assets Management**

10. The priority in this area is to undertake a stock-taking of state-owned enterprises, computerize the state assets management, and improve staff capacities.

## **Treasury Management**

11. The key strategy is to strengthen the implementation of the Treasury Single Account.

## **Accounting Reform and Financial Information System**

12. The objective of this component is to progressively move from cash to accrual accounting, as well as to put in place a comprehensive and transparent reporting mechanism improving on the quality and timeliness of both in-year and end-year financial reports.

## **Local Finance**

13. The overall objective is to deepen the policy of fiscal decentralization as a means of improving service delivery by subnational governments. The steps to be taken include the revision of the local financial legal framework, improving local revenue mobilization, and strengthening subnational government capacity in budgeting and reporting.

## **Internal and External Audit**

14. The key objectives of the program are to (a) improve effectiveness of internal audit functions for the purpose of strengthening internal controls in FM and reporting by ministries, departments, and agencies (MDAs) and subnational governments and (b) strengthen the independence and effectiveness of the external audit for the purpose of increasing audit coverage and scope for greater accountability by central government MDAs and subnational governments.

15. It is imperative to improve the internal audit service that is still in its infancy, mainly through capacity development of the internal audit staff. Also, the organization structure and legal framework of the General Audit Office should be revised and the Parliament's oversight function strengthened.



