

**AFRICAN DEVELOPMENT BANK GROUP**



**GUINEA: SECOND STRUCTURAL ADJUSTMENT  
PROGRAMME (SAP II)**

**Project Performance Evaluation Report (PPER)**

**OPERATIONS EVALUATION DEPARTMENT  
(OPEV)**

**22 April 2002**

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## CURRENCY EQUIVALENTS

At appraisal (31 October 1997)	At the PCR preparation mission (June 1999)	At the PER mission (November 2001)
Currency Unit= Guinean Franc (GNF)	Currency Unit = Guinean Franc (GNF)	Monetary Unit = Guinean Franc (GNF)
1 UA = 1527.49 GNF	1 UA = 1649.89 GNF	1 UA = 2431.29 GNF
1 UA = 1.36521 USD	1 UA= 1.34484 USD	1 UA = 1.27808 USD
1 UA = 1 SDR	1 UA= 1 SDR	

### Weights and measures

Metric system

### Fiscal Year

1<sup>er</sup> January- 31 December

## SYMBOLS AND ABBREVIATIONS

ADF	:	African Development Fund
BND	:	Budget national de développement (National Development Budget)
MTEF	:	Medium-term expenditure Framework
CTP	:	Comité technique de pilotage (Technical steering committee)
DAAF	:	Direction des affaires administratives et financières (Administrative and Financial Directorate)
ECOWAS	:	Economic Community of West African States
EPFP	:	Economic Policy Framework Paper
ESAF	:	Enhanced Structural Adjustment Facility
FRIGUIA	:	Société d'alumine de Fria (Alumine Corporation)
GDP	:	Gross Domestic Product
GER	:	Gross Enrolment Rate
GNF	:	Guinean Franc
HIPC	:	Highly indebted Poor country
IDA	:	International Development Association
IMF	:	International Monetary Fund
KM	:	Kilometer
M2	:	Money Supply
PCR	:	Programme Completion Report
PPER	:	Programme Performance Evaluation Report
PRSP	:	Poverty Reduction Strategy Paper
SAP	:	Structural Adjustment Programme
SME	:	Small and Medium-scale enterprise
TSFO	:	Table of State Financial Operations
UA	:	Unit of Account
VAT	:	Value-added tax

**RATINGS**

Relevance	:	Unsatisfactory
Achievement of Objectives (Efficacy)	:	Unsatisfactory
Efficiency	:	Highly unsatisfactory
Institutional Development Impact	:	Unsatisfactory
Sustainability	:	Highly unsatisfactory
Overall performance Indicator	:	Highly unsatisfactory
Borrower Performance	:	Unsatisfactory
Bank Performance	:	Unsatisfactory

## **PREFACE**

1. This report concerns the Second Structural Adjustment Programme (SAP II) in Guinea, covering the period 1997-99 and financed on ADF loan n° F/GUI/PAS-2/97/25 in the amount of UA million, in December 1997.
2. Following on SAP I, co-financed by the Bank in 1986, this programme sought to create conditions conducive to accelerated and sustainable growth, based on increased contribution by the private sector, greater mobilization of private savings and investment in an enhanced legal and institutional framework. The programme components were as follows: (i) streamlining public expenditure; (ii) strengthening budgetary procedures; (iii) improving the economic management capacity.
3. The purpose of the ADF loan was to support Guinea's balance of payments by financing payment for imports during the 1997-99 period.
4. The Bank prepared the SAP II completion report in July 1999. This document indicates that the programme has been satisfactorily executed, even though no phase reports were submitted and there was no Bank supervision; it was implemented gradually, given the weak institutional capacity. The report highlighted the following shortcomings: the efforts at internal resource mobilization have been timid and have hampered the functioning of the public services; the private sector is inchoate, and the CMDT system yet fragile. The Bank organized the programme performance evaluation mission to examine these problems in depth and draw the appropriate lessons.
5. This report has been drafted following the performance evaluation mission conducted in Guinea from 14 to 30 November 2001. It refers to the appraisal and completion reports on the SAP II and is based on (i) the information available at the Bank; (ii) the statistical data relating to the macro-economic, sectoral and institutional evolution of the country collected during the mission; (iii) the discussions and exchanges with the competent units of the Guinean administration.
6. The PPER contains an independent review of the performances of the programme, the Borrower and the Bank Group, based on the criteria of efficacy, efficiency and sustainability of programme results. It supplements the observations, analyses and conclusions of the PCR. The PPER takes account of the comments and observations of the Borrower and the Bank's operations departments.

## BASIC PROGRAMME DATA

### A. Preliminary Data

1. Loan Number	:	F/GUI/PAS-2/97/25
2. Borrower	:	Guinean Government
3. Beneficiary	:	Guinean Government
4. Executing Agency	:	Inter-ministerial Committee

### B. Basic Loan Data

		Projected	Actual
1. Loan Amount (UA Million)	:	10.00	10.00
2. Commitment Charge	:	0.5% yearly on the undisbursed amount starting 120 days after the signing of the loan agreement.	0.5% yearly on the undisbursed loan amount, starting 120 days after the signing of the Loan Agreement
3. Service Charge	:	0.75% yearly on the disbursed and outstanding amount.	0.75% yearly on the disbursed and outstanding amount.
4. Repayment Period	:	50 years	50 years
5. Grace Period	:	10 years	10 years
6. Date of loan negotiation	:	November 1997	14 November 1997
7. Loan approval date	:	December 1997	10 December 1997
8. Loan signature date agreement	:	December 1997	17 December 1997
9. Loan effectiveness date	:	December 1997	23 December 1997

### C. Project Data

		Projected (millions)		Actual (millions)		Gap (millions)	
		UA	GNF	UA	GNF	UA	GNF
Financing Plan	:	UA	GNF	UA	GNF	UA	GNF
ADF	:	10.00	15,274.94	10.00	15,274.9	0	0
IDA	:	51.27	78,314.41	51.27	78,314.41	0	0
IMF/ESAF II	:	75.45	115,249.12	75.45	115,249.12	0	0
Total	:	136.72	208,838.43	136.72	208,838.43	0	0
Date of first disbursement	:	December 1998		23 December 1998		-	
Start-up of programme implementation activities	:	December 1997		23 December 1997		-	
Date of completion of programme activities	:	June 1998		29 December 1998		6 months	

#### D. Performance Indicators

1. Slippage of last disbursement	: None
2. Programme Implementation Status	: Completed
3. Implementation Performance	: Unsatisfactory
4. Bank Performance	: Unsatisfactory
5. Programme results	: Unsatisfactory

#### E. Missions

Type of mission	Number of missions	Dates	Person/months
Identification	-	-	-
Preparation	1	15-29/06/1997	0.5
Appraisal	1	22/09 au 06/10 1997	0.5
Supervision	-	-	-
Mid-term review	1	30/11 to 05/12 1998	0.2
Completion	2	19/06 to 05/07 1999	1.00
Post-evaluation	2	-14 to 30 /11/2001 - 21 to 28/11/2001	0.75

#### F. Disbursement (in UA million)

	Estimate at appraisal	Actual	Percentage
Total disbursed	10.0	10.0	100%
1st tranche	6.0	6.0	100%
2nd tranche	4.0	4.0	100%
Amount cancelled	-	-	-
Unutilized balance	0.0	0.0	-
Annual disbursement			
1997	6.0	6.0	100%
1998	4.0	4.0	100%

#### G. Other programmes financed by the Bank Group concerning structural adjustment in Guinea

	Year of approval	Loan (in UA million)	Status of implementation	Date of completion	Status of PER
SAPI	17/01/1989	13.82	completed	30/06/1994	Not available

## **EVALUATION SUMMARY AND MATRIX OF RECOMMENDATIONS**

### **1. Objectives**

1.1 This Project Performance Evaluation Report concerns the Second Structural Adjustment Programme (SAP II) for Guinea, covering the period 1997-99, and for which ADF granted loan n° F/GUI/PAS-2/97/25 of UA 10 million, in December 1997.

1.2 The overall objectives of the programme were: to create the conditions for sustained and durable growth based on a greater contribution by the private sector; and (ii) to combat poverty by improving per capita income and access of the needy populations to health and education services. The sector objective was to narrow the resource gap without any actual increase in the debt burden or reduction in consumption. The specific objective was to improve public expenditure qualitatively and effectively.

1.3 SAP II had the following components: (i) rationalization of public expenditure; (ii) strengthening budgetary procedures; (iii) increasing the economic management capacity. The appraisal (ref. ADF/BD/WP/97/197) and completion (ref. ADF/BD/IF/2001/16) reports give details concerning the measures implemented. Producing the performance indicators of priority sectors was one condition for release of the first tranche of the loan.

### **2. Implementation Performance**

All the programme measures were implemented; however, the implementation fell six months behind schedule. The inter-ministerial Committee, which was the programme implementation agency, operated as required and the procedures were complied with. However, the stage reports, the audit report and the government's completion report were not produced in accordance with the timetable established; the Bank did not conduct any of the three supervision missions scheduled.

### **3. Institutional Performance**

#### **The Borrower's Performance**

3.1 The Borrower's performance was not satisfactory, owing to the major lapses with regard to the Government's commitment to reducing customs duty exemptions and the tardy transmittal of programme monitoring reports.

#### **Performance of the Bank**

3.2 The Bank's performance was not satisfactory, given its absence at the identification stage of the programme, the imprecise data relating to performance indicators and the total lack of supervision.

### **4. Impact of the Programme**

4.1 The programme initiated a public expenditure planning framework that was slightly more rigorous than previously, with a view to focusing on sectors identified as priorities and reducing poverty. The budget resources were transferred in favor of these sectors, however, the organization of this transfer encountered various institution and capacity-related

problems. Moreover, within these sectors, the decentralized units were targeted to receive increased budget allocations and these same problems limited the effectiveness of the operation. The very concept of MTEF and its application on the ground were limited, owing to difficulties relating to the cash flow and central income mobilization.

4.2 The concrete achievements in the priority sectors, as compared to the projections of the performance indicators were on the whole disappointing, even if there were isolated cases of appreciable results. The poverty reduction objective could not be attained, notably because food production declined and the road maintenance outputs were mediocre; the few examples of progress in education and health ended up benefiting the urban populations, in view of the uneven distribution of social infrastructure, to the detriment of the rural areas, where the needy populations are actually concentrated.

## **5. Sustainability**

The positive effects of the programme are constantly threatened by the fragile debt mobilization, the persistent corruption and fraud and the priority given to military expenditure. Under the circumstances, the government commitment to countering fraud, so as to increase income becomes a decisive and at the same time uncontrollable factor of sustainability.

## **6. Conclusions**

The planning framework initiated under the programme was useful but inadequate, since it was rendered fragile by the limited projectability of income and insufficient efforts made by the Guinean authorities to secure this income. In addition, the complexity of the measures determined and the shortcomings with regard to implementation and supervision reduced the programme's chances of success.

## **7. Lessons, Recommendations and Follow-up Measures**

7.1 The lessons from the programme implementation, in addition to those mentioned in the PCR, concerned the negative effect of the limited diversification of the economy, the need for the Government to constantly control fraud, an integrated approach to income, expenditure and public investment; continual strengthening of financial management capacities.

7.2 To consolidate the results already obtained, it is recommended that:

- The Government:

step up its efforts at diversification of the economy in order to reduce its dependence on the mining proceeds fluctuations; intensifies efforts against fraud, so as to improve recovery and projectability of public expenditure; limits military expenditure with a view to freeing up budgetary resources in favor of the priority sectors; increases the financial management capacities at the regional and local levels, so as to eliminate disbursement lags; improves the system for allocation of budgets to decentralized services, in order to fully meet their real needs; reduces the time taken to process DAAF (Financial and administrative department documents, so as to shorten the

expenditure procedure; guarantees minimum revenue, so as to cover a minimum expenditure package.

- The Bank:

Strengthen the monitoring/evaluation measures, in order to ensure compliance with the schedule of measures and the applicability of performance indicators; reinforces the mechanisms for coordination between programme co-financiers, in order to improve each partner's ownership of the programme; to better evaluate regional socio-political risks and thereby maximize the programme's chances of success; to improve supervision guidelines to ensure that policy dialogue with the borrower is effectively conducted and in accordance with the pre-determined schedule.

7.3 The follow-up measures to be applied by the Government concern stimulating private investment, accelerating establishment of the anticorruption committee, preventing regional conflicts, implementation of the financial management capacity strengthening procedure, improved knowledge of the real needs of the decentralized public units and the grassroots populations, connection of the DAAF to the computerized expenditure chain, construction of a framework for income and medium-term public investment integrated into the MTEF.

7.4 At the level of the Bank, the follow-up action concerns the preparation of a specific schedule for implementation of measures and coordination between co-financiers, a prospective analysis of regional sociopolitical risks, and rigorous monitoring of the evolution of performance indicators.

## **I. THE PROGRAMME**

### **1.1 Economic Context**

1.1.1 Guinea is a country covering an area of 245.857 km<sup>2</sup> with 7.3 million inhabitants. It has significant mining and agricultural resources, which, if judiciously exploited, should afford its population a decent level of income and consumption per capita. However, over the years, the exploitation of this potential has been impeded by structural constraints that the government has encountered at the macro-economic, sector and institution level.

1.1.2 At the macro-economic level, the Guinea government has gradually abandoned a socialist –type state system and begun to espouse the principles of the market economy. Indeed, from 1985, the Guinean government set out to eliminate the vestiges of the state economy, namely: (i) control of price, exchange and the goods and services trade, (ii) the omnipresent and omnipotent public enterprises; (iii) financial repression and (iv) the overstaffed public service.

1.1.3 Prior to the first intervention of the International monetary fund in 1991, the structural adjustment reforms undertaken by the Government with the financial assistance of the donors, including the Bank concerned public finances (reduction of public service staff, improved mobilization of public expenditure), the monetary and financial sector (establishment of a central bank and a new national currency, organization of the money market) and structural reforms (decontrol of trade and prices and privatization of public enterprises).

1.1.4 In the 1991-96 period, the increase in non-mining income was insufficient and thus unable to compensate the steady decrease in mining income, owing to (i) tax evasion and fraud relating to import tax assessment (particularly for petroleum products); (ii) the narrow tax basis; and (iii) the marked tendency of the formal private sector to evade taxes. Furthermore, public expenditure was characterized by budget indiscipline, mainly seen in the poor control of public sector salaries.

1.1.5 The results obtained from the reforms implemented prior to 1991 were: (i) revival of economic growth at a uniform rate of 4% globally and by sector, notably when the world bauxite prices were not unfavorable; (ii) the significant decrease in inflation; (iii) the revitalization of the private agriculture sector (revival of food crops, fruit exports and certain cash crops such as cotton, coffee, oil palm and rubber), small-scale industries and services; (iv) decontrol of most prices. Following these reforms, institution-related problems arose, namely: the slowing down of reforms due to the slippage caused by budgetary indiscipline and the limited management capacities; promulgation of legal and regulatory texts without their effective application; derisory participation of banks and financial institutions in economic activities and limitation of banking credit to commercial transactions.

1.1.6 From 1991 to 1996, certain turns in Guinean government policy hampered reforms; nevertheless, tangible results were obtained, for example: (i) progress with regard to trade liberalization; (ii) reduction of the size of the public sector; (iii) introduction of the VAT at a uniform rate of 18%; (iv) adoption of an enhanced mining strategy; (v) review of the banking law and the law concerning the central Bank; introduction of instruments for indirect control of currency.

1.1.7 In 1996-97, Guinea's macro-economic situation was as follows: (i) the economic growth rate averaged 47. % yearly; (ii) the annual inflation rate rose to about 2.5%; (iii) the budget deficit was about 6.1% of GDP; (iv) the deficit of the current account represented 10% of GDP while the official reserves stood at 2.6 months of imports; (v) the public external debt/GDP, external public debt/exports, debt service/ exports and ratios were 80%, 451% and 28.8%, respectively. Overall, the country's macro-economic situation was encouraging, but the concerns of the Government and the development partners were more with regard to the income and expenditure structure.

1.1.8 Indeed, despite the significant progress made as a result of past reforms, numerous structural and institutional constraints persisted. With regard to budget preparation, the following lapses have been identified: (i) budget allocations with administrative application of percentages based on the previous year's budget, without any rigorous assessment of needs; (ii) lack of institutional framework to determine inter-sector options; (iii) separation of the operating and development budgets without providing coordination linkage between them and without covering recurrent expenditure; iv) development budget for three-year period as compared to one year for the operating budget.

1.1.9 The budget implementation was further weakened by the following factors: (i) long period taken to make the budget allocations available; (ii) limited levels of budget implementation, especially for major sectors; (iii) lack of reconciliation of budget expenditure and actual expenditure, in the absence of public account audits; (iv) lax expenditure control, owing to the lack of authority of controlling bodies, (v) insufficient allocations for maintenance and servicing; (vi) the oversized portion of salary-related expenditure in the operations budget, which limits the volume and quality of public services provided by the State.

1.1.10 Moreover, the principal sectors of activity suffered the following constraints:

- (i) In agriculture and rural development: limited basic infrastructure; production and marketing areas that are not easily accessible; the weak and insufficient rural groups/associations; the persistent socio-cultural practices; the institutional, legal and regulatory constraints.
- (ii) In the education sector: insufficient and old or outdated establishments and facilities; deficiency in terms of numbers and caliber of teaching staff; increased demand for education owing to the marked increase in the population.
- (iii) In the health system: insufficient decentralization and de-concentration of health staff and the health system; insufficient services to the populations; limited private sector activity; inconsistency in skills, motivation and management of human resources.
- (iv) Concerning roads: heavy rainfall and abundant restoration; varying relief and soil; limited familiarity with the local materials and new road technologies; inefficient mechanism for promotion, supervision and monitoring of SMEs; limited national capacities for management of the sector.

1.1.11 Guinea had difficulty in shielding its economy from bauxite and aluminum price fluctuations, owing to the limited diversification of production and exports. Therefore, the mobilization of income, largely depending on the performance of mining exports became a

major concern of country's development partners. With the poor projectability of income, improved public expenditure management became one of the country's priority areas, with a view to bringing expenditure to a level compatible with income.

1.1.12 SAP II was designed to help the government carry out this improvement of public expenditure. It was conducted by an inter-ministerial committee made up of economic and sector ministry and the Governor of the Central Bank, with the assistance of the technical steering committee (CTP) chaired by the Director of the Prime Minister's office and led principally by an Advisor to the Minister of Planning.

## **1.2. Programme Formulation**

1.2.1 The programme pursued efforts to further the reforms started by SAP I which was co-financed by the Bank. The programme components and measures were defined on the basis of the problems and constraints identified in the DCPE and set out in the development policy letter. No schedule of implementation of programme measures was produced, with the result that it is difficult to monitor.

1.2.2 With the distribution of activities amongst Guinea's development partners, the income problem became the particular target of the reforms covered by the International Monetary Fund. The Bank, as a co-financier of other donors, focused on expenditure management by implementing a framework for medium-term expenditure, the MTEF. This sharing of responsibilities, would require the Bank to coordinate with the co-financiers on the basis of a programme and following a schedule; there is no trace of such a coordination timetable.

## **1.3 Objectives and Scope at appraisal**

1.3.1 The overall objectives of the programme were: to i) provide the conditions for sustained and lasting growth based on increased private sector contribution; and, (ii) conduct poverty reduction by improving per capita income and the poor populations access to health and education services. In the sectors, the programme aimed to reduce the resource gap without any real increase in the debt burden or in consumption. The specific objective of the programme was to improve public expenditure effectively and in terms of quality.

1.3.2 The programme components were: (i) to rationalize public expenditure; (ii) strengthen budget procedures; and (iii) improve the economic management capacity.

1.3.3 The medium-term expenditure framework (MTEF) the programme sought to institute was to be used in channeling public expenditure to the priority sectors, i.e., education and health, rural development and road maintenance. Overall, the services of these sectors were to improve the living conditions of the poorest populations. Within each of these sectors, there was to be a redefinition of the respective roles of the State and the grassroot communities through a budget re-distribution in favour of decentralized agencies rather than the central agencies. The programme further sought to guarantee the quality and volume of the basic social services. Lastly, the control and monitoring of the budget implementation was to be improved by setting up a computerized public expenditure system and applying the simplest rules for greater transparency.

1.3.4 Public expenditure was streamlined by selecting the four priority sectors already mentioned, as well as Justice, Town planning/housing and Social affairs in 1999. These

priority sectors were to receive budget allocations to be determined at the end of the planning and programming process described above. The budget allocations were also to reflect the grassroots needs and follow the internal priorities of each sector, so as to take account of the sector needs as well as the financial resource constraints at the center. The ultimate objective pursued was to progressively increase the share of priority sectors in the total operating budget, excluding salaries, so as to gradually provide increased working resources and thus reduce poverty.

1.3.5 At appraisal, the risks incurred by the programme concerned external shocks linked with the world bauxite prices that underlay the export and fiscal revenues and hedging factors such as; the national consensus that would limit political instability; the government's political commitment to conduct reforms. However, retrospectively, it is seen that the risks created by the regional socio-political instability greatly affected the programme implementation; even if, at appraisal, they could not be clearly assessed, neither could they be completely ignored.

#### **1.4 Financing Arrangements**

The total financing stood at UA 136.72 million, including 10 million for ADF (15.275 billion Guinean francs), UA 51.27 million for IDA and 75.45 million for IMF/ESAF II.

## **II. EVALUATION**

### **2.1 Evaluation Methodology and Approach**

2.1.1 The methodology adopted consists in using the documentation available within the Bank relating to SAP II, SAP I and similar World Bank operations, and to IMF annual programmes covering the period under review. Collection of primary information in Conakry centered around discussions with staff of the Ministry of the Economy and Finance and the CMDT priority sectors, especially the DAAF for education (pre-university education, higher education and scientific research, technical education and vocational training), agriculture and stockbreeding, and health. Access to and discussion of performance indicators and was rendered difficult by the absence of certain heads of the MTEF Units of priorities sectors and the fact that all information was in the possession of absent officials of the units concerned.

2.1.2 In Conakry, it took several efforts to gather information relating to priority sector activities and outputs; in that regard there were repeated visits to the DAAF, particularly concerning performance indicators. Discussions with the development partners and co-financiers made it possible to gather their views concerning the SAP II outputs and all their operations in Guinea.

2.1.3 The «before» and «after» programme approach was used for the evaluation to determine the outputs and impact; the exact periods are 1994-97 and 1998-00, respectively. All the information available has been processed on the basis of these time frames; the budget allocation disbursement rate was calculated by priority sector and for the all the MTEF sectors. Then within all the CMDT sectors, the respective allocations to centralized and decentralized services was determined.

## **2.2 Key Performance Indicators**

2.2.1 The programme provided Guinean public servants a “tool box” of financial management instruments, namely: the macro-economic adjustment programme, allowing for consistency between the constraints and the objectives, the quarterly cash flow plan on the basis of which the Government could tighten the links between the income and expenditure, and the computerized chain of expenditure, an indispensable source of standardized, reliable and detailed information.

2.2.2 As to the performance indicators formulated by the priority sectors in order to evaluate the progress in their respective activities, they were stated in the appraisal report without any precise indication as to their content and starting and end point. This oversight arises from the fact that the Bank did not identify this programme that it joined halfway through, and it left to its co-financier, the World Bank, the principal role of monitoring and control of these indicators.

2.2.3 To avoid repetition of such a situation, it is imperative that the Bank participate in all the phases of programmes, in order for it to actually own these programmes it finances. There is no substitute to performance indicators, especially when the statistical information system is deficient, as is the case with Guinea; in that regard, the information system could have been improved as a specific activity of the programme and thus contributed significantly to the institutional development of each priority sector. This possibility was not explored, despite the fact that this programme had a component for «improvement of the economic management capacity», which unfortunately was not clearly defined.

## **III. IMPLEMENTATION PERFORMANCE**

### **3.1 Loan Effectiveness, Start-up and implementation**

The programme was implemented and the conditions for release of the first tranche were fulfilled without any difficulty. On the other hand, the second tranche was released six months behind schedule, at the end of December 1998 instead of June 1998. The main reason for this delay was the difficult implementation of the public service institutional reform.

### **3.2 Adherence to Programme Costs, disbursements and Financial Arrangements**

The loan was disbursed in two tranches, as envisaged; the donors concerned fulfilled the financing commitments programmed. The total loan amount was disbursed, and there was no overrun. Moreover, it was not necessary to extend the loan closing date, since the programme was completed prior to 31 December 2000. The goods and services procurement procedures were complied with.

### **3.3 Programme Management, Reporting, Monitoring and Evaluation**

3.3.1 The matrix of measures provided at appraisal did not include a schedule for implementation of the measures envisaged, and this made it difficult to monitor the programme. This situation was aggravated by the lack of stage reports from the Government and the late submission of audit reports.

3.3.2 In addition, owing to the tight schedule, the Bank did not carry out any of the three supervision missions envisaged, hence the difficulties encountered in the programme implementation, particularly the monitoring of the evolution of the performance indicators; this is one of the major shortcomings of the programme, which, on account of its complexity, should definitely have been given further attention.

3.3.3 The lapses in the monitoring of the programme by the Bank did not impede its implementation, since all the programme measures were carried out and the key objectives by and large attained; however, it could have yielded better results, especially in private sector promotion and poverty reduction.

#### **IV. PERFORMANCE EVALUATION AND RATING**

##### **4.1 Relevance of goals and objectives and quality at entry**

4.1.1 SAP II sought to assist Guinea in attenuating its structural and institutional constraints, so as to improve the management of public expenditure. To that end, the programme formulated a medium-term expenditure framework (MTEF). There was to be planning/programming of public expenditure, including inter and intra-sector allocation of such expenditure, over a period of three years, based on the following: (i) a consistent macroeconomic framework; (iii) realistic public expenditure forecasts from the government programme concluded with IMF (iv) the sector objectives defined by the Government following consultation with the grassroots beneficiaries; and (v) performance indicators allowing for regular follow-up of the effective implementation of the programme.

4.1.2 A period of experimenting with the MTEF preceded the explicit formulation of SAP II; during this preliminary phase, the government, the principal administrations and the World Bank contributed to defining the tasks and measures required. Staff work groups were set up by priority sector to determine the content of the medium-term expenditure framework; the deliberations relating to the reinforced control of budget implementation were led by the Ministry of finance and the office of the Prime Minister. The concept of MTEF was thus internalized by the government and administrations, for example the sector ministries. Since the Bank did not participate in this preliminary phase, its effective involvement was only at the programme appraisal stage.

4.1.3 The MTEF concept was based on a set of conditions whose fulfillment could not be guaranteed at the appraisal stage. The first of these concerned effective management by the Guinean administration of instruments for macro-economic tuning. Even if the Guinean administration managed to correctly utilize the economic management instruments introduced by the programme (the modern budget nomenclature, the TSFO and the macro-economic refocusing document), the true test of its mastery of these techniques would be in narrowing the gap between projections and effective expenditure in relation to the corresponding income, whereas this test was a priori an uncertain assessment, given the marked incidence of the bauxite and aluminum price fluctuation on the economic performance. Indeed, such incidence of terms of trade is characteristic of any economy with limited diversification and that is dependent on primary product exports; however, it is more marked in Guinea, since agriculture, industry and trade have for a long time been particularly neglected.

4.1.4 The second condition, relating to the quality of statistical information, required time and major sustained investments in order to be fulfilled, given the shortcomings and the known deficiency of the technical administrations in charge of collecting and preparing it. Thirdly, the income projections based on agreements with IMF did not escape the problem of fundamental unpredictability either, given the poor economic diversification mentioned earlier. On the other hand, they were linked to improvement of the collection system in general, and that of the customs administration in particular; their predictability was hampered by the risk that the government efforts to bring in public income might not offset the income loss due to corruption and fraud. Fourthly, the effective consideration of the real needs of the grassroots beneficiaries through participatory consultation was limited by the government's foreseeable reticence to abandon its old habit of imposing the views of the central authority on the population, particularly that of the rural area.

4.1.5 Fifthly, the performance indicators were to serve as tools for matching the government's actual intervention with its the formal commitments. However, the content of these indicators was not made clear in the appraisal report and no indication was provided concerning their starting or ending over the programme period. It was difficult to apply the measurable and operational aspects of these indicators, considering the known shortcomings of the statistics systems in the Guinean administration.

4.1.6 A priori, the feasibility of the MTEF concept was compromised in view of (i) the difficulty in significantly improving the income collection, implying poor predictability of income and expenditure; and (ii) the lack of accuracy regarding the performance indicators. The programme was thus over-optimistic concerning the successful implementation of its central mechanism.

4.1.7 The objective of MTEF was to allocate, over a period of three years, more financial resources to the four priority sectors mentioned and whose activities, as a whole, affected the living conditions of the least privileged populations in general and the rural populations in particular. At appraisal, Guinea's poverty situation appeared to be an essentially rural phenomenon. In 1995, 40.3% and 13% of the population lived below the poverty line and the extreme poverty line respectively, the proportions of rural dwellers being 52.5% and 17.9% as against 24.3% and 5.6% for the urban populations.

4.1.8 The desired and sought improvement of the well-being of the rural populations was faced several handicaps, including: (i) uneven distribution of social infrastructure, particularly schools and health centers, in favour of towns and to the detriment of the rural areas; (ii) lack of maintenance and poor state of the rural area roads (20.000 Km of local paths and tracks out of a total of 33.600 Km), which only increases the cost and prices of agricultural produce; and (iii) the meager agricultural production incentives, owing to the state control of the economy and also, following the liberalization, to the inappropriate pricing policy. The programme sought to improve the living conditions and welfare of the needy populations by allocating increased public resources to these priority sectors of activity so as to increase the volume of social services available to them.

4.1.9 Aside from their modest financial resources, these underprivileged populations had limited access to the social services offered by the Guinean Government, given the marked concentration of public resources (material, human and financial) within the central administration at Conakry, to the detriment of the regional and local communities. The programme thus aimed to transfer more public resources to the decentralized units so as to

provide them adequate means for their tasks and enable more of them to actually benefit from public services. Indeed, the decentralization of public services, particularly the social services, represented a powerful instrument for poverty reduction, provided it was ensured that beyond the numerous laws and rules decreeing the need to get closer to the people, the public resources were actually getting down to grassroots level.

4.1.10 This operation was well designed, since priority cannot not be given to the social sectors without guaranteeing the beneficiaries an adequate volume of resources. However, at appraisal, the mechanisms or instruments for effective transfer of these basic resources were not clearly defined, with the obvious result that the risks of failure of the operations could not be easily assessed. This lack of precision was all the more surprising since the limitations of the Guinean administration were fully known, in particular, the incapacity for effective economic and financial management at all levels, particularly regional and local, and also the dimension of corruption at these levels.

4.1.11 The programme was to help the government to, over a period of three years, target the priority sectors for allocation of public expenditure and its reallocation in favor of decentralized units. This targeting required centralized implementation of a planning and programming capacity, within a coherent framework, as well as a database of relevant socio-economic data, to monitor the volume and quality of public services, notably the indicators of performance of the priority sectors. Given the limited institutional capacity, the country's needs and expenditure in order of priority and make estimates in accordance with its macro-economic constraints. To that end, the use of a quarterly cash flow plan was considered wise, as an instrument to monitor effective release of the budgetary allocations programmed and as a guide for any adjustments.

4.1.12 The programme also aimed to reinforce the regulatory framework for expenditure processing, take up the slack and in the procedure and limit opportunities for corruption; in that regard, it wisely addressed one of the greatest institutional weaknesses of the Guinean administration already mentioned. The instruments used to attain the objectives stated were clearly defined.

4.1.13 The last component of SAP II concerned management capacity building. Though corresponding to a real need to contain the technical and institutional weaknesses of the Guinean administration, this component of the programme neither indicated a precise content nor measures targeting the weaknesses identified. In particular, this component offered the opportunity to significantly improve the system of statistical data that is indispensable to define and evaluate the sector performance indicators, and whose poor quality had moreover been recognized. Since this opportunity was not seized, the Government has lost an opportunity to speed up its institutional capacity building.

4.1.14 The effort under the programme to boost the administration's institutional capacity is thus incomplete; it actually does not supply the institutional support necessary to consolidate the new conduct that the budgetary reforms require on the part of administrations and public servants. In particular, there have been no training and supervision activities for the administrations responsible for budgetary implementation, which hampers the complete internalization of the reforms and the spirit of reform that they seek to promote.

4.1.15 The programme components and measures targeted government priorities, beginning with the budget surplus required to finance public investment and leave banking resources at the disposal of the private sector. In addition, the budget resources should be directed towards activities contributing to (i) improved productive efficacy of the primary sector; (ii) better road maintenance, especially of feeder tracks; (iii) raising the level of education of children of school-going age and adults; better health coverage for the populations. These rationalized budget allocations should thus improve the situation of the needy populations. In addition, the strengthening of budgetary procedures and macro-economic management was expected to help improve the transparency of public expenditure management.

4.1.16 The Government priorities dovetail with those of the Bank, which underscored reinforced poverty alleviation, protection of the environment and promotion of the private sector. Indeed, in its programme of assistance to Guinea for the period 1996-98, the Bank devoted 45% of its funding to human resource development, especially education and health, 25% to agriculture and rural development and 30% to macroeconomic, structural, institutional and sector reforms.

4.1.17 The risks of the programme were properly assessed with regard to bauxite price fluctuations and sociopolitical unrest in connection with the elections scheduled for 1998. On the other hand, the risks of political instability caused by the civil wars in Liberia and Sierra Leone were completely left out of the appraisal, whereas the uncertainty concerning investors in Guinea and the possible military expenses incurred by the government could greatly affect the programme implementation. Moreover, since the schedule for implementation of the measures was not precise, the Bank should have conducted the very rigorous supervision required, given the complexity of measures to be implemented and the size of the interest groups affected by the reforms within and outside the administration. Though judiciously envisaged in three phases, this supervision has not been conducted, which implies an overestimation of the government's capacity to effectively manage its programme.

## **4.2 Achievement of Objectives and Outputs (Efficacy)**

4.2.1 The programme outputs have concerned the following areas: (i) macro-economic evolution; (ii) restructuring of public expenditure in favor of the MTEF sectors; (iii) monitoring and control of budgetary implementation; (iv) institutional reforms.

### **Macro-Economic Trends**

4.2.2 Overall growth rate Prior to the implementation of the programme in 1994-97, the Guinean economy recorded growth averaging 4.6 % per annum; this rate fell to 3.2%, in real terms, in 1998-00. This declining performance was due to the sector trends observed between the two periods: the primary sector growth rate fell from 4.4% to 2.5% on the average per year, owing to the insecurity of the rural population near the borders; secondary sector growth slowed from 6% to 4.8% as a result of the political uncertainty in connection with the December 1998 elections; the low level of commercial activities made the tertiary sector growth contract from 3.6% to 2.6%; the rate of increase in import taxes and duties slid from 13.2% to 2.3% reflecting the decline in imports due to the said uncertainty and that of public investment. In addition to all these factors, there was the deterioration of trade terms from -1.5% to -6.5%, the budgetary slippage resulting from the insecurity at borders which brought about an increase in military expenditure to 16% of total expenditure in 2000, the decrease in gross investments from 23.6% of GDP to 21.7% reflecting the decline of public investment

from 8% of GDP to 6.6%, itself due to the difficulties the government experienced in supplying counterpart funds for projects financed from outside and the wait-and-see attitude of private operators, who did not change their level of investment.

**4.2.3 Public Finances** During the programme implementation, Guinea's public income decreased while its expenditure rose increased. The public income, especially from mining, decreased because of the decrease in bauxite and aluminum prices; owing to the events of South East Asia which reduced the demand and prices of these commodities, and also brought reduced a decrease in foreign investor interest in aluminum. The expenditure increase was due firstly to the intensification of the military activities of the Guinean army in support of the ECOWAS armed intervention in neighboring countries and to cope with the increasing flow of refugees on to Guinean territory; then the December 1998 presidential elections brought about additional expenditure. The regional political instability and military expenditure adversely affected the programme implementation, given the order of priority of Government public expenditure that it tended to establish, i.e.: public service salaries, military expenditure, MTEF priority sectors, and non-priority ministries.

**4.2.4** The irregular inflow of public income reflecting the fluctuations in mining receipts led the government to be less dependent on that source. In that regard, efforts were made and an improvement in the income structure was noted; there was in fact an average annual decrease in the share of mining expenditure in total income from 27.2% in 1994-97 to 24.2% in 1998-00 as a result of the reforms in the customs administration. The share of non-mining income thus increased; direct contributions, international trade and non-fiscal receipts thus increased from 9.6% to 10.2%, from 14.9% to 16.7%, and from 6.6% to 7.3%, respectively, while the share of indirect taxes and levies stagnated at 41.5%.

**4.2.5** The share of public income in GDP declined from an average of 14.2% yearly, in 1994-97 to 13.6% in 1998-00 owing to the decrease in dutiable imports on account of the prudent stance of economic operators and the fiscal fraud. In 2000 and 2001, the public enterprise audits revealed cases of fraud in the aluminum mining enterprises such as FRIGUIA, enterprises providing public services (port services, electricity, telephone and water) and in the customs set-up as a result of the fiscal exemptions frequently granted. The adverse effects of the culture of corruption were officially recognized and the government instituted an anti-corruption committee whose improved operation will be one of the principal goals of the SAP III currently being put in place.

**4.2.6** At the same time, the public expenditure level slumped, from a yearly average of 17.2% of GDP in 1994-97, to 15.8% in 1998-00. This more marked fall in the public expenditure level, reflecting the government's determination to conduct reforms, allowed for improvement of the overall budget balance (grants excluded) over GDP from -6.5% to -4.8% and the ratio of the primary budget balance over GDP from 1.8% to 2.5%. The public expenditure structure however showed a significant increase in military expenditure; its share in total operating expenditure excluding salaries increased from 17% in 1998 to 25% in 2000 and 24.3% in 2001. In a context of declining public expenditure, the increase in military expenditure, coming second in order of priority after salary payment, was bound to create financial difficulties for the other activities, including the priority sectors.

**4.2.7 Inflation, currency, credit and exchange rates** Inflation increased by a 3.7% yearly average, in the 1994-97 period to 5.9 % in 1998-00. This negative trend is partly due to the increase of private sector credit growth that exceeded that of deposits (the ratio is 2.17), in

1998-00, compared to the 1994-97 period during which each the rate was 0.5, implying a slower growth of credit. This trend is an indication that the central Bank had difficulties controlling the credit granted to the private sector. In addition, the credit to the government increased at a quickening pace by 22.9% in 1994-97 and then 35% in 1998-00, thereby pushing prices up. Additional pressure came from the substantial depreciation of the national currency, from 3% to 14.1% and the increase in petroleum prices by 15-20% in 1999.

4.2.8 The liquidity of the economy increased only slightly between the two periods since the M2/GDP rate and credit to the private sector/GDP increased from yearly averages of 8.8% to 9.8% and from 4.4% to 4.9%, respectively. M2 increased more rapidly than the nominal GDP in 1994-97 (10.5% against 8.2% for GDP) as in 1998-00 (12.8% against 8.8%). During the period, the money supply was greatly affected by the budget policy. The ratio of currency reserves/deposits increased from 1.1 to 1.13 between the two periods, signaling deterioration in the management of reserves by commercial banks.

4.2.9 Balance of payments and debt The share of GDP in the current balance (official transfers excluded) improved from a yearly average of -7.8% in 1994-97, to -7.1% in 1998-00. The export rate increased (from 19.57% to 22.9% of GDP) by just about the same proportion as the import rate (from 22.8% to 26.8% of GDP); the trade balance thus declined between the two periods. The limited improvement of the overall balance from -85 millions USD in 1994-97 to -70.3 million USD in 1998-00 could not prevent the stagnation of the foreign exchange reserves equivalent in months of imports at about 2.6 months. Guinea's reliance on official transfers is marked, with 119 million USD in 1998-00 as compared to 132 million USD in 1994-97; the volume of capital movements was relatively low, however up from an annual average of 136.6 million in USD 1994-97 to 54.9 million USD in 1998-00.

4.2.10 The debt service/exports ratio fell from 28.5% in 1994-97 to 19.7% in 1998-00, implying an improvement in the liquidity position of the Guinean economy. The structure of the external debt has evolved to the advantage of the bilateral creditors, whose share increased from 39.9% in 1994-97 to 44.7% in 1998-00 against a decline in the same periods, from 53.2% in 49.4% for multilateral creditors. In addition, Guinea benefited from debt alleviation pursuant to the Paris Club agreements; it was also given increasingly concessional lending terms by multilateral sources. Guinea is HIPC-eligible; it attained the decision point in 2000 and its completion point is expected to be attained in 2003.

### **Inter and Intra-Sector Allocation of Public Expenditure**

4.2.11 The programme aimed at providing the priority sectors with additional financial resources for adequate and high quality public services. The objective of providing the priority sectors a share of the budget resources exceeding 25.5% was attained; 27.9%, 33.1% and 31.5% of non-salary operating expenditure were allocated to the priority sectors in 1998, 1999 and 2000, respectively. Examination of the budgets actually implemented shows that the priority sectors received an allocation in 2000 representing a real increase compared to 1998, with the exception of agriculture and stockbreeding (-54.3%) and pre-university education (-29.5%). The detailed situation of 1999 could not be obtained from the expenditure chain system, since it was not functioning that year. In 2001, two out of the 7 initial priority ministries saw their allocations reduced in real terms; these were: the ministry of Technical Education (-6.3%) and Higher Education and Scientific Research (-1.5%). Increased budgetary resource transfers did not materialize for all the priority sectors each

year and the 2001 transfer problems attest the fragility and the possible reversibility of the MTEF system, if the progress in mobilization of income is not sustained.

4.2.12 The discussions with the administrations concerned clearly revealed that they effectively felt this increase in their resources on the ground and noted a significant improvement in their functioning in comparison with the years prior to the MTEF, primarily the 1998-9 period; unfortunately, some of these administrations received allocations late, because of the cash flow difficulties in the central administration, which themselves were due to the low level and instability of receipts, as well as the increasing priority given to military expenditure during the period. These delays in releasing budgets detracted from work efficiency, in that certain activities were supposed to be conducted within a technically determined time frame.

4.2.13 According to the available statistics, the rate of disbursement of budget allocations in favor of all the priority sectors increased from a yearly average of 54.5%, in 1994-97, to 85.9%, in 2000, for the four initial priority sectors and 85.2% for the MTEF sectors extended to cover the Justice, Social Affairs and Town Planning/Housing departments. The average rate of disbursement in favor of priority sectors was higher than those for the non-priority ministries, which attained 65%, thus confirming that efforts were made towards the sectors identified. Conversely, at the time of implementation of the budget in September 2001, the disbursement rates fell to 26.7% for the initial MTEF and 29.1% for the extended MTEF. Thus three months from the end of 2001, under 30% of the budgets allocated to the priority sectors had actually been made available to them. This significant delay is yet another illustration of the difficulties mentioned with cash flow and income mobilization. Given the order of priority of the expenses already mentioned and the cash flow constraints, the priority sectors themselves had reduced budget implementation rates.

4.2.14 In addition, the priority MTEF sectors were not treated equally; In 1998 and 2000, the Agriculture, Health and Town planning sectors had more difficult access to financial resources than the Education and Roads sectors. In 2001, it was the new priority ministries, namely Justice, Social Affairs and Town Planning/Housing that were particularly privileged, while the Primary, Health, and Roads sectors were neglected. The governments actions therefore apparently contradicted its undertaking to reduce poverty amongst the rural populations.

4.2.15 The objective of exceeding a 50% disbursement rate was thus attained (except in September 2001). However, as stressed and as emerged from discussions with the DAAF and other development partners, the funds disbursed did not always arrive at destination, or where they did, were not always available at the opportune moment with regard to the activities programmed; these non-deliveries and late deliveries had the effect of reducing the efficiency of the public service concerned.

4.2.16 According to the available statistics, in 2000, about 20% and 10% of non-salary operating credits were allocated to the central departments and the de-concentrated units in Conakry, respectively; the bulk of these budget allocations, about 70%, was transferred to the decentralized units in the country's hinterland. The discussions with the administrations concerned confirmed this observation, on the basis of figures, and revealed the utility of the authority devolution system, which provided the institutional medium for this transfer; it facilitated efforts to make the regional and local managers accountable. The objective of increasing budgetary allocations to the regional and local departments was attained, however,

there were delays in channeling credits and supplies, particularly in cases where these had been procured by tender invitations or by bulk purchases that could only be made at Conakry. These delays were due to the limited capacities of regional and local managers, who, under the circumstances, could only be allocated relatively small portions of credits.

4.2.17 The allocations to decentralized services were just distributed evenly among them, rather than in a discerning manner reflecting the disparity, and as a result, the needs of certain decentralized units could not be met. In addition, discussions with the DAAF heads showed that, without prior training, the limited capacity of regional and local managers to stringently handle the resources allocated often reduced the efficiency of the units. Also, the hasty extension of MTEF to all administrations scheduled for 2000, without any critical evaluation of the pilot phase, raised the risk of decentralizing problems of corruption and fraud, whose negative effect in the central administration was well known. This extension did not take place in 2000, owing to difficulties encountered in the implementation of the programme concluded with IMF; it is currently being started up as part of the third Structural Adjustment Programme (SAP III).

4.2.18 During the 1998-00 period, the Guinean public investment budget implemented was 75% financed externally, however this external financing required a national counterpart fund programmed in the national development budget (BND). Following a substantial increase in real terms of 84% in 1998 as compared to 1997, the investment financed using local resources in the MTEF sectors decreased in real terms, by 20.02 in 1999 and 17.3% in 2000 and increased by 36.6% in 2001. In relative terms, the share of the CMDT sectors in BND also decreased from 90.5% in 1998 to 53.4% in 1999, 38.8% in 2000 and 47.6% in 2001. The cases of increases in real terms of the investment budget concerned education (46.8% in 2000 and 64.6% in 2001), health (24.8% in 2000 and 27.6% in 2001), agriculture and stockbreeding (30.8% in 1999 and 37.6% in 2001) and public works (128.8% in 1999). Conversely, public investment decreased in real terms in education (57% in 1999), health (57.2% in 1999), agriculture and stockbreeding (38.2% in 2000) and public works (10.2% in 2000 and 79.4% in 2001). The decrease in locally financed public investment in priority sectors in 1999 and 2000 was compensated by the equivalent increase in 2001.

4.2.19 During the period under review, externally financed public investment increased firstly by 37.1%, in real terms, in 1998, then dropped by 14.5%, 29.6% and 16.3%, in 1999, 2000 and 2001, respectively. The decline in public investment had indirect positive effects on the balance of payments, whose level increased slightly as a result of the decrease in imports; it also indirectly had a negative effect on public income, since the import decline meant a decrease in import taxes and duties.

4.2.20 In the period 1998-00, the public investment programme implementation rate improved slightly recording 41.6% as against 40.8% in 1997, before falling to 21.3% in 2001; the rates are 37.6%, 31% and 21%, respectively, for external financing and 62.5%, 108% and 21%, respectively, for financing under the national development budget. The externally financed public investment implementation rate could be underestimated, considering that the donors did not systematically communicate information concerning disbursement of their financing. The low public investment programme implementation rate is due to a combination of the following factors; the culture of corruption and fraud, lack-luster government mobilization of internal resources and foreign financing, the deficit in external support and the financial implications of the conflicts in the sub-region.

4.2.21 The decline in public investment in the priority sectors coincided with the difficulty in letting the operations budget reach the grassroots recipients. Public investment was not covered in the current phase of the MTEF, whereas the lack of investment in the priority sectors could dampen or even cancel out the improvement in the well being of the less privileged populations brought about by the transfer of the operating budget in their favor under MTEF.

### **Outputs of Priority Sectors**

4.2.22 The four priority sectors adopted a series of performance indicators which, in the case of agriculture, higher education and scientific research and health, for example, preceded the MTEF system. Their purpose was to make it possible to monitor the output and quality of the public service. Generally speaking, it has been difficult to trace these indicators in the central administration as well as in the sector ministries. This difficulty once more raises the problem of quality of the statistical data system and suggests the departments did not come to fully own the essential tools for monitoring the programme implementation. It moreover appeared that certain performance indicators, though quantifiable, were hard to measure, owing to the shortcomings of the information systems in place.

4.2.23 The available statistics show that the objectives relating particularly to the gross enrollment rate for all children and then for girls alone were attained. The projections concerning the construction of schoolrooms, recruitment of teachers and increased number of private classrooms were also achieved; there was also substantial progress in the reduction of the repeater rate. On the other hand, the objectives concerning classroom renovation were not fulfilled.

4.2.24 In Higher Education and Scientific research (ESRS), the following outputs were observed: (i) the share of the ESRS in the education budget was reduced from 25.2% in 1997 to 21% in 2000 and 17.24% in 2001 compared to a target of 7-20%; (ii) the share of non-salary expenditure for training in the ESRS budget increased from 10% in 1996 to 35% in 2000 and 43.7% in 2001, as against a target of 25%; (iii) the share of ESRS costs borne by the beneficiaries increased from 5.5% in 1997 to 15.3% in 2000 and 11.9% in 2001 as against a target range of 5-10%; (iv) the share of social transfers in the ESRS budget decreased from 24.3% in 1997 to 7.94% in 2000, in other words by 11.6%, compared to a projected decline 5%. The education sector outputs were significant and overall exceeded the projections.

4.2.25 The health sector outputs were small in some areas and significant in others. For example, the proportion of children between 12 and 23 months completely vaccinated was 32% in 1999, as compared to 29% in 1992; there was also a slight improvement in the vaccination coverage between 1996-97 and 1998-00 for the BCG (from 67.5% to 74.3%, respectively), DTC3 (from 53% to 55.3%), VPO3 (from 53.5% to 55.3%) and measles (from 54% to 56%). On the other hand, great progress was made in the reduction of mortality, since the infant and juvenile mortality rates decreased between 1992 and 1999, from 136 per thousand to 98 per thousand and 229 per thousand to 177, respectively; the maternal mortality rate also dropped from 880 for 100,000 births in 1996 to 528 in 1999.

4.2.26 According to available statistics, the trend of agricultural production showed considerable contrast: cereal, cocoa and palm kernel production stagnated while that of cassava and cotton greatly regressed and that of coffee increased. The food crops yields declined from an annual average of 2.4%, in 1996-97 falling to 1.84% in 1998-00 compared

to an overall target of 2.2% for 2000. The fall in agricultural prices is one of the factors explaining the slump in yields and the stagnation or decline of the agricultural production; however, the poor agricultural performance in 2000 is largely due to the insecure frontier situation. The small budgets allocated to agriculture under the MTEF are another factor of the sector's poor performance. The fact that the agriculture operating budget was lower than one billion GNF per year during the 1998-00 period clearly supports the view that this sector gained enough from externally-financed projects to warrant high priority among the CMDT sectors.

4.2.27 Quantitative objectives were set for 2000 for cereal production (rice, corn and fonio), cassava, cash crops (cotton, coffee exports); the outputs fell short of projections in the cases of rice and corn, but were attained in other areas. In the stockbreeding sub-sector, the performance indicators concerned (i) the cattle head count, production of meat and dairy products; (ii) the state of health of the animals; (iii) the number of herders' associations and; (iv) export of meat and other stockbreeding products. In most of these respects, the results far exceeded the estimates; this unexpected performance could be due to an under-assessment of the realities of the base year or improved statistical coverage; the latter case would mean that the reinforced operation through the MTEF had a positive impact on the quality of the statistical information system.

4.2.28 For roads, the performance indicators concerned (i) an increase in the State administrative budget; (ii) the 10% per year increase in the number of kilometers of road maintained; (iii) the number of jobs created through maintenance; (iv) the number of SMEs that got contracts during the year; (v) the reduction to 21 days of the period allowed for payment for maintenance contracts. The target for the 2<sup>nd</sup> year of MTEF, consisting in maintenance of 20% of the road network, was still not attained at the time of the mission for preparation of the performance evaluation reports. There are two reasons for this setback; firstly, since the roads were untarred, their state of deterioration was beyond maintenance, and rather required rehabilitation; also the State administrative budget was not provided. About one hundred SME were assigned to road maintenance with only about ten proving to be real public works professionals, and the generally deficient structures and statistics systems made it difficult to assess their turnovers, the volume of their activity and their contribution to job creation. Payment for works completed required an average of 25 days, as against an objective of 21 days, owing to the slow processing and lack of funds, once again linked to difficulties in mobilizing income in the central administration.

### **Control and Monitoring of Budget Implementation**

4.2.29 The major financial administration problems included fraud, inadequate control of implementation of procedures and poor analytic and technical capacities. The success of the CMDT system therefore largely depended on the quality of information on budgetary implementation, on the one hand, and the rapidity and transparency of expenditure procedures, on the other. Improvements in that regard were to be made by computerizing the expenditure chain and improving the expenditure process so as to safeguard non-salary operating expenses. The computerization of the expenditure process was carried through on the basis of collaboration between several multilateral donors that shared technical assistance, computer training and supply of material and equipment.

4.2.30 This chain was brought into operation in 2000 and entirely adopted by the Ministry of Finance. The detailed and complete financial statistics for the central and decentralized administrations, particularly the budget structures of the priority MTEF sectors, have been available in real time from a central file since January 2000; however, the information concerning the 1998 and 1999 fiscal years is only available in an aggregated and incomplete form, because the computerized expenditure chain was not operational for those two years owing to certain technical problems. There are still problems since the connection between the central chain and the DAAF is no longer effective, with the result that progress in the reduction of expenditure application periods has been limited. The link-up with the decentralized local departments was envisaged for end 2001, however, at the date of the PER preparation mission in November 2001, it was not yet operational.

4.2.31 The budgetary procedures and practices have been improved: the budget nomenclature has been modified to better target expenditure, regulatory texts have been adopted to make public accounting and general accounting compatible and coherent, the extension of credit from central units to the decentralized structure has been organized with objective repercussions at the regional and local levels. An improvement of procedures and practices was noted at all levels of the administration in 1998 and 1999, particularly the MTEF priority sectors; on the other hand, there was a lapse in 2000 and 2001 and even a tendency to return to the former practices of centralization. This slippage was not only due to the instability and inadequacy of central administration resources, but also, and perhaps above all, to the lack of a medium-term income framework as an interface to the MTEF, with a view to guaranteeing minimum revenue. One of the programme's weaknesses in fact lies in the emphasis on expenditure, whereas the principal source of constraint is income. This is the shortcoming the programme the government is currently implementing with IMF seeks to redress.

4.2.32 In reality, the procedural reform and provision of equipment only provides a framework for individual conduct, which is a significant element of the administrative lag and attendant corruption and fraud. Since this conduct can only be changed if the actors themselves are willing to have it change, the only way of ensuring improvement would be through systematic auditing of public accounts, to determine the level of skills and competence and the extent of application of procedures on the one hand, and to measure the degree of fraud, on the other. The government will be making efforts to combat corruption and fraud as part of the Bank's SAP III, soon to be implemented.

### **Institutional Reforms**

4.2.33 It has already been indicated that the extension of the MTEF system to the entire administration required a preliminary or parallel programme for training of regional and local management staff, so as to avert the risk of "decentralizing" the problems of corruption and fraud. Such an institutional capacity building programme to build the is the missing link whose implementation should make it possible to give real meaning to the decentralization of income and expenditure, since it will enable the grassroots populations and regional and local administrations to gradually take themselves in hand.

4.2.34 The programme implementation was marked by numerous problems concerning the statistical data whose poor quality and inadequacy limited the performances. In the absence of reliable information systems, it was not possible to find out the number of jobs created by the public works SME; for these SME in particular, the performance indicators defined were

not measurable, owing to the lack and poor quality of information and management systems. The existence of a reliable information system is a pre-condition for the effective monitoring and control of the programme.

### **Contribution to Poverty Reduction**

4.2.35 The lack of studies on poverty in Guinea during the programme period made it difficult to evaluate the impact of the programme on the level of poverty; the lack of an indicator of the poverty situation makes it difficult to determine its evolution since 1997. However, the statistics available suggest that, owing to the marked decline in the real growth rate between 1994-97 and 1998-00, the average standard of living of the Guineans has fallen. The GDP/per capita in fact fell from 1.8% in 1994-97 to 0.93% in 1998-00 and per capita consumption steadily decreased (-1.5% in 1994-97 and -0,1% in 1998-00) during the same period. Poverty was concentrated in rural areas where food production decreased, whereas consumer prices rose significantly; as a result, the purchasing power of the rural population declined. In addition, the jobs that the road maintenance was expected to create in the rural areas to generate income were not significant because of the problems encountered. On the other hand, progress was recorded regarding access to education and the health situation, though it was not possible to distinguish the situation of the rural dwellers from that of the urban population, for lack of appropriate information.

4.2.36 The poor results of the programme in the area of poverty reduction will be reinforced by the programme being drawn up under the PSRP, mainly using a participatory approach. To that end, for the two weeks of the mission to prepare the present report, a campaign to consult the entire population was conducted by the Minister of the Economy and Finance, in conjunction with Guinea's development partners.

4.2.37 It was envisaged that all the financing mobilized in 2001 as part of the alleviation under the HIPC initiative would be invested in the four priority sectors identified, i.e., GNF 4.885 for education, GNF 29.360 million for health and GNF 7.770 million for roads. In September 2001, the HIPC disbursements attained GNF 713 million for education (an implementation rate of 14.6%) and GNF 500 million for health (a 1.7% implementation rate).

### **Private Sector Development**

4.2.38 During the period under review, the unpredictability of income, the uncertainty of expenditure and the fragile correlation between expenditure and income have helped maintain an uncertain macro-economic environment. In addition, the country's productive capacity did not increase, particularly with the decrease in public investment overall and in the priority sector. In sum, the lack of State financial credibility remained a problem, with the result that the private sector was not reassured.

4.2.39 Moreover, the efforts to streamline expenditure procedures and improve transparency, coupled with the organization of the audit of public enterprises and State accounts, are not far advanced and far-reaching enough to curtail the spiral of corruption and fraud in the country. In this context, there is much to do to build up private investors' confidence in the predictability of the functioning of Guinean institutions in general and the legal system in particular.

4.2.40 The ultimate programme objective was to expand private sector participation in socio-economic activities, particularly through the increase in the number of public works SMEs, the number of private veterinary firms, stockbreeders' associations and private schools set up. During the 1998-00 period, 100 public works SMEs carried out road maintenance, including ten genuine professional firms; however the number of jobs created could not be assessed, for lack of sufficient and reliable statistics; 2,750 functional stockbreeders' associations were set up as against 800 projected. 73 private classrooms were built, compared to 600 projected.

4.2.41 Thus the progress concerning promotion of private enterprise was modest; the limited results are not surprising, since the programme did not include a system of incentives in favor of private enterprise (credit facilities, management training for example). There is no specific programme to promote the private sector, outside the improvement of the macro-economic environment that is expected to create the conditions for its emergence. The modest results call for intensified efforts in this area.

### **Environmental Impact**

4.2.42 The programme did not include specific measures concerning the environment. The inclusion in the second phase of Urban Planning and housing in the priority sectors will make it possible to put in place a general sanitation plan and household refuse management system and territorial development services, particularly in the four regional capitals (Kindia, Labé, Kankan and Nzérékoré). However the lack of sector policies in these areas makes it difficult to reach conclusions concerning these problems.

## **4.3 Efficiency**

4.3.1 Economic efficiency during the period was assessed using an estimated marginal capital coefficient based on the investment rate/real economic rate. According to the calculation, the capital coefficient declined from an average of 5.0 yearly in 1995-97, to 4.9 in 1998-99 implying stagnation in the total productivity of factors. However, the sharp slump of economic growth rates to 1.8% in 2000 (following the regional socio-political instability that led to a hike in military expenditure and due to deterioration of trade terms and fraud) raised the capital co-efficient to 7.4 in 1998-2000. The continued socio-political crisis and inadequate economic growth in 2001 maintained the capital coefficient at 7.3, signifying a marked degradation in economic efficiency. This exercise is a good illustration of the negative impact of the socio-political instability on economic efficiency and, in contrast, of the positive effect of reforms in the absence of this regional and internal political instability.

4.3.2 The fact that economic efficiency did not decline in the absence of socio-political instability is due to the limited efforts at diversification of the economy, particularly the development of industrial activities whose share of GDP increased from an annual average of 29.5%, in 1996-97, to 30.3% in 1998-00 against a decline in that of the tertiary activities from annual averages of 49.2% to 48.3%, in the respective years. During the period, the agricultural sector maintained its position at 17.4% of GDP. The diversification efforts were not very vigorous; nevertheless the potential for improved economic efficiency is substantial provided the government pursues its efforts to diversify the economy and increase its productivity gains, for example in agricultural activities.

4.3.3 The political instability, especially in connection with the war at the borders, is an external shock in the same vein as the fluctuation of bauxite and aluminum prices. It reduces

the economic impact of the programme even though the latter did not contribute to creating it. Without the programme, the economic results obtained would no doubt have been worse since there would have been no control of unproductive expenditure, while the increase in the non-salary operating budget in favor of the decentralized departments, notably in the priority sectors, would not have been significant. However, this is just conjecture, since there is no proof that things would necessarily have been that way.

#### **4.4 Institutional Development Impact**

4.4.1 The new procedures and practices adopted to improve budget preparation and implementation provided Guinean public servants with effective financial management instruments that initiated the process of institutional development. The establishment of the new administrative institutions in charge of control and accountability of decentralized departments have created a new impetus in the public services. The laws and regulations promulgated in respect of these reforms improved the legal and regulatory environment for government financial and economic measures, even though the economic operators were not definitively reassured with regard to their transparent application. The exercises for coherence of macro-economic refocusing and budget allocations as well as the monthly and quarterly expenses in the central and sector administration strengthened the planning and programming capacities of the public administration staff.

4.4.2 Nevertheless, since the difficulties in mobilizing income and the priority given to military expenditure left limited resources for the administrations, these new capacities were under-utilized. Despite the institutional changes that were achieved, there was retention of information in certain MTEF monitoring units that limited knowledge of the level of implementation of the programme to certain persons in the sector of activity concerned. In addition, the inadequate regional and local manager training impeded the decentralization of financial management. The shortcomings in the statistical data system also limited the monitoring of the outputs of the priority sectors, mainly through performance indicators. As already mentioned, some of these indicators can not be measured very effectively in the absence of the appropriate statistics in the administration as well as the SME, given the fragile structures and management systems. This aspect of institutional capacity will be addressed by reinforcement programme under the PRSP.

#### **4.5 Sustainability**

4.5.1 The instability of public revenue linked to the structure of the Guinean economy impedes control of public expenditure; therefore the beneficial effects of reforms in budget preparation and implementation can only be maintained if the government succeeds in securing a minimum of public expenditure so as to guarantee a minimum expenditure package. However, rigorous planning will always be defeated by the inadequate income collection and management of the financial administrations; persistent fraud and corruption constitute a major threat to the sustainability of the outputs of the reforms.

4.5.2 In view of the culture of corruption and fraud characteristic of Guinea, the political will to maintain and apply the laws and regulations in force with a view to benefiting from the reforms can only prevail if it is based on systematic audits of public departments and financial systems, an effective sanctions system and an independent and equitable judicial system. To date, these conditions are far from being met and constitute a colossal task for the government and civil society.

4.5.3 The positive effects of government reforms can only materialize if the local and regional beneficiaries uphold these efforts and contribute actively towards them. Since the grassroots populations are illiterate, their effective adhesion and participation will depend on the training and supervision that they receive and the strengthening of the analytic and technical capacities of those managing the economic and financial means placed at their disposal. The insufficient training thus greatly limits the populations' participation in the decentralized units and in preserving the programme outputs.

4.5.4 Despite the limited results of the CMDT implementation, the Government has undertaken to pursue the experience, and beneficiary units consider that the programme has improved their operation. Therefore there is some acceptance on the part of the public servants, even if financial limitations hinder their mobilization. The government's commitment to pursuing the experiment, and the beneficiary administrations' support are guarantees of the internalization of the new reflexes acquired by the public service staff during the programme implementation.

4.5.5 The reform outputs risk being cancelled out by the exchange rate fluctuations, as long as the Guinean government is not sufficiently diversified and rendered less dependent on the mining sector. In addition, their impact on the grassroots beneficiary populations could be impeded by the internal and regional sociopolitical tension.

#### **4.6 Aggregate Performance Indicator**

4.6.1 The tables on the overall performance rating of the programme are in Annex 1. The overall performance is not satisfactory. The programme is consistent with the government and the Bank's strategies; the macro-economic and sector policies address the constraints identified; it provides a means of contributing to the development of human resources. The programme's relevance is however limited for the following reasons: the improvement of the institutional capacities acquired cannot be maintained, for lack of significant training and capacity building activities; there is no mechanism for improvement and reinforcement of the statistical data system; there is no concrete action for promotion of the private sector and the risks linked with the socio-political and regional instability have not been adequately assessed.

4.6.2 The overall attainments of the objectives and results is mitigated, being split between the inter and intra-sector reallocations that, for their part, were effectively carried out despite the difficulties encountered and the new problems engendered, and the poverty reduction, institutional reforms and private sector development, which did not make much progress.

4.6.3 Economic efficiency declined under the negative influences of internal and regional socio-political instability. There was however, appreciable institutional development with regard to national and sector capacities, despite the weaknesses noted in poverty reduction. The durability of the programme outputs is constantly threatened by the reduced capacity of the Guinean economy to resist external shocks because of its limited degree of diversification and the culture of corruption and fraud in the country.

#### **4.7 Borrower Performance**

The Borrower's performance was not satisfactory for the following reasons: the government was unable to reduce the customs tax exemptions and the fraud in public enterprises, with the result that little income was mobilized; the computerized spending chain did not function in 1998 and 1999, and this detracted from the speed gained in the expenditure system; appropriate steps were not taken to enable budgets allocated to reach destination in full and in the minimum time; the «institutional reforms» component of the programme was not conducted in good time, with the result that the programme implementation fell six months behind schedule; the government did not submit stage, audit and completion reports on time, and the priority sector performance indicators and their monitoring was the preserve of a few persons within the priority ministries, which limited the ownership of the programme by all the public servants of the priority sectors; generally speaking the shortcomings in the statistical information system limited the quality and monitoring of performance indicators.

#### **4.8 Bank Performance**

The Bank's performance was not satisfactory for several reasons: the lack of participation at the identification stage reduced its role in defining the MTEF concept; the regional socio-political risks were not adequately evaluated; the lack of a schedule of implementation of the measures did not allow for rigorous follow up of the programme; the priority sector performance indicators were not analyzed, nor were precise indications given as to the starting and ending points, with the result that the Bank's ownership of the programme was limited; the three supervision missions scheduled were not conducted, whereas they were essential for the monitoring of the priority sector performance indicators; the budgetary reforms were not backed up with appropriate training and capacity building activities to maintain the skills and new conduct acquired by the public servants.

#### **4.9 Factors Affecting Implementation Performance and Outcomes**

The decline in bauxite and aluminum prices led to a decrease in revenue. The presidential elections and the regional political instability increased the uncertainty of the private investors and reduced agricultural production. Corruption and fraud sped up the decline in public income; government commitment was lacking with regard to reduction of customs tax exemptions and collection of taxes and public income from public enterprises. The macro-economic policies facilitated the increase of credit to the State and accelerated inflation. On the other hand, the emphasis on priority sectors, the involvement of Guinean public servants in programme design and in the effort to bring about change in expenditure impacted positively on the implementation.

### **V. CONCLUSIONS, LESSONS AND RECOMMENDATIONS**

#### **5.1 Conclusions**

5.1.1 The SAP II was necessary, to reduce the government's constraints in the management of public expenditure; it was also in conformity with government priorities as well as those of the Bank. However there was no guarantee from the start of the sound implementation of the MTEF system intended to reduce the constraints. Furthermore, the entire programme's chances of success were greatly compromised, considering: the complexity of the reforms

envisaged, the heavy dependence of the CMDT concept on income that could not really be foreseen, the fact that regional socio-political instability was not taken into account, the imprecise content of the performance indicators and the lack of a guarantee of the support of beneficiaries other than the public servants and the lack of Bank supervision. Generally, the virtues of the CMDT concept were overestimated; in reality it is fragile and reversible given the difficulties in mobilizing income.

5.1.2 The programme performance was limited at the macroeconomic level by unfavorable external factors and the internal weaknesses of the public expenditure mobilization system, linked to the culture of corruption and fraud denounced by all Guinea's socio-economic development actors of and recognized by its authorities.

5.1.3 The transfer of budget allocations in favor of the priority sectors and the release of the national counterpart funds for the programmed public investment in the BND were also compromised by the difficulties in mobilization of income and the priority given to military expenditure. These constraints largely explain the mitigated results concerning the priority sectors and, particularly concerning private sector promotion and poverty control. Despite the progress made, the problem of inadequate income mobilization, the principal constraint in Guinea, persists.

5.1.4 The sustainability of outputs and reforms is jeopardized by: (i) the limited degree of economic diversification; (ii) the persistent corruption and fraud; (iii) the lack of a guarantee of the minimum revenue, making it possible to finance a minimum expenditure package; (iv) the inefficiency of the sanctions system; (v) limited support and participation of beneficiaries of the grassroots reforms, unless the participatory approach envisaged in the PRSP is successfully implemented; (iv) political, regional and internal instability .

## 5.2 Lessons

In addition to the lessons stated in the PCR, the following lessons are drawn from programme implementation:

- (i) Economic diversification to reduce the country's dependence on mining products and exports is an absolute priority of the government's development policy;
- (ii) The government's commitment to promoting the general good is decisive in the efforts against corruption and fraud, which are principal obstacles to significant improvement of income mobilization and expenditure management;
- (iii) The planning approach involving measures to improve the management of public expenditure as distinct from income and public investment, rather than a simultaneous consideration of all three aspects, is bound to yield limited results;
- (iv) The strengthening of technical capacities and economic and financial management at the regional and local levels is a decisive ingredient if the budget decentralization process initiated by the MTEF system;

### 5.3 Recommendations

To consolidate the results obtained in addition to the PCR recommendations and the generic recommendations concerning compliance with the commitments made in the loan agreements (quarterly reports, compliance with disbursement procedures), it is recommended that:

The Government:

- i) Reinforce the efforts at diversification of the economy to reduce its dependency on mining product and export prices; (para. 4.3.2).
- ii) Intensify the efforts to counter corruption and fraud and improve recovery and predictability of public income; (para 4.2.5).
- iii) Limit military expenditure, which comes second after salaries in the government's priorities, in order to free up sufficient budgetary resources in favor of the priority sectors; (para 4.2.6).
- iv) Increase the financial management capacities at the regional and local levels, so as to eliminate the delays in disbursement of the budget allocations to the decentralized services; (para 4.2.16).
- v) Improve the budget allocation system for the decentralized units in order to properly cover their real needs; (4.2.17).
- vi) Reduce the DAAF document processing time so as to shorten the expenditure procedure; (para 4.2.30).
- vii) Guarantee the minimum income in order to cover a minimum expenditure package, and public investment in particular; (para 4.5.1).
- viii) Implement a programme for improvement of statistical information system; (paras 4.1.4; 4.1.13; 4.2.22; 4.2.28; 4.2.34; 4.2.40; 4.4.2).

- The Bank:

- i) Reinforce the monitoring/evaluation mechanisms so as ensure that there is compliance with the schedule of implementation of measures, that performance indicators are measurable and that the objectives set are feasible within reasonable time frames; (Para. 1.2.1; 2.2.2; 4.1.5).
- ii) Reinforce mechanisms for coordination between the programme co-financiers in order to improve the ownership of the programme by each partner; (para. 1.2.2).
- iii) Better assess regional sociopolitical risks, with a view to maximizing the programme's chances of success; (para. 1.3.5; 4.1.17).
- iv) Strengthen directives relating to supervision, so as to ensure that the policy dialogue with the borrower is actually conducted and in accordance with the pre-determined schedule. (para. 3.3.2).

### 5.4 Follow-up action

A- By the Government

- i) Stimulate the private sector by taking steps to facilitate access to credit and management training; (para. 4.2.4).
- ii) Accelerate functioning of the anti-corruption commission; (para. 4.2.5).

- iii) Reduce the occasions for regional conflict with a view to preventing them; (para. 4.5.5).
- iv) Implement a programme of training and financial management capacity building; (para. 4.2.33 and 4.4.2).
- v) Become more familiar with the real needs of the decentralized public units and the grass roots communities; (para. 4.2.17).
- vi) Connect DAAF to the computerized spending chain; (para. 4.2.30).
- vii) Put in place a medium-term framework for public income and investment integrated into the MTEF. (para. 4.2.31).

**B- By the Bank**

- i) Prepare a specific schedule of implementation of measures; (para. 3.3.1 ; 4.1.17).
- ii) Prepare a schedule for co-financier coordination; (para. 3.3.2; 4.1.17).
- iii) Conduct a prospective analysis of regional sociopolitical risks; (para. 4.1.17).
- iv) Rigorously monitor the evolution of performance indicators. (para. 2.2.2; 2.2.3).

MINISTER OF THE ECONOMY AND  
FINANCE

15 March 2002

No. ....../MEF/CAB/

To Mr. C.M.B. KARIISA  
Director of Operations  
Evaluation Department  
ADB, 01 BP 1387  
Abidjan 01  
Côte d'Ivoire

Subject : SAP II Evaluation Report

Mr. Director,

I am honoured to acknowledge receipt of the Project Performance Evaluation Report on the Second Structural Adjustment Programme SAP II.

I am now sending you (see note attached) our remarks and observations on the said report.

Please accept, Mr. Director, the assurances of our highest consideration.

For the Minister  
The Secretary-General

(Stamped)

(Signed)

El Hadj Amadou SOW

**Remarks and Observations on the Performance Evaluation Report**  
**On the Second Structural Adjustment Programme**  
**(SAP II)**

Our comments on reading the report are as follows:

1. The report presents pertinent features of the country's management during the period under review, the efforts for increased financing of priority sectors and improvement of the budgetary procedures and practices, rationalization of expenditure through the MTEF approach, difficulties in mobilizing domestic income, etc.
2. In evaluating the programme performances, the report does not mention the lack of budgetary support since 1999, whereas this aspect aggravated the problem of inadequate internal resources and expenditure generated by the conflict along the national borders and in the countries of the sub-region, the lack of budgetary support has made it particularly difficult to conduct development action.
3. Paragraphs 4.2.18, 4.2.20 and 4.2.21 concern public investment. Most of the statistics they present require revision. For example, the report states that investment financed with the local resources in the MTEF sectors declined in real terms by 58.7% in 1999, 13.7% in 2000 and 34.1% in 2001 while the National Debt and Public Investment Department (DNDIP) data shows for the same years, in nominal terms, decreases by 14% for 1999 and 10%, for 2000, and an increase of 40% in 2001. Thus, whatever deflator is used, it is unlikely that these figures mentioned in the report are realistic.

Locally Financed Investment Expenditure

	1998	1999	2000	2001	1999	2000	2001
	Amount (in GF Million)				Growth Rate (in %)		
Education	5 244	2 255	3 485	6 080	-57	54	74
MH	2 814	1 387	1 625	2 606	-51	32	37
MAR	4 122	6 634	3 870	5 882	37	-31	47
MFA	635	1 500	517	260	136	-00	-62
MTPW	136	320	311	02	136	-3	-70
Sub-Total	12 961	11 106	10 017	14 620	-14	-10	46
% Total Inv.	90.2	33.1	29.8	42.5			
Total Invest. On ....	42818	33 238	42 089	34 304	-22	27	-18

Source: DNDIP

MH: Ministry of Health / MAE: Ministry of Agriculture and Stockbreeding

MPA: Ministry of Fisheries and Aquaculture

MTPW: Ministry of Transport and Public Works (Transport)

Moreover, in paragraph 4.2.20, the report assesses at 31%, 37.6% and 21%, the levels of implementation of the externally-financed investment budgets for 1997, 1998-00 and 2001. These levels could be largely under-estimated. Indeed, the statistics available on the finex implementation are very irregular, since several financings have been directly managed by donors, without the investment being consistently communicated to DNDIP.

4. In the same paragraph, the report attributes the limited level of implementation of the budget to the culture of corruption and fraud.

It is true the Government is aware of the existence of certain corrupt practices in Guinea. It is also aware of their adverse effect on the national development impetus. It is indeed for these reasons that the President of the Republic set up the national committee to counter corruption and moralize the economic and financial activities (CNLC). The commitment to combat these practices was reaffirmed by the President of the Republic in December 2001, followed by stringent measures against managers and senior personnel involved in cases currently being examined by the competent authorities.

We however think it is an exaggeration to cite these practices as the main factor explaining the limited implementation of the capital budget. To begin with, it would be more appropriate to consider the poor mobilization of internal resources, the lack of external support and the financial burden of conflicts in the sub-region.

5. Paragraph 4.2.11 of the report mentions a substantial real-term decrease in resource allocation in 2001, concerning roads (-61.1%) health (-24%), technical education and vocational training (-65.8%) higher education and scientific research (-15.3%). The data below raises questions as to the reliability of basic statistics and the deflator used.

Total allocations and outputs, excluding Finex and HIPC investments  
(in GF million).

	2000		2001	
	Allocation	Implementation	Allocation	Implementation
Road Fund	20 667	5 045	21 788	15 893
MH	24 764	21 741	24 586	25 342
METFP	9 770	8 543	12 241	9 843
MESRS	25 277	26 565	29 374	28 709

Source: National Budget Directorate

With the HIPC financing, the increase in 2001 resources as compared to 2000 would be more substantial.

The same tendency is observed concerning the operations expenditure excluding salaries.

6. In paragraphs 4.2 of the summary and 4.2.26 (page 17), the report mentions the trend noted in agricultural production, underlining the decline in agricultural product prices as an explanation of the stagnation or decline of production.

In reality, the Guinean rural sector showed good performances up to 1999, one year after the end of SAP II. According to the results of agricultural surveys, rice production attained 630,511 tons in 1995/96 and 715,649 tons in 1997/98, with respective outputs of 1.438 and 1.490 tons per hectare (Source: national agriculture statistics services). Within the same period, corn production was estimated at 78,275 and 85,393 tons, with yields of 0.961 and 1,012 tons respectively, per hectare. For 1998/99, rice production is estimated at over 760,000 tons.

Moreover, in the national GDP, the agriculture sector's share is preponderant, with a real-term growth rate of 5.1% in 1997, 7.6% in 1998 and 8% in 1999 (Source: macro-economic focusing).

The slump in agricultural production recorded in 2000 (Agricultural GDP) including hunting, has decreased in real terms by 6.2%) is the result of rebel attacks along the national borders, beginning in September of that year. The production loss in the areas affected and at risk is estimated at 109,028 net tons of rice in 2000. The decline can therefore not be attributed to the price factor. In addition, it should be noted that the bulk of the food production is for home consumption.

7. In paragraph 4.2.35 (page 20), the report mentions a decline in real GDP, by 1.8% in 1994-97, to -1.3% in 1998-00, and an increase in per capita consumption from -1.5% to 0.3% during the same period. The macro-economic refocusing data shows a GDP per capita real-term growth rate averaging 0.9% yearly between 1998 and 2000, and consumption/per capita at -0.1%.

	1998	1999	2000	1998-2000 Average
GDP Growth Rate per capita	1.5	6.5	-1.0	0.93
Consumption Growth Rate per capita	5.3	-4.2	-1.2	-0.1

8. We do not share the view that the 1998 presidential elections hampered the programme implementation. The evaluation report indicates that all the programme measures have been implemented.
9. According to the report, the sustainability of the reform outputs is threatened by factors including the limited support and participation of grassroots beneficiaries of the reforms (paragraph 5.1.4). Indeed the reforms relating to the poverty reduction strategy follow the same thrust as those conducted under SAP III (increased financing of priority sectors, reinforcement of public grassroots services, etc). The participatory approach adopted for formulation of the DSPP and the concrete measures already taken or envisaged (transfer of resources and skills to the grassroots level, consulting the populace on the choice of development measures, etc.) are such as to limit the said risk and improve public management efficiency.

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAPII)**  
**Performance with regard to Programme Output**

N°	INDICATOR	RATING (1 to 4)	REMARKS
1.	<b>Relevance and quality at entry</b>	<b>2.25</b>	
i)	Consistency with the country's overall development strategy	3.0	The programme was necessary, given the Government constraints and consistent with the priorities of the time.
ii)	Consistency with the Bank's overall strategy	3.0	The programme respected the Bank's strategy, which gave priority to human resource development, notably health and education and promoted rural development and the private sector.
iii)	Macroeconomic Policy	3.0	The budgetary, monetary and exchange rate-related policies provided in the programme correspond to the need to pursue economic stabilization and improve the economic environment so as to stimulate the private sector.
iv)	Sector Policy	2.0	The sector policy primarily consisted in channeling budget allocations in favor of the priority sectors that significantly impact on the well-being of the majority of the populations and improving the effectiveness of public expenditure, with due regard to the revenue constraints. However there is no guarantee that the Government will have sufficient political will to allow for significant progress with regard to revenue collection.
v)	Public policy reforms	3.0	The customs restructuring aimed at improving income recovery sought to remove the constraints with regard to limited public income. The public expenditure rationalization was aimed at increasing the non-salary operations budgets for the decentralized units, with a view to increasing the volume of the public services and improving the quality.
vi)	Poverty Reduction	3.0	Since poverty is an essentially rural phenomenon, emphasis laid on agriculture and stockbreeding, education and health as priorities, and increasing the public department's share of the budget allocations will help improve the living conditions of the rural populations.
vii)	Social equity and gender aspects	2.0	The programme did not include any specific measures to reinforce equity and gender equality.
viii)	Environmental concerns	NA	
ix)	Human resource development	3.0	The programme gives priority to education and health, which contribute to the development of human resources.
x)	Institutional Development	1.0	The programme reinforces the civil servants' central and local technical capacities for planning, macro-economic regional analysis and economic and financial management. However, the SAP II did not implement an adequate training and capacity enhancing programme to consolidate the skills acquired. Moreover, no mechanisms were put in place to improve the statistics information system, whose shortcomings are however recognized.
xi)	Private sector development	1.0	The private sector promotion is limited to the use of SME for road maintenance, establishment of stockbreeders' association and facilitating the establishment of private schools. There are no specific actions to stimulate private entrepreneurship, such as programmes for credit access or management training.
xii)	Regional Integration	1.0	The programme did not include any activities specifically linked to regional integration. However, the regional sociopolitical instability was such as to greatly influence the implementation of the programme results, through a decline of economic activity owing to insecurity in the rural border areas as well as the increase in public expenditure due to military expenditure. However, these risks were not adequately taken into account.
xiii)	Initial Quality	2.0	The conditions necessary for an effective programme were not always fully met at the start.

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAPII)**  
**Performance with regard to Programme Outputs**

<b>2</b>	<b>Achievement of objectives and Outcomes</b>	<b>2.0</b>	
i)	Objectives and public action		
	-Rationalization of public expenditure through MTEF	2.0	Public expenditure gave priority to four sectors in 1998. With three additional sectors added in 1999. Within each of these sectors the budgetary resources have been allocated giving priority to the decentralized departments. This process encountered substantial difficulties that limited its efficiency.
	- Control and monitoring of fiscal procedures	2.0	-The central instrument was the computerized expenditure chain. It was only operational in 2000. The processing of certain dossiers is still dragging since the DAAF are not directly connected to this chain.
	- Institutional Reforms	1.0	- There have been no significant achievements in this domain.
ii)	Physical Objectives	2.0	The sector performance objectives included physical production objectives (agriculture, stockbreeding, education, roads) whose attainment has been checked.
iii)	Financial Objectives	2.0	The restructuring of public expenditure consisted in increasing the rate of disbursement rate in favor of the priority sectors and better assisting the priority units. However the funds did not always arrive at destination in good time, which hampered the realization of certain activities.
iv)	Institutional development objectives -Simplification and standardization of budgetary procedures	3.0	-Aside from the budgetary nomenclature reforms, the credit authority devolution was the principal instrument for the transfer of funds to the decentralized agencies r
	- Improving the capacities for planning and economic and financial management.	3.0	-The techniques relating to macro-economic adjustment, budget analysis and TSFO were used.
	- Improvement of the information management capacities.	2.0	- The computerized chain of expenditure was established and operational behind schedule and with certain problems. The statistics system that is at the root of the deficient performance indicators.
v)	Social Objectives and beneficiaries		
	-Poverty reduction	1.0	-The results were not good since the overall living standards declined; food production slumped while prices hiked.
	-Gender equality	1.0	-The BER of girls stagnated.
	-Health improvement	3.0	-The vaccination coverage and the infant and maternal mortality rates have been significantly improved.
Vi)	Environmental objectives	NA	
Vii)	Private sector development	2.0	One hundred public works SMEs were used to carry out road maintenance; hundreds of private school classes were opened; hundreds of stockbreeders associations were established and are operational. However there were no specific measures to stimulate private enterprise, such as credit or manage training, for example. .
<b>3</b>	<b>Efficiency</b>	<b>1.0</b>	The instability at borders caused a decline in agricultural activity in the border regions and accentuated the wait-and-see stance of the private investors.
i)	Economic rate of return	NA	
ii)	Financial rate of return	NA	
iii)	<b>Cost effectiveness indicator</b>	<b>1.0</b>	<b>The sociopolitical instability reduced the economic efficiency (total productivity of factors) of the country during the programme implementation.</b>

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAPII)**  
**Performance with regard to Programme Output**

<b>4</b>	<b>Institutional development Impact</b>	<b>2.2</b>	
<b>i)</b>	<b>National capacities</b>	<b>1.75</b>	
	-Economic management	2.0	-The Guinean public servants better manage their economy since the reforms; however the frequent slippage and stopping of programmes shows that their management is inadequate
	-Poverty alleviation	1.0	-The progress made is too limited to alleviate poverty.
	-Legal system	2.0	- The improvement of the legal and regulatory framework has not been sufficient to create a new impetus within the society
	-Sector capacity	2.0	-The programme has created an impetus for change of the rules of economic and financial management and planning and activities at the sector level.
<b>ii)</b>	<b>Executing agency</b>	<b>2.7</b>	
	-Analysis of planning/policy	3.0	-Techniques for analysis of economic policies and planning were learnt through the adjustment of the macro-economic tuning, TOFE and the new budgetary nomenclature.
	-Training and improvement of skills	3.0	-The employees of technical ministries were trained in the use of modern macroeconomic planning techniques.
	-Management information system	2.0	-With the mastery of the computerized expenditure chain, new standardized, detailed and reliable information is made available to improve the expenditure process; however there are still delays and other problems.
<b>5</b>	<b>Sustainability</b>	<b>1.8</b>	
i)	Technical viability	NA	
ii)	Borrower 's enduring commitment;	2.0	Various difficulties have been encountered in the following areas: customs tax exemptions, fraud relating to revenue and taxation of public enterprises and mining companies. Despite the progress, these problems illustrate the insufficient level of government commitment.
iii)	Sociopolitical support (participation of beneficiaries, protection of vulnerable groups, political stability)	2.0	The participation of beneficiaries is being organized, however it is not effective; there is no protection for vulnerable groups, the political, internal and regional stability is fragile.
iv)	Economic Viability	2.0	Economic viability is fragile, given the decline in the overall and sector growth rates linked to export commodity and price fluctuation and the income mobilization capacities. The public investment capacity is greatly dependent on foreign financing. The debt is heavy, but its viability has improved.
v)	Institutional arrangements (organizational and management)	2.0	The operation of institutions in place is adversely affected by the culture of corruption and fraud.
vi)	Environmental viability	NA	
vii)	Resistance to exogenous factors	1.0	The Guinean economy has a low capacity to resist external shocks, given the limited diversification and the structural shortcomings in its revenue collection system.
<b>6</b>	<b>Overall performance indicator</b>	<b>1.85</b>	<b>Unsatisfactory</b>

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Borrower's Performance**

<b>Indicators</b>	<b>Rating (1 to 4)</b>	<b>Remarks</b>
1 Quality of preparation  -Control, participation of beneficiaries  -Government commitment  -Macro-economic and sector policies  -Institutional arrangements	3.0   1.0  2.0  2.0	-Since several actions were carried out prior to effective implementation, the beneficiary ministries had had time to fully participate in its preparation. -The government commitment was not total since it never succeeded in eliminating the customs duty exemptions and the fraud in the public enterprises. -The principle feature of CDMT was the articulation of budgetary policy, particularly the management of expenditure, with income and the management of the expenditure of the priority sectors identified. However, the income link was inadequate. - In addition to the practical organization of the daily participation of the DAAF and all the central administrations concerned by the programme, its implementation required the institution of the credit delegations and operationalization of the application of the computerized expenditure chain. However, no steps for implementation of the computerized expenditure chain were taken in 1998 and 1999. Neither was there any provision for the budgets allocated to arrive at destination without delay and in their entirety.
2. Quality of implementation -Management Performance	2.0	-All the projected measures have been implemented, with the exception of those concerning the institutional reforms. The inter-ministerial committee and the technical steering committee functioned well.
-Remaining within the costs and keeping to the schedule	2.0	-The programme costs were respected however, the second tranche was released six months behind schedule.
3 Application of agreements	3.0	All the loan conditions were fulfilled except that of timely submission of reports.
4. Appropriate monitoring evaluation and submission of reports.	1.0	No supervision mission was conducted; the stage reports were not drafted; the government completion reports and the special account audit were submitted late to the Bank.
<b>Overall performance of the Borrower</b>	<b>2.0</b>	<b>Unsatisfactory</b>

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Bank Performance**

<b>Indicators</b>	<b>Rating (1 à 4)</b>	<b>Observations</b>
1. At the identification stage	1.0	The Bank did not participate in the programme identification. Nevertheless, the programme is in line with the priorities of the Government and the BANK. The CDMT was not formulated by the Bank, however, it used as an instrument already formulated by the lead cofinancier and the Government.
2. At the preparation stage - Appropriateness of the Bank's support  - Timeliness of the Bank's support	3.0  3.0	There was the need to secure a minimum expenditure package to run the public departments. Since all these agencies could not be targeted, given the limited resources and the experimental nature of the CDMT, the Bank's support was useful to conduct the experiment. - The Bank's support came at a time when the Government's financing needs were substantial.
3. Appraisal stage  -Quality of technical, economic, financial, institutional, social and environmental studies  -Appropriateness of the loan instrument -Appropriateness of the financial arrangements -Quality of coordination with other donors/partners - Implementation and supervision (including performance indicators,...)	2.0 3.0  2.0 3.0  2.0  1.5	- These analyses were appropriate, however those concerning risk were incomplete. -The conditions laid down were necessary and within the reach of the Government and normal conventions.  -The structural adjustment was appropriate owing to the interaction between the various programme contents, on the one hand and between the programme and those preceding it, on the other hand. However, its implementation did not make it possible to attain the objectives. -It was appropriate.  -The coordination between the other donors was necessary, since the Bank did not participate in the identification. The lack of supervision means that the Bank relied on the cofinancier for the programme follow-up, especially regarding the performance indicators. However the coordination was not what it should have been.  -The measures were not implemented following a clear schedule. The appraisal report did not define the indicators for performance of the priority sectors, though they constituted the decisive mechanism for monitoring the sector efforts of the Government and the proposed sector priorities that however constituted the outputs of the priority sectors. Three supervision missions were judiciously programmed, given the complexity of the measures to be implemented.
Supervision stage	1.0	None of the three supervision missions were conducted. The Bank therefore was unable to monitor the outputs of the priority sectors; it could not advise the Government on the solutions for the problems encountered, on the impact of these problems on the underprivileged populations and on the sustainability of the programme.
<b>Overall rating of the Bank's performance</b>	<b>2.15</b>	<b>Not satisfactory. There was a great deal of negligence concerning the implementation and supervision schedules, for example the monitoring of the performance indicators.</b>

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Bank Performance**

<b>Factors</b>	<b>Substantial</b>	<b>Partial</b>	<b>Negligible</b>	<b>NA</b>	<b>Observation</b>
1. Escaping the authorities' control					
1.1 world market price	-				The world price fluctuations of bauxite, aluminum and gold had a significant adverse effect on the programme
1.2 Natural events				NA	
1.3 Performance of the Bank	+				Despite the shortcomings, the Bank's supervision contributed to the financings used in Guinea
1.4 performance of the enterprises and contractors				NA	
1.5 Civil war				NA	
1.6 Political instability	-				The 1998 presidential elections and the insecurity at the borders in 1999, 2000 and 2001 hampered the implementation of the programme
2. The relevant State authority					
2.1 Macro-economic policies	-				The budgetary, monetary policies of the exchange rate have been negative on the programme.
2.2 Sector policies	+				The priority given to the MTEF sectors was such that the programme was geared towards improvement of the living conditions of the poor populations
2.3. Government commitment	-				Government commitment was lacking in the efforts against tax and customs exemption, income and the tax fraud and in public enterprises.
2.4. Appointment of key staff		+			This factor affected the case of the DNCF
2.5 counterpart financing	-				The decline in BND led to that of external financing and total public investment.
2.6. Administrative capacity	+				The capacity of the Guinean civil servants was really stretched during the implementation of the MTEF; despite the shortcomings it played a decisive role in terms of experience.
3. Relevance of the competence of the executing agency					
3.1. Management	+				The programme was properly managed, since all the measures were taken.
3.2 Staff strength				NA	
3.3 Utilization of technical assistance				NA	
3.4. Monitoring and evaluation	-				The required reports were not submitted in good time
3.5 Participation of beneficiaries	+				The staff of the ministries participated in the preparatory activities; the process of consultation of beneficiaries was not a prominent aspect.

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Factors affecting Implementation Performance and outcomes**

4. Factors affecting the implementation					
4.1 Modification of the scope/scale/design of the project				NA	
4.2 Underestimation/overestimation of the material inputs, the basic unit costs				NA	
4.3 Inadequate provision for contingencies				NA	
4.4 Changing exchange rate and the financial and institutional arrangements.					The nominal exchange rate rose significantly between 1994-97 and 1998-00 leading to an increase in inflation
4.5 Unrealistic implementation schedule		-			The schedule of implementation of the programme measures has not been specified
4.6 Management quality, financial management included	+				The programme has been managed according to the conventions.
4.7 Delay in selection of the staff/consultants(s)				NA	
4.8 Inefficient procurement and disbursement procedures				NA	

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Retrospective logical framework matrix**

Hierarchy of objectives	Objectively viable indicators					Means of verification	Risks/assumptions
	Indicators	Projections	Outputs				
			At appraisal in 1994-97	At completion in 1997-99	At performance evaluation 1998-00		
<b>1.Global objective</b>							
1.1.Sustained and lasting growth driven by the private sector	-Real growth rate (%) -Inflation rate (%)	5 5	4.6 3.7	4.6 4.0	3.2 5.9	National statistics, those of BCRG and IMF	-Deterioration of terms of trade -Government commitment to carry out reforms -Sociopolitical instability
1.2. Poverty reduction	-Proportion of poor (%)	-	-	-	-		
<b>2.Sector objective</b>							
Resource gap narrowed	-Primary balance/GDP (%) -Deficit budget/GDP (%)	4.1 5.1	1.8 6.5	3.1 5.3	2.5 4.8	Idem	-Limited income mobilization
<b>3.Programme objectives</b>							
Quality and efficiency of public expenditure improved	Inter and intra-sector allocations (%)	-	-	30	30	-Budgetary documents Computerized expenditure chain	-Limited financial management capacity -Limited resource mobilization
<b>4.Achievement</b>							
4.1 Rationalization of public expenditure	-Share of priority sectors in the non-salary operating budget (%) -Share of the decentralized units in the budget -Share of initial MTEF in the budget -Share of extended MTEF in the budget	- - - -	25.5 - 54.5 -	- 20 - -	30.8 70 79.6 in 2000 85.2 in 2000	-Budget documents -Computerized expenditure chain	-Limited management capacity income mobilization
4.2 Reinforcement of budget procedures	Budget documents	-	-	-	Computerized chain in operation	-Computerized expenditure chain	-Limited economic management capacity
4.3 Improved economic management capacity	Staff trained	-	-	-	-	Information for persons trained (ministries)	-Capacity reinforcement Programme

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Retrospective logical framework matrix**

Hierarchy of objectives	Objectively viable indicators					Means of verification	Risks/assumptions
	Indicators	Projections	Outputs				
			At appraisal in 1994-97	At completion in 1997-99	At performance evaluation 1998-00		
<b>5. Activities</b>							
5.1 Public expenditure rationalization	Financing Plan (in UA Million)						
5.2 Reinforcement of budgetary procedures	ADF	10.00		10.00		-Loan agreement	-Reaffirmed government commitment
	IDA	51.27		51.27			
	IMF	75.45		75.45		-Guinea's budget	-Interruption of the programme
	Total	136.72		136.72			-ADB withdrawal
5.3 Improved economic management capacity							

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Matrix of recommendations and Follow-up action**

<b>Observation</b>	<b>Recommendations</b>	<b>Follow-up Action</b>	<b>Responsibility</b>
<b>Programme Formulation</b>			
1) Lack of the implementation schedule for the measures	1. Strengthen monitoring evaluation mechanisms	1. Draw up a precise schedule	POPR.1/OPEV
2) Distribution of domains between the donors is hampered by problems of coordination amongst them.	2. Strengthen coordination at all stages of the programme 3. Better assess regional sociopolitical risks	2. Prepare a precise schedule for coordination with the co-financiers 3. Prospective analysis	POPR.1/OPEV
3) Regional socio-political risks not taken into account	1. Strengthen monitoring evaluation mechanisms	1. Rigorous surveillance of the performance indicators	OCCW  POPR.1/OPEV
<b>Evaluation</b>			
1) Performance indicators lacking content and objectives		1. Compliance with loan agreement 2. Idem	Guinean Govt. Idem
<b>Implementation</b>			
1) Delay in release of the second tranche	1. Apply the Bank's operations guidelines 2. Idem	3. Keeping to established schedule	POPR.1/OPEV
2) Phase reports submitted behind schedule	3. Reinforcing supervision guidelines		
3) No Bank supervision missions		1. Stimulate private investment 2. Accelerate the anti-corruption commission 3. Réduce the incidence of regional conflicts 4. Organize capacity reinforcement	Guinean Govt.  Idem Idem
<b>Performance evaluation</b>			
1) Over-reliance of mining proceeds.	1. Reinforcing efforts at diversification of the economy	5. More familiarity with the real grassroots needs	Guinean Govt./OCCW
2) Limited predictability of expenditure	2. Intensification of measures against corruption and fraud 3. Limit military expenditure	6.1 Define adapted and measurable indicators 6.2 Develop the statistics information systems	Idem  POPR.1/OPEV
3) High priority for military expenditure		7. Connect the DAAF to the chain	Idem
4) Late disbursement, owing to weak management capacities and cash-flow problems	4. Strengthen the regional and local management capacities 5. Improve the system for budget allocation to decentralized units 6. Improve statistical information system		Guinean Govt.
5) Decentralized departments' budgets not always allocated according to the real needs		8. Formulate a medium-term framework for income and public expenditure integrated into the MTEF	Guinean Govt./OCCW
6) Indicators hard to measure for lack of appropriate statistical information systems.	7. Reduce the DAAF document processing time.		
7) Document processing delays persist for lack of direct linkage between DAAF and the computerized expenditure chain	8. Guarantee minimum income and public investment		
8) MTEF limited owing to the lack of articulation with a medium-term income framework			

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Principal Macro-Economic Indicators, 1995-2002**

	1995	1996	1997	1998	1999	2000	2001 Proj.	2002 Proj.
	Annual Variations in %							
<b>Gross Domestic Product</b>								
Real GDP	5.1	4.2	4.8	4.9	3.9	1.8	3.3	5.4
Nominal GDP	10.8	6.1	6.7	7.1	7.2	12.1	10.9	8.8
Inflation								
Consumer Price (end of period)	5.2	2.1	5.3	4.5	6.2	7.2	9.4	3.2
<b>External Sector</b>								
Exports fob (in US\$)	6.3	-5.5	8.2	-0.1	-2.1	7.5	11.5	10.6
Imports caf (in US\$)	0.0	0.1	-1.9	0.7	0.9	-4.6	16.7	6.6
Terms of Trade	-11.7	0.4	13.0	-2.2	-7.1	-10.3	-3.8	7.6
Actual Exchange Rate								
Nominal Index	-5.8	2.0	-0.6	-6.8	-17.1	-3.5	-	-
Real Index	-5.7	2.4	-0.7	-3.5	-13.7	0.8	-	-
<b>Currency and Price</b>								
Net External Assets	-3.9	-7.0	20.4	5.6	-6.9	-4.8	25.4	-
Net Domestic Credit	15.3	10.1	-3.1	0.5	19.3	27.2	-9.1	-
Public Sector	9.0	10.8	-4.1	-3.5	10.8	22.3	-10.3	-
Private Sector	9.8	2.0	-0.3	7.9	8.6	5.0	3.9	-
Money Supply	11.4	3.1	17.3	6.1	8.8	23.4	8.5	-
Consumer Price (annual average)	5.6	3.0	1.9	5.1	4.6	6.8	9.6	4.2
Currency Reserve	12.6	-2.2	15.1	14.0	15	16	5.3	-
Circulation Rate (GDP/M2)	11.5	11.5	11.1	10.6	10.1	10.1	5.3	-
	In % of GDP							
<b>Public Finance</b>								
Income and Grants	15	13.4	14.6	14.1	13.2	13.5	18.7	19.4
Non-mining Sector	8.0	7.5	8.5	8.3	8.4	8.4	10.1	10.6
Total Expenditure	17.7	16.5	17.5	14.8	16.3	16.7	21.9	20.7
Current Expenditure	9.1	9.0	9.1	8.7	9	9.4	12.1	11.2
Net Investment Expenditure & Loan	8.6	7.4	8.4	6	7.2	7.3	9.8	9.5
Global Deficit (commitment basis)	-2.7	-3	-3	-0.7	-3.1	-3.2	-3.2	-1.3
Global Deficit, Excluding Grants (commitment basis)	-6.7	-6.2	-6.0	-3.6	-5.4	-5.6	-8.6	-6.8
Primary Balance	1.9	1.3	2.9	2.6	2.4	2.6	0.8	1.3
<b>Gross Investment</b>	24.1	23.1	23.6	21	22.2	22.1	24.2	23.9
Public Sector	8.6	7.4	8.2	5.6	7.2	7.2	9.4	9.1
Private Sector	14	14	14	14	14	14	14	14.8
<b>Gross Domestic Savings</b>	20.3	17.7	21.4	17.3	17.5	18.6	21.2	21.9
Public Sector	-	-	-	-	3.1	3.0	2.8	4.0
Private Sector	-	-	-	-	14.4	15.6	18.4	17.9
<b>Gross Domestic Savings</b>	19.6	18	20.5	17.1	18	19.2	21.6	-
Public Sector	-	-	-	-	-	-	-	-
Primary Sector	-	-	-	-	-	-	-	-
<b>External Current Accounts</b>								
Official Transfer Included	-4.5	-5.1	-3.2	-3.9	-4.2	-2.9	-2.6	-2.6
Official Transfer Excluded	-8.5	-8.5	-6.5	-7.7	-7.2	-6.5	-6.7	-6.1
External Public Debt (IMF+ex- URSS)	82.6	81.3	82.7	95.6	95.3	108.2	116	108
	In % of export earnings							
Projected Debt Service	29.1	24.1	25.6	20.7	17.3	21.3	19.9	17.1
Public External Debt	447.3	495.9	406.2	419.7	444.6	417.5	376.9	344
Present Value of External Public Debt	194.9	219.2	270.1	251.3	229.7	229.7	-	-
<b>External Transactions</b>								
Goods Exports (FOB)	648.7	610	660	759.4	645.8	694.5	774.5	856
Goods Imports (FOB)	583.3	583.7	572.4	576.6	581.8	555.2	648.1	690
Current Account (excluding official transfers)	-166.0	-197.6	-119.2	-141.1	-147.5	-89.6	-76	-83.6
Current Account (excluding official transfers)	-316.3	-327.1	-244.1	-277.8	-256.8	-201.4	-196.4	-
Global Balance	-51.8	-121.8	-22.8	-56.3	-92.3	-62.3	-80.4	-
External Arrears Amount	577.3	663.1	687.8	-	-	-	-	-
Net External Assets (BCRG)	98.7	71.6	118.2	113.6	84.2	109.7	112.7	-
Official Gross Reserves (end of period)	197.5	198.5	225.5	248.0	207.5	147.3	226.2	-
In Total Months of Import	2.6	2.5	3.0	3.2	2.7	1.8	2.6	2.6

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Table of State Financial Operations, 1996-2002 (in GF billion)**

	1996	1997	1998	1999	2000	2001	2002
<b>Income and Grants</b>	521.1	603.7	624.5	628.3	719.9	1103	1276
Total revenue	398.6	475.9	496.7	517.2	594.6	782.9	912.8
Mining sector	106.8	123.0	126.4	117.3	146.4	184.5	215.7
Non-mining sector	291.8	353.0	370.4	399.9	448.2	598.4	697.1
Direct contributions	43.5	46.0	48.1	57.7	58.3	70.4	87.2
Indirect levies and taxes	166.2	200.6	217.4	228.6	216.8	285.4	357.3
International trade	56.3	74.0	71.9	80.8	119.1	130.6	154.7
Non-tax income	25.8	32.5	32.9	32.8	53.9	112	97.8
Grants	122.5	127.8	127.8	111.1	125.3	320.9	363.9
<b>Expenditure</b>	639.4	726.4	655.6	773.6	893.0	1292	1359
Current expenditure	350.7	377.4	387.7	429.6	504.0	713.1	737.6
Salaries and payments	173.4	171.7	181.2	194.7	206.2	227.5	244.9
Other goods and services	75.0	83.9	89.4	89.6	110.4	160.3	207.3
Subsidies & transfers	50.3	54.3	53.0	70.7	97.6	212.4	184.0
Interest on external debt	48.5	55.2	55.2	59.5	73.9	96.4	90.4
Interest internal debt	3.6	12.2	8.9	15.0	15.9	16.4	11.0
Public investment programme	288.6	341.5	250.4	343.9	386.6	557.3	599.4
External financing	239.9	301.7	209.0	295.0	345.0	442	431.4
Internal financing	48.7	39.7	41.4	48.9	41.6	115.4	168.0
Net loans and advances	0.0	1.5	3.9	0.2	2.4	2.0	2.5
Banking system restructuring	0.0	6.0	13.6	0.0	0.0	20.4	20.0
<b>Balance Commitment Basis</b>							
Grants included	-118.3	-122.7	-31.1	-145.3	-173.1	-189.0	-82.8
Grants not included	-240.8	-250.4	-158.8	-256.4	-298.4	-509.9	-446.7
Payment arrears variation	9.1	-56.6	-66.9	-3.4	-38	-10.0	-11.6
Internal	-8.1	-28.3	-65.5	0.4	-43.3	-4.6	-11.6
External	17.7	-28.2	-1.4	-3.8	5.4	-5.4	0.0
Balance cash basis	-109.2	-179.2	-98.0	-148.4	-200.2	-199.0	-94.4
Financing	110.3	175.6	98.0	148.4	200.2	-111.8	-52.7
Net external financing	85.2	232.8	93.7	105.7	110.3	-37.1	-0.7
Drawdown	122.5	247.7	153.1	203.4	224.2	229.1	256.7
Projects financing	122.5	176.5	115.7	200.9	221.1	229.1	256.7
Other drawdowns	0.0	71.2	37.3	2.5	3.1	0.0	0.0
Amortization due	-77.0	-76.1	-75.4	-88.2	-140.0	-262.7	-259.4
Variation in arrears amortization	39.8	-17.5	15.9	-9.5	26.1	0.0	0.0
Debt alleviation	0.0	75.0	0.0	0.0	0.0	0.0	0.0
Deferred Financing	0.0	3.7	0.0	0.0	0.0	-3.5	0.0
Net domestic financing	25.0	-57.3	4.3	42.7	89.9	-74.7	-52.0
Banking system	36.0	-32.5	-12.7	47.0	105.5	-76.1	-48.0
Non-bank financing	2.1	-24.7	17.0	-4.3	-15.6	1.4	-4.0
Amortization due	-13.0	-8.9	-6.7	-	-	-	-
Net residual financing	0.0	0.0	0.0	0.0	0.0	310.9	147.1
	<b>In % of GDP</b>						
<b>Income and Grants</b>	13.4	14.6	14.1	13.2	13.5	18.7	19.4
Total revenue	10.3	11.5	11.2	10.9	11.1	13.2	13.9
Mining sector	2.7	3.0	2.8	2.5	2.7	3.1	3.3
Non-mining sector	7.5	8.5	8.3	8.4	8.4	10.1	10.6
Expenditure	16.5	17.5	14.8	16.3	16.7	21.9	20.7
Current expenditure	9.0	9.1	8.7	9.0	9.4	12.1	11.2
Of which salaries and payments	4.5	4.1	4.1	4.1	3.9	3.8	3.7
Capital expenditure	7.4	8.4	6.0	7.2	7.3	9.8	9.5
Commitment basis							
Grants included	-3.0	-3.0	-0.7	-3.1	-3.2	-3.2	-1.3
Grants excluded	-6.2	-6.0	-3.6	-5.4	-5.6	-8.6	-6.8
Primary balance	1.3	2.9	2.6	2.4	2.6	0.8	1.3
Market price	3884	4144	4438	4760	5334	5915	6564

Source: Data from Guinean Authorities, IMF estimates and projections

**Republic Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Rate of Disbursement of Budgets Allocated to Priority Sectors**

	1994-97 Yearly Average %	1998 %	2000 %	2001 (September) %
Agriculture & Stockbreeding	56.3	77.5	55.7	37.6
Fisheries & Aquaculture		7.2	56.4	7.8
Public Works (roads)	60.9	75.0	91.0	25.2
Health	40.1	52.3	65.4	10
Pre-University Education	60.9	70.7	87.4	29
Technical & Vocational Education		61.4	92.3	28.3
Higher Education & Scientific Research		97.6	90.8	69.5
<b>Four Priority Sectors</b>	<b>54.5</b>	<b>73.3</b>	<b>85.9</b>	<b>26.7</b>
<b>Non-Priority Sectors</b>	-	-	<b>65.5</b>	-
Justice	-	-	81.9	68.3
Social Affairs	-	-	74.9	50.1
Urban Planning & Housing	-	-	11.3	49.2
<b>Seven Priority Sectors</b>	-	-	<b>85.2</b>	<b>29.1</b>
<b>Non-Priority Sectors</b>	-	-	<b>65.2</b>	-

Source: Mission Team's Calculations

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Level of Implementation of the Public Investment Programme (%)**

	Total Investment	External Financing	Local Financing (BND)
1997	40.8	30.9	108
1998	48.2	43.3	76.5
1999	43.6	41.9	51.1
2000	33.2	27.7	60.1
2001 (as at end of October)	21.3	21.44	20.8

Source: Mission Team Calculations

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Level of Implementation of Public Investment Programme in the Priority Sectors**  
(%)

	1998			1999			2000			2001		
	1	2	3	1	2	3	1	2	3	1	2	3
Agriculture & Stock-breeding	30.4	27.5	69.1	47.5	44.0	85.6	34.7	32.5	70.5	49.8	54.6	26.2
Fisheries & Aquaculture	7.7	0	72.3	9.9	0	72.5	4.4	1.6	94.1	4.6	3.0	6.5
Public Works	55.3	49.0	75.8	88.6	89.2	86.5	29.1	19.2	76.9	1.3	0	47.8
Health	19.8	12.1	69.0	11.5	7.8	46.7	31.9	28.8	60.6	26.6	23.6	52.7
Education	42.6	34.0	80.9	19.9	15.1	50.9	39.1	33.6	78.2	21.5	26.0	13.8

1: Total Investment; 2: External Financing; 3: Local Financing (BND)

Source: Mission Calculations

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Performance Indicators of MTEF Sectors: Pre-University Education**

	1998		1999		2000	
	Estimate	Actual	Estimate	Actual	Estimated	Actual
Overall Enrolment Rate (%)	49	51	51	56	53	57
Girls Enrolment Rate (%)	35	36.9	36	40	37	
Number of Classrooms Constructed	125	300	125	-	125	-
Number of Classrooms Renovated	240	51	240	-	240	-
Teachers Recruited	1.000	1.606	1.000	1.661	1.000	-
Number of Private Classes	200	731	200	-	200	-
Decrease in Repeater Rate (%)	18	27.9	16	-	14	10

Source: Ministry of Pre-university education, Conakry

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Performance Indicators of MTEF Sectors: Agriculture, Stockbreeding, Road Maintenance and**  
**Health**

		Estimate	Actual
A. Agriculture	Production in t		
	-Rice	897.209	870.570
	-Corn	130.000	95.669
	-Fonio	120.000	123.985
	-Cassava	1.000.000	998.142
	-Cotton	25.000	44.482
	-Coffee (export. in t)	20.000	21.800
B. Stockbreeding	- Cattle Headcount	2.431.000	2.836.600
		(in 2000)	
	-Meat Production	51.285 t (in 2000)	46.291
	-Dairy Production	65.568 t	
	-Ecological Analyses/yr	(in 2000)	70.337
	-Vaccinations/yr	35.000	
	-Number of Vets.		20.978
- Stockbreeders' Associations	1.800.000		
	100	2.446.024	
	1.100	124	
		2.750	
C. Road Maintenance	-Increase in number of kilos maintained (%)	10%/yr	< 20%
	-Number of SMEs receiving contracts	-	100
	-Number of jobs created	-	Unknown
	Period of payment of contracts	21 days	25 days
D. Health	-% of children 12-23 months vaccinated	29 (1992)	32 (in 1999)
	*BCG		74.3 (1999)
	*DTC3		55.3(1999)
	*VPO3		55.3(1999)
	*Measles		56(1999)
	- Infant mortality rate (/00)	136(1992)	98(1999)
	-Infant-child mortality rate	229(1992)	177(1999)
-Maternal mortality rate	-	528 (1999)	

Sources: Documents from the MTEF sectors concerned

**Republic of Guinea**  
**Second Structural Adjustment Programme (SAP II)**  
**Evolution of Areas Under Crops Production, Yields and Prices**

	1996-97 (yearly average, in %)	1998-00 (yearly average, in %)
<b>Production Increase</b>		
Rice	6.5	6.7
Corn	3.7	3.8
Fonio	3.7	3.8
Cassava	13.5	8.8
Coffee	0.91	7.1
Cacao	16.1	16.8
Cotton	52.6	21.6
Palm kernel	6	6
<b>Evolution of Farmed Areas</b>		
Rice	-3.45	4.6
Corn	1.4	1.5
Fonio	-1.4	1.0
Cassava	22.4	13.6
<b>Evolution of Yields</b>		
Rice	2.9	1.8
Corn	-1.7	2.2
Fonio	16	2.7
Cassava	-7.6	0.67
<b>Evolution of Prices</b>		
Rice	3.6	0.1
Corn	25.1	11.1
Fonio	-4.1	-4.8
Cassava	3.5	0.3
Coffee	-12.5	5.4
Cacao	3	1.9
Cotton	7.5	0.9
Palm kernel	9	1.7

Source: Mission calculations