

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**GUINEA BISSAU**

**PORTFOLIO REVIEW REPORT**

**COUNTRY REGIONAL DEPARTMENT WEST  
DECEMBER 2008**

## TABLE OF CONTENTS

Currency Equivalents	Page
Acronyms and Abbreviation	
<b>1. Introduction</b>	<b>1</b>
<b>2. Overview of the Ongoing Portfolio</b>	<b>1</b>
<b>3. Evaluation of the Portfolio Management Capacity and Aid Coordination</b>	<b>5</b>
<b>4. Potential problems and lessons to be learnt for the RBCSP and Portfolio Management</b>	<b>6</b>
<b>5. Conclusion and Recommendations</b>	<b>7</b>

## ANNEXES

	Number of pages
Annex 1 – Implementation Status and Orientations of the Active Portfolio Projects of Guinea Bissau	1
Annex 2 - Operational guidelines relative to the restructuring of the portfolio	2
Annex 3 - Matrix of actions for the improvement of Guinea Bissau’s portfolio performance	4

## **CURRENCY EQUIVALENTS**

(July 2008)

Currency Unit: CFA Franc

UA 1 = US\$ 1.63362

UA 1 = EUR1.0362

UA 1 = CFAF 679.768

Fiscal Year

1 January - 31 December

## **ACRONYMS AND ABBREVIATIONS**

ADB	African Development Bank
ADF	African Development Fund
CFAF	CFA Franc
CPO	Country Programme Office
EU	European Union
MEIR	Ministry of the Economy and Regional Integration
PASP	Fisheries Sector Support Project
PIU	Project Implementation Unit
PNDS	National Health Development Programme
PRCGE	Economic Management Capacity Building Project
PRESAR	Agriculture and Rural Sector Rehabilitation Project
PRPC	Post-Conflict Rehabilitation Project
RBCSP	Results-Based Country Strategy Paper
SNFO	ADB Regional Office in Senegal
UA	Unit of Account
UNDP	United Nations Development Programme
WB	World Bank

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This document was prepared following a joint portfolio review and CSP mid-term review mission undertaken from 29 June to 10 July 2008 by Messrs. Olivier Manlan, Country Economist (Head of Mission, ORWB, Ext. 3602), Ansumane Mane, Coordinator of the Bank's Office (CPO) in Bissau, Xavier Boulenger, Country Programmes Officer (SNFO), Baboucarr Sarr, Education Expert, Coulibaly Moussa, Health Expert, and Mrs. Rokhaya Traoré, Socio-Economist (SNFO). For further details, please contact: Mr. F. Perrault, Director, ORWB, Ext. 2036, and Mr. H' Midouche, Resident Representative, SNFO.

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## 1. Introduction

1.1. The last portfolio review report for Guinea Bissau was presented to the Board in early 2004 (ADF/BD/WP/2004/02). The review concluded, in particular, that the portfolio had a limited impact on the achievement of development objectives, and awarded an overall evaluation rating of 1.4. The purpose of this report is to inform the Boards of Directors of the developments and progress made since the end of 2003 with respect to the implementation of operations in Guinea Bissau, and to make recommendations towards improving the portfolio quality so as to achieve the objectives and expected results of these projects. The preparation of the report is a follow-up on the portfolio review mission undertaken in July 2008, and is based on the results of the mid-term review of the 2005-2009 RBCSP conducted during the same period, as well as on data from the reports of the Bank's supervision missions.

1.2. Since the beginning of its cooperation with Guinea-Bissau in 1976, the Bank Group financed – excluding multinational projects - 34 operations (23 projects, 5 institutional support operations, 3 studies, 2 emergency aid projects, and 1 line of credit) for net commitments of UA 163.32 million (about CFAF 113 billion). The bulk of this amount was granted in the form of loans (93.6% as against 6.4% grants). The total amount of the net commitments per source of finance stood at UA 147.20 million for ADF, UA 10.03 million for ADB, and UA 6.09 million for NTF. In September 2008, the total amounts disbursed for the entire portfolio was estimated at UA 139.4 million, which represents 85.4% of net commitments. It should be noted that to date, no private sector project has been financed by the Bank in Guinea Bissau.

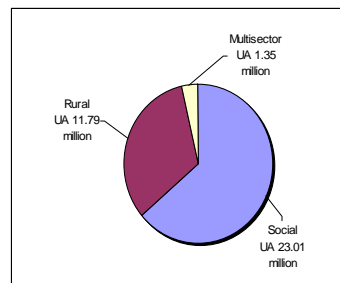
## 2. Overview of the Ongoing Portfolio

### A. Key characteristics of ongoing projects

2.1. In December 2008, the active portfolio of operations in Guinea Bissau comprised six ongoing projects, representing a net total amount of UA 36.15 million and a disbursed amount of UA 14.2 million. Half of the portfolio (three operations) concerns the social sector, which currently mobilizes 63.7% of the resources. Two operations concern the rural sector (fisheries and agriculture, 32.6%) and one operation is multisectoral (3.7%).

**Table and Graph 1**  
**Sectoral Breakdown of ADB Group Active Operations (Dec. 2008)**

Sector	No. of Projects	Source of Finance (UA million)			% Sector	disburs (UA million)	% disburs
		ADF	NTF	Total			
Social	3	19.50	3.51	23.01	63.7	9.90	43.0
Rural	2	11.79	-	11.79	32.6	3.57	30.3
Multisector	1	1.35	-	1.35	3.7	0.70	52.1
Total	6	32.64	3.51	36.15	100%	14.17	39.2%



2.2. It should be noted that since the last review in 2003, there has been a reduction in the number of active operations (reduction from 10 to 6), due to the closing of 3 operations in the transport and public utilities sectors (sectors unrepresented in the current portfolio). The following table presents the key characteristics of the six operations of the active portfolio.

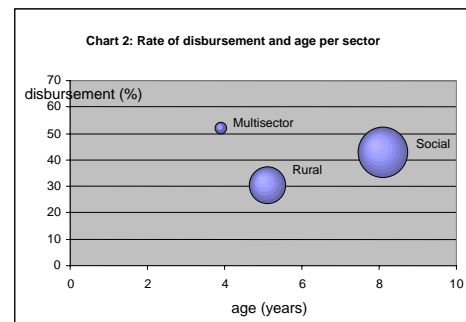
**Table 2**  
**Main operational characteristics of the six ongoing projects (December 2008)**

Sector / Operation	Source	Amount approved (UA million)	Amounts disbursed (UA million)	Gross disbursement rate (%)	Deadline met 1 <sup>st</sup> disbursement (months)	Age (years)	Annual disbursement rate (%)	Extended period (years)	Risk*
<b>Social sector</b>									
Health II (PNDS)	ADF VII loan	10.00	6.37	63.8	45.1	11.1	8.6	5	PPP
Post-conflict Rehabilitation (PRPC)	ADF VIII loan	5.00	2.72	54.3	11.3	7.5	8.3	2	PP
Education III	ADF VIII grant	0.85	0.78	91.6	11.3	7.5	13.9	2	PP
	ADF IX loan	3.65	0.00	0	36.4	5.5	0.0	0	PP
	NTF loan	3.51	0.03	0.8	36.4	5.5	0.3	0	PP
Sub-total /Average		<b>23.01</b>	<b>9.90</b>	<b>43.0</b>	<b>30.9</b>	<b>8.1</b>	<b>8.9</b>		<b>3PR/3</b>
<b>Rural sector</b>									
Fisheries sector support (PASP)	ADF VIII loan	4.29	0.90	21.0	27.8	7.2	4.3	2	PPP
	ADF VIII grant	1.70	1.10	64.5	27.8	7.2	13.2	2	PPP
Rehab. agric. sector (PRESAR)	ADF X grant	5.80	1.57	27.1	12.4	3.0	14.1	0	Non PP
Sub-total /Average		<b>11.79</b>	<b>3.57</b>	<b>30.3</b>	<b>20.1</b>	<b>5.1</b>	<b>7.8</b>		<b>1PR/2</b>
<b>Multisector</b>									
Economic management capacity building (PRCGE)	ADF IX grant	1.35	0.70	52.1	7.4	3.9	16.0	1	Non PP
Sub-total /Average		<b>1.35</b>	<b>0.70</b>	<b>52.1</b>	<b>7.4</b>	<b>3.9</b>	<b>16.0</b>		<b>0PR/1</b>
<b>TOTAL / AVERAGE</b>		<b>36.15</b>	<b>14.17</b>	<b>39.2</b>	<b>23.4</b>	<b>6.4</b>	<b>8.9</b>		<b>4PR/6</b>

\* Non PP = non problem; PPP = potentially problem project; PP = problem project  
PR = project at risk (PP or PPP)

2.3. The portfolio's average disbursement rate is 39.2%, which is low considering its average age (6.4 years). This rate corresponds to the average annual disbursement rate of about 8.9% calculated for the various projects since the date on which the conditions precedent to the first disbursement were fulfilled. This low rate is due to various factors, in particular the suspension sanctions on the country (24 months over the past 7 years), and the stoppage of disbursements since October 2005 for the "post-conflict" project because of suspensions and sanctions. It should also be noted that it took an average of two years for a project approved by the Bank to receive its first disbursement and start its activities. However, significant progress has been made for the last two projects approved by the Bank (PRCGE and PRESAR), with a time frame of less than one year to fulfil the conditions precedent to the first disbursement.

2.4. Graph 2 presents the generally low disbursement rates by sector. The social sector has, for the 3 ongoing projects, been confronted with various difficulties analyzed in greater detail in the paragraphs below. The rural and social sectors also seem to have been penalized by implementation delays in the "Fisheries" and "Health II" projects due to the search for additional resources needed to finance the basic infrastructures: fishing wharf and national hospital (cf. paragraph 2.6). The case of the PRCGE multisectoral project is special since its initial projected duration (24 months) is not comparable to that of the projects of other sectors (5 years).



## B. Evaluation of Portfolio Performance

2.5. **Low portfolio performance:** The overall portfolio evaluation rating – calculated as the average of the overall rating for each project weighted by the project’s proportion in the portfolio – is 1.67 on a scale of 0 to 3 (see table 3), which is a low performance rating that is nonetheless slightly higher than the rating awarded at the end of the 2003 portfolio review (1.4). This relative improvement (+0.27 point) is particularly due to the closing of projects at risk in 2003, the opening of the Country Programme Office (CPO) in 2004, and relatively satisfactory results in the rural sector. The opening of the CPO particularly facilitated dialogue and coordination of the monitoring of Bank projects, and contributed to further sensitization of the Project Implementation Units (PIU) on the various operational requirements. However, the overall performance is still greatly affected by the delays and difficulties encountered by the “Post-Conflict” and “Education III” projects in the social sector. The key criteria affecting project performance are specified in Table 4.

**Table 3**  
**Portfolio Performance Rating**

Operations	RATING						EFFECTIVENESS	
	Fulfill conditions	Procurements	Financial performance	Activities and achievements	Impact on dev.	Overall Evaluation	PIU	Cofinanced Projects
Social sector								
Post-Conflict	2.3	1	1	1	1	1.24	yes	
Health II	2	2.5	1.4	1.75	2	1.82	yes	yes
Education III	2	0	1	0	1	0.92	yes	
Rural sector								
PASP	1	2	2	2.5	2.25	2.00	yes	
PRESAR	3	2	2.2	2.25	2.75	2.44	yes	
Multisector								
PRCGE	1.7	2	1.4	1.5	2	1.65	yes	
Global 2008 review	2.04	1.58	1.48	1.48	1.80	1.67		
Comparison review 2003	1.17	1.63	1.18	1.47	1.60	1.40		

**Table 4**  
**Key Criteria affecting Projects at Risk**

Criteria affecting projects at risk	Concerned projects
The performance as regards procurement is awarded a rating that is below 1.5	Education III – Post-Conflict
The performance as regards project management is awarded a rating that is below 1.5	Education III – Post-Conflict
The availability of counterpart resources is not satisfactorily guaranteed.	Education III – Post-Conflict-Health II
The period between the approval and effectiveness of projects exceeds 12 months	Education III – PASP – Health II
Less than 10% of the loans were disbursed two years after the effectiveness date	Education III
The project was not completed after 8 years following the approval date	Health II

2.6. **Old, problem or potentially problem projects:** The overall portfolio status, as summarized by the characteristics of Table 2 and the ratings in Table 3, shows that the level of performance is generally unsatisfactory, but there has been slight progress compared to the last review. The portfolio generally marked by many delays in implementation and failure to achieve the expected results within the set time lines. Two operations in the social sector are considered as problem projects (“Post-conflict” and “Education III”), mainly due to: (i) the suspension of activities since February 2007, for the “post-conflict” project, as a result of an

administrative suspension following financial management problems, and (ii) for the “Education III” project, long delays in start-up as a result of institutional weaknesses and monitoring inadequacies, which explain the very low disbursement rate. Two other operations are ranked as potentially problem projects (“Health II” and “Fisheries”). For these projects, the problem stems mainly from inadequate resources to finance the basic infrastructures, leading to current difficulties in complying with the schedule and achieving the set objectives. As a result of the depreciation of the UA in relation to the CFA franc and the rise in the cost of raw materials, it is not currently possible to complete the funding of the Bandim fishing wharf and the Simão Mendes hospital, scheduled as part of these operations. That is why, on the proposal of Management, the Board on 7 January 2009 approved additional grants of UA 2 million and UA 6 million under ADF XI for the “Fisheries” and “Health II” projects respectively. These grants were indispensable for achieving the projects’ initial objectives, which are mainly based on the construction of national basic infrastructures. Only the most recent projects (PRCGE and PRESAR) do not present major risks, and their implementation pace and results are relatively encouraging, particularly for the rural sector project. Annex 1 provides a summary of the implementation of the six projects that make up the portfolio.

2.7. **A portfolio within the context of a fragile State.** It should be noted that the numerous disbursement suspensions (5 suspensions between 2001 and 2008, totaling 24 months) due to non-payment of arrears by the Government greatly hampered the implementation of all the operations, and were highly prejudicial to the achievement of the objectives and targeted results. Furthermore, the relative limited resources allocated to some projects and the depreciation of the UA sometimes hindered the smooth conduct of some of the portfolio’s activities. It should also be noted that the implementation conditions of the operations were greatly affected by the conflict situation in Guinea Bissau in the late 1990s, due to sociopolitical difficulties, institutional instability and loss of implementation and monitoring capacities. The experience of the past years also highlighted the constraints inherent in the rigidity of the Bank’s rules and procedures in special contexts such as delicate post-conflict situations. More specifically, the Government’s obligation to provide counterpart contribution for sensitive activities and items seriously hampered the implementation of the activities in question. Within this framework, it is proposed that the “Health II” and “Post-conflict” projects be restructured by making the ADF, specifically for the “Health II” project, provide the financial contribution initially expected from the Government. This measure, which takes into account the Bank’s recognition of the country’s fragile nature and the Government’s financial difficulties, is intended to remedy a situation in which activities or works jointly undertaken cannot be currently completed. It will thus facilitate closure of the project without penalizing some contractors involved in its implementation. Annex 2 provides the proposed orientations in the restructuring exercise.

2.8. **Key generic problems identified.** A certain number of difficulties common to the entire portfolio were identified, particularly as regards initiation of operations, procurement procedures and financial management, and measurement of results. These generic problems were discussed and analyzed during the workshop held in Bissau on 8 July 2008, in the presence of all stakeholders including project units, and a matrix of recommendations was prepared (cf. Annex 3). The problems encountered include, in particular: (i) delays and difficulties in effective start-up of operations, compounded by the successive suspensions which hit the Country; (ii) inadequacies noted in project preparation and ownership of operations, within a special context of relative instability in the Sector Ministries; (iii) difficulties encountered by the Government to mobilize the counterpart resources due to

persistent cash problems in budget implementation; (iv) generally, the relatively limited human resources, institutional mechanisms and coordination in operations initiated, as a result of the difficult reconstruction situation of the post-conflict period; (v) delays in the processing of files by the Bank, sometimes aggravated by communication and language difficulties due to the translation of the documents provided to projects whose staff are essentially Portuguese-speaking, and those from projects and the country, and by the successive replacements of project officers at the Bank; (vi) weaknesses in financial management and procurement, and delays in the planning and conduct of audits; (vii) inadequacy of some allocations, particularly for basic infrastructures, compounded by the depreciation of the UA in relation to the CFA, and by the increase in the cost of raw materials observed recently; and (viii) the overall poor results today, combined with the difficulty of assessing the impacts.

### **C. Evaluation of Portfolio Performance**

2.9. On the whole, the general difficulties highlighted during the 2003 review still persist, even though some improvements can be observed in certain sectors and operations, as shown in Tables 3 and 5.

**Table 5**  
**Comparison of Guinea Bissau Portfolio Performances**

Performance Indicators		Trend		Internal Comparison	
		2003	2008	Guinea Bissau	Bank ADF(2007)
implementation And impact	Implementation period (months)	22	20	20	17
	Average annual disbursement rate (%)	8.3	8.9	8.9	18
	Gross disbursement rate (%)	38.9	39.2	39.2	37
	Average size of projects (UA million)	7.44	6.2	6.2	17
	Overall rating of projects (scale 0-3)	1.40	1.67	1.67	NA
	Proportion of projects at risk (%)	67	66	66	45
	Average age of active portfolio (years)	6.5	6.4	6.4	4,2

### **3. Evaluation of the Portfolio Management Capacity and Aid Coordination**

3.1. **As regards the Government**, there is generally inadequate ownership of operations already initiated, leading to lack of follow-up, delays in implementation and difficulties in honouring some commitments, particularly financial commitments. The governance issue, through its political and economic aspects, is still acute in Guinea Bissau and impacts on the institutional environment of portfolio project implementation. Thus, in the course of their implementation, institutional and capacity weaknesses, aggravated by the shortage of qualified staff in the administration, often constitute major obstacles to the proper management of projects which then depend too much on the dynamism and skills of the coordinators. As regards coordination and monitoring, mention should be made of the efforts made by the Ministry of the Economy and Regional Integration (MEIR) since 2007 to organize meetings every quarter, with the support of the CPO, to follow-up of the progress made by the Bank's projects. This initiative needs to be pursued and intensified in collaboration with the Bank.

3.2. **As regards the Bank**, some operational options and the systematic inclusion of a Government counterpart contribution in projects – sometimes under sensitive items- have seriously hampered the project implementation, within the special context of a country in

post-conflict situation. In general, the Bank has not adequately taken into consideration the fragile nature of the country, marked particularly by the relative dislocation of institutions, the departure of skilled managers after the conflicts, and the country's financial difficulties. The quality of supervision missions (composition and frequency), monitoring, support and guidance was not commensurate with the constraints encountered, and the frequent change of project officers sometimes made it difficult to deliver prompt and fully efficient service. The expected involvement of SNFO in Guinea Bissau's portfolio monitoring activities should eventually contribute to improving the frequency and quality of the different services delivered to the projects. To that end, it is essential for the roles and responsibilities of the CPO and SNFO, as well as the operational relations governing their respective interventions, to be clearly defined. The Bank should also rapidly officialize the coverage of Guinea Bissau by SNFO, and accordingly notify the Government.

3.3. **Both parties have the following in common:** Inadequate dialogue and consultation, the limited use of strategic partnerships, and some communication difficulties aggravated by the specific problems encountered by Guinea Bissau following the conflicts, which also impacted negatively on the quality and overall performance of the portfolio. Some situations observed today could have been avoided or mitigated through more proactive handling of problems and monitoring, better consultation and greater involvement of the parties concerned.

3.4. **Aid Coordination:** External aid has been the key source of finance for the country's development programmes and projects since independence. At the level of the Government, aid is coordinated by the Directorate General of Planning of the Ministry of the Economy and Regional Integration, but it should be noted that there is no permanent framework for the institutional coordination of aid managed by the Authorities. With respect to the development partners, a framework for concerted action, coordinated by UNDP and the EU Commission, has been set up. It comprises several thematic groups and operates in partnership collaboration with the CPO.

#### 4. **Potential problems and lessons to be learnt for the RBCSP and Portfolio Management**

4.1. The major obstacles to the improvement of Guinea Bissau's portfolio management are described above. The Bank and the Government should take strong and bold measures to improve the efficiency of projects and their impact on development. In particular, the Government should pursue its efforts to strengthen budgetary discipline so as to maintain macro-economic stability, which is indispensable for interim relief and budget support. It should also pursue the efforts towards better ownership and close monitoring of ongoing operations.

4.2. The Bank should pursue its operations to strengthen institutional capacities, as illustrated through the Economic Management Capacity Building Project. The Bank should also ensure closer monitoring of operations by improving communication, reducing the time taken to process files, increasing the frequency of supervision missions, ensuring capacity building and full involvement of the Regional Office of Senegal, in close collaboration with the CPO. To that end, it is urgent for the Bank to clarify the related decentralized operating arrangements.

## 5. Conclusion and Recommendations

5.1. **Conclusion.** Even though the portfolio evaluation is still globally unsatisfactory, the implementation and management of projects could be improved significantly in the short-term by ensuring that the country's fragile nature is effectively taken into account and that the support given to operations by each of the parties is reinforced. Specifically, the restructuring of the "Health II" and "Post-Conflict" projects, based on the Bank providing part of the amount initially supposed to form part of the counterpart contribution (Health II), as well as the supplementary ADF XI allocations to support completion of the "Fisheries" and "Health II" projects, are urgent measures indispensable for cleaning up the portfolio. These measures will help to complete the operations in compliance with the commitments made. The prospects offered by an exceptional interim relief before the country reaches the HIPCI completion point, and the application of the *Bank's new policy on expenditures eligible for Bank Group financing* (ref. ADB/BD/WP/2007/106/Rev.1) should, in the short term, ensure greater fluidity of disbursements and put an end to the repetitive suspensions which have greatly affected the overall performance of the portfolio. The implementation of the Fragile States Facility will also enable Guinea Bissau to have access to additional resources (UA 10 million) which will be vital for the consolidation of the portfolio and the enhancement of strategic support. Under these exceptional measures, both in terms of allocations and at the operational level, the Government should take all necessary measures to significantly improve the portfolio performance and avoid past mistakes. To that end, the MEIR should ensure close monitoring of the actions recommended in the matrix prepared during the portfolio review (cf. Annex 3), while performance contracts should be systematically instituted at the level of the Project Implementation Unit (PIU).

5.2. While the opening of the PCO in 2004 was highly beneficial to the implementation of projects and cooperation with partners through the active involvement of the Coordinator in the various follow-up and consultation meetings, it should be noted that Guinea Bissau's official attachment to the Bank's Regional Office in Senegal (SNFO) and the expected enhanced delegation of authority to field offices should, in the short-term will intensify the Bank's presence and efficiency on the ground in Guinea Bissau. As discussed earlier on, the respective roles of the CPO and SNFO should be clearly defined as soon as possible so as to ensure perfect complementarity in terms of support and efficiency. The CPO should continue to play a leadership role in terms of dialogue, coordination and monitoring, while strengthening the link with Headquarters and SNFO, while the SNFO should strengthen its operational involvement. In the specific context of support to clean up the portfolio, and in view of past experiences, it is indispensable for the Bank to ensure more sustained and closer monitoring of all its operations in Guinea Bissau. The target of two supervision missions per year should be sought, with the maximum participation of the SNFO whose staffing is being reinforced.

5.3. **Recommendations.** In order to improve the implementation of Bank operations in Guinea Bissau, the following key recommendations have been made for the Government and the Bank :

### Government :

- Pursue the efforts made by the MEIR to facilitate the rapid start-up of operations approved by the Bank and, based on the reinforced institutional stability, ensure the coordination and periodic monitoring of the Bank's

portfolio operations, with greater involvement of sector Ministries, special emphasis on exchange of experiences and good practices between projects, and the institution of mechanisms to monitor the implementation and evaluation of results.

- For future projects, strengthen the capacities of the Project Implementation Units (PIU) by recruiting qualified staff in the specific sectors of procurement and financial management, and where necessary, by scheduling technical assistance specialized in project implementation and management.
- Take all the necessary steps to ensure significant improvement of the portfolio performance by implementing the measures proposed in the matrix of actions prepared during the portfolio review, including the institution of performance contracts in the Project Implementation Units (PIU), and by paying special attention to the “Education III” project activities.
- Pursue, with the support of various partners, including the Bank, its efforts to strengthen budgetary discipline so as to maintain macro-economic stability that is indispensable for interim relief and budget support.

#### The Bank

- Take into account the fragile nature of the country by authorizing the restructuring of the “Post-Conflict” and “Health II” projects, based on the refocusing of residual activities, and specifically for the “Health II” project, the ADF should provide the financial contribution initially expected from the Government, so as to facilitate completion of activities already initiated.
- In view of the deadlock situation of the “Post-Conflict” project as a result of financial management problems and the suspension of disbursements, take all the necessary measures to solve pending issues during the first half of 2009. The issues include the conduct of the audit requested by OAGL, the settlement of expenditures on construction works already carried out, and coverage of the operating costs of the project team in order to complete the project before the end of 2009.
- Favourably consider the Government’s requests for additional grants (of UA 6 million and UA 2 million respectively) for the completion of the basic infrastructures (wharf and hospital) scheduled and initiated under the “Fisheries” and “Health II” projects, so as to obtain significant results at national level, as expected by the populations.
- Organize, during the first half of 2009, a comprehensive supervision mission for the “Education III” project in order to facilitate the effective start-up of all the scheduled activities and, in collaboration with all the parties concerned, remove the obstacles encountered in ensuring proper implementation.

- Clarify and officialize the respective roles entrusted to the CPO and SNFO, so as to ensure closer and better coordinated monitoring of projects and dialogue with Guinea Bissau, thereby reducing the time for processing files, reinforcing effective monitoring and supervision, and improving overall cooperation with the country.
- Ensure the gradual development of the human capacities of the national staff in charge of managing and monitoring the Bank's operations, through periodic meetings and training sessions (it is expected that the Project Implementation Units (PIU) of Guinea Bissau will participate in the next training session organized in Dakar during the first quarter of 2009 on the Bank's procurement rules), the targeted use of appropriate technical assistance, and the development of closer monitoring with SNFO support. Within this context, consider, as soon as possible, the targeted support under FSF Window III by seeking, in particular, to improve budget implementation and aid coordination (procurement, management of programmes and projects, including the Bank's portfolio).

5.4. The Boards are invited to consider the conclusions of the general review of Guinea Bissau's portfolio, including the proposal for restructuring, and to adopt the above-mentioned recommendations.

## Implementation Status and Orientations of the Active Portfolio Projects of Guinea Bissau

**Health II (PNDS):** The Project was approved in 1997 but its activities were not launched until 2001 due to the sociopolitical unrest of the late 1990s. The project was intended to strengthen the first-level health care and the secondary and tertiary system of reference, step up the efficiency of the management staff, and set up a system for the maintenance of infrastructure and equipment. The project experienced several suspension periods (more than 20 months) which seriously disrupted the implementation of the different works, particularly those of the National Simão Mendes Hospital. The completion of the works of this hospital and its equipment are still a national priority. With respect to the various procurements, the Government often had difficulty in honouring all its commitments and today, an amount of about CFAF 226 million is still awaiting payment. Today, the replenishment of the special account is blocked because of the use of part of the ADF resources to pay for expenditures that should have been covered by the national counterpart contribution. The project's current financial resources are no longer sufficient for the completion of the works and the procurement of equipment for the hospital. **The restructuring exercise thus targeted the completion of the hospital works by proposing to pay for the counterpart contribution and provide for a supplementary grant within the framework of ADF 11.** The purpose of this grant will be to pay for part of the different works, as well as the equipment for the hospital and the costs inherent in the organization of maintenance and administrative and financial management.

**Post-Conflict (PRPC):** The Project emerged after the crisis experienced by Guinea Bissau in the late 1990s, and sought to contribute to the country's reconstruction. The Project whose implementation should be spread over a three-year period, should contribute to the rehabilitation of basic infrastructure (rural roads, schools, Bandim market, etc.), support income-generating activities, strengthen capacities and contribute to the reintegration of war veterans. The project encountered several problems during its implementation which was entrusted to GTZ with the support of the contracting authority's representatives. The Buba-Fulacunda rural road construction contract and part of those concerning the rehabilitation of schools have been signed, and part of the works have been executed without any payment, because of sanctions and an administrative suspension because of irregularities observed in the financial management of the project as well as in the procurements. The Government took steps to regularize the situation and, to date, only the condition relative to the auditing of accounts is pending. **The restructuring exercise thus targeted the conduct of the audit at the soonest, and the settlement and completion of ongoing contracts.** The extension of the closing date was necessary, as was the beefing-up of the team in charge of management.

**Fisheries Support (PASP):** The purpose of this project is to promote the fisheries activity at national level, through institutional strengthening, the construction of a 360 metre fishing wharf and a rational management of fisheries resources. A certain number of training sessions were held, surveillance equipment were acquired and the final design study of the wharf was carried out, highlighting a cost overrun of over UA 2 million. A mission fielded by the Bank was mandated in November 2007, to examine the possibility of providing a supplementary grant to Guinea Bissau. The construction of the wharf and the fulfillment of the conditions of its management constitute the central action of the Project, and are still considered as priorities by the Government which expressed the hope that the Bank will provide it with additional financing. **It was agreed during the review that the supplementary grant report will be updated, with a view to submitting it at the soonest (in the first quarter of 2009 at the latest) to the Board for approval.** It will be necessary to extend the closing date by a year to ensure that the works are completed.

**Education III** This project which was approved in July 2003 registered serious delays in its effectiveness and commencement, because of institutional instability and lack of follow-up. The project is meant to improve the offer and quality of basic education in the deficient areas, and reactivate basic vocational training in order to encourage the integration of youths in working life. The project was launched in November 2007, but the first disbursement was not registered before June 2008 and virtually no procurement was launched during the review. **There is need for the Government and the project team to take all urgent measures to accelerate the implementation of all the activities.** To this end, a set of priority activities should be carried out in the coming months (launching procurements, holding meetings of the steering committee, etc.), which will be closely monitored by the Bank. A supervision mission will be organized by the Bank during the first half of 2009, to ensure that all the constraints are lifted.

**Economic Management Capacity Building Project (PRCGE):** The purpose of the project is to contribute to strengthening the capacities of the country's economic and financial administration, through various methods and training in the fields of public investment programming, by stepping up the national statistics system and supporting the economic integration efforts in the WAEMU zone. The project was extended by a year (end of July 2009). The signing of the multidisciplinary assistance contract is on track. The equipment meant for the regions have been purchased but the conditions for their installation have not yet been met. The audit of the project's accounts is under way. **For the remaining activities, a State commitment is expected to accelerate the putting in place of the equipment, and the effective start of their operation.**

**Agricultural Sector Rehabilitation (PRESAR):** This project results from the PRDI, financed by the Bank and closed in late 2006 with satisfactory results. The PRESAR is meant to contribute to the achievement of food security by aiming at the improvement of rice and market gardening production, as well as livestock promotion. Since the launching of its activities in January 2007, the PRESAR is being implemented with success with a dynamic team and the activities are properly planned. The current food crisis highlights the relevance of the project, the smooth implementation of which could serve as an anchorage for new initiatives. **The project should pursue this course and carry out its activities according to the fixed schedule.**

**Operational guidelines relative to the restructuring of the portfolio**

**Restructuring the Post-conflict Rehabilitation Project.**

This project, devised for a three-year period, comprises a grant of 0.850 million UA and an ADF loan of UA 5 million. Up to 91.56% of the grant and 54.30% of the loan were disbursed. The project was approved on 12/07/2001 and became effective on 20/06/2002. The objective of the project is to contribute to the country's reconstruction and poverty reduction. The project's specific objectives are: (i) rehabilitate and facilitate access to basic community infrastructure ; (ii) increase the income of poor and/or vulnerable groups, and integrate the marginalized and the ex-combatants in the production chains; and (iii) strengthen the State's capacities to collect, process, analyze and disseminate the statistical information necessary for collection, processing, analysis and planning, as well as the capacities of intermediary organizations and grassroots communities. The project comprises five components: (i) Rehabilitation of basic community infrastructure; (ii) Development of income-generating activities; (iii) Capacity building; (iv) Reintegration of ex-combatants; and (v) Project management. The rehabilitation project should, in particular, facilitate the rehabilitation of 13 schools and public latrines in Bissau, the cleaning of Bandim market, granting 56, 000 micro credits, the training of 96 national officials and representatives of NGOs, of 396 activity leaders and 30 000 members of grassroots communities, as well as the training and professional reintegration of 600 ex-combatants and young idlers. The other accomplishments as regards social infrastructure and micro-lending should stem from the demand of beneficiary communities. A certain number of scheduled activities were undertaken, but the project as a whole was confronted with several problems during its implementation essentially the unstable institutional context, the defects in the definition and control of representatives of the contracting authority, and the Bank's difficulty to monitor them closely.

The deadline for the last disbursement of the ADF grant and loan with respect to the Project expired on 31 July 2007 while the project has been hit by sanctions since February 2007 due to poor management. To lift the sanction, the Bank had requested the Government, in November 2007, to fulfill 8 conditions. These conditions were progressively met by the Government. At the arrival of the portfolio review mission, all the conditions but two had been fulfilled. These relate to: (i) the recruitment of a special auditor to conduct an in-depth audit of the PRPC special account management by GTZ ; and (ii) The transfer to the project's special account of the amount of 102 215 518 CFAF paid into the General Treasury account. Considering that part of this amount was used as an advance to a firm when the direct payment expected from the Bank was delayed, the relating supporting documents should be provided. On the mission's arrival, the Government submitted additional supporting documents and provided further explanations. Considering the supporting documents and explanations provided at the Bank's request and on the basis of vouchers sent earlier, only the condition relative to the audit on the management of the special account has not yet been met, even though preliminary work in this regard has been initiated.

The precondition to fulfil all the conditions behind the suspension of disbursements was lengthily discussed. In order to immediately resume the activities of the project with a view to its rapid closure, it was agreed that an audit would be conducted at the soonest to clarify the financial and technical situation. The issue of contracts that have been initiated (schools, rural roads) and for which no payment has been made is also disturbing and should be dealt with rapidly.

At the end of the mission, an agreement was reached with the Government to close the project in the best conditions, by laying emphasis, as a matter of priority, on the closing of the Buba-Fulacunda rural road site, and the rehabilitation of 13 schools. The other residual components of the project, in particular the income-generating activities, will be closed. The current closing date has expired (July 2007) and request for extension combined with an implementation schedule should be transmitted to the Bank, taking into account the period corresponding to the completion of works. To carry out the remaining activities and ensure proper management, the team should be completed and installed in equipped offices. However, in order to find a solution to the difficulties encountered in the implementation of this project, the Bank sent a specific mission in December 2008 which confirmed the guidelines which had been proposed during the portfolio review and also concluded that the closing of all the activities of the "post-conflict" project seemed to be the most appropriate solution for all parties. Because the continuation of some residual activities would lead to an additional extension of the project's duration without any significant additional results. To ensure the Project's closure in the best conditions, the mission recommended that the Government and the Bank essentially direct their last interventions to: (i) the rapid payment of pending bills, (ii) the payment owed to the project staff, and (iii) the final audit of the project, including the review of the financial management by GTZ, as recommended during the suspension of disbursements. It should be possible to give effect to all these activities during the first half of 2009.

### **Restructuring the National Health Development Programme Project (Health II)**

The Project was approved in 1997 but its activities were not launched until 2001 due to the sociopolitical unrest of the late 1990s. The specific objective is : (i) to strengthen the first-level health care infrastructure in the urban areas of Bissau, as well as those of the Simão Mendes hospital, to ensure that the latter plays its reference training role efficiently; (ii) improve health care conditions by providing equipment responsive to the needs; (iii) enhance the efficiency and efficacy of the staff working in health structures in the area covered by the project ; and (iv) set up a system for the maintenance of hospital equipment and infrastructure to ensure an enhanced use of the invested resources. The project scheduled to be implemented within five years, comprises the following components: (i) Component I: Strengthen first-level health care; (ii) Component II: Strengthen the secondary and tertiary reference system; (iii) Component III: Strengthen the management and maintenance capacities, and (iv) Component IV: Support to the PNDS coordination unit (project management).

The project was confronted with constraints which led to accumulated delays due to the long implementation period and three sanctions against the Country following the non-payment of arrears, several periods of suspension which covered more than 20 months. The deadline for the last initial disbursement during the evaluation was fixed for 31 December 2003. It was extended three times, accumulating an additional period of 5 years (closing date extended to 31 December 2008). The analysis of the state of progress and the time chart of activities shows that the project registers a physical implementation rate of 75% and will not be completed on 31 December 2008. Types B and C health centres have been completed, equipped, delivered and have been operational since June 2007. The same applies to compulsory housing. All these accomplishments contributed to bringing the services closer to beneficiaries and thus reducing the problems of geographical accessibility. Component II relative to the hospital which accounts for 73.80% of the total project cost is implemented by 30%. The remaining activities essentially concern: (i) the completion of works of the National Simão Mendes Hospital whose rate of physical implementation is estimated at 25%; and (ii) the procurement through international competitive bidding, of medical equipment and furniture for this structure, and additional works for some health centres. The restructuring exercise proposes: (i) paying for all the remaining activities with ADF resources; (ii) paying for arrears owed to firms by Government and estimated at close to CFAF 227 million. Moreover, the depreciation of the UA has a negative impact on the availability of resources.

Following are the major actions required to restructure the project: Financing the remaining activities: The resources necessary to finance all the remaining activities and the payment arrears to firms are higher than the balance of the ADF loan amounting to 4.30 million UA. In order to facilitate the payment of the cost of all the activities and the financing of the resource gap, it was decided that the Government would identify the activities to be transferred to the supplementary grant which will be financed from ADF 11 resources. Subsequently, the Borrower should negotiate the sites or lots to be transferred to the supplementary grant. This exercise should be completed and the elements communicated to the Bank, with the draft contract amendments. Payment of arrears by ADF : To ensure the payment of arrears to firms, the Government should submit to the Bank (i) the original procurement contracts, (ii) proof of the payments made to beneficiaries ; (iii) the draft amendments to be signed with the corresponding beneficiaries to be paid by ADF. **To achieve the objectives within a reasonable timeframe, the portfolio review mission recommends that the Bank maintain the scheduling of the supplementary grant under ADF 11, for an amount of 6 million UA.** This will help finance: (i) medical equipment and furniture for the Simão Mendes Hospital; (ii) the institution of a biomedical and building maintenance system combined with the training of the required staff; (iii) the institution at the Simão Mendes Hospital of a computerized administrative and financial management system, combined with staff training. The Government should communicate to the Bank the current PNDS version and the needs in terms of staff size to be trained in the fields of maintenance and administrative and financial management.

The achievement of the project's objectives is essentially jeopardized by the shortage of resources. The resources of the supplementary grant are indispensable for the completion of the incomplete and additional activities so that the project would fully reach its objectives, notably that of providing the Country with a reference national hospital worthy of the name. If, on the contrary, this hospital is not completed and equipped, the expected results will not be reached and the Bank's credibility in the sector will be marred, since its commitment for the construction of the national hospital was made over 20 years ago.

### Matrix of actions for the improvement of Guinea Bissau's portfolio performance

<i>Sectors</i>	<i>Identified problems</i>	<i>Actions required</i>	<i>Institution in charge</i>	<i>Schedule</i>
<b>Targeting and design of portfolio operations</b>	Insufficient integration in the projects' design and financing package, of the cyclical difficulties linked too the post-conflict situation	<ul style="list-style-type: none"> <li>- Make provision for implementation and financing mechanisms that are more responsive to post-conflict situations</li> <li>- Implement, for the new operations , the new Bank policy relative to expenditures eligible for the Bank Group's financing</li> </ul>	ADB ADB	2008 New restructuring projects
	Shortage of strong strategic frameworks capable of facilitating the planning and conduct of programmes	<ul style="list-style-type: none"> <li>- Strengthen the institutional capacities of concerned ministries and support the planning and strategic guidelines</li> </ul>	GVT/ADB SNFO/CPO	permanent
	Lessons and past experiences are not sufficiently taken into account	<ul style="list-style-type: none"> <li>- Systematize the preparation of completion reports and capitalize on the lessons of past operations</li> </ul>	ADB/GVT SNFO/CPO	End of projects
	Insufficiency of multinational operations or those conducted in synergy with the other partners	<ul style="list-style-type: none"> <li>- Further develop consultation, partnership and regional integration</li> </ul>	GVT/ADB SNFO/CPO	permanent
<b>Commencement of operations</b>	Long deadlines for the effectiveness, fulfillment of conditions precedent to the first disbursement, and that of other conditions	<ul style="list-style-type: none"> <li>- Prior to the approval of the financing, think ahead in the preparation of the conditions for the implementation of operations</li> <li>- Ensure the realistic nature and the limited number of preconditions contained in the loan agreements and the agreement protocols for the grant</li> <li>- Institute a rigorous monitoring system at the DGP to ensure the effectiveness and the fulfillment of the preconditions.</li> <li>- Make arrangements for the ratification of agreements within a maximum timeframe of after their signing.</li> <li>- Draw up the state of progress of the other conditions in the quarterly activities report, and take the necessary measures to fulfill them.</li> </ul>	GVT ADB/GVT GVT/ADB SNFO/CPO GVT/MEF GVT/PIU	Before the start of projects Projects preparation permanent As soon as the draft activity report
	Fulfilment of conditions are often difficult for the project units (premises, equipment, logistics, etc.)	<ul style="list-style-type: none"> <li>- Ensure that a minimum of physical facilities and operating means is available at the start of operations</li> </ul>	GVT/ADB	Preparation launching projects
	Difficulties for the projects' units to start and implement some operational activities	<ul style="list-style-type: none"> <li>- Recruit qualified and experienced people, on a competitive basis, and draw up individual performance contracts, combined with an annual evaluation</li> <li>- Depending on the case, use specialized technical assistance while ensuring an effective skills transfer</li> <li>- Systematize project launching missions and ensure that all the necessary information are provided</li> <li>- Work in close collaboration with the project manager at the Bank and in SNFO, and where needed, request for the support of the national office.</li> </ul>	GVT/ADB GVT/PIU ADB/SNFO/CPO PIU/TM/SNFO/CPO ADB/SNFO	Before the start of projects permanent commencement of project permanent Before the project permanent
		<ul style="list-style-type: none"> <li>- Develop training and capacity building programmes for the projects' teams</li> </ul>		

<b>Financial Aspects</b>	Difficulty for the State to mobilize its financial counterpart	<ul style="list-style-type: none"> <li>- Give preference in the project set-up, to the contributions in kind made by the Government and beneficiaries</li> <li>- Restructure some portfolio operations with a view to limiting the obligations of the counterpart</li> <li>- Take into account the Bank's new guidelines with respect to expenditures eligible for financing by the Bank Group.</li> </ul>	ADB ADB/GVT ADB	Projects preparation second half of 2008 With effect from 2008 restructuring
	Adverse effects of the successive suspensions of disbursements for the smooth implementation of the projects	<ul style="list-style-type: none"> <li>- Take appropriate measures for a more sustained attention to the external debt repayment</li> <li>- Aim at an exceptional interim relief before the country reaches the HIPI completion point</li> </ul>	GVT ADB	permanent October 2008
	Inadequacies in the financial management of projects	<ul style="list-style-type: none"> <li>- Step up training for implementing agencies in close collaboration with SNFO, provide closer backing to the project team</li> <li>- Make provision for a specialized and experienced technical assistance in the field of financial management</li> <li>- Generalize the installation, at the beginning, of accounting systems and software and procedures manuals</li> <li>- Ensure compliance with rules on eligibility of expenditures</li> </ul>	ADB/SNFO/CPO ADB/GVT GVT/ADB/PIU GVT/PIU	permanent Project preparation Commencement of project permanent
	Delays in payments	<ul style="list-style-type: none"> <li>- Properly document requests for payment and confirm their compliance</li> <li>- Meet the deadline for the processing of requests for disbursements and the dispatch of swift messages</li> <li>- In analyzing the transmitted vouchers, further take into account the operational realities and those inherent to the country, notably as regards the authenticity of the supporting documents</li> <li>- Systematize the monthly transmission of the state of disbursements to project units, and eventually facilitate customers' connection to the information system</li> </ul>	PIU ADB/FFCO ADB/FFCO ADB/SNFO	permanent permanent permanent every month 2009
	Significant delays in the conduct of the audits of the operations	<ul style="list-style-type: none"> <li>- Plan, within the set timeframe, the consultations for the recruitment of audit</li> <li>- Keep performance indicators to monitor the audit process</li> </ul>	PIU PIU/SNFO	permanent permanent
	<b>Procurement Rules and Procedures</b>	Insufficient understanding of the Bank's procurement rules and procedures	<ul style="list-style-type: none"> <li>- Conduct launching missions within the set timeframe and provide for training in procurement for implementing agencies</li> <li>- Develop internally within the DGP a network of ADB projects to ensure the exchange of experiences and good practices</li> <li>- Based on the nature and complexity of the project, make provisions for an expert in procurement within the Project Implementation Unit (PIU)</li> </ul>	ADB/SNFO/CPO DGP GVT/ADB
Depreciation of the UA in relation to the CFAF resulting in the reduction of the projects' resources		<ul style="list-style-type: none"> <li>- Revise the list of goods and services and/or use the non-allocated headings</li> <li>- Re-proportion some activities during the mid-term review and the restructuring of the portfolio</li> <li>- Explore the possibilities of additional financing in relation with the other TFP</li> </ul>	PIU/ADB PIU/GVT/ADB GVT/ADB	Project implementation Mid-term restructuring Project implementation

	Delays in the procurement process	<ul style="list-style-type: none"> <li>- Systematizing the preparation of procurement plans and submit them to the ADB for approval</li> <li>- To prepare procurement packages , use the services of specialists by taking into account the specificities and size of procurements</li> <li>- Ensure compliance with the Bank's procedures and the use of sample procurement packages</li> <li>- Limit the procurement package processing time frame</li> <li>- Reduce the number of requests for approval by submitting all the bid announcement files (TOR, LR, and LI) and proposed contract award with the draft contract.</li> <li>- Improved follow-up of the files' processing by the different parties, by measuring the processing time frame</li> </ul>	<p>PIU</p> <p>PIU</p> <p>PIU</p> <p>ADB/SNFO PIU</p> <p>PIU/GVT ADB/SNFO/CPO</p>	<p>with effect from 2008</p> <p>Project implementation</p> <p>permanent</p> <p>permanent permanent</p> <p>permanent</p>
	Linguistic difficulties to understand documents	Rely on the Bank's briefing notes written in Portuguese	PIU	Project implementation
<b>Management and monitoring of operations</b>	Frequent changes of project managers at the Bank	<ul style="list-style-type: none"> <li>- Limit the frequency of replacements of the project managers at Headquarters and in case of change, provide for an appropriate mechanism within the department concerned.</li> <li>- Provide backing to the Project Manager at Headquarters by a Project Manager based in SNFO</li> </ul>	<p>ADB</p> <p>SNFO</p>	<p>End of 2008</p> <p>End of 2008</p>
	Slowness in the processing of files within the Bank	<ul style="list-style-type: none"> <li>Reduce the processing time frame at Headquarters, by developing the concern for rapidity and the quality of service</li> <li>- Regularly transmit to the Bank /SNFO/CPO the list of files pending for over two months</li> </ul>	<p>ADB/SNFO</p> <p>GVT/PIU/CPO</p>	<p>permanent</p> <p>Every month</p>
	Number and duration of supervisions limited	<ul style="list-style-type: none"> <li>- Increase the number and quality of supervision missions and make provision for the required expertise in the composition of missions</li> </ul>	ADB/SNFO	permanent
	Inadequate communication between the projects and the Bank and linguistic problems	<ul style="list-style-type: none"> <li>- Systematize the use of the electronic mail and develop the services offered by the CPO and SNFO</li> <li>- Recruit at least a Portuguese-speaking expert at the SNFO</li> <li>- Develop the translation of the documentation provided to projects, and within the framework of the implementation, make arrangements for the translation of some documents</li> </ul>	<p>PIU/CPO/SNFO</p> <p>ADB</p>	<p>permanent</p> <p>End of 2008 Project implementation</p>
	Inadequacies in the appropriation and monitoring of operations at national level	<ul style="list-style-type: none"> <li>- Pursue the periodic portfolio monitoring meetings instituted by the MEIR</li> <li>- Further involve the sector departments concerned and develop internal mechanisms for the monitoring of activities</li> </ul>	<p>MEIR</p> <p>GVT</p>	<p>Every quarter</p> <p>permanent</p>
	Lack of anticipation and appropriate corrective measures in the projects' implementation	<ul style="list-style-type: none"> <li>- Systematize the mid-term reviews and, if necessary, make the necessary adjustments and corrections</li> <li>- Intensify the dialogue and consultation between the concerned parties</li> </ul>	<p>GVT/PIU/ADB</p> <p>GVT/ADB</p>	<p>Mid-term projects</p> <p>permanent</p>

<b>Evaluation of performance and impacts</b>	Difficulties to evaluate the effects of the projects' achievements	<ul style="list-style-type: none"> <li>- Create an efficient computerized monitoring-evaluation system within all the projects, including the institution of a reference situation</li> <li>- Systematize the signing of performance contracts for the teams entrusted with the implementation of projects</li> <li>- Systematically state, in the projects' activity reports, the progress made in relation to the key indicators</li> <li>- Circulate within the Bank a joint mechanism for the collection and dissemination of results evaluated by the projects</li> </ul>	GVT/PIU GVT/ADB PIU ADB	Commencement of project permanent Commencement of project Every quarter End of 2008
	Poor communication about operations financed by the Bank	<p>Further enrich and disseminate, on a wider scale, the activities undertaken with success at the level of the projects</p> <ul style="list-style-type: none"> <li>- Ensure improved communication and visibility in relation to the Bank's intervention in Guinea Bissau</li> </ul>	GVT/PIU/ADB GVT/ADB/CPO SNFO	permanent permanent