

AFRICAN DEVELOPMENT FUND



GUINEA BISSAU

EMERGENCY FISCAL REFORMS SUPPORT PROGRAMME

COMPLETION REPORT

GOVERNANCE, ECONOMIC AND FINANCIAL MANAGEMENT DEPARTMENT

June 2011

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ACRONYMS AND ABBREVIATIONS

AFRITAC	: Africa Regional Technical Assistance Centre
ADB	: African Development Bank
ADF	: African Development Fund
CPIA	: Country Policy and Institutional Assessment
DAF	: Administration and Finance Directorate
DENARP	: Poverty Reduction Strategy Paper
DGB	: General Directorate of Budget
DGCF	: General Directorate of Financial Control
DGP	: General Directorate of Economy
DGP	: General Directorate of Planning
DGT	: General Directorate of Treasury
ENA	: <i>Ecole Nationale d'Administration</i>
EU	: European Union
FSF	: Fragile States Facility
HIPC	: Heavily Indebted Poor Countries
IDA	: International Development Association
IMF	: International Monetary Fund
MDG	: Millennium Development Goals
MTEF	: Medium-Term Expenditure Framework
PARCA	: Project to Support Public Administration Capacity Building
PAURB	: Emergency Fiscal Reforms Support Programme
PEMFAR	: Public Expenditure Management Financial Accountability Review
GDP	: Gross Domestic Product
PRCGE	: Economic Management Capacity Building Project
RBCSP	: Result-Based Country Strategy Paper
SIGFIP	: Integrated Public Financial Management System
SME	: Small- and Medium-Sized Enterprise
TFP	: Technical and Financial Partner
WAEMU	: West African Economic and Monetary Union

COMPLETION REPORT – EMERGENCY FISCAL REFORMS SUPPORT PROGRAMME

A. PROJECT DATA AND KEY DATES

I. BASIC INFORMATION

Project Number	Project Name	Country (ies)	
Project n° P-GW-KA0-005	Emergency Fiscal Reforms Support Programme (PUARB)	Guinea Bissau	
ID Number of all Lending Instrument(s)		Department	Environmental Classification
General Budgetary Support: - FSF Grant No. 5900155000901 - ADF Grant No.2100155004166		Multisector: Governance	Environmental III
Original Commitment Amount	Amount Cancelled	Amount Disbursed	Percentage Disbursed
UA 5.7 million	UA 0 million	UA 5.7 million	100%
Structure of Tranches			
Single Tranche			
Donee			
Republic of Guinea Bissau			
Executing Agency			
Ministry of Finance (Post-Conflict Emergency Programme Monitoring Committee and Fiscal Reform Priority Action Plan Monitoring Commission)			
Co-financers and other External Partners			
The operation benefitted from parallel/bilateral financing: (i) Spain (UA 1.36 million); France (UA 2.71 million); and (ii) multilateral financing: World Bank (UA 5.20 million); BOAD (UA 1.1 million); EU (UA 16.24 million)			

II. KEY DATES

Project Concept Note Cleared by Ops. Com.	Appraisal Report Cleared	Board Approval	
13 January 2009	N/A	24 March 2010	
Restructuring(s)			
N/A			
	Original Date (a)	Actual Date (b)	Difference in months [(b)-(a)]
EFFECTIVENESS	26/03/2010	18/05/2010	1.8 months
MID-TERM REVIEW¹	31/01/2011	27/09/2010	-4.2 months
CLOSING	31/12/2010	31/12/2010	0
DISBURSEMENT	Original Date	Actual Date	Waivers
TRANCHE 1:	30/03/2010	25/06/2010	None

¹ The only review of September 2010 served as mid-term review.

III. RATINGS SUMMARY

CRITERIA	SUB-CRITERIA	RATING
PROGRAMME OUTCOME	Outputs	3
	Outcomes	3
	Timeliness	4
	OVERALL PROGRAMME OUTCOME <i>(Score is calculated as an average of the ratings)</i>	3
BANK PERFORMANCE	Design and Preparedness	3
	Supervision	3
	OVERALL BANK PERFORMANCE <i>(Score is calculated as an average of the ratings)</i>	3
BORROWER PERFORMANCE	Design and Preparedness	3
	Implementation	3
	OVERALL BORROWER PERFORMANCE <i>(Score is calculated as an average of the ratings)</i>	3

IV. RESPONSIBLE BANK STAFF

POSITIONS	AT APPROVAL	AT COMPLETION
Regional Director	Franck PERRAULT	Issa KOUSSOUBE
Sector Director	Gabriel NEGATU	Ndoumbe LOBE
Task Manager	Marlène KANGA	Jacob MUKETE
Project Manager	Toussaint HOUENINVO	Ismael MAHDI
PCR Team Leader		Ismael MAHDI
PCR Team Members		Béatrice ALPERTE Eloïse FLUET Ashraf TARSIM Jean-Baptiste TAVARES

B. PROGRAMME CONTEXT

The political and military conflict (1998-1999) created profound macroeconomic imbalances and a considerable social impact: the growth rate deteriorated, resulting in a significant decline of per capita GDP (US\$ 212.53 in 1997, compared with US\$ 150 for the first decade of 2000). This turned Guinea-Bissau into a post-conflict fragile State. Despite the unstable political situation and unfavourable economic environment (escalation of imports prices, collapse of world cashew nut prices, decline in ODA, etc.), the Government pursued its stringent fiscal policy under the Public Finance Strengthening Programme supported by an IMF Facility in 2008-2009. Faced with this situation, the Emergency Fiscal Reform Support Programme (PUARB) was formulated as part of a rapid response by the international community to sustain the budgetary reform process.

The PUARB was based on DENARP I 2007-2010, particularly Pillar 1 related to the improvement of good governance and modernization of State operations. It was also backed by the RBCSP 2005-2010 and the Fragile States Policy. At the operational level, PUARB's objective was to create optimal conditions for signing a formal agreement with the IMF on a medium-term agreement to help the country reach the HIPC Completion Point by end 2010. PUARB was implemented satisfactorily, despite the April 2010 coup attempt, the consequences of which would have undermined the on-going or proposed reforms. The complementarity of PUARB and the Bank's two capacity building projects, namely: (i) Targeted Support (establishment of general and sector MTEFs); and (ii) PARCA (computerization of Treasury transactions and public procurement accounting) created synergy in economic and financial good governance.

C. PROGRAMME OBJECTIVE AND LOGICAL FRAMEWORK

1. Programme Development Objectives

The aim of PUARB is to contribute to more effective and efficient management of macroeconomic policies aimed at fostering accelerated growth and poverty reduction. Its specific objective is to pursue the improvement of the public financial management framework and performance.

2. Contribution of each reform to achievement of programme objectives

Reforms were undertaken under PUARB to address weaknesses related to budgetary credibility, comprehensiveness and transparency. These included: (i) an overhaul of the operation of the Treasury Committee in charge of establishing and monitoring annual cash forecasts; (ii) updating of administrative revenue tracking and their integration into budgetary estimates and out-turns; and (iii) quarterly publication of budgetary execution statements submitted to the Peoples' National Assembly and disseminated to the general public.

To address the problems related to strengthening of the internal control system, the programme helped to undertake the following major reforms, among others: (i) appointment of a Financial Controller directly dependent on the Minister of Finance and production of a financial control procedures manual; (ii) training in budget execution and control for the benefit of central directorates of the Ministry of Finance and the DAFs of other ministries and institutions; (iii) keeping of administrative accounts and establishment of the administrative account of Government operations at the presentation of the 2011 budget; (iv) issuance of a circular fixing the period for closing budgetary transactions; and (v) development of modern, effective and reliable financial tools for managing Treasury transactions.

Conditions for the disbursement of the single tranche focused on the development of a manual of financial control procedures and training of Government financial staff in such procedures.

3. Assessment of programme objectives along three dimensions			
PROGRAMME OBJECTIVES DIMENSIONS		ASSESSMENT	WORKING SCORE
RELEVANT	Relevant to the country's development priorities	The programme objectives are relevant to the priorities of the PRSP I 2007-2010. They are also based on a set of technical and sector studies (diagnostic studies on the administration's capacity, revenue collection system and cash management, PEFA 2008 and PEMFAR 2009). These studies aimed at improving government efficiency in public resource allocation.	4
ACHIEVABLE	In principle, objectives could be achieved with the project inputs and in the expected timeframe.	The objectives and underlying reforms/measures took into account the country's absorptive capacity and the need to ensure adequate ownership of beneficiary structures. Thus, the execution rate exceeded 90% compared with the nearly 73% set initially (10 of proposed 11 measures were implemented satisfactorily).	3
CONSISTENT	Consistent with the Bank's country or regional strategy.	The objectives are consistent with the Bank's economic governance strategy and the operation of the main public sector institutions that have set as a priority the reform of the public financial management system (RBCSP 2005-2010, FSF policies, action plans for 2008-2012 governance, etc.).	4
4. Presentation of log-frame			
COMPONENTS	ACTIVITIES	OUTPUTS	EXPECTED OUTCOMES
	Budgetary execution statements	Production of quarterly budgetary execution statements	Publication of 4 quarterly reports for 2010. Forwarding of reports to the National Assembly and dissemination to general public
	Development of new budget formulation tools	Formulation of sector MTEFs	Production of 3 sector MTEFs as part of 2011 budget preparation (end December 2010)
Improving the internal control system	Appointment of a Financial Controller (CF) reporting directly to the Minister of Finance.	Ministerial Order appointing the CF	Effectiveness of the Ministerial Order by 01/01/10
	Production of a financial control procedures manual	Ministerial Order instituting the financial control procedures manual	Effectiveness of the Ministerial Order by end June 2010
	Training of the staff of the Ministry of Finance and DAFs in budgetary procedures	Number of staff trained	At least 100 staff trained by end June 2010
	Setting of the period for closing budgetary transactions	Issuing of circular defining the period for budget closing	Effectiveness of circular note latest 01/01/10

	Keeping of administrative accounts and establishment of the administrative account of Government transactions	Periodic production of accounting documents	Monthly editing of administrative accounts for 2010 and presentation of administrative accounts of Government 2009 operations in the 2011 finance act
	Development of modern, effective and reliable financial tools for the accounting of Treasury transactions	Use of an accounting software for Treasury transactions	Software operational by end June 2010
	Development of human resource management tools	Use of human resource management software (payments, recruitment, careers, etc.)	Functional software by end June 2010 with a single database for the Payments Department and Civil Service

5. Contribution of log-frame to achievement of development objectives

LOG. FRAME DIMENSIONS		ASSESSMENT	WORKING SCORE
LOGICAL	Presents a logical causal chain for achieving the project development objectives	The reforms/asures to be implemented are clearly presented and the causal chain between the programmed activities, expected results and objectives to be achieved is clearly defined. The traceability of the chain is facilitated by the use of a numbering system linking the various lines (activities-outputs or output-objective or outcomes) and the columns (performance indicators) of the log-frame.	4
MEASURABLE	Expresses objectives and outcomes in a way that is measurable and quantifiable.	Most of the objectives and outcomes are expressed in a way that is measurable and quantifiable. The source of these objectively verifiable indicators is also indicated. This largely facilitated the programme assessment.	4
THOROUGH	States the risks and key assumptions.	Although the risks and assumptions are clearly stated, they are not correctly positioned in the log-frame. The risk of political and social risk should not appear as a risk on the first line (goal), but rather on the second line (objectives); thus verify the following causal chain: where the risk is covered and the objective is achieved, the goal is also achieved. This is also true for the assumption on adherence to new legal procedures in public financial management that should have appeared on the second line (objectives) and not the third (activities). Furthermore, the proposed mitigative measures for various risks are not always appropriate, notably the issue concerning the mobilization of additional resources in the event of external economic shocks.	2

D. OUTPUTS AND OUTCOMES

I. ACHIEVEMENT OF OUTPUTS

Achievement of actuals vs. expected outputs		
MAJOR REFORM MEASURES		Working Score
Expected Outputs	Actual Outputs	
Production of budgetary execution statements	Automated editing of quarterly budgetary status in the SIGFIP and publication in Ministry of Finance portal	3
Development of new budget preparation tools (MTEF)	Not achieved (technical assistance could not be provided)	1
Appointment of a Financial Controller (CF) reporting directly to the Minister of Finance by end December 2009	Ministerial Order N° 44 of 07/11/09 appointing the Financial Controller	4
Production of a financial control procedures manual by June 2010	Ministerial Order N° 11 of 27/01/10 on financial control procedures manual	3
At least 100 MF and DAF staff trained by end June 2010	Reports certifying the training of Government staff in the first half of 2010	4
Fixing the period for closing budgetary transactions by December 2009	Circular Note N° 31 of 07/12/09 fixing the period for closing budgetary transactions	4
Monthly editing of administrative accounts (2010) and presentation of administrative accounts of Government 2009 transactions during approval of the 2011 Finance Act	Automated editing of administrative accounts in the SIGFIP and posting on MF website. Presentation of Government management accounts and not administrative accounts at the presentation of 2011 Finance Act	3
Accounting software for Treasury transactions operational by end June 2010	Software in use on 16/09/10 (provisional works acceptance report)	3
Human resource management software operational by end June 2010 and establishment of a single database for the Payments Department and Civil Service	Installation on-going and problem of unification of databases following technical challenges encountered during biometric census of civil servants.	2
OVERALL OUTPUT SCORE [Score is calculated as the sum of weighted scores]		3

II. IMPACTS AND OUTCOMES

1. Assessment of expected impacts and outcomes		
IMPACTS		Working Score
Expected	Actual	
1. Real GDP growth of 3.5% in 2010 compared with 3% in 2009	Real GDP growth of 4% in 2010 (Source DENARP II/INEC)	4
2. Incidence of poverty at 64.1% in 2010 compared with 68.5% in 2005	Incidence of poverty at 69.3% in 2010 (Source DENARP II/ILAP II)	1
3. Four per cent (4%) increase of GDP in social sector expenses in 2010	Budgetary allocations of Ministries of Education and Health increased by 3.47% of GDP	3

OUTCOMES		Working Score
Expected	Actual	
4. Primary expenditure execution rate is 100% at the most in 2010	Primary expenditure execution rate was 93.4% in 2010 under SIGFIP expenditure regulatory policy (Sources DGB/L of 2011). This stringent policy on quantitative indicators of public expenditure helped to avoid budgetary overruns and accumulation of fresh arrears in the current period.	4
5. Primary expenditure compliance rate of over 100% in 2010 compared with 119.8% in 2007	Primary expenditure compliance rate was 94.82% (see comments under Point 4).	4
6. Budget variance: revenue <5% at the most and expenditures of >10% maximum.	Budget variance: public revenue is at 105% of 2009 level (>5%) and expenditures at 87% of 2009 (<13%). See comments under Point 4.	4
7. Increase by at least 10% of administrative revenue in 2010.	The PCR team was unable to obtain information on this indicator. However, legal instruments on the return of services and autonomous funds were revised and the quarterly budget execution statements provide better data on the said revenue. Increase in all forms of public revenue; increase in tax and non-tax revenue by 16.5% and about 4% respectively would suggest that the indicator was achieved.	2
8. CPIA Indicator 16 increases from 2.5 in 2009 to 3 in 2010 (public sector transparency and accountability).	In 2010, the score for this indicator was the same as in 2009, namely 2.5.	2
9. CPIA Indicator 13 increases from 3.5 in 2009 to 4 in 2010 (quality of budgetary and financial management).	For 2010, the score for Indicator 13 was 3.5, the same as in 2009. However, the last IMF (December 2010) was positive and the completion point was reached.	3
OVERALL OUTCOME SCORE [Score is calculated as an average of the working scores]		3
2. Impact on poverty and social situation		
<p>The timeframe of PUARB (1 year) makes it difficult to measure the impact of the programme on poverty, access to social services and gender. Recent social statistics indicate increased poverty with the index falling from 68.5% to 69.3% between 2005 and 2010. However, it is worth mentioning that the improvement of government effectiveness in public finance management (stringent fiscal policy) contributed to poverty reduction through greater inflation control and enhanced investment capacity in social services. In this regard, the programme helped to estimate and increase budgetary allocations to the ministries of education and health for 2010 by over 4 percentage points of GDP.</p> <p>In terms of prospects, the outcomes of the PUARB will constitute a solid foundation for pursuing and deepening the public finance reforms, as well as promoting private sector development. This will help to improve the returns on pro-poor spending mainly to the most vulnerable groups represented by women and children.</p>		
3. Threats to viability of outcomes achieved.		
<p>One of the main achievements of recent structural reforms relates to the gradual introduction of more modern and effective rules for preparing and executing Government budget (WAEMU project on the harmonization of the legal framework of public finances), and ownership of new management tools in connection with the budgetary cycle (SIGFIP, SIGBUD, SIGRHAP, etc.). These new practices are becoming entrenched and more familiar in the ministries.</p> <p>Factors that could affect the viability of the programme outcomes essentially relate to: (i) the persistent and worsening unstable political environment (lack of national consensus); and (ii) weakening of the common will. Furthermore, the uncertainty of continued budgetary support by donors such as the EU and a few European bilateral partners could also slow down the reforms.</p>		

E. PROGRAMME DESIGN AND READINESS FOR IMPLEMENTATION

1. Analysis of all the aspects of programme design			
<p>The PUARB appraisal took into account lessons learned from the Bank's experience in economic and financial reform support. These included the following: (i) the realistic nature of reforms or measures whose formulation had been subjected to consensus by all the stakeholders; and (ii) the need to strengthen and coordinate institutional support operations to sustain their implementation by creating synergy with the Targeted Support and PARCA.</p> <p>The programme design and preparation were also based on a set of fiduciary reviews and technical studies on improvement of Government efficiency in public resource allocation: PEFA 2008, PEMFAR 2009 and diagnostic studies on the capacity of the administration (revenue collection system, cash management, etc.). Thus, the incorporation of the recommendations from these assessments into a multi-year action plan contributed to improving the consistency and linkage of the various dimensions of the range of reforms, as well as a better sequencing of the measures retained.</p> <p>The programme preparation entailed close collaboration between the Bank and other TFPs, notably the World Bank and the EU, and between the latter and officials of the central administration. It is also worth noting the existence of consultative frameworks for support to reform policies.</p> <p>In contrast, the institutional architecture of the Minimum Public Finance Recovery Programme (2007-2009) was not subjected to a critical approach that could sufficiently reflect the complexity of the new generation of reforms related to the harmonization requirements of the WAEMU public finance legal framework.</p>			
2.. Assessment of the programme design and readiness at implementation			
PROJECT DESIGN AND READINESS FOR IMPLEMENTATION DIMENSIONS		ASSESSMENT	WORKING SCORE
REALISM	Project complexity is matched with country capacity and political commitment.	Under the Post-conflict Emergency Programme (2007-2009), progress in implementing structural reforms and improving the economic situation already indicated real political will and the country's capacity to implement PUARB. The areas of concentration of the Bank's intervention and the limited number of measures made the programme design even more realistic.	3
RISK ASSESSMENT AND MITIGATION	Project design includes adequate risk analysis	Assumptions and risks were adequately analysed (unstable political setting, weak capacity, economic vulnerability and fiduciary risks). Mitigative measures, particularly those related to external economic shocks and institutional weaknesses, reduced the consequences of such risks	3
USE OF COUNTRY SYSTEMS	Project procurement, financial management, monitoring and/or other systems are based on those already in use by government and/or other partners	The implementation of PUARB (budgetary support) did not raise direct procurement issues and an independent accounting firm audited the special account. In contrast, the monitoring/evaluation was entrusted to existing national structures	3

For the following dimensions, provide separate working scores for Bank performance and Borrower performance:			Working Score	
			Bank	Borrower
CLARITY	Responsibilities for programme implementation were clearly defined.	Responsibilities of the Bank and the government as well as the monitoring/evaluation mechanisms for the PUARB implementation were clearly defined during the programme preparation mission. However, the findings of the review missions indicate that the government party did not fully play its role in implementing the programme, notably with regard to reporting the programme status.	3	2
MONITORING READINESS	Monitoring indicators and monitoring plan were agreed.	Monitoring indicators and plan (disbursement conditions, schedule of reform measures, results and performance indicators, etc.) were agreed upon by the grant agreement stakeholders.	3	3
BASELINE DATA	Baseline data were available or are were collected during programme design	The PEFA 2008 and PEMFAR 2009 reports were available as well as other diagnostic studies (administrative reform, potential of customs revenue, etc.). These documents contained data for setting the quantitative and qualitative priorities to be achieved.	3	3

F. IMPLEMENTATION

1. Major characteristics of programme implementation
The Donee furnished the Bank, within the agreed timeframe, with evidence of fulfilling the conditions precedent to grant effectiveness and disbursement. However, following PUARB's approval by the Bank's Board of Directors on 24 March 2010, the signing of grant protocols at the Bank was delayed by about two months as a result of the 1 April 2010 attempted military coup and its effects on the country's socio-political situation. Consequently, the Bank was compelled to wait for constitutional order to be restored and the IMF's ECF 2010-2012 (07/05/10) approved before signing the grant agreements (18/05/10) and, subsequently, disbursing the single tranche. A joint mid-term review was conducted in September -October 2010, i.e. six months after the effectiveness date.
2. Role of other partners and assessment of the effectiveness of co-financing and coordination modalities
The programme, which received financing from the World Bank, BOAD, EU, Spain and France, was in harmony with and complementary to the budgetary support operations of other TFPs. Its preparation and appraisal were undertaken jointly with other TFPs. During programme implementation, the donors made an effort to enhance their coordination, thanks to which the first joint review of the programme was conducted in September 2010.

3 Harmonization of approaches with other partners.				
The joint preparation of PEMFAR created a positive impetus for the re-engagement and coordination of TFPs. Thus, joint missions were institutionalized for programme preparation and appraisal as well as the formulation of a joint matrix of reform measures. The process was facilitated by the existence of policy dialogue frameworks, notably the CCAB				
4. For each dimension of project implementation, assess the extent to which the project achieved the objectives				
PROJECT IMPLEMENTATION DIMENSIONS		ASSESSMENT		Working Score
TIMELINESS	Extent of project adherence to the original closing date. If the number on the right is: below 12, "4" is scored between 12.1 to 24, "3" is scored between 24.1 to 36, "2" is scored beyond 36.1, "1" is scored	Difference in months between original closing date and actual closing date or date of 98% disb. Rate	The difference between the original closing date and the actual closing date was nil. The programme entailed a single tranche that was fully disbursed	4
		0		
BANK PERFORMANCE) Bank complied with:			
	Environmental Safeguards	The classification of the programme as Category III and its implementation did not create any impact on the environment.		4
	Fiduciary Requirements	The fiduciary requirements were consistent with the FSF rules on budgetary support. Auditing of the special account by an independent firm is on-going.		3
	Project Covenants	The provisions of the Grant Agreements were executed by the Bank. No particular problem was noted.		3
	Bank provided quality supervision in the form of skills mix and practicality of solutions.	Supervision of the programme was conducted by the Task Manager and a junior consultant. The composition of the team could have been more comprehensive. However, this inadequacy was offset by the close collaboration with other TFPs, which helped to cover all the functionalities of the budget cycle.		3
	Bank provided quality management oversight.	The short lead time in effectiveness and processing of the disbursement request (absence of waiver) is a reflection of the quality oversight provided for the programme. However, the weak relationships with the authorities did not make for adequate monitoring of the programme (absence of reporting, change of manager, etc.).		2
BORROWER PERFORMANCE	Borrower complied with:			
	Environmental Safeguards	The classification of the programme as Category III and its implementation did not create any impact on the environment.		4
	Fiduciary Requirements	The auditing of the special account by an independent accounting firm is on-going and expected to be completed by end June 2011.		3
	Project Covenants	All the effectiveness and disbursement conditions were met, and 91% of programme support measures were fulfilled.		3

	Borrower was responsive to Bank supervision findings and recommendations	Overall, the Donee was responsive to the Bank's mid-term review findings and recommendations. It made the necessary efforts to remedy the lapses noted, notably the conditions and triggers of the HIPC Completion Point for end December 2010.	3
	Borrower collected and used monitoring information for decision making.	The monitoring/evaluation system was one of the unfulfilled dimensions in monitoring programme implementation (institutional weaknesses). Monitoring was ad-hoc (IMF review missions).	2

G. COMPLETION

1. Is the PCR delivered on a timely basis, in compliance with Bank policy?			
Date project reached 98% disb. Rate (or closing date if applicable)	Date PCR was sent to pcr@afdb.org JJ/MM/AA	Difference in months	WORKING SCORE if the difference is 6 months or less, a 4 is scored. If the difference is 6.1 or more, a 1 is scored.
31/12/10	30/06/11		4
Brief description of the PCR process			
<p>The preparation of the completion report was based on data gathered during one of the Bank's field missions. The team comprised the Programme Manager (OSGE.2) and the Country Economist in charge of Guinea Bissau (ORWB), a Financial Governance Specialist (OSGE.1), a Financial Expert (SNFO), a Junior Economist from the Front Office (SAOS) and two Macroeconomic Consultants (OSGE.2). Furthermore, the team interacted with the country dialogue team led by an SNFO official. It was also supported by the BPN Coordinator.</p> <p>In this regard, several meetings were held with the technical departments of the Ministry of Finance in charge of implementing the various components of the programme (General Directorates of Budget, Treasury, Taxes, Customs, Financial Control and Public Procurement). The team also held consultations with the development partners resident in Bissau, notably the IMF, the World Bank and the European Union, to obtain their views on programme implementation, draw lessons for future operations and review the main outlines of the next reform agenda.</p>			

H. LESSONS LEARNED

Summary of Key Lessons
<p>The evaluation of PUARB implementation yielded satisfactory results: a 91% measures execution rate and achievement of sound macroeconomic performance for 2010. Lessons to be learned from PUARB include the following:</p> <ul style="list-style-type: none"> (i) Good programme preparation (consistency and linking of the various components of the reform, sequencing of measures to be undertaken, etc.) based on economic or sector studies (PEFA, PEMFAR, etc.). This made for a satisfactory implementation of the programme and its monitoring; (ii) Complementarity and synergy between PUARB and institutional support projects such as the Targeted Support and the PARCA in a country such as Guinea -Bissau with weak human resources, institutional capacity and financial resources; (iii) Significance of a strong common will as a factor of success in programme implementation: Guinea Bissau is a good illustration of this. Indeed, despite the political instability and economic uncertainty of 2009-2010 (global financial crisis, dwindling budgetary support, etc.), the Government made the fiscal adjustments needed to implement its economic reform agenda; and (iv) Ownership of the reform programme monitoring tools such as continuous reporting, matrix of measures and close monitoring by the BPN or SNFO.

I. PROGRAMME RATING SUMMARY

CRITERIA	SUB-CRITERIA	Working Score
PROGRAMME OUTCOME	Achievement of outputs <i>(insert score from Section D.1.)</i>	3
	Achievement of outcomes <i>(insert score from Section D.1.)</i>	3
	Timeliness <i>(insert score from Section F.4.)</i>	4
	OVERALL PROGRAMME OUTCOME SCORE (score average)	3
BANK PERFORMANCE	Design and Readiness	
	Project Objectives were relevant to country development priorities. <i>(Insert score from Section C.3.)</i>	4
	Project Objectives could in principle be achieved with the project inputs and in the expected timeframe. <i>(Insert score from Section C.3.)</i>	3
	Project Objectives were consistent with the Bank's country or regional strategy <i>(insert score from Section C.3.)</i>	4
	Project Objectives were consistent with the Bank's corporate priorities <i>(insert score from Section C.3.)</i>	4
	The log frame presents a logical causal chain for achieving the project development objectives. <i>(Insert score from Section C.5.)</i>	4
	The log frame expresses objectives and outcomes in a way that is measurable and quantifiable. <i>(Insert score from Section C.5.)</i>	2
	The log frame states the risks and key assumptions. <i>(Insert score from Section C.5.)</i>	3
	Project complexity was matched with country capacity and political commitment. <i>(Insert score from Section E.2.)</i>	3
	Project design includes adequate risk analysis. <i>(Insert score from Section E.2.)</i>	
	Project procurement, financial management, monitoring and/or other systems were based on those already in use by government and/or other partners. <i>(Insert score from Section E.2.)</i>	3
		3
	Responsibilities for project implementation were clearly defined. <i>(Insert score from Section E.2.)</i>	3
	Necessary implementation documents (e.g. specifications, design, procurement documents) were ready at appraisal. <i>(Insert score from Section E.2.)</i>	3
	PROGRAMME DESIGN AND READINESS SUB-SCORE (score average)	3
	Supervision:	
	Bank complied with:	
	Environmental Safeguards <i>(insert score from Section F.4.)</i>	4
	Fiduciary Requirements <i>(insert score from Section F.4.)</i>	3
	Project Covenants <i>(insert score from Section F.4.)</i>	3
	Bank provided quality supervision in the form of skills mix provided and practicality of solutions. <i>(Insert score from Section F.4.)</i>	3
	Bank provided quality management oversight. <i>(Insert score from Section F.4.)</i>	2
PCR was delivered on a timely basis <i>(insert score from Section G)</i>	4	
SUPERVISION SUB-SCORE (score average)	3	
OVERALL BANK PERFORMANCE SCORE (score average)	3	
BORROWER PERFORMANCE	Design and Readiness	
	Responsibilities for project implementation are clearly defined. <i>(insert score from Section E.2)</i>	2
	Necessary implementation documents (e.g. specifications, design, procurement documents) are ready at appraisal. <i>(insert score from Section E.2)</i>	3

	Monitoring indicators and monitoring plan are agreed upon and baseline data are available or are being collected. <i>(insert score from Section E.2)</i>	3
	PROGRAMME DESIGN AND READINESS SCORE <i>(score average)</i>	3
	Implementation	
	Borrower complied with:	
	Environmental Safeguards <i>(insert score from Section F.4)</i>	4
	Fiduciary Requirements <i>(insert score from Section F.4)</i>	3
	Project Covenants <i>(insert score from Section F.4)</i>	3
	Borrower was responsive to Bank supervision findings and recommendations. <i>(insert score from Section F.4)</i>	3
	Borrower collected and used of monitoring information for decision-making. <i>(insert score from Section F.4)</i>	2
	IMPLEMENTATION SUB-SCORE <i>(score average)</i>	3
OVERALL BORROWER PERFORMANCE SCORE <i>(score average)</i>	3	

J. PROCESSING

STEP	SIGNATURE AND COMMENTS	DATE
Sector Manager Clearance	Jacob Diko MUKETE	
Regional Director Clearance	Issa KOUSSOUBE	
Sector Director Approval	Isaac LOBE NDOUMBE	

Annex 1: Programme Costs and Sources of Financing (UA million)

SOURCE		AMOUNT
<u>Multilateral</u>		
-	ADB	6.00
	ADF	2.0
	FSF	4.00
	World Bank	5.20
	BOAD	1.10
	EU	16.24
	S/Total	28.54
<u>Bilateral</u>		
-	Spain	1.36
-	France	2.71
	S/Total	4.07
TOTAL		32.61

Analysis of Macroeconomic Progress

Growth. In a context of political instability and economic uncertainty (drastic decline of GDP and dysfunction of public finance management, massive destruction of basic infrastructure and collapse of private sector, etc.), the Government managed to address the financial situation through a programme supported with an Emergency Post-Conflict Assistance in 2008-2009, an IMF Extended Credit Facility starting from 2010 and budgetary support by the ADB, the World Bank, the EU and some bilateral partners. Real GDP growth hovered around 3-3.5% for the 2007-2010 period compared with 0.6% for the 2000-2006 period. Inflation averaged 2.5% in 2010 and -1.5% in 2009, against 4.6% and a peak of 10.4% in 2007 and 2008, respectively, in line with the import price fluctuations for the period under review.

Engines of Growth. Overall, economic activity was mainly driven by the primary sector performance (54% of GDP), thanks to good rainfall as well as progress in the agricultural sector, notably in the development of irrigation schemes, farming bottomlands and the rehabilitation of feeder roads. This growth was also driven by the secondary sector (17% of GDP) with recovery of the Public Works and Buildings subsector (construction of the Government Palace, military hospital and the São Vicente Bridge, etc.). However, the development of the sector is offset by the poor performance of the energy subsector and its impact on the productive sector representing a 13.2% decline of the tiny manufacturing production in 2009. The activities of the tertiary sector (29% of GDP) decelerated as a result of the contraction of capital goods demand. On the demand side, growth was essentially sustained by consumption and public investments, particularly with the pursuit of infrastructure rehabilitation works.

Macroeconomic management. The recent reforms undertaken, notably in the areas of public finances and modernization of public administration boosted the stability of the macroeconomic framework. The overall budgetary balance, with an average deficit of over 10% of GDP between 2005 and 2007 and 7% in 2008, yielded a surplus of 1.79% in 2009 and 0.5% of GDP in 2010, through the increase in domestic revenue and the stringent public spending policy. The value of the external debt in terms of exports rose from 348.3% in 2008 to 473.1% in 2009, but fell back to 136.4% in 2010. The share of the Bank, following the restructuring of the debt, represents 14% of the total relief and 30% of the multilateral debt relief. The HIPC Completion Point was also reached in December 2010. Regarding the external accounts, the current transactions balance (including official transfers) deteriorated from a 9.5% surplus and 1.8% of GDP in 2007 and 2008 respectively to a deficit of 2.2% of GDP in 2009 due to the deterioration of the balance of trade deficit arising from: (i) a fall in exports stemming from the contrastive change in world prices (-30%) and the exported volume (+22%) of cashew nuts; and (ii) the rise in imports driven by the growth in public investments.

Annex 3: List of Reference Documents

- Project Appraisal Report.
- Aide-mémoire of Final Review Mission
- Back to Office Reports
- DENARP I 2007-2010 and DENARP II 2011-2015
- PEFA 2008
- PEMFAR 2009
- Various documents collected during the PCR mission

Programme Description

4.1 Programme Goal and Objectives

The goal of PUARB is to contribute to a more effective and efficient management of macroeconomic policies aimed at fostering accelerated growth and poverty reduction. The specific objective is to pursue the improvement of public financial management framework and performance.

4.2 Programme Pillars, Specific Objectives and Expected Results

Since 2007, the Government has resolutely pursued the implementation of community reforms related to the harmonization of public finance legal framework. This regional framework adopted by WAEMU between 1997 and 1998 provides more modern and effective rules for Government Budget execution and clarifies the responsibilities of Government financial actors (credit managers, payment order officers (*ordonnateurs*), public accountants, etc.). Mindful of the need for greater control over the budget cycle, the authorities suggested that the fiscal reform measures recommended in the evaluation/diagnostics of the public financial management system notably PEFA 2007 and PEMFAR 2008-2009, be set within the framework of a Multi-year Priority Action Plan that would improve the consistency, accuracy and linkage of the various dimensions of the range of reforms and lead to better sequencing of the set of measures to be carried out.

This fiscal reform plan is a response to the need to reconfigure the organization of the Administration to bring it in line with the new WAEMU legal requirements. It forms part of the deepening and consolidation of the reforms already initiated, and comprises the following four (4) pillars: (i) requalification of the legal and institutional framework of public finance in line with community standards; (ii) improvement of the budget preparation process; (iii) enhancement of budget execution and control procedures; and (iv) modernization of the public procurement system.

PUARB will support the country's entire fiscal reform plan but special emphasis will be laid on the component related to the execution of the Government General Budget. This component is organized into two (2) subs-components, as indicated above, with the other components financed by the TFPs, notably the World Bank and the EU.

Component: Strengthening budget execution and control procedures

Sub-component 1: Increased budget credibility, comprehensiveness and transparency

Recent context and action: The Government General Budget is not yet a credible policy document. Indeed, budget out-turns indicate significant deviations from estimated revenue and expenditure, thereby making them unreliable. Moreover, the non-compliance with the closing deadlines of budgetary transactions (final settlement of commitments, payment authorizations and orders, credit re-profiling or cancellation, regularization, etc.) is an infringement of the annuality principle and constitutes another source of accumulated payment arrears. Regarding budget comprehensiveness and transparency, various taxes received related to services rendered by some ministries are only partially entered as revenue and expenditure in the budget, and information on the approved budget and its execution is not adequately disseminated. As a result, the budget is not consistent with DENARP guidelines and priorities, particularly in view of the non-existence of a Medium-Term Budget Framework (MTEF) indicating the logic of outcomes, inadequate qualitative and quantitative human resources, inadequate participation by technical ministries in budgetary adjudication, etc. Over the last two years, improvements have been noted, culminating in the formulation of the 2009 budget based on a new classification in line with the WAEMU standards and the application of the SIGFIP software covering the major functionalities of public finance management, notably budget preparation and monitoring.

Programme measures: To address these weaknesses, PUARB contains the following measures: (i) overhaul of the operation of the Treasury Committee, responsible for establishing and monitoring annual cash flow, based on monthly projections of the total resources and expenditure ceilings; (ii) an update of the identification of administrative revenue

aimed at reporting and incorporating total revenue in budget estimates; (iii) publication of quarterly budget execution statements drawn from the SIGFIP for distribution at the Peoples' National Assembly and the general public; and (iv) preparation for the three major ministries in terms of budget allocation (health, education and agriculture), of an outline of their sector programmes, with quantified medium-term targets and resources (MTEF).

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Sub-component 2: Improving Internal Control System

Context and Recent Actions: With regard to budget execution, the public finance legal framework is still fraught with a significant number of weaknesses. Consequently, it is necessary to strengthen financial control and establish the jurisdictional control functions defined in the community guidelines, as well as the reorganization of the central directorates of the Ministry of Finance (DGT, DGB, DGCP, etc.) and the DAFs of ministries and/or other institutions to bring them in line with the new budgetary practice. The purpose of the *ex-ante* internal expenditure execution control system is defeated by the widespread use of waivers, notably the ordering of expenditure without payment authorization (verification of service provided prior to payment) and payment of expenditures without adequately defined procedures and a list of supporting documents. The accounting system is also marred by the non-production of Government accounts that makes it impossible for the Court of Accounts to audit the accounts, as well as the weak reporting capacity. In contrast, efforts were made to restore the principle of a single Treasury account and undertake regular bank reconciliation. Concerning the predictability of budgetary transactions, the Government treasury management is still at the embryonic stage and is done on a day-to-day basis, depending on cash-on-hand. The absence of budget review bills prevents the People's National Assembly from carrying out its budgetary execution control functions. Furthermore, the wage bill absorbs over 82% of public revenue, thereby forestalling, in the short term, the possibility of having a sound cash position (accumulation of arrears of payment on current payments and/or drastic expenditure cuts) and, in the medium term, the extension of resources to productive and social sectors defined as priority areas in the DENARP. In this regard, the security sector and public administration reforms are crucial to achieving the expected results of improved public financial management system. The EU and AU support the security reforms.

Programme measures: To address the above problems, the PUARB activity schedule entails the following measures: (i) strengthening of the internal control system with the appointment of a Financial Controller directly depending on the Minister of Finance; (ii) production of a manual of financial control procedures; (iii) training of staff of the Ministry of Finance and the DAFs of ministries or institutions in budget execution and control procedures; (iv) issuing of a circular fixing the period for closing budgetary transactions; (v) building the capacity of the unit in charge of managing the SIGFIP with multidisciplinary skills; (vi) administrative accounting and establishment of an administrative account for Government 2009 operations entailing the use of SIGFIP at the presentation of the 2011 budget; and (vii) the development of modern, effective and reliable tools for managing Treasury transactions and human resources with the setting up of a single database for the payment of salaries and the centralization of civil service recruitments.

Results: Therefore, the improvement of quality, efficiency and equity in the management of public resources should lead to the following outcomes: (i) improvement of budget credibility, comprehensiveness and transparency in public finance management. To this end, the primary expenditure execution rate will decrease from 120.6% in 2007 to 100% by 2010 and compliance with primary expenditures from 119.8% in 2007 to 100% by 2010 (weighted variance). Administrative revenue will increase by 25% between 2009 and 2010; for budgetary execution statements, four (4) reports will be published, forwarded to the National Assembly and donors and distributed among the public; and (ii) strengthening of budgetary execution and control procedures with the establishment of a legal and institutional framework in line with WAEMU standards. This will notably entail, in the first quarter of 2010, the coming into force of legislative or regulatory instruments related to the appointment of a Financial Controller under the direct supervision of the Minister of Finance and the *ex-ante* internal control of public expenditure (description of expenditure channels, formulation of a procedures manual, fixing the budget closing period, etc.) and the training of about one hundred employees in Government financial management. For the second half of 2010, accounting documents will be produced periodically (monthly administrative statements and quarterly report on Government administrative accounts) and the application of an accounting software for Public Treasury transactions. This continuous improvement of public finance management will also contribute to sustaining fundamental macroeconomic balances and improving the allocation of available resources by channelling them to the DENARP priority areas (agriculture, fisheries, tourism, social services,

etc.). Thus, the CPIA Indicator 13 on the *Quality of Budgetary and Financial Management* will increase from 3.5 in 2009 to 4 in 2010 and Indicator 16 on *Transparency and Accountability* from 2.5 to 3 over the same period. The two conditions precedent to the Board presentation of PUARB are: (i) preparation of a manual of financial control procedures and evidence of its effectiveness by a ministerial order adopting the said manual; and (ii) training in budget execution and control procedures for central directorates of the Ministry of Finance, notably the DGB and the DGT, and the DAFs of other ministries and/or other institutions, and evidence of validation of the training report by the Minister of Finance.