

AFRICAN DEVELOPMENT BANK GROUP



REPUBLIC OF GUINEA-BISSAU

COMBINED 2005-2010 RESULTS-BASED COUNTRY STRATEGY PAPER COMPLETION REPORT AND PORTFOLIO PERFORMANCE REVIEW (2010)

REGIONAL DEPARTMENT WEST 2

ORWB

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Currency Equivalents

(November 2010)

Currency Unit	=	XOF (CFA Franc)
UA 1	=	USD 1.57179
UA 1	=	EUR 1.13429
UA 1	=	XOF 744.04547
EUR 1	=	XOF 655.957
USD 1	=	XOF 473.3746

Fiscal Year

From 1 January to 31 December

Weights and Measures

Metric system

Acronyms and Abbreviations

ADB	African Development Bank
ADF	African Development Fund
AFD	French Development Agency (<i>Agence française de développement</i>)
APPR	Annual Portfolio Performance Review
AU	African Union
AWF	African Water Facility
BCEAO	Central Bank of West African States
BOAD	West African Development Bank
BPN	National Programme Office
CSP	Country Strategy Paper
DGB	General Directorate of the Budget or Director General of the Budget
DGP	General Directorate of Planning or Director General of Planning
DSF	Defence and Security Force
EA	Executing Agency
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
ESW	Economic and Sector Work
EU	European Union
FDI	Foreign Direct Investment
FSF	Fragile States Facility
GB	Guinea-Bissau
HIV/AIDS	Human Immuno-deficiency Virus – Acquired Immune Deficiency Syndrome
IMF	International Monetary Fund
MCIS 3	Multiple Indicator Cluster Survey – 2006
MDG	Millennium Development Goal
M/E	Monitoring/Evaluation Mechanism
MEPIR	Ministry of Economy, Planning and Regional Integration
MTEF	Medium-Term Expenditure Framework
ORWB	Bank Regional Department West 2
OSAN	Bank Department of Agriculture
OSFU	Fragile States Unit
OSGE	Bank Department of Governance
OSHD	Bank Social and Human Development Sector Department
PAIGC	African Party for the Independence of Guinea-Bissau and Cape Verde

PAP	Priority Action Programme
PAR	Project at Risk
PARCA	Public Administration Reform and Modernization Support Project
PASP	Fisheries Sector Support Project
PBA	Performance-based Allocation
PD	Paris Declaration
PIP	Public Investment Programme
PIU	Project Implementation Unit
PNDS	National Health Development Programme
PP	Problematic Project
PPA	Purchasing Power Parity
PPP	Potentially Problematic Project
PRCGE	Project to Build Economic Management Capacity
PRESAR	Agricultural and Rural Sector Rehabilitation Project
PRPC	Post-Conflict Rehabilitation Project
PRSP	Poverty Reduction Strategy Paper
RBCSP	Results-Based Country Strategy Paper
SEF	Special Emergency Fund
SNFO	Bank's Senegal Field Office
TS	Targeted Support (FSF Window 3)
UA	Unit of Account
UNDP	United Nations Development Programme
USD	US Dollar
WAEMU	West African Economic and Monetary Union
WB	World Bank
WFP	World Food Programme
XOF	CFA Franc

This document was drafted following the joint mission to Bissau from 18 to 25 October 2010 to prepare the combined RBCSP (2005-2010) completion report and the Portfolio Performance Review (2010). The mission was led by Mr. Olivier BRETECHE, Principal Country Programmes Officer and comprised Ms. Rokhaya TRAORE, Socio-economist (SNFO), Messrs. Paul DOUGNA, Chief Socio-economist (OSHD/SNFO), Ibrahim SANOGO, Health Analyst (OSHD/SNFO), Ansumane MANE, National Coordinator of the Guinea-Bissau National Programme, José Pinto DA GRACA, Operations Officer (SNFO), A. Moustapha DIALLO, Procurement Officer (SNFO), de Samba SARR DIAKHATE, Disbursement Assistant (SNFO) and Rachid BENBAHMED, Consultant/Macro-economist. Questions on this report should be referred to Messrs Franck PERRAULT, Director, ORWB (Ext. 2036), Issa KOUSSOUBE, Lead Economist, ORWB (Ext. 2158) and Mohamed H'MIDOUICHE, Resident Representative, SNFO (Ext. 6530).

EXECUTIVE SUMMARY

1. Guinea-Bissau is a fragile State barely emerged from a conflict and characterized, from 1999 to 2008, by chronic political instability with frequent changes in government (fourteen in succession) and one military *coup* (2003). Elections held end-2008 and largely won by the PAIGC Party (67 seats out of 100) raised hopes of the dawn of a new era of stability, especially with a government of pro-reform technocrats. The poverty reduction strategy and reforms were again placed on the agenda with support from the international community. However, in March 2009, the President and the Army Chief of Staff were assassinated, followed in February by a military coup that ushered in new military leaders, suspected of being under the influence of drug traffickers. The new military leaders are clearly hostile to the Prime Minister. The political situation remains tense but unchanged for the time being, and the government enjoys the support of the Guinea civil society, regional organizations (ECOWAS and WAEMU) and the international community. It is in this difficult internal climate that the government continued implementing reforms and reached the completion point of the enhanced HIPC Initiative mid-December 2010, fulfilling 12 of the 13 conditionalities¹.
2. The 2005-2010 Results-Based Country Strategy Paper (RBCSP)² pillars focus on governance, agriculture and rural infrastructure. The low country-allocation level slightly improved with additional resources from the Fragile States Facility (FSF), especially under Windows I and III of targeted support. Only one problematic project (PP) currently exists, compared to two in 2008. Projects at risk (PAR) fell from 66% in 2008 to 50% in 2010, and are expected to drop even further to 37.5% early 2011 with the end of the only PP. It is worth noting that Targeted Support and PARCA, effective for some time now, play an important role in building capacity and intensifying dialogue on policies founded on economic and sector work (ESW). Efforts to better coordinate TFPs for poverty reduction with Bank support have been slow. Guinea-Bissau's late adherence (August 2010) to the Paris Declaration (PD) could in future facilitate TFP coordination for PD commitments to be implemented.
3. The CSP is consistent with the thrusts of the national Poverty Reduction Strategy Paper (PRSP). However, due to the low level of internal financial resources and ODA, the Government chose to prioritize governance issues, as these would help to reach the HIPC completion point. The other thrusts did not enjoy the same attention.
4. The RBCSP Pillar I outputs would have been remarkable if the central and sector MTEFs had been implemented, although much had been done to prepare them. In fact: (i) the two indicators of a reformed and more efficient public administration were achieved; (ii) the three indicators of professionalizing public executives were achieved; (iii) the decentralization process was implemented; and (iv) one of the two indicators of operationalizing the PRSP institutional monitoring/evaluation framework was achieved.
5. For Pillar II, which treats agriculture and rural infrastructure, the outputs are acceptable. The Bank chose its indicators based on the implementation of activities of three projects (Health II, Education III and PRESAR). Rice production increased 30%, women producers were supervised by seven (7) associations and social infrastructure was built. In contrast, the Buba-Catio Road could not be completed, but the framework for ongoing teacher training was prepared and will be implemented in 2011.

¹ / Cf. Annex 13

² / It will be recalled that this concerns the 2005-2009 RBCSP, which was extended to 2010.

6. Overall, few investments were made in infrastructure. Access to water and sanitation, roads and electricity services remains very low, particularly in rural areas. It can be concluded from recent data that inequalities have worsened and that progress towards the Millennium Development Goals is slow. Lastly, although some ground was covered in implementing the drug and crime control strategy, the perception of the country's image remains poor.

7. Regarding lessons learned, improvements are needed from both Bank and Government. The Bank must continue to improve the portfolio, the performance of which rose from 1.64 in 2008 to 2.15 in 2010; but the challenge remains to decisively raise the portfolio to 2.5 in the short-term, especially through project streamlining, greater effectiveness and better quality at project entry. Furthermore, sustained attention should be given to crosscutting themes and training for better procurement and disbursement performance. BPN and SNFO played a role in the relative portfolio improvement. Their continued contribution will be even more crucial in that regard. The Government should pursue systematic portfolio monitoring, strengthen portfolio financial management and press on in diligently fulfilling conditions precedent to loan effectiveness.

8. To align itself to Government's PRSP II (2011-2015), the next CSP should lay emphasis on governance, private sector development and rural development, especially agriculture. If freed from their infrastructure constraints (roads, farm-to-market roads, electricity, drinking water, sanitation, irrigation and drainage, the business environment), these two sectors will produce a major ripple effect on the economy. Mainstreaming crosscutting themes such as training, knowledge creation, gender parity and climate change in Bank operations will achieve the overall coherence sought. The targeted support's success in the PRSP implementation process and the ownership of its contents argue for its renewal and extension to other sectors.

9. The Boards of Directors are invited to note the combined Guinea Bissau 2005-2010 RBCSP Completion Report and Portfolio Performance Review (2010) results, as well as the lessons and recommendations for the next Bank strategy in Guinea Bissau.

I. INTRODUCTION

1.1 This Results-Based Country Strategy Paper 2005-2010 (RBCSP) Completion Report³ is combined with the 2010 Portfolio Performance Review (PPR). It assesses the coherence between the Bank Group's (Bank) strategy and operations and the national Poverty Reduction Strategy Paper (PRSP). Through its operations, the Bank has helped to achieve the general objective of poverty reduction and specific development objectives expressed through development projects and outputs. These are assessed in the RBCSP output matrix where progress achieved is compared to the target objectives defined. The portfolio review appraises portfolio performance and suggests measures and recommendations for improving ongoing and future operations.

1.2 In addition to the introduction (I), this report comprises the following chapters: Trend of the Country Situation (II); Overall Review and Status of Implementation of Government Strategy (III); RBCSP Implementation and Outputs at Completion (IV); Lessons for the Next Bank Strategy in Guinea-Bissau; and (V) Conclusions and Recommendations (VI).

II. TREND OF THE COUNTRY SITUATION

2.1 Political Context

2.1.1. Guinea-Bissau is a post-conflict fragile State. The civil war from June 1998 to May 1999 ended in the ousting of João Bernardo Vieira, the country's then President for 20 years. Chronic political instability has set in ever since, with frequent changes of government (fourteen in succession) and one *coup d'etat* (2003) over the 1999-2008 period. Political tensions persisted from 2008-2010, firstly between President Vieira (back in power) and the PAIGC government following the 16 November 2008 elections won by a wide margin (67 on 100 seats) by this historic party. These culminated early March 2009, in the assassination of the Army Chief of Staff and President Vieira, dashing hopes of the dawn of a new era of stability raised by these elections. Malam Bacai Sanha of PAIGC, the President-elect, was sworn in early September 2009. On 1 April 2010, a military *coup* imprisoned the Army Chief of Staff, threatened the Prime Minister, and reinstated former army chiefs suspected of having links with drug traffickers. Subsequently, the tension shifted, pitting the government that had the support of the international community against the new army leadership. For his part, the President pursued a policy that sought to balance these two forces.

2.1.2. To mark their disapproval of the 1 April 2010 events, some development partners (the European Union, France and Spain) scaled down their budget support while others maintained it (ADB, World Bank and Portugal) to support Government reforms. Besides, a military technical cooperation agreement signed between Guinea-Bissau and Angola in November 2010 was accompanied by a Security Sector Reform Support⁴ for an initial USD 30 million. A national reconciliation process was launched in August 2010 with the participation of all components of society. Thus, it is clear that the country's stakeholders are not indifferent to repeated alterations of political stability.

³ / It will be recalled that this concerns the RBCSP which was extended to 2010.

⁴ / Approved by the Angolan Parliament in November 2010 plus a budget support of USD 12 million and a bilateral debt cancellation of USD 25 million. Parliament also agreed in principle to a global aid of USD 127 million touching several economic sectors (particularly infrastructure and bauxite).

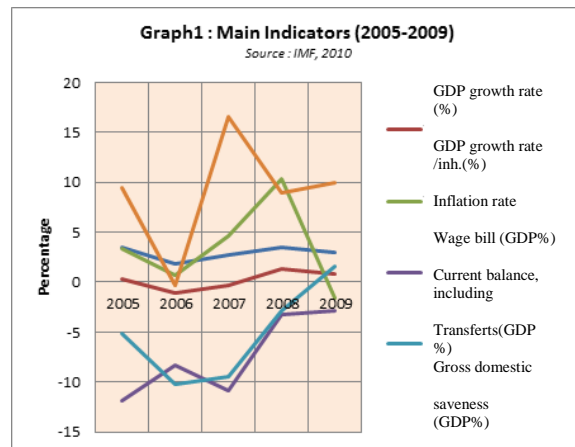
2.2 Economic, Sector and Social Trends

Recent Economic Situation

2.2.1 After a long period of recession at the start of the decade, followed by a slight recovery in 2006, Guinea-Bissau's economy gained new momentum for growth as from 2008. Despite an unfavourable environment (political and institutional instability, derelict economic infrastructure including energy and transport, the negative impact of the international economic crisis and rising oil prices), the real economic growth rate of 3.2% in 2008 and 3.3% in 2009 was a marked improvement over the 1.2% average growth recorded in 2006 and 2007. Growth should reach 3.5% in 2010. This growth is driven mainly by agriculture (+6.3% in 2009), particularly the shelling and export of cashew nuts. Although cashew nut prices had fallen 30% in 2009 following the decline in demand for this product, the impact on export earnings was offset by a substantial increase (21%) in volume.

2.2.2 Reforms undertaken between 2008-2010 strengthened macro-economic stability and improved public finance management. The **fiscal deficit**, averaging 10% of GDP between 2005 and 2007, fell to 3.2% in 2008, then 2.9% in 2009, thanks especially to increased internal resources, the downsized civil service and corresponding shrinking of the payroll, which now represents no more than 75% of domestic public resources. The current account balance (5.1% of GDP in 2005) posted a surplus of 1.6% in 2009. Similarly, beside a 10.4% peak in 2008 following a hike in world food and oil prices, inflation remained moderate and generally contained within the WAEMU Stability Pact limits. It even turned negative (-1.6%) in 2009.

2.2.3 **Investment** improved in the last few years (24.1% of GDP from 2006 to 2008, against 13.06% from 2001 to 2003), but was far too inadequate to cover the huge needs in terms of rehabilitating infrastructure destroyed by armed conflict (1998-1999), and strengthening and modernizing productive capacity to support competitiveness. However, only a small part of total public investment, representing 53% between 2006 and 2008, was devoted to infrastructure. Foreign direct investment (FDI) is virtually non-existent.



2.2.4 **Debt servicing**, which swallowed 20% of exports and 40% of public revenue in 2009, is a heavy burden. Ten years after reaching the HIPC decision point (2000), the country had difficulties reaching the completion point in mid-December 2010. **External debt** was estimated at USD 1.36 billion in 2008, or 173% of GDP (47.5% for multilateral creditors and 52.4% for bilateral ones), with arrears of USD 388.6 million. The HIPC completion point will be a relief to the country.

Sector and Crosscutting Issues

2.2.5 *Agriculture*: The country's economy is vulnerable due to its heavy dependence on agriculture (about 60% of GDP) and mostly on its main export crop, the cashew nut, which is the main source of export earnings (90%) and represents a huge chunk (17%) of public revenue.

2.2.6 *Private Sector and Business Environment*: The private sector is weak and consists mainly of a handful of informal activities. In 2009, only 75 registered businesses were identified. Access to banking services is limited to about 2%-3% of the population. The business environment has serious deficiencies in terms of basic infrastructure (energy, transport). The 2010 Doing Business Report ranks the country 181st of 183 countries.

2.2.7 *Energy*: Rehabilitating the electricity generation potential is key to reviving the economy. The current generation capacity is limited to 5.5 MW and only 1.5 MW at Bissau, for an installed capacity of 25 MW in 2000. The cost of electricity is on average five times higher than in Senegal. This sector still faces a structural crisis linked, among other things, to obsolete plant and a high consumption of oil and gas to run the generators.

2.2.8 *Transport*: The advanced state of disrepair of roads, particularly in the South of the country where some areas (although producing rice, market garden products and foodstuffs) are inaccessible during the rainy season, is another major constraint to economic development. Infrastructure and transport service issues are exacerbated by congestion at the small port of Bissau which handles the bulk of external trade.

Poverty Issues and Social Indicator Trend

2.2.9 Despite the difficult context, some progress was made in improving the social indicators, thanks in part to the implementation of priority actions under the PRSP with the support of TFPs⁵. Thus:

- (i) The net enrolment rate rose from 56.9% in 2003-2004 to 67.4% in 2010, corresponding to an improvement of 10.5% in six years. The rate for girls is 65.4% in 2010 against 55.9% in 2003-2004. However, only 48% of pupils completed primary studies in 2006, one of the lowest rates in Africa. Similarly, 37% of them continued to secondary school and 17% completed secondary education. In 2010, the net enrolment rate is 23.5%;
- (ii) Between 2006 and 2010, the under-5 mortality rate fell from 223 to 155‰, infant mortality from 138 to 104‰ and maternal mortality from 822 to 800⁰/0000.

⁵ / Progress in the last three years was possible thanks to the following:

- (i) In health: construction and rehabilitation of health infrastructure in the capital and different regions of the country; training of medical doctors, nurses and health technicians; introduction of new vaccines and extension of medical coverage; and strengthening of the fight against AIDS, tuberculosis and malaria;
- (ii) In education: construction and renovation of infrastructure, partly thanks to the contribution of the private sector and local authorities; recruitment, training of teachers and reform of the education sector;
- (iii) In the water and sanitation sector: construction of public standpipes; institutionalization of management committees of these sources and training of their members; installation of over 3,000 latrines and construction of drainage networks in urban neighbourhoods.
- (iv)

2.2.10 *As in other development sectors still beset by lack of resources, the social sectors continue to face serious budgetary constraints and weak institutional and human capacity. The proportion (22% of GDP)⁶ of overall State expenditure allocated to basic social services is small, given the magnitude of social challenges. The share of the budget allocated to education and health for 2010 is only 20.7% compared to 40% recommended internationally.*

2.2.11 *The combined effects of these factors plus the inaccessibility and quality of basic social services notably health, water and sanitation, make the social sectors particularly vulnerable. It is estimated that in 2005, only 38% of the population had access to quality health services. A high prevalence and persistence of diseases such as malaria, tuberculosis, HIV/AIDS and frequent outbreaks of cholera were observed. In education, declining teaching quality and high dropout rates are preoccupying.*

2.2.12 *Overall, notwithstanding the economic performance since 2008, Guinea-Bissau will find it difficult to achieve a few MDGs in 2015 (cf. Annex 6) despite progress in education, health and access to water points and latrines. With sustained effort in these areas, the country could come close to some MDG targets. The major challenges remain: (i) reducing poverty, especially rural poverty, and inequalities between regions; (ii) access to energy; and (iii) mobilizing necessary resources for a more balanced development that might be stimulated by the attainment of the HIPC completion point.*

III. OVERALL REVIEW AND STATUS OF IMPLEMENTATION OF GOVERNMENT STRATEGY (PRSP)

3.1 Main Thrusts, Progress and Expected Outputs (cf. details in Annex 5)

3.1.1 The first version of *PRSP I* set forth Government's strategic guidelines, objectives and commitment to reduce poverty and achieve the Millennium Development Goals (MDG). Approved in 2004, this Paper was revised in 2005 and 2006, then presented to a dialogue and resource mobilization Roundtable in November 2006. The preparation of PRSP II 2011-2015 is underway. PRSP I continued to be implemented in 2010 (the transition year).

3.1.2 *The four main thrusts⁷ of PRSP I* are: (i) strengthen governance, modernize public administration and ensure macro-economic stability; (ii) promote economic growth and job creation; (iii) make social services and basic infrastructure more accessible; and (iv) improve the living conditions of vulnerable groups. It is worth mentioning that during PRSP implementation, it became necessary to add the fight against drug trafficking and organized crime to the priorities, especially by adopting an emergency control plan (2007-2010). A review of the outputs achieved under the PRSP I thrusts is presented below.

3.1.2.1 ***Thrust 1: Strengthen governance, modernize public administration and guarantee macro-economic stability:*** in 2009 and 2010, the country made progress in stabilizing the macro-economic framework, implementing public finance and public procurement reforms, and overhauling/modernizing public administration. These efforts also concerned judiciary, defence and security reforms. Although significant results were obtained, the effectiveness and sustainability of these actions remain a challenge.

⁶ IMF Report, May 2010

⁷ The PRSP used the term "pillar" which we have replaced in the text by "thrust" to avoid any confusion with the PRSP "pillars".

Table 1
Achieving Thrust 1 Components

Macro-economic Management: The impact of the international crisis was milder than was feared. Growth was positive in 2009 and 2010, although the objective of 5% could not be attained; budgetary results were satisfactory, making it possible to increase public investments and pay part of arrears owed the private sector. Inflation was kept under control, below the 3% required under the WAEMU convergence criterion.

Public Finance Reform and Management: Significant efforts were made to improve fiscal balance and remarkable results were obtained at the level of tax revenue in a context of limited growth. The efforts made by the government in structural public finance reform were accompanied by the consolidation of fiscal stability and the improved quality, transparency and effectiveness of public spending.

Public Administrative Reform and State Modernization: Administrative reforms to make the public administration more efficient to support development continued in 2009 and 2010. The biometric headcount of State employees streamlined the civil service, generating significant savings. Moreover, several information processing systems were procured and are used in public debt management, public finance management, the customs systems, the single management of information flows between ministries and the computerized management of regions. Lastly, efforts were made to train senior staff (creation of the National School of Administration, 200 professionals will be trained in strategic planning, public finance, with special emphasis on budget and debt management), aid statistics, mobilization and coordination, and administrative organization.

Reform of the Justice System: Institutional reforms are underway to strengthen the judicial arm of government and its operation, while ensuring full compliance with the principle of separation of powers and legislation adapted to the specific needs of the country. To achieve this objective, the capacity of human resources of the judicial arm should be strengthened and material resources necessary for good administration of justice provided.

Reform of Defence and Security: Despite political upheavals that affected the implementation of ongoing activities in the defence and security sector, the sector reform was not interrupted during that period. In 2009 and 2010, actions linked to the defence and security reform priority plan (PPRSDS), approved in January 2010, seem to have provided both a response and impetus to the reform. This plan, among other things, puts emphasis on: (i) down sizing the military and security forces; (ii) establishing a military pension fund and related service programmes; and (iii) setting professional standards for new recruits.

3.1.2.2 Thrust 2: Promote economic growth and job creation: The authorities recognize the need to promote private sector development to stimulate economic growth and job creation. However, it was only in 2010 that the government embarked on a series of actions to improve the business climate: (i) privatization of 31 out of 44 small- and medium-size State enterprises; (ii) adoption of the OHADA instruments; (iii) establishment of the trade tribunal; (iv) adoption of the law on public-private partnerships; (v) adoption of a new investments code; and (vi) opening of a one-stop shop to facilitate the creation of businesses. Efforts in infrastructure development bore little fruit due to insufficient human and financial resources.

3.1.2.3 Thrust 3: Increase access to social services and basic infrastructure: Progress in the third thrust was poor. As indicated above, expenditure on basic social services was modest between 2006 and 2010. With its current trends, the country will not achieve the MDGs by 2015. However, efforts made in 2010 in the area of health and education infrastructure and the bright prospects of the National Health Development Plan and the National Education Sector Plan (2011-2013) will help to launch the PRSP II on a more solid foundation.

3.1.2.4 Thrust 4: Improve the living conditions of vulnerable groups: Vulnerable groups are many and varied in Guinea-Bissau, and include women, youths, child orphans, persons with disabilities, persons living with HIV/AIDS and ex-war combatants. Improvements are confined to a few groups but are far from the PRSP I objectives.

3.1.2.5 *Overall Review:* Overall, it seems the PRSP I implementation strategy implicitly prioritized safeguarding and protecting the results of reforms under Thrust 1 whose actions were periodically and thoroughly monitored and evaluated by the Bretton Woods Institutions and the international community. The performance led the country to reach the HIPC completion point in a difficult internal and external context. Government's choice was dictated by: (i) low internal financial resources; (ii) low external aid volume, given the challenges of PRSP I; and (iii) weak institutional and human capacity. However, institutional capacity was strengthened by TFPs and, in particular, by FSF Targeted Support-Window III of the Bank and UNDP, which effectively supported ministries responsible for PRSP I.

3.2 Implementation Capacity and Monitoring/Evaluation Issues

Due to weak implementation capacity, PRSP implementation actually started only in 2008, with the strengthening of DGP and DGB capacity by several TFPs. However, the FSF Targeted Support-Bank Window III in 2009 made a vital contribution to the level of progress achieved in macro-economic management. The PRSP I rested on optimistic assumptions, ambitious objectives and many inadequately layered priorities. Furthermore, the near absence of a formal monitoring/evaluation (M/E) mechanism⁸ until 2009 stems from the same underlying issue of weak capacity. The qualitative implementation of PRSP I was affected by the non-operation of a PRSP M/E mechanism, lack of sufficient and qualified human resources to produce and disseminate information and data necessary for the M/E mechanism, and the absence of effective coordination at ministerial level, on the one hand, and between the government and its development partners, on the other.

3.3 Main Challenges

The government is confronted by many challenges in implementing its programme. Two of them take precedence over others and are even prerequisites to development: *political stability and government's commitment to reform*. These should be considered when preparing PRSP II. The other priorities to be taken into account are: (i) *diversification of the economy and promotion of the private sector*; (ii) *weakness of the monitoring/evaluation mechanism*; (iii) *acceleration of the pace of structural and sector reforms*; and (iv) *poverty reduction and improvement of living conditions of the most vulnerable segments of the population* (cf. Table 2 for details).

⁸ / There is no instrument creating an M/E mechanism.

Table 2 Main Challenges to Tackle	
PRELIMINARY CHALLENGE	<p style="text-align: center;">Ensure political stability</p> <p>Political stability depends on the way policy dialogue was conducted. On this point, the high level of participation in elections (legislative and presidential) was a positive element. Another was the civil society involvement in the national reconciliation process. <i>It depends also on the capacity</i> of Government and friendly countries to advance quickly with the defence and security forces reform which repeatedly interferes with political life. The reform translated notably in: (i) the revision and adoption of the legal framework concerning the mission and mandate of the defence and security forces (a dozen instruments on the reorganization and restructuring of the sector were passed by Parliament); (ii) the official launch in June 2010 of a campaign to raise awareness on the reform; and (iii) Parliament passing the legal framework for the economic components of the reform, including the establishment of a military pension fund. However, the changes that occurred on 1 April at the helm of the army caused concern among partners, including the AU and ECOWAS, as to the leeway that the country's political leaders will have in carrying through the reform. Lastly, <i>it depends</i> on the social climate through the regular payment of salaries (no salary arrears in 2009 and 2010 and reduction of 7 months arrears of 2008 to 3 months). Furthermore, the August 2010 national reconciliation process in which all the active forces of the country participated showed that the latter were no longer indifferent to disruptions of political stability.</p>
Maintain a strong commitment to reform	<p>Commitment to reform is also a preliminary challenge. The President and the Prime Minister committed themselves before Parliament and partners to make reforms a priority since it is a prerequisite for reaching the completion point. Thus, to consolidate progress made in 2009, the Government continued reforms in various sectors: establishing a modern legal and accounting framework of public finance management in line with WAEMU guidelines; restructuring various governmental organs to better adapt them to their missions; amending the organic law on courts and passing a law creating the judicial coordination council, etc. With progress made in macro-economic management and public administrative reform, these reforms should help the country to reach the completion point in December 2010.</p>
Other no less important challenges to consider	<p><i>Poverty reduction and improved living conditions for the most vulnerable:</i> Government's choice of investments and targeting them in favour of the poor did not have the desired impact on curbing unemployment and caring for the most disadvantaged segments of the population. The main challenge to tackle was the need to establish development programmes capable of generating pro-poor growth in view of the benefits awaited from the country's attainment of the completion point. The same holds true for basic infrastructure and agriculture.</p> <p><i>Weak monitoring/evaluation mechanism:</i> The information system on poverty suffers from shortcomings that make it hard to properly grasp poverty and formulate a dedicated, coherent PAP. In addition to targeted support, the Government should mobilize resources to improve the quality and reliability of data for measuring outputs.</p> <p><i>Need to accelerate the pace of implementation of structural and sector reforms</i> with a view to modernize the army and security services, strengthen State capacity through training at ENA, and continue improving the economic, financial and sector governance system. Actions initiated in this area deserve to be strengthened, especially the public service (civil and military) reform, sector strategy implementation, debt management and medium-term budget management (MTEF).</p> <p><i>Economic diversification and private sector promotion:</i> the economy's heavy dependence on agriculture (subject to the vagaries of the weather and sensitive to external shocks) raises the vulnerability of the Guinea-Bissau economy. The diversification of growth sources is a challenge to be tackled for the population to benefit from activities within their reach and thus empower new development actors. To attain such diversification, the government must implement a more proactive private sector promotion policy by improving the business climate favourable to the emergence of SME/SMIs and income- and job-generating activities in promising sectors (agriculture, fisheries, services, building and construction (BC), etc.).</p>

IV. IMPLEMENTATION OF BANK STRATEGY AND EXPECTED OUTPUTS AT COMPLETION

4.1 Bank 2005-2010 Strategy

4.1.1 The Boards in January 2006 approved Guinea-Bissau's 2005-2009 Results-Based Country Strategy Paper (RBCSP), based on the following two initial pillars: *(i) strengthen good governance to improve the effectiveness of development policies and programmes for poverty reduction; and, (ii) promote growth in the agricultural and rural sector to guarantee food security and improve the economic and social status of the rural population.* The Boards noted the high level of poverty (affecting 65% of the population) and observed that, in view of such trend, most of the MDGs would not be achieved in 2015. The Boards then called on the government to accelerate the implementation of macro-economic and structural reforms, and improve the Bank portfolio performance.

4.1.2 **On 7 January 2009, the Boards approved the mid-term review** of the RBCSP and access to FSF resources. ADF-11 resources for the 2008-2010 period stand at UA 21.83 million in 2010, including UA 11.83 million based on the 2010 performance review (EPIP), plus an additional UA 10 million from the FSF. The two pillars were revised as follows: *(i) strengthen good governance; and (ii) promote growth in the agricultural and rural sector, and access to basic socio-economic infrastructure.*

4.1.3 *The RBCSP mid-term review (2005-2007 period)* reveals that Board recommendations were not adequately followed. The portfolio was in dire straits and output indicators were not achieved, barring the launch, with the support of the IMF (Post-Conflict Emergency Assistance) and other partners, of the public finance streamlining programme which enabled budget support to resume. The main reasons are: (i) the country's post-conflict and fragile situation, characterized by institutional instability, (ii) insufficiency of qualified human resources and financial resources, (iii) recurrent sanctions, and (iv) late start of projects.

4.1.4 *The strategy extended to the 2008-2010 period,* is in line with the new policy and the FSF, the priorities being governance, capacity-building and basic infrastructure rehabilitation/reconstruction. It pays special attention to crosscutting issues (gender, vulnerable groups and public health). Pillar I comprises the FSF targeted support/Window III and the Public Administration Modernization Support Project (PARCA), tasked with building the capacity of structures responsible for PRSP implementation (resource mobilization, budget implementation, debt management, aid coordination and project/programme management). After the PRESAR and Health II Projects were strengthened and restructured, Pillar II based its indicators on the implementation of both and the Education III Project. Additional FSF-Window I resources were provided to complete these projects under the best conditions. That called for the reformulation of the initial Pillar II, extending it to all basic socio-economic infrastructure and services.

4.1.5 *Strategy implementation over this period* was based on enhanced portfolio implementation monitoring jointly by SNFO and Bissau BPN as from 2009, and under the supervision of the Regional Department, Sector Departments (OSHD, OSAN, OSGE) and OSFU. All planned operations were approved and started in 2009, except the Buba-Catio project postponed due to insufficient resources (UA 5 million was earmarked compared to the minimum UA 20 million required) for technical studies waiting to be updated. Of note was the considerable strengthening of policy dialogue, especially public finance reforms in favour of targeted support and coordination with the Bretton Woods Institutions.

4.1.6 *In 2009, in consultation with the international community, the Government decided to pursue its strategy into 2010 and to focus mainly on political dialogue, the reform of the defence and security forces, the overhaul and modernization of public administration and fiscal reforms. Such realism takes into account firstly the poor results of the PRSP, whose objectives were overly ambitious given the weak structural capacity and the irregularity of aid due to political and institutional instability. Next, it capitalizes on some key achievements (organization of legislative and presidential elections deemed credible, effective start of security sector reform and initiation of fiscal reform) and partners' commitment to back the government especially with budget support (ADB, World Bank, EU, WAEMU, Portugal, France and Spain), thus accompanying it towards the completion point.*

4.1.7 *The extension of PRSP to 2010 supports government's idea of accelerating the transition from macro-economic stabilization to structural aspects of growth and development. In that regard, 2010 (marking this transition) is crucial. The 2010 budget reflects this desire to move from macro-economic stabilization to economic development, through priority to agriculture and infrastructure in terms of increased spending and through the importance given to sector and structural studies that would provide inputs for PRSP II (2011-2015). Moreover, 2010 should end in the country reaching the HIPCII completion point.*

4.1.8 *From an operational viewpoint for 2010, the spotlight on the country (more dialogue and operational missions, increased support of SNFO) continued. Under Pillar I, out of the ADF and FSF-Window I balance of 5.7 million⁹ (1.7 from ADF, and 4 from FSF), an operation comprising budget support to fiscal reforms to strengthen Bank dialogue and amplify the gains from fiscal reform since 2007 was concretized. During dialogue supported by FSF Targeted Support/Window III, especially the sector planning component and studies fund (cf. § 4.5), the Bank in 2010 helped to monitor PRSP I and prepare PRSP II 2011-2015. Lastly, a UA 330,154 special emergency aid operation was granted to Guinea-Bissau in the 2008-2010 period, in response to a cholera epidemic. It was fully disbursed.*

4.2 Bank 2005-2010 Operational Programme

4.2.1 The bulk of the grant programme (barring PRESAR on ADF X) was financed (ADF XI) at the end of the RBCSP period:

Table 3 Bank 2005-2010 Operational Programme			
Operation	Financing	Amount Approved	Pillar (age-year)
PRESAR	ADF X Grant	UA 5 600 000	Pillar 2 (5)
PARCA	ADF XI Grant	UA 7 800 000	Pillar 1 (1)
Targeted Support	FSF (G3) Grant	UA 2 000 000	Pillar 1 (1)
Budget Support	ADF Grant	UA 1 700 000	Pillar 1 (1)
Budget Support	FSF (G 3) Grant	UA 4 000 000	Pillar 1 (1) ²
<i>Additional Support:</i>			
Fisheries Sector	FSF (G 1) Grant	UA 2 000 000	Pillar 2 (2)
Health II Project	FSF (G 1) Grant	UA 6 000 000	Pillar 2 (2)
<i>Emergency Aid</i> (Cholera)	SRF Grant	UA 330 164	Pillar2 (2)

⁹ This was the final amount after submission of the 2009 and 2010 performance review. The initial amount was UA 6 million.

4.2.2 Non-Grant Programme: The RBCSP (2005-2010) comprises a non-grant programme of activities based on the intensification of project supervision and dialogue missions, regular portfolio review missions (2008 and 2010), and RBCSP and project mid-term and completion reports. The objectives outlined in the non-lending programme were met, despite the events of March 2009 and April 2010. Targeted support under the FSF was also provided to: (i) improve the PRSP I M/E that helped to prepare two reports in 2009 and 2010; (ii) prepare in advance the PRSP II; (iii) develop PAP and PIP; and (iv) assist in other PRSP-related documents. The qualitative change observed in 2009 and 2010 was largely due to the impact of targeted support.

4.3 Level of Achievement of RBCSP Outputs

4.3.1 Apart from a few fiscal outputs, Pillars I and II outputs were poor during the 2005-2007 period. After the mid-term review, the Bank clearly defined the scope of both pillars and opted for a cautious and realistic approach adapted to the country context. Thus in 2009, the role played by this new instrument (i.e. budget support) was particularly underlined. It was able to provide human (national and international technical assistance) and material resources and strengthen capacity through training, in collaboration with the PARCA Project (ENA). It helped to usher in a measure of ownership of the reform process.

4.3.2 The outputs obtained under Pillar I as from 2009 are considerable, especially while supporting Government's PRSP implementation strategy that prioritizes macro-economic stability and fiscal reform, governance improvement and administrative modernization. All means have been deployed to fulfil conditions¹⁰ for reaching the HIPC completion point. The Bank's extension of RBCSP to 2010 upholds this process, just as the other major TFPs (the IMF, World Bank, European Union, France, Portugal, Spain, WAEMU, BOAD). These joint efforts led to the conclusion of a three-year programme with the IMF, backed by an Extended Credit Facility whose output in the first year paved the way to the completion point.

4.3.3 *Governance and capacity-building* continue to be priorities of the RBCSP for the 2009-2010 period. As Guinea-Bissau is a fragile State, Bank commitment targets the consolidation of State institutions and the strengthening of financial governance. The Bank supported the strengthening of the administration in 2009 through PARCA. This project set up the National School of Administration (ENA), and at the same time provided budget implementation support by computerizing the expenditure circuit. As part of FSF Window III targeted support, the Bank helped to build the capacity of structures responsible for steering PRSP I implementation and aid coordination. Furthermore, Bank portfolio monitoring by Government became more thorough, aided in that regard by the targeted support and a technical assistance project in collaboration with MEPIR. Lastly, SNFO supported the Bissau BPN.

4.3.4 *Promotion of rural development and access to basic socio-economic infrastructure:* The objective of Pillar II is to support access to basic socio-economic infrastructure and services, while contributing to food security. The Bank could not finance the Buba-Catio Road due to lack of adequate resources and the fact that the relevant studies had not been updated. This road would have helped to open up this rural region of the South which accounts for over 50% of the rice production and harbours 47% of forest reserves. However, the studies were initiated. Farm-to-

¹⁰ / Cf. Annex 13.

market roads were also no longer maintained. As in other sectors, the main obstacles remain financing and weak capacity.

4.3.5 Pillar II posts acceptable results. Although quite recent, the FSF-Window I additional financing revved up implementation of both Health II and PRESAR projects. All expected outputs were either not achieved (Buba-Catio Project), inadequately achieved (continuing teacher training mechanism, prepared without being operational), or exceeded the indicators (cf. Annex 9: RBCSP Output Framework as at September 2010). As at September 2010, tangible outputs were achieved since the mid-term review. Based on the mission's analysis, the momentum gained by projects such as PRESAR will be maintained and better results achieved by end 2010. For its part, the Education III project remains problematic and the results envisaged in the education area will only be achieved in 2011.

4.4 Level of Achievement of RBCSP Indicators¹¹

4.4.1 Pillar I: The main outputs achieved end 2010 are the following: a public administration gaining in measured efficiency through the significant number of documents issued at all levels and, in particular, the preparation and adoption of instruments and laws as well as preparation of their implementation, and the adoption of the organic law related to the restructuring of ministries. ENA is operational and is about to train two hundred civil servants with financing from targeted support. However, significant progress is still awaited, especially at the level of central and sector (education, health and agriculture) MTEFs that were not yet finalized despite advanced drafts. This exercise is risky because the Directorate of Budget still finds it hard to prepare the annual budget.

4.4.2 Pillar II: One of the main outputs was achieved, namely improved food security through the rehabilitation of irrigation and market gardening schemes in the Northern and Eastern regions of the country. Nevertheless, the food price hike of 2008, after prices exploded on the world market, highlighted the persisting issue of food insecurity. Although tangible progress was made in developing irrigation schemes, production continues to be hampered by the absence of infrastructure. Thus, the completion of the Buba-Catio Road (still pending) is crucial; similarly, farm-to-market roads construction should soon begin, especially the 80 kilometres financed by PRESAR. End 2010, ten (10) rehabilitated community storage facilities will receive rice and market gardening yields, which have increased at least 30%. Other infrastructure has been built (pharmacy, seed analysis laboratory, veterinary laboratory, piggery, fences, etc.). Farmers (2/3 of them women, structured in 7 groups or associations) participate in the rehabilitation of dykes, canals and farmland, and are handed seeds for their crops. Works are based on labour-intensive methods with remuneration in kind ("Food for Work") offered by WFP.

4.4.3 Under the component "Access to Basic Socio-economic Infrastructure", the building and equipment of the new National Simao Mendes Hospital will be completed end 2010. With regard to the Education III Project, the bid invitation will be launched for the construction of schools in 2011. The training mechanism has been prepared, the training modules completed and teachers selected. It will be operational in 2011. An extension in that regard will better help to close the gap in project objectives and achievements.

^{11/} Indicators and their achievement are described in the RBCSP output framework at end 2010, in Annex 8.

4.5. Implementation of Economic and Sector Work (ESW)

4.5.1 With regard to ESW, it was planned that the Bank will conduct a governance profile and help to update existing diagnostic works. The governance profile was not conducted because the Bank had opted for financial governance through PEMFAR (implemented in collaboration with the World Bank), which led to concrete financial governance improvement actions. In contrast, the diagnostic study on the civil service, which led to the design of an operational strategy for public administrative modernization, and the study on possibilities for creating the National School of Administration and Magistracy (ENA), were conducted. They helped to feed the documentary and operational base of Bank capacity-building operations, including the ongoing PARCA.

4.5.2 Other studies conducted by MEPIR with targeted support financing in 2010, should facilitate the preparation of PRSP II. This concerns the following studies: (i) identification of growth sources; (ii) identification of needs and costs for achieving the MDGs; (iii) five sector work (infrastructure, agriculture, energy, health and education); (iv) ILAP (minor poverty assessment survey); (v) non-monetary poverty study; and (vi) MICS (Multiple Indicator Cluster Survey) that helped to update the very old social data.

4.6 Resource Mobilization Issues

Resources mobilized for RBCSP implementation stand at UA 40.81 million, comprising UA 5.8 million and UA 23.56 million under ADF X and XI, respectively, including UA 14 million under the FSF. In addition to ADF X and XI resources, UA 11.45 million was provided, including UA 11.12 million for interim HIPC relief and UA 0.33 million in emergency assistance.

Table 4					
Resources Mobilized during the RBCSP Exercise					
Operations	2005-07	2008	2009	2010	Total
ADF XI, excluding allocation					
Targeted support (FSF, G 3-ADF XI)			2.00		2.00
Fishing (addit. grant PASF-FSF, G1-ADF XI)		2.00			2.00
Health II (supplementary FSF grant, G 1-ADF XI)			6.00		6.00
Budget support (financial crisis-FSF)			4.00		4.00
Total, excluding allocations		2.00	12.00		14.00
ADF X Allocation					
PRESAR	5.8				
TOTAL ADF X Allocation	5.8				
ADF XI Allocation					
PARCA			7.86		7.86
Budget support (financial crisis)			1.70		1.70
TOTAL ADF XI Allocation			9.56		9.56
Total ADF X + XI	5.8	2.00	21.56		29.46
Other Financing					
HIPC Interim Relief		11.12*			11.12
Emergency Assistance - Cholera (Grant) SRC-ADF XI			0.33		0.33
Total Other Financing		11.12	0.33		11.45
Total Resources	5.8	13.12	21.89		40.84

4.7 Overview of Ongoing Portfolio

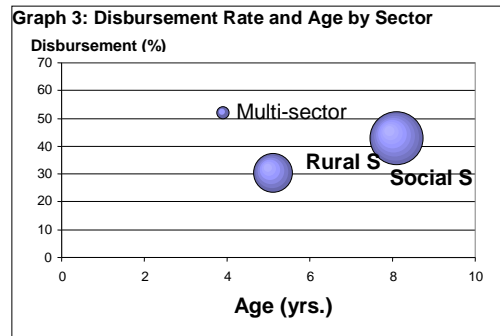
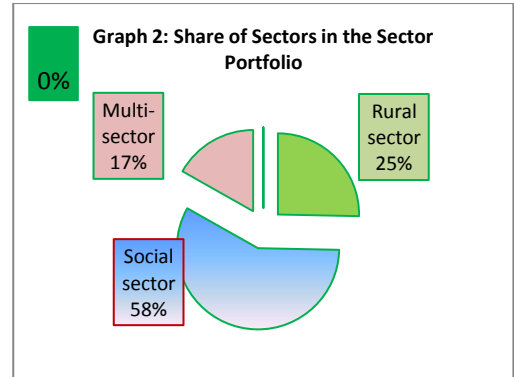
Box 1- Overall Bank Portfolio: Since beginning its cooperation with Guinea-Bissau in 1976, the Bank Group has financed (excluding multinational projects) 38 operations (24 projects, 7 institutional support operations, 3 studies, 3 emergency assistance operations and one (1) line of credit) for net commitments representing a total of UA 188.08 million (about CFAF 146 billion). This amount was extended in the form of loans (80.02%) and grants (19.98%). The total amount of net commitments by source of financing was respectively UA 160.97 million for ADF, UA 10.03 million for ADB, UA 10 million for FSF, UA 6.09 million for NTF and UA 0.99 million for SEF. The social sector led in terms of financing (31.2%), followed by multi-sector (21.0%), the agriculture sectors (19.4%), transport (18.4%) and public utilities (10%). Overall, 24 operations were completed, 4 partly cancelled and 8 are ongoing. As at 30 September 2010, the total amount disbursed was UA 155.96 million, or 82.9% of net commitments. Guinea-Bissau also benefited from 6 multinational operations that were not part of the review, since the management units of these projects are outside Guinea-Bissau. These multinational operations concern the WAEMU payment system reforms, WAEMU higher education support, ECOWAS peace and development support, integrated water resource management of the Kayanga-Geba River Basin, support to the African Network of Basin Organizations, the Electricity Generation and Distribution Study; and natural resource management.

4.7.1 Main Characteristics of Ongoing Projects

4.7.1.1 As at 30 September 2010, the active portfolio of operations in Guinea-Bissau comprises 11 operations in the implementation phase, representing a total net amount of UA 54.1 million and a disbursed amount of UA 26.72 million. Nearly half of the portfolio (5 operations) is in the social sector and mobilizes 58% of resources, while three operations are in the rural sector (agriculture and fishing: 25%) and three others are multisector operations (17%). The portfolio is characterized by small operations averaging UA 6 million (excluding emergency assistance). Since 2008, the share of multisector operations has increased significantly from 3.7% to 17% (2010), following the addition of the targeted support (institutional support) and PUARB emergency budget support.

Table 5									
Sector Distribution of Active ADB Bank Group Operations (Oct. 2010)									
Sector	No. of operations	Source of Financing (UA M)					% Sector	Disburse-ments (UA M.)	% disburse-ment
		ADF	FSF	SSF	NTF	Total			
Social	5	21.45	6.00	0.33	3.51	31.29	58	8.65	27.6
Agriculture/ Fisheries	3	13.79	-	-	-	13.79	25	8.55	62
Multisector	3	3.05	6.00	-	-	9.05	17	8.82	96.9
Total	11	38.29	12.00	0.33	3.51	54.13	100	26.72	49.4

4.7.1.2 The *disbursement rate of the active portfolio* as at 30 September 2010 stood at 48.4% and, based on a 10.8% average annual increase, this represents a net increase compared to 2008 (8.9%). This performance is attributable to is the full disbursement of PUARB (2010) and the targeted support (2009). The rural sector also contributed to this improvement by increasing two-fold compared to 2008, mainly through the momentum gained by PRESAR. Social sector projects, barring PARCA that just started, are generally old with few disbursements (average of 27.6%). Such operations, and particularly the Education Project that never really got off the ground, penalize overall portfolio performance. The portfolio review mission indicated that to clean up the portfolio, the Education III Project must close, as its current output is poor and conditions for revitalizing activities are hardly convincing.



4.7.2 Portfolio Performance Review

4.7.2.1 *Portfolio performance* (Table 5) posted a positive trend since the last review in 2008. The overall portfolio review score – calculated as an average of each project’s total scores– is 2.15 on a scale of 0 to 3. Although an average performance, this score is by far higher than the 1.67 score of the 2008 portfolio review. This +0.48 point gain stems from the scores obtained by targeted support projects, PUARB, the satisfactory results of PRESAR and the good start of PARCA. Overall performance could have been better were it not affected by the poor performance of the Education III Project. However, the *portfolio is being rejuvenated, moving from an average age* of 6.4 years in 2008 to 4 years in 2010 mainly due to the arrival of fresh operations (PARCA, targeted support and PUARB) and the exit of PRSP. The average portfolio age is lower than the Bank’s (4.3 years) and should shrink even further from early 2011 after completion of PRCGE (the problematic project -PP). Notwithstanding this overall observation, very old projects such as PNDS (Health II), Education III and Fisheries (PASP), continued to be implemented.

4.7.2.2 *The portfolio at risk (PAR) ratio has improved* from 66% in 2008 to 50% in 2010, standing clearly above the 30% threshold established by the Bank. On 1 January 2011, this ratio is expected to drop to 37.5% after the imminent close of the PP. The percentage risk of potentially problematic projects (PPP) now represents only 66% of the total amount of the approved portfolio awaiting disbursement. These operations are characterized by delays at start-up and during implementation, including suspension of activities following unsatisfactory financial management, weak institutional capacity and significant shortcomings in technical monitoring. This explains the low disbursement rate for this category of operations. The bulk of portfolio-related risks are in the social sector and concerns two projects – Education III and Health II – classified as PPPs and aged 7 and 13 years, respectively.

Problematic Projects (PP)

4.7.2.3 The Project to Build Economic Management Capacity (PRCGE) is the portfolio's only PP as at 30 September 2010. It is aged 6 years, was extended for one year and will be completed end December 2010 without achieving all its outputs. Significant shortcomings in financial management seriously disrupted its execution since the rest of the implementation period was devoted to reconstituting 2006-2010 project accounts before their audit for the corresponding period. Technically, the portfolio will no longer have a PP in early 2011.

Potentially Problematic Projects (PPP)

4.7.2.4 Two social sector operations are considered as PPP (Health II and Education III) plus another, the PASP, in the fisheries sector. The depreciation of the UA against the CFA Franc and higher prices of raw materials had increased the financing cost of the Bandim Fishing Harbour (PASP) and the Simão Mendes Hospital (Health II). In response, the Boards in January 2009 approved additional grants of UA 2 and UA 6 million for these two social projects, under FSF-Window I. The grants helped the projects to achieve their initial objectives. For PASP, the last financial difficulties and those related to technical monitoring are being resolved. The same holds true for the Simão Mendes Hospital whose construction will be finalized in December 2010 and equipment installed in March 2011. The loan should be closed on 30 March 2011 after a three-month extension. In contrast, the Education III Project is still cause for concern despite many missions to reframe it. The request for a two-year extension submitted by the Government in July 2010 is under review by the Bank. The current project outputs remain quite low and the conditions for revitalizing remaining activities are hardly convincing because the country context has changed considerably.

Non-Problematic Projects

4.7.2.5 Four projects, three of them recent (targeted support, PUARB and PARCA), do not present major risks and post relatively encouraging outputs and implementation pace. A summary of the implementation status of active projects is given as Annex 1.

4.7.3 Crosscutting Issues: Gender and the Environment

4.7.3.1 PRESAR has a direct impact on gender and environmental issues. Women are the privileged target of the project and will be the key beneficiaries of its positive impacts, especially marketing areas and sheds for the storage for agricultural produce. The project stands out, given the specific attention it pays to women heavily involved in rice cultivation and market gardening activities (85%, of the 13,900 farmers concerned). The training programmes planned by the project will build the technical and professional capacity of beneficiaries, including over 50% of women. The project's mid-term results also posts successes in the environment sector. PRESAR helped to: (i) update the Environmental and Social Management Plan; (ii) rehabilitate the nursery; (iii) protect over 500 ha of community forests; and (iv) sensitize/educate beneficiaries on environmental degradation issues. Furthermore, the forestry policy and action plan, forestry and wildlife regulations, and the desertification control action plan were prepared, thanks to PRESAR support.

4.7.3.2 Portfolio Performance Progress between the 2008 and 2010 Reviews.¹²

Progress was noted on a number of fronts. The greater involvement of DGP and BPN supported by SNFO helped to significantly reduce the time taken to fulfil conditions precedent to first disbursement. The portfolio commitment volume rose from UA 36.15 million to UA 54.13 millions from 2008 to 2010, while the cumulative rate of total disbursements increased from 34.3% in 2008 to 48.1% in 2010. The average annual disbursement rate also increased from 8.9% to 19.79% during the same period. The average time for operational effectiveness dropped significantly from 24 to 16 months from 2008 to 2010. A trend towards portfolio rejuvenation from 6.4 years to 4 years clearly emerged between 2008 and 2010. This must continue in 2011 after old operations are cleared from the portfolio.

Table 6 Portfolio Performance Score						
Operation	SCORES					
	Compliance with conditions	Procurement	Financial performance	Activities and achievements	Impact on development	Overall 2010 review
Social Sector						
Health II	2	2.5	1.2	1.5	1.5	1.71
Education III	2	2	1.5	1.5	1	1.6
PARCA	3	3	2	1.5	2.5	2.4
Rural Sector						
PASP	1	2	2.4	2	2.25	2.00
PRESAR	3	2.5	2.2	2.0	2.25	2.33
Multisector						
PRCGE	1.7	2	2	1.5	1.5	1.7
PUARB	3	-	3	3	2	2.75
Targeted Support	NA	NA	NA	NA	NA	2
2010 Review	2.25	2.25	2.04	1.86	1.86	2.15
2008 Review	2.04	1.58	1.48	1.48	1.80	1.67
2003 Review	1.17	1.63	1.18	1.47	1.60	1.40

4.7.4 Generic Issues

4.7.4.1 Generic issues were discussed and analyzed at a meeting with PIUs and during a workshop organized at Bissau on 22 October 2010, in the presence of all stakeholders. A matrix of recommendations was prepared (cf. Annex 2).

Box 2: Generic issues include: (i) late set up of project teams; (ii) need to ensure enhanced project framing, matching the country's real institutional and financial capacity; (iii) instability of project staff which hurts the continuity of operations and undoes the gains from training provided PIUs; (iv) Bank procurement and disbursement rules and procedures are not sufficiently mastered by project implementation units; (v) experience is not always adequate during recruitment of technical assistance firms or executing agencies, making beneficiary ownership difficult with the risk that outputs will not be sustained; (vi) difficult experience with contractors in contract performance, with many failures; (vii) counterpart contributions not disbursed in 2010 for most projects (except partly PRESAR); (viii) delays in planning and conducting audits; (ix) absence of the results culture and need to build M/E capacity at the level of PIUs, supervisory ministries and MEPIR.

4.8 Aid Coordination

The Joint Budget Support Monitoring Framework (CCAB) meets once every quarter with all development partners, in the presence of the Minister of Finance. The targeted support is the basis for the creation of the Official Development Assistance Coordinating Committee for which MEPIR designated an administrator. However, this Committee is not yet at the stage of holding

¹² / Net improvement of readiness for the effective start of operations; systematization of start-up missions for new operations, in particular on the last two operations, PARCA and PUARB; better design and ownership of operations as demonstrated by the start-up of PARCA.

regular meetings, but meets on an ad hoc basis. The budget support helps MEPIR and the Directorate of International Cooperation of the Ministry of Foreign Affairs to: (i) mobilize and coordinate aid; (ii) establish an aid coordination database; and (iii) prepare the report on development cooperation. Despite some difficulties in data collection, the 2010 report on development cooperation is being finalized for dissemination and validation. At the level of TFPs, the consultative framework coordinated by UNDP and the EU Commission continues to operate based on thematic groups in which BNP is involved. Lastly, Government is engaged in the Aid Management Platform (PGA) created by the Development Gateway Foundation.

V. LESSONS DRAWN

5.1 Implementation of the Strategy

Lessons for the Bank

5.1.1 *Selectiveness, Relevance and Insufficient ADF Resources to Achieve RBCSP Pillars.* If not for FSF resources, the Bank would have been unable to provide all assistance intended to help achieve results under Pillar I and that contributed to the acceptable performance of PRSP Thrust 1 (the performance-based allocation and ADF resources were very low, given the country's poor performance). Building targeted support capacity contributed to reaching the completion point.

5.1.2 *Importance of Mainstreaming the Regional Dimension in the Bank Strategy:* The regional dimension is important for Guinea-Bissau. As a reminder, joining the Franc zone enabled this country to converge towards a healthy macro-economic framework. Similarly, ECOWAS plays an indispensable role in appeasing political tensions in the face of chronic crises. Lastly, difficulties caused by insufficient electricity could be mitigated by regional generation and interconnection projects.

5.1.3 *Importance of Mainstreaming Private Sector Activities in the Bank Strategy:* Efforts made by government, aided by the targeted support and other contributions from TFPs, to significantly improve the business environment and investment climate will help to elicit interest from investors and thus contribute to the revitalization of the private sector.

5.1.4 *Results Framework Alignment and Relevance, and Capacity of the Monitoring/Evaluation Mechanism:* A results framework presupposes an efficient national system for monitoring the development strategy to which the PRSP output indicators will be aligned. A weak monitoring/evaluation mechanism helps to diminish the relevance of the RBCSP monitoring framework and indicators. Although the RBCSP outputs were aligned to the PRSP, they proved inoperative due to their general, generic and imprecise nature. In collaboration with other partners, the Bank should include the strengthening of the monitoring/evaluation system in its country assistance strategy, and strengthen dialogue with Government and partners within the aid coordination committee.

5.1.5 *Consultative areas of the next RBCSP:* Preliminary discussions highlighted government's desire to focus the intervention thrusts on the current two pillars, extending them to strengthen the business climate in Pillar I and incorporating the energy sector in Pillar II. The success scored by the targeted support argues for its renewal and extension to other structures of the country, provided the resource level is adequate.

Lesson for the Government

5.1.6 *Strengthen the Monitoring/Evaluation Mechanism and Implement the Paris Declaration:* Stakeholders agree that the monitoring/evaluation mechanism is weak and that aid coordination as advocated in the PD is inadequate. Therefore, the government should strengthen the existing monitoring/evaluation mechanism and implement PD with TFPs. In collaboration with the other partners, the Bank should: (i) include the strengthening of the monitoring/evaluation mechanism in its country assistance strategy; and (ii) strengthen dialogue with government and partners for PD implementation.

5.2 Portfolio Management

Lessons for the Bank

5.2.1 The Bank must continue its institutional capacity-building operations, using the approach developed under the targeted support and PARCA, while also targeting supervisory ministries linked to the portfolio. Weak capacity requires common action by both parties from the very beginning and throughout the project cycle. The Bank must also continue to monitor operations more closely, especially by reducing the time taken to process dossiers, intensifying supervision missions and fully involving the Senegal Field Office in close collaboration with BPN. The Bank must urgently entrust the monitoring of fiduciary issues, in particular disbursements, to the Senegal Field Office. It is important to continue training programmes, given their benefits. To resolve the issue of Bank presence once for all, a country office should be opened. The “decentralization roadmap” (that prioritizes fragile States) should, subject to its approval, give necessary priority to a country such as Guinea Bissau for the opening of a Field Office.

5.2.2 Although efforts were made to improve the quality of operations at entry, the Bank must scale operations to fit institutional capacity. The Bank must also strive to minimize the number of project extensions that ultimately hurt overall portfolio performance and the calculation of the future country allocation. Such extensions must comply with the relevant rules and demonstrate effective impact on development. It is recommended that a real cost/benefit analysis be conducted for difficult project extension cases.

5.2.3 Bank experience in Guinea-Bissau also shows that although intermediation through other donors in the country has the advantage of providing a measure of guarantee in a post-crisis situation, such architecture generates inconveniences subsequently, since procedures become greatly multiplied and the Bank has difficulties monitoring operations. Therefore, it is important to give serious thought to such future intermediation and prioritize consultancy services based on standard methods.

Lessons for the Government

5.2.4 Alongside these observations, the government should be able to drum up more proactive participation. In its role as facilitator, it should also seek stronger ownership of new portfolio operations while giving necessary forethought to preparing conditions for the effectiveness of operations. This is also valid for the establishment of PIUs and preparation for project closing. One of the conclusions of the review is the need to provide DGP with more human and material

resources for more consistent monitoring of the portfolio. The review mission noted the absence of a culture of results. Thus, the Government must be further sensitized on the current weaknesses of the monitoring/evaluation system (attributable to it and to PIUs). It should call in experts and establish a monitoring/evaluation mechanism to measure the impact of operations on development. Lastly, the **Government should activate the aid coordination system recently established at MEPIR level.**

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

6.1.1 Throughout PRSP implementation, the Bank displayed flexibility – a plus for its partnership with this fragile, unstable State. Coupled with the targeted support, additional FSF resources and flexibilities attached to FSF financing, this approach made Bank assistance more useful and effective.

6.1.2 Portfolio implementation in a context that is sometimes unfavourable due, among others things, to multiple disbursement suspensions attests to the difficulty of achieving set objectives and outputs. Although major improvements were registered (for example, in terms of effectiveness of the latest operations), such progress remains fragile. The Bank and the government should give special attention to such gains, with a view to their consolidation.

6.1.3 Furthermore, it became necessary during the review to discuss with the government about better portfolio streamlining, particularly as regards the Education III Project (although closely supervised by SNFO in 2010 and despite recommendations, this project has not produced a real take-off of school infrastructure after 7 years; its disbursement rate remains quite low). The mission argued that the project extensions requested by the government would only jeopardize the encouraging 2010 portfolio results, in addition to have a negative impact on portfolio performance and consequently on the volume of the next country allocation. This PPP project, expected to expire on 31 December 2010, has not performed. Instead, it considerably reduced the overall portfolio performance.

6.2 Recommendations

On Strategy Implementation

For the Government

- (i) Continue the preparation of PRSP II, making sure to: (a) include realistic assumptions and achievable objectives; (b) limit the number of priorities and grade them according to importance; (c) look for indicators with specific and measurable outcomes; and (d) formulate risks with mitigative measures;
- (ii) Establishing a PRSP monitoring/evaluation (M/E) mechanism is key to its success;
- (iii) Implementing the Paris Declaration with the support of all TFPs is the guarantee of effective aid coordination aligned to PRSP and better aid visibility for good PIP projection; and,

- (iv) Initiate a reflection ahead of the preparation of the next Bank RBCSP.

For the Bank Group

- (i) Continue discussions with the World Bank to agree on a harmonized and coordinated strategy as from 2011; and,
- (ii) Agree with the Government on the date and approach for preparing the next RBCSP.

On the Portfolio Performance Review

For the Government

- (i) Consolidate efforts to improve the portfolio, especially through ownership of measures outlined in the portfolio improvement plan and continue streamlining the portfolio by closing the Education III and Health II loans on 31 December 2010; and,
- (ii) Strengthen the MEPIR team to monitor Bank operations and aid coordination.

For the Bank Group

- (i) In collaboration with BPN, continue efforts for closer project monitoring through regular composite supervision missions by SNFO, including procurement and disbursement services, and systematize the start-up of new operations with the participation of fiduciary services; and
- (ii) Subject to Board approval of the decentralization roadmap, pay special attention to Guinea Bissau in terms of strengthening BPN, or creating a country office.

6.3 The Boards of Directors are invited to take note of the Guinea-Bissau 2005-2010 RBCSP Completion Report, combined with the 2010 portfolio performance review, as well as lessons and recommendations for the next Bank strategy in Guinea-Bissau.

Main Characteristics of Nine Ongoing Operations (October 2010)									
Sector / Operation	Source	Amount Approved (UA million)	Amount Disbursed (UA million)	Gross Disbur rate (%)	Dead-line met on 1 Dec. (month)	Age (yrs)	Annual disbur. rate (%)	Extens. period (yrs)	Status
Agricultural Sector									
Agric sector rehab	ADF X Grant	5 800 000	4 211 400	72.61	13	5	20.10	-	NON
Fisheries sector support	ADF VIII loan	4 290 000	1 143 040	26.64	28	9	2.54	2	PPP
Fisheries sector support	ADF VIII Grant	1 700 000	1 432 400.82	84.26	28	9	7.86	2	PPP
Fisheries sector support (addit.)	ADF XI Grant	2 000 000	1 772 872	88.64	1	2	37.90	2	NON
Sub-total / Average		13 790 000	8 559 712.82	62.07					
Social sector									
Admin capacity-building	ADF XI Grant	7 800 000	137 295.12	1.76	9	1	1.76	-	NON
Cholera II emergency assistance	SRF Grant	330 163.76	330 163.76	100.00		2		-	NON
Health II	ADF VII loan	10 000 000	7 531 447	75.31	46	13	2.51	5	PPP
Health II (addit.)	FSF Grant	6 000 000	239 407	3.99	10	2	3.99	5	PPP
Education III	ADF IX Grant	3 650 000	363 515	9.96	37	7	2.61	-	PPP
Education III	NTF Grant	3 510 000	43 833	1.25	37	7	0.40	-	PPP
Sub-total / Average		31,290,163.76	8,645,660.88	27.63					
Multi-sector									
Econ manag. cap.-building	ADF IX Grant	1 350 000	1 118 093	82.82	7	6	8.26	1	PP
Emer. support fiscal reforms	ADF X Grant	1 700 000	1 700 000	100	3	1	100	-	NON
Emer. support fiscal reforms	FSF Grant	4 000 000	4 000 000	100	3	1	100	-	NON
Targeted support	FSF Grant	2 000 000	2 000 000	100		1.5	100	-	NON
Sub-total / Average		9 050 000	8 818 093	97.44				-	
TOTAL / AVERAGE		54 130 163.76	26 023 466.70	48.08	16	4			

Main Criteria Affecting Projects at Risk (PAR)	
Criteria affecting projects at risk (PAR)	Projects concerned
Public procurement performance scores below 1.5	Education III
Project management performance scores below 1.5	Education III
Counterpart funds are not adequately available	Education III – Health II - PASP
Time lapse between project approval and effectiveness exceeds 12 months	Education III – PASP – Health II
Less than 10% of loan disbursed in two years after effectiveness	Education III
Project not completed 8 years after the approval date	Health II –PASP

Guinea-Bissau: Portfolio Performance Indicators			
PERFORMANCE INDICATORS	VALUE 07/2008	VALUE 10/2010	BANK APPR (2008)
Total disbursement rate	34.3%	48.08%	
Average annual disbursement rate	8.9%	19.79%	
Average age of portfolio (year)*	6.4	4	4.3
Average time of effectiveness (month)	24	16	13.6
Number of problematic projects	1	1	
Number of projects at risk	5	3	
Average project size (UA million)	6.02	6.0	
Proportion of projects at risk (%)	66%	50%	40%
Overall project review (scale 0-3)	1.67	2.1	

Selection of Economic and Financial Indicators

Table 1. Guinea-Bissau: Selected Economic and Financial Indicators, 2008–12

	2008	2009	2010	2011	2012
		Est.		Proj.	
(Annual percentage change, unless otherwise indicated)					
National accounts and prices					
Real GDP at market prices	3.3	2.6	3.1	3.7	4.3
Real GDP per capita	1.1	0.3	0.2	0.8	1.3
GDP deflator	8.8	1.3	3.0	1.9	2.0
Consumer price index (annual average)	10.4	-1.2	2.5	2.5	2.5
External sector					
Exports, f.o.b. (based on US\$ values)	61.7	-14.5	13.6	7.6	5.6
Imports, f.o.b. (based on US\$ values)	49.4	10.3	4.1	7.6	7.1
Export volume	21.4	21.8	2.0	5.0	5.3
Import volume	14.2	33.1	-1.5	6.1	5.7
Terms of trade (deterioration = -)	2.3	-12.7	5.6	1.1	-1.0
Real effective exchange rate (depreciation = -)	7.1	-1.3	1.4	1.2	0.9
Nominal exchange rate (CFAF per US\$; average)	478.6	445.7	477.6	465.6	467.8
Government finances					
Domestic revenue (excluding grants)	30.2	1.3	23.2	3.6	5.9
Total expenditure	8.6	13.8	8.9	3.6	2.5
Current primary expenditure	3.7	1.3	12.8	-0.7	4.1
Capital expenditure ⁴	12.0	43.4	7.0	10.2	7.8
Money and credit ¹					
Credit to government (net)	5.5	-8.8	...	...	...
Credit to the rest of the economy	3.0	2.6	...	...	...
Broad money	20.7	8.5	...	...	...
Velocity (GDP/broad money)	2.5	2.4	...	...	...
(Percent of GDP, unless otherwise indicated)					
Investments and savings					
Gross investment	24.8	43.7	25.0	25.9	25.9
Of which: government investment	12.0	31.7	13.2	13.6	13.5
Gross domestic savings	-8.1	8.8	-1.0	2.5	0.0
Of which: government savings	-21.7	-21.4	-15.8	-12.8	-11.7
Gross national savings	8.7	24.9	10.7	17.0	13.4
Government finances					
Budgetary revenue	16.8	16.4	19.1	18.7	18.6
Total domestic primary expenditure	22.7	22.4	26.0	25.5	25.3
Domestic primary balance	-5.9	-5.9	-7.0	-6.8	-6.7
Overall balance (commitment basis)					
Including grants	-7.0	-1.0	-2.8	-2.7	-2.5
Excluding grants	-21.9	-26.0	-24.5	-24.0	-22.6
External current account (including official current transfers)	1.8	-7.4	-4.3	-5.1	-4.7
Excluding official transfers	-10.0	-18.9	-15.7	-15.6	-15.1
Excluding official transfers (other than fishing licenses)	-6.1	-17.5	-12.9	-13.7	-13.3
Net present value of external debt/exports of goods and nonfactor services (percent) ³	348.4	381.9	122.6	124.0	126.6
Nominal stock of external debt, including arrears ²	243.7	226.8	208.3	60.4	55.4
Memorandum items (US\$ millions, unless otherwise indicated)					
Current account balance (including official current transfers)	8.5	-33.3	-21.0	-26.1	-25.2
Overall balance of payments	-16.9	-24.9	-23.1	-703.8	-6.2
Nominal GDP at market prices (CFAF billions)	205.6	213.6	226.8	239.8	255.0
Nominal stock of external arrears, end of period ²	382.8	402.1	92.8	92.8	92.8

Sources: Guinea-Bissau authorities, and IMF staff estimates and projections.

¹ Change in percent of beginning-of-period stock of broad money.

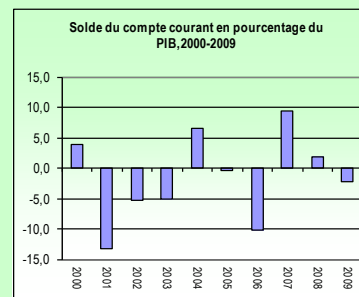
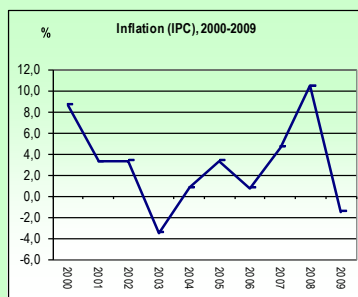
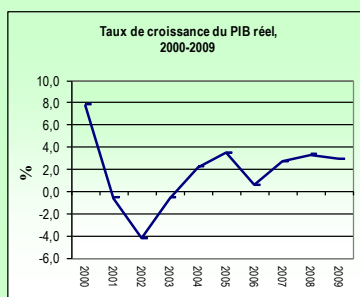
² Values in 2010 and thereafter reflect assumed impact of HIPC debt relief.

³ NPV is as in the July 2009 DSA.

⁴ Project grants in 2009 includes new public investments externally financed such as the new government offices complex and two hospitals.

Guinea-Bissau: Key Macro-economic Indicators

Indicateurs	Unité	2000	2004	2005	2006	2007	2008	2009 (e)
Comptes nationaux								
RNB aux prix courants du marché	Million \$ E.U.	217	234	283	315	340	386	...
RNB par habitant	\$ E.U.	170	160	190	210	220	250	...
PIB au prix courants	Million \$ E.U.	216,1	285,3	301,7	317,3	381,6	458,2	419,2
PIB aux prix constants de 2000	Million \$ E.U.	216,1	208,9	216,2	217,4	223,3	230,7	237,5
Croissance du PIB en termes réels	%	7,8	2,2	3,5	0,6	2,7	3,3	2,9
Croissance du PIB par habitant en termes	%	5,4	-0,2	1,1	-1,7	0,5	1,1	0,7
Investissement intérieur brut	% du PIB	20,1	25,4	25,4	24,2	24,3	24,8	29,8
Investissement public	% du PIB	9,7	10,5	14,1	10,5	12,8	12,0	17,3
Investissement privé	% du PIB	10,4	14,9	11,3	13,7	11,5	12,8	12,5
Épargne nationale	% du PIB	9,8	19,0	18,6	-0,3	16,5	8,9	27,4
Prix et Monnaie								
Inflation (IPC)	%	8,6	0,8	3,3	0,7	4,6	10,4	-1,5
Taux de change (moyenne annuelle)	monnaie locale / \$ E.U.	712,0	528,0	527,8	522,6	479,2	448,7	471,4
Masse monétaire, variations annuelles (M)	%	60,8	42,8	21,3	4,4	24,9	29,5	8,0
Vitesse de circulation de la monnaie (PIB)	%	42,6	28,9	33,2	33,3	37,7	43,4	48,7
Finances publiques								
Recettes totales et dons	% du PIB	...	32,5	30,2	30,5	29,4	31,8	40,9
Dépenses totales et prêts nets	% du PIB	...	46,7	42,2	39,9	40,3	38,8	39,2
Déficit (-) / Excédent global (+)	% du PIB	...	-14,2	-11,9	-9,5	-10,9	-7,0	1,7
Secteur extérieur								
Variation en volume des exportations (ma)	%	18,7	24,3	26,1	-42,0	-7,6	-0,4	2,4
Variation en volume des importations (ma)	%	-5,0	-7,1	4,5	3,5	-15,5	14,0	14,0
Variation des termes de l'échange	%	-6,4	-8,2	-26,0	-2,4	27,9	24,0	5,5
Solde des comptes courants	Million \$ E.U.	8,4	18,9	-1,1	-32,2	36,1	8,4	-9,3
Solde des comptes courants	% du PIB	3,9	6,6	-0,4	-10,2	9,5	1,8	-2,2
Réserves internationales	mois d'importations	6,0	4,6	4,9	4,4	5,0	4,2	5,5
Dettes et flux financiers								
Service de la dette	% des exportations	2,5	6,8	4,4	8,6	5,2	3,0	2,6
Dettes extérieures totales	% du PIB	364,6	358,7	341,1	322,9	270,3	227,0	248,9
Flux financiers nets totaux	Million \$ E.U.	84,2	75,2	64,3	80,3	102,1	116,1	...
Aide publique au développement nette	Million \$ E.U.	80,3	76,4	66,0	87,0	122,3	131,6	...
Investissements nets directs en prov. de l'é	Million \$ E.U.	0,7	1,7	8,7	17,7	18,5	15,0	...



Source : Département de la statistique de la BAD; FMI: Perspectives de l'économie mondiale, Septembre 2009 et Statistiques financières internationales, février 2010; Département de la statistique : Development Data Platform (base de donnée), mars 2010; OCDE, Division des systèmes statistiques.

Notes: ... Données non disponibles

Dernière mise à jour : mai 2010

Trend Towards Achieving the Millennium Development Goals							
Goals	Indicators	1990	2000	2004	2006 MCIS 3	Most recent year	Target for 2015
1. Reduce extreme and absolute poverty Reduce by half the percentage of people living with less than USD 2 per day	Rate of absolute poverty (%)	49	64.7(1)	68.5			24.5
	Rate of extreme poverty (%)	26	21	22			13
2. Primary education for all	Net enrolment rate (%)	23	45.3	56.9	53.7	67.4 MEPIR 2010	100
3. Equality of the sexes, empowerment of women and gender disparity in primary school	Girl/boy ratio in primary school	0.56	0.67	0.83	0.97		100
4. Reduce mortality of children under 5 Reduce by two-thirds the mortality rate of children under 5	Infant mortality rate of children under 5 (in 1000 children)	240	239	205.2	223	155 MEPIR 2010	80
	Infant mortality rate (in 1000 children)	142	124	122	136	117 (UNICEF 2008)	47.3
5. Reduce by three-quarters the maternal mortality rate	Maternal mortality rate (in 100 000 live births)	914	822		822	800 MEPIR 2010)	229
6. Combat pandemics, stop the spread of AIDS and reverse the current trend	AIDS prevalence rate (%)	5.9	7.8	-		1.8 (UNICEF 2007)	5.9
7. Reduce by half the percentage of the population without sustainable access to safe drinking water	% of urban population without sustainable access to drinking water	79	66	-	16,3		39.5
	% of the rural population without sustainable access to drinking water	68	32	-	53		34
Sources: National Human Development Report, UNDP, 2006; MCIS 3, MEPIR, 2006, PRSP, MEPIR, 2010; UNICEF Statistics published on: http://www.unicef.org/french/infobycountry/guineabissau_statistics.html							

**ANNEX 7
DETAIL OF PRSP IMPLEMENTATION**

**Thrust 1: Strengthen Governance, Modernize Public Administration and Guarantee
Macro-economic Stability**

i *Macro-economic Management*

In 2009 and 2010, the country made progress in stabilizing its macro-economic framework and implementing public finance and procurement reforms. The impact of the international crisis was less severe than was feared. Growth was positive in 2009 and 2010, although the 5% target could not be attained. Budgetary results were satisfactory, thanks to which it was possible to increase public investments and settle part of the arrears owed the private sector; inflation was also confined below the 3% level required by WAEMU.

ii. *Public Finance Reform and Management*

Significant efforts were made to improve the fiscal balance. Remarkable results were obtained in tax revenue in a context of limited growth. Concurrent with these results were the consolidation of fiscal stability and the improved quality, transparency and effectiveness of public spending, since the Government had undertaken the structural reform of its finances.

Public Finance Reform and Actions (2009-2010)	
<i>Actions</i>	<i>Approval or implementation (date)</i>
1. Initiate the preparation of the SIGFIP budget and implementation modules in budget units, ministries and administrative bodies.	June-Sept. 2009
2. Prepare the 2010 budget according to WAEMU classification.	Oct. 2009
3. Verify budget balance lists.	July -Dec. 2009
4. Present the budget framework law.	March 2010
5. Approval by Council of Ministers of: (i) a decree defining the prerogatives of Financial Control; (ii) a decree to reorganize the General Directorate of Treasury and Accounts and the related prerogatives; and (iii) a decree to define the new duties of the General Directorate of Budget and the prerogatives of financial administrators	28 April 2010
5. Publication and distribution of the financial procedures manual in all ministries.	27 April 2010
6. Joint project of the Ministry of Finance and the Ministry of the Civil Service related to the new national human resource management system to be presented to the Council of Ministers (CM)	23 April 2010
7. Having obtained the approval of the CM, (i) the new public procurement regulation consistent with WAEMU guidelines, and (ii) the new central procurement unit (UCP) are put in place.	28 April 2010

iii. *Public Administrative Reforms and State Modernization*

Administrative reforms were undertaken in 2009 and 2010 to make the public administration more efficient to support development. The Government conducted a biometric census of State employees end 2009 which revealed that over 4,000 civil servants were ghost workers. Corrective measures were applied in the first half of 2010, which generated significant savings. These

savings could be higher if the census results had been fully utilized. Several information processing systems were procured and are used to manage debt, public finance and the customs system. They also help in the single management of information flows between ministries and the computerized management of regions. Efforts were made to train senior staff (creation of the National School of Administration); 200 professionals were trained in strategic planning, public finance (with special emphasis on fiscal management and debt management), statistics, aid mobilization and coordination, and administrative organization. Other achievements in this area in 2009 and 2010 were the following: (a) various governmental bodies and units were restructured and organized, their missions redefined, and their organization charts reconfigured; (b) job descriptions and staff profiles were established; (c) recruitment procedures based on competition were instituted, and (d) a literacy programme for civil servants was put in place.

Iv. *Reform of the Justice System*

Institutional reforms are underway to strengthen and improve the operation of the judicial arm of government, while ensuring that it fully complies with the principle of separation of powers and that its governing legislation is adapted to the specific needs of Guinea Bissau. To achieve this outcome, the capacity of the human resources of the judicial branch must be strengthened and provided with the necessary material resources for a good administration of justice.

v- *Defence and Security Reform*

Although political upheavals affected the implementation of ongoing actions concerning the defence and security sector, the bulk of reform work in the sector was not seriously interrupted during that period. Instead, reform initiatives dealing with various aspects of the sector proceeded at different speeds. In 2009 and 2010, actions linked to the defence and security reform priority plan (PPRSDS), prepared and approved in January 2010, seem to have provided both a response and an impetus to the reform. Among other things, this plan puts emphasis on (i) down sizing the military and security forces, (ii) establishing a servicemen's pension fund and related programmes and services, and (iv) laying down professional standards for new recruits. The following measures were taken: (xv) armed forces regime accounts; (xvi) organic law of the armed forces.

Thrust 2: Promote Economic Growth and Job Creation

- i-** Progress was lack lustre in the business environment while efforts were slow in infrastructure development. The authorities recognize the need to favour private sector development in order to stimulate economic growth and job creation. In 2010, the Government launched a series of actions aimed at improving the business climate: (a) privatization of 31 out of 44 small and medium size State enterprises; (b) adoption of OHADA instruments; (c) opening of the trade court; (d) adoption of the law governing public-private partnerships; and (e) adoption of a new investments code.
- ii-** Basic infrastructure development is the cornerstone of the poverty reduction strategy. Basic infrastructure is so weak that no concrete progress is possible in the production and employment spheres in the current state of affairs. All reviews

conducted noted the deficiency or inadequacy of infrastructure, which has become the main obstacle to improving economic and social development.

- iii- Government did not define a clear energy sector strategy. The electricity generation capacity declined considerably between 2000 (25 MW) and 2010 (5.5 MW with less than 1.5MW available) with a negative impact on prospects of private sector investments, the administration's basic operation and the people's living conditions. Despite a new law on electricity generation and supply approved in June 2007, little was achieved.
- iv- The major improvement in the transport sector was the construction of the bridge over the Cacheu River, facilitating the free flow of goods and persons between Senegal and Guinea-Bissau. Various studies are ongoing for the rehabilitation of secondary roads in the Quinara and Tombali regions, road maintenance in Guinea-Bissau and the special programme to link Guinea-Bissau with its neighbours - all of which helps to approach PRSP II in this sector with optimism.
- v- The ICT sector had the highest sector growth during the PRSP implementation period. Three mobile telephone operators offer services in Guinea-Bissau and the sector created many jobs for youths. However, the challenge is to consolidate these achievements.
- vi- The Bissau port is in a poor state and its rehabilitation is an urgent challenge. Its congestion translated into a slow-down of activities, leading to a fall in revenue which, in turn, led to less maintenance. This had a considerable negative impact on the other sectors of the economy.

Thrust 3: Increase Access to Social Services and Basic Infrastructure

Improvements in the third thrust were less obvious and expenditure for basic social services was modest between 2006 and 2009. Health and education spending represent only 14% of total expenditure, on average. The country will not achieve even one of the MDGs by 2015 if current trends hold out. Efforts made, especially in 2010, in the area of health and education infrastructure as well as the care of social sector beneficiaries, the training of professionals and the programmes defined (the national health development plan and the national education sector plan (2011-2013)) will help to tackle part of these challenges in the PRSP II.

Thrust 4: Improve the Living Conditions of Vulnerable Groups

The vulnerable groups in Guinea-Bissau are many and diverse, and include women, youths, child orphans, persons with disability, persons living with HIV/AIDS and ex war combatants who often survive in difficult situations. Improvements remain confined to a few groups, but fall far short of the targets set out in the PRSP:

- i- In addition to efforts made to improve the enrolment rate of girls, the main measures taken in 2009 and 2010 in the context of promoting gender equality centred on the drafting of legal instruments in three areas: (i) reproductive health; (ii) violence against women and girls, and (iii) trafficking in persons. Efforts were

also pursued to stop the practice of female genital mutilations and a strategy to combat this practice was approved in 2010.

- ii- Efforts were made to strengthen a number of policies and strategies related to childhood and children's rights protection.
- iii- Youths are the most affected by poverty. For that reason, emphasis is placed on vocational training, strengthening of institutional capacity to ensure such training and strengthening of the micro-finance system.

Issues Explaining the Weak PRSP I M&E Mechanism	
<i>Difficulties in implementing the PRSP I M/E Mechanism.</i>	➤ The non-operationalization of a PRSP M/E mechanism, the insufficient quality and quantity of human resources for the production and dissemination of information and data necessary for PRSP M/E, the absence of effective coordination at the inter-ministerial level on the one hand, and between Government and its partners, on the other hand, negatively affected the PRSP I implementation process.
<i>Lack of ownership</i>	➤ Ownership of the contents of PRSP was insufficient. Little reference is made to the PRSP and its contents during the conduct of national affairs and in the declarations of many national officials. Generally, for all societal facts, the country suffers from poor communication, dialogue and a formal flow of information between socio-political actors. During PRSP implementation, the absence of both instruments formalizing the creation of sector groups or institutional focal points and procedures and methods (terms of reference, implementation reporting guide etc) also led to the low involvement of sector ministry officials and, consequently, to the inadequate taking into account of the PRSP I sector priorities.
<i>Poor aid visibility, absorptive capacity and coordination.</i>	➤ Poor aid visibility, multiple procedures, country's weak aid absorptive capacity, aggravated by institutional instability, insufficient human resources, lack of organization and coordination, and weak national ownership are issues that should be addressed during implementation of the Paris Declaration to which Guinea-Bissau adhered only in August 2010. This lack weakens the monitoring/evaluation mechanism.
<i>M/E by Bretton Woods Institutions</i>	➤ As part of the Post-conflict Programme and then the Extended Credit Programme, periodic technical monitoring/evaluation is conducted by the IMF in collaboration with the World Bank and the country's major TFPs (prospects being bright for reaching the completion point), with the active support of the DGP responsible for the PRSP and other concerned directorates (especially MEPIR and MF).

Status of Implementation and Thrust of Projects in the Active Portfolio

Main Characteristics of Ongoing Projects:

Problematic Projects (PP): Only one PP is slated for completion on 31 December 2010.

Project to Build Economic Management Capacity (PRCGE)

The objective of this project is to help build the capacity of the country's economic and financial administration through: (i) training in public investment programming; (ii) strengthening the national statistics system; and (iii) supporting economic integration efforts in the WAEMU area. The project was extended for one year and will expire end December 2010 without achieving all the results. The last project activities are the following:

- PIU must review the SNEDE composite assistance contract and propose an additional clause to scale down the services due to the imminent close of the project, while however maintaining those that can still be performed.
- Planned equipment in the regions were procured but conditions for their installation are not yet right in the Bolama/Bijagos region. Especially, a State commitment is awaited to accelerate their installation and actual use.
- The recruitment of an auditor to reconstitute the 2006-2010 project accounts is ongoing as well as the process consecutive to the 2006-2010 accounts audit. Consequently, the PIU must organize itself to finalize these operations.
- The mission was informed by the coordinator that the refund of expenses unduly charged to the project will be considered after reconstitution of the project accounts.

Potentially Problematic Projects (PPP):

Fisheries Sector Support Programme (PASP):

- This project aims to promote fishing nationally, through especially institution building and the construction of a 360-metre fishing quay. Major constraints observed in 2010 regarding the depth of pilings have been resolved, and a second assessment revealed that the initial study's error margin was minimal and would not generate additional costs. The timetable for finalizing quay works remain set in June 2011.
- Urgent attention should be given to extending the contract of STUDI consultancy firm, as well as to the proposed redefinition of AGRER's technical assistance services, in particular to reinforce the financial expert and legal expert.

- PIU informed the mission that unjustified expenses charged to the project were allegedly being reimbursed.
- The 2009 audit must be validated as quickly as possible and the 2008 audit recommendations fully implemented.
- Government's counterpart contribution to marine infrastructure is crucial for the works implementation schedule to be respected. In that regard, the EU tranche (fishing agreements) was paid to Government in mid-2010

Health II Project (PNDS)

The loan agreement became effective in August 2001, 44 months after project approval, due to the armed conflict that sparked off in June 1998. After that, project implementation was delayed by successive sanctions caused by payment arrears. This long delay occasioned costs overrun stemming mostly from fluctuations of Unit of Account exchange rates and higher costs of building materials. In that context, the Bank gave an additional grant of UA 6 million and a choice of priorities in terms of new infrastructure to be built was made to fit the available funds. An appeal was also made to UNOPS for technical assistance to administer activities and manage funds. The disbursement rate is 75.41% for the loan and 4% for the additional grant. First level healthcare improved thanks to the capacity-building of about 200 health workers, the installation of a data collection system, the construction/equipment of grassroots health centres and residential quarters, and the drilling of bore holes. The strengthening of the secondary and tertiary referral system will be completed with the remaining activities, namely: the completion of infrastructure construction/rehabilitation works of the national hospital and the Buba health centre (financed from the loan), the procurement of equipment, training in maintenance and establishment of a hospital administration and management system (financed by the grant). Although works are expected to be completed in December 2010, a three-month extension of the loan to 31 March 2011 is envisaged to enable the payment of the last advance of works. The other activities (financed by the grant) are expected to be completed on 31 December 2011.

Education III Project

Approved in July 2003, this project's implementation was delayed for 3 years. The project started in November 2007 but, due to the constant change of Task Managers (4 in 2 years) and sanctions incurred by the country, the first disbursement came in only in June 2008. The project seeks to improve the delivery and quality of basic education in poorly-served zones and to revive vocational training at the grassroots in order to favour the integration of youths in active life. Since the last mission of May 2010, delays were again observed in the start-up of procurements and it was only recently that the dossier for the construction of 80 classrooms, 25 teachers' houses and 20 latrines was launched (during the mission). Similarly, the recruitment of a technical design and engineering firm to rehabilitate the Buba and Contubel vocational training centres is underway. The launch of the dossier on classroom furniture approved since June 2010 was put on hold, pending the start of construction works on classrooms.

- In terms of primary school teacher training, 3 workshops have already been organized by INDE to define the content selection objectives. Training modules

were finalized and 80 trainers and 800 head teachers will be trained in the 1st half of January 2011 if the two-year extension is confirmed.

- Two constraints were noted: the procurement officer's departure without notice and the approval of the INAFOR convention. This structure should ensure the administrative and financial management of the Bula and Contubuel training centres.
- In July 2010, the Government requested for a two-year extension of the project, which is being considered by the Bank. The mission noted that Government wishes to wait for the findings of the ongoing supervision mission (given the sensitive nature of the sector) to decide whether to maintain or withdraw its request. The mission indicated that cleaning up the portfolio will enhance portfolio performance with favourable consequences on the country allocation. Current project outcomes remain very poor and conditions for revitalizing the remaining activities are not convincing. **The publication of the bid invitation for the construction of classrooms during the mission and before the conclusions of the supervision mission should receive the full attention of the supervisory ministry and MEPIR, given that no decision has been taken yet on the extension of the project.**

NON PP Projects

Agricultural Sector Rehabilitation Project (PRESAR)

The objective of the project is to contribute in the attainment of food security while aiming to improve rice and market gardening production and promote livestock. Since its activities started in January 2007, PRESAR is implemented under good conditions with a dynamic team and good planning of activities. The project's mid-term outputs are very positive:

- Revitalization of rice and vegetable production as part of food crisis support, while providing significant support in terms of improved seeds, fertilizers, agricultural equipment and organization of beneficiaries.
- Safe food in beneficiary communities and increase in their incomes and standards of living.
- Involvement of NGOs and FOs also enabled the latter to better discharge their mission, often extent the scope of their activities and ensure a greater presence on the ground.
- Many Agriculture services also profited from the support of PRESAR, through training activities, the distribution of equipment and/or provision of logistics to perform a number of tasks that they were no longer able to. PRESAR especially enabled an estimation of the 2008 and 2009 agricultural seasons, a national head-count of livestock, the start of a reflection on livestock sector policy, and a revitalization of INPA activities and regional centres or regional agriculture

directorates and central services. To an extent, PRESAR filled certain State shortcomings linked to the small means allocated to the different services.

- In the environment, PRESAR helped to update the Environmental and Social Management Plan, rehabilitate the Embunhe nursery for the production of 200,000 plants on average per year, protect over 500 ha of community forest and sensitize/educate beneficiaries on environmental degradation issues. Moreover, the forestry policy and its action plan, the forestry and wildlife law, and the action plan to combat desertification were prepared with PRESAR support.

The project must henceforth focus on essential actions to be sustained.

PUARB

The aim of the programme is to contribute to the more efficient and effective management of macro-economic policies aimed at fostering faster growth and poverty reduction. Its specific objective is to continue improving the public finance management framework and performance. The Guinea-Bissau government is pursuing its commitment to implement public finance structural reforms with the support of all development partners.

All the eleven measures selected by the Bank under PUARB were implemented, except for one relating to the preparation, for the three ministries with the biggest budget volumes, of an outline of their sector programmes coupled with MT objectives and quantified means (MTEF). The implementation of these measures made it possible to better master expenditure and substantially increase incomes due mainly to higher export prices of cashew nuts, which led to the positive appraisal by the last IMF review (September 2010) under the Extended Credit Facility. This good performance will also help the country reach the HIPC completion point expected end-December 2010. The programme became effective in May and disbursements completed in June 2010.

Targeted Support

- The targeted support is aimed at strengthening the capacity of the economic and financial administration in: (i) strategic, macro-economic and sector planning; (ii) production of statistics to track poverty, the Millennium Development Goals (MDGs) and Human Development Indicators (HDI); (iii) debt management; (iv) mobilization and absorption of external aid; and lastly (v) the opening of a studies fund to identify constraints inherent in fragility, the lifting of which is crucial for sustainable growth and poverty reduction.
- Overall, the level of implementation of the targeted support technical assistance activities for building administrative capacity varies in the two project components and areas of activity. Thus, significant progress was achieved in strengthening strategic planning through the impetus given by international experts, MEPIR and UNDP.
- In contrast, the strengthening of administrative executives' skills and institutional

support to some ministries are still at the start-up stage due to the time taken to formulate the key needs of structures benefiting from the targeted support and the relatively recent recruitment (early 2010) of the international expert responsible for assisting the National School of Administration in the design, delivery and management of training programmes. Lastly, MEPIR's documentation centre and website have not yet been set up despite the recommendation of the February 2010 supervision mission. In contrast, the conduct of the growth sources study has started and the workshop to validate the provisional report organized on 2-3 September 2010. The project is now far advanced in implementing activities, especially those relating to better strategic planning and aid mobilization.

- It is also possible to speed up the pace of project implementation if administrative bottlenecks at UNDP and some beneficiary ministries are addressed, if national executives take greater interest in project activities and if they own the new working methods and management tools designed by technical assistance.

PARCA

The general objective of the project that started in April 2010 is to contribute to the development of human capital and economic and financial governance. The specific objectives are to: (i) improve the offer, conditions and quality of vocational training in administrative fields; and (ii) contribute to capacity-building and the modernization of economic and financial services. The project's PIU is still being established. Although the GM of ENA provided the project with premises, the actual use of such premises is still subject to the State's counterpart contribution. The PIU team is virtually complete (except for the administrative part) and has already been trained both at SNFO and Bissau on Bank procurement and disbursement procedures. Most procurement dossiers have been finalized and some bid invitations published. During the mission, the Minister for Education was sensitized on the need to designate and organize the project steering committee. The project implementation schedule remains to be updated; also ensuring that it is adapted to the project duration and budget. The project should now gain momentum and synergize with other ongoing administrative capacity-building projects.

Cholera II Emergency Assistance

The grant was disbursed 100%. Activities were implemented and technical reports transmitted to the Bank by WHO. The mission met the WHO Resident Representative and senior staff of the Ministry of Health who expressed satisfaction with the emergency grant provided by the Bank. The Bank, among other things, allowed a sustainable early warning system and epidemics management system to be established in the country.

ANNEX 10					
GUINEE-BISSAU: RBCSP OUTCOMES FRAMEWORK AT END SEPTEMBER 2010					
Country's Long-term Strategic Objectives	RBCSP Results for the Country				Operation/Products for Achieving Outcomes
	RBCSP Output (Pillar) that the Bank hopes to influence through its operations	Monitoring Indicators of Achievement of RBCSP Results	Target at end of RBCSP period (2010)	Outcomes at end of RBCSP period (2010)	
<i>PILLAR I: Strengthen Governance to Make Public Policies and Development Programmes More Effective</i>					
Public administration is effective and works for development and the population	Public administration reformed and more efficient	<ul style="list-style-type: none"> Restructuring plan of ministries (organic instruments and laws) New draft of retirement system and career plan. 	<ul style="list-style-type: none"> Restructuring plan of ministries (organic instruments and laws) adopted and implemented New draft of retirement system and career plan adopted and implemented 	<ul style="list-style-type: none"> Restructuring plan of ministries (organic instruments and laws) adopted and implemented New draft of retirement system and career plan adopted and implemented 	Dialogue + Project to support public administrative reform + increased technical assistance under Pillar 3 of FSF
	Senior staff of public administration professionalized	<ul style="list-style-type: none"> National School of Administration (ENA) Recruitment and vocational training plan compliant with job profiles Proportion of new executives trained at ENA are hired responding to adequate profiles 	<ul style="list-style-type: none"> National School of Administration (ENA) established Recruitment and vocational training plans compliant with job profiles are implemented as from 2009 Proportion of new executives trained at ENA are hired responding to adequate profiles 	<ul style="list-style-type: none"> ENA was set up and is operational A selection process of 200 Guinean professionals (100 senior staff of the Civil Service and 100 fresh and young executives) is in progress for their training in strategic planning, public finance (with special emphasis on budget and debt management), statistics, aid mobilization and coordination, and administrative organization. Training programme already designed in collaboration with the specialized institutions of the sub-region. 	
Public administration is efficient and works for grassroots development and the population	Decentralization process implemented	Law on decentralization	Law on decentralization adopted and implemented	Law on decentralization adopted and implemented	Dialogue + Project to support public administrative reform + increased technical assistance under Pillar 3 of FSF
	PRSP institutional monitoring/evaluation framework revised and operational	<ul style="list-style-type: none"> Priority action plan for each priority sector designed Central operational MTEF used to prepare and implement the budget Sector MTEF by priority sector used in budget preparation 	<ul style="list-style-type: none"> Priority action plan for each priority sector prepared Central operational MTEF used to prepare the 2011 budget in 2010 Education sector MTEF used to prepare and implement this sector's 2011 budget in 2010. Monitoring/evaluation 	<ul style="list-style-type: none"> An operational actions plan actually prepared for each priority sector. The MTEF could not be established this year. However, an action plan was prepared with a view to designing comprehensive and sector MTEFs in 2011. The PRSP monitoring framework was considerably strengthened, which made it possible to formulate the PRSP I progress report. Covering the 2009/2010 	

ANNEX 10					
GUINEE-BISSAU: RBCSP OUTCOMES FRAMEWORK AT END SEPTEMBER 2010					
Country's Long-term Strategic Objectives	RBCSP Results for the Country				Operation/Products for Achieving Outcomes
	RBCSP Output (Pillar) that the Bank hopes to influence through its operations	Monitoring Indicators of Achievement of RBCSP Results	Target at end of RBCSP period (2010)	Outcomes at end of RBCSP period (2010)	
		<ul style="list-style-type: none"> and implementation Operational monitoring/evaluation framework 	framework operational in 2010	period, this report was adopted by Government in August 2010.	
<i>PILLAR II: Promote Agricultural and Rural Sector Growth and Access to: Basic Socio-economic Infrastructure</i>					
Country's food security is guaranteed and posts a surplus for export	Food security of the rural population in the North and East regions, improved	<ul style="list-style-type: none"> Portion of irrigation (1,250 hectares) and market gardening (100 ha) schemes rehabilitated 30% increase in rice production (3,500 tons) 	<ul style="list-style-type: none"> 50% of irrigation (1,250 hectares) and market gardening (100 ha) schemes rehabilitated 30% increase in rice production (3,500 tons) 	<ul style="list-style-type: none"> Rehabilitation of nearly 1,560 hectares of which 1,136 ha for rice cultivation and 434 ha for market gardening, with 15,969 beneficiaries including 10,067 women having helped to construct and/or rehabilitate over 147 km of dykes and 156 km of dykes. Rice production has not yet increased, but will this objective will be attained (+30%) 	PRESAP Project
	Status and access to social and economic infrastructure improved	<ul style="list-style-type: none"> Number of storage facilities constructed No. of km of farm-to-market roads and rural feeder roads rehabilitated No. of km of the Buba-Catio road, constructed No. of farmers' groups and associations, 50% of them women, structured Level of rehabilitation of infrastructure in the 3 target regions of PRESAR 	<ul style="list-style-type: none"> No storage facilities constructed 0 km of farm-to-market roads and 0 km of rural feeder roads rehabilitated 0 km of the Buba-Catio road, constructed 0 farmers' group and association, of which 50% belonging to women, structured 50% of Simao Mendes hospital rehabilitated and equipped ; 0 new classroom, 0 outbuilding in disadvantaged zones and 0 CFPI 	<ul style="list-style-type: none"> Rehabilitation of 3 storage facilities for agricultural produce, a piggery, 2 seed laboratories, a pharmacy as well as the construction of a fence around the market gardening scheme. Seven community storehouses are under construction and works will be completed end-2010 Studies for the construction of 200 km of secondary roads leading to production zones were finalized The BUBA-CATIO road project not financed. Seven (7) farmers' groups and associations, including nearly 2/3 of them belonging to women, structured. End-2010, 100% of the Simao 	PRESAR Project Road Fund (EU)/PRESAR Government/ADB PRESAR Project Health II Project Education III Project

ANNEX 10					
GUINEE-BISSAU: RBCSP OUTCOMES FRAMEWORK AT END SEPTEMBER 2010					
Country's Long-term Strategic Objectives	RBCSP Results for the Country				Operation/Products for Achieving Outcomes
	RBCSP Output (Pillar) that the Bank hopes to influence through its operations	Monitoring Indicators of Achievement of RBCSP Results	Target at end of RBCSP period (2010)	Outcomes at end of RBCSP period (2010)	
		<ul style="list-style-type: none"> Teachers' continuing training mechanism is operational 	<ul style="list-style-type: none"> 0 head teacher trained 	<p><i>Mendes hospital rehabilitated and, end-March 2011, equipment ordered</i></p> <ul style="list-style-type: none"> <i>Contractors selected for the construction of schools and NBI published for schools construction in 2011 and 0 CFPI</i> <i>Training mechanism is prepared; training modules and teachers selected. It will be operational in 2011.</i> 	Education III Project

GUINEA BISSAU PORTFOLIO PERFORMANCE IMPROVEMENT ACTION PLAN

Preliminary Matrix of Generic Problems

<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
Project quality at entry and design	Insufficient consideration of contextual difficulties linked to post-conflict situation in the design and loan arrangement of projects	- Envisage implementation and financing mechanisms more adapted to post conflict situations	ADB	2011
	Insufficient consideration of past lessons and experience	- Better capitalize on lessons drawn from past operations	ADB/GVT SNFO/BPN	End of projects
	Not enough operations conducted in synergy with the other partners	- Develop more consultation, partnership	GVT/ADB/BPN	Ongoing
Start-up operations of	<ul style="list-style-type: none"> • Continue efforts for quick effectiveness, fulfilment of conditions precedent to first disbursement and fulfilment of the other conditions. 	<ul style="list-style-type: none"> - Before approval of financing, give more forethought to the preparation of conditions for implementing operations - Ensure that the conditions precedent featuring in grant agreements and grant protocol agreements are realistic and limited in number - Continue thorough monitoring at the level of DGP to ensure effectiveness and fulfilment of conditions precedent • Take measures to enable ratification of agreements within at most 3 months after signature 	<ul style="list-style-type: none"> • GVT • ADB/GVT • GVT/DGP/ADB • SNFO/BPN • GVT 	<ul style="list-style-type: none"> • Before project start-up • Project preparation • Ongoing • At project approval
	Conditions at start-up are often difficult for project units (premises, equipment, logistics, etc.)	- Ensure that a minimum of material means and revolving fund are available at start-up of operations	GVT/ADB	Project preparation Start-up
Start-up Operations of	Difficulties for project implementation units to start and implement some operational activities	<ul style="list-style-type: none"> - Recruit qualified and experienced persons on a competitive basis. - Continue the approach of having composite missions at project start-up. - Continue regular meetings between PIU, BPN and DGP and share new projects, project management experience and good practices with PIUs. 	GVT/ADB ADB/SNFO/BPN PIU/DGP/ADB	Before project start-up Ongoing Ongoing

GUINEA BISSAU PORTFOLIO PERFORMANCE IMPROVEMENT ACTION PLAN

Preliminary Matrix of Generic Problems

<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
	Customs exemptions	Facilitate the grant of exemptions on projects	GVT	Ongoing
Financial aspects	Difficulty for the State to mobilize its counterpart contribution	- Systematize contributions in kind by Government and beneficiaries during project design	ADB	Project preparation
		- Mobilize counterpart contributions on time and as stipulated in the commitments of appraisal reports	GVT	Ongoing
	Shortcomings in project financial management	<ul style="list-style-type: none"> - Continue and deepen training and capacity-building programmes for project teams, particularly in financial management and accounts. - Envisage specialized and experienced technical assistance in financial management at project start-up. - Generalize the installation, at start-up, of accounting systems and software and procedures manual - Ensure compliance with the rules of expenditure eligibility 	ADB/SNFO ADB/GVT GVT/ADB/PIU GVT/PIU	Project start-up Ongoing Project preparation Project start Ongoing
	Delays in payments	<ul style="list-style-type: none"> - Correctly document payment requests and ensure their conformity - Further consider during the analysis of transmitted accounting documents operational realities and those inherent in the country, especially in terms of the authenticity of supporting documents - Continue transmitting monthly statement of disbursements to project units and ultimately allow the connection of clients to the information system 	PIU ADB/FFCO ADB/SNFO	Ongoing Ongoing Monthly
	Revenue from BD sales	- Clarify the principles of charging BD sales proceeds to the special ADF projects account.	PIU/ADB	December 2010

GUINEA BISSAU PORTFOLIO PERFORMANCE IMPROVEMENT ACTION PLAN

Preliminary Matrix of Generic Problems

<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
	Significant delays in the audit of operations	<ul style="list-style-type: none"> - Plan within the stipulated timeframes consultations for the recruitment of auditors - Ensure quicker inter-action between PIUs and the Bank on audit issues, including by electronic means to reduce the approval timeframes 	PIU PIU/ADB	Ongoing Ongoing
Procurement rules and procedures	Insufficient mastery of Bank procurement rules of procedures	<ul style="list-style-type: none"> - Conduct start-up missions within specified timeframes and envisage procurement training for executing agencies - Envisage procurement experts inside the PIU depending on the nature and complexity of the project - Ensure compliance with the provisions of funding agreements, project appraisal reports and procurement plans - Ensure compliance with Bank rules and procedures and the use of new standard procurement dossiers (September 2010 version) - Offer annual training on Bank procurement rules and procedures to PIU staff 	ADB/SNFO/BPN GVT/ADB PIU PIU ADB/SNFO	Project start-up Ongoing Project preparation
	Delays in the procurement process	<ul style="list-style-type: none"> - Revise procurement plans annually (PPM that should cover the next 18 months) and have them approved by the ADB - Use SNFO assistance to prepare procurement dossiers - Limit delays in processing procurement dossiers in accordance with the standard timeframes advocated by the Bank 	PIU PIU/SNFO ADB/SNFO/PIU	Ongoing Project implementation Ongoing
Operations management and monitoring	Frequent change of task managers at the level of the Bank	<ul style="list-style-type: none"> - Limit frequent changes of task managers at headquarters level and provide for an adequate arrangement within the department itself in case of change - Ensure as far as possible project monitoring by a Task Manager at SNFO. 	ADB SNFO/ADB	End 2008 End 2008

GUINEA BISSAU PORTFOLIO PERFORMANCE IMPROVEMENT ACTION PLAN

Preliminary Matrix of Generic Problems

<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
	Slowness in processing dossiers at Bank level	- Transmit regularly to the Bank/SNFO/BPN the list of matters pending for over two months	GVT/PIU/BPN	Ongoing
	PIU management	- Every PIU must ensure that it has basic tools at hand to manage a project, including a procedures manual approved by the Bank and an accounting software.	PIU	Ongoing
		- Every PIU must have a complete team including the required expertise in accounts and financial management, and in public procurements.	PIU	Ongoing
	Projects monitoring	- Continue quarterly meetings of PIUs organized by DGP	PIU/DGP	Quarterly
		- Further involve sector departments concerned and devise internal monitoring mechanisms for better ownership of activities.	GVT	Ongoing
		- Continue regular monthly meetings of PIUs with BPN	PIU/BPN	Monthly
		- Ensure regularity in sessions of project steering committees	GVT/PIU	Ongoing
		- Explore the possibility of further strengthening the role of SNFO services in monitoring projects in Guinea-Bissau (Task managers, disbursement service).	ADB	2011
	Late justification of the use of Special Account advance	- Project accounts must justify the use of the special account advance within six months following disbursement by the Bank.	PIU/GVT	Ongoing
		- Strict attention must be paid to supporting records based on Bank formats and ensure a complete filing of these records	PIU	Ongoing
	Late disbursements	- Assist PIUs in preparing disbursement requests.	PIU/ADB	Ongoing
	Limited number and duration of supervision missions	- Continue efforts to ensure the frequency and quality of supervision missions and envisage the required experts in the composition of missions	ADB/SNFO	Ongoing

GUINEA BISSAU PORTFOLIO PERFORMANCE IMPROVEMENT ACTION PLAN

Preliminary Matrix of Generic Problems

<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
	Communication between projects and the Bank and language problems	- Systematize the use of electronic mail and develop the services offered by the country office and SNFO	PIU/BPN/SNFO	Ongoing
	Lack of forethought and adequate corrective measures in project implementation	- Systematize mid-term reviews and, where applicable, make necessary adjustments and corrections - Intensify dialogue and consultation between the parties concerned	GVT/PIU/ADB GVT/ADB	Project mid-term Ongoing
Performance and impact measurement	Difficulties in appreciating the effects of project outputs Absence of culture of results	- Plan an in-depth training of PIUs in project monitoring/evaluation - systematically provide information on progress achieved towards the main indicators in progress reports to be submitted on time	GVT/PIU PIU	Ongoing Ongoing
Institutional coordination and communication	Continue communicating on operations financed by the Bank	- Better develop and more widely disseminate successful project activities - Ensure better communication and visibility on Bank operations in Guinea-Bissau	GVT/PIU/ADB GVT/ADB/BPN	Ongoing Ongoing
	Weak aid coordination by Government	- Implement the donor coordination mechanism (Aid Coordination Committee)	GVT	Ongoing

Matrix of Specific Project-Related Recommendations				
<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
Health II Project (PNDS)	Works of the National Simão Mendes Hospital	Finalize hospital works	PIU	Rehabilitation: end Dec. 2010 New constructions: end-March 2011
	Construction works of the Buba health centre	Finalize works of the health centre	PIU	end-December 2010
	Counterpart contribution	Settle debts on the Project's special account	GVT	As soon as possible
	Re-assessment of technical assistance needs	Forward correspondence to ADB proposing a reduction of the technical assistance envisaged in the Convention with UNOPS.	GVT	early-September 2010
	2008 audit was not validated And 2009 audit was not performed	Regularize the situation of both audits	PIU	Nov. 2010
	Bank's no-objection opinion on the bidding documents and short-list for the recruitment of a works supervision firm was notified to Government on 6 September 2010	Finalize this recruitment	PIU	As soon as possible
	Project accounts	Transmit to the Bank supporting documents of CFAF 34 389 753	PIU	November 2010
Fisheries Sector Support Project (PASP)	Renewal of the contract of STUDI (the works supervision firm)	Dispatch the no-objection opinion on the proposed additional clause on the STUDI contract extension	ADB	Early-November 2010
	Additional clause to readjust AGRER's technical assistance contract	Dispatch the no-objection opinion on the proposed additional clause	ADB	November 2010
	Counterpart contribution	Mobilize counterpart contributions for the operation of the project	GVT	As soon as possible
	2009 audit	- Reply to the auditor's correspondence on the 2009 audit report - Implement the audit recommendations	ADB PIU	Early-November 2010 December 2010
Education III Project	Project extension	- Considering the project outcomes, take a decision on the project extension request	GVT	End-October 2010
		- Confirm Bank's decision	ADB	Early November 2010
If extension is confirmed	- Finalize procurement dossiers	- Start-up school constructions - Assess the supervision firm - Finalize the recruitment of the consultancy firm tasked with design and technical studies and the supervision of rehabilitation works and equipment of vocational training centres	PIU PIU PIU	November 2010 November 2010 November 2010

Matrix of Specific Project-Related Recommendations				
<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
	- Project procedures manual	- Validate the manual	ADB	End October 2010
	- Counterpart contribution	- Place counterpart contributions at the disposal of the project.	GVT	As soon as possible
If project is not extended	- Complete works - Prepare completion report - 2010 Audit	- Explore possibilities of financing works on counterpart contributions - Recruit the auditor - Finalize the audit	GVT PIU PIU	November 2010 November 2010 December 2010
Project to Build Economic Management Capacity (PRCGE)	Reconstitution of 2006 -2010 project accounts	- Finalize the reconstitution of accounts	PIU	End November 2010
	Complete 2005-2010 accounts audit report	- Finalize the recruitment of the audit firm after Bank's no-objection opinion	PIU/ADB	December 2010
	Adjustment of technical assistance services	Renegotiate the contract with SNEDE firm to scale down the services requested for the remaining duration of the project	PIU	Early November 2010
	Completion report	Prepare the PAR	PIU	November 2010
Agricultural and Rural Sector Rehabilitation Project (PRESAR)	No major problems observed	- Continue with the same dynamism, focusing on operations on the sustainability of infrastructure and mechanisms in place	PIU	Ongoing until end 2011
	Funding gap and costs overrun noted in certain operations including those of Component A (rehabilitation of irrigation and rural infrastructure)	- Based on residual resources and actions remaining to be committed, submit to the Bank a proposal to revise the list of goods and services	PIU	End November 2010
	Difficulties in mobilizing counterpart resources	- Continue effort made in early 2010 (release of CFAF 20 million) while mobilizing the remaining counterpart contribution	MEPIR/MADR	Each fiscal year
Project to Build Administrative Capacity (PARCA)	Project steering committee	- Set up the steering committee and transmit related documents - Include the participation of ENA Director in the steering committee	GVT	As soon as possible
	Project account	Open a project sub-account	PIU	November 2010
	Installation of project team	Render the project premises operational	GVT	November 2010
	Project implementation	- Update the project implementation schedule - Adjust the project implementation duration and budget	PIU PIU/ADB	End October 2010 November 2010
	Synergy with other public administrative capacity-building projects	- Develop synergy in training	PIU	Ongoing

Matrix of Specific Project-Related Recommendations				
<i>Project</i>	<i>Problems Identified</i>	<i>Actions Required</i>	<i>Responsibility</i>	<i>Schedule</i>
Fiscal Reform Emergency Support Programme (PUARB)		- Validate the PEMFAR report and design comprehensive action plans on public finance management	GVT	15 November 2010
		- Take appropriate measures for the actual operation of organs tasked with monitoring public finance reforms, namely, the Programme Monitoring Committee and the Fiscal Reform Priority Actions Plan Monitoring Committee	GVT	December 2010
		- Re-launch with UNDP activities relating to the MTEF design	GVT	Last quarter 2010
		- Resume technical assistance meant to support the authorities in the MTEF design in 3 ministries (health, education and agriculture)	ADB/GVT	November 2010
Targeted Support	Technical assistance team	- Recruit experts covering the statistics and strategic planning components of MTEF design	MEPIR/UNDP	4th quarter 2010
	Training	- Start training administrative staff at ENA	International experts and ENA	
	Reports	- Submit to the Bank quarterly progress reports	MEPIR	Every quarter

Guinea-Bissau – Status of Implementation of Completion Point Triggers	
Trigger	Status of Implementation
1. Poverty Reduction Strategy Paper	
(i) “A full PRSP has been prepared through a participatory process and satisfactorily implemented for one year, as evidenced by the joint staff assessment of the country’s annual progress report.”	Implemented. Guinea-Bissau’s first PRSP, finalized in 2006, was prepared in a participatory process that involved all segments of society. The first APR, covering implementation of the PRSP in 2007-2008, was approved by the government in August 2009. A second APR was prepared in August 2010, covering PRSP implementation from July 2009 to July 2010. The APR indicates a satisfactory implementation of the PRSP during 2009-10. A JSAN on the second APR highlights the progress achieved, attributes part of the good performance to political and administrative stability, and identifies areas for further improvements. A second PRSP is in preparation, with a tentative publication date of March 2011.
2- Macroeconomic Stability	
(ii) “Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.”	Implemented. On May 7, 2010, The IMF Executive Board approved a three-year (2010-2013) arrangement under the ECF for Guinea Bissau. IMF staff will recommend that the first ECF review be completed together with the HIPC completion point document.
3- Governance	
(iii) “Satisfactory progress in strengthening public expenditure management assessed by the release to the Parliament and the public, twice a year starting in 2001, of comprehensive budget execution reports. These reports also will allow monitoring of basic education, primary health care and military expenditures.”	Waiver required for lack of continuous implementation since 2001. The government produced comprehensive budget execution reports in 2002; however, this effort was abandoned in 2003 due to continued political and institutional instability. Since 2009, the government has begun implementing its action plan to deepen public expenditure management reforms. In 2010, the government started publishing quarterly comprehensive budget execution reports, including its spending on basic education, primary health care, and military expenditures. Two quarterly reports have been published in 2010 for the first and second quarter, and they have been submitted to the Parliament and published in the local press.
(iv) “The action plan to reform the public procurement system has been implemented and the new system has been installed in all ministries.”	Implemented. A comprehensive overhaul of the procurement system in line with West African Economic Monetary Union (WAEMU) guidelines has been implemented under a 2009 action plan. It covers the entire administration and includes the passing of a new procurement law in April 2010, the creation of a regulatory authority, and the centralization of government purchases through the creation of a central unit of public procurement. In addition, an audit unit has been created to oversee the procurement transactions processed by the central unit. The requirement to establish public procurement units in each individual ministry was superseded by a new strategy agreed with IDA to pursue a more pragmatic, centralized approach to procurement that serves all ministries.
(v) “The findings of the external audit of the 1997–99 budget outturns have been submitted to Parliament and an action plan of corrective measures has been adopted.”	Implemented. The external audit of the 1997–2001 budget outturns was completed in 2002 and submitted to the Court of Accounts, the supreme audit institution that supports Parliament. As recommended by the audit, the government completed an inventory of domestic debt in 2008 and implemented measures to transition the public expenditure management system to WAEMU standards in 2009-2010. Under the WAEMU public expenditure management model, the authorities recently submitted the general administrative accounts for FY2009 to the Court of Accounts.
4- Education Sector	
(vi) “Elimination of fees for school books for all primary education students (grades	Implemented. In 2002, free primary education was introduced in public schools as part of the government’s

Guinea-Bissau – Status of Implementation of Completion Point Triggers	
Trigger	Status of Implementation
1–4) implemented in public schools.”	broader Education For All (EFA) program. Tuition and book fees were eliminated.
(vii) “Satisfactory implementation of the basic education action plan, measured by an increase in the gross primary school enrolment ratio to 61 percent.”	Implemented. The gross enrolment ratio increased from 53 percent in 1995 to 60 percent in 1999 and 102 percent in 2005. In 2009, gross enrolment reached 104 percent, and net enrolment (enrolled children between the ages of 6 and 12) was 67.4 percent.
5- Health Sector	
(viii) “Satisfactory implementation of the National Health Development Program, measured by an increase to at least 40 percent in the proportion of children under one year old fully vaccinated.”	Implemented. Sixty-two percent of children under 1 year old were fully vaccinated by end-2007 from about 25 percent in 1999. Provisional data for 2010 indicates that over 90 percent of children have been vaccinated. The second National Health Development Plan (NHDP), covering the period 2011 to 2017, was adopted in May 2010.
(ix) “Adoption of an action plan for malaria and its satisfactory implementation measured by an increase to 15 percent in use of insecticide impregnated bed nets by pregnant women.”	Implemented. A malaria action plan adopted in 2002 increased the use of insecticide-impregnated bed nets by vulnerable groups such as children under 5 and pregnant woman. In 1998, impregnated bed nets were used by only 5 percent of households. Eighty-one percent of children under 5 and 72 percent of pregnant women were sleeping under insecticide-treated bed nets by end-2007. According to the 2010 Multiple Indicators Cluster Survey (MICS), over 85 percent of families have at least one mosquito net.
6- HIV/AIDS	
(x) “Adoption of a strategic framework to fight against HIV/AIDS. At least 50 percent of the population at increased risk (age 14–29) made aware of transmission and prevention methods.”	Implemented. The government prepared the National Aids Control Programme (NACP) 2003–05 to reverse the progression of HIV/AIDS. Supported by the international community—in particular the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM)—the implementation of this program was satisfactory. In a 2006 survey, 87 percent of 15- to 24-year-olds indicated that they knew how HIV was transmitted. Progress has continued in recent years: according to the 2010 MICS, about 91 percent of women aged 15 to 49 have heard of HIV/AIDS, and 64 percent know that it can be transmitted from mother to child. About 52 percent of women aged 15-49 know at least one method of prevention and 34 percent are aware of three methods.
7- Demobilization Program	
(xi) “Demobilization has been successfully completed and discharged combatants are being reinserted into civilian life as established in the DRRP.”	Implemented. The government’s Demobilization, Reinsertion and Reintegration Program (DRRP), adopted in 2002, was successfully completed in 2006. The program had demobilized about 4,000 ex-combatants by September 2003. The final phase of reintegration was completed in 2006 and involved about 7,500 ex-combatants.