SAO TOME AND PRINCIPE :

COMPLETION REPORT ON THE COUNTRY STRATEGY PAPER, 2005-2009

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CORRIGENDUM

Paragraph 3.4.8: **Instead of** "…Compounding the specific and general problems are: i) weak capacity of officers and beneficiaries, ii) communication difficulties, iii) unsuitability of procurement methods to country conditions (isolation, limited number of goods, services and works suppliers, low demand) ; iv) predominance of Portuguese speaking countries, especially Portugal, in trade relations;

Read: "…Apart of specific and generic problems, others matters are: (i) weak capacity of human resources; (ii) difficulties of communication and (iii) inadequacy of modes of procurement to country real conditions (isolation, limited number of goods, services and works suppliers, low demand)".

Paragraph 3.4.9: **Instead of:** "…For its part, le Government has appointed a focal point at the Ministry of Planning and Finance to monitor the Bank's portfolio and serve as interface for dialogue between the country's authorities and the Bank"

Read: "…For its part, le Government committed to appoint a focal point at the Ministry of Planning and Finance to monitor the Bank's portfolio and serve as an interface for dialogue between the country's authorities and the Bank".

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This report was prepared following a mission to Sao Tome from 17 to 28 August 2009, led by Mr. G Galibaka, Principal Macro-Economist, SNFO (Ext. 6534), and comprising Messrs. Mohamed El Hansen, Governance Expert, OSGE, M.L. Kane, Agro-Economist, OSAN, B. Boulanouar, Livestock Specialist, OSAN, S. Veit, Environmentalist, OSUS and H. Kamoun, Financial Analyst, Consultant, OWAS. Further information may be obtained from F. Perrault, Director, ORWB (Ext. 2036), I. Koussoube, Lead Economist, ORWB, (Ext. 2158), G. Galibaka, Principal Macro-Economist, SNFO (Ext. 6534) and C. Bivar, CPO, ORWB (Ext. 3073)

ANNEXES

CURRENCY EQUIVALENTS

Currency	August 2005	August 2009
UA 1	STD 15 316.8	STD 24 863.6
UA 1	USD 1.45186	
USD 1	STD 10 549.78	

FISCAL YEAR

1 January to 31 December 2009

Weights and Measures

Metric System

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
AGER	:	General Regulation Authority
ANP	:	National Petroleum Authority
BCSTP	:	Central Bank of Sao Tome and Principe
CCGA	:	Aid Coordination and Management Agency
CCIAS	:	*Camara de Comercio, Industria, Agricultura e Serviços* (Chamber of Commerce, Industry, Agriculture and Services)
CFAA	:	Country Financial Accountability Assessment
CPAR	:	Country Procurement Assessment Report
CSP	:	Country Strategy Paper
CST	:	Sao Tome Telecommunications Company
EDF	:	European Development Fund
EDZ	:	Exclusive Development Zone
EITI	:	Extractive Industries Transparency Initiative
EMAE	:	*Empresa de Agua e electicidade* (Electricity and Water Company)
ENCO	:	National Petroleum Marketing Company
FONG	:	Federation of Non-Governmental Organisations
FSF	:	Fragile States Facility
GDP	:	Gross Domestic Product
HIPC	:	Highly Indebted Poor Countries
IMF	:	International Monetary Fund
INE	:	National Institute of Statistics
JDZ	:	Joint Development Zone
MAECC	:	Ministry of Foreign Affairs, Cooperation and Communities
MCC	:	Millennium Challenge Corporation
MDFM	:	*Movimento Democrático das Forças* da *Mudança* *(Force for Change Democratic Movement)*
MDG	:	Millennium Development Goals
MDGR	:	Millennium Development Goals Report
MLSTP	:	Sao Tome and Principe Liberation Movement
MPF	:	Ministry of Planning and Finance
MTEF	:	Medium-Term Expenditure Framework
NPRS	:	National Poverty Reduction Strategy
NTF	:	Nigeria Trust Fund
ORP	:	Poverty Reduction Observatory
PCD	:	Democratic Convergence Party
PFM	:	Public Financial Management
PIP	:	Public Investment Programme
SAFE	:	SAFE Computer Support System
SAFE	:	Government Financial Information Management System
SAFINHO	:	Budget and Financial Management Computer System
STP	:	Sao Tome and Principe
UNDP	:	United Nations Development Programme
WB	:	World Bank
WFP	:	World Food Programme

I. INTRODUCTION

1.1 This report assesses the results obtained in 2009 by Sao Tome and Principe (STP) following the implementation of the 2005-2009 Country Strategy Paper (CSP). During the CSP review, the Boards expressed concern about the poor macro-economic performance in 2004, reflected by a budget deficit of 20.6% of GDP, an inflation rate of 15% and a current account balance deficit of 61.5% of GDP. However, they welcomed the progress made in economic reforms, which led to the adoption of a three-year support programme by the IMF Poverty Reduction and Growth Facility (PRGF) in August 2005. They urged the government to strictly implement the programme measures to stabilise the macro-economic framework and reach the HIPC completion point in 2006, so as to benefit from additional debt relief. The Boards further welcomed the Government's commitment to improve governance, by making it a key factor of its National Poverty Reduction Strategy (NPRS). Lastly, with the oil era emerging, the Boards urged the Government to make good on its commitment by implementing transparent and efficient mechanisms for managing oil revenue; instituting more efficient and participatory policy, administrative and legal systems, and promoting a conducive environment for private sector development.

1.2 Implementation of the CSP was characterised by an uneven macro-economic performance, with growth hovering around a robust six percent, the budget deficit turning around, a double-digit inflation and the persistence of a worsening current account balance. In terms of economic governance, the STP authorities implemented reforms in an effort to achieve transparency and efficiency in public finance, streamline oil revenue management mechanisms and improve the private sector regulatory and fiscal framework. Politically, the Government enjoyed relative stability from July 2008, following nearly four years of institutional instability from 2005 to 2008, with four successive prime ministers.

1.3 Implementation of the CSP was seriously disrupted by this political instability, the impact of which could not be easily assessed due to lack of data, despite the existence of a National Institute of Statistics and the establishment of a Poverty Reduction Observatory. That notwithstanding, analysis of the documentation collected and meetings held on the ground with the technical departments and stakeholders contributed to assessment of the implementation of the two CSP pillars. Furthermore, the Bank grant towards building the capacity of the Poverty Reduction Observatory (ORP) has laid the ground for a solid monitoring/evaluation mechanism for the future.

1.4 This report is in six chapters, starting with the introduction. The second chapter gives an overview of recent political, economic and social developments. The third chapter examines the implementation of the Bank's assistance to STP. The fourth reviews Bank Group and the country's performance. The fifth chapter draws lessons for the next strategy and the last chapter gives conclusions and makes recommendations.

II. RECENT DEVELOPMENTS IN COUNTRY CONTEXT

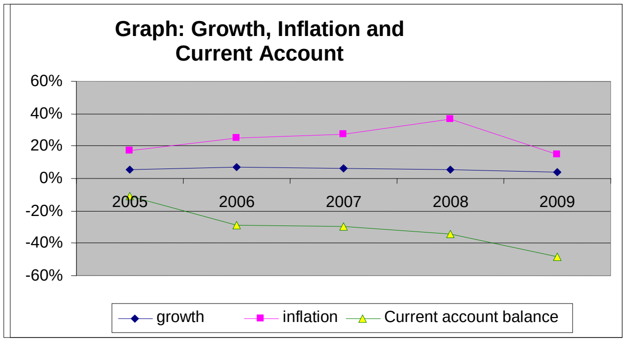
2.1 Political Developments

Three major events took place during implementation of the CSP. First, legislative, presidential and municipal elections were held in March, July and August 2006, respectively. The legislative and municipal elections were won by the President's party, the *Movimento Democrático das Forças* da *Mudança* (Force for Change Democratic Movement - MDFM), which, with the *Partido da Convergencia Democratica* (PCD) (Democratic Convergence Party), formed a minority government holding 23 of the 55 seats at the National Assembly. In July 2006, President Fradique de Menezes was re-elected for a second five-year term, having won 60% of the votes. His election plunged the country into a period of institutional instability, during which the country saw four successive prime ministers, three from 2005 to 2008. The fourth – the incumbent - has been in office since July 2008. The Bank's assistance strategy for the period under review was hampered by this institutional instability which affected the expected outcomes. Finally, the country has experienced relative institutional stability since July 2008 following the coalition of the *Movimento* de *Libertação de São Tomé e Príncipe* (MLSTP/PSD) (Movement for the Liberation of Sao Tome & Principe), MDFM and PCD. This coalition has parliamentary majority, with 43 of the 55 seats. It has drawn up a government programme, one of whose pillars is to restore the people's confidence in the institutions of the Republic. It is currently preparing the March 2010 legislative elections and the presidential elections slated for 2011.

2.2 Economic and Social Development

2.2.1 The period under review coincided with the revision of the country's Poverty Reduction Strategy (NPRS) and the conclusion of two IMF Growth and Poverty Reduction Facility (PRGF) - supported programmes (one covering the period 2005-2008 and the other beyond 2009). The NPRS aimed at halving poverty by 2010, achieving an annual GDP growth of 5% in real terms, promoting good governance and capacity building, significantly reducing disparities in social standards and gender among districts, between the island of Sao Tome and the autonomous region of Principe, and between rural and urban areas. The NPRS is built on five pillars, namely, promotion of good governance, accelerated and redistributive growth, development of human resources and improvement of access to basic social services, creation of income generation and diversification opportunities, and adoption of mechanisms to monitor, assess and update the NPRS. The programme of action emanating from the strategy as drawn up by the 13th constitutional government, has three main priorities: (i) guaranteeing food security by increasing domestic production and reducing outside dependence; (ii) improving basic infrastructures and curbing energy supply problems, and (iii) promoting tourism as the engine of economic growth.

2.2.2 ***Uneven macro-economic performance, with robust growth, budget deficit turnaround, double-digit inflation and increasing current account balance burden.*** During the period under review, the growth rate averaged 6% from 2005 to 2008, sustained by direct investments in construction, trade, tourism and the services sector. The growth rate is expected to drop to 4% in 2009 as a result of the global financial downturn and decline in foreign direct investments.



Inflation reached an all-time high of 37% in June 2008, following the rise in food and energy prices, but dropped below 15% in August 2009 following the strengthening of monetary policy.

The budget deficit (excluding oil revenue and grants) fell from 11% of GDP in 2005/2008 to 8.4% in 2007, 6.6% in 2008, and is expected to settle at 4.5% in 2009, with the consolidation of budget policy, despite coverage of part of household expenditure, stemming from rising food and energy prices. The current account deficit rose from 10.8% in 2005 to 28.8% in 2006/2007 and 34% of GDP in 2008. It is expected to climb further to 43% in 2009, due primarily to rising imports - a reflection of both the demand for capital goods and the effects of external shocks (increased food and energy prices). This deficit was entirely financed by FDI and external assistance. Despite the gains from the improved Heavily Indebted Poor Countries (HIPC) initiative and multilateral debt resources, Sao Tome and Principe remains a vulnerable country.

2.2.3 The first of the two IMF programmes (August 2005 - July 2008) carried out during the CSP implementation was conducted satisfactorily. The second (March 2009 - March 2012) is in the implementation phase. The second programme continues pursuing budget consolidation as well as a restrictive monetary policy entailing the judicious use of the exchange rate to check liquidity and curb inflation, in line with the new foreign exchange policy. The programme recommends pursuit of financial sector regulatory reforms to ensure stability and facilitate private sector development. Following the satisfactory implementation of the first programme and conclusion of the second, Sao Tome and Principe and Portugal signed, late June 2009, an economic cooperation agreement pegging the Dobra to the Euro. To sustain the Dobra's fixed parity to the euro, STP recently obtained a EUR 25 million line of credit from Portugal. The agreement will be effective from January 2010.

2.2.4 The global financial crisis had little impact on the country's financial system, as its banking system is dominated by a joint equity bank (the State and Portugal). However, the crisis prompted local banks to tighten credit terms for foreign companies wishing to invest in STP. In addition, external assistance was reduced.

2.2.5 **Economic governance**: During the period under review, STP authorities pursued a series of public finance measures and activities to: (i) draw up and launch two Medium-term Expenditure Frameworks (MTEF) – one general and the other sectoral (transport); (ii) decentralise the budget and financial execution for four pilot ministries; (iii) build capacity for macro-economic policy analysis and implementation; and (iv) set up an IT department, procure equipment, establish a data centre and install a network to connect the ministries through an integrated financial management system, and set up an accounts department. Furthermore, in January 2009, an account was opened at the Central Bank in line with the requirements for a single government revenue account at the Treasury; also, the wage bill for some 6,000 civil servants has been systematized in the country's commercial banks. The SAFINHO computerized system set up in 2006 is undergoing upgrade, and the budget has been opened up to external financing. The Bank and the World Bank conducted an appraisal of the public procurement system in 2006 and recommended firstly, the need to update procurement legislation, secondly update manuals and practical guides on the subject and thirdly, introduce a system to guarantee transparency in public procurement. These recommendations led to the drafting of the public procurement code, which was approved by a new public procurement law, with the publication of Statutory Decree 3/2009 dated 10 March 2009. The new code lays the ground for the coding of public procurement procedures, to bring them in line with international standards. However, it gives preferential treatment to local suppliers and special provisions for externally-funded operations. Lastly, it provides for the establishment of a procurement office at the Ministry of Planning and Finance, and an appeal authority at the Prime Minister's Office. The new organs are yet to be made operational, and the implementing provisions prepared and disseminated.

2.2.6 **Improving the business environment**: The STP authorities have adopted a new investment code (Law 07/2008 of 27 August 2008), which provides for a one-stop shop for setting up a business and cancels all registration taxes. The code further eases the tax burden (National Assembly Law 16/2008 and 17/2008) on companies, with the corporate tax reduced from 45% to 25%, and personal income tax from 20% to 10%. Initial attempts at public-private partnership have materialized in public works projects, tourism activities and service provision. The Government recently awarded the concession for the deep-sea port construction project to a private French operator. Furthermore, Sonangal, an Angolan firm, has been awarded the contract for the construction of an oil terminal to supply the sub-region under a BOT arrangement, and to renovate and modernize the Sao Tome port and airport, under a memorandum of understanding. Lastly, the Government recently agreed a strategic partnership framework with the private sector, to be fine-tuned and finalized in 2010. Despite these timid efforts, the country still occupies the bottom of the "Doing Business" table, ranking 180th out of 183 countries in 2009-2010 - a sign that its private sector is still in its infancy.

III. IMPLEMENTATION OF BANK GROUP STRATEGY AND RESULTS ACHIEVED AT END OF PERIOD

The Bank's intervention strategy in STP during the period 2005-2009 was based on two pillars: (i) poverty reduction in rural areas through diversification of the productive base and improved access to basic infrastructure; and (ii) promoting governance in public finance management through political and economic governance, sustainability of the macro-economic framework and implementation of the NPRS.

3.1 Status of Achievement of CSP Outcomes in 2009

The results of the first CSP pillar should be assessed on the basis of the developments in some MDG indicators and contribution by the Livestock Development Support II Project, the Human Resource Development Support Project and the Drinking Water Supply and Sanitation II Project to achieving these goals. The outcomes of the second pillar should be assessed following implementation of a series of political and economic governance reforms, sustainability of the macro-economic framework and assessment of the NPRS implementation.

Pillar I: Reduction of Rural Poverty

3.1.1 A striking feature of this pillar is its large size, both in terms of formulation and content. Two of the six MDG indicators adopted are under Pillar I (diversification of the productive base), and four under Pillar II (improved access to basic infrastructure). As Table 1 below shows, the six indicators adopted and related to the MDGs concerned, for Pillar I: the rural poor and youth employment rate; and for Pillar II: primary school enrolment rate, youth literacy rate, maternal mortality rate and assisted birth rate.

Table 1
Trend of Indicators Adopted for the Period 2005-2009

Indicators	Base Year	Activities Planned for 2009	Outcomes in 2009
Pillar I: Diversification of the Productive Base			
Rural poor	64.9 % (2001)	45%	Not available
Youth unemployment rate	60% (2004)	39%	Not available
Pillar II: Improved Access to Basic Infrastructure			
Primary school enrolment rate	60% (2004)	85%	84.1% (2007)
Youth literacy rate	83.1% (2002)	92%	84.4% (2005)
Maternal mortality rate	101.6% (2002)	88%	75.7% (2006)
Assisted birth rate	75% (2002)	75%	

3.1.2 Table 1 shows that data is lacking, making it difficult to assess the trend of indicators whose base years differ. Furthermore, in terms of outputs, there is no data for Pillar I. The base years for Pillar II are inconsistent, with no indicators for 2009, the target year, but rather for 2007, 2006 and even 2005. However, the information in Annex 5 and discussions with the technical services point strongly to outcome indicators for universal education and infant/maternal mortality.

3.1.3 Three operations should contribute to the achievement of the outcomes under this pillar. *The first is the Livestock II Project,* financed from ADF X resources and approved in April 2006. The project's sectoral objective was to increase food security, while its specific goal was to improve productivity of livestock rearing by building the capacity of the livestock department as well as that of beneficiaries. The project experienced problems related to changes in the supervisory body (which impacted negatively on the project's conduct and direction), lengthy delays in meeting loan conditions, a cumbersome procurement environment, with low international supplier interest, limited supply of goods and services at the national level and poor knowledge of the Bank's procurement procedures. All these constraints led to poor physical and financial implementation rates for the project whose completion date had to be postponed to 31 December 2012 to enable it achieve its objectives. *The second operation was the* ADF IX-funded *Human Resource Development Project.* The project's sectoral objective was to contribute to poverty reduction by improving the quality of human resources, job opportunities and incomes. Specifically, the project aimed to: build the capacity and enhance the productivity of institutions responsible for the design and execution of human resource development programmes; enhance and diversify vocational training and placement opportunities for youths and workers, and upgrade the knowledge and vocational skills of underprivileged women. The project experienced quality-at-entry challenges with frequent changes in the first-line officers involved in project monitoring, both at the supervisory (institutional instability) and coordination (Project

Implementation Unit) level, and lengthy delays in meeting conditions precedent to first disbursement. As a result of all these constraints, the physical and financial implementation rates were very low, rendering it impossible to assess the project's contribution under Pillar I. The Bank is currently examining a request for extension of the project completion date to 31 December 2012. *The third operation is the Drinking Water Supply and Sanitation Project.* The unstable political situation (frequent changes in supervisory institutions, dominance of electoral ambitions over issues concerning the sector, lack of institutional memory and ownership) made it difficult to identify and prepare the project. The new Government recently proposed its replacement with the Food Security Support Project, in line with the first pillar of its programme of action to promote food security and reduce dependence on external assistance. The identification of this project by the Bank's technical services is slated for December 2009 and its preparation and appraisal for the first quarter of 2010.

3.1.4**.** **The expected outcomes for Pillar I were not achieved overall.** The indicators were ill-informed and the pillar's overly ambitious formulation was also to blame. The future strategy needs to consider a limited and precise formulation of the pillars and adopt indicators for which reliable data is available. Furthermore, two of the three Pillar I projects are under implementation, and need to have their completion dates extended; the third one is being formulated and is expected to be implemented in 2010. However, the Bank's grant towards building the capacity of the Poverty Reduction Observatory has paved the way for better monitoring in years to come (cf. 3.1.12 of this report).

Pillar II: Promoting Governance in Public Finance Management

3.1.5 Pillar II comprised three sub-pillars: political and economic governance, sustainability of the macro-economic and financial framework and implementation of the NPRS.

A. Political and Economic Governance

3.1.6 A range of measures were to have been implemented under this sub-pillar in the areas of political and economic governance, public finance and the oil sector. For political governance, a major part of the period under review was affected by the aftermath of the 2003 coup d'état and the institutional instability that set in from 2005 to 2008. The latter part of the CSP implementation was a period of relative political stability, following the formation of a new coalition government made up of the MLSTP/PSD, the MDFM and the PCD, with a comfortable majority at the National Assembly. The 13th constitutional government that emerged from this coalition has already been in place for over a year and has formulated a programme of action (drawn from the NPRS), aimed, among others, at restoring the trust of the people in public institutions. The Government is also striving to encourage technical and financial partners to increase their support to the country. It is already preparing the next legislative elections slated for March 2011.

3.1.7 In the oil sector, oil revenue management mechanisms already exist, even though oil exploitation and production are yet to start. After the country joined the Extractive Industries Transparency Initiative (EITI) in 2004, an oil revenue mechanism, deemed as a model by industry specialists, was introduced. The National Assembly has also approved laws on oil operations and taxation, pending gazetting by the country's President in the last quarter of 2009.

3.1.8 In terms of economic governance and public finance, since 2006, the STP authorities, with support from the IMF and World Bank, have pursued a series of reforms aimed at transparency and efficiency, as stated in paragraph 2.2.5 of this report. That notwithstanding, STP has still not fulfilled the conditions precedent to budget support, and the operation planned to this effect was not implemented during the CSP 2005-2009 period. Implementation of the institutional support should stem from the governance profile, which was issued at the time of drafting the CSP completion report. Therefore, that support must be integrated into the future strategy. Overall, in addition to political governance and oil sector measures, public finance also requires more effort.

B. Sustainability of the Macro-economic Framework

3.1.9 Pillar II comprised measures to restructure the financial situation of the Electricity and Water Company (EMAE) and improve the legal, fiscal and regulatory framework for the private sector.

3.1.10 EMAE's financial situation of EMAE was not sanitized as the company is technically bankrupt, has accumulated losses, and is therefore unable to generate enough cash to operate normally. Worse still, it does not pay its taxes and is indebted to the oil distribution company, ENCO. All this has led to a cross debt crisis situation between EMAE, ENCO and the Treasury.

3.1.11 Measures taken to improve the environment for the private sector are inadequate. These include the new investment code, easing the tax burden for companies, plans to set up a one-stop shop and the draft strategic partnership agreement with the Government which needs fine-tuning. The latest "Doing Business" table ranks STP 180th in 2009 and 2010 for setting up business.

C. Implementation of the NPRS

3.1.12 NPRS monitoring was hampered by lack of data, and the budget's current presentation does not allow identification of poverty reduction-related expenditure. Therefore, monitoring could not be conducted. However, the Bank's grant towards building the capacity of the Poverty Reduction Observatory led to: (i) the introduction of an NPRS coordination and monitoring institutional framework; (ii) the establishment of a sector planning unit as ORP focal point at the ministries; (iii) the preparation of a monitoring/evaluation guide and training for its use; (iv) the preparation and harmonisation of national statistics system nomenclatures in line with international standards; (v) the formulation of a methodology for conducting surveys on the informal sector and consumer budget; (vi) training in setting up a database for monitoring NPRS and MDG indicators; and (vii) training of expenditure chain officers to identify pro-poor expenditure. *The grant's outputs have paved the way for implementation of the NPRS*. The system's effectiveness should contribute to the preparation of NPRS II, and in the long run, improve indicator gathering and monitoring. The Government should maintain and sustain the project gains.

3.2 Activities Other than Projects Selected

Four other activities other than Pillar II projects had been planned, namely review of the transport sector in the four Portuguese-speaking countries, including STP, the Integrated Fiduciary Assessment (IFA), the governance profile and the study on the cost of insularity for Cape Verde and STP. The study on the transport sector review for the four Portuguese-speaking countries was conducted in 2007 and the report for STP was published in 2008. The conclusions of this study were used by STP authorities to formulate the country's transport sector strategy and road programme, in line with the second priority of the Government's programme of action on improving basic infrastructure. The IFA was a joint effort by the Bank and World Bank in 2006-2007. The study findings were used by STP authorities to seek IMF technical assistance to improve public finance management. The governance profile study was started in 2006 and recently updated by the Bank's technical services. The study found that STP had still not met the conditions precedent to budgetary support. Lastly, the study on the cost of insularity is slated for the last quarter of 2009 and the findings will be used in 2010 for consideration in the Bank's 2010-2014 assistance strategy for STP. The study should further shed light on the issue of competitiveness in a small country like STP.

3.3 Issues Relating to Country Resource Allocation

Being a small country in terms of size and population, the allocation for STP may be considered as negligible. For the period under review, the country's allocation rose to UA 10 million, comprising UA 5 million under ADF 10 and UA 5 million under ADF 11, in loans and grants. The embryonic nature of the private sector makes it difficult for the country to access funds under that window. Ultimately, during the review period, the country received two investment projects for UA 8 million (Livestock II under ADF X and Food Security Support under ADF XI), as well as Balance of Payments Support to the tune of UA 1 million under ADF XI and four sectoral studies.

3.4 Portfolio Management Issues

3.4.1 ***The overall portfolio*** comprises 26 operations (15 projects, four studies, six institutional support projects and one special support) in net commitments amounting to UA 100 million under ADF (98.9%), and one Nigeria Trust Fund (NTF) operation for a net total of UA 1 million. These operations cut across all sectors – agriculture (24%), transport infrastructure (23%), multi-sector (22%), social (20%), energy, water and sanitation (9%) and telecommunications (2%). Ninety-four percent (94%) of these funds were in the form of loans and only 6% were in grants. At 1 September 2009, the total amounts disbursed for the entire portfolio stood at UA 84.29 million, or 84.6% of net commitments.

3.4.2 *The active portfolio* has only three operations, namely the Human Resource Development Project, Livestock II Support Project and the Balance of Payments Support Project (UA 1 million), approved in April 2009 in response to the food crisis and disbursed in a single tranche in August 2009. The Balance of Payments Support proved effective in the country's context, in terms of the promptness of the disbursement and response to the food crisis.

3.4.3 *The average age of the portfolio* is 5.1 years, with 3.3 years for Livestock II and 6.8 years for the Human Resource Development project. The disbursement rate is very low (17.2%), corresponding to an annual disbursement rate of 2.9%.

3.4.4 Following the portfolio review from 17 to 29 August 2009, **the performance was deemed unsatisfactory on the whole,** with an overall score of 1.97 on a scale of 0 to 3. The performance is down from the 2.02 scored for the previous portfolio review in 2002. This drop is mainly due to operational constraints relating to fulfilment of conditions precedent to entry into force, goods and services procurement and physical implementation of the project (cf. Annex 6).

Table 2
Portfolio Performance Rating (rated over 3)

Sector/ Operation	Fulfilment of Conditions	Procurement	Financial Performance	Activities and Outputs	IP Indicator (implementation)	DO Indicator (impact)	Overall Assessment	Risk
Comparison 2002 CPIP	**1.97**	**1.5**	**2.32**	**1.8**	**2.3**	**1.9**	**2.02**	**1/3**
Total 2009 Review	**1.95**	**2.0**	**2.0**	**1.75**	**2.12**	**1.92**	**1.97**	**0/2**
Rural Sector								
Livestock Development Support II	2.6	2.0	2.4	1.75	2.50	2.21	2.28	**Non PP**
Social Sector								
Human Resource Development Support	1.3	2.0	1.6	1.75	1.75	1.64	1.67	**PPP**

3.4.5 Table 2 above shows that the Livestock II Project is classified as non-potentially problematic (NPP), while the Human Resource Development Support Project is classified as potentially problematic (PP), with an overall score of 1.67.

3.4.6 Human Resource Development Support Project: This project of nearly seven years has had a very poor physical and financial implementation rate, mainly because of non-adherence to quality-at-entry, lengthy delays in meeting conditions precedent to first disbursement, frequent changes in key officers involved in project monitoring, difficulties in conducting procurement through international competitive bidding because of distance, the small market, the language barrier and poor knowledge of Bank procurement procedures. The project is currently delayed in terms of works, goods and services supply. The procedures manual is inappropriate as is the software used for the project accounting. To enable the project achieve its objectives, a specific action plan was jointly prepared by the two parties during the mid-term project review in June 2009 and portfolio review in August 2009 (cf. Annex 6) to provide concrete answers and ensure regular monitoring. Furthermore, a request for extension of the project completion date to 31 December 2012 is under consideration by the Bank.

3.4.7 Livestock II Development Support Project: This project has been ongoing for 3.3-years. It has a physical implementation rate of 8% and a disbursement rate of 16% (mainly for equipment, supplies and payment of PIU allowances). There is no procedures manual and the works have been delayed. Moreover, quarterly reports are not submitted regularly. The project has been supervised only twice since 2007 when activities started. The 2007 and 2008 audits have not yet been submitted to the Bank and recruitment of the consultant for the 2009 audit is yet to begin. While it has an overall satisfactory score (2.28%), the project has also been the subject of a special performance improvement plan.

3.4.8 The two projects have both specific and general constraints from start-up, management and monitoring to performance and impact assessment. Compounding the specific and general problems are: (i) weak capacity of officers and beneficiaries; (ii) communication difficulties (language, delays in mail transmission and inefficient internet connection); and (iii) unsuitability of procurement methods to country conditions (isolation, limited number of goods, services and works suppliers, low demand); and (iv) predominance of Portuguese speaking countries, especially Portugal, in trade relations.

3.4.9 The Bank and the country authorities are working closely to address all these constraints. At the Bank, discussions are ongoing to upgrade the National Programme Office, by staffing it appropriately and looking into the possibility of using the expertise of the UNDP Country Office to handle procurement. This will make for more regular portfolio monitoring, rigorous supervision, organisation of workshops on results-oriented culture and implementation of the NPRS. For its part, the Government has appointed a focal point at the Ministry of Planning and Finance to monitor the Bank's portfolio and serve as interface for dialogue between the country's authorities and the Bank.

3.5 Developments in Aid Coordination and Harmonisation

3.5.1 Official development assistance (ODA) accounts for 80% of the country's public investment programme (PIP). In spite of this, the country does not have a structured institution with access to data and information for analysing and managing aid. During the implementation of the CSP, two ministries were made responsible for aid management – the Ministry of Foreign Affairs, Cooperation and Communities (MAECC), in charge of bilateral cooperation and relations with the United Nations, and the Ministry of Planning and Finance, in charge of cooperation with international financial institutions. In early 2007, the STP authorities approved the establishment of an aid coordination and management agency (CCGA), which is under the two ministries.

3.5.2 Despite the establishment of this agency, coordination and complementarity of interventions were developed more with partners such as the IMF and World Bank, during field missions or by telephone or the internet, and with partners on the ground in Sao Tome (UNDP and another UN agency which hosts the Bank's Programme Office in the country, a few bilateral partners such as Portugal, Brazil, France, Taiwan and USA, through the Millennium Challenge Corporation (MCC), its focal point). The failure to operationalize the CCGA, the government's weak capacity in formulating sectoral and monitoring strategies for implementation of the NPRS and failure to participate in the ODA survey under the Paris Declaration impeded coordination of the interventions of development partners.

3.5.3 The ongoing public finance sector reform, which entails seeking external funding for the budget, holds good prospects for aid coordination and harmonisation. Partners like UNDP and Portugal, which are present in STP, should ensure the coordination of the interventions of development partners, while the government must strive to make the CCGA operational.

3.6 Country Dialogue Issues

During the CSP implementation, the Bank used the supervision, mid-term and project preparation and appraisal missions to hold discussions with STP authorities on: (i) improving portfolio performance; (ii) the criteria for country policy and institutional assessment (CPIA), with focus on public finance governance, including oil revenue management mechanisms and structural reform; and (iii) NPRS implementation and monitoring.

3.7 Consultations with Stakeholders

The CSP completion report preparation mission to Sao Tome held in-depth discussions with government agencies concerned by the implementation of the Bank's strategy. Working sessions were held with technical and financial partners in the country, namely UNDP and other UN agencies, the European Development Fund (for the European Union), Portugal, Brazil, France, Taiwan and USA, through the MCC focal point. Lastly, discussions were held with the Chamber of Commerce representing the private sector, the workers' unions and the federation of non-governmental organisations. The poor results posted for these institutions can be attributed to the institutional instability observed during the CSP implementation period and also to poor organisational, infrastructural and human resource capacity.

IV. BANK GROUP AND COUNTRY PERFORMANCE

4.1 Bank Group Performance

4.1.1 **In terms of design**: The Bank's strategy in STP over the period 2005-2009 was to meet the concerns of a small country that pinned its hopes on oil exploitation and faced serious infrastructural, institutional, organisational and human resource challenges. Pillar I was formulated too broadly. There was no oil production during the period under review. The results-based approach underpinning the strategy proved difficult to implement in a country beset by infrastructural, institutional and human resource constraints, lack of data and a results-oriented culture. These constraints render STP comparable to a fragile state, making it necessary to reactivate this status for the country and thus allow the use of the resources and the flexibility provided under Pillar III. Consequently, it is in order to rethink the design of the CSP and projects in this country by modelling them along more restrictive pillars and projects that address those rigidities.

4.1.2 **In terms of monitoring/evaluation:** Despite the selection of MDG-related indicators and the financing of the Poverty Reduction Observatory, the monitoring system failed to function because of the institutional instability and infrastructural, organisational and human resource weaknesses as well as the absence of a results-oriented culture, as illustrated in Table 1 of this report. Information could not be obtained on the six selected indicators and, therefore, the performance could not be assessed because of the lack of data. Furthermore, the mid-term review of the strategy could not be undertaken owing to the institutional instability in the country. The system introduced as part of the Bank's grant to the STP Government to build the capacity of the

Poverty Reduction Observatory, should ultimately contribute to improving the collection and monitoring of indicators.

4.1.3 The **Bank's National Programme Office** in STP did not play the role assigned it in the agreement between UNDP and the Bank. The Office needs to be strengthened with human resources - staffing with a fully bilingual research assistant, making use of UNDP/Sao Tome procurement expertise or making its staff and its coordinator undergo training both at Headquarters and some of the Bank's field offices (Dakar, Libreville) as well as in Sao Tome. Lastly, it would be advisable to consider attaching the Bank's STP National Programme Office, either to the Senegal Field Office, responsible for procurement and financial management of the STP Office, or the Gabon Field Office, due to its geographical proximity to STP.

4.2 Country Performance

4.2.1 **In terms of design:** The NPRS, from which the CSP was drawn, was prepared in 2002, promulgated by the President of the Republic in January 2003 and presented to the IMF and WB Boards in April 2005. The ensuing Priority Action Plan (PAP) covered the period 2006-2008 and was updated by the 13th constitutional government, in July 2008. The country participated actively in the choice of strategy during the preparation of the CSP in April 2005 as well as during its validation in July 2005.

4.2.2 **In terms of Implementation: In 2005, the** government established a national poverty observatory, which was tasked with implementing the NPRS, among others. Three years after setting up this institution, a review of the situation shows generally: (i) insufficient ownership of the NPRS process by stakeholders, particularly the organisational framework of the monitoring/evaluation mechanism for its implementation; (ii) a lack of consistency between sectoral strategies and the NPRS; and (iii) no linkages between sectoral PIPs. The institutional instability observed between 2005 and 2008, coupled with the infrastructural, organisational and human resource deficiencies seriously disrupted monitoring of the selected indicators as well as implementation of the Livestock II and Human Resource Development projects. As a result of this institutional instability, the DWSS II project selected under Pillar I was replaced by the Food Security Support Project (preparation ongoing). Nonetheless, some measures of the pillar have been implemented, mainly those relating to the introduction of oil revenue management mechanisms and improved public finance management. To address these shortcomings, the government has developed, with Bank support, a support project for implementation of the NPRS. This grant has helped to lay the groundwork for a proper monitoring mechanism for which the government must create the necessary conditions for its ownership.

4.3 Risk Management

4.3.1 The 2005-2009 CSP identified four risks that could hinder achievement of the expected results. These included the risk of macro-economic instability, risk relating to the management of oil revenue, risk of political instability and risk of a rent-based economy. The first two risks were controlled during implementation of the CSP. The measures contained in the two IMF-supported programmes helped to maintain overall macro-economic stability, in spite of the external shocks stemming from rising food and energy prices. The global financial crisis also did not disturb the macro-economic balances as the financial sector is dominated by a joint equity (the State and Portugal) bank with no links to any toxic capital. The risk relating to oil revenue management did not arise simply because the exploitation of oil did not start. Furthermore, the first bonuses received were utilised rationally because of the management mechanism instituted by the STP authorities – a mechanism recognised as a best practice model.

4.3.2 In contrast, the risk related to institutional instability had a negative impact on the outcomes of the strategy during the first four years. However, this risk is currently being controlled since the inception of the 13th constitutional government. With regard to the risk relating to a rent-based economy, the option adopted for diversifying the sources of revenue should contribute to its mitigation, with projects such as the second phase of development support and the food security support project under preparation.

V. LESSONS FOR FUTURE COUNTRY STRATEGY

Based on the above, the following lessons are to be drawn for the Bank's future strategy in STP:

5.1 Lessons for the Bank

i) Need to reactivate STP's fragile State status in order to allow the use of the resources and flexibility provided under Pillar III;

ii) Need to rethink the design of the CSP and projects in STP and to formulate the pillars clearly and concisely, while taking into account the country's limitations in terms of its infrastructural, organisational, institutional, human resource and procurement deficiencies;

iii) Need to match the number of pillars of the strategy with the level of allocation;

iv) Need to direct future strategy towards basic infrastructure;

v) Need to strengthen the National Programme Office of the Bank in STP and to attach it either to the Senegal Field Office or the Gabon Field Office;

5.2 Lessons for the Government

i) Need to operationalize the new procurement organs and submit to the Bank the new procurement code;

ii) Need to consolidate and sustain the gains of the ORP support project and continue strengthening it;

iii) Need to appoint at the Ministry of Finance and Planning, a focal point responsible for following up on the dialogue between the National Programme Office, the Bank and the Government;

iv) Need to operationalize the CCGA as well as the consultation framework between the government and development partners.

VI CONCLUSIONS

6.1 Conclusion

It was difficult to assess the results of the implementation of the Bank's strategy in STP because of the institutional instability and infrastructural, organisational, human resource and procurement constraints. Some progress was, nonetheless, recorded in the area of economic governance. Major efforts are needed in terms of capacity building, monitoring/evaluation, improved business environment and revamping of public enterprises. All these constraints render STP comparable to a fragile State, making it necessary to reactivate this status for the country and thus allow use of the resources and flexibility provided under Pillar III. It is in light of these considerations that the following recommendations are made for the Bank as well as the Government.

6.2 Recommendations

A. <u>For the Bank</u>

6.2.1 Reactivate STP's fragile State status in order to allow the use of the resources and flexibility provided under Pillar III;

6.2.2 Rethink the design of the CSP and projects in STP and formulate pillars clearly and concisely, while taking into account the country's limitations in terms of its infrastructural, organisational, institutional, human resource and procurement deficiencies;

6.2.3 Match the number of pillars of the strategy with the level of allocation;

6.2.4 Direct future strategy towards basic infrastructure;

6.2.5 Strengthen the National Programme Office of the Bank in STP and attach it either to the Senegal Field Office or the Gabon Field Office;

B. <u>For the Government</u>

6.2.6 Operationalize the new procurement organs and submit the new procurement code to the Bank;

6.2.8 Consolidate and sustain the gains of the ORP support project and continue strengthening it;

6.2.9 Appoint at the Ministry of Finance and Planning, a government focal point responsible for dialogue between the National Programme Office, the Bank and the Government;

6.2.10 Operationalize CCGA and institutionalize the consultation framework between the government and technical and financial partners.

ANNEXES

Annex 1

RESULTS MONITORING MATRIX OF CSP 2005-2009

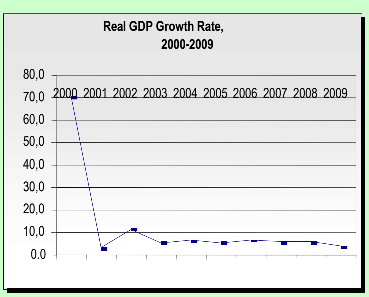
Drawn from Table 4 of CSP		
Long-Term Outputs	Expected Outcomes	Outputs
Pillar I: Reduction of Poverty in Rural Areas		
Diversification of productive base	-Proportion of rural poor drops from 64.9% in 2001 to 45% in 2009 - Youth unemployment rate drops from 60% in 2004 to 30% in 2009	- **Not achieved:** Data unavailable **-Not achieved:**
Improved access to basic infrastructure	- Primary enrolment rate rises from 69.3% in 2002 to 85% in 2009 -Literacy rate rises from 83.1% in 2002 à 92% in 2009 -Maternal mortality rate drops from 101.6% in 2002 to 86% in 2009 -Assisted births rate rises from 75% in 2002 to 85% in 2009	**-Likely:** **-Likely:** **-Likely:** - **Likely:**
Pillar II: Promoting Governance in Public Finance Management		
Governance and economic policies	-Oil revenue management mechanism introduced	- **Implemented**: STP has joined the Extractive Industries Transparency Initiative since 2004 and an effective regulatory mechanism has been put in place for prospective oil revenue. The National Assembly approved laws on oil operations and taxes in 2009 and these have been gazetted by the country's president
	-Transparent and efficient management of public finances	- **Ongoing**: The public finance reform, initiated since 2005, is ongoing. It ranges from budget planning and preparation, accounting and cash management to a reporting system.
	- Stable executive power for at least 1 year	- **Achieved**: The 13th constitutional government has been office since July 2008 (achieved)
Sustainability of macro-economic and financial framework	-Financial situation of EMAE stabilised	**-Not achieved**: Technically, EMAE is bankrupt with accumulated financial losses and it is unable to generate enough revenue to allow it to operate normally. Furthermore, the company has not paid its taxes and is indebted to ENCO, thus creating an EMAE-ENCO-Treasury cross-debt crisis situation
	-Private sector legal, fiscal and regulatory framework improved	- **Ongoing but tentatively:** Draft strategic partnership agreement between government and private sector, plan to set up a one-stop shop and easing the corporate (from 45% to 25%) and personal income (from 20% to 10%) taxes
	-Poverty reduction spending identifiable in budget	- **Partially achieved**
	-NPRS indicators refined and data available for monitoring	- **Partially achieved**

Annex 2

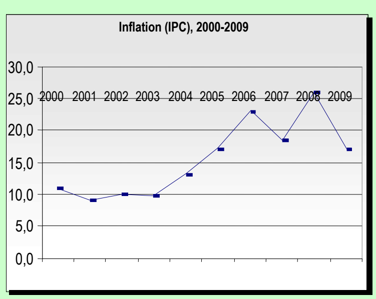
Key Macro-economic and Financial Indicators

Indicators	Unit	2000	2004	2005	2006	2007	2008	2009 (e)
National Accounts								
GNI at Current Prices	USD Million.	…	…	117	130	145	164	…
GNI per Capita	USD	…	…	760	840	920	1 020	…
GDP at Current Prices	USD Million.	76.7	107.7	114.8	125.4	145.3	176,3	188,5
GDP at 2000 Constant Prices	USD Million	76.7	99.1	104,8	111,8	118,5	125,3	130,3
Real GDP Growth Rate	%	70,6	6,6	5,7	6,7	6,0	5,8	4,0
Real Per Capita GDP Growth Rate	%	67,6	4,8	4,0	5,0	4,3	4,1	2,4
Gross Domestic Investment	% of GDP	26,1	41,6	35,0	51,4	31,4	28,6	37,1
Public Investment	% of GDP	15,5	26,5	14,4	2,4	-19,0	-17,9	…
Private Investment	% of GDP	10,6	15,1	20,7	48,9	50,4	46,6	…
National Savings	% of GDP	…	…	…	…	…	…	…
Prices and Money								
Inflation (IPC)	%	11,0	13,3	17,2	23,1	18,5	26,1	17,1
Exchange Rate (Annual Average)	Local currency /USD.	7 978,2	9 902,3	10 558,0	12 448,6	13 536,8	14 695,2	16 830,6
Monetary Growth, Annual Variations (M2)	%	24,9	1,0	45,4	72,0	3,0	28,4	-11,0
Velocity of Money (GDP/M2)	%	18,3	28,0	35,8	47,8	39,0	38,1	27,7
Public Finance								
Total Revenue and Grants	% du PIB	62,3	36,1	81,0	36,8	160,3	47,3	65,5
Total Expenditure and Nets Lending	% du PIB	89,6	51,9	44,0	50,5	39,9	32,7	52,9
Overall Deficit (-)/Surplus(+)	% du PIB	-27,3	-15,8	37,1	-13,7	120,4	14,6	12,6
External Sector								
Exports Volume Growth (Goods)	%	-63,7	-11,7	9,3	4,9	-3,4	11,2	-1,7
Imports Volume Growth (Goods)	%	13,0	4,1	8,4	20,4	5,0	13,7	-1,4
Terms of Trade Growth	%	86,0	-25,3	5,1	-8,2	-15,1	10,8	-4,9
Current Account Balance	USD million	- 13,4	- 18,1	- 11,8	- 36,1	- 43,5	- 50,8	-58,8
Current Account Balance	% of GDP	-17,5	-16,8	-10,3	-28,8	-29,9	-28,8	-31,2
International Reserves	Months of imports	3,2	4,2	5,3	4,6	4,9	…	…
Debt and Financial Flows								
Debt Service	% of exports %	21,8	69,7	75,6	65,8	1336,6	182,2	275,9
Total External Debt	% of GDP	400,7	303,0	282,8	258,8	105,8	69,6	40,4
Net Total Financial Flows	USD million.	36,2	31,9	31,9	25,2	12,6	…	…
Net Official Development Assistance	USD million.	34,9	33,4	32,5	21,5	36,0	…	…
Net Foreign Direct Investment	USD million.	3,8	3,5	15,7	37,5	35,3	…	…

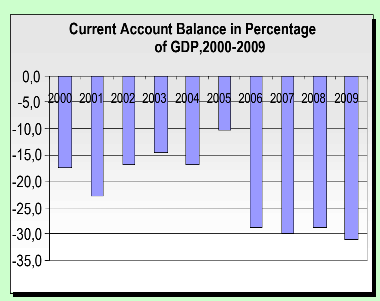
%



Real GDP Growth Rate, 2000-2009



Inflation (IPC), 2000-2009



Current Account Balance in Percentage of GDP,2000-2009

Source: ADB Statistics Department; IMF :Global Economic Prospects, September 2009 and International Financial Statistics, October 2009; Statistics Department Development Data Platform, October 2009; OECD, Division of Statistics Systems.

Notes: Data not available ‘(e) Estimates

Dernière mise à jour : octobre 2009

Annex 3

Ongoing Operations of the Bank

Sector/Operation	Source	Approved Amount (UA million)	Disbursed Amount (UA million)	Disbursement Rate (%)	Time-frame for Compliance with 1st Disbursement (months)	Age (years)	Risk*
Agricultural Sector							
Livestock Support Project II	ADF	4	0.725	18.1	5	3.3	**Non- PP**
Food Crisis Response – Balance of Payments Support		1	1	100	3		
Sub-Total/Average		**5**	**1.725**	**34.5**	**4**		
Social Sector							
Human Resource Development Support Project	ADF	4	0.654	16.3	48	6.8	**PPP**
Sub-Total/Average		**4**	**0.654**	**16.3**	**48**		
Sub-Total/Average *(projects subjected to review – excluding Balance of Payments Support)*		**8**	**1.38**	**17.2%**	**26.5**	**5**	
TOTAL/AVERAGE		**9**	**3.105**	**34.5%**	**18.6**		

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

<u>Annex 4</u>

Key Portfolio Performance and Management Indicators

Indicators	At Beginning of RBCSP Period (2005)	At end of RBCSP Period (2009)
Portfolio Assessment		
Number of projects under implementation	4	2
Average age (years)	2	5.9
Timeframe from identification to entry into force (months)	12	26.5
Percentage of problem projects	0	0
Percentage of projects at risk	33%	0
Total portfolio amount (in UA million)	10.28	8
Disbursement rate	18.6	17.2*
Portfolio Management		
Portfolio performance assessment (yes/no)	No	Yes
Average size of operations (in UA million)	4	4
Average supervision (number of missions)	1	1

* *Excluding balance of payments support*

Status of STP Progress toward MDGs

OBJECTIVES/TARGETS	OBJECTIVES/TARGET ACHIEVED?				SUPPORT ENVIRONMENT			
PAUVRETE EXTREME ET FAIM								
Reduce by half, by 2010, the proportion of the population earning less than $1 a day, and by two-thirds, by 2015	Likely	Potential	**Unlikely**	No data	Strong	Fair	Weak, but improving	Weak
Achieve full and productive employment and decent work for all, including women and young people	Likely	Potential	**Unlikely**	No data	Strong	Fair	Weak, but improving	Weak
By 2015, reduce by half the number of persons suffering from hunger	Likely	Potential	**Unlikely**	No data	Strong	Fair	Weak, but improving	Weak
UNIVERSAL PRIMARY EDUCATION								
Ensure that, by 2015, all boys and girls complete a full course of primary schooling	**Likely**	Potential	Unlikely	No data	Strong	**Fair**	Weak, but improving	Weak
GENDER EQUALITY								
Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015	Likely	Potential	**Unlikely**	No data	Strong	**Fair**	Weak, but improving	Weak
INFANT MORTALITY								
Reduce by two-thirds, between 1990 and 2015, the mortality rate among children under five	**Likely**	Potential	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
MATERNAL HEALTH								
By 2015, reduce by three-quarters the maternal mortality ratio	Likely	**Probable**	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
HIV/AIDS, MALARIA AND OTHER DISEASES								
By 2015, halt and begin to reverse the spread of HIV/AIDS	**Likely**	Probable	Unlikely	No data	**Strong**	Fair	Weak, but improving	Weak
Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it	**Likely**	Probable	Unlikely	No data	**Strong**	Fair	Weak, but improving	Weak
By 2015, halt and begin to reverse the incidence of malaria and other major diseases	**Likely**	Probable	Unlikely	No data	**Strong**	Fair	Weak, but improving	Weak

ENVIRONMENTAL SUSTAINABILITY								
Integrate the principles of sustainable development into country policies and programmes and reverse loss of environmental resources	Likely	**Probable**	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss	Likely	**Probable**	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
Reduce by half, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	Likely	**Probable**	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020	Likely	Probable	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
GLOBAL PARTNERSHIP FOR DEVELOPMENT								
Develop further an open, rule-based, predictable and non-discriminatory trading and financial system	Likely	Probable	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
Address the special needs of the least developed countries	Likely	Probable	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
Address the special needs of landlocked developed countries and small island developing States	Likely	Probable	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	Likely	Probable	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries	Likely	Probable	Unlikely	No data	Strong	Fair	Weak, but improving	Weak
In cooperation with the private sector make available, to all, the benefits of new technologies, especially information and communications	Likely	Probable	Unlikely	No data	Strong	Fair	Weak, but improving	Weak

Extracted from the STP 2nd National Report on MDGs, October 2008

STP: PLAN OF ACTION FOR IMPROVEMENT OF PORTFOLIO

KEY PROBLEMS IDENTIFIED & ACTIONS	*RECOMMENDATIONS*	*RESPONSIBILITY*	*DEADLINE*
SPECIFIC PROBLEMS			
LIVESTOCK DEVELOPMENT SUPPORT II PROJECT			
Delays in works implementation: Lack of capacity in the preparation of bidding documents, bid analysis and evaluation. Weak capacity of contractors and consultants. Difficulties in writing and communicating in French. Problem further worsened by recent resignation of long-serving TA expert	Strengthen supervision and monitoring in the preparation of bidding documents. Speed up the issuing of bid invitations and the signing of contracts. Intensify the training of project officers in rules of procedure for the procurement of goods and services. Arrange for the replacement of the long-serving expert, without delay	PIU /STPFO/OSAN AGRER /PIU /OSAN/Ministry of Agriculture	28 February 2010 31 December 2009
Weak capacity of officers Training of officers and DE technician	Approve training programme and select training facilities.	PIU /OSAN	31 December 2009
Weak capacity of beneficiaries Sensitization, organisation and training of beneficiaries and dissemination of livestock rearing methods. Animal research. Agreements with project partner NGOs	Implement activities set forth in agreements signed	Project Management	31 December 2009
Lack of manuals of procedures Manual of administrative, financial and accounting procedures. Manual of procedures for monitoring and evaluation	Arrange to launch bids for the recruitment of consultancy firms	PIU	31 December 2009

KEY PROBLEMS IDENTIFIED & ACTIONS	*RECOMMENDATIONS*	*RESPONSIBILITY*	*DEADLINE*
HUMAN RESOURCE DEVELOPMENT SUPPORT PROJECT			
Lack of capacity in procurement. Weak capacity of contractors and consultants. Difficulties in writing and communicating in French	Intensify the training of project officers in the area of rules of procedure for the procurement of goods and services Recruit a consultant procurement specialist for a period of one year to support the Bank's portfolio in the procurement process	PIU /OSHD	28 February 2010
Weak capacity of officers in charge of implementing project activities	Approve training programme and select training facilities	PIU /OSHD	15 January 2010
The manual of administrative, financial and accounting procedures in progress is not suitable for the project's organisation chart	Revise manual of procedures	PIU	15 February 2010
Project accounts in Excel	Procure integrated financial management and accounting software	PIU /OSHD	31 December 2009

KEY PROBLEMS IDENTIFIED	*REQUIRED ACTION*	*RESPONSIBILITY*	*DEADLINE*
GENERIC ISSUES			
Start-up of Operations			
Delayed start-up stemming from setting up of project implementation units	- Ensure availability of minimum material and operating resources at project start-up	OSHD/OSAN/Ministry of Planning and Finance	Permanent Task
Difficulties experienced by project implementation units to start and implement certain operational activities	- Recruit qualified and experienced staff, on a competitive basis, and draw up individual performance contracts, accompanied by an annual evaluation - Use launching phases of projects to build the capacity of PIUs - Develop regularly training and capacity building programmes for project teams	OSAN/OSHD/Ministry of Planning and Finance	Permanent task 30 mars 2010 Permanent task

KEY PROBLEMS IDENTIFIED	*REQUIRED ACTION*	*RESPONSIBILITY*	*DEADLINE*
Need to have manual of administrative, accounting and financial procedures and to install the accounting and financial system at the establishment of the project implementation unit	- Assist the PIU to have such manuals and accounting and financial systems and to receive training	OSAN/OSHD/Ministry of Planning and Finance	30 March 2010
Financial Aspects			
Major delays in conducting audits of operations	- Plan timely launching of bids for recruitment of auditors - Keep a scorecard for monitoring the auditing process	PIU PIU	Permanente Permanente
Procurement Rules of Procedure			
Poor knowledge of Bank rules of procedure for the procurement	- Conduct timely launching missions and make provision for procurement training for executing agencies - Get PIUs to use Bank's standard bidding documents - Depending on nature and complexity of project, make provision for a procurement specialist within the PMU - Conduct review of procurements for ongoing projects - Outline procurement plans and draw up a scorecard	OSAN/OSHD/ORPF Ministry of Planning and Finance/SNFO/ORPF SNFO/ORPF PIU /Ministry of Planning and Finance	Permanent task
Protracted delay in approval and signing of contracts	- Raise awareness of need to sign contracts in compliance with deadlines stipulated in procurement code and consider possibility of decentralisation in accordance with provisions of procurement code	Ministry of Planning and Finance/ORPF/SNFO	Permanent task
Widely known weakness of companies obtaining contracts	Draw up list of defaulting contractors and ensure diversification in award of contracts	Ministry of Planning and Finance	31 March 2010
Management and Monitoring of Operations			
Lapses in approval and monitoring of operations at the national level	- Greater involvement of relevant sectoral departments and develop internal mechanisms for monitoring activities	ORPF/SNFO/ORWB/	Permanent task
Weak responsiveness, lack of anticipation and inadequate	- Build the capacity of central supervisory departments and technical departments to enable them play an	PIU /OSAN/OSHD/ORW	Permanent task

KEY PROBLEMS IDENTIFIED	*REQUIRED ACTION*	*RESPONSIBILITY*	*DEADLINE*
corrective measures in project implementation	effective role in project monitoring - Accelerate setting up of portfolio committee	B/SNFO/Ministry of Planning and Finance	
Delay by Bank in issuing no objection	Reduce the number of projects per expert by developing larger-sized projects and empowering the planned focal point of ADB projects and DNIP	PIU /OSAN/OSHD/Ministry of Planning and Finance	Permanent task
Delay by the Bank in settling disbursement requests and failure to communicate credit advice and disbursement statements as well as delay in posting information online	Empower departments concerned	FFCO/OSAN/OSHD	Permanent task
Frequent change of Task Managers	Ensure proper handover and keep agencies and project implementation units informed	OSHD/OSAN	Permanent task
Performance and Impact Assessment			
Insufficient consideration of lessons and past experiences	- Capitalize more effectively on lessons of previous operations	PIU /OSHD/OSAN/Ministry of Planning and Finance	At preparation of PCR
Poor results-oriented management culture	- Ensure that monitoring-evaluation systems are based on a results-oriented management system and disseminate results using a communication strategy	OSHD/OSAN/ORQR	Permanent task