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Report No: PAD3161

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT

IN THE AMOUNT OF SDR 28.6 MILLION
(US$40 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GUINEA

FOR A

GUINEA SUPPORT TO LOCAL GOVERNANCE PROJECT

March 1, 2019

Social, Urban, Rural And Resilience Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2019)

Currency Unit =	Guinean Franc (GNF)
US$1 =	GNF 9,177
US$1 =	SDR 0.7139

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Hafez M. H. Ghanem
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ABBREVIATIONS AND ACRONYMS

ADL	*Agent de Développement Local* (Local Development Agent)
AFD	*Agence Française de Développement* (French Development Agency)
AIP	Annual Investment Plan
ANAFIC	*Agence Nationale de Financement des Collectivités Locales* (National Agency for Local Government Financing)
AWPF	Annual Work Program and Budget
ASA	Advisory Services and Analytics
PB	Participatory Budgeting
CE	Citizen Engagement
CENI	Independent Electoral Council
CERC	Contingent Emergency Response Component
CNC	*Celle Nationale de Coordination* (National Coordination Unit)
CNFPCE	*Centre national de formation et de perfectionnement des cadres et des élus* (National Training and Development Center for Managers and Elected Officials)
CPF	Country Partnership Framework
CR	Rural Communes
CRD	*Communauté Rurale de Développement* (Rural Communities for Development)
DA	Designated Account
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DPE	Prefectural Direction of Education
DPL	Development Policy Lending
EPA	Etablissement Public Administratif
EWRS	Early Warning and Response System
FCV	Fragility, Conflict and Violence
FGM	Female Genital Mutilation
FNDL	*Fond National de Developpement Local*, FNDL (National Local Development Fund)
FODEL	*Fond de Développement Economique Local* (Local Economic Development Fund)
GBV	Gender Based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gases
GIS	Geographic Information System
GoG	Government of Guinea
GRM	Grievance Redress Mechanism
ICR	Implementation Completion and Results Report
ICT	Information and Communications Technology
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IGF	*Inspection Générale des Finances* (Finance Controller Department)
IPF	Investment Project Financing
IRE	Regional Education Inspectorate
KPI	Key Project Indicator

LDP	Local Development Plan
LG	Local Government
MATD	*Ministère de l'Administration du Territoire et de la Décentralisation* (Ministry of Territorial Administration and Decentralization)
M&E	Monitoring and Evaluation
MFPREMA	Ministry of Public Service, State Reform and Modernization of the Administration
NGO	Non-Governmental Organization
NPV	Net Present Value
PACV	Village Community Support Project
PAI	*Programme Annuel d'Investissement* (Annual Investment Program)
PANAFIC	*Projet ANAFIC (*AFD-funded ANAFIC project)
PDO	Project Development Objective
PER	Public Expenditure Review
PFM	Procurement and Financial Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PM&E	Participatory Monitoring and Evaluation
PNDES	*Plan National de Développement Économique et Social* (National Plan for Economic and Social Development)
PPSD	Project Procurement Strategy for Development
PREMA	Program for State Reform and Administration Modernization
RMR	Risk Mitigation Regime
RRA	Risk and Resilience Assessment
SC	Steering Committee
SDG	Sustainable Development Goal
SLGP	Support to Local Governance Project
SORT	Systematic Operations Risk-rating Tool
SPD	*Services Préfectoraux de Développement* (Prefectural Development Services)
SRA	*Services régionaux de l'ANAFIC* (ANAFIC Regional Services)
STD	*Services techniques Départementaux* (Departmental Technical Services)
TA	Technical Assistance
WB	World Bank

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Guinea	Guinea Support to Local Governance Project	
Project ID	Financing Instrument	Environmental Assessment Category
P167884	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[✓] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[✓] Disbursement-linked Indicators (DLIs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[✓] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
22-Mar-2019	31-Oct-2024

Bank/IFC Collaboration

No

Proposed Development Objective(s)

To improve local government capacity in managing their public financial resources in a transparent and participatory manner, and in mitigating local conflicts

Components

Component Name	Cost (US$, millions)

Supporting the operationalization of the FNDL	20.00
Building institutions and capacity for inclusive and accountable local governance	15.00
Project management support	5.00
Contingent Emergency Response	0.00

Organizations

Borrower:	Ministry of Finance
Implementing Agency:	Ministry of Territorial Administration and Decentralization

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	40.00
IDA Grant	40.00

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	0.00	40.00	0.00	40.00
Total	**0.00**	**40.00**	**0.00**	**40.00**

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023	2024	2025

Annual	0.00	8.40	10.00	10.00	9.00	2.00	0.60
Cumulative	0.00	8.40	18.40	28.40	37.40	39.40	40.00

INSTITUTIONAL DATA

Practice Area (Lead)
Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas
Governance

Climate Change and Disaster Screening
This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?	
a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	High
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate

9. Other	
10. Overall	Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description
No later than five (5) months after the Effective Date, the Recipient shall recruit an internal auditor and an accountant for the PIU and an external auditor for the Project, all with qualifications and experience satisfactory to the Association.

Conditions

Type	Description
Effectiveness	The Project Implementation Manual, in form and substance acceptable to the Association, has been adopted by the Recipient.
Type	Description
Effectiveness	The Recipient has established a Project Implementation Unit and appointed a financial management specialist with skills and experience acceptable to the Association.
Type	Description
Disbursement	(for Category 1) No withdrawal shall be made unless any applicable Disbursement-Linked Indicators and Disbursement- Linked Results have been met by the Recipient satisfactory to the Association
Type	Description
Disbursement	(for Category 1) No withdrawal shall be made unless the Independent Verifier has been duly recruited and the Association has received from the Recipient the verified EEP Spending Report confirming that the DLI and DLR have been achieved.
Type	Description
Disbursement	No withdrawal shall be made for payments made under Category (3) for Emergency Expenditures under Part D of the Project, unless and until the Association is satisfied and has notified the Recipient of its satisfaction, that all of the conditions set forth in Schedule 2, Section III, B, c (i-iv) of the Financing Agreement have been met in respect of said activities.

I. STRATEGIC CONTEXT

A. Country Context

1. **Despite abundant natural resources, Guinea is one of the poorest countries in the world**. The annual per capita gross domestic product (GDP) is only US$531 (2015). Poverty stagnated at around 55 percent between 2002 and 2012. A series of external shocks, including the Ebola crisis and the sharp decline of commodity prices, has further exacerbated the poverty rate, which was close to 58 percent in 2014.[1] Furthermore, economic inclusion is hindered by the lack of job opportunities, limited access to rural infrastructure and services, especially for poor households, low agricultural productivity, and low human capital. Home to a population of 12.6 million (2015), Guinea is currently ranked 183rd out of 188 countries in the Human Development Index.

2. **The Ebola Virus Disease outbreak of 2013–2015 exacerbated the continued vulnerability of Guinean society and institutions and required a strong response from the government.** The disease infected over 3,800 Guineans and resulted in 2,536 dead. The human impact was aggravated by economic repercussions, in particular the continued fall in global commodity prices. The Government of Guinea (GoG) developed a post-Ebola recovery plan for 2015–2017 and has adopted the 2016–2020 National Economic and Social Development Plan (*Plan National de Développement Economique et Social*, PNDES). The overall objective of the PNDES is to promote strong and high-quality growth to improve the well-being of Guineans and initiate the structural transformation of the economy, while putting the country on the path of sustainable development. The PNDES strategy is based on four development pillars: (a) promotion of good governance for sustainable development; (b) sustainable and inclusive economic transformation; (c) development of inclusive human capital; and (d) sustainable management of natural capital.

3. **The economy is now recovering, led by sectors that were less affected by the Ebola epidemic, although per capita GDP growth is slower**. Real GDP growth reached 6.7 percent in 2017, supported by positive supply shocks in the mining sector, buoyant exports of bauxite and gold, a dynamic construction sector and good agricultural performance. Per capita GDP growth reached an estimated 4 percent, up from 0.8 percent in 2015. Inflation in 2017 is expected to remain moderate at 8.5 percent. Available data on imports suggests aggregate demand is also recovering.

4. **Though Guinea is not on the World Bank's harmonized list of fragile situations because it does not host a peacekeeping or political peace-building mission and has a 2017 CPIA of 3.2,[2] Guinea is a fragile country vulnerable to internal and external shocks.** The International Development Association (IDA 2018) has classified Guinea as an "exceptional FCV [fragility, conflict, and violence] risk mitigation regime," along with Niger, Nepal, and Tajikistan. Guinea has therefore been granted access to the IDA18 Risk Mitigation Regime (RMR), which is designed to provide eligible countries enhanced support to reduce risks of FCV. It aims to provide a dedicated financing mechanism to incentivize investments for prevention, and provide countries with additional financing of up to one-third of their indicative IDA18 allocation. The overall objective of the RMR in Guinea is to support Guinea's efforts to reduce the structural drivers of fragility and conflict that were identified in the 2017 Risks and Resilience Assessment (RRA), while supporting quick wins in a context of instability driven by social

[1] Country Partnership Framework (2018-2022).
[2] However, it is worth noting that with a 2017 CPIA of 3.2, Guinea is right at the threshold of the Bank's Fragile and Conflict Affected Situations (FCS) definition – and has gone below a 3.2 score in eight out of the past ten years.

discontent.

5. **Guinea faces a complicated set of interrelated drivers of FCV that need to be understood in terms of intersecting factors and not in isolation from each other.** Four key drivers of fragility have emerged from the 2017 RRA: (i) weaknesses in the delivery of services that undermine state legitimacy. Indeed, poor service delivery (whether in health, education, security, electricity or water provision) and the population's concomitant lack of support for state institutions constitute a key driver of fragility. Moreover, unregulated and rapid urbanization are also contributing factors that increase risks of political instability and social unrest; (ii) exposure to commodity price volatility. More than 80 percent of the country's foreign exchange derives from mining exports, mainly bauxite and iron ore, as well as gold and diamonds. The decline of global commodity prices, coinciding with Guinea's Ebola epidemic (2013–2016), had a severe impact on the economy. Also, popular indignation has focused on the Guinean mining sector, which most Guineans consider corrupt — despite the progress made in recent years by the Government to improve the sector's governance. Finally, although affordability has improved in recent years, Guinea's foodstuff remains costly and economic downturns have an immediate effect on the poor; (iii) youth exclusion and underemployment. Youth face a barely functioning education system and exceedingly high levels of structural unemployment and underemployment. Urban young men are playing a key role in Guinea's protests, and certain violence-prone and politicized youth milieus continue to pose a critical risk to political stability; and, (iv) the political instrumentalization of identity in a context of important social fault lines. Guinea's main political parties tend to be organized along ethnic and regional lines, and the political instrumentalization of identity exacerbates political conflicts. While ethnicity is socially unproblematic in everyday life, Guinea's experience with multiparty politics in recent years has been marked by worrying degrees of identity-based and political tensions.

6. **Such fragility can be exacerbated more broadly by weak social inclusion, including gender.** Indeed, gender inequality, in addition to youth exclusion, is a pressing concern if Guinea is to achieve its population dividend. Women face severe constraints in accessing resources, markets, services, and socio-political spaces (such as representation and participation in local development processes). The causes of gender gaps are multiple and include the limited investments in human capital, the lack of opportunities for income generating activities, and the limited access to good quality infrastructure and financial resources in rural areas. A number of sociocultural constraints also hinder women's potential to participate in economic activities. In their communities, women do not have the same level of decision-making power as men and have fewer opportunities to actively participate in decision-making bodies, resulting in women's reduced ability to shape the country's socio-economic development and lower per capita incomes, rendering them vulnerable to sexual and economic exploitation and social exclusion.

B. Sectoral and Institutional Context

The decentralization process in Guinea

7. **Poor service delivery outcomes in key social sectors (education and health) are a manifestation of the inequitable and inefficient allocation of public resources, and poor financial management of existing limited public funds**. Recent sector Public Expenditure Reviews (PERs), undertaken by the Bank in the health and education sectors (2015) and for the country (2017), highlight significant weaknesses in public financial management (PFM). Neither differences in population nor the poverty profiles of the regions can explain the wide disparity in public health expenditures across administrative regions. The 2015 Health PER notes that

decentralization in the health sector remains largely theoretical, since transfer of funds and responsibilities are delayed by capacity constraints at localities, especially in financial and human resources management. The 2015 Education PER similarly notes that at the local level, Regional Education Inspectorate (IRE) and Prefectural Direction of Education (DPE) heads lack the autonomy to manage resources. In fact, the rate of budget execution has declined since 2008 in spite of a policy towards decentralization.[3]

8. **The limited implementation of the decentralization reforms has created a divergence between policy and *de facto* reality on budget planning, allocation, and execution for basic services and infrastructure**. Significant legislation was passed in 2006 providing a framework for increased decentralization (*Code des Collectivités Locales*), however transfers of resources and responsibilities to the local councils have been very limited. Central transfers (1.2 percent of the national budget in 2014 and 0.5 percent in 2017, with an execution rate of 46 percent and 56 percent, respectively)[4] currently cover recurrent expenditures alone and local tax revenue mobilization is about US$2 per capita and per year (est. from 2009).[5]

9. **Support from international partners has been focusing on the pre-requisites and the building blocks of decentralization, and needs to be stepped up to have an impact on service delivery.** The ongoing third phase (2016-2020) of the Village Community Support project (PACV3), co-financed by the French Development Agency (AFD) and the World Bank (US$15 million), aims to strengthen the LG financing system and improve local service delivery in rural communes (CRs). Beyond promoting participatory approaches to local development and building the capacity of local councils, PACV3 has supported the creation of the National Local Development Fund (*Fond National de Développement Local*, FNDL) and the implementation of the funding provisions of the Mining Code. The Second Macroeconomic and Fiscal Management DPL (US$60 million, P161796) approved by the Board on July 31, 2018 included prior action such as the signature of the decree on the creation of the FNDL.

10. **A new impetus to the decentralization process has been given, embodied by the creation of the National Agency for Local Governments Financing (*Agence Nationale de Financement des Collectivités Locales*, ANAFIC) and the FNDL.** The 2012 National Policy Letter on Decentralization and Local Development (LPN / DDL) provides a clear roadmap for decentralization and local development.[6] The National Assembly adopted the revision of the 2006 Local Government Code in February 2017 to ensure coherence with the 2010 Constitution and further detail some aspects.[7] In addition, the 2013-amended Mining Code provides for the creation of the FNDL, replenished by 15 percent of the mining tax for local councils.[8] The 2019 Law of Finance (LoF) also includes a

[3] Even though more than 80 percent of Guinea's education budget is allocated to decentralized expenditures, regional and prefectural governments have no real access to these funds, as they are executed by central levels. Spending is often delayed because central agencies are reluctant to delegate resource management responsibilities to regional and local government entities. Even if spending authority is delegated, officials at lower levels of government have little control over spending as this activity is fully under the control of budget offices that do not report to the education ministries (World Bank, 2015).
[4] Evaluation de la gestion des investissements publics (PIMA).
[5] Country Partnership Framework (2018-2022).
[6] It is divided into five areas: (i) territorial development; (ii) deconcentration and decentralization; (iii) capacity building for decentralized stakeholders; (iv) fiscal decentralization, with the decision on a minimum percentage of the state budget to be allocated to municipal budgets, revision of local taxation and the establishment of a local development funding mechanism; and (v) piloting of decentralization.
[7] The Code provides important responsibilities to the rural communes for the management of local budget and technical sectors (33 areas of competency that include among others: land-use planning, economic development, social, educational, development of natural resources, etc). The revised code also provides for the creation of regions, redefines the modalities of control by the state and the principles of free administration by the local entities.
[8] The Mining Code provides: (i) the mandatory signature of a local development agreement between a mining company and neighboring local communities, which regulates mining companies' financial contribution to local development; (ii) the creation of a Local Development Fund replenished by tax revenues from mining companies; (iii) the introduction of the direct payment of annual taxes calculated according to mining companies' exploitation area and new tax revenue to each municipality concerned; and (iv) the allocation

budget allocation for ANAFIC, FNDL and investment budget transferred from line ministries to Local Governments (LGs). Finally, the long overdue local elections took place in February 2018 and most of the local councils were installed between end of 2018 and February 2019, demonstrating a new impetus for decentralization.

11. **The intergovernmental transfer system has been refined with additional texts in 2017-2018.** The law mainly relies on a general block grant for recurrent spending. The design is such that it should strictly compensate for the increase in the LG's responsibilities. Even though the 2006 Code provides the necessary legislation for LGs to also receive an exceptional grant for investment spending, in accordance with the local development plan, no central governments transfers to LG have been made for LG investment until the 2019 LoF. The 2011 mining code, amended in 2013,[9] the 2016 Finance Act and the Decree that created ANAFIC state that 15 percent of mining revenues should be allocated to LGs. Guinea created the FNDL, through the 2016 Finance Act. To manage this Fund, a public administrative body (*Établissement Public Administratif,* EPA), the ANAFIC was created in 2017 by Decree.[10] A General Director, a Deputy General Director and a Finance Controller have been named in 2018. The amount of the FNDL is estimated to increase to GNF 479.56 billion for 2020. This is due to the start of production of mining projects, such as the expansion project of CBG and SMB, the re-launch of ACG in Fria and the start of production of the ALUFER, COBAD and GAC projects.[11] The ANAFIC and FNDL are planned to be fully operational in 2019. The allocation formula for the FNDL has been drafted and should be adopted by Prime Minister order.[12] In addition to the FNDL, article 130 of the Mining Code specifies that mining companies: (i) will contribute 0.5 to 1 percent of their turnover to a Local Economic Development Fund (*Fonds de Développement Economique Local*, FODEL), depending on the type of mine; and (ii) will negotiate a local development agreement with communities affected by the mining project.[13] The decree[14] and ministerial decision[15] implementing article 130 were issued end of 2017 and confirm the alignment of the use of FODEL with LG local development plan. However, FODEL is managed by neither ANAFIC nor by LGs.

of a 15 percent mining tax to the financing of a local development fund targeting all communes in the country according to a distribution key yet to be defined.

[9] Loi L/2013/053 du 8 avril 2013

[10] Décret ANAFIC D/2017/298/PRG/SGG

[11] Source: Etude sur les ressources disponibles pour le FNDL et sur le coût de fonctionnement de l'ANAFIC, version provisoire, avril 2018.

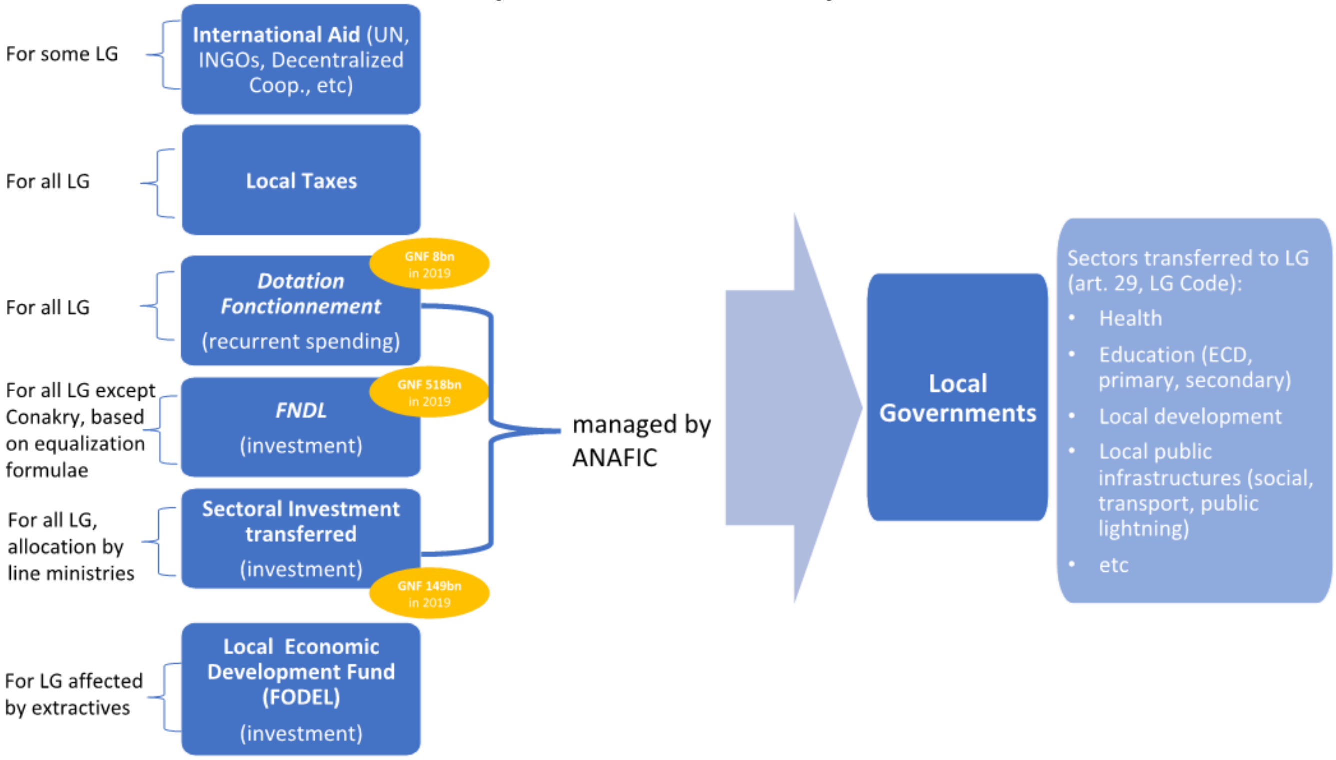
[12] The draft decree combined a minimum amount (forfeit) and a variable basis based on population.

[13] This agreement will cover provisions for training, environmental protection, and processes for the development of social projects

[14] Decret D/2017/285/PRG/SGG portant modalities de constitution et de gestion du FODEL, of Oct. 31, 2017

[15] Arrete conjoint A/2017/6326/MMG/MATD/SGG portant modalities d'utilisation, de gestion et de controle du FODEL of Nov. 22, 2017

Figure 1. Source of LGs Financing



12. **Challenges related to the capacity to undertake decentralized functions remain at the lower levels of government**. Past analytical work (World Bank, 2008) identified four factors that constrain LGs performance: (i) administrative parallelism or the parallel presence of deconcentrated and devolved levels of government (leading to redundancies, unnecessary complexity, and the blurring of lines of accountability); (ii) the inefficient distribution of roles and responsibilities between deconcentrated and devolved levels; (iii) oversight relationships (*tutelle*) that compromise LG autonomy and downward accountability to citizens; and (iv) weak coordination of actors in service delivery and development planning. The *Communautés rurales de développement* (CRDs) do not, in general, have qualified financial management staff. The personnel of technical ministries serving in the countryside are recruited and paid by the central government in Conakry. Civil servants tend to be concentrated in Conakry because living conditions are less favorable in rural areas and human resource management is not yet conducive for human resource allocation and retention outside Conakry.

13. **Synergies between deconcentration and decentralization in terms of development planning and execution have been planned for in 2017-2018 and need to be rolled out, especially for social services (education and health).** Investment funds programmed in the national budget for *communes urbaines* (CUs) and CRDs are spent at the deconcentrated level. Under the PACV3, CRDs have demonstrated their ability to manage investment funds effectively, and to collaborate with deconcentrated services for their planning (Local Development Plans, LDPs) and budgeting (Annual Investment Plans, *Plans Annuel d'investissement,* PAI). In parallel, the Government prepared with key ministries[16] the Plan 2D (deconcentration and decentralization) in 2017-2018 which will need to be rolled out in 2019-2021.

[16] Security, Education, Health, etc.

14. **The proposed project is catalytic for the broader decentralization and deconcentration reform agenda in Guinea**. It will foremost support the on-going decentralization reform, as part of a multipronged approach (PACV3 and ASA on citizen engagement), together with other partners (AFD and European Union), by accompanying the transfer of competences and resources to local level authorities through the operationalization of the FNDL and ANAFIC. It will directly build on the experience of the PACV3 and is closely coordinated with the AFD project (PANAFIC)[17], approved on September 26, 2018, that will support the operationalization of ANAFIC through equipment and staffing. There has been a strong sense of ownership from the Government of Guinea through PACV and MATD on the agenda, supported effectively by World Bank and AFD. The Support to Local Governance Project (SLGP) will build on this momentum in supporting the institutionalization of the decentralization reform in Guinea.

15. **Third Village Community Support Project ("PACV3" P156422):** In the country's context of fragility and insufficient capacity for effective decentralization, the ongoing PACV3, which constitutes the third phase of a three-phase program, plays a unique and critical role in rebuilding trust between the state and citizens. It does so by supporting participatory, inclusive local development processes, and by materializing local investments through direct financial and technical support to all 304 CRs in Guinea[18]. Over 1,500 micro-projects (schools, health posts, markets, health posts, etc.) have been completed according to each commune's development plan, developed through an inclusive, participatory process, which brought citizens and LGs together and strengthened their relationship. The PACV3 has a set of participatory and Citizen Engagement mechanisms in their activities and technical assistance to the LGs, raising awareness among the rural population of their role in local development. While the PACV has been successfully playing a catalytic role in the decentralization agendas on the ground and on the political level in Guinea, it has not been covering the urban communes, nor providing the financing to all the target LGs every year (the communes are receiving funds about every 2 to 3 years due to insufficient budget to cover all the LGs annually). The ANAFIC and the FNDL, as well as the SLGP's support will therefore scale up the PACV modality, both in terms of the geographical coverage (i.e. covering both Rural and Urban communes except Conakry) and in terms of frequency and volume of fiscal transfers to LGs (annually).

16. **Urbanization is also a challenge in Guinea, that the recently created ANAFIC will have to contribute to tackle.** Guinea has been urbanizing rapidly over the last decades, reaching an urbanization rate of 37% in 2015. The ANAFIC will engage for the first time with urban communes, which will require PACV3 practices to be adapted to the urban environment. The Bank-financed *Troisième Projet de Développement Urbain* (PDU3[19]) launched some urban, organizational and financial audits between 2007-12. Those need to be updated and expanded to other cities. PACV3 is currently financing a study on how to adapt participatory planning to urban LG. The results of this study will be integrated by the ANAFIC, as urban planning has specific characteristics in infrastructures, governance, and social capital due to population density, and will require heavier technical inputs to address the complexities of intervening in urban areas. The World Bank 2018 Guinea Urbanization Review showed that urban areas in Guinea are not yet acting as engines of growth and competitiveness. This review highlighted four key factors: (i) challenging business environment, (ii) Conakry's deficient connectivity system, (iii) obsolete and

[17] PANAFIC has been approved in September 2018, and will be complimentary to the SLGP in supporting the operationalization of the ANAFIC, while the two projects can and will operate without depending on each other in terms of implementation of the activities.
[18] The PACV program provides support to 100% (304) CRs in Guinea, and is currently not covering urban communes. The SLGP will expand support to include 33 urban communes, thereby covering a total of 337 LGs.
[19] Third Urban Development Project (P091297)

unenforced planning strategies, and rigid land markets; and (iv) the lack of institutional clarity and financial resources affecting service delivery.

C. Relevance to Higher Level Objectives

17. **The proposed project is aligned with the World Bank's twin-goals of ending extreme poverty and promoting shared prosperity.** The proposed project is also aligned with the Country Partnership Framework (FY18-23), in particular its first Pillar on "Fiscal and Natural Resource Management", which seeks to achieve "improved public fiscal and financial management" (CPF Objective 1) and "decentralization of service delivery, including health and education, and better engagement of citizens" (CPF Objective 2). In addition, the proposed project is directly linked to the CPF's emphasis on sustaining development outcomes by strengthening citizen engagement, local capacity and local planning processes in its operation, and will build on an on-going Advisory Services and Analytics (ASA) program on mainstreaming the citizen engagement approach. On gender, the project will have mechanisms and incentives for the LGs to increase access of women to decision-making in local governance which will both contribute to improving norms towards gender balance and influencing the local planning towards gender sensitive local public investment. Finally, as the SLGP will support activities in urban areas, the project will seek synergies with the Productive Inclusion and Systems Strengthening Programme (NAFA), currently under preparation in the Social Protection GP, which will implement Labor-Intensive Public Works in urban areas.

18. **The project is aligned with Risk Mitigation Regime's objectives.** In Guinea's context of fragility and building on PACV3's achievements, the project will play a unique and critical role in rebuilding trust between the state and citizens, by continuing to support participatory and inclusive local development processes, which bring together citizens and LGs and strengthen their relationship, but also by materializing local investments through direct financial and technical support, to all communes (local councils) in Guinea. The project will support activities designed to increase civic engagement and the inclusion of citizens in decision-making to reinforce the social contract. In line with RMR's objectives, the project will strengthen the capacity of local actors to manage conflicts through improved early warning and response system, building on local platforms (at LG level and community-level) and citizen engagement mechanisms.

19. **The project supports an approach** combining Community Driven Development (CDD) and Local Governance that focuses on citizen engagement, better governance for local service delivery and social cohesion to advance the decentralization institutionalization agenda, hence the cross sectoral nature of the proposed operation. Therefore, the project promotes a strong partnership between different Global Practices (GP): (i) the Social Development GP on CDD and citizen engagement; (ii) the Governance GP on civil service management and public finance management; and (iii) FCV on the RMR operationalization.

20. **The project is also aligned with the Government's "Program for State Reform and Administration Modernization"** (PREMA), implemented under the leadership of the Ministry of the Public Service, State Reform and Modernization of the Administration (MFPREMA). The PREMA's Executive Secretariat is in charge of the facilitation and coordination of public sector reforms and creation of a platform for participation and collaboration with civil society. Furthermore, the proposed project is aligned with the first pillar of the 2016-2020 PNDES that aims to promote good governance for sustainable development, and in particular with the second priority area on state efficiency that seeks to promote good administrative and local governance. This

priority area has five expected outcomes: (i) the quality of services delivered by the public administration is improved; (ii) accountability and transparency are strengthened both at central and local levels; (iii) the efficiency of local authorities in the provision of public services is improved; (iv) local development management is strengthened; and (v) participation and grassroots democracy are enhanced.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

21. The development objective of the Project is to improve local government capacity in managing their public financial resources in a transparent and participatory manner, and in mitigating local conflicts.

22. By doing so, the ultimate objectives to which the project expects to contribute are (a) improved local service delivery and (b) increased trust between state and citizens.

PDO Level Indicators

23. The following PDO-level indicators will measure progress towards achievement of the PDO:
   - LGs' FNDL investment budget execution rate (percentage)
   - Total number of direct beneficiaries (number), of which women (number)
   - Citizens who are satisfied with the investments made by LG in a participatory manner (percentage), and Citizens (women) who are satisfied with the investments made by LG in a participatory manner (percentage)
   - Reported risks of conflicts addressed by EWRS (percentage)

B. Project Components

24. **Component 1: Supporting the operationalization of the FNDL (US$20.0 million, SDR 14.3 million)**. The aim of this component is to provide incentives to improve the availability and management of resources at the local level of government by supporting reforms, aiming at strengthening the availability of resources transferred to LGs, and the accountability mechanisms for LGs' use of public resources. The FNDL is managed by ANAFIC, executed by LGs, and controlled by the Central Government, as follows:
   a. ***FNDL financing mechanism***. The sub-account at the Treasury of the FNDL is financed by the share of extractive industry taxes earmarked for LG and the ANAFIC is in charge of managing the FNDL execution and the transfers to the LGs, as per the joint-ministerial decision A/2018/521/MEF/MMG/MB/MATD/SGG with regards to the application of article 165 of the mining code. The 2019 Law of Finance (LoF) created the sub-account for the FNDL (*Budget d'Affectation Speciale*). The modalities of the transfer mechanism of the extractive revenue to the FNDL sub-account are to be detailed in a MEF-MB joint decision as per art. 11 of 2019 LoF.[20] The sectoral investment projects to be executed by LG have been attributed to the Investment Budget of the MATD in the 2019 LoF and ANAFIC will play a critical role in the execution.
   b. ***FNDL allocation.*** The ANAFIC will manage several financing windows for LGs, allocated as follow: (i) the

[20] Draft version of the joint decision states that extractive firms issue two different checks for the taxes subject to equalization: one to the FNDL account for the 15 percent going to Local Governments, one to the Treasury.

FNDL (15 percent of the mining tax)[21] subject to an equalization formula to be determined;[22] (ii) the sectoral investment budget is allocated according to line ministries sector planning; and (iii) the LG recurrent budget subsidy (*dotation de fonctionnement*) in MATD budget. The 2019 Finance Law provided for (i) GNF 518 billion (eq. US$56m) for the FNDL; and (ii) GNF 149 billion (eq. US$16m) for the sector investment budget and allocation modalities are being discussed.

c. ***FNDL transfer mechanism to LGs***. Modalities of the FNDL transfers to LGs[23] will be described in the missing regulatory texts and the ANAFIC's Operations Manual, and will fit into the planning and budgeting process of LGs: (i) LGs prepares a 5-year Local Development Plan, using participatory approach to gather citizens preferences and priorities, taking specific consideration to women and other vulnerable and marginalized individuals and groups, and finalizing the LDP with the deconcentrated services of the line ministries (*Service Techniques Departementaux* – STD) and their oversight authority - the MATD (*Services Prefectoraux de Developpement* – SPD); (ii) during the yearly preparation process of the Law of Finance, ANAFIC, based on the data provided by the Ministry of Budget, communicates to the LGs an estimation of the expected budget allocation they will benefit the following year; (iii) LG prepares their annual budget before the end of the fiscal year. Annual budgeting process includes the Annual Investment Plan (PAI), which takes into account the priority for investment set in the LDP. The SPD and STD are solicited for the finalization of the annual budget, including PAI, which is then validated by the relevant *sous-prefet* after being voted by Local counselors; (iv) once the LoF is promulgated and the FNDL allocation confirmed, ANAFIC informs LGs of their confirmed annual budget allocation; (v) LGs submit their PAI to ANAFIC, which reviews and confirms the eligibility of the PAI; (vi) ANAFIC releases financing progressively to LGs; and (vii) LGs solicits the technical support from the relevant deconcentrated services for investment projects' execution.

d. ***FNDL execution oversight***. LGs are accountable on finance management, including PIA and FNDL financing, to (i) the MATD through the SPD, (ii) the line ministries through the STD and (iii) the Treasury, the *Cour des Comptes* and the Ministry of Finance. Thanks to the citizen engagement on budget, LGs are also accountable to their constituencies. ANAFIC is also accountable to the MATD, the Ministry of Finance and Ministry of Budget through its Board which validates ANAFIC annual financial and activity reporting. ANAFIC annual reports will also be published online to ensure accountability to citizens. In addition, as a parastatal agency, ANAFIC can be audited by the *Inspection Générale des Finances* (IGF) and the *Cour des Comptes*.

25. The proposed Disbursed Linked Indicator (DLI) will provide the incentive to the government to operationalize the FNDL, the proper management of the FNDL – from programming to execution. The four Disbursement-Linked Results (DLR 1-4) listed below will (i) ensure the legal framework is completed to ensure FNDL provisioning and disbursement; (ii) demonstrate FNDL disbursement mechanism is effective; (iii) the FNDL financing is actually used and executed by a majority of LGs; and (iv) the FNDL financing is effectively executed by most LGs[24].

[21] Draft version of the Prime Minister Decision proposed a fixed basis and variable based on capita.
[22] The 15 percent of extractive tax to the FNDL are estimated at GNF518 bn (US$56m)
[23] Based on FNDL transfers, LGs are expected to deliver the following types of services: infrastructures and equipment in the education, health, sanitation and water, transport sectors; income-generating activities for women; support to production activities (intensive farming, fishery…). This is non-exhaustive list and further details will be provided in the project implementation manual.
[24] Under the PACV, experience across the three phases show that the local-level investments chosen and realized by the LGs with strong participation by citizens have been concentrated around education, health, markets, and water facilities. The SLGP, while monitoring LGs' general execution rate of the FNDL funding through the DLRs, expects that the FNDL funding will also

Table 1: Disbursement Linked Results (DLRs)

Disbursement-Linked Results	***Years of likely achievement***	***Amount (in US$ and in SDR)***	
DLI: Operationalization of the FNDL	**2018 baseline: no transfers from FNDL to LG**	**US$20 m**	**SDR 14.3 m**
DLR 1: Regulatory texts to operationalize FNDL are signed (Decisions clarifying FNDL account provisioning, allocation, execution modalities, ANAFIC Operational Manual approved by ANAFIC Board) and FNDL account has effectively been opened and funds transferred thereto	By December 2019	US$2 m	SDR 1.43 m
DLR 2: FNDL real annual disbursement > 70%	By December 2020	US$4 m	SDR 2.87 m
DLR 3: 200 LGs have disbursed for appropriately authorized purposes more than 50% of their FNDL transfers	By December 2021	US$7 m	SDR 5 m
DLR 4: 300 LGs have disbursed for appropriately authorized purposes more than 60% of their FNDL transfers	By December 2022	US$7 m	SDR 5 m

26. The FNDL is a new mechanism both for central and LGs. It is important to note the central role of the SPD and STD, as well as the Ministries of Finance and Budget at central and deconcentrated levels to operationalize the FNDL financing, the transfers to LG and the execution by LG. The necessary technical assistance and capacity-building activities associated with the FNDL successful operationalization will be provided through the component 2.

27. **Eligible Expenditure Programs (EEPs)**. An analysis of the program budget identified the following EEPs as suitable for project financing: salary and wages. Total EEPs and disbursement by year is shown in the table below.

Table 2: Eligible Expenditure Programs *(Based on exchange rate of GNF1.0 = US$0.063*)

Identified Eligible Expenditure Program	***Finance Law***			***Eligible Expenditure Amount (US$ M)***				
EEP Budget	2016	2017	2018	2019	2020	2021	2022	Total
Salaries and benefits of targeted civil servants at central level (MATD)	64.3	62.4	67.9	67.9	67.9	67.9	67.9	271.6
Salaries and benefits of targeted civil servants at deconcentrated level (MATD)	64.6	70.6	78.9	78.9	78.9	78.9	78.9	315.6
Total **(US$ M)**	128.8	132.9	146.8	146.8	146.8	146.8	146.8	587.2
Disbursement of Component 1 (US$ M)	-	-	-	2.0	4.0	7.0	7.0	20.0
DLI as percentage of EEP	-	-	-	1.3%	2.7%	4.7%	4.7%	3.4%

contribute to promotion of the provision and quality of basic services such as health and education, combined with its TA under the Component 2 on better coordination between the LGs and the deconcentrated services, in M&E (including data management) and in planning steps.

28. **Verification Protocols.** An independent verification agency will be contracted on a yearly basis and will conduct third party verification for all project DLRs prior to their submission to the World Bank. The World Bank will retain the right to make the final decision on whether a DLR has been achieved or not, and may undertake regular independent quality assurance checks of selected DLRs to ensure continued robustness of the system. The independent verification agency will progressively build the capacity of the Finance Controller department (*Inspection Générale des Finances* – IGF) and of the Audit Bench (*Cour des Comptes*) to produce and validate the verification report. The last verification report submitted to the World Bank will be officially produced by the IGF and validated by the *Cour des Comptes.* The independent verification agency will confirm the report was produced following the verification protocol.

29. **Component 2: Building institutions and capacity for inclusive and accountable local governance (US$15.0 million, SDR 10.73 million).** The component aims to support the implementation of the inclusive and accountable decentralization process through the following three complemental sub-components.

30. ***Sub-component 2.1: Strengthening and digitalizing LGs Public Finance Management (US$5.0m).*** The sub-component will support technical assistance, training, studies and relevant equipment to strengthen the capacity and functions of LGs to better manage their public finance and will include the following activities.
    a. ***Support the implementation of the Integrated Financial Management Information System (IFMIS) software SIM_BA in all LGs:*** Currently, financial reports do not allow for a proper analysis of budget expenditures, which constitutes a serious constraint to the effective management of LGs' financial resources. The project will finance an installment of an accounting and budget management software package SIM_BA, a power supply (solar kit), as well as training sessions for LGs to implement the IFMIS.
    b. ***Strengthen the capacity of stakeholders in local PFM.*** The project will finance a series of training programs of all LG cadres, SPD, STD and oversight institutions (MATD; *Direction du Trésor; Cour des Comptes*) in local PFM (planning, accounting and financial reporting, procurement, revenue mobilization). The training will be conducted in partnership with the National Training and Development Center for Managers and Elected Officials (*Centre National de Formation et de Perfectionnement des Cadres et Elus,* CNFPCE),[25] with specific consideration for training women and gender-based budgeting.
    c. ***Strengthen feasibility study for complex project and urban planning*.** The project will finance (i) economic and technical assessment of planned local investment projects that are complex, most likely in urban contexts; and (ii) larger urban planning studies. It is expected that these studies will provide relevant data on infrastructure and equipment, as well as on the level of services provided to the inhabitants, and that these data will be integrated into the participatory planning of priority investments.[26] First, the feasibility studies will be financed based on a first come, first served basis, and as needed.[27] The Terms of Reference (TORs) of the urban planning studies will be based on the urban, organizational and financial audits undertaken, as part of the Bank-financed PDU3 project between 2007 and 2012. The urban planning studies will be carried out on a first sample of municipalities composed of at least eight LGs, that would cut across the four natural regions of Guinea (*La Guinée Maritime, La Moyenne-Guinée, La Haute-Guinée, and Guinée Forestière)*. The selected sample will take into account various indicators representative of the diversity of situations (the size of cities and functional profile (capital city, mining town, Conakry

[25] Areas of training will include for example: safeguards, gender, conflict mediation, procurement, financial management, leadership, and management… This will be further elaborated in the project implementation manual.
[26] Participatory planning tools developed by the PACV3 are being adapted to the specific situations of urban LGs
[27] It should be noted that most of the LG investment projects are basic infrastructures or maintenance, and do not require extensive feasibility studies.

extension)).

31. ***Sub-component 2.2: Support to decentralization implementation (US$5.0m).*** This sub-component will contribute to strengthening the decentralization process and legal framework through studies, technical assistance, capacity-building and provision of equipment, and will include the following activities.
    a. ***Strengthen capacity of the national and local level governments on decentralization implementation.*** The project will conduct a series of training for the key national and local actors on decentralization, complemented by provision of some relevant equipment. At the national, regional and prefectural levels, the project will support the training of MATD staff and key sectoral ministries whose functions are being devolved to LGs. At the prefectural and LG level, the project will strengthen the capacity of SPDs/STDs to enable them to provide local technical services to LGs (with some equipment). A training plan and modules for SPDs and ADLs that were developed by the PACV3 will be implemented by the CNFPCE. The topics to be covered would include: (i) LG revenue mobilization; (ii) local development coordination with regional and district services and sectoral ministries, including through updating the Local Development Database[28], contributing to sectoral programming and Medium-Term Expenditures Framework elaboration, and to the monitoring of Investment Budget execution; (iii) local civil service management (*fonction publique territoriale*); (iv) urban development, and; (v) cross-cutting topics such as on gender and social inclusion, and on climate and disaster risk management in the context of local development.
    b. ***Enhance database management and harmonization on decentralization.*** The PACV3 supported the MATD Development Strategy Office through the adaptation of its database and IT equipment and the development of the M&E manual. This subcomponent will support the internalization of this manual by central, regional, prefectural and local staff, through provision of capacity building training to technical services managers at the different levels (to collect, process and transmit the data needed for the operationalization of the database that will be installed at the regional and prefectural levels), and some relevant equipment (such as solar kit and IT equipment). The upgrading of the database management will be done with enhanced ICT solutions, such as with mobile-based data collection, as explained in sub-component 2.3.
    c. ***Support designing and implementation of the LG performance pilot.*** The sub-component will also provide the technical assistance and studies required to define, implement and assess the LG performance pilot, which will reward the best LGs every year to incentivize LGs to improve their performance. Specific activities to be financed will include: (i) the technical assistance to design the pilot mechanism, such as the criteria to monitor LG performance (based on country legal framework, PNDES priorities and lessons from peer countries), the data collection methodology that ensures the ownership of the relevant line ministries and LGs, and the type of incentives for LG to participate and to improve their performance from one year to another; (ii) the reward for the best performing LG every year, ranging from specific training, equipment or participation to relevant international events, and (iii) knowledge sharing and learning activities from the pilot.

32. ***Sub-component 2.3: Citizen Engagement and Community-based Early Warning and Response System (EWRS) (US$ 5.0m).*** This sub-component will support scale-up and improvement of citizen engagement and EWRS activities that have been piloted under the PACV3, with strong emphasis on ICT. Furthermore, all relevant training and monitoring activities under the sub-component will be conducted with an emphasis on social inclusion, including gender, youth, elders, and people with disabilities. The sub-component is closely linked to the RMR (see Annex 2 for more details).

[28] The local development database will include geo-tagged data on local-level investments made and their function.

a. ***Scale up and strengthen Citizen Engagement.*** Under the second and third phases, the PACV has developed and implemented citizen engagement mechanisms, with the objective of fostering at the local level transparency, accountability, community participation and oversight of public management. The sub-component will contribute to the scaling up and mainstreaming of participatory approaches tested under PACV3 by financing technical assistance, capacity building, and peer learning, with provision and adaptation of Information and Communication Technologies (ICT) for improved efficiency and accessibility. More specifically, the subcomponent will support:
   - *Enhancement of the national-level call center and GRM:* the PACV has set up a national-level call center since September 2018, where any citizen can call the dedicated number to provide feedback or to ask questions on the project activities. The project will expand the contract with the call center to strengthen its use, for: a) conducting beneficiary surveys on the project and on key basic services; b) incorporating a SMS platform for better accessibility and for closing the loop (linked to the linked to the EWRS). The subcomponent will also facilitate dialogues with the key stakeholders for institutionalization and transparency of the GRM.
   - *Participatory Budgeting and its data visualization for transparency:* the PACV has piloted Participatory Budgeting in 132 LGs in rural Guinea. This sub-component will complement the activity by providing training on visualization and disclosure of the participatory budgeting exercise to the MATD and other key national and local governments, using OpenSpending platform[29] for enhanced transparency and accountability of the local budgeting processes.
   - *Participatory Monitoring and Evaluation (PM&E):* similar to the Participatory Budgeting, the PACV has scaled up their PM&E to 132 LGs by January 2019. To better incorporate voices of the citizens gathered in the PM&E process, the project will facilitate dialogues and engagement between the LGs and their deconcentrated line ministry focal points on key basic services such as education and health.
   - *Mobile-based data collection and geo-localization of the local-level investments:* while the geo-localization of local-level small infrastructures with key management and operational data has already been launched under the PACV3 using GPS devices, the SLGP will provide smartphones and specific training to the ADLs and other key local stakeholders to collect and utilize the data more effectively. This activity aims to facilitate: a) accurate and speedy data collection and supervision of key services and infrastructures at the LG level; b) improved transparency of local-level investments of ANAFIC by disclosing the data on a publicly accessible website, and; c) informed decision-making and development planning for the LGs.

b. ***Community-based Early Warning and Response System (EWRS).*** The sub-component will finance technical assistance, capacity-building and learning activities to implement a community-based Early Warning and Response System (EWRS) focusing on the prevention and resolution of local conflict. The project will build on the pilot which is being implemented by the PACV3 in 7 LGs[30], refining it and expanding its coverage to the whole country in the course of the SLGP (cf. Annex 2). The EWRS will: (i) ensure real-time monitoring, geo-localization and analysis of specific indicators to monitor potential risk on a diverse range of local conflicts; and (ii) support response mechanisms that are adapted to identified risks[31]. Activities will include capacity building of community and district, regional and central level of government aiming at: (i) strengthening local systems and capacities for peace; (ii) supporting the inclusion of conflict prevention

[29] *https://openspending.org/*
[30] Lessons learned of the pilot under the PACV are expected to be collected around May 2019 and reflected into the design and implementation arrangement of the EWRS under the subcomponent.
[31] Types of risks to be covered are identified under the pilot and are included in the SLGP project implementation manual.

issues into the local planning process; (iii) consolidating existing redress mechanisms building on existing tools being set up under the PACV3; (iv) supporting the creation of actions groups or the adjustment of already existing action groups to include relevant stakeholders (e.g. traditional authorities, youth and women groups, mining actors), for conflict prevention and management at the local level, as planned by MATD; and (v) supporting social cohesion activities to foster communities' resilience, for example through the organization of events revitalizing collective memory and promoting social cohesion, as well as supporting exchange activities between LG to create a link of interdependence. Capacity-building activities and support to data monitoring/analysis will be carried out by NGOs. Implementation of the EWRS will be monitored regularly to draw lessons on conflict prevention.

c. ***External monitoring of Citizen Engagement, EWRS, and Social Inclusion.*** Finally, the sub-component will contract out an NGO or a Civil Society Organization to conduct field-based, external monitoring of the project's Citizen Engagement activities, EWRS, and gender and social inclusion aspects. It is expected that while the NGO will be financed by the project, it will serve as another useful source of monitoring mechanism to complement the project's own M&E system and can collect useful lessons learned and good practices to further improve its implementation. The external monitoring will be conducted in the second and in the fourth year of the project implementation.

33. **Component 3: Project management support (US$5.0 million, SDR 3.57 million).** At the national level, the project will be managed by a Project Implementation Unit (PIU), embedded within ANAFIC. This component will therefore finance costs of the PIU's core management functions, such as: a) M&E (including studies and field visits); b) financial audits of the project; c) operational and other recurring costs of the PIU that are not covered by the ANAFIC's fiscal budget nor PANAFIC, and; d) communication. The project will strengthen the communication activities of PACV3 to: (i) ensure access to information on ANAFIC activities and FNDL implementation; and (ii) capitalize and disseminate knowledge and lessons learned from IDA-financed activities. In addition to the project management, the component will provide support to the operationalization of the ANAFIC, such as (i) additional equipment (such as vehicles and IT materials) to finalize the installation of ANAFIC; (ii) financing studies to improve the performance of ANAFIC (e.g. functional review, performance audit); and (iii) technical assistance and training to ANAFIC to improve its performance and management, including Human Resources Management.

34. **Component 4: Contingent Emergency Response Component (CERC) (US$0.0)**. This zero-budget sub-component establishes a disaster contingency fund that could be triggered in the event of a natural disaster through formal declaration of a national emergency, or upon a formal request from GoG. In such a case, funds from the unallocated expenditure category or from other project components could be re-allocated to finance emergency response expenditures to meet emergency needs. In order to ensure the proper implementation of this component, the Borrower shall prepare and furnish to IDA an operations manual that describes in detail the implementation arrangements for the IRM and that is satisfactory to IDA.

35. The disbursement category for the non-DLI components (Components 2, 3, and 4) is presented below (Table 3).

Table 3: Disbursement Category for the non-DLI components of the project

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)

(1) EEPs under Part A of the Project	14,300,000	100% of amounts spent and reported under the EEP Spending Report for each Withdrawal
(2) Goods, non-consulting services, and consulting services, Operating Costs and Training for Parts B and C of the Project	14,300,000	100%
(3) Emergency Expenditures under Part D of the Project	0	
Total amount	28,600,000	

C. Project Beneficiaries

36. **The direct beneficiaries of the project are community leaders, elected officials, LG authorities and members of the civil service in the targeted ministries and public agencies.** The proposed project will continue to support the development of human and institutional capacity in the civil service, both at the national and local levels, with the delivery of training programs and change management activities.

37. **The proposed project will also benefit the citizens living in the 304 CRs and 33 CUs.** Those citizens would benefit from the support and incentives to strengthen the capacity of LGs to better manage resources and improve the efficiency and effectiveness of public expenditures at the local level and enhance the quality and timely completion of public infrastructure. In addition, the participation of local citizens, including women and youth, in planning and budgeting, and monitoring development activities managed by LGs will ensure that investments are strategically identified and respond to the needs of the population, especially those who are most vulnerable, excluded and marginalized.

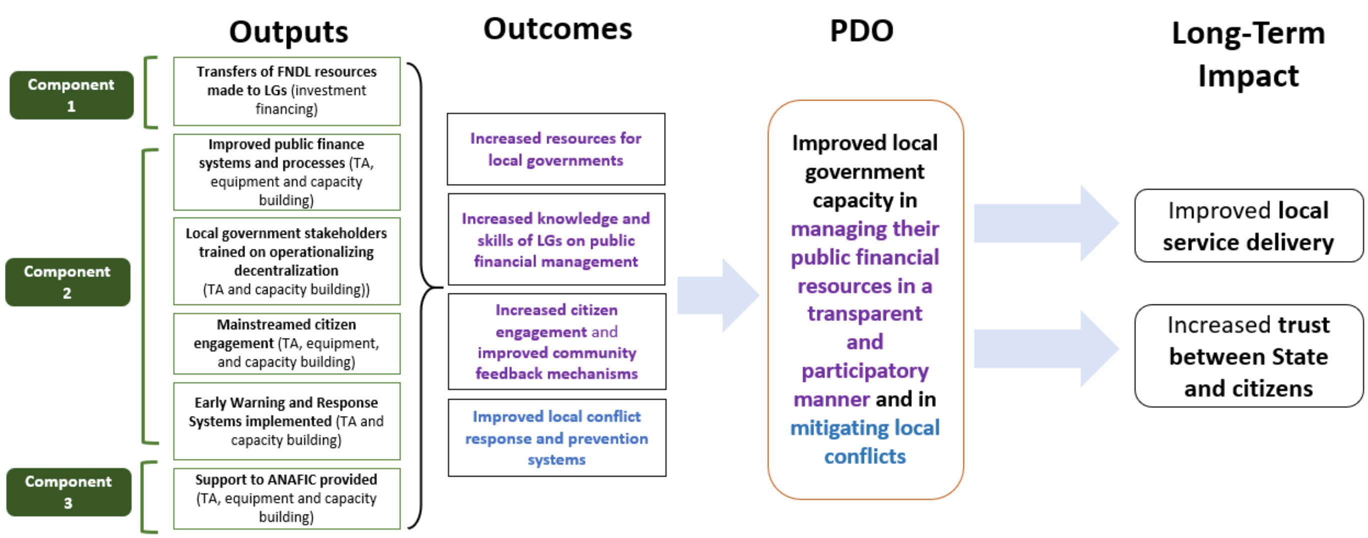
38. **Finally, the ultimate beneficiaries of the project will be Guinean citizens who stand to gain improvements in both the quantity and the quality of public services delivered.** Indeed, improvements in the availability and management of resources at the LGs' levels, as well as in the transparency of budget execution and control mechanisms are all expected to translate into greater availability of funds for financing the provision of basic social services. Moreover, improvements in expenditure management and control will promote greater effectiveness across the public administration. In addition, citizens would benefit from social accountability tools and citizen engagement mechanisms to have better access to information and opportunity.

D. Results Chain

39. **Theory of change:** The project aims to address the four key challenges identified to implement decentralization in Guinea, namely: (i) low level of financial transfers from the central government to LGs so far, (ii) roles, responsibilities and standards for deconcentrated services, central government and LGs; (iii) low technical and managerial capacity and experience of LGs in managing resources and (iv) low level of accountability framework for LGs. The project also seeks to streamline citizen engagement tools as well as conflict prevention and

resolution mechanisms, which seek to bring together citizens and LGs and increase citizens' inclusion in decision-making processes, especially those who are most marginalized, excluded and vulnerable. The figure below outlines the theory of change prepared for the project and presents the relevant interventions to achieve the desired outcomes and expected longer-term impact.

Figure 2. Theory of Change



E. Rationale for Bank Involvement and Role of Partners

40. The project is aligned with the World Bank Group IDA18 Risk Mitigation Regime (RMR). The promotion of inclusive institutions through the improvement of local governance has been identified in the RMR implementation note as one strategic priority areas. Therefore, the proposed project is consistent with the strategic objectives of the RMR to: (i) strengthen the capacity of local actors to manage conflicts through improved early warning and early response system; and (ii) support community institutions and citizen engagement mechanisms (participatory planning budgeting, participatory monitoring, enhance feedback mechanisms).

41. **The proposed project will support the Government's decentralization agenda.** Guinea has the advantage of a clear vision for decentralization and a legal framework that defines the implementation of decentralization. The Government's commitment to decentralization is reflected in various documents, in particular the 2012 National Policy Letter on Decentralization and Local Development and the 2016-2020 PNDES, as well as in the Government's Program for State Reform and Administration Modernization. Since 2015, the World Bank Group has become more engaged in deepening and consolidating the decentralization process in Guinea, by focusing on local development in order to improve the living conditions of the rural population and achieving shared and inclusive growth. The proposed project was selected for IDA funding, as it aims to support the Government in operationalizing its local development fund, strengthening the decentralization process, promoting citizen engagement, contribute to gender balance, and fostering demands for good and inclusive governance.

42. **The proposed project will build on the World Bank Group and the French Development Agency (AFD) engagement in supporting local development in Guinea.** The proposed IPF project will build on the PACV3,

which contributed to build local capacity and foster citizen engagement. The value added of the World Bank is in using its previous sector engagement to inform the design of the project, build on key achievements and draw lessons on implementation performance. The AFD and the WB team have been closely and effectively collaborating to promote Guinea's decentralization agenda forward, through the financing of the PACV and now of the ANAFIC with more emphasis on its institutionalization.

43. **In addition, this project is consistent with other international and regional strategies and agendas, such as the sustainable development goal (SDG) 16**. This calls for "the building of effective, accountable and inclusive institutions at all levels," and the AU Vision 2063 which states in its third aspiration of an "Africa of good governance, democracy, respect for human rights, justice and the rule of law"; as well as the work being undertaken by other development partners such as the French Development Agency. The proposed operation is a companion project to the PANAFIC, the project financed by the AFD, supporting the operationalization of the ANAFIC (EUR 10m), approved in September 2018.

F. Lessons Learned and Reflected in the Project Design

44. **Experience gained in Guinea and elsewhere in Africa over the last two decades shows that successful local community driven development projects should be: (i) designed, formulated, and implemented by communities, based on their needs and resources; (ii) inclusive; (iii) relatively small and not technically overly complex; and (iv) based on resources, accountability and responsibilities being transferred to LGs.** Sustainability of operation and maintenance of physical assets created requires special attention to organizational and institutional arrangements, capacity building (high-quality, timely training), and financing (revenue collection and cost-sharing mechanisms, and willingness and ability to pay). In addition, a number of key lessons were learned from the PACV2[32], especially: (i) the involvement of decentralized institutions in planning and implementing community activities does not necessarily mean that a decentralization policy will be adopted in the various sectors; (ii) increasing the local tax revenues available to the CRs is not simply the result of establishing market infrastructure or implementing income-generating activities; it also depends on the development of civil society and good governance at the local level; (iii) participatory budgeting and M&E are key project management tools that should be widely used by local stakeholders to effectively drive the local development process; and (iv) ensuring inclusive local planning and development with a special focus on gender and marginalized groups is necessary to ensure equitable distribution of development benefits.

45. **However, the principal lesson of the PACV 1, 2 and 3 is that its long-term impact and sustainability is questionable, if the program continues a "project/program" orientation and is dependent on support from international donors.** ADLs, the key staff supporting local communities and LGs are paid by external projects. Furthermore, it is evident that a key constraint to a viable LG system is the lack of resources to sustain its basic functioning. The revenue base at the local level is insufficient and without a system of intragovernmental transfers, a LG system cannot function. Such a transfer system is mandated in the *Code des Collectivités Locales* but is only slowly being put in place. Also, the provisions of the *Code Minier* (2011), amended in 2013, that stipulate that a National Local Development Fund be created and funded by mining revenue are not yet operational. The above lessons have been incorporated into the design of the proposed project, to address the binding constraints that affect the government's capacity to effectively implement its decentralization policy,

[32] Implementation Completion and Results Report (ICR) of June 2015

enabling LGs to more efficiently manage their resources and ultimately provide better services to their population.

46. **The proposed project will contribute to improving urban planning, and address some of the challenges identified by the 2018 Guinea Urbanization Review**, by (i) supporting knowledge at country level on urbanization trends and legal framework challenges in the broader context of decentralization; (ii) support to urbanization planning studies; and (iii) support for carrying out feasibility studies for LG infrastructure projects in urban context.

47. **The Citizen Engagement activities are also informed by an on-going Advisory Services and Analytics (ASA), on mainstreaming citizen engagement in Guinea portfolio.** Closely aligned with the CPF for Guinea FY18-21 and the RMR, the ASA will contribute to identifying and operationalizing best-fit practices of the Citizen Engagement mechanisms in three target sectors, namely, decentralization, rural development (including rural roads), and education, with direct links to and synergies between IDA operations currently implemented or under preparation.

48. **Ensure complementarity and division of labor with Development Partners is critical to maximize impact and avoid duplication of efforts.** Previous experience has shown that close donor coordination and alignment to Government development objectives are extremely important for the success of reforms, as cohesion among donors helps to maintain focus and resources on reforms. Drawing on this lesson, ongoing support provided by the French Development Agency has been taken into account and reflected in the project design, to maximize synergies and complementarities of development objectives.

49. **Sustained Government commitment is essential to ensure successful implementation of reforms.** Experience shows that the design of reforms by the Government itself contributes to a high degree of ownership and helps accelerate implementation of these reforms. For this reason, the activities supported under the project are fully aligned with the priorities identified by Government strategies, including the Program for State Reform and Administration Modernization" (PREMA), implemented under the leadership of the Ministry of the Public Service, State Reform and Modernization of the Administration (MFPREMA) and the first pillar of the 2016-2020 PNDES on good governance and state efficiency.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

50. **The project will be managed by a Project Implementation Unit (PIU), embedded within ANAFIC.** The PACV3 National Coordination Unit (*Cellule Nationale de coordination – CNC)* will provide the technical, managerial and fiduciary support to the ANAFIC PIU, building its capacity, while progressively withdrawing from fiduciary and technical responsibilities. The objective will be to support the transfer of the current PACV team into the ANAFIC. PACV3 (2016-2020), PANAFIC (2018-2023), and SLGP (2019-2023) will provide support to ANAFIC in a complemental and collaborative manner, by covering different key technical and financial aspects for ANAFIC to become fully operational. An overall division of labor between three projects is summarized in Table 4 below.

Table 4: Complementarity and division of labor between three projects

	Donor	*Years*	*Main role*	*Main investments*
PACV3	WB	2016-2020 June	To finance the remaining few local-level investments planned in 2018 (however with delays due to local election outcomes); To enable continuity between PACV3 and SLGP	2018 LG microprojects in 2019, evaluations of the PACV activities, preparatory studies and activities for SLGP, a first pilot on EWRS, CE, etc.; key PIU staff position until SLGP is effective
PANAFIC	AFD	September 2018-2023	To install ANAFIC To provide basic equipment to LGs (equipment, etc.)	Equipment (computers, bikes, etc.) Operational cost and staff costs for the first two years of ADL (then paid for by LG) FNDL inputs/TA to ANAFIC
SLGP	**WB**	(Expected) 2019-2023	To provide incentive for the effective FNDL financing To support decentralization through large-scale TA and studies and e-government To strengthen the capacity of LG and actors in decentralization, from PFM to CE; To mitigate conflict risks through EWRS and CE tools	DLI/DLRs to FNDL and ANAFIC effectiveness Capacity-building of LG, ANAFIC, deconcentrated services on LG PFM, CE, and EWS Pilot Performance-Based incentive for LG Accounting software for LG E-Planning Knowledge on Decentralization process, urbanization and urban planning, CE, etc.

51. The SLGP and the PANAFIC (financed by the AFD) will have the same Steering Committee (SC). The SC will set the strategic directions and approve the annual work program and budget (AWPB). SC's recommendations will be reviewed by ANAFIC's Board of Directors (*Conseil d'administration*) during its regular and extraordinary sessions. The ANAFIC Board will also review activities funded from the National Development Budget, and those funded by the proposed project and PANAFIC. The ANAFIC will prepare its AWPB, in a manner that enables the tracking of what is financed by each source of funding, especially IDA and AFD. ANAFIC will work in close collaboration with all the structures supporting LGs and decentralization and local development processes. At the LG level, Local development agents (ADL) are responsible for advising LGs and for accompanying the local populations on all matters related to their development (planning, programming, management, monitoring and evaluation, etc.). At the prefectural and regional levels, deconcentrated technical services and SERACCO respectively are responsible for providing technical advice to LGs and ensuring compliance with sectoral policies. More detailed description on the institutional and implementation arrangement, including a figure explaining the implementation arrangement across the governance structure, can be found in Annex 1.

B. Results Monitoring and Evaluation Arrangements

52. **General characteristics.** The ANAFIC will develop a M&E framework for its annual activity that will include the results framework of IDA and AFD, building on the experience and tools created by PACV3. The M&E system will be a result-based framework, conceived as a management tool, and emphasizing project impacts and outcomes, as well as the regular monitoring of inputs and outputs covering the three project components. The M&E system

of the proposed operation will build upon the system set up during the implementation of PACV3. However, building upon PACV3 experiences, the project will streamline the use of inclusive and participatory planning and M&E tools, and will use mobile devices at the local level, for more efficient and timely data collection and management, including when possible, gender-disaggregated data.

53. **Institutional arrangements.** At the national level, the M&E team of CNC will provide M&E support to the ANAFIC PIU on all M&E aspects, and in particular on the use of the operational tools and instruments, developed under the PACV3, for data collection at the regional and local levels. Furthermore, the team will assist LGs in monitoring the implementation of their respective local development plans (LDPs). It will collect and validate upstream reports and monitoring information from the regional M&E specialists (*Services Régionaux de l'ANAFIC*, SRA-ANAFIC) and from each of the national institutions involved in project activities, to facilitate decision-making processes. The project will ensure that the M&E system is strongly linked to the national M&E system for the LPN-DDL. The proposed operation will place strong emphasis on linking the project monitoring system to the Geographic Information System (GIS), through a consolidated and publicly accessible database, which will be sustained as the main monitoring system for ANAFIC.

C. Sustainability

54. **Project sustainability depends on client ownership and commitment, policy and institutional and continuity, and political stability.** The proposed project has been designed with sustainability as its primary objective, as it seeks to support the operationalization of the ANAFIC, which is a public administrative body, and the FNDL. Building capacities of all actors in local governance and development to help them assume their respective roles also contributes to the sustainability of the proposed operation. With participatory planning and M&E, civil society will have more possibilities to check the actions of locally elected officials and to ensure that resources are widely used for the benefit of all. However, on the longer-term, a viable LG system and decentralized participatory local development is only feasible and sustainable if: (i) LGs are set up following the results of the February 2018 local elections. For now, most of the local councils were installed end of 2018 and January 2019; (ii) the necessary budgetary transfers from the national to the local level are carried out to allow LGs to function; and (iii) technical support to the decentralization effort, so far largely provided by externally-funded project staff, is institutionalized.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

55. **The objective of this economic analysis is to estimate the economic gains that are attributable to the project.** The method selected for the analysis is the Net Present Value (NPV) because the project is expected to provide a stream of economic and welfare gains that are amenable to a year-by-year accounting. The sources of the economic gains attributable to the project are the transfer of extractive revenues to LGs for public investments, increased transparency and accountability of local govenrments, and mitigation of the risks of conflict and violence. The benefits are converted into monetary terms using a method based on the fiscal multiplier and on findings from the literature. The use of a methodology based on the concept of fiscal multiplier[33] helps to circumvent many of the issues associated with measuring the economic gains of a decentralization and PFM

[33] The IMF (2014) paper defines fiscal multipliers as the measure of the short-term impact of discretionary fiscal policy on output.

project.

56. **Based on the IMF methodology of estimating fiscal multipliers, on empirical evidence provided by the project implementation unit and on findings from the literature, this economic analysis made the following assumptions.** The multi-year fiscal multiplier of Guinea is set at (0.6, 0.8, 0.6, 0.3) for the 4 years of the effect. This takes into account the structural characteristics of Guinea and the fact that, as a fiscal instrument, public investments have the highest level of fiscal multipliers. This multiplier will apply to the revenues from extractives transferred to LGs, the amount of which was estimated using simulations produced by the project implementation unit. The gains from improved decentralization and increased transparency were modeled as a reduction of the average unit cost of local investments from an original 15% to 25% from the activities of the project. The economic gains from addressing fragility were approximated to reduction of the cost of violence by 0.1% of GDP on an annual basis, out of the 8% GDP loss due to violence estimated by the Global Peace Report. In terms of general macro assumptions, the analysis assumes a market exchange rate fixed at the recent average rate of GNF 9,000 for USD 1 and a 12 percent discount rate. It is also assumed that these macroeconomic assumptions are to remain constant over the project life.

57. **Based on the assumptions made, the economic gains from the project were estimated to be a NPV of USD 38 million and an IRR of 39%.** For the analysis of the sensitivity of the results to the assumptions made, four adverse scenarios evaluate the impact of cutting in half the expected benefits of the project. The NPV remains positive for all the scenarios and only the worst-case scenario (where all the four adverse scenarios occur) has a negative NPV (see summary of results below). This is strong supporting evidence that the project is economically profitable.

Table 5: Summary of Results and Sensitivity Analysis

Summary of Results and Sensitivity Analysis	*NPV (US$)*	*IRR*
Baseline	$ 38,716,650.36	38.90%
Smaller extractive revenues	$ 25,413,595.76	29.52%
Smaller fiscal multiplier	$ 29,453,234.05	32.36%
Smaller local productivity increase	$ 33,395,428.52	35.15%
Smaller risk of violence mitigation	$ 12,661,379.78	21.96%
Worst Case Scenario	$ (5,138,246.63)	8.28%

58. **Additional positive outcomes could not be included in the NPV analysis, but literature highlights key positive impacts of the project activities on service delivery, governance, poverty, social inclusion and conflict.** The economic analysis performed only covers the benefits that could be expressed in monetary terms. Many of the activities of the project are also expected to have an impact on the social welfare of the beneficiaries and to have second order effects,[34] both of which are difficult to translate into monetary value. These elements include (i) the benefits of robust citizen engagement, strengthening accountability, trust in authorities and institutions,

[34] Granvoinnet, H. et al, 2015, Opening the Black Box: The Contextual Drivers of Social Accountability. New Frontiers of Social Policy series, World Bank; Gaventa, J., and R. McGee. 2013. "The Impact of Transparency and Accountability Initiatives." Development Policy Review

which is correlated with pro-poor and inclusive growth;[35] (ii) the positive impact of Participatory Budgeting and transparency on local fiscal revenue mobilization, developing and delivering meaningful, inclusive and accessible services;[36] (iii) the positive impact of community and citizen engagement in preventing and mediating local conflicts, including the positive role of women in such processes;[37] and (iv) the positive impact on service delivery and public finance management of improved planning and execution capacity thanks to the effective transfer of investment budget and human resources from line ministries to LG through the FNDL.

B. Fiduciary

(i) Financial Management

59. ANAFIC is the project implementing agency. It will have overall responsibility for project coordination and implementation. The PIU will bear overall responsibility for FM activities.

60. An FM assessment of the implementing unit ANAFIC designated as PIU to manage the Project, was carried out in January 2019. The objective of the assessment was to determine whether the PIU has acceptable FM arrangements in place to ensure that the project funds will be used only for intended purposes, with due attention to considerations of economy and efficiency. The assessment complied with the Bank Directive Financial Management Manual for World Investment Project Financing operation effective March 1, 2010 and as last revised on February 10, 2017.

61. The assessment revealed (i) lack of adequate FM staffing; (ii) lack of familiarity of the FM team with Bank-financed project procedures and requirements; and (iii) weaknesses in internal control areas such as the lack of FM procedures manual, and absence of internal audit function; and (iv) lack of project accounting software. Indeed, ANAFIC has an accounting officer and a financial controller nominated by the Ministry of Finance. The FM team composed of civil servants has no previous experience of Bank-financed operations and the overall internal control environment remains weak.

62. As a result of the above-mentioned FM capacity constraints, the following actions need to be completed to ensure adequate FM arrangements for all aspects of the Project. In addition, the current accounting software of the ANAFIC will also be updated as soon as the project is approved.

[35] For example: World Bank, 2018, “The Quest for Pro-Poor and Inclusive Growth: The Role of Governance”, Job Market Paper
[36] For example: Boulding, C., and B. Wampler, 2010, “Voice, Votes, and Resources: Evaluating the Effect of Participatory Democracy on Well-Being.” World Development; Touchton, M., and B. Wampler. 2013. “Improving Social Well-Being through New Democratic Institutions.” Comparative Political Studies Paler, 2011, Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government
[37] United Nations and World Bank. 2018. Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict; World Bank, 2011, World Development Report 2011: Conflict, Security, and Development.

Table 6: FM action plan

Action	*Responsible*	*Deadline and conditionality*
1- Elaborate a Project Implementation Manual including FM procedures	ANAFIC	Before effectiveness
2- Recruit a Financial Management Specialist with qualifications and experience satisfactory for the Bank		Before effectiveness
3- Recruit an accountant with qualifications and experience satisfactory for the Bank		Five (5) months after effectiveness
4- Recruit an internal auditor		Five (5) months after effectiveness
5- Recruit an external auditor to audit project annual financial statement		Five (5) months after effectiveness

63. Disbursement will be report-based for component 1, funds will be disbursed conditional on the satisfactory achievement of DLRs. Achievement of DLRs will be assessed through a DLR achievement assessment report provided by the PIU (on the basis of the DLRs monitoring protocol). The DLRs will be applied, following an IDA No Objection, on the assessment of these reports, against reimbursement of non-procurable expenditures line items related to salaries and benefits. The PIU will recruit a consultant (acceptable to IDA) to perform a review of the assessment report prior to the payment. Disbursement under components 2, 3 and 4 will be transactions-based.

64. In addition, the project's FM team will receive technical support from the PACV finance team which is familiar with Bank procedures.

65. Based on the Bank's assessment, residual FM risk for the project is deemed **Substantial**. The proposed FM arrangements are considered satisfactory in fulfillment of the Bank's minimum requirements following the implementation of mitigation measures. The implementing entity will ensure that the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016 are followed under the project.

(ii) Procurement

66. **Procurement rules and Procedures.** The Recipient will carry out procurement for the proposed project in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (Procurement Regulations) dated July 2016 and revised in November 2017 and August 2018 under the "New Procurement Framework" (NPF), and the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated July 1, 2016 and other provisions stipulated in the Financing Agreements.

67. All goods, works and non-consulting services will be procured in accordance with the requirements set forth or referred to in the Section VI-Approved Methods: Goods, Works and Non-Consulting Services of the Procurement Regulations. The Consulting Services will be procured in accordance with the requirements set fort or referred to in the Section VII-Approved Selection Methods: Consulting Services of the Procurement Regulations, the Project Procurement Strategy for Development (PPSD), and Procurement Plan, approved by the World Bank.

The Procurement Plan, including its updates, shall include for each contract: (i) a brief description of the activities/contracts; (ii) selection methods to be applied; (iii) cost estimates; (iv) time schedules; (v) the Bank's review requirements; (vi) any other relevant procurement information. The Procurement Plan covering the first 18 months of the project implementation has been prepared and approved. Any updates of the Procurement Plan will be submitted for the Bank's approval. The Recipient shall use the Bank's online procurement planning and tracking tools (STEP) to prepare, clear and update its Procurement Plans and conduct all procurement transactions.

68. **Procurement capacity and risk assessment**. Procurement capacity and risk assessment of the implementing unit (PIU) designated to manage the Project has been carried out by the World Bank in January 2019. ANAFIC is the project implementing agency. It will have overall responsibility for project coordination and implementation. The PIU will bear overall responsibility for procurement activities. It recognizes that PACV3 PIU has implemented a Bank-funded project (P156422) and is familiar with Bank procurement procedures.

69. However, the assessment shows that: (i) the main risk lies in the fact that the PIU has to interact with various partners with the multiple levels of implementation, national level and regional level in the procurement process; (ii) At the national level there are: a) one Procurement Officer (*Personne Responsable des Marchés Publics*-PRMP) who is responsible for the MATD's public procurement activities; and b) a tender committee which will be involved in the project procurement process; (iii) At the regional level the procurement staff have to be recruited; (iv) Outside the MATD, there is one (1) other actor who will be involved in the public procurement process (*Direction Nationale du Contrôle des Procédures de Passation des Marchés* under the Ministry of Finances); (v) the tender committee members have limited procurement skills, and insufficient experience in Bank procurement procedures. Based on the Bank's assessment the Overall procurement risk is rated **Substantial**. Some of mitigation measures include: (i) at the national level, maintain the PACV3 Procurement Specialist in this project or recruit a Procurement Specialist with qualifications and experience satisfactory for the World Bank; (ii) at the regional level, one Procurement Analyst per region will be recruited three months after effectiveness to provide procurement support to the local communities in their procurement processes. The details of the procurement arrangements are provided in Annex 1: Implementation Arrangements and Support Plan.

C. Safeguards

(i) Environmental Safeguards

70. **Environmental policy triggered and category**: The project is expected to generate more efficiency in resource management and indirectly in the quality of the investments**.** The project will not directly finance physical investments but will finance technical feasibility studies related to LG Annual Investment Plans. Despite this lack of direct financing of civil works, it was agreed to assign an Environmental Category B to the project. Environmental Assessment (OP/BP 4.01) policy was triggered to ensure full environmental compliance during the preparation of the feasibility studies and also to enhance ANAFIC environmental and social management system.

71. **Safeguards instruments**: An Environmental and Social Management Framework (ESMF) has been prepared, reviewed and disclosed in-country and in the Bank website to guide the selection of the subprojects that will be integrated in LG Annual investment plans on which feasibility studies to be financed with the project resources

under *Sub-component 2.1: Strengthening and digitalizing LGs Public Finance Management.* The ESMF will clearly define the environmental and social screening process of all feasibility studies that will be funded under IDA resources. For each relevant instrument all environmental due diligence will be undertaken and will be incorporated in the feasibility studies outcomes*.*

72. **ANAFIC environmental and social management system enhancement**: To ensure sustainability, the project resources will support the development and implementation of the ANAFIC environmental and social management system (internal E&S policy, environmental and social procedures and tools; human resources).

73. **LGs environmental and social capacity building**: The project will support ANAFIC in ensuring Local Development Plans and Annual Investment Plans are environmentally and socially sound**.** The project will provide the technical assistance and capacity building to ANAFIC, LG and deconcentrated services to this end. Feasibility studies specifically financed by the Project will particularly take into account the Environmental and Social aspects of the considered infrastructures. The Project will also enhance community ownership for monitoring the quality.

74. **Environmental and social indicator compliance for DLI approach**: The ANAFIC will report periodically on the environmental and social compliance of the LG investment funded by the FNDL, including the climate-sensitive local development plans and inclusion of the environmental and social instruments in the feasibility studies financed by the project.

75. **Project Implementation Manual:** The PIU will ensure that FNDL-funded investments incorporate environmental and social compliance indicators that will be clearly described in the PIM.

76. **Safeguards institutional arrangement:** To deal with all environmental and social commitments including the monitoring and implementation of the capacity building plan**,** ANAFIC unit will include an Environmental and Social Specialist and a citizen engagement and social inclusion (including gender) assistant, who will work closely with the relevant ministries, LGs and coordinate with the ministry of Environment, NGOs and local administrative authorities.

77. **Climate change and disaster risk screening.** The Project was screened for short and long-term climate change and disaster risks as well as climate change adaptation co-benefits. The results indicate that Guinea is highly exposed to climate and disaster risks. The following climate and geophysical hazards are the most relevant to Guinea, both now and in the future: i) Extreme Temperature - The average annual temperature in Guinea has increased by 0.8° C since 1960 with an average rate of 0.18° C per decade and is expected to increase further in the future. According to the most recent assessment report of the Intergovernmental panel on Climate Change (2013), continued emissions of greenhouse gases will cause further warming, and it is virtually certain that there will be more frequent hot temperature extremes over most land areas during the next fifty years. ii) Extreme Precipitation and Flooding - Floods are a recurring natural disaster in Guinea that can impact many different aspects of the socioeconomic landscape. Poor sewage and water systems as well as sanitation facilities are frequently affected by flooding, leading to inadequate disposal of human waste and contributing to the transmission of diseases such as cholera, typhoid fever, malaria, and/or polio, with significant impacts on the most vulnerable including women, children and the elderly. iii) Drought -Drought is expected to be the highest climate risk for Guinea and is expected to increase in the future. iv) Sea-level rise - Sea level rise has been occurring along Guinea’s coast and will cause increased salinization and flooding in coastal regions, impacting agriculture, shortage in drinking water, destroying infrastructure, destruction of mangrove ecosystems, and

proliferation of vector-borne diseases. Sea level rise is projected to increase along Guinea's coast, increasing between 0.4 meters (low emissions scenario, RCP2.6) to 0.7 meters (high emissions scenario, RCP8.5) by 2100. The assessment has also indicated that the country's context (social, economic and political factors) is increasing the communities' risks from climate and geophysical hazards.[38]

78. **Reduction of risks from climate and geophysical hazards.** Climate and disaster risks have been identified as not having a significant impact on the outcome of this project (the project does not make infrastructure investments and includes only soft-components). This project, however, reduces the communities' overall exposure and vulnerability to climate and disaster risks and natural hazards. Under sub-component 2.1, climate and disaster risks (including strategies to reduce energy use/GHG emissions) will be taken into consideration for the FNDL-funded investment projects and the IDA-funded feasibility studies. Under sub-components 2.2. and 2.3., training and capacity building activities to be provided to the national and local stakeholders (including regional and prefectural authorities) will include a dedicated session on climate change and hazards, and its impact on local development planning and investments. By strengthening the capacity and awareness of the national and local level stakeholders, it is expected that local-level planning and investments to be made at the local level, with FNDL and other funding sources will be more resilient to climate and disaster risks.

(ii) Social Safeguards

79. **Project context and policies triggered:** The project will not directly finance civil works but will finance technical feasibility studies for selected complex LG investment projects. Social risk will now be managed through feasibility studies and through technical assistance (TA) including technical designs or other activities directly in support of the preparation of a future investment project whether or not funded by the Bank but not through this project, and through the provision of training to relevant project actors (such as ANAFIC staff, ADL, Local counselors, STD, SPD) on social safeguards, risks and enhancing project design to promote social inclusion and gender responsive outcomes. Environmental Assessment (OP/BP 4.01) policy was triggered to ensure full social compliance during the preparation of the feasibility studies.

80. **Safeguards instruments:** An Environmental and Social Management Framework (ESMF) has been prepared and disclosed to guide the selection of the subprojects that will be integrated in LG Annual investment plans financed by the FNDL, and for which feasibility studies to be financed with the project resources under Sub-component 2.1 will be prepared. The ESMF will include the relevant social issues and risks so that mitigation measures will be incorporated in the feasibility studies outcomes, and relevant safeguard instruments will be prepared consistent with the risks covered by Operational Policies for investment lending, and with appropriate consultation and disclosure requirements. Each of the proposed project investments will be screened for its potential social impacts and relevant safeguards instruments will be prepared. This includes addressing gender-based considerations (such as gender inclusion in budgeting, planning, EWRS, conflict prevention/resolution, and risks of gender-based violence (GBV)), vulnerable or disadvantaged individuals and groups, inclusive and participatory citizen engagement, and an inclusive and accessible GRM. The ESMF has

[38] Factors in Guinea which increase the communities' risks from climate and geographical hazards, include: i) Population growth is estimated at 2.6 percent; this could increase the demand and competition for resources; ii) limited access to technology in the project region that can enhance the dissemination of information on emergencies and service disruptions related to climate and geophysical hazards; iii) underemployment and youth unemployment reduces the people's ability to recover after an extreme event as they then have limited access to financial savings or loans which would enable their recovery; and iv) widening gender gaps in education, opportunities for work, agricultural productivity and access to decision‐making.

been prepared by the PIU, and reviewed and disclosed in-country and in the Bank website prior appraisal. In addition, the PIU will prepare the TORs for the feasibility studies and both the TORs and the final feasibility study will be subject to no objection by the World Bank.

81. **Social Assessment:** A social assessment will be undertaken to build on previous lessons of PACV and how it could inform the assessment and management of social risks and social inclusion in the project. As such, the ESMF includes a social assessment which identifies mitigating risks (such as GBV, exclusion of vulnerable groups and individuals, risks to livelihoods, physical cultural resources, access to land and land tenure insecurity), and will provide guidance on enhancing social inclusion for vulnerable and disadvantaged groups and individuals, including women, the elderly, persons with disabilities, youth, and traditional communities, and in a manner that is culturally appropriate. The project also includes specific measures to enhance participation, inclusion and gender responsive outcomes of women in planning, budgeting, service delivery and local project design, citizen engagement, GRM, and Early Warning and Response System (EWRS), and at the Local and central government levels.

(iii) Gender and Social Inclusion

82. **The project's activities and institutional set-up is designed to address gender gaps and promoting social inclusion, with a vision that social inclusion will be institutionalized under the ANAFIC in Guinea's local development processes more generally.** The project's approach is aligned with the government's and the MATD's gender strategy, with a close coordination with the MATD's gender unit. The PACV has conducted a gender assessment in 2017[39] based on which the team has developed a gender action plan for 2018, focusing on awareness raising among the key national and local stakeholders. The project will strengthen execution of their gender and social inclusion strategy, by: a) recruiting a full-time citizen engagement and social inclusion (including gender) assistant in the PIU; b) incorporating gender and social inclusion aspects in all training and capacity building activities to the national and LG stakeholders under Component 2, in addition to a dedicated session on gender and social inclusion; c) ensuring that each step and activity under Component 2 take into account the gender and social inclusion aspects; d) conducting third-party monitoring on social and gender inclusion aspects of the project and ANAFIC activities, and; e) strengthening communication channels and messaging to promote inclusion of women and other vulnerable populations, and to enhance positive peer-effects. The project will also monitor an indicator on gender inclusion in local decision-making and will disaggregate values by gender when possible.

(iv) Grievance Redress Mechanisms

83. **The PACV has supported LGs to form and train a community-level complaint-handling committee in all 304 rural LGs.** The project will scale it up to the urban LGs and will strengthen its capacity and links to any other formal institutions including LGs to better manage any complaints or feedback in a sustainable manner. The PACV has also launched its national-level call center to address any complaints or questions from the beneficiaries or any citizen (see sub-component 2.3.), and the project will strengthen its capacity and functions, for sustainability and institutionalization in the country system.

[39] Appui au PACV pour une meilleure participation des femmes et des populations vulnérables dans les processus de développement local des communes rurales : Etude Genre et Equite. Marie Yvonne CURTIS, Moustapha Keita DIOP et Sékou KOUYATE. May 2017.

84. **Grievance Redress Service:** Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

85. The Systematic Operations Risk-rating Tool (SORT) has been used to evaluate risks across the Guinea Support to Local Governance project and will continue to be used to monitor risks during implementation. Although the project is expected to benefit from the new impetus on decentralization reform and to build on the design and implementation capacity of the on-going PACV project, the overall risk in achieving the development objective of the project is rated '**Substantial'**. Below is an explanation of the most relevant risks and mitigation measures at the sector and project levels.

86. **Political and governance (High).** The country is characterized by a challenging governance and fragile political environment. Guinea still suffers from limited transparency and accountability; weak procurement, and financial management processes. In terms of foreseeable trigger events of conflict or violence, elections constitute a significant risk. The legislative elections that took place in February 2018 already led to violence and electoral disputes, which have yet to be fully settled. There are fears that the presidential elections slated for 2020 could suffer the same fate. Other events that could trigger protests include salary negotiations for public servants, as well as economic shocks or rising food and fuel prices in a context of high food insecurity. *Those risks are mitigated* by the new impetus given to the decentralization and deconcentration reforms which are expected to address weaknesses in the delivery of services and reinforce the social contract. The Government of Guinea has committed to transfer budget to LG by creating in 2018 the ANAFIC and the FNDL aiming at implementing the mining revenue-sharing arrangement provided for in the Mining Code. The WB is also currently supporting the Ministry of Plan in improving macro-fiscal reporting in 2019-2020 through the EGTACB project (P125890).

87. **Macroeconomic (Substantial).** The Ebola outbreak in 2014-2016 and decline in global commodity prices, particularly of minerals, on which Guinea's economy is highly dependent, have highlighted the vulnerability of the country's economy to shocks. Risks of emerging or continuing external and/or domestic imbalances remain a real possibility. The Government is facing a widening fiscal deficit that is constraining its scope to support investments in service delivery. Volatility in commodity prices poses a concrete risk to the financing of the FNDL, largely relying on the 15 percent from extractive revenue allocated to LG. *Mitigation measures.* The country's engagement in macroeconomic stabilization programs, the Post-Ebola Priority Action Plan and budget support particularly with the IMF, the World Bank, the EU, and the AfDB, provide adequate safeguards against extreme deterioration of the macroeconomic situation.

88. **Fiduciary (Substantial**). Procurement and financial management risks of the project are also rated substantial, reflecting the continued challenges with World Bank fiduciary procedures. *To mitigate those risks,* the existing Procurement specialist for PACV3 will be transferred to this project and one procurement analyst will be recruited by region to support local communities. The ANAFIC will also recruit a Financial Management Specialist, an accountant, an internal auditor and an external auditor.

89. **Environment and Social (Substantial).** By financing feasibility studies for LG's physical investments that will however not be financed through IDA resources, the project may generate indirect adverse impacts. These impacts may be limited in scale due to the relatively small investment budget of LGs. However, Environmental Assessment (OP/BP 4.01) policy has been triggered to ensure full social compliance during the preparation of the feasibility studies related to local government plans. *Mitigation measures.* Environmental Assessment (OP/BP 4.01) policy has been triggered. An Environmental and Social Management Framework (ESMF) has been prepared and published, and the project will support the development and implementation of ANAFIC environmental and social management system. An Environmental and Social Management Framework (ESMF) has been prepared and published, and the project will support the development and implementation of ANAFIC environmental and social management system.

90. **In addition to these risks, the International Development Association (IDA 2018) has classified Guinea as an "exceptional FCV [fragility, conflict, and violence] risk mitigation regime," along with Niger, Nepal, and Tajikistan.** A Risk and Resilience Assessment that was conducted in 2017 identified several drivers of fragility, including conflict and violence in Guinea to exposure to external shocks, youth exclusion and underemployment, as well as weaknesses in the delivery of services.

VI. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Guinea
Guinea Support to Local Governance Project

Project Development Objectives(s)

To improve local government capacity in managing their public financial resources in a transparent and participatory manner, and in mitigating local conflicts

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
Improve LG capacity in managing public financial resources & mitigating local conflicts (see PDO)			
LGs FNDL investment budget execution rate (Percentage)		0.00	70.00
Total number of direct beneficiaries (Number)		0.00	4,003,160.00
of which women (Number)		0.00	2,000,000.00
Citizens who are satisfied with the investments made by LG in a participatory manner (Percentage)		55.00	75.00
Citizens (women) who are satisfied with the investments made by LG in a participatory manner (Percentage)		55.00	75.00
Reported risks of conflicts addressed by EWRS (Percentage)		0.00	75.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	End Target
Supporting the operationalization of the FNDL			
Annual disbursement rate of the FNDL to LGs (Percentage)		0.00	80.00
Building institutions and capacity for inclusive and accountable local governance			
Number of urban LGs with a local development plan adapted to the urban context (Number)		0.00	8.00
Percentage of LGs that manage the accounting and budgetary management of the municipality using the SIM-BA software package in a satisfactory manner (Percentage)		0.00	50.00
Number of people trained, of which women (Number)		0.00	9,802.00
Percentage of reported grievances related to the ANAFIC addressed in a timely manner (Percentage)		0.00	60.00
Percentage of LGs with Participatory Budgeting (BP) and Citizen Monitoring of Service Delivery (SEP) (Percentage)		39.00	100.00
Number of LGs that have set up an EWRS (Number)		7.00	337.00
Percentage of women and youth in different committees in the target LGs (Percentage)		35.00	50.00
Project management support			
Performance audit of ANAFIC (Number)		0.00	2.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
LGs FNDL investment budget execution rate	Measures the level of investment budget	Annual	ANAFIC annual	ANAFIC database	ANAFIC

	execution rate of LGs for the FNDL funding in comparison to budget estimates.		report		
Total number of direct beneficiaries	The number of people benefitted from the project activities.	Annual	ANAFIC annual report	ANAFIC Database and regular M&E	ANAFIC
of which women					
Citizens who are satisfied with the investments made by LG in a participatory manner	Measures the percentage of citizens who declared during the satisfaction survey that their concerns and needs have been taken into account in investments made at the LGs level. This measures the extent to which decisions about the project reflects community preferences in a consistent manner.	twice: at mid term review and end of project	Satisfactory survey	Household perception survey	ANAFIC
Citizens (women) who are satisfied with the investments made by LG in a participatory manner	Measures the percentage of citizens (women) who declared during the satisfaction survey that their concerns and needs have been taken into account in investments made at the LGs level. This measures the extent to which decisions about the project reflects community preferences in a	Twice: at mid term review and end of project	Satisfactory survey	Household perception survey	ANAFIC

	consistent manner.				
Reported risks of conflicts addressed by EWRS	Measures the percentage of tensions that could result in a conflict, which are reported through the data reporting mechanisms put in place by the project and are addressed by the EWRS, that includes action groups who were trained in response/conflict resolution tools. This indicator measures prevention efforts and their effectiveness in doing so.	Annual	ANAFIC annual report and LGs archives	ANAFIC database and LG archives	ANAFIC

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Annual disbursement rate of the FNDL to LGs	Measures the ratio between the total amount of estimated allocations that will be transferred to LGs via the FNDL during the year and the total amount of allocations actually transferred to LGs.	Annual	ANAFIC annual report	ANAFIC annual report	ANAFIC
Number of urban LGs with a local development plan adapted to the urban	Measures the number of urban LGs with a local	Annual	ANAFIC annual	ANAFIC database	ANAFIC

context	development plan that has been elaborated and/or updated, taking into account the specific characteristics of urban context.		report		
Percentage of LGs that manage the accounting and budgetary management of the municipality using the SIM-BA software package in a satisfactory manner	Measures the percentage of LGs that use the SIM-BA software package (keeping of accounts, accounting and financing reports, budget monitoring) for the accounting and budget management of the LGs.	Annual	ANAFIC annual report	ANAFIC annual report	ANAFIC
Number of people trained, of which women	Measures the number of people trained (elected officials, key staff of central and deconcentrated services, civil society, ANAFIC staff). It also measures the percentage of female trained.	Annual	ANAFIC annual report	ANAFIC annual report	ANAFIC
Percentage of reported grievances related to the ANAFIC addressed in a timely manner	Measures the percentage of grievances related to the ANAFIC that are reported by the call centre and addressed by relevant stakeholders/services. The timeframe to address grievances will be defined in the ANAFIC operating manual.	Annual	Call center report	Call center database	ANAFIC and the call center

Percentage of LGs with Participatory Budgeting (BP) and Citizen Monitoring of Service Delivery (SEP)	Measures the percentage of LGs that use Participatory Budgeting (BP) and Citizen Monitoring of Service Delivery (SEP), as describes in the ANAFIC operating manual.	Annual	ANAFIC annual report	ANAFIC database	ANAFIC
Number of LGs that have set up an EWRS	Measures the number of LGs that have set up an EWRS, as defined by the project.	Annual	ANAFIC annual report	ANAFIC database	ANAFIC
Percentage of women and youth in different committees in the target LGs	Measures the level of participation and social inclusion of women and youth in decision-making bodies at the LGs level.	Annual	ANAFIC annual report	ANAFIC database	ANAFIC
Performance audit of ANAFIC	The indicator will ensure performance audit on ANAFIC be conducted to ensure it's quality and services.	Twice during the project period.	Performance audit report.	Performance audit report.	ANAFIC and an auditing agency

Disbursement Linked Indicators Matrix

DLI 1	Operationalization of the FNDL			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	No	Yes/No	20,000,000.00	50.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**

Baseline	No		
December, 2019		2,000,000.00	
December, 2020		4,000,000.00	
December, 2021		7,000,000.00	
December 2022	Yes	7,000,000.00	

DLI 1.1	Regulatory texts to operationalize FNDL are signed and FNDL account has effectively been opened and funds transferred thereto			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	2,000,000.00	5.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
December, 2019	Yes		2,000,000.00	
December, 2020			0.00	
December, 2021			0.00	
December 2022	Yes		0.00	

DLI 1.2	FNDL real annual disbursement > 70%			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	No	Percentage	4,000,000.00	10.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
December, 2019			0.00	
December, 2020	70.00		4,000,000.00	
December, 2021			0.00	
December 2022	70.00		0.00	

DLI 1.3	200 LGs have disbursed for appropriately authorized purposes more than 50% of their FNDL transfers			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Number	7,000,000.00	17.50
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
December, 2019			0.00	
December, 2020			0.00	
December, 2021	200.00		7,000,000.00	
December 2022	200.00		0.00	

DLI 1.4	300 LGs have disbursed for appropriately authorized purposes more than 60% of their FNDL transfers			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	No	Number	7,000,000.00	17.50
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
December, 2019			0.00	
December, 2020			0.00	
December, 2021			0.00	
December 2022	300.00		7,000,000.00	

Verification Protocol Table: Disbursement Linked Indicators

DLI 1	Operationalization of the FNDL
Description	To support operationalization of the FNDL.
Data source/ Agency	See each of the four Disbursement Linked Results
Verification Entity	Independent verifier
Procedure	To be detailed in Project Implementation Manual

DLI 1.1	Regulatory texts to operationalize FNDL are signed and FNDL account has effectively been opened and funds transferred thereto
Description	Regulatory texts to operationalize FNDL are signed (Decisions clarifying FNDL account provisioning, allocation, execution modalities, ANAFIC Operational Manual approved by ANAFIC Board) and FNDL account has effectively been opened and funds transferred thereto
Data source/ Agency	Official Gazette (jounal official), at Secretariat General du Gouvernement (SG)
Verification Entity	Independent Verifier
Procedure	To be detailed in Project Implementation Manual

DLI 1.2	FNDL real annual disbursement > 70%
Description	The FNDL real annual disbursement are the transfers made to LG within the past year compared to the actual replenishment of the FNDL from the 15 percent mining tax on the FNDL account.
Data source/ Agency	Annual statement of the FNDL account.
Verification Entity	Independent verifier
Procedure	To be detailed in Project Implementation Manual

DLI 1.3	200 LGs have disbursed for appropriately authorized purposes more than 50% of their FNDL transfers
Description	200 Local Governments which represent about a third, have financially executed the FNDL transfers received within the year above 50 percent. NB: FNDL is the fund through which the 15 percent of the mining tax is allocated to Local Government
Data source/ Agency	ANAFIC Local Government account statements
Verification Entity	Independent verifier
Procedure	To be detailed in Project Implementation Manual

DLI 1.4	300 LGs have disbursed for appropriately authorized purposes more than 60% of their FNDL transfers
Description	300 Local Governments have financially executed the FNDL transfers received within the year above 60 percentNB: FNDL is the fund through which the 15 percent of the mining tax is allocated to Local Government
Data source/ Agency	ANAFIC Local Government account statement
Verification Entity	Independent verifier
Procedure	Toe be detailed Project Implementation Manual

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Guinea
Guinea Support to Local Governance Project

Institutional and Implementation Arrangements

1. **Partnership arrangements.** The Bank has been working in very close collaboration and harmonization with AFD in providing support to the third phase of PACV and the preparation of the new project, including joint implementation support missions, frequent joint videoconferences to coordinate technical and financial aspects of the projects, and south-south exchange activities connecting several countries in the region, including Guinea. The SLGP complements the AFD's new project to support operationalization of the ANAFIC and FNDL, which was approved by the AFD's board in September 2018. This new project of AFD ("PANAFIC") provides financing of Euro 10.0 million and covers: (1) Support of the installation and development of ANAFIC; (2) Capacity building of deconcentrated and decentralized administrations, and; (3) Financing of investments by local authorities. Implementation support missions will be held jointly. Activities and functions to be financed by the two institutions have also been discussed and coordinated during the project preparation phase, and the close collaboration will continue during the implementation phase.

2. **Institutional Arrangements.** The key institutions involved in ANAFIC operations follow the similar arrangement of the PACV, and will have at (i) the national level: the Ministry in charge of local collectivities and Decentralization with the National Directorate of Decentralization (DND) and National Directorate of Local Development (DNDL); the Steering Committee and the technical committee of implementation; the National Coordination Unit (CNC); (ii) the regional level: regional project support teams (*Équipes régionales d'appui*); the regional directorates of the Ministry of Plan, regional technical services in support of local governments (*Service Regional d'Appui aux Collectivités et de Coordination des ONG – SERACCO)*; (iii) the prefectural level: the prefectural development services (*Service Préfectoral de Développement – SPD)*, the deconcentrated technical services; prefectural local development agents (*Agent de Développement Local Préfectoral – ADLP), and the prefectural development council;* and at (iv) the Local government (communes) level: the local governments/municipalities with its Mayor and his counselors, the local public service agents, the different local committees for transparency, operation and maintenance, procurement, etc., and the local development agents (*Agent de Développement Local – ADL).* See Figure 1-A below. Under the ANAFIC, there will be an ADL in each local government, who will be financed by AFD for the first two years of the ANAFIC operationalization. After two years, the ADLs will be absorbed into the local government function, and financed by the LG.

3. **Implementation Arrangements.** At the **national level**, the implementation arrangements for SLGP will substantially be the same as in the PACV3 phase, with a transfer of the implementation function to the ANAFIC. The ANAFIC has now been officially created and the key staff including the Director General and other technical staff have been appointed in 2018, most of whom possess the knowledge and experience of PACV approaches and operational capacity. Overall oversight is with the Ministry in charge of Territorial Management and Decentralization. A Steering Committee provides policy guidance and approves the annual work program and budget, and a technical committee (*Comité Technique d'Exécution – CTE)* brings together on a regular basis all the representatives of the different components and activities. The Steering Committee, its composition, tasks and organization are defined in the Arrete N.001/MATD/CAB/2015 of February 6, 2015. The SC is chaired by MATD and the ANAFIC provides the secretariat. Overall Project management and coordination are the responsibility of the

Project Implementation Unit (PIU). The staffing of the PIU will comprise*, inter alia,* a national coordinator, a technical responsible of operations, a financial manager, an accountant, a procurement specialist, an internal auditor, a safeguards specialist, a citizen engagement and social inclusion (including gender) assistant, an EWRS and database management assistant, an M&E specialist, and a communication specialist. The CNC shall be maintained at all times during Project implementation with functions, resources and staffing satisfactory to IDA. At the regional, prefectural and local level, it is the ADLs that advice local communities on all non-technical aspects of preparing their local development and annual investment plans, as well as on facilitating the local communities on citizen engagement activities. Advice on technical matters is provided by SERACCO and SPD, and if they do not have the capacity, LGs call on private contractors to provide the necessary services. The Project Implementation Manual (PIM) detailing administrative, procurement, financial management, safeguards, monitoring and evaluation procedures and arrangements for the Project as well as eligibility criteria and procedures for the selection of Subprojects and a template Subproject Agreement is being finalized. A diagram showing the institutional framework for project implementation is below (Figure 1 A).

4. **At the regional level,** project activities are managed by ANAFIC Regional Services *(Services Régionaux de l'ANAFIC - SRA-ANAFIC)*. There are seven SRAs consisting of a Regional technical person and a fiduciary person. The role of the technical person is similar to that of the Project Coordinator at the national level. S/he works closely with the CRs, and the regional government authorities (Prefect and Governor). S/he provides support to the ADLs who are located at the prefectural and local level. The technical responsible assists LGs in obtaining the technical assistance they need to carry out their local development plans and annual investment budgets. S/he coordinates project activities with the regional technical government services, such as the Regional Directorate of the Ministry of Plan, and the regional technical support service for CRs (SERACCO). S/he is also in charge of the fiduciary aspects of the Project at his level and assists the Governor in managing a consultation platform where regional development issues are discussed.

5. **At the prefectural level,** the ADL for the urban municipality of each prefecture will provide support on local economic development, planning and M&E, to the Prefectural Development Services (SPD). The SPD are responsible to assist the LGs with their development plans but also to carry out a posteriori control of investments that were undertaken. The Regional Coordinator also assists the Prefect in managing a consultation platform where development issues are discussed. At the prefectural level, the Departmental Technical Services (STD) will also be more actively engaged in local planning and management practices, especially in the key public services, such as education, health, agriculture, and rural roads. The collaboration will be strengthened through the geo-localized investments database which is being developed by the PACV and managed by the SPD, as well as other citizen engagement mechanisms such as the participatory monitoring and evaluation of these basic services.

6. **At the local government level,** project activities are managed by the Local Development Agents (ADLs). Under the PACV, they were recruited by the project and were covering several LGs, but under the ANAFIC, they will be more embedded in the LG structure, because: a) there will be one ADL per LG; b) the ADL located in the urban municipality of each prefecture will also work as for the prefectural support (which had been done by the ADL located for the prefectural office under the PACV3. The ADLs work closely with the Mayors and the LGs as well as the different committees that exist within the LG. Their main responsibility is to promote participatory and inclusive local development and to assist the LGs to carry out a diagnostic study of their socio-economic situation, including a gender and social inclusion assessments, and on that basis prepare their local development plans and annual investment programs. In addition, the ADLs are responsible for data collection for M&E purposes and to coordinate all project actions with actors outside the LG, including support of Citizen Engagement activities, such as

participatory budgeting, participatory monitoring and evaluation, and local-level complaints handling mechanism. Clarification of the ADL's Terms of Reference, selection/recruitment, and performance evaluation methods have been strengthened during the project preparation, in collaboration with AFD, to ensure they are mobile, well trained and motivated and continued to be the backbone of the Project, and inclusive and accountable local development in Guinea beyond the project activities.

7. **Procurement rules and Procedures.** The Recipient will carry out procurement for the proposed project in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (Procurement Regulations) dated July 2016 and revised in November 2017 and August 2018 under the "New Procurement Framework" (NPF), and the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated July 1, 2016 and other provisions stipulated in the Financing Agreements.

8. All goods, works and non-consulting services will be procured in accordance with the requirements set forth or referred to in the Section VI-Approved Methods: Goods, Works and Non-Consulting Services of the Procurement Regulations. The Consulting Services will be procured in accordance with the requirements set fort or referred to in the Section VII-Approved Selection Methods: Consulting Services of the Procurement Regulations, the Project Procurement Strategy for Development (PPSD), and Procurement Plan, approved by the World Bank. The Procurement Plan, including its updates, shall include for each contract: (i) a brief description of the activities/contracts; (ii) selection methods to be applied; (iii) cost estimates; (iv) time schedules; (v) the Bank's review requirements; (vi) any other relevant procurement information. The Procurement Plan covering the first 18 months of the project implementation has been prepared and approved before negotiations date. Any updates of the Procurement Plan will be submitted for the Bank's approval. The Recipient shall use the Bank's online procurement planning and tracking tools (STEP) to prepare, clear and update its Procurement Plans and conduct all procurement transactions.

9. The Recipient (with assistance from the World Bank) has prepared a Project Procurement Strategy for Development (PPSD) which describes how procurement activities will support project operations for the achievement of project development objectives and deliver Value for Money (VfM). The procurement strategy is linked to the project implementation strategy at sub-regional, country, and the state levels ensuring proper sequencing of the activities. It considers institutional arrangements for procurement; roles and responsibilities; thresholds, procurement methods, and prior review, and the requirements for carrying out procurement. It also includes a detailed assessment and description of state government capacity and the implementing agencies for carrying out procurement and managing contract implementation, within an acceptable governance structure and accountability framework. Other issues to be considered include the behaviors, trends and capabilities of the market (i.e. Market Analysis) to respond to the procurement plan.

10. **Staffing:** At the national level the existing Procurement specialist for PACV3 will be maintained for this project or a Procurement Specialist with qualifications and experience satisfactory for the World Bank will be hired to implement the component 2 and 3 of the project. At the regional level one Procurement Analyst per region will be recruited three months after effectiveness to provide a procurement support to the local communities in their procurement processes.

11. **Systematic Tracking of Exchanges in Procurement (STEP**): the project will use STEP, a planning and tracking system, which will provide data on procurement activities, establish benchmarks, monitor delays, and measure

procurement performance. The first 18-months procurement Pan (PP) shall be reviewed and cleared by the Bank through STEP. This PP shall be updated at least annually. All procurement to be carried out under the project shall be included in the PP and prior cleared by the Bank.

12. **Operating Costs**: Operational costs financed by the Project would be incremental expenses, including office supplies, vehicles operation and maintenance cost, maintenance of equipment, communication costs, rental expenses, utilities expenses, consumables, transport and accommodation, per diem, supervision costs, and salaries of locally contracted support staff. Such services' needs will be procured using the procurement procedures specified in the Project Implementation Manual (PIM) which will be accepted and approved by the Bank.

13. **Record Keeping:** All records pertaining to award of tenders, including bid notification, bid opening minutes, bid evaluation reports and all correspondence pertaining to bid evaluation, communication sent to/with the World Bank in the process, bid securities, and approval of invitation/evaluation of bids will be retained by respective agencies and uploaded in STEP.

14. **Disclosure of procurement information:** The following documents shall be disclosed: Procurement Plan and updates; invitation for bids for goods and works for all contracts; Request for Expression of Interest for selection/hiring of consulting services; and contracts awards for goods, works and non-consulting and consulting services.

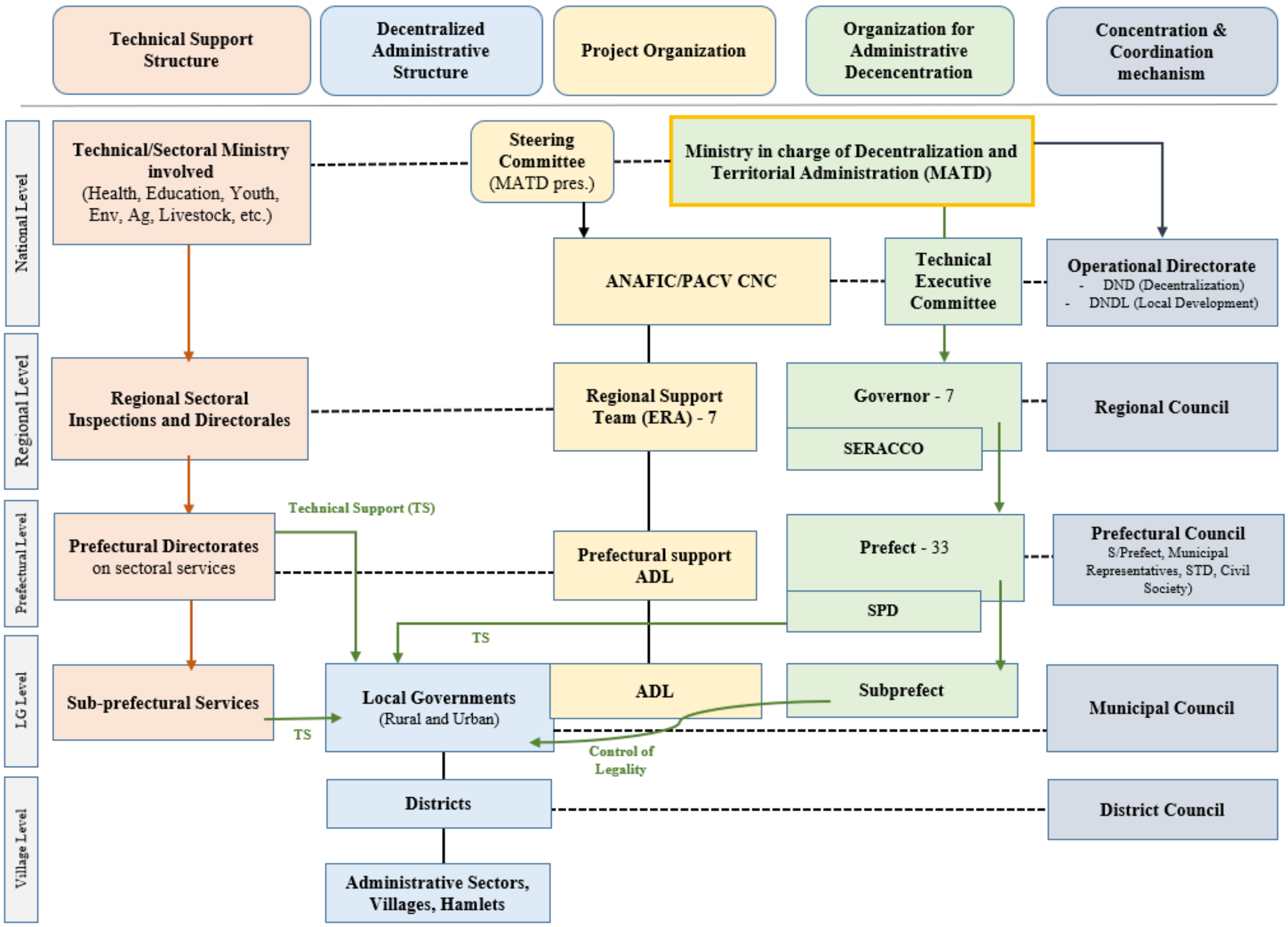
15. **Complaints Handling**: For the procurement-related complaints, the project will follow the procedure prescribed in the PROCUREMENT Regulations [Para-3.26 and 3.31]. In order to deal with the complaints from bidders, contractors, suppliers, consultants and general public at large, a complaint handling mechanism will be set up and detailed procedure will be prescribed in the Procurement Manual.

16. **Fiduciary oversight and Procurement Review by the World Bank:** The Bank shall prior review contracts according to prior review thresholds set in the Procurement Plan. All contracts not covered under prior review by the Bank shall be subject to post review during implementation support missions and /or special post review missions, including missions by consultants hired by the World Bank.

17. **Contract management capability:** The implementation Agencies remain overall responsible for compliance to the agreed procurement procedures and processes and shall monitor the contractual performance including contract management issues, if any.

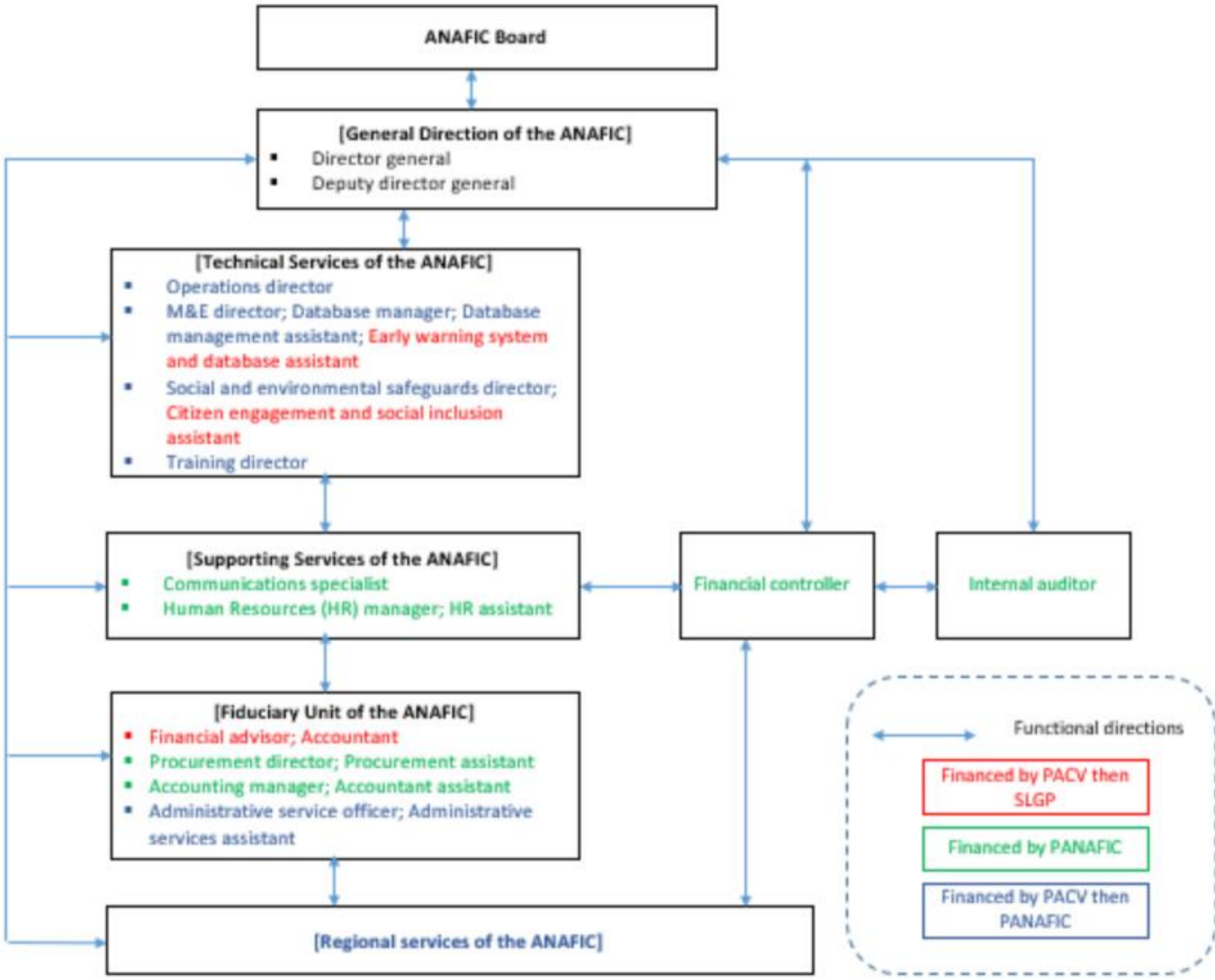
18. **Project Procurement Strategy for Development (PPSD):** The PPSD for the project has been finalized by the Borrower during the project preparation and approved by the Bank.

Figure Annex 1-A: Implementation Arrangement



ANAFIC as well as PACV institutional arrangement (in relation to the AFD and WB projects) can be found in the Figure Annex 1-B below:

Figure 1-B: Institutional Arrangement of ANAFIC



ANNEX 2: Risk Mitigation Regime (RMR) and its operationalization in the Guinea Support to Local Governance Project

The Risk Mitigation Regime

1. Though Guinea is not on the World Bank's harmonized list of fragile situations because it does not host a peacekeeping or political peace‐building mission and has a 2017 CPIA of 3.2,[40] Guinea is a fragile country vulnerable to internal and external shocks. The International Development Association (IDA 2018) has classified Guinea as an "exceptional FCV [fragility, conflict, and violence] risk mitigation regime," along with Niger, Nepal, and Tajikistan. Guinea has therefore been granted access to the IDA18 Risk Mitigation Regime (RMR). This regime is designed to provide eligible countries enhanced support to reduce risks of fragility, conflict and violence (FCV), and it aims to provide a dedicated financing mechanism to incentivize investments in prevention and provide countries with additional financing of up to one-third of their indicative IDA18 allocation.

2. The overall objective of the RMR in Guinea is to support Guinea's efforts to reduce the structural drivers of fragility and conflict that were identified in the 2017 Risks and Resilience Assessment (RRA), while supporting quick wins in a context of instability driven by social discontent. In particular, and as agreed in the IDA18 deputies report, the objective of the RMR is to fund projects that are not business as usual – that work in different ways on topics that regular Bank projects might not do. Four key drivers of fragility have emerged from the 2017 RRA: (i) Weaknesses in the delivery of services undermine state legitimacy; (ii) Exposure to external shocks and high food prices; (iii) Youth exclusion and underemployment; (iv) the political instrumentalization of identity in a context of significant social fault lines.

3. The promotion of inclusive institutions through the improvement of local governance has been identified in the RMR implementation note as one strategic priority areas. The rationale behind the allocation of RMR funding (USD27.5 million) to the SLGP is to support the strengthening of local institutions so they can provide a foundation for power-sharing, conflict mitigation and dispute settlement, as well as resource redistribution. Therefore, RMR funding will be used to: (i) strengthen the capacity of local actors to manage conflicts through improved early warning and early response system; (ii) support community institutions and citizen engagement mechanisms (participatory planning budgeting, participatory monitoring, enhance feedback mechanisms), which will be financed mainly under the sub-component 2.3. on "*Citizen Engagement and Community-based Early Warning and Response System (EWRS)",* with dedicated results monitoring indicators to measure outputs and outcomes of these activities, with a dedicated team in the PIU for the EWRS and the CE activities.

Community-based Early Warning and Response System (EWRS)

4. A community-based Early Warning and Response System (EWRS) will be implemented with a strong focus on prevention and local conflict resolution. The project will build on the pilot implemented by the PACV3 in seven communes (5 CR and 2 CU) in the Boké region, to reach national coverage. Under the new project, it is expected that the scale-up of the EWRS will be implemented in phases, focusing first on the Kankan and Nzerekore regions, where conflicts are recurrent. The proposed EWRS is not intended to cover all aspects of human security. It will target the following types of conflicts: land, mining, pastoral, community, incivility / delinquency, grievances around access to basic social services and tensions related to cases of gender-based violence (GBV).

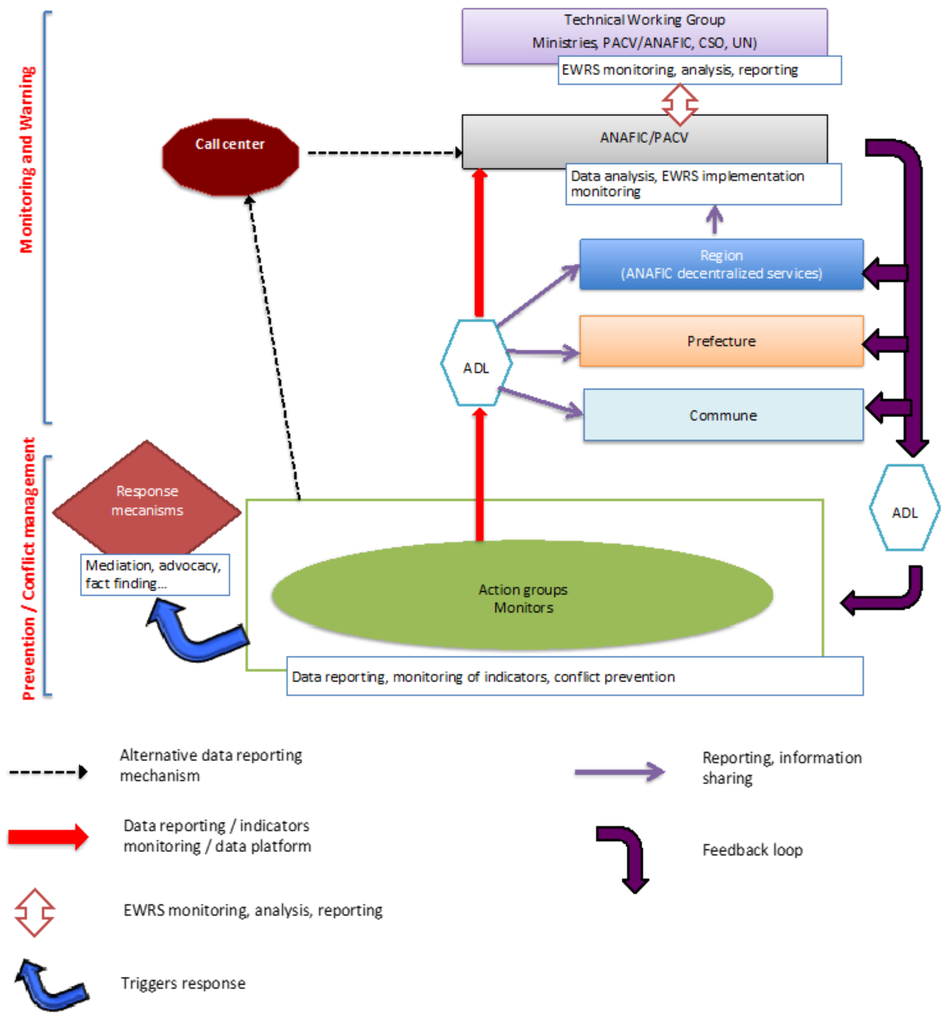
5. The data collection and analysis (early warning) component draws on information from existing and relevant

[40] However, it is worth noting that with a 2017 CPIA of 3.2, Guinea is right at the threshold of the Bank's Fragile and Conflict Affected Situations (FCS) definition – and has gone below a 3.2 score in eight out of the past ten years.

grievance and redress systems set up by the PACV3, and data collected by trained monitors. The preventive (early response) component of the system is rooted at the village-level, and follows accepted good practice of applying the subsidiarity principle; i.e. to seek to prevent and manage conflicts at the lowest possible level before they escalate. Trained field monitors will serve as first responders (third generation EWRS) and a strong link will be established between the early warning component and responders/response mechanisms. The EWRS will: (i) ensure real-time monitoring and analysis of specific indicators to monitor potential risks on a diverse range of local conflicts; and (ii) support response mechanisms that are adapted to identified risks. It is also planned to geo-localize conflicts, using the platform set up for the geo-localization of local-level small infrastructures.

6. Activities will include capacity building of community and district, regional and central level of government aiming at: (i) strengthening local systems and capacities for peace; (ii) supporting the inclusion of conflict prevention issues into the local planning process; (iii) consolidating existing redress mechanisms and building on existing tools set up under the PACV3; (iv) supporting the creation of actions groups and/or the adjustment of already existing action groups to include relevant stakeholders (traditional authorities, youth and women groups, mining actors…), for conflict prevention and management at the local level, as planned by MATD; and (v) supporting social cohesion activities to foster communities' resilience, for example through the organization of events revitalizing collective memory and promoting social cohesion, as well as supporting exchange activities between communes to create a link of interdependence. Capacity-building activities and support to data monitoring/analysis will be carried out by NGOs. At the national level, the EWRS will be anchored within ANAFIC for the coordination and monitoring of the system (see graph 1). A technical working group has been set up under the PACV3 and includes: (i) the relevant ministries (MATD, Ministries of National Unity, Mines, Agriculture, Livestock, Security and Civil Protection); (ii) NGO (WANEP, Search for Common Ground); and (iii) United Nations agencies.

Figure Annex 2-A: Institutional arrangements for the EWRS



Citizen engagement operationalization for improved transparency and accountability

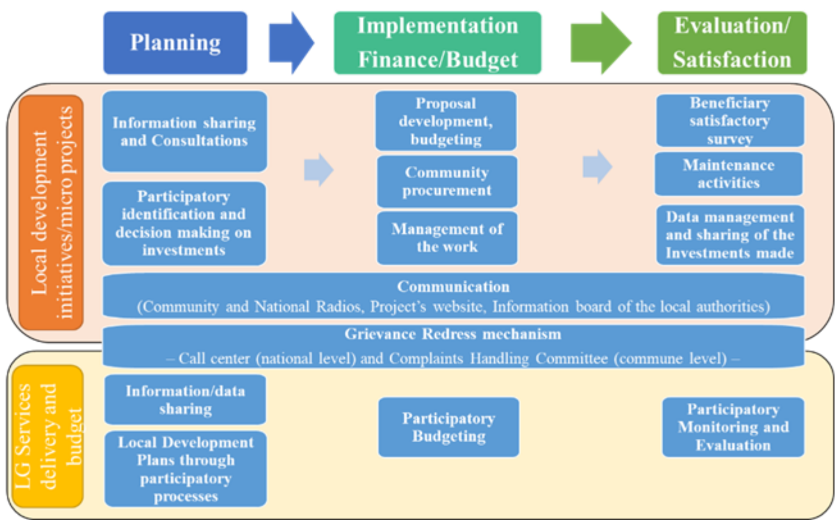
7. To strengthen social contract and to enhance frontline service delivery for addressing risks of fragility, the World Bank's Country Partnership Framework (CPF) for Guinea for FY18-22 as well as the analysis with the Risk Mitigation Regime for Guinea propose that the Bank will build a systematic Citizen Engagement (CE) roadmap to mainstream CE approaches across its portfolio, which will contribute to mitigating root-causes of fragility of the country. One of the CPF objectives is on "Decentralization of service delivery, including health and education, and better engagement of citizens", building on existing efforts to encourage community participation and citizen feedback at local-level in support of decentralization. By keeping a principle of social inclusion throughout the activity, it also serves as a key strategy for promoting the economic empowerment of women, youth and the poor by prioritizing their needs and monitoring local budgets and feedback with respect to local service delivery. It also recognizes the importance of citizen participation and feedback in ensuring governance objectives and service delivery in a low capacity environment. An on-going operational ASA on mainstreaming CE in the Guinea portfolio[41] also contributes to technical discussions and

[41] P167844

improvement of the CE mechanisms under the SLGP, ensuring CE mechanisms are mainstreamed and consolidated into a country-wide approach, through collaboration with the various task teams in the process.

8. Under the second and third phases, the PACV has developed and implemented CE mechanisms, with the objective of fostering the local level transparency, accountability, community participation and oversight of public management. The CE framework developed under the PACV will continue to serve as a base for the ANAFIC and the SLGP, with stronger links between mechanisms and with line ministries and other stakeholders, using ICT, with a vision to contribute to mainstreaming citizen engagement in the country system, to foster social contract between citizens and the national and the local governments, with a strong emphasis on social inclusion (including gender, youth, elders, people with disabilities, etc).

Figure Annex 2-B: Citizen Engagement Framework



9. More specifically, the new project, under the sub-component 2.3. will finance technical assistance, capacity building, and peer-learning, including the following activities.

a. **Enhancement of the national-level call center and Grievance Redress Mechanism:** the PACV has set up a national-level call center since September 2018, where any citizen can call the dedicated number to provide feedback or to ask questions on the project activities. The project will expand the use of the call center: a) for conducting beneficiary surveys on the project and on key basic services; b) for incorporating a SMS platform to make it even more accessible to the beneficiaries and citizens, and; c) for sending out early warning messages/SMS to key stakeholders and closing the feedback loop (linked to the EWRS). The subcomponent will also support its institutionalization in the country system, by facilitating dialogues with the key stakeholders and by publicly sharing information about the collected feedback on the ANAFIC website[42].

b. **Participatory Budgeting and its data visualization for transparency:** the PACV has piloted Participatory Budgeting in 132 LGs in rural Guinea. This sub-component will complement the activity by supporting visualization and disclosure of the participatory budgeting exercise using OpenSpending platform[43], linked to the MATD and other key national and local level governments, to enhance transparency and accountability of

[42] *https://www.pacv-gn.org/*
[43] *https://openspending.org/*

the local budgeting processes.

c. **Participatory Monitoring and Evaluation (PM&E):** similar to the Participatory Budgeting, the PACV has scaled up their PM&E to 132 LGs by January 2019. The subcomponent will provide support to strengthen engagement with the LGs and their deconcentrated line ministry focal points on key basic services such as education and health, to incorporate voices of the citizens and end beneficiaries.

d. **Mobile-based data collection and geo-localization of the local-level investments**: while the geo-localization of local-level small infrastructures with key management and operational data has already been launched under the PACV3 using GPS devices, the SLGP will provide smartphones and specific training to the ADLs and other key local stakeholders to collect and utilize the data more effectively. This activity will facilitate: a) accurate and speedy data collection and supervision of key services and infrastructures at the LG level; b) improved transparency of local-level investments of ANAFIC by disclosing the data on a publicly accessible website, and; c) informed decision-making and development planning for the LGs.

ANNEX 3: Economic Analysis

The results obtained from the economic analysis indicate that the project is economically profitable with a largely positive NPV of USD 38 million and an IRR of 39%. The sources of the economic gains attributable to the project are the transfer of extractive revenues to local governments for public investments, increased transparency and accountability of local govenrments, and mitigation of the risks of conflict and violence. The benefits are converted into monetary terms using a method based on the fiscal multiplier and on findings from the literature. The positive NPV and IRR are robust to many adverse scenarios evaluated during the sensitivity analysis. The project is also expected to generate important welfare gains that cannot be quantified but are described throughout the analysis.

Introduction

1. The development objective of the Project is to improve local government capacity in managing their public financial resources in order to provide basic services and mitigate local conflicts. The proposed project will build on the successful experience of the PACV3 and will strengthen local governance capacity and management of public funds through a newly created national-level institution, the ANAFIC and its funding window the FNDL, while also enhancing the Government's investment in local development projects. Through the local-level investment and funding, the project will: a) improve the livelihoods of direct and indirect beneficiaries, including women and youth, through the supported basic socio-economic infrastructure; b) create job opportunities at the district and local government levels with implications on consumer spending; c) increase local governments' revenues, resulting from increased direct funding through ANAFIC and from indirect expected increase in local revenues from citizen engagement activities.

2. The objective of this economic analysis is to estimate the economic gains that are attributable to the project. The main difference between an economic analysis and standard accounting or financial analysis is to include opportunity costs and to focus on added economic value instead of focusing on project cash flows. The method selected for the analysis is the Net Present Value (NPV) because the project is expected to provide a stream of economic and welfare gains that are amenable to a year by year accounting. More specifically, the exercise will determine as precisely as possible the economic added value that can be directly attributed to the results of the project and compare it to the cost of the project. Both economic gains and economic costs measurable in monetary terms will be discounted to obtain the net present value to assess the viability of the project.

3. The use of a methodology based on the concept of fiscal multiplier[44] helps to circumvent many of the issues associated with measuring the economic gains of a decentralization and PFM project. The estimation of the fiscal multiplier is based on the IMF framework[45] and on the assumption that local governments have higher fiscal multipliers than central governments. This assumption is supported by the arguments that local governments are more accountable to local populations and are more aware of the needs of their constituents. This assumption is also supported by some empirical evidence provided by the project's PIU which is presented in the methodology section below. Finally, some additional economic gains from an increase in transparency of local governments and the alleviation of conflict are also approximated using available literature and added

[44] The IMF (2014) paper defines fiscal multipliers as the measure of the short-term impact of discretionary fiscal policy on output, i.e. as the ratio of a change in output to an exogenous change in the fiscal deficit with respect to their respective baselines.

[45] Fiscal Multipliers: Size, Determinants and Use in Macroeconomic Projections, IMF Technical Notes and Manuals, September 2014.

to the calculations.

Summary of Project Activities and Expected Results

4. The Support to Local Governance Project (SLGP) has 4 components. Component 1 aims to finance operationalization of the FNDL through DLRs. Component 2's objective is to harness ICT and build institutions and capacity for inclusive and accountable local governance. Component 3 involves the project's coordination and management, and component 4 is a Contingent Emergency Response element.

Component 1: Supporting the Operationalization of the FNDL (US$20.0 million). The aim of this component is to provide incentives to improve the availability and management of resources at the LG level of government by supporting reforms to the main elements.

Component 2: Building institutions and capacity for inclusive and accountable local governance (US$15.0 million). The objective of this component is to support the implementation of the inclusive and accountable decentralization process through the following three complemental sub-components. *Sub-component 2.1: Strengthening and digitalizing LGs Public Finance Management (US$5.0m)* will: support technical assistance, training, studies and relevant equipment to strengthen the capacity and functions of LGs to better manage their public finance. *Sub-component 2.2: Support to decentralization implementation. (US$5.0m)* will contribute to strengthening the decentralization process and legal framework through studies, technical assistance, capacity-building, and provision of equipment. *Sub-component 2.3: Citizen Engagement and Community-based Early Warning and Response System (EWRS) (US$ 5.0m)* will support scale-up and improvement of citizen engagement and EWRS pilot activities that have been piloted under the PACV3, with strong emphasis on ICT.

Component 3: Project management support (US$5.0 million), and* Component 4: *Contingent Emergency Response (US$0.0). The project will be managed by a Project Implementation Unit (PIU), embedded within ANAFIC and a steering committee will set the strategic directions and approve the annual work program and budget. Finally, the Component 4 is a zero-budget sub-component, which establishes a disaster contingency fund that could be triggered in the event of a natural disaster through formal declaration of a national emergency, or upon a formal request from GoG. In such a case, funds from the unallocated expenditure category or from other project components could be re-allocated to finance emergency response expenditures to meet emergency needs.

5. These activities are expected to have three main benefits that are relevant for this economic analysis because of their associated measurable economic gains: 1) the operationalization of the FNDL which will enable the transfer of the extractive revenues to the local government (mostly through component 1), 2) increased transparency and accountability of local governments which will make the local government more economical, and 3) a mitigation of the risk of fragility and violence (through component 2.3) which will reduce the losses due to violence annually.

Methodology and underlying assumptions

6. The project's main results do not directly generate streams of revenues which are what is normally evaluated through Net Present Value methods. The funds that will be unlocked by the operationalization of the FNDL and transferred to local governments are earmarked for social investments in health centers, schools, potable water, rural markets, rural roads, bridges, small production units, and small-scale irrigation projects. However, the scope and scale of the proposed investments will be driven by explicit demands from the

Project's target population and are difficult to predict. Additionally, despite that these infrastructures will be beneficial for population and will be targeted to the poor (describe more), they are more directed towards increasing welfare than generating predictable streams of revenues. Transparency and violence are also two factors that have been associated with important economic gains but do not have direct associated flows of revenues.

7. The use of a methodology based on the concept of fiscal multiplier has multiple advantages for this type of situation. First, because the output from the method is in units of the GDP, it is directly measurable and limited to the added-value of provided by each activity, meaning that it includes the value of the additional jobs and services provided by the investment while accounting for the opportunity cost. The second advantage of this method is that it makes more straightforward the task of incorporating other indirect economic benefits of the project. For example, while the literature for the impact of more transparency on specific projects is scant, there is abundant study of the aggregate impact of transparency on GDP, which can then serve of good approximations and incorporated in this framework.

8. To determine the appropriate size of the fiscal multiplier, the IMF proposes a framework for countries where no reliable estimate is available. The IMF recommends the use of their "bucket approach," which bunches countries into three groups that are likely to have similar multiplier values based on their structural characteristics and then adjusting for specific factors such as monetary policy and types of instrument. The estimation can then be crosschecked with general findings from the literature on other countries.

9. One key aspect of the method from the IMF is that it takes into account the permanency effect of fiscal shocks. In general, model-based and econometric studies find that the output effect of an exogenous fiscal shock vanishes within five years—even if fiscal measures are permanent. The effect does not decline in a linear way but usually has an inverted U shape, with the maximum impact occurring in the second year. However, the duration of these effects varies depending on several factors examined in the following paragraphs: (i) the persistence of the fiscal shock; (ii) the type of fiscal instrument; and (iii) conjunctural factors such as the cyclical position and whether monetary policy responds to the fiscal shock. This means that a fiscal shock at time t would have output effects at time t, t+1, …, t+3. This is illustrated in Table 9 from the IMF paper.

TABLE 9. EFFECT OF FISCAL TIGHTENING ON OUTPUT LEVEL[1] (RELATIVE TO BASELINE)

		2015	2016	2017	2018	2019	2020	2021
Effect on output level	2015	-0.8	-1	-0.6	-0.3	…	…	…
	2016	…	-0.8	-1	-0.6	-0.3	…	…
	2017	…	…	-0.8	-1	-0.6	-0.3	…
	2018	…	…	…	-0.8	-1	-0.6	-0.3
Total Impact on Output (relative to baseline)		-0.8	-1.8	-2.4	-2.7	-1.9	-0.9	-0.3

[1]For illustration purposes, we assume a repeated negative fiscal shock of 1 unit in 2015–2018 (e.g. $1 cut in spending) and a maximum multiplier of 1 in year 2 that gradually declines to 0 in year 5.

10. For the purpose of this analysis, the second-year approximation for the fiscal multiplier of Guinea is set at (0.6, 0.8, 0.6, 0.3) for the 4 years of the effect. This takes into account the structural characteristics, such as trade openness, flexible labor markets, spending and revenue inefficiencies, debt levels, etc., of Guinea. This level is consistent with the fact that developing economies are generally placed in the low-multiplier bucket and the fact that as a fiscal instrument, public investments (which is the type relevant for the project) have the highest fiscal multiplies. Because of the permanency aspect of the transfers to local governments, the considered fiscal shock is only the difference between the transferred amount at time t and the transferred amount at t-1, meaning the incremental increase. This offers a very conservative and lower bound level for the economic gains from the transfers to local governments.

11. A central assumption of the project is that local governments have a higher productivity on their investments, meaning lower unit costs. This means that, for example, US$1 spent by a local government would have a bigger welfare and economic impact than US$1 spent by the central government. This higher productivity comes from a lower unit cost of the local projects due to lower levels of leakages as local governments are often more accountable to their beneficiaries, and lower transaction and supervision costs. This claim is supported by data comparing local and central unit costs for different projects gathered by the PIU and presented in the table below. In addition to a lower unit cost, better alignment of the investments with the local needs could lead to higher welfare gains. Based on the table below, the initial productivity markup used for this economic analysis is 15%. This number is also expected to increase as part of the project's benefits, which are described in the next section.

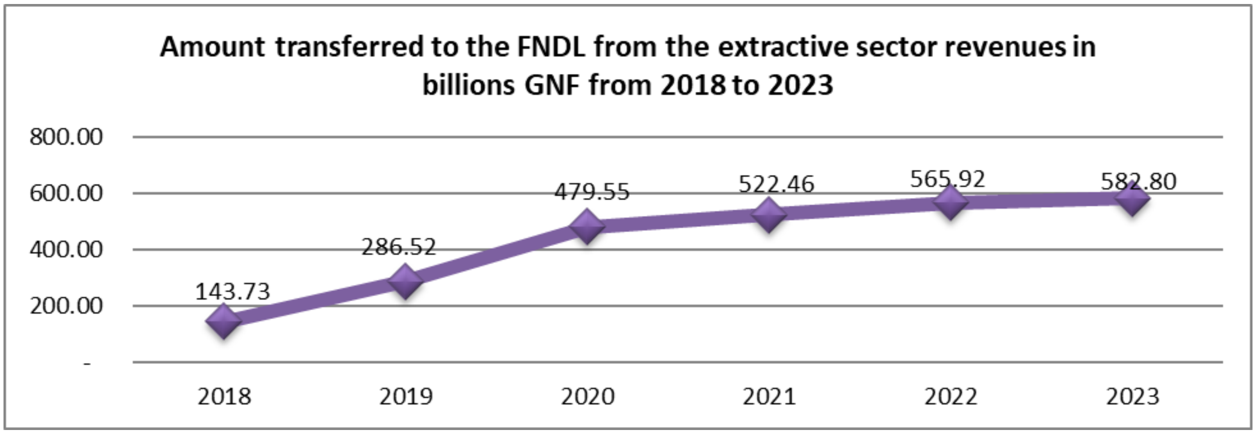
12. In terms of general macro assumptions, the analysis assumes a market exchange rate fixed at the recent average rate of GNF 9,000 for USD 1 and a 12 percent discount rate. It is also assumed that these macroeconomic assumptions are to remain constant over the project life.

Project Economic Benefits and Costs

13. Through its support for local government's capacity building, setting up an early warning system and strengthening citizen engagement mechanisms based on the PACV and local structures, the project will have multiple benefits. Most of these benefits are indirect and not easily measurable in monetary values. However, three of these benefits can be approximated using the multiplier method or findings from the literature.

	Commune Offices		Health Clinic		Elementary School				Drilling	Improved Well
Funding	Rural	Urban	With toilet unit and garbage pit	With toilet unit, incineration pit, habitation and fence, solar kit, water access	3 classrooms and habitation for teachers	Without equipment	With equipment, habitation, water access and fence	With Equipment		
C B G	600 000 000									
PACV3	404 000 000			526 000 000			550 000 000	448 370 813	80 464 241	47 000 000
AGREM			288 118 616		360 663 124				98 685 000	
PSE						628 725 780				
Plan Guinée							448 370 813			
BND		500 000 000		550 000 000	400 000 000				100 000 000	

14. Benefit 1: Transfer of extractives revenues from central government to local government for public investments budgets. Operationalizing the FNDL will enable the effective transfers of investment budget to local governments, with the hypothesis that it will be (i) executed at lower cost (unit cost is lower when executed locally); (ii) according to local preferences and needs (less waste, better targeting for poor since poor population, and included in participatory process, and hence higher impact); and (iii) invested in all communes, mostly on small infrastructures in both urban and rich areas, which tend to impact poor population first (water points, classrooms in primary school, small road infrastructures, etc.). The estimated amount used for the analysis comes from simulations provided by the PACV project in the 2018 Report on FNDL and ANAFIC.



15. Benefit 2: Increased transparency and accountability of local government investments. Many sources support the fact that more transparency and accountability can reduce leakages in public investments. A WEF report[46] states that: "10-25% of the value of public contracts is lost to corruption. One of the main reasons is countries have a lack of transparency when it comes to work being done by government contractors." In a recent paper Lambsdorff (2006) finds that a 6-point improvement in integrity on the Transparency International index – for example, an increase in Tanzania's level of integrity to that of the United Kingdom – would increase GDP by 20 percent. In their 2012 paper, Olken and Pande state that corruption can have efficiency consequences through impacts on government provisions of goods and services. If corruption increases the cost of government goods and services, this could have an effect similar to raising the price of these goods and services or otherwise worthwhile government projects—such as redistribution schemes or public works projects—become non-cost effective. Olken (2006) examines this possibility in the context of a large Indonesian anti-poverty program that distributed subsidized rice to poor households. By comparing survey data to administrative data, Olken estimates that at least 18 percent of the rice was lost from the program.

16. The project involves many activities that should increase transparency for local governments. Emerging evidence from similar operations indicates that the reforms supported by the proposed technical assistance will likely result in a further reduction of transaction costs associated with the delivery of local services due to (a) improved predictability, reliability and control of transfers from the central government to local government; (b) improved revenue collection and PFM capacity at the local level resulting in better budget planning and execution, reporting and accounting practices; and (c) improved

[46] How transparency can help grow the global economy, WEF, Oct 2018

administrative capacity at the local level resulting in improved responsiveness of LGs to the needs of citizens. Based on these elements and the literature review, it seems reasonable to approximate economic gains from this increased transparency by approximating that the project will increase the local government productivity markup from 15% to 25%.

17. Benefit 3: Mitigation of the risk of fragility and violence, and their consequences on poverty, service delivery, social inclusion, livelihood, and women and children. According to the Pathways for Peace report, it is clear that violent conflicts exact an incalculably high cost in direct and indirect damage to societies, economies, and people. It kills and injures combatants and civilians alike and inflicts insidious damage to bodies, minds, and communities that can halt human and economic development for many years. Its long-term effects on the countries involved, and on their neighbors, include monetary costs such as reduced economic growth, minimized trade and investment opportunities, and the added cost of reconstruction.

18. The consequences are hugely negative for fragile contexts. Mavriqi (2016) finds that countries experiencing violent conflict suffer a reduction in annual GDP growth of 2–4 percent and up to 8.4 percent if the conflict is severe. On average, countries that border a high-intensity conflict zone experience an annual decline of 1.4 percentage points in their GDP and an acceleration in inflation of 1.7 percentage points (Rother et al. 2016). For Hoeffler (2017), the cost of violence can be understood as the sum of the cost to (1) the individual victim (2) to their family (3) their immediate community and (4) to society at large. Some of the costs of violence are easier to express in monetary terms than others. The medical care, lost income and criminal justice system cost are relatively straightforward to measure and are termed 'tangible' costs. The 'intangible' costs of pain, suffering, decreased quality of life and psychological distress are more difficult to monetize. The author estimates that for Sub-Saharan Africa, the cost of collective violence is approximately 0.63% of GDP and the cost of interpersonal violence at 3.68% of GDP.

19. The Global Peace Report directly addresses the idea of the fiscal multiplier in conjuncture with fragility. They say: "the multiplier effect's (the reason that a dollar of expenditure can create more than a dollar of economic activity) exact magnitude of is difficult to measure, but it is likely to be particularly high in the case of expenditure related to containing violence. For instance, if a community were to become more peaceful, individuals would spend less time and resources protecting themselves against violence. Because of this decrease in violence there are likely to be substantial flow-on effects for the wider economy, as money is diverted towards more productive areas such as health, business investment, education and infrastructure." The report also directly estimates the cost of violence for Guinea at 8% of GDP.

20. In Guinea's context of fragility and building on PACV3's achievements, the project will play a unique and critical role on the risk of violence. It will do so by rebuilding trust between the state and citizens, by continuing to support participatory and inclusive local development processes, which bring together citizens and local governments and strengthen their relationship, but also by materializing local investments through direct financial and technical support, to all communes (local councils) in Guinea. The project will support activities designed to increase civic engagement and the inclusion of citizens in decision-making to reinforce the social contract. In line with RMR's objectives, the project will strengthen the capacity of local actors to manage conflicts through improved early warning and response system, building on local platforms (at local government level and community-level) and citizen engagement mechanisms. Also, setting up an Early Warning System embedded in country system, will mitigate the risk of fragility and violence, and their consequences on poverty, service delivery, social inclusion and livelihood. Finally, both the participatory approach and the Early Warning System will contribute to build the social fabric and state-citizen relationship, and hence positive and forward-looking dynamic of local development. Based on these elements and the findings from the literature, it seems reasonable to approximate the economic gains from the project by assuming that it will reduce the cost of violence by 0.1% of GDP on an annual basis, out of the 8% estimated by the Global Peace Report.

Summary of Results of the Analysis

21. Based on the assumptions made we can estimate the economic gain from the transfers of the extractive revenues to the local government to be:

Economic Gain	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*
Extractive revenue transfer increment of 2019	25.79	34.38	25.79	12.89	0.00			
Extractive revenue transfer increment of 2020		17.37	23.16	17.37	8.69	0.00		
Extractive revenue transfer increment of 2021			3.86	5.15	3.86	1.93	0.00	
Extractive revenue transfer increment of 2022				3.91	5.22	3.91	1.96	0.00
Extractive revenue transfer increment of 2023					1.52	2.03	1.52	0.76
Total (in billions of GNF)	25.79	51.76	52.81	39.33	19.28	7.87	3.48	0.76

22. When discounted and converted into USD it is approximately USD 15.96 million. When the gains from transparency are added the gains increase to USD 26.6 million. Finally, adding the economic gains from mitigating 0.1% of the 8% yearly economic cost of violence and subtracting the cost of the project yields a project NPV of USD 38 million and an IRR of 39%. This is strong supporting evidence that the project is economically profitable.

Sensitivity Analysis

23. For the analysis of the sensitivity of the results to the assumptions made, 4 adverse scenarios are evaluated. The first scenario evaluates a case where the extractive revenues are half what is expected. This outcome would lower the gains from project by reducing the amount transferred to local governments. The second scenario assess the case where the fiscal multiplier is much smaller than in the baseline case, from (0.6, 0.8, 0.6, 0.3) in years 1 to 4 following the fiscal shock, to (0.4, 0.5, 0.4, 0.2). A smaller fiscal multiplier would lower the economic gains from the transfers. The third scenario looks at the case where the transparency gains on the local productivity are half as high as expected, meaning they only increase from 15% to 20% instead of 25%. The fourth scenario evaluates the case where the project fails to mitigate as much fragility and violence risks as expected, meaning a decrease of the economic cost of violence from 8% to 7.95% instead of the baseline scenario of a decrease to 7.9%. A final case combines all of these scenarios into a worst-case scenario. Only in the worst-case scenario does the NPV become negative and the IRR drops below the discounting rate which suggests that the economic profitability of the project is robust to a change in many of our assumptions. The results are presented in the table below.

Sensitivity Analysis	***NPV (US$)***	***IRR***
Baseline	$ 38,716,650.36	38.90%
Smaller extractive revenues	$ 25,413,595.76	29.52%
Smaller fiscal multiplier	$ 29,453,234.05	32.36%
Smaller local productivity increase	$ 33,395,428.52	35.15%
Smaller risk of violence mitigation	$ 12,661,379.78	21.96%
Worst Case Scenario	$ (5,138,246.63)	8.28%

Conclusion

24. From the above analysis, it is clear that when the Project's benefits are compared with its associated costs the NPV and IRR show positive outcomes. This means that the Project's investments are economically viable. A sensitivity analysis conducted to test the robustness of the analysis with regard to the choice of assumptions for the analysis also showed positive outcomes when adverse scenarios are considered.

25. Additional positive outcomes could not be included in the NPV analysis, but literature highlight key positive impact of the project activities on service delivery, governance, poverty, social inclusion and conflict. The economic analysis performed only covers the benefits that could be expressed in monetary terms. Many of the activities of the project are also expected to have an impact on the social welfare of the beneficiaries and to have second order effects,[47] both of which are difficult to translate into monetary value. These elements include (i) the benefits of robust citizen engagement, strengthening accountability, trust in authorities and institutions, which is correlated with pro-poor and inclusive growth;[48] (ii) the positive impact of Participatory Budgeting and transparency on local fiscal revenue mobilization, developing and delivering meaningful, inclusive and accessible services;[49] (iii) the positive impact of community and citizen engagement in preventing and mediating local conflicts, including the positive role of women in such processes;[50] and (iv) the positive impact on service delivery and public finance management of improved planning and execution capacity thanks to the effective transfer of investment budget and human resources from line ministries to LG through the FNDL.

[47] Granvoinnet, H. et al, 2015, Opening the Black Box: The Contextual Drivers of Social Accountability. New Frontiers of Social Policy series, World Bank; Gaventa, J., and R. McGee. 2013. "The Impact of Transparency and Accountability Initiatives." Development Policy Review
[48] For example: World Bank, 2018, "The Quest for Pro-Poor and Inclusive Growth: The Role of Governance", Job Market Paper
[49] For example: Boulding, C., and B. Wampler, 2010, "Voice, Votes, and Resources: Evaluating the Effect of Participatory Democracy on Well-Being." World Development; Touchton, M., and B. Wampler. 2013. "Improving Social Well-Being through New Democratic Institutions." Comparative Political Studies Paler, 2011, Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government
[50] United Nations and World Bank. 2018. Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict; World Bank, 2011, World Development Report 2011: Conflict, Security, and Development.

ANNEX 4. Detailed FM Assessment

1. An FM assessment of the implementing unit ANAFIC designated as PIU to manage the Project, was carried out in January 2019. The objective of the assessment was to determine whether the PIU has acceptable FM arrangements in place to ensure that the project funds will be used only for intended purposes, with due attention to considerations of economy and efficiency. The assessment complied with the Bank Directive Financial Management Manual for World Investment Project Financing operation effective March 1, 2010 and as last revised on February 10, 2017.

2. The assessment revealed (i) lack of adequate FM staffing; (ii) lack of familiarity of the FM team with Bank-financed project procedures and requirements; and (iii) weaknesses in internal control areas such as the lack of FM procedures manual, and absence of internal audit function; and (iv) lack of project accounting software. Indeed, ANAFIC has an accounting officer and a financial controller nominated by the Ministry of Finance. The FM team composed of civil servants has no previous experience of Bank-financed operations and the overall internal control environment remains weak.

3. As a result of the above-mentioned FM capacity constraints, the following actions need to be completed to ensure adequate FM arrangements for all aspects of the Project. In addition, the current accounting software of the ANAFIC will also be updated as soon as the project is approved.

Table Annex 4-A: FM Action Plan

Action	***Responsible***	***Deadline and conditionality***
6- Elaborate a Project Implementation Manual including FM procedures	ANAFIC	Before effectiveness
7- Recruit a Financial Management Specialist with qualifications and experience satisfactory for the Bank		Before effectiveness
8- Recruit an accountant with qualifications and experience satisfactory for the Bank		Five (5) months after effectiveness
9- Recruit an internal auditor		Five (5) months after effectiveness
10- Recruit an external auditor to audit project annual financial statement		Five (5) months after effectiveness

4. In addition, the project's FM team will receive technical support from the PACV finance team who is familiar with Bank procedures.

Based on the Bank's assessment, residual FM risk for the project is deemed **Substantial**. The proposed FM arrangements are considered satisfactory in fulfillment of the Bank's minimum requirements following the implementation of mitigation measures. The implementing entity will ensure that the Bank's Guidelines: Preventing and Combating Fraud and Corruption in Projects financed by IBRD Loans and IDA Credits and Grants are followed under the project.

5. Planning and budgeting: ANAFIC will prepare a detailed annual work plan and budget (AWPB) for implementing the activities of the project. The AWPB will be submitted to the National Steering Committee for approval and thereafter to IDA for no-objection, not later than November 30 of the year preceding the year the work plan should be implemented.

6. Internal control system and internal audit: Internal control system is designed to ensure (i) the effectiveness and efficiency of operations, (ii) the reliability of financial reporting, and (iii) the compliance with applicable laws and regulations. For this project, the accounting, financial and administrative procedures manual, to be developed, will document, explain and describe work processes, information flow, authorization and delegation of authority, timing, segregations of duties, auto and sequential controls, compliance with project objectives, micro and macro rules and regulations. Application of the procedures set out in the manual will be mandatory for all staff at all levels. One internal auditor will be recruited for ANAFIC.

7. Accounting Arrangements: ***Staffing.*** A FM team consisting of a qualified and experienced Financial Management Officer and a qualified and experienced accountant will be established in addition to the ANAFIC financial staff.

8. *Accounting Standards.* The prevailing accounting policies and procedures in line with the West African Francophone countries accounting standards—SYSCOHADA—in use in Guinea for ongoing World Bank-financed operations will apply.

9. *Accounting*. The accounting systems and policies and financial procedures used by the new project will be documented in the project's administrative, accounting, and financial manual to be developed by the project.

10. *Software*. ANAFIC will customize the accounting software currently used by the PACV3 project to meet the new project requirements. This software should be capable of recording transactions and reporting project operations in a timely manner including preparation of withdrawal applications and periodic financial reports (Interim unaudited Financial Reports- IFR- and Annual Financial Statements). The software should include budgeting, operating and costs accounting systems to facilitate monitoring, evaluation and reporting.

11. Interim financial reporting: The unaudited IFRs will be prepared every quarter and submitted to the World Bank regularly (for example, 45 days after the end of each quarter) and on time. The quarterly IFR for the project includes the following financial reports: (a) Statement of Sources of Funds and Project Revenues and Uses of funds; (b) Statement of Expenditures (SOE) classified by project components and/or disbursement category (with additional information on expenditure types and implementing agencies as appropriate), showing comparisons with budgets for the reporting quarter, the year, and cumulatively for the project life; (c) cash forecast; (d) explanatory notes; and (e) Designated Account (DA) activity statements.

12. Annual financial reporting: In compliance with the West African Francophone countries accounting standards and IDA requirements, the implementing entity will produce annual financial statements. These include (a) a Balance Sheet that shows assets and liabilities; (bi) a Statement of Sources and Uses of Funds showing all the sources of project funds and expenditures analyzed by project component and/or category; (c) a DA Activity Statement; (d) a Summary of Withdrawals using SOEs, listing individual Withdrawal Applications by reference number, date, and amount; and (e) notes related to significant accounting policies and accounting standards adopted by management and underlying the preparation of financial statements. The financial statements will be audited annually by the external auditor.

13. External Auditing: The external audit of the project's funds will be done by a private audit firm acceptable to the Bank on the basis of Terms of Reference (TOR) cleared by the Bank. The audit will be carried out in accordance with the International Standards on Auditing. The audit report together with the management letter will be submitted to the Bank within six months after the end of the financial year. The financial years for preparing audited accounts will follow financial year of the implementing entity

14. Audit reports will be publicly disclosed by the Bank in accordance with the World Bank disclosure policy.

Table Annex 4-B: Due Dates of the Audit Report

Audit Report	*Due Date*	*Responsible*
Audited financial statements including audit report and Management Letter (for project and consolidated financial statement) for each entity.	(a) Not later than June 30 (2000 + N) if effectiveness has occurred before June 30 (2000 + N-1). (b) Not later than June 30 (2,000 + N+1) if effectiveness has occurred after June 30, (2000 + N-1)	ANAFIC

15. Funds Flow Arrangements.

a. Banking Arrangements. The implementing entity will open a designated account (DA) in a financial institution acceptable to IDA. – see table below for bank accounts and currencies. The ceiling of the DA will be stated in the DFIL.

Implementing Entity	*Designated Account Financial Institution*	*DA Currency*	*Project Account Currency*
Guinea	Central Bank (BCRG)	USD _______	GNF (Commercial bank)

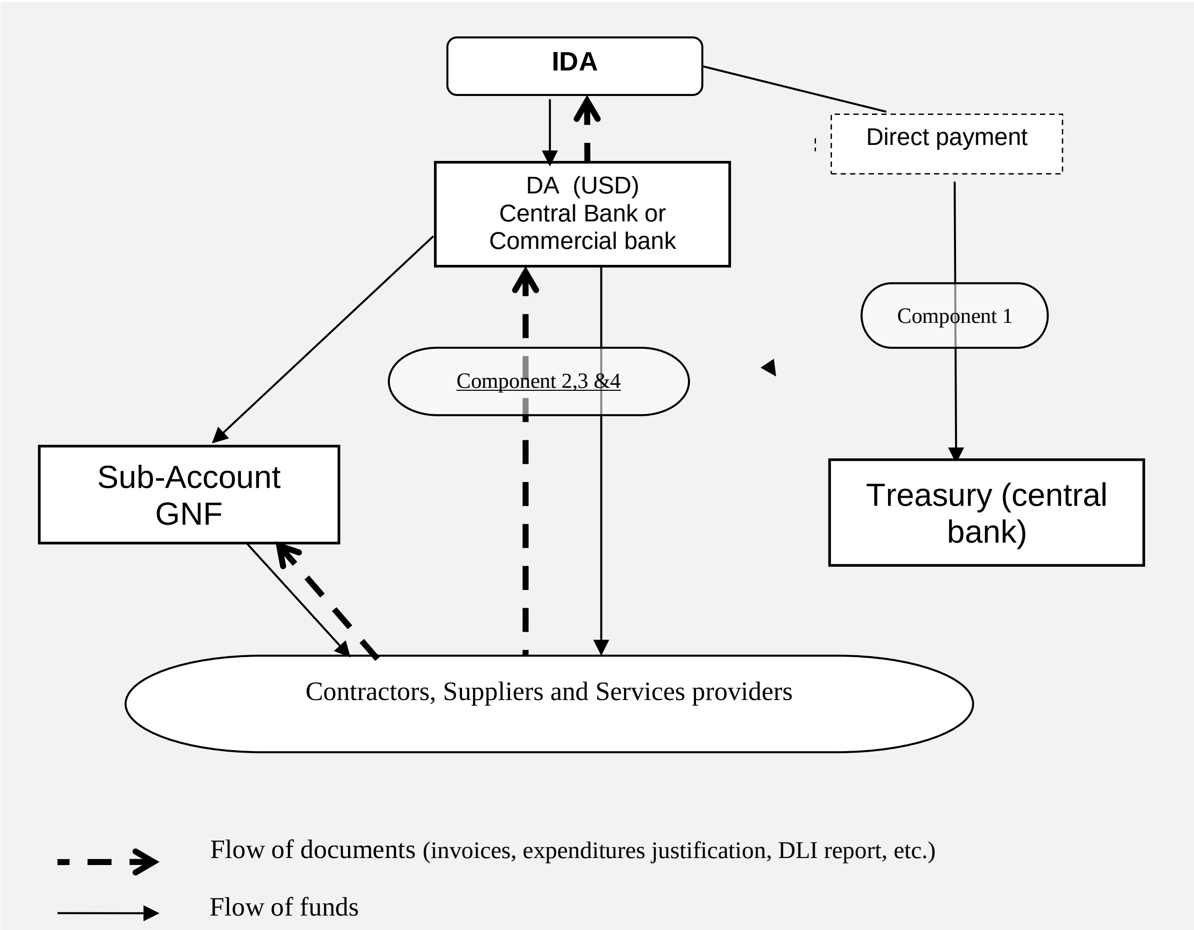
b. Disbursements for all implementing entities. Upon credit effectiveness, disbursements will follow the Disbursement Guidelines for Investment Project Financing operations issued in February 2017. The project will finance 100 percent of eligible expenditures inclusive of taxes. The project can make use of all four (4) disbursement methods (advance, reimbursement, direct payment and special commitment). An initial advance up to the ceiling of the DA will be made into the DA from which payments for incurred eligible project expenditures will be made. Where payment is to be made for eligible project expenditures in local currency, funds will be transferred from the DA to the Project Account to make such payments. Balance in the Project Account will be as close to zero as possible after payments have been made. **S**ubsequent disbursements will be made against submission of Statements of Expenditures (SOE) reporting on the use of the initial/previous advance; The minimum value of applications for these methods is 20 percent of the DA ceiling. The authorized signatory for each entity will sign and submit Withdrawal Applications electronically using the eDisbursement module accessible from the Bank's Client Connection website**.**

16. Disbursements for all implementing entities. The following bank accounts will be opened for ANAFIC:

- Designated Accounts: the IA will open Designated Accounts (DA) in USD in a financial institution (central or commercial bank) acceptable to IDA.
- National Treasury Account held in central bank will received funds allocated to DLIs for immediate onward transfer to the project account.
- Project accounts: The project will open a project account in GNF for the payment of eligible project expenditures in local currency, funds will be transferred from the DA to the Project Account to make such payments. Balance in the Project Account will be as close to zero as possible after payments have been made.

17. Local taxes: Funds will be disbursed in accordance with project categories of expenditures and components and their financing will be in line with the Financing Agreement and will be inclusive of taxes per the current country financing parameters approved for *Guinea.*

Figure Annex 4-A: Fund Flows by IA



18. Support to the implementation plan: FM supervisions will be conducted over the project's lifetime. The project will be supervised on a risk-based approach. Based on the outcome of the FM risk assessment, the following implementation support plan is proposed. The objective of the implementation support plan is to ensure the project maintains a satisfactory FM system throughout its life.

Table Annex 4-C: FM Implementation Support Plan

FM Activity	***Frequency***
Desk reviews	
IFRs' review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports	Continuous, as they become available
On-site visits	

Review of overall operation of the FM system (Implementation Support Mission) Monitoring of actions taken on issues highlighted in audit reports, auditors' Management Letters, internal audits, and other reports Transaction reviews	Every six months for Substantial risk As needed As needed
Capacity-building support FM training sessions	 Before project effectiveness and during implementation as needed

Table Annex 4-D: Updated FM risk assessment / ANAFIC

Risk	***Risk Rating***	***Risk Mitigation Measure***	***Risk rating after mitigation measures***
I. Inherent Risks:			
Country level	**H**	Implement the PFM reform agenda with the support of the World Bank and other donors. The World financed project (P125890, Public Sector Governance) is supporting the design of the PFM system	**H**
Entity level	**S**	Develop clear project implementation manual and capacity building plan will be implemented.	**S**
Project level	**S**	Describe the role and responsibility of each stakeholder in the PIM	**S**
II. Control Risks:	**S**		**S**
Budgeting	**S**	Follow strictly the budget preparation policies and procedures described in the project implementation manual. Track budget variances and take proactive decisions	**S**
Accounting	**S**	Dedicate FM and accountant to project activities. Install accounting software to record project transactions. Trained staff on WB procedures.	**S**
Internal Controls	**S**	Elaborate the project implementing manual and clarifies role of each actors. Recruit internal auditors to oversee project transactions.	**S**
Funds Flow	**S**	Open DA account at central bank and appoint signatories timely.	**M**
Financial Reporting	**S**	Agree on the IFR format built on IFRS financial information presentation characteristics	**S**
External Auditing	**S**	Recruit an acceptable audit firm and ensure that ToR as approved by IDA	**M**
Overall Risk	**H**		**S**