Report Number: ICRR0022623

1. Project Data

Project ID P150827	**Project Name** Public Sector Strengthening Project	
Country Guinea-Bissau	**Practice Area(Lead)** Governance	
L/C/TF Number(s) IDA-55950,IDA-D0310	**Closing Date (Original)** 31-Dec-2018	**Total Project Cost (USD)** 4,863,378.72
Bank Approval Date 24-Mar-2015	**Closing Date (Actual)** 30-Nov-2020	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	5,000,000.00	0.00
Revised Commitment	5,000,000.00	0.00
Actual	4,863,378.72	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) for the Guinea-Bissau Public Sector Strengthening Project as set out on page 4 of the Financing Agreement was *to assist the Recipient to re-establish basic systems for public financial management.* The PAD (page 5) had the same formulation for the objective.

The PAD and the ICR also provide more specificity to the objective. In restoring basic systems of public financial management (PFM), the focus is on two areas of immediate concern: public revenue management and expenditure control. These are also the two main components of the project (see Section 2d below).

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

Component 1: Performance, Control and Transparency of Public Revenues (estimated cost at appraisal: US$2.40 million; actual cost US$2.50 million). The component provided technical assistance to: (i) strengthen tax collection and tax administration through improved audits and controls; (ii) strengthen the customs administration by streamlining customs procedures; and (iii) strengthen the Treasury Single Account (STA) to improve macroeconomic modeling, revenue forecasting and cash management, and produce statistics and public economic and financial data.

Component 2: Expenditure Control, Procurement, Accounting and Reporting (estimated cost at appraisal: US$1.10 million; actual cost US$1.10 million). The component provided technical assistance to: (i) restore the Integrated Financial Management System; (ii) strengthen procurement and public investment management systems; and (iii) support the purchase and installation of power generation and computer hardware and software aimed at restoring basic public financial management functions.

Component 3: Public Financial Management Reform Coordination and Project Management (estimated cost at appraisal: US$1.50 million; actual cost US$1.40 million). The component supported: (i) a Reform Coordination Unit (RCU) to ensure overall coordination of PFM reforms, including donor coordination; (ii) implementation of the first two project components; and (iii) compliance with the Bank's fiduciary guidelines.

Significant Changes During Implementation

The project went through three Level 2 restructurings:

During a first restructuring, in June 2018, two of the three original key indicators were dropped: one, on reducing extra-budgetary expenditures, was rendered redundant by a Ministerial circular that banned extra-budgetary expenditures; and a second one, on consolidating cash balances, was not supported by any project activity. The third original indicator – timely reporting of budget execution – was retained. One output indicator, measuring the increase in tax and customs revenues because of project activities, was upgraded on the reasonable argument that it represented an outcome rather than an output.

At the same time, seven (of eight) output indicators were dropped for a variety of reasons, including not being sufficiently aligned with ongoing project activities. Seven new output indicators were introduced with targets for which the project could be held accountable. Six of them measure progress on tax and customs activities, and one measured improvements in debt management. Annex 7 of the ICR provides a detailed list of the changes in indicators.

Component 2 was revised with the elimination of procurement and investment management systems' strengthening after three years of project implementation with virtually no progress – procurement training did not get underway as the project encountered difficulties in recruiting procurement expertise, and the need for strengthening procurement (as well as) investment management was seen as slight by the government, the former due to changing priorities, and the latter as it was primarily driven by development partners. (The activities were reintroduced into a new project under preparation.)

Finally, the Closing Date for the project was extended by 12 months, from December 31, 2018, to December 31, 2019.

A second Level 2 restructuring was approved in December 2019 extending the Closing Date from December 31, 2019, to November 30, 2020, to allow completion of a Customs staff training program that had been postponed due to presidential elections in 2019.

A third Level 2 restructuring was approved in March 2020 to reallocate Credit funds to other ongoing training activities and other commitments.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project costs. At appraisal, total project cost was estimated at US$5.00 million. Actual project cost at closing was US$5.00.

Financing. The project was financed with an IDA Credit of US$2.75 million and an IDA Grant of US$2.25 million. US$4.86 million were disbursed. The difference between project cost and financing reflects exchange rate adjustments.

Borrower contribution. There was no Borrower contribution.

Dates. The project was approved on March 24, 2015 and became effective on June 22, 2015. The original Closing Date, December 31, 2018, was extended twice, first to December 31, 2019, then to November 30, 2020, at which time it closed.

3. Relevance of Objectives

Rationale

The PDO was aligned with the Bank's country strategy at appraisal and continues to be so today. Re-establishment of basic systems of public financial management was necessary in the wake of a period of military government (2012-2014) that had seen deteriorating governance, poor public sector performance and weak public financial management. The need to re-establish systems was reflected in the new government's action plan, built on PFM and procurement reforms advocated by the West African Economic and Monetary Union (WAEMU) and a Public Expenditure and Financial Accountability (PEFA) assessment undertaken in 2013 with joint World Bank - European Union support. The government's 2015-2020 Strategic and Operational Plan also gives priority to improving public financial management, and this was also a part of the Bank's Interim Strategy Note of FY15 – FY17. The most recent Country Partnership Strategy for FY18 – FY21 continues to emphasize governance as one of its focus areas, also noting the central role that this project had in building capacity in public financial management. The project, while relevant and in line with government and Bank-supported strategy, may have been too ambitious for the country context. Its broad coverage was not well-aligned with political and institutional uncertainties; a more selective approach might have worked better in the country situation and better sustained results.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1
Objective
Re-establishing basic systems for public financial management

Rationale
The objective was to be achieved by: (i) improving performance, control, and transparency of public revenues; and (ii) strengthening expenditure control, procurement, accounting, and reporting in public financial management.

Outputs to strengthen resource mobilization:

Tax laws were adapted to bring them in line with WAEMU standards. By project closing, two of five draft laws had been adopted by the National Assembly– a general tax code and a penalties regime for tax offenses. The three other laws – on excise and sales taxes, and an assize law are still awaiting adoption.

Improved controls and audits in tax and customs administrations registered the following results:

- The number of taxpayers increased from 10,300 in 2017 (when indicators were revised) to 26,700 at project completion in 2020 against a target of 20,000.

- Tax and customs audits increased from 43 in 2015 to 150 in 2020 against a target of 280 audits. Tax and customs inspections increased from 4 in 2015 to 22 in 2020 against a target of 10 inspections.

Customs control procedures were reviewed and adjusted for greater efficiency at Bissau Port and two interior customs posts:

- Procedures for importing and exporting goods were streamlined, reducing the number of steps from 26 in 2017 to 9 in 2020, against a target of 6 steps.

- A database was established with reference prices for high volume imports/exports.

- Dwell-time for imported and exported goods declined from 90 days in 2017 to 6 days in 2020 against a target of 45 days.

- Improvements in the automated system for customs data increased customs declarations submitted through the system from 60 percent to 98 percent against a target of 100 percent.

- Training in improved customs procedures was provided for 160 General Directorate of Taxes staff, drawing on a training plan prepared with support from the IMF.

Outputs to strengthen expenditure management

Accounting and reporting improved with the introduction of an annual national budget preparation schedule and periodic budget execution statements, initially issued quarterly, then monthly beginning in 2018.

A new debt management software system was installed reducing delays in external debt payments from 7 months to 4 months, compared to a target of 1 month.

To support a gradual move towards multi-year budgeting, sectoral medium-term expenditure frameworks were introduced in five line ministries.

Institutional strengthening

Key features for operationalizing the PFM system were introduced: the basic information and computer technology was restored, and interconnections were established between key agencies. Work procedures were defined and offices were refurbished. The status of the government's financial management information system was assessed and recommendations made to enhance its performance, and capacity building was provided to managers and staff.

Outcomes

Tax and customs revenue increased by 15 percent from a baseline of CFA Francs (XOF) 62 billion in 2015 to XOF 74 billion at end-2019 compared to a target of XOF 71 billion.

Reporting on budget execution declined from every 48 months to every 8 months compared to a target of every 6 months.

Rating
Modest

OVERALL EFFICACY

Rationale
The project substantially achieved or exceeded five of its eight output targets, and partly achieved the remaining thre
outcome targets (reporting of budget execution) and modestly exceeded the other outcome target (revenue gen erati

operations). In the case of revenue generation, the result may be only partly attributed to the project as the revenue influenced by a growing economy (growth over the 2017-2019 period averaged 4.4 percent). With one outcome falli attributed to the operation, IEG gives efficacy a modest rating.

Overall Efficacy Rating	**Primary Reason**
Modest	Low achievement

5. Efficiency

5. Efficiency

Neither the PAD nor the ICR undertook an economic analysis of the project, noting difficulties in quantifying and attributing the benefits of PFM interventions here and elsewhere. In the absence of such analysis, the IEG instead focused on factors that may have influenced implementation cost. The project period was extended by two years, reflecting several factors: limited institutional capacity including a volatile political environment with frequent government changes, and its reflection in a high turnover among managers and staff in the Reform Coordination Unit (RCU), established for project management; in turn leading to implementation delays and, ultimately, higher-than-expected administrative costs; the adverse effects of COVID-19. The ICR (page 12) also points to inadequate Bank supervision effort in monitoring implementation (details in Section 8b).

The ICR rated Efficiency negligible, i.e., project resources were not deployed cost-effectively. IEG argues that project resources were used as planned, but might have achieved better value for money with a better understanding of the political and economic environment in which the project was being implemented and with greater attention to the results framework where the M&E design choices could have been more considered; the ICR (page 13) points to weak links between indicators and a broadly defined PDO.

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Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance was rated substantial based on its alignment with the Bank-supported CPS, as well as with country needs, notably the need to manage limited resources, and the government's action plan for PFM. At he same time, the rating is tempered by the overly ambitious objectives, considering the country environment (see also Section 8a, Quality at Entry). Efficacy was rated modest – while the project substantially achieved five of its eight output targets and partly achieved the remaining three, it fell short on one of the two outcome targets. Efficiency was rated modest, providing modest value for money.

a. Outcome Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

The current government has reiterated its commitment to improving PFM. A second Bank project is being prepared, drawing on the experience under this project and focused on improving strategic planning, fiscal management, and public administration. That said, Guinea-Bissau has a checkered history where challenges to institution building can be significant, as was the experience in implementing this project. That brings a significant level of uncertainty to both project implementation and sustainability of results.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project responded to needs to address key bottlenecks in public resource management and to restoring public financial management capacity. The design benefited from available analytics such as PEFA, the regional WAEMU PFM and a study on procurement reforms. It focused on areas that could generate quick returns in terms of restoring public trust in government processes, notably in the management of public revenues and in public expenditure control, and where it was likely that basic PFM foundations could be established and were likely to function. It considered lessons of PFM reform in fragile states such as the need to ensure reform ambitions were within the technical capacity of staff.

However, with political and institutional uncertainties, implementation challenges, and risks to the sustainability of results, a more selective approach would have been more prudent. Project preparation was affected by limited institutional capacity, and the operationalization of key entities (the RCU, the governmental steering committee, the project operating manual) experienced considerable delays, influencing the pace of implementation of the project. Frequent changes in the composition of technical counterparts at the public agency level also contributed to delays in project implementation. Project design and later implementation was also handicapped by a monitoring and evaluation design that was not initially well aligned with the project's objectives and later needed extensive restructuring.

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision

The volatility that had marked project preparation also made itself felt during implementation: several relevant ministerial replacements occurred, and RCU staffing remained volatile through much of the project, with many positions being unfilled for long periods of time. This affected the pace of implementation, affecting the timeliness of restructurings. On the Bank side, there was also staffing volatility – four TTLs over the course of the project, and while the ICR indicates that this did not have negative consequences for the project, it is nonetheless worth noting several lapses in supervision: only 9 ISRs were prepared in almost six years of implementation for a project that faced at least moderate challenges. ISR ratings varied between moderately satisfactory and moderately unsatisfactory (with an exception for the first ISR which was rated satisfactory). According to the ICR (page 12), while ISRs were detailed and informative, their candor, quality and consistency varied, and in some instances they were only partly completed. The inconsistencies in ISRs is illustrated by the following: Component 3, project management was assessed as Moderately Unsatisfactory for a short time and then upgraded to Moderately Satisfactory at which it was maintained despite continuing staffing challenges that were having a negative impact on overall project execution, described in Aide Memoires and ISR reports. The supervision team did address a difficult project design issue successfully – adjusting the results framework to more closely represent project activities and providing it with a monitorable set of relevant indicators. At the same time, inadequate attention was paid to the imbalance between limited country capacity to implement, and an ambitious project design.

Quality of Supervision Rating
Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Project implementation was to be monitored by the RCU, appropriately staffed and supported by technical assistance. Data collection and treatment was based primarily on the PEFA framework, with the RCU collecting the data by means of focal points located in each entity benefiting from the project. They monitored implementation based on a set of indicators and provided regular progress reports. Annual joint reviews were to complement the regular monitoring and evaluation system. A government level Steering Committee was to provide strategic direction to the reform but met only once.

The project's results framework was designed based on the government's PFM challenges as identified by a 2014 PEFA assessment and a regional WAEMU. However, the results chain and indicators did not initially capture well the links between the project and its objective, and the indicators mainly captured inputs such as technical assistance and the development of office infrastructure, including information and computer technology. These did not easily translate into meaningful results, and in some instances the indicators were difficult to quantify. This was largely amended during the first restructuring, albeit with ambitious targets.

The situation was rendered more challenging by the PDO, which left the interpretation of "basic PFM systems" open and increased the uncertainty about what the indicators were supposed to measure. The revised indicators are better in line with project activities and objectives, although one of the two outcome indicators – on increases in tax and customs revenues – cannot be uniquely attributed to the PDO.

b. M&E Implementation

Discontinuities in RCU operations following changes in leadership and delays in hiring consultants hindered the appointment of focal points. Consequently, data was collected by the project coordinator or through each central agency, leading to uncertainties about the consistency and quality of reporting. In turn, this came to require additional quality control. Neither annual reviews nor an inactive Steering Committee were able to contribute to stronger M&E implementation – they were intended to complement the M&E system and define bottlenecks. While the annual reviews proceeded as planned, the Steering Committee took time establish, and after its first meeting in May 2017 never met again.

c. M&E Utilization

Project supervision missions, ISR reports, annual reviews and the project mid-term review identified issues and made recommendations on corrective action. They raised the need for restructurings and extending the project period; and recommended revising the projects results framework.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The environmental assessment category was rated as “C” and no safeguard policies were triggered. During implementation, no environmental or social issues were identified.

b. Fiduciary Compliance

Financial management. Financial management was mostly rated moderately satisfactory. It was downgraded twice, once in 2016 for six months and once in 2018 for less than a year. Reasons included delays in acquiring and using the financial management system; delayed accounting and financial reporting, low quality of reports, and delay in hiring an external auditor, which in turn created delays in 2017 financial statements audit.

Fiduciary risks were rated substantial until March 2020, when they became moderate. Annual financial statements for 2017 to 2019 were qualified due to non-compliance with procedures. The issue was resolved when necessary documentation was provided.

Procurement. Procurement capacity was low and measures to alleviate this – hiring of procurement staff, including an outside consultant – ran into delays which in turn slowed down project implementation. Despite continuing difficulties with compliance, procurement was initially rated satisfactory and subsequently re-assessed to moderately satisfactory.

c. Unintended impacts (Positive or Negative)

None noted.

d. Other

None noted.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Unsatisfactory	Moderately Unsatisfactory	IEG rates efficacy modest based on partial achievement of outcomes.
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The following lessons were drawn from the ICR and adopted by IEG:

The results framework should have targets attributable to the project and at a level of ambition feasible for the country context. In this case, the PDO's relevance was reduced by selecting indicators that were not clearly attributable to the project and targets that were too ambitious for the country context.

Success with PFM reform projects is critically dependent on context and the operating environment in a fragile situation such as in Guinea Bissau. The project aimed at covering a range of PFM challenges from the revenue and expenditure side. While all were important, a broad approach was too taxing for the authorities, translating into scattered and partial outcomes; rather, a more selective approach might have achieved and more sustainable better results. One strategy for dealing with fragility challenges is to start with moderately ambitious goals and then refocus on those for which there is adequate support. This would respond to the difficulty of knowing in advance which potential reforms are achievable.

PFM reforms need to focus on behavior and policy changes as well as technical solutions. While reforms targeted by the project were directly linked to and integrated into the government’s reform agenda, volatility in government commitment proved to be a key challenge, where policy anchoring and sensitization could have helped to push forward lagging activities

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The evidence presented in the ICR formed a good basis for evaluating the project. The ICRR was based on evidence included in the text and, when necessary, expanded on in the Annexes. The text was results-oriented and the various parts were internally consistent. Still, there could have been more clarity in the report's messaging: a more structured analysis, especially of efficacy, could have enriched the evaluation. This could have been achieved by making stronger distinctions between different categories of revenue and expenditure in the write-up.

a. Quality of ICR Rating
Substantial