COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)

Additional Financing

Report No.: PIDISDSA19920

Date Prepared/Updated: 21-Apr-2017

I. BASIC INFORMATION

A. Basic Project Data

Country:	Guinea	**Project ID:**	P157662
		Parent Project ID (if any):	P125890
Project Name:	Economic Gov TA & Capacity Building - Additional Financing (P157662)		
Parent Project Name:	Economic Governance Technical Assistance and Capacity Building (P125890)		
Region:	AFRICA		
Estimated Appraisal Date:	18-Apr-2017	**Estimated Board Date:**	12-Jun-2017
Practice Area (Lead):	Governance	**Lending Instrument:**	Investment Project Financing
Borrower(s)	Ministry of Economy and Finance		
Implementing Agency	Project Coordination Unit (PCU) - UCEP		
Financing (in USD Million)			

Financing Source	**Amount**
BORROWER/RECIPIENT	0.00
International Development Association (IDA)	15.00
IDA Credit from CRW	7.00
Financing Gap	0.00
Total Project Cost	22.00

Environmental Category:	C-Not Required
Appraisal Review Decision (from Decision Note):	The review did authorize the team to appraise and negotiate
Other Decision:	
Is this a Repeater project?	No

B. Introduction and Context

Country Context

Guinea is a resource-rich country with a population of 10.6 million people, but figures among the poorest in the world with an annual per capita income of US$460. A series of ongoing external shocks including the Ebola crisis and sharp decline of commodity prices have exacerbated the poverty rate which was close to 55 percent in 2012. The Ebola virus has had a dramatic impact on the economy. It is estimated a GDP loss of US$535 million for Guinea in 2015. Guinea ranks ninth from the bottom of the HDI, with 73 percent of the population living on less than US$2 a day, only 19 percent having access to sanitation, and an adult literacy rate of 25 percent – the second lowest in the world.

To put back the economy on solid footing, the Government developed in 2015 a post-Ebola recovery plan for the period 2015-17 and has since then adopted the 2017-2021 PNDES, which touches on all sectors of the economy. The overall objective of the PNDES is to promote strong and high-quality growth to improve the well-being of Guineans, and to effect the structural transformation of the economy while putting the country on the path of sustainable development. PNDES strategy is based on four development pillars: (i) promotion of good governance for sustainable development; (ii) sustainable and inclusive economic transformation; (iii) development of inclusive human capital; and (iv) sustainable management of natural capital.

Successful implementation of the PNDES relies on the good execution of investment programs. PNDES implementation will mostly be supported by strong investments in priority sectors including agriculture, health, energy, and transport. To this end, the Government has adopted an integrated approach to public investments encompassing each of the different stages of the capital investment project cycle. The first stage is to ensure that long term macro-economic, fiscal and budgetary framework as well as annual capital budget allocations provide stable and sustainable bases for investment planning. The second stage is to enable the integration of national and sectoral strategic planning, investment planning and capital budgeting, as well as the coordination between central government institutions and sectoral ministries at different stages of the investment project's cycle. The third stage is to ensure efficient public procurement, budget execution and monitoring. Also, the Government seeks to boost the capacity and performance of the civil service, which is the foundation for any successful policy reform and development program. Finally, statistical capacity strengthening will ensure the production of reliable data that will be used to enhance macro-fiscal forecasts for budget preparation, and monitor PNDES implementation. Timely and reliable statistics are indeed essential to building a more evidence-based policy and budget.

To assess the standard of living and poverty of households, several surveys have been carried out in Guinea since the 90s. These include the LSMS type of survey with budget-consumption module in 1994-1995, the budget-consumption survey in 2002-2003, and the CWIQ types of survey in 2007 and 2012. Since 2012, no other such survey has been conducted in the country, which makes it urgent the need for a new survey. It is thus appropriate to consider the implementation of such a survey in 2017, especially given that the World Bank has recently made a commitment to support IDA countries to conduct regular multi-topic household surveys every three years in order to improve knowledge and monitoring of the twin goals.

The political situation has stabilized following the November 2015 presidential election. Since its independence in 1958 till the first democratic election of 2010, Guinea experienced a difficult period of dictatorship and military rule which limited citizen liberty and socio-economic development. The socialism ideology adopted by President Sekou Touré, who stayed in power for 26 years, failed to build capable institutions and capitalize on the country's enormous agricultural and mining resources. The ensuing military regimes maintained a tight control on the country and did not undertake the necessary social and economic development reforms. The re-election of president Alpha Condé, following a relatively peaceful and credible election process, is a positive sign for the consolidation of the democratic process in Guinea.

Power fragmentation and lack of coordination between ministries negatively affect public policy making and implementation. Three ministries are involved in Public Financial Management (PFM): Ministry of Economy and Finance (MEF), Ministry of Budget (MB) and Ministry of Planning and International Cooperation (MPCI), which leads to significant coordination challenges between these ministries. There are three institutions coordinating Government action: the Council of Ministers (Conseil des Ministres) led by the President, the Intra-Ministerial Council (Conseil interministériel) led by the Prime Minister, and Inter-ministerial Meetings (Reunions interministérielles) led by the Secretary General of the Government (Secrétariat Général du Gouvernement -SGG). The SGG is supposed to support both the President and the Prime Minister in coordinating the Government action. However, overall coordination between ministries as well as within ministries is limited.

However, the opportunity provided by the proposed Additional Financing to effectively implement the PNDES has fostered ownership and commitment among key stakeholders at the highest level of the government. A Steering Committee, chaired by the Prime Minister and including four ministers (Planning, Finance, Budget, and Civil Service), has been created and is actively involved in providing guidance in the design and implementation of the proposed operation. There seems to be a great deal of political commitment among stakeholders, who all are the main project beneficiaries, and this could in turn help pave the way for better policy making and coordination. Recent positive institutional changes in ministries (Ministries of Planning, Finance and Budget) as well as the demonstrated commitment to the project may have a positive impact on the reforms proposed and effective implementation of the PNDES.

Sectoral and Institutional Context

Public Investment Management
An extremely low investment rate lies at the heart of Guinea's extremely dismal growth performance. A decomposition of the demand side of GDP growth since 1995 shows that the contribution of investment to growth is very low and that of consumption is very high. Guinea's investment rate was the lowest among West African countries during the first half of the 2010s.

The government is seeking to increase economic growth and address the country's development challenges through the PNDES, which draws from the country's public investment program (PIP). Guinea's PIP is indeed critical for economic growth. Both theoretical and empirical studies have highlighted the positive relation between high quality public infrastructure and economy-wide productivity (e.g., Buffie and others, 2012; Ghazanchyan and Stotsky, 2013)

Notwithstanding, public investment in Guinea has fluctuated sharply during the last decade, with a high of 10 percent of GDP in 2015 and a low of 4.7 percent of GDP in 2011; this volatility of investments impedes proper budget planning of capital investment and poverty reduction goals (PER, 2017). Furthermore, the execution rate of Guinea's public investment is low. Over the 2010-2015 the average execution rates were 42.7 percent and 51 percent for externally and domestic financed investments. Finally, according to the overall PIMI index, Guinea score is 1.13, and the country is ranked 53rd out of 71 countries placing Guinea below the average performance of Sub-Saharan African countries (SSA), ECOWAS and Lower-Income countries. Guinea's PIM system inefficiency hampers good economic and social development.

The recent analytical work done by the Bank and the IMF shows a numbers of bottlenecks hampering the planning and multi-annual budgeting of capital investments: (i) a weak medium term macroeconomic, fiscal and budget framework (MTBF) due to obsolete forecasting methodologies and poor statistical data; (ii) poor MTEFs developed by line ministries rarely reflecting sectoral priorities; (iii) low annual investment budget appropriations which limit the protection of budgetary allocations for investments over the lifetime of the project; (vi) lack of a formal process to formulate a rolling three-year PIP, resulting in investment projects often submitted without feasibility and pre-feasibility studies; (v) a degree of politicization of public investment decision-making; (vi) a tight budget calendar: the development and analysis of capital investments proposals begins when budget preparation starts; (vii) dual budgeting process (or budgeting separately for current and capital expenditures) which translates into substantial and unforeseen recurrent costs.

Several constraints affect optimal sectoral investment planning and execution, leading to limited public service delivery. These constraints include: (i) lack of collaboration within line ministries resulting in uncoordinated and poor planning and budgeting for capital investments; (ii) a draft budget which does not reflect sectoral priorities and does not take into adequate account the recurrent expenditure associated to the existing capital investment; (iii) delays and uncoordinated preparation of procurement and cash flow plans; (iv) a complex and cumbersome expenditure chain for public investments; (v) an IT solution for budget execution not yet decentralized to line ministries and outdated in respect to the new budget and accounting procedures introduced by the LORLF and the RGCBCP.

Public Procurement

Another major issue affecting capital investments' allocative efficiency and value-for-money in Guinea is public procurement. The public procurement system is generally cumbersome and slow, and many contracts are awarded through single source contracting, which affects the credibility and transparency of the system. The government's Procurement Audit of March 2016 highlights the foll owing: (i) long procurement processes, ranging from 90 to 300 days; (ii) 92 percent of the single source contracts audited did not comply with the Code; (iii) 40 percent of the audited capital projects experienced delays in execution; (iv) lack of a proper capital investments' filing system: 25 percent of the contracts could not be audited because information was lacking.

The procurement system is governed by a revised Public Procurement Code adopted in 2012 and entered into force in June 2014 that is aligned with good international practices. The Code clearly defines the roles and responsibilities of the different government stakeholders: (i) contracting authorities, usually line ministries and public institutions, are responsible for developing tenders and awarding contracts; (ii) DNMP and the ACGTMP are in charge of the procurement process according to specific thresholds; (iii) the ARMP has regulation and training as its primary function. This new institutional and regulatory framework ensures greater transparency and competitiveness in the procurement process. Despite this reform, challenges still remain, mostly related to the rolling out of the reform.

Financial Management Information System

Country experience suggests that problems in implementation of capital projects are also related to the lack of basic financial management information systems. Since 2000 the government has introduced a budget execution IT application, Chain of Expenditure (la Chaine des Dépenses) developed by the DNSI. DNSI also developed a payroll (solde) and pension management modules, which are integrated into the system. In the framework of the AfDB's Economic and Financial Reform Support Program, the government acquired a budget preparation application (LEB) and another IT application (SEFI) for fiscal reporting. Notwithstanding, these applications have not been developed according to the new PFM process and procedures introduced by the LORLF and RGCBCP.

The chain of expenditure application is fraught with redundant procedures which slow down the implementation of capital investments. The release of funds for public investment occurs from February March, while the deadline for commitment of expenditure is fixed at the end of November. Therefore, the available time for project managers to engage funds for investment expenditure is limited between March and November and the fiscal year is reduced by three to four months. This late start is further complicated by a cumbersome enforcement procedures and duplication of controls in the administrative phase of capital public expenditure (commitments/validation/payment), where it takes more than 33 days for processing. These payment problems affect businesses that often have difficulty delivering projects, due to delayed payment of invoices by the State.

In addition, several recently implemented IT applications are not yet interconnected in an IFMIS. The government disposes of a customs (ASYCUDA) and a human resources IT systems. At present, the interconnection of all these systems has not been completed and their functionalities are still to be tested and further developed. Finally, the Government in partnership with China (HUAWEI) is installing a fiber optic-based network which is almost completed in Conakry.
Civil Service

The government's wage bill rose from 3.5 percent of GDP in 2007 to 5.3 percent of GDP in 2015 and is expected to reach 5.6 percent of GDP in 2016, affecting fiscal space. Of the four components in the remuneration of the public service—salaries; bonuses, allowances and family allowances—the share of the salary component has risen for both civil servants (from almost 66 percent in 2007 to almost 70 percent in 2015) and the military (from 52 to 73 percent).

Human resource constraints in the public administration are impediments to effective implementation of reforms and public investments. According to the 2016 Mo Ibrahim Index, Guinea's public management effectiveness index has declined by 3 points over the previous 10 years, and the country ranks 39th out of 52 countries in Africa. The absence of an effective modern human resources systems for merit-based nomination and promotion and results-based performance management has resulted in the persistence of a civil service culture that lacks accountability. The 2015 biometric census carried out under this project uncovered a large number of ghost and underemployed staff without job assignments, who constitute a heavy burden on public finances. Out of 101,659 permanent employees and contractors registered on payroll (April 2014), only 91,706 enrolled in the biometric census. This situation of ghost workers and payroll fraud is likely of the case for temporary employees, which file is yet to be biometrically verified. The Government is eager to start.

Efforts by the government to modernize the public administration to instill a results-based culture and tackle capacity deficits are still nascent. The Government has adopted in 2012 a comprehensive program for State Reform and Public Administration Modernization (Programme de Réforme et de Modernisation de l'Administration Publique – PREMA) which includes four pillars and nine strategic objectives. Under the first two pillars (administration reorganization and civil service reform), the Government is proceeding with the introduction of results-based management tools and procedures in the public administration with the view to improving public service delivery. Effective implementation of the PREMA is hindered by lack of funding and weak inter-institutional collaboration.

Statistical Capacity
The lack of reliable and timely economic and social statistics hampers the effectiveness of the Government's decision-making process. According to the 2015 World Bank Country Statistical Capacity Index, Guinea had an overall score of 56.6, which is below the Sub-Saharan Africa average of 60, and the WAEMU average of 64.3. Constraints are related to both institutional framework, statistical production, human and financial resources, and data dissemination and archiving.

The statistical framework is very recent, with a new Statistics Law having been adopted only in 2014. However, the new Law is not yet implemented. In fact, the National Statistical Council has not yet called any meetings, while the National Statistics Office – NSO (Institut National de la Statistique – INS) is still not functioning as an autonomous entity since its creation in 2010. Its board is not yet in place, and the Institute has no dedicated independent budget line in the national budget. As a result, no positive change has been observed in terms of data quality or statistical system management and coordination.

The INS and the other sector ministries experience a lack of human resources both of quality and in quantity. First, there are not enough qualified statisticians in the system. Of the 125 staff working at the NSO, only 20 (or 16 percent) are professional statisticians, and many of them have almost reached retirement age. Moreover, INS lacks the material resources and facilities, while the financial resources allocated to statistical activities are very low and often limited to salaries.

Data dissemination on the internet by the INS is almost systematic, since INS puts on its website nearly all the statistical products available. If this is true for secondary data, the story is very different for micro data whose dissemination is still a concern for the INS.

C. Proposed Development Objective(s)

Original Project Development Objective(s) - Parent

To re-establish and strengthen basic systems and practices to improve the management of public financial and human resources in Guinea.

Proposed Project Development Objective(s) - Additional Financing

The project development objective (PDO) is to modernize public financial and human resources management and enhance statistical capacity.

Key Results

The key results will include: Strengthened basic expenditure management; Improved human resources management; and Enhanced statistical capacity.

Public Disclosure Copy

D. Project Description

The proposed AF is a four-year technical assistance (TA) grant which seeks to ensure value-for-money, efficient public investments, and availability of reliable data. The operation will help with technical assistance for the establishment or upgrade of critical procedures to improve macro-fiscal framework, multi-year budgeting, expenditure chain, procurement, PIM, public administration, and statistics. Setting up effective reforms require involving key stakeholders in the identification of problems and having them work together to build long-term solutions. The AF will thus put a high premium on collaborative leadership and consensus building. To this end, change management for development training for high level officials, as well as deployment of coaches to roll out Rapid Result Initiatives supporting reform implementation will be conducted. Furthermore, to ensure long-term capacity development, a training program of a cohort of young professionals will be conducted in the association with a world-class training institution. The proposed AF will retain the three components of the original project and add a new one on statistics capacity building.

Component Name:
Component 1: Strengthening basic expenditure management (US$4.07 million by the Original

Project and US$12.5 million by AF).
Comments (optional)

Component Name:
Component 2: Improving Human Resource Management (US$6.13 million by the Original Project and US$4.5 million by the AF)
Comments (optional)

Component Name:
Component 3: Statistical Capacity Development (US$4.0 million by the AF)
Comments (optional)

Component Name:
Component 4: Support for Project Implementation (US$1.0 million)
Comments (optional)

E. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

F. Environmental and Social Safeguards Specialists

Cheikh A. T. Sagna(GSU01)

Emeran Serge M. Menang Evouna(GEN07)

II. IMPLEMENTATION

The institutional oversight of the Project Coordination Unit (PCU) will move from the Ministry Economy and Finance (MEF) to the Ministry of Planning and International Cooperation (MPIC). A Steering Committee has been established and is being chaired by the Prime Minister. It includes the ministers of finance, budget, planning, and civil service, as well as a technical secretariat. The Steering Committee has the responsibility for the overall project oversight. In order to enhance the effectiveness of the PCU, a new approach based on performance contacts and new terms of reference related to the PCU have been introduced. The PCU will continue to implement and monitor day-to-day project activities including procurement, disbursement and financial management.

Funds flow arrangements would be largely the same as before, with the project having one Designated Account located at the Central Bank and one Project Account in a commercial bank, which is managed by the MEF in coordination with the PCU.

III. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	The project is rated as Category C. It will support the establishment of an Investment Preparation and Appraisal Procedures Unit in the Ministry of Finance, including training of

		its staff, initial logistical and equipment support and advisory contributions. This Unit will (i) develop procedures for the preparation and appraisal of government investment projects; (ii) formulate an action plan to strengthen the capacity of the major ministries themselves to prepare and monitor investment projects in their sector; and, (iii) act as focal point for the eventual development of a public investment program consistent with both development needs and resource availability and in the context of an overall macroeconomic perspective. The Unit will have no role in project selection or final approval, but will have authority to verify and attest that the established preparation and appraisal procedures have been respected. The project is also financing technical assistance for the creation of the special investment fund (SIF), which is being established to promote the cost-effective and sustainable use of such revenue from the mining sector with its governing rules and regulations. To this end, the Project will provide advisory services to draft the rules and regulations that will govern the use of the SIF. The Project will not finance the government investment projects, nor will it finance (or co-finance) any of the SIF investments. The Project will have no adverse direct or indirect environmental and social impacts. Nevertheless, any Terms of Reference for any technical assistance or studies carried out under the Project will be consistent with, and pay due attention to, the World Bank?s environmental and social safeguards policies, as well as the borrower?s own laws relating to environment and social aspects. In drafting any laws or regulations under the Project, due attention will be given to environmental and social policies and laws.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	

Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
Not applicable. The project is essentially about technical assistance for the government and the INS to ensure good implementation of the national development plan.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
Not applicable
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Not applicable
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
Not applicable
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Not applicable

B. Disclosure Requirements

Guinea	
Comments:	
Guinea	
Comments:	
Guinea	
Comments:	
Guinea	
Comments:	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why::	

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information						
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes	[]	No	[]	NA	[]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes	[]	No	[]	NA	[]
All Safeguard Policies						
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes	[]	No	[]	NA	[]
Have costs related to safeguard policy measures been included in the project cost?	Yes	[]	No	[]	NA	[]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes	[]	No	[]	NA	[]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes	[]	No	[]	NA	[]

V. Contact point

World Bank

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VII. Approval

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Practice Manager/Manager:	Name: Chiara Bronchi (PMGR)	Date: 21-Apr-2017
Country Director:	Name:Paola Ridolfi (CD)	Date:24-Apr-2017