

CODE APPROVAL  
Lapse-of-time Procedure

31 August 2020

FOR INFORMATION

## MEMORANDUM

**TO : THE BOARDS OF DIRECTORS**

**FROM : Vincent O. NMEHIELLE  
Secretary General**

**SUBJECT: GUINEA-BISSAU – UPDATE AND EXTENSION OF THE COUNTRY STRATEGY  
PAPER 2015-2019 TO DECEMBER 2021**

### REVISED VERSION\*

The attached **revised version** of the above-mentioned document was submitted for your **consideration on a Lapse-of-time basis** on 31 July 2020.

Since no objection was recorded by 5:00 p.m. on 31 August 2020, **the said revised version is considered approved.**

**Attach.**

**Cc: The President**

**\* Questions on this document should be referred to:**

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# AFRICAN DEVELOPMENT BANK GROUP



## REPUBLIC OF GUINEA-BISSAU

### UPDATE AND EXTENSION OF THE COUNTRY STRATEGY PAPER 2015-2019 TO DECEMBER 2021

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WEST AFRICA REGIONAL DEVELOPMENT AND BUSINESS DELIVERY OFFICE (RDGW)

July 2020

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## ACRONYMS AND ABBREVIATIONS

ADF	African Development Fund
AFAWA	Affirmative Finance Action for Women in Africa
AfDB	African Development Bank
ALSF	African Legal Support Facility
BOAD	West African Development Bank
CFAF	Franc of the African Financial Community
CODE	Committee on Operations and Development Effectiveness
COSN	African Development Bank Office in Senegal
CPIA	Country Policy and Institutional Assessment
CPLP	Comunidade dos Países de Língua Portuguesa / Community of Portuguese speaking countries
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
EAGB	Electricidade e Aguas da Guiné Bissau [Electricity and Water Corporation of Guinea-Bissau] Decentralised financial systems
ECOMIB	ECOWAS Mission in Guinea-Bissau
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
ESW	Economic and Sector Work
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FAPA	Fund for African Private Sector Assistance
GAFFSP	Global Agricultural and Food Security Programme
GDP	Gross Domestic Product
HDI	Human Development Index
ICT	Information, Communications and Technology
IDEV	Independent Development Evaluation Office
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
KOAFEC	Korea-Africa Trust Fund for Economic Cooperation
LOLF	Lei Orgânica da lei das Finanças [Organic Law on the Budget Act]
MDGs	Millennium Development Goals
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
MTR	Medium Term Review
ND-GAIN	Notre Dame Global Adaptation Initiative
OHADA	Organization for the Harmonization of Business Law in Africa
OMVG	Gambia River Basin Development Organisation
PAIGC	African Party for the Independence of Guinea and Cabo Verde
PARCI-SJ	Justice Sector Institutional Capacity-Building Support Project
PARGEF	Support Project for the Consolidation of Economic and Financial Programming
PASEB	Bissau City Power Supply Improvement Project
PDCV-Riz	Rice Value Chain Development Project in the Bafata and Oio Regions
PFM	Public Finance Management

PIU	Project Implementation Unit
PUAREF	Emergency Economic and Financial Reform Support Programme
SEFA	Sustainable Energy Fund for Africa
SSA	Sub-Saharan Africa
TSF	Transition Support Facility
TYS	Ten-Year Strategy
UA	Unit of Account
UNDP	United Nations Development Program
UNIOGBIS	United Nations Integrated Peacebuilding Office in Guinea-Bissau
USD	United States dollar
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union
WB	World Bank
WFP	World Food Programme

## **CURRENCY EQUIVALENTS**

Currency unit	=	XOF (CFA Franc)
UA 1.00	=	1.36 USD
UA 1.00	=	1.25 EUR
UA 1.00	=	817.13 XOF
USD 1.00	=	598.72 XOF

As of April 2020

## **WEIGHTS AND MEASURES**

Metric System

## **GOVERNMENT FISCAL YEAR**

1 January – 31 December



# MAP OF GUINEA-BISSAU



## EXECUTIVE SUMMARY

1. The Country Strategy Paper (CSP) 2015-2019 for Guinea-Bissau was approved by the Boards of Directors on 28 January 2015 after the restoration of constitutional order following the presidential and legislative elections held in April and May 2014, respectively. The implementation of CSP 2015-2019 was undermined by an institutional deadlock: from 2015 to 2019 the country had seven prime ministers and four governments. As discussed with the Government of Guinea-Bissau in October 2019, the extension of the 2015-2019 strategy would allow political developments in Guinea-Bissau to take their course in light of presidential elections scheduled to the end of 2019. The justification for the CSP extension is that the Government, aligned with the President, will need to formulate a new development plan and subsequently ensure ownership of the new CSP for Guinea-Bissau covering the period 2022-2026. Therefore, the two pillars of the CSP 2015-2019 would be remain unchanged up to 2021: (i) *Strengthening governance and the foundations of the State*; and (ii) *Developing infrastructure that promotes inclusive growth*. The two pillars remain aligned with the Government's emergency plan, formulated to tackle the main problems of the country for the last months of 2019 and beginning of 2020.

2. This CSP update report proposes that the Bank maintains the existing pillars until the end of 2021. The Bank will continue to invest in infrastructure development during the extended CSP period, strengthening governance and the foundations of the State in public sector and promoting inclusive growth. The maintenance of the priority areas is justified as Guinea-Bissau's overarching development challenges (high poverty and income inequality, weak quality of governance and institutions, weak infrastructure) have remained unchanged since the preparation of the previous CSP 2015-2019. Therefore, there is a need to consolidate the gains made on the infrastructure pillar while laying the foundations for improved quality of institutions and governance, which includes policies that addresses women's needs such as job promotion and health support. The Bank will also champion Lusophone Compact-specific projects in Guinea-Bissau and, therefore, increase its support to the private sector and the newly created Agency for Investment Promotion. The Bank will explore the possibilities of using other sources of funding for non-sovereign operations in the context of fragility.

3. The political crisis notwithstanding, the economic growth rate was relatively constant during the 2015-2019 period, averaging 5.4% growth. The GDP growth outlook for 2019 and 2020 was projected to average 5%, driven by increasing cashew nut production and constant prices. Growth prospects for 2020 are already compromised by the political situation and the COVID-19 outbreak. Although Guinea-Bissau had only eight confirmed cases as of 31 March 2020, the suspension of all international flights, closure of the borders, curfew and related measures to prevent higher infection and severity rates are already affecting the domestic economy. The launch of the cashew campaign, planned to start 30 March 2020, was postponed due to lack of international buyers<sup>1</sup>. In addition, the unstable political climate negatively affects the business environment and investments, preventing the country from achieving its economic growth potential.

4. Overall, CSP implementation generated tangible results. The African Legal Support Facility (ALSF) reviewed three mining contracts already concluded with various private

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<sup>1</sup> Statistics are yet to be revised.

companies in the phosphate, bauxite and heavy sands sectors. As for the start of implementation of the LOLF, the Directive relating to the Finance Law was transposed into Law No. 2/2015. Related to Gender, the Women Entrepreneurship component foreseen in the PARGEF donated equipment and inputs to 10 local associations of female producers, comprising 1347 women. **The total amount of approvals under CSP 2015-2019 approximated UA 90.24 million** comprising the following: (i) UA 11.25 million for Pillar I (Strengthening governance and the foundations of the State); and (ii) UA 78.99 million for Pillar II (Developing infrastructure that promotes inclusive growth). As of December 2019, the Bank's Flashlight Report indicators showed that 19% of projects were deemed satisfactory, 38% had to be closely monitored, and 44% were flagged. There are no projects at risk and no problematic projects.

5. The Committee on Operations and Development Effectiveness (CODE) is invited to consider and endorse the combined update of the Bank's 2015-2019 CSP for Guinea-Bissau and its two-year extension to the end of 2021.

## 1. INTRODUCTION

1. **The African Development Bank (AfDB) Group’s Country Strategy Paper (CSP) 2015-2019 for Guinea-Bissau was approved by the Boards of Executive Directors on 28 January 2015 at a time of difficult political transition** following presidential and legislative elections held in April and May 2014, respectively. The CSP focused on two pillars: (i) *Strengthening governance and the foundations of the State*; and (ii) *Developing infrastructure that promotes inclusive growth*. The CSP is aligned with the Bank’s Ten-Year Strategy (TYS) and four of the “High 5s”: “Improve the Quality of Life for the People of Africa”, “Light up and Power Africa”, “Feed Africa” and “Integrate Africa. The CSP is also in line with the Government’s priorities outlined in key policy document “Terra Ranka”.

2. **“Terra Ranka”, the national plan for 2015-2025, was hampered by a deterioration of the political situation.** Beginning in mid-2015, the country experienced many political crises after the dismissal of Domingos Simoes Pereira, Prime Minister and leader of PAIGC, by President José Mario Vaz. Legislative elections were held on 10 March 2019 and Presidential elections on 29 December 2019. As of March 2020, Presidential election results were still being contested in the Judiciary. Umaro Sissoco Embaló, declared winner, took office on 27 February 2020 after self-proclamation. ECOWAS officially recognized the candidate as President on 23 April 2020, and asking him to nominate by 22 May 2020 a new Prime Minister and government based on the results of the legislative elections of 2019. The justification for this CSP extension, therefore, is that the Government, aligned with the new President, will formulate a new development plan with potentially some changes in priorities.

3. **This Update of the CSP 2015-2019 and extension to December 2021 provides an overview of political and socio-economic developments during the strategy period, draws lessons, looks at portfolio performance, and presents the strategy for the CSP extension period considering the impact of COVID-19 in the country.** A CSP Completion Report was under preparation in 2019 when it was agreed with the Government to hold discussions on the new strategy after the Presidential elections. A mission to discuss the CSP update and the portfolio review had to be suspended after the President’s decision to dismiss the Government on 28 October, raising security concerns. Despite that, authorities expressed interest in extending the current CSP to ensure that the Bank’s new CSP will be fully aligned with the Government’s priorities after elections. The new CSP and preparatory dialogue with the authorities will embody the findings of the Guinea-Bissau Diagnostic Note which will identify current impediments to and upcoming opportunities for inclusive and resilient growth.

## 2. COUNTRY CONTEXT AND PROSPECTS

### 2.1. Political context

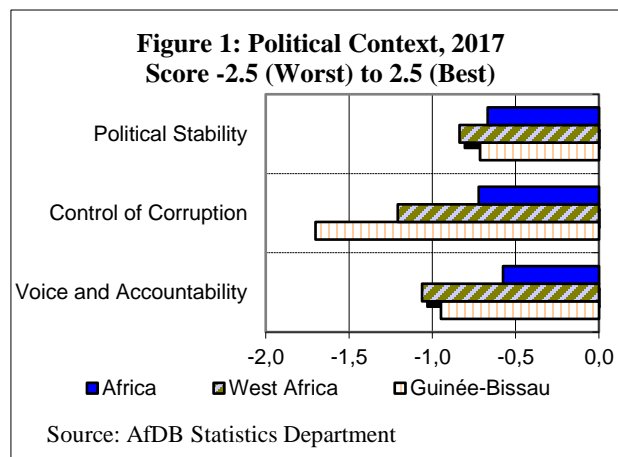
4. **Guinea-Bissau’s political environment remains fragile and unstable.** After elections in 2014, Guinea-Bissau faced a political deadlock. From 2015 to 2019, the country had seven prime ministers and four governments. In 2015, the then elected government managed to engage and mobilize the country around national priorities presented at the donors’ roundtable in Brussels, Belgium. Guinea-Bissau received pledges of USD 1.2 billion in projects outlined in the national development plan *Terra Ranka*. The disbursement of pledged funds has been successively delayed due to relapse into political instability triggered by the dismissal of the first Prime Minister’s Government by the President in August 2015.

5. Despite legislative elections held on 10 March 2019, only on 3 July 2019 did the President sign a decree of nomination of the new Government during the 55<sup>th</sup> Annual ECOWAS summit.

During the Summit, Heads of State decided to extend the mandate of the ECOWAS Peacekeeping Mission (ECOMIB) in Guinea-Bissau for a period of six months from 1 October 2019 for the Government to prepare the first round of presidential elections on 24 November 2019 and the second round on 29 December 2019. They also endorsed the decision for President José Mario Vaz to stay in office until the presidential election cycle was completed, and to leave full management of Government affairs to the newly formed Government in line with the Guinea-Bissau Constitution.

6. Presidential elections took place on 24 November and 29 December 2019, witnessed by international observers. On 1 January 2020, the National Electoral Commission (CNE) announced the provisional results, announcing Sissoco Embaló (Madem G-15) as the winner with 53.55% of the votes. Domingos Simoes Pereira (PAIGC) obtained 46.45%. On 3 January, the PAIGC candidate filed a complaint with the Supreme Court of Justice (STJ), challenging the results by claiming electoral fraud. As CNE confirmed the result, a new impasse emerged between STJ and CNE. Gel. Sissoco Embalo created a parliamentary commission for his investiture on 27 February 2020. ECOWAS recognized Embalo as president on 23 April but called for some constitutional reforms to be put to a referendum within six months. It also stated that a new government based on the results of the legislative election of 2019 shall be formed by 22 May 2020.

7. Guinea-Bissau fares poorly in comparative African and global governance assessments. The country performs below West Africa’s regional norms on World Governance Indicators (Figure 1) in terms of control of corruption. The country ranked 30th out of 37 countries in the AfDB’s Country Performance and Institutional Assessment (CPIA) with an average rate of 2.7 (on a scale of 1 to 6) in 2018. On the Corruption Perception Index by Transparency International, the country stood at 172<sup>th</sup> among 180 countries surveyed in 2018, with the same ranking as Equatorial Guinea and Sudan, and just above South Sudan and Somalia. Guinea-Bissau ranked 42<sup>rd</sup> of 54 countries surveyed in the 2017 Ibrahim Index of Governance in Africa (IIAG) with a slight improvement in the quality of governance since 2013.



8. The United Nation's involvement in peace-building in Guinea-Bissau dates back to 1999, following the civil war. The UN Security Council approved the establishment of the UN Peace-building Support Office in Guinea-Bissau, UNOGBIS, which was replaced by the UN Integrated Peace-building Office in Guinea-Bissau, UNIOGBIS. In February 2019, the Security Council extended the mandate of UNIOGBIS until February 2020 to assist in the completion of the presidential electoral cycle in 2019. After that, UNIOGBIS was to implement the transition plan for the gradual drawing down and transfer of tasks to the UN Country Team (UNCT), the United Nations Office for West Africa and Sahel (UNOWAS) and international partners, with a view toward prospective completion by 31 December 2020. In addition, the ECOWAS Mission in Guinea-Bissau (ECOMIB) has been in country since 2012, and its mandate has been extended on several occasions.

## 2.2. Economic context

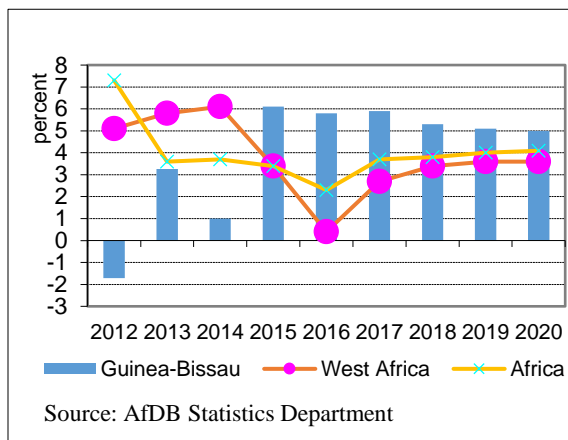
### 9. Economic Structure and Recent Growth

**Performance:** For decades Guinea-Bissau has been dependent on the export of primary commodities for foreign exchange generation, employment and GDP growth, with little structural change. Most primary commodities are in agriculture, accounting for 36% of GDP, almost 70% of total employment, and more than 90% of exports. Services represent 39% of GDP while the industrial sector amounts to only 14% of GDP<sup>2</sup>.

10. GDP growth showed a constant trend during the 2015-2019 period, maintaining an average of 5.4% growth per annum. On the supply side, growth is led by the primary sector, especially cashew production, and the tertiary sector. On the demand side, growth is driven mainly by private consumption and exports. The GDP growth outlook for 2020 and 2021 was estimated to remain at 5%, given increasing cashew nut production and constant prices. However, growth prospects for 2020 are already compromised by the unstable political context and the COVID-19 outbreak. Measures to avoid the spread of the disease are affecting the domestic economy, as commerce can only operate from 7:00 to 11:00 in the morning and peoples' circulation is restricted. In addition, the unstable political climate negatively affects the business environment and investments. For example, investments in the phosphates sector, scheduled to start in 2019 by Itafos, an American company, did not start because the Government had not signed its part of the contract. In fact, in February 2020, the Government requested legal support from the Bank to analyse the contract. The unstable political situation generates significant "opportunity cost" by reducing the actual growth rate relative to the growth potential.

11. **Fiscal Performance and Public Debt Management:** Guinea-Bissau's fiscal position is not in compliance with the West African Economic and Monetary Union's (WAEMU) convergence criteria<sup>3</sup>. The overall budget deficit (including grants) worsened from 2.4% in 2015 to 4% in 2016 mainly due to low revenue collection (9.5% of GDP in 2016), which is far below the WAEMU criterion of at least 20% of GDP. A bailout of the financial sector in 2015 threatened to significantly worsen the fiscal situation, but it was ultimately cancelled by the Government in 2016 (Annex 20). Following reduced fiscal deficits in 2017 and 2018, higher than expected planned expenditures led to a doubling of the budget deficit (relative to GDP) from 2.5% of GDP in 2018 to 5.1% of GDP in 2019, again surpassing the 3% of GDP WAEMU criterion<sup>4</sup>. To finance the deficit the Government issued public debt securities totalling 10 billion CFAF in September 2019. The government has committed to reduce the fiscal deficit and to ensure its debt – estimated at 48.3% of GDP in 2018 – remains sustainable<sup>5</sup>. With cashew-nuts exports representing 9% of

Figure 2: Real GDP growth (%)



<sup>2</sup> Share of private/public GDP is not available. BCEAO report for 2019 shows these drivers remain the same.

<sup>3</sup> WAEMU's regional surveillance framework aims at ensuring the sustainability of national fiscal policies and their consistency with the common monetary policy. This framework includes a fiscal deficit ceiling of 3 percent of GDP for the central government.

<sup>4</sup> The first-tier convergence criteria are: (i) the total budget deficit must be less than or equal to 3% of GDP; (ii) inflation, measured by the consumer price index, must be less than or equal to 3%; and (iii) the ratio of total public debt to GDP must be less than or equal to 70%. The second-tier criteria are: (i) the tax-revenue-to-GDP ratio must be greater than or equal to 20%; and (ii) the wage-bill-to-revenue ratio must be less than or equal to 35%.

<sup>5</sup> Outlook for 2020, 2021, 2022 not available. Limited resources capacity

national revenue, this commitment will be hard to achieve in 2020 due to how difficult it will be for the country to guarantee its exports during of the current global shutdown. In fact, both the political situation and economic crisis caused by the COVID-19 outbreak will worsen the fiscal deficit and debt situation in 2020.

12. Guinea-Bissau remains at moderate risk of external debt distress, with heightened vulnerabilities on total public debt. Even under the most extreme shock (exports), only the debt to exports ratio exceeds the sustainability threshold because of its vulnerability to cashew exports. Overall public debt ratio remains low, thanks to debt reduction initiatives from which Guinea-Bissau benefitted in 2010 and 2011 by the IMF/WB and the Bank. The outstanding public debt declined from 54.6% of GDP in 2016 to 48.9% of GDP in 2018 and it is projected to fall to 47.7% in 2019. External debt/GDP ratio was 22.4%, mostly owned by multilateral and bilateral partners which have projects being implemented and requires financial counterparts. Internal debt, corresponding to 26.5% of GDP, is mainly constituted by arrears accumulated from 1974-1999 and 2000-2007. Despite the political crisis, Guinea-Bissau has been able to meet some of the convergence criteria of the WAEMU. Guinea-Bissau complied with the criteria on public debt and inflation. With regard to second tier criteria, Guinea-Bissau did not respect the wage-bill-to-tax revenue ratio (44% in 2017 relative to a maximum of 35%). This moderate risk will help the country to cushion economic impacts that may rise because of COVID-19.

13. **Monetary Policy:** Guinea-Bissau is a member of the Economic and Monetary Community of West Africa (WAEMU). Interest rate decisions are taken by the Monetary Policy Committee of the Central Bank of West African States (BCEAO). Up to June 2019, the policy rate was kept at 4.5%. Consumer price inflation was estimated 2.4% in 2018, up from 1.6% in 2017, driven by price increases in food and energy costs. For 2019, BCEAO estimates an annual inflation rate of 2.3%, below the Community ceiling of 3%. Foreign exchange reserves are estimated to cover about 4.3 months of imports of goods and services.

14. **External Sector:** As concerns the external position, the current account deficit (including grants) widened from -0.6% of GDP in 2017 to -1.6% in 2018<sup>6</sup>, and was estimated to be at -3.4% in 2019. This stands in contrast to the positive trend registered in 2015 and 2016 (1.9% and 2.6%, respectively). The increased deficit resulted mainly from higher fuel and food prices since the country imports both essential goods. The drop in international oil prices may help to balance current account deficit in 2020, although export prospects are not favorable: slower world demand will negatively affect cashew export prices<sup>7</sup>. Guinea-Bissau exports are heavily dominated by cashew nuts (+ 90% of export value in 2018), not helping the country's terms of trade, which decreased by 19% between 2017 and 2018. The country's exports accounted for approximately 25% of GDP in 2018, while imports were estimated at 30% of GDP. Imports in 2018 mainly comprised food products (34%), petroleum products (17%), intermediate goods (16%) and capital goods (15%). Eurozone countries are Guinea-Bissau's main suppliers.

15. **Economic and Financial Governance:** Public finance management in Guinea-Bissau is and has been unsatisfactory (Annex 3). In terms of budget preparation and execution, the reform plan adopted in 2015 led to the institution of a budget calendar as well as the recruitment and training of staff in this domain. However, the adoption of multi-year budget management – in preparation for the adoption of program budgeting scheduled for 2021 – has not been concluded. In addition, the implementation of Medium-Term Expenditure Frameworks (MTEF) based on the

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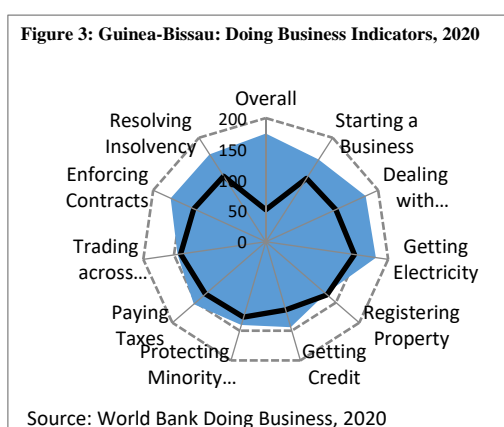
<sup>6</sup> Latest data available. Source: BCEAO.

<sup>7</sup> International prices in Vietnam and India, as reference for world price, dropped 6.2 percent since January 2020 ( N'Kalô Service Market Report, issue 325, 5 March 2020)

national development plan, the new budget nomenclature and the publication of budget statements is also pending. Political stalemate in the National Assembly has posed challenges to the approval of the budget in recent years, which puts at risk the effective implementation of the government’s development plan and hampers parliament’s crucial oversight and control role. The Bank’s Economic Management CPIA indicator for Guinea-Bissau was 2.8 in 2018, one of the lowest in the region.

16. Regarding control institutions, the Bank, the European Union and UNDP have provided training and capacity building to the Court of Auditors through PARGEF and the Technical Competencies Strengthening Project to Control Institutions (Pro PALOP - TL). PARGEF has supported the training of Court magistrates as well as the purchase of IT and other equipment. Pro-PALOP has supported the final evaluation of the national budget accounts for 2009 and 2010, two audits in state-owned enterprises, and the elaboration of a strategic plan for 2016-2020. In public procurement, the applicable regulatory and institutional framework provided for by WAEMU guidelines was adopted in June 2010. A recent evaluation by the World Bank (2018) urges the country to improve the reliability of its public finance data and to increase transparency.

17. **Business Environment:** The 2020 edition of the Ease of Doing Business of the World Bank Group ranked Guinea-Bissau 174<sup>th</sup> out of 190 countries globally (Figure 4). Key constraints to private sector growth include: (i) high cost of factors of production (electricity and transport); (ii) lack of adequate skills to support manufacturing and value chain development; and (iii) difficulties in access to credit due to lack of guarantees/guarantors, or lack of “bankable” projects. This has constrained transition of small to medium-sized competitive enterprises.



18. **The country has implemented reforms to improve the business environment, but at a slow pace.** Despite modest improvement in the business environment, much work remains to be done for SMEs to grow and investments to flow. This is particularly the case for getting electricity (182<sup>nd</sup>) and dealing with construction permits (177<sup>th</sup>). Guinea-Bissau made improvements in starting a business (161<sup>st</sup>) by reducing the paid-in minimum capital requirement in 2017. Recurrent political instability and the multiplicity of institutions that act as an interface with the private sector have a negative impact on the business environment. Moreover, access to electricity remains costly and requirements to ensure connections to the network are longer: it takes 257 days to have a connection with EAGB, more than twice the average in Sub-Saharan Africa. Poor infrastructure and lack of credit for the private sector constrain development of the country’s potential in tourism, agriculture and fishing. Guinea-Bissau also lacks an Investment Promotion Agency (IPA) as part of a sustainable framework to improve the investment climate and attract investors. Indeed, Guinea-Bissau is struggling to attract investors with a 2018 ranking of 49 out of 53 African countries in terms of foreign direct investment.

19. **Financial Sector Developments:** The financial sector is comprised of five banks and one decentralized financial institution operational out of 18 institutions registered with the Central Bank of West African States (BCEAO), the supervisory authority. Total bank credit to the economy amounted to CFAF 96.6 billion in 2017 (12% of GDP), a decline of approximately 19% from 2016. The average lending rate, net of taxes and fees, applied by the banks was 8.28% in the third quarter of 2017 (relative to a WAEMU average of 6.97%). The main sectors financed by the



banks are trade (48%), industry (10.5%) and energy (9.4%). Agriculture, which is the backbone of the Guinea-Bissau economy, accounts for only 3% to 4% of the loans granted by the banks. Banks correctly perceive this sector as high risk in the absence of a risk-sharing mechanism (such as a guarantee fund or land property certificates that can be pledged as collateral to secure loans), the share of loans granted to the sector remains very low. Bank penetration remains low (approximately 118 depositors with commercial banks per 1000 adults (IMF, 2019)), including for microfinance institutions. The structural weakness of the Decentralized Financial Systems (DFS) does not allow them to fully play their inclusive role in combating poverty by providing access to financial services for segments of the population that are traditionally excluded from the regular banking system, among others.

### 2.3. Sector context

20. **Infrastructure:** Guinea-Bissau ranked 46<sup>th</sup> out of 54 African countries according to the 2019 Africa Infrastructure Development Index (AIDI). The country has made improvements in Information, Communication and Technologies (ICT) infrastructure, but access to efficient and reliable transportation and energy services remains a challenge.

21. **Energy: The electricity sub-sector in Guinea-Bissau remains one of the least efficient in West Africa.** Serious challenges faced include: (i) discrepancies between supply and demand; (ii) waste resulting from obsolete distribution networks, with a loss rate of almost 47%; (iii) low investments; (iv) the poor commercial and financial performance of the national power utility; and (v) an electricity access rate estimated at 20%, and limited mainly to Bissau City. The current total installed power generation capacity in the country is 15 MW leased from a private company providing energy from diesel. The Government, with the support of the AfDB, WB and BOAD, is working to build power plants. It has launched the construction of a 15 MW thermal power plant (heavy fuel oil) and has secured funding for a 20 MW solar plant and a 22 MW thermal plant (diesel). This power plant was supposed to replace the leased capacity in November 2018, but it did not become operational in 2019. With completion of the construction of the Gambia River Basin Development Organization (OMVG) interconnection line, the country could import approximately 27.5 MW of hydroelectric energy from neighboring countries (Guinea and Senegal) by 2020. In parallel with this effort to increase the electricity output under the Bissau City Power Supply Improvement Project (PASEB), AfDB financed the construction of the 30-kV loop of the distribution network around Bissau City. Guinea-Bissau has huge potential for clean energy development, but these energy resources are undeveloped due to inadequate financial, regulatory and technical capacities.

22. **Transport:** Poor transport infrastructure is one of the main bottlenecks in Guinea-Bissau. The road transport sub-sector, which handles 60% to 70% of passenger and goods traffic, is the principal means of accessing most of the cities and rural communities. The national road network has a total length of 2,746 km, of which only 28% is paved. Some major highways were recently funded by partners and are in good condition. However, some regional interconnections (Farim-Tanaff Highway on the Senegalese side and the Boké-Québo Highway on the Guinea-Conakry side) and the network of secondary/local roads in general, constitute a bottleneck for the agricultural sector and for access to basic social services. The country has no railroads. Regarding aerial transportation, there is only one international airport in Bissau with regular flights to Senegal, Portugal and Morocco. The AfDB supported airport rehabilitation in 1988. Since then, no major intervention has been carried out, and this has undermined compliance with international aviation standards. In March 2019, BOAD extended a facility of 27 million euros to restructure the airport to bring it into compliance with international standards.

23. **Information, Communication and Technology (ICT):** The country has two telecom operators and Internet Service Providers (ISPs), Orange and MTN, operating since market liberalisation in 2004. Competition has promoted communication services, especially mobile phones and mobile payment services, but Guinea-Bissau still faces problems of access and affordability. Mobile telephony has developed rapidly, and most people either have, or have close access to, a mobile phone. Mobile payment services, needed to increase financial inclusion, were launched by MTN in 2010, with 321 active points of sale throughout the country and around 220,000 subscribers in 2016 (compared to 40,000 subscribers in 2014 and 80,000 subscribers in 2015). Orange-Bissau launched its service in December 2016. The Government of Guinea-Bissau created the consortia Bissau Cabo to manage the new submarine cable to provide fast internet in the country in 2020. The African Coast to Europe Project will provide optical fibre services, financed by the World Bank, in an amount of 30.5 million of euros.

24. **Agriculture:** Agriculture is the dominant economic sector in Guinea-Bissau. Despite the country's enormous potential, malnutrition and food insecurity remain endemic. Agriculture accounts for 56% of GDP, generates almost 70% of total employment, and is responsible for more than 90% of exports. The country has great agricultural potential, with 1,110,000 hectares of farmland representing 35% of the national surface area. However, the cultivated acreage was estimated at approximately 200,000 hectares in 2013, or only 18% of agricultural potential. Moreover, the agriculture sector is dogged by serious problems of low productivity, inaccessibility to farming areas and financial resources, a poor produce marketing mechanism, fluctuating food-crop prices, land insecurity, lack of storage and refrigeration, absence of commercial drying facilities to prevent infestation and post-harvest loss, and poor distribution of output to market. The food deficit is offset annually through expensive rice imports (between 70,000 and 90,000 tons of rice annually). Cashew nut farms occupy 47% of the agricultural surface area and employ 80% of farmers. This strategic activity creates jobs, reduces poverty and dominates Guinea-Bissau exports.

25. **Maritime and the Blue Economy:** Guinea-Bissau's maritime area is regularly a victim of illegal, unreported and unregulated fishing, often assumed to be driven by criminal operations. The potential for tidal energy production is extremely high since the tidal range is the highest on the Atlantic coast of Africa (six metres on average). Despite the high potential for ecological tourism based on the area's rich biological diversity, the exercise of State sovereignty remains a condition for the development of a Blue Economy integrating fisheries, tourism and renewable energy. Demersal and pelagic fisheries resources were the subject of direct assessment campaigns (2016, 2018) which have shown that most stocks are overexploited, leading the FAO to recommend a reduction in fishing in 2018. The fishing sector includes an industrial segment composed exclusively of foreign trawlers. Guinea-Bissau has the largest mangrove cover in West Africa, which contributes to the wealth of marine resources. However, the complex geography of the coastline hinders the development of communication routes and makes it very difficult to monitor and control the coastline and the exclusive economic zone (EEZ). Other constraints in the sector are the shortage of skilled labour and the lack of infrastructure and services on land to develop efficient value chains.

26. **Tourism:** Drawing on its exceptional biodiversity and cultural traditions, the ecotourism concept, and combined with fishing and nautical activities, Guinea-Bissau is able to attract tourists, especially inbound arrivals from Portugal and France. Guinea-Bissau's exotic landscapes remain an important factor in its appeal as a travel and tourism destination. The country includes the Bolama-Bijagós archipelago, where the Biosphere Reserve (created in 1996 as part of UNESCO's Man and the Biosphere Programme (MAB)) and Orango National Park are located. Together, they

account for a total area of 1,582 km<sup>2</sup> that is protected to preserve the biodiversity of the archipelago. These potentials notwithstanding, the country is one of the least visited in the world. Tourism revenues represent only 1% of GDP.

27. **Regional Integration and Trade:** Guinea-Bissau has made progress in regional integration and cross-border trade. Although ranked 141st in 2018 for trading across borders in the World Bank's Doing Business report, the country has reduced its trade-related costs. Costs pertaining to compliance with cross-border trade procedures for both exports (USD 585 relative to the Sub-Saharan Africa average of USD 592) and imports (USD 550 relative to the Sub-Saharan Africa average of USD 687) were lower than the Sub-Saharan Africa average in 2018. However, Guinea-Bissau has not yet aligned its customs tariffs to the ECOWAS common external tariff (CET). According to the 2016 African Regional Integration Index of the African Union Commission, Guinea-Bissau obtained an overall score of 0.5 on a scale of 0 to 1, with lower scores in productive integration (0.0), commercial integration (approximately 0.4) and regional infrastructure (approximately 0.3). In contrast, the country recorded good scores in the free movement of persons (0.8) as well as financial and macroeconomic integration (approximately 0.9). In February 2019, the country signed the agreement to join the African Continental Free Trade Area. The agreement initially requires members to remove tariffs from 90% of goods, allowing free access to commodities, goods and services across the continent. Ratification is still necessary for its enforcement. OMVG power interconnection is another example of regional integration in the energy sector.

#### 2.4. Social context and cross-cutting themes

28. **Drivers of Fragility:** The main drivers of fragility include: (i) generalized institutional weakness driven by rent-seeking behavior; (ii) low levels of economic diversification and concentration of benefits captured by a small number of beneficiaries; (iii) recurrent military interference in politics; and (iv) security issues and negative spillover effects resulting from external conflicts in the region. More details on the fragility drivers are in Annex 17.

29. **Poverty: Guinea-Bissau remains in the category of countries with low human development.** In 2019, it was ranked 178<sup>th</sup> out of 189 countries according to the UNDP Human Development Index. Approximately 67% of the population lives in absolute poverty (below two US dollars per day) and 33% live in extreme poverty (below one US dollar per day). According to the UNDP's Multidimensional Poverty Index for 2018, approximately 67% of the population experience multidimensional poverty, of which 40.4% live in a situation of severe deprivation. The Government conducted two strategic evaluations of poverty, one in 2004 and the last one in 2010. There has been no update in these data since, but progress in eradicating poverty has been slow. Lockdown measures and the restriction of movement imposed since the COVID-19 outbreak will worsen poverty conditions since many workers migrate to the countryside during the cashew campaign. The country has not announced measures to cushion the impact of the pandemic on peoples' expected foregone income.

30. The poverty assessment conducted in 2010 revealed that the poor in Guinea-Bissau are mostly young people between the ages of 15 and 35 (80%). The probability of being poor also varies with geographical location: people living outside Bissau are more exposed to poverty. This probability also increases with the size of the family. However, the risk of being poor decreases for families whose head is educated with at least a level of secondary education. Although poverty has remained constant in Bissau (51%), it has worsened in other regions, from 69.7% in 2002 to 75.6% in 2010. Extreme poverty also increased in Bissau (9.3% in 2002 to 13.2% in 2010), but increased more in the other regions (24.8% in 2002 to 39.8% in 2010). Differentiation between

men and women is not significant, both for absolute poverty and for extreme poverty. Widespread poverty has a direct and visible impact on children. As for the profile of heads of families, the worsening of poverty affected all households, although it affected those led by women more in Bissau and by men more in the regions. Households headed by women are poorer in the regions than in Bissau. For absolute poverty (USD 2 / day / person) the proportion is 56.3% and 70.8% for women heads of households and 48.8% and 76.5% for men, respectively, in Bissau and the regions.

31. **Sustainable Development Goals (SDGs): Guinea-Bissau was far from achieving the Millennium Development Goals.** Political and institutional instability combined with the financial crisis prevented the country from achieving sustainable development goals, as reflected in SDG indicators (Annex 4). The country has made progress on SDG 3 (Health) due to improvements in under-five mortality rates and reduced malaria incidence. The lack of statistical resources makes it difficult to follow progress in other categories of indicators. Overall, Guinea-Bissau ranks 174<sup>th</sup> out of 195 countries in the latest SDG index produced by the UNDP.

32. **Youth and Unemployment:** Guinea-Bissau's population is young, with 41.3% of the population aged below 15 and youth between 15-24 years representing 19.6% of the population in 2018 in rural and urban areas. High unemployment has been a structural problem with many workers in the informal sector. The unemployment rate for persons aged 15 years and above was estimated at 11.6% in 2017, although these data likely underestimate the degree of effective unemployment in the economy. The lack of job and income prospects pushes young males to migrate from rural to urban areas, especially to the capital Bissau, or to emigrate to other countries in search of work (approximately 10% of the population in 2010 according to INE).

33. **Education:** The educational system is a major challenge, with limited access to schools and low internal efficiency. Over the past years, Guinea-Bissau has made significant progress on access to primary education, but attendance rates are still lower than other SSA countries. The primary gross enrolment rate increased at an average of 4.7% a year between 2000 and 2010, from 71.8% to 113.7%. Guinea-Bissau also achieved gender parity in the first cycle of primary education in that period. However, the gender gap is still relevant for lower and upper secondary education where girls' attendance is lower by 10 to 14 percentage points. Guinea-Bissau tends to have a lower net primary attendance rate than its peers and other SSA countries. Education spending stands at 2.2% of GDP over 2010-2017, compared to the Sub-Saharan Africa average of 4.8% of GDP.

34. **Health, nutrition and social protection systems: life expectancy at birth in 2018 was estimated at 58.2 years, which is below the Africa average of 63.1 years.** The infant mortality rate was estimated at 55.6 per 1,000 in 2018 and the infant/child mortality rate was 84.2 per 1,000, much higher than the averages of 47.7% and 68.6% in Africa, respectively. Overall, public spending on health is low, representing approximately 1.44% of GDP per year for the 2010-2014 period. The National Plan for Sanitary Development 2018-2022 states that Guinea-Bissau had six health workers per 10,000 in 2017, a rate considered very low to assist the population in basic needs according to the WHO (2009). Annex 22 provides an assessment of Guinea-Bissau's healthcare system and main challenges to face the COVID-19 pandemic.

35. **Gender Equality and Women Empowerment:** Gender inequality persists in Guinea-Bissau despite some ongoing progress. The Africa Gender Index 2019, ranked Guinea Bissau 28th out of 51 countries. In reproductive health, contraceptive prevalence was estimated at 17.5% in 2018 compared to 14.2% in 2010. Maternal mortality rates remain very high (549 per 100,000 live births) and may reach the rate of 1,980 per 100,000 women in some areas (GoGB, 2018). The proportion of women who gave birth with the assistance of a trained service provider (doctors,

midwives and nurses) remains low, although it increased from 43% in 2010 to 45% in 2014. The maternal mortality rate remains very high (900 per 100,000 live births - MICS8 2014). The female literacy rate is estimated at 30.8%, lagging behind male literacy rates of approximately 62.2%. In employment, the female participation rate in the production of goods and services was estimated at 67.6% in 2018, which is lower than the male rate of approximately 76% in 2016. The unemployment rate in 2018 was 4% for women and 3.9% for men (World Bank).

36. **Climate Change and Green Growth:** Guinea-Bissau is one of the most vulnerable countries in the world to climate change. The 2018 World Risk Report ranked Guinea-Bissau at 19<sup>th</sup> out of 173 countries in terms susceptibility to natural disasters. It is also ranked among the five most climate vulnerable countries in the world according to the Notre Dame Global Adaptation Initiative Vulnerability Index (ND-GAIN, 2017). The main drivers of Guinea-Bissau's high level of climate change vulnerability are (i) physical exposure, (ii) dependence on agriculture and fishing, and (iii) unplanned and uncontrolled urbanization. Wetlands constitute most of the land area, and land suitable for urbanization is becoming limited. However, due to the lack of enforcement of regulations, inhabitants have been expanding and building on the fringes of these shallow surfaces. This results in poor habitat conditions and neighborhoods that are often flooded. Most of Bissau consists of wetlands and coastal swamps. During the rainy season (which runs from June to October), water levels overflow the peripheral habitats. According to the Sustainable Development Plan for the capital Bissau, launched in 2019 (Bissau 2030), the capital of Guinea-Bissau ranks amongst the most vulnerable cities to climate and environmental risks and hazards in West Africa.

37. Despite its high vulnerability to climate change, Guinea-Bissau possesses strong potential to spur low-carbon, climate-resilient development by harnessing the opportunities of a green and blue economy. The country is endowed with unexploited natural resources, including renewable energies (hydropower, wind, solar, cashew shells and other agricultural waste/residues, ocean energy, etc.), fisheries and marine resources, ecotourism, agricultural lands, biodiversity richness, water resources, and lush coastal areas. Guinea-Bissau's biodiversity constitutes a significant natural asset for the country and, if protected, has the potential to serve as the backbone of a future tourism industry. More details on climate change challenges and opportunities are provided in Annex 19.

## 2.5. Country Strategic Framework

38. *Terra Ranka* National Development Strategy: *Terra Ranka* is the solution adopted by Guinea-Bissau authorities to develop the country's enormous potential. The Government rolled out the "Guinea-Bissau 2025" vision, whose strategic and operational plan for 2015-2020 is "*Terra Ranka*" adopted in 2015. Its goal is to diversify the national economy through four engines of growth: agriculture and agroindustry, fishing, tourism and mining. These engines essentially rely on the development of the cashew nut and rice value chains, the development of fishery resources, and the establishment of a special tourism area. Furthermore, a regulatory framework that complies with national sustainable development requirements will be established in the mining sector. Moreover, nine economic centers will be developed nationwide to spawn economic activities and jobs. However, the implementation of *Terra Ranka* has been hampered by political instability.

39. Although this strategic plan is almost expiring, it remains a useful tool for both the Government and the Bank to set goals and priorities. The Government has expressed its

willingness to review some of the priorities defined in *Terra Ranka*; the CSP 2022-2026 will consider this revision in the maintenance or redefinition of the main pillars for the strategy.

40. The Government, nominated in July 2019, launched an emergency program to promote growth, fight poverty and modernize public institutions. This short-term program, based on *Terra Ranka*, adopts actions such as improved infrastructure and strengthened governance, both in line with the current CSP pillars.

## **2.6. Aid Coordination Mechanisms, Bank Positioning and Comparative Advantage**

41. **Aid Coordination and Harmonization Architecture:** At the end of the political transition in 2014, the new government showed its willingness to tackle the aid and donor coordination problem by establishing a quarterly monitoring mechanism targeting project implementation. However, this mechanism did not work due to political instability that started in 2015. Furthermore, aid coordination and monitoring mechanisms have always suffered from structural weaknesses in public administration. Hence, before the 2012 *coup d'état*, the Bank approved a technical assistance project (PECA-II) aimed at building coordination capacity. This project contributed to the organisation of the March 2015 donors' roundtable held in Brussels. During that period, the country attracted around USD 1.4 billion in pledged international support, but most of this aid did not arrive due to the country's political instability. Guinea-Bissau continues to suffer from poor supervision mechanisms and overlapping of projects supported by different partners.

42. **Thematic working groups are being organized by technical partners:** IFAD is leading a group of financial partners in the agriculture sector in Guinea-Bissau after being nominated by the Ministry of Agriculture and Rural Development in April 2019. The technical group's objective is to promote, support and facilitate the coordination of sustainable initiatives within the agricultural sector in Guinea-Bissau. The World Bank is also leading meetings with partners who support governance activities to coordinate actions and sustain support for public financial management. The Liaison Office of the AfDB in Bissau is actively participating in both groups. In addition, the local team is helping to coordinate projects among partners to increase prospects for success and for more efficient allocation of financial resources and support.

43. **Operations of bilateral and multilateral partners in the country mainly target the following areas:** (i) rural development and food and nutritional security (Spain, Portugal, China, the European Union, the World Bank, AfDB, IFAD, WFP); (ii) education (World Bank, UNICEF and the EU); (iii) health (World Bank, UNICEF, EU, Portuguese Cooperation, WHO); (iv) infrastructure (World Bank, BOAD, AfDB); (v) energy (World Bank, AfDB); and (vi) environment (EU, France, MAVA Foundation and others). Regarding political dialogue and military reform, institutions such as the African Union, ECOWAS, UNIOGBIS and other UN agencies are currently implementing operations. In public finance management, partners like the World Bank, EU, AfDB and IMF provide support to the country (Annex 4).

44. **The Bank consolidated its position as a key partner to the Government** during the CSP 2015-2019 period by providing budget support to the government and by providing emergency assistance to combat the Zika Epidemic. The African Legal Support Facility (ALSF) reviewed three mining contracts already concluded with various private companies in the phosphate, bauxite and heavy sands sectors. ALSF also provided assistance in the negotiation and successful restructuring and reduction (by 90%) of outstanding debt to a bilateral creditor, thus generating savings of USD 45 million for the country. The Bank's comparative advantage in sustaining projects with sector study requirements should be leveraged. The Bank's expertise in promoting infrastructure projects and regional integration should also be continued.

## 2.7. Strengths, Opportunities, Weaknesses and Challenges

45. Guinea-Bissau's strengths, opportunities, weaknesses and challenges remain largely the same as during the previous CSP 2015-2019 (and as discussed Chapter II above). The country's overarching development challenge is to overcome its deep-rooted fragility, notably institutional weaknesses and a vulnerable and undiversified economy. To effectively tackle the country's fragility, it is necessary to build institutional and political resilience, strengthen the rule of law, and provide necessary infrastructure. Table 1 outlines major challenges and opportunities in Guinea-Bissau.

**Table 1: Guinea-Bissau's development challenges and opportunities**

Challenges		
1	Lack of infrastructure	<ul style="list-style-type: none"> <li>• Non-existent national energy production and obsolete distribution networks;</li> <li>• Poor quality of roads.</li> </ul>
2	Institutional and political weakness	<ul style="list-style-type: none"> <li>• Chronic weaknesses of central government to (i) collect significant revenue, (ii) effectively manage the revenue collected (PEFA 2014), (iii) impose its authority throughout the national territory to provide basic services, (iv) prevent illicit activities.</li> </ul>
3	Undiversified economic base	<ul style="list-style-type: none"> <li>• High dependency on agriculture.</li> </ul>
4	Constrained Private Sector Environment	<ul style="list-style-type: none"> <li>• High cost of factors of production (electricity and transport);</li> <li>• Lack of adequate skills;</li> <li>• Difficulties in access to credit.</li> </ul>
5	High vulnerability to climate risks and natural disasters	<ul style="list-style-type: none"> <li>• Physical exposure;</li> <li>• Dependence on agriculture and fishing;</li> <li>• Unplanned urbanization.</li> </ul>
Opportunities		
1	Increased potential for tourism	<ul style="list-style-type: none"> <li>• Ecotourism, combined with fishing and nautical activities, can attract a higher number of tourists.</li> </ul>
2	Agriculture and fisheries value chains	<ul style="list-style-type: none"> <li>• Great agricultural potential with 1,110,000 ha of farmland representing 35% of the national surface area;</li> <li>• Rotation, rainwater harvesting offer support for food security, climate change adaptation.</li> </ul>
3	Extractive Industries	<ul style="list-style-type: none"> <li>• Abundance of potentially exploitable natural resources (large deposits of bauxite, phosphates, hardwood and heavy sand).</li> </ul>
4	Regional Integration	<ul style="list-style-type: none"> <li>• The use of the CFAF and economic integration obliges the state to keep a minimum standard of fiscal discipline and monetary stability that might otherwise not be observed.</li> </ul>
5	Green growth and renewable energies	<ul style="list-style-type: none"> <li>• Huge potential of clean energy development including bioenergy, hydropower, solar, wind, and ocean energy.</li> </ul>

## 3. CSP IMPLEMENTATION AND RESULTS ACHIEVED

### 3.1. Strategy Resources

46. As an ADF-only Country, Guinea-Bissau has access to resources from the ADF window (grants and loans) to finance development projects and programmes. The CSP implementation over the 2015-2019 period spanned two ADF Cycles: ADF-13 (2014-2016) and ADF-14 (2017-2019). Under ADF-13 and ADF-14, the country allocation provides available resources estimated at UA 28.32 million (comprising UA 15 million from the PBA and UA 13.32 million from the TSF) and UA 30 million (comprising UA 15 million from the PBA and UA 15 million from the TSF), respectively. It is also expected that unused balances will be released from closed operations (under the ADF window) to finance new activities. However, to optimize these funds, the Bank has leveraged other financing sources: through the regional envelope, notably for infrastructure

projects (energy and transport), and co-financing with other DPs and Trust Funds including the Korea-Africa Economic Cooperation Trust Fund.

47. During the CSP implementation, Guinea-Bissau also accessed resources from the African Legal Support Facility, the Sustainable Energy Fund for Africa, the Infrastructure Project Preparation Facility, the Special Relief Fund and the European Union Africa Investment Facility. **The total amount of approvals under CSP 2015-2019 including the ADF window, co-financing with other DPs and Trust Fund amounts to approximately UA 90.24 million.**

### **3.2. Strategy Implementation**

48. At the point of establishing the CSP, the indicative lending envisaged for 2015-2019 amounted to UA 52.4 million for 12 operations. The total amount of approvals under CSP 2015-2019 at mid-term amounted to approximately UA 34.69 million and comprised the following: (i) UA 11.25 million for Pillar I; and (ii) UA 23.44 million for Pillar II. As of December 2019, the Bank had provided financing amounting to UA 90.24 million for 14 operations. Of this total amount, UA 11.25 million was approved for three operations under Pillar I and UA 78.99 million for 11 operations under Pillar II.

49. In September 2019, the Project to Support Value Chain and Entrepreneurship in Rural and Agricultural Sectors for UA 9.56 million was approved by the Bank. The project for rehabilitation of the road Farim-Tanaff (cross-border road between Senegal and Guinea-Bissau) was re-programmed for 2020. Under the Lusophone Compact, the possibilities of financing non-sovereign operations for Guinea-Bissau are under review.

50. The implementation of the CSP had two major achievements. The approvals exceeded the forecasts, and the economic and sectoral studies carried out made it possible to deepen the analysis of fragility. Approvals of ADF-13 public sector operations (national and regional projects) were UA 33.3 million higher than the original forecast of UA 29.8 million, representing an execution rate of 111% in terms of approvals. In addition to the ADF allocation, Guinea-Bissau benefited from Trust Fund resources, such as the KOAFEC.

51. **Under Pillar I (Annex 11), the two projects initially programmed have been approved for a total of UA 10 million.** The approved operations under Pillar I are: (i) the Emergency Economic and Financial Reform Support Programme (PUAREF - UA 5 million); and (ii) the Economic and Financial Management Support Project (PARGEF - UA 5 million), both approved in 2015. There is also the Justice Sector Institutional Capacity-Building Support Project (PARCISJ - UA 1.25 million), initially not programmed in the CSP but directly related to the justice component of Pillar I, and financed with additional funds of TSF Pillar III intended for capacity building. The total of approvals under Pillar I amounts to UA 11.25 million.

52. **As regards Pillar II, the 11 operations originally programmed were approved.** These are: (i) the OMVG Energy Project (UA 4.5 million); and (ii) the Bissau City Power Supply Improvement Project (PASEB - UA 13.3 million) in 2015. Moreover, two other operations that were not programmed were approved: (iii) the Rice Value Chain Development Project in the Bafata and Oio Regions (PDCV-Riz) (UA 4.22 million) in 2017 and (iv) the Project to Support Value Chain and Entrepreneurship in Rural and Agricultural Sectors (PACVEAR) (UA 9.56 million) in 2019. In 2018, the Project for the Development of the Electric Distribution System in Bissau, in coordination with PASEB (UA 20 million), and the Boké-Quebo road improvement project (UA 23.45 million) were approved.

53. **Under the trust funds, three out of four scheduled operations were approved:** (i) the study on preparation of the Saltinho hydropower station, which cost UA 0.7 million and was



funded by the Sustainable Energy Fund for Africa (SEFA); (ii) the study on the launching of the cotton-textile sector (UA 0.36 million); and (iii) the feasibility study on the construction of the deep water port in Buba (UA 1.44 million). These studies bring the total amount of **approvals under Pillar II to UA 78.99 million.**

54. **Operations scheduled and unapproved.** The PAIRI/GAFSP project scheduled for 2016 was not approved. A request was sent to the GAFSP Trust Fund in December 2016 but was not retained. The same applies to the operation on a business incubator that was to be funded through the FAPA Trust Fund. The Farim-Tanaff regional road project scheduled for 2016 has not yet been approved, but the study was finalized. It has been rescheduled for 2020.

55. **The non-lending program delivered strategic work planned.** The Economic and Sector Work (ESW) scheduled in the CSP was aimed at filling the knowledge gaps in the implementation of the “*Terra Ranka*” national development plan and strengthening dialogue on an *ad hoc* basis, in accordance with the needs expressed by the authorities. Thus, the emphasis was focused on the preparation of policy briefs that could directly involve the authorities. Policy briefs were prepared on public-private partnerships and on decentralization in Guinea-Bissau. A research report was also prepared on natural resource management. However, the Bank was unable to raise resources to conduct studies on transparency in the extractive industries and private sector development. It was able to conduct other alternative studies such as the one on political decentralization (Annex 13).

### **3.3. Strategy Results**

56. The CSP Results-Based Framework (RBF) provides the basis for assessing the implementation progress towards achieving the CSP outputs and outcomes (Annex 1). The RBF contains 18 outputs and 20 outcomes. As at March 2020, seven and three of the planned outputs and outcomes had been achieved, respectively, and seven and four outputs and outcomes, respectively, are in progress. The sections below discuss the results achieved under each pillar in more detail.

#### **Pillar I: Strengthen Governance and the Foundations of the State**

57. The main objective of this pillar is to boost the resilience of State institutions. It includes the following two complementary components: (i) strengthening the governance of justice and combating impunity; and (ii) strengthening governance with a view to building resilient economic institutions. The expected outcomes of Pillar I are: (i) strengthening the State’s capacity to generate and manage its revenue; (ii) strengthening accountability and transparency; (iii) improving the participation of non-state actors for a more inclusive economy; and (iv) strengthening State institutions that administer justice and combat impunity. Under this pillar, 15 outputs and 15 outcomes were envisaged.

58. As of March 2020, one outcome was fully achieved, five were partially implemented, and nine were not achieved. For instance, the African Legal Support Facility (ALSF) reviewed three mining contracts already concluded with various private companies in the phosphate, bauxite and heavy sands sectors. As for the start of implementation of the LOLF, the Directive relating to the Finance Law was transposed into Law No. 2/2015. However, the failure to promulgate implementing instruments, particularly the State budget nomenclature, prevented implementation of the LOLF. Moreover, none of the 2016, 2017, 2018 or 2019 budgets was voted because parliament could not be convened after the political crisis of 2015, which remains unresolved. Regarding the translation of WAEMU directives into Portuguese and transposed into law, texts of the directives were translated into Portuguese, but directives have not yet been transposed into law

due to the deadlock in Parliament. Other outcomes were not achieved mainly because of the political deadlock.

## **Pillar II: Develop Inclusive Infrastructure**

59. Pillar II seeks to support the creation of access to farming regions, which remains a prerequisite, particularly for economic diversification and job creation. From a social and human standpoint, this pillar has an inclusive scope because it aims to (i) create access to hinterland regions to reduce bottlenecks in the provision of social services and (ii) promote greater participation by the population, especially women, in economic and political recovery. The expected outcomes of Pillar II are: (i) increasing access to the regions via rural and regional infrastructure projects, including cross-border or secondary roads; and (ii) expanding electricity production and distribution capacity.

60. As of March 2020, three outcomes were partially achieved and three were not achieved. For the construction of access infrastructure to the benefit of rural communities, the Rice Value Chain Development Project in the Bafata and Oio Regions (PDCVRIZ) was approved by the Bank in January 2017 but implementation only started in 2018 because of a delay in adding more ADF and TSF funds to it. The acquisition of tools for work and the construction of markets have been achieved. As for construction works on the 225-kV interconnection link, 50% of OMGV works have been achieved. Regarding the rehabilitation and extension works on the electricity distribution network in Bissau, the construction of three transformation posts are 50% ready, despite financial difficulties faced by the construction company.

### **3.4. Contribution to the High-5s**

61. The Bank has achieved tangible development impacts in Guinea-Bissau, in line with the High-5s. For instance, on “**Light up and Power Africa**”, the projects related to this strategy constructed the market for the 30 kV network and three substations. They also supported the acquisition of 10,000 prepaid meters and 100 electronic post-pay meters, allowing the electricity and water company EAGB to sign agreements with telephone operators whereby customers can buy units online to power their meters. The construction of two cold rooms of 50 m<sup>3</sup> each were also finalized in 2019. For “**Integrate Africa**” (29%), the Bank has promoted the launching event for the Boke-Quebo road amelioration project, which will contribute to integration of the south of Guinea-Bissau to the north of Guinea. Regarding “**Industrialize Africa**” the Bank is also supporting the feasibility study for the construction of the Buba Mineral Port, which should make it easier to evacuate minerals, such as bauxite, and encourage investments in that area. The Bank has also approved a new project, related to “**Feed Africa**”, to improve the production environment for rice and promote businesses in all links of its value chain to create sustainable jobs and increase rural incomes. In terms of “**Improve the quality of life for the people of Africa**”, the Bank has financed the Civil Society Forum event to coordinate actions from non-governmental institutions in the area of justice. The Bank also supported capacity building activities to judges and police officers. In addition, the component of Women Entrepreneurship foreseen in the PARGEF project donated equipment and inputs to 10 local associations of female producers, comprising 1,347 women.

### **3.5. Progress towards the Principles of Paris, Busan and Accra**

62. In application of the Paris declaration, followed by the Accra action plan and the Busan partnership framework, donors must harmonize their intervention procedures for the benefit of countries receiving development aid. A consultation framework was in place in Guinea-Bissau before the *coup d'état* in April 2012, operating on multisector thematic groups. Meetings were put

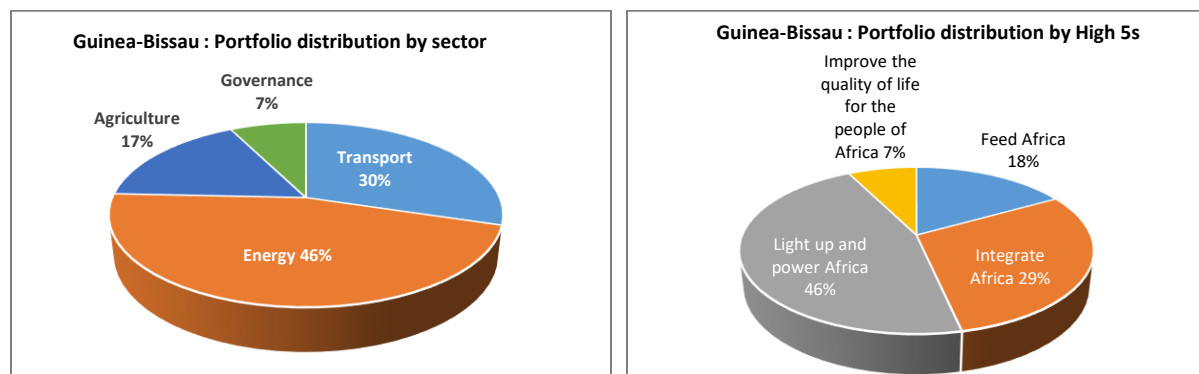
on hold during governmental transition. After the donor roundtable meeting held in Brussels in 2015, donors re-launched their projects. In general, aid coordination and monitoring mechanisms have always suffered due to weaknesses of public administration in Guinea-Bissau.

#### 4. COUNTRY PORTFOLIO PERFORMANCE REVIEW (CPPR)

63. The last CPPR for Guinea-Bissau was conducted as part of the CSP (2015-2019) Completion Report. The 2019 CPPR assessed the performance review of the Bank’s portfolio in Guinea-Bissau and made recommendations for improving the quality of the portfolio to achieve expected results from on-going operations and improve the design of future operations (Annex 6). As of 31 December 2019, the active portfolio of the Bank in Guinea-Bissau comprised 11 operations for a total net commitment of UA 84.62 million, divided into nine national public sector projects for UA 56.72 million and two regional operations of UA 27.90 million. The national portfolio comprises four public investment operations with a cumulative amount of UA 47.95 million, two institutional support projects (UA 6.25 million), and three trust fund donations (UA 2.52 million) from (i) the Sustainable Energy Fund for Africa (SEFA) to finance studies on the Saltinho Hydro Plant (UA 0.70 million); (ii) the Korea-Africa Economic Cooperation Trust Fund (KOAFEC) for the implementation of a study for the revival of the cotton-textile sector (UA 0.36 million); and (iii) the NEPAD-Infrastructure Project Preparation Facility (NEPAD-IPPF) for the feasibility study of the deep sea port of Buba (UA 1.46 million). There is no active project at the Bank's private sector window. The disbursement rate is at 17% for national projects and 3% for regional operations. Counterpart funding in Guinea-Bissau is provided in terms of social indemnities and/or provision of fixed assets (lands, terrain).

64. The sectoral breakdown of projects is as follows: Energy (46%); Transport (29%); Agriculture (18%) and Governance (7%). In terms of High 5 priority areas, the portfolio is distributed as follows: Light up and Power Africa (46%); Integrate Africa (29%); Feed Africa (18%) and Improve the quality of life for the people of Africa (7%) as illustrated in Figure 4.

Figure 4: Bank’s Portfolio Distribution by Sector and High 5s



65. The average age of operations dropped from 6.2 years in 2014 to 2.6 years in 2019. Portfolio performance was rated unsatisfactory. RDGW took corrective measures for portfolio improvement by recruiting a portfolio monitoring coordinator in Bissau who regularly followed up the projects with project managers. The main issues affecting portfolio implementation included: (i) delays in the procurement process due to lack of understanding and knowledge of Bank rules and procedures; and (ii) inadequate monitoring of the work plan and the Procurement Plan (PPM). Following the portfolio review, a Country Portfolio Improvement Plan (CPIP 2017) was adopted to provide a quick solution to the issues listed above.

66. **The Bank's CSP 2015-2019 MTR and the performance review (PPR) for Guinea-Bissau was completed in September 2018<sup>9</sup> and maintained the CSP's strategic emphasis on:** (i) *strengthening governance and the foundations of the State*; and (ii) *developing infrastructure that promotes inclusive growth*. These findings are highlighted in the independent mid-term evaluation by IDEV from October 2017 to April 2018 on the Bank's interventions in Guinea-Bissau. IDEV deemed the relevance of Bank action to be generally adequate as regards its response to Guinea-Bissau's development needs and challenges. Bank performance in knowledge management issues was positive overall. However, weaknesses were identified in policy dialogue and supervision. Furthermore, the Bank's limited presence in the Bissau Office negatively affected its capacity to effectively manage its activities, and to ensure coordination and effective dialogue. Evaluation recommendations were made at the strategic, tactical and operational level. The proposed actions included the following: (i) maintain the same CSP pillars; (ii) give effective content to Guinea-Bissau's special character, mainly by increasing the resources and focus given to the country; (iii) innovate for the next CSP by adopting a programme-based approach; (iv) increase the quality of operations at entry; (v) adopt a different approach to the issue of country capacity in the attainment of results; (vi) strengthen internal monitoring systems; and (vii) adapt Bank processes to the country's needs. The recommendations of the IDEV evaluation were taken into account to improve the review report, especially in terms of outcomes and conclusions. The findings and recommendations of the IDEV (Annex 9) report are being addressed and will inform the Bank's CSP extension, as well the new CSP.

67. The recruitment of an experienced international economist based in Bissau improved policy dialogue with the government, civil society and technical and financial partners. For example, she joined the high-level meeting chaired by the Prime Minister to address public financial management issues in Guinea-Bissau. Operational effectiveness of the office was enhanced with the assumption of duties of the administrative assistant in March 2019. In December 2019, the Bank recruited an experienced program management consultant to support portfolio implementation, liaise with Project Managers, and participate in the dialogue with the government.

## 5. LESSONS LEARNED

68. The organization of regular portfolio monitoring reviews has allowed the Government and the Bank to distill lessons for portfolio performance improvement. In addition, a recent joint review carried out in September 2018 recommended (i) maintenance of the same CSP pillars; (ii) augmentation of resources and focus given country's characteristics; (iii) adoption of a different approach to the issue of country capacity in the attainment of results; and (iv) adaptation of Bank processes to the country's needs.

69. **Lessons for the Bank:** The key lesson is that pillars need to be maintained given the fact that the weaknesses identified in the strategy are still relevant. The political crisis is likely to aggravate the weakness of institutions. That is why the Bank should strengthen dialogue with the authorities, stakeholders and financial and technical partners in order to strengthen the monitoring of fragility factors. Regarding implementation, the Bank should think of building project structures that are not overly dependent on services whose limited capacity could undermine the achievement of expected results, while laying emphasis on capacity building as well. Concerning non-sovereign operations, the Bank will have to evaluate private sector strengths and weaknesses, leading a private sector profile and analysing sources of financing in a context of fragility. The Bank will use its expertise in providing emergency relief, such as in the Zika outbreak, to efficiently plan its

support concerning the COVID-19 pandemic. This includes a strong coordination with the government, IFIs and WHO to provide quick and focused support.

70. **Lessons for the government:** There is a need to reactivate the quarterly project implementation monitoring mechanism within the Secretariat of State of Planning to monitor ongoing operations and ensure the diligent implementation of project activities in accordance with the scheduled timetable. The Government also needs to ensure the implementation and monitoring of reforms, since the delay in implementing public finance reforms undermined the achievement of expected outcomes in 2019. The Government also needs to strengthen the capacity of the implementation units and the capacity for production, processing and dissemination of statistics to ensure that monitoring and evaluation are in place.

## **6. BANK STRATEGY FOR THE CSP EXTENSION PERIOD 2020-2021**

### **6.1 Justification for Extending Implementation Period to December 2021**

71. **As alluded to in Chapter I, presidential elections in Guinea-Bissau were held on 24 November 2019 and 29 December 2019, completing the first electoral cycle since 2012.** Due to the changes in government promoted by the self-proclaimed President as of 28 February 2020, it is clear that there will be a change in national priorities and the national plan *Terra Ranka* will be revised. This vision was anticipated by authorities in October 2019 who anticipated the need for changes in the national development strategy. They agreed that the 2015-2019 CSP's strategic focus and pillars, namely Pillar 1 "Strengthen governance and foundations of the state" and Pillar 2 "Develop inclusive infrastructure", remain consistent with the country's development priorities and, therefore, could continue to guide the Bank's intervention in the country until the end of 2021.

72. The maintenance of the priority areas during CSP extension is justified as Guinea-Bissau's overarching development challenges (high poverty and income inequality, weak quality of governance and institutions, weak infrastructure) have remained unchanged since the preparation of the previous CSP 2015-2019. Therefore, there is a need to consolidate the gains made on the infrastructure pillar while laying the foundations for improved quality of institutions and governance. It is against this background that during CSP mission consultations, the government and development partners emphasized the need to adopt an integrated approach to achieve greater developmental outcomes while maintaining the previously defined priority areas. Subsequently, Bank Management has decided that it would be appropriate for the 2015-2019 CSP to be extended by two years to end 2021, which takes into account the time required by the Bank to prepare a new, full CSP in consultation with the Authorities.

### **6.2 Relevance of the CSP, objectives and pillars for the extension period 2020-2021**

73. The overall objective of the CSP is to help mitigate the drivers of the country's fragility and build institutional and socio-economic resilience for inclusive growth. This objective remains relevant for the extension period and directly linked to Guinea-Bissau's overarching development challenges. It is not evident *at this stage* that the Corona crisis will change the country's main structural development challenges. Therefore, the CSP's two pillars remain tailor-made to support the achievement of the strategy's overall objective: Pillar 1: "*Strengthen governance and foundations of the state*"; and Pillar 2: "*Develop inclusive infrastructure*". However, the Bank is aware of the immediate short-term needs of the country emanating from the COVID-19 crisis and will explore options to respond appropriately.

### **6.3 Strategy and expected results**

74. **CSP Pillar 1: "*Strengthen governance and foundations of the state*".** The main objective under this pillar for the extension period continues to be to support the building of the resilience

of government institutions to prevent fragility. The Bank will continue to boost the resilience of State institutions to avoid the emergence of new factors of fragility. Operations to strengthen governance linked to the justice system and the fight against impunity will contribute to the fight against corruption and illicit activities and will strengthen accountability and transparency. It is also important to create a favorable business environment for the operation of the incipient private sector and mobilization of needed investment. Guinea-Bissau will also be able to access the Bank's COVID-19 Rapid Response Facility (CRF) to support the country during the crisis.

75. The key expected results remain the same as of the initial CSP, which is to boost the resilience of institutions. For this, 11 outcomes and 17 outputs are being proposed. For example, to improve domestic resource mobilization with the fiscal collection rate increasing to at least 10% of GDP in 2021. The revised outcomes include the need to count for increased budget resources allocated to the women, who suffers the most with the poor health system and are mainly informal workers. SME guidance and creation of business incubators are also expected. (Annex 2).

76. This pillar is aligned to the High 5 “Improve the quality of life for the people in Africa” as both associated outcomes and outputs aim to strengthen national capacities in terms of fiscal revenue augmentation, budget support, and capacity building in strategic areas such as fiscal and judicial governance. The Bank is also exploring the possibility of using UNICEF/WHO for its emergency relief support to the COVID-19 contingency plan of the country.

77. **CSP Pillar 2: “Develop inclusive infrastructure”.** Under this pillar, the main objective continues to be to contribute to opening up the country, both economically (agriculture, energy) and in terms of human resources (health, education). This pillar also aims to strengthen the distribution network so that electricity supply is extended to large segments of the population. The construction of cross-border and rural roads through various road projects under Pillar II will make it possible to tackle problems related to farm produce marketing and value chain development. The Bank will continue to support the agriculture sector through development of the rice value chain by promoting the development of farming and marketing infrastructure (access roads, access to markets and processing). The project will include an employment promotion component targeting youth and women by supporting entrepreneurship and capacity building.

78. As for monitoring and evaluation, six outcomes and eight outputs are being proposed, adjusted for the results already achieved and for those in progress. For example, the construction of access infrastructure for rural populations by rehabilitating 100 km of farm-to-market roads and 10 small quays and landing ramps, started in 2019, will have to be monitored along the extension. As for the Boke-Quebo road, approved by the Bank in 2018 and launched in 2019, the outputs are expected in 2021, which will help with the achievement of the outcome related to increased trade with Guinea-Conakry.

79. The objectives in this pillar are aligned with the High Fives “Light up and Power Africa”, “Feed Africa” and “Integrate Africa” by (i) improving electric power supply; (ii) improving infrastructure for the development of agriculture value chains; and (iii) improving transport connections. It is also aligned to the Bank's Gender Strategy 2014-2018, extended to 2020.

#### **6.4 Indicative Lending/Non-Lending Program**

80. For 2020, the pipeline of forthcoming operations includes: (i) COVID-19 Support Project; and (ii) Support project for the empowerment and financial inclusion of women. The indicative lending program (IOP) for 2020-2021 period comprises four operations amounting to UA 20 million (Annex 8). Regarding the non-lending program, ALSF will provide new legal assistance, as requested by the government, regarding mining activities by a private company. A private sector profile and technical support to EITI access are also planned for the extension period.

## **6.5 Dialogue**

81. Dialogue with the Government and other stakeholders during the CSP update period will revolve around (i) coordination with development partners to improve efficiency of intervention; and (ii) support to the Agency of Investment to structure its activities and prepare projects for the Lusophone Compact and African Investment Forum window. Other areas of dialogue will focus on (iii) policies to improve public management and programmatic budget; and (iv) support to national implementing units to build capacity around Bank's rules to improve implementation.

## **6.6 Financing the Strategy**

82. The delivery of the CSP extension will be financed through the ADF and TSF windows, external resources and the Bank's administrative budget. The pipeline covers sovereign lending and will be prioritized within the Bank's financing capacity together with the Government. In addition, the Bank is in dialogue with the Authorities to ensure the readiness of the projects. Projects with low disbursement will be reoriented toward operations with urgent needs raised by the COVID-19 pandemic. The Bank will use its convening power to assist in leveraging additional resources through co-financing arrangement with other partners. The Bank will use the results-based framework (RBF) to ensure an adequate mix of financing instruments during the CSP extension period. In addition, the Bank will continue to search for other funds, such as SEFA, for concessional financing for investment operations in the energy sector.

## **6.7 Implementation Arrangements, Monitoring and Evaluation**

83. The RBF provides the basis for the monitoring and evaluation of CSP implementation progress for 2021. The RBF (Annex 1) is anchored in the Guinea-Bissau Emergency Plan and *Terra Ranka* and specifies the outputs and outcomes envisaged at CSP end term. The Bank will use the annual CPPR, supervision missions and PCRs to (i) assist in tracking implementation progress and (ii) guide the Bank in undertaking any revisions to operations and implementation of programmed activities. Altogether, the exercises will be coordinated with the Ministry of Economy and Finance, relevant line Ministries and PIUs.

## **6.8 Risks and Mitigation Measures**

84. Based on the diagnostics provided in the sections above and ongoing consultations with the Government and partners, risks and mitigation measures are proposed in Annex 21.

## **7. CONCLUSION AND RECOMMENDATIONS**

85. Despite the challenging operating environment in Guinea-Bissau, characterized by lack of financial and human resources and exacerbated by protracted political instability, the Bank made significant strides to improve portfolio implementation and performance. "Flagged" projects were reduced, turning the portfolio to "green status" by September 2019 (15% of flagged projects only). Total commitments increased from UA 61.05 million in 2015 to UA 83.7 million in 2019. Disbursement rates picked up from 10% in 2015 to 20% in 2019. This notwithstanding, the efficiency of Bank's operations remains a concern. It is in this context that we propose that the 2015-2019 CSP update should keep both pillars: (i) *strengthening governance and the foundations of the State in public and private sectors*; and (ii) *developing infrastructure that promotes inclusive growth*.

86. The Committee on Operations and Development Effectiveness (CODE) is invited to consider and approve the combined update and extension of the Guinea-Bissau 2015-2019 CSP to the end of December 2021.

**Annex 1: CSP 2015 – 2019 Results-Based Framework Assessment**

Development Objectives	Problems Impeding the Achievement of Country Objectives	FINAL OUTCOMES (expected by CSP completion in 2019)	FINAL OUTPUTS (expected by CSP completion in 2019)	STATUS OF OUTCOMES (As of March 2020)	STATUS OF OUTPUTS (As of March 2020)	Bank Operations
<b>PILLAR I: STRENGTHEN GOVERNANCE AND FOUNDATIONS OF THE STATE</b>						
Building Institutional Resilience	(i) Weak government capacity to generate and manage its revenue	<ul style="list-style-type: none"> <li>- Implementation of LOLF (Organic Law on Budget Laws);</li> <li>- Implementation of recommendations of public procurement audit;</li> <li>- Implementation over the previous two-year period of internal control based on a procedures manual;</li> <li>- SYGARHP operational for at least 2 years;</li> <li>- Integrated Procurement Management System linked to a Public Financial Management System for 2 years;</li> <li>- Budget schedule adhered to for at least 3 years and publication of periodic budget execution reports for 2 years;</li> <li>- All WAEMU Directives translated into Portuguese, submitted to the National Assembly and transposed;</li> <li>- VAT introduced;</li> <li>- Tax ratio &gt; 13% ;</li> </ul>	<ul style="list-style-type: none"> <li>- SYGARHP finalized and operational;</li> <li>- Procedures manual prepared and updated;</li> <li>- Integrated Procurement Management System ready and updated;</li> <li>- Public procurement audits finalized;</li> <li>- Implementation of LOLF;</li> <li>- WAEMU/OHADA Directives translated;</li> <li>- Legal arsenal on VAT approved;</li> <li>- CGI revised and tax incentives harmonized;</li> </ul>	<p><i>Not achieved</i> Budget not voted since 2016 because parliament could not convene after the political crisis of 2015, and which has not yet been resolved.</p> <p><i>Not achieved</i> Procurement audit not done.</p> <p><i>Achieved</i> Procedures manual for internal control prepared with support of EU.</p> <p><i>Partially Achieved</i> SYGARHP finalized.</p> <p><i>Not achieved</i> The alignment of the public expenditures with the strategic priorities of the country remains limited.</p> <p><i>Partially achieved:</i> Tax burden was estimated at 10.4% in 2017, but dropped to</p>	<p><i>Partially Achieved</i> SYGARHP in implementation phase;</p> <p><i>Not Achieved</i> Procedures manual not prepared;</p> <p><i>Achieved</i> Integrated contracts management system ready and updated;</p> <p><i>Not achieved</i> Public procurement audit not conducted;</p> <p><i>Partially Achieved</i> Texts of the directives were translated into Portuguese, but the directives have not yet been transposed into national law;</p> <p><i>Not Achieved</i> Legal basis for VAT not approved;</p> <p><i>Not Achieved</i> CGI evaluation not performed.</p>	<p><u>Old projects:</u></p> <ul style="list-style-type: none"> <li>- PARCA</li> <li>- PECA</li> </ul> <p><u>New Projects</u></p> <ul style="list-style-type: none"> <li>- Institutional support</li> <li>- Budget support</li> <li>- ALSF support</li> </ul>



				9.3% in 2018. Data for 2019 not yet published, but it should be around the 2016-2018 average of 9.58%		
	(ii) Weakness of official state justice and security institutions	<ul style="list-style-type: none"> <li>- Preparation and implementation of a justice sector computerized management system: 75% of envisaged reforms are adopted;</li> <li>- Mandatory declaration of assets by all magistrates and legal assistants and monitoring mechanism;</li> <li>- Legislative reforms and establishment of mechanisms and international standards in combating organized crime, impunity and corruption</li> </ul>	<ul style="list-style-type: none"> <li>- Legal framework established for mandatory declaration of assets by all magistrates and legal assistants and monitoring mechanism;</li> <li>- Citizen monitoring system and mechanism for monitoring women's access to justice approved;</li> <li>- Feasibility Study on the establishment of an anonymous public reporting system finalized and validated</li> </ul>	<p><b>Not yet achieved:</b> Legal framework for mandatory declaration of assets not prepared. Transparency code not promulgated.</p> <p>The mandatory declaration of assets by all magistrates and mid-level managers of the judiciary not done because the institutional mechanism has not been established. The transparency code has not yet been promulgated.</p>	<p><b>Not achieved:</b> Legal framework for mandatory declaration of assets not prepared;</p> <p>Citizen oversight system and a system for monitoring access to justice for women not established;</p> <p>Feasibility study on the establishment of a system of public and anonymous notification not launched.</p>	
	(iii) Need to strengthen accountability and transparency	<ul style="list-style-type: none"> <li>- All natural resource contracts comply with the law;</li> <li>- National environmental management capacities built up;</li> <li>- Implementation of EITI;</li> </ul>	<ul style="list-style-type: none"> <li>- Natural resource-related contracts revised;</li> <li>- Ongoing building of environmental management capacities at the oversight Ministry;</li> <li>- EITI implementation assistance;</li> </ul>	<p><b>Achieved:</b> The African Legal Support Facility (ALSF) reviewed three mining contracts already concluded with various private companies in the</p>	<p><b>Achieved:</b> Revision of natural resource contracts done</p> <p>National capacity building</p>	

		- Adoption of the Transparency Code;	- Transparency Code finalized	phosphate, bauxite and heavy sands sectors.  <b>Partially achieved:</b> The State has started preparing the National Environmental and Sustainable Development Policy, as well as the sectoral guide for environmental assessment. However, capacity-building remains to be done  The Transparency Code on public finances was transposed through Law No. 1/2015, but has not yet been adopted.	in environmental management within the supervisory ministry is under way  <b>Not achieved:</b> Transparency code not finalised.
(iv) Weak capacity of non-State actors	20% reduction in enterprise death rate compared to 2014 - Establishment of a women's entrepreneurship promotion mechanism		- Establishment of SME supervision mechanism and a business incubator	<b>Not achieved:</b> The business incubator provided for under the FAPA Fund was not established. The business formalization center established in 2011 lacks the means to operate correctly. In light of the foregoing, the mortality rate of businesses remained probably higher than 10%	<b>Not achieved:</b> SME guidance mechanism and business incubator not created;

Development Objectives	Problems Impeding the Achievement of Country Objectives	FINAL OUTCOMES (expected by CSP completion in 2019)	FINAL OUTPUTS (expected by CSP completion in 2019)	STATUS OF OUTCOMES (As of March 2020)	STATUS OF OUTPUTS (As of March 2020)	Bank Operations
<b>PILLAR II: DEVELOP INCLUSIVE INFRASTRUCTURE</b>						
Improvement of transport connections and opening up	(i) Need for support to open up regions and road infrastructure gap	7.5% increase in trade with Senegal and Mali; Increase in trade with Guinea; Increase in trade with Guinea;	- Final acceptance of Farim-Tanaff road in 2018 ; - Final acceptance of Boke-Quebo road in 2018; - Construction of infrastructure to improve access for rural communities through the rehabilitation of (i) 100 km of rural roads (ii) 10 small jetties and unloading ramps to facilitate river transport in outlying areas;	<i>Not achieved:</i> Construction of the Farim-Tanaff road in the 2020-2022 pipeline;  <i>Partially achieved:</i> The Boké-Québo road project launched in 2019	<i>Partially achieved:</i> The Boké- Québo road project is being prepared	- Farim-Tanaff Regional Road - Boke-Quebo Regional Road - PAIRI/GASFP Project - Budget Support - GEF support for Salinho preparation - Bissau network strengthening project -

<p>Improved electric power supply</p>	<p>(ii) Energy infrastructure gap</p>	<p>-100% increase in country's generating capacity through the OMVG interconnection;  -35% increase in Bissau's electricity coverage rate  -47% to 25% drop in power grid losses;  -35% increase in people connected to the grid;  -EAGB management improved by the introduction of a billing system;</p>	<p>- OMVG interconnection established and effective (35 km of LV network rehabilitated, 65 km of LV network constructed and operational and 15 cabin-type transformer substations constructed and operational)  - All EAGB LV customers in Bissau use pre-payment metres;  -Bissau electricity network strengthening works finalized;  -Introduction of a billing system ;</p>	<p><b>Achieved</b>  Construction works on the 225-kV interconnection link completed in 2019;</p> <p><b>Partially Achieved</b>  Rehabilitation and extension works on the electricity distribution network are ongoing and should be completed in 2020</p>	<p><b>Partially Achieved</b>  OMVG interconnection being constructed;</p> <p><b>Partially Achieved</b>  The contract for construction of the 30kV loop and the three associated transformer substations has been awarded and is in the start-up phase.</p>	
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**Annex 2: CSP 2015 – 2021 Revised Results-Based Framework**

Development Objectives	Problems Impeding the Achievement of Country Objectives	FINAL OUTCOMES (2021)	FINAL OUTPUTS (2021)	Bank Operations
<b>PILLAR I: STRENGTHEN GOVERNANCE AND FOUNDATIONS OF THE STATE</b>				
<b>Boost the resilience of institutions</b>	(i) Limited State capacity to generate and manage its revenue	Improve the quality of public resources management as measured by the CPIA indicator on transparency, accountability and degree of corruption in the public sector baseline: 2.2 in 2014)	Implementation of the Budget Act (LOLF)	New Projects - Institutional support - Budget support - ALSF support - PACVEAR - Female and young entrepreneurship Current Projctcs PARGEF PARCI-SJ
		Improve domestic resource mobilization with the fiscal pressure rate increasing from 8% in 2014 to at least 10% of GDP in 2021	Implementation of the recommendations of the public procurement audit	
		Control of the wage bill (wage bill as a percentage of fiscal revenue) drops from 75.2% in 2014 to 70% in 2021	Internal audit implemented for one year, based on the procedures manual	
		Increase in budget resources (excluding salaries) allocated to the priority sectors (women, family, social cohesion, education and health), and greater transparency in budgetary flows	SYGARHP operational for at least one year	
			Integrated procurement management system linked to the public finance management system operational for at least one year	
			Budget schedule respected for at least one year	
			All WAEMU directives translated into Portuguese, forwarded to the National Assembly and transposed.	
			VAT introduced	

	(ii) Weak State institutions in the areas of security and justice	Preparation and deployment of computerised management of justice: 75% of reforms envisaged adopted	Legal framework for mandatory declaration of assets by all magistrates and senior managers as well as a monitoring mechanism are in place
		Mandatory assets declaration by all magistrates, mandatory legal frameworks and monitoring mechanism	Citizen oversight system and a system for monitoring access to justice for women approved
	Legislative reforms, mechanisms and international standards put in place to fight organized crime, impunity and corruption	Feasibility study on the establishment of a system of public and anonymous notification finalized and validated	
	(iii) Need to strengthen accountability and transparency	All natural resource contracts are consistent with the law National capacity in environmental management strengthened	National capacity building in environmental management within the supervisory ministry is under way
Adoption of the EITI Transparency Code Adoption of the Transparency Code		Training program to assist EITI implementation Transparency Code finalised	
(iv) Weak capacity of non-State actors	20% reduction in the mortality rate of businesses relative to 2014	Establishment of an SME guidance mechanism and a business incubator Establishment of a mechanism to promote women's entrepreneurship	

Development Objectives	Problems Impeding the Achievement of Country Objectives	FINAL OUTCOMES (2021)	FINAL OUTPUTS (2021)	Bank Operations
<b>PILLAR II: DEVELOP INCLUSIVE INFRASTRUCTURE</b>				
Improvement of transport connections and access	(i) Support to open up access and address the road infrastructure deficit	7.5% increase in trade with Senegal and Mali; Increase in trade with Guinea-Conakry; Increase of domestic trade in the country	Construction of the Farim-Tanaff road - project commissioned in 2021; Construction of the Boké-Québo road - project commissioned in 2021	New Projects  - Farim-Tanaff regional road
Improvement of infrastructure for the development of agricultural value chains	(ii) Shortage of hydro-agricultural infrastructure  (iii) Shortage of marketing infrastructure  (iv) Limited integration of the youth and women in rural areas	Decrease in the prevalence of severe food insecurity (5% reduction); 10% reduction in rice imports; Reduction of the youth unemployment rate and Improved enabling environment for women entrepreneurs	Construction of access infrastructure for rural populations by rehabilitating: (i) 100 km of farm-to-market roads; (ii) 10 small quays and landing ramps to facilitate river transport in peripheral areas	- PDCV-riz  - Budget support  - Global Environment Fund (GEF) support for the preparation of Saltinho
Improvement of electricity supply	(v) Shortage of energy production, transportation and distribution infrastructure		Interconnection of networks of OMVG countries operational; The rehabilitation and extension of the distribution network in Bissau City are completed (35 km of low-voltage (LV) network rehabilitated, 65 km of LV network built and operational and 15 transformer sub-stations built and commissioned); 20,000 prepaid metres purchased and installed and 200 postpaid metres purchased and installed for heavy consumers; -All LV EAGB customers in Bissau switch to prepaid metres; Establishment of a billing system	- Bissau City Power Supply Improvement Project (PASEB)  Project of development of electricity distribution system in the city of Bissau

### **Annex 3: Evolution of Public Expenditure and Financial Accountability (PEFA) <sup>10</sup>**

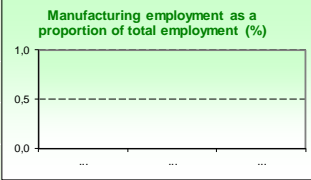
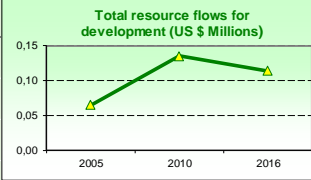
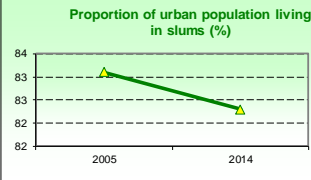
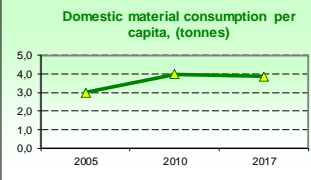
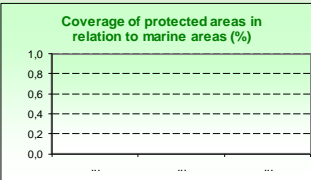
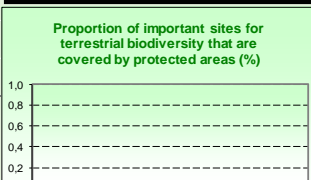
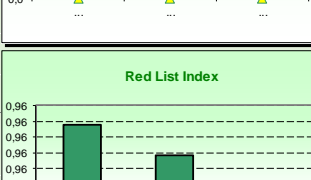
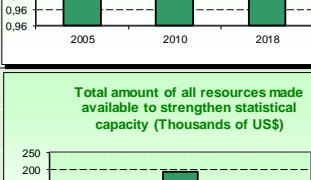
Performance Indicator (PI)	2009 Score	2013 Score
<b>A - Credibility of the Budget</b>		
1. Aggregate expenditure out-turn compared to original approved budget	D	C
2. Composition of expenditure out-turn compared to original approved budget	D	D+
3. Aggregate revenue out-turn compared to original approved budget	D	A
4. Stock and monitoring of expenditure payment arrears	D+	NC
<b>B - Comprehensiveness and Transparency</b>		
5. Classification of the budget	D	C
6. Comprehensiveness of information included in budget documentation	B	C
7. Extent of unreported government operations	D	NC
8. Transparency of inter-governmental fiscal relations	NA	NA
9. Oversight of aggregate fiscal risk from other public-sector entities.	D	D
10. Public access to key fiscal information	D	D
<b>C - Budget cycle</b>		
<b>Policy-based budgeting</b>		
11. Orderliness and participation in the annual budget process	D+	NC
12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D+
<b>Predictability and Control in Budget Execution</b>		
13. Transparency of taxpayer obligations and liabilities	D+	C+
14. Effectiveness of measures for taxpayer registration and tax assessment	D+	D+
15. Effectiveness in collection of tax payments	D+	D+
16. Predictability in the availability of funds for commitment of expenditures	D+	D+
17. Recording and management of cash balances, debt and guarantees	D+	C
18. Effectiveness of payroll controls	D	C+
19. Transparency, competition and complaints mechanisms in procurement	D	D+
20. Effectiveness of internal controls for non-salary expenditure	D+	D+
21. Effectiveness of internal audit	D+	D+
<b>Accounting, recording and reporting</b>		
22 Timeliness and regularity of accounts reconciliation	NC	D
23 Availability of information on resources received by service delivery units	D	D
24 Quality and timeliness of in-year budget reports	D	D+
25 Quality and timeliness of annual financial statements	D+	NC
<b>External scrutiny and audit</b>		
26 Scope, nature and follow-up of external audit	D	D
27 Legislative scrutiny of the annual budget law	D	NC
28 Legislative scrutiny of external audit reports	D	D
<b>D- Donor Practices</b>		
D-1 Predictability of Direct Budget Support	D	D
D-2 Financial information provided by donors for budgeting and reporting on project and program aid	D	D
D-3 Proportion of aid that is managed by use of national procedures	NA	NA

Source: 2014 PEFA



## Annex 4: Progress Towards Achievement of SDGs

	2000 <sup>1</sup>	2010 <sup>2</sup>	2018 <sup>3</sup>	
<b>Goal 1: End poverty in all its forms everywhere</b>				
Proportion of population living below the international poverty line of US\$ 1.90 (PPP) per day	62,2	59,7	35,3	
Proportion of population living below the national poverty line (%)	64,7	69,3	...	
Proportion of employed population below the international poverty line of US\$1.90 per day, aged 15-24 (%)	58,6	69,9	67,3	
Proportion of employed population below the international poverty line of US\$1.90 per day, aged 15 and over (%)	52,8	64,6	61,6	
<b>Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>				
Prevalence of undernourishment (%)	24,9	22,8	28,3	
Prevalence of stunting among children under 5 years of age	...	...	32,4	
Agriculture orientation index for government expenditures (Unit)	...	...	...	
Total official flows (official development assistance plus other official flows) to the agriculture sector (Millions of constant \$US)	3	8	10	
<b>Goal 3: Ensure healthy lives and promote well-being for all at all ages</b>				
Under-five mortality rate (per 1 000)	152	114	84	
Maternal mortality ratio (per 100 000)	745	570	549	
Malaria incidence per 1,000 population	295,3	78,4	58,0	
<b>Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b>				
Proportion of children and young people at the end of primary achieving at least a minimum proficiency level in: Reading (%)	...	...	...	
Proportion of children and young people at the end of primary achieving at least a minimum proficiency level in: Maths (%)	...	...	...	
Gender parity index of teachers in primary education who are trained	1,3	1,8	...	
Total official development assistance flows for scholarships (Constant US\$ Millions)	...	1	1	
<b>Goal 5: Achieve gender equality and empower all women and girls</b>				
Proportion of women aged 20-24 years who were married or in a union before aged 18 years	...	...	24,4	
Proportion of girls and women aged 15-49 years who have undergone female genital mutilation/cutting	...	...	44,9	
Proportion of seats held by women in national parliaments (%)	7,8	10,0	13,7	
<b>Goal 6: Ensure availability and sustainable management of water and sanitation for all</b>				
Proportion of population using safely managed drinking water services (%)	...	...	...	
Proportion of population using safely managed sanitation services (%)	...	...	...	
Level of water stress: freshwater withdrawal as a proportion of available freshwater resources	...	...	...	
Total official development assistance for water supply and sanitation (Constant US\$ Millions)	4	2	5	
<b>Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</b>				
Proportion of population with access to electricity (%)	7,5	6,0	14,7	
Proportion of population with primary reliance on clean fuels and technology (%)	5,0	5,0	5,0	
Renewable energy share in the total final energy consumption (%)	88,6	87,8	86,9	
<b>Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>				
Unemployment rate, (aged 15 over) (%)	...	...	...	
Unemployment rate, (aged 15-24) (%)	...	...	...	
Proportion of children aged 5-17 years engaged in child labour	54,1	39,4	40,8	
Growth rate of real GDP per employed person (%)	0,3	1,5	1,3	
Total official flows disbursed for Aid for Trades (Millions of constant US\$)	...	12	10	

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	2000 <sup>1</sup>	2010 <sup>2</sup>	2018 <sup>3</sup>	
Manufacturing value added per capita (Constant 2010 US \$)	59	62	61	
Manufacturing employment as a proportion of total employment (%)	...	...	...	
Research and development expenditure as a proportion of GDP	...	...	...	
Total official international support to infrastructure (Millions of Constant US\$)	13	5	3	
<b>Goal 10: Reduce inequality within and among countries</b>				
Labour share of GDP, comprising wages and social protection transfers (%)	...	...	...	
Total resource flows for development (US \$ Millions)	77	135	114	
Remittance costs as a proportion of the amount remitted (%)	...	...	...	
<b>Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable</b>				
Proportion of urban population living in slums (%)	...	83,1	82,3	
Annual mean levels of fine particulate matter (PM2.5) in cities, population weighted, 2014 (%)	...	...	27,1	
<b>Goal 12: Ensure sustainable consumption and production patterns</b>				
Domestic material consumption per capita, raw material (tonnes)	3	4	4	
Domestic material consumption per unit of GDP, raw material (kilog. per constant 2010 USD)	5,4	7,3	6,6	
Total domestic material consumption (Thousands of metrics tons)	...	...	...	
<b>Goal 13: Take urgent action to combat climate change and its impacts</b>				
<b>Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>				
Coverage of protected areas in relation to marine areas (%)	...	...	...	
<b>Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</b>				
Coverage by protected areas of important sites for mountain biodiversity (%)	...	...	...	
Proportion of important sites for terrestrial biodiversity that are covered by protected areas (%)	...	...	...	
Red List Index	0,96	0,96	0,96	
<b>Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>				
Proportion of children under 5 years of age whose births have been registered with a civil authority	...	...	23,7	
Unsentenced detainees as a proportion of overall prison population (%)	...	...	...	
<b>Goal 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</b>				
Volume of remittances (in United States dollars) as a proportion of total GDP (%)	5,2	5,4	4,6	
Debt service as a proportion of exports of goods and services (%)	7,5	2,1	1,9	
Total amount of all resources made available to strengthen statistical capacity (Thousands of US\$)	...	193	89	
Proportion of individuals using the Internet (%)	1,8	2,5	3,5	

Source: (a) AfDB Statistics Department Databases, United Nations Statistical Division, Online Database on Sustainable Development Goals (<https://unstats.un.org/sdgs/>). August 2019. Note: n.a. : Not Applicable ; ... : Data Not Available.

1 Latest year available in the period 2000-2005; 2 Latest year available in the period 2006-2010; 3 Latest year available in the period 2011-2018

### Annex 5: Key Areas of Intervention of Development Partners in Guinea-Bissau

Partners	Macroeconomic stability	Justice and Governance	Public Financial Management	Statistics and Monitoring and Evaluation (M&E)	Private Sector	Security	Infrastructure	Water and Sanitation	Environment	Energy	Education and Professional Training	Agriculture	Health
African Development Bank		X	X				X			X		X	
International Monetary Fund	X		X										
World Bank		X	X		X		X	X		X	X		
United Nations		X				X					X		
BOAD					X		X			X			
WAEMU			X	X									
UNDP		X				X			X		X		X
FAO												X	
OMS													X
FIDA												X	
European Union		X	X		X	X			X	X		X	
Portugal		X				X					X		X
United States of America			X			X							
Spain									X		X		
Brazil											X		
France									X				
Cuba											X		X
China							X				X		
<b>Total Number of DP's in Sector</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>4</b>	<b>4</b>

### Annex 6: Country Portfolio Performance Implementation Plan (CPIP) Generic Problems

Problems and Constraints	Measures to be Implemented	Timeframe	Responsible Entity
<b>Quality at Entry of Operations</b>			
Insufficient number of good-quality technical studies for preparing projects.	Ensure the “quality at commencement” for new projects through good quality technical studies and proper consideration of national sectoral strategies	Continuous	Govt/CEP/ COSN
Inadequate fiduciary framework during the start-up period	Generalise the recruitment of key project staff, the procurement of accounting software and the development of administrative procedures manuals at project commencement.	Start of project	MEF/sectoral ministries/AfDB
<b>Project Implementation and Monitoring</b>			
Inadequate coordination at the General Directorate for Planning and by Project Coordinators	<ul style="list-style-type: none"> <li>▪ Strengthen the focal point to monitor the entire AfDB portfolio at the General Directorate for Planning.</li> <li>▪ Operationalize a steering committee that should serve as relay</li> <li>▪ Organise quarterly portfolio reviews</li> </ul>	30/03/2018  Continuous Continuous	MEF/DG  DG/PIU DG/PIU/COSN
Inefficiency of coordinators and other PIU staff	<ul style="list-style-type: none"> <li>▪ Sign performance contracts with coordinators and other PIU staff</li> <li>▪ Periodic evaluation performance contracts and decision-making based on evaluation results</li> </ul>	Continuous Continuous	MEF/PIU MEF/PIU/AfDB
Delays in the implementation of activities	<ul style="list-style-type: none"> <li>▪ Speed up the implementation of project activities in accordance with the procurement plan</li> </ul>	Continuous	MEF/PIU/AfDB
Delays in the granting of formal approvals	<ul style="list-style-type: none"> <li>▪ Grant formal approval on time</li> </ul>	Continuous	PIU/AfDB
Monitoring of the indicators in the Bank’s Flashlight Report	<ul style="list-style-type: none"> <li>▪ Reduce or maintain the rate of flagged projects identified by the Bank’s Flashlight Report to at least 20% in June 2018.</li> </ul>	June 2018	PIU/COSN
Use of Portuguese in procurement documents and in the signing of certain contracts.	<ul style="list-style-type: none"> <li>▪ Include in the projects an allocation for the translation of documents into one of the Bank’s working languages (French and English) to enable the Bank’s experts to study the various bid evaluation documents.</li> </ul>	Continuous	MEF/PIU/AfDB
<b>Procurement and Contracting</b>			
Lack of qualified procurement experts at the national level	Identify the good procurement experts and make use of international and/or sub-regional experts, as appropriate.	Continuous	PIU/COSN
Procurement capacity of project management units	Increase training for executing agencies, by relying on COSN.	Continuous	COSN/PIU
<b>Financial Management, Audit and Disbursements of Funds</b>			
Financial management shortcomings of projects	Generalise the establishment of accounting systems and software as well as procedures manuals	Start of project	PIU

Delay in transmission of the request for payment of the first advance into the special account	The procurement plan must be finalized and the annual budget determined at commencement to ensure timely payment of the advance into the special account and quickly start implementing the project.	Start of project	COSN/PIU
Timely release of counterpart funds	Budget and provide adequate counterpart funds to projects	Continuous	MEF/PIU
<b>Monitoring and Evaluation System (M &amp; E)</b>			
Difficulties in appraising and gauging the outputs and outcomes of operations	Establish, at the project level, an efficient, computerized results-oriented monitoring/evaluation system.	Start of the project	MEF/PIU/AfDB

## Annex 7: Status of On-going Bank Operations as at 31 December 2019

### National Operations

Sector / Project	Approval date	Amount approved (million UC)	Amount disb. (million UC)	Disb. ratio (%)	Fin. Disb. Date
<b>AGRICULTURE</b>					
1 Rice Value Chain Development Project in the regions of Bafatá and Oio (PDCV RIZ) - ADF Loan - ADF Grant - TSF Loan - TSF Grant	23-jan-17	0,39 0,09 3,32 0,39	0,10 0,07 0,98 0,07	24,4 74,6 29,6 17,7	31-déc.-20
2 Project to Support Value Chain and Entrepreneurship in Rural and Agricultural Sectors (PACVEAR) - ADF Loan - TSF Loan - TSF Grant	16-sept-19	1,06 3,04 5,46	0 0 0	0 0 0	31-déc.-24
3 Study for the relaunching of cotton-textile sector (KOAFEC Grant)	28-jun.-17	0,36	0,13	35,4	31-déc-19
<b>Sub Total</b>		<b>15,01</b>	<b>1,35</b>	<b>8,9</b>	
<b>ENERGY</b>					
4 Bissau City Power Supply Improvement Project (PASEB) - ADF Loan - ADF Grant	8-juil-15	7,18 6,12	2,59 2,86	36,2 46,8	30-sept.-20
5 Project of development of electricity distribution system in the city of Bissau - ADF Loan - ADF Grant - TSF Loan	3-juil-18	8,04 6,96 5,00	0,54 0,50 0,39	6,7 7,3 7,9	31-déc-21
6 Project of Hydroelectric Central of Saltinho – Preparation studies (SEFA Grant)	16-sept.-15	0,70	0	0	31-dec.-20
<b>Sub Total</b>		<b>34,00</b>	<b>6,88</b>	<b>20,2</b>	
<b>TRANSPORT</b>					
7 Feasibility Study for the Buba Mineral and Commercial Deepwater Port Construction Project (NEPAD-IPPF Grant)	14-déc.-18	1,46	0	0	31-déc-20
<b>GOVERNANCE</b>					
8 Projet d'appui au renforcement de la gouvernance économique (PARGEF) – TSF Grant	1-juil-15	5,00	0,72	14,3	30-juin-21
9 Institutional capacity building in the justice sector support project (PARCI-SJ)	21-avril-17	1,25	0,79	62,9	30-sept.-20
<b>Sub Total</b>		<b>6,25</b>	<b>1,51</b>	<b>24,1</b>	
<b>TOTAL</b>		<b>56,72</b>	<b>9,74</b>	<b>17,2%</b>	

### Regional Operations

Sector / Operation	Approval date	Amount approved (UA million)	Amount disb. (UA million)	Disb. ratio (%)	Fin Disb. date
<b>ENERGY</b>					
1 OMVG Energy Project - ADF Loan - ADF Grant	30-sept.-15	3,81 0,69	0,48 0,27	12,5 39,8	31-déc.-20
<b>Sub Total</b>		<b>4,50</b>	<b>0,75</b>	<b>16,7</b>	
<b>TRANSPORT</b>					
2 Boké-Québo Road Improvement Project - ADF Grant - AfIF Grant - TSF Grant	10-oct-18	14,17 7,73 1,50	0 0 0	0 0 0	31-déc.-23
<b>Sub Total</b>		<b>23,40</b>	<b>0</b>	<b>0</b>	
<b>TOTAL</b>		<b>27,90</b>	<b>0,75</b>	<b>2,7%</b>	

**Annex 8: Indicative Lending Program (IOP) for the Period 2020-2021**

<b>PROJECT NAME</b>	<b>SECTOR</b>	<b>YEAR</b>	<b>Amount (in UA million)</b>
COVID-19 Support Project	Social	2020	5
Support project for the empowerment and financial inclusion of women	Social	2020	5
Farim-Tanaff Road Improvement Project - Multinational	Transport	2021	5
Budget Support	Multi-Sector	2021	5
<b>TOTAL</b>			<b>50</b>

**Annex 9: Comparative Indicators of Bank's Portfolio Performance in Guinea-Bissau**

<b>Indicator</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b><i>Portfolio</i></b>						
Number of projects	8	10	13	13	12	11
Projects management by COSN regional office (%)	38	60	70	54	54	54
Projects managed from Headquarters (%)	62	40	30	46	46	46
Total commitments (UA million)	82,6	61,05	63,45	81,57	94.9	83.76
Average project size (UA million)	10,3	6,15	6,11	6,79	7.9	10.6
Projects at risk (%)	0	0	0	0	0	0
Problematic Projects (%)	0	0	0	0	0	0
Disbursement rate (cumulative %)	5,5	10,3	25	24	46	15
Average age (years)	1,2	2,3	2,6	2,9	3.1	2.6
Project Audit Reports received on time (%)	100	100	80	80	80	80
<b><i>Portfolio management</i></b>						
Time from approval to effectiveness (months)	9,7	7,1	5	6	6	6
Time from approval to first disbursement (months)	16,3	9,3	8,75	9,5	8.7	8
<b><i>Projects approved during the year</i></b>						
Number of projects approved during the year (loans and grants)	4	3	4	2	1	1
Total commitments during the year (UA million)	68,1	12,9	3,28	16,55	14.81	9.56



## Annex 10: Guinea-Bissau – IDEV Recommendations on CSP Mid-Term Evaluation of the Strategy (2015-2019)

Recommendations from IDEV's MTR Evaluation:	Proposed management action	Department responsible	Preliminary Timeframe
<b>Recommendation 1: Adapting the Bank's assistance to the particular context of Guinea-Bissau:</b> (i) Increase the resources and attention devoted to Guinea-Bissau; (ii) Continue the high-level dialogue initiated with the country; (iii) Devote adequate time and expertise to operations monitoring; (iv) Decentralize project decision-making to the extent possible, (v) Adapt the Bank's processes (procurement, disbursement in general) to the country's needs by reducing its requirements	<b>RECOMMENDATION ACCEPTED:</b> Co-financing with other DPs being explored in agriculture, energy and governance.	RDGW/COSN	Q3, 2019
	Country dialogue strengthened with High-level dialogue missions by the DDG.	RDGW/COSN	Immediate
	Recruitment of highly experienced Consultant Liaison Officer to strengthen Bank's presence	CHHR/RDGW /COSN	Q1, 2019
	Project supervision strengthened with TMs now undertaking 2 supervision missions per year. Increase training for executing agencies, by relying on COSN.	RDGW/COSN	Immediate
	Operations decision making decentralized to COSN in line with new DAM and DBDM.	RDVP/RDGW	Ongoing
	Advance procurement for large infrastructure, and streamlined conditions for first disbursement will be adopted to accelerate project start-up and implementation. Budget allocations for translation of bidding documents into Bank's official languages. Use of Portuguese in procurement documents and in the signing of certain contracts. Continue providing legal support facility to GoGB.	SNFI/PGCL/ FIFC/ COSN/ALSF	Q4,2019
<b>Recommendation 2: Show proof of innovation in the next CSP by adopting a program-based approach</b>	<b>RECOMMENDATION ACCEPTED:</b> Adoption of long-term approach to ensure continuous presence regardless of the Government that may be in place.	RDGW/COSN	Q3, 2019
	Strictly selectivity targeted to the most pressing needs of the population (e.g. energy as only 5.3% of the population has access).	RDGW/COSN	Q1, 2021
	Collaboration with RDTs in designing robust fragility analysis and risk mitigation measures to quickly adapt to country's contextual changes	RDTs/RDGW/ COSN	Q2, 2019
<b>Recommendation 3: Improve the quality of the Bank's portfolio in Guinea-Bissau</b>	<b>RECOMMENDATION ACCEPTED:</b> Reduce or maintain the rate of flagged projects identified by the Bank's Flashlight Report to at least 10% by June 2019.	RDVP/RDGW /COSN	Q2,2019
	Integrate Bank's projects into sector ministries PIPs to ensure sustainability.	RDGW /COSN	Q4, 2019
<b>Recommendation 4: Develop a results based-approach for capacity development in the country.</b>	<b>RECOMMENDATION ACCEPTED:</b> Provide regular technical assistance, workshops and training on procurement and financial management; Strengthen the focal point to monitor the entire AfDB portfolio at the General Directorate for Planning; Operationalize a steering committee that should serve as relay; and organize quarterly portfolio reviews	RDGW /COSN	Q4, 2018

Recommendations from IDEV's MTR Evaluation:	Proposed management action	Department responsible	Preliminary Timeframe
<b>Recommendation 5: Increase the Bank's presence in Guinea-Bissau: (i) Increase the Bank's human resources in Bissau; (ii) Create a permanent program coordination function to support the country economist; a coordination function; (iii) Develop a responsive risk management and influence system (economic surveillance)</b>	<b>RECOMMENDATION ACCEPTED:</b> Budget resources already secured to recruit a permanent program coordination specialist to support the country economist	CHHR/RDGW /COSN	Q1, 2019
	Collaboration with ECMR, SNFI, PGCR, SNSC and RDTS will be enhanced during new CSP 2020-2024 preparation to design a robust risk management and mitigation measures addressing political, macroeconomic, social, environmental and fiduciary risks.	COSN/ECMR/ SNFI/ PGCR/SNSC/ RDTS	Q2, 2019
<b>Recommendation 6: Gender mainstreaming</b>	<b>RECOMMENDATION ACCEPTED:</b> Specific M&E frameworks with gender disaggregated indicators will be mandatory in all new operations. Projects will also be designed to address impediments for women's empowerment (lack of education and vocational training which trap women in low-wage jobs), and access to basic services (electricity, water) to minimize women's burden in performing household chores.	COSN/SNSC/ AHHD	Q4, 2019
<b>Recommendation 7: For PDCV-Riz:</b> <b>(i) Improve project supervision and monitoring;</b> <b>(ii) Choose local implementation operators/partners based on objective criteria, provide them;</b> <b>(iii) Involve community leaders in raising awareness.</b>	<b>RECOMMENDATION ACCEPTED:</b> Project supervision strengthened with TM's based at COSN. Establish, at the project level, an efficient, computerized results-oriented monitoring/evaluation system.	RDGW/COSN/ ECST	Q2, 2019
	The PDCV-Riz project (UA 4.21 million) is now operational to be completed in 2020. In the new CSP 2020-2024, the Bank will consider financing of a PDCV-phase II to enhance sustainability of phase I. An integrated approach will be adopted to promote youth employment, agricultural value chains and transformation of local production (e.g. cashew nuts) by choosing local implementation operators, and involving local communities.	RDGW/COSN/ AHAI	Q2, 2021
<b>Recommendation 8: For PARCA</b> <b>(i) Since the project is planned to close in December 2018, there is a need to formulate a sustainability plan;</b> <b>(ii) Initiate, where possible, a feasibility study on the establishment of dissemination methods for distance-learning at ENA.</b>	<b>RECOMMENDATION ACCEPTED:</b> A Plan to support the National School of Administration and Business Plan to define an economic model that guarantees financial sustainability of PARCA will be developed	RDGW/COSN/ SNSC	Q4, 2020
	Possibility for recruitment of Consultants with large experience working in Lusophone countries and fragile states being considered. Consultants to be engaged in the preparation of the feasibility study on the establishment of dissemination methods for distance-learning at ENA.	RDGW/COSN/ SNSC	Q4, 2020
<b>Recommendation 9: For PARGEF: Undertake a review that defines the precise capacity-building outcomes of the project in the short and medium term.</b>	<b>RECOMMENDATION ACCEPTED:</b> PARGEF's UA 5 million project is currently being implemented and with closing date of June 2019. Review of capacity-building outcomes of the project in the short and medium term to be considered in light of slow disbursement rates and performance.	RDGW/COSN/ ECGF	Q4, 2020

## **Annex 11: Criteria to Inform the Guinea-Bissau CSP 2015-2021 strategic choices**

### **Box 1: Guinea-Bissau - Strengths, Opportunities, Weaknesses and Challenges**

#### **Strengths**

- i. **Natural resources:** In addition to the extractive industries, Guinea-Bissau has sectors with strong development potential, especially in agriculture, fisheries and tourism. Indeed, agricultural potential is significant because of favorable factors such as climate and soil characteristics providing a diversified range of cereals (rice, millet, sorghum, etc.), cash crops (cashew nuts, groundnuts and cotton), fruit (mangoes, citrus fruit, papayas, etc.), and pulses and tubers (cassava and sweet potatoes). Better integrated exploitation of the different sub-sectors bolstered by the development of irrigation schemes could create industrial value-added through processing activities. Guinea-Bissau is also one of the richest countries on the West African Coast in terms of fishery resources: the most recent data estimate annual potential at 300,000 metric tons.

#### **Opportunities**

- i. **Increased potential for tourism:** Ecotourism concept, combined with fishing and nautical activities, can attract a higher number of tourists, increasing foreign revenues and boosting employment in this sector.
- ii. **Agriculture and fisheries value chains:** Guinea-Bissau has great agricultural potential with 1,110,000 ha of farmland representing 35% of the national surface area. Investments in agriculture and fisheries value chains (fruticulture, horticulture, rice and fish) would create opportunities for larger segment of rural population, reduce imports and generate foreign exchange.
- iii. **Extractive Industries:** Guinea-Bissau has an abundance of potentially exploitable natural resources that could provide financial revenue and create direct and indirect jobs in the country. The existence of potentially large deposits of bauxite and phosphates have been known since the 1970s. The country also has hardwood and heavy sand resources, usually illegally traded.
- iv. **Regional Integration:** The process of integration within ECOWAS is strict and rigid, keeping the economy stable, particularly in terms of the country's economic and monetary policy. The use of the CFA franc and economic integration within the sub-region obliges the state of Guinea-Bissau to maintain a minimum of fiscal discipline.

#### **Weaknesses**

- i. **Undiversified economy:** Guinea-Bissau is heavily dependent on agriculture, especially on cashew production, accounting for 56% of GDP. It generates almost 70% of total employment and it is responsible for more than 90% of exports.
- ii. **Constrained private sector environment:** Key constraints to private sector growth include: (i) high cost of factors of production (electricity and transport), (ii) lack of adequate skills to support manufacturing and value chains development; (iii) difficulties in access to credit due to lack of guarantees/guarantors, or lack of "bankable" projects.
- iii. **Lack of infrastructure:** National energy production is below 5MW and the national electrification rate is 20%. With regard to the road network, the quality of roads represents a serious problem that impedes growth.
- iv. **Institutional and political lack of resilience:** Chronic weaknesses of central government, which is not resilient enough to prevent situations of fragility. The government is currently unable to (i) collect significant revenue, (ii) effectively manage the revenue collected (PEFA 2014), (iii) impose its authority throughout the national territory to provide basic services, (iv) prevent and condemn illicit activities related to drug trafficking, money laundering and terrorist financing.

#### **Challenges**

- i. **Vulnerability to climate change:** Guinea-Bissau is one of the most vulnerable countries to climate change. The 2018 World Risk Report ranked Guinea-Bissau at 19<sup>th</sup> of 173 countries in terms susceptibility to natural disasters. The capital of Guinea-Bissau ranks amongst the most vulnerable capitals in West Africa to climate change and environmental risks and hazards. The main drivers of the country's climate vulnerability are physical exposure, dependence on agriculture and fishing, and unplanned and uncontrolled urbanization.
- ii. **Fighting illegal activities:** ECOWAS organization Intergovernmental Group for Action against Money Laundering in West Africa (GIABA) announced that Guinea-Bissau is on its blacklist because of the banks' failure to cooperate in the disclosure of suspicious transactions. The organization may publish a decision stating the country will no longer receive support from financial institutions.

## Box 2: Selectivity Criteria to Inform CSP Strategic Choices

- i. **Alignment to Guinea-Bissau’s Strategic and Operational Plan “Terra Ranka”.** The CSP extension is aligned with the main vision defined in the strategic plan: *A positive Guinea-Bissau, politically stable through inclusive development, good governance and preservation of its biodiversity*. It is also included in the axes defined in Terra Ranka as the path to reach the above-mentioned view, namely: (i) peace and governance; (ii) biodiversity and natural capital; (iii) human development; (iv) infrastructure and urban development; (v) business environment; (vi) agriculture development.
- ii. **Alignment to the Bank’s corporate strategic framework,** notably the Bank’s TYS 2013-2022 with its twin objectives of inclusive and green growth and the special areas of emphasis of agriculture and food security and gender. The CSP’s sectors of intervention are aligned to the High 5s as follows: agriculture value chains (Feed Africa), energy, including renewable energy (Light up and Power Africa), transport and logistics (Integrate Africa), and governance (Improving the quality of life for the people of Africa). In addition, the selected four cross-cutting areas of the CSP extension to December 2021 (Gender, climate change, governance and private sector) are aligned with Improving the quality of life for the people of Africa, with the Strategy for the New Deal on Energy for Africa 2016-2025 and with the Bank’s Gender Strategy 2014-2018, extended to 2020
- iii. **Outcome of stakeholder consultations:** The choice of the 2015-2019 CSP areas of intervention and its two-year extension was guided by the dialogue held with development partners active in Guinea-Bissau and the need to ensure complementarity. For example, in agriculture (with IFAD, WFP, WB, EU); governance and justice (with IMF, WB, EU, BOAD, WAEMU, UNODC, PBF, UNDP); energy (with World Bank, BOAD and EU); infrastructure (with WB, BOAD); and private sector development (with UNDP, EU, World Bank, Portugal).
- iv. **Building on the Bank’s past achievements, comparative advantage and aid effectiveness:** The CSP extension will build on MTR and IDEV’s recommendations. MTR pointed out that the pillars of the 2015-2019 should be kept as long as they are still a relevant response to the structural challenges facing the country. Nevertheless, the implementation of pillars must be accelerated and constraints, especially institutional and economic, must be taken into account. The pillars are consistent with: (i) the “Terra Ranka” National Development Plan; and (ii) the High-5s. In a bid to strengthen its action, the Bank's objective, as outlined in the Ten-Year Strategy and the High-5s to be implemented by 2025, need to be more proactive in resource mobilisation with a view to strengthening high-level and closer support in governance, human development, energy and transport.

**Annex 12: 2015-2019 Operations Funded with ADF resources, DPs' co-financing and Trust Funds (UA million)**

Project	2015	2016	2017	2018	2019	Notes
<b>Pillar 1: Strengthen governance and the foundations of the State</b>						
1. Budget support Emergency Economic and Financial Reform support program (PUAREF)	5					Completed
2. Support Project for the Consolidation of Economic and Financial Programming (PARGEF)	5					Being implemented
3. Justice Sector Institutional Capacity -Building Support Project (PARCI-SJ)			1.25			Being implemented (not included in the CSP)
<b>Pillar 2: Develop infrastructure that supports inclusive growth:</b>						
<i>National Projects</i>						
1. Bissau City Power Supply Improvement Project, Phase I (PASEB I)	13.3					Being implemented
2. Saltinho Hydropower Plant - Studies / Preparation Saltinho Hydroelectricity Power Plant - Studies / Preparation (SEFA Grant) USD 965,000	0.70					SEFA funding Study in progress
3. Emergency Assistance to support Guinea-Bissau preparedness and response plan to fight the Zika virus outbreak (SRF Grant)		0.72				Being implemented (not included in the CSP)
4. Rice Value Chain Development Project, Phase I (PDCV-Riz I)			4.22			Being implemented (not included in the CSP)
5. Study for the revival of the cotton-textile sector (KOAFEC Grant)			0.36			
6. Bissau City Power Supply Improvement Project, Phase II (PASEB II)				20		

7. Emergency assistance for the fight against armyworm invasion (SRF Grant)				0.72		
8. Feasibility study for the construction project of the deep-sea mineral and commercial port of Buba and its concession (don FPPI-NEPAD)				1.44		
9. Project to Support Value Chain and Entrepreneurship in Rural and Agricultural Sectors					9.56	
<i>Multinational Projects</i>						
10. Boké-Quebo Road Improvement Project (Phase 1)				23.45		On-going
11. OMVG Energy Project	4.50					On-going

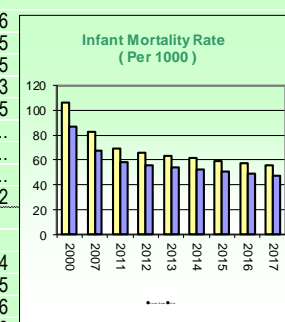
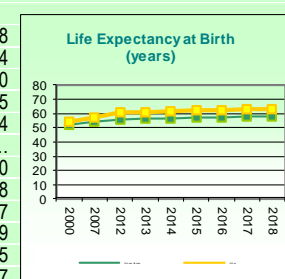
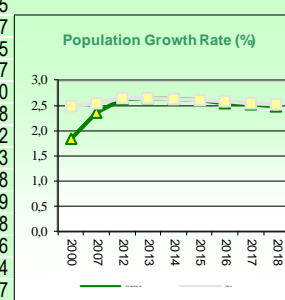
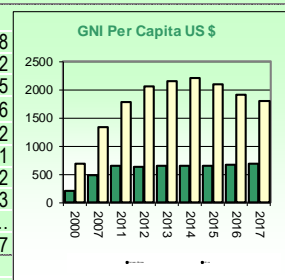
### Annex 13: Non-Lending Programme for the 2015-2019 Period

<b>Studies</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Comments</b>
Strengthening transparency in the extractive industries	X					<b>Not implemented in this format.</b> The WB provided technical assistance covering certain aspects of transparency. In replacement, a study on natural resources and public finance management is being finalised.
Study on the national and international optical fibre connectivity in Guinea-Bissau		X				<b>Not implemented.</b> The WB conducted a study under a specific project pertaining to international connectivity.
Development of the private sector and the possibilities of gains within value chains (excluding cashew nut)			X			<b>Not implemented.</b> The WB conducted a study under a specific project.
*Development of PPPs in Guinea-Bissau						<b>Implemented.</b> At the request of the Minister of the Economy and Finance, a seminar held in camera with the Minister of Energy, the Secretary of State for Planning and officials from the Ministry of the economy was organised to present this policy brief.
*Decentralisation in Guinea-Bissau						<b>Not Implemented</b>
*Natural Resources Management in Guinea-Bissau						<b>Implemented</b>
Cotton sector revival study				X		Funding provided by the KOAFEC trust fund in July 2017
Comparative study on decentralization between Guinea-Bissau, Cabo Verde, Senegal and Mali					X	<b>Not implemented.</b> UNDP is conducting a similar study under a specific project.
Policy note on the management of extractive resources				X		Implemented
Study on key energy sector reforms					X	Not implemented. The WB undertook a similar study
Update of fragility study					X	Preparation of the study begun in 2017 (TDRs, recruitment of consultant)

\* Studies conducted and not originally scheduled in the non-lending programme for CSP 2015-2019

## Annex 14: Comparative Socio-Economic Indicators

	Year	Guinea-Bissau	Africa	Developing Countries	Developed Countries
<b>Basic Indicators</b>					
Area ('000 Km <sup>2</sup> )	2018	36	30 067	92 017	40 008
Total Population (millions)	2018	1,9	1 286,2	6 432,7	1 197,2
Urban Population (% of Total)	2018	43,4	42,5	50,4	81,5
Population Density (per Km <sup>2</sup> )	2018	70,3	43,8	71,9	31,6
GNI per Capita (US \$)	2017	660	1 767	4 456	40 142
Labor Force Participation * - Total (%)	2018	73,0	65,9	62,1	60,1
Labor Force Participation ** - Female (%)	2018	67,6	55,5	47,6	52,2
Sex Ratio (per 100 female)	2018	96,9	99,8	102,3	99,3
Human Develop. Index (Rank among 189 countries)	2017	177	...	...	...
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-2017	67,1	...	11,9	0,7
<b>Demographic Indicators</b>					
Population Growth Rate - Total (%)	2018	2,5	2,5	1,2	0,5
Population Growth Rate - Urban (%)	2018	3,5	3,6	2,3	0,7
Population < 15 years (%)	2018	41,3	40,6	27,5	16,5
Population 15-24 years (%)	2018	19,6	19,2	16,3	11,7
Population >= 65 years (%)	2018	3,1	3,5	7,2	18,0
Dependency Ratio (%)	2018	77,7	79,2	53,2	52,8
Female Population 15-49 years (% of total population)	2018	24,8	24,1	25,4	22,2
Life Expectancy at Birth - Total (years)	2018	58,2	63,1	67,1	81,3
Life Expectancy at Birth - Female (years)	2018	60,0	64,9	69,2	83,8
Crude Birth Rate (per 1,000)	2018	35,4	33,4	26,4	10,9
Crude Death Rate (per 1,000)	2018	10,1	8,3	7,7	8,8
Infant Mortality Rate (per 1,000)	2017	55,6	47,7	32,0	4,6
Child Mortality Rate (per 1,000)	2017	84,2	68,6	42,8	5,4
Total Fertility Rate (per woman)	2018	4,5	4,4	3,5	1,7
Maternal Mortality Rate (per 100,000)	2015	549,0	444,1	237,0	10,0
Women Using Contraception (%)	2018	17,5	38,3	61,8	...
<b>Health &amp; Nutrition Indicators</b>					
Physicians (per 100,000 people)	2010-2016	4,5	33,6	117,8	300,8
Nurses and midwives (per 100,000 people)	2010-2016	55,1	123,3	232,6	868,4
Births attended by Trained Health Personnel (%)	2010-2017	45,0	61,7	78,3	99,0
Access to Safe Water (% of Population)	2015	79,3	71,6	89,4	99,5
Access to Sanitation (% of Population)	2015	20,8	39,4	61,5	99,4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	3,4	3,4	1,1	...
Incidence of Tuberculosis (per 100,000)	2016	374,0	221,7	163,0	12,0
Child Immunization Against Tuberculosis (%)	2017	94,0	82,1	84,9	95,8
Child Immunization Against Measles (%)	2017	81,0	74,4	84,0	93,7
Underweight Children (% of children under 5 years)	2010-2016	17,0	17,5	15,0	0,9
Prevalence of stunting	2010-2016	27,6	34,0	24,6	2,5
Prevalence of undernourishment (% of pop.)	2016	26,	18,5	12,4	2,7
Public Expenditure on Health (as % of GDP)	2014	1,1	2,6	3,0	7,7
<b>Education Indicators</b>					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	118,1	99,5	102,8	102,6
Primary School - Female	2010-2017	114,1	97,4	102,0	102,5
Secondary School - Total	2010-2017	...	51,9	59,5	108,5
Secondary School - Female	2010-2017	...	49,5	57,9	108,3
Primary School Female Teaching Staff (% of Total)	2010-2017	21,8	48,7	53,0	81,5
Adult literacy Rate - Total (%)	2010-2017	45,6	65,5	73,1	...
Adult literacy Rate - Male (%)	2010-2017	62,2	77,0	79,1	...
Adult literacy Rate - Female (%)	2010-2017	30,8	62,6	67,2	...
Percentage of GDP Spent on Education	2010-2015	2,1	4,9	4,1	5,2
<b>Environmental Indicators</b>					
Land Use (Arable Land as % of Total Land Area)	2016	10,7	8,0	11,3	10,4
Agricultural Land (as % of land area)	2016	58,0	38,2	37,8	36,5
Forest (As % of Land Area)	2016	69,8	22,0	32,6	27,6
Per Capita CO2 Emissions (metric tons)	2014	0,2	1,1	3,5	11,0



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

February 2019

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. \* Labor force participation rate, total (% of total population ages 15+)

\*\* Labor force participation rate, female (% of female population ages 15+)



**CONTRIBUTION OF FINANCIAL MANAGEMENT TO THE  
EXTENSION OF GUINEA BISSAU'S COUNTRY STRATEGY PAPER  
TO 2019 - 2020**

**I. INTRODUCTION**

Guinea Bissau's Country Fiduciary Risk Assessment (CFRA) helps to determine whether the Bank can wholly or partially rely on the country's national financial management systems to implement operations it finances, and indicates opportunities for capacity-building when and/or where weaknesses are identified, pursuant to Bank policies on the objectives of the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation. The assessment covers the following key areas of Guinea Bissau's public finance management: planning and budget implementation, treasury management, accounting and reporting, internal control and external audit.

This assessment for the extension of Guinea-Bissau's Country Strategy Paper to end-2021 used the methodology promulgated by the Bank in 2014 for assessing national systems. It was based on the legislative and regulatory instruments in force in the country but also on existing available diagnostics on Guinea Bissau's public finance management system, including: (i) the national Country Development Strategy paper, *Terra Ranka*, 2015-2025; (ii) the World Bank's Public Expenditure Review of 2018; and (iii) the International Monetary Fund's (IMF) Article IV consultations and fourth review in 2017. Consideration was also given to the conclusions of meetings held with Guinea Bissau's key PFM stakeholders during the update of the Bank's fiduciary strategy from 17 to 19 February 2020. These stakeholders are: (i) the Director General of Budget; (ii) the Director General of the Treasury; (iii) the National Secretary of State Patrimony; (iv) the officer in charge of the SIGFIP database. These items shed light on the progress of implementation of previous recommendations, while identifying key reforms to be implemented in the context of this extension.

**II. EXECUTIVE SUMMARY**

The public finance management system in Guinea Bissau has not improved significantly overall. Government instability still dogs public finance management whose key components (budget preparation, implementation and control, treasury, accounting, and internal/external controls) continue to be weak. The Treasury Committee, which provided some control over the treasury and public expenditure management, has not met for several years. The limited use of the public finance management information system and lack of external audits have lessened the effectiveness of Government measures. Although Government's Integrated Public Finance Management Information System (SIGFIP) is operational, it has many weaknesses and lacks the full functionalities of an integrated financial management system. Most expenditure is managed out of the system, via a paper-based approval mechanism and then entered in SIGFIP with some lateness. Information from other systems is not captured automatically. Financial statements and other reports cannot be retrieved directly by the system without frequent and significant adjustments, which questions the reliability of budget expenditure. SIGFIP is accessible exclusively via a local network, which blocks access for users outside MEF premises. Users of other ministries must go physically to MEF to key in their expenditure documents or to simply consult a process. To improve financial data quality and reliability, Government may consider upgrading SIGFIP so as to use it for the entire expenditure chain and, when possible, discontinue the parallel paper-based processing of files. The system should be accessible online so that supervisory ministries can use it as interface with other systems. National technicians

should also be trained to eliminate dependency on foreign parties; the development of SIGFIP is still managed by an international consultant.

Internal control is chiefly performed by Financial Control and the Inspectorate of Finance. The system in place is very weak. Financial Control's powers cover only the pre-control of commitments, but not the expenditure settlement and payment authorization processes. For its part, the General Inspectorate of Finance performs internal audit of public revenue and expenditure, based on an annual programme approved by the Minister of Finance and to whom its audit reports are transmitted. There is no audit recommendation monitoring system in place; so, follow-up is only undertaken during the next inspection, which normally takes place every three (3) years.

Pursuant to instruments in force, the Court of Auditors (ANP) ensures oversight and external audit of public expenditure as part of parliamentary control. However, the Court has neither audited budget implementation nor transmitted any report to Parliament since 1992. It focuses on financial audit of public institutions. Its budget is managed by the Ministry of Finance, and only a small percentage is mobilised every year. Parliamentary control is weak due to recurrent parliamentary crises for several years. To illustrate, the last approved State budget dates back to 2018.

### Summary Risk Assessment Table -- PFM

<b>Risk Assessment of Corruption Perception Index – CPI 2019</b>	<b>Score : 18/100; 168<sup>th</sup>/180 countries classified</b>
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Item	Indicator	Average for Capacity-Building	Initial Risk Assessment	Mitigation Measures	Residual Risk Assessment (post mitigation)
<b>1. Budget</b>	The budget sub-system's capacity is adequate for budget planning (preparation) les budgets.	0.6	High	Undertake all expenditure in the system and avoid paper-based expenditure approvals. Apply the programme budgeting approach.	Significant
	The budget sub-system's capacity is adequate for budget control	0.45	High	Computerise tax assessment services; ensure that all liquidity in the tax collection services is effectively collected; transpose all WAEMU directives on budget control and have them ratified and promulgated by Parliament and the Head of State.	Significant
<b>2. Treasury</b>	The treasury sub-system's capacity is adequate to manage aid resource flows and the corresponding disbursements.	0.375	High	Prepare a treasury handbook aligned to the Finance Law and set up the reconciliation statement module in SIGFIP.	Significant
	The single treasury account is an appropriate and reliable means of administering funds obtained from aid.	0.14	High	Adopt the Single Treasury Account (STA) as the exclusive means of use of State funds.	Significant
<b>3. Accounting and financial information</b>	The accounting sub-system's capacity is adequate to register all transactions and serve as basis for the timely preparation of comprehensive financial reports.	0.375	High	Transpose WAEMU directives on accounting; put in place an accounting handbook aligned with the Finance Law.	Significant
	Financial management information systems are flexible enough to accommodate specific reporting requirements and are governed by procedures that guarantee compliance with prescribed deadlines and the quality of information produced.	0	High	Key into SIGFIP information from all projects financed by TFPs.	Significant
	The financial and accounting sub-system requires an integrated capital assets module so that procured assets can be properly accounted for and audited.	0	High	Expedite the procurement of the capital assets management module and interface it with the SIGFIP accounting module.	Significant
	The accounting sub-system updates the country's loan files.	0.66	High	Continue upgrading the debt management system and build the capacity of staff using the system.	Significant
	Accounting systems are protected against wilful data manipulation and/or accidental loss or corruption of data.	0.6	High	Define and apply a clear policy on the use of accounting systems and regularly save data outside premises hosting the said systems.	Significant
<b>4. Internal audit</b>	The capacity of the internal audit sub-system is adequate.	0.44	High	Decentralise financial control in all spending structures; endow financial control with handbooks; and set up a system to monitor implementation of IGF audit recommendations.	Significant

Item	Indicator	Average for Capacity-Building	Initial Risk Assessment	Mitigation Measures	Residual Risk Assessment (post mitigation)
	Arrangements for competitive bidding, optimum resource use and procurement control are appropriate.	<b><u>See Annex on assessment of the national procurement system</u></b>			
	The capacity of the internal audit function is adequate.	0	High	Strengthen the capacity and human resources of IGF and the Finance Inspectorate; draft the job description forms and terms of reference of these structures with a clear profile and conditions of access.	Significant
<b>5 External audit</b>	The SAI enjoys a degree of independence to effectively discharge its missions.	0	High	Empower the Court of Auditors, by giving it full powers to mobilise its budget and adopt the WAEMU directive on Supreme Audit Institutions.	Significant
	The SAI has the required capacity to discharge its audit mission.	0	High	Continue and step up actions to strengthen the Court of Auditors, initiated by UNDP and the EU.	Significant
<b>GLOBAL RISK ASSESSMENT</b>		<b>0.28</b>	<b>High</b>		<b>Significant</b>
<b>Risk assessment</b>					
Below 0.75	High risk				
Between 0.76 and 1.5	Significant risk				
Between 1.51 and 2.5	Moderate risk				
Between 2.51 and 3	Low risk				

### III. DETAILED ANALYSIS OF FIDUCIARY RISK - PFM

The fiduciary risk assessment linked to the public finance management system is based on the assessment of the risks for each component of the system as described below.

#### 1.1. BUDGET

Guinea Bissau's budget process is marked by legal and regulatory weaknesses attributable to the non-transposition of the 2009 WAEMU Directives on the public finance management system reform and the public management transparency code, practices that hurt budget credibility, exhaustiveness and transparency, as well as the staff's weak capacity to manage the budget system.

Since end-2008, budget preparation/implementation is supported by the implementation of SIGFIP, a budgeting software, and adoption of a budget nomenclature aligned with WAEMU directives. Although the system is operational, weaknesses persist therein, due to the fact that a significant part of public expenditure processing still takes place outside the system.

Poor mastery of budget forecasts discredits the entire system, seen in significant gaps between budget estimates and actuals, thus confirming the lack of budget transparency. The manner of communicating and making the budget available to the public at large needs to be improved to enhance budget transparency. The public lacks access to key budget information and the annual performance plans that should link the State budget to public policy objectives pursued, are not prepared. Expenditure settlement, especially verification of service done, and expenditure authorisations are not controlled. Since State suppliers only supply after payment, this places additional pressure on the State treasury. In addition, the poor quality staff of the Ministry of Finance makes operational mastery of all expenditure procedures impossible. **The fiduciary risk associated with the Budget preparation, implementation and control component is deemed high.**

#### 1.2. TREASURY

The setting up of the Single Treasury Account (CUT), in accordance with prescriptions / regulations is not yet effective in Guinea-Bissau. Without this account, the single till principle is not followed in the Ministry of Finance. The Public Treasury has an accounting software for treasury management. A treasury committee was also instituted, but its operation was irregular. Treasury forecasts are prepared annually, but insufficient knowledge of certain revenue items collected directly by some Ministries (Fisheries, Foreign Affairs) renders proper treasury monitoring difficult. The Treasury Committee, whose operation has been chequered for several years, receives from the Budget Directorate a list of all expenditure requests entered in SIGFIP by the fund managers of different ministries. The requests are sent to Finance Control for compliance check and approval; after review by the financial controller, an opinion is issued to the attention of the budget secretary who authorises projects. Calculation and payment order of requests come after the related expenditures have been categorised by priority. Expenditure categories range from group A to group G, where A is the highest priority and G the lowest. While this system has ensured the regular and timely payment of core expenditure (such as salaries), many non-priority expenses (travel expenses abroad for government officials, civil servants, as well as the cost of medical care abroad for civil servants and revenue collection) are treated as priority expenditure. Therefore, expenditure priorities and categories must be properly defined to facilitate processing

aligned with priorities. For example, some investment expenditures were given the lowest level of priority, whereas military expenditures are always treated with dispatch. **The fiduciary risk associated with the treasury management component is deemed high.**

### 1.3. ACCOUNTING AND FINANCIAL INFORMATION

The integrated financial management information system is operational, but it cannot be used optimally due to major shortcomings. SIGFIP only functions in the Ministry of the Economy and Finance (MEF), due to connectivity and capacity issues in other ministries. The bulk of expenditure is treated outside the system via the conventional paper-based approval system, then entered in the system subsequently. Although payments are treated via SIGFIP, the approval process is replicated on paper and electronically. Revenues are captured by other systems (ASYCUDA, SYGADE), then manually keyed into SIGFIP with a certain lateness. A technical solution for electronic data transmission between different platforms was developed in 2017 but is not yet in use. The lack of clarity on some key budget items, especially “other expenditures” and transfers, makes it impossible to determine with certainty how public funds are spent. The budget classification system is similar, but not identical, to the WAEMU guidelines of 1998. Unlike other WAEMU countries, Guinea Bissau’s economic classification has an “other routine expenditure” section. While this expenditure category has grown significantly, the corresponding data remains incomplete. All payments under this category are made on behalf of and for the benefit of MEF. These gaps thwart the reliability of public financial data in Guinea-Bissau.

Financial statements (administrative and management accounts) have not been produced and submitted to the Court of Auditors or the People’s National Assembly for several years. As a result, settlement laws on State budget implementation are not produced. Stores accounting is gradually being put in place. The State movable property census is ongoing but not yet finalised. **The fiduciary risk on the Accounting and financial information component is deemed high.**

### 1.4. INTERNAL AUDIT

The internal control system in force is very weak because the power of control devolved on Financial Control covers only the ex-ante verification of commitments. The calculation of expenditure and payment orders are not subject to its control. Financial Control is not only centralised in the Ministry of Finance, but lacks a procedures manual and sufficient staff to cover all public expenditure controls.

The General Inspectorate of Finance was set up in 1990 and provided with bye-laws in 1997. It conducts the internal audit of public revenue and expenditure following an annual work programme approved by the Minister of Finance. Its audit reports are transmitted to the Minister of Finance, but without an audit recommendations monitoring system in place, the follow-up of recommendations is done only during the next inspection, which takes place every three (3) years.

Lastly, the need for staff capacity-building and more office and IT equipment for Financial Control and the General Inspectorate of Finance is very urgent. **The fiduciary risk associated with internal control is deemed high.**

### 1.5. EXTERNAL CONTROL

Statutorily, the external control of the budget and all public resources is the prerogative of the Court of Auditors, but it has neither the means nor staff to discharge its mission of auditing public accounts and scrutinizing public expenditure. Its budget is managed by the Ministry of Finance, but not much of it is mobilised each year. To date, the Court has not produced any administrative/management accounts compliance report or management account judgement. It focuses on the financial audit of public institutions.

The People's National Assembly has very limited means to control Government action, especially the execution of public expenditure authorisations granted after adoption of the budget. Parliamentary control will be initiated and implemented once the 2009 WAEMU directives on finance laws has been internalised. A key area of reforms concerns the need to build national elected officials' capacity to control public policies and the budget.

Furthermore, the implementation of accounts and financial audit norms and practices per international standards, is not yet effective, although all community accounts-related provisions have been transposed in Guinea Bissau's internal legislation. The National Assembly was also almost paralysed for several years by the political situation. **The fiduciary risk associated with the External control component is deemed high.**

## **II. TRANSPARENCY IN PUBLIC FINANCE MANAGEMENT**

Guinea-Bissau's performance in governance and corruption control is quite modest. In 2019, it ranked for 168<sup>th</sup> out of 180 countries on Transparency International's Corruption Perception Index (CPI), with a total score of 18 on 100 points, against 16 out of 100 points in 2017 and 172<sup>nd</sup> out of 180 classified countries in 2018.

## **III. FIDUCIARY STRATEGY**

In light of recent assessments thereon, Guinea-Bissau's public finance management system is not yet on a positive trajectory. The global fiduciary risk remains high judging from available fiduciary assessments. The Bank's intervention strategy in Guinea-Bissau targeting the ultimate use of the public finance management system will factor in the country's transitional status and will have three phases.

- i) To tackle the significant weaknesses of the public finance management system, a priority short-term actions plan will be concluded latest in 2021 with the following goals: compliance with budget calendar; strengthening of the treasury management system; preparation of financial statements; and strengthening of internal (financial control and general inspectorate of finance) and external (Court of Auditors and People's National Assembly) controls;
- ii) Next, a medium-term public finance reform plan (2020-2025) will be prepared to align the system with international standards and practices. It will include in priority, the rolling out of MTEFs and programme budgeting in key ministries besides the two pilot ministries already identified, and a training plan for senior financial staff, financial controllers and magistrates of courts of auditors, based on recent diagnoses;

- iii) Lastly, during extension of the 2019-2020 CSP: (a) the public finance management system will be used for budget support operations, with disbursement triggers serving as stimulus for the implementation of short-term measures; and (b) a parallel financial management and accounting system will be used for institutional support and investment operations. Each Bank-funded operation will be subject to a specific assessment to define the conditions of implementation, with due regard to the specificities of the country and sector.



## **Annex 16: Country Procurement Assessment**

### **ASSESSMENT OF THE NATIONAL PROCUREMENT SYSTEM**

**7.1 Procurement Risk Assessment Methodology:** The methodology used in assessing procurement-related fiduciary risk is the one recommended by the Bank for assessing national procurement systems. It stems from the methodology (MAPS) conceived by OECD's DAC which the Bank modified and tailored to suit its operational context. The Bank's methodology (customized MAPS) is founded on a qualitative assessment of 20 sub-indicators selected (among the 55 envisaged by the original tool) as critical (essential) from the Bank's point of view. These 20 sub-indicators are divided into four (4) MAPS methodology pillars. The assessment was based on information and data collected during interviews with key stakeholders of the national system. The key outcomes and conclusions of the assessment, based on available data in February 2020, are presented below under four (4) MAPS pillars. These made it possible to determine by pillar the level of fiduciary risk for procurements and deduce therefrom the global country risk.

#### **7.2 *Detailed Analysis of Guinea-Bissau's Public Procurement System based on MAPS***

##### **7.2.1 Pillar I: Legal and Regulatory Framework**

In 2010, Guinea-Bissau endowed itself with a regulation applicable to public procurement and public service delegations by adopting Executive Order No. 19/210 of 30 June 2010 on the management of public procurement, transposing the relevant community standards. The national regulation is supported by the above decree and several other regulatory instruments on public procurement. This normative progress was achieved during the reform of public procurement procedures, in line with Directives (i) No. 04/2005/CM/UEMOA instituting procedures for the award, execution and payment of public procurements and public service delegation contracts; and (ii) No. 05/2005/CM/UEMOA related to the control and regulation of public contracts and public service delegations.

The legal and regulatory framework is founded on the principles of free access to public procurement, equal treatment of candidates participating in bidding procedures, transparent procedures, and effectiveness and sound management of available public resources. It applies to contracts awarded by the State, public establishments, local authorities and State corporations. Any candidate having the necessary technical and financial capacity to carry out a public contract or public service delegation and experience in performing similar contracts can participate in procurement and delegation procedures. Open competition is the ideal method of access to public procurement. Recourse to another method must be justified and approved by DGCP. It will be necessary for the national regulations to specify the methods of procurement of goods and works and the methods of selection of consultancy firms. Tenders must be publicised and the bid submission deadline would depend on the method, nature and complexity of the tender; the deadline for ICBs is the longest. The rules of publicity are suitable and comply with international standards, with wide publicity ranging from publication of the business opportunity to the award of the contract. Lastly, the regulations require the preparation of a PP and its approval by DGMP. Cost splitting is forbidden.

##### **The inadequacies identified under Pillar I are:**

- i. The Public Procurement Code does not apply to public contracts of amount below (i) CFAF 5,000,000 for supplies and services; and (ii) CFAF 10,000,000 for works; Absence of reference price and categorisation of enterprises;
- ii. Absence of sanctions for contactors that fail to perform contracts;
- iii. The conditions of participation of public enterprises in public procurement are not specified;
- iv. The joint and solidarity form of association of enterprises is not obligatory (Art 29 of CMP) and is at the discretion of the contracting authority;
- v. Absence of publication of the pre-qualification notice for major works;
- vi. The conditions for recourse to ICB or NCB are not mentioned in the regulatory framework;

- vii. The CMP does not clearly specific the procedures and methodologies for assessing technical qualifications and for combining price and technical qualification depending on circumstances, for the procurement of consultants' services;
- viii. There is no instrument that defines the conditions of implementation of community preference (Art. 66 du CMP);
- ix. Absence of a reference website for publications on public procurement related issues;
- x. Inexistence of a single public procurement Guide/Manual, prepared by the public procurement authorities.

The above weaknesses are likely to have an impact on procurements, pursuant to national regulations.

**The overall risk rating for Pillar I:** Given the above lapses, the risk rating for Pillar I is **significant**.

Mitigation Measures: (a) amend the instruments to correct the inadequacies mentioned in points i) to viii) above; (b) support the country to set up an operational website; and (c) support the country to have a procurement procedures guide/manual.

#### 7.2.2 Pillar II : Institutional framework and managerial capacity

The national regulations stipulate the separation of functions as follows:

- Procurement : At the request of ministries, the Central Public Procurement Unit (UCAP), which is placed under the Ministry of the Economy and Finance, undertakes procurement from the stage of preparation of bidding documents to the publication of the results of the bidding process. However, several vote holders bypass the UCAP whose means are inadequate to cover all the country's procurements.
- Control: The General Directorate of Public Procurement (DGMP), placed under the Ministry of the Economy and Finance, works only at the central level since its activities have neither been devolved nor decentralized at regional level. DGCP has little means to discharge its task of control of the country's procurements;
- Regulation: The Open Competition Regulatory Authority (ARCP), placed under the Prime Minister's Office, is tasked with implementing reforms, organising training sessions for Government departments, the private sector and civil society, performing audits, examining appeals and meting out sanctions. It has not been operational since 2017 for various reasons. It will be recalled that ARCP lacks the necessary financial resources to accomplish this mission including auditing contracts. Indeed, the terms of public contracts do not mention the deduction of a regulation fee. Additionally, ARCP does not have an administrative procedures manual and has very little resources.

The above weaknesses are likely to have an impact on procurement following the national regulations.

**Global risk rating for Pillar II:** Given the inadequacies noted above, the risk rating for Pillar II is **“high”**.

**Mitigation measures:** (a) Provide institutional support to ensure the compliance of Guinea-Bissau's institutional procurement framework ; (b) Amend regulatory instruments to institute regulation fees on public contracts; (c) Strengthen Guinea Bissau's public procurement management agencies through training programmes and provision of skilled human resources.

#### 7.2.3 Pillar III: Procurement Activities and Market Practices

In the last three years, the investment portion of the general State budget has been low, implying a low level of procurement activities in the country. It will be recalled that DGCP is responsible for the precontrol of all contracts

above CFAF 5,000,000 for goods and services, and CFAF 10,000,000 for works awarded by contracting authorities. However, this control is not exhaustive because contracting authorities are not under obligation to submit procurement files, bids assessment reports and contracts for the pre-verification of DGCP. Public procurement involving the publication of procurement plans, preparation of bidding documents, launch of tenders, opening of bids, assessment of bids and award of contracts is the preserve of the National Public Procurement Agency (ANAP), the defunct UCAP. However, virtually all contracting authorities award and execute contracts without seeking its opinion. Statistics on contracts awarded by ANAP are as follows: 57 contracts in 2015, 11 in 2016, 11 in 2017 and 27 in 2019 (those of 2018 were not made available). Lastly, the weak capacity of procurement agencies is the cause of difficulties in obtaining public procurement statistics.

Regarding DGCP's precontrol, it should be noted that several contracting authorities award contracts by direct negotiation without its prior opinion. Also, there is no ex-post control of contracts that are not subject to DGCP's precontrol.

The above weaknesses are likely to have an impact on procurements following the national regulations.

**Overall risk rating for Pillar III :** Given the inadequacies noted above, the risk rating for Pillar III is **"high"**.

**Mitigation measures:** (a) Provide institutional support to further operationalise public procurement agencies in Guinea Bissau; and (ii) Put in place a computerised management system linking procurement to State budget programming and implementation in order to oblige all contracting authorities to comply with the statutory public procurement review methods.

**7.2.4 Pillar IV: Integrity and transparency of the public procurement system :** Executive Order No. 19/210 of 30 June 2010 on the management of public procurement, has the following provisions for the control of public contracts:

**The internal control of procurements** above the threshold defined by regulation is performed by the General Directorate of Open Competition (DGCP) and below that threshold by Public Contract Control Units (CCMP) appointed within contracting authorities, for ministries, State institutions, prefectures and other administrative structures in the country. Internal control is generally not very reliable, given the weak capacity of the structures tasked with this mission. *Ex-ante internal control of public contracts* was instituted by Executive Order No. 19/2010 and is to be performed by DGCP on contracts of amounts below its threshold of competence. Since ex-post control is not effective, no stock was taken of contracts awarded below thresholds requiring the ex-post review method.

**External control of public procurement :** The procurement system's external control is through audits. Performing specific public procurement audits is one of the missions of the Open Competition Regulation Authority (ARCP). These audits, conducted annually, are not effective in Guinea-Bissau. Indeed, although ARCP's funding and financial autonomy are guaranteed by the State, the levy and State subsidy mentioned in Executive Order No. 19/2010 are not paid to it. One of the reasons why ARCP is no longer operational is the lack of resources for its activities.

**Public procurement related disputes:** The existing complaints system was analysed to ensure that it contains specific conditions that match the requirements of impartiality, independence and due application of the law. Each bidder has the right to file a complaint within 5 days of publication of a contested decision by referring the matter to the contracting authority and, subsequently, to ARCP's Disputes Settlement Commission (CRD). CRD is not involved in managing and implementing the procurement process. However, since ARCP and CRD are not functional, the complaints management mechanism is not operational. Furthermore, there is no toll-free number to report practices that are forbidden in public procurement.

The above-mentioned weaknesses are likely to have an impact on procurements following national regulations.

**Global risk rating for Pillar IV:** In light of the inadequacies noted above, the risk rating for Pillar IV is **"significant"**.

Mitigation measures: (i) Operationalise the institutional arrangement for the internal control of procurements, and (ii) Endow ARCP and CRD with adequate human and financial resources to perform audits and process complaints. Lastly, for this pillar, create a toll-free number for denouncers.

### 7.3 Bank's Fiduciary Strategy in Guinea-Bissau for the Extension Period

#### Procurement Component

The Bank's Fiduciary Strategy for procurements in Guinea-Bissau during the CSP extension period will remain identical to that of the 2015-2019 phase. In fact, no progress has been achieved with reforms implemented in the country in 2015. Significant progress is still to be achieved especially in terms of preparing regulatory and institutional frameworks, management, capacity-building for all public procurement stakeholders, as well as setting up mechanisms for the coherent and effective operationalisation of agencies involved in the public procurement process (UCAP, DGCP and ARMP). Pillar I of the Bank's intervention strategy in Guinea-Bissau will facilitate action on identified areas of improvement : a regulatory decision transposing DSRAs at national level and their translation into Portuguese; the preparation of a price repository and categorisation of enterprises; the establishment of a mechanism for sanctioning defaulting enterprises during contract performance and an anti-corruption arrangement pursuant to African Union and UNODC Conventions; the deconcentration and decentralisation of DGCP activities; the establishment of an integrated public procurements management system (SIGMAP) to help to create a link between the budget and public finance for better data consolidation; improved private sector, including SME, access to public procurement; the regular conduct of independent audits of public procurements; the operationalisation of the toll-free number and widespread sensitisation on its use; the creation of an online public procurement portal updated regularly with data given by DGCP and ARMP. All these points will be the subject of a dialogue with Government to identify prospective procurement-related actions under the Bank's intervention strategy in Guinea-Bissau.

### 7.4. Summary Table of the Risk Rating linked to Procurements in Guinea-Bissau

<b>Risk Level</b>	<b>High</b>	<b>Significant</b>	<b>Moderate</b>	<b>Low</b>
<i>Global procurement risk in the country</i>	H			

## **Annex 17: Findings of the Fragility Assessment for Guinea-Bissau**

The World Bank and the African Development Bank have jointly evaluated the fragility situation in Guinea-Bissau and have produced a report in October 2019. Findings of the report are highlighted below.

### **Introduction**

**Guinea-Bissau is a small West African state with one of the highest levels of fragility in the subregion, according to the 2018 Fragile States Index.**<sup>11</sup> Since its independence from Portugal in 1974, the country has been in a state of semi-permanent political crisis. In 2014, Guinea-Bissau held presidential and legislative elections, heralding a transition back to civilian rule. A year later, however, a political crisis began. Following the contentious dismissal of the Prime Minister by the President, the crisis escalated in December 2015. The Economic Community of West African States (ECOWAS) launched mediation efforts to resolve the crisis, which had several impacts, most notably on the education and health sector.<sup>12</sup> The suspension of aid by several donors resulted in the loss of momentum in a raft of important reforms, including security sector reform (SSR) and reforms of the political system. After four years of political gridlock, successful and peaceful legislative elections took place in March 2019. It took four months for a new government to be put in place in July 2019, with the main mandate to organize the presidential elections for November 24, 2019. In December 2019, amidst very close watch from regional and international observers, Umaro Cissoco Embalo, a former general and ex-prime minister was elected as President with a 53.55% majority. However, in January 2020, the Supreme Court invalidated the electoral results, following a request for a recount issued by Domingos Simoes Pereira, the first runner up, representing the PAIGC party (Parti Africain pour l'indépendance de la Guinée et du Cap-Vert). A final decision is still pending from the Supreme Court. However, considering ECOWAS' close involvement and commitment to peace and stability in Guinea-Bissau, the projected outlook is a normalization of the political and institutional spheres within the next few weeks.

### **Guinea-Bissau's key Fragility Drivers: Guinea-Bissau is facing multiple challenges to its resilience.**

**The current political instability is partly symptomatic of an unfinished political transformation, driven by elite competition and rent-seeking behavior, which contributes to a lack of inclusive and effective institutions.** The country therefore suffers from a generalized institutional weakness that affects all of its institutions. Indeed, the incomplete transition from a single-party socialist state to a liberal, democratic state with a market-oriented economy resulted in competition among elites for economic and political control. Moreover, the lack of investment in formal institutions and the overreliance on the public sector for rent extraction has created a fragmented political class. In addition, such competition and rent-seeking behavior has led different factions to manipulate the political system, which has further reduced the state's

effectiveness. This is exacerbated by corruption, which significantly reduces the legitimacy of all formal institutions.

**The economy is captured and poorly diversified, which makes it highly vulnerable to shocks.**

In Guinea-Bissau, economic growth has been low and volatile for decades, while poverty remains widespread. Agriculture contributes to about 50 percent of GDP and employs over 85 percent of the labor force,<sup>13</sup> and the economy is dominated by the production and export of unprocessed cashew nuts. As a result, the country is highly dependent on the cashew sector, which leaves it more vulnerable to shocks such as price fluctuation and climate change. Moreover, elites control the cashew market by enforcing measures that run counter to the country's economic interests, such as limiting the number of export licenses; this reflects the rent-seeking behavior and weak governance in the public sector, where elites have become both businessmen and public office holders who are competing for political and economic resources. Other economic challenges including the rise of illicit economic activity, the risk of external debt distress, and the risk of bank instability, while higher than expected oil prices further contribute to uncertainty regarding the country's economic prospects and could exacerbate grievances if people are increasingly unable to access stable livelihoods.

**The state's instability is further exacerbated by security sector interference in the political and economic spheres.**

Since its independence, Guinea-Bissau has experienced 4 coups and 16 attempted coups, and between 1999 and 2012 saw the height of military interference in political affairs. While there were some welcome developments, such as the lack of military interventions during the 2015–18 political crisis, as well as during the recent presidential pre-electoral period, the security sector has historically been a significant cause of instability in Guinea-Bissau. Moreover, the size of the armed forces is too large compared to the size of the population, and exceeds that of neighboring countries. It is quite top heavy, with an army that is skewed towards personnel that have retired or are close to retirement<sup>14</sup>. Also, career advancement is not based on merit but rather on personal affiliation to certain politicians and military leaders, as well as participation in political violence.<sup>15</sup> Despite the introduction of several initiatives on SSR, many have not been yielded the desired results.

**Weak and inequitable administration of justice and lack of effective conflict resolution serve to delegitimize formal institutions and widen the gap of mistrust between citizens and the state.**

In Guinea-Bissau, access to justice is often determined by whether one belongs to a network of influence and financial status, which reinforces the patronage and rent-seeking system by ensuring that proper adjudication is only delivered to those who can influence the system. This also results in a situation where those responsible for crimes are not prosecuted or incarcerated. Moreover, courts are present only in the capital and in some cities of the interior; judges and prosecutors are absent in many parts of the country;<sup>16</sup> and justice is practiced in Portuguese, which

is fluently spoken by only a small part of the population, potentially reducing access to justice for approximately 80 percent of Bissau-Guineans. Combined, these factors increase the population's sense of exclusion, especially in rural areas, and foster tensions and conflicts.

**Social exclusion, exacerbated by weak state presence and persistent poverty, is a source of resentment and growing grievances.** Rural standards of living are considerably lower than those in the capital city, Bissau, mainly reflecting more restricted access to markets and social services, poor rural infrastructure, and low agricultural productivity. Despite various legal instruments for and commitments to decentralization, these efforts have not been translated into action. Most institutions and systems remain concentrated within the central government, and regional administrations and line ministries have little influence over budget preparation and execution once immediate expenditure needs, such as salaries, have been met. Furthermore, local municipal elections have not been held, which impedes local representation and development, service delivery, and accountability by the population of government spending. Finally, the exclusion and marginalization of youth and women can act as a source of instability. The youth unemployment rate has been consistently at around 7 percent of the labor force over the last 20 years. With the country in constant turmoil and the influence of illicit interests from drug trafficking, the many unemployed youth are vulnerable to being recruited into criminal and violent activities. Along with youth, women are disadvantaged in terms of access to livelihoods and basic services such as health and education, and also in the labor market. Moreover, women are often victims of gender-based violence such as domestic violence, female genital mutilation, sexual- and gender-based violence, and forced marriages.<sup>17</sup> Such exclusion of the most vulnerable groups from political and economic opportunities contributes to the development of frustrations and to instability.

**Drug trafficking affects the political, economic and social fabric of the country.** The trafficking of narcotics, weapons, timber, and other criminal activities have been a challenge for Guinea-Bissau over several decades. Trafficking networks have been attracted to its geography, weak state capacity, and political and institutional instability that have allowed them to operate freely. The challenge of trafficking is partially a product of the clientelist political settlement. The illicit financial flows from Guinea-Bissau were estimated at 7 percent of GDP in 2015.<sup>18</sup> According to the Guinea-Bissau Drugs and Drug Addiction Observatory, drug use has increased in recent years, especially among young people, posing a threat not only to national public health but also to the country's socioeconomic development.<sup>19</sup> While there is no hard data on this, it is estimated that 20–30 percent of young people in Bissau alone are using crack cocaine.<sup>20</sup> Not only does this pose a serious public health threat to an already fragile health care system, but it is evidence of how these risks are intertwined with security and further instability.

**From a multidimensional perspective of risks, environmental and climate-related challenges have the potential to act as a risk multiplier in the presence of pre-existing fragility, conflict**

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**and violence (FCV) drivers.** Guinea-Bissau is at high risk for natural hazards such as flooding and coastal erosion. These impacts are likely to be worsened by climate change. However, the lack of governance and financial means limit the state's capacity to protect the environment, leaving Guinea-Bissau's natural resources vulnerable to exploitation. In the long run, lack of governance of natural resources compounded with natural disasters creates heightened vulnerability and exclusion of the population, which exacerbates FCV drivers.

**Finally, regional dynamics and external factors also play an important role in Guinea-Bissau's fragility.** Guinea-Bissau has in the past experienced various spillover effects from conflicts in neighboring countries, and geopolitical competition between different actors has undermined reforms and stability. The country has also been one of the main West African centers for the trafficking of small arms and drugs, and several episodes of political violence are believed to be connected to drug trafficking activities. Geopolitical competition between different actors has undermined reforms and stability. The resulting competition between different actors has undermined reforms while contributing to further polarization of politics through alliances between domestic factions and some foreign interests. In addition to regional dynamics are external factors that contribute to fragility in Guinea-Bissau, such as the sometimes "unhelpful" role of donors. Guinea-Bissau is heavily dependent on donors, with an average of 95 percent of its annual Public Investment Program between 2010 and 2016 financed by external assistance. Of this assistance, 74 percent takes the form of grants and donations.<sup>21</sup> Given the current context, donors are largely responsible for providing many of the core public services, especially outside of Bissau, in partnership with local NGOs and community-based organizations (CBOs).

## **Conclusion**

The country's specific situation requires an overall approach that ensures long-term stability and institution-building coupled with short- to medium-term gains that address citizens' well-being. Building on this, the study underscores the importance of AfDB and WBG's continued focus and emphasis on strengthening governance (including deconcentrated, local governance), social inclusion, and human capital development (especially of the rural and most vulnerable populations) in key thematic areas.



## **Annex 18: Guinea-Bissau Relationship with the IMF**

### **IMF Staff Concludes Visit to Guinea-Bissau, October 1, 2019**

At the request of Guinea-Bissau's authorities, an International Monetary Fund (IMF) mission, led by Ms. Concha Verdugo-Yepes, visited Bissau from September 18 to October 1, 2019 to carry out a preliminary diagnostic of weaknesses in fiscal governance, market regulation, anti-money laundering and anti-corruption policies and practices.

At the end of the visit, Ms. Verdugo-Yepes issued the following statement:

“Guinea-Bissau faces deeply-rooted problems of weak governance and corruption, which need to be addressed to allow Guinea-Bissau to realize its economic potential and improve the living standards of the population. A first step towards this objective is to develop a comprehensive national anti-corruption strategy that focuses on adopting sound practices related to public financial management, tax policy, revenue administration, rule of law, anti-corruption, and anti-money laundering regimes. The IMF looks forward to continue to cooperate closely with the authorities as they develop such strategy.

“The IMF mission wishes to express its gratitude to the authorities for the constructive discussions and for their warm hospitality.”

The IMF mission met with President José Mário Vaz, Prime Minister Aristides Gomes and Minister of Finance Geraldo Martins, other high-level officials, and representatives of the private sector, civil society and the international donor community.

### **IMF Staff Concludes Visit to Guinea-Bissau, May 10, 2019**

Guinea-Bissau's fiscal position remains under stress, with a significant financing gap for 2019.

There is promising movement towards settling disputes relating to the government-voided bank bailout of 2015.

The authorities expressed strong interest in a new IMF-supported program.

An International Monetary Fund (IMF) team, led by Tobias Rasmussen, visited Guinea-Bissau during May 6-10, to assess the fiscal situation, discuss developments in the financial sector, and explore the authorities' interest in a new IMF arrangement.

At the end of the visit, Mr. Rasmussen issued the following statement:

“Guinea-Bissau's fiscal position remains under stress. Due primarily to higher than planned expenditures, the government deficit in early 2019 was significantly larger than envisioned in the draft budget. The deficit was also much larger than the same period in 2018, where it for the year as a whole reached an estimated 5.1 percent of GDP on commitment basis. At the same time, financing pressures have grown, resulting in a rising balance of unpaid bills. On current course, the financing gap for 2019 is estimated at about 3 percent of GDP. While higher cashew output should help raise real GDP growth from the estimated 3.8 percent in 2018 to about 5 percent in

2019, lower cashew prices imply downside risks to economic activity and government revenue collection.

“Discussions focused on steps to ensure fiscal sustainability and strengthen public financial management. A comprehensive combination of increased revenue mobilization, tightened spending, and identification of additional financing will be needed to reduce the deficit, ensure timely payment of salaries and other obligations, and stem increases in public debt. A first step would be to revive the Treasury Committee, which would help control spending. Next, the incoming government—still not in place after the March 10 elections—will need to pass a budget for 2019 that should aim to bring the deficit back within the 3 percent of GDP WAEMU criterion as soon as possible.

“Discussions also covered developments in the financial sector where there is promising movement towards settling disputes relating to the government-voided bank bailout of 2015. The associated uncertainty and capitalization challenges have impeded financial sector development for several years and were an important factor behind the decline in bank credit to the economy observed in 2018. Plans for an amicable settlement of the dispute and accompanying recapitalization of one bank are now advancing rapidly. If successfully completed, this would provide important support for financial stability and long-term growth.

“The authorities expressed strong interest in an IMF-supported program. Conditional upon robust action to stabilize the fiscal situation in the coming months, the mission could return to Bissau in September for discussions with the incoming government on a new Extended Credit Facility (ECF) arrangement.

“The IMF mission wishes to express its gratitude to the authorities for the constructive discussions and for their warm hospitality.”

The team met with President José Mário Vaz, Prime Minister and Minister of Finance Aristides Gomes, Central Bank of West African States (BCEAO) National Director Helena Nosolini Embaló, President of the African Party for the Independence of Guinea and Cape Verde (PAIGC) Domingos Simões Pereira, other high-level officials, and representatives of the private sector and donor community.

## **Annex 19: Climate Change and Green Growth Note: Guinea-Bissau**

### **1. Climate Profile**

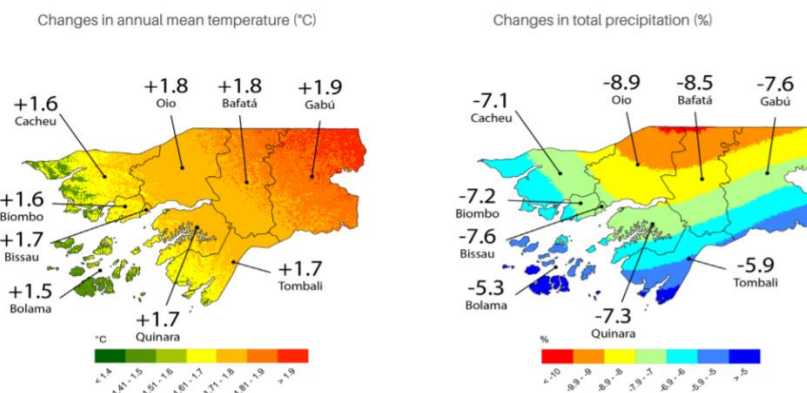
Guinea-Bissau's climate is naturally influenced by the three major climatic phenomena including (i) the movements of the Intertropical Convergence Zone (ITCZ), (ii) the subsidiary actions of the semi-permanent High-Pressure cells, commonly known as anticyclone of the Azores in the Atlantic North and anticyclone of Santa Helena in the South Atlantic, and (iii) the summer thermal low that establishes over the desert of Sahara. The country is divided between continent and small islands. The latter includes a contiguous chain of seven islands and an archipelago made up of 88 islands and islets of which only 21 are inhabited. As a result, most territories of Guinea-Bissau are surrounded by sea, and situated below sea level.

#### **➤ Climate Trends and Projections**

As a country with most territories situated below sea level, Guinea-Bissau is particularly exposed to climate risks. Several climate-induced events, such as temperature increase, changes in rainfall patterns and sea level rise have been recorded in the last decades across the country. Clear climate change trends are observed, these include (i) a late onset of the rainy seasons (mid June as compared to early May), less regular distribution of precipitation with higher intensity of rainfalls, shortening of the “cold season”, warmer and drier environment; more frequent occurrence of high-tides of greater magnitude (impacting dikes and rice fields), and saline water intrusion in cropping areas and in groundwater in the dry season, a significant increase in rainfall variability and sea level rise (UNFCCC 2018). Temperature has also increased significantly during the last decades. Observations indicate that the average temperature has increased between 0.2 and 0.8°C since the end of the 1970s. These changes in the rainfall patterns and in the temperatures were associated with various perturbations in the historical regime of the Guinea-Bissau's climate. Particularly, the last decades have been characterized by late onset of the rainy season, poor spatial and temporal distribution of rainfall, warmer and drier weather, shortening of the cold season, frequent dust clouds, devastating floods, frequent episodes of drought and increased water salinization.

Future climate projections suggest that the country will experience further climate-induced changes due to the global warming. The projections systematically indicate further increase in average daily temperature up to + 1.4°C for the period 2016-2024 which could potentially reach up to +3.1°C in the 2046-2075 horizon, depending on the emissions scenario. Regarding precipitation, most projections suggest that the country will experience strong rainfall variability in terms of intensity with more extreme events, but also in relation to changes in the onset and the length of the rainy season. In some regions, a declining tendency in precipitation amounts with strong variability at the beginning and end of the rainfall season is likely for both the medium and long term (central northern and eastern regions), while other parts will go through wetter and heavier rainfall conditions.

Figure 1. Projected changes in temperature and precipitation in Guinea-Bissau by 2050 (FAO and ICRISAT, 2019.)



If happening, these projected climate changes will have substantial impacts on the economy and people livelihoods in Guinea-Bissau. Climate risks such as floods, droughts, tropical storms, locust attacks, coastal erosion, strong and violent winds, water salinization and rainfall variability are likely to become more frequent and severe in the coming decades. Coastal erosion is a serious concern in Guinea-Bissau, and the country is at higher risk of losing much of its territory, including mangrove coasts and islands, due to the rising sea level.

### ➤ Climate Change Impacts and Vulnerability

The geographical and ecological conditions of Guinea-Bissau render it highly vulnerable to climate change. Guinea-Bissau is one of the most vulnerable countries to climate change in the world. The 2018 World Risk Report ranked Guinea-Bissau at 19<sup>th</sup> out of 173 countries in terms susceptibility to natural disasters. It is also ranked among the five most climate vulnerable countries in the world according to the Notre Dame Global Adaptation Initiative Vulnerability Index (ND-GAIN 2017). The main drivers of the country’s high level of climate vulnerability are its physical exposure, the scattering of its territory in small islands, its high dependence on agriculture and fishing, and unplanned and uncontrolled urbanization.

With climate change, the country will face the issue of further erosion of its territories and mangrove ecosystems, and continued frequent flooding and salt water intrusion due to sea level rise. Much of the hydrological network of Guinea-Bissau is an estuary with tides and salt water intrusion extending over 175 km inlands. Coastal erosion will further increase with important loss and damages to infrastructure and ecotourism, including in the capital Bissau and other cities. According to the Sustainable Development Plan for Bissau, launched in 2019, the capital of Guinea-Bissau ranks amongst the most vulnerable cities to climate and environmental risks and hazards in West Africa. The local economy is highly exposed to floods. Under current climate conditions, flooding affects on average almost 300 people yearly in Guinea-Bissau. Annually, on average, about USD 2.6 million, or 0.24% of the GDP, is affected by floods (UNISDR 2018). The flood-affected population will increase by about 30% under future conditions and flood-affected GDP will increase 15 times.

**Impact on Agriculture.** With increased droughts and floods in the future, the country’s most important strengths will be substantially affected. The agriculture sector, which is less diversified and essentially rainfall-based, will strongly suffer from more stresses resulting from erratic rainfall events, temperature increases and rising sea levels. Agriculture accounts for 56% of GDP,

generates almost 70% of total employment and is responsible for more than 90% of exports. Cashew and rice are the main crops grown in Guinea-Bissau. Cashew farms occupy 47% of the agricultural lands and employ 80% of farmers. Rice is the main staple food for Guinea-Bissau, accounting for 37% of the value of food consumption and about 40% of daily caloric intake of the average household. However, these two crops are very vulnerable to climate stresses. Rice production is vulnerable to both erratic rainfall and sea level rise. With global warming, large areas of lowlands will no longer be suitable for rice production due to sea level rise and salt water intrusion. Rice is also vulnerable to droughts and extreme rainfall events, which cause waterlogging and floods. Cashew is highly affected by heatwaves and drought episodes. The probability of occurrence of severe drought is projected to increase about seven times under future climate (2050-2100). The livestock sector will also be strongly affected by droughts. Under future climate conditions, the number of livestock that will be affected by droughts is projected to increase to more than 186,000 livestock units, or 42% of the total. Under current climate conditions, the average annual loss caused by droughts is about 5% of the GDP, or about USD 45 million per year (UNISDR 2018). The probability of occurrence of severe drought (precipitation – evapotranspiration deficiency) in Guinea Bissau will increase considerably (about seven times) under future climate (2050-2100). As a result, drought-related losses could rise to 39% of GDP under future climate scenarios (CIMA, UNISDR (2018)). Overall, climate-induced events between 1987 and 2009 have affected 132,000 people through droughts, 57,792 through floods and 2,712 through tropical cyclones. In light of expected changes in the future, planning for increases in temperature rainfall uncertainty alongside development of climate-resilient planning for extreme events of drought and flood will be required.

**Impact on Energy Sector.** The vulnerability of the energy sector is intertwined with that of the Forestry Sector. This vulnerable situation is driven by poverty and low financial capacity of the Guinea-Bissau population, low energy generation capacity and low electrification rate of the country (about 12%). Such problems serve as an incentive to deforestation, as households fell trees as a source of cheap wood-burning energy. This source of stress on the forest cover is a growing problem, especially in rural areas as there are no immediate alternative solutions. This has resulted in desertification threats in various parts of the country.

**Impact on Forest and Biodiversity Sector.** The vulnerability of the biodiversity sector is again entwined with other sectors such as forestry and fisheries. Increased forest degradation in Guinea-Bissau is induced by local economic needs. Whether from clearing for cultivation, local harvesting of wood, or for external commercial markets, forest resources have been heavily degraded by rapid exploitation. The rate of deforestation has increased from about 2% per year between 1975 and 2000 to 3.9% during the 2000 to 2013 period. In June 2018, the Minister of Agriculture and Rural Development of Guinea-Bissau indicated that between 60,000 and 80,000 hectares of Guinea-Bissau's forest is lost every year due to deforestation, illegal logging and uncontrolled forest fires. The country has identified reforestation as a priority for major action to mitigate GHG emissions in its nationally determined contribution (NDC). To achieve the Land Degradation Neutrality target (LDN °by the year 2030), Guinea-Bissau will need to increase forest cover by about 4.5%.

Valuing forest carbon stocks and providing incentives for the improvement of sinks is a good approach to support local forestland owners and forest communities, while attaining development goals like poverty alleviation, climate change mitigation and the protection and management of natural resources.

**Impact on Water Resources Sector.** In future scenarios of increased temperature and decreased precipitation (according to the projected scenarios of climate in Guinea-Bissau), groundwater captured at depths of 30m to 80m could be heavily impacted. As groundwater is the source of freshwater, the main source of drinking water for the population in the country, this presents a serious risk to public health and safety. In addition, water resources show high vulnerability due to the irregularity of rainfall, while high temperatures may trigger a decrease in river flow, culminating in a significant decrease in groundwater levels and the progression of saline wedges. The current situation of the Geba River and adjacent aquifer sectors where this river maintains a hydraulic route serve as an example of this phenomenon.

## **2. GHG emissions**

Guinea-Bissau's total greenhouse gas (GHG) emissions are estimated at 10893Gg CO<sub>2</sub>eq in 2010. The sequestration potential of the country's carbon sinks, including Land Use, Land-Use Change and Forestry (LULUCF), was estimated at -10718 Gg. Therefore, Guinea-Bissau's net emissions amount to 175.49 Gg CO<sub>2</sub>eq, corresponding to 0.121 MCO<sub>2</sub>eq per capita. The sectoral breakdown of national emissions indicates the energy sector is the largest emitting-sector, accounting for 63% of total emissions, followed by agriculture and livestock which constitute 36% of the total. Emissions from industry and waste sectors were marginal at less than 1% of total.

The emissions profile of the country is expected to significantly increase in the coming decades given the increasing reliance of the country on fossil fuels for power generation and unsustainable land use changes. The projections suggest that the level of total GHG emissions in agriculture and livestock and industry, without mitigation measures, will more than triple by 2030 from the level of emissions in 2010, reaching a staggering 157604 Gg CO<sub>2</sub>eq by 2050. In Guinea-Bissau the production of electricity depends excessively on imported diesel fuel (around 90%). Harnessing the huge potential of the country's clean energy resources could contribute to a slowdown in GHG emissions in Guinea-Bissau.

## **3. Opportunities for green growth and climate-resilient development**

Despite the high vulnerability to climate change, Guinea-Bissau possesses strong potential to spur a low-carbon and climate-resilient development program by harnessing the opportunities of the green and blue economies. The production of electricity in Guinea-Bissau excessively depends on imported diesel fuel, which provides around 90% of electricity. But the country is immensely endowed with natural resources that can be used to harness renewable energy sources, fisheries and marine resources, ecotourism, and safe and productive agricultural practices while properly managing its biodiversity richness, water resources and coastal areas. Guinea-Bissau has huge potential for clean energy development that can be sourced from hydropower, solar, wind, bioenergy and ocean energy. However, these energy resources are undeveloped due to inadequate financial, regulatory and technical capacities. Hydroelectricity potential is exceptionally high, but only 33.84MW of hydropower capacity has been developed so far. Cashew shells are also abundant in the country and can serve as an important source for energy generation from agricultural waste and residues.

Guinea-Bissau is known to be among the richest in biodiversity in West Africa given its varied mix of natural habitats (mangroves, sandbanks and mudflats, dry galleries, savannas, shallow estuarine waters and sub-humid Guinean forests) and abundance and variety of living organisms

(sea turtles, oceangoing hippos, chimpanzees, migrating birds, reptiles, amphibians, etc.). Guinea-Bissau’s biodiversity constitutes a significant natural asset for the country and, if protected, can support the development of tourism, green jobs, and climate change adaptation. The coastal fringes of Bijagós Archipelago in Guinea-Bissau represent 1% of the world’s bird species and is home to 11 species of primate, 85 species of reptile, and 31 amphibian species. But this unique biodiversity is now put at risk of loss because of unsustainable agricultural practices, overfishing and the impacts of climate change. Guinea-Bissau has become increasingly more conscious of the value of its natural wealth, investing substantially in conservation to the extent that approximately 26% of its national territory is protected. The Government’s vision for these protected areas is that they both (i) conserve valuable biodiversity and ecosystem functions and (ii) serve as “sustainable development poles” for local communities and regions.

#### 4. Adaptation and mitigation measures

Despite being a Least Developed Country and one of the world’s most vulnerable countries to climate change, Guinea-Bissau had the smallest collected and committed level of climate finance in total (USD 9 million) and per capita (USD 5 per person). This reflects the limited capacity of the country to succeed in the ongoing competition to mobilize climate finance resources, but also to adapt to the threats posed by climate change. The table below presents some important measures to support climate-resilient and low-carbon development in Guinea-Bissau.

Adaptation measures	<ul style="list-style-type: none"> <li>• Build micro dams and small dams for rainfall water retention</li> <li>• Enhance mangrove ecosystems management</li> <li>• Support the development of small-scale irrigation systems</li> <li>• Promote the development of climate-resilient crop varieties and cultivars</li> <li>• Promote sustainable agricultural intensification technologies and systems</li> <li>• Support economic and agricultural product diversification through the promotion of climate-resilient and promising agricultural value chains</li> <li>• Support development of intensive and climate-smart livestock production systems</li> <li>• Build and strengthen capacity of fishing communities on sustainable and climate-resilient fishing systems</li> <li>• Support country capacity for climate finance resource mobilization</li> <li>• Develop a coastal early warning system to support the fishermen to get Early Warning and Weather Alerts to cope with climate change-induced extreme events (strong winds, extreme rainfall events, high tides, storms, etc.)</li> <li>• Support the creation of new protected areas for the conservation and management of natural resources and strengthen the financial sustainability and management effectiveness of the national Protect Areas system in Guinea-Bissau</li> <li>• Reduce uncontrolled expansion of cashew plantations and the effect of forest fires on the vegetation cover</li> </ul>
Mitigation measures	<ul style="list-style-type: none"> <li>• Promote development of the country’s high potential of renewable energy (hydropower, wind, solar, biomass)</li> <li>• Support forest and mangrove ecosystems restoration</li> <li>• Value and tax agro-industrial waste and residues for coal/energy production</li> <li>• Promote high-yielding stoves.</li> <li>• Build capacity to carry out GHG inventory and the establishment of a statistical system for GHG emissions to enhance adaptation to climate change and improve decision making to cope with climate change at local levels</li> </ul>

## **Annex 20: Bailout Operation for Two Local Banks in Guinea-Bissau and Its Fiscal Impacts**

In 2015, the Government transferred the non-performing debt portfolios of two commercial banks to the State for CFAF 34 billion or 5.6% of GDP. These two banks represented approximately 50% of the balance sheet and 55% of the accounts within the national banking system in 2015. As a result of this operation, the International Monetary Fund (IMF) suspended the approved Extended Credit Facility (ECF) programme. Other technical and financial partners (PTFs) like the African Development Bank (AfDB) and the European Union froze their budget support. Due to these positions, domestic debt bonds were issued to supplement budgetary resources. The next government cancelled the bailout in mid-2016 because the decision had been taken without consulting Parliament. Legal action, with civil and criminal suits, was also launched. The WAEMU Banking Commission sent a mission at the end of 2016 and required provisioning for bad debts previously transferred. The result was a drastic decline in equity capital for the two banks, way below the required minimum threshold of CFAF 10 billion, from 1 July 2017. There is promising movement towards settling disputes related to the government-voided bank bailout, enabling the financial sector to develop and resume bank credit to the economy.

Following initiation of the judicial process relating to the bailout decision taken on behalf of the above-mentioned two banks, the IMF resumed its programme with Guinea-Bissau. Hence, the IMF completed the third review of the ECF agreement in early July 2017 by disbursing USD 4.1 million to the country. A new arrangement was to be discussed at the end of 2019, provided the government met its fiscal targets and commitments.



## **Annex 21: Potential Risks and Mitigation Measures**

<b>Macroeconomic risk to economic growth</b>	
<p><i>Medium likelihood of occurrence</i></p> <ul style="list-style-type: none"> <li>○ <i>Eventual slowdown in economic growth to impact negatively cashew nuts prices, undermining public revenues and increasing poverty</i></li> <li>○ <i>The overall worsening of the budget deficit due to continued low tax collections and higher expenditures</i></li> </ul>	<p><i>Mitigation measure (expected impact): medium</i></p> <ul style="list-style-type: none"> <li>○ <i>Economic diversification through agricultural value chains</i></li> <li>○ <i>The government made commitments to bring fiscal deficits back to lower levels and to keep its debt levels low, estimated at 48.3% of GDP in 2018</i></li> </ul>
<b>Operational and fiduciary risks to implementation of Bank's portfolio</b>	
<p><i>Medium likelihood of occurrence</i></p> <ul style="list-style-type: none"> <li>○ <i>Weak institutional implementing capacity remains a major risk for the efficiency of operations</i></li> </ul>	<p><i>Mitigation measure (expected impact): medium</i></p> <ul style="list-style-type: none"> <li>○ <i>Greater flexibility should be adopted regarding the implementation of actions retained under the CSP. The use of technical assistance as well as intensification of fiduciary clinics should be prioritized.</i></li> </ul>
<b>Political fragility</b>	
<p><i>High likelihood of occurrence</i></p> <ul style="list-style-type: none"> <li>○ <i>Inability to hold free and transparent Presidential elections</i></li> <li>○ <i>Presidential decision to change the actual government</i></li> </ul>	<p><i>Mitigation measure (expected impact): medium-term</i></p> <ul style="list-style-type: none"> <li>○ <i>Ongoing dialogue with all stakeholders, drivers of fragility and the international community</i></li> <li>○ <i>Strict observation of the Constitutional order</i></li> </ul>

## **Annex 22: Guinea-Bissau's health system – one of the poorest in the world**

This Annex is based on the Joint UNCT, IMF, AfDB document and on the AEO 2020 COVID-19 supplement (both forthcoming).

Guinea-Bissau is one of the 10 least prepared countries to deal with the COVID-19 pandemic. According to the Global Health Security Index (GHSI) the country ranks 186 out of 195 countries. It has the second-worst health system score, right behind Somalia. The country performed poorly in all prevention-related subcategories except for vaccination rates. The country lacks ICU bed and available ICU equipment, as well as the HR capacity.

Even in normal times, the local health system was poor and it could collapse with COVID-19. Guinea-Bissau has suffered from various infectious diseases, such as Malaria, Zika, Meningitis and Cholera. The country has one of the highest prevalence of HIV and tuberculosis infections in West Africa and one of the highest maternal mortality rates in the world. This is a result of investment in the health system being almost non-existent. During the last ten years, domestic general government health expenditure averages in 3.5% of total expenditure (or 0.7% of GDP), most of which were salary expenses. Prevalence of many diseases, poor infrastructure and recurrent strikes in the public sector make the outbreak of COVID-19 a complex emergency and constitute substantial obstacles to adequate response interventions for COVID-19. As the health system does not reach the bulk of the population, it is bound to collapse once the virus spreads through community transmission.

The health workforce is scarce and ill prepared to face COVID-19. There is one doctor for every 5,964 inhabitants and one nurse for 1,223 inhabitants. The country has no intensive care unit (ICU) specialist and no full ICU equipped beds, and continuous supply of oxygen is not ensured in the main public hospital in Bissau - Simão Mendes Hospital, which is still under construction at the time of writing. Two missionary hospitals in Bissau offer better response to COVID-19, but still lack some equipment and better coordination with the response offered by Simão Mendes Hospital. Outside Bissau, where lack of any medical treatment usually prevails, no hospital is yet prepared to treat COVID-19 cases.

The spread of COVID-19 in the country will be difficult to contain. Due to limited staff availability and shortages of COVID-19 testing kits, the National Public Health Laboratory, the single lab in the country will struggle with capacities in the face of the spreading epidemic. With physical distancing measures in place, closures of economic activities, and the rainy season approaching, financial and geographical barriers to testing will increase. Fueled by reluctance of patients to do testing or being hospitalized and the economic inability of the population to comply with isolation or quarantine, more pressure is put in place on the already fragile healthcare infrastructure.

Up to 07 May 2020, Guinea-Bissau registered 546 positive cases, 2 deaths and 25 recovered patients. There is no actual plan to scale up massive testing; WHO stress, however, if the government takes this approach, there will be a need for more molecular test using the Real Time PCR. At least 50.000 additional tests would be necessary . The national laboratory has received considerable support from WHO, WB, Global Fund and the Alibaba Jack Ma foundation. This will improve national ability to improve testing capacity. However, i) it is restricted to the capital Bissau; ii) the government stressed the need to train 90 technicians to operate the national lab.

Centers for isolation were being prepared since March, but up to 20 April 2020 no center was yet operational. Patients were living in their houses with their families, which may have helped to propagate the contagion. There are lack of ICU bed and available ICU equipment, as well as on human resources capacity to operate these units. WHO planned to refurbish, adapt and equip one pavilion of Nephrology of the Simão Mendes National Hospital and use it temporally for the isolation and treatment of COVID-19 affected people. Unfortunately, it is still needed some work to be done as following:

- 1) refurbishment of 1st floor for semi- intensive cases (40 beds) including equipment for case management;
- 2) HR and training for specialized services: intensive care physicians, nurses, technicians for biomed equipment.

With the spread of COVID-19 in regions, especially in Cacheu and Canchungo, WHO alerts that a community transmission is expected on the next days, in which mitigation measures would be required. It includes decentralization of the response and an effective scale up with more human resources, testing and case management infrastructures, including an equipped ICU for hospitalization of cases.

The National COVID-19 Contingence Plan, presented to International Financial and Technical Institutions in March 2020, is estimated at US\$ 13.8 million. The plan is divided in 6 main components: i) emergency coordination; ii) health monitoring, strengthening border control and the national laboratory; iii) communication and community participation; iv) prevention and disease control; v) cases clinical management; vi) logistics. The Bank is actively participating since the beginning of the aid coordination with technical and financial partners and will evaluate the urgent needs with WHO, the government and other UN agencies on how to provide emergency relief, health infrastructure and budgt support.

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