INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/82

GUINEA

TECHNICAL REPORT—PUBLIC INVESTMENT MANAGEMENT ASSESSMENT

March 2019

This technical report on Guinea was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in July 2018.

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Washington, D.C.

FISCAL AFFAIRS DEPARTMENT

GUINEA

PUBLIC INVESTMENT MANAGEMENT ASSESSMENT (PIMA)

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Technical Report

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ACRONYMS

ACGPMP	Large Projects and Contracts Management and Oversight Unit
AE	Commitment authorization
AFD	French Development Agency (*Agence française de développement)*
AfDB	African Development Bank
ANAFIC	National Regional and Local Finance Agency
ARMP	Public Contracting Regulatory Authority
ARPT	Postal Service and Telecommunications Regulatory Authority
BCEP	Central Project Studies Bureau
BCRG	Central Bank of the Republic of Guinea
BND	National development budget
BNETD	National Technical and Development Studies Bureau
BOT	Build, Operate, and Transfer
BSD	Strategy and Development Bureau
BTAP	Technical Programming Support Bureau
CBG CCL	*Compagnie de Bauxites de Guinée* Regions and Communes Code (*Code des collectivités locales*)
CNDP	National Public Debt Committee
DCs	Developing countries
DeMPA	Debt Management Performance Assessment
DGPBP	Directorate General of Public Buildings
DNB	National Budget Directorate
DNCMM	National Directorate of Materials Accounting and Equipment
DNIP	National Directorate of Public Investment
DNMP	National Directorate of Public Contracts
DNPEIP	National Directorate of Government Assets and Private Investment
DNPP	National Directorate of Plans and Long-Term Planning
DNTCP	National Directorate of Treasury and Public Accounting
DPBP	Multiyear budget programming document
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EDG	Electricité de Guinée (national power utility)

EGTACB-FA	Economic Governance Technical Assistance and Capacity Building—Additional Financing
EPA	Administrative public entity
EPICs EU	Specialized industrial and commercial agencies European Union
FAD	Fiscal Affairs Department (IMF)
FER	Highway maintenance fund
FMDL	Local Mining Development Fund
FNDL	National Local Development Fund
GDP	Gross domestic product
GNF	Guinean franc
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
IRR	Internal rate of return
LORF	Framework budget law
MATD	Ministry of Regional Administration and Decentralization
MDS	Ministry of Social Development
MEF	Ministry of Economy and Finance
MPCI	Ministry of Planning and International Cooperation
MTBF	Medium-term budget framework
MTEF	Medium-term expenditure framework
MTP	Ministry of Public Works
NPV	Net present value
NITC	New information and communication technologies
ODA	Official Development Assistance
PACV3	Village Community Support Project—Phase 3 (2016–20)
PAI	Annual investment plan
PARFIP	Public Finance Reform Support Program
PC	Public corporation
PDL	Local development plan
PDR	Regional development plan
PEFA	Public Expenditure and Financial Accountability
PFRAM	PPP Fiscal Risk Assessment Management
P-FRAM	PPP Fiscal Risk Assessment Model
PIM	Public investment management
PIMA	Public Investment Management Assessment
PIP	Public investment program/project
PLF	Proposed budget law
PNDES	National Economic and Social Development Plan
PNI	National investment plan

PPA PPP	Power purchase agreement Public-private partnership
RER	Road maintenance fee
RGGBCP	General Budget Management and Public Accounting Regulations
SEG	*Société des Eaux de Guinée*
SIGEPRE	Integrated Project and Results Management System
SIGMAP	Integrated Public Contracts Management System
SMB	*Société Minière de Boké*
SNG	Subnational government
SNI	National investment system
SOGES	*Société de Gestion de Souapiti*
SOTRAGUI	*Société de transport guinéen*
SSA	Sub-Saharan Africa
TFPs	Technical and financial partners
TSA	Treasury single account

PREFACE

At the request of the Guinean authorities, a mission from the International Monetary Fund (IMF) Fiscal Affairs Department (FAD) and representatives of the World Bank visited Conakry from May 3–17, 2018, to conduct a Public Investment Management Assessment (PIMA) based on the revised April 2018 PIMA methodology. The mission was led by Mr. Jean Pierre Nguenang, senior economist, FAD, and included Mr. René Tapsoba (economist, FAD), Messrs. Pierre Roumegas and Daniel Tommasi (public financial management experts, FAD), Ms. Fabienne Mroczka (senior public financial management specialist, World Bank) and Mr. Abel Bove (governance specialist, World Bank). Mr. Ephrem Ghonda (resident advisor, IMF), Mr. Alpha Mamadou Mbah (public procurement specialist, World Bank), and Ms. Murielle Edon Babatounde (governance specialist, World Bank), all based in Conakry, also contributed to the mission.

During its visit, the mission met with institutions of the Guinean Presidency, including the Central Project Studies Bureau, the Large Projects and Contracts Management and Oversight Unit, and the National Directorate of Public Buildings. It also met with the Court of Audit. The mission held working sessions with most of the national directorates involved in public investment management within the Ministry of Economy and Finance, the Ministry of Budget, the Ministry of Planning and International Cooperation; the National Directorate of Public Investment; the Technical Programming Support Bureau and the national directorates of budget; government assets and private investments, materials accounting and equipment; Treasury and public accounting; plans and long-term planning; government contracts oversight; debt; and official development assistance (ODA).

The mission also met with most of the senior officials of the units involved in public investment management (development strategies bureaus, directorates of administrative and financial affairs, technical directorates, materials accounting officers) from the following sectoral ministries: Agriculture, Education, Health, Public Works and the Road Maintenance Fund, Energy and Water Resources, and Regional Administration and Decentralization. Finally, the mission met with representatives of several of Guinea's technical and financial partners.

At the end of its visit, the mission presented its principal findings and recommendations to Ms. Malado Kaba, Minister of Economy and Finance; Ms. Kanny Diallo, Minister of Planning and International Cooperation; and Mr. Mohamed Doumbouya, Minister of Budget.

The mission would especially like to thank the Executive Secretary of the Technical Monitoring Unit for Economic and Financial Programs, the National Director of Public Investment, the key members of their staffs, and the Guinean authorities for their warm welcome, cooperation, and logistical support. The mission also thanks Mr. Jose Sulemane, IMF resident representative, and his staff for their logistical support.

EXECUTIVE SUMMARY

The Guinean authorities are working to reduce the country's infrastructure deficit and have provided for this effort in Guinea's 2016–20 National Economic and Social Development Plan (PNDES). Public-private partnerships (PPPs) are a mechanism used to fund major projects to be implemented. To support the process, the authorities requested technical assistance from the International Monetary Fund (IMF) to prepare a thorough assessment of the public investment management (PIM) system to supplement the Public Expenditure and Financial Accountability (PEFA) assessment conducted in March 2018. The objectives of the present mission were to evaluate PIM in Guinea using the Public Investment Management Assessment (PIMA) methodology as revised by the IMF in April 2018. This report presents public investment trends and the public investment efficiency gap, details the results of the assessment, and offers recommendations to improve PIM in Guinea.

Public investment in Guinea increased substantially in recent years. Average investment as a percentage of GDP stood at 7 percent between 2012–15, compared to 4 percent between 2000–10, but it remains below the average for the countries of sub-Saharan Africa (SSA). The execution rate of capital expenditure improved, from 42 percent in 2015 to 75 percent in 2017. On average, close to 70 percent of the investment effort was financed from domestic resources.

PIM in Guinea is relatively inefficient compared to some of its peers. Guinea’s efficiency gap relative to the efficiency frontier represented by the most efficient countries is roughly 50 percent. This exceeds the average efficiency gap, which is 40 percent for SSA countries and roughly 30 percent worldwide.

The institutional PIM framework has more strengths than weaknesses, despite being incomplete, while PIM effectiveness shows more weaknesses than strengths (Table 1). The principal PIM strengths are the following: (1) the country’s adherence thus far to the limit on total debt as a percentage of GDP; (2) the quality of the PNDES, which is a positive step toward strengthening the national and sectoral planning system; and (3) capital expenditures approved by the National Assembly, with administrative public entities having only limited resources (4 percent of the total government budget in 2017). However, PIM efficiency in Guinea is adversely affected by significant weaknesses in terms of the institutional framework and effectiveness in the three phases of PIM (planning, allocating, and implementing), as presented in the following sections.

Planning/Allocating

- Guinea recently signed roughly 20 public-private partnership (PPP) contracts through direct negotiation, although the institutional framework for PPPs is not yet finalized; this represents a source of potential financial risk that has not been evaluated.

- Most of the major domestically financed projects in the 2017 and 2018 budget did not undergo economic and financial evaluations or a rigorous selection process, weakening the quality of the projects.

Allocating

- The procedure for establishing annual and/or multiyear capital spending ceilings by individual ministry is not operational, undermining the prioritization of expenditures.

- Separate budget negotiations are held for the recurrent and capital budgets, resulting in inconsistencies in the classification of expenditures.

- Investment expenditures are not adequately protected during budget execution, suggesting that financing of ongoing projects may be discontinued in order to finance new projects.

- The budget nomenclature provides a framework to budget for maintenance costs, but there is no standard methodology in place to estimate and budget for these expenditures, leading to under-budgeting and ultimately the deterioration of assets.

Implementing

- Procurement and cash flow plans are insufficiently harmonized, and no time limits are established for effective payment of expenses by the Central Bank of the Republic of Guinea (BCRG), resulting in delayed payments and delayed project implementation.

- The existing regulations are inadequate to ensure effective oversight and ex post review of domestically financed projects, but they allow transfers of appropriations, which are implemented in practice. Adjustments are made during project implementation without the benefit of standardization, and ex post audits of major investment projects (including some externally financed projects) are not systematically conducted.

- Monitoring of public assets is hindered by the lack of a final, detailed regulatory and operational framework. Asset records are incomplete, and the financial statements do not reflect the value of nonfinancial assets or capture fixed asset depreciation.

If Guinea is to reap the full benefits of its increasing capital spending, the authorities need to focus on correcting PIM weaknesses and improving the efficiency of PIM. The critical recommendations for this purpose are the following:

- Strengthen the regulatory and procedural framework for PPPs. In particular, cap explicit commitments under PPPs, and open unsolicited proposals to competition.

- Establish a process of independent review and validation of studies and define stricter selection criteria. For this purpose, the following actions should be taken in the short term: (1) prepare rigorous project selection and prioritization criteria; and (2) discontinue the practice of budgeting funds for projects that lack feasibility studies beginning with the 2020 budget law.

- Strengthen investment budgeting and maintenance funding. In particular, implement multiyear commitment authorizations for investment expenditure, and hold single budget conferences, addressing both recurrent and investment budgets, beginning with the 2020 budget law.

- Increase available funding for investment through harmonization of procurement and cash flow plans, including implementation of the Treasury single account (TSA), and establish time limits for payment by the BCRG.

- Implement the capital project monitoring, management, and ex post review mechanism. The reforms needed in the short term would be to (1) immediately conduct a survey of all projects ongoing for at least 10 years before continuing funding in the 2020 budget law; (2) prepare a consolidated semiannual/annual report on the status of the physical and financial implementation of major projects; and (3) prepare and systematically review completion reports for major projects.

- Strengthen the monitoring of public assets by continuing the work underway to update government real property assets and by developing technical guides covering all government accounting standards to prepare the valuation of assets.

The above recommendations and associated actions of the detailed action plan (Annex I) relating to budgeting, cash flow management, and public accounting are intended as inputs to the 2019–22 PFM action plan that the authorities plan to prepare based on the results of the final PEFA report.

Table 1. PIMA Summary Heatmap

Phase/Institution			Institutional Strength	Effectiveness	Importance (priorities for reform)
A. Planning	1	**Fiscal objectives and rules**	**Medium**: The public finance law (LORF) of 2012 establishes the principle of compliance with Economic Community of West African States (ECOWAS) convergence criteria, including a limit on debt, through the requirement of compliance with Guinea's international commitments. However, there is no limit on the amounts of commitments with respect to public-private partnerships (PPP).	**Medium**: The total debt is monitored by means of strict commitments provided under the economic and financial program with the IMF but implementing texts under the PPP law and the Regions and Communes Code (CCL) have not been adopted. The total amount of PPP contracts signed exceeds 50 percent of GDP.	**High.** Limiting explicit PPP commitments and strengthening control of public corporations' (PCs) and subnational governments' (SNGs) debts and liabilities are essential.
	2	**National and sectoral planning**	**Medium**: Guinea's public investment strategy is essentially based on (i) the National Economic and Social Development Plan (PNDES); and (ii) sectoral strategies with estimated costs, but there are no guides or manuals for preparing them.	**Medium**: The costing of some sectoral strategies is unrealistic in the absence of guides. The existing sectoral strategies contain output indicators by capital project, but few of the impact indicators are quantified, and project costs are estimated but not evaluated.	**Low.** A sectoral strategy without an estimate of the costs associated with the achievement of measurable outputs and results does not support multiyear programming within an overall financial constraint.
	3	**Coordination between entities**	**Medium**: The decrees implementing the revised CCL (2017) and Mining Code (2013) are not finalized.	**Weak**: There are no investment plans for the SNGs. There are no capital transfers to the SNGs. They have not borrowed for investment.	**Low.** Investment by the SNGs is minimal. Capacity development is essential to prepare them to manage capital transfers in the future.
	4	**Project appraisal**	**Weak**: There are no formal procedures or tools for project preparation and appraisal, including funding for studies; capacities to undertake appraisals of major projects are weak.	**Weak**: Financial and human resources are insufficient to appraise major projects and analyze the associated risks (with the exception of joint appraisals with the TFPs).	**High**: Projects are of poor quality (under- or over-estimation of costs, lengthy implementation periods).
	5	**Alternative infrastructure financing**	**Medium:** The PPP law contains the components of PPP policies, but the implementing texts have not been adopted. The PPP committee (apart from the energy unit) and the unit in charge are not operational. The law on government disengagement was adopted, and several regulatory authorities have been created (telecommunications, water, and electricity). However, the implementing texts are not finalized, and prices continue to be established centrally.	**Medium**: Twenty PPP agreements have been concluded and signed through direct negotiation. There is competition in the area of electricity production but not electricity distribution. There is also competition with respect to mobile telephone services and information and communication technologies.	Medium**.** PPP investment is a priority in the PNDES. The lack of final implementing texts for the PPP law may result in elevated financial risks. The fiscal risks associated with investments by public corporations are not adequately supervised.
	6	**Multiyear budgeting**	**Medium**: The July 27, 2012, LORF introduced the multiyear approach to budgeting to cover capital expenditure. Indicative multiyear ceilings are provided.	**Medium:** Three-year capital spending projections are published for each ministry, but multiyear ceilings are not regularly defined. The budget documentation does not include total project costs.	Medium**.** Allocation of resources in accordance with priorities, as well as medium-term financial constraints, is difficult. Strengthening of programming procedures is essential.

	Phase/Institution		Institutional Strength	Effectiveness	Importance (priorities for reform)
B. Allocation	**7**	**Budget comprehensive-ness and unity**	**Medium**: To a large extent, the budget includes all capital expenditure (financed from domestic and external resources), except for PPPs, which are omitted. The budget process is split between the recurrent budget and the capital budget.	**Medium**: All capital expenditure is approved by the legislature, with the exception of PPPs, which are not included in the budget. Budget conferences are separate (recurrent budget, capital budget).	Medium. Accountability vis-à-vis the legislature must be restored by means of a comprehensive budget. A single budget conference (covering both the recurrent and capital budget) is essential.
	8	**Budgeting for investment**	**Medium**: Legal and regulatory provisions are in place to protect capital expenditure, particularly for ongoing projects. However, implementing texts are lacking.	**Weak:** Capital expenditure is authorized on an annual basis instead of a multiyear basis and is therefore not protected during execution.	**High:** Funding for projects not completed at year-end is negatively affected by the introduction of new projects in the budget. Implementation of the multiyear commitment authorization provision is essential.
	9	**Maintenance funding**	**Weak.** The budget provides a framework for estimating current and periodic maintenance expenditure, but there is no standard methodology for estimating and programming these expenditures	**Weak:** Current and periodic maintenance expenditure is not given adequate consideration in programming projects, and the road and classroom maintenance budget provides little funding for maintenance and [repairs].	**High:** The deterioration of assets shortens their useful lives.
	10	**Project selection**	**Weak:** The criteria and procedures used to effectively select and prioritize projects are inadequate.	**Weak:** The key projects identified in the National Investment Plan are not a reserve of projects with approved feasibility studies. Capacities for the review of major projects are inadequate.	**High:** Less mature projects are budgeted. Sound procedures for selection and prioritization of projects are essential to ensure efficient implementation.
	11	**Public contracts**	**Medium:** The regulatory framework promotes open and transparent procedures and rigorous monitoring of public contracts; a specific framework is dedicated to PPPs but is not finalized.	**Weak**: The process of opening public contracts to competition is limited, considering that all PPPs were contracted following direct negotiation, which limits the optimization of resources.	Medium**.** The principles of competition and transparency should be upheld and applied to PPPs.
C. Implementation	**12**	**Availability of funding**	**Medium:** The cash flow programming and management tools are inadequately correlated; no time limits are established for payment of expenditure by the BCRG, but the Treasury single account (TSA) should include donor funds.	**Weak:** Ceilings on capital spending are not reliable and are not communicated on a timely basis, and funds are subject to cash flow restrictions. Most external funding is held outside the BCRG.	**High:** Delays observed in payment of expenses relating to major projects undermine project execution. The implementation of a TSA and coordination between management tools are essential.
	13	**Portfolio management and monitoring**	**Weak.** Apart from donor procedures, Guinean regulations are inadequate for effective project monitoring and ex post review, but they do provide for transfer of appropriations.	**Medium.** Most projects undergo non-centralized physical and financial monitoring, but ex post reviews are infrequent and appropriations are transferred between projects.	**High:** Long delays observed in project execution generate additional costs. Monitoring of the entire investment portfolio, and ex post reviews, are essential.

	14	**Project management**	**Medium:** Apart from donor procedures, national regulations do not adequately provide for effective management, adjustment, and ex post audit of capital projects.	**Weak:** Project execution varies considerably, adjustments are not standardized, and ex post audit of major capital projects is not implemented.	Medium. The lack of audit limits feedback of experiences and control of cost overruns. Ex post reviews of major projects are essential.
	15	**Asset monitoring**	**Weak:** The gradual implementation of asset accounting calls for a more detailed regulatory framework, which is not finalized.	**Weak:** Asset records are incomplete and out of date; the financial statements do not present the value of nonfinancial assets or fixed asset depreciation.	**High:** Monitoring and management of government assets are weak. The implementation of asset accounting will improve the quality of information on assets.

Table 2. Priority Recommendations

Recommendation/ action	2019	2020	2021	Lead organization(s)	Institution(s)
1. Strengthen the regulatory and procedural framework for PPPs				DNPEIP, ACGPMP, DNMP	1, 5, 11
Related actions:	Cap explicit commitments for PPPs and related guarantees.	Open unsolicited PPP proposals to competition.			
2. Establish a process of independent review and validation of studies and define stricter selection criteria				DNIP	4, 10
Related actions:	Prepare rigorous project selection and prioritization criteria. (TA)*	Discontinue the practice of including projects without feasibility studies in the budget.			
3. Strengthen investment budgeting and maintenance funding				DNIP, DNB	7, 8, 9
Related actions:	Hold a single budget negotiation to address both recurrent and capital budgets.	Implement multiyear commitment authorizations for capital expenditure. (TA)			
4. Increase available funding for investment				Ministries, DNB, DNTCP	12
Related actions:	Rationalize payment periods applicable to the BCRG; strengthen the TSA. (TA)	Harmonize procurement plans and cash flow management tools (commitment plans and cash flow plans). (TA)			
5. Put the capital project monitoring, management, and ex post review mechanism in operation				Ministries, DNIP, DNB, DNTCP	13, 14
Related actions:	Take immediate action to assess the status of all projects ongoing for 10 or more years before continuing to provide funding in the budget law.	Prepare a semiannual/annual consolidated report on the physical-financial implementation of major projects.	Prepare and publish project completion reports for major projects.		
6. Strengthen monitoring of public assets				Ministries, DGPBP, DNCMM, DNTCP	15
Related actions:	Continue work in progress to update government real property records.	Compile information forms on all applicable government accounting rules to prepare for asset appraisals.			

Note: * TA denotes technical assistance needed.

I. PUBLIC INVESTMENT

A. Total Public Investment and Public Capital Stock

1. Public investment in Guinea during the post-military regime (2009–10) was erratic (Figure 1). In 2009, following the advent of the military regime, public investment experienced a surge, reversing the declining trend from 2002. The surge was due to a threefold increase in military spending associated with multiyear contracts awarded outside of the public procurement procedures, reflecting a collapse of spending controls procedures. Most of those contracts were suspended following an audit conducted during the return to constitutional order and a restoration of budget discipline in 2011, reducing public spending to its pre-military regime average (3.8 percent of GDP).[1] With the IMF support, the macroeconomic stabilization that followed led to an increase in public investment (7 percent of GDP between 2012 and 2013). Public investment declined following the outbreak of the Ebola epidemic in 2014, but it resumed an upward trend in 2015. Private investment had fallen considerably since 2009 and its contribution to total investment had sharply decreased.

2. Public investment in Guinea was below the levels observed in comparable countries (Figure 2). During 2005-15, average public investment in Guinea was below that of developing countries (DC), comparable African countries, and all sub-Saharan African (SSA) countries, by about 2.5 percent, 2.6 percent, and 2.8 percent of GDP, respectively.

Figure 1. Public and Private Investment
(percent of GDP)

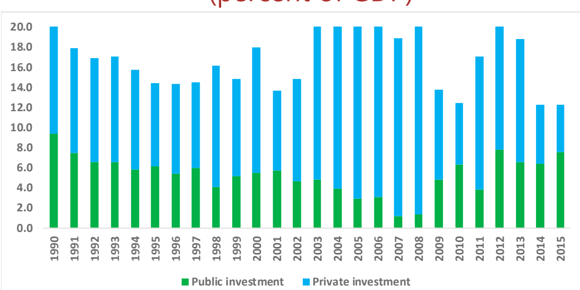
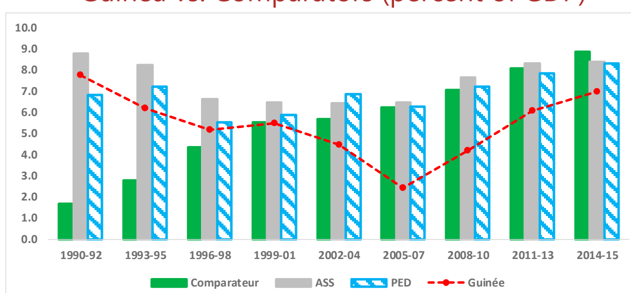


Figure 2. Public Investment
Guinea vs. Comparators (percent of GDP)



Sources: Guinean authorities, World Economic Outlook (IMF), and IMF staff estimates.
Note: The comparator countries are Benin, Côte d'Ivoire, Ghana, Rwanda, Senegal, Sierra Leon, and Tanzania. ASS = sub-Saharan Africa; PED = developing countries.

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[1] See IMF staff report No. 11/251 of August 2011 (Box 1, page 7) for further details.

3. **The increased public spending had a limited effect on economic growth, which remained weak and volatile (Figure 3).** Although public investment was procyclical during the 1990s, it subsequently became mostly uncorrelated with growth. The surge in public investment during the 2009-10 military regime did not translate to stronger economic growth. The resumption of public investment in 2014-15 partially helped mitigate the Ebola epidemic's adverse effects on economic growth (Figure 3).

4. **Investment spending is a priority for public policy**. They represented 30 percent of total government spending during the 1990s, or 6.3 percent of GDP. It declined thereafter to 21.5 percent of total spending during 2000-13 before rising to 39 percent and 46 percent, in 2014 and 2015, respectively (or 6.4 percent and 7.6 percent of GDP, respectively). The rise reflected the efforts to eradicate the Ebola epidemic (Figure 4) and the strengthened political will to boost public investment to realize the private sector's development potential.

Figure 3. Public Investment and Real GDP Growth (percent of GDP and percent, respectively)

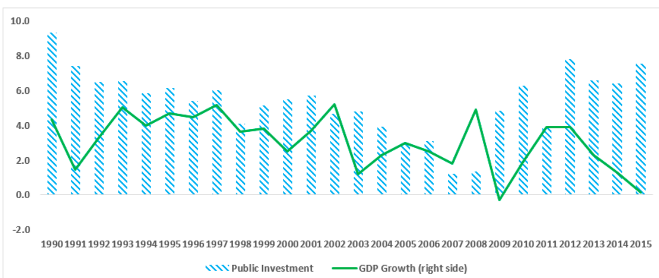
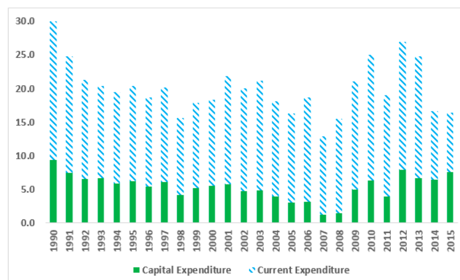


Figure 4. Composition of Total Expenditure (percent of GDP)



Sources: Guinean authorities, World Economic Outlook (IMF), and IMF staff estimates.

5. **Public investment contributed little to Guinea's capital stock, which remains below that of its peers (Figure 5).** The decline in public investment between 1990 and 2005 led to a slow accumulation of capital of 3 percent on average a year. The sharper decline of public investment between 2004 and 2008 seriously curtailed the already slow formation of public capital stock. The surge in public investment reverted this trend (Figure 6). In 2015, public capital stock in Guinea was 57 percent of GDP, compared to 120 percent for SSA countries, leading to a lower per capita capital stock than that of its peers (Figure 7).

6. **Public investment nevertheless contributed to increasing Guinea's public debt (Figure 8).** With revenue shortfalls and the gradual dwindling of official development assistance (ODA) flows, a portion of public investment was financed through public debt. In 2005, the government's outstanding debt stood at about 60 percent of GDP but was reduced to 43 percent of GDP when Guinea reached the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative in 2012. Government debt began to rise again, due in part to the resumption of investment, and stood at more than 50 percent of GDP at end-2015.

Figure 5. Public Investment and Capital Stock (percent of GDP)

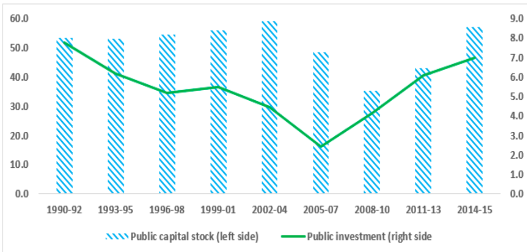


Figure 6. Public Capital Stock (percent of GDP)

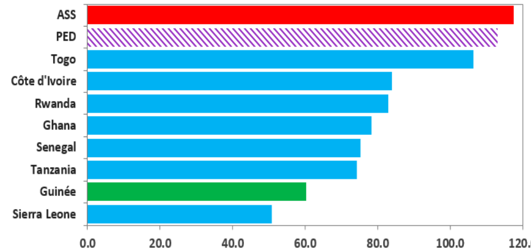


Figure 7. Per Capita Capital, 2011 (US$ thousands, PPP adjusted)

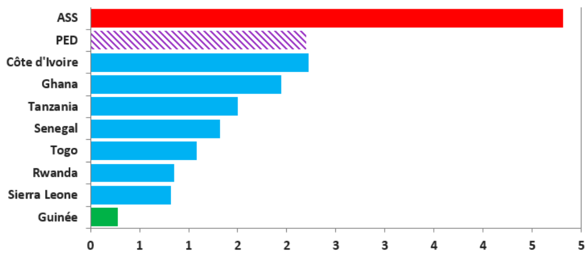
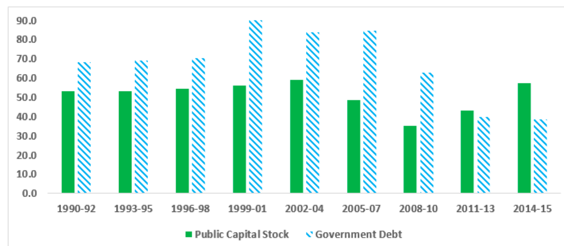


Figure 8. Capital Stock and Government Debt (percent of GDP)



Sources: Guinean authorities, World Economic Outlook (IMF), and IMF staff estimates.
Note: SSA = sub-Saharan Africa; DC = developing countries.

B. Composition of Public Investment

7. **In 2009, the composition of public investment financing sources shifted toward increased domestic financing**. The proportion of domestically financed investments, which represented roughly 72 percent in 2009 (4.4 percent of GDP), exceeded externally financed investments for the first time (Figure 9). This structural shift reflects the consequences of the military regime (2009-10), the dwindling Official Development Assistance (ODA) flows following the 2008 global financial crisis, and the weak capacity to absorb budgetary support. It also reflects a more proactive policy stance to bolster public investment to make it a key pillar of economic development — breaking from a pre-2011 passive role, when it used to simply represent the required domestic counterpart funds for externally financed projects.

8. **The increased share of domestically financed investment was accompanied by an increase in investment budget execution rates.** The execution rate of the investment budget increased in recent years, from 42 percent to 75 percent between 2015 and 2017, partly at the expense of adequate oversight. The increased share of domestically financed investment largely reflects a relaxation of investment control procedures, which, unlike externally-financed investments, are not subject to feasibility studies. Nevertheless, room remains for improving the

absorption capacity of public investment in Guinea, in view of its comparators' performance (Figure 10).

Figure 9. Public Investment by Funding Source (percent of GDP)

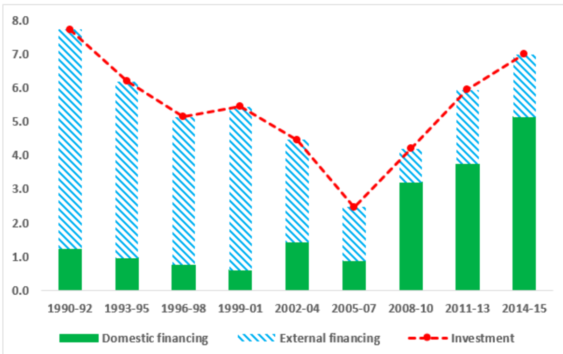
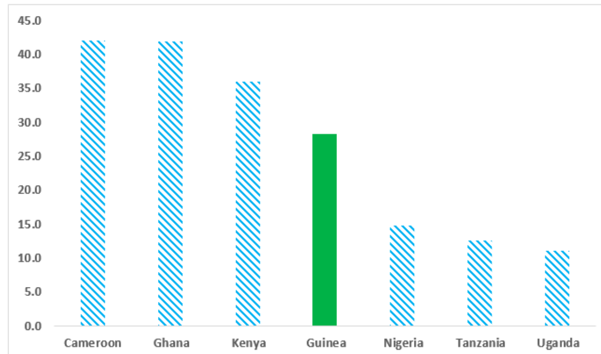


Figure 10. Investment Spending Forecast Errors (percent)

Average (2010-14), unless otherwise indicated



Sources: Guinean authorities, World Economic Outlook (IMF), and IMF staff estimates.
Note: Forecast deviations refer to absolute value. Accordingly, no distinction is made between budget over-execution and under-execution.

9. The government is increasingly relying on the private sector, through public-private partnerships (PPPs), for the provision of public infrastructure. Although the PPP-driven capital stock is relatively limited, at 3.4 percent of GDP in 2014 (Figure 11), PPPs are the authorities' envisaged instruments for implementing the ambitious investment programs of the National Economic and Social Development Plan (PNDES), with more than one-third of the projects under consideration for implementation through PPPs. At end-2017, an inventory by the National Directorate of Government Assets and Private Investment (DNPEIP) pointed to some 20 PPP contracts signed between 2012 and 2017 (see paragraph 24).[2]

10. Unlike other SSA countries, public investment in Guinea appears to be highly concentrated in economic infrastructure. Based on data available in 2011, nearly 92 percent of capital expenditure in Guinea was geared toward economic infrastructures, leaving only 4 percent for social infrastructure. In contrast, SSA countries devote 45 percent and 32 percent of capital expenditure to economic and social infrastructures on average, respectively (Figure 12). Some caution should be exercised in interpreting these figures, however, as they could reflect the fact that the new classification of government functions was implemented only recently.[3]

[2] The DNPEIP inventory does not include the large Souapiti hydropower project, for which the government signed an operation agreement with Société de Gestion de Souapiti (SOGES). Under the agreement, SOGES will be responsible for the operating expenses and the service of the US$1.25 billion loan being finalized between China Exim Bank and the government. The fiscal risk associated with this project was accounted for in the IMF debt sustainability analysis carried out under the IMF-supported extended credit facility (ECF) program; a non-concessional borrowing window covering this amount was authorized under the program.

[3] Data limitations prevented us from basing the analysis of the sectoral composition of investment spending on more recent years due to the unavailability of data.

Figure 11. Capital Stock from Public-Private Partnerships
(percent of GDP)

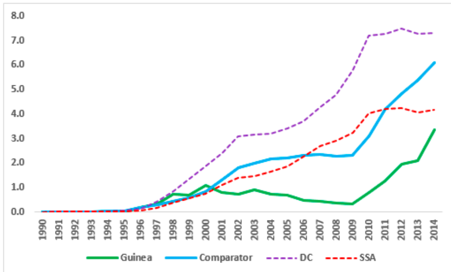
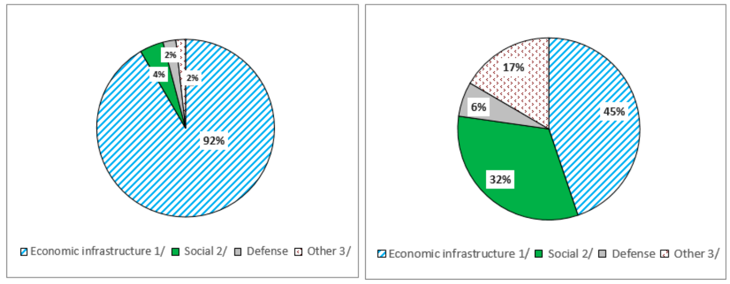


Figure 12. Public Investment by Function, 2011 (percent)

1. Guinea 2. Sub-Saharan Africa



Source: IMF staff.
Note: The comparator countries are Benin, Côte d'Ivoire, Ghana, Rwanda, Senegal, Sierra Leone, and Tanzania. DC = developing countries; SSA = sub-Saharan Africa.
1/ Economic infrastructure is proxied by economic affairs and includes public investment in transportation infrastructures. 2/ Social includes investment in education, health, housing, social protection, and recreation and cultural. 3/ Other includes public investment in general services, security, and environmental protection.

II. EFFICIENCY AND IMPACT OF PUBLIC INVESTMENT

11. The quality of and access to infrastructure in Guinea are mixed and point to gaps compared to its peers (Figures 13 and 14). In 2015, access to social (education and health) infrastructure was below the average for that in comparable SSA countries and DCs. The access to economic infrastructure (roads) was better than that in peer countries;[4] however, the indicators of perception of infrastructure quality show a marked gap between Guinea and its peers.

Figure 13. Access to Infrastructure, 2015

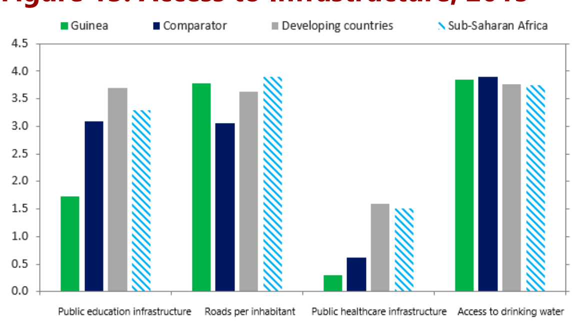
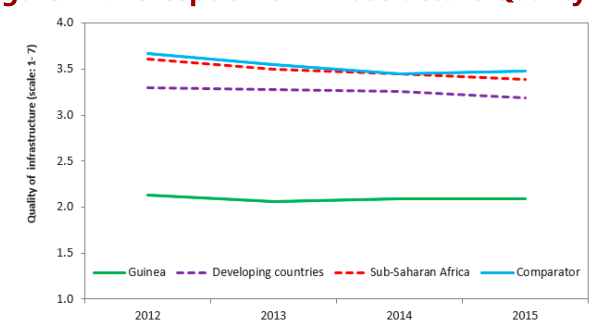


Figure 14. Perception of Infrastructure Quality



Sources: World Development Indicators (World Bank) and Global Competitiveness Index (World Economic Forum).
Note: Education: number of secondary school teachers per 1,000 persons; Electricity: number kWh per 1,000 inhabitants; Roads: number of kilometers per 1,000 inhabitants; Health: number hospital beds per 1,000 inhabitants; Water: proportion of population with access to safe drinking water.

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[4] Access to electricity cannot be compared due to lack of data for this dimension in Guinea.

12. The efficiency of public investment in Guinea is weaker than that of its peers, indicating considerable room for improvement (Figures 15 and 16). Guinea's efficiency gap relative to the efficiency frontier[5]—the countries with the highest public investment efficiency—is estimated at roughly 50 percent, well above the average of 36 percent for Guinea's SSA peers. It is important to note, however, that the calculation does not include the fixed capital stock formed by public corporations (PCs). A more complete measure of capital stock would increase the public capital stock per capita but would neither increase nor decrease the score for perception of quality and access to public infrastructures. As such the calculated efficiency gap remains relevant. In addition, the measurement of public investment efficiency is a composite indicator and may hide some heterogeneity of inefficiency across sectors.

Figure 15. Hybrid Indicator of the Efficiency Frontier

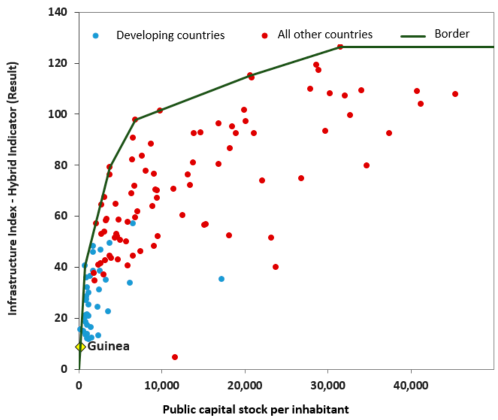
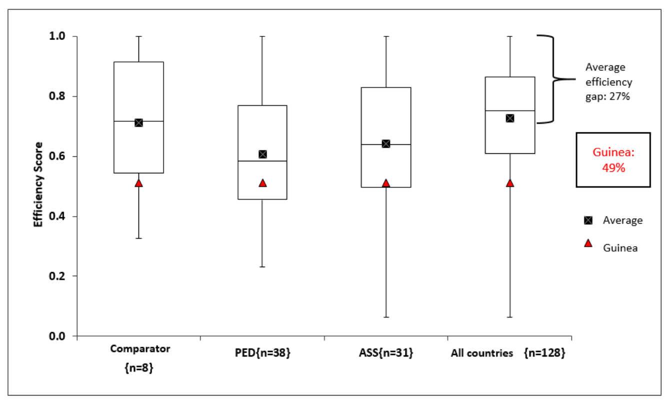


Figure 16. Hybrid Indicator of the Efficiency Gap



Source: IMF staff estimates.

III. PUBLIC INVESTMENT MANAGEMENT ASSESSMENT

13. Public investment can be an important catalyst for economic growth, but the efficiency of public investments is crucial to its effect. The average country loses roughly 30 percent of the value of its investment to inefficiencies in their PIM processes. Improvements in PIM can help countries to reduce the efficiency gap by nearly two-thirds. The growth dividend

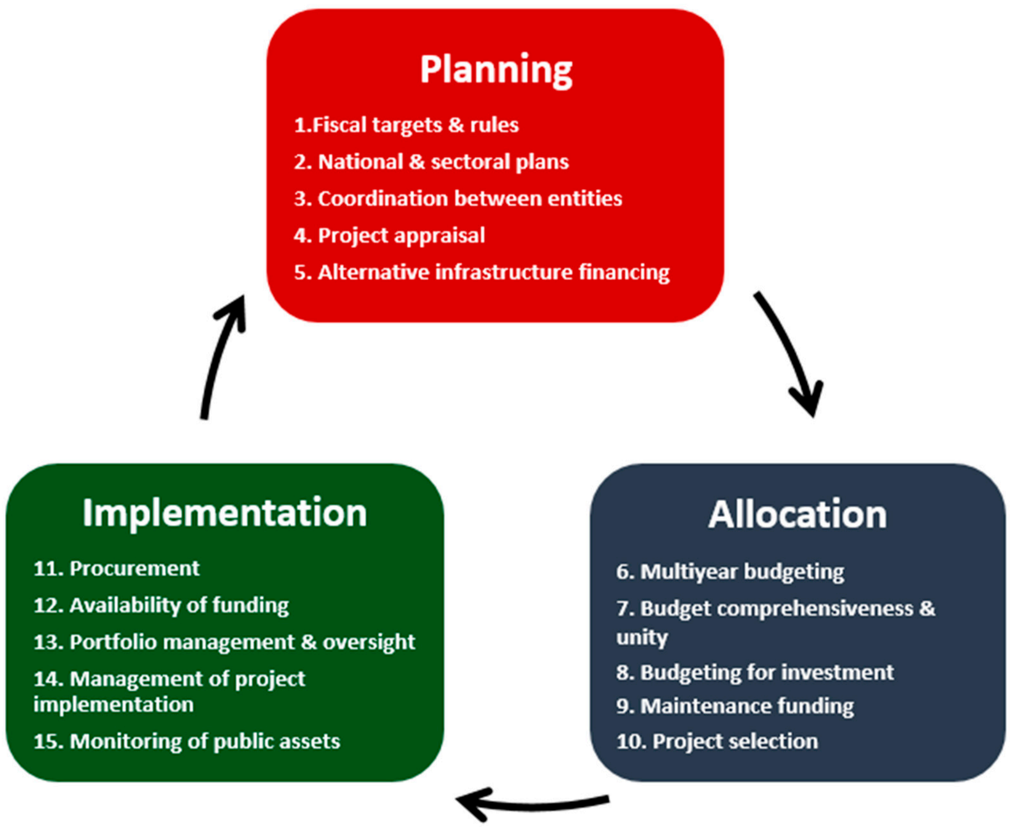
[5] The efficiency frontier represents those countries with the highest access and quality of public infrastructure for a given level of public per capita capital stock. The efficiency gap measures the difference between the frontier, represented by countries with the highest efficiency level, and the level of efficiency observed in Guinea. It measures the scope for improving the quality and access to infrastructure for a given level of public capital stock. For Guinea, improved PIM could increase the quality and access to public infrastructure by 49 percent in absolute terms. See *the 2015 IMF's Making Public Investment More Efficient* for a more detailed description of the methodology.

from doing so is substantial; the most efficient investors get twice the growth "bang" from their investment "buck" than the least efficient investors.

14. The new PIMA tool developed by the IMF is intended to help countries evaluate and strengthen their PIM practices.[6] The PIMA evaluates 15 institutions involved in the three phases of the public investment cycle (planning, allocating, implementing) in addition to the three crosscutting institutions—IT support, legal framework, and staff capacities—that affect them. For purposes of the PIMA, an institution is defined as a set of rules, relationships among actors, and effective practices in a given PIM area.

- **Planning** sustainable investment across the public sector
- **Allocating** investment to the right sectors and projects
- **Implementing** investments within the timeframe and budget allocated.

Figure 17. Updated PIMA Framework



Source: The 2018 IMF's Public Investment Management Assessment.

[6] The IMF revised the PIMA methodological framework in April 2018.

A. Overall Assessment

15. Overall, the institutional strength of IM in Guinea is below that of its peers (Figure 18). With the exception of the institution relating to maintenance funding, for which data from comparable countries are not available, Guinea's institutional strength relative to its peers is as follows: (1) The institutional performance of most of Guinea's institutions is below that of its peers: national and sectoral planning, coordination between entities, project appraisal, project selection, budgeting for investments, procurement, portfolio management and oversight, management of project implementation, and monitoring public assets; (2) Guinea's institutional framework is comparable to that of its peers for specific institutions: fiscal objectives and rules, multiyear budgeting of investments, and budget comprehensiveness and unity; (3) Guinea's institutional framework is relatively superior for a few institutions: alternative infrastructure financing and availability of funding.

16. The effectiveness of PIM in Guinea is below that of its peers for most of institutions (Figure 19). With the exception of the institution relating to maintenance funding, for which data from comparable countries are not available, Guinea's effectiveness strength relative to its peers is as follows: (1) Practices in Guinea are superior for some institutions: national and sectoral planning, budget comprehensiveness and unity, alternative infrastructure financing, and portfolio management and oversight; (2) Practices in Guinea are comparable for some institutions: fiscal objectives and rules, coordination between entities, multiyear budgeting of investments, and procurement; (3) Guinea's performance was below its peers for a majority of institutions: project appraisal, project selection, budgeting for investment, availability of funding, management of project implementation, and monitoring of public assets.

17. Institutional strength is superior to the effectiveness of practices for most PIM institutions (Figure 20). This difference clearly illustrates implementation gaps in the provisions of existing regulatory frameworks. To improve PIM, Guinea should work to fully implement the provisions of existing laws and decrees on capital spending, and it should gradually implement the recommendations provided in the following sections of the report. Doing so would significantly strengthen PIM, as shown in Figure 21.

Figure 18. PIM Institutional Strength

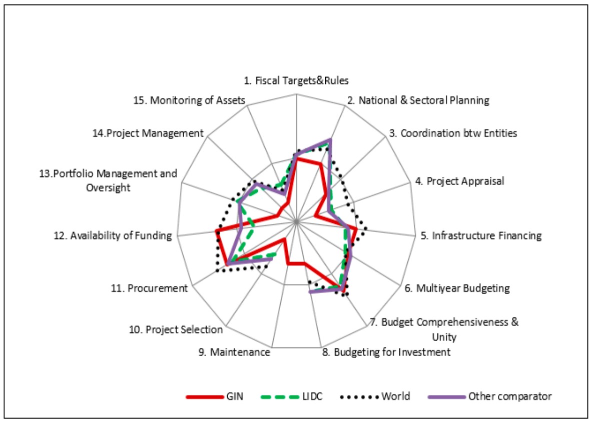


Figure 19. PIM Effectiveness

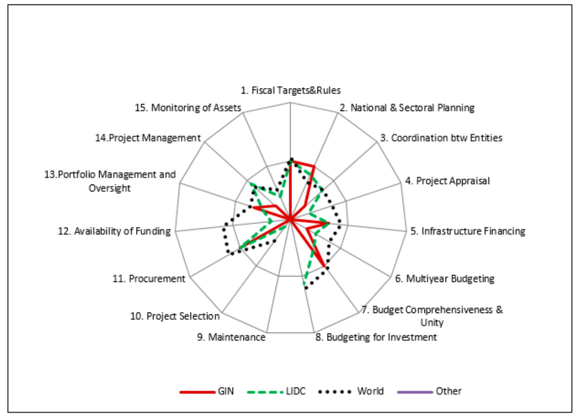


Figure 20. Comparison of PIM Institutional Strength vs. Effectiveness

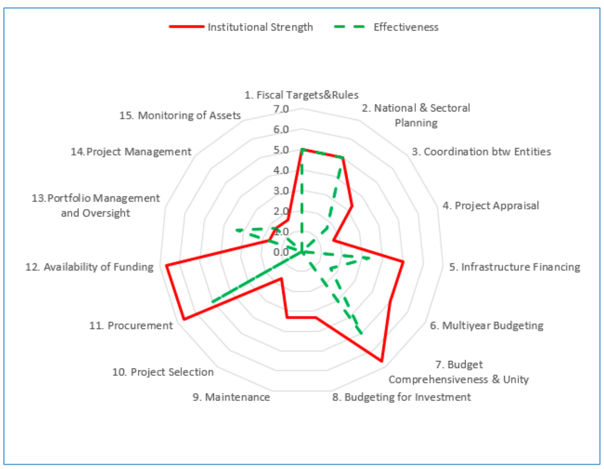
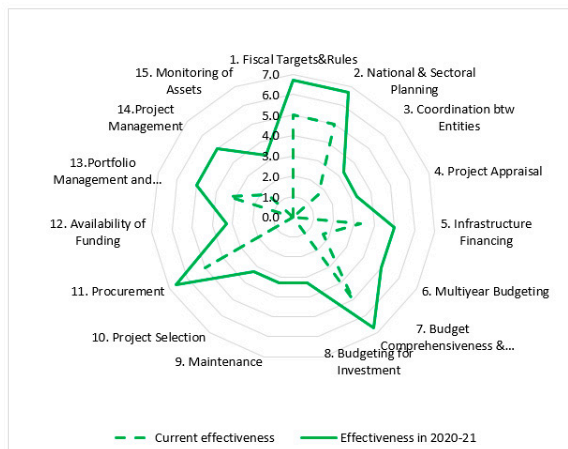


Figure 21. Potential Improvements to PIM Effectiveness by 2020–21



Sources: Mission's findings.

B. Planning Sustainable Levels of Public Investment

18. Sound planning would ensure the sustainability of public investments and the coordination of development strategies. This pillar is evaluated in terms of the following principles: (1) the existence of fiscal principles or rules that promote fiscal sustainability and facilitate medium-term public investment planning; (2) the existence of national and sectoral plans defining the investment strategies; (3) the existence of effective coordination between the central government and other entities, such as subnational governments (SNGs) and PCs, in the area of investments and communication of contingent liabilities arising from investment projects; (4) whether major project proposals routinely are subject to standardized appraisal, taking account of risks; and (5) the existence of a favorable climate for infrastructure financing by the private sector, PPPs, and PCs.

1. Fiscal objectives and rules (institutional strength: medium; effectiveness: medium; reform priority: high)

19. Government debt in Guinea is limited by the Economic Community of West African States (ECOWAS)-wide provisions. The provisions were established by Decision A/DEC.7/12/99 on macroeconomic convergence criteria for the implementation of the ECOWAS monetary cooperation program, and they were revised by the Conference of Heads of State and Government on May 19, 2015, in Accra. There are now six convergence criteria, of which four are first-order criteria and two are second-order criteria, including a limit of 70 percent on total debt in proportion to GDP (Table 3). The ECOWAS-wide rules were transposed in Law L/2012/No. 012/CNT, the framework budget law (LORF). Like the LORF, the implementing decree, D/2014/222/PRG/SDG on public financial governance provides, in Article 2, that the objectives of fiscal policy should be consistent with Guinea's commitments under international agreements relating to the ECOWAS.

20. However, the lack of a limit on the outstanding stock of guarantees that the government can grant represents a serious fiscal risk. In addition, the 2017 PPP law provides no ceilings on the total amount of PPP commitments (explicit or implicit), which can pose a risk to debt sustainability. Similarly, SNGs borrowings are not adequately limited. The revised Regions and Communes Code (CCL) (articles 180 and 490) authorized borrowing by the SNGs. However, no decree has been adopted establishing the limits or terms or conditions of SNG borrowing, notably in the domestic market.

21. A draft policy statement on public borrowing and public debt management has been prepared. The statement makes the public debt sustainability objective more operational. It would serve as the reference tool in strengthening the institutional framework for monitoring, oversight, and management of public borrowing. The scope of application extends to all public entities that contract or agree to a debt or receive sovereign guarantees. Those entities must first request approval of the National Public Debt Committee (CNDP) based on the report prepared by the Ministry of Economy and Finance (MEF).[7]

22. In practice, borrowing by the Guinean government is subject to stricter limits agreed under the IMF-supported ECF program. The program, approved in December 2017, limits the government's non-concessional borrowing to US$1.85 billion, of which US$1.2 billion is

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[7] The CNDP includes a chairman, the minister of economy and finance, and the following members: (1) the minister of planning and international cooperation or her representative, (2) the minister of budget or his representative, (3) the BCRG governor or his representative, (4) the minister advisor for economic issues to the Presidency of the Republic, and (5) the advisor for economic issues to the Prime Minister's Office.

set aside for the Souapiti hydropower project and US$650 million to finance priority infrastructure projects (energy, transportation, and education).

23. The Guinean government's commitment to adhere to the debt limits can be readily appreciated from the quarterly monitoring reports. Quarterly reports on Guinea's performance with respect to the convergence criteria are prepared under the supervision of the National Economic Policy Coordinating Committee and submitted to the ECOWAS Commission. The reports show that following the debt relief secured when reaching the completion point under the HIPC Initiative in 2012, Guinea has enough margin with respect to the limit of 70 percent of GDP on the outstanding public debt.

Table 3. ECOWAS Convergence Criteria and Guinean Government Projections Through 2020

Criterion	Standard	2012	2013	2014	2015	2016	2017	2018 (proj)	2019 (proj)	2020 (proj)
First-order criteria										
Overall budget deficit as % of GDP	≤ 3%	2.5	3.9	3.2	6.9	0.1	2.1	1.9	1.9	1.8
Average annual rate of inflation	≤10% and target ≤5% in 2019	15.2	11,9	9.7	8.2	8.2	8.91	8.0	11.1	8.6
Central Bank financing of budget deficit	≤ 10% of n-1 revenue	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Gross reserves in months of imports	≥ 3 months	2.4	2.9	3.2	2.2	2.3	2.5	3.2	3.5	3.8
Second-order criteria										
Total stock of debt as % of GDP	≤70%	27.2	34.0	35.1	41.9	41.8	37.9	40.4	43.3	42.6
Variation of nominal exchange rate	±10%	-5.6	-2.2	1.5	6.7	19.6	1.4	5.7	-0.2	-0.9

Sources: Guinean authorities, 2018-2020 DPBP, and IMF staff estimates.
Note: Cases where the convergence criteria are not met are indicated in red.

24. However, the growing reliance on PPPs to provide infrastructure in Guinea could make it difficult to comply with the debt limit in the future. At end-2017, the DNPEIP's inventory of PPP projects indicated a total of 25 PPP contracts signed between 2012 and 2017, notably in the areas of energy, housing, and hotel services. These contracts represented a total of roughly 58 percent of GDP, although only two contracts (representing a total commitment of about 0.4 percent of GDP) are currently under execution (Table 4).[8] Data limitations prevented from quantifying the sovereign guarantees associated with those PPPs. The envisaged PPPs represent a serious fiscal risk; accordingly, an urgent finalization and adoption of the decree implementing the 2017 PPP law is warranted to put the institutional framework into effect to supervise, monitor, and manage the potential risks associated with PPPs.

[8] The two contracts being implemented are the PPP for the construction of the Kaloum 5 and Kaloum 3 thermal plants (0.2 percent of GDP) signed in 2017, and the PPP agreement for construction and operation of the so-called ONOMO hotel complex (0.2 percent of GDP) signed in 2015.

Table 4a. Portfolio of PPP Agreements Signed at End-2017

	Project name/description	Amount (% of GDP)	Year signed	Guarantee
	Ongoing projects			
1	Kaloum 5 and Kaloum 3 thermal plants	0.2	2017	Guarantee of three months' consumption not payed by EDG
2	PPP agreement for the construction and operation of the Onomo hotel complex	0.2	2015	...
	Projects not yet started			
3	Touba hydropower plant	0.2	2017	Guaranteed payment of invoices on first demand, within a period not to exceed 20 days, of invoices not paid by EDG. Escrow account to be opened at the BCRG
4	Kakara hybrid plant	5.2	2017	Guaranteed payment of invoices in the event of non-payment by EDG
5	Kogbédou hydropower plant	3.9	2016	Guaranteed payment of invoices on first demand, within a period not to exceed one month, in the event of non-payment by EDG
6	La Tannerie thermal plant		2017	US$11.4 million to be set aside within 11 months
7	Military uniform production plant	0.3	2017	No guarantee
8	Boubouya solar plant	0.4	2017	...
9	PPP agreement for the construction of 10,000 housing units		2016	...
10	PPP agreement for the construction of 20,000 housing units	10.7	2016	...
11	PPP agreement for the construction of 20,000 housing units		2016	...
	PPP agreement for the design, construction, maintenance, and transfer of 5 hectares to Kaloum Sandervalia			...
12	PPP agreement for the design, construction, maintenance, and transfer of 5 hectares to Kaloum Sandervalia	0.1	2016	
13	PPP agreement for the construction, operation, maintenance, and transfer of the Niger contract	0.3	2016	...
14	PPP agreement for the construction of 30,000 housing units	14.1	2016	...
15	PPP agreement for the construction of housing units on 5 hectares	0.1	2016	...
16	PPP agreement for the construction of housing units on 64 hectares	1.3	2016	...
17	PPP agreement for real estate promotion		2013	...
18	PPP agreement for the construction and operation of a hotel complex	0.6	2012	...
19	PPP agreement for the construction of 500 housing units	0.3	2017	...
20	Agreement for the development of directorate offices in Koloma	0.1	2015	...
21	PPP agreement for the construction of 768 housing units in Keitaya, Dubreka		2014	...
22	PPP agreement for the construction and operation of a mega hotel complex	2.0	2013	...
23	PPP agreement for the construction of 10.000 housing units in Conakry, Dubreka, Coyah, Boké, Beyla, and Siguiri		...	...
24	PPP agreement for the construction of 20,000 housing units	11.7	2016	...
25	PPP agreement for the construction of 20,000 housing units	6.8	2016	...
TOTAL		58.4		

Source: Guinean authorities, MEF.

25. **Like borrowing, fiscal policy is also governed by the ECOWAS-wide rules transposed into Guinean law, the LORF, and the implementing decree on public financial governance.** Two out of the four first-order ECOWAS convergence criteria refer directly to fiscal policy: the limit of 3 percent of GDP on the overall fiscal deficit, and the ceiling on central bank financing of the deficit at 10 percent of prior year tax revenue. The lack of ceilings on annual PPP commitments or annual sovereign guarantees is a weakness of the community rules, which their binding feature does not apply beyond the central government.

26. In practice, fiscal policy remains subject to stricter performance criteria under the IMF-supported ECF arrangement. The program defines quantitative performance criteria for the basic fiscal balance and net BCRG lending to the government. Although the government has not always met these stricter criteria under the IMF-supported arrangement, its adherence to the ECOWAS fiscal convergence criteria has improved over the years. Both the 2018–20 multiyear budget programming document (DPBP) and the 2018 Economic and Financial Reports refer to this performance, noting that Guinea met five of the six convergence criteria in 2017 (Table 3).

27. A medium-term macro-fiscal framework is prepared ahead of budget preparation and includes budget aggregates broken down between current and capital expenditures. The LORF and the implementing decree on public financial governance require the government to prepare a medium-term budget framework (MTBF) each year, which serves as the basis for establishing limits for the medium-term expenditure framework (MTEF). The MTEF, in turn, establishes the major categories of public expenditure by nature, function, and department for the following three years (see paragraph 50). The LORF also requires that the draft annual budget law (PLF) must be consistent with the first year of the medium-term framing documents. However, the MTBF does not distinguish between ongoing and new projects.

28. The preparation of the medium-term macro-fiscal framework ahead of the annual budget is operational in Guinea. However, the practice was established only recently, and implementation entailed approximations. The 2018–20 DPBP is the government's third, following those of 2016–18 and 2017–19. Forecast errors between the DPBP and annual budgets are observed (cf. Table 4b). The credibility of the medium-term macro-fiscal framework should be improved as staff learn by doing the DPBP preparation ahead of the budget.

Table 4b. Comparison of 2018–20 DPBP and the 2018 Draft Budget Law

(GNF billions)

Ministry	DPBP 2018 tranche	PLF 2018	Difference (%)
Total expenditure	19,229	20,156	4.8%
Defense	1,540	1,527	-0.9%
Agriculture	1,174	627	-46.6%
Public works	1,889	2,334	23.6%
Health	1,123	1,305	16.2%
National Education and Literacy	1,804	1,461	-19.0%
Higher Education	1,110	1,258	13.3%
Energy and Water Supply	2,610	3,029	16.0%

Sources: 2018–20 DPBP and 2018 PLF.

2. National and sectoral planning (institutional strength: medium; effectiveness: medium; reform priority: low)

29. Guinea has a public investment strategy (the PNDES) and sectoral strategies but lacks standardized tools, in particular, for the preparation of sectoral policies. Planning is within the responsibilities of the Ministry of Planning and International Cooperation (MPCI). By decree,[9] the MPCI is responsible for the design and development of economic, social, and cultural development plans. It exercises these authorities through the National Directorate of Plans and Long-Term Planning (DNPP). Decree 044 of March 27, 2015,[10] created Development and Strategy Bureaus (BSDs) in all ministries charged with coordinating the formulation of the ministries' development policies and strategies, in liaison with the ministries' technical directorates and the MPCI. However, there are no standardized tools, codified methods, or procedures to facilitate the preparation of sectoral policies or strategies in terms of minimum content. For example, a guide could refer to the need to transform strategies into programs and projects, define measurable targets to assess results, estimate the associated costs, and provided methodologies.

30. Guinea's public investment strategy is essentially based on the PNDES, but the PNDES projects are not adequately prioritized or coordinated with the sectoral strategies. Recently, Guinea developed a PNDES for 2016 through 2020. It was the product of a participatory process that included the MPCI, the Prime Minister's Office, the ministries through their BSDs, the private sector, civil society, and the technical and finance partners (TFPs). It is intended as a strategic and programmatic frame of reference for all development actions for the 2016–20 period. It includes most of the projects financed from the budget, with associated costs, and a results framework with target indicators of outputs and results. It was adopted by the legislature and published. However, the investment projects included in the PNDES are not sufficiently prioritized, which limits the effectiveness of the PNDES as a guide for investment programming. Most of the sectoral ministries have strategies, but the strategy documents are diverse in terms of format and time horizon in the absence of standardized tools, as shown in Table 5. The sectoral strategies do not necessarily include a prioritized list of projects and estimated costs, funding constraints, or results frameworks; most are not published. Under such conditions, the sectoral strategies are of limited use in guiding investment programming for the different sectors. Moreover, the strategies, to the extent they exist, are not systematically aligned with the PNDES.

[9] Decree D/2016/075/PRG/SDG of March 30, 2016, on the missions and organization of the MPCI, article 1.

[10] Decree 044/PRG/SGG of March 27, 2015 creating and establishing the powers, organization, and operations of the BSDs, article 2.

Table 5. Overall Analysis for Institution 2—National and Sectoral Planning

Institution/Level	Strategy	Published	Total estimated cost	Project list	Project estimated costs	Indicator of outputs and results	Results framework
National strategy—PNDES	√	√	√	√	√	√	√
Ministry of Public Works	√	×	√	√	√	√	×
Ministry of Health	√	√	×	×	×	√	×
Ministry of Energy and Water Supply	√	√	×	×	×	×	×
Ministry of Education	×	×	×	×	×	×	×
Ministry of Agriculture	√	×	√	√	√	√	√

Source: Mission analysis of some selected sector strategies.

31. **Although the PNDES is a good practice, it is important to consider strengthening the planning process to improve the quality and effectiveness of national and sectoral investment programming**. Currently, the lack of certain information on investment projects such as estimated total cost, impact, and priority, especially for sector projects, limits the credibility of those plans. It also limits their impact on the prioritization and selection of investment projects during preparation of the public investment program (PIP). Strengthening the planning and programming of investments, then, is important to ensure that a framework and standard tools are in place to support sectoral planning to better prioritize investment programming and make investments more productive.

3. Coordination between entities (institutional strength: medium; effectiveness: low; reform priority: low)

32. **The regulatory framework provides for a degree of coordination of SNG investment plans with the regional central government agencies**. The CCL provides that the SNGs[11] develop a number of planning tools,[12] including a local development plan (PDL) and a regional development plan (PDR) that present the requirements of all sectors, and an annual investment plan (PAI) covering projects within the SNG's scope of authority. The communal budget, which includes the PAI, must be approved by the prefecture and publicized locally.[13] The local planning guide issued by the Ministry of Regional Administration and Decentralization (MATD) provides that the PDLs must take account of the government's strategy objectives and sectoral strategies.[14] However, there are no directives providing for the consolidation of the various lists of prefectural, regional, or national investment projects. Since the methodology for preparing PDRs is not yet defined, no conclusion can be drawn as to the modalities of coordination among the PNDES, the sectoral strategies, the PDLs, and the PDRs.

[11] As provided by the CCL, the subnational level of government consists of seven regional councils and 342 communes (38 urban communes and 34 rural communes).

[12] CCL articles 320-325 and Title V on the SNG financial system.

[13] Revised SNG planning guide (2017), CCL, articles 450–51.

[14] MATD, Second Generation Methodological Guide, Preparation and Implementation of a Local Development Plan, March 2017.

33. The legislation also provides for transfers from the central government budget to the SNGs to finance investment, but the implementing regulations are not yet in place. Currently, the Mining Code,[15] the 2016 budget law creating the National Local Development Fund (FNDL),[16] and the decree creating the National Regional and Local Finance Agency (ANAFIC)[17] provide for the allocation of 15 percent of certain mining royalties to all the SNGs. There are also plans for the creation of a Local Mining Development Fund (FMDL) for the allocation of 5 percent of royalties to the communes bordering the mining areas. However, neither the formulas for cross-subsidization of the FNDL or the FMDL, nor the terms and conditions of utilization, management, or oversight, have been defined. Finally, there are no legal provisions entitling the SNGs to receive information on capital transfers prior to the adoption of the budget law.

34. In practice, the SNG investment plans are not discussed with the central government or systematically published, but the SNGs do not have neither major projects nor capital transfers. To date, all of the rural communes have a PDL; most produce a PAI each year, but only 12 of the 38 urban communes have PDLs. PAIs are not consolidated or discussed with the sectoral ministries or prefectural staff.[18] The regional councils have not yet been established, so there is no question of PDRs. However, the SNGs do not undertake major investment projects in view of their limited resources[19] and the lack of transfers from the FMDL and FNDL. The communes' investment expenditures are quite low; they are estimated at less than 0.4 percent of the government budget.

35. The regulatory framework provides for limited monitoring of contingent liabilities associated with PCs and PPPs. Law 075 on the governance of PCs[20] provides for financial oversight of PCs by the MEF through the DNPEIP.[21] The DNPEIP oversees the government's equity interests and submits a report on the PCs to the MEF. The MEF holds the portfolio of government investments, other than investments in mining sector entities. Law 075, article 57 provides that a report on the performance of PCs and government investments is to be annexed to the proposed budget review law (*loi de règlement*) each year. The DNPEIP sends a questionnaire to the PCs for this purpose that includes, in particular, the status of their long-term debts and contingent liabilities. The PPP law further requires that the MEF manage and oversee

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[15] Law L/ 2013/053 of April 8, 2013.

[16] Budget law L/2016/001/AN, articles 20-23.

[17] ANAFIC Decree D/2017/298/PRG/SGG.

[18] Ministry of Civil Service and Government Reform and Modernization (MFPREMA), decentralization plan *(Plan de déconcentration et décentralisation*), 2017.

[19] The SNG budget was 1.2 percent and 0.5 of the government budget in 2014 and 2017, respectively, with respective execution rates of 46 percent and 56 percent.

[20] L/2016/075/AN.

[21] Decision A/2017/998/MPCI/CAB.

public commitments in the context of PPPs.[22] Finally, although the CCL provides for borrowing by the SNGs or investment expenditure, the implementing decrees lack provisions specifying the terms and conditions of authorization, guarantee, and monitoring of such borrowing and the contingent liabilities they represent.[23]

36. In practice, the DNPEIP monitors the explicit contingent liabilities of PCs and some PPPs, although the documentation attached to the budget law does not include sections on the subject. The DNPEIP collects information from PCs and consolidates information on their debts. The DNPEIP's analysis is summarized in a note on the status of the corporations of the government portfolio prepared for the MEF. The note was used in the analysis contained in the report on PCs, which was attached to a budget proposal for the first time with the proposed 2018 budget law. However, the note was limited to the liabilities associated with employer obligations, tax liabilities, and debts to suppliers. Regarding PPPs, the DNPEIP conducts limited monitoring of explicit contingent liabilities associated with PPPs in an internal document focused particularly on government guarantees.[24] However, the monitoring of PPPs is not comprehensive.

37. The failure to strengthen the coordination of SNG investment expenditures and the central government when the FNDL becomes operational could affect the effectiveness of those expenditures. Since transfers from the FNDL could quadruple the communal budgets once the fund is operational, there is a potential risk that the areas of authority of the communes could overlap with those of the sectoral ministries.[25]

4. Project appraisal (institutional strength: low; effectiveness: low; reform priority: high)

38. A number of texts require feasibility studies for major investment projects but are silent as to the methodology to be used and the question of economic, financial, and risk analyses. The circular on the preparation of the 2019–21 PIP requires that feasibility studies accompany project information forms. However, important omissions exist: (1) no explicit requirement for the transmittal of project documents is included; (2) no text specifies the content of a feasibility study; (3) no explicit requirement for technical studies is stated; (4) no requirement is established for economic and financial analyses providing estimated costs and benefits, including in terms of environmental, social, and economic impact, although sectoral ministries will use those analyses to prioritize their projects; and (5) no mention is made of risk analyses. Moreover, a circular lacks the legal force of a presidential decree. However, the law on PPPs

[22] L/2017/32/AN on PPPs, article 8.

[23] CCL, articles 180 and 490.

[24] For example, payments by EDG to independent producers.

[25] FNDL assets are estimated at GNF 286.52 billion for 2019 and GNF 479.56 billion in 2020. This is based on the start of production of mining projects, such as the planned expansion of *Compagnie de Bauxites de Guinée* (CBG) and *Société Minière de Boké (*SMB) and relaunch of Alumina Company of Guinea in Fria, and the start of production of projects operated by Alufer, Cobad, and Guinea Alumina Corporation. Source: Study of available resources for the FNDL and ANAFIC operating costs, preliminary version, April 2018.

requires that the feasibility study analyze the project's environmental and socioeconomic impact and financial sustainability.[26]

39. A study fund was created in 2013 within the Large Projects and Contracts Management and Oversight Unit (ACGPMP)[27] to finance feasibility studies for major projects, but there are no provisions addressing governance of the fund.[28] Several entities are tasked with supporting the sectoral ministries in conducting feasibility studies: the National Directorate of Public Investment (DNIP)[29] and the Technical Programming Support Bureau (BTAP)[30] within the MPCI, the sectoral ministry BSDs[31], and the Central Project Studies Bureau (BCEP).[32] For PPPs, the law provides for different units—the PPP committee and PPP units—that could play a role of central support in the appraisal of PPPs, but the implementing texts have yet to be prepared.

40. In practice, domestically funded priority investment projects do not systematically undergo socioeconomic analyses as do externally funded projects. Of the 23 major projects reviewed for the PEFA,[33] economic analyses were only conducted for 11. Of the 113 projects identified in the Post-Ebola Plan, feasibility studies were prepared for 34, of which 32 percent domestically funded.[34] Technical, social, economic/financial, and environmental feasibility studies are systematically conducted for externally financed projects. However, the methodologies used vary according to the partners' particular requirements. In general, domestically funded infrastructure projects undergo technical studies, but they do not do so systematically; further, no economic/financial analyses were observed, with the exception of two studies conducted by the BCEP that include profitability ratios.[35] A review of the project information indicates that the

[26] Law 2017-32 of July 4, 2017, on PPPs, Title 3, Identification of requirements and selection of PPP projects.

[27] Decree D/2013/029/PRG/SGG of February 8, 2013.

[28] For example, specifying the operations of the studies fund, the modalities of requests, eligibility requirements, and disbursement procedures.

[29] Decision A/2017/998/MPCI/CAB of March 6, 2017.

[30] Decision A/2017/994/MPCI/CAB.

[31] Decree 044/PRG/SGG.

[32] Decision A/2017/994/MPCI/CAB.

[33] The PEFA reviewed 23 major investment projects selected on the basis of two criteria: (1) the total investment cost for the project represents at least 1 percent of total annual budget expenditure, or a total initial project cost of more than GNF 153 billion, all funding sources combined (the initial 2017 budget totaled GNF 15,326 billion); and (2) the project is one of the 10 largest (based on total cost of investment) projects of each of the five largest central government entities, based on their investment expenditures provided in the 2017 budget law. The five ministries with the largest investment budgets are the following: Ministry of Public Works (investment budget of GNF 1054 billion), Ministry of Energy and Water Supply (GNF 1122 billion), Ministry of Health (GNF 768 billion), Ministry of Agriculture (GNF 292 billion), and the MEF (GNF 227 billion).

[34] World Bank (2017), "Republic of Guinea: Toward a More Efficient Appraisal System of Public Investment Projects for Greater Impact in Guinea," Report AUS17387.

[35] 2018–20 PIP, projects 32335 (Conakry urban streets projects) and 32336 (construction/rehabilitation of the Coyah–Mamou–Dabola road, financed by China.

majority of information required is financial in nature. The information forms are rarely completed in full. The relationship with the PNDES is rarely explicit, the financial evaluation is summary, and no information is provided concerning potential project impacts.[36] At best, the feasibility studies for domestically funded projects are funded after the projects have been programmed in the PIP. Likewise, PPPs are apparently not always subject to economic and financial analyses. For example, recent PPPs for independent electricity production units underwent technical and financial studies, in particular to establish the price to be charged for the power produced, but the projects' socioeconomic impact and financial sustainability were not evaluated.

41. Central support for the preparation of studies is not yet fully effective. The DNIP and BTAP lack the financial and human resources to conduct or delegate those studies. The funding allocated to feasibility studies is usually reallocated to the implementation of ongoing projects, creating a vicious circle from one year to the next. Concerning human resources, the BTAP, created in 2017, has only seven engineers in place out of the 27 provided. The BCEP recently increased its team from four professionals to 30 in 2018. The BCEP is intended to serve as the central support structure, based on the Ivoirian model (cf. Box 1). However, coordination and sharing of responsibilities among the BSDs, the DNIP, the BTAP, and the BCF is not yet defined in practice or in the applicable regulatory texts.

42. The lack of technical, economic, and financial evaluations of domestically financed projects creates a significant risk. The lack of detailed evaluations impacts the following stages of the investment management cycle: (1) the project selection process, because of the lack of objective data on which to base the sectoral prioritization, and the selection during budget conferences; (2) the execution of the PIP due to contingencies that will arise during implementation, impacting the implementation schedule and costs; (3) the ex post evaluation of projects due to lack of data on expected results. A risk analyses would enable political decision makers to mitigate risks in advance, especially risks to costly projects.

[36] The example of the Ministry of Pre-University Education bears mention for its sound practice of preliminary identification, feasibility assessment, technical studies, and cost-impact analyses based on annual education statistics. However, the ministry's methodology is not set out in any official document.

Box 1. Côte d'Ivoire: BNETD and Studies Fund Support Appraisal of the PIP

The experience in Côte d'Ivoire points to two lessons:

- A strong central support unit

Côte d'Ivoire's National Technical and Development Studies Bureau (BNETD) is a central support structure created in 196. The BNETD is the result of an institutional process whereby the Directorate of Large Projects Oversight was converted to a public corporation in which the government is the sole shareholder and its activities were refocused on assisting the government in the following: (1) identifying, preparing, and defining medium- and long-term development objectives; and (2) improving the utilization of resources, completion of projects, and establishment of standards and methodologies for the sectoral ministries. At the request of the authorities, the BNETD may monitor project implementation; monitor, oversee, or conduct studies; and contribute to feasibility, technical, economic, and financial studies.

Specifically, in addition to providing training and producing standards and methodologies, the BNETD supports the sectoral ministries in conducting the various studies required for the preparation of the PIP. The BNETD may conduct studies on a contractual basis, usually pursuant to competition but at times through direct negotiation for strategic reasons. In some cases, as requested by the Directorate of Public Investment Programming (DPIP), the BNETD supports the sector ministry in quality review and validation of feasibility studies. The BNETD then plans the additional studies needed for project preparation at the request of the DPIP. The BNETD also offers an extensive program of short-term training on the different phases of investment project management.

- Protected funding for feasibility studies

The financing of feasibilities studies from own resources comes from several sources: (1) the sector ministry budget appropriation earmarked for the preparation of the PIP; (2) a special studies fund established within the Treasury in 2013 and managed by an interagency committee (the Presidency, the Prime Minister's Office, and the ministries of planning, finance, and budget) that makes additional funding available to the sector ministries by means of an internal, competitive process used for major projects; and (3) external funding. Between 2013 and 2014, the fund financed 119 studies for a total cost of US$25.8 million (GNF 232.5 billion).

Source: World Bank (2017), "Republic of Guinea: Toward a More Efficient Appraisal System of Public investment Projects for Greater Impact in Guinea," Report AUS17387.

Box 2. Chile: Project Appraisal and Selection

Project appraisal and selection in Chile is based on four pillars:

- A rigorous, systematic training program on formulating and preparing projects of different levels of complexity
- A mandatory socioeconomic evaluation based on the net present value or internal rate of return of social investments
- Efficient allocation of resources among competing projects from different sectors
- A transparent procurement system based on competition.

On this basis, the National Investment System (SNI) was established in the 1980s. It provides for a well-structured process for evaluating and selecting projects and is considered an example for emerging countries. The system currently operates under the joint supervision of the Ministry of Social Development (MDS, the former Ministry of Planning) and the Ministry of Finance. The SNI provides for a number of shared tools, in particular:

- Published directives prescribe the process to be followed in evaluating and selecting projects.
- An integrated project database, a shared IT tool, is used throughout the process.

Projects must be supported by either a cost-efficiency analysis (health, education, and water projects) or a cost-benefit analysis (transportation and infrastructure). These tools are accessible on the MDS website. Risk analysis are also considered. To receive a favorable rating, a project appraisal document must also present any information on sensitivity to fluctuations in the variables. The MDS investment studies department reviews all investment project appraisals and recommends the projects to be included in the budget. Although the MDS is not formally independent, it is a technical and professional institution less subject to political pressure.

Source: IMF mission.

5. Alternative infrastructure financing (institutional strength: medium; effectiveness: medium; reform priority: medium)

43. The regulatory framework governing the provision of infrastructure in Guinea is partly open to competition. Law L/2001/18/AN on the reform of PCs and government divestment establishes open competition as the preferred mode of infrastructure provision.

- **Electricity and water**. The 2001 law, which replaced the Build, Operate, and Transfer (BOT) law of 1998, authorizes the use of PPPs and private investment for electricity production. Discussions are underway to extend competition to the electricity distribution segment by end-2018. Competition does not yet extend to the supply of water. A water and electricity regulatory authority was recently created, but the implementing decrees have yet to be adopted.
- **Telecommunications and new information and communications technologies (NICT)**. The 2015 law on telecommunications and NICT establishes the principle of an open, competitive market. The Postal and Telecommunications Regulatory Authority (ARPT) is responsible for regulating the market in an independent, neutral, proportionate, impartial, and transparent manner.

- **Transportation**. Competition in the transportation sector is regulated by the Ministry of Transportation through the sector directors of ground, rail, maritime, and air transport.

44. In practice, the production of economic infrastructures is partly open to competition.

- **Electricity and water**. The public electric utility, *Electricité de Guinée* (EDG), signed power purchase agreements (PPA) with seven independent electricity producers (Table 6) and two PPPs for hydropower production.[37] The supply of water in urban areas is monopolized by the public corporation *Société des Eaux de Guinée* (SEG).
- **Telecommunications and new information and communications technologies (NICT)**. Several operators are present in the telephone services market, which is effectively regulated by the ARPT.
- **Transport**

  I. *Air*. Following disappointing earnings, the few private airlines providing domestic service between different Guinean cities discontinued operations. The government is reportedly negotiating with Ethiopia to create a national airline company.

  II. *Ground*. With the exception of the public transportation corporation *Société de transport guinéen* (SOTRAGUI), ground transport is monopolized by private companies, most of which operate in the informal sector.

  III. *Rail*. The national railroad company is the only real transportation provider, with an express train between Conakry and the suburbs.

  IV. *Maritime*. In addition to the public shipping corporation *Société Navale de Guinée*, small private operators provide canoe service between Conakry and the Guinean islands under the supervision of the Directorate of the Merchant Marine, the regulatory authority.

[37] The two hydropower PPPs concern the Kaleta special purpose vehicle (240 MW) and Souapiti (450 MW).

Table 6. PPAs Signed by *Electricité de Guinée* (EDG)

Agreement	MW	Type of source	Status
Purchase agreement (power purchase agreement, PPA) signed and active			
AON	100	Thermal	Active
La Guinéenne d'Énergie	40	Thermal	Active
Kaloum 3	44	Thermal	Active
Purchase agreement (PPA) signed but not yet constructed			
Endeavor	50	Thermal	Signed but not yet constructed
BDG	33	Solar	Signed; construction planned for 2020
Sintram-Guiter (Frankonedou-Kogbedou)	90	Hydropower	Signed but not yet constructed
Guinea Power Group	50	WTE	Signed but not yet constructed
Public-private partnership			
Kaleta SPV	240	Hydropower	Signed and active
Souapiti	450	Hydropower	Signed but not yet constructed

Source: EDG.

Note: AON = *Groupe Abdelhedi Ould Noueigued* (Malian Corporation) ; BDG = Branch of Guinea's Development Bank) ; SPV = Special Purpose Vehicle.

45. Guinea has established an institutional framework for PPPs, but it is not yet operational. A PPP law adopted in July 2017 replaced the 1998 BOT law that had not taken effect due to the lack of implementing regulations. In view of the important role that PPPs are expected to play in implementing the ambitious investment program provided by the PNDES, the timely adoption of the 2017 PPP law provides a frame of reference for the management and supervision of Guinea's PPP projects. The law defines the institutional framework and rules governing the award, implementation, oversight, and regulation of PPPs. It provides for the use of PPPs for projects in all economic and social sectors, with the exception of oil and mineral rights, which are governed by specific codes. It presents an overview of the different public entities involved in the various phases of implementing PPP projects. However, the institutional framework is not yet operational, since two important texts have not been finalized or adopted: the proposed decree implementing Law 2017/AN of July 4, 2017, on Public Private Partnerships and Organization of the Institutional Framework Applicable to Public Private Partnerships, and a second decree implementing the draft PPP Policy Letter. Until they are adopted, two key units within the DNPEIP—the PPP committee, responsible for directing the national PPP policy, and the PPP unit, charged with assisting other entities in the process of PPP projects—will lremain non-operational.

46. Some 20 PPP contracts have been signed in disregard of the regulations guiding project preparation, selection, and management. At end-2017, the DNPEIP identified roughly 20 signed PPP contracts (see paragraph 24). The adoption of the draft decrees implementing the

2017 PPP law will improve the control of the process of selecting and preparing PPP project based on appropriate criteria and feasibility studies. The new model for evaluating the fiscal risks of PPPs, developed jointly by the IMF and the World Bank, could support the mechanism for evaluating the relevance and appropriateness of PPP projects. Technical staff of the PPP unit would benefit by familiarizing themselves with this tool.[38]

47. The monitoring of PCs' investment plans and financial results is based on feedback of financial information by the government's representatives on the boards of directors. The 2017 law on the financial governance of public corporations and entities confers a key role on the government directors (auditors/financial analysts) in the transmittal of financial information (including the budget, investment plan, and financial statements) to the ministry having technical oversight and to the MEF, and in the consolidation of information within the DNPEIP. However, the absence of a decree implementing the law on financial governance of public corporations and entities limits the effectiveness of this institutional mechanism.

48. Although the monitoring of the investments and performance of public corporations and entities is being modernized, there is room for further improvement. The DNPEIP has systematized the collection of financial information from public entities (PCs and administrative public entities, EPAs) through the use of an annual questionnaire addressing such issues as revenue, recurrent expenditure (including subsidies) and investment expenditure, dividends, and contingent liabilities (including guarantees and bonds). Based on that information, an initial annual review of EPAs was published in September 2017, and a financial report on the PCs was produced and transmitted to the National Assembly for the first time in December 2017. These laudable initiatives should be strengthened by further standardizing the format of the information, which should then be consolidated in more informative reports and better harmonized among sectors of activity to facilitate comparison. A decree implementing the financial governance law should be adopted to enhance the legal force of the requirement that PCs provide complete and accurate responses to the annual questionnaire.

Recommendations:

Problem. Alternative financing of public infrastructure is not well regulated. There are no explicit caps on the annual or total amount of PPP commitments or guarantees provided by the government. The monitoring of PCs' investment plans is inadequate, and there are no explicit ceilings on borrowing by PCs. Neither the revised 2017 CCL, nor the policy statement on public borrowing and public debt management, clarify the limits or terms and conditions applicable to borrowing by the SNGs.

Recommendation 1: Strengthen the regulatory framework to provide for alternative infrastructure financing, and encourage competition in the provision of economic infrastructures.

[38] The model, the PPP Fiscal Risk Assessment Model (P-FRAM), is available at www.imf.org/publicinvestment

- Adopt the draft decrees implementing Law 2017/AN of July 4, 2017, on PPPs and organizing the Institutional Framework Applicable to PPPs; include explicit ceilings on the annual and total amounts of PPP commitments and guarantees provided in connection with PPPs.
- Adopt the draft PPP Policy Letter.
- Adopt the decree implementing the Public Entities Financial Governance Act, including explicit caps on public entities' borrowing and guarantees provided to public entities; strengthen the mechanism to monitor investments by public corporations.
- Adopt the decrees implementing the revised CCL to clarify the ceilings and conditions applicable to borrowing by decentralized authorities.
- Finalize the regulatory framework opening electricity distribution and the production and distribution of water to competition; adopt the decree instituting the water and electricity regulatory authority.

Problem. The lack of a guide for the preparation of sectoral policies and strategies limits the credibility and usefulness of those plans, as well as the effective programming of national and sectoral investments.

Recommendation 2: Strengthen procedures for preparing sectoral policies and strategies.

- Prepare a guide for formulating sectoral policies containing methodological guidance and indicative contents—such as prioritized list of projects, estimated costs, results framework, results indicators (to be implemented in 2018).
- Ensure that sectoral policies or strategies are up to date and aligned with the new strategic objectives of the PNDES, in particular, in terms of the results framework (to be implemented in 2018 and 2019).
- Develop an organizational framework and procedures manual that formalizes the relationships between the DNPP and the sectoral ministry BSDs (to be implemented in 2019).

Problem. The lack of final implementing texts for the PPP law and the lack of adjustment of PPPs in procurement regulatory framework may result in elevated financial risks.

Recommendation 3: Strengthen the regulatory and procedural framework for PPPs. In particular, cap explicit commitments under PPPs, and open unsolicited proposals to competition.

- Finalize and adopt the texts implementing the PPP law with respect to the coordinating and monitoring structures (including risks in the appraisal and capping explicit and implicit contingent liabilities in monitoring) (to be implemented in 2019).
- Address and define the modalities of PPPs in the procurement regulatory framework (to be implemented in 2019).
- Promote public access to information to support the principles of competition, efficiency, and transparency; in particular, open unsolicited proposals to competition (to be implemented in 2019).

Problem. The regulatory framework does not yet support the role of the communes as key actors in local development, as provided by law; the communes' capacities to manage the public finances are still limited as well.

Recommendation 4. Put the FNDL into effect, and strengthen the framework for local public financial management.

- Adopt texts supplementing the Mining code and CCL concerning the FNDL, the FMDL, and terms and conditions applicable to the SNGs' borrowing.
- Launch the operations of the SNG funding agency (ANAFIC) (procedures manual, funding, and human resources).

C. Ensure That Public Capital Expenditure Is Allocated to the Right Sectors and Projects

49. The allocation of investment expenditure to the most productive sectors and projects requires rigorous programming and budgeting. To this end, the PIMA determines whether the countries:

- Have implemented multiyear budgeting to take account of all future costs of investment projects and verify the sustainability of the investment program;
- Observe budget comprehensiveness and unity, which are essential to efficient resource allocation;
- Protect investment in the budget and avoid indiscriminate funding of too many projects by ensuring adequate financing for ongoing projects;
- Accurately project maintenance costs for physical assets to preserve the benefits of investment programs;
- Prioritize and select projects based on objective criteria.

6. Multiyear budgeting (institutional strength: medium; effectiveness: medium; reform priority: medium)

50. The budget framework law (LORF) of July 27, 2012, introduced a multiyear approach to budgeting that covers investment expenditure. Articles 13 and 14 of the LORF require the government to prepare both an MTBF projecting budget aggregates over three years and three-year MTEFs that breakdown the total expenditure indicated in the MTBF by ministry, function, and economic nature. LORF article 15 provides that the documents should be presented to the legislature before July 1 for budget strategy discussions; article 48 requires that they be attached to the PLF, which should, in turn, be consistent with the first year of the MTBF and MTEF. Projected expenditures for the second and third years of the MTEF and MTEF may be revised each year and are not binding. The provisions of the LORF concerning the MTBF are reiterated and clarified by Decree 2014/222 on the public financial governance framework.

51. Three-year investment expenditure projections by ministry are published. In 2017, like each year, a three-year PIP was prepared indicating investment expenditure by project ministry, and a multiyear budget programming documents (DPBP) was prepared indicating investment expenditure by ministry. The 2018–20 DPBEP was presented to the legislature on October 3, 2017, for budget strategy discussions. A summary of the 2018–20 PIP by ministry and funding source was attached to the 2018 PLF, and its 2018 tranche is consistent with the 2018 PLF. The total annual investment expenditures indicated in the PIP and the DPBP are close. However, significant discrepancies exist between the projected investment spending by ministry in the two documents, published several days apart (cf. Table 7). The discrepancies point to insufficient coordination between the staffs responsible for programming expenditures and undermine the reliability of multiyear projections. The PIP presents three-year expenditure projections by project, but it does not present total project costs or expenditures remaining to be executed beyond the three years covered by the PIP.

Table 7. Comparison of 2018–20 DBPB Projections with the 2018–20 PIP

(GNF billions)

	2018			2019			2020		
	DPBP	**PIP**	**Difference**	**DPBP**	**PIP**	**Difference**	**DPBP**	**PIP**	**Difference**
Total	**7,378**	**7,331**	**0.6%**	**9,568**	**9,623**	**-0.6%**	**11,235**	**11,349**	**-1.0%**
Domestic resources	**3,008**	**2,723**	**9.5%**	**4,700**	**4,588**	**2.4%**	**6,109**	**6,044**	**1.1%**
FINEX	**4,370**	**4,608**	**-5.4%**	**4,868**	**5,035**	**-3.4%**	**5,126**	**5,305**	**-3.5%**
of which									
Ministry of Public Works	1,596	2,042	-27.9%	2,401	2,605	-8.5%	2,491	2,543	-2.1%
Domestic resources	636	873	-37.2%	1,180	779	34.0%	1,211	744	38.6%
External funding	960	1169	-21.8%	1,221	1,827	-49.6%	1,280	1,799	-40.5%
Ministry of Energy and Water Supply	1,458	1,870	-28.2%	2,427	2,503	-3.1%	3,059	4,282	-40.0%
Domestic resources	629	279	55.6%	1,117	707	36.7%	1,686	1,615	4.2%
External funding	829	1,590	-91.8%	1,310	1,797	-37.1%	1,373	2,667	-94.3%
Ministry of Agriculture	979	425	56.6%	902	405	55.2%	844	932	-10.3%
Domestic resources	189	123	34.8%	323	196	39.1%	278	801	-187.7%
External funding	790	302	61.8%	580	208	64.1%	566	131	76.9%
Ministry of Health	398	581	-46.0%	524	331	36.9%	717	359	49.9%
Domestic resources	103	196	-90.7%	25	205	-728.0%	53	214	-302.0%
External funding	295	385	-30.4%	499	125	74.9%	664	145	78.1%
Ministry of Pre-University Education	273	165	39.7%	176	135	23.4%	49	186	-277.9%
Domestic resources	87	163	-87.7%	130	134	-2.7%	49	186	-277.9%
External funding	186	2	99.2%	46	1	97.0%	0		

Sources: 2018–20 DPBP and 2018–20 PIP annexed to the 2018 proposed budget law (PLF).

52. Strengthening of the multiyear programming process is a precondition to the implementation of a reliable, sustainable investment program. The strengthening must address procedures and the contents of the documentation that supports programming. In order to better measure the financial impact of projects, the PIP should present, in addition to three-year expenditure projections by project, the total project cost, total expenditures executed, total expenditures remaining to be committed, three-year distributions, and expenditure beyond the period of the current PIP. The DPBP is a framing document and should effectively frame the programming of investment. To this end, budget preparation and programming activities should be scheduled in a way that ensures that the preparation of multiyear programming documents (DPBP, ministerial MTEFs, and PIP) is adequately coordinated.

7. Budget comprehensiveness and unity (institutional strength: medium; effectiveness: medium; reform priority: medium)

53. The LORF is based on the principles of budget unity and comprehensiveness. Those principles are applied to the government budget and those of EPAs in LORF article 3. Article 39 provides that the government budget must include funds from international donors and the expenditures financed by those funds. With respect to PPP contracts, LORF article 27 stipulates that a commitment authorization (AE) covering the total amount of the legal commitment should be included in the budget law for the year the contract is signed. Decree 2016/75 of March 30, 2016, on the authorities and organization of the MPCI provides that the investment budget is prepared by a specialized directorate within that ministry. In addition, Decree 2016/92 of March 30, 2016, on the authorities and organization of the Ministry of Budget provides that the ministry prepares the recurrent budgets and consolidates the recurrent and investment budgets in a single document in cooperation with the MPCI.

54. In practice, the investment budget is relatively comprehensive, but the unity of the government budget is limited and does not adequately reflect the impact of investment budgets on the recurrent budget. Investment expenditures are presented in Title V of the 2018 budget and represent 37 percent of total budget expenditure. However, a number of projects included in Title V are hybrid in nature and include both capital and current expenditure. The budget nomenclature at the paragraph level and the accounting framework provides for a clear distinction between current and capital expenditure, in accordance with international standards. However, the nomenclature is not yet applied to expenditures financed externally. Most capital expenditure is approved by the national assembly. Only PPP projects are not yet included in the budget, although article 27 of the LORF provides that they should be. Investment operations by EPAs, which are very limited, and specific external funding are not included in the budget.[39] Although the budget is presented in a single document, the investment and recurrent budgets are prepared by two different ministries. There is insufficient coordination between them to ensure that the impact of investments on the recurrent budget is given adequate consideration and the allocation of resources between the two types of expenditure (particularly between maintenance and investment) is optimized.

55. Improving budget comprehensiveness and unity is essential to provide a comprehensive view of investment expenditure and facilitate the allocation of sufficient

[39] For example, expenditures are financed by the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Global Partnership for Education, but the distribution of expenditure between capital and recurrent expenditure is not published.

resources to maintenance to ensure the durability of the infrastructures provided. A more complete view of capital expenditure in the budget would enable the legislature to properly fulfill its role of authorizing all public expenditure and overseeing execution. The lack of information on expenditure not recorded in the budget and the failure to apply the economic nomenclature to some projects limits macroeconomic analysis. Insufficient coordination between the preparation of the investment program and the recurrent budget, particularly the absence of joint budget conferences, undermines the effectiveness of resource allocation. As a result, the recurrent costs of investment projects are often overlooked, which can impact the durability of the assets and compromise their impact on growth.

8. Budgeting for investment (institutional strength: medium; effectiveness: low; reform priority: high)

56. Legal and regulatory provisions aim to protect investment expenditure over the medium term, particularly expenditure relating to ongoing projects, but implementing texts are lacking. LORF article 26 provides that the budget should include AEs for multiyear investment expenditure. For an investment project corresponding to a homogenous, indivisible unit, the AE should correspond to the total project cost.[40] However, no implementing texts have been adopted to define the modalities of implementing AEs, in particular, the treatment of projects combining multiple, homogenous subprojects. Thus, the question of whether the AE covers the total cost of the project remains to be clarified in a regulatory text. LORF article 24 provides that the payment officer for each program may modify the distribution of appropriations between the different budget titles as long as the modifications do not increase the total amount under Title II (personnel expenditure) or reduce the amount under Title V (investment expenditure). LORF article 33 permits unused available payment appropriations (CP) for investment expenditures to be carried over at the end of the year. The amount of CPs to be carried over is limited to the amount of the AE consumed. This procedure ensures the completion of projects for which execution or payments were delayed during the year.

57. Investment expenditures are not adequately protected during the multiyear time horizon. Financing for ongoing projects may be impacted by the introduction of new projects in the budget. The Prime Minister's framing letter of September 27, 2017, accords the same priority to ongoing projects and mature new projects introduced in the budget.[41] Transfers from Title V to other titles were limited to two operations in 2017 that together represented 7 percent of the budget for domestically financed investment. The proportion of domestically financed new projects in the 2018 PIP totaled 35 percent, or 16 percent if the local counterpart of externally

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[40] LORF article 26 provides: "for each investment operation, the AE shall cover a tranche constituting an individually distinguishable unit forming a coherent ensemble and able to be put in operation without additional components."

[41] The letter provides, "your expenditure forecasts [for the 2018 PLF] must take account of the following constraints: ... for investment expenditures, consideration of ongoing projects, mature projects, the project counterpart for those financed from external resources, and their inclusion in the National Investment Plan.

financed projects is excluded. An analysis of 16 projects launched since 2010 indicates that projects representing a total cost of GNF 1099 billion were interrupted due to lack of financing, although 68 percent of the financing had been executed.[42]

58. To ensure the investment program's effectiveness, budget appropriations should not be stretched thin by funding an excessive number of projects. During programming of investments, each project's total cost and projected future costs should be examined and compared to the optimal project implementation period to ensure that the project will be executed under proper conditions. Clear directive on whether to consider new projects should aim to avoid distribution appropriations among too many projects. A regular review of projects should be conducted to ensure that projects that have become inactive for lack of financing are not included in the PIP. In parallel, investments should be protected in terms of budget execution by prohibiting appropriations transfers from Title V to other titles. In addition, during preparation of commitment plans, consideration should be given to the situation of ministries whose investment activities are subject to seasonal weather constraints.

9. Maintenance funding (institutional strength: medium; effectiveness: low; reform priority: high)

59. The budget provides a framework for estimating current and periodic maintenance expenditure, but there is no standard methodology for estimating and programming these expenditures. The budget nomenclature defined by Decision A/2014/5262/MEF/SGG of October 9, 2014, provides for the detailed presentation of maintenance expenses in the government budget. Routine maintenance expenditures are recorded in Title III (goods and services expenditures); periodic maintenance is included in Title V (investment expenditure). However, there is no standard methodology for estimating routine maintenance requirements or the corresponding budget funding.

60. Recurrent expenses receive insufficient consideration in project programming, and maintenance is underfunded. The project forms completed during project preparation require estimates of recurrent costs, but the figures receive little attention during budget conferences. The road maintenance fund (FER) funded by the road maintenance fee assessed on fuel sales covers less than one-fourth of total road maintenance requirements (cf. Table 8). In the 2018 PLF, the provisions of the new nomenclature were applied for routine maintenance expenditure but not for maintenance work. However, the new nomenclature was applied during execution of the 2018 budget. The points remaining to be resolved concern externally financed rehabilitation work. The budget nomenclature has not yet been applied to this category of expenditure, and the categorization of expenditure used for the FER—which is intended to finance routine maintenance—at times results in the use of those resources to finance rehabilitation work.

[42] Information provided by the National Budget Directorate (DNB).

61. **Several sectors have nonetheless developed their own methodology for estimating maintenance expenditure**. In particular, the Ministry of Public Works (MTP) surveys road conditions using the VIS-ROAD system and estimates maintenance funding requirements based on the unit costs of repair work. It should extend this approach to heavy maintenance using the L2-R system, which identifies structural deterioration of roads. In the education sector, projects have defined standards for routine and heavy maintenance; a health sector guide was prepared 20 years ago but is considered obsolete. In the agriculture sector, externally funded project studies generally estimate cost recovery revenues, but cost recovery has proven inadequate in practice to support the operation and maintenance of project plant and equipment.

Table 8. Road Maintenance Requirements Compared to Anticipated Proceeds of the Road Maintenance Fee (RER)

(GNF billions)

Year	Requirements (A)	RER (B)	Gap (A-B/A)
2018	1,071	259	76%
2017	1,305	207	84%
2016	1,315	193	85%

Source: Activity Reports, FER.

62. **Effective maintenance of infrastructures is indispensable to ensure the durability of investments**. Maintenance costs should be forecast and budgeted concomitantly with investment expenditure. Combined investment-recurrent budget conferences should examine the proposed budget and multiyear forecast for both investment expenditure and maintenance costs. New construction should also be compared with rehabilitating existing infrastructures where relevant. The projected maintenance costs should be clearly identified in the MTBFs. General directives should be developed on forecasting, budgeting, and implementing maintenance operations, and these should be gradually supplemented by specific sectoral guides. The directives should specify the following: (1) the procedures and responsibilities for condition inspections of key plant and infrastructure; and (2) methods to be used to estimate routine and periodic maintenance requirements and costs. The estimated maintenance requirements could be based on reference estimates calculated using simple physical indicators (for example square footage of administrative buildings or miles of paved roads). However, the reference estimate should be supplemented and refined through specific analyses to be defined for each sector (cf. for example, the tools used by the MTP to assess road maintenance requirements).[43]

[43] A model approach to estimating recurrent costs for preparation of the PIP is available at http://documents.worldbank.org/curated/en/429841468741354480/Recurrent-expenditure-requirements-of-capital-projects-estimation-for-budget-purposes. For maintenance, various sectoral documents are available: Roads. World Road Association, Road Maintenance Manual, https://www.piarc.org/fr/fiche-publication/4369-fr-Manuel%20d-entretien%20routier.htm. This is a lengthy manual; ordering information is provided on the website. An older edition is available from the French Development Agency.

(continued...)

10. Project selection (institutional strength: low; effectiveness: low; reform priority: high)

63. The criteria and procedures for project selection and prioritization are inadequate. The decisions to include projects in the budget are made during budget preparation based on a review of project information forms and the availability of completed studies. No independent review of the studies is performed, and the DNIP has no formal methods for project selection. However, in the context of preparing the 2016–20 PNDES, the MPCI reviewed the investment projects identified by ministries and other institutions and assigns them one of three priority rankings. Selection criteria developed for that purpose are presented in Box 3. The criteria are insufficient to prioritize projects for budgeting for the following reasons:

- They are insufficient to prioritize major projects in sectors such as energy or transportation for which cost-benefit analyses, including calculation of an internal economic rate of return, are generally required.
- They do not require cost-efficiency analyses in the other sectors or consideration of alternative solutions for a given project.
- They do not provide for a review of project management provisions or future recurrent charges and comparison with the recurrent budget for the sector concerned.

64. Key projects do not constitute a reserve of appraised projects, and capacities are currently inadequate to review major projects. As presented in Box 3 and Table 9, PNDES projects are classified according to three categories: active projects, key projects, and reserve projects. The total cost of active projects and key projects is GNF 438,437 billion, of which GNF 245 billion for key projects. Only 30 percent of key project have reached a sufficient degree of maturity according to the PNDES definition of maturity recalled in Box 3;[44] but the results of socioeconomic studies of those projects and the level of socioeconomic benefits are not specified. The total cost of active and key project represents over 11 times the total amount of domestically and externally financed government investments planned for the PNDES (GNF 37,686 billion).[45] The number and cost of key projects are excessive. Key projects include projects for which studies have not been completed or the economic and social returns have not been carefully examined. Capacities are insufficient to identify a group of major projects with high

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Education. United Kingdom, https://www.gov.uk/guidance/essential-school-maintenance-a-guide-for-schools; South Africa, http://www.kzneducation.gov.za/Portals/0/Infrastructure_Planning_and_Delivery/Maintenance/NATIONAL%20MAINTENANCE%20POLICY%2011%20January%202010%20Edited%2020100830.pdf.
Health. World Health Organization, http://www.who.int/management/organize_maintenance_healthcare.pdf (organization of healthcare maintenance); and http://www.who.int/management/facility/hospital/Hosp_Standards_Maintenance.pdf?ua=1 q (PIMA-style questionnaire for hospital maintenance).

[44] PNDES volume 2, page 15, and Table 8.

[45] PNDES volume 1, page 136, Table 16.

economic and social impact based on feasibility studies. A World Bank report identifies significant difficulties on the part of ministerial BSDs and technical directorates in monitoring the preparation of feasibility studies by external consultants and evaluating those studies.[46]

Table 9. PNDES Projects by Category

Category	Number	Total indicative cost	
		GNF billions	USD Millions
Active projects	267	193,430	21,738
Key projects	172	245,007	27,529
Reserve projects	236	110,512	12,417

Source: PNDES Volume 2 (MPCI), September 2017.

Box 3. Project Selection in the PNDES National Investment Plan

Project (or program) selection criteria

- **Alignment on the PNDES.** In practical terms, alignment examines whether the project is consistent with the narrative content of the domain or pillar with which it is associated or with the strategic objectives of the PNDES.
- **Relevance**. The aspects considered in applying this criterion are as follows: (1) the project's assumed or demonstrated multiplier effect (based on feasibility studies) in terms of intrasectoral value chains or multisectoral spillover effects; (2) the project's assumed or demonstrated capacity (based on feasibility studies) to generate high added value in terms of government revenue, foreign currency, job creation, and/or income redistribution; and (3) the project's contribution to the strategic results of the PNDES.
- **Maturity**. The criteria applied include the following: (1) the status of feasibility and/or technical studies; (2) the availability of contract files or documents; (3) the status of financing; and (4) the project or program implementation status.

Categorization of a National Investment Plan (PNI) project.

- **A key project** meets the following criteria: (1) it is relevant from the standpoint of the PNDES; (2) it is of the very highest priority; and (3) financing is either to be identified, partially arranged, or under negotiation.
- **An active project** is a project meets the following criteria: (1) it is relevant from the standpoint of the PNDES; (2) it is a priority; (3) it is in the implementation phase, completed, or being completed; and (4) all or part of the financing has been arranged.
- **A reserve project** is a project that is neither a key project nor an active project and its degree of maturity is quite low.

Source: Box 1, "Programming Criteria," PNDES Volume 2. MPCI (September 2017).

65. **Sound procedures for selecting and prioritizing projects are essential to ensure effective and efficient implementation of the investment program**. The criteria of project alignment with strategies are an essential but insufficient basis for prioritizing, selecting, and budgeting projects. The results of economic studies (cost-benefits or cost-effectiveness, depending on the sector) should be used to compare projects—at least for projects of significant scope. For each significant project, alternative solutions should be evaluated to select the option offering the greatest socioeconomic benefits. Recurrent costs following project completion

[46] World Bank (2017), "Republic of Guinea: Toward a More Efficient Appraisal System of Public Investment Project for Greater Impact in Guinea." Report AUS17387.

should be estimated and compared to the recurrent expenditures of the ministry concerned. The post-completion project management provisions, cost recovery mechanisms, and reasonableness of cost recovery projections should also be analyzed. A guide should define the approach to be used to prioritize and select projects to develop a pipeline of fundable projects. This general guide should gradually be supplemented by sectoral selection and prioritization guides.

Recommendations:

Problem. Most of the budgeted priority investment projects funded from domestic resources lack feasibility, economic, and financial studies, adversely affecting implementation of the PIP in terms of costs, schedule, and anticipated impact.

Recommendation 5. Implement a process of independent review and validation of studies, and develop stricter selection criteria.

- Prepare and adopt a manual for the preparation, appraisal, and selection of priority investment projects that clarifies the following; (1) the method and standards for the pre-identification; components of a feasibility assessment; calculation of costs; and economic, financial, and risk analyses; (2) the administrative processes within the cycle of preparing, prioritizing, and selecting projects for inclusion in the PIP; and (3) the project selection criteria and methods for the review of recurrent costs.
- Optimize institutional arrangements among the different units supporting evaluation (DNIP, BCEP, BTAP, BSD) to ensure the coordination and effectiveness of each unit's actions.
- Protect funding for project appraisals (for the operations of units in charge of appraisals, especially the BSDs, DNIP, and BCEP) and for feasibility, technical, economic, and financial studies.
- Issue a directive that does the following: (1) creates a bank of mature projects and prescribes the preparation process and access to financing for feasibility studies, (2) stipulates that the presentation of any project at the PIP preparation conference is subject to the production of feasibility, technical, economic, and financial studies, and, for major projects, prior verification of project maturity by an expert independent of the project's sponsoring entity; and (3) requires that investment projects be prioritized by sector as a prerequisite to inclusion in the PIP and the budget.

Problem. Financing of major ongoing projects may be affected by the introduction of new projects; the recurrent costs of project and maintenance of existing projects do not receive adequate consideration.

Recommendation 6. Strengthen investment budgeting, and increase funding for maintenance activities:

- Implement multiyear commitment authorizations and appropriations carryovers for investment.

- Hold single budget conferences addressing both recurrent and investment budgets, beginning with the proposed 2020 budget law.
- Prepare guides for estimating and budgeting maintenance costs and estimating the future recurrent costs of investment projects (2019–20).
- Introduce a specific line item for projected maintenance expenses in the MTEF (2019).

D. Provide Productive and Durable Public Assets

66. The implementation of public investment projects should deliver productive and durable public assets. The economically profitable and timely implementation of investment projects requires comprehensive financing, effective management, and detailed, transparent monitoring. This third pillar of the PIMA assessment aims to determine whether the Guinean authorities:

- **Have in place an effective mechanism for procurement and monitoring public contracts**, assessed in terms of: (1) open, competitive procedures; (2) an appropriate system of monitoring contracts; and (3) equitable procedures for timely review of disputes.
- **Make financing available for capital expenditures on a timely basis**, assessed in terms of: (1) the capacity of ministries and institutions to plan their investment expenditures and commit them in advance, based on reliable cash flow forecasts; (2) the timely disbursement of funds allocated to the expenditures concerned; and (3) the incorporation of external financing in the Treasury single account (TSA).
- **Adequately oversee and monitor the implementation of the entire investment portfolio**, evaluated in terms of mechanisms for: (1) physical-financial monitoring of major projects during implementation; (2) transfer of appropriations from one project to another; and (3) ex post review of projects following the implementation phase.
- **Manage and oversee investment projects during execution**, assessed in terms of: (1) the existence of an effective project management system; (2) the issuance and application of rules, procedures, and directive governing project adjustments; and (3) the completion of external ex post audits.
- **Monitor public assets by correctly accounting for and reporting the value of assets in the financial statements**, measured in terms of: (1) regular updating of asset records, based on an analysis of inventory, value, and condition; (2) accounting for the value of nonfinancial assets in the government's financial statements; and (3) recording of fixed asset depreciation in the government operating statement.

67. Most of the five institutions of the pillar on providing productive and durable public assets received a low score in the evaluation of institutional strength and effectiveness. This weak performance highlights the difficulties faced by the Guinean authorities in implementing an institutional framework that remains to be deepened.

11. Procurement (institutional strength: medium; effectiveness: medium; reform priority: medium)

68. The legal and regulatory framework provided by the Procurement Code and implementing decrees promotes open and transparent procedures and rigorous oversight of public contracts, but PPPs are addressed in a specific framework that has not been finalized.

- The procurement code[47] defines the institutional framework in place for the functions of awarding, overseeing, and regulating public contracts and delegations of public services, its scope of application, and the principle of transparency of procedures.[48] Under the provisions of the code,[49] public contracts and delegations of public services are awarded pursuant to competition among potential candidates, conducted by means of transparent procedures. Accordingly, calls for tenders are the default mode of procurement. The decree[50] provides that on an exceptional basis, public contracts may be awarded by mutual agreement or direct negotiation.

- Regarding PPPs, the decree implementing the PPP law, which has not yet been adopted, promotes competition insofar as it establishes the call for tenders procedure as the rule. The use of direct negotiation is allowed only under exceptional conditions.

- The Public Contracting Regulatory Authority (ARMP), an independent authority in charge of regulating the procurement system, exists, and its missions include administering the dispute resolution mechanism. The code[51] prescribes the maximum time for the resolution of disputes and the terms of publication of the related decisions. The ARMP has a dispute resolution and sanctions committee that is required to issue its decisions within the regulatory time limit of seven days. The decisions are binding on all parties and are required to be published.

- The National Directorate of Public Contracts (DNMP) is the office in charge of implementing the procedures for the award of contracts and delegations of public services. It is also responsible for regulating procurement and producing related statistics. It has developed a

[47] Law L/2012/020/CNT of October 11, 2012, establishing the rules for award, oversight, and regulation of public contracts and delegations of public service, article 5.

[48] Cf. Note 46, article 3 (the code applies to the government, PPPs, EPAs, specialized industrial and commercial agencies (EPICs), PCs, and SNGs.

[49] Cf. Note 46, articles 11 and 12.

[50] Decree D/2012/128/PRG/SGG of December 3, 2012, on the procurement code and delegations of public service, article 18.

[51] Law L/2012/020/CNT of October 11, 2012, establishing the rules for award, oversight, and regulation of public contracts and delegations of public service, article 18 (maximum of seven days).

database that includes, in particular, information on acquisitions, contract values, and the identity of bidders to whom contracts are awarded.

- The Large Projects and Contracts Management and Oversight Unit (ACGPMP), which reports directly to the Guinean president, is in charge of the oversight of contracting procedures and the implementation of projects, public contracts, and delegations of public services. The ACGPMP and DNMP are responsible for upholding the rules and principles of competition.

69. In practice, the principles of competition and transparency are observed to an extent.

- As shown in Table 10, 80 percent of the contracts awarded by the five highest spending ministries (MTP, Ministry of Health and Public Sanitation, Ministry of Agriculture, MATD, and the Ministry of Energy and Water Supply) were awarded pursuant to calls for tenders in the past three years (2016 through 2018). However, they represented only 36 percent of the total volume of public contracts, which means that the limit of 10 percent on contracts awarded through direct negotiation was exceeded. It is important to note that these statistics include PPPs signed and recorded with the DNMP, most of which are awarded by direct negotiation and entail significant amounts.

- In addition, public access to information is afforded primarily through the publication of calls for tenders and publication of contract awards in newspapers and on websites of the MEF, the ARMP, and individual contracting authorities. The publicly available information is not complete; in 2017, for example, the contracting authorities' procurement plans were not always produced on time or fully disclosed to the public. A number of procurement plans is also posted on the MEF website. In addition, despite adherence to the time limits prescribed by law,[52] decisions resolving procurement disputes are not published in full on the ARMP website. The mission was unable to analyze procurement time frames due to lack of information.

Table 10. Summary of Approved Contracts Registered with the DNMP for the Five Spending Ministries (2016, 2017, 1st Quarter 2018)

Procurement method	No. contracts	%	Total amount (GNF billions)	%
Public tender	234	80%	14863.2	36%
Direct negotiation	29	10%	25501.1	62%
of which PPP contracts	7	…	15150.15	…
Limited competition	30	10%	770.2	2%
Total	293	100%	41,134.5	100%

Source: DNMP.
Note: Includes one PPP contract in 2016 (GNF 225 billion) and six PPP contracts in 2017 (GNF 14.925 billion).

[52] Law 2012/020, op cit., article 18.

70. It is important to ensure that PPPs are adequately addressed in the legal and regulatory framework and to promote public access to information to uphold the principles of competition, efficiency, transparency, and, in particular, to open unsolicited proposals to competition. To promote competition and the effectiveness of investments made through PPPs, the procurement laws and regulations should addressed them adequately and should ensure a degree of competition and transparency. It is important to strengthen procurement planning and increase public access to information.

12. Availability of funding (institutional strength: medium; effectiveness: low; reform priority: high)

71. Programming and management tools are insufficiently correlated; no time limit is established for payment of expenses by the BCRG, but the TSA should incorporate donor funds. The institutional framework[53] is inadequate to enable actors to plan and commit investment expenditure in advance based on cash flow forecasts. The text implementing the LORF[54] establishes the principle of correlation of annual commitment plans, procurement plans,[55] and cash flow plans, [56] but the mechanism by which to accomplish this is not clearly specified. The authorities have a manual on the commitment plan and a draft version of the cash flow plan, but there is no manual for the procurement plan. A commitment committee[57] convenes periodically to prepare the quarterly update of the commitment plan. The legal framework also establishes intermediate deadlines for the phases of the expenditure cycle,[58] but it makes no mention of a reference time limit for payments by the BCRG. Reports on payment periods are prepared on a regular basis. Finally, the LORF[59] and the General Budget Management and Public Accounting Regulations (RGGBCP)[60] mention the principle that external donor funding should be fully incorporated in the principal structure of government bank accounts.

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[53] Cf. LORF, Law 2012/012/CNT of August 6, 2012, page 45, on the commitment plan and article 49 on the cash flow plan.

[54] Cf. Decree 2013/015/PRG/SGG of January 15, 2013, the General Budget Management and Public Accounting Regulations, article 19 on the commitment plan, procurement plan, and cash flow plan; and article 44 on the cash flow plan.

[55] Cf. Law 2012/020/CNT of October 11, 2012, establishing the rules for award, oversight, and regulation of public contracts and delegations of public services, article 9; and Decree 2012/128/PRG/SGG of December 3, 2012, the Public Procurement and Delegations of Public Services Code, articles 8, 12, and 16.

[56] Cf. Decision 0932/PM/SGG/2010 of April 13, 2010, creating and establishing the authorities and composition of the Cash Flow Committee; and Decision 2017/060/MEF/SGG of January 1927, creating and establishing the authorities and composition of the Technical Support Unit of the Cash Flow Committee.

[57] Cf. Decision 2017/1384/MB/CAB/SGCBU of April 13, 2017, creating and establishing the authorities, composition, and operations of the commitment committee.

[58] Cf. Joint Instruction No. 0003/MB/MEF/2017 of April 12, 2017, establishing time limits for the phases of the public expenditure execution cycle and providing for the production of budget monitoring reports.

[59] Cf. LORF, articles 43, 71, and 73.

[60] Cf. RGGBCP, article 10, 35, and 40.

72. Commitment ceilings are not communicated on a timely basis, budget appropriations are subject to cash flow restrictions, and most external funding is managed separately from the BCRG. In practice, although cash flow projections are prepared[61] and updated regularly, the ministries and institutions are not informed in a timely manner about decisions on commitment ceilings. Through the commitment committee's decisions, actors are informed of the ceilings on major expenditure aggregates to be committed quarterly at the beginning of the quarter in question. Although each ministry and institution has its own annual procurement plan, the plan may have been prepared too late to be adequately considered in the breakdown of commitment ceilings by project. The methods used to prepare the quarterly commitment ceilings communicated to the ministries do not consider constraints for investment projects whose execution is subject to seasonal weather conditions. Moreover, the budget appropriations allocated to fund project expenditures are often subject to cash flow restrictions,[62] which constrains project implementation. The mission was provided with a partial list of projects interrupted for lack of financing. Finally, most external financing is maintained in commercial bank accounts, separate from the BCRG,[63] and the TSA has not been implemented.

73. Better coordination among actors and tools is indispensable to make financing available on a timely basis for investments. Any delay in payment of expenses for major investment projects affects implementation. The current situation points to the weak capacity of ministries and institutions to plan and commit their investment expenditures in advance, based on reliable cash flow projections. Inadequate correlation between the different tools, particularly the sectoral ministries and institutions' procurement and commitment plans, justifies the priority of the recommendation 7 provided below to strengthen investment financing. Improved and timely disbursement of funds allocated to finance investment expenditure is a high priority among the reforms, in addition to the need to plan for the introduction of more appropriate instruments, such as Treasury notes, to finance investments over the medium term. The implementation of the TSA will be critical to optimizing cash flow management; the gradual incorporation of external financing for investment projects in the TSA is a low priority for reform.

13. Portfolio management and oversight (institutional strength: low; effectiveness: medium; reform priority: high)

74. Apart from donor procedures, Guinean regulations are inadequate for effective project monitoring and ex post review, but they do provide for transfer of appropriations between projects. Only the donor procedures systematically provide for a monitoring

[61] In regard to this point, the preliminary annual cash flow plan is annexed to the annual budget law, and an annual commitment plan broken down by quarters has been prepared since 2018.

[62] The Treasury float for 2018 Title V expenditures stood at GNF 52,781,330,316 as at May 9, 2018.

[63] A recent survey by the National Directorate of Treasury and Public Accounting (DNTCP) central deposit accounting unit identified 73 project accounts on the BCRG books for a total of GNF 79,859,560,900, and 74 project accounts at commercial banks, of which 69 are for the Conakry area and five are for different provinces.

mechanism for externally funded projects. The national regulations[64] only mention the general principle of project monitoring in the PNDES and in the provisions establishing the authorities of the DNIP and the BSDs.[65] It follows that there is no procedures manual for monitoring major projects during implementation. The development of the IT platform plans within the DNIP is intended to support the physical and financial monitoring of projects. In addition, the regulatory framework[66] provides for the ability to transfer funds between investment projects during the implementation phase, but no transparent, formal procedures have been established to review and evaluate such transfers. Finally, apart from donor procedures, the regulatory framework—specifically, the PNDES and the provisions establishing the authorities of the ACGPMP, several ministerial BSDs, and the DNIP,[67]—mentions only the general principles of ex post review of projects at the end of the construction phase. There is no procedural manual for conducting such reviews.

75. Although local physical and financial monitoring is conducted for most major projects, ex post reviews are not frequently conducted, and appropriations are transferred between projects. In practice, the annual costs and physical implementation status of most major projects is monitored during the implementation phase. Financial monitoring is conducted for projects funded under the National Development Budget (BND);[68] physical monitoring, however, is divided among project managers, the BSDs, and the ACGPMP and needs more refined supporting tools. Furthermore, the DNIP lacks the resources needed to conduct physical monitoring of project on the ground. The ministries and institutions report to the Prime Minister's Office on physical and financial monitoring based on information from the BSDs; however, the information is not consolidated at the DNIP, which is charged with consolidating this information to monitor implementation of the PNDES. Also, the ministries transfer funds from one investment project to another during the implementation phase[69] without the use of a

[64] Cf. PNDES, page 141 et seq., on the framework for implementation, monitoring, and evaluation; Decision 2017/998/MPCI/CAP, article 1, on the authorities and organization of the DNIP; and Decree 044/PRG/SGG of March 27, 2015, article 2, creating and establishing the authorities, organization, and operations of the BSDs.

[65] Those general principles are also included in the Prime Minister's strategy letters to the different sectoral ministries.

[66] Cf. LORF, articles 22, 30–33; RGGBCP, article 105 on the EPAs; and Decree 2014/222/PRG/SGG of October 31, 2014, articles 18–20, on the public financial governance framework.

[67] Cf. Decision 2017/998/MPCI/CAB, article 1, on the authorities and organization of the DNIP.

[68] Physical and financial monitoring is conducted for projects funded from external resources, in accordance with donor procedures.

[69] The mission was unable to quantify the total volume of appropriations transferred between Title V projects.

systematic monitoring mechanism[70] or transparent procedures.[71] Finally, ex post reviews of major projects funded through the BND are neither systematically required nor frequently conducted.[72]

76. Strengthened monitoring of the investment portfolio as a whole, combined with ex post review, will improve the effectiveness of public investment. The analysis of the current situation highlights weaknesses in terms of lengthy execution periods for ongoing projects that can lead to cost overruns; the reliability of physical monitoring of projects; and the ability to validate and consolidate information centrally. These weaknesses justify the priority level of the recommendation 8 provided below to strengthen the management of the entire investment portfolio. Improving the mechanisms for monitoring and the transparency of appropriations transfers during implementation of investment projects are also medium priorities among the reforms.

14. Project implementation management (institutional strength: medium; effectiveness: low; reform priority: medium)

77. Apart from donor procedures and contract amendments, national regulations do not adequately provide for the effective management, adjustment, and external ex post audit of projects. Although donor procedures consistently include mechanisms for effective investment project management, the national regulations are silent on this aspect and there is no project management manual. Moreover, apart from the traditional rules generally in place for the amendment of government contracts,[73] the national regulatory framework contains no rules, procedures, or directives concerning project adjustments. Finally, the regulatory framework[74] charges the Court of Audit with conducting ex post audits of investment projects. Furthermore, article 24 of the law creating the Court establishes the principle that the Court's principal findings, recommendations, and conclusions are to be published in an annual report. Audit manuals have been developed with the support of Expertise France, but the external auditor has no manual for ex post audits of investment projects.

[70] Monitoring is complicated by the number of actors involved, including financial audit, the DNIP, the National Budget Directorate (DNB), and the National Directorate of Information Systems (DNSI).

[71] Regarding this point, the DNIP is not systematically informed of requests for transfers, although it is supposed to issue its opinion on the requests.

[72] The mission was unable to determine whether the ACGPMP conducts ex post reviews, reviews project completion reports, or analyzes reports of ex post reviews for externally financed projects, which the donors rarely publish.

[73] Cf. Decree 2012/128/PRG/SGG of December 3, 2012, on public contracting and delegations of public services, article 100.

[74] Cf. Decree 068/PRG/CNDD/SGPRG/2010 of April 19, 2010, promulgating the Constitution adopted by the National Transition Council, article 116; LORF, article 76; and framework law 2013/046 of January 18, 2013, establishing the organization, authorities, and operations of the Court of Audit and the disciplinary system applicable to its members, article 4.

78. The management and implementation of projects are not uniform, adjustments to projects are not standardized, and ex post audits have not been implemented for major investment projects. According to the ministries with which the mission met, senior officials are assigned responsibility for major investment projects, but detailed implementation plans are not always prepared prior to budget approval. Most of the managers use project information forms to monitor projects. Moreover, the ministries interviewed may make adjustments to projects, but these are not standardized and do not include a fundamental reexamination and reconsideration of the reasons for the adjustments, associated costs, and expected results. Lastly, no major investment project has undergone an ex post audit. The Court of Audit has provided for future audits of ongoing investment projects in its programming, but none of the projects in question is a major investment project.

79. The standardization of project implementation management and the implementation of ex post audits support the necessary strengthening of investment governance. Given that the existing tools support project management despite lacking sufficient detail, strengthening the effectiveness of project management is a medium priority among the reforms. The difficulties observed in capitalizing on prior experience in implementation management hinder the ability to control costs. For this reason, the formalization of rules, procedures, and directives concerning project adjustments—separate from general provisions governing contract amendments—is a medium priority in the reforms. Finally, ex post audits of major investment projects are also a medium priority for reform, provided the necessary capacity development takes place beforehand.

15. Monitoring of public assets (institutional strength: low; effectiveness: low; reform priority: high)

80. The gradual implementation of asset accounting requires a more detailed and operation framework that has not been finalized. The general regulatory framework[75] covers all aspects of materials accounting, but the texts also apply to the entities responsible for real property, the Directorate General of Public Buildings (DGPBP),[76] and movable property, the National Directorate of Materials Accounting and Equipment (DNCMM).[77] Only the DNCMM has a proper procedures manual and information system, but the aspects concerned with the methodology for inventorying assets remain to be developed with support planned from the

[75] Cf. RGGBCP, article 65.

[76] Cf. Articles 2, 5, 10, and 14 of Decree 261/PRG/SGG/88 of November 9, 1988, establishing the authorities and organization of the public buildings management unit; and Decree 2011/070/PRG/SGG of March 8, 2011, establishing the national commission responsible for the update and validation of the government real property inventory.

[77] Cf. article 2 of Decree 2013/012/PRG/SGG creating the DNCMM; and article 1 of Decision 2013/2235 of May 24, 2013, on the authorities and organization of the DNCMM.

European Union. In addition, the institutional framework[78] establishes the general principle of accounting for the value of nonfinancial assets in the government financial statements, to be implemented by means of periodic asset inventories and resource utilization accounts for assets, goods, and inventories. However, the practical modalities of appraisal and recognition in the financial statements remain to be defined in technical information forms following the forthcoming implementation of asset accounting. In this regard, the aspects related to appraisal have yet to be developed, also with support from the European Union. Finally, the regulatory framework[79] establishes the general principle of accounting for fixed asset depreciation in the government operating account, but the practical modalities also remain to be defined in technical information forms following the forthcoming implementation of asset accounting.

81. Asset records are incomplete and out of date, and the financial statements do not account for the value of nonfinancial assets or fixed asset depreciation. In practice, the materials accounting function is divided between the DGPBP, the DNCMM, and the sector ministries, which undermines the quality, completeness, and reliability of information. The DGPBP compiled a buildings inventory in 2007 covering 27,000 properties, which is being updated. Among the sector ministries interviewed by the mission, asset records are neither complete nor regularly updated, and they do not consistently include asset values. For example, the register of vehicles is compromised by the failure to systematically record vehicle sales. Infrastructures are monitored at the sectoral level, but the resultant information is not centralized. There is no register of Guinea's abundant mineral deposits. In addition, the government financial statements do not present the value of nonfinancial assets, and fixed assets depreciation is not accounted for in the government operating statement.

82. The implementation of accrual and asset accounting aims, in particular, to improve the quality and reliability of information on the assets produced by investments. At this point, the Guinean authorities are unable to properly monitor and manage government assets. The LORF provides for the gradual implementation of asset accounting in 2019. The register of government real property is being updated.[80] Accordingly, the monitoring of public assets is a high priority for reform, justifying the priority level of the recommendation 9 provided below. In fact, the operational implementation of the principles established in the institutional framework is a prerequisite to improving the quality and reliability of information on the assets produced by investments.

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[78] Cf. RGGBCP, articles 45 and 49; Decision 2015/965/MEF/SGG of April 2, 2015, on the government chart of accounts, articles 3, 17, 22, 30, and 40–48; and Decision 2015/966/MEF/SGG of April 2, 2015, on government accounting standards, standards 1 and 3.

[79] Cf. RGGBCP, article 134; articles 3, 31, and 35–39 of Decision 2015/965/MEF/SGG of April 2, 2015; and standards 1 and 3 of Decision 2015/966/MEF/SGG of April 2, 2015.

[80] The update is intended, in particular, to include assets produced following the rotating Independence Day celebrations.

Recommendations:

Problem. The actors in charge of implementing public investments and the programming and management tools used are inadequately correlated, which disrupts the timely availability of financing for investment expenditures. The delays observed in paying the expenses of major investment projects affect project implementation.

Recommendation 7. Increase available funding for investment through improved correlation of programming and management tools and rationalization of the time limits applicable to payments by the BCRG (ministries and institutions, DNB and DNTCP, 2019–21).

- By incorporating additional information on projected contract implementation in the sectoral procurement plan (ministries and institutions, 2019);
- By producing sectoral procurement plans at an earlier point in the budget calendar (ministries and institutions, 2019–21);
- By better correlating procurement, commitment, and cash flow plans to adequately take account of particular aspects of investment expenditures (ministries and institutions, DNB and DNTCP, 2019–21);
- By rationalizing the procedure and monitoring the time effectively taken for payment of investment expenses by the BCRG (DNTCP, DNB, 2019).

Problem. The sound management and monitoring of the public investment portfolio are disrupted by the lengthy project implementation times observed, which can generate cost overruns, compromise the reliability physical project monitoring, and limit the ability to validate and consolidate information centrally.

Recommendation 8. Implement the mechanism for the monitoring, management, and ex post review of investment projects (ACGPMP, DNIP, DNB, DNTCP, ministries and donors, 2019–21).

- By immediately conducting a survey of all projects ongoing for 10 years or more before continuing to fund them in the budget law for 2020 (DNIP, DNB, DNTCP, ACGPMP, ministries and donors, 2019).
- By preparing a semiannual or annual consolidated report on the physical and financial monitoring of the implementation of major projects (DNIP, ACGPMP, DNB, DNTCP, ministries and donors, 2020);
- By clarifying the rules of the actors involved in the transfers of appropriations by establishing a systematic monitoring process and transparent procedures (DNB, DNIP, 2019);
- By conducting ex post external audits of major investment projects, programmed according to financial stakes and risks and focused on costs, deliverables and outputs, and by publishing the reports (ACGPMP, ministries and donors, 2019–21).

Problem. The Guinean authorities are unable to conduct comprehensive and reliable monitoring of public assets, which adversely impacts the management of government assets and decision making with respect to public investment.

Recommendation 9. Strengthen the monitoring of public assets (DGPBP, DNCMM, ministries and institutions, and DNTCP, 2019–21):

- By continuing the efforts underway to update the government real property records (DGPBP, ministries and institutions, 2019);
- By preparing technical information forms on the applicable governmental accounting standards in preparation for the appraisal of asset, reporting in the financial statements, and accounting for fixed assets (DNTCP, 2019–20);
- By pooling the information available from the different actors involved in managing real and movable assets (DGPBP, DNCMM, ministries and institutions, and DNTCP, 2019–21).

E. Cross-Cutting Issues

IT support

83. There are no legal or regulatory texts in Guinea governing the automation of public investment project management, nor is there a dedicated IT system. Guinea has no master plan for an integrated information system to support the management of public investment projects. The PNDES[81] mentions the principle of automating the financial management system but does not address the modalities. An automated system dedicated to investment project management will add value if it covers all phases of the project life cycle, from planning to accounting for assets.

84. In practice, the authorities have used an Access application—in the form of a project information form sent to the ministries—to support investment programming. The ministries complete the form either in Excel format (MTP) or on paper (Ministry of Health), but not all the project forms are consolidated by the DNIP in a comprehensive database.

85. Several ministries have developed databases and applications that could serve as inputs to a potential integrated investment project management system. By way of illustration, the Ministry of Budget has an automated expenditure management system that includes expenditures according to the phases of authorization, commitment, validation, and payment authorization (that is, the expenditure cycle). The MTP has a regularly updated database on road infrastructures that could support the assessment of road conditions, locations, and estimated maintenance costs. The Ministry of Health uses the District Health Information System 2, which maintains information on health infrastructures and a potential module supporting the management of local healthcare centers. The MATD has developed an Access database of subnational jurisdictions that includes basic data on communal infrastructures. In addition, the DNMP maintains a database of contract awards and contracts, and it plans to develop the scope of work for the public procurement management system (SIGMAP) in 2018.

[81] Cf. PNDES (2017), volume 1, page 94, paragraph 433.

86. Finally, the African Development Bank (AfDB) is supporting the MPCI in the development of an Integrated Project and Results Management System (SIGEPRE). The system incorporates functionalities supporting: (1) administrative management; (2) PIP programming, including the capability for sectoral ministries to enter the information required to submit a project for analysis by the DNIP; (3) project implementation management to establish links with financial execution; and (4) project monitoring and evaluation. The SIGEPRE is not designed to incorporate budget and accounting management, which is already operational in the expenditure cycle.

Legal framework

87. There is no specific regulatory framework applicable to PIM, and the fragmentation of the entities involved leads to overlapping authorities. The legal and regulatory texts governing public financial management apply to all expenditure, including investment expenditure. The LORF and implementing regulations introduce important innovations in line with good international practices to enhance transparency and effectiveness in public financial management, including the programming, execution, and oversight of investment expenditure. The procurement code and implementing regulations establish rules to ensure the transparency and effectiveness of project implementation. The regulatory framework for PPPs has yet to be finalized based on the existing draft texts. There is real fragmentation of the different entities in charge of public investment; for example, the DNIP, the MPCI (through the BTAP), and the Presidency of the Republic (through the BCEP) are all responsible for project studies and reviews, which results in an overlap of authorities.

88. There is still no legislative or regulatory framework specifically applicable to public investments that addresses all phases of PIM. A draft text on project governance has been prepared, but it focuses mainly on public contracts, delegations of public service, and PPPs. As such, it cannot be considered applicable to the overall governance of public investment in Guinea.

89. Effective PIM calls for a legal and regulatory framework formally defining the institutional mechanisms, responsibilities, procedures, standards, and responsibilities of the different actors involved. An overall framework would define and govern the terms, conditions, and modalities of PIM, from project definition and planning to monitoring implementation and accounting for the public assets produced, including the intermediate phases of appraisal, selection, programming, budgeting, implementation, physical and financial monitoring, and ex post evaluation. Considering the current fragmentation of the entities in place, formalization of the PIM framework is a high priority among the reforms.

Staff capacities

90. The legal and regulatory provisions clearly identify the government entities responsible for the planning and management of public investments. Those entities generally have a sufficient number of staff. Within the MPCI, the entities include: the DNPP (a staff of 86); the DNIP (about 225 staff members); and the BTAP (a staff of 7, which should be increased to 27). Within the ministries, the staffing of BSDs varies considerably: some have staffs of about 30, while others have only 10. Different entities in units such as those in charge of PPPs, the ACGPMP, and the persons responsible for public contracts (PRMPs) intervene in their areas of authority and project management.

91. Capacities in the areas of planning, programming, and managing projects are generally inadequate, and the respective roles of actors in managing the investments are not clearly defined or delimited. A study by the BTAP[82] identified weaknesses in DNPP capacities. The backgrounds of BSD staff are frequently unsuited to their tasks. In general, since many BSDs were recently created, the professionals are inadequately trained for the tasks of planning, directing studies, and appraising and programming projects, which are central to their activities. Within the DNIP, which was created by merging two directorates with similar missions, there are duplications of efforts and responsibilities, with two division chiefs for a single division and two section chiefs for the same section. There is also the risk of overlapping authorities between the MPCI directorates, such as the DNIP and the BTAP. The PNDES provides that specific arrangements should be formalized between the DNIP and the ACGPMP to define their interactions.[83]

92. To lay the groundwork for investment programming decisions, adequate technical expertise and clearly defined roles and responsibilities are critical. To this end, a training program should be developed and coordinated with the preparation of the guides recommended herein. The training should be provided to headquarters units of the MPCI and the BSDs and should cover the entire PIM process, from planning to monitoring and evaluation. Specialized training should also be provided to the other units and entities involved in PIM. In particular, the responsibilities for new tasks, such as the analysis and oversight of PPP contracts, call for personnel with appropriate expertise. The effectiveness of the training program will depend on the government's capacity to rationalize organizations by clearly defining roles and responsibilities and avoiding duplication of tasks.

Recommendations:

Problem. The lack of an integrated information management system hinders the monitoring of the investment process and evaluation of the performance of public investment, and it results in higher transaction costs for data collection.

Recommendation 10. Finalize the design and implementation of SIGPRE and SIGMAP.

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[82] Evaluation of capacity development requirements for the national planning system in Guinea. MPCI. December 2017.

[83] PNDES, Volume 3, Annexes, page 52.

Problem. PIM is not supported by a specific legal and regulatory framework, and the fragmentation of the various entities involved in PIM results in overlap in the actors' areas of authority.

Recommendation 11. Establish a legal and regulatory framework formally defining the institutional mechanisms, responsibilities, procedures, standards, and responsibilities for PIM, 2018–20:

- By conducting discussions beforehand on the general organization of public investment governance (all public investment actors, 2019);
- By adopting a general text formalizing the organization and authorities of the different actors and entities in PIM (all public investment actors, 2019);
- By developing specific operational texts based on the general text (rules for project adjustments) and manuals on the different phases of PIM (procurement plans, physical-financial monitoring, ex post review, ex post external audit), (all stakeholders)2020.

Problem. Capacities for planning and programming investment and managing the investment project life cycle are inadequate.

Recommendation 12. Define and implement a PIM capacity development program that includes:

- Preparation, designed to strengthen the capacities of: (1) DNPP professionals in the area of planning, to enable them to fulfill their role of supporting the sectoral ministries; (2) DNIP professionals, to oversee the entire PIM cycle from programming to monitoring and evaluation; (3) BSD staff, in the areas of sector planning, project appraisal, and project implementation management; (4) ministerial PRMPs, in the planning, preparation, implementation, and monitoring of procurement plans; and (5) staff of the PPP unit of the DNPEIP, in monitoring PPPs, and, in particular, the use of the PPP Fiscal Risk Assessment Model (P-FRAM) developed jointly by the IMF and the World Bank, to serve as a point of departure in evaluating whether a project should be executed in the form of a PPP[84] (2019).
- Implementation of the training program (end-2019–22).
- A review of the BSDs' staffing requirements (2019).
- The definition of each stakeholder in implementing the recommendations of this report, avoiding any duplication of tasks (2019–21).

[84] The model is available at www.imf.org/publicinvestment

ANNEXES

Annex I. Mapping of PIMA Mission Priority Recommendations for Guinea to Technical Assistance from the TFPs

Phase/Priority Recommendation	Technical assistance in place or planned	Additional technical assistance needs
Planning/implementation		
Strengthen the regulatory and procedural framework for PPPs. In particular, cap explicit commitments with respect to PPPs, and open unsolicited proposals to competition.	AFD–AfDB: project preparation in progress EU: support in progress	IMF: PFRAM assessment?
Planning/allocation		
Establish a process of independent review and validation of studies, define stricter selection criteria, and institute ex post audits. The following actions should be taken in the short term: (1) prepare rigorous project selection and prioritize criteria; and (2) discontinue the practice of budgeting funds for projects without feasibility studies, beginning with the 2019 budget law.	AfDB: support for SIGPRE in progress World Bank: support in progress (EGTACB–FA) in PIM manuals, feasibility study funding, and definition of standards for technical specifications and costs EU: support in progress for external auditor	Support for studies fund?
Allocation		
Strengthen investment budgeting and maintenance funding. In particular, (1) hold single budget conferences, covering both recurrent and capital budgets, beginning with the 2020 budget; and (2) implement multiyear commitments authorities for capital spending.	IMF–AFRITAC West: support planned for implementation of commitment authorizations (AE) / payment appropriations (CP)	
Implementation		
Increase available funding for investment. Improve the correlation of cash management tools and the rationalization of BCRG payment periods	IMF–EU: support in progress for cash flow management and implementation of the TSA World Bank: support in progress for DeMPA assessment World Bank: support in progress (EGTACB–FA) for procurement plans and cash flow management	IMF: medium- and long-term financing instruments
Launch of operations of the capital project oversight, management, and ex post review mechanism	AfDB: support for SIGPRE in progress	

Phase/Priority Recommendation	Technical assistance in place or planned	Additional technical assistance needs
Implement reforms in the short term: (1) conduct an immediate survey of all projects ongoing for 10 years or more before continuing financing under the 2020 budget law; (2) prepare a consolidated semiannual/annual report on the physical and financial implementation of major projects; and (3) submit project completion reports for major projects.	World Bank: support in progress (EGTACB–FA) for PIM manuals and monitoring-evaluation of major projects EU–Independent expert, France: support in progress for external auditor	
Strengthen monitoring of public assets. Continue work underway in these areas: (1) updating the inventory of government real property, (2) instituting information forms, and (3) compiling applicable government accounting standards in preparation for appraisal of assets.	EU: support in progress (PARFIP) on the procedures, methods and techniques used to inventory, appraise, and record assets World Bank–AFD: support in progress (PACV3) on the inventory and appraisal of SNGs' real property World Bank–AfDB: support for decentralization in preparation	Support in preparing guidance forms for individual accounting standards
Planning/allocation/implementation		
Complete designs, and implement the integrated project and results management system and the procurement system.	AfDB: support for SIGPRE in progress World Bank: support in progress (EGTACB–FA) for SIGMAP and complementary SIGPRE module	Support for the development of an accounting information system
Formalize a legal and regulatory framework establishing the mechanisms, authorities, procedures, standards, and responsibilities for PIM.		World Bank: potential support (EGTACB-FA)?
Define and implement a PIM capacity development program.	EU: support in progress (PARFIP) World Bank: support in progress (EGTACB-FA) World Bank–AfDB: support for decentralization in preparation	EU: further support to be determined

Note:
AFD : Agence Française de Développement or French Development Agency
AfDB : Banque Africaine de Développement or African Development Bank
AFRITAC : Regional Technical Assistance Center
DeMPA: Debt Management Performance Assessment
EGTACB-FA: Economic Governance Technical Assistance and Capacity Building–Additional Financing (2017–21)
EU: European Union
PACV3: Village Community Support Project— phase 3 (2016–20)
PARFIP: Public Finance Reform Support Program (2015–18)
PFRAM: PPP Fiscal Risk Assessment Management
SIGMAP: Système de gestion des marchés publics or Public Procurement Management System

Annex II. Detailed Action Plan

Recommendation/ action	2019	2020	2021	Lead organizations	Institution(s)
1. Strengthen the regulatory framework to provide for alternative infrastructure financing and encourage competition in the provision of economic infrastructures.				DNPEIP, ACGPMP, DNMP	1, 5, 11
Related actions:	Adopt the draft decrees implementing Law 2017/AN of July 4, 2017, on PPPs and organizing the Institutional Framework Applicable to PPPs; include explicit ceilings on the annual and total amounts of PPP commitments and guarantees provided in connection with PPPs. Adopt the draft PPP Policy Letter. Adoption the decree implementing the Public Entities Financial Governance Act, including explicit caps on public entities' borrowing and guarantees provided to public entities; strengthen the mechanism to monitor investments by public corporations.	Adopt the decrees implementing the revised CCL to clarify the ceilings and conditions applicable to borrowing by decentralized authorities. Finalize the regulatory framework opening electricity distribution and the production and distribution of water to competition; adopt the decree instituting the water and electricity regulatory authority.			
2. Strengthen procedures for preparing sectoral policies or strategies				DNPP (MPCI) and ministries	2
	Prepare a guide for formulating sectoral policies, including methodological guidance and indicative contents (list of priority projects, estimated costs, results framework, results indicators). Develop an organizational framework and procedures manual that formalizes the relationships between the DNPP and the sectoral ministry BSDs.	Ensure that sectoral policies or strategies are up to date and aligned with the new strategic objectives of the PNDES, in particular, in terms of the results framework.			
3. Strengthen the regulatory and procedural framework for PPPs.				DNPEIP, ACGPMP, DNMP	1, 5, 11

Related actions:	Cap explicit commitments with respect to PPPs and related guarantees. Finalize and adopt the implementing texts under the PPP law with respect to management and monitoring units. Amend procurement regulations to incorporate provisions defunding the modalities of PPPs.	Promote public access to information to strengthen the principles of competition, efficiency, and transparency. Open unsolicited PPP proposals to competition.			
4. Implement the National Local Development Fund (FNDI), and strengthen the framework for local public financial management.				MATD, DNI and DGD (MEF)	3
Related actions:	Launch the operations of the SNG funding agency (ANAFIC) (procedures manual, funding, human resources).	Adopt texts supplementing the Mining Code and CCL concerning the National Local Development Fund (FNDL) , the Local Mining Development Fund (FMDL), and terms and conditions applicable to the SNGs' borrowing.			
5. Establish a process of independent review and validation of studies, and define stricter selection criteria.				DNIP; DNB	4, 10
Related actions:	Prepare and adopt a manual for the preparation, appraisal, and selection of priority investment projects (PIPs), based on the proposals of this report (methodology, administrative process of preparation–prioritization–selection of PIPs, project selection criteria, methods for review of recurring expenses, consideration of risks). Issue a directive (decree) creating a bank of mature projects, specifying the preparation process and access to financing for feasibility studies, and establishing the following prerequisites to the presentation of any project at the PIP preparation conference: the production of technical, economic, and financial feasibilities studies, and, for major	Discontinue the practice of including projects without feasibility studies in the budget. Optimize institutional arrangements among the units supporting appraisal (DNIP, BCEP, BTAP, BSD) to ensure cooperation and the effectiveness of each unit's actions. Protect financing for the operations of units in charge of appraisal (BSD, DNIP, BCIP) and			

	projects, prior verification of project maturity by an expert independent of the project's sponsoring entity.	technical, economic, and financial feasibility studies.			
6. Strengthen investment budgeting and maintenance funding.				DNIP, DNB	7, 8, 9
Related actions:	Hold single budget conferences covering both recurrent and capital budgets, beginning with the 2020 budget. Prepare guides for estimating and budgeting maintenance expenses and estimating investment project future recurrent expenses.	Introduce a specific line item for projected maintenance expenses in the MTEF. Implement multiyear commitment authorizations and appropriations carryovers for investment.			
7. Increase available funding for investment through improved correlation of programming and management tools and rationalization of BCRG payment periods.				Ministries, DNB, DNTCP	12
Related actions:	Rationalize timeframes for effective payment by the BCRG; strengthen the TSA. Prepare the sector procurement plans at an earlier point in the budget calendar.	Harmonize procurement, commitment, and cash flow plans to take better account of the specific aspects of investment expenditure.			
8. Put the capital project monitoring, management, and ex post review mechanism in operation.				Ministries, DNIP, DNB, DNTCP	13, 14
Related actions:	Take immediate action to assess the status of all projects in progress for 10 or more years before continuing to provide funding in the budget law. Clarify the roles of all actors in transfers of appropriations, and define the process of systematic oversight and transparent procedures.	Prepare a semiannual/annual consolidated report on the physical-financial implementation of major projects.	Prepare and publish project completion reports for major projects. Conduct external ex post audits of major investment projects, and publish the results.		

9. Strengthen monitoring of public assets.				Ministries, DGPBP, DNCMM, DNTCP	15
Related actions:	Continue work in progress to update government real property records.	Compile information forms on all applicable government accounting rules to prepare for asset appraisals and recording of fixed assets in the accounts and the financial statements.	Pool the information available to the various units involved in fixed and operating assets.		
10. Finalize the design and fully implement the SIGPRE and SIGMAP.				DNIP (MPCI), MB, MEF	1 à 15
11. Formalize a legal and regulatory framework establishing the PIM mechanisms, authorities, procedures, standards, and responsibilities.				All ministries (lead ministry, DNIP)	1 à 15
	Prepare a general text formalizing the organization and authorities of the different PIM actors.	Prepare specific texts regulating the operational aspects addressed by the general texts (project adjustments), and prepare procedures manuals for the different phases of PIM.			
12. Define and implement a capacity development program in public investment management.				All ministries (lead ministry, DNIP)	1 to 15
	Develop capacities based on the modalities of training proposed in the report. Conduct a review of the BSDs requirements for qualified personnel.	Implement the training program.	Continue implementation of the training program.		

Annex III. Details of Ratings by Component

Rating		Color
1	Not in place or to a limited extent	1
2	To a certain extent	2
3	To a large extent	3
N/A	Not applicable	N/A

		Institutional strength	Effectiveness
A	Planning		
1	Fiscal objectives and rules: Does the government have fiscal institutions to promote fiscal sustainability and facilitate medium-term planning for public investment?		
1.a.	Is a target or limit defined to ensure government debt sustainability?	2	2
1.b.	Is the fiscal policy guided by one or more permanent fiscal rules?	2	2
1.c.	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	2	2
2	National and sectoral planning: Are investment allocation decisions based on sectoral and intersectoral strategies?		
a.	Does the government prepare national and sectoral strategies for public investment?	2	2
b.	Are the government's national and sectoral strategies or plans for public investment costed?	2	2
c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	2	2
3	Coordination between entities: Is there effective coordination of the investment plans of central and other government entities?		
3.a.	Is capital spending by subnational governments (SNGs) coordinated with the central government?	2	1
b.	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	1	1
3.c	Are contingent liabilities arising from capital projects of SNGs, public corporations (PCs), and PPPs reported to the central government?	2	2
4	Project Appraisal: Are project proposals subject to systematic project appraisal?		

a.	**Are major capital projects subject to rigorous technical, economic, and financial analysis?**	1	1
b.	**Is there a standard methodology and central support for the appraisal of projects?**	2	1
c.	**Are risks taken into account in conducting project appraisals?**	1	1
5	Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance infrastructure?		
a.	**Does the regulatory framework promote competition in contestable markets for economic infrastructure (for example, energy, water, telecommunications, and transportation)?**	2	2
b.	**Has the government published a strategy/policy for PPPs, and a legal/regulatory framework that guides the preparation, selection, and management of PPP projects?**	2	1
c.	Does the government oversee the investment plans of PCs and monitor their financial performance?	2	2
B	B. Ensuring Public Investment is Allocated to the Right Sectors and Projects		
6	6. Multiyear Budgeting: Does the government prepare medium-term projections of capital spending on a full-cost basis?		
a.	**Is capital spending by ministry or sector forecasted over a multiyear horizon?**	3	2
b.	**Are there multiyear ceilings on capital expenditure by ministry, sector, or program?**	2	1
c.	**Are projections of the total construction cost of major capital projects published?**	1	1
7	Budget Comprehensiveness and Unity: To what extent are capital spending and related recurrent spending undertaken through the budget process?		
a.	**Is capital spending mostly undertaken through the budget?**	3	3
b.	**Are all capital projects, regardless of financing source, shown in the budget documentation?**	3	2
c.	**Are capital and recurrent budgets prepared and presented together in the budget?**	1	1
8	Budgeting for Investment: Are investment projects protected during budget implementation?		
a.	**Does the legislature appropriate funds covering the total amount of project expenses at the time of project start up?**	1	1
b.	**Are in-year transfers of appropriations (virement) from capital to current spending prohibited?**	2	1
c.	**Is the completion of ongoing projects given priority over starting new projects?**	2	1
9	Maintenance Funding: Is adequate funding allocated to maintenance?		
a.	**Is a standard methodology in place to estimate current maintenance requirements and budget maintenance funding?**	1	1
b.	**Is a standard methodology in place to identify maintenance projects, and are they included in the national or sector investment plans?**	1	1

c.	Can expenditures relating to maintenance be identified in the budget?	3	1
10	10. Project Selection: Are institutions and procedures in place to guide project selection?		
a.	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	1	1
b.	Does the government publish and adhere to standard criteria and stipulate a required process for project selection?	2	1
c.	The government maintains a pipeline of appraised investment projects, but may other projects be selected for financing through the annual budget?	1	1
C	Provide productive, sustainable public assets		
11	Public contracts		
a.	Is the procurement process for major capital projects open and transparent?	2	1
b.	Is a system in place to ensure that procurement is monitored adequately?	2	2
c.	Are procurement complaints review processes conducted in a fair and timely manner?	3	1
12	Availability of Funding: Is financing for capital spending made available in a timely manner?		
a.	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	2	1
b.	Is cash for project outlays released in a timely manner?	2	1
c.	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	3	1
13	Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio?		
a.	Are major capital projects subject to monitoring during project implementation?	1	2
b.	Can funds be reallocated between investment projects during implementation?	2	2
c.	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed the construction phase?	1	1
14	Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?		
a.	Do ministries/agencies have effective project management arrangements in place?	1	2
b.	Has the government issued rules, procedures, and guidelines for project adjustments that are applied systematically across all major projects?	1	1
c.	Are ex post audits of capital projects routinely undertaken?	2	1
15	Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?		
a.	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	2	1
b.	Are nonfinancial asset values recorded in the government financial accounts?	1	1
c.	Is fixed asset depreciation captured in the government's operating statement?	1	1

Annex IV. Updated PIMA Questionnaire

A. Planning sustainable levels of public investment				
1.	**Fiscal objectives and rules: Does the government have fiscal institutions to promote fiscal sustainability and facilitate medium-term planning for public investment?**			
1.a.	Is a target or limit defined to ensure government debt sustainability?	There is no target or limit to ensure debt sustainability.	There is at least one target or limit to ensure central government debt sustainability.	There is at least one target or limit to ensure general government debt sustainability.
1.b.	Is the fiscal policy guided by one or more permanent fiscal rules?	There are no permanent fiscal rules.	There is at least one permanent fiscal rule applicable to central government.	There is at least one permanent fiscal rule applicable to central government, and at least one comparable rule applicable to a major additional component of general government, such as subnational governments (SNGs).
1.c	Is there a medium-term fiscal framework (MTFF) to align budget preparation with fiscal policy?	There is no MTFF prepared prior to budget preparation.	An MTFF is prepared prior to budget preparation, but it is limited to fiscal aggregates, such as expenditure, revenue, the deficit, or total borrowing.	An MTFF is prepared prior to budget preparation that includes fiscal aggregates and allows distinctions between recurrent and capital spending, and ongoing and new projects.
2.	**National and sectoral planning: Are investment allocation decisions based on sectoral and intersectoral strategies?**			

2.a.	Does the government prepare national and sectoral strategies for public investment?	National or sectoral public investment strategies or plans are prepared and include only some projects funded through the budget.	National or sectoral public investment strategies or plans are prepared and cover projects funded through the budget.	Both national and sectoral public investment strategies or plans are published and cover all projects funded through the budget regardless of financing source (for example, donors, public corporations, or PPPs).
2.b.	Are the government's national and sectoral strategies or plans for public investment costed?	The government's investment strategies or plans include no cost information on planned public investment.	The government's investment strategies include broad estimates of aggregate and sectoral investment plans.	The government's investment strategies include costing of individual, major investment projects within an overall financial constraint.
2.c.	Do sector strategies include measurable targets for the outputs and outcomes of investment projects?	Sector strategies do not include measurable targets for outputs or outcomes.	Sector strategies include measurable targets for outputs (for example, miles of roads constructed).	Sector strategies include measurable targets for outputs and results (for example, reduction in traffic congestion).
3.	**Coordination between entities: Is there effective coordination of the investment plans of central and other government entities?**			
3.a.	Is capital spending by subnational governments (SNGs) coordinated with the central government?	Capital spending plans of SNGs are not submitted to or discussed with the central government.	Major SNG capital spending plans are published alongside central government investments, but there are no formal discussions between the central government and SNGs on investment priorities.	Major SNG capital spending plans are published alongside central government investments, and there are formal discussions between central government and SNGs on investment priorities.
3.b	Does the central government have a transparent, rule-based system for making capital transfers to SNGs, and for providing timely information on such transfers?	The central government does not have a transparent rule-based system for making capital transfers to SNGs.	The central government uses a transparent, rule-based system for making capital transfers to SNGs, but SNGs are notified about expected transfers less than six months before the start of each fiscal year.	The central government uses a transparent rule-based system for making capital transfers to SNGs, and expected transfers are made known to SNGs at least six months before the start of each fiscal year.

3.c	Are contingent liabilities arising from capital projects of SNGs, public corporations (PCs), and PPPs reported to the central government?	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are not reported to the central government.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, but they are generally not presented in the central government's budget documents.	Contingent liabilities arising from major projects of SNGs, PCs, and PPPs are reported to the central government, and they are presented in full in the central government's budget documents.
4.	**Project Appraisal: Are project proposals subject to systematic project appraisal?**			
4.a.	Are major capital projects subject to rigorous technical, economic, and financial analysis?	Major capital projects are not systematically subject to rigorous, technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis.	Major projects are systematically subject to rigorous technical, economic, and financial analysis, and selected results of this analysis are published or undergo independent external review.
4.b.	Is there a standard methodology and central support for the appraisal of projects?	There is no standard methodology or central support for project appraisal.	There is either a standard methodology or central support for project appraisal.	There is both a standard methodology and central support for project appraisal.
4.c.	Are risks taken into account in conducting project appraisals?	Risks are not systematically assessed as part of the project appraisal.	A risk assessment covering a range of potential risks is included in the project appraisal, and plans are prepared to mitigate these risks.	A risk assessment covering a range of potential risks is included in the project appraisal, and plans are prepared to mitigate these risks.
5.	**Alternative Infrastructure Financing: Is there a favorable climate for the private sector, PPPs, and PCs to finance infrastructure?**			
5.a.	Does the regulatory framework promote competition in contestable markets for economic infrastructure (for example, power, water, telecommunications, and	Provision of economic infrastructure is restricted to domestic monopolies, or there are few established economic regulators.	There is competition in some economic infrastructure markets, and a few economic regulators have been established.	There is competition in major economic infrastructure markets, and economic regulators are independent and well established.

5.b.	Has the government published a strategy/policy for PPPs, and a legal/regulatory framework that guides the preparation, selection, and management of PPP projects?	There is no published strategy/policy framework for PPPs, and the legal/regulatory framework is weak.	A PPP strategy/policy has been published, but the legal/regulatory framework is weak.	A PPP strategy/policy has been published, and there is a strong legal/regulatory framework that guides the preparation, selection, and management of PPP projects.
5.c.	Does the government oversee the investment plans of PCs and monitor their financial performance?	The government does not systematically review the investment plans of PCs.	The government reviews the investment plans of PCs, but it does not publish a consolidated report on these plans or the financial performance of PCs.	The government reviews and publishes a consolidated report on the investment plans and financial performance of PCs.
B.	**Ensuring Public Investment is Allocated to the Right Sectors and Projects**			
6.	**Multiyear Budgeting: Does the government prepare medium-term projections of capital spending on a full-cost basis?**			
6.a.	Is capital spending by ministry or sector forecasted over a multiyear horizon?	No projections of capital spending are published beyond the budget year.	Projections of total capital spending are published over a three- to five-year horizon.	Projections of capital spending disaggregated by ministry or sector are published over a three- to five-year horizon.
6.b	Are there multiyear ceilings on capital expenditure by ministry, sector, or program?	There are no multiyear ceilings on capital expenditure by ministry, sector, or program.	There are indicative multiyear ceilings on capital expenditure by ministry, sector, or program.	There are binding multiyear ceilings on capital expenditure by ministry, sector, or program.
6.c.	Are projections of the total construction cost of major capital projects published?	Projections of the total construction cost of major capital projects are not published.	Projections of the total construction cost of major capital projects are published.	Projections of the total construction cost of major capital projects are published, together with the annual breakdown of these cost over a three- to five-year horizon.

7.	**Budget Comprehensiveness and Unity: To what extent is capital spending, and related recurrent spending, undertaken through the budget process?**			
7.a.	Is capital spending mostly undertaken through the budget?	Significant capital spending is undertaken by extra-budgetary entities with no legislative authorization or disclosure in the budget documentation.	Significant capital spending is undertaken by extra-budgetary entities, but with legislative authorization and disclosure in the budget documentation.	Little or no capital spending is undertaken by extra-budgetary entities.
7.b.	Are all capital projects, regardless of financing source, shown in the budget documentation?	Capital projects are not comprehensively presented in the budget documentation, which omits PPPs, externally financed projects, and PCs' projects.	Most capital projects are included in the budget documentation, but either PPPs, externally financed projects, or PCs' projects are not shown.	All capital projects, regardless of financing sources, are included in the budget documentation.
7.c	Are capital and recurrent budgets prepared and presented together in the budget?	Capital and recurrent budgets are prepared by separate ministries and/or presented in separate budget documents.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, but without using a program or functional classification.	Capital and recurrent budgets are prepared by a single ministry and presented together in the budget documents, using a program or functional classification.
8.	**Budgeting for Investment: Are investment projects protected during budget implementation?**			
8.a.	Are total project outlays appropriated by the legislature at the time of project start-up?	Outlays are appropriated on an annual basis, but information on total project costs is not included in the budget documentation.	Outlays are appropriated on an annual basis, and information on total project costs is included in the budget documentation.	Outlays are appropriated on an annual basis and information on total project costs and multiyear commitments is included in the budget documentation.
8.b	Are in-year transfers of appropriations (virement) from capital to current spending prohibited?	There are no limitations on virement from capital to current spending.	The finance ministry may approve virement from capital to current spending.	Virement from capital to current spending requires the approval of the legislature.

8.c	Is the completion of ongoing projects given priority over starting new projects?	There is no mechanism in place to protect funding of ongoing projects.	There is a mechanism to protect funding for ongoing projects in the annual budget.	There is a mechanism to protect funding for ongoing projects in the annual budget and over the medium term.
9. Maintenance Funding: Is adequate funding allocated to maintenance?				
9.a	Is a standard methodology in place to estimate current maintenance requirements and budget maintenance funding?	There is no standard methodology for determining requirements for routine maintenance.	There is a standard methodology for determining routine maintenance requirements and costs.	There is a standard methodology for determining routine maintenance requirements and costs, and appropriate amounts are generally allocated in the budget.
9.b	Is there a standard methodology for determining capital maintenance projects, and are they included in national and sectoral investment plans?	There is no standard methodology for determining capital maintenance projects, and they are not included in national or sectoral plans.	There is a standard methodology for determining capital maintenance projects, but they are not included in national or sectoral plans.	There is a standard methodology for determining capital maintenance projects, and they are included in national or sectoral plans.
9.c	Can expenditures relating to maintenance be identified in the budget?	Routine maintenance and capital maintenance are not systematically identified in the budget.	Routine maintenance and capital maintenance are systematically identified in the budget.	Routine maintenance and capital maintenance are systematically identified in the budget, and are reported.
10. Project Selection: Are institutions and procedures in place to guide project selection?				
10.a	Does the government undertake a central review of major project appraisals before decisions are taken to include projects in the budget?	Major projects (including donor- or PPP-funded) are not reviewed by a central ministry prior to inclusion in the budget.	Major projects (including donor- or PPP-funded) are reviewed by a central ministry prior to inclusion in the budget.	All major projects (including donor- or PPP-funded) are scrutinized by a central ministry, with input from an independent agency or experts, prior to inclusion in the budget.

10.b	Does the government publish and adhere to standard criteria and stipulate a required process for project selection?	There are no published criteria or a required process for project selection.	There are published criteria for project selection, but projects can be selected without going through the required process.	There are published criteria for project selection, and projects are generally selected through the required process.
10.c	Does the government maintain a pipeline of appraised investment projects for inclusion in the annual budget?	The government does not maintain a pipeline of appraised investment projects.	The government maintains a pipeline of appraised investment projects but other projects may be selected for financing through the annual budget.	The government maintains a comprehensive pipeline of appraised investment projects, which is used for selecting projects for inclusion in the annual budget and over the medium term.
C.	**Provide productive and durable public assets**			
11. Public contracts				
11.a	Is the procurement process for major capital projects open and transparent?	Few major projects are tendered in a competitive process, and the public has limited access to procurement information.	Many major projects are tendered in a competitive process, but the public has only limited access to procurement information.	Most major projects are tendered in a competitive process, and the public has access to complete, reliable, and timely procurement information.
11.b	Is there a system in place to ensure that procurement is monitored adequately?	There is no procurement database, or the information is incomplete or not timely for most phases of the procurement process.	There is a procurement database with reasonably complete information, but no standard analytical reports are produced from the database.	There is a procurement database with reasonably complete information, and standard analytical reports are produced to support a formal monitoring system.
11.c	Is the procurement complaints review process conducted in a fair and timely manner?	Procurement complaints are not reviewed by an independent body.	Procurement complaints are reviewed by an independent body, but the recommendations of this body are not timely, published, or rigorously enforced.	Procurement complaints are reviewed by an independent body whose recommendations are timely, published, and rigorously enforced.

12. Availability of Funding: Is financing for capital spending made available in a timely manner?				
12.a	Are ministries/agencies able to plan and commit expenditure on capital projects in advance on the basis of reliable cash-flow forecasts?	Cash-flow forecasts are not prepared or updated regularly, and ministries/agencies are not provided with commitment ceilings in a timely manner.	Cash-flow forecasts are prepared or updated quarterly, and ministries/agencies are provided with commitment ceilings at least one quarter in advance.	Cash-flow forecasts are prepared or updated monthly, and ministries/agencies are provided with commitment ceilings for the full fiscal year.
12.b	Is cash for project outlays released in a timely manner?	Cash for project outlays is sometimes released with cash restrictions.	Cash for project outlays is sometimes released with delays. [	Cash for project outlays is normally released in a timely manner, based on the appropriation.
12.c	Is external (donor) funding of capital projects fully integrated into the main government bank account structure?	External financing is largely held in commercial bank accounts outside of the central bank.	External financing is held at the central bank, but it is not part of the main government bank account structure.	External financing is fully integrated into the main government bank account structure.
13. Portfolio Management and Oversight: Is adequate oversight exercised over implementation of the entire public investment portfolio?				
13.a	Are major capital projects subject to monitoring during project implementation?	Most major capital projects are not monitored during project implementation.	For most major projects, annual project costs, as well as physical progress, are monitored during project implementation.	For all major projects, total project costs, as well as physical progress, are centrally monitored during project implementation.
13.b	Can funds be reallocated between investment projects during implementation?	Funds cannot be reallocated between projects during implementation.	Funds can be reallocated between projects during implementation, but without systematic monitoring and transparent procedures.	Funds can be reallocated between projects during implementation, using systematic monitoring and transparent procedures.

13.c	Does the government adjust project implementation policies and procedures by systematically conducting ex post reviews of projects that have completed their construction phase?	Ex post reviews of major projects are neither systematically required nor frequently conducted.	Ex post reviews of major projects, focusing on project costs, deliverables, and outputs are sometimes conducted.	Ex post reviews of major projects focusing on project costs, deliverables, and outputs are conducted regularly by an independent entity or experts, and they are used to adjust project implementation policies and procedures.
14. Management of Project Implementation: Are capital projects well managed and controlled during the execution stage?				
14.a.	Do ministries/agencies have effective project management arrangements in place?	Ministries/agencies do not systematically identify senior responsible officers for major investment projects, and implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, but implementation plans are not prepared prior to budget approval.	Ministries/agencies systematically identify senior responsible officers for major investment projects, and implementation plans are prepared prior to budget approval.
14.b.	Has the government issued rules, procedures, and guidelines for project adjustments that are applied systematically across all major projects?	There are no standardized rules and procedures for project adjustments.	For major projects, there are standardized rules and procedures for project adjustments, but do not include, if required, a fundamental review and reappraisal of a project's rationale, costs, and expected outputs.	For all projects, there are standardized rules and procedures for project adjustments and, if required, include a fundamental review of the project's rationale, costs, and expected outputs.
14.c	Are ex post audits of capital projects routinely undertaken?	Major capital projects are usually not subject to ex post external audits.	Some major capital projects are subject to ex post external audit and information on the results is published by the external auditor.	Most major capital projects are subject to ex post external audit, and information on the results is regularly published and scrutinized by the legislature.

15. Monitoring of Public Assets: Is the value of assets properly accounted for and reported in financial statements?				
15.a	Are asset registers updated by surveys of the stocks, values, and conditions of public assets regularly?	Asset registers are neither comprehensive nor updated regularly.	Asset registers are either comprehensive or updated regularly at reasonable intervals.	Asset registers are comprehensive and are updated regularly at reasonable intervals.
15.b	Are nonfinancial asset values recorded in the government financial accounts?	Government financial accounts do not include the value of nonfinancial assets.	Government financial accounts include the value of some nonfinancial assets, which are not revalued regularly.	Government financial accounts include the value of most nonfinancial assets, which are revalued regularly.
15.c	Is fixed asset depreciation captured in the government's operating statement?	Fixed asset depreciation is not captured in the government operating statement.	The depreciation of fixed assets is recorded in operating statements, based on statistical estimates.	The depreciation of fixed assets is recorded in operating expenditures, based on asset-specific assumptions.
Cross-cutting issues				
A	**IT support:** Is there a comprehensive computerized information system for public investment projects to support decision making and monitoring?			
B	**Legal framework**: Is there a legal and regulatory framework that prescribes institutional arrangements, mandates, coverage, procedures, standards and accountability for effective public investment management (PIM)?			
C	**Staff capacities**: Do staff capacities (number of staff and/or their knowledge, skills, and experience) and the clarity of roles and responsibilities support effective public investment management institutions?			