

**INDEPENDENT EVALUATION OFFICE
INTERNATIONAL MONETARY FUND**

Republic of Guinea

**Evaluation of the Poverty Reduction Strategy Paper (PRSP)
Process and Arrangements Under the Poverty Reduction
and Growth Facility (PRGF)**

July 6, 2004

This report is one of six background case studies for the IEO Evaluation of PRSPs and the PRGF. The latter report, along with background case studies for Guinea, Mozambique, Nicaragua, Tajikistan, Tanzania, and Vietnam are available on the IEO website at www.imf.org/ieo.

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Abbreviations and Acronyms

AfDB	African Development Bank
BOP	Balance of Payments
BWI	Bretton Woods Institution
CAS	Country Assistance Strategy (WB)
CNLC	Comité National de Lutte Contre la Corruption
CPI	Consumer Price Index
CSO	Civil Society Organization
ESAF	Enhanced Structural Adjustment Facility (IMF)
ESC	Economic and Social Council
EU	European Union
GDP	Gross Domestic Product
GTZ	Gesellschaft Für Technische Zusammenarbeit (Germany)
HIPC	Highly Indebted Poor Country
IDA	International Development Association
IEO	Independent Evaluation Office (IMF)
IFI	International Financial Institution
IMF	International Monetary Fund
INGO	International Nongovernmental Organization
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
MDGs	Millennium Development Goals
MEFP	Memorandum of Economic and Financial Policy (IMF)
MTEF	Medium-Term Expenditure Framework
NFA	Net Foreign Assets
NGO	Nongovernmental Organization
ODA	Official Development Assistance
OED	Operations Evaluation Department (WB)
PACV	Programme d'Appui aux Communautés Villageoises
PDR	Policy Development and Review Department (IMF)
PFP	Policy Framework Paper
PRCI	Programme de Renforcement des Capacités Institutionnelles
PRGF	Poverty Reduction and Growth Facility (IMF)
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
SAC	Structural Adjustment Credit (WB)
SOE	State-Owned Enterprise
SRP	Stratégie de Réduction de la Pauvreté
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value-Added Tax
WAEMU	West-African Economic and Monetary Union
WB	World Bank

EXECUTIVE SUMMARY

Guinea is a small country endowed with rich natural resources but very low human development indicators and a GDP per capita of only US\$550. A centrally planned economy until 1984, it has since embarked in a gradual process of economic opening and liberalization, with the support of the Bretton Woods Institutions and a handful of bilateral donors. Public finance imbalances and weak governance are among the major challenges it faces today. From 1995 onwards, Guinea launched several participatory initiatives to draft development strategies that, although incomplete and not directly operational, provided a good starting point for the PRSP process. Guinea was declared eligible to the HIPC initiative in December 1999 and reached its decision point a year later, having prepared an interim PRSP in October 2000. The full PRSP was completed in January 2002. Guinea has been engaged in IMF-supported programs (first under the ESAF, then under the PRGF) almost continuously since 1987, although with a poor track record of implementation. At the time of the evaluation, the current PRGF-supported arrangement—approved in May 2001—was off-track.

While the key incentive for Guinea's PRSP was that it conditioned access to debt relief and concessional IFI lending, **the formulation process was country-driven** in the sense that the government organized the process and drafted the document without pressures from the donor community. The participatory element rested on the work of seven thematic groups composed of representatives of government, civil society and donors, and on a series of workshops with broad public attendance held both in the national capital and at the decentralized level. The IMF kept a low profile throughout the process, largely limiting its involvement to observing the debates.

Stakeholders generally viewed this process as having significant value added over past practices and particularly appreciated the government's outreach efforts to present its policies to the public. At the same time, concerns were expressed about the representativeness of participants to thematic groups and the actual impact of the participatory process over the final PRSP appears to have been limited, particularly in the macroeconomic area. It was more significant with respect to the poverty diagnostic and the prioritization of the policy agenda, bringing to the fore, in particular governance issues. Factors mentioned to account for that limited impact include weak civil society capacity to participate, restrictions to the freedom of expression of actual and potential stakeholders and poor communications, all of which tended to be accentuated by the modalities of the consultation process itself (such as limited access to the documents under discussion, absence of choice between alternative policy options and of discussion of the tradeoffs involved, insufficient time, strong government involvement in the process etc.). As a result, **it does not seem that the process led to broad-based ownership of the PRSP**, even within government broadly defined, although it is definitely owned by the relatively narrow circle of civil servants most closely associated with its drafting.

Guinea's PRSP is generally viewed as a good "document" in the sense that it contains all of the expected building blocks and that it adopts a comprehensive definition of poverty, identifies expected pro-poor outcomes in some specificity and contains elements of a long

term perspective. At the same time, **it suffers from critical weaknesses which have limited its usefulness as an operational roadmap for policy making** to date. In particular, its analytical contents are poor, providing few insights on the links between policy actions and poverty/growth outcomes. The macroeconomic framework is based on overoptimistic assumptions, and not well integrated with the rest of the strategy, and sources/factors of growth receive only limited attention. Furthermore, there is a general sense that the policy agenda contemplated in the PRSP is at variance with the government's implementation capacity, and that it is insufficiently prioritized, including in the sense that it does not offer guidance to solve tradeoffs between competing objectives, or contingency plans to adapt to changes in the external environment.

The joint staff assessment of Guinea's PRSP fell short of meeting several of its purposes. It offered a balanced assessment of the PRSP's contents and was candid in pointing out many of the areas that required continued attention from the authorities going forward, which was valuable to the authorities. However, it was less candid in its description of the participatory process and in its very favorable assessment of it. Likewise, its assessment of implementation risks was not fully candid. In both cases, the JSA was at odds with the perceptions of most nongovernmental stakeholders on the ground. The JSA did not seek to incorporate inputs from other parties than the authorities and received very little dissemination in Guinea. Thus, most stakeholders were either unaware of it or viewed it as irrelevant. IMF Board members, when reviewing Guinea's PRSP, made few references to the JSA, but when they did, accepted its appraisal at face value.

Limited changes have been observed in the IMF's way of doing business under the PRGF. Some efforts were made in the early days of the initiative to undertake limited qualitative social impact analysis of key elements of the program, but they have faltered since. There is also evidence that more policy space is given to the authorities in the negotiation of structural conditionality, and that meeting macroeconomic targets by squeezing social spending is now viewed by the IMF as an unsustainable strategy, that should not be supported. At the same time, IMF staff's outreach efforts to explain the rationale for the PRGF-supported program to a broader audience than the authorities have been very limited. Critically, the IMF failed to use the opportunity of the PRSP process to make sure that key policy issues and tradeoffs in its areas of competence were duly aired and debated. Key explanations for these shortcomings include lack of time and staff resources, reluctance of the authorities and lack of clarity about what was expected of the staff in what was meant to be a government-led process if some key policy issues were not emerging in the public debate.

- **The design of the PRGF-supported program reflects some progress towards most of the seven key features** supposed to distinguish the PRGF from the ESAF, but it is still a long way from being fully embedded in the PRSP:

Alignment: The PRGF was approved before the finalization of the PRSP, and its original framework adopted as macroeconomic framework of the PRSP. That framework, however, was overtaken by adverse shocks, so that by the time of the first review of the program, there was a clear mismatch between the macro framework of the PRGF-supported program, which

had been updated, and that of the PRSP, which had not. Consequently, the latter did not provide guidance as to how to handle tradeoffs required by such shocks, leaving the PRSP underfinanced and with unattainable macroeconomic objectives. Regarding structural policies, by contrast, the PRGF-supported program and the PRSP are broadly aligned.

- *Program design* did protect priority sector spending and allowed for substantial flexibility in fiscal targets, both to accommodate higher pro-poor spending and in response to shocks. However, that flexibility was not always present in the initial program design and instead often resulted from ex post adaptations which, not being determined on the basis of fully transparent criteria, gave rise to misunderstandings and criticism of arbitrariness, both with the authorities and with the donor community. Also, problems remain with the efficiency and targeting of “pro-poor” spending.
- *Structural conditionality* was noticeably streamlined in the sense that the number of formal conditions in the program declined and that they became more focused on IMF core competencies. Conditionality was streamlined in areas where either the authorities had demonstrated strong ownership of the reform agenda or an understanding was reached with the World Bank to make it the “lead agency” in that area. Within that framework, significant emphasis was put on governance and public accountability. However, this trend coincided with the proliferation of informal conditionality, frequently imposed in the context of interim programs negotiated to return “on-track.”
- Areas where progress has been lacking include the use of poverty and social impact analysis in program design, and the realism of key underlying macroeconomic assumptions.

Collaboration between the IMF and the World Bank was significantly enhanced at the working level from late 1999 onwards, thanks to systematic joint missions to the country and a clear articulation of respective “lead agency” responsibilities, leaving few areas of overlap. However, collaboration in connection with the streamlining of conditionality turned out to be unhelpful to the achievement of the desired reform outcome, critically in the area of SOE reform. This resulted in part from lack of country ownership of the reforms concerned, but also from differences in approach to conditionality and lending instruments between the Bank and the Fund that implied limited leverage in the timeframe relevant for the Fund-supported program.

The impact of the PRSP has been limited to date, in part because its implementation has been hindered by substantial shortfalls in external financing, but also for lack of government initiative. Impact on the policy making process is visible only, to some degree, in the budgetary process, where priority sectors have been protected, and through some progress in decentralizing revenues and spending authority. Impact on program ownership and on the policies adopted is, likewise, hard to detect, including in areas, such as governance, which the PRSP process identified as critical. Impact on donor coordination has been elusive, as most donors have taken a wait and see attitude towards the PRSP process, while reducing

their aid owing to governance-related concerns (including in the political arena). More critically, the sustainability of the process is far from ensured, as two years after the adoption of the full PRSP, there were no clear institutional arrangements for its implementation, nor for its monitoring, let alone its adaptation over time. Thus, whatever has taken place in these three areas has been neither transparent nor participatory.

The main lessons arising from this case study are as follows: (i) initial expectations—of the authorities, civil society and donors alike—of what the PRSP process could deliver in the short term in the Guinean context were probably too high given in particular the political context and the fragility of macroeconomic stability; (ii) for PRSPs to be effective as an operational roadmap for policy making, they need to provide strategic guidance for setting priorities among competing demands and for solving unanticipated tradeoffs. They also need to be backed by working institutional arrangements for their implementation, monitoring and regular updating; (iii) in their assessment of PRSPs, the staffs of the IMF and the World Bank should focus on whether or not these elements are present at least as much as on generic contents and process requirements. In the latter area, they should strive to appraise candidly whether the objectives of these requirements are met, not just whether they are superficially observed. Taking into consideration the views of local stakeholders in the JSA process could help reach a balanced and candid assessment; (iv) IMF staff needs to be proactive in the formulation of the macroeconomic framework of the PRSP to ensure that it offers a suitable basis for the PRGF-supported program. Without restraining the policy space, it should in particular ensure that major policy issues are discussed, alternative options considered, and likely tradeoffs considered; (v) IMF staff need to be more explicit about the criteria taken into account to reconcile macroeconomic stability and pro-poor/pro-growth policies in the formulation and monitoring of PRGF-supported programs; (vi) streamlining conditionality has two distinct dimensions: enhancing ownership and improving the division of labor between the IMF and the World Bank. With regard to the first, problems can arise if the PRSP is overly vague about the strategy envisaged, thereby leaving the key elements to be addressed as part of negotiations on the PRGF-supported program. On the second, the integration of Bank and Fund conditionality can be highly complicated in practice and the assumption that conditionality will be more effective simply by letting the Bank take over responsibility for conditionality in areas where the Fund is reducing its direct involvement may not be warranted, as the example of conditionality on state enterprise reform illustrates.

I. INTRODUCTION AND COUNTRY BACKGROUND

1. This report analyzes the experience of Guinea with the Poverty Reduction Strategy Paper (PRSP) process as well as the negotiation and implementation of a program supported by the Poverty Reduction and Growth Facility (PRGF). The focus of the report is on evaluating the performance of the IMF in supporting the PRSP and PRGF initiatives, not on appraising the authorities' policies.¹

2. The analyses presented here are based on a variety of sources, most notably: (i) published and unpublished IMF and World Bank documents relevant to the Guinean PRSP and PRGF-supported program; (ii) material produced by Guinean stakeholders at various stages of the PRSP process; (iii) interviews with key IMF and World Bank staff members involved in Guinea over 2000-2003; (iv) interviews with a broad spectrum of local stakeholders in the context of an IEO team visit to Guinea;² and (v) a locally administrated survey of around 150 local stakeholders representing Government, civil society and international partners.³

¹ Nor does the report attempt to assess the role of the World Bank, although a number of issues relevant to the World Bank are addressed in the context of Guinea's PRSP and PRGF-supported program. Consistent with the IEO's terms of reference, in order to avoid interfering with "ongoing IMF operations," IMF operations have been not been reviewed beyond end-2002. However, developments on the ground (including progress under the PRSP approach) have been taken into account through end-2003.

² The team comprised Ms. Isabelle Mateos y Lago (Head), Mr. Jeffrey Allen Chelsky and Mr. Kerfalla Yansane (Consultant). The mission visited Guinea from April 21, 2003 to May 4, 2003 and held meetings in Conakry (the national capital) and in Mamou (one of eight regional capitals). Stakeholders met by the mission included the Minister of Economy and Finance and Governor of the Central Bank as well as key senior staff under their authority; several current and former cabinet ministers involved in the PRSP process as well as their senior staff; members of the key thematic groups involved in the formulation and monitoring of the PRSP; representatives of various republican institutions, in particular the National Assembly, the Economic and Social Council and the National Anti-Corruption Committee; local government officials; key donors (Canada, European Union, France, Germany, Japan, UNDP, United States and the World Bank); and a cross section of civil society groups, including academics, the business sector, labor unions, local and international NGOs, political parties (majority and opposition), the private press, and religious organizations (Christian and Muslim). A full list of people interviewed has been kept in IEO records but is not reproduced here to preserve interviewees' anonymity, as requested by many of them.

³ The results of the survey are highlighted in the main text of this report. Full results are presented in Annex II.

3. The report is structured as follows: the remainder of Section I provide brief background information about Guinea. Section II offers an appraisal of the PRSP formulation process and of the document itself, focusing on aspects relevant to an evaluation of the IMF's role. Section III assesses the extent to which programs supported by the PRGF in Guinea differ from those under the Enhanced Structural Adjustment Facility (ESAF). Section IV assesses the impact and sustainability of the PRSP/PRGF approach for Guinea. Section V summarizes the main points of the assessment and attempts to draw lessons of more general applicability.

A. Country Background

4. Guinea, with a population of around 8.5 million, is richly endowed with natural resources, particularly bauxite and gold. However, the isolationist and central planning policies pursued from the early 1960s to 1984 held back its economic development and integration in the world economy. Since then, some catch up has occurred, but poor transport and communications infrastructure, unreliable utilities supply and rampant corruption have undermined private sector development, leaving the economy heavily dependent on a narrow mining sector for both tax and export revenue.

5. Since the mid-1990s, Guinea has enjoyed annual real GDP growth of between 4 and 6 percent and inflation has averaged about 5 percent. Growth fell in 2000, owing to a series of exogenous shocks, while inflation accelerated due to higher oil prices and a significant depreciation in the Guinean franc. However, in 2002, GDP growth recovered to over 4 percent and average inflation slowed to 3 percent.⁴

6. Despite this relatively stable macroeconomic environment, social indicators are very weak. In 2002, Guinea was ranked 159 out of 173 countries in UNDP's Human Development Index (up from 174 in 1992), with a GDP per capita of only US\$550. Almost two-thirds of the population is illiterate and over 40 percent live below the poverty line. While civil wars and political instability have been ongoing in many of the surrounding countries, Guinea itself has had the same Head of State since 1984 and has been relatively stable under his leadership. However, neighboring conflicts have, on occasion, spilled across the border, with negative consequences for economic and social conditions in Guinea.⁵

7. Guinea's major macroeconomic challenges are in the fiscal area. While the general government deficit has averaged under 3 percent of GDP since the mid-1990s, central government revenue mobilization is weak (under 12 percent of GDP), particularly given

⁴ See Annex I, Table 1.

⁵ In recent years, Guinea has had to cope with spending pressures associated with a significant influx of refugees from neighboring Sierra Leone, Liberia and Côte d'Ivoire (estimated at its peak at between 5 and 10 percent of the Guinean population). Beyond the associated direct humanitarian costs, defense spending has also had to respond to security concerns along Guinea's borders.

Guinea's development needs. The underperformance of revenue is, to a large extent, the result of weak tax administration, widespread corruption and extensive use of tax exemptions. This has been compounded by generally weak and nontransparent public expenditure management and a narrow but costly and nontransparent state-owned enterprise sector. The net effect has been to undermine the government's ability to finance quality spending in priority social sectors.

B. Relations with the IMF and the Donor Community

History of use of IMF resources

8. Guinea started using IMF resources in the second half of the 1980s, in support of the efforts of the new regime to liberalize the economy. Since 1987, Guinea has drawn exclusively on concessional resources, with one arrangement under the Structural Adjustment Facility (SAF), two arrangements under the ESAF, and more recently a three-year arrangement under the PRGF. Performance under these successive arrangements was generally poor. As a result, none of them could be disbursed fully, even after allowing for substantial extensions of the commitment period, as happened for the 1991 and 1997 arrangements under ESAF (which expired respectively in 1996 and 2001; see Table 1). Indeed, owing to a combination of exogenous shocks and lax fiscal discipline, most programs, including the current one, went back and forth between "on-track" and "off-track" status, with a series of ad hoc programs monitored by the staff in between.

9. The 1997–2001 program focused on reforms in public finance and in the monetary and banking areas, with significant emphasis on tax and customs administration and a reduction in tax exemptions. It also contained conditionality in the areas of trade, public enterprise reform, governance and anti-money laundering, along with measures to reduce the size of the civil service.⁶ A new 3-year PRGF arrangement (the design of which is analyzed in depth in Section III) was negotiated in early 2001 and approved by the Board in May. It went off-track soon after, so that the first review could not be completed until July 2002, seven months behind schedule, and after implementation of a four-month "consolidation plan." Slippages resumed immediately after the completion of that review, this time concentrated in the areas of public expenditure and monetary policy. After a few unsuccessful efforts to correct the course, the program went off-track in December 2002.

⁶ The third (and last) annual arrangement under this program was approved by the Executive Board in December 1999, after the formal transformation of the ESAF into the PRGF. Thus, even though the arrangement was designed and negotiated under the ESAF framework, it was approved as an arrangement under the PRGF. There is no explicit reference in the arrangement to an evolution toward the PRGF framework. Nonetheless, third year program conditionality was focused largely on the IMF's traditional areas of expertise and placed strong emphasis on improving governance and the quality of public resource management.

Relations with the donor community

10. Guinea is a heavily indebted poor country (HIPC), which reached its decision point under the HIPC initiative in December 2000 and started receiving interim assistance at that time.⁷

Table 1. Landmarks in IMF, PRSP, HIPC, and WB Operations

	IMF	PRSP	HIPC	World Bank
January 1997	ESAF, first AA	(PFP 97–99)		
November 1997				CAS
March 1998	ESAF, second AA			
December 1999	ESAF, third AA	(PFP 99–01)	Prelim doc	
October 2000		I-PRSP completed		
December 2000	First review of third AA under ESAF	JSA on I-PRSP	Decision point	
May-July 2001	Three-year arrangement under PGRF			CAS PR SAC IV
January 2002		PRSP completed		
July 2002	1st review under PRGF	JSA on PRSP		
June 2003				CAS

Source: IMF and World Bank.

AA: Annual Arrangement
JSA: Joint Staff Appraisal
PFP: Policy Framework Paper

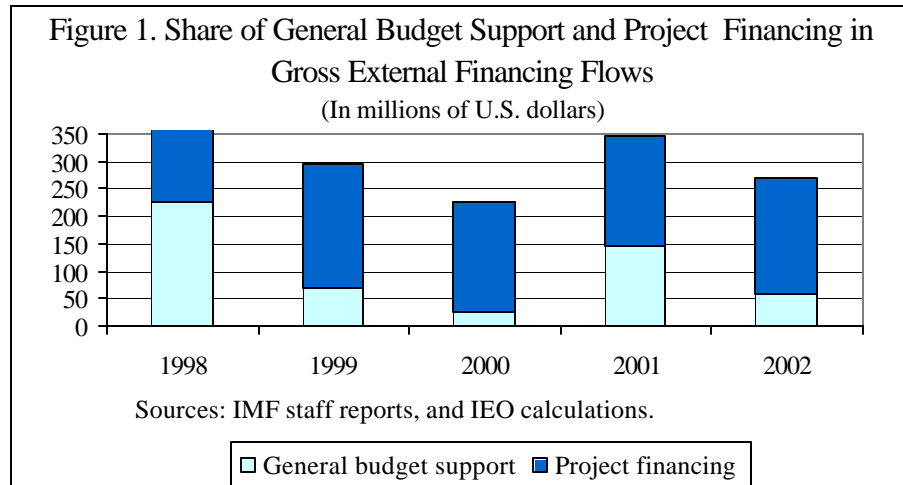
SAC: Structural Adjustment Credit
CAS: Country Assistance Strategy
CAS PR: Country Assistance Strategy Progress Report

11. The World Bank is the first source of concessional financing for Guinea, with IDA accounting for approximately one-quarter of net official development assistance (ODA) in 2000 and 2001. Beyond IDA, the donor community is fairly narrow.⁸ Since late 2001, in light

⁷ According to the staff report on the 2003 Article IV consultation with Guinea (IMF, 2003a), the earliest the country could reach its completion point under the enhanced HIPC initiative is at end-2004, contingent upon the prior establishment of a satisfactory track record under an IMF-supported program and compliance with the other triggers for the floating completion point.

⁸ Guinea's main providers of ODA are France, the United States, Japan, the European Commission, Germany and Canada (in order of decreasing importance). On average, between 1999 and 2001, bilateral assistance accounted for just under one-half of gross ODA flows.

of concerns with the quality of governance, most donors have scaled back their assistance and refrain from providing general budget support (although Guinea has been receiving interim assistance under the HIPC initiative in 2001 and 2002—see Figure 1 below). Thus, at the time of the IEO evaluation, Guinea was going through a period of relative aid drought, which may have colored domestic stakeholders’ perceptions of the PRSP/PRGF initiatives to some extent.



C. Past Participatory Efforts Towards Poverty Reduction

12. Strategic efforts towards poverty reduction picked up in 1995, following the release of data which ranked Guinea at the very bottom of UNDP’s human development index, when the Guinean authorities embarked on the drafting of a National Human Development Program. The following year, in order to better understand the reasons for the country’s very weak social indicators, the authorities launched a major consultation exercise to articulate a national strategy for sustainable development and poverty reduction, with support and encouragement from the World Bank. This exercise resulted in the production of a long-term development strategy entitled “Guinea Vision 2010,” in which the Government committed itself to invest in human capital and promote good governance. The 1997 World Bank Country Assistance Strategy for Guinea built on and further expanded this process, which culminated in a National Consultative Forum at which participants were asked to rank their policy priorities for poverty reduction. In order of descending importance, the top priorities identified by participants were: rural development, access to basic education, access to primary health care, development of local entrepreneurship and improved governance.

13. These priorities were subsequently embodied in the medium-term expenditure framework (MTEF) which the authorities began implementing in 1998 with respect to education, health, rural development and road infrastructure. In 1999, the application of the MTEF was expanded to include three additional priority sectors—justice, urban development, and “housing and social affairs.”

II. APPRAISAL OF PRSP FORMULATION AND CONTENTS

A. The PRSP Formulation Process⁹

14. Guinea presents certain characteristics which made the formulation of a participatory PRSP particularly challenging, in particular its political history, the low literacy rate of its population, the scarcity of autonomous CSOs and their limited technical capacities, the prohibition of private radio and television, and the limited circulation of newspapers, especially outside of the capital city. Given these circumstances, it would have been unrealistic to expect the process of formulating Guinea's first PRSP to meet right away the objectives of broad-based participation, empowerment of the poor, and broad country ownership. The process did, however, offer some progress in that direction.

A country-driven process

15. The Guinean PRSP, or SRP (Stratégie de Réduction de la Pauvreté) as it is locally known, was the output of a process designed by the authorities with limited inputs from their international partners. The authorities indicated that they had not felt under pressure to adopt a process that they did not genuinely favor.

16. The SRP was drafted entirely by Guinean stakeholders—in practice a small team of civil servants from the planning and finance ministries—on the basis of various inputs derived from the participatory process. International partners took part in the exercise alongside domestic stakeholders. They occasionally offered inputs and, in some cases, technical and/or financial support (especially the AfDB, the World Bank, UNDP and the German and Canadian cooperation agencies), but they did not exercise control over the contents of the SRP. The IMF's involvement in the process was particularly limited (see Box 1). It is also clear from the authorities' selective handling of the criticism of the I-PRSP made in the joint staff appraisal (JSA) of that document that they did not feel under any obligation to address each point in the manner suggested by the staff of the IMF and the World Bank (see Annex IV). In these respects, the formulation of the PRSP was “country-driven.”

Broad-based consultations, but limited participation in framing the strategy

17. The participatory process took place for the most part from mid-2000 to late 2001. It relied on a variety of techniques to get feedback from several stakeholder groups on key building blocks of the PRSP, which were either prepared from scratch by senior officials from the planning ministry or carried over from previous strategic planning exercises, as summarized in the I-PRSP. These techniques included multi-stakeholder working groups bringing together representatives of government, civil society, the private sector, and international partners; ad hoc workshops held at the national and regional levels; and consultations of grassroots communities in various parts of the country. There is a general

⁹ See Annex III for a description of the PRSP process implemented in Guinea.

sense within the donor community that the authorities invested a lot of time and effort in this process, and that, on the paper at least, the design adopted deserves high marks. However, its practical implementation in the Guinean context limited its relevance, especially as far as actual participation by civil society was concerned.¹⁰ Indeed, it was frequently pointed out, by civil society representatives and donors alike, that the format of the consultations made it very difficult, if not impossible, for most participants to have a substantive input into the formulation of the poverty reduction strategy, although the process did give participants a forum to expose their perception of poverty and to express their needs. Three reasons for this were emphasized in interviews.

Box 1. IMF Input Into the PRSP Process

The IMF's input into the Guinean PRSP process was limited, especially past the stage of the I-PRSP. Up to that stage, the IMF's Resident Representative had numerous exchanges with the coordinator of the PRSP exercise, who told the evaluation team that he particularly appreciated his advice on the process, without feeling pressured to treat the advice as requirements. Inputs from IMF headquarters took the form of an informal policy dialogue between staff missions and the authorities, as well as with a range of civil society groups. After the I-PRSP was issued, however, the involvement of the IMF in the formulation of the PRSP became limited to passively observing the process except for an intervention of the IMF mission chief for Guinea at the National Workshop where the draft full PRSP was presented to the public in July 2001. The IMF did not provide technical assistance related to the PRSP during the period of its formulation (or since). In interviews, IMF staff emphasized that they had chosen to limit their involvement as much as possible, under the assumption that doing otherwise might interfere with country ownership, as well as because the time and resource constraints that they face force them to prioritize their activities. The change in "IMF behavior" between the two periods appears to reflect primarily individual differences in interpreting the existing guidelines, with both interpretations readily accommodated by the internal review process. Interestingly, virtually all stakeholders interviewed in Guinea, particularly those involved in thematic groups, wished the IMF had been more active in the PRSP formulation exercise. The experience of the period leading to the I-PRSP further suggests that a somewhat more extensive involvement by the IMF, at least in terms of framing the debate on major macroeconomic policy issues, would not have impinged on country ownership. Asked whether they agreed that the IMF's involvement in the PRSP process had been very helpful, just half of the respondents answered affirmatively. Over a quarter of all respondents (40 percent of civil society) answered that they did not know. All respondents who disagreed that the IMF had been helpful blamed it on an insufficient IMF involvement.

¹⁰ The survey of participants in the PRSP process indicates that only about 35 percent of respondents from civil society consider that the group of stakeholders to which they belong was adequately consulted.

18. First, even though Guinea does have a participatory tradition, this tradition is not one that is conducive to the free expression of views in the presence of government representatives, especially when it involves criticizing the policies and actions of the government. Thus, a consultation process relying predominantly on large popular gatherings, orchestrated by senior civil servants and, frequently, involving cabinet ministers themselves, had limited effectiveness in getting the population to express anything but a broad endorsement of the policies put forward by the authorities without alternative choices.

19. Second, in most instances, participants in PRSP process events reported having had little time to think through the issues being presented, and much less to discuss them among themselves or with the constituencies they were supposed to represent. Thus, even leaving aside technical capacity constraints, participants' practical ability to make a constructive criticism of the government's proposals, let alone to formulate alternative ones or to figure out the tradeoffs at stake, was very limited. Their options were restricted to endorsing or rejecting the government's proposals, or at best to adding wishes to the priority actions listed. In addition, in most of the workshops organized at the national and regional levels at various stages of the process, the large number of participants (usually over 100) made it impossible for most of them to participate substantively in the discussion.¹¹

20. Third, questions have been raised about the representativeness of the membership of the eight thematic groups in charge of drafting the contributions on the basis of which the I-PRSP would evolve into a full PRSP. On paper, the three key stakeholder groups—government, civil society and donors—were represented in each of these thematic groups. In practice, however, the individuals designated to represent an institution or constituency often did not consult on a formal, regular basis with other members of that institution nor report to them as to the nature and substance of the work being done in the thematic groups.¹² A noteworthy exception was the National Anti-Corruption Committee, whose representative in the thematic group on “Decentralization, Governance and Capacity Building” consulted regularly with other members of the Committee about the activities and debates of the thematic group. As regards the representation of sectoral ministries, while some internal debate did take place at the top of the hierarchy regarding the stance taken in thematic group meetings, only limited efforts were made to involve the broader administration in those discussions.

21. Moreover, the organizations called upon to represent civil society were themselves sometimes of questionable representativity—a problem made worse by the rather limited number of slots allocated to civil society in the thematic groups (on average, 4 out of

¹¹ Several of these workshops involved working sessions where participants were split in groups of 20—25. Discussions were reportedly more active and candid in those sub-sessions, but typically not more focused, and their impact is unclear.

¹² In particular, this problem arose with the representatives of the National Assembly and the University, as well as with NGO representatives (cf. Bah, 2003)

around 30, of which 2 went to official institutions in the case of the thematic group on macroeconomic policies).¹³ Ironically, the institution officially mandated to represent the interests of civil society, namely the Economic and Social Council, did not have representatives in any of the initial thematic groups and generally found its own involvement in the process very unsatisfactory.¹⁴

Value-added of the participatory process

22. Despite these limitations and concerns, most stakeholders interviewed by the evaluation team thought the PRSP process had added value. In particular, there was a general appreciation of the outreach efforts deployed by the government to explain the key planks of its poverty reduction strategy and stimulate some public discussion of its policies in that respect. The personal involvement in the outreach process of senior officials, including cabinet ministers, was commented upon favorably by many of those interviewed. Overall, both local stakeholders and international partners in the field felt that the outreach effort had gone much further than at any time before, if only because it was spread over a longer period and covered a larger share of the population.¹⁵ In addition, it was generally felt that the high profile of the PRSP process raised awareness throughout the country about some of the most serious obstacles to poverty reduction—especially poor governance and the importance of fiscal decentralization and local community empowerment as key elements of an anti-corruption strategy. Our survey of PRSP stakeholders also indicated that respondents give high marks to the PRSP process as a conceptual framework.

23. Nevertheless, the extent to which the participatory process actually influenced the final PRSP is hard to measure. On the diagnosis side, the authorities themselves contend that the PRSP process validated the findings of previous participatory exercises. Regarding the strategy itself, a systematic comparison of the actions plans envisaged in selected areas in the

¹³ For the purposes of the participatory process, civil society was defined by the authorities as including NGOs, labor unions, the business sector, but also a number of official institutions such as the National Assembly, the National Anti-Corruption Committee, the University, the National Forum of NGOs etc. In total, across the 7 original thematic groups, only 22 different such civil society organizations were represented, of which only 12 different CSOs. Most of these are reportedly government sponsored or affiliated.

¹⁴ This viewpoint was conveyed to the IEO by the President of the ESC. However, the authorities subsequently indicated that they had sought to involve the ESC in the process in several ways, including by asking it to designate representatives to sit in the PRSP thematic groups and by seeking feedback on the I-PRSP and subsequent drafts of the PRSP.

¹⁵ Based on the mission's field experience, this appreciation appeared to be particularly pronounced at the regional level. However, the mission's contact with local stakeholders was limited to Mamou, the capital city of a region which, while challenged, is not among the most disadvantaged in the country.

I-PRSP and in the full PRSP does not suggest that significant changes were made, although in some cases details were added and priorities were outlined.¹⁶

24. Several stakeholder groups (e.g. labor unions, chambers of commerce and agriculture, artisans) that participated in the process indicated that a number of their concerns had been suitably taken into consideration in the final strategy, and overall close to 60 percent of respondents to the survey of participants in the PRSP process agreed that the final document had been adequately modified to accommodate some of their viewpoints. However, an analysis of contributions made during the workshop on the first draft PRSP held in the national capital suggests that most were very specific suggestions, targeted at adding or changing the order of items in the sectoral action plans, rather than suggestions of a strategic nature. In particular, there was limited impact on macroeconomic policy issues (see Box 2), perhaps reflecting the fact that little effort had been made, including by the IMF, to highlight key policy tradeoffs in a manner that might have encouraged debate. The elusiveness of the impact of participation may account for the surprisingly negative view of PRSP stakeholders regarding the cost/benefit balance of the exercise: overall just over 40 percent agree that PRSP benefits outweigh its costs. Among civil society stakeholders, that view is held by less than a quarter of respondents.

25. Furthermore, the extent of ownership of the PRSP achieved by this process appears to be limited beyond the narrow circle of its authors (i.e., selected members of the PRSP permanent secretariat and of the eight thematic groups).¹⁷ According to the survey of stakeholders, less than half of civil society participants in the PRSP process feel that it is driven and managed by national stakeholders (with 22 percent “strongly disagreeing” that the PRSP is country driven). A similar view was expressed by leaders of the National Assembly and the Economic and Social Council, to whom the PRSP exercise appeared driven primarily by the pressure exercised by multilateral donors (unlike, for instance, the strategic document ‘Guinea :Vision 2010’). Even familiarity with the document appears limited.¹⁸

¹⁶ See Annex IV for a detailed comparison of the two documents. The one area we could identify where the consultative process had led to substantive modifications was with respect to the strategy for the craftsmanship sector, where affected stakeholders benefited from substantial technical and financial support from donors, allowing them to deliver in a timely manner a comprehensive and articulate development strategy for their profession.

¹⁷ To be sure, this probably represents a greater degree of domestic ownership than for the Policy Framework Paper (PFP), i.e., the PRSP’s predecessor at the time of the ESAF.

¹⁸ A survey of people who participated in the PRSP process conducted for the purposes of this evaluation revealed that, even within this presumably better informed population, close to 40 percent of respondents declined to declare themselves knowledgeable about the document itself (45 percent of civil society respondents). Among the local and foreign NGOs surveyed for GTZ (cf. Bah, 2003, op. cit.), 70 percent declared having little or no knowledge of the PRSP (even though 46 percent of those said they participated in some fashion in the

(continued)

Box 2. Impact of the Participatory Process on the Macroeconomic Framework of the PRSP

The impact of the participatory process appears to have been especially limited with respect to the macroeconomic aspects of the PRSP. While it may not be surprising that the large grassroots consultation events did not provide significant inputs in that respect, even the discussions held within the thematic group dedicated to macroeconomic policy were limited in scope, according to participants interviewed. The group reported having active discussions, in which most members participated (although the IMF resident representative did not attend most sessions).¹ These discussions led to identifying as a major priority the importance of keeping inflation under control, given its negative impact on the poor. Also among the major preoccupations were enhancing the availability of micro-credit and the need to mobilize internal resources, but the pros and cons of specific policy alternatives to achieve these objectives were not discussed in any depth. Moreover, the group did not discuss the overall macroeconomic framework, let alone hold discussions of quantified trade-offs. Group members interviewed indicated that they assumed the macroeconomic framework would be set in the context of PRGF negotiations and that they did not have interactions with either of the teams in charge of those negotiations (whether on the authorities' or on the IMF's side) or with the PRGF monitoring committee.² Structural reforms of critical macroeconomic importance, such as the reform of state-owned enterprises, were not discussed either. Furthermore, in the absence of formal interactions between this thematic group and the more sectoral ones, there was no mechanism to integrate the plans of the latter into the macroeconomic framework or to ensure that they were conceived within a realistic budget constraint.

1/ The group comprised 30 members, of which 19 from government (mostly from the ministries of Finance and Planning), seven donor representatives, and four from civil society (one parliamentarian, one university professor and two NGOs). The IMF was generally represented by the resident representative's research assistant, who was instructed to attend the meetings as an observer. Interviews with IMF staff involved suggest that the format of IMF representation at these meetings reflected in part their perception that these sessions did not produce any substantive output.

2/ This Committee is made up of senior civil servants, mostly from the Ministry of Finance and from the central bank, who were responsible for the implementation of the PRGF-supported program.

26. Some of these limitations were probably inevitable given the circumstances alluded to at the outset. Others might have been avoided, or at least mitigated, through the choice of alternative consultation formats, in particular by seeking feedback on the relative merits of alternative policy options and on how to resolve actual or foreseeable tradeoffs between intermediate objectives. The fact that the PRSP process was able to build largely, in substance, on previously drafted development strategies could have been used as an opportunity to further those dimensions in this new round of consultations. The scope of the participatory process could also have been enhanced by the use of additional channels of interaction with the population (including, for instance, by giving a greater role to representative institutions such as the National Assembly¹⁹ and the Economic and Social

formulation process). Thus, actual knowledge of the PRSP within the population at large, including those who did not participate directly in its formulation, is bound to be limited.

¹⁹ Various international observers have raised doubts about the actual representativeness of the Guinean National Assembly. According to the "voice and accountability" governance

(continued)

Council, by involving in the consultation process civil society organizations with well-established ties to grassroots communities throughout the country—including in particular religious organizations—and by encouraging public debate on PRSP-related issues outside of the government led PRSP process—e.g. in the media or the academic community—instead of curtailing it. Last, but not least, a more far-reaching dissemination strategy for the finalized PRSP, using approaches better tailored to the capacity of the population, would also have helped deepen ownership (see Box 3 on the PRSP dissemination strategy). It was argued by some stakeholders in Guinea that time pressures (stemming partly from the authorities’ desire to gain access to HIPC debt relief as soon as possible) and cost constraints played a part in the design and implementation choices made by the authorities. However, the evaluation team’s exchanges with the authorities do not suggest that these constraints were determining factors in the design of the process, but rather that many of the “limitations” of the PRSP formulation process as noted above relate to the authorities’ understanding of the concept and purpose of participation.²⁰

27. It should be noted that the Joint Staff Assessment (JSA) of the full PRSP was not particularly helpful in conveying the constraints and limitations of the participatory process. Indeed, even though the JSA guidelines explicitly require the staffs to describe, not evaluate, the participatory processes implemented by country authorities, the JSA of the Guinean PRSP not only failed to provide a candid description of the process, but did in fact convey a very favorable assessment (see Box 4). In addition to flagging the participatory formulation process as one of the main strengths of the PRSP, the JSA noted that “civil society participated effectively,” and that the process led to “a genuinely country-owned strategy.” In the view of the evaluation team, for the reasons discussed above, both of these judgments are questionable. A more candid assessment would have helped to inject a greater note of realism as to what such a process was likely to achieve in a country like Guinea, while still recognizing the progress that was achieved. Interestingly, these limitations were acknowledged by IMF staff more candidly a year later: the report on the 2003 Article IV consultation with Guinea noted that: “The [PRSP] consultation process needs to be deepened

indicator constructed by Kaufmann, Kraay and Mastruzzi (2003), only 12.6 percent of countries worldwide rank below Guinea in that respect. This reflects in part the fact that in the last two national elections, several significant opposition parties refused to participate and therefore are not represented. Be that as it may, the National Assembly is, within the limits of the Guinean political system, one of the institutions that represents the largest share of the population. In that sense, securing a deeper involvement of its members in the PRSP process might have made a significant difference.

²⁰ In that connection, it is telling that the authorities themselves refer to the popular consultative workshops as “validation” exercises.

in the face of the weak civil society, low literacy rates, and difficult communications within the country, so as to contribute more substantively to the process.”²¹

Box 3. The PRSP Dissemination Strategy

The Guinean PRSP is over 200 pages long, and written in relatively technical language. While the PRSP was made public soon after its adoption by posting it on the website of the IMF (in English only), as of early 2003, the authorities had printed only about 500 copies of the document, which were disseminated primarily to institutional partners (both domestic and foreign). Scarce and expensive copying capacities implied that physical access by the broader population to the document was severely limited. Indeed, outside of government circles, most people interviewed by the IEO in Guinea indicated that they either had not been able to obtain a copy of the PRSP, or had obtained one through “informal” channels. Even members of the National Assembly and the Economic and Social Council expressed frustration with the way in which their institution was given access to the final document (i.e., upon specific request, with considerable delay and without having an opportunity to debate it in a formal session 1/).

Various communication campaigns around the PRSP were organized, notably in the public media. However, the limited communication material that the evaluation team was able to review suggest that these campaigns offered less a clear presentation of the main planks of the strategy than broad sensitization about the government’s efforts towards poverty reduction. Plans to produce a layman’s version of the PRSP, abridged and simplified, had yet to be implemented when the team visited Guinea, over a year after the adoption of the full PRSP by the Government. A website dedicated to the PSRP had been set up not long before, but its audience is small given Guinea’s qualitatively and quantitatively very limited internet access resources (according to the latest data available, there were under 2000 registered internet users in Guinea. As of June 10, 2003, the PRSP website had registered only 190 “hits.”)

1/ In the latter case, however, an informal session was organized in mid-2002 at the initiative of the government specifically to debate the PRSP.

²¹ Interviews with IMF staff involved at the time of the JSA suggest that they were fully aware of the constraints and limitations of the process, but felt that the authorities’ efforts were sufficiently noteworthy—both in the Guinean context and in a cross country perspective—to be encouraged and presented as exemplary, even if that involved glossing over some inevitable shortcomings. They also assumed that Board members should be sufficiently familiar with the country context to be aware of the limitations in spite of that treatment.

Box 4. Joint Staff Appraisal of the Guinean PRSP

The main purpose of the JSA is to indicate to the Boards of the IMF and the World Bank whether and why a PRSP provides a suitable basis for the provision of concessional assistance by these institutions. At the same time, it is expected to provide guidance to the authorities as to how their PRSP might be improved going forward, and to provide a useful common reference to donors and to civil society stakeholders, to be factored in their own assessment of a country's poverty reduction efforts.

In Guinea, the JSA was drafted collaboratively, in the field, by the IMF mission chief and the lead country economist of the World Bank. Sections falling squarely within the mandate of either institutions (e.g. on the macroeconomic framework or on poverty diagnosis) were drafted separately. Sections on the participatory process, 'targets, monitoring and implementation', and 'expenditures, financing and risks' were written jointly. A draft of the JSA was submitted to the authorities, and most of their comments (which were related to the participatory process) were taken into account. Neither a draft nor the thrust of the JSA were discussed prior to its finalization with other local stakeholders than the authorities.

The JSA of the Guinean PRSP was very praiseful concerning the participatory process, which it considered to be the PRSP's main strength. To back up that assessment, the JSA described the main features of the process in a manner which was factually accurate, but lacked the elements of context necessary to appreciate the practical limitations of that process.^{1/} In effect, the description provided by the JSA was a repetition of what was provided in the PRSP itself, with the exception of some key practical limitations alluded to in the PRSP, but not in the JSA, such as the lack of resources for the financing and production of communications activities and the government's control over the radio and television. As far as the contents of the PRSP are concerned, by contrast, the JSA pointed out both the efforts made by the authorities and the shortcomings that required further attention (see Section B).

The relevance of the JSA to its main target audiences appeared limited. During the discussion of Guinea's PRSP at the IMF's Executive Board, very few Directors referred explicitly to the JSA. Likewise, interviews with members of the local donor community and civil society stakeholders suggest that the JSA has been of limited relevance to them. Indeed, donors made clear that they did not view the JSA as a key reference in their own appraisal of the strengths and weaknesses of the Guinean PRSP, nor as a central element in their decisions regarding their own financial and technical assistance programs. They further indicated that they were well aware of both the limitations of the PRSP and of the mitigating factors, and that they would have welcomed an opportunity to react to the JSA ahead of the Board meeting in order to convey their views to Board members. Civil society stakeholders were essentially unaware of the existence of the JSA, but expressed some disbelief at its contents when informed of it, as they felt it did not reflect a good understanding of country realities as far as the participatory process was concerned. By contrast, the authorities appeared both familiar with the thrust of the JSA and keen to address the shortcomings identified in it. In fact, several actions taken since the JSA was issued, such as the setting up of a thematic group on "Evaluation and Monitoring" in October 2002, and various measures taken in the field of budget execution, go some way in that direction.

1/ For instance, it mentioned that Guinea had a "well-established participatory tradition", without specifying that it was deeply rooted in Guinea's two-decade long experience of single-party people's democracy ; it mentioned that the process ensured "representation of all branches of government and civil society", on the basis of the nominal involvement of selected members of these groups in parts of the process, without ever questioning from where their representativity or putative influence on the process stemmed.

2/ Cf. Guinea PRSP (IMF, 2002a), Annex II, Attachments III, and IV.

B. Contents of the PRSP

28. The Guinean SRP formally meets both the content-related and the more conceptual features explicitly set out in PRSP guidelines.²² In particular, it contains all the suggested building blocks, namely: a description of the participatory process; a poverty diagnosis; targets, indicators and monitoring systems; priority public actions; and a macroeconomic framework. Moreover, the SRP approaches the problem of poverty from a comprehensive perspective, and the strategies embedded in it are suitably results-oriented in the sense that the expected outcomes are clearly identified. There is also a general sense among PRSP stakeholders that these are outcomes that benefit the poor.²³ Finally, while focused on the near term policy agenda, the SRP also contains elements of a long-term perspective.²⁴

29. These characteristics contribute to the widespread perception within the donor community and among informed observers that the Guinean PRSP is “a good document.” Likewise, the JSA reached the standard conclusion that Guinea’s PRSP “presents a credible poverty reduction strategy and provides a sound basis for Fund and IDA concessional assistance.”

30. However, a number of qualitative shortcomings affected the usefulness of the PRSP as an operational guide to policymaking. Some of these shortcomings resulted directly from technical capacity limitations that were insuperable given the timeframe chosen by the authorities for the formulation of the PRSP. These include, in particular, the use of a somewhat outdated dataset for the poverty diagnosis, and little analysis of the determinants of poverty or the links between specific policies and programs and poverty outcomes.²⁵ They were clearly underlined in the JSA. The JSA, however, was less clear concerning what is perhaps the most important shortcoming from the perspective of the IMF’s areas of

²² There is no document explicitly labeled “PRSP guidelines.” However, the guidelines for JSAs of PRSPs lay out several “expectations” regarding PRSP contents. Key policy documents also spell out a few overarching principles to which PRSPs are expected (though explicitly not “required”) to conform.

²³ The survey of PRSP stakeholders in fact reveals that this is one of the areas of greatest consensus among respondents, with over 70 percent sharing that view.

²⁴ The long-term objectives of the SRP are not fully aligned with the Millennium Development Goals. This is in part because the SRP took as long-term goals those set in the ‘Vision 2010’ exercise, instead of a 2015 horizon for the MDGs, but also because in some areas (incidence of income poverty, infant and maternal mortality rates), they are less ambitious than the MDGs.

²⁵ The terms of reference of the thematic groups intended to produce most of the groundwork for the PRSP explicitly mention such analysis as one of their key tasks. However, they proved unable to make in depth contributions in this respect.

responsibility, namely the failure to integrate the macroeconomic framework with the rest of the poverty reduction strategy.

31. This lack of integration reflected two factors. First, some of the projections and objectives in the PRSP appeared to suffer from a lack of realism. Many of those interviewed by the evaluation team in Guinea—especially, but not exclusively, within nongovernmental circles—generally found the PRSP targets and objectives to be overly optimistic. This view applied both in terms of long term objectives—such as reaching an annual GDP growth rate of 10 percent by 2010—and short/medium-term ones. This overoptimism was made worse by the lack of consideration of contingency plans. Second, there was little discussion of the interactions between macroeconomic and sectoral policies (in particular how sectoral policies may contribute to reaching macroeconomic objectives, such as revenue and GDP growth, and vice versa, e.g. the impact of the exchange rate policy on export diversification) or between sectoral policies themselves. Also missing was a discussion of likely tradeoffs between competing policy objectives. Many private sector and civil society stakeholders, along with a number of government officials, also expressed the view that the priority actions listed were insufficient to address the main structural obstacles to growth (including constraints to private sector development).²⁶ These shortcomings were unevenly addressed by the JSA.

32. Finally, many stakeholders interviewed—including those who were the most praiseful about the contents of the PRSP—felt that it was out of touch with existing implementation capacity. In particular, this judgment applied to the provisions of the SRP related to indicators and monitoring arrangements (e.g., in the sense that there was as yet no structure to collect and analyze the data needed to build the indicators envisaged). Similarly, the priority public actions listed in the PRSP (cf. Annex IV on PRSP contents), were generally felt to exceed the government's capacity to deliver, owing to both technical capacity and financing constraints. Combined with the judgment reported above that, in some key areas, the priority actions are viewed as insufficient, this suggests lingering deficiencies in prioritizing them, in spite of some progress in prioritization between the I-PRSP and the full PRSP.²⁷ The JSA did convey that weak institutional capacity was a risk to implementation, but without implying that it put the credibility of the PRSP in question, nor suggesting remedial actions.

²⁶ More generally, less than half of respondents to our survey of PRSP stakeholders agreed that the document offered an appropriate balance between growth and poverty alleviation. This makes it the second most criticized dimension of the PRSP in that survey.

²⁷ A number of observers also raised questions of political will to deliver, particularly in the areas of fiscal decentralization and governance, in view of the strength of vested interests affected by certain of the reforms planned and of the mixed track record of the authorities in overcoming them.

III. APPRAISAL OF CHANGES BETWEEN THE ESAF AND PRGF-SUPPORTED PROGRAMS

A. Program Formulation and Monitoring Processes

Program formulation

33. Two of the key features distinguishing the PRGF from its predecessor, ESAF, have implications for the way in which programs are formulated and monitored.²⁸ The first is that PRGF-supported programs are to be characterized by broad participation and greater ownership. The second is that the poverty and social effects of the main elements of the programs should be considered at the stage of program design and measured at the monitoring stage. This section explores how these features were incorporated in the Guinea case.

34. Regarding the requirement of broad participation and ownership, existing operational guidance to IMF staff suggests that it is to be achieved primarily by drawing most of the elements of the program from the country's PRSP and by showing flexibility in accepting the government's choices whenever it can be done without jeopardizing the fundamental objectives of the program. In Guinea, this interpretation proved problematic for two reasons. First, the PRGF-supported program was formulated on the basis of the I-PRSP, which—in keeping with policy guidelines—benefited from few participatory inputs (the full PRSP was not finalized until almost a year later). Internal briefing papers prepared prior to various staff missions indicated a willingness to adjust program design as needed to reflect the priorities emerging from the PRSP process. However, in practice, subsequent policy discussions do not appear to have focused on that aspect, and the changes made to program design were dictated more by the course of (adverse) economic developments than by attempts to align on the priorities of the full PRSP.²⁹ The reasons why aligning the PRGF-supported program on the PRSP proved so difficult in practice are discussed further in Section III-B on program design. Second, given the circumstances and modalities of the formulation of the PRSP (particularly its macroeconomic framework), as discussed in Section II, it is questionable that simply drawing these elements of the program from the PRSP would be sufficient to meet the objectives of broad participation and greater ownership.

35. Greater specific outreach efforts by IMF staff beyond the narrow circle of Finance Ministry and Central Bank officials traditionally involved in program negotiations could have helped. While such efforts are neither required nor ruled out by prevailing instructions to mission chiefs and resident representatives, interviews with those involved and with

²⁸ See IMF (2000a).

²⁹ In fact, the JSA notes that the PRSP itself is based on the macroeconomic framework of the PRGF-supported program adopted 7 months earlier. Moreover, the staff reports on the PRGF-supported program do not highlight any areas where staff showed flexibility in accepting the authorities' choices, even though internal guidelines related to PRGF key features call for staff reports to do so where applicable.

stakeholders in the field suggest that such outreach efforts were very limited (and more so than in the earlier period), except towards donors, bankers and, to a lesser extent, members of the National Anti-Corruption Committee.³⁰ Over two-thirds of respondents to our survey of participants in the PRSP process indicated that they had not had any interaction with the IMF, and only 23 percent declared themselves familiar with the work of the IMF in Guinea. In contrast, the few stakeholder groups that reported having had exchanges with IMF representatives (including labor unions and members of the National Anti-Corruption Committee), spoke very positively of that experience and indicated that it had given them a better appreciation of the role of the IMF-supported program in Guinea. To the vast majority of civil society stakeholders interviewed, however, the thrust of IMF-supported programs and their implementation is hardly known and even less understood.³¹

36. Within these limits, however, some changes are noticeable. In particular, in early 2001, when the new PRGF-supported program was being negotiated, efforts were made to discuss potential effects with affected stakeholders.³² These efforts were rather limited in scope and depth owing to the lack of data and quantitative analysis tools, and it is not clear that they had any actual impact on program design, but they were nevertheless appreciated by local stakeholders involved in the exercise. Regrettably, since then, efforts by IMF and World Bank staff have diminished, and successive mission briefs limited themselves to

³⁰ The authorities' lack of enthusiasm for autonomous and direct contacts between IMF staff and civil society groups, including the media, was mentioned by some staff members interviewed as a factor behind these limited outreach efforts. However, this should not have impeded substantive contacts with line ministries, the National Assembly, and other key actors of the PRSP implementation process. Missions from IMF headquarters typically met with some representatives of these groups, but according to the latter, these meetings were more of a formality than an opportunity for substantive discussion. Other factors mentioned by staff include mission size and length constraints and, in the case of the resident representative, time constraints forcing him to ruthlessly prioritize his outreach efforts. These, however, could presumably be alleviated if outreach efforts were deemed worth the cost.

³¹ IMF missions usually hold press conferences jointly with the Minister of Finance upon completing their field work, but messages put out are, according to those interviewed by the evaluation team, too technical for a nonspecialist audience, and the IMF is often perceived, on those occasions, as cooperating with the authorities to put a favorable spin on a difficult economic situation.

³² Thus, the staff report indicates that the joint IMF/World Bank mission discussed with representatives of trade unions, NGOs, the private business community and Parliament the likely social impact of the various policies proposed under the new medium term program. Policies discussed included the anti-inflationary stance of monetary policy, and the introduction of flexible petroleum retail prices, as well as restructuring and privatization in the public enterprise and financial sector. The discussions were entirely of qualitative nature.

indicating that the data and technical requirements of a more substantive PSIA would be among the topics discussed with the authorities. In effect, most of the technical assistance in that area was provided not by the IMF (in spite of requests for assistance from the authorities in the area of economic modeling) or the World Bank, but by the German Cooperation Agency—GTZ, and IMF staff interviewed indicated having only a distant involvement. The staff report on the 2003 Article IV consultation with Guinea indicates plans by Bank and Fund staff to carry out PSIA in a few selected areas over the coming years, but no clear priorities were established.³³

37. More positively, the authorities reported progress in the IMF's approach to setting structural conditionality, in the sense that staff was willing to accept the authorities' proposals as a starting point for negotiations regarding reform priorities, sequencing, and detailed benchmarks for implementation. This judgment is supported by the IEO review of internal briefing papers, which became less prescriptive over time regarding the details of structural reforms to be included in the PRGF-supported programs.³⁴ However, as will be discussed in Section III-B, implementation of the streamlining initiative encountered problems in practice.

Program monitoring and performance appraisal

38. In monitoring and appraising performance under the program, staff started as early as 2000 to put more emphasis on the achievement of spending targets in priority sectors. Thus, the first review under the third annual arrangement under the PRGF (in 2000) and the first review under the new three year arrangement approved in May 2001 were both delayed primarily because of large shortfalls in priority sector spending, even though in both cases formal macroeconomic targets were met.³⁵ In both cases, staff ended up recommending that the reviews be completed on the basis of larger than programmed overall fiscal deficits and bank financing so as to make room for a catch up in priority sector spending. Likewise, the

³³ See IMF (2003a), which notes that “The Bank and Fund’s respective Guinea country teams are currently discussing the Poverty and Social Impact Analysis. (...) The selection of the few reforms to analyze will be based on the importance of the expected poverty and social impacts of each reform, the prominence of the issue in the government’s agenda, the timing and urgency of the reform and the level of the national debate surrounding the reform (p.42).” There is no direct reference to PSIA in the main text. Nor are the areas for PSIA or the envisaged division of labor between the Bank and the Fund identified.

³⁴ See Annex I, Table 3.

³⁵ These cuts in scheduled priority expenditure had been initiated by the authorities as part of an attempt to meet the original deficit target in the face of partly exogenous revenue shortfalls and expenditure spillovers (in areas such as defense and security but also general government spending).

authorities reported a greater willingness of IMF staff than in the past to adjust program targets, at least partially, in the face of exogenous shocks (See Annex I, Tables 2a and 2b).

39. However, these changes in approach appear to have been implemented in a context of limited transparency,³⁶ which paradoxically led them to be perceived negatively by most stakeholders. For example, the IMF's new emphasis on poverty reduction and willingness to adapt program design accordingly was read by the authorities as implying that, from then on, the approach to program monitoring would be different in that it would give priority to the efforts made in favor of poverty reduction, even if this involved significant tradeoffs with macroeconomic targets. While this interpretation was mistaken and not warranted, they nevertheless felt unfairly treated when subsequent developments (from September 2002 onwards) made clear that the IMF still viewed as necessary conditions for continued access to IMF resources compliance with quantitative targets in the fiscal and monetary areas, irrespective of the amount and quality of progress made in the PRSP and structural reform areas. Meanwhile, some external observers, notably some donors and private sector groups, who had perceived as complacency the IMF's willingness to allow recourse to monetary financing to accommodate higher social sector spending in the face of revenue shortfalls, welcomed what they saw as a return to orthodoxy, in the sense of giving priority to macroeconomic stability.

40. In fact, internal briefs and interviews with IMF staff indicate that the line held by successive mission chiefs has consistently been that poverty reduction efforts should be accommodated as long as it was not at the expense of risking macroeconomic stability. But making that determination inevitably leaves substantial room for judgment, and the IMF failed to make explicit to either the authorities or other stakeholders the specific criteria underlying its decisions to complete or not to complete scheduled reviews. (The same criticism applies to decisions related to the extent of accommodation of exogenous shocks.). This difficulty arose in part because the PRSP process provided limited guidance. For example, the aim of accommodating increased fiscal flexibility, subject to the constraint of maintaining macro stability, in effect had to be resolved through a series of ad hoc decisions on whether to recommend waivers at the time of program reviews. These decisions—and the

³⁶ Although, as in all IMF-supported programs, the formal performance criteria to be met for disbursements to be made were clearly and openly specified, the response of the IMF to any slippage from these targets (which was a frequent event), and the analytical basis of that response, were much less clear (especially because, to bring the program back on track, interim programs with sui generis conditionality had to be negotiated. Details of these programs are typically not put in the public domain or even shared with the Executive Board until the formal program is brought back on track. It was in that context that a number of stakeholders, including senior officials, indicated that they were unclear about what tradeoffs the IMF was prepared to accept between the macroeconomic targets and other objectives, such as the maintenance of priority expenditures. Internal Fund documents indicate that preserving macroeconomic stability was always a priority, but translating this into specific target was not always clear-cut.

subsequent “consolidation programs” negotiated in an effort to put the overall PRGF-supported program back on track (see below)—could not be guided by well-defined policy priorities established as part of the PRSP process.

41. The result was a lack of transparency that encouraged speculation among local stakeholders (including donors) that the perceived changes in approach and willingness to give the authorities the benefit of the doubt might be due to political pressures or differences of approach between individual mission chiefs. Internal documents reviewed by the IEO suggest that decisions not to complete any review since July 2002 were primarily based on objective criteria. In particular, the data suggests that risks to macroeconomic stability have risen dramatically, owing to a combination of exogenous shocks (in particular the downward trend of mining revenues and security tensions at Guinea’s borders) and policy slippages in public expenditures and monetary policy.

B. Design of the PRGF-Supported Program³⁷

Alignment and consistency with the PRSP

42. The objective of “aligning” the PRGF-supported program with the PRSP is to ensure that the program is embedded in the overall strategy for growth and poverty reduction derived from the PRSP. This involves questions of both process and content and, following the approach of recent IMF policy papers,³⁸ two aspects can be distinguished: (i) temporal alignment (i.e., of the timing and different phases of the program formulation process with the PRSP cycle and of the latter with the national budget cycle), and (ii) policy alignment (i.e., whether the program, especially its macroeconomic framework, incorporates the strategy set out in the PRSP and is consistent with it).

43. As noted, temporal alignment in itself was a challenge in Guinea, as the PRGF-supported program had to be approved on the basis of the I-PRSP, in May 2001, and then became the basis of the macroeconomic framework assumed throughout the formulation of the full PRSP until its finalization in late 2001 (rather than the other way around, as one would expect under the initiative).³⁹ Even so, by the time the full PRSP was finalized, there were already signs that the forward-looking macroeconomic framework was veering

³⁷ The analyses in this section are focused on the program supported by the three-year PRGF arrangement approved in May 2001 (see IMF 2001a and 2002b). It essentially follows the “key features” officially meant to guide program design under PRGF arrangements.

³⁸ See, for example, Box 1 “Defining the Concept of Alignment” in IMF (2003c).

³⁹ According to the JSA, the full PRSP was based on the macroeconomic framework of the May 2001 PRGF arrangement and on “the then available information about available resources and macroeconomic assumptions”.

off-track, due in part to weak program implementation.⁴⁰ Thus, by the time the full PRSP was brought to the Board in July 2002 along with the second annual program and the first review under the PRGF arrangement, macroeconomic conditions and donor resources availability had changed significantly. These changes in overall conditions were broadly reflected in the PRGF-supported program, but it was too late to incorporate them in the PRSP. This resulted in rather large differences between the macroeconomic frameworks of the PRSP and the PRGF arrangement (see Table 2), and in the PRSP being underfinanced.

Table 2: Macroeconomic Frameworks of the PRSP and PRGF

	PRSP (January 2002)				First Review Under PRGF (July 2002) 2/			
	2001	2002	2003	2004	2001	2002	2003	2004
Real GDP growth (in percent)	3.3	5.4	5.7	6.5	3.6	4.2	4.9	5.2
CPI inflation (year on year change)	9.6	4.2	3.0	2.8	5.4	3.6	3.5	3.0
Primary fiscal balance	0.8	1.3	1.6	1.2	0.,7	2.1	1.6	1.8
Budget balance (with grants)	-3.2	-1.3	-0.8	-1.3	-3.5	-2.5	-4.3	-4.1
Current account balance (with grants)	-2.6	-2.6	-1.9	-1.3	-3.7	-6.9	-9.0	-8.0
Revenue (excluding grants)	13.2	13.9	14.6	15.3	11.5	12.6	13.1	13.5
Nonproject external assistance (in millions of US dollars)	85	60			61	34		

Source: Guinea' s PRSP and IMF staff reports.

1/ Assumes debt relief under the Enhanced HIPC Initiative.

44. In a letter sent to the heads of the Bretton Woods Institutions as an addendum to the PRSP ahead of the Board meeting of July 2002, the authorities committed themselves to implementing the updated macroeconomic framework and indicated that they would seek to mobilize additional donor resources to bridge the gap between the resources needed to implement the PRSP and those available at that time. They also indicated that they would update the macroeconomic framework of the PRSP at the time of the annual PRSP progress report.⁴¹ In support of that strategy, the staffs of the IMF and the World Bank pledged to assist the authorities in seeking greater external resources in support of the priorities of the original poverty reduction strategy.

⁴⁰ The first review under the PRGF-supported program was initially due to be held in December 2001. Difficulties in bringing the program back on track eventually delayed the completion of that review until July 2002.

⁴¹ As of December 2003, the PRGF-supported program was off-track and no PRSP Progress Report had been produced.

45. The lack of temporal alignment may have been unavoidable to some extent, in view of the lack of integration of the PRSP and PRGF-supported program formulation processes. Once the finalized PRSP had been presented to the public (including to Parliament, as background to the budget debate), the authorities felt uncomfortable to amend it formally to update the macroeconomic framework. Perhaps this lack of temporal alignment was not, in itself, a major problem. However, the combination of an outdated macroeconomic framework and the absence, in the PRSP, of elements to guide decision making in the face of a less favorable macroeconomic outlook than anticipated (as discussed in Chapter II) led to substantive difficulties in terms of **policy alignment**. Specifically, while no additional donor resources have been forthcoming, the government's financial operations have been proceeding in a framework closer to the one of the PRSP than to the one of the PRGF-supported program. As a result, the latter went off track. This experience suggests that, in the case of Guinea, the staff's endorsement of the authorities' "aid optimism" proved counterproductive and detrimental to macroeconomic stability. In this case, it appears that donors' willingness to provide extra funds hinged largely on noneconomic factors. In the end, the expected financing was not made available and the "aid optimism," at least in hindsight, complicated implementation of macroeconomic policies. It should also be noted that, at the time the first review under the PRGF-supported program was brought to the IMF's Executive Board for approval in July 2002, Directors were not alerted candidly to the magnitude of impending slippages. Consequently, there could not be a candid discussion of the tradeoffs involved and the appropriate scope for fiscal flexibility.

46. In terms of the alignment of key structural measures, the PRGF-supported program is broadly consistent with the PRSP, with conditionality focused on the IMF's areas of "traditional expertise" (i.e., public finances, monetary reforms, and the financial sector) and over four-fifth of all structural conditions directly linkable to one of the detailed objectives of the PRSP. While these objectives are formulated in fairly general terms (e.g., "stabilize inflation," "increase revenue mobilization," etc.), there is also a good degree of alignment between structural conditions and the specific strategies envisaged in the PRSP action plan to reach the desired objectives, and that degree of detailed alignment increased between the first and second annual programs under the PRGF (see Table 3). This suggests that the finalization of the PRSP in between the two programs was taken into consideration.

47. An interesting case concerns the alignment between the PRSP's goals and the PRGF-supported program with respect to state-owned enterprise (SOE) reform. There is little discussion of a forward-looking agenda for public enterprise reform, including privatization, in the PRSP, beyond brief references to past reforms in this area and their importance for promoting private sector development. Nevertheless, because of its macroeconomic significance, SOE reform continued to figure prominently in the agenda of structural reforms encouraged by the IMF, and it is only because it was understood that SOE reform would continue to be promoted and monitored under World Bank operations that conditionality in this area virtually disappeared from the IMF-supported program between the 1997 ESAF and the 2001 PRGF. This issue is analyzed further when we turn to the issue of streamlining structural conditionality in Section IV.

Table 3. Links Between PRGF Structural Conditionality and the PRSP

	Total number of cond. per prog. year	Of which with links to PRSP objectives		Of which with links to PRSP action plan	
		Number	In percent of total	Number	In percent of total
Request for a three-year arrangement under PRGF (EBS/01/57)					
Performance criteria	3	2	67	2	67
Structural benchmark	2	1	50	1	50
Prior actions	3	3	100	1	33
Other	18	16	89	9	50
Total	26	22	85	13	50
First review under the PRGF (EBS/02/126)					
Performance criteria	3	3	100	3	100
Structural benchmark	3	2	67	2	67
Prior actions	4	1	25	1	25
Other	26	24	92	17	65
Total	36	30	83	23	64

Source: IMF staff reports and PRSP.

Pro-poor and pro-growth orientation of budget supported by PRGF arrangement

48. Internal IMF guidelines have operationalized the requirement for budgets supported by PRGF arrangements to be supportive of growth and poverty reduction in three ways: (i) by reorienting government spending towards activities that benefit the poor; (ii) by improving the efficiency and targeting of spending in key relevant sectors; and (iii) through tax policies that improve simultaneously efficiency and equity.⁴²

49. As concerns the first objective, the program originally had only indicative benchmarks on overall primary expenditure, current expenditure in priority sectors, and revenue mobilization. The only binding fiscal conditionality was a performance criteria on the primary fiscal balance. This suggests that—in the context of the program and the hierarchy of conditionality (where performance criteria are firmer than indicative benchmarks)—the higher level of social sector spending was not *a priori* protected from potential shortfalls in revenue (a recurring phenomenon in Guinea).⁴³ Nevertheless, as noted

⁴² See IMF (2002e), for an example of that interpretation.

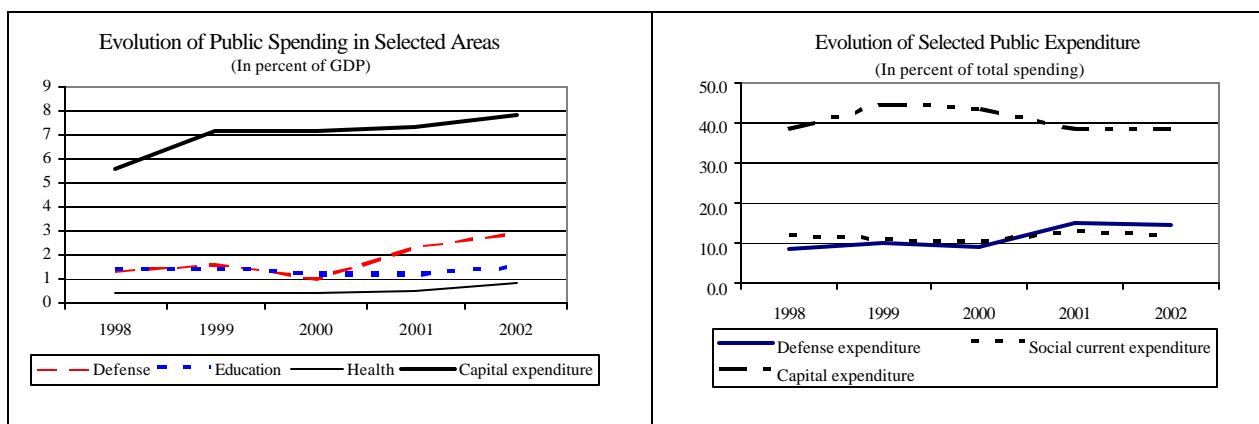
⁴³ The staff explained to the evaluation team that the noninclusion of the spending on priority sector among performance criteria was meant to avoid the authorities' rushing spending at the expense of quality in order to meet such a target. It is not clear that treating priority sector spending as an indicative benchmark was the most effective response to those concerns. To

(continued)

before, in response to shortfalls in budgeted priority social sector spending identified by staff in May 2000 and October 2001, the authorities were required to implement a “consolidation program” which aimed to restore priority social sector spending to budgeted levels before the respective program reviews could be completed.

50. With regard to broad budget categories, budgeted health expenditures as a share of GDP rose steadily from 0.3 percent in 1999 to 0.8 percent in 2002. Education expenditures showed a less pronounced pattern, rising from 1.3 percent in 1999 to 1.4 percent in 2002 (see Figure 2 below).

Figure 2. Evolution of Selected Categories of Public Spending



51. As concerns the efficiency and targeting of spending in key sectors, the lack of flexibility with which targets for priority sector spending were applied caused some problems. For example, representatives of “nonpriority” ministries expressed concern that--while much of their spending was also “pro-poor” or “pro-growth”—the fact that they had not received a “priority” designation meant that they had to bear a disproportionate share of the burden of fiscal consolidation.⁴⁴ Conversely, in ministries designated as “priority sectors,” most of current spending remains devoted to salaries, and capital spending has not increased.⁴⁵ Moreover, the authorities complained about facing stiff resistance from the IMF

the extent that the authorities were subsequently required to restore spending to the programmed level within the few months of a consolidation program, it was also misleading as to the binding nature of that conditionality and self-defeating in avoiding a spending rush.

⁴⁴ Likewise, concerns about the efficiency of this expenditure allocation mechanism were expressed by representatives of departments whose spending is partly priority and partly nonpriority, such as public works and transportation. This is because capital spending is not covered by this priority sector based expenditure allocation mechanism.

⁴⁵ Under the agreed division of labor between the IMF and the World Bank in Guinea, issues related with the quality of public expenditure were to be handled primarily by the Bank. The

(continued)

when they decided to make the ministry of civil service a priority sector, having come to the conclusion that such a move was necessary to implement the governance part of their poverty reduction strategy.

52. On the revenue side, the program targeted increased revenue mobilization through an expansion of the tax base, improvements in tax administration and reductions in tax exemptions (consistent with the strategy set out in the PRSP). These measures would typically enhance both equity and efficiency and, in that sense, be pro-growth and pro-poor.

Flexibility in fiscal targets

53. Two aspects of fiscal flexibility are discussed here: (i) flexibility in accommodating higher levels of public spending, consistent with the implementation of the country's poverty reduction strategy; and (ii) in accommodating unexpected changes in revenue or financing. In both cases, fiscal flexibility can be embedded into programs ex ante (i.e., reflected in the forward looking programming framework) or ex post (i.e., the initial framework is unchanged, but waivers are granted that amount to retroactive modifications to the program).

54. The three-year PRGF-supported program, approved in May 2001, envisaged an increase in overall public expenditure relative to the last annual arrangement under ESAF of 4.8 and 5.2 percent of GDP for 2001 and 2002 respectively.⁴⁶ The increase was accommodated in the program through a significant reduction in the targeted primary surplus as well as targeted revenue increases (see Table 4).

55. The PRGF-supported program did not specify ex ante how policies would respond to shocks,⁴⁷ but the ex post response of staff did reflect efforts to maintain the pro-poor

Bank's SAC IV (approved in mid-2001) targeted the allocation of a minimum of 35 percent of the total nonwage recurrent budget to priority sectors. Both the 2001 and the 2002 budgets fell short of this target (with allocations of 32 and 31 percent, respectively in the budget, compared to 28 percent in the 1999 budget). Actual spending was considerably below target (see Section V). NB: The high share of wages in priority sector spending need not, in itself, reflect inefficiencies. The authorities pointed out that the figures discussed reflected a major recruitment effort of teachers and nurses, to catch up after a freeze over 1984-2000, consistent with the PRSP.

⁴⁶ Just under half of the increase in spending was for additional defense and outlays for emergency humanitarian assistance related to the civil conflicts along Guinea's borders. In justifying this accommodation in the PRGF program, staff noted that the resulting larger deficit was essential to "prevent the development of additional pockets of poverty, and facilitate the recovery of economic activity in these areas." Additional poverty related spending of 2.1 percent of GDP was also accommodated.

⁴⁷ However, the program did contain a provision for automatic adjustment of the performance criteria related to domestic financing of the government's operations in case of deviations

(continued)

orientation of expenditures. Severe shortfalls in revenue and donor assistance threw the three-year PRGF program framework off track shortly after its approval (see Table 4). In an effort to achieve the program's performance criterion on the primary fiscal balance, the authorities responded to the revenue shortfall through "draconian" cuts in spending—including in priority social sectors.⁴⁸ However, rather than accept these spending cuts, which were seen as unsustainable, staff established monthly revenue and spending targets which would bring priority sector spending in line with budgeted levels, and insisted that these targets be met before the program review could be completed. The program went off track again soon after the completion of the first review and, as of July 2003, negotiations to bring it back on track had been unsuccessful. Internal documents reviewed by the IEO, as well as the report on the 2003 Article IV consultation suggest that, in those negotiations, IMF staff was mindful to protect priority sector expenditure while seeking to curb spending overruns in other areas.

Table 4. Programmed Fiscal Framework 1/
(Data in percent of GDP; unless otherwise noted)

	Third annual ESAF arrangement (December 1999)		Three-Year PRGF Arrangement (May 2001)		First Review Under PRGF (July 2002)	
	2001	2002	2001	2002	2001	2002
Primary Surplus	2.9		0.7	1.3	<i>0.7</i>	2.1
Overall Budget Balance (after grants)	-2.9		-3.2	-1.3	<i>-3.5</i>	-2.5
Current Expenditure	9.2	9.2	12.1	11.2	<i>11.8</i>	11.2
Revenue	11.9		13.3	13.9	<i>11.6</i>	12.6
Grants	2.2		5.4	5.5	<i>4.1</i>	3.9
Capital Spending and net Lending	7.9	5.3	9.8	9.5	<i>7.3</i>	8.0
Memorandum item:						
GDP growth	5.5		3.3	5.4	3.6	4.2

Source: IMF staff reports.

1/ Program targets, except figures in italics, which are actuals.

from programmed external assistance. Specifically, shortfalls were to be compensated for up to 75 percent, while excesses were to be adjusted for in full.

⁴⁸ By the end of 2001, nonwage expenditure commitments in the priority sectors amounted to only 57 percent of budgeted allocations. Capital spending was also 2 percentage points of GDP lower than programmed.

Streamlining of structural conditionality

56. A purely quantitative analysis of formal structural conditionality indicates that some streamlining did occur between ESAF- and PRGF-supported programs. However, other aspects also need to be considered to get a good sense of the evolution of conditionality in Guinea.

57. Starting with the PRGF-supported program approved in 2001, there was a sharp decline in the number of formal structural conditions (see Table 5) from an average of 20 per annual arrangement under the 1997–2001 ESAF to 11 in the first two annual programs under the PRGF. While there were modest declines in the use of performance criteria, the bulk of the reduction was in the use of structural benchmarks. Prior actions, which had been used extensively in the last annual arrangement under the 1997 ESAF also dropped sharply.

Table 5. Number of Structural Measures in IMF-Supported Programs for Guinea

Program	Prior actions (A)	Performance criteria (B)	Benchmarks (C)	Total formal conditionality (A+B+C)	Other Structural Measures
ESAF 1997					
First annual arrangement	0	3	9	12	0
Second annual arrangement	0	4	11	15	0
Total third annual arrangement	16	6	11	33	6
<i>Of which</i>					
Original program	16	6	11	33	0
Interim program	0	0	0	0	6 1/
<i>Annual average</i>	<i>5.3</i>	<i>4.3</i>	<i>10.3</i>	<i>20</i>	<i>2</i>
PRGF 2001					
Total first year	3	3	2	8	29
<i>Of which</i>					
Original program	3	3	2	8	18
Consolidation plan	0	0	0	0	11 2/
Total second year	8	3	3	14	29
<i>Of which</i>					
Original program	4	3	3	10	25
Consolidation plan	4	0	0	4	4
<i>Annual average</i>	<i>5.5</i>	<i>3</i>	<i>2.5</i>	<i>11</i>	<i>29</i>
Memorandum Item					
HIPC Decision Point					10 3/

Source: IMF staff reports.

1/ Some of these measures might have been informal prior actions.

2/ Measures required for the completion of the 2nd review under the PRGF arrangement, as set by briefing paper dated 11/1/02

3/ Triggers for floating completion point under the HIPC initiative, as set in decision point in December 2000.

58. However, the first and second annual programs under the three-year PRGF arrangement relied extensively on “structural measures” that were neither performance criteria nor structural benchmarks. Staff have characterized these measures as “sign posts”

intended to gauge intermediate progress in the reform agenda. Compliance with these measures was not intended to be a prerequisite for the completion of a review, but it is not entirely clear how these measures differ from formal benchmarks nor how staff would have responded to the authorities' failure to implement any or all of these measures. In this sense, conditionality was not fully transparent.⁴⁹

59. In terms of the breadth of conditionality, there was a noticeable shift in the first annual program under the PRGF toward the areas of IMF core expertise (see Table 6 for a sectoral breakdown of conditionality). Even including the “sign post” measures, virtually all structural measures were in the areas of public finance, banking reform or monetary reform, with a particular emphasis on public expenditure management, financial sector regulations, and tax administration. A focus on core areas of expertise was observed again in the second annual program. Within these areas, both the consolidation and the second annual programs placed greater emphasis on addressing the governance shortcomings that were believed to have led the program to go off track so quickly after its approval.

Table 6. Sectoral Breakdown of Structural Conditionality

Arrangement	Public Finance			Reforms			Total	Of which Governance 2/
	Revenue	Exp.	Other	Monetary	Banking	Other 1/		
ESAF 1997								
First annual arrangement (01/97)	2	1	5	1	2	1	12	5
Second annual arrangement (03/98)	1	0	6	1	3	4	15	4
Third annual arrangement (12/99)	3	5	5	3	3	14	33	12
Interim program 3/	2	0	0	1	0	3	6	4
HIPC Decision Point 12/2000	0	1	0	0	1	8	10	
PRGF 2001								
First year (04/2001) including “other measures”	3	1	5	7	8	2	26	5
Consolidation plan 4/	4	1	3	0	1	2	11	4
Second year (03/2002) including “other measures”	15	4	4	1	9	2	35	11

Source: IMF staff reports

1/ Structural measures in the areas of trade, public enterprise reform, governance and anti-money laundering.

2/ Governance-related measures, including those in public finance, and banking and monetary reforms. Includes audits of public accounts.

3/ Additional structural measures agreed to in order to complete the first review under the third annual arrangement in order to bring program back on track.

4/ Structural measures under the consolidation plan between December 2001 and March 2002 to bring program back on track.

⁴⁹ In the case of the first annual program, a large share of these measures was introduced in program conditionality as part of the “consolidation plan,” which made the process even less transparent.

60. Concretely, the streamlining of IMF conditionality involved a withdrawal from essentially two areas—public enterprise reform and the judicial aspects of governance—along with a trimming of conditionality in “core” IMF areas. According to internal briefs and interviews with staff involved at the time, the streamlining of structural conditionality was guided by two principles: conditionality was reduced or even eliminated in the areas where either the authorities had a strong and amply demonstrated commitment to reform (e.g., as regards monetary reforms); or a clear division of labor between the IMF and the World Bank was agreed in principle, whereby the World Bank was to be the “lead agency.” The implementation of that streamlining effort proved more problematic in the latter case (see below, section on Bank-Fund collaboration).

IMF-World Bank collaboration

61. Since late 1999, coinciding with the launch of the PRSP process, the IMF and the World Bank have systematically coordinated their missions to Guinea, and the three-year arrangement under the PRGF approved in May 2001 was negotiated in parallel with the World Bank’s Fourth Structural Adjustment Credit (SAC IV). Since at least that time, there has been a relatively clear articulation of “lead agency” responsibilities between the Bank and the Fund, which was explicitly spelled out in internal documents and, to a lesser extent, in staff reports.⁵⁰ Thus, the IMF is the “lead agency” in the areas of revenue mobilization (including reform of trade tariffs), monetary reforms and bank supervision, while the World Bank is to take the lead in public expenditure management, bank restructuring, public enterprise reform and privatization, anti-corruption and administrative decentralization (along with other traditional areas of Bank expertise). Both institutions are explicitly meant to collaborate in the areas of public expenditure management, public service reform and trade reform.

62. However, collaboration in connection with the IMF’s efforts to “streamline” its structural conditionality encountered some problems, in spite of reportedly excellent relationships between the two teams at the working level. First, there was a lack of clarity about what streamlining was meant to achieve in aggregate for the two institutions.⁵¹ From the IMF’s perspective, internal documents suggest that it was assumed that conditionality in areas no longer covered by the IMF would be picked up by the World Bank and IMF staff

⁵⁰ The staff report on the 2003 article IV consultation is the first that makes a clear presentation of the division of labor and collaboration between the IMF and the World Bank, area by area (see IMF, 2003a).

⁵¹ IMF policy papers mention two broad objectives for the streamlining effort: (i) a more efficient division of labor between the IMF and the World Bank, consistent with each institution’s comparative advantage (i.e., a greater focus by the IMF on its core mandate); and (ii) enhanced ownership by the authorities of the IMF-supported program. As noted above, part of the streamlining effort (e.g., in the area of monetary reforms) was guided by this latter objective.

involved confirmed that there was an understanding to this effect with their Bank counterparts. However, the specification of what concretely was required in these areas for continuation of the IMF-supported program proved overly vague.⁵² (see Box 5 on SOE reform for an illustration of these difficulties).

63. Second, the different approaches to and modalities of conditionality between the two institutions complicated strategic coordination.⁵³ For example, while the SAC IV can be viewed as the most obvious counterpart of the PRGF-supported program, it was only one among many World Bank operations with some bearing on areas relevant to the objectives of the PRGF-supported program.⁵⁴ Thus, it was not easy for IMF staff (let alone for the Executive Board) to derive a clear mapping of overall conditionality in all of the relevant areas. Moreover, the SAC IV was conceived to be disbursed in a single tranche at the time of approval of the loan by the Bank's Board, on the basis of actions taken "before Board presentation of the SAC IV." While the credit was meant to support a much deeper reform agenda than these 'prior actions', it did not in itself contain any forward looking conditionality that would secure their implementation.⁵⁵ In this particular case, this approach proved ineffective, and the project's outcome was rated as "unsatisfactory" by the World Bank's OED.⁵⁶

⁵² Attempts were made by Fund staff to reach understandings with the authorities on the macroeconomically relevant reforms primarily in the area of responsibility of the World Bank, and have them formally registered in the memorandum of economic policies attached to the IMF-supported program. However, without formal conditionality, these understandings were nonbinding, and in many cases were not observed until they were brought into formal IMF conditionality.

⁵³ These different approaches to conditionality would not necessarily have been such an issue if the primary objective of streamlining had been to recognize stronger domestic ownership on the basis of the key priority actions set out in the PRSP. But, largely for reasons of track record, this was not the case.

⁵⁴ The SAC IV focused on public expenditure analysis and management, decentralization of decision making and service delivery and divesture from public enterprises. Over the time span of the three-year PRGF arrangement, relevant on-going World Bank operations include not just the SAC IV, but also the Village Community Support Program and the Capacity Building for Service Delivery Program, as well as the Judicial Capacity Building Project.

⁵⁵ SAC IV conditionality only included various forward looking "implementation benchmarks" agreed to by the government, to be used post disbursement to assess progress in implementation of the reform program and as (nonbinding) triggers for future operations.

⁵⁶ Cf World Bank (2003a). The rating "unsatisfactory" is the lowest but one in OED's scale, and is used when "the assistance program did not make acceptable progress toward most of its relevant objectives." This report is particularly critical of the design of conditionality—in particular the lack of time-bound and objectively monitorable benchmarks—and of the use of the "single tranche" structure, given the poor track record of the authorities.

Box 5. IMF-World Bank Collaboration in Streamlining SOE Reform Conditionality

During the 1990s, both the World Bank and the IMF had been pressing for reform of Guinea's state-owned enterprise sector, in view of its importance for growth as well as for governance and fiscal considerations. The final arrangement under the ESAF included specific conditionality targeted at public enterprises. However, when a new PRGF-supported arrangement was brought to the Board in 2001, there was still a large unfinished agenda of reforms. Even though Fund staff viewed these reforms as critical to the success of the program, neither the first nor the second-year program contained any conditionality in this area.^{1/} This was justified in staff reports on the grounds that SOE reform was one of the Bank's primary responsibility areas, and therefore that it would take the lead in supporting the reform effort and monitoring progress. The purpose of the elimination of IMF conditionality in that area was explicitly to avoid policy overlap with the World Bank—not to enhance ownership.^{2/}

This division of labor appears to have had mixed results. The report on the request for a three-year PRGF arrangement simply noted, under "Program Monitoring" that this area of structural reform was "being covered by the World Bank," without further specificity. In fact, while the objectives of SAC IV as concerns public enterprise reform largely overlapped with those of the Fund (including: the adoption of a comprehensive reform strategy, of a program to mitigate the social cost of divestiture and liquidation, and of a communications strategy; the creation of a privatization unit; the liquidation of 8 insolvent enterprises; and the updating of cross debts along with the adoption of measures to settle arrears and prevent their recurrence), conditionality strictly speaking was limited to "disseminating information to the public" (as a condition for loan disbursement; SAC IV being a single tranche loan, the noncompliance with other objectives or benchmark was to have no direct financial consequence).

In the event, progress proved disappointing, leading the Fund to resume its formal involvement in that area.^{3/} Thus, the second annual program under the PRGF contained as prior actions the implementation of an action plan for the reform of the electricity sector and another measure related to the water sector.^{4/} Moreover, the staff report on the second annual program under the PRGF noted that, while public enterprise reform was still considered to be covered by World Bank conditionality and therefore "not taken up in the Fund-supported program to avoid overlap, nonetheless, adequate progress in all areas of structural reform [would] be necessary for the completion of the quarterly reviews."

The key institutional reforms targeted by the SAC IV were eventually made, but the staff report on the 2003 article IV consultation still included public enterprise restructuring among the "key reforms delayed or poorly implemented," noting in particular that "restructuring of key public utility enterprises has been very slow and is overdue."

1/ Thus, the staff report on the request for a three-year PRGF-supported program (IMF, 2002e) noted that: "The full and timely implementation of the structural reform agenda is of critical importance for the efforts to accelerate growth and reduce poverty. In particular, the public enterprise restructuring and privatization program must be carried out expeditiously as an integral part of the strategy to strengthen Guinea's infrastructure and attract much needed investment."

2/ In fact, as noted above, the PRSP itself was remarkably unspecific and brief on the topic of SOE reform, which may suggest that, to some extent, these reforms were being pursued by the BWIs in spite of their limited ownership by national stakeholders.

3/ The staff report on the second annual program under the PRGF noted that "the public enterprise restructuring and privatization program did not advance as well as expected, as the revision of the institutional, regulatory and judicial framework for private participation in the public utility companies was not completed as programmed. As a result, the financial situation of the public utility enterprises deteriorated further, adversely affecting the government finances.

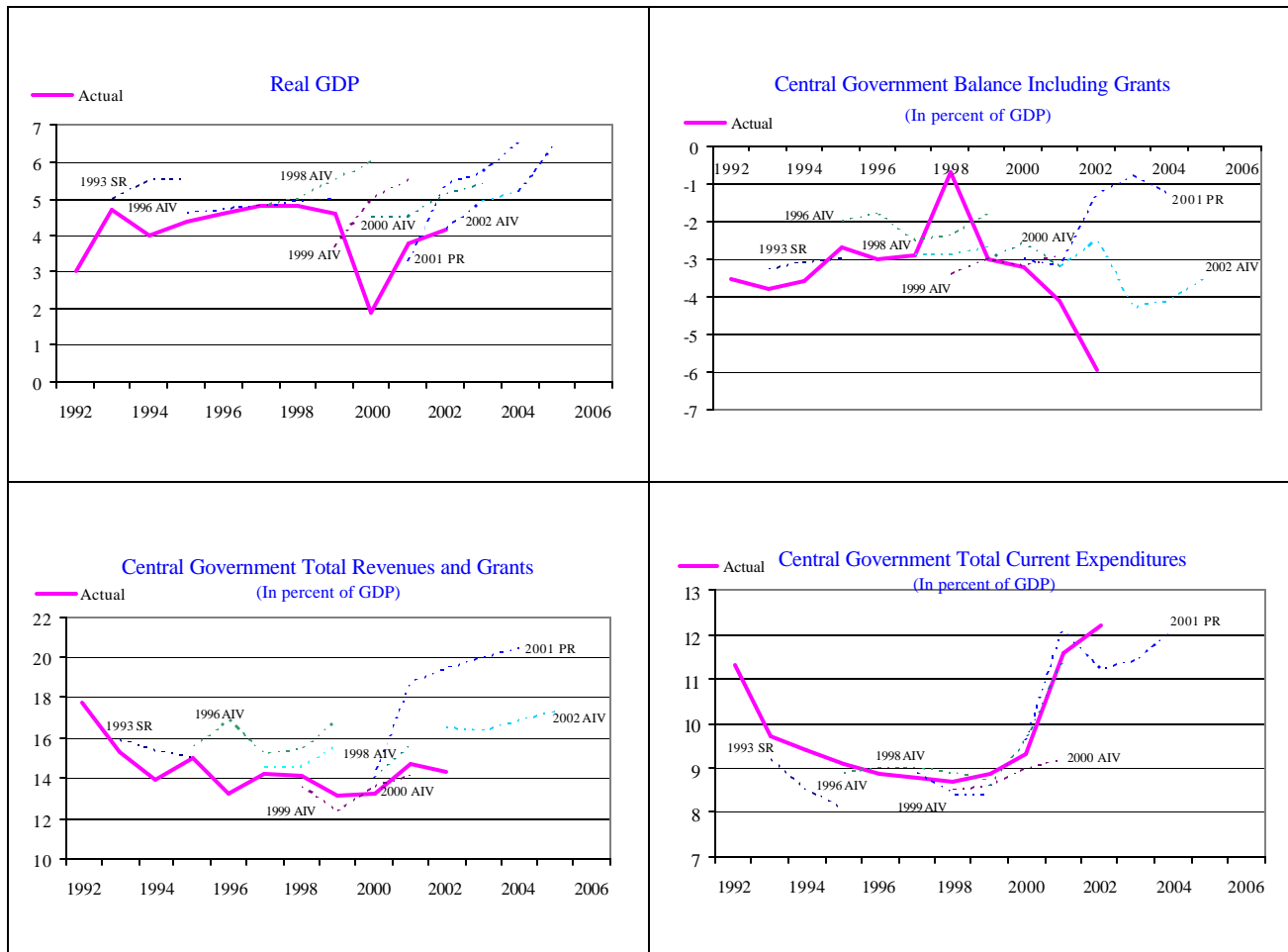
4/ An internal briefing paper of early 2002 proposed that a key decision in the water sector be a prior action under the IMF-supported program on the grounds that its nonimplementation would negatively affect the evaluation of the SAC IV operation in place.

64. In hindsight, it is, therefore, not clear that the streamlining of IMF structural conditionality in areas of primary responsibility of the Bank, but critical to the success of the program, was helpful. There appears to be two factors accounting for this outcome. First, the reforms in question lacked strong ownership, as reflected by their elusive treatment in the PRSP. Second, coordination between IMF and World Bank operations proved problematic in its implementation even though there was broad agreement on the objectives.

Realism of program design

65. One of the areas in which PRGF-supported programs were expected to improve on those under the ESAF was the realism of key macroeconomic assumptions underlying the program. In Guinea, that objective was not achieved, particularly for such key variables as GDP growth and government revenues (see Figure 3 below). In most cases, the staff's projections were optimistic not only compared to eventual outcomes, but also compared to past trends.

Figure 3. Actual and Projected Outcomes for Key Variables



Source: IMF staff reports.

IV. IMPACT AND SUSTAINABILITY OF THE PRSP/PRGF APPROACH

A. Impact So Far Has been Limited

66. Even under the best of circumstances, it is difficult to isolate the impact of a particular factor, such as the PRSP/PRGF initiatives, not only on complex development outcomes, but also on the more directly observable parameters contributing to these outcomes. In the Guinean case, this difficulty is compounded by the absence of formal, comprehensive reporting on PRSP implementation as of the time of the IEO mission.⁵⁷ However, the PRGF and PRSP initiatives were intended to produce certain changes, especially as regards the policy making process and the policies actually implemented, country ownership, donor coordination etc. In this section, we examine the extent to which these changes occurred, without necessarily assigning causality to the PRSP/PRGF initiatives.

Impact on the policy making process

67. Officially, the PRSP has become the single framework of reference for all government policies and it is mentioned as such by public officials at every opportunity. In practice, the impact of the PRSP on the policy making process is much more elusive.

68. The evolution of macroeconomic conditions and financing constraints is still analyzed and discussed only within a very narrow circle around the Minister of Finance. The budgets submitted to the National Assembly since the PRSP was completed formally reflect PRSP priorities. But their practical implications for resource availability at the level of line ministries and other executing agencies are still viewed as limited, because key decisions on the allocation of expenditure cuts across sectors remain taken by the Ministry of Finance with little consultation on priorities. Nevertheless, as discussed in Section IV, budget allocations to priority sectors have been relatively protected from ad hoc cuts.

69. This seems to reflect problems with the domestic budgetary process as well as two shortcomings of the PRSP itself: first, the macroeconomic framework in which the strategy was embedded did not discuss how the macroeconomic program would adapt in the face of adverse exogenous shocks, or in case key assumptions (in particular related to GDP growth and external financing) turned out to be overly optimistic.⁵⁸ This problem was compounded

⁵⁷ The PRSP policy framework designed by the IMF and the World Bank envisages that an Annual Progress Report be prepared within a year of the adoption of the PRSP, i.e., by January 2003 in this case. A progress report within the last twelve months is a necessary condition for the completion of a review under the PRGF. As of end- 2003, no such report had been issued, and no “domestic” substitute was available.

⁵⁸ All the PRSP offers in this respect is the presentation of a “basic” (or baseline) scenario and an “accelerated” scenario to illustrate how the authorities would allocate higher levels of donor financing (including debt relief). It does not spell out how poverty reduction efforts would be scaled back or protected in the face of shortfalls in donor assistance.

by the limited prioritization of the various public actions outlined in the PRSP itself and the absence of discussion in the PRSP of criteria for setting priorities between competing demands, both across and within so-called priority sectors. As a result, when in mid-2001 actual macroeconomic developments diverged significantly from the path assumed in the PRSP, the relevance of the PRSP as basic frame of reference for policy making was immediately challenged. Both then and a year later, when the program veered off track soon after the completion of the first review, negotiations with the IMF on the measures needed to bring the PRGF-supported program back on track do not appear to have been guided by the PRSP, and the budget itself was adopted with a delay of several months because of lingering disagreements between IMF staff and the authorities on which the PRSP had limited impact.

70. Second, the links between the PRSP and the various vehicles that operationalize it are unclear. In particular, there are no systematic links between the action plans of the PRSP and the sectoral strategies and concrete expenditure plans of line ministries (including their investment budgets). Likewise, considerable efforts were invested in developing regional poverty reduction strategies in the year following the adoption of the PRSP, explicitly with a view to making the national SRP operational (including by establishing priorities). But the process through which these strategies were developed did not ensure consistency between the regional level as a whole and the national strategy.⁵⁹ It is also unclear what the status of these instruments is (especially in relation with the national strategy) and what financial resources can be counted on for their implementation.⁶⁰

71. An interesting question is whether the PRSP process has contributed to any improvement in governance, broadly defined. The PRSP identifies poor governance and widespread corruption as one of the principal factors of the failure of previous efforts towards growth and poverty reduction.⁶¹ It particularly emphasizes a greater decentralization

⁵⁹ Ex post, the authorities indicated that the regional consultations had confirmed the appropriateness of the overall strategy laid out in the PRSP and that regional strategies would be conceived as subsets of the national strategy. But given that regional strategies were formulated without overall policy or resource constraint, this gives no indication as to how interregional tradeoffs will be solved and competing demands on central resources prioritized.

⁶⁰ As part of the decentralization process undertaken in the last couple of years, with some acceleration in 2002, regions have been given authority to keep the resources they raise. However, the tax base concerned is generally too small to provide in itself meaningful financing for the implementation of the regional strategies. Thus, a lot hinges on the speed and scope of transfers from the central government, which are guided by the logic of priority sectors as defined in the national PRSP and the MEFP.

⁶¹ Improving governance is one of the pillars of the SRP. The introduction to the relevant section of the PRSP notes that: "Good governance is (...) required to establish a favorable environment for private-sector investment and for economic development. It also affects the

(continued)

of power and resources as means to improve governance. Most stakeholders interviewed in Guinea, as well as Fund staff, thought that the PRSP played a useful role in raising the profile of governance issues in the public debate. However, they also noted that the actual results from this higher profile had been limited so far.⁶² And, as noted above, governance issues were cited by donor representatives as one reason for a reluctance to expand donor support. While recognizing that progress on such matters was complex and not easy to measure, several factors were cited as limiting the impact so far of the PRSP process on the governance agenda: (i) a lack of clear mechanisms for monitoring and implementation; (ii) a wavering political will, evident in particular in the reluctance of the ministry of Justice to follow up on the corruption cases unveiled by the CNLC and the need for strict donor conditionality to achieve any concrete progress;⁶³ (iii) some stakeholders also expressed the view that the structure of the PRSP exercise, whereby governance concerns were reflected in one of the eight thematic groups rather than being integrated more directly into all elements, had resulted in insufficient emphasis being placed on the fight against corruption in the strategy as a whole.

72. A good illustration of that ambivalence is provided by the initiatives taken in recent years by the ministry of finance to implement the PRSP, including strengthening the financial authority of decentralized government levels, decentralizing procurement processes, publishing spending allocations as set quarterly by the ministry and emphasizing the internal audit function. By mid-2003, the laws and regulations operationalizing these changes had been issued for the most part, but actual change on the ground was lagging behind owing to administrative resistance at the central level and severe capacity limitations at the decentralized level and within audit and inspection departments. Publication of spending allocations had begun, but as advertisement rather than news, because journalists were not permitted to verify independently the data received from the Finance ministry, and had anecdotal evidence that the designated recipients of these funds had not in fact received them.

efficiency of government action and its impact on people's lives. Therefore, good governance is a critical prerequisite for the success of the strategy."

⁶² One significant change in recent years was the creation in 2000 of a National Anti-Corruption Committee (Comité National de Lutte Contre la Corruption (CNLC)), largely in response to donor pressure. However, its creation preceded the PRSP process.

⁶³ One striking aspect to emerge from the evaluation interviews was the quite broad support for IFI conditionality in the area of governance. Indeed, many stakeholders, both within and outside government, regarded such conditionality as helpful given the insufficient strength of the pro-reform constituency to overcome vested interests on its own in this area. Areas where IMF conditionality was cited as supportive of these domestic anti-corruption efforts included improvements in tax and customs administration, the foreign exchange management system and the consolidation of the plethora of government accounts.

Impact on program ownership and policies implemented

73. As discussed in Section III, implementation of the program supported by the three-year PRGF arrangement continued the poor track record that characterized Guinea's performance under the ESAF. In particular, recurrent slippages in the macroeconomic area prompted staff to recommend, at the time of the first review, a shift to a quarterly schedule of reviews, in contradiction with the presumption that programs supported by the PRGF would be strongly owned and therefore subject only to six-monthly reviews. In that sense, this shift—which was justified on the grounds that close monitoring would enhance the chances of good implementation—was an acknowledgement of the weak ownership.⁶⁴ In the event, it proved insufficient to keep the program on track.

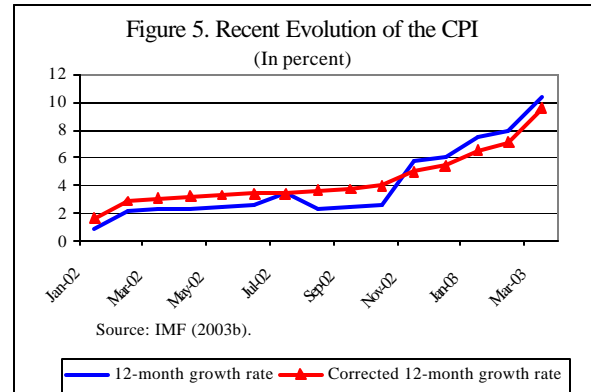
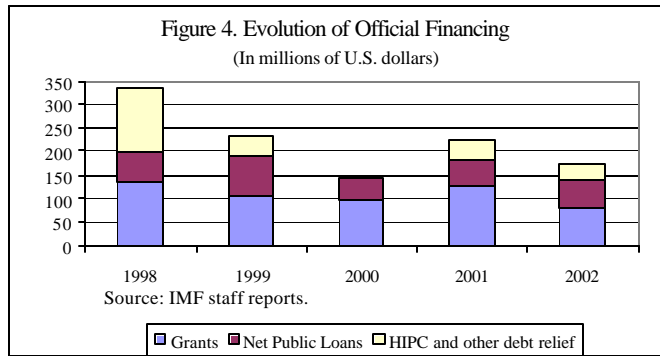
74. Actual outcomes with regard to the structure of the budget did record some important positive gains. In particular, as noted in Section III, sectors identified as priorities in the PRSP have been receiving higher and more stable allocations. Nonwage current expenditure in priority sectors increased from 1.2 percent of GDP in 2001 to 1.6 percent in 2002,⁶⁵ and public investment from 7.1 to 7.8 percent of GDP. Data on education also suggests tentative improvements in school enrollment rates for girls.

75. It should be noted, however, that the relative drying up of external assistance since the adoption of the PRSP (for reasons unrelated to the PRSP itself) has unquestionably curtailed the authorities' ability to fully implement the actions plans outlined in it (see Figure 4 below). In fact, the subsequent resort to monetary financing of the deficit in an effort to support social spending rekindled inflationary pressures (see Figure 5 below). This outcome is in contradiction with a key premise of the PRSP, namely that inflation hurts the poor disproportionately and therefore should be kept under control as a key element of the poverty reduction strategy.⁶⁶

⁶⁴ It may be noted that program implementation fell short primarily in those areas where the program was least aligned with the PRSP, i.e., as concerns macroeconomic policies, not structural policies.

⁶⁵ Including outlays financed by resources from the enhanced HIPC initiative. Priority sector spending fell sharply in 2001, but the 2002 level of spending was also moderately higher than the 1999 one.

⁶⁶ "Stabilizing inflation" is identified as a three-star objective in the PRSP, which is the highest order of priority an objective can be given.



Impact on donor coordination

76. In Guinea, where the donor community is quite small, there is a high level of mutual awareness and interaction among donors. However, as of April 2003, (i.e., more than a year after the completion of the PRSP) none of the major donors was able to identify significant adaptations in their assistance programs in response to the PRSP.⁶⁷ Nor did there appear to be much progress in the coordination of strategic priorities among themselves. In that regard, several suggested that the authorities' failure to organize donor coordination was to blame for the lack of impact of the PRSP, noting that the authorities had not convened a multi-donor meeting since May 2002. Since then, government officials from various ministries had been approaching donors in an uncoordinated manner, with competing demands, using the PRSP to justify specific requests. In this context, they viewed the absence of priorities across sectors in the PRSP as limiting its usefulness for the purpose of prioritizing requests for donor assistance.

77. The authorities expressed a strong sense of "being let down" by their development partners in spite of having produced a highly praised PRSP, in the formulation of which donors were as closely involved as they wanted to be.⁶⁸ Indeed, as noted before, aid receipts

⁶⁷ This partly reflects the presence of inevitable lags. Indeed, the new IDA Country Assistance Strategy (see World Bank, 2003b), which was presented to IDA's Executive Board in June 2003, is closely aligned on the priorities of the PRSP. The local representative of USAID likewise indicated that the next multi-year country assistance strategy, which would begin to be implemented in FY2005, would take the PRSP into account.

⁶⁸ Donors had an open invitation to send representatives to every thematic group in charge of drafting contributions to the full PRSP. Most of them ended up being represented in a few groups that closely matched their assistance priorities. The presence of donor representatives in all thematic groups was widely interpreted by the authorities and other participants in the thematic groups as an endorsement of the work of the group, and therefore an implicit promise of financial support going forward.

declined sharply since 1999, and practically none of it is provided in the form of general budget support (apart from interim assistance under the HIPC initiative).

78. Interestingly, the reasons emphasized by donor representatives to justify their limited support to Guinea's PRSP have little to do with the quality of the document, but rather include skepticism as to the authorities' ability and/or willingness to implement it. This is partly because progress in PRSP implementation has been slow and poorly reported, and both its impact and sustainability are unclear (see next section). But donors' wait and see attitude is also explained in good part by their serious concerns about the poor quality of governance, including in areas not covered by IMF or World Bank.⁶⁹

B. Sustainability is Hampered by the Lack of Clear Implementation and Monitoring Arrangements

79. The preparation of the PRSP benefited from the momentum derived from the expectation of debt relief under the enhanced HIPC initiative and from the enthusiasm attached to what was seen as a promising new framework for relations between development partners. However, the sustainability of the PRSP over time is not guaranteed, and depends on the availability of effective institutional arrangements for (i) its implementation; (ii) its monitoring; and (iii) its ability to evolve over time.

Implementation

80. Since the finalization of the PRSP, no specific institutional arrangements have been made for its implementation, which has several drawbacks. First, as noted, ownership in most ministries is limited, and the PRSP itself does not provide a directly operational roadmap. Nor have specific PRSP implementation workplans been developed. The risk is therefore high that momentum will falter at the stage of implementation.

81. Second, there are no arrangements for explicitly involving civil society in the implementation of the PRSP.⁷⁰ While the multi-stakeholder thematic groups that contributed to the formulation of the PRSP have not been formally dissolved, their terms of reference do not cover any implementation-related activities, except for the group on "Culture and

⁶⁹ The reasons invoked by donors include not just the economic aspects of governance, but also, to a large extent, some political ones (including the electoral process and the government's persistent refusal to liberalize broadcast media). To donors, the latter often appeared as signals that the government's commitments in other areas could not be trusted. To the authorities, on the other hand, these justifications appeared as a resurgence of political conditionality which they felt should not be part of the PRSP process.

⁷⁰ The dichotomy that exists in this regard between civil society and government stakeholders was brought out very clearly by the survey of stakeholders: whereas in the latter group most stakeholders feel they have continued to be engaged in the PRSP process after its formulation, in the former group, a majority holds the opposite view.

Communications.” However, at the time of the IEO mission, members of that group indicated that lack of funding challenged the sustainability of their activities. The lack of participation of civil society at the implementation stage was regretted by most nongovernmental stakeholders interviewed by the IEO and fueled fears of nonimplementation.⁷¹ They also noted that the objectives of building broad-based ownership of the PRSP and capacity to participate in the formulation of future updates were likely to remain elusive .

Monitoring

82. The PRSP itself did not provide much detail on the institutional arrangements envisaged for monitoring, although it did lay out a set of core and detailed indicators and announced the creation of a ninth thematic group dedicated to evaluation and monitoring. That group was not set up until October 2002, and its terms of reference do not give it any mandate to directly monitor or evaluate the implementation of the PRSP. Its mandate is threefold: (i) to determine a set of indicators to be monitored; (ii) to ascertain the availability of the underlying data and, where the needed data are not available, make arrangements for their collection; and (iii) to propose institutional arrangements for the publication of monitoring information and for the continuous update and improvement of the PRSP, based on the results of the evaluation/monitoring process, in a participatory manner.

83. As of April 2003, the group was near completion of the first mandate, but had made little progress regarding the other two, making it difficult to assess sustainability. Furthermore, its composition all but excludes civil society organizations⁷² and the thematic groups which contributed to the formulation of the PRSP are represented only by one member each, always from government. These characteristics combined imply that, to date, there is little transparency as to the actual results of the PRSP initiative in Guinea. Even the few results which are published by the government (such as, for instance, commitments of credits in priority sectors, allocations of funds to decentralized tiers of government etc.) are viewed with suspicion by most civil society stakeholders. Not surprisingly, monitoring is one of the areas most negatively rated by PRSP stakeholders on the ground, with only 41 percent

⁷¹ In line with this perception, 88 percent of NGOs surveyed for GTZ (cf. Bah, 2003) expressed significant or strong fears about the prospects for PRSP implementation. Among the reasons cited for these fears, the most frequently cited was the marginalization of NGOs at the implementation stage (31 percent of responses), followed by insufficient financing (29 percent), poor governance and corruption (25 percent) and lack of sustainability of outcomes (15 percent).

⁷² The only representatives of civil society sitting in this Group are members of: the Economic and Social Council, the National Council of Communication, the National Council of Civil Society, a labor union and the University of Conakry. This is a step in the right direction considering that the first two institutions were not involved in the PRSP formulation process, but it still excludes the noninstitutionalized civil society.

overall (i.e., fewer than respondents from government) agreeing that an effective structure to monitor results has been established.

84. Clearly, until a working monitoring and evaluation system is put in place, no final judgment can be made, but many in Guinea suggested that the sustainability and effectiveness of the PRSP process would eventually hinge on having a transparent and participatory monitoring. In this connection, several nongovernmental stakeholders expressed the view that this objective would be more likely to be achieved if the reporting on PRSP implementation and evaluation of its impact relied on existing vehicles, such as the implementation reports systematically attached to programmatic laws (“lois de programme”),⁷³ rather than on instruments targeted at the BWIs, such as the required PRSP Annual Progress Report.

PRSP’s ability to evolve over time

85. The Guinean authorities and other local stakeholders closely involved in the preparation of the PRSP are keenly aware that, to be effective, the PRSP must be a living document, to be improved over time through an iterative process. However, at the time of the IEO mission, they were equally aware that institutional arrangements operationalizing this principle were lacking.

86. While the authorities expressed confidence that this problem would be addressed at the time of preparing the annual PRSP progress report, other actors were more skeptical. In particular, members of the various thematic groups that contributed to drafting the full PRSP regretted that the groups had not been convened since the finalization of the PRSP. The authorities indicated that they envisaged merging the original seven thematic groups into four,⁷⁴ which would each be responsible for analyzing and processing the available feedback and preparing updates of the SRP in their domain on that basis. The Permanent Secretariat of the SRP would remain the keystone of that arrangement.

87. In practice, however, over a year and a half after the finalization of the PRSP, there was still no arrangement in place to ensure the sustainability of the PRSP process. Contrasting views were expressed as to the extent to which this is a matter for concern. To many stakeholders, especially within civil society, it constitutes a risk that whatever impact the process has had so far may be short lived. If it turned out to be the case in spite of the high profile given by the government to the whole exercise, they fear it would leave the

⁷³ These reports have to be produced annually by the government and are subject to a broad public debate, beginning with their discussion by the National Assembly and the Economic and Social Council.

⁷⁴ The four groups envisaged are: (i) Acceleration of Growth; (ii) Development of Basic Services; (iii) Improvement of Governance; and (iv) Balanced Regional Development. They would operate in addition to the Groups on Communications and Culture, and Monitoring and Evaluation.

population disillusioned and thereby hinder future participatory poverty reduction efforts. On the other hand, a few stakeholders—mostly found in the donor community—expressed the view that the delayed takeoff of the implementation process was largely inevitable in the circumstances. To them, the groundwork done to prepare the first full PRSP would bear fruit eventually, when overall economic and political conditions were more conducive to its wholehearted implementation by all partners involved.

V. CONCLUSION AND LESSONS

A. Summary Assessment of the Implementation of the PRSP/PRGF Initiatives in Guinea

1. PRSP

88. As a process, the PRSP was a step in the right direction, but any expectations that it would deliver, in the near term, drastic changes in line with the objectives of the PRSP initiative were unrealistic given Guinea's current circumstances. The Joint Staff Assessment (JSA) added to these expectations by not presenting a sufficiently candid assessment of the practical and political economy limitations of the process. Nonetheless, the PRSP did represent an improvement over past modalities for public policy formulation, although the nature of the participatory process was such that alternative policy options tended not to be explored and ownership generally remained limited except in the narrow circle of PRSP authors and promoters. Debate on macroeconomic policy options and key tradeoffs appears to have been more limited than in other policy areas (although low inflation was identified as a key priority, because of its benefits for the poor). IMF staff did not have clear guidelines on what role they should play in fostering such a debate. Furthermore, whatever participatory dimension existed at the formulation stage has not persisted past the finalization of the PRSP, and is mostly absent from monitoring and implementation stages. Without meaningful participation at these stages, broad based ownership is likely to remain elusive, and little capacity building will take place, thereby limiting avenues for self-improvement of the process over time.

89. *As a policy document, the achievements of the SRP are mixed.* To the extent that it pulls together a diagnosis of needs and a list of remedial actions in various sectors, all cast in a long term perspective and with a focus on outcomes that benefit the poor, the SRP is a useful reference tool for the public, policy makers and donors alike, with significant value-added over preexisting vehicles. However, it remains far from being an operational document or an effective roadmap for policy making and donor coordination. There appears to be three reasons for this failure:

- (i) Shortcomings in the contents of the PRSP, in particular the lack of realism and adaptability of the macroeconomic framework, the insufficient prioritization of objectives across sectors, and the absence of recognition of inevitable or foreseeable tradeoffs, as well as of criteria to resolve them. For example, Guinea appears to be one case in which basing the macroeconomic framework on ambitious projections of

donor support (and growth) was not successful and reduced the effectiveness of the PRSP as a guide to operational policy choices.

- (ii) The weaknesses of institutional arrangements related to the implementation, monitoring and regular updating of the PRSP ; the PRSP itself largely left these arrangements to be defined, but over a year and a half after its finalization, they are still tentative and unclear. Thus, the PRSP—both as a dynamic process and as a document—has yet to be integrated with the domestic policy making setting. Without this integration, both the relevance and the sustainability of the PRSP will remain in question.
- (iii) Donor support of the scale assumed by the SRP has not been forthcoming, partly for reasons having to do with the country's disappointing macroeconomic performance, but also in part for reasons not explicitly related with the PRSP policy framework, such as concerns with certain political aspects of governance and donors' own policy preferences as far as aid modalities are concerned. Whatever the reasons, in this case, the PRSP clearly failed in its envisaged catalytic role of mobilizing significant additional donor support.

90. Even taking into account the difficult country-specific circumstances, it seems likely—although obviously not possible to establish definitively—that a better outcome was within reach, had different approaches to several of the aspects of the process been adopted. However, it would have required a lengthier and probably more costly formulation process, as well as more pointed guidance—and, where needed, technical support from the BWIs, especially to the effect of emphasizing substantive requirements over formal ones as concerns both the process and contents of the PRSP.

2. PRGF

91. *Reasonable efforts have been made by the IMF to adhere to the spirit of the new facility, but the country context was not very conducive to more radical changes.* The effective linkages between the PRSP and the PRGF were weakened by the shortcomings of the former as an operational guide and the lack of institutional mechanism for embedding PRSP-related processes in the subsequent implementation and modification of macroeconomic policies. The following factors are particularly worth mentioning:

- (i) In terms of alignment with the PRSP, the PRGF encountered both temporal (in the sense that the macroeconomic framework of the former was quickly overtaken by events) and policy alignment problems. The latter were more serious including in the macro-economic area and with regard to SOE reforms;
- (ii) The policy alignment issues were due in part to process and content limitations of the PRSP, which made it a rather inadequate basis on which to build the PRGF-supported program, especially as far as the macroeconomic framework –and unanticipated changes therein--were concerned;

- (iii) The macroeconomic environment deteriorated sharply in recent years, thus limiting the room for maneuver in pursuing pro-poor and pro-growth program design. Even so, the IMF did make efforts to adapt the program in order to protect priority spending from adverse shocks and policy slippages. However, there was a lack of transparency at times about the nature of the tradeoff that the IMF was willing to accept, in part because of the policy alignment issues mentioned above, and in part because of the absence of institutionalized forum in which to hold follow up discussions on the necessary evolutions of macroeconomic policy.
- (iv) Weaknesses in data initially hampered efforts to take into consideration PSIA in program design and negotiations; however, the IMF was not particularly proactive in identifying areas where PSIA efforts could usefully focus.
- (v) The primary motivation of the IMF's streamlining of conditionality in the case of Guinea was related to clarifying the division of labor with the World Bank rather than enhancing ownership. This emphasis reflected doubts about the authorities' commitment to implementing a number of key structural reforms because of a poor track record and continuing governance concerns. However, the nature of the linkage with World Bank conditionality was ambiguous—in part because there was not (at least initially) a clear specification of which reforms were judged to be macro-critical and in part because the different approaches to conditionality by the IMF and the World Bank proved hard to coordinate in practice. These issues were especially prominent with respect to state enterprise reform—an area where the PRSP did not contain a forward-looking strategy and where subsequent efforts by the IMF (and the World Bank) to push ahead with particular reforms in the context of specific lending arrangements soon revealed a lack of country ownership.

B. Key Lessons to be drawn from Guinea's PRSP/PRGF Experience

1. For the PRSP

92. The PRSP needs to meet more substantive criteria than those emphasized in original policy documents—which focus on process issues without making clear what the ultimate objective is—if it is to serve its purpose of becoming an operational roadmap orienting the actions of country authorities and their development partners in favor of growth and poverty reduction. A relevant intermediate objective, to be used as a test of failure or success of the PRSP initiative, would be that PRSPs provide strategic guidance for setting priorities among competing demands for funds and for solving unanticipated tradeoffs. Alongside these contents requirements, working institutional arrangements are needed for the implementation, monitoring and regular updating of the PRSP, and the staffs of the IMF and the World Bank should focus their efforts on assessing to what extent such arrangements exist. Likewise, it would be helpful to clarify the objectives of the process requirements originally outlined (such as the characteristics of a participatory formulation process) and to make sure that the process adopted by the authorities is broadly consistent with these objectives. It would minimize the risk that countries might conform to these requirements superficially, simply because they condition their access to development assistance.

93. *There is a need to adjust the expectations of all stakeholders:* authorities, donors and civil society. To country authorities, it should be made clear that having a PRSP is a necessary, but not sufficient condition to get access to the aid flows needed for its implementation, especially in the form of budget support ; in particular, macroeconomic stability must be preserved; and donors might have parallel agendas and/or procedural constraints to satisfy. At the same time, donors should recognize that in many countries, producing a genuinely participatory PRSP, that can act as a roadmap to policy making in favor of poverty reduction and growth, and as an organizing framework for donors' interventions, will require a lot more time and resources (both financial and technical) than have been available until now.

94. This does not mean that the PRSP process cannot be helpful in circumstances where policy implementation is weak (whether for technical or political reasons), but there may need to be a more explicit recognition that the overall level of external financing is likely to depend on the 'quality' of the policies effectively implemented.⁷⁵ All sides of this argument should also be made clear to civil society, so as not to foster expectations that would be bound to be disappointed, at a reputational cost for the IMF and the World Bank.

95. *The Guinean experience suggests that the main purpose of the JSA is not, as often suggested, to "pass or fail" the country's PRSP* as a basis for IMF and World Bank concessional lending. Indeed, the Guinean PRSP was deemed adequate for that purpose in spite of shortcomings so substantive that it could not effectively be used as the framework in which to design the IMF-supported program. Thus, its main value added seems to lie in providing an independent expert assessment of the strengths and weaknesses of the country's poverty reduction strategy, for the benefit of a variety of audiences, including the Executive Boards of the IMF and the World Bank, country authorities, their development partners and local civil society.

96. To be effective in that function, the JSA needs to be candid and accurate. Otherwise, it runs the risk of being both irrelevant and counterproductive (i.e., perceived as undermining ownership). Explicitly de-linking it from the approval of concessional lending operations by the Executive Boards of the BWIs might help increase both the effectiveness and the relevance of the JSA. Centering it more around the perceptions of stakeholders based in the country (especially regarding those issues which are hardest for the staffs of the IMF and the World Bank to assess, such as the effectiveness of the participatory process) rather than in Washington DC might also contribute to enhancing the relevance of that document.⁷⁶

⁷⁵ This does not solve the question of how the size of the overall external resource envelope is determined in practice. The Guinean case suggests that it is not optimal for the IMF to make that determination alone, through the de facto signalling effect of its lending decisions.

⁷⁶ The guidelines to staff for JSAs on PRSP Progress Reports contemplate a step in that direction, but in practice they provide very little incentive to effectively center the process on the assessment of locally based stakeholders.

Clearly, the Executive Boards of the IMF and the World Bank would still have their own responsibilities for deciding on their respective lending operations. But the JSAs could contribute more effectively to those decisions if they met the above criteria. A step further would be made if, in addition, JSAs provided clear and objective benchmarks which each institution could use as an input into its decisions regarding the level of lending to each PRSP country.⁷⁷

2. For the PRGF

97. For PRGF-supported programs to be truly aligned on PRSPs, and therefore more broadly owned and, it is hoped, more successful, there is a need for a clearer framework for IMF staff involvement in the domestic macroeconomic policy debate. In particular, this framework would include the following:

- IMF staff should be proactive in the process of discussing alternative policy tradeoffs and formulating the macroeconomic framework of the PRSP—not to restrain in any sense the openness of the debate, but to help the authorities frame it in such a way that (i) key assumptions are realistic, (ii) critical tradeoffs are acknowledged and all major policy issues are addressed (iii) arrangements for dealing with unanticipated shocks are made and (iv) several policy alternatives to reach given objectives are considered.
- When there are serious shortcomings in the PRSP process, or if the PRGF-supported program has to be designed before the full PRSP is ready, IMF staff should make specific efforts (including, if necessary, dedicated missions) to discuss with civil society and other PRSP stakeholders the tradeoffs involved between concerns for macroeconomic stability and the pursuit of growth and poverty reduction, and the rationale for specific elements of the program to be supported by a PRGF. Without such efforts, it is unlikely that the objectives of broad participation and greater ownership will be achieved in that context.
- The IMF needs to be fully explicit and transparent to all stakeholders involved as to the criteria it takes into consideration when assessing risks to macroeconomic stability in the formulation and monitoring of PRGF-supported programs (including, or perhaps especially, when these programs go off-track; in those cases, the same standards should be applied to the negotiation of consolidation programs or other vehicles used to bring the program back on track, as to the PRGF itself).

⁷⁷ The guidelines for JSAs of PRSPs suggest that it was initially intended that JSAs would contribute to the determination of the amounts of lending and detailed design of the programs. However, the guidelines do not offer any objective yardsticks for the JSAs' assessments of PRSP strengths and weaknesses. As a result, JSAs only provide an overall assessment of suitability, based on criteria typically left implicit, which limits their usefulness as inputs into the determination of amounts of lending warranted.

98. The objective of streamlining structural conditionality should be clarified. If the purpose is simply to achieve a more efficient division of labor between the IMF and the World Bank, then the requirement of limiting structural conditionality to macro-critical elements of the reform program needs to be applied flexibly. It should also be borne in mind that World Bank and IMF operations and conditionality do not mesh naturally, so that too strict a division of labor may give rise to various coordination problems which, in the end, are a source of inefficiency. If, on the other hand, the primary objective is to enhance country ownership of the program, then a coordinated streamlining effort between the IMF and the World Bank would be needed, with both institutions' conditionality focusing on areas identified as priorities in the PRSP and playing the role of sign posts rather than commitment devices. However, such an approach clearly requires a judgment that there is a political will to implement the reforms: indeed, that is one of the central points behind the country-driven approach of the PRSP. For that reason, it is important that the debate on all key reform areas take place in the context of the PRSP, not later in the context of discussions on specific IMF (or World Bank) programs

DATA APPENDIX

Table 1. Selected Economic Indicators 1999–2003

	1999	2000	2001	2002
(Annual change in percent)				
Real GDP growth	4.6	1.9	3.8	4.2
Broad money	8.8	23.4	14.8	19.2
CPI (end year)	6.7	7.2	1.1	6.1
Terms of trade	-8.5	-7.9	8.0	-5.6
(In percent of GDP unless otherwise noted)				
Domestic revenue	4.1	14.9	12.7	14.0
Primary fiscal balance	2.4	2.5	0.6	0.0
Current account balance (with transfers)	-7.6	-7.3	-2.4	-6.5
Gross Int. Reserves (in months of imports)	2.8	2	2.6	2
Nominal exchange rate (Guinean frcs per US dollars)	1,736	1,882	1,974	1,976
Primary sector output	18.8	18.3	18.8	19.1

Table 2a. PRGF-Supported Program Design and Performance
(In billions of Guinean francs; unless otherwise noted)

	2001						2002			
	September			December 1/			January 2/		February 2/	
	Orig. target	Adj. target	Outturn	Orig. target	Adj. target	Outturn	Target	Outturn	Target	Outturn
Central govt. prim bal (floor)	-7.1		57.6	33.6		42.5	8.1	34.8	27.4	56.6
Net bank credit to govt. (ceiling)	-8.9	-27.2	-37.7	-17.8	-53.2	20.5	0.6	-18.2	-12.2	-16.9
Reserve money (ceiling)	368.5		367.2	358.4		381.0				
NFA of central bank (millions of US dollars) (floor)	93.2	113.1	74.7	98.4	125.1	60.7				
Central govt. nonmining rev. 1/	449.6		384.6	598.6		504.9	55.4	60.6	111.2	117.3
Customs revenue 1/	260.6		251.1	358.7		326.6				
Central govt. primary exp 1/	449.6		423.3	600		583.1	51.3	43.4	84.0	95.6
Current exp in priority sec.1/	56.1		33.8	97.9		62.9	6.7	3.9	10.6	11.0

Source: IMF staff reports—Figures in italics indicate non compliance with target.

1/ Indicative targets

2/ Targets under the consolidation program

Table 2b. Performance Since the First Review of the PRGF-Supported Program
(In billions of Guinean francs; unless otherwise noted)

	2002							
	June 1/			September			December 2/	
	Orig. target	Adj. target	Outturn	Orig. target	Adj. target	Outturn	Target	Outturn
Central govt. prim bal (floor)	64.7		-11.9	83.5		-34.1	119.7	2.2
Net bank credit to govt. (ceiling)	26.9	9.5	58.9	-19.9		171.7	-23.9	136
Reserve money (ceiling)	362.5		414.4	362.1		405.6	366.9	
NFA of central bank (millions of US dollars) (floor)	40.5	44.8	60.5	52.9	75.1	38.5	67.2	25
Central govt. nonmining rev. 1/	299.4		288.3	444.8		449.6	630.6	630.6
Customs revenue 1/	187.4		177.3	286.7		279.2	403.7	396.8
Central govt. primary exp 1/	284.7		346.7	425.5		514.8	570.4	668.4
Current exp in priority sec.1/	10.7			17.9		21.9	15.6	57.7

Source: internal IMF documents (briefing papers)—Figures in italics indicate noncompliance.

1/ Indicative targets

Table 3: Assessment of the Adaptation of the IMF's Internal Policy Process Based on Briefing Papers and Review Department Comments

Assessment criteria	Summary of change in policy approach as indicated by ESAF- and PRGF-related briefs/review department comments	ESAF, 2nd annual arrangement (10/1997)	PRGF, new three-year arrangement (02/2001)
<i>Briefing Papers</i>			
1. Does the brief discuss links between the PRSP and the PRGF objectives?	The February 2001 brief shows clearly staff's willingness to ensure the consistency of program's objectives with those set forth by the PRSP, which is an improvement on the ESAF. This brief discusses the mission's readiness to amend the macro objectives of the PRGF-supported program if these differ from those set forth in the PRSP and to discuss with CSOs the links between the macro program and PRS. Moreover, the consistency of the program's macro objectives with the evolving PRS is expected to be ensured at the time of the midterm review.	N.A.	4
2. In resolving the key issues identified by the mission does the brief leave room for discussions of alternative policy options to achieve major objectives?	Fiscal policy	1	2
	Monetary policy	1	1
	Financial sector reform	2	--
	Public sector reform	2	--
	Governance	--	3
3. Are alternative macroeconomic frameworks and the tradeoffs between them considered?	The ESAF brief does not discuss any alternative macro framework nor does the PRGF brief. Nevertheless, staff deplores in the latter the fact that the macro objectives set forth in the program do not account for major investments planned in the mining sector or likely to result from regulatory or legal reforms.	1	2
4. Does the program discuss how it will protect key objectives in the event of unanticipated negative shocks?	In both ESAF and PRGF briefs, there is a thorough discussion that reveals staff's eagerness to deal with unexpected adverse shocks. The ESAF brief describes how to take account of unavoidable outlays for the presidential elections, setbacks in external policies and the projected tariff reduction in the WAEMU region. In the PRGF brief, tradeoffs between budgetary adjustment and financing are considered to take into account the occurrence of various shocks including the unexpected disbursement of bilateral assistance mission and the deteriorating security situation.	4	4
5. Does the brief allow for flexibility to use additional concessional external financing if available?	There seems to be no evidence of change in the flexibility of the fiscal stance from the ESAF to the PRGF. Both briefs allow a fiscal loosening that is significant enough to accommodate additional concessional inflows albeit these do not describe explicitly how different levels of external financing would contribute to achieving the PRSP objectives.	3	3

Assessment criteria	Summary of change in policy approach as indicated by ESAF- and PRGF-related briefs/review department comments	ESAF, 2nd annual arrangement (10/1997)	PRGF, new three-year arrangement (02/2001)
6. Is a participatory process in resolving key issues considered?	Compared to the ESAF, the PRGF-supported has benefited from contributions of local stakeholders. In the PRGF brief, staff indicate their plan to discuss the macro adjustment program and its link to the PRS with civil society and to seek the views of other donors on civil service reform.	N.A.	4
7. Does the brief identify policy issues where poverty and social impact assessment (PSIA) inputs would be necessary/useful?	The PRGF-supported program appears to have a stronger poverty focus than the ESAF one. While the typical ESAF brief would not emphasize any poverty or social impact types of issues, the PRGF brief describes how the new program will aim to ensure that the budget is pro-poor and how the mission will take account of the direct social impact of the program's key macro policies.	N.A.	3
<i>Review departments' comments</i>			
8. Is the need for more "policy space" for home grown options recognized in the review process?	There seems to be a higher willingness from review departments to allow more scope for alternative domestic policy options. As opposed to the quite prescriptive tone of the review comments on the ESAF brief, the degree of prescriptiveness with which these departments have commented the PRGF brief is rather low. In fact, review departments praise in the latter staff's intention to discuss with civil society about the program macro objectives in the run-up to the country's formulation of the full PRSP and suggest also that the macro objectives of the Fund-supported program be consistent with the PRSP objectives.	1	3
9. Are poverty issues discussed or their absence highlighted in review departments' comments?	In this regard, there is a significant improvement of the PRGF over the ESAF. While there were merely no poverty issues mentioned in the reviews comments on the ESAF brief, staff were urged in some review comments of the PRGF brief to note the potential tradeoffs between the macro and PRS objectives, and to amend the program's macro targets in a context of a review should the PRSP determine different macro objectives.	1	3
10. Did review departments press for more or less conditionality (prior actions, PCs, structural benchmarks) in the policy areas specified by the mission?	Compared to the ESAF-related review comments, those associated with the PRGF-supported program support staff's decision to limit IMF structural conditionality to its core areas of expertise and to devote others to the Bank albeit the emphasis on streamlining conditionality is not quite strong.	1	2

SURVEY RESULTS

Guinea

1. As part of the OED and IEO evaluations of the PRSP Process and PRGF, a survey of PRSP stakeholders was administered in each of the ten countries where a case study is being undertaken. The objective of the survey was to obtain perceptions of the PRSP process and the role of the World Bank and IMF in supporting the initiative. The primary use of the survey results will be to analyze perceptions of the various PRSP stakeholder groups across all ten countries.
2. A standard survey of 39 questions was administered in each country. The full questionnaire can be found on both of the evaluation websites: www.worldbank.org/oed/prsp ; <http://www.imf.org/external/np/ieo/2002/prsp/index.htm> . The survey consisted of four main components: information on respondents; the PRSP process (covering ownership, results orientation, comprehensiveness, partnership-orientation and long term perspective); World Bank performance; and the role of the IMF. In most cases, respondents were asked to indicate the extent of their agreement with statements on a five point scale⁷⁸. The survey was translated, where necessary, and pre-tested before being applied. A local consultant with survey experience was engaged in each country to assist with administration of the survey. Survey results were coded by the local consultant and sent back to Washington and an outside contractor, Fusion Analytics, was hired to analyze the data.
3. The survey was targeted at key groups within the three main categories of PRSP stakeholders: Government, Civil Society, and International Partners.⁷⁹ Within each group, the survey sought to obtain an *institutional view* and was targeted at the most knowledgeable individuals. Respondents were asked to define the nature of their involvement in the PRSP process, and their level of familiarity with the PRSP document, the Bank, and the IMF. Given the targeted nature of the survey, respondents who were “Not Aware” of the PRSP Process were excluded from the results. The specific samples were selected using three main inputs: information gained through the country case study mission; participants listed in the PRSP document; and input from the local consultant. In some cases, samples were circulated to obtain broader input on their composition. The study teams also identified a set of highly relevant respondents in each country for

⁷⁸ The five point scales used in most questions offered a range from 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

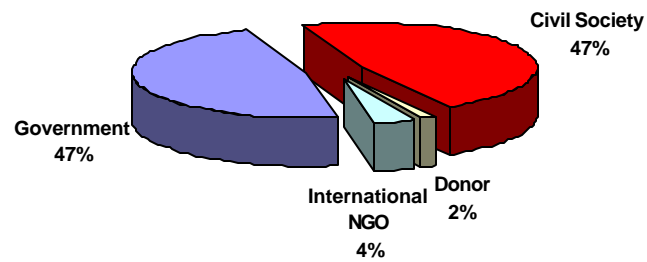
⁷⁹ Fourteen stakeholder groups were identified: Government—central government, line ministries and sector agencies, local government, Parliament—Civil Society—local NGOs, business sector, labor unions, academia, media, religious organization, political party, other—International Partner—donor, international NGO. Results at the stakeholder group level are presented in the aggregate analysis across all countries.

whom a survey response was required. These included core ministries and agencies (Finance, Economy, Central Bank...), key PRSP-related ministries (Health, Education, Agriculture...), and major donors. Survey questionnaires were tracked in order to ensure responses were obtained from key groups, however, individual respondents could choose to remain anonymous.

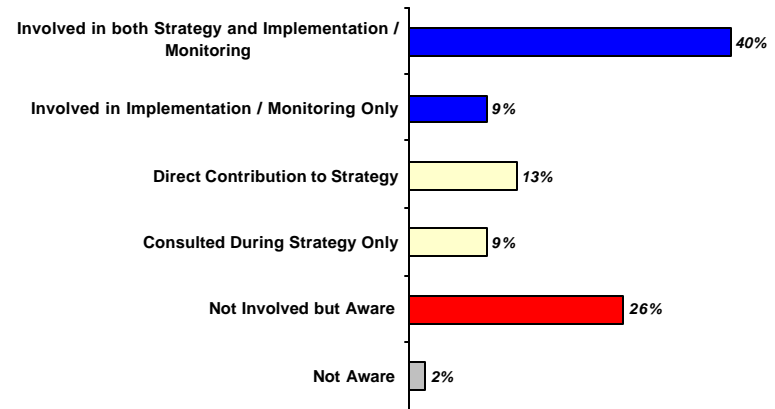
4. The following sections present findings from the survey applied in Guinea. Section A provides an overview of the survey respondents, including the nature of involvement and familiarity with the process. Section B provides an aggregated snapshot of stakeholder perceptions of the PRSP Process across each of five main sub-categories. Section C provides the mean results for all questions concerning the role and effectiveness of Bank and Fund support. Section D presents results for questions with the most positive and negative responses and questions where there was the greatest consensus or disagreement on issues.

A. Respondent Information

1. Composition of respondents (n = 53)



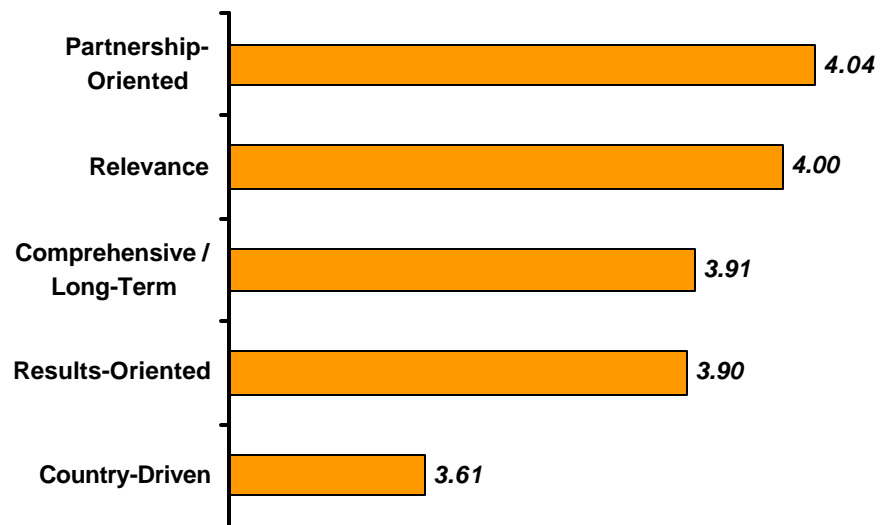
2. Nature of involvement (In percent)



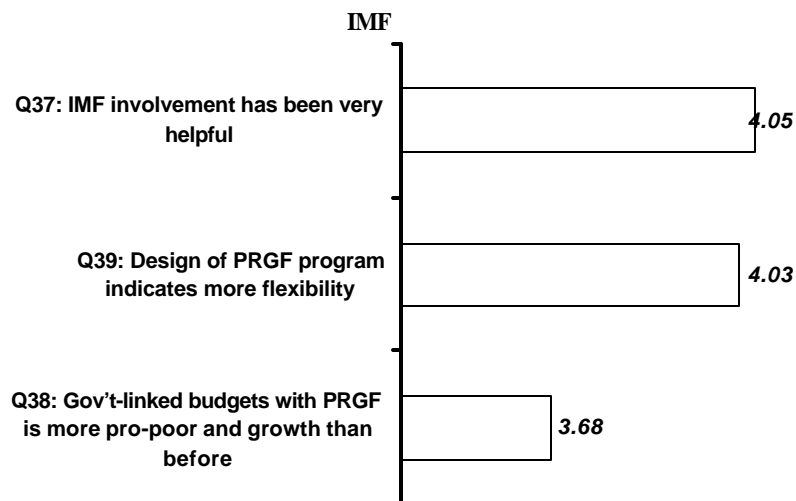
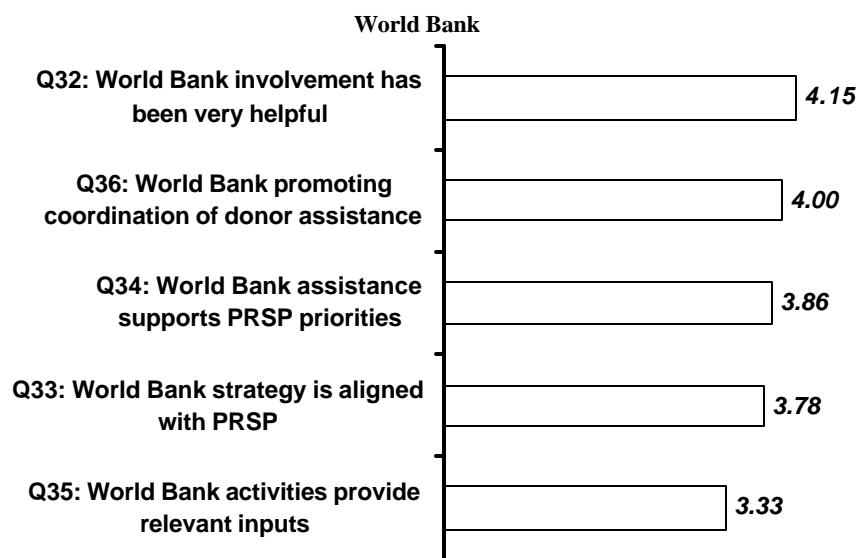
3. Level of Familiarity

PRSP document	62 percent
Bank	36 percent
IMF	23 percent

B. The PRSP Process



C. Bank and IMF



D. Composite Results Table

Question	Percent agree	Percent disagree	Means with highest standard deviations	Means with lowest standard deviations	Percent don't know or unsure
Most positive responses					
Q25 Partnership-oriented: Donors supported formulation	81.1				
Q20 Comprehensive: Adequate diagnosis of cause of poverty	81.1				
Q24 Comprehensive: Adequate road map for long-term goals	79.2				
Q9 Relevance: PRSP adds value	73.6				
Q10 Relevance: PRSP improves on past modalities	71.7				
Most negative responses					
Q15 Country -driven: Government continues to engage stakeholders		30.2			
Q23 Comprehensive: Balance between growth and poverty reduction		28.3			
Q18 Results-oriented: Structure to monitor results		26.4			
Q13 Country -driven: Your stakeholders were consulted		24.5			
Q14 Country -driven: Final document was modified to accommodate viewpoints		17.0			
Most polarized responses					
Q30 Partnership-oriented: Quality of Bank/Fund collaboration			4.14		
Q29 Partnership-oriented: Coordination b/t World Bank and IMF improved			4.00		
Q19 Results-oriented: Results feed back			3.81		
Q27 Partnership-oriented: Donor coordination improved			3.83		
Q15 Country -driven: Gov't continues to engage stakeholders			3.48		
Areas of greatest consensus					
Q20 Comprehensive: Adequate diagnosis of cause of poverty				4.37	
Q16 Results-oriented: Outcomes benefit poor				4.22	
Q17 Results-oriented: Realistic targets and plans				4.08	
Q9 Relevance: PRSP adds value				4.35	
Q24 Comprehensive: Adequate road map for long-term goals				4.41	
Most unfamiliar areas					
Q30 Partnership-oriented: Quality of Bank/Fund collaboration					34.0
Q29 Partnership-oriented: Coordination b/t World Bank and IMF improved					28.3
Q27 Partnership-oriented: Donor coordination improved					22.6
Q19 Results-oriented: Results feed back					20.8
Q28 Partnership-oriented: Current donor coordination					17.0

Note: The percentage of those who “agree” or “disagree” relate to the total that responded to each question. The percentage of “don't know or unsure” is calculated on the basis of the respondents in the sample 53. To determine areas of low level of agreement among the sample (polarization), and high level of agreement (consensus), the means for all the questions were sorted by their standard deviation. The five highest (most polarized) and lowest (greatest consensus) ranking means are given in the table.

DESCRIPTION OF THE PRSP FORMULATION PROCESS⁸⁰

1. The formulation process of the Guinean interim-PRSP was launched in February 2000 with the publication of the Poverty Reduction Policy Statement Letter in which was stated the government's decision to make participation the basis of the PRSP preparation and implementation processes. In this letter, it was indicated that "participation and ownership are among the key principles that must govern the drafting and the implementation of the PRSP."

2. In March 2000, grassroots consultations were organized in Conakry and in the four natural regions of Guinea. Participants expressed their views on their perception of poverty, their vision for reducing poverty, and their expected contribution to the fight against poverty. The government also organized consultative meetings with national institutions, academia, local and international NGOs, donors, professional associations and unions. The emphasis of these consultations was on assessing the results of previously developed strategies for poverty reduction and development and their suitability as a basis for the PRSP. At the end of these consultations the decision was taken to formulate a new strategy and an action plan was defined in this respect. A first draft of the interim PRSP was produced in April 2000. The following month, this draft was circulated for comments to Guinea's international partners and various key institutional stakeholders.

3. In July 2000, with a view to following up with this broad-based consultation process the government put in place the following structures:

- A Consultative Steering Group chaired by the minister of economy and composed of the ministers in charge of priority sectors and representatives of the main donors (G8 countries, UN, BWIs and EU).⁸¹
- An Interministerial Committee responsible for setting key orientations in relation with the PRSP process.⁸²

⁸⁰ This annex borrows liberally from the description of the participatory process provided in the PRSP itself and incorporates additional information provided by the authorities.

⁸¹ This group met at regular intervals in 2000 and 2001. At the time of the evaluation, participants indicated that it had not been convened since early 2002.

⁸² The evaluation team was unable to find evidence of regular meetings of this Committee.

- A Permanent Secretariat of the PRSP (attached to the ministry of finance and planning), in charge of executing the decisions of the above Committee and of the operationalization of the PRSP process.⁸³
- Seven thematic groups (macroeconomy and sectors with potential for growth; governance, decentralization, and capacity building; private sector and employment; basic infrastructures; rural development and environment; gender, population, and development; and social sectors), each including representatives of three stakeholder groups: (i) interested government departments; (ii) civil society; and (iii) international partners.

4. Members of the thematic groups were either self-selected by the institutions invited to designate representatives to one or several of these groups (donors were typically invited to sit in all of them) or pre-selected by the authorities (typically for civil servants and for civil society organizations). Each group ended up having 25 to 30 members, with a clear preponderance of civil servants. They were co-chaired by a representative of the government and a representative of civil society. These groups started their work in July 2000 on the basis of detailed terms of reference inviting them to review existing strategies, deepen their analytical underpinnings, analyzing in particular the links between specific policy options and expected poverty outcomes, make proposals to refine and improve these strategies, and define monitorable objectives.⁸⁴ The terms of reference indicated that the work of these groups would be *used in the formulation* of the PRSP, but implied no commitment from the authorities to take into account all or even most of their inputs.

5. The interim PRSP was finalized and adopted by the government in October 2000 and reviewed by the IMF and World Bank Executive Boards in December 2000.

6. In January 2001, the interim PRSP was disseminated to local communities and decentralized authorities. Then, between March and June 2001, it was reviewed and validated by grassroots populations during consultative meetings held in Conakry and seven administrative regions of Guinea. In July 11–13, a national workshop was organized in Conakry at which the first draft of the final PRSP was presented and discussed. Participants

⁸³ Subsequently, the ministry was split into two departments. The PRSP secretariat then became attached to the Finance ministry, with its permanent secretary as chairman of the PRSP secretariat. It is a small unit composed of 11 members, of which five are from civil society or the private sectors, and others are civil servants. It was formally institutionalized (i.e., a decree creating it was issued) in August 2001.

⁸⁴ In hindsight, it is clear that these terms of reference were excessively ambitious. While the detailed outputs expected from these groups would, if delivered, have provided the basis for a 'model' PRSP, they were in fact at variance with the capacity and resource constraints faced by these groups.

included civil servants, local officials, representatives of the main national institutions and of the private sector, and donors. The technical teams formed in 2000 were invited to steer the discussions. Also in the summer of 2001, an eighth thematic group was set up, in charge of the “communications and culture” dimension of the PRSP.

7. After the thematic groups completed their reports in the fall of 2001, the permanent secretariat of the PRSP produced a revised draft of a full PRSP and a new round of workshops were held between November and December in Conakry and the seven other administrative regions of Guinea. These workshops were intended to ensure the restitution of the work of thematic groups to the population and obtain the validation of the final draft of by grassroots groups.

8. In January 2002, the government adopted the final PRSP. In May, a national workshop was organized to discuss the implementation of the PRSP. In July 2002, the PRSP was reviewed by the IMF and World Bank Executive Boards. Between August 2002 and March 2003, consultative meetings were held in the regions for the preparation and the drafting of regional PRSPs.

HIGHLIGHTS ON THE GUINEAN PRSP

1. This annex presents some key features of the Guinean PRSP. The first section is an outline of the paper describing succinctly its structure, the main pillars of the poverty reduction strategy, and various priority public actions envisaged. In the second section the main differences between the Guinean I-PRSP and PRSP are summarized. The third section discusses to what extent the recommendations expressed in the JSA of the I-PRSP are taken into account in the PRSP.

I. OVERVIEW OF THE PRSP

Structure of the PRSP

2. The Guinean PRSP include six main chapters that describe respectively poverty in Guinea, the current strategic framework, the poverty reduction objectives and strategies, monitoring and evaluation and risks associated with the implementation of the strategy.

Main focuses of the poverty reduction strategy

3. The poverty reduction strategy set forth by the paper is articulated around the following three pillars: enhancing economic growth, promoting the delivery of and an equitable access to basic services, and enhancing governance and institutional and human capacity building.

Macroeconomic framework

4. The declared goal is to achieve an average annual growth rate of 5.2 percent between 2002 and 2004 and a 10 percent growth rate by 2010. In order to realize this performance, the macroeconomic policies set forth in the PRSP are intended to reduce:

- the inflation rate to 7 percent in 2001 and to 3.5 percent by 2005;
- the overall fiscal deficit as a share of GDP (excluding grants) from 5.4 to 1.3 percent between 2000 and 2005;
- the external current account deficit over GDP (excluding official transfers) from 6 to 4 percent during the same period.

5. These macroeconomic objectives are based on a bulk of assumptions of which: the prevalence of a sustainable peace in the sub-region; a fervent commitment to the strategy by the entities responsible for its implementation at the central and local government levels; an effective grassroots involvement in the implementation of the strategy, and external financial assistance through the HIPC initiative.

Priority public actions

6. The Guinean PRSP spells out a prioritized action plan for several key areas. Hereafter are listed some priority public actions envisaged in areas within the IMF's mandate.

Tax and fiscal policies

7. Major structural reforms that are given precedence are the expansion of the tax base, the enhancement of tax inspections, tax assessment and collection procedures, the rationalization of customs procedures, and the improvement of the mobilization of nontax revenues.

Monetary policy and financial system reform

8. Ensuring economic and financial stability and improving conditions for financing economic activities is considered by the Guinean PRSP as the main objective of monetary policy and financial system reform. Accordingly, the following measures are primarily envisaged amongst others:

- Reviewing the reserves requirements with due consideration to liquidity requirements;
- Redefining the role of Treasury bills to be used as a monetary policy instrument;
- Extending the deregulation of the capital market;
- Reducing bank financing of the fiscal deficit
- Strengthen banking system through tighter banking supervision and application of the Basle principles.

Privatization

9. The PRSP includes a brief section with that heading under policies aimed at boosting growth. It notes that the government has three objectives with respect to public enterprise reform: reducing the burden of that sector for the government's budget; providing quality services at competitive prices through greater private sector involvement; and improving the growth prospects of the businesses concerned (mostly in the utilities sector). It then calls for the privatization of potentially profitable enterprises, and the dissolution or liquidation of unviable businesses. However, these statements of intent are not followed up by any specifics in the PRSP's policy action plan, and the detailed sections of the PRSP dedicated to the reform of basic infrastructures (including utilities) do not mention privatization.

II. COMPARISON BETWEEN THE I-PRSP AND THE PRSP

10. This comparison exercise is of particular interest as it allows to track the main changes which the interim strategy may have benefited from as a result of the participatory process, poverty data update, and comments by IMF and World Bank staffs expressed in the JSA.⁸⁵ In this section some specific sections of the I-PRSP are compared to the corresponding PRSP sections. In addition to the introduction, these sections of the I-PRSP include those that are devoted to poverty in Guinea, the macroeconomic sections of both the Current Strategic Framework, and the Poverty Reduction Objectives and Strategies chapters. Below are listed the titles of these sections and subsections along with a pure description of the similarities and the differences between the content of the two papers.

Introduction

11. The introductory sections of both documents are exactly the same apart from the fact that the final PRSP's introduction includes four additional paragraphs (11 through 14) discussing:

- The decision by the government to involve all stakeholders in the design and the implementation of the strategy;
- The participation process (Annex II.4 contains its description), the need of its institutionalization and the accountability of all actors involved;
- The mobilization of resources for the financing of the strategy

Poverty in Guinea

The concept of poverty and people's perceptions of poverty

12. Compared to the interim document, the PRSP includes in this subsection an extra paragraph (Paragraph 17) which lists the type of participants and some of the topics that were raised during the grassroots consultations held in March 2000.

Poverty profile

13. Two paragraphs are added to the final PRSP (Paragraphs 20 and 21). The first considers the lack of recent data as an obstacle to the tracking of the characteristics of poverty and mentions ongoing household surveys. The second provides a list of available and planned surveys and underlines the import of monitoring and evaluation in the PRSP process. Further, the following amendments have been made in the following subsections.

⁸⁵ The latter are addressed thoroughly in next section.

Poverty by Area of Residence

14. Some minor changes are noticeable in this subsection. Paragraph 15 of the I-PRSP and Paragraphs 24 and 25 of the full PRSP discuss the high poverty rate in rural areas relative to urban areas and various problems faced by some populations in urban areas. The only slight difference is that there is a few additional poverty rates included in the final document compared to the I-PRSP.

Poverty by access to health care

15. The following remarks can be made with regard to this subsection:

- Paragraph 19 of the I-PRSP is the same as Paragraph 29 of the PRSP. However, the former reports that maternal mortality declines from 136 to 98 per thousand whereas the latter finds that the decline was from 153 to 98 during the same period.
- Paragraph 31 is added to the final document which describes the evolution of immunization performance.

Poverty by access to education

16. There is an additional paragraph in this subsection (paragraph 37) which lists the progress made in the last ten years.

Poverty by gender

17. Paragraph 49 is added to the final PRSP which advocates the need to identify the specific characteristics of the poor.

Poverty factors

18. There are two additional paragraphs (61 and 62) in the final PRSP which discuss the causes and effects of insecurity and the actions needed to remedy the adverse consequences of war affecting some neighbor countries.

19. Further, two paragraphs (43 and 44) included in the I-PRSP are missing from the final document. These underline on one hand the problems associated with the lack of recent data and how they were planned to be addressed and accounted for in the final PRSP; and on the other the available population and health surveys and the import of monitoring and evaluation activities.

The current strategic framework: the macroeconomic framework

20. Paragraphs 70 and 71 of the PRSP contain almost the same information as respectively paragraphs 48 and 49 of the I-PRSP except that the former are updated with information on real GDP, inflation, primary budget surplus, investment over GDP and

foreign assets in 2000. Besides this update, the rest of the section seems to have been reedited but its content has not changed at all from the I-PRSP to the final PRSP.

Poverty reduction objectives and strategies

21. The corresponding section of the I-PRSP has been disaggregated into two sections in the PRSP discussing respectively the objectives of the strategy” (Section IV) and the poverty reduction strategy (Section V).

22. Contrary to the objectives listed in the I-PRSP (Table 4), those set out in the PRSP (Table 6) are deemed to be based on the grassroots consultations. With regard to growth and poverty reduction, the two documents target the same long-term objectives. However, the final document contains more ambitious objectives concerning macroeconomic stability (inflation, current account and fiscal balances).⁸⁶

23. Concerning the sector strategies, the two papers set out the same long-term objectives in the following areas: rural sector, education, transportation. However, the final PRSP seems more ambitious with regard to the objectives formulated in the following sectors: health and access to safe water. Moreover, increasing access to postal and telecom services is an objective which appears in the PRSP but not in the I-PRSP.

24. As for the nonmeasurable objectives, improved governance is cited explicitly among the objectives in the I-PRSP but not in the final document. Moreover, contrary to the PRSP, the I-PRSP includes an objective which is to “allow every Guinean to exercise their rights”.

25. The reduction of the poverty rate from 40.3 percent in 1995 to 30 percent in 2010 is literally set out in the I-PRSP as the objective of all government’s actions but in the final PRSP, this objective appears only in Table 6 which reports the measurable poverty reduction objectives.

26. In addition to being listed in the core sections, the main poverty reduction strategies and policies (PRS) and policies envisaged are synthesized in the matrix of PRS and policies which is reported in annex of both documents (PRSP, Annex I p. 11 and I-PRSP, Annex II p. 59). Naturally, in light of the corrections made in the text comparing these matrices allows

⁸⁶ Some differences are noted also in the tables included in the above topics/section. Aside from the differences between the tables on measurable poverty reduction objectives, the two documents differ mostly in that the PRSP document includes a wide set of tables that are not reported in the I-PRSP. These include the following tables:

- Forecast HIPC resources, FY 2001 (p. 63);
- Implementation plan for spending from HIPC financing (p. 63);
- Medium-term financial forecasts (p. 59).

to detect several differences in key areas. With respect to tax policy, and monetary policy and financial system reform, various similarities and differences are noticeable.

Tax and budget policy

27. In both documents, the general objective which is to improve fiscal management and the detailed objectives are identical. However, most of the strategies and activities envisaged to achieve these objectives are expanded, prioritized and more detailed in the full PRSP. For instance, in order “to increase revenues, including nonmining revenues”, additional strategies/activities are considered: VAT exemption for a range of products, expand the tax base, step up antifraud activities, “monitor the informal sector” etc. Nevertheless, for other detailed objectives, many strategies/activities initially envisaged initially in the I-PRSP are missing from the final document (e.g. “Improving efficiency and competitiveness of procurement contracting”). It is worth noting that in the latter a specific target is given (that is a gross domestic surplus of 3 percent of GDP in 2002) which the I-PRSP did not set out.

Monetary policy and reform of the financial system

28. Here again, the general objective is the same that is to “ensure economic and financial stability and improve financing conditions within the economy”. Moreover, all the detailed objectives envisaged in the I-PRSP are reported in the final document except the following which have been dropped out: i) creation of a second monetary zone in 2003, and ii) facilitating efforts to harmonize the microfinance entities in operation within the subregion.

29. Some strategies/activities which were not considered in the interim document are added to the final document. For instance, to meet the “stabilize inflation and the exchange rate” objectives, the authorities envisaged the following *new* measures: keep track of the level of reserves, use treasury bills as a monetary policy instrument, limit banking financing of the budget deficit, and liberalize the financial market. To meet the “promote sustainable development of microfinance” objective, the final document proposes in addition to those listed in the I-PRSP the following strategies which seem to be the result of the participatory process: i) involve grassroots in management of local savings and loan and design of safeguards, and ii) adapt prudential rules to standards issued by the Basle committee. By the same token, the PRSP includes an additional target which is to double the customer base by 2005.

30. The two documents set out the same targets in the following areas: exchange rate spread, international reserves, semi-annual inspections of financial institutions. However, the three specific targets which are envisaged in the I-PRSP are abstracted from the final document; that is to limit:

- The budget deficit excl. grants to a maximum of 4 percent of GDP;
- Monetary financing of the Treasury to 10 percent of the previous year’s tax revenue;
- The rate of arrears on loans to 5 percent in 2003.

III. IMPACT OF THE JSA OF THE I-PRSP ON THE PRSP

31. In light of the guidance on I-PRSP and JSA of I-PRSPs, the purpose of the JSA of I-PRSP is most notably to acquaint the authorities with the IMF and World Bank staffs' views on the key issues and questions to address in the preparation of the PRSP. This implies that these views are to be effectively reflected by the final strategy set forth in the PRSP should the authorities want the latter to be presented by staffs to their Executive Board as a sound basis for concessional assistance.

32. This section is an attempt to assess to what extent the Guinean PRSP reflects staffs' views expressed in the JSA of the I-PRSP. At the outset, several key recommendations emerging from the staffs' assessment are identified. Then, the full PRSP is thoroughly reviewed with the aim of determining whether or not these are addressed somehow. Lastly, as staffs' views may be partially or fully addressed when these are not simply ignored, the level of efforts provided by the authorities to account for staffs' views is ranked according to a four-scale range where (1) indicates that the recommendation was ignored and (4) that it was substantively taken into account.

33. The results of this exercise are summarized in the table reported in next page. Several key messages are noticeable. Out of nineteen staffs' recommendations identified, four seem to have been totally ignored (or about 20 percent) and two fully taken care of in the preparation of the PRSP (or about 10 percent). Staffs' proposals which have been ignored include presenting the objectives of the national PRS in the context of the international development goals for 2015, developing the linkages among the three main pillars of the PRS, completing the full PRSP later than end-2001, and indicating how to reduce the poor's vulnerability to exogenous shocks and how to assist them once adverse shocks occur. Decentralization of service delivery and the improvement of public expenditure management are two staffs' recommendations which have been paid full attention in the final strategy.

34. Two-third of staffs' recommendations have been addressed but not to a full extent although serious or insignificant efforts seem to have been provided by the authorities to take them into account. Overall, about 80 percent of staffs' recommendations were partially or fully taken into consideration in the full PRSP

Recommendations included in the JSA	How does the full PRSP reflect these recommendations	Code
1. Strengthen strategy to overcome obstacles to recent poverty reduction policies, including:		
i Decentralized service delivery	The PRSP seems to have taken into account this recommendation by listing explicitly (unlike the I-PRSP) how local communities' financial and human resources will be enhanced. Financial resources are expected to be increased through a one-off capital, expenditure allocation, an annual operating allocation and more authority for local governments in setting tax rates and base. Concerning the enhancement of human resources, it is believed to be achieved through the recruitment and assignment of adequate personnel to local communities and training programs to benefit all actors involved in the decentralization process.	4
ii More proactive privatization program	Compared to the I-PRSP, the full PRSP includes a subsection "Privatization" (p. 64) which discusses the aims of the government' reform strategy in this matter. However, this sub-section fails to address how the privatization process could be more proactive.	2
iii Improved public expenditure management	The full PRSP includes additional measures aimed at strengthening expenditure control framework such as the establishment of a database of unit costs for routine categories of works and materials and the adoption of a new system to manage local contributions to IDA-financed projects.	4
iv Improved governance, transparency and accountability	More than the I-PRSP, the full PRSP seems <i>a priori</i> to have a clear focus on the issue of improving governance. For instance, the latter includes a subsection entitled "Good governance" which provides a definition of the concept of good governance and lists its merits and objectives. However, apart from the objective of enhancing stability and security, all other objectives set out for good governance can be also found in the interim document. As for the issue of transparency, the PRSP spells out a short list of measures that have been implemented after the I-PRSP and before the final document have been published. But the final strategy does not seem to provide additional measures and activities envisaged in this context. The issue of accountability has clearly received more attention in the final document compared to the interim document. Nevertheless, this issue is dealt simultaneously with that of participation, which makes it difficult to disentangle how the set of measures envisaged in this respect are specifically related to each of them.	3
2. Update poverty profile and benchmarks with qualitative data collected by surveys undertaken when preparing for CAS and NHDP	"Poverty by area of residence" and "Poverty by access to health care" subsections of the full-PRSP have been updated respectively with data on poverty in rural and urban areas, and data on maternal mortality.	3
3. Present the objectives of the national PRS in the context of the international development goals for 2015	There seems to be no evidence that this recommendation has been taken into account in the final document.	1

Recommendations included in the JSA	How does the full PRSP reflect these recommendations	Code
4. Review the quantified objectives for poverty reduction. For instance, i) 10 percent GDP growth rate for 2010 too optimistic, ii) growth rate to be consistent with the rate of poverty reduction, iii) the suggested 10 percent poverty reduction would not preclude an increase in the absolute number of the poor given population growth	The quantified objectives have clearly been reviewed in light of the differences between the two tables in which they are reported in both documents (Table 4 in I-PRSP and Table 6 in PRSP). Indeed, objectives related to macro stability, health and access to water seem more ambitious in the full PRSP even though long-term growth and poverty reduction objectives remain unchanged. However, both documents set out exactly the same objectives concerning other sectoral strategies such as education, transportation and rural sector. Despite the concerns raised by the JSA that a 10 percent growth rate for 2010 is too optimistic and that a 10 percent rate of poverty reduction between 1995 and 2010 is not enough to reduce poverty in absolute terms, all of the objectives for GDP growth and poverty reduction are exactly the same in both documents.	2
5. Integrate macroeconomic goals with structural policy reforms and poverty reduction policies	Some efforts seem to have been made in order to account for this recommendation. For instance, on one hand tax and fiscal policies envisaged in the full PRSP entail major structural reforms which the I-PRSP did not spell out explicitly: expand the tax base, enhance tax inspection, tax assessment and collection procedures. On the other hand, efficient management of public expenditures is considered as an important component of these policies; which seems to be an example of stronger linkages among the main pillars of the PRSP. Moreover, it is worth noting that the "Macroeconomic Policies" section of the final document includes a "Privatization" subsection contrary to that of the interim paper. This subsection describes briefly the nature and aims of the privatization process.	3
6. Analyze the poverty impact of each component of the PRS	In this regard, there does not seem to be any significant differences between the two documents. In the full-PRSP, it is asserted that some of these components such as boosting economic growth will impact on poverty but no specific analysis is made to describe the linkages among these components and poverty.	2
7. Develop linkages among the three main pillars of the poverty reduction strategy	The final document seems to be short of an explicit attempt to clarify the linkages among the main focuses of the strategy.	1
8. Describe clearly the sources of employment opportunities for the poor	It seems that several sources of employment opportunities are sporadically described throughout the document. For instance, the following sectors are considered as important sources of job opportunities: transportation, tourism and craft industries, rural and mining. However, job opportunities that these sectors are deemed to provide seem to benefit all populations. Indeed, apart from the case of craft industries, it does not appear to be any particular effort to discuss how the poor could be the primary beneficiaries.	2
9. Address the issue of building capacity at all levels, incl. through civil service reform	Like the I-PRSP, the full PRSP envisages a set of strategies/activities aimed at building institutional and human capacities both at the local and central levels. In this respect, the existing PRCI (central level) and PACV (local level) are primarily expected to play an important role. Furthermore, the full PRSP reports that the government has initiated the process of establishing a comprehensive approach to capacity building and good governance (PRCG). But the nature of this approach and how	3

Recommendations included in the JSA	How does the full PRSP reflect these recommendations	Code
10. Address more explicitly the issue of:	it allows to tackle the issue of building capacity are not raised by the document. Moreover, there seems to be no reference to civil service reform through which the JSA proposed this issue to be addressed among other things .	
i Strengthening personal and institutional accountability within the government	There seems to be no evidence that this point has been taken into account. The final strategy seems to rather address the accountability of the citizens involved in the participatory process.	2
ii Access to justice by the poor	The full PRSP includes only a short sub-section discussing the issue of the access by citizens to a public system of justice and which is reported in annex (p. 165). Alongside, a list of measures envisaged in this respect is provided. Nevertheless, the discussion does not address specifically the issue of access to justice by the poor themselves.	2
11. Spell out scope and content of the master plan for statistics for better decision making	The need of drafting a master plan for statistics is acknowledged in the PRSP and it is also quoted among the measures envisaged to strengthen capacities of the national statistics system. But no details are given on its scope and content.	2
12. Underline key elements of the debt management strategy to be implemented	Compared to the I-PRSP, the full PRSP does not seem to have benefited from additional efforts aimed at spelling out explicitly the key focuses of the debt management strategy. In its subsection related to "External debt management", the final strategy discusses the origin of the external debt, the expected use of HIPC resources and provenance of additional resources need to implement the strategy. Nevertheless, it is worth noting that two key borrowing policy principles are listed in this subsection: obtaining highly concessional terms (at least 35 percent of the resources to be obtained as a grant) and making sure that financing is consistent with national development priorities.	2
13. Completion of the full PRSP by end-2001 too ambitious	Despite this concern, the PRSP has been completed around the period mentioned (January 2002).	1
14. Risks and difficulties not accounted for in the "Risks" section of the I-PRSP: (i) Overcoming the causes of slippages in policy implementation faced by past policies; (ii) Enhancing revenue mobilization; (iii) Ensuring a successful administrative decentralization while maintaining fiscal discipline; (iv) Strong resistance from vested interests	Among all these issues, revenue mobilization is the only one to be raised--albeit briefly--in the "Risks" section of the full PRSP. Although decentralization is deemed to play a major role in the process, how it shall be ensured in accordance with adequate fiscal policies is a potential difficulty which the final strategy does not raise explicitly.	2
15. Spell out how to reduce the poor's vulnerability to exogenous shocks and how to assist them once adverse shocks occur	There is no indication in the full PRSP that any efforts have been made to account for this proposal .	1

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