I. Project Context

Country Context

1. Despite its vast natural wealth, poverty is widespread in Guinea. Guinea has a thriving mineral industry which could potentially lift large segments of the population out of poverty and secure job opportunities for the country’s growing labor force. Guinea has excellent conditions for agriculture thanks to its untapped arable lands. The country also constitutes an important source of water for the region, given its status as a watershed for many major rivers. Notwithstanding its endowments and strategic geographic location, Guinea is one of Africa’s poorest countries. Its population, now totaling 10 million and growing at a rate of over 2.6% each year, is increasingly urban and overwhelmingly young: more than one-third of the population is estimated to live in urban areas and about 60 per cent of the total population is under the age of 25. Household survey data in 2007 indicated that over 53% of the population lived under the poverty line (INS, 2007). Recent political instability and the 2008 food and fuel crisis might have pushed the poverty rate upwards to approximately 58% in 2010.

2. On the economic front, Guinea has lagged behind most of its neighbors. While the economies of several countries, including Ghana, Liberia and Nigeria have consistently grown, Guinea’s macroeconomic performance has worsened due to the unstable political situation and the impact of the global slowdown. However, efforts are underway to improve the fiscal balance and stabilize the macroeconomic environment.

3. Guinea has some of the world’s lowest human development indicators. With a Human Development Index (HDI) of 0.34, Guinea ranks 178 out of 187 countries with comparable data in the UNDP’s HDI in 2011. Life expectancy at birth is 54.1 years, against 64.2 in Ghana (UNDP, 2011). The infant mortality rate is 81 per 1,000 compared to 56.9 in the Gambia, and the maternal mortality rate is one of the highest in Africa at 740 per 100,000 live births, against 410 per 100,000 in Senegal (World Bank, 2011). Malaria remains the leading cause of morbidity and mortality among children, and many children die each year as a result of other treatable diseases (diarrheal diseases and acute respiratory infections). Malnutrition may be associated with most cases of premature death.

4. Spending in the social sectors is considered low by international standards. The share of the education budget fell from 2.3% of GDP in 2002 to 1.8% of GDP in 2008 far below the average of 4% observed in Sub-Saharan Africa. Meanwhile, in the same year, public expenditure on health accounted for 0.7% of GDP or US$21 per capita per year, while the average for the region is 2.3 percent or US$71 per year (World Bank, 2011). Finally, spending on social safety nets is negligible.

5. These socioeconomic challenges threaten to undermine the fragile peace that Guinea has recently secured. The population’s expectations are high following the first free elections since independence in 1958. However, the political environment remains fragile, in particular in view of upcoming economic reforms required to return the country on the track of sustainable growth and development. In addition to the need to narrow the huge fiscal gap (estimated at about 15% of GDP in February 2011- IMF, 2011), Guinea is facing new external shocks in the form of a looming food and fuel prices increase. This will put additional pressure on an already very poor and vulnerable population, further threatening the fragile socioeconomic and political stability.

II. Sectoral and Institutional Context

6. The poverty rate has increased dramatically over the past decade and a half. The 2007 survey estimated the poverty incidence at 53% (INS, 2007). The poverty and vulnerability analysis clearly shows that Guinea needs a differentiated approach to respond to the needs of various groups. In rural areas where poverty combined with food insecurity, protecting human capital from depletion especially among children should be a priority in the short term. In urban areas, where the poor are most vulnerable to price fluctuations, increasing their purchasing power should be a priority. It should be noted that youth suffer disproportionately from unemployment and underemployment. Thus, increasing people’s skills and capacity should be pursued so they can take advantage of new job opportunities as the economy develops and grow. Social safety nets can play an important role in protecting human capital from depletion, providing temporary income generating activities and helping smooth consumption during times of crisis and reforms.

7. Existing safety net mechanisms are inadequate and limited. Households lack adequate risk-coping instruments. They rely either on informal
solidarity networks that are ineffective in reducing poverty and tend to collapse during large scale and generalized shocks or resorted to detrimental coping mechanisms affecting their future growth. The Guinea formal social safety net system is very limited in scope, coverage and effectiveness. Interventions aimed at reducing poverty and vulnerability are small scale, scattered and largely driven by donors and NGOs on an ad hoc basis. There are no national institutional arrangements in place to formulate policies, coordinate and monitor implementation, and to determine the financing needs that are fiscally sustainable. Extending safety nets to fight poverty, improve living conditions and increase access to basic social services is a current Government priority as expressed in the country PRSP.

III. Project Development Objectives
The Project Development Objective (PDO) is to provide income support to vulnerable groups and to lay the foundations of a social safety net strategy by testing some of the building blocks necessary for a larger system.

IV. Project Description
Component Name
- Labor intensive public works and life skills training
- Pilot cash transfer project
- Project coordination and institutional capacity building

V. Financing (in USD Million)

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VI. Implementation
A Safety Net Unit (Cellule Filets Sociaux- CFS) will be established in the Ministry of Economy and Finance (MEF) under the PRSP secretariat to coordinate project implementation. In addition, the CFS will support the national group on social protection to conduct technical studies that will inform the elaboration of a social protection strategy, the establishment of a national safety net system and explore the feasibility of scaling up the pilot cash transfer upon completion. The CFS will comprise: (i) a coordinator nominated by the Minister of Finance to head the unit; and (ii) a monitoring and evaluation specialist assigned to the project by the Minister of Social Affairs to coordinate all technical supervision activities. In addition, a fiduciary team including a financial management specialist, an accountant, and a procurement specialist will be recruited competitively and according to terms and conditions satisfactory to the Bank before effectiveness. The CFS will be the key interlocutor of the World Bank on the intervention.

Given the importance to quickly deliver in a low capacity context, the project will adopt a strategic approach to implementation and will rely on existing institutions that have demonstrated capacity and expertise in the areas of intervention.

Hence, for component 1, a memorandum will be signed between the Ministry of Finance and the Ministry of Urban Development and Housing to enable the World Bank-funded project coordination unit of the PDU3 to provide technical support in the implementation of the labor intensive public works.

UNICEF will be contracted by the CFS to execute all activities related to the pilot cash transfer in partnership with the relevant sectoral ministries. The contract with UNICEF will clearly stipulate terms of references, reporting and payment modalities, and provisions for capacity building.

Local Communities will be involved at different levels in project implementation including beneficiary and micro-projects selection, project implementation, monitoring and evaluation. A grievance system will be established, through which beneficiaries and non beneficiaries alike will have a venue to provide feedback on governance and accountability in the project.

VII. Safeguard Policies (including public consultation)

<table>
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<td>Environmental Assessment OP/BP 4.01</td>
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<td>Projects in Disputed Areas OP/BP 7.60</td>
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VIII. Contact point

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