



1. Project Data:		Date Posted : 08/13/2002	
PROJ ID: P001077		Appraisal	Actual
Project Name: Mining Sector Investment Promotion Project	Project Costs (US\$M)	16.80	15.12
Country: Guinea	Loan/Credit (US\$M)	12.21	11.15
Sector(s): Board: EMT - Mining and other extractive (57%), Central government administration (33%), Law and justice (10%)	Cofinancing (US\$M)		
L/C Number: C2874; CP756			
	Board Approval (FY)		96
Partners involved :	Closing Date	12/31/2000	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The overall objectives of the project are to strengthen the government 's capacity to act as a facilitator and regulator, and to attract private investment for mining sector development . For this purpose, the project would provide financing for technical and capacity building services needed to :			
<ol style="list-style-type: none"> 1. Revise the legal and regulatory framework; 2. Furnish adequate geological information to private investors; 3. Improve the efficiency of the sector administration and regulation; and 4. Restructure existing mining operations in line with the new policies and regulations . 			
b. Components			
The project covered the following components :			
<ol style="list-style-type: none"> 1. <u>Legal component</u>, aimed at improving the overall legal and regulatory framework for the mining sector; 2. <u>Data component</u>, aimed at furnishing essential information for investors and public administration, such as a mining data bank and a geological map; 3. <u>Institutional component</u>, aimed at strengthening the government's capacity to facilitate private investment and apply regulations in the mining sector; and a 4. <u>Restructuring component</u>, aimed at preparing the restructuring of existing mining enterprises . 			
c. Comments on Project Cost, Financing and Dates			
There were no major issues relating to costs, financing and scheduled dates . The Project cost was somewhat lower at US\$15.12 million against the appraisal estimate of US\$ 16.80 million and actual IDA credit was similarly lower at US\$11.15 million compared to \$US12.21 million at appraisal. The project closed on 06/30/2001, six months after the planned closing date of 12/31/2000.			
3. Achievement of Relevant Objectives:			
The project broadly achieved its overall objectives of (i) strengthening the government's capacity to act as a facilitator and regulator of mining activities and laying the groundwork for efficiently implementing new sectoral policies and procedures; and (ii) helping attract private investment for the development of the sector .			
Government's capacity was strengthened through harmonization of laws, institutional strengthening of several essential services and abolishment of some non -essential services. New investment was attracted for two gold and two diamond mines, for urgent rehabilitation work at the Friguia alumina plant, as well as a significant increase in exploration activity. These achievements exceeded the performance targets at appraisal . Also, the project helped identify major projects for iron ore and alumina in the future .			
Specific achievements under various components were :			
<u>Legal Component:</u> A modern mining code was adopted, though a standard contract was not designed initially due to differences with the consultant and later because its importance diminished . Environmental audits of all mining operations were carried out. Average time lag between application and issuance of exploration permits was reduced from 2 months in 1996 to 1 month in 2000, with active permits increasing from 30 to 45.			

Data Component: An airborne survey and a new geological map of the gold-bearing parts of N-E Guinea was completed on time and below estimated costs, and the data entered into a computerized system . It contributed to a steep increase in exploration activity by international investors, development of a new gold and a diamond mine, apart from improving Guinea's prospects as an iron-ore exporter.

Institutional Component: Emphasis was shifted towards essential services and decentralization, abolition of unsustainable and redundant services and improvement of governance and transparency .

Restructuring Component: All mining operations are now managed by private partners and government interference with operation of mines has been greatly reduced .

Training Components: Much of the training was provided by local trainers, while opportunities were provided to other officials to attend training and conferences abroad for greater exposure . An overrun in costs for this component is considered justified in terms of the need as well as the resulting benefit .

Even though not mandated for a technical assistance loan, an ERR was estimated at appraisal as 55 percent, and reestimated as 57 percent at the end of the project on the basis of revised assumptions .

The Government has demonstrated its commitment to follow up on the recommendations and results of the project including institutional and management changes that will permit a decentralization of mining and environmental services for facilitation of community-driven development in the mining area . Strengthening of local environmental services is expected to have a positive impact on sustainability .

4. Significant Outcomes/Impacts:

- Over the project period, export revenues rose from about US\$ 400 million to US\$500 million, an annual growth of 20 percent. However, tax returns decreased due to a reduction in tax rate from 85% to 65% (in order to align with international standards), lower export prices, more difficult mining conditions, and depreciation for new investments.
- Positive impact of the project on national budget averages US\$ 5 million per year in the medium run.
- While the project provided for technical assistance for enterprise restructuring or privatization, the management of all enterprises was actually privatized, and in addition, transfer of assets to a private partner was achieved for one organization -- Aredor --, though the government continues to a large extent to be the owner of the mining assets in the country; and
- Budgetary transparency was improved by the elimination of the ANAIM (Agency for the the Management of Mines Infrastructure)
- Decentralizing prefectural services for mining and environment .

5. Significant Shortcomings (including non-compliance with safeguard policies):

- MMGE (Ministry of Mines, Geology and Environment) negotiated mining rights with potential private investors in a discretionary and fairly non-transparent way, in respect of bauxite and alumina concessions, especially for the Dian Dian deposits. Though outside the scope of the project, these actions could well have affected the interest of potential investors for activities undertaken within the ambit of the project .
- Harmonization of legislative texts from different codes was hampered by difficulties in inter -ministerial cooperation.
- Budgetary provision for the mining administration is still uncertain, though a follow -up project may address this issue.
- While government commitment was high, active involvement of the government in detailed design was low .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR:		Exemplary	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Contracting out technically complex services (where in-house expertise is low) to an external agency together with a twinning arrangement is likely to achieve cost-efficient results while helping transfer of technology;
- Having a small Project Coordination Unit with access to the decisionmaking authority may prove very efficient; and
- Opportunities for training are an important motivator in the absence of other incentives .

8. Assessment Recommended? Yes No

Why? There are several positive and a few negative lessons to be learn from this project, which has produced generally positive outcomes without significant delays . A closer study of the the design and implementation of this project may yield valuable lessons for countries with similar needs .

9. Comments on Quality of ICR:

The ICR is clearly organized and well presented . Outcome indicators are clearly defined and provided . An ERR was calculated even though it was not mandated for a TA project . On the whole the ICR deserves an exemplary rating .