



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 11-Feb-2019 | Report No: PIDC26499



BASIC INFORMATION

A. Basic Project Data

Country Guinea	Project ID P166322	Project Name Guinea First Rural Development and Energy Reform DPO (P166322)	Parent Project ID (if any)
Region AFRICA	Estimated Board Date Sep 17, 2019	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Economy and Finance	Implementing Agency Ministry of Economy and Finance		

Proposed Development Objective(s)

The Program Development Objectives of the DPO series are to support the Government of Guinea’s efforts to: (i) enable basic services for rural development; and (ii) improve the performance of the electricity company and expand electricity access in rural areas.

Financing (in US\$, Millions)

SUMMARY

Total Financing	40.00
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DETAILS

Total World Bank Group Financing	40.00
World Bank Lending	40.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

Guinea is endowed with considerable natural resources but remains one of the less diversified and poorest countries in the world. The country has iron ore, bauxite, gold and diamonds as well as substantial hydro-power and agriculture potential. Mining is the main driver of the economy. Mining exports represented 88 percent of total exports in 2018, together with agriculture. Guinea's development path has not lifted people out of poverty. About 55 percent of the population are poor and about 35 percent are extreme poor according to the most recent 2012 national poverty survey. Inequality is low and has not changed much between 2007 and 2012. In terms of human development, Guinea's Human Capital Index (HCI) is 0.37, which means that a child born in Guinea today will be 37 percent as productive when she grows up as she could be if she enjoyed complete education and full health. The country scores in the bottom quartile for all but one of the five indicators that compose the index, with especially low score for expected years of schooling. Access to basic services is low, with a small share of the population having electricity (28 percent) and improved sanitation (20 percent). Gender inequality is a challenge, with gender gaps in school enrollment, labor force participation, agricultural productivity, and political representation.

Despite robust growth, Guinea faces competitiveness challenges. Economic growth has averaged 6.1 percent per year between 2010 and 2017 due to buoyant mining activity. As a result, GDP per capita grew by 3.9 percent during the same period, narrowing the gap with other Sub-Saharan countries. The 2018 Global Competitiveness Report ranked Guinea 126th out of 140 countries, with large gaps for the quality of institutions, infrastructure, health, education, and financial market development. The quality of roads and electricity is poor. Rural roads are in a dilapidated condition, preventing farmers from market access. Access to electricity is very low in both rural (3 percent) and urban areas (11 percent), and power outages are common. Investor protection and resolution of disputes suffers from expedient legal recourse for investors in case of disputes. The 2019 Doing Business report ranks Guinea 152nd out of 190 countries with weakness in the areas of trading across borders, investor protection, and paying taxes.

The Government of Guinea is pursuing a structural reform program under its five-year development plan for the period 2016-2020. The National Plan for Economic and Social Development (*Plan National de Développement Économique et Social*, PNDES) will promote higher and more inclusive growth to reduce poverty. The development plan is structured around four pillars: (i) promoting good governance through public expenditure efficiency; (ii) inclusive structural transformation and diversification of the economy, through major infrastructure investments in energy, transport and agricultural modernization to increase productivity and market access; (iii) human capital accumulation (especially for women, rural residents, and vulnerable groups); and (iv) the sustainable management of natural resources. The PNDES was endorsed by the international community at the Consultative Group held in Paris in November 2017, receiving pledges for US\$22 billion from donors and private sector investors.

The macroeconomic framework is considered adequate for the proposed operation. The medium-term growth outlook is positive with solid growth prospects of around 5.8 percent over 2019-21, driven by mining and agriculture. Guinea's macroeconomic framework is anchored in the IMF External Credit Facility (ECF). The second review under the IMF ECF was approved by the IMF Board on December 21, 2018. The strong commitment to the IMF ECF program augers well for maintaining macroeconomic stability and creating fiscal space while maintaining debt sustainability. The Government also made progress in strengthening fiscal management, reducing financial sector vulnerabilities and contain non-concessional borrowing. Public debt is sustainable, and the risk of external debt distress remains moderate although the risk of overall debt distress is high.



Relationship to CPF

The proposed DPF series is consistent with the WBG's Country Partnership Framework for Guinea. The WBG CPF for FY18-23, presented to the World Bank Board on June 7, 2018, supports Guinea in implementing a long-term development agenda of reducing extreme poverty and enhancing shared prosperity. The proposed DPF series addresses the pillar of agricultural productivity and economic growth by supporting institutional and policy reforms for better access to electricity services, improved management of utilities and improved business environment.

The proposed DPF series builds on reforms supported by the previous DPF series (Macroeconomic and Fiscal Management) as well as other World Bank operations. With a focus on the agricultural and power sectors, rural roads, and trade facilitation, the proposed DPF series will support the implementation of various investment projects, such as Guinea Agricultural Support Project (P148114), Guinea Integrated Agricultural Development Project (P164326), Rural Mobility and Connectivity Project (P164543), Power Sector Recovery Project (P146696), the Additional Financing for the Power Sector Recovery Project (P160771), Guinea Electricity Access Scale Up Project (P164225), and Guinea Investment Climate Agrobusiness Project.

C. Proposed Development Objective(s)

The Program Development Objectives of the DPO series are to support the Government of Guinea's efforts to: (i) enable basic services for rural development; and (ii) improve the performance of the electricity company and expand electricity access in rural areas.

Key Results

In line with these objectives, the key expected results of this operation are as follows. For pillar 1, reforms are expected to increase the number of "interprofessional organizations" registered under the new statute, increase the number of small farmers (less than 5 hectares) receiving agricultural input subsidies through the e-voucher system, improve road asset management which will contribute towards better efficient use of resources, strengthen the institutional framework for resolving business disputes which will contribute to attract domestic and foreign investments, and reduce the time to import and export by making the Single Window operational which will facilitate trade of agriculture products. For Pillar 2, reforms are expected to reduce overall losses of the electricity network, increase EDG's EBITDA (Earnings before interest, taxes, depreciation, and amortization), decrease the arrears owed by the public sector (Government, parastatals, and SOEs) to EDG, and increase the share of the population with access to electricity.

D. Concept Description

Consistent with these objectives, the operations is organized around two pillars, each including several policy areas, as summarized in the complete policy matrix outlined in Annex1 of the Program Document:

Pillar 1: Enable basic services for rural development

This pillar support actions to enhance service delivery and the business environment for rural development. Measures under this pillar aim to: (a) establish a legal framework for modern and competitive agricultural sector policies and rural entrepreneurship; (b) improve the transparency and efficiency of agriculture subsidies; (c) facilitate market access for agricultural products for small farmers; (d) promote private investment into the agrobusiness sector; and (e) facilitate



trade in agriculture products.

Pillar 2: Improve the performance of the electricity company and expand electricity access in rural areas

This pillar supports institutional and policy reforms to enhance the performance of the state-owned electricity utility and expand access to electricity in Guinea. Measures under this pillar aim to: (a) improve electricity utility (EDG) performance; (b) improve the power sector financial performance and to achieve a gradual reduction of state subsidies to the sector; (c) manage public sector arrears owned to Guinea's electricity utility (EDG); and (d) improve access to electricity, especially in rural areas, and to ensure that the National Electricity Access Scale Up Program is implemented in an equitable and transparent manner

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

Reforms underpinning Pillar 1 are expected to have a net positive impact on poverty, through inclusive growth in agriculture sector. Action 2 e-voucher scheme, in the short-term to medium term, is expected to improve the efficiency, transparency, of the distribution of subsidized agricultural inputs and fair access of farmers in poor and isolated areas. It will increase productivity of those farmers, improve food security and promote income diversity in poor areas of the country. With regard to prior action 3, the rationale for reforms and public investment in rural roads is that households can better exploit agricultural and nonagricultural opportunities to use labor and capital more efficiently. Rural road investments are found to reduce poverty significantly through higher agricultural production, higher wages, lower input and transportation costs, and higher output prices. Rural roads also lead to higher girls' and boys' schooling. Road investments are pro-poor, meaning the gains are proportionately higher for the poor than for the non-poor.

Other prior action in Pillar 1 also favor poverty reduction. Prior action 4 and 5 are expected to promote agribusiness sector and to link small farmers to national and international market. The objective of action Agribusiness small and medium enterprises (SMEs) are critical to link small stakeholder to national markets, meet food demand and create tomorrow's jobs. When a country's agricultural sector is not competitive, there is greater reliance on imports and less agriculture-driven poverty reduction in rural areas. In medium to long run, a well-defined institutional and legal framework for agriculture sector, as highlighted in prior action 1, is expected to attract private investment into sector and to improve organizations of farmers and other small stallholders for access to different means of production like inputs and finance. The final objective is to develop agriculture value chains and link small stakeholders (producers) to markets.

Pillar II reforms in the energy sector are expected to lead to better transparency and to free-up resources that can benefit the poor. An improved management of electricity sector that incorporates stabilization of budget expenditure will protect the poor through better spending in social sectors. Creating fiscal space for social and investment expenditures is key to the government poverty reduction objectives under PND. In addition. In addition, Action 9 is expected to improve access to electricity in new areas which is expected to reach the poor. Energy policy and services are linked to poverty reduction by the following possible benefits: Increasing income, contributing to better health supporting education, improving women's quality of life, reducing environmental harm. Therefore, investment in access, especially rural access to electricity can make a major contribution to achieving several of the Millennium Development Goals, notably in Guinea, where coverage rates in rural areas is well below the standard in Africa.



Environmental Impacts

The reforms and policy actions supported by the proposed DPF series are not likely to have a significant negative impact on the country's environment. Proposed prior actions in the agriculture and rural roads may have positive or little impact on the environment. The e-voucher scheme will increase agricultural productivity, thereby reducing the need to increase cultivated land size. Improving the financing for road maintenance will reduce travel time, decreasing emissions, and will respect the country's environmental guidelines. Electricity access through mini-grids will be provided with renewable energy (solar panels), helping diversify the energy matrix in Guinea.

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APPROVAL

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