Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
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<tbody>
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<td>Guinea</td>
<td>P164283</td>
<td>Support to MSME Growth Competitiveness and Access to Finance</td>
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<td>30-May-2019</td>
<td>Finance, Competitiveness and Innovation</td>
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<th>Implementing Agency</th>
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<td>Investment Project Financing</td>
<td>Republic of Guinea</td>
<td>Ministry of Industry and SMEs</td>
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Proposed Development Objective(s)

Support Micro, Small and Medium Enterprises access to markets and access to finance in the Conakry urban area.

Components

Support entrepreneurship and MSME Development
Support financial infrastructure
Develop financial services tailored towards MSMEs
Project Management and Monitoring

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

<table>
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<th>Total Project Cost</th>
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DETAILS

World Bank Group Financing

| International Development Association (IDA) | 30.00 |
B. Introduction and Context

Country Context

The Guinean economy has experienced slow levels of structural transformation in the past 20 years with mining and agriculture being key sectors driving economic growth. In 2015, the service sector accounted for 45 percent of GDP, followed by mining (25 percent), manufacturing (10 percent), and agriculture (20 percent). Mining generates 80 percent of exports but employs less than 200,000 people if one also includes artisanal mining. The country is a major exporter of bauxite, as well as gold and diamonds. The manufacturing sector is very small, concentrated in the agribusiness sector, manufactured goods and beverages, accounting for less than 9 percent of GDP. The service sector is large and growing from 19 percent to, mostly driven by activities in the informal sector, with focus on retail trade, construction, telecommunications, and finance. The current employment (52 percent of total employment in agriculture, and 34 percent of total employment in services) structure reflects the lack of skilled human capital, high informality and poor infrastructure.

The Government of Guinea (GoG)’s 2016-2020 National Development Plan (PNDES) puts a strong emphasis on the critical role of the private sector. The PNDES grounded in the country’s long-term vision (Vision Guinea 2040) with the stated goal of promoting strong, high quality growth that will improve the well-being of Guineans, bring an economic structural transformation, and put the country on a sustainable development path. The PNDES underscores “access to bank credit and diversified financial services fit to support private sector” as a main priority of the development agenda. The PNDES also puts a focus on “enhancing the digital economy as indispensable factors of development and a cross-cutting sector with direct multiplier effects on all other sectors of economic activity”. A National Financial Inclusion Strategy for the next five years has been drafted and is expected to be approved in 2019.

Sectoral and Institutional Context

Guinea MSMEs ecosystem is weak compared to other Sub-Saharan African (SSA) countries. This is due primarily to the high level of informality, the lack of entrepreneurial culture, the lack of skilled professionals, limited access to quality business development services (BDS) and financial services. To expand the number of high-growth MSMEs in Guinea capable of creating sustainable jobs, quality BDS services must be developed along with financial solutions that can provide access to growth capital. It is also critical to expand the number and the capacity of existing incubators, accelerators and start-up hubs,
which are important to create a steady inflow of future high growth MSMEs.

Limited access to financial resources constitutes the most critical binding constraint to MSMEs development and growth in Guinea. According to the most recent World Bank Enterprise Survey (2016), 30 percent of firms identify access to credit as a major business constraint in Guinea (compared to 42 percent in SSA). Although 98 percent of small firms have access to a checking or savings account, only 3.9 percent of have a bank loan or line of credit (compared to 21.6 percent in SSA). Only 2.5 percent of small enterprises and eight percent of medium enterprises have a loan or a line of credit. Overall, firm investments in Guinea are primarily financed internally – 92 percent - compared to 2.8 percent by banks. In addition, collateral remain high, above 150 percent of the loan amount.

The financial needs of microenterprises are small, and the banks often find it difficult to provide credit of such small amounts. Transaction costs of small loans are either equivalent to or higher than those associated with large loans and the level of nonperforming MSME loans is very high. MSMEs are also less likely to generate fee income on other services that large enterprises use (such as letters of credit). Profits generated from small business loans are significantly lower than those from large loans. As a result, commercial banks are reluctant to engage in the MSME loan market. MFIs play a significant role as credit providers to very small unorganized enterprises, many of which are street-based enterprises.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

Support Micro, Small and Medium Enterprises’ access to markets and access to finance in the urban Conakry area

Key Results

PDO Level Indicators

I. Increase MSME formalization and development

1. Number of MSMEs winning sales contracts with large companies
2. Number of start-up or innovative companies supported

II. Strengthen financial infrastructure

1. Monthly volume of transactions processed by the National Switch
2. Credit registry coverage (% of individuals and firms listed in the credit registry)

III. Increase financial services for MSMEs

1. Number new MSME loans provided by the participating financial institutions of the Risk Sharing Facility
D. Project Description

To achieve the PDO emphasis is placed on the following: (i) Support a robust physical and institutional infrastructure for local MSME development (ii) Design and implement capacity building programs that enable MSMEs to demonstrably capture local content, public tender, and export market opportunities (iii) Support the expansion of available financing for qualifying Guinean MSMEs. The following proposed project components align with the PDO (3) strategic objectives as described:

Component 1: Support Entrepreneurship and MSME Development (US$10 million)

The objective of this component is to strengthen MSMEs' ability to grow, create jobs and wealth, and effectively contribute to the socio-economic inclusion of youth and women.

Filters used to identify MSME binding constraints, target MSMEs to be supported by the project and design project activities accordingly were primarily factors limiting MSMEs ability to grow, create jobs and wealth, and effectively contribute to the socio-economic inclusion of youth and women. Four constraints were identified: (1) The prevalence of informality preventing business from accessing market opportunities (2) Local MSMEs lack of capacity preventing them from capturing market opportunities from multinationals and large domestic companies (3) An undeveloped entrepreneurial ecosystem preventing potentially disruptive and transformative projects from emerging (4) A very limited access to MSME growth capital.

MSMEs in Guinea differ significantly in size, degree of formality, experience, market orientation and related funding needs. Considering growth as a distinguishing factor, the MSME sector can be segmented in five (5) types of entrepreneurs with each specific growth characteristics:

(i) **Small necessity entrepreneurs.** They represent the largest segment typically a micro enterprise, set up to achieve an income for the owners’ family, aimed at survival rather than growth. This segment will not be a target segment for the project.

(ii) **Moderate growth entrepreneurs.** Companies in this segment typically offer a product or service with a stable demand but usually not deploying innovative products or production techniques. An annual growth rate of 2-3 percent increases these firms’ size over time in the direction of a mid-sized enterprise. They are often family businesses with a higher rate of formality (around 20 percent) than the small necessity entrepreneurs. These will be targeted by the project.

(iii) **High growth start-ups.** These are typically young entrepreneurs, starting a business in the technology sector. Guinea has relatively few of these. The project will target these by supporting the development of an entrepreneurship ecosystem and by selecting each year several disruptive ideas that could be supported from development through expansion.

(iv) **Opportunity driven MSMEs.** These are MSMEs that engage in opportunistic business behaviour,
copying successful business models observed elsewhere and regularly switching or adding new business activities. This group includes entrepreneurs that run several businesses at once (parallel entrepreneurs.) They tend to lack a long-term business vision and have limited market knowledge and client understanding. These will not be expressly targeted by the project.

(v) **Gazelles.** Successful start-ups that have made the move from small to mid-size firm in a very quick time, thanks to high annual growth rates of around ten percent, are called gazelles. Usually formally registered, they usually have 20-100 employees. They have achieved a mature financial performance and are generally headed by a strong business leader. Gazelles look for larger amounts of long-term financing, to finance investments in assets. Gazelles usually have access to debt or other forms of financing. These companies will be among the prime targets of the project because they potentially hold the largest reservoir of job creation and which with the proper support system will be the most able to integrate the large companies supply chains, be they multinational or domestic companies.

1.1 **MSME business development services** (US$1 million)

This subcomponent will finance MSME institutional support activities by providing the Conakry SME Support Center with consultant services, technical assistance and expertise to develop and implement a sustainable business and financial model. The project will support the recruitment of experts including: (i) a program director for the management of the center; (ii) a training expert to coordinate capacity building programs and linkages programs; and (iii) a financial expert for MSME access to finance programs. Three support staff for critical business registration services and strategic partnership programs will also be funded by the project.

This subcomponent will finance also space planning and interior arrangement of the SME support center as well as the necessary systems and equipment to make the center fully compliant with World Bank’s approved safety standards. This activity will provide the resources to divide office and reorganize office space (i) upgrade the SME Center facility with small works and equipment and (ii) implement safety measures to ensure workers’ protection and safety.

The proposed project will support the long term financial and operational sustainability of the Conakry SME Support Center by financing: (i) technical assistance to develop a viable fee based financial and revenue model that will make the center financially independent, and (ii) domain expert consultants to help launch and manage the centers’ s activities while transferring knowledge and competence to local staff who will take over the management and administration of the center after the project closes.

1.2 **Connect MSMEs to sales contract opportunities** (US$4 million)

MSMEs in Guinea are missing sizeable local contracts opportunities procured through large companies. The project will fund activities that will help identify and select local MSMEs with the capacity to win and
execute contracts with large domestic or multinational companies in high growth sectors through an MSMEs linkage program that enables and connects local MSMEs to contracting opportunities offered by large domestic or multinationals companies in the Conakry urban area high growth sectors.

**The activity will finance a MSME linkage program.** The MSME linkage program will be managed the CAPME and delivered through a partnership with partners. Partners will be selected competitively and assigned the mission of delivering on the programs Key Performance Indicators (KPIs) and transferring knowledge and competence to the CAPME staff in charge of the management of the CAPME. The program will assess end-buyers’ procurement needs and supply chain participation requirements. The program will design and partner with the private sector companies to finance trainings, capacity building and certifications programs for quality improvement aimed at building MSMEs’ capacity to meet norms and standards required by large local companies or multinationals for these MSMEs to become part of their supply chains. A portfolio of about 30 private companies participating in the linkage program to award contracts to local MSMEs will be constituted based on market screening and through collaboration including APIP, the investment promotion agency. APIP and leading business organizations. The 3-5-year procurements needs of the private companies will be also assessed. The project will work jointly with the private sector to identify the local MSMEs that could fulfill these procurement needs and design the matching capacity building program for the qualifying MSMEs identified. Furthermore, the MSME linkage program will be designed to include behavioral training on managerial and operational capabilities for MSMEs working jointly with IFC advisory services for input on MSME onboarding/training.

**The program will be designed as a cost sharing activity with the beneficiaries to support the technical assistance provided as well as the acquisition of some equipment that can maximize of MSME value proposition in the procurement process.** An operating procedures’ manual will be drafted to outline the program eligibility criteria, guidelines and standard operating procedures. Primarily focusing on the Conakry area, the program will assess the opportunity to extend its services to the Boke area once a critical mass of MSMEs has been reached in Conakry and core services of the center have been well established and functioning. The project will seek to target at least 150 MSMEs supporting individual technical assistance package averaging USD25,000 per MSME supported.

**The CAPME MSME linkage program will work in a close, collaborative strategic partnership with IFC supported Suppliers and Partnerships Market Place (bourse de sous-traitance et de partenariats).** The newly established Suppliers and Partnerships Market place is a supplier development platform put in place by IFC’s Mining Investment Climate project to match companies seeking to purchase goods, services or works with qualifying local SME suppliers. The formal strategic partnership between the CAPME and the Suppliers and Partnerships Market Place will focus on the following areas: (i) the Suppliers and Partnerships Market Place will be able to leverage CAPME’s MSME capacity building program to support MSMEs in the Suppliers and Partnerships Market Place that require a training or certification program to win and execute a contract within its reach (ii) MSME’s supported in the CAPME’s linkage program will be able to register with the Suppliers and Partnerships Market Place to have access to broader market opportunities (iii) the project will strengthen the Suppliers and Partnerships Market Place’s management team who can benefit from PRECOP funded domain specific training and certification to enhance their capabilities as a newly formed entity to help deliver on the Market Place’s strategic objectives; and (iv) a Suppliers and Partnerships Market Place antenna will be established in the CAPME.
1.3 Support to entrepreneurship and ecosystem providers (US$ 5 million)

The objective of this subcomponent is to strengthen the capacity of entrepreneurship ecosystem providers to provide pre-seed and seed support to entrepreneurs translating ideas into fundable and marketable products and services. Ecosystem provider(s) such as incubator will be contracted as executing agency(ies) of the project to carry out business incubation services along with the building of skills and literacy.

The intended impact is the creation of more and better-quality startups and innovative enterprises with potential for receiving seed, early-stage, and early-growth financing. This fits into the private sector led youth employment strategies in Guinea to improve job opportunities for youth. The sub-component will have a transformational impact on the Guinean entrepreneurship ecosystem as well as a catalytic one of the deal flow side with provision of seed funding. The component will raise the overall profile of innovation and technologies and its role to support Guinea economic growth. It is expected that 10 ecosystem providers be strengthened, at least 150 startups be supported with financial support at pre-seed and seed stages, and that at least 30 innovations and technologies tested with market traction. Overall the sub component will directly benefit up to 2,000 youth, and indirectly create hundreds of jobs.

The project will support activities that help address the lack of technical talent and skills, mentors and role models, and expansion of ecosystem providers’ capabilities to build skills and startups. The subcomponent will finance the three following activities:

i. Results-based financing (performance contract) in the form of Grant(s) to ecosystem provider(s) (competitively selected) to strengthen their operations and their ability to foster innovative entrepreneurship based on mutually agreed self-improvement plans to increase the quality and sustainability of services provided and extend pre-seed support to selected startups. The project will select 5 eligible ecosystem provider(s) the first year, and 5 more the second year. The 10-eligible ecosystem provider(s), in addition to their self-improvement plans, will be expected to mobilize expertise for at least 5 startups per year (in a cohort-based fashion to ease reporting) as well as organize one entrepreneurship training bi-monthly. The project will directly contribute to at least the professionalization of 10 ecosystem provider(s), 150 startups, and 1,800 enterprising young innovators. It is expected that the funding be limited to 3 years for both the ecosystem provider and its beneficiaries. An average of $70,000 will be mobilized annually for self-improvement plan (HR, equipment, capacity building and select running costs), $20,000 for expertise support to 5 startups, and finally $10,000 for trainings (e.g. coding, digital marketing, finance, etc.). A total a $2 million will be allocated. Beneficiaries will sign contracts with the PIU (if legally mandated by the ministry in charge of SMEs) or the ministry itself. Eligible expenses will be defined in the Project Implementation Manual. At Mid Term Review, the project can decide to reallocate funding depending on the performance of ecosystem provider(s) or any other relevant factor approved by the bank.

ii. Seed financing to entrepreneurs (10 per year) translating ideas into fundable and marketable products & services in the form of a cohort-based competitive selection process that award financial support to entrepreneurs for early testing or development phases of a business concept, idea or model (grant), or the commercialization phase of products / services (). Bi-annually, the project will organize a call for innovative and growth ventures open to startups that are legally established (for less than 5 years) to access funding. The startups showing market traction will be selected by a Seed Funding Committee (SFC) comprising of 5 private sector members which CVs will have to be submitted for World Bank
non-objection, or any other ecosystem actor approved by the bank. The SFC will select up to 10 startups per year for 4 years (equivalent to 8 calls). Each startup will be granted seed funding amounting to maximum $50,000, with an average of $10,000. The investment strategy, eligible sectors and expenses will be defined in the Project Implementation Manual. At Mid Term Review, startups performing well could receive follow-on funding. A total a $2.5 million be allocated with $2 million in seed funding and another $500,000 needed to communicate, proceed to the selection, perform due diligence for expected beneficiaries and cover the running costs of the SFC, including the recruitment of the implementation agency and the independent verification institution which will ensure the conformity of the process with TORs and relevant conditions.

iii. Organization of open innovation competition and hackathon by ecosystem providers to help foster co-creation of innovative solutions and the adoption of disruptive technologies based on the demand of large public and private organizations. The project will identify the needs and problems of large corporations and public authorities that are interested to externalize part of their problem-solving and/or innovation processes and support the organization of hackathons. Based on the demand of large public and private organizations, categories will be prioritized. The winners of the hackathon will be granted support to further develop the solution. One open innovation week per year will be organized, with 10 startups matched with large public and private organizations, and 1 or 2 receiving support to execute the contractual relationship(s). It is expected that over 30 innovations be recognized with a market traction (B to B) and 5 startups be granted a contract while receiving support from the project. A total of $450,000 will be allocated.

Component 2: Support financial infrastructure (US$10 million)

The objective of the second component is to finance critical financial infrastructure in Guinea to encourage sustainable, viable, and significant improvements in access to MSME finance. The strengthening of Guinea’s financial infrastructure will improve financial access for all firms, but MSMEs benefit proportionately more, as the problems of opacity and information asymmetry are more severe in the case of smaller firms.

This component will help set up a retail payment platform connecting financial institutions making it more efficient for them to provide funding to businesses at a lower cost. Digital data derived from financial transactions processed by the new platform will feed into scoring mechanisms that allow for creditworthiness evaluation of micro entrepreneurs. The national switch platform has the potential to address the asymmetry of information hampering access to credit. Beyond interoperability, digital platforms today can provide consumer data and analytics that are used as decision making tools by lenders.

Information asymmetries represent a significant challenge for MSMEs to obtain adequate external financing. Credit reporting systems address the problem of asymmetric information between borrowers and lenders and, by doing so, they contribute to improve MSME access to financing. Lenders’ access to timely and accurate information on MSMEs enhance their ability to assess MSME creditworthiness, and to make fact-based credit risk assessments.

2.1 Retail payment infrastructure (US$5 million)
This subcomponent will finance the hardware and software required for the design and implementation of a national switch platform that will create an interoperable and interbank payment network with interconnected points of sales, including ATMs and mobile devices. The Switch platform to be funded by the project will be designed to allow interoperability of digital payments, international transactions, payments at POS, mobile money and online transactions. Holders of cards issued in Guinea will be able to execute transactions at all ATMs and POS displaying the system's logo. Cards are also very little used, either debit or credit cards. There are few ATMs or POS terminals, most of which are in Conakry. Currently in Guinea, International credit cards are accepted in a few locations, mainly hotels and the airport. Under this new project, holders of cards issued outside Guinea through international card schemes (ICS) will be able to make payments for goods and services directly through terminals at merchants which display the appropriate international scheme’s logo. Payments for goods and services made with the use of ICS cards will be executed in compliance with the international scheme's rules. The system will also provide full functionality for set-up of mobile money products with the creation of prepaid accounts. Furthermore, it is envisaged that the new platform will allow Guineans to have access to Internet purchases via a Payment Gateway.

The project will fund a comprehensive technical assistance to BCRG to improve technical and operational expertise of switch platform systems. Technical assistance activities will include: (i) trainings of front-line technical staff; (ii) acquisition of new platform (hardware and software); (iii) support to the design of technical specifications of the switch platform and drafting of request for proposal; (iv) a broad-based communication campaign to raise awareness and increase adoption of the new system and the related benefits of transitioning of adopting a digital over a cash system.

2.2 Digitization of microfinance activities (US$2 million)

This subcomponent will finance hardware, software and capacity building programs to make the operations of microfinance institutions more efficient and allow BCRG to have a better supervision of their activities. Activities will include: i) a mutualized Management Information System (MIS), that can be used remotely by participating MFIs for future connection to the national switch; (ii) operating costs for the shared-use MIS for two years (the MIS will integrate mobile money applications and modules to allow MFIs to offer digital finance products in rural areas); (iii) hardware/software technical assistance needs for the BCRG staff and MFIs joining the mutualized MIS, including capacity development in internal controls and financial management; and (iv) workshops on digital transformation of MFIs.

2.3 Strengthening credit reporting (US$2 million)

This subcomponent will finance a technical assistance to improve the existing credit registry (SIC), the development of a medium-term national credit reporting strategy, and a technical assistance to build a conducive legal and regulatory environment (data sharing, borrowers’ rights, credit bureau etc). With the stabilization of the SIC and the increased utilization and maturity of the lenders, the project will also provide technical support to BCRG to move towards a future credit bureau. Specific activities that will be funded by the project include: (i) technical assistance to develop the legal and regulatory environment to create a credit bureau; (ii) technical assistance to BCRG to help them work with the SIC’s provider to ensure sufficient services to meet international global standards; (iii) technical assistance to support BCRG for the
development of a well-defined and realistic national medium-term credit reporting strategy, with the intended outcome of turning the SIC into a credible source of credit data for the banking system; (iii) a capacity building program within BCRG for the modernisation of credit reporting schemes (including assistance to improve data quality\(^1\) and completeness), conducting awareness campaigns and delivering training to lenders.

**Creation of an electronic collateral registry for lending and leasing (US$1 million)**

**The project will finance the hardware, software, and capacity building for a centralized electronic collateral registry.** The collateral registry for movable assets would have to fulfill two key functions: notify parties about the existence of a security interest in movable property (of existing liens) and establish the priority of creditors vis-a-vis third parties. This registry will be designed to be: (a) the place where security interests over movables are registered; (b) cost-efficient; (c) designed as a notice-filing system; and (d) accessible electronically.

**Component 3: Develop financial services tailored towards MSMEs (US$8 million)**

The objective of the third component is to establish two risk sharing facilities to provide incentives for participating financial institutions (PFIs) to lend to eligible SMEs. These facilities will be complemented with mandatory technical assistance aimed at supporting PFIs in designing, piloting and rolling out financial products to successfully expand their outreach to the targeted SMEs.

3.1 **Risk Sharing Facility (US$ 6 million)**

This subcomponent will expand MSMEs’ access to finance by increasing financial institutions’ incentives to lend to MSMEs

a) **Participating commercial banks** (US$ 4 million from IDA)

A joint IDA-IFC Risk Sharing Facility (RSF) will be created to provide a portfolio guarantee through a first-loss cover to participating private commercial banks to lend to eligible SMEs (See Figure 1 below).

i. The RSF will cover 50 percent of the losses, on a pari passu basis, that participating banks may incur in their eligible SME lending operations, enabling them to lower excessive collateral requirements for loans to SMEs. As a result, the RSF will encourage the participating commercial banks to serve new cohorts of eligible MSME clients.

ii. The RSF will leverage IFC’s strategic objectives and experience in the region to bolster MSME financing with a focus on MSMEs located primarily in the urban area of Conakry, with the flexibility to be extended to other areas.

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\(^1\) Guinea’s BCRG require that data providers (banks and MFIs only) report all their loans for individuals and firms to the CIS and only negative data is reported. Also, information on updates on existing loans is not done event-based. While the introduction of credit reporting has been useful for the automation of collected data, the CIS should be upgraded to improve data quality and completeness, enable wider participation, and in general to ensure that it fulfills its role of effectively assisting banks and other lenders in their credit risk assessments.
iii. The sizing of the proposed risk sharing facility will be based on needs and participating banks’ absorption capacity, following an IFC’s field assessment and participating bank appraisals. The IFC will manage RSF and will conduct due diligence of participating banks to ensure only sound institutions with proper risk-management capabilities are selected. A Risk Sharing Framework Agreement will be signed by the Ministry of Industry and SMEs, IFC and IDA.

iv. The RSF will be implemented through competitively selected commercial banks under the overall coordination of the PIU in partnership with the Ministry of Industry and SMEs.

IDA-IFC Risk-sharing facility structure

b) Microfinance Institutions (MFIs) (US$ 2 million from IDA)

This component will also finance the same mechanism for participating microfinance institutions.

3.2 Technical assistance (US$ 1.6 million)

This sub-component will provide mandatory technical assistance to banks and microfinance institutions to strengthen their institutional, human and business capacities to effectively serve the MSME market (such as design of MSME products, marketing approaches, adaptation, origination and decision-making methodology for SME credit origination, specific credit scoring, promotion of leasing, etc.). The TA will be implemented by the Association of banks (APB) and the Association of Microfinance institution. About US$0.8 million will be ear-marked for funding TA to banks and US$0.8 million for funding TA to MFIs.

3.3 Equity investment ecosystem (US$0.4 million)

This subcomponent will finance a Private Equity and/or Venture Capital Ecosystem Study to assess the development of the Private Equity/Venture Capital (PE/VC) industry in Guinea, identify legal, regulatory, supervisory, and business environment impediments to the development of the industry.
Increasing companies’ access to private equity at all stages of development – venture, growth, pre-IPO – can have a significant impact on innovation, productivity, employment creation and competitiveness. Also, the PE/VC industry can be an additional source of finance for the SME sector in Guinea.

**Component 4: Project Management and Monitoring (US$2 million)**

This component will finance the establishment and operation of the Project Implementation Unit (PIU). The component will also finance technical assistance to support project implementation costs for procurement, financial management, communication and the monitoring and evaluation of the project. It will include operational expenditures, consultant fees and trainings costs, knowledge sharing and goods and services to equip the PIU and finance the audits. PIU staff to be recruited include: (i) a project coordinator (ii) a financial management specialist (iii) a procurement specialist (iv) an accountant, (v) an assistant and (vi) a M&E specialist. The project will also recruit three (3) component experts to support the PIU, one SME development expert, one gender inclusion expert, and one expert in access to finance issues.

In addition, this component will finance a technical assistance to MISME to strengthen its capacity of MISME to coordinate activities, as being the implementation agency.

**E. Implementation**

**Institutional and Implementation Arrangements**

The project will be implemented over a period of five years. The implementing institution responsible for the project will be the Ministry of Industry and SMEs (MISME). Project completion is expected by July 31, 2024. A mid-term review will be carried out by December 2022.

Given the multi-institution nature of the project, high level support is required to ensure consistency of interventions and ensure the removal of occasional blockages. This implies: (i) setting-up a Steering Committee to oversee project progress; and (ii) ensuring there is a strong Project Coordination and Monitoring Unit.

(i) **Steering Committee.** The main mission of the steering committee will be to validate and monitor the activities of the project. The committee will be chaired by the Ministry of Industry and SME and involve representatives of the main project stakeholders including the following ministries and structures: Prime Ministry Office; Ministry of Industry and SME; Ministry of Finance; Ministry of Budget; Ministry of Commerce; Investment Promotion Agency; Central bank (BCRG); Ministry of Justice, Bankers’ Association (APB) and Microfinance Associations (APIM); and private sector organizations.

(ii) **Project Implementation Unit.** A PIU will be put in place and its staff recruited by the project to oversee coordination of project activities, be responsible for project fiduciary, monitoring and evaluation as well as safeguards functions as needed.
(iii) **Technical Committee.** The project technical committee will be put in place to work alongside the PIU to monitor the timely implementation of project activities as agreed upon and validated in the annual budgeted activity plan (PTBA). The technical committee will be comprised of technical focal points appointed by different project beneficiaries’ departments or agencies and representatives of the private sector. The will chaired by a representative from the Ministry of Industry and PMEs.

(iv) **Ad hoc Executing Technical Agencies.** In close coordination with the PIU which is responsible for the project fiduciary, monitoring and evaluation, and safeguards activities, the following agencies will be responsible for implementing technical project components:

a. CAPME: Subcomponent 1.1 and 1.2

b. One or more private companies selected in a competitive manner in partnership with the CAPME and under the co-management of the Ministry of Industry and SMEs – Sub-component 1.3

c. The Central Bank (BCRG): Subcomponent 2.1, 2.2 and 2.3 (and 2.4)

d. APB and APIM: Component 3

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**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

Project activities will be concentrated in Conakry. The project is financing soft investments in technical assistance and ICT. It will not finance any activities that require land acquisition or will result in negative impacts on private property or incomes. The project has been classified as Category B and guidance for screening to ensure that there is no impact on informal users of the area surrounding the SME center has been included in the ESMF that was disclosed per the requirements of the policy. There are no indigenous peoples per the definition of OP 4.10 in Guinea and therefore this policy has not been triggered.

**G. Environmental and Social Safeguards Specialists on the Team**

Emmanuel Ngollo, Environmental Specialist
Kristyna Bishop, Social Specialist
Emeran Serge M. Menang Evouna, Environmental Specialist

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**SAFEGUARD POLICIES THAT MIGHT APPLY**

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</tbody>
</table>
infrastructure for local SME development. This will likely have negative impacts, though localized but enough to trigger OP/BP 4.10 Environmental Assessment. An Environmental & Social Management Framework (ESMF) will be prepared, cleared and disclosed in country and in the World Bank Website prior to Appraisal.

<table>
<thead>
<tr>
<th>Performance Standards for Private Sector Activities OP/BP 4.03</th>
<th>No</th>
<th>NA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>No</td>
<td>During project implementation, none of the activities will be undertaken in critical or sensitive natural habitats to trigger this policy.</td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
<td>No project interventions financed by this project will undertake activities in forest areas involving deforestation or any forest activities.</td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>No</td>
<td>This policy is not triggered as the project does not anticipate acquiring pesticides or equipment of pesticides application.</td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>Yes</td>
<td>The project will not involve physical work by the rehabilitation of new infrastructure and installation of equipment that will lead to excavations and demolitions. Such footprint physical works may lead to excavation of artifacts and other cultural relics. Because of the nature of the proposed physical activities and the project areas, Physical Cultural Resources policy OP/BP 4.11 is triggered due to the possibility of finding evidence of physical cultural resources during civil works. As a result, the ESMF of the project will include a procedure for dealing with cases of &quot;chance finds&quot; procedures on civil works contracts, even where risks are deemed low.</td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>No</td>
<td>This policy is not triggered in Guinea where there are no Indigenous Peoples, as per Government policy and World Bank definition.</td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>No</td>
<td>The project is financing soft investments in technical assistance and ICT. It will not finance any activities that require land acquisition or will result in negative impacts on private property or incomes. Guidance for screening to ensure that there is no impact on informal users of the area surrounding the SME center has been included in the ESMF that has been prepared for the project and disclosed per the requirements of the policy. The PIU will be responsible for providing adequate documentation</td>
</tr>
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and ensuring the functioning of the GRM in order to address any non-compliance.

<table>
<thead>
<tr>
<th>Issue Description</th>
<th>Triggered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td>No</td>
</tr>
<tr>
<td>The project interventions will not finance construction of dams nor will it support any dam infrastructure. Therefore, this policy is not triggered.</td>
<td></td>
</tr>
<tr>
<td>Projects on International Waterways OP/BP 7.50</td>
<td>No</td>
</tr>
<tr>
<td>Projects activities will not be implemented in the areas of international waters nor have any impacts on international waterways. Therefore, this policy will not be triggered.</td>
<td></td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td>No</td>
</tr>
<tr>
<td>Project activities will not be implemented in disputed areas as there are no known disputes over project areas. Therefore, this policy is not triggered.</td>
<td></td>
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**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

   1. Environmental Assessment OP/BP 4.01
   This project in component 1 intends to support and finance the rehabilitation of physical and institutional infrastructure for local SME development. This will likely have negative impacts, though localized but enough to trigger OP/BP 4.01 (Environmental Assessment). An Environmental & Social Management Framework (ESMF) was prepared, cleared and disclosed in country on February 2, 2019 and the same day in the World Bank Website prior to Appraisal. Despite significant positive environmental and social benefits associated to such investments, some of them may also induce potential temporally adverse impacts on environmental components even though, they will likely be site specific, moderate, limited in scale and easily manageable to an acceptable level. However, the exact locations of all the rehabilitation and extensions of the infrastructure are unknown to date. The borrower has developed an Environmental and Social Management Framework (ESMF) inclusive of an Environmental and Social Management Plan (ESMP) that will guide the screening of project activities and the preparation of additional safeguards instruments (Environmental and Social Impact Assessments (EISAs) and/or Environmental and Social Management Plans (ESMPs) as needed.

   2. Physical Cultural Resources OP/BP 4.11
   The project will finance the rehabilitation of infrastructure and improvement of in host sites in urban areas, and this will entail movement of earth and excavations that may lead to chance finds. As a precautionary measure for chance finds, procedures to protect and safeguard physical cultural resources have been included as section in the ESMF that has been prepared in accordance with OP4.01.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
N/A

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

A Project Steering Committee (PSC) will be responsible for validating and monitoring the activities to ensure that the project is carried out in accordance with the achievement of the PDO of the project. The Ministry of Industry, Small and Medium Enterprises will be the overall coordinator of the project and the implementation agency for the project on institutional support. Given the limited capacity of this Ministry, a Project Implementation Unit (PIU) will be established within the Ministry.

There are limited projects financed in the sector in Guinea, therefore the Ministry has very limited managerial capacity, as it has not acquired a good exposure to the Bank’s policies and procedures, including disbursement and procurement aspects. In Guinea, the Ministry of Environment, Water and Forests is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. It has different departments among which the National body in charge of Environmental Evaluation and studies validation (BGEEE, Bureau Guinéen d’Etudes et d’Evaluation et Environnementale) in charge of safeguards compliance of all projects in the country. The unit’s capacities are acceptable. With regard to the PIU, a safeguard specialist will be recruited and capacity building efforts to support project implementation will be done by implementing recommendations contained in the safeguard’s instruments prepared for the project. The project will also receive guidance from the Bank’s environmental specialist in the Project team.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The MSME leaders in the Guinean private sector consist of informal micro or small enterprises in agriculture, trade, industry and mining (when formalized) or services with Small necessity entrepreneurs, Moderate growth entrepreneurs including women groups in project areas as the major stakeholders. The MSME sector, which can be classified based on size and growth, broadly presents five (5) MSME segments: i) Small necessity entrepreneurs, (ii) Moderate growth entrepreneurs, (iii) High growth startups, (iv) Opportunity driven MSMEs and (v) Gazelles. These mentioned key stakeholders, based on the business scheme, will be interacting with the PIU’s safeguard specialist for capacity building efforts and support to implementing recommendations contained in the safeguard instruments and that correspond to their designed activities.

B. Disclosure Requirements

<table>
<thead>
<tr>
<th>Environmental Assessment/Audit/Management Plan/Other</th>
<th>Date of receipt by the Bank</th>
<th>Date of submission for disclosure</th>
<th>For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>02-Apr-2019</td>
<td>02-Apr-2019</td>
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"In country" Disclosure
Guinea
19-Nov-2018

Comments

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?  
Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?  
Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?  
Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?  
Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?  
Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?  
Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?  
Yes
All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?
Yes

Have costs related to safeguard policy measures been included in the project cost?
Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?
NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?
Yes

CONTACT POINT

World Bank

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Borrower/Client/Recipient

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Telephone: (202) 473-1000

<table>
<thead>
<tr>
<th>APPROVAL</th>
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| Task Team Leader(s): | Sarah Zekri  
Mariama Cire Sylla |

**Approved By**

<table>
<thead>
<tr>
<th>Safeguards Advisor:</th>
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<tbody>
<tr>
<td>Practice Manager/Manager:</td>
<td>Consolate K. Rusagara</td>
</tr>
<tr>
<td>Country Director:</td>
<td>Michael Hamaide</td>
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