Report Number : ICRR0022004

1. Project Data

Country
Guinea

Practice Area(Lead)
Macroeconomics, Trade and Investment

Programmatic DPL
Planned Operations: 2

Approved Operations: 2

Operation ID
P156629

Operation Name
GN - Macroeconomic & Fiscal Mgmt Operat

L/C/TF Number(s)
IDA-58560

Closing Date (Original)
30-Jun-2017

Total Financing (USD)
39,391,619.00

Bank Approval Date
17-Jun-2016

Closing Date (Actual)
30-Jun-2017

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	40,000,000.00	0.00
Revised Commitment	40,000,000.00	0.00
Actual	39,391,619.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Antonio M. Ollero	Clay Wescott	Malathi S. Jayawickrama	IEGEC (Unit 1)

Operation ID
P161796

Operation Name
Guinea Second MFM DPO (P161796)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-58560,IDA-62060	31-Dec-2018	59,166,509.60
Bank Approval Date	**Closing Date (Actual)**	
31-Jul-2018	31-Dec-2018	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	60,000,000.00	0.00
Revised Commitment	60,000,000.00	0.00
Actual	59,166,509.60	0.00

2. Program Objectives and Policy Areas

a. Objectives

The program development objectives (PDOs) of the programmatic First (DPF1) and Second (DPF2) Guinea Macroeconomic and Fiscal Management Operations were "to support the post-Ebola recovery, as well as to improve public finances, mining sector transparency, and the financial health of the energy sector," (DPF1 Program Document (PD), p.1). The PD for DPF2 (page 1) restated the objectives as "to enhance the delivery of key services in rural areas; strengthen fiscal management; and strengthen the operational performance of the power sector."

The PDOs were revised to better align these with the changing context: (a) the end of the Ebola crisis (the World Health Organization declared Guinea Ebola-free in December 2015); (b) the acceleration of economic growth (real GDP grew 10.8 percent in 2016 and 10.3 percent in 2017); (c) the new focus on rural areas (the new "Plan for Economic and Social Development for 2016-2020″ was approved in 2017); and (d) the recognition that certain reforms (reduction of the fiscal deficit, financial health of the energy sector) were beyond the scope of the 18-month programmatic series. Hence:

- the objective "to support the post-Ebola recovery" was revised to become the objective "to enhance the delivery of key services in rural areas" --- the Ebola crisis had exposed the dire consequences of limited health services in rural areas;
- the objective "to improve public finances" was revised to become the objective "to strengthen fiscal management" --- the policy actions supported by the programmatic series were not expected to reduce the fiscal deficit, but rather to improve fiscal management (better tax administration, better expenditure controls, better oversight of state-owned enterprises, and better procurement process);
- the objective "to improve mining sector transparency" was dropped --- mining industry transparency had been enhanced with the publication by all mining companies of Extractive Industry Transparency Initiative

(EITI) reports, the new emphasis would be on reforms with the mining industry's financial contributions to local development efforts;

- the objective "to improve the financial health of the energy sector" was revised to become the objective "to strengthen the operational performance of the power sector" --- a reduction of the energy sector's reliance on government subsidies would take time to accomplish, but operational reforms could be introduced that would eventually help improve the industry's financial performance.

This Review, like the ICR, uses the revised formulation of the PDOs and targets in DPF2 as the basis for an assessment of the overall series, and does not need to perform a split evaluation.

b. Pillars/Policy Areas

The programmatic series had three policy areas:

Enhance the Delivery of Key Services to Rural Areas supported the: (a) greater deployment of health care workers and teachers; (b) improvement of the legal framework for rural roads; and, (c) enhancement of the framework for the contribution of mining to local development. This policy area revised the previous policy area, *Support the Post-Ebola Recovery,* which aimed to: strengthen the country's health systems; rehabilitate public service delivery; and, improve agricultural productivity through better access to fertilizers.

Strengthen Fiscal Management aimed to: (a) increase revenue mobilization; (b) strengthen the oversight of state-owned enterprises (SOEs); and, (c) improve public procurement. This policy area revised the previous policy area, *Improve Public Finances,* which aimed to: increase revenue mobilization; improve public procurement; strengthen the government's internal and external audit systems; and, improve mining sector transparency and its contribution to local development.

Strengthen the Operational Performance of the Power Sector supported the enhancement of the management of the public utility Electricity of Guinea (EDG) through improvements in the company's technical, commercial and financial performance. This policy area revised the previous policy area, *Reduce the Fiscal Burden of the Energy Sector,* which aimed to improve the efficiency of the power sector through better management of EDG and reduce subsidies from the central government budget to EDG.

c. Comments on Program Cost, Financing, and Dates

<u>Program Cost</u>: The cost of the first operation was estimated at appraisal at SDR 28.3 million (US$40 million equivalent), and the second operation, at SDR 42.2 million (US$60 million equivalent).

<u>Financing</u>: The first operation was financed with a SDR 28.3 million (US$40 million equivalent) development policy credit, and the second, with SDR 42.2 million (US$60 million equivalent) development policy credit, both from the IDA. Both credits were fully disbursed in single tranches.

Dates: The first operation was approved on June 17, 2016, became effective on June 30, 2016, and closed a year later as scheduled on June 30, 2017. The second operation was approved on July 31, 2018, became effective on September 21, 2018, and closed three months later as scheduled on December 31, 2018.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The programmatic DPFs were relevant to the development priorities of Guinea at program appraisal in 2016 and 2018, and closing in end-2018.

- Guinea suffered 2,544 deaths, including of one percent of its health workers, and lost about US$600 million of GDP during the Ebola outbreak in 2014-15. After the crisis, Guinea turned its priorities toward economic recovery, submitting the "Post-Ebola Socio-Economic Recovery Strategy, 2015-2017" and "Post-Ebola Priority Action Plan" to the Bank and other development partners in 2015. The Ebola crisis had been compounded by a mining downturn in 2014-15 (global metal prices collapsed beginning in 2014, dampening foreign investment in a country dependent on mining for 95 percent of exports and 25 percent of GDP) and political unrest related to the presidential elections in October 2015.
- The recovery plan emphasized: (a) social resilience - upgrading the health system to address Ebola-like outbreaks; providing universal access to water, sanitation and hygiene; and accelerating the spread of literacy; (b) economic recovery - strengthening production systems; renewing support for agricultural intensification; and increasing investment in economic infrastructure; and, (c) governance - improving the quality of public service and enhancing the transparency of government decisions and actions.
- The series was consistent with this strategy, shifting the focus of government from containment of the effects of the crisis (supported by the Guinea, Liberia and Sierra Leone Ebola Emergency Response Project and the Guinea Emergency Macroeconomic and Fiscal Support Operation, both approved in 2014) to support resilience and recovery. While the objectives of the series were broadly worded, the policy areas and prior actions were very specific, supporting the implementation of selected discrete reform measures in three policy areas that were deemed vital to the resilience and recovery plan --- social services-- principally health and education, public finance, and electricity.
- The objectives were also consistent with the goals of: (a) the government's "Poverty Reduction Strategy Paper III, 2013-2015"; (b) the IMF Three-Year Arrangement under the Extended Credit Facility (ECF) for Guinea approved in 2012 --- the fifth review in February 2015 increased the loan amount by US$63 million, about US$41 million of which was extended as budget support "to help meet part of the fiscal cost of the Ebola response"; and, (c) the Power Sector Recovery Project, approved in 2014, according to the DPF1 PD (pages 15-25).
- The original program objectives were revised to focus on rural areas and to reorient fiscal policy toward strengthening fiscal management, including by improving tax administration. This helped better align the

series to the goals of higher and more inclusive growth in the government's "Plan for Economic and Social Development for 2016-2020", approved in 2017 after the first operation closed, according to the DPF2 PD (page 10).

The program objectives were aligned with the Bank Group strategy in Guinea at program appraisal in 2016 and 2018, and closing at end-2018.

- The "Country Partnership Strategy for Guinea for the Period FY14-17" focused Bank Group support on "three strategic areas of engagement": improving governance, stimulating growth and economic diversification, and strengthening human capital. The objectives of the series were aligned with the first strategic area which aimed to: "improve transparency and efficiency in public resource management", and "improve the governance framework of the mineral sector"; with the second, which aimed to "improve the commercial and operational efficiency of the electric company"; and, with the third, which aimed to "improve access to basic service delivery."
- The "Country Partnership Framework for the Republic of Guinea for the Period FY2018-FY23" focused on three pillars: fiscal and natural resource management, human development, and agricultural productivity and economic growth. The objectives of the series were aligned with the first pillar, which aimed to "improve public fiscal and financial management", "decentralize service delivery, including health and education", and "improve the management of mining, natural resources, and biodiversity"; with the second, which aimed to "improve health and social protection especially in rural areas", and "improve education especially in rural areas"; and, with the third, which aimed to "(provide) better access to energy and water through improved management of utilities."
- The program objectives were also aligned with the Bank Group strategy for the recovery of Guinea, Liberia and Sierra Leone from the Ebola emergency of 2014-15. At an Ebola summit in April 2015, the Bank Group committed US$650 million in additional assistance to the three countries over 2016-17, taking its financing of the Ebola response to US$1.6 billion (US$1.2 billion from the IDA and US$450 million from the IFC). The Bank Group package (which was additional to US$2.2 billion in debt relief for the three countries) focused on five priorities: strengthening health systems; agriculture; education; cash transfers and other social protection programs; and infrastructure such as electricity, water, sanitation and roads. The program development objectives were aligned with this strategy.

Rating
Substantial

b. Relevance of Design

The theory of change for the series was sound. The prior actions were supportive of the policy areas and linked to program outcomes.

- On Enhancing the Delivery of Key Services to Rural Areas: (a) adopting the Post-Ebola Recovery Plan, including the necessary budget in the 2016 Budget Law; increasing the number of government health workers outside Conakry by at least 80 percent; and increasing the number of public school teachers in rural areas by at least 15 percent --- would help upgrade rural health and education services; (b) issuing a national definition of rural roads, officially adding rural roads to the national road network and thereby assuring their rehabilitation and maintenance by the Ministry of Public Works, the Ministry of Agriculture, and the Road Fund; assigning responsibilities for the classification and management of rural roads; and increasing the funding for rural roads by Guinean franc (GNF) 50 billion (US$5.5 million) in the 2017 Budget Law --- would improve the management of rural roads; (c) issuing a decree operationalizing the National Fund for Local Development (FNDL) that would collect 15 percent of government mining revenue earmarked under the Mining Code of 2011 for local governments to support local community development nationwide, and assigning the management of the FNDL to a new National Agency for Financing Local Development (ANAFIC); issuing another decree to improve the governance of Local Economic Development Funds (FODELs), which supported local projects in mining concession areas; and obtaining a "compliant status" with the Extractive Industries Transparency Initiative (EITI), which sets governance standards in the natural resource extractive industries (by submitting the 2013 EITI Report) --- would enhance the contribution of the mining industry to local development. Meanwhile, municipal governments were poorly trained to use FODEL resources; improving local governance would enable municipal governments to tap FODEL funds for local development projects in mining areas.
- On Strengthening Fiscal Management: (a) raising the value-added tax (VAT) rate from 18 to 20 percent; eliminating the exemptions of flour and edible oils from the VAT; collecting 20 percent of overdue VAT payments from companies with guarantee contracts; piloting the collection of invoice data from restaurants and hotels for VAT calculations; updating the National Directorate of Taxes' registry of professionals; and creating a mechanism to collect registration fees on public procurement contracts through banks --- would increase domestic resource mobilization; (b) submitting a financial report on SOEs to Parliament would strengthen the oversight of SOEs; and (c) completing the external audit of public investment procurement contracts (valued at US$5 million or more and approved between 2013 and the first half of 2015); operationalizing the Court of Auditors by appointing its President; appointing five auditors in the General Finance Inspectorate; submitting to Parliament an amendment to the 2012 Procurement Law to cancel the double-review by the Administration and Control of Large Projects and Public Procurement (ACGPMP) of externally-financed projects; issuing an *arrete* (a stop order) limiting the ACGPMP's *a priori* oversight of procurement contracts (greater than GNF 5 billion) and *a posteriori* oversight of such contracts (equal to or less than GNF 5 billion); and setting new monitoring rules to enforce the limit on single-source contracting for public contracts --- would improve public procurement.
- On Strengthening the Operational Performance of the Power Sector: executing a contract with a private operator for the management of the EDG; adopting a management improvement plan for the EDG; supporting at least the first year of the plan with budgetary resources; and submitting a draft law to Parliament creating an independent regulator for the sector --- would enhance the management of the EDG.

The choice of lending instrument was appropriate. The series provided budgetary support to the government, which faced a net financing gap of 3.1 percent of GDP in 2016 at GNF 1.8 billion (US$201 million). The financing gap was expected to be funded by new budget support from the African Development Bank, the European Union (EU), Abu Dhabi in the United Arab Emirates, the French Development Agency, France's Debt Reduction and Development Contracts, and the Republic of Congo. After these contributions, the residual gap of US$40 million would be closed by proceeds from DPF1 (PD, page 9). Similarly, the US$60 million proceeds from DPF2 would provide budget support to the government which was expected to be remain dependent on external financing of 3.2 percent of GDP in 2018.

The macro-fiscal framework was adequate for the series at program appraisal of DPF1 in 2016 and of DPF2 in 2018.

- Before DPF1 was appraised, policy missteps had worsened the adverse economic effects of the Ebola outbreak, mining downturn, and election-related political unrest when the government unexpectedly changed fiscal policy in 2015 and signed 14 contracts for multi-year infrastructure projects that were not included in the 2015 budget, raising capital spending by 12.2 percent of GDP. The plan required the Banque Centrale de la Republique de Guinee (BCRG) to guarantee loans secured by project contractors from banks, which would "pre-finance" the contracts. The policy slippages caused the government to miss four of seven performance criteria under the IMF program in mid-2015 and, forced the Bank and the EU to delay budget support, more than doubling the country's fiscal deficit (after grants) to 8.9 percent of GDP in 2015 from 4.2 percent in 2014.
- By the time DPF1 was appraised in mid-2016, the government had made a strong effort to bring the IMF program back on track, committing to: (a) new revenue packages; (b) reductions in current expenditures; (c) renegotiation of some projects guaranteed by the BCRG; (d) less recourse to commercial bank credit; (e) partial repayment of the advances made by the BCRG in 2015; (f) greater exchange rate flexibility; and (g) completion of the ECF structural reforms. The PD for DPF1 (page 11) concluded that the macroeconomic framework was "sustainable and adequate for development policy lending."
- The IMF Guinea 2016 Article IV Consultation, issued in July 2016, expected the near-term outlook to remain challenging, but it forecast the economy to stabilize and grow at an average 4.5 percent over the next five years. When it concluded the eighth and final review of the three-year ECF (approved in 2012) in October 2016 and approved another three-year ECF for SDR 120.5 million (US$170.1 million) in December 2017 as DPF2 was to be appraised, the IMF concluded that it expected the growth momentum of the Guinean economy to be sustained.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To enhance the delivery of key services in rural areas.

Rationale

The degree of achievement of this objective is assessed as modest, with two of five outcome targets met, one mostly met, one partially met, and one not met.

- Rural Health Workers. The number of health workers in posts outside of Conakry, the capital, more than doubled from 4,388 in the baseline (end-December 2015) to 10,121 by the program closing date (end-December 2018), exceeding the target of 8,025 health workers outside Conakry. (Incidentally, the result --- 10,121 health workers outside Conakry (an 83 percent increase) --- is nearly the same as the prior action --- increasing the number of health workers outside Conakry by 80 percent). This should lead to the enhanced delivery of health services in rural areas. The principal challenge, however, is the retention of these newly-recruited health workers in their rural posts. The ICR points out that enhanced health care service delivery also depends on other factors: availability of medicine, availability of vaccines, and physical access to health facilities.
- Rural Primary and Secondary School Teachers. The number of government-paid teachers in primary and secondary schools in rural areas increased from 14,300 in the baseline to 16,540 in 2017, but fell to 15,312 by the program closing date in 2018, below the target of 16,540 --- only 45 percent of the targeted increase. (Incidentally, the result --- 16,540 teachers in primary and secondary schools in rural areas (a 16 percent increase) --- is nearly the same as the prior action --- to increase the number of teachers in rural areas by 15 percent). As in the health sector, the retention of new staff in their rural posts is a concern in the education sector.
- Rural Roads. The length of rural roads rehabilitated per year more than quadrupled from 56 kilometers in the baseline to 235 kilometers by the program closing date, but fell short of the target of 300 kilometers, implying the achievement of three quarters of the targeted increase. According to the ICR (page 27), this programmatic series as well as another Bank operation, the Rural Mobility and Connectivity Project, approved in end-2018, has helped convene all agencies involved in rural road construction, maintenance, and rehabilitation to coordinate their activities and integrate their databases.
- The National Local Development Fund. The number of municipalities that received transfers from the FNDL was 335 by end-June 2019, six months after the program closing date, compared to zero in the baseline, about triple the target of 114 municipalities. The 2016 Budget Law created the FNDL to collect 15 percent of the annual government revenues from mining that had been earmarked by the Mining Code of 2011 for local governments and utilize the revenues for the development of local communities nationwide. The transfers to all 335 municipalities in the country, including 304 rural ones, totaled US$15 million, less than a third of the allocation of US$52 million for the FNDL under the 2019 Budget Law. The delay in local elections had pushed back the schedule of FDNL transfers, resulting in the count of municipalities being made only after the program closing date. According to the ICR (page 27), the Bank's

Third Village Community Support Project, approved in 2016, and Support for Local Governance Project, approved in 2019, are directed at capacity building in local governments, which should help with the use FNDL transfers.

- Local Economic Development Funds. The number of municipalities with appropriate governance frameworks for managing FODELs remained zero at the program closing date, the same as in the baseline, failing to meet the target of 148 municipalities. FODELs were created under the Mining Code of 2013, under which the holder of a mining concession must enter into local development agreements with the prefectures in or in the immediate vicinity of its concession area and contribute 0.5 percent of its pre-tax annual turnover for bauxite and 1 percent for other minerals to a FODEL in each prefecture to finance local infrastructure projects. A prefecture development committee (CAGF), with members from the local government, the private sector, and civil society, would monitor and evaluate the FODEL and help with planning, budgeting, and project implementation. A municipality with an appropriate governance framework is one whose officials are trained in FODEL operations and are able to prepare reports on the use of FODEL resources that are compliant with the standards of the EITI.

Rating
Modest

Objective 2
Objective
To strengthen fiscal management.

Rationale
The degree of achievement of this objective is assessed as substantial, with four of the five outcome targets met.

- Revenue Mobilization. VAT revenues (the target applies to VAT on imports only) fell from 2.7 percent of GDP in the baseline to 2.5 percent by the program closing date, below the target of 4 percent. Several qualifications are necessary: (a) the national accounts was re-based in 2017, adjusting the size of the economy upward by about 30 percent; (b) at the time of the appraisal of the first operation, when the GDP had not yet been revised, the VAT revenues were 3.6 percent of GDP and the target was 4 percent of GDP, a 0.4 percentage point target increase; (c) following the re-basing, VAT revenues were calculated to be only 2.7 percent of GDP, but the target remained pegged at 4 percent of GDP rather than being adjusted to 3.1 percent of GDP. VAT revenues on imports were still lower as a percentage of GDP at program closing than in the baseline. The government reversed the VAT rate increase and reintroduced the VAT exemption for flour and edible oils in 2017, after popular protests. In an effort to offset the policy reversals, the government expanded the tax base to include local companies that were not previously registered for the VAT system and introduced new tax administration measures. Although total VAT revenues rose in nominal terms, their ratio relative to GDP declined slightly.

- SOE Transparency. Comprehensive reports on SOEs were prepared annually, in 2017 and 2018, and made public, i.e., submitted to Parliament as part of the Budget Law, meeting the target. Reports on SOEs were neither updated nor made public in the baseline.
- Public Procurement. The two-year rolling average of the value of single-source contracts, in percent of the value of all public contracts, decreased from 37 percent in the baseline to 17.8 percent by the program closing date, exceeding the target that the percentage be cut to 30 percent. On an annual basis, single-source contracts were 93 percent of the value of all public contracts in 2016 (when the government awarded two large contracts for infrastructure projects), 29.9 percent in 2017, and 5.6 percent in 2018. The programmatic series had supported the new rules introduced in March 2017 to limit single-source contracts to the maximum 10 percent of total value.
- Internal Audit. Revenues collected as a result of audits by the General Finance Inspectorate reached GNF 101.1 billion (US$10.7 million) by the program closing date, twice the target of GNF 50 billion (US$5.3 million). The value was zero in the baseline. Among the audit-related receipts: (a) GNF 88.5 million was paid back by the Mining Company of Boke from tax exemptions claimed in 2015, 2016 and 2017; (b) GNF 63 million was returned to the Treasury from civil servant salaries frozen after a biometric census; and, (c) GNF 12.6 million came from reductions in expenditures for national examinations.
- Mining Industry Transparency. All 370 mining companies with valid licenses participated in the EITI process, with the 2017 EITI Report published in May 2019. The EITI is a global standard for good governance in the oil, gas and mineral resources extractive industries; and the EITI validation process reviews a country's progress against the EITI standard for transparency in natural resource revenue management. There had been 27 mining companies that had participated in the EITI process in the baseline; the target for this programmatic series was for 400 companies to participate in the process. The ICR (page 9) reports that the target was achieved with the 370 companies participating in the EITI process (the target of 400 companies had been incorrectly specified as the count included mining companies that were inactive).

Rating
Substantial

Objective 3
Objective
To strengthen the operational performance of the power sector.

Rationale
The degree of achievement of this objective is assessed as substantial, with the two outcome targets met.

- EDG Collection Rate. The collection rate for electricity bills at EDG was raised from 60 percent in the baseline to 87 percent by the program closing date, meeting the target of 85 percent. The collection rate improved each year during the program implementation period from 2015 to 2018. Following the signing of a four-year management service contract between the government and the Veolia-Seureca consulting services consortium in 2015 and the adoption of the EDG Management Improvement Plan, EDG has improved several aspects of its operational performance --- annual electricity sales have increased, the number and duration of power interruptions have declined, and more electricity meters have been installed. The percentage of consumers billed on the basis of meter readings still remains low at 16 percent, hence the installation of more meters will allow the EDG to bill consumers on the basis of actual rather than estimated electricity consumption
- EDG Technical and Commercial Losses. Technical and commercial losses at the EDG were reduced from 40 percent in the baseline to 29.9 percent by the program closing date, meeting the target of 30 percent. The EDG has rehabilitated its distribution network, regularized illegal connections in Conakry, and implemented a new commercial management information system, enabling it to trim technical and commercial losses.
- Independent Regulator. Although Parliament approved the law creating an independent regulator for the energy sector in 2017 (a prior action), the Energy Regulatory Authority had not become operational by the program closing date in end-2018. The operationalization of the independent regulator is not an outcome target for the programmatic series, but the agency's status needs mentioning because its operationalization is a vital follow-up step to the prior action. The Program Document for DPF2 (page 24) had cited the need for "monitoring financial compliance with electricity tariffs" as a primary motivation for the creation of an independent regulator. The ICR (page 30) reports that the government has recently taken steps to develop a methodology for setting electricity tariffs, including of tariff adjustments and subsidies.

Rating
Substantial

5. Outcome

The objectives of the series were substantially relevant to the development priorities of Guinea and to the partnership strategy of the Bank Group in Guinea at program appraisal and closing. The program design, including the policy areas, prior actions, and expected results, was substantially consistent with the program objectives. The government achieved two of five the results targets (with a third substantially met) for the objective to enhance the delivery of key services to rural areas, four of the five results targets for the objective to strengthen fiscal management, and the two results targets for the objective to strengthen the operational performance of the power sector.

a. Outcome Rating

Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The risk to the sustainability of the development outcome is assessed as substantial.

Institutional Capacity Risk. Guinea is a fragile country with weak institutional capacity. Both operations had rated institutional capacity risk as substantial and warned that implementation of the programmatic series could be affected by a "lack of capacity at the central and local levels" (DPF1 PD, page 32 and DPF2 PD, page 35). While this series and other current and planned Bank operations in Guinea commonly emphasize capacity building, institutional capacity building is a long-term endeavor and the results will take time to materialize. This series also created new agencies in Guinea, the ANAFIC and the Energy Regulatory Authority, which have yet to become operational.

Macroeconomic Risk. The IMF's third review in July 2019 of the three-year ECF, approved in 2017, reported that Guinea's medium-term prospect was favorable, but that there were risks on the downside from: lower commodity prices, weaker demand for bauxite among aluminum producers, delays in mining projects, capacity and execution constraints in public investment, and slippages in governance.

Political Risk. Guinea faced adverse political developments during the implementation of this series in 2016-18. Social unrest, strikes, and protests marred 2018, although the strikes subsided in 2019. Going forward, shocks could arise from political and social uncertainties related to the presidential elections in 2020 (the last presidential election in 2015, where the current president won 52 percent of the vote in the second round, was a disputed contest).

COVID-19 Pandemic Risk. The COVID-19 outbreak in 2020, with its bleak health, economic, and social consequences worldwide, poses high risks to the sustainability of the development outcome achieved in this series. Learning from its experience with the Ebola outbreak in 2014-15, Guinea has quickly produced a National Emergency Preparedness and Response Plan for COVID-19, tentatively estimated at US$47.3 million, one third of which is expected to be financed by the Bank through its current health sector projects. As a result of this series, Guinea had hired 10,121 additional health workers and 15,312 additional teachers, or more than 20,000 additional health and education workers, meeting one of the targets originally set with DPF1 but dropped with DPF2. However, health spending remains at just about 1.2 percent of GDP for 2020 (excluding any additional spending related to COVID-19), short of the target of 4 percent of GDP originally set with DPF1 but dropped with DPF2.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

The quality at entry is assessed as moderately satisfactory.

The policy areas were underpinned by analytical work produced by the Bank for Guinea and for Sub-Saharan Africa, according to the PDs for DPF1 (page 33) and DPF2 (pages 57-58).

According to the ICR (page 22), policy dialogue on the reform areas was supported by technical assistance to Guinea, delivered through Bank and other development partner operations. On Enhancing the Delivery of Key Services to Rural Areas: (a) the Agricultural Support Project (approved in 2014); (b) the Third Village Community Project (2016); (c) European Union technical assistance for institutional reforms for road asset management. On Strengthening Fiscal Management: the Mineral Governance Support Project (2012). On Strengthening the Operational Performance of the Power Sector: the Power Sector Recovery Project (2014).

The program areas and prior actions were consistent with the structural reform programs supported by the IMF under: (a) the three-year ECF arrangement approved in 2012, and augmented in 2015, which aimed to "support higher growth, reduce poverty, and quickly reach the completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative; and (b) the three-year ECF arrangement approved in 2017, which aimed to "strengthen resilience, scale-up public investment in infrastructure while preserving stability, strengthen social safety nets, and promote private sector development."
The Bank identified risks to the implementation of the reform program (ICR, pp. 22-3) and advanced mitigation measures to address the risks as discussed below in Section 8a.

There were moderate deficiencies at entry.

- Two prior actions did not adequately consider political economy issues. Guinea was to raise the VAT rate to 20 percent. The rate in neighboring countries was 18 percent. There was no measure to compensate the poor and the vulnerable for eliminating the exemption on flour and edibles oils.
- One planned reform measure does not appear to have been fully vetted with the government. The importation of fertilizer by the private sector was listed in 2016 as a trigger for DPF2. The reform measure would be dropped and replaced in 2018 with an administrative framework for rural road management and a higher budget for rural roads as a prior action for DPF2.
- Certain reform measures were not aligned with the implementation capacity of the government. Operationalization of the ANAFIC and the Energy Regulatory Authority did not follow immediately from the passage of laws and issuance of decrees creating these new agencies.

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision
The Bank made adjustment to the series objectives, program areas, triggers and prior actions, and results indicators to reflect the results of the first operation, new macroeconomic developments, new political developments, and changes in the priorities of the government.

The Bank filed two Implementation Status and Results Reports (ISRs), the first in June 2017 and the second in June 2018, which rated the development outcome and the implementation performance to be moderately satisfactory. The ICR (page 33) reports that the finding and recommendations of the Bank were discussed at length with the government. The Bank also monitored macroeconomic developments in the country, including changes in fiscal and monetary policies, and progress with the ECF structural reform program. The ICR (page 33) reports that the Bank discussed these at length with the IMF.

There were moderate deficiencies with supervision. The Bank should have revised: (a) the VAT revenue target, after the national accounts was re-based; (b) the new teacher recruitment target, after the government imposed a hiring freeze to contain the wage bill and the fiscal deficit; and (c) the target for the number of mining companies participating in the EITI process, after verification of the status (active vs. inactive) of the companies.

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance
The government was committed to the reform measures supported by the programmatic series. In some cases, the government broadened reforms beyond the original plans. The government submitted amendments to the 2012 Procurement Law (a prior action) that were more comprehensive than originally designed. Moreover, following passage of the amendments, the government issued implementing decrees in 2019 and planned the implementation of additional reform measures in 2020 (see Section 4).

The government implemented the risk mitigation measures (see Section 7.A) recommended by the Bank at appraisal: (a) the government conducted dialogue with the energy and mining industries, according to the ICR (page 22); (b) the government completed the three-year IMF ECF (approved in 2012) in October 2016 and secured another IMF ECF in December 2017; (c) despite disagreements between the government and Veolia-Seureca over the implementation of the management contract for the EDG, the EDG achieved the program targets for the electricity bill collection rate and technical and commercial losses; (d) the government secured European Union technical assistance for institutional development related to roads management, according to the ICR (page 22); and (e) the government appointed the President of the Court of Audits and five auditors to the General Finance Inspectorate.

There were serious issues with the government's performance, however. The government reverted to the previous VAT rate of 18 percent and reinstated the exemptions on flour and edible oils, following protests from consumers and firms. The government attempted to compensate for the loss in potential revenue by extending coverage of the VAT to local firms that were not previously covered by the tax and by introducing new tax administration measures. VAT revenues rose nominally, but not enough to meet the results target. The ICR attributes the under-performance less to a shortcoming with program implementation than to a deficiency with program design (see Section 7).

The implementation of the performance management contract between the government and the private operator, Veolia-Seureca, for the management of the EDG was delayed and the terms of the contract was not well-understood by the parties. Disagreements were common over the division of responsibilities between the government and the operator under the contract. Although the results targets for enhancing the performance of the power sector were met (see Section 4), the implementation of the management improvement plan was slow, according to the ICR (page 22). Moreover, delays with government decisions on key aspects of the power sector reform program affected the operational performance of the EDG.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

The Ministry of Economy and Finance (MEF) was the implementing agency for the series. Other ministries were also responsible for completing the prior actions, either by themselves or in coordination with the MEF, and delivered results as planned: the Ministry of Civil Services, for the recruitment and selection of new government health workers and teachers; the Ministries of Mines and Geology, Decentralization, and Budget, for the issuance of decrees operationalizing the FNDL and improving the governance of FODELs; the Ministry of Mines, for the EITI Report; Ministry of the Budget, for the VAT reform measures; and, the Ministry of Energy and Hydraulics for the performance management contract with a private operator for the management of the EDG.

According to the ICR (page 34), the MEF ably coordinated the program activities, while the other agencies collaborated well with the MEF, including by supporting the MEF's M&E function.

Implementing Agency Performance Rating

Moderately Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The DPF1 PD (pages 34-35) defined 10 results indicators. Following the revision of the series objectives and program areas, the DPF2 PD (pages 36-38) dropped three indicators, substantially revised two, and added five. The final list consisted of 12 results indicators (see Section 4). However, some changes were missed with the revision: the target for VAT revenues (on imports) as a percentage of GDP did not reflect the revision of Guinea's GDP series; the target for additional teachers did not consider the hiring freeze in 2018; and, the number of mining companies participating in the EITI process did not reflect the number of inactive companies (see Section 7.B).

Otherwise, the results indicators were clearly defined, were measurable, and reflected the results of the government's prior and other actions in pursuit of the program development objectives. However, some targeted results were nearly the same as the relevant prior action; for example, a prior action called for increase in the number government paid health workers outside Conakry by at least eighty (80) percent and teachers in rural areas by at least fifteen (15) percent, while the targeted results are above 8,025 health workers (83 percent increase) and 16,540 teachers (16 percent increase).

The MEF was to be responsible for the M&E of the series, drawing data and information from the Ministries of the Budget, Health and Public Hygiene, Civil Services, Agriculture, Mines and Geology, Energy and Hydraulics, and the BCRG.

b. M&E Implementation

The Technical Monitoring Unit of Programs of the MEF implemented the M&E plan for the series. The MEF had been an implementing agency for previous Bank operations in Guinea, with responsibilities for M&E, and the experience was valuable for this series, according to the ICR (page 23). The MEF received and discussed the findings and recommendations of two Bank ISRs prepared in 2017 and 2018. The MEF also collected data and information for the Bank's ICR mission in 2019.

c. M&E Utilization

According to the ICR (page 23), the M&E data were useful for the institutional and structural reform dialogue between the Bank and the government.

Many of the M&E data from the series --- the number of health and education staff in the rural areas, kilometers of rural roads rehabilitated, number and amount of FNDL transfers to municipalities ---

have since been integrated into government performance reporting frameworks.

The ICR (page 24) also states that, among agencies reporting M&E data to the MEF, the EDG has improved its data collection and reporting capacity for various technical, commercial, and financial information relevant to its operations. The EDG data are reportedly useful in tracking progress toward the government's reforms plans for the energy and electricity sector.

M&E Quality Rating
Substantial

10. Other Issues

a. Environmental and Social Effects

Environmental Effects: The DPF1 PD (page 29) and DPF2 PD (pages 31-32) stated that most activities supported by the series were not expected to have any adverse environmental effects. Rather, the effects would be positive: (a) improving the health and education systems would lead to better sanitary practices, with positive environmental externalities; (b) adherence to EITI standards would lead to greater scrutiny of environmental risks in mining; (c) better management of natural resources would yield positive dividends for the environment. The ICR does not discuss the environmental effects of the program.

Social Effects: The PD for DPF1 (pages 28-29) and DPF2 (pages 30-31) argued that reforms supported by the series would have significant poverty and social impacts: (a) increasing the provision of quality health and personal care services and enhancing access by the poor to these services would promote poverty reduction and social development; (b) in particular, the poor, who were disproportionately the victims of the Ebola outbreak, would benefit from better health services; (c) rehabilitation of rural roads would facilitate access to markets and improve living conditions in rural areas, where poverty rates were twice those in urban centers; (d) having an FNDL would channel more resources to municipal infrastructure projects, helping reduce spatial disparities in development; (e) improving the governance of FODELs would improve the use of FODEL resources for local development; (f) improving fiscal management would help increase domestic revenue and create fiscal space for social spending; (g) increasing access to electricity would improve social welfare; and, (h) enhancing the financial sustainability the energy sector would rationalize energy subsidies and create fiscal space for pro-poor spending. The ICR (page 31) reiterates these points in discussing the poverty and social impact of the program. Additionally, the ICR (page 21) comments that the government was correct to assert that impact of the VAT measures on the poor and vulnerable would have been considerable without any plans to compensate them with higher safety net spending. The PD for DPF1 (page 28) had said that the increase in the VAT rate would not have a strong adverse impact on the poor --- 90 percent of the VAT was paid by 10 percent of the population (i.e. the affluent and middle class, while the poor consumed rice, and unprocessed agricultural products that were exempt from the VAT). The ICR does not discuss the environmental effects of the program.

b. Fiduciary Compliance

Financial Management: The DPF1 PD (page 30-31) and DPF2 PD (pages 32-33) concluded that although fiduciary risk in Guinea was high, the government's commitment to, and the early results of, a public financial management (PFM) reform strategy provided a sufficient basis for the programmatic series. The two operations would follow standard Bank procedures for development financing operations, with the proceeds of the IDA credit deposited into a dedicated account at the BCRG, converted into a local currency account of the government at the central bank, and made available in the government budget system to finance eligible budget expenditures, with the expenditures subject to audit by external auditors acceptable to the Bank. The ICR does not cite any financial management issues with the series.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

Three lessons are drawn from the ICR (pages 34-35), with some adaptation.

A reform program could benefit from political economy assessments of difficult reform measures. In this series, the government reversed a prior action for the first operation, lowering the VAT rate back to 18 percent from a target 20 percent after consumers and firms mounted large demonstrations against the VAT reform measures, a public response that was not flagged in discussions of risk at appraisal. The public also objected to the exclusion of flour and edible oils from the VAT exemption list. Additionally, an original trigger to the second operation, increasing the participation of the private sector in fertilizer importation, was dropped and replaced by a substitute prior action, improving the management of, and raising funding for, rural roads, after the original trigger gained little political support as DPF2 was prepared.

Technical assistance to fragile countries with weak institutional capacity could make the difference between success or failure in implementing reform measures. In this series, the government performed better with reforms to the FNDL than with reforms to the FODEL systems. The Third Village Community Support Project and the Support for Local Governance Project delivered crucial technical assistance inputs aimed at building the capacity of municipal governments to access and utilize FNDL funds. No similar technical assistance or complementary investment project was delivered to help build the institutional capacity of prefecture or municipal governments to plan or manage FODEL projects. The technical assistance was even more crucial for the FODEL, as prefectures and municipalities had to prove compliance with EITI standards to tap FODEL resources.

Implementation timetables for reform plans have to be better aligned with electoral schedules or have contingency plans if electoral schedules were disrupted. In this series, implementation of reforms to the FODEL system stalled after local government elections were delayed for more than a year. CAGF units required membership from local governments, and FODEL operations required the training of local government officials. Neither step could proceed until local elections were completed and new local governments were installed after a lengthy delay.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a reliably comprehensive record for a series for which the program development objectives, program areas, prior actions and triggers, and results indicators changed in various ways from the first to the second operation. The document's Table 2 (pages 14-15) on the original and revised PDO and indicators, Table 3 (pages 17-18) on changes to the prior actions and triggers, and Table 5 (pages 19-20) on the original and revised PDO, pillars, and prior actions provide a systematic summary of the original and final design and structure of the programmatic series.

The ICR provides a candid assessment of the results of the series. The introduction of new tax and tax administration measures failed to compensate for the reversion of the VAT rate to 18 percent. No municipality had an adequate governance framework for managing FODEL resources. Guinea's OHADA law, part of a region-wide legal framework, did not provide for enforcement mechanism for corporate transparency standards. ANAFIC and the Energy Regulatory Authority had not become operational.

The ICR introduces and addresses the question of sustainability of the program results (see Section 4). For example, the ICR: (a) identifies the retention of newly-hired government health workers and teachers in the rural areas as a sustainability issue in the rural health and education programs; (b) cites the potential contribution of the Third Village Community Support Project and the Support for Local Governance Project to capacity building in prefecture and municipal governments, hopefully helping reinforce early gains made with the FNDL operations; and, (c) lists additional actions made or planned by the government to further enhance SOE transparency, including by mandating the inclusion of audits in SOE reports.

a. Quality of ICR Rating

Substantial