



The World Bank

Guinea First Fiscal Management, Competitiveness, and Energy Reform DPF (P166322)

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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A

PROPOSED DEVELOPMENT POLICY CREDIT

IN THE AMOUNT OF SDR 66.1 MILLION (US\$90.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GUINEA

FOR THE

GUINEA FIRST FISCAL MANAGEMENT, COMPETITIVENESS, AND ENERGY REFORM
DEVELOPMENT POLICY FINANCING

November 5, 2019

Macroeconomics, Trade and Investment Global Practice
Africa Region

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REPUBLIC OF GUINEA - GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 30, 2019)

Currency Unit = Guinean Francs (GNF)

US\$1 = GNF 9.187

US\$1 – SDR 0.73350889

ABBREVIATIONS AND ACRONYMS

| | |
|---------|--|
| AfDB | African Development Bank |
| ABP | Annual Borrowing Plan |
| AFD | French Development Agency (<i>Agence Française de Développement</i>) |
| ANPROCA | National Agency for Rural Promotion and Agricultural Council (<i>Agence Nationale de la Promotion Rurale et du Conseil Agricole</i>) |
| BCRG | Central Bank of the Republic of Guinea (<i>Banque Centrale de la République de Guinée</i>) |
| BGEEE | Bureau of Environmental Studies and Assessment (<i>Bureau Guinéen d'Études et d'Évaluation Environnementale</i>) |
| CAFEX | Export Administrative Support Center |
| CNDP | National Public Debt Committee |
| CPF | Country Partnership Framework |
| DeMPA | Debt Management Performance Assessment Tool |
| DGD | Directorate-General of Customs (<i>Direction Générale des Douanes</i>) |
| DNDAPD | National Directorate of Debt and Public Aid for Development (<i>Direction Nationale de la Dette et de l'Aide Publique au Développement</i>) |
| DNI | National Directorate of Taxes (<i>Direction Nationale des Impôts</i>) |
| DNMP | National Directorate of Public Procurement (<i>Direction Nationale des Marchés Publics</i>) |
| DNPEIP | Directorate of State Property and Private Investment at MEF (<i>Direction Nationale du Patrimoine de l'État et des Investissements Privés</i>) |
| DPF | Development Policy Financing |
| DSA | Debt Sustainability Analysis |
| ECF | Extended Credit Facility |
| ECOWAS | Economic Community of West African States |
| EDG | Public Electricity Utility (<i>Electricité de Guinée</i>) |
| EPA | Public Administrative Establishments (<i>Etablissement Public Administratif</i>) |
| ESMAP | Energy Sector Management Assistance Program |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FER | Road Maintenance Fund (<i>Fonds d'Entretien Routier</i>) |
| FNDL | National Fund for Local Development (<i>Fonds National de Développement Local</i>) |
| FY | Fiscal Year |

| | |
|--------|---|
| GDP | Gross Domestic Product |
| GNF | Guinean Franc (<i>Franc Guinéen</i>) |
| GRS | Grievance Redress Service |
| GUFCH | Single Window for Land Registration and Construction Permits (<i>Guichet Unique du Foncier de la Construction et de l'Habitation</i>) |
| HIPC | Heavily Indebted Poor Countries |
| IDA | International Development Association |
| IGF | General Finance Inspectorate (<i>Inspection Générale des Finances</i>) |
| IMF | International Monetary Fund |
| IsDB | Islamic Development Bank |
| kWh | Kilowatt Hour |
| MTDS | Medium-term Debt Strategy |
| MEF | Ministry of Economy and Finance (<i>Ministère de l'Economie et des Finances</i>) |
| ME | Ministry of Energy (<i>Ministère de l'Energie</i>) |
| MIP | Management Improvement Plan |
| MSC | Management Service Contract |
| MW | Megawatt |
| NCB | Non-concessional Borrowing |
| PDO | Program Development Objective |
| PEFA | Public Expenditure and Financial Accountability |
| PER | Public Expenditure Review |
| PFM | Public Financial Management |
| PNDES | Plan for Economic and Social Development (<i>Plan National de Développement Économique et Social</i>) |
| PPG | Public and Publicly Guaranteed |
| PPMP | Pest and Pesticides Management Plan |
| PPP | Public-private Partnership |
| PREFIP | Plan for the Reform of Public Finances (<i>Plan de Réforme des finances Publiques</i>) |
| PSIA | Poverty and Social Impact Analysis |
| PV | Present Value |
| REER | Real Effective Exchange Rate |
| SCD | Systematic Country Diagnostic |
| SDR | Special Drawing Rights |
| SME | Small and Medium Enterprise |
| SOEs | State-Owned Enterprises |
| TA | Technical Assistance |
| TCT | Tax on Telecommunications Consumption |
| VAT | Value-added Tax |
| WBG | World Bank Group |

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REPUBLIC OF GUINEA

**FIRST COMPETITIVENESS, ENERGY, AND FISCAL MANAGEMENT REFORM
DEVELOPMENT POLICY OPERATION**

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

| | | |
|------------|--------------|-------------------------------------|
| Project ID | Programmatic | If programmatic, position in series |
| P166322 | Yes | 1st in a series of 2 |

Proposed Development Objective(s)

The Program Development Objectives and pillars of the DPF series are: (i) strengthening fiscal management; (ii) enhancing the institutional and regulatory framework to promote competitiveness; and (iii) improving the financial performance of the energy sector.

Organizations

Borrower: MINISTRY OF ECONOMY AND FINANCE

Implementing Agency: MINISTRY OF ECONOMY AND FINANCE

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

| | |
|------------------------|--------------|
| Total Financing | 90.00 |
|------------------------|--------------|

DETAILS

| | |
|---|-------|
| International Development Association (IDA) | 90.00 |
| IDA Credit | 90.00 |

INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating



Results

| Indicator Name | | Baseline (2018) | Target (2021) |
|--|--|-------------------------|---------------|
| Pillar 1: Strengthening Fiscal Management | | | |
| 1 | Percentage of active SOEs with published financial information available on internet | 0 | 100 |
| 2 | Excise tax revenue collected (% of GDP) | 0.13 | 0.34 |
| 3 | Annual report to the Parliament detailing (i) progress towards MTDS targets and (ii) consistency of the debt operations with ABP (annual borrowing plan) and purposes of borrowing | No | Yes |
| Pillar 2: Enhancing Institutional and Regulatory Framework to Promote Competitiveness | | | |
| 4 | Number of smallholders (less than 5 hectares) receiving agricultural input subsidies through the e-voucher system | 2,900 | 20,000 |
| 5 | Roads maintained per year (km) | 313 | 450 |
| 6 | Time to settle commercial dispute (days) | 311 | 180 |
| 7 | Time to import – documentary compliance (hours) | 156 | 90 |
| 8 | Time to register property (days) | 44 | 22 |
| 9 | Time to deal with construction permits (days) | 151 | 90 |
| Pillar 3: Improving the Financial Performance of the Energy Sector | | | |
| 10 | Integrated Management System to support the board of directors and management | No | Yes |
| 11 | Electricity subsidies per kWh invoiced in the year (GNF/kWh) | 1,081 (US ¢ 12 /kWh) | 850 |
| 12 | Public Sector Collection Rates for Electricity (%) | 53 | 90 |



IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT TO THE REPUBLIC OF GUINEA

1. INTRODUCTION AND COUNTRY CONTEXT

1. The proposed operation is the first in a programmatic series of Development Policy Financing (DPF) operations. The amount for this operation is SDR 66.1 million (US\$90 million equivalent) on IDA credit terms. It will support reforms undertaken by the Government of Guinea under three pillars: (i) strengthening fiscal management; (ii) enhancing the institutional and regulatory framework to promote competitiveness; and (iii) improving the financial performance of the energy sector. Reforms in these areas are critical to attract private investment in non-mining sectors, which will help diversify the economy. Moreover, they build upon the reform program supported in the previous DPF series, especially in the areas of fiscal management and energy sector reforms.¹ The DPF series is aligned with the Guinea's National Plan for Economic and Social Development (*Plan National de Développement Économique et Social*, PNDES) for 2016-2020.

2. Endowed with considerable natural resources, Guinea is one of the poorest countries in the world.² According to the most recent national poverty survey done in 2012, about 55 percent of the population is poor and about 35 percent is extremely poor. While poverty had increased with the Ebola outbreak in 2014-2015, the recent economic acceleration may have helped reverse this trend. Guinea's Human Capital Index (HCI) is 0.37 in 2018, below the average for Sub-Saharan Africa (0.4), reflecting poor education and health outcomes.³ Only 31 percent of adults (15+ years) are literate. Maternal mortality is among the highest in Sub-Saharan Africa at 679 maternal deaths per 100,000 live births. Access to basic services is low, with a small share of the population having electricity (28 percent) and sanitation (20 percent). Although income inequality is low, gender gaps are widespread across all dimensions, with a substantial divide in school enrollment, wages, agricultural productivity, and political representation.⁴

3. Growth has been strong in recent years, but Guinea faces structural challenges to make it more inclusive. Following a period of modest growth of about 4 percent between 2013-2015 as the economy struggled with Ebola and a downturn in commodity prices, growth accelerated to 10.8 percent and 10.0 percent in 2016 and 2017, respectively. It slowed down to 5.8 percent in 2018 as the mining boom receded. The PNDES aims to support sound macroeconomic policies and foster private sector development. Strengthening fiscal management is critical to mitigate vulnerabilities related to commodity prices shocks, debt management, weak governance, and infrastructure bottlenecks. Advancing private sector structural reforms will help with export diversification and improving the business climate. Rural roads are in a dilapidated condition, preventing market access for farmers. Access to electricity is very low particularly in rural areas (3 percent), and power outages are common. Improving the performance of the public electricity utility is pivotal to reduce electricity subsidies, free up fiscal resources, and improve the competitiveness of the economy.

¹ See section 4.1 for a summary of results achieved under the previous DPF series.

² This includes iron ore, bauxite, gold and diamonds as well as substantial hydro-power and agriculture potential.

³ This means that a child born in Guinea today will be 37 percent as productive when she grows up as she could have been had she enjoyed complete education and full health.

⁴ World Bank. 2019. The Benefits of a Gender Inclusive Society in Guinea. World Bank: Washington, DC.



4. The proposed DPF series is organized around three interrelated pillars. These pillars, which are consistent with the priorities highlighted in the 2018 Systematic Country Diagnostic (SCD) and the FY18-FY23 Country Partnership Framework (CPF) for Guinea, are:

- **Pillar 1: Strengthening Fiscal Management.** Guinea's tax collection [12.4 percent of gross domestic product (GDP) in 2018] is low and declining. This limits the fiscal space available to finance the large development needs of the country. The PNDES envisions scaling-up public investment in infrastructure. Enhancing debt management and transparency would be necessary to maintain debt sustainability while making productive investments to accelerate growth. Weak governance of state-owned enterprises (SOEs) and public establishments undermines fiscal management and the delivery of public goods. This pillar aims to improve tax administration and tax policy regarding excise taxes, enhance debt management while reducing the stock of non-marketable securities; and better transparency of the financial performance of SOEs. The previous DPF series in Guinea included measures to improve fiscal management in the areas of SOEs oversight and tax administration.
- **Pillar 2: Enhancing Institutional and Regulatory Framework to Promote Competitiveness.** Agriculture suffers from very low productivity due to low use of modern inputs, undeveloped value chains, and the poor quality of the rural road network. Agribusiness is embryonic with very few private operators. More broadly, an inadequate business environment, including weak investor protection and obstacles, limits the development of the private sector. Investors face regulatory uncertainty and high costs in their dealings with the Government. The policy and institutional reforms in this pillar will enhance access to modern agricultural inputs and the business environment for private operators with new mechanisms to resolve business disputes, simplified trade facilitation services for border crossing, and simplified registration for land and construction permits. It will also improve road asset management to promote better execution of the budget for road maintenance.
- **Pillar 3: Improving the Financial Performance of the Energy Sector.** The public electricity utility (*Electricité de Guinée*, EDG) requires large subsidies to operate and provides electricity services with limited coverage and reliability. The proposed reforms will contribute towards better corporate governance, the payment of net-arrears from the state to EDG, and the adoption of a tariff setting methodology for electricity services. Improving the performance of EDG would enhance electricity access and potentially create fiscal space for other development priorities. The goal is to reduce fiscal risks associated with the electricity company and attract private investors to electricity generation. The reforms in this pillar build upon the policy actions included in the previous DPF series in Guinea.

5. The macroeconomic policy framework is adequate for the proposed operation. The medium-term growth outlook is positive with growth prospects of about 6 percent over 2019-2022, driven by mining, agriculture and services. Guinea's macroeconomic framework is supported by an Extended Credit Facility (ECF) program with the International Monetary Fund (IMF) during 2017-2020. The third review under the IMF ECF was discussed by the IMF Board on July 26, 2019. The commitment to the IMF ECF program bodes well for maintaining adequate macroeconomic policies and creating fiscal space while maintaining debt sustainability. The Joint World Bank-IMF Debt Sustainability Analysis (DSA) of June 2019



concluded that public debt is sustainable, and the risk of external debt and overall public debt distress remain moderate. Mounting tensions over the upcoming legislative elections and ongoing consultations for the amendment of the constitution could distract the attention to implement sound policies.

2. MACROECONOMIC POLICY FRAMEWORK

2.1 RECENT ECONOMIC DEVELOPMENTS

6. Growth slowed in 2018 but remained robust at 6.2 percent (3.5 percent in per capita terms), driven by continued mining sector growth and high levels of foreign direct investment (FDI). Mining had grown by 48.4 percent in 2016 and 55.5 percent in 2017, driven by a rebound in FDI following the 2014-2015 Ebola and commodity prices shocks. Although FDI remained strong in 2018, mining sector growth slowed to 8.7 percent, due to decline in artisanal gold production. Non-mining growth, however, increased to 5.7 percent due to strong infrastructure investment and energy production. On the demand side, private consumption and strong investment growth drove GDP growth.

Table 1. GDP Growth, Demand and Supply Side

| Annual percentage change | 2016 | 2017 | 2018 | 2019 Est. | 2020 | 2021 | 2022 |
|--------------------------|-------|-------|------|-----------|-------------|------|------|
| | | | | | Projections | | |
| GDP Growth | 10.8 | 10.3 | 6.2 | 6.2 | 6.3 | 5.8 | 5.3 |
| Demand Side | | | | | | | |
| Private Consumption | 4.7 | 2.9 | 3.5 | 5.0 | 4.9 | 4.1 | 3.7 |
| Public Consumption | 0.5 | 31.9 | -7.4 | 3.5 | 2.6 | 9.0 | 6.9 |
| Investment | 137.0 | -43.0 | 46.0 | 14.1 | 1.5 | -2.8 | -0.4 |
| Exports | 24.9 | 67.5 | 6.9 | 3.5 | 12.0 | 6.1 | 2.5 |
| Imports | 65.2 | -6.4 | 19.4 | 7.0 | 5.0 | 0.8 | -0.2 |
| Supply Side | | | | | | | |
| Agriculture | 6.0 | 5.2 | 3.1 | 3.4 | 3.5 | 3.6 | 3.6 |
| Industry | 21.5 | 23.8 | 9.5 | 6.1 | 8.5 | 7.3 | 7.5 |
| Services | 5.2 | 9.8 | 2.0 | 6.6 | 5.0 | 5.9 | 4.2 |

Source: World Bank estimates and projections as of October 2019.

7. Inflation increased in 2018, driven by adjustments to fuel prices, electricity tariffs and public-sector wages. Inflation increased from 8.9 percent in 2017 to 9.8 percent in 2018. In the previous three years, a sustained increase in food prices was the main underlying driver of inflation. In contrast, in 2018, the economy witnessed one-off upward inflationary pressures from hikes in government-regulated fuel prices (by 25 percent) and electricity tariffs (by 25 percent for professional users and 10 percent for households). Moreover, a 40 percent rise in public sector salaries also put pressure on the inflation rate. The goal of the Central Bank (*Banque Centrale de la République de Guinée*, BCRG) is to maintain inflation in single digits by targeting base money. To support such policy, it maintained a high reserve requirement of 16 percent and kept its refinancing rate at 12.5 percent in 2018. BCRG advances to the central government is limited to no more than 5 percent of average fiscal revenues.

8. International reserves increased largely due to strong FDI inflows in the context of a rising external account deficit. After having grown by 35.6 and 68.7 percent in 2016 and 2017, respectively, exports of goods contracted by 4.3 percent in 2018, reflecting a decline in mining exports driven by lower artisanal gold production (as the Government restricted chemical use). Imports of goods increased by 18.3 percent led by intermediate and capital goods. Overall, the external current account



deficit, including grants, increased substantially from 6.7 percent of GDP in 2017 to 17.9 percent in 2018 in line with the historical average. FDI flows continued to be the main source of external financing, equivalent to 12.9 percent of GDP. Despite the deterioration in the current account deficit, international reserves improved from 2.5 in 2017 to 3.3 months of imports in 2018, as FDI inflows increased and the BCRG pursued a more active reserve accumulation strategy, including through a foreign exchange purchase program.

Table 2. Guinea's Key Macroeconomic Indicators

| | 2016 | 2017 | 2018 Prel | 2019 Est. | 2020 | 2021 Projections | 2022 |
|---|--------|--------|--------------|--------------|---------|---------------------|---------|
| <i>Annual percentage change, unless otherwise indicated</i> | | | | | | | |
| National Accounts and Prices | | | | | | | |
| GDP at constant prices | 10.8 | 10.3 | 6.2 | 6.2 | 6.3 | 5.8 | 5.3 |
| Mining | 48.4 | 55.5 | 8.7 | 11.5 | 10.3 | 10.2 | 7.3 |
| Non-mining | 7.1 | 4.1 | 5.7 | 5.1 | 5.4 | 4.8 | 4.9 |
| Exports (US\$ terms) | 35.6 | 68.7 | -4.3 | 6.9 | 15.1 | 6.4 | 9.3 |
| Imports (US\$ terms) | 102.1 | -6.6 | 18.3 | -3.6 | 33.6 | -7.6 | 3.9 |
| GDP deflator | 5.7 | 10.4 | 10.0 | 8.8 | 8.2 | 8.1 | 8.0 |
| Consumer prices (average) | 8.2 | 8.9 | 9.8 | 8.9 | 8.3 | 8.0 | 7.9 |
| Selected Monetary Accounts | | | | | | | |
| Banks' credit to the government | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 |
| Banks' credit to private sector | 7.2 | 2.3 | 15.2 | 24.1 | 7.1 | 21.0 | 19.6 |
| Broad money (M2) | 9.9 | 15.8 | 10.2 | 19.8 | 0.7 | 13.4 | 13.6 |
| <i>Percent of GDP, unless otherwise indicated</i> | | | | | | | |
| Fiscal Accounts | | | | | | | |
| Total revenue and grants | 16.0 | 15.3 | 14.5 | 15.5 | 15.0 | 15.6 | 16.0 |
| Total expenditure and net lending | 16.1 | 17.3 | 15.6 | 17.3 | 18.3 | 19.5 | 19.2 |
| Overall fiscal balance (with grants) | -0.1 | -2.1 | -1.1 | -1.8 | -3.3 | -3.9 | -3.3 |
| Basic fiscal balance ² | -0.7 | -1.1 | 0.8 | 0.5 | 0.6 | 0.9 | 0.9 |
| Total public debt | 42.5 | 39.5 | 37.4 | 39.7 | 45.4 | 45.3 | 44.6 |
| External Sector | | | | | | | |
| Current account balance | -31.9 | -6.7 | -17.9 | -15.2 | -22.7 | -15.4 | -13.5 |
| Foreign direct investment | 18.5 | 12.6 | 12.9 | 8.9 | 12.7 | 10.6 | 9.8 |
| Gross reserves (US\$ millions, EOP*) | 584 | 686 | 945 | 1,158 | 1,246 | 1,387 | 1,554 |
| In months of next year's imports) | 2.4 | 2.5 | 3.3 | 3.7 | 3.8 | 3.9 | 4.0 |
| Terms of trade (percentage change) | 34.2 | -6.8 | -0.4 | -14.9 | 5.9 | 5.4 | 8.6 |
| LCU per US dollar (avg.) | 8,959 | 9,088 | 9,011 | ... | ... | ... | ... |
| External public debt | 21.8 | 19.3 | 18.9 | 24.1 | 31.2 | 33.5 | 34.3 |
| Nominal GDP | | | | | | | |
| in GNF billion | 77,086 | 93,942 | 109,761 | 126,860 | 145,951 | 167,041 | 189,961 |
| in US\$ million | 8,604 | 10,337 | 12,181 | 13,493 | 14,574 | 15,732 | 16,894 |

Source: National Authorities and World Bank and IMF estimates and projections as of October 2019.

¹ As a percent of the broad money stock at the beginning of the period.

² Total revenue excluding grants minus expenditure excluding interest on external debt and foreign-financed investment.



9. The Central Bank is committed to implementing a rules-based foreign exchange intervention strategy, which should further increase exchange rate flexibility.⁵ Guinea has maintained a flexible exchange rate regime, and the BCRG is finalizing a rule-based intervention strategy to further reduce discretionary interventions in the foreign exchange market. In 2018, the Guinean franc depreciated by 6.7 percent vis-à-vis the US Dollar and appreciated by 3.4 percent vis-à-vis the Euro and CFAF. The real effective exchange rate (REER) appreciated by 4.9 percent in 2017 and 7.2 percent in 2018 because of the mild increase in the inflation rate. Overall, the REER was overvalued by 16-31 percent, at end-2018 according to the IMF, which hampers external competitiveness.

10. The fiscal position improved in 2018. The basic fiscal balance, the main fiscal indicator of the IMF's ECF program, improved from a deficit of 1.1 percent of GDP in 2017 to a surplus of 0.8 percent in 2018.⁶ Similarly, the overall fiscal deficit (including grants) declined from 2.1 percent of GDP in 2017 to 1.1 percent in 2018. Domestic arrears of 0.2 percent of GDP (on a net basis) were accumulated at end-2018. These fiscal outcomes were the results of measures to raise revenue and contain spending. To compensate for the 40 percent salary increase in 2018 and to improve the fiscal deficit, the Government implemented (i) an increase of 25 percent in the regulated price of petroleum products; (ii) tax administration and tax policy measures to mobilize additional revenues; (iii) a rise in electricity tariffs; (iv) a limitation of public sector recruitment and promotions;⁷ and (v) the re-phasing of non-priority, domestically-financed public investments. Nonetheless, tax revenues declined by 0.8 percent of GDP in 2018 with mining tax revenue increasing by 0.3 percent of GDP. On the expenditure side, capital outlays declined by 0.8 percent of GDP. An exceptional transfer of 0.4 percent of GDP from the Regulatory Agency for Post and Telecommunication supported the fiscal position. The deficit was financed by a combination of external borrowing (concessional and non-concessional) and borrowing from commercial banks.

11. The external public debt ratio declined slightly in 2018 owing to strong nominal GDP growth. Total public and publicly guaranteed (PPG) external debt decreased from 19.3 percent of GDP in 2017 to 18.9 percent in 2018. About 54 percent of external debt is due to official bilateral creditors, mostly to non-Paris Club creditors, while 43 percent is owed to multilateral creditors. Since Guinea reached the completion point of the Heavily Indebted Poor Countries (HIPC) initiative in 2012, external borrowing has been largely used to finance infrastructure investment in the energy and transport sectors.

⁵ A draft rule-based intervention strategy was prepared by the BCRG and shared with IMF staff. The strategy is expected to be finalized by end-December 2019. The rule is expected to limit discretion interventions and support greater exchange rate flexibility. In this respect, the authorities finalized a weekly foreign exchange liquidity forecast in December 2018 to improve the predictability of market supply and demand conditions.

⁶ The basic fiscal balance excludes interest payments on external debt and foreign-financed investments.

⁷ To control the wage bill, the authorities have also conducted a biometric census, covering already 91,095 individuals—pensioners (56,074), civil servants (24,327), and contractual employees (10,694). This first census detected discrepancies with civil servants' database (reflecting ghost and deceased workers) and they are currently conducting a new census to further clean up irregular cases. Government is establishing a permanent system to monitor staff and ensure the enforcement of organizational laws and regulations. With the support of the World Bank, the authorities putted in public work places 120 machines to monitor the work data of civil servants to discourage fraud. Thanks to this, about 2,800 ghost workers have been identified. Furthermore, 150 additional machines have been installed at end-April 2019.

**Table 3. Guinea's Main Fiscal Indicators, 2016 – 2022, Percent of GDP**

| | 2016 | 2017 | 2018 | 2019 Est. | 2020 | 2021 | 2022 |
|---|------|------|------|--------------|-------------|------|------|
| | | | | | Projections | | |
| Total revenue and grants | 16.0 | 15.3 | 14.5 | 15.5 | 15.0 | 15.6 | 16.0 |
| Revenue | 14.8 | 13.7 | 13.1 | 14.4 | 14.0 | 14.6 | 15.1 |
| Tax revenue | 14.2 | 13.2 | 12.4 | 13.1 | 13.4 | 13.8 | 14.2 |
| Mining sector | 2.2 | 2.3 | 2.6 | 2.5 | 2.5 | 2.6 | 2.7 |
| Direct taxes | 2.5 | 2.4 | 2.1 | 2.5 | 2.6 | 2.7 | 2.8 |
| Indirect taxes | 9.6 | 8.6 | 7.7 | 8.1 | 8.3 | 8.5 | 8.8 |
| Taxes on goods and services | 6.9 | 5.8 | 5.3 | 5.8 | 6.0 | 6.1 | 6.2 |
| Taxes on international trade | 2.6 | 2.8 | 2.3 | 2.4 | 2.4 | 2.5 | 2.6 |
| Non-tax revenue | 0.6 | 0.5 | 0.7 | 1.3 | 0.6 | 0.8 | 0.9 |
| Grants | 1.2 | 1.5 | 1.4 | 1.1 | 1.0 | 1.0 | 0.8 |
| Expenditures and net lending | 16.1 | 17.3 | 15.6 | 17.3 | 18.3 | 19.5 | 19.2 |
| Current expenditures | 11.3 | 11.5 | 10.6 | 11.2 | 11.4 | 11.5 | 11.4 |
| Wages and salaries | 3.8 | 3.6 | 3.8 | 3.5 | 3.5 | 3.5 | 3.5 |
| Goods and services | 3.5 | 3.6 | 3.1 | 3.3 | 3.4 | 3.4 | 3.4 |
| Subsides and transfers | 2.9 | 3.3 | 2.9 | 3.6 | 3.7 | 3.6 | 3.5 |
| Of which EDG | 0.5 | ... | 0.8 | 1.7 | 1.6 | 1.3 | 1.0 |
| Interest on debt | 1.1 | 0.9 | 0.8 | 0.8 | 0.8 | 1.0 | 1.0 |
| Capital expenditure | 4.8 | 5.7 | 4.9 | 6.0 | 6.8 | 7.9 | 7.7 |
| Domestically financed | 4.4 | 3.4 | 1.9 | 2.8 | 2.1 | 2.4 | 3.0 |
| Externally financed | 0.4 | 2.3 | 3.0 | 3.2 | 4.7 | 5.6 | 4.7 |
| Basic fiscal balance¹ | -0.7 | -1.1 | 0.8 | 0.5 | 0.6 | 0.9 | 0.9 |
| Overall fiscal balance | | | | | | | |
| Excluding grants | -1.4 | -3.6 | -2.5 | -2.9 | -4.3 | -4.9 | -4.1 |
| Including grants | -0.1 | -2.1 | -1.1 | -1.8 | -3.3 | -3.9 | -3.3 |
| Financing | 0.1 | 2.1 | 0.4 | 1.8 | 3.3 | 3.9 | 3.3 |
| Domestic Financing | 0.4 | 1.2 | -1.5 | -1.3 | -0.4 | -0.8 | -0.5 |
| External Financing | -0.3 | 0.9 | 2.0 | 3.1 | 3.7 | 4.7 | 3.8 |

Source: National Authorities and World Bank and IMF estimates and projections as of September 2019.

¹ Total revenue excluding grants minus expenditure excluding interest on external debt and foreign-financed investment.

12. Financial soundness indicators have worsened in the last year, but the financial sector remains resilient. The ratio of Tier 1 Capital to Risk-Weighted Assets declined from 17.4 percent at end-2017 to 15.6 percent at end-2018. Private sector credit growth accelerated to 15.2 percent in 2018, supported by improved liquidity conditions of banks. Commercial bank lending to government increased by 35.5 percent because borrowing from the BCRG was contained. Deposits growth reached 14.2 percent in 2018, improving bank liquidity. In this context, the BCRG has continued its efforts to strengthen banking supervision, mainly by improving financial reporting requirements and strengthening the rating methodology of banks. In addition, in December 2017, the BCRG established a new credit registry, which is expected to enable creditors to better evaluate the creditworthiness of potential borrowers. The number of entries in the credit registry is still very small (0.1 percent of the adult population at end-2018).

**Table 4. Guinea: Structure of External Public and Publicly Guaranteed Debt**

| | end-2017 | end-2018 | | |
|-------------------------------------|-----------------|-----------------|--------------|-------------|
| | US\$ (millions) | US\$ (millions) | % of total | % of GDP |
| Total | 2,026.7 | 2,287.5 | 100.0 | 19.1 |
| Total incl. C2D | 2,118.4 | 2,355.4 | 103.0 | 19.7 |
| Multilateral creditors | 869.5 | 1,116.1 | 48.8 | 9.3 |
| IMF | 277.2 | 322.3 | 14.1 | 2.7 |
| World Bank | 240.4 | 341.4 | 14.9 | 2.9 |
| Other Multilateral creditors | 351.9 | 452.4 | 19.8 | 3.8 |
| Official Bilateral Creditors | 1,095.6 | 1,110.6 | 48.6 | 9.3 |
| Parix Club (excl. C2D) | 43.0 | 37.9 | 1.7 | 0.3 |
| Non-Paris Club | 1,052.6 | 1,072.7 | 46.9 | 9.0 |
| Commercial Creditors | 61.6 | 60.8 | 2.7 | 0.5 |
| Memo | | | | |
| Arrears | 150.1 | 149.3 | 6.5 | 1.2 |

Sources: Guinean authorities; and IMF Staff calculations.

Notes: Arrears at end-2017 are due to Non-Paris Club official bilateral creditors (US\$88.5 million) and commercial creditor (US\$61.6 million). The Guinean authorities have started discussions with creditors in order to reach resolution on the normalization of these arrears.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

13. The medium-term economic outlook is positive with solid growth prospects. Growth is expected to remain strong, averaging 5.9 percent over 2019-2022. Mining and mining-related infrastructure investment would continue to drive growth. Public and private investment for infrastructure (energy and transport) will boost construction. Better provisioning of agriculture inputs and infrastructure investments will improve agricultural productivity. The Government is advancing reforms to improve trade-facilitation and settlement of commercial disputes. Better electricity provision will support private sector development. Moreover, it plans to leverage the mining boom to promote spillovers to other sectors through the shared used of infrastructure and exploiting mining corridors for agribusiness.

14. The external current account deficit is projected to gradually decline and will be financed by FDI inflows and external borrowing. The deficit is projected to decline from 15.2 percent of GDP in 2019 to 13.5 percent in 2022. Exports are projected to grow faster than imports, contributing to the reduction in the current account deficit. With debt amortization payments averaging around US\$89 million each year over 2019-2022, external financing requirements are projected to average US\$2.6 billion (17 percent of GDP) over the same period (Table 4). FDI inflows will meet 56 percent of financing requirements in 2019 but almost 70 percent by 2022, with long-term loans meeting the rest. About 60 percent of the volume of new debt in 2019 is concessional. International reserves are expected to gradually increase to 4 months of imports by 2022, above the IMF recommended level of 3.8 months.

15. The BCRG is committed to containing inflation to single digits by restricting lending to the Government in line with the BCRG law. Inflation is expected to fall below 8 percent over 2019-2022 due to the BCRG's targeting of the base money supply. In 2019, headline inflation declined from 9.9 to 9.6 percent (y-o-y) between end-2018 and June-2019. Moreover, BCRG has signaled its readiness to tighten



monetary policy further if necessary, to keep real interest rates positive. Continual robust growth in deposits will support bank liquidity. The Government and BCRG are expected to further strengthen Central Bank independence and limit Central Bank financing of the deficit as part of the IMF’s Extended Credit Facility. BCRG is also expected to continue implementing measures to standardize its foreign exchange market interventions, with the goal of increasing exchange rate flexibility, bringing the exchange rate closer to fundamentals over time, and reducing real effective exchange rate overvaluation.

Table 5. External Financing Requirements and Sources, 2016-2022, US\$ million

| | 2016 | 2017 | 2018 | 2019 Est. | 2020 | 2021 | 2022 |
|---|--------------|------------|--------------|--------------|--------------|--------------|--------------|
| | Projections | | | | | | |
| Financing Requirements | 2,796 | 741 | 2,253 | 2,126 | 3,392 | 2,514 | 2,390 |
| Current Account Deficit (including transfers) | 2,745 | 696 | 2,186 | 2,056 | 3,307 | 2,418 | 2,284 |
| Debt Amortization | 51 | 46 | 67 | 70 | 84 | 96 | 105 |
| Available Financing | 2,796 | 741 | 2,253 | 2,126 | 3,392 | 2,514 | 2,390 |
| Foreign Direct Investment (net) | 1,595 | 1,306 | 1,574 | 1,197 | 1,851 | 1,666 | 1,651 |
| Capital Grants | 26 | 146 | 140 | 121 | 119 | 112 | 105 |
| Short-Term Debt | 982 | 81 | -1 | 87 | 124 | 78 | 124 |
| Errors & Omissions | 244 | -851 | 440 | 0 | 0 | 0 | 0 |
| Long-Term Debt (excluding IMF) | 22 | 137 | 309 | 887 | 1,363 | 871 | 752 |
| IMF Credit (net) | 50 | 24 | 49 | 48 | 23 | -71 | -76 |
| Change in Reserves (- = Increase) | -123 | -102 | -259 | -213 | -88 | -141 | -167 |

Source: Guinean authorities and IMF projections as of September 2019.

16. The overall fiscal balance is expected to deteriorate during 2019-2022 while the basic fiscal balance is expected to remain in surplus. Foreign-financed investments, which will increase by 1.7 percentage points between 2018 and 2022, and higher electricity subsidies explain the increase in the fiscal deficit to 3.3 percent of GDP. The Government plans to maintain a sustainable fiscal framework. The basic fiscal balance, the main fiscal indicator of the IMF’s ECF program, will average 0.8 percent of GDP in 2019-2022. To achieve the end-2019 fiscal target under the IMF ECF program, the Government will adopt a set of policy measures that will increase revenue and reduce inefficient spending. The fiscal deficit will continue to be financed by a combination of concessional and non-concessional funds as well as domestic borrowing. Key elements of the fiscal strategy are to boost tax revenue, contain spending, and improve the financial position of the public electricity utility (EDG) beyond 2019. This would create some fiscal space to step up domestically-financed public investments and social safety nets.

17. On the revenue side, the focus is on mobilizing additional non-mining tax revenue. Total tax revenue is expected to increase from 12.4 percent of GDP in 2018 to 14.2 percent in 2022, driven by non-mining revenues. The implementation of the 2018 package of tax revenue mobilization measures will continue in 2019 and it is expected to mobilize 0.34 percent of GDP in additional revenues. The rationalization of ad-hoc tax exonerations will continue, building on a new action plan adopted in November 2018. The DPF series will help the authorities to mobilize tax revenue by implementing tax policy measures on excise goods, improving the effectiveness of tax policy, and increasing the efficiency of tax administration. Over the medium term, revenue mobilization will also be supported by simplifying the tax code, reviewing international tax rules and provisions, cleansing tax payers’ files, and setting-up a new organizational structure of the Tax Directorate. Newly-established mining companies will no longer

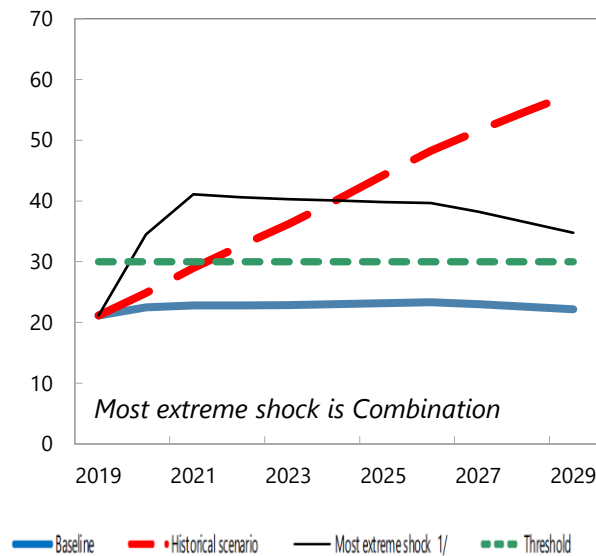


benefit from ad-hoc tax exemption (beyond exemption in the mining code) as it was the case in recent past.

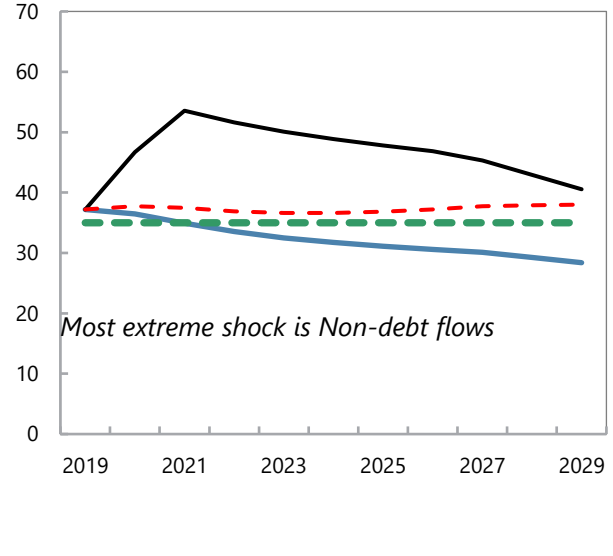
18. Public spending is expected to increase by 3.6 percent of GDP due to higher externally-financed capital expenditure and higher energy subsidies. Total spending is projected to increase from 15.6 percent in 2018 to 19.2 percent in 2022. Improved controls, such as elimination of ghost workers and the introduction of biometric cards, will help contain the wage bill to 3.6 percent of GDP. Transfers to the public electricity utility will double in 2019 to 1.7 percent of GDP due to the payment of the electricity from the Kaleta project. However, they are expected to then gradually decline due to the combination of tariff adjustments, changes in the generation mix, and the installation of meters. Capital expenditure should rise from 6 percent of GDP to 7.7 percent during 2019-2022 with the implementation of the local development fund (FNDL) and large infrastructure projects. Concurrently, the Government has started implementing the recently adopted social protection strategy to strengthen safety nets programs and mitigate the impact of the energy subsidy reform.

Figure 1 Debt Sustainability Analysis

A. Guinea External Debt Sustainability
(Present Value of External Public Debt to GDP Under Alternative Scenarios, 2019-2029)



B. Guinea Total Public-Sector Debt Sustainability
(Present Value of Total Public and Publicly Guaranteed Debt to GDP Under Alternative Scenarios, 2019-2029)



Source: World Bank and IMF. 2019. DSA.

19. The Joint World Bank-IMF DSA of June 2019 concludes that Guinea remains at a moderate risk of external debt distress with some space to absorb shocks. Under the baseline, the Present Value (PV) of debt-to-GDP is expected to remain below the threshold, peaking at 22.5 percent in 2021. Furthermore, liquidity ratios (debt service-to-exports and debt service-to-revenues) are also expected to remain well below thresholds. Under the historical and most extreme stress scenarios, almost all indicators breach their thresholds for prolonged periods. However, some of these tests are strongly influenced by past exceptional adverse conditions, such as the 2014-2015 Ebola and commodity price shocks. Under two



more plausible country-specific scenarios (a weak policy implementation scenario and higher non-concessional loans) all indicators remain below their thresholds.⁸

20. Public debt increased substantially in 2019 owing to the fully utilization of the non-concessional borrowing (NCB) ceiling under the IMF ECF program and the Central Bank recapitalization. There is a projected significant increase in public debt in 2019 of 5.2 percentage points of GDP (see Table 2). This can be explained largely by: (i) the one-off addition of domestic debt to finance the recapitalization of the BCRG (US\$300 million);⁹ and (ii) the increase in external debt due to the disbursement of the non-concessional loan financing of the Souapiti hydropower project and of non-concessional loans for priority infrastructure development (about US\$1 billion in 2019). This increase in debt-to-GDP is consistent with the country's debt policy of financing infrastructure projects that would contribute to economic growth through better quality of electricity services.

21. Although the share of NCB is on the rise, it is within the programmed amounts to support debt sustainability. The Government signed two non-concessional loans for the rehabilitation of the RN1 national road and urban roads in Conakry in September 2018.¹⁰ These two loans – for a total amount of US\$598 million – are collateralized by future mining revenue streams. The IMF has expressed concerns regarding collateralized borrowing as earmarking revenues weakens budget flexibility and may complicate debt restructuring in the unexpected events of debt distress. Furthermore, a non-concessional budget support was signed with Qatar in 2018 (US\$60 million), the terms of which the Government is trying to renegotiate. At end-2018, Guinea had outstanding external debt arrears of US\$149.3 million (1.2 percent of GDP). These arrears pre-date the completion of the HIPC initiative and are owed to non-Paris Club official bilateral (60 percent) and commercial creditors (40 percent). The authorities continue to seek an agreement on these arrears with the creditors.

22. The risk of overall debt distress is moderate. Under the baseline scenario, the PV of total public debt-to-GDP breaches the threshold for two years (2019 and 2020) (Figure 2B). Staff has applied judgement to assign a moderate risk rating as: (i) the magnitude of the breach is marginal, and its length is temporary (two years); and (ii) the BCRG recapitalization will only affect the PV of overall public debt to GDP but not debt service in the near to medium term.

23. Policy slippages and fiscal risks constitute important downside risks. Delays in completing the structural reforms specified in Guinea's 2016–2020 PNDES could affect growth prospects. Such delays might arise from sociopolitical tensions and from capacity and financial constraints that make it harder to complete planned investment projects. In addition, fiscal slippages could lead to a recourse to inflationary financing from the BCRG. An additional risk is an increase in government spending during the up-coming election period (with parliamentary elections scheduled in 2019 and presidential election in 2020) and as a response to social protests or union activity. In such scenario, domestic borrowing and/or arrears may

⁸ The weak policy scenario assumes real GDP growth is 1 percentage point below the baseline over 2019–2038, reflecting slower reform implementation, and the basic fiscal deficit is 0.5 percent of GDP in 2019–2020, reflecting slower revenue collection. The higher non-concessional loans scenario assumes an additional non-concessional borrowing of US\$260 million to be disbursed during 2019–2022, on top of the programmed envelope of US\$650 million in non-concessional loans.

⁹ The recapitalization will not add to the debt service burden in the near term, as it was conducted by issuing 30-year bonds for the overall recapitalization needs as well as related interest, and no payment is expected to be made until 2046.

¹⁰ The non-concessional loan for the Souapiti dam (US\$1.2 billion) was also signed in early September, but this loan already accounted for when the IMF ECF was approved due to the advance implementation of construction.



increase, which could adversely impact debt sustainability and/or crowding out private sector finance. Fiscal risks can also originate from weak governance of SOEs and the use of public-private partnerships (PPPs) for infrastructure development. The implementation decrees of the 2017 PPP law are being finalized and a PPP unit within the Ministry of Economy and Finance (*Ministère de l'Économie et des Finances*, MEF) will be established in the coming months. Such measures will strengthen the PPP framework and help manage fiscal risks originating from PPPs. Furthermore, the Government continues implementing its reform agenda of SOEs to strengthen their governance and limit fiscal risks.

24. With its undiversified export basket, heavily concentrated in mining products, Guinea is particularly vulnerable to external risks. The main external risks are: (i) a growth slowdown in China and advanced economies (which could reduce investment in Guinea and demand for its mineral resources, relatively to growth projections); (ii) tighter or more volatile global financial conditions, *e.g.* a surge in the US dollar (which could impair competitiveness and strain reserve buffers); and (iii) an unexpected decline in commodity export prices. Holding adequate international reserves as a buffer and boosting fiscal space are essential to deal with potential fiscal and external risks. The combination of a booming mining sector, strong FDI inflows, and an overvalued RERR are signs of Dutch Disease risks.

25. Guinea's macroeconomic policy framework is adequate for the proposed operation. The medium-term economic outlook is favorable with growth expected at about 6 percent, driven by the mining sector and related investments. Sound management of debt and fiscal risks will be critical for the country to meet its financing needs in a sustainable way. The authorities are committed to maintaining a tight fiscal stance to ensure macroeconomic stability and create fiscal space for increased pro-poor expenditures and investment. Prudent monetary policy and a flexible exchange rate policy will be supportive of this objective by containing inflation and ensuring a gradual buildup of foreign reserves. The substantial external current account deficit is projected to decline and will be largely financed by FDI. Public debt is sustainable, and the risk of external debt distress remains moderate while the risk of overall public debt distress is also moderate. Furthermore, the macroeconomic policy framework is supported by an ECF program with the IMF.

2.3. IMF RELATIONS

26. The IMF completed its Third Review of the ECF program on July 26, 2019. A three-year ECF program was approved by the IMF Board in December 2017. Its aim is to support Guinea in maintaining macroeconomic stability and fostering higher and broad-based growth. The key objectives of the current ECF are to: (i) strengthen Guinea's macroeconomic resilience; (ii) scale-up public growth-supporting investments in infrastructure while preserving macroeconomic stability and medium-term debt sustainability; (iii) strengthen social safety nets; and (iv) promote the development of the private sector. Moreover, program performance was satisfactory at end-March 2019. All performance criteria and the indicative target on social safety net spending were met. The Fourth review is planned for December 2019.

3. GOVERNMENT PROGRAM

27. The goal of Guinea's development plan (PNDES) is to structurally transform the economy to achieve strong and inclusive growth and improve the welfare of all Guineans. The PNDES emphasizes the modernization of agriculture, the development of linkages between mining and agriculture, and the dynamization of the industrial and service sectors. It also aims to enhance the competitiveness of the



economy by reducing the cost and access to reliable energy services. Better governance, sound management of natural resources, and decentralization are also key elements of the PNDES. The PNDES has four strategic pillars on governance, structural transformation, human capital, and sustainable management of resources. The financing plan of the PNDES is estimated at US\$13 billion over five years including 30 percent by the national budget, 32 percent by development partners and 38 percent through Public-Private Partnerships.

28. Moreover, as one of the 12 countries participating in the Compact with Africa initiative, Guinea is committed to improve its business environment to attract private investments. As required by such initiative, the Government has proposed a matrix of reforms to improve the business environment and attract private investments. Besides maintaining an adequate macroeconomic framework, these reforms include strengthening the fight against corruption, the establishment of a one-stop-shop for investors and improving the financing framework for private businesses. Moreover, the Government is implementing tax policy and administrative reforms, such as the rationalization of ad-hoc tax exonerations and strengthening tax controls and payments, to improve the mobilization of domestic resources. Overall, the participation of Guinea in the Compact with Africa initiative reflects the commitment of the Government to foster the implementation of reforms that are conducive for private sector development.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

29. The proposed operation is the first in a programmatic series of two single-tranche DPFs designed to support the implementation of Guinea's PNDES. The series envisages different credit amounts depending on the depth of the Government's reforms and financing needs. Following the US\$60 million equivalent disbursed under the last operation of the previous DPF, the proposed operation will allocate US\$90 million equivalent to support the reform agenda, which has been expanded to include reforms to enhance debt management and promote competitiveness. The proposed higher amount of this DPF reflects the need to match the scale of World Bank support to the scope of reforms and political risk in a tighter fiscal environment. The programmatic design of the series will allow the World Bank Group (WBG) to accompany the Government's efforts in support of well-defined medium-term objectives, while retaining some flexibility in specific content and pace of reforms for each operation.

30. The DPF series has three program development objectives (PDOs). These PDOs are to support the Government of Guinea's efforts to: (i) strengthening fiscal management; (ii) enhancing the institutional and regulatory framework to promote competitiveness; and (iii) improving the financial performance of the energy sector. The reform areas in the proposed DPF series also build upon the policy areas supported by the previous DPF series (P161796 and P156629), particularly strengthening fiscal management and the operational performance of the public electricity utility.

31. The policy and institutional reform program of the proposed DPF series will support key aspects of the country's national development plan (PNDES). The proposed operation will contribute to good governance (PNDES Pillar 1). The improved management of the energy sector will result in better public expenditure efficiency by lowering electricity subsidies in the medium-term. The focus on SOE oversight and debt management will improve transparency of public activities. The PNDES Pillar 2 (inclusive



structural transformation and diversification of the economy) will be supported by policy reforms in pillar 2 of the DPF. These include, for example, the implementation of a single window for external trade and land registration and the updated institutional framework for road maintenance.

32. The pillars of the proposed DPF represent a selection of the SCD list of priorities. Pathway 1 of the SCD (increasing agricultural productivity) is supported by the prior actions in Pillar 2 of the DPF. The e-voucher program will facilitate the use of improved inputs and farming techniques. The road management and trade facilitation prior actions will contribute to improved logistics performance and hence benefit the private sector. Pillar 1 and 3 will support Pathway 4 of the SCD (strengthening management of fiscal and natural resources in the electricity and water sectors). Finally, the policy matrix of the proposed DPF series incorporates governance as a cross-cutting issue.

Table 6. Selected Measures and Results from FY16-FY19 DPF Series in Guinea

| Selected measures | Selected results |
|---|---|
| Pillar 1: Enhance the Delivery of Key Services in Rural Areas | |
| <ul style="list-style-type: none"> Assigned clear responsibilities for the classification and management of rural roads. | <ul style="list-style-type: none"> The number of rural roads rehabilitated per year increased from 56 km in 2015 to 270 km in 2018. <i>About 90 percent of target met.</i> |
| Pillar 2: Strengthen Fiscal Management | |
| <ul style="list-style-type: none"> Strengthened oversight of SOEs (<i>sociétés publiques, sociétés mixtes, et sociétés à participation publique</i>) Implementation of tax administration and tax policy measures to increase value-added tax (VAT) tax revenues and compliance Operationalization of Court of Accounts and the General Finance Inspectorate (<i>Inspection Générale des Finances, IGF</i>) Improved transparency of mining revenues and activities | <ul style="list-style-type: none"> A financial report on SOEs was submitted to Parliament in 2017 and 2018. VAT taxes from imports as percent of GDP decreased from 2.7 in 2015 to 2.5 in 2018. <i>Target not met.</i> Revenue collected due to IGF’s audits increased from GNF 0 billion in 2015 to GNF 101 billion in 2018. <i>Target met and exceeded.</i> All active mining companies participate in the EITI process. All mining contracts are disclosed through the contract transparency portal (www.contratsminiersguinee.org). <i>Target met.</i> |
| Pillar 3: Strengthen the Operational Performance of the Power Sector | |
| <ul style="list-style-type: none"> Execution of EDG’s Performance Management Contract and implementation of EDG’s Management Improvement Plan | <ul style="list-style-type: none"> Collection rate of electricity bills increased from 60 percent in 2015 to 87 percent in 2018. <i>Target met and exceeded.</i> Technical and commercial losses declined from 40 percent in 2015 to 29.9 percent in 2018. <i>Target met.</i> |

33. The design of the proposed DPF series considers lessons learned over previous DPFs in Guinea, and the World Bank’s experience in fragile and low-income countries. The FY16 emergency DPF in Guinea (P151794) highlighted the importance of close coordination with other development partners, such as the IMF and the European Union (EU), for the success of DPFs. The 2015 World Bank Operational Policy and Country Services (OPCS) retrospective analysis of DPFs stressed how upstreaming the analysis



of social and poverty impacts of prior actions can guide policy reforms. For example, in this DPF series, such analysis informed the policy dialogue and scope of the tariff reform (Trigger 9). Another lesson incorporated is the importance of complementarity between the reform program of the proposed DPF series and the World Bank’s investment project financing operations and technical assistance (TA). This is an effective approach to support the implementation of the DPF-supported policy and institutional reforms. Finally, as in the previous DPF series, an inter-ministerial body for the coordination, supervision, and monitoring of the program is being used to ensure ownership and sustainability of the reform program.

34. This DPF series builds on the reforms supported under the previous series and draws lessons from this. The previous DPF series also supported measures to enhance fiscal management, energy sector reform, and road asset management. These reforms have helped Guinea to achieve key results, such increasing the kilometers of rural roads rehabilitation, better transparency of mining activities, and improved technical performance of the public electricity utility (see Table 6). The experience with the most recent DPF series demonstrated the critical importance of strong political commitment at the highest levels and selectivity in the choice of reforms based on the Government's priorities and implementation capacity. In addition, a good understanding of the political economy implications of reforms and strong donor coordination, TA, and the complementarity of reforms with World Bank investment projects also contributed to its success. These conditions are all present in the proposed new DPF series.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

35. The proposed operation is organized around three pillars: (i) strengthening fiscal management; (ii) enhancing institutional and regulatory framework to promote competitiveness; and (iii) improving the financial performance of the energy sector. These pillars are consistent with the Guinea CPF for FY2018-FY2023.

Pillar 1: Strengthening Fiscal Management

A. Oversight of Public Establishments and State-owned Enterprises

| | |
|---|--|
| <p>Prior Action 1. The President of the Republic of Guinea has signed a decree dated September 28, 2018 for law of 2017 on the financial governance of public establishments and corporations, aiming to strengthen the performance and oversight of SOEs, and has issued five decrees amending the status of five public establishments and corporations to conform with the law of 2017.</p> | <p>Indicative Trigger 1. To strengthen the governance and oversight of public establishments and corporations (SOEs), the Recipient has: (i) put in place a policy requiring annual publication of audited financial statements for SOEs and published the audited financial statements of 5 SOEs (enterprises with full ownership by the State, <i>société publique</i>) selected on the basis of their size; (ii) updated the database of active SOE (enterprises with full or partial ownership by the State) with financial and governance indicators; and (iii) published the annual portfolio report for SOEs according to international standards.</p> |
|---|--|



Background

36. Guinean public establishments and SOEs suffer from challenging governance and financial performance, which is detrimental to the delivery of public goods and services and fiscal management.¹¹

The portfolio of SOEs is characterized by limited availability of data, limited financial management, and gaps in the implementation of regulations. In the case of SOEs, this situation generates financial losses that the IMF estimated at 1.6 percent of GDP at end-2016. This is corroborated by the 2017 Public Expenditure Review (PER) which raised concerns about financial problems in three public utilities: EDG (electricity), SEG (water), and SOTELGUI (telecom). Subsidies to EDG are estimated to reach 1.7 percent of GDP in 2019 to match the company's financial needs. Thus, ensuring that financial and fiscal performance of SOEs is crucial for sound fiscal management and service delivery in Guinea.

Prior Actions, Indicative Triggers, and Expected Results

37. **With a view to strengthen SOE-related fiscal risks, the Government has amended the SOE legal framework.** The National Assembly amended the 2016 Law on the Institutional Framework of Public Establishments and Corporations in December 2017 and adopted its implementation decree in September 2018.¹² In terms of fiscal risks management the law clarifies the terms and limits of the debts SOEs can incur under the control of the Ministry of Economy and Finance. It applies the tax provisions of the commercial law, clarifies the process to grant subsidies, and strengthen the obligation to pay dividends by SOEs. The law also strengthens SOE fiscal transparency by specifying the reporting requirements to the MEF, as well as the publication of financial statement on Internet. Consequently, the by-laws of five SOEs have also been aligned with the new law (**Prior Action 1**).¹³

38. Addressing limited transparency and accountability of SOEs requires a clear monitoring system.

According to amended SOE law, commercial (*sociétés*) SOEs fall under private law and must publish audited financial statements. In 2020, the Government plans to put in place a disclosure policy of SOEs' financial information, such as requiring the annual publication of audited financial statements and will start with five commercial SOEs that will be selected on the basis of their size (**Trigger 1**). The SOE law also assign the responsibility of SOE financial oversight to the Directorate of State Property and Private Investment at the MEF (*Direction Nationale du Patrimoine de l'État et des Investissements Privés*, DNPEIP). This unit is preparing a medium-term strategy to improve the financial conditions of loss-making SOEs to reduce fiscal costs and the build-up of contingent liabilities. The DNPEIP will elaborate a database to collect financial information, budget execution reports, and governance indicators (**Trigger 1**).¹⁴ The Government submitted to the National Assembly a financial report on SOE portfolio in 2017 and 2018,

¹¹ State-owned enterprises and public establishments comprise the following types: (i) corporations fully or partially owned by the state: 100 percent owned by the state (*société publique*), at least 50 percent but less than 100 percent owned by the state (*société mixte*), or less than 50 percent (*sociétés à participation publique*); and (ii) public administrative establishments (*Etablissement Public Administratif*).

¹² The revisions were to ensure consistency with the law of public finance (LORF) and the decree on budget management and public accounting.

¹³ These are: *Société des Eaux de Guinée (SEG)*, *Agence de la Navigation Aérienne (ANA)*, *Laboratoire du Bâtiment et des Travaux Publics (LBTP)*, *Centre d'Appui et de Suivi des Entreprises Routières (CASER)*, and *Conseil Guinéen des Chargeurs (CGC)*.

¹⁴ The database will include key variables, such as profits/losses, revenues, assets, debt, capital, and number of workers.



which is one of the results of the previous DPF series. For 2019, the quality of such report will be strengthened with the adoption of international standards for good oversight of SOE (**Trigger 1**).¹⁵

39. Expected results. The consolidation of financial oversight of SOEs within the MEF will contribute to more effective oversight. The indicator to measure the expected results is: Percentage of SOEs (enterprises with full ownership by the State) with published financial information available on internet. Baseline (2018): 0; Target (2021): 100.

B. Tax Administration and Tax Policy

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| <p>Prior Action 2. To improve the performance of the tax administration, the Recipient’s Ministry of Budget has issued: (a) ministerial order dated February 19, 2019, adopting a new organizational framework of the National Directorate of Taxes (<i>Direction Nationale des Impôts</i>, DNI) separating strategic operation management functions from control functions; (b) ministerial order dated August 1, 2019, creating and adopting the attribution and organization of a tax policy unit within the Ministry of Budget’s Bureau of Strategy and Development (<i>Bureau de Stratégie et de Développement</i>) to strengthen evidence-based policymaking for tax policy; and (c) jointly with the Recipient’s MEF a joint circular dated October 1, 2018, instructing commercial banks and financial establishments to only accept electronic bank transfers for tax and custom payments due by large and medium enterprises.</p> | <p>Indicative Trigger 2. To improve domestic revenue mobilization, the Recipient has: (i) adopted policy measures to increase excise tax collections, such as implementing a multi-year plan to bring excise duties on tobacco products closer to Economic Community of West African States (ECOWAS) directive and adjusted excise rates for selected products according to pre-determined criteria and (ii) prepared and initiated implementation of roadmap to reorganizing DNI, including doing skill assessments, staffing position based on technical criteria, and auditing of DNI’s information system.</p> |
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Background

40. Weak tax collection is a key constraint for scaling up priority spending and implementing Guinea’s ambitious investment plan. Guinea’ tax revenues remain lower than predicted for its income level, economic structure and institutional development. Moreover, tax revenues have declined to 12.5 percent in 2018, remaining well below the ECOWAS target of 20 percent of GDP. Guinea’s tax composition shows a reliance on indirect taxes (VAT and taxes on international trade). A combination of ineffective tax administration and tax policy issues explain these low levels of tax revenues in Guinea.

41. The DNI face various administrative challenges that hinder tax revenues.¹⁶ The DNI manages the collection of direct taxes and VAT on goods and services in the domestic economy. It collects about 45

¹⁵ The Organisation for Economic Co-operation and Development (OECD), for example, has developed guidelines for the publication of consolidated reports on SOE performance.

¹⁶ The Directorate-General of Customs (*Direction Générale des Douanes*, DGD) collects taxes and duties on international trade and on goods and services at import. An IMF assessment in 2016 identified issues such as the effective management of human resources, transparency of the customs assessment process, and implementation of risk-based compliance management. Customs clearance processes were long, inspections rates are excessive, and insufficient measures were in place to control fraud.



percent of total tax revenues. However, the current organizational structure of the DNI does not enable enough managerial oversight of key functions. The allocation of responsibilities between units is often unclear or duplicative, without a specific unit to lead reforms. New firms created at business facilitation centers are not automatically assigned to a DNI office. The assignment of taxpayers between tax units is made on an *ad hoc* basis. As a result, the DNI is not able to adequately monitor taxpayer filings or monitor and collect outstanding arrears. A system for identifying and measuring risks in the selection of audits is also missing. Taxpayer services are weak and taxpayers report spending many hours to comply with the main tax obligations. Moreover, capacity challenges in the tax administration have resulted in a concentration of VAT revenues mobilized from a few large taxpayers (about 20) in the domestic economy.

42. Guinea’s excise tax revenue is among the lowest in Sub-Saharan Africa and has declined in recent years. Excise tax revenue was less than 0.1 percent of GDP compared to 1.2 percent in Togo or 2.6 percent in Senegal. The low collection of excise taxes is attributed to: (i) excise tax rates that are significantly below those in the region; (ii) domestic excise taxes are fixed at nominal rates that have not been regularly adjusted; and (iii) a high tax expenditure on excise taxes (0.24 percent of GDP).¹⁷ Excise taxes on alcohol are significantly higher for imported goods than for domestic production, resulting in a gap of almost 40 percent. Even with the application of the statutory excise rate on tobacco, Guinea has the cheapest cigarettes in the region. The tax on telecommunications consumption (TCT) was set in nominal terms and should also be adjusted regularly.

Prior Actions, Indicative Triggers, and Expected Results

43. To address administrative challenges within the DNI, the Government has adopted a new organizational structure that will separate strategic operation management functions from control functions (Prior Action 2). Currently, strategic management is non-existent because control functions have been operating under revenue targets. With the new organizational structure, strategic management functions will be located under a general director, supported by “middle offices” that will guide the execution of control functions. The Government plans to issue a procedural manual for DNI that is aligned with the new organizational structure. To support the reform process, a reform committee within DNI has been operationalized. Some examples of forthcoming reforms are: (i) a skills assessment to fill the positions as per the new organizational structure; (ii) an audit of the information system of the DNI; and (iii) implementation of a modern tax management information system within DNI for the digitalization of tax procedures.

44. The operationalization of the tax policy unit within the DNI will strengthen evidence-based policy making for tax policy (Prior Action 2). One of the first issues that should be addressed by the tax policy unit is how to reduce tax exemptions, which have proliferated without little analysis of their long-term cost-benefits. Tax exemptions represent a loss of revenues of 2.8 percent of GDP in 2017 according to an assessment by the EU, a level similar to the regional average in Sub-Saharan Africa. The mining sector is the largest source of tax expenditures (almost 25 percent of total tax expenditures). Measures related

¹⁷ This figure includes a calculation of the difference in treatment of imported alcohol and domestically produced alcohol, which has a much lower effective excise rate. Additionally, it includes a tacit agreement by authorities to waive most excise taxes on imported tobacco products.



to the streamlining of tax expenditure include the preparation and publication of a new procedure manual for tax exemptions, which is being supported by the IMF and the EU.

45. To simplify tax payments and encourage tax compliance, the Ministry of Budget has required taxpayers to process their tax payments only through the banking system (Prior Action 2). Processing tax payments through the banking system has increased the number of tax payment points. This limits the interaction between taxpayers and tax agents and protects public funds from mishandlings. After generating a payment slip while filing their taxes, taxpayers can pay their taxes at commercial banks' counters. During the first two months of implementation, almost 90 percent of the tax revenues were paid through the banking system. In a second phase, the electronic platform for tax declaration and payment will extend to tax filing and payment for VAT and income tax. Electronic tax payments are expected to grow fast and by 2020, about 70 percent of non-custom tax payments are expected to be processed through non-cash transactions.

46. The Government will introduce some tax policy measures to improve excise tax collection (Trigger 2). One policy measure is to introduce an automatic adjustment of domestic excise taxes so that their amount is not eroded in real terms. Another policy measure is to eliminate the gap in excise taxes for alcohol between imported goods and domestic production. In the case of tobacco products, the Government has recently approved a plan to raise *ad valorem* excise tax rates to ensure compliance with the new directives for tobacco taxation of the ECOWAS. An agreement between custom and tobacco importers will allow the Government to improve tax compliance.

47. Expected Results. These measures will contribute to strengthen tax revenue collection. Moreover, they will facilitate tax payments and introduce transparency in tax payment. The result indicator is the value of excise tax revenue collected as percentage of GDP. Baseline (2018): 0.13; Target (2021): 0.34.

C. Debt Management

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| <p>Prior Action 3. To strengthen debt management: (a) the Recipient' MEF has published a declaration of public debt policy defining debt management objectives and procedures; and (b) the Recipient' MEF has published on its website a medium-term debt strategy (MTDS) and a statistical bulletin outlining the Recipient's public debt data as of December 31, 2018 and the first quarter of 2019.</p> | <p>Indicative Trigger 3. To strengthen debt management, the Recipient has: (i) incorporated in the 2020 Finance Law, the purposes for which the State can make external borrowing; (ii) carried out a functional review of the organizational structure of the National Directorate of Debt and Public Aid for Development (<i>Direction Nationale de la Dette et de l'Aide Publique au Développement</i>, DNDAPD), including the identification of staff responsible for the debt strategy and annual borrowing plan (ABP); and (iii) elaborated and published a reform plan to eliminate the usage of non-marketable securities.</p> |
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Background

48. Guinea's debt management practices suffer from shortcomings, despite improvements in the past 10 years. The 2018 Debt Management Performance Assessment Tool (DeMPA) for Guinea notes that in the last decade, the Government made some headway in strengthening the debt management legal framework and debt management practices. For example, the 2012 Organic Public Finance Law centralizes



all borrowing and guarantees in the MEF. Moreover, the introduction of the treasury bill schedule and market-based issuance practices have contributed to better debt management. But, poor compliance with the existing regulatory framework hinders debt management and transparency. A MTDS and an annual borrowing plan consistent with the MTDS have not been submitted to the National Assembly. The implicit debt policy is to maximize the use of concessional financial and gradually reduce domestic arrears.

49. The institutional setting for debt management is fragmented and no single entity is responsible for monitoring overall debt risk. In principle, the National Public Debt Committee (CNDP), assisted by a technical committee and a technical working group, develops and approves the debt management strategy. However, it has not met in the past five years. Within the MEF, two national directorates and a department have some responsibility for debt management. Project loans, the issuance of medium-term marketable debt, and the debt database are under the DNDAPD. The issuance of T-bills and medium-term non-marketable debt falls under the National Directorate of Financial Control (DNTCP). As a result, there is not a single department taking responsibility for monitoring overall risks in the debt portfolio and for proposing alternative strategies to minimize long-term costs and managing key risks.

50. Debt management activities are carried out without a robust and transparent debt recording and reporting system. The 2018 DeMPA assessment found despite some improvements since 2008, Guinea's debt recording system does not have all the necessary features needed for sound debt management practices. The external debt database is kept in an excel file and is not updated periodically, without proper security procedures, creating an operational risk for manipulation or loss of debt records. There is not a comprehensive debt database for both domestic and external debt records. This results in time-consuming and manual procedures with associated operational risks and weakness in debt reporting. Debt coverage is limited to central government debt and debt guarantees issued by the central government, while other elements of public sector debt, such as non-guaranteed debt of SOEs and social security funds, are not included due to data constraints.

51. Inadequate debt management and cash forecasting have resulted in the regular use of non-marketable securities to pay domestic suppliers for their services. These short- and medium-maturity bonds are routinely discounted by the commercial banks to release cash for the holders. The banks retain those bonds until maturity, which reduces their capacity to participate in government issuances of marketable debt. Moreover, the MEF often compensates holders for the discount charged by the banks, resulting in a higher implicit rate of interest than paid on marketable debt. The audit report of domestic arrears for 1987-2013 found that there are not proper controls and procedures to regularly monitor the balance of domestic arrears. The non-marketable securities (*titres d'Etat*) represent 7.2 percent of total domestic debt or 16.6 percent of domestic debt excluding debt issued to the BCRG to repay statutory advances. At end-September 2018, the outstanding stock of non-marketable securities was GFN 896.24 billion. This total includes net new issuance in 2017 (GNF 390 billion) and in Jan-Sep 2018 (GNF 399 billion).

Indicative Trigger and Expected Results

52. The Government has prepared a reform plan to strengthen debt management. The key priorities are organized in five strategic pillars, including governance and debt strategy, coordination with monetary policy, domestic debt markets, cash flow forecasting, and debt recording and operational risk management. The Council of Ministers has approved a Public Debt Policy document that clarifies debt management objectives and procedures (**Prior Action 3**). Over the short-term, the Government plans to



make the CNDP fully operational to tackle key bottlenecks, such as approving a roadmap to replace non-marketable securities with Treasury bonds for the clearance of arrears. Moreover, it has approved a MTDS, including a statistical bulletin that will be annexed to the 2020 Budget Finance Law (**Prior Action 3**). Eliminating the issuance of non-marketable securities will require preparing and adopting a medium-term plan (**Trigger 3**).

53. Improving debt recording and institutional arrangements are key priorities to strengthen debt management. Various development partners are providing TA on different aspects of debt management (e.g., WBG, French Development Agency (*Agence Française de Développement*, AFD), EU, IMF, and U.S. Treasury), which is coordinated by a time-bound action plan was finalized in early 2019. The public debt recording system will be strengthened by adopting the Debt Management and Financial Analysis System (DMFAS) funded by United Nations Conference on Trade and Development (UNCTAD). Moreover, the Government plans to carry out a functional review of the DNDAPD to improve institutional arrangements for debt management funded by AFD (**Trigger 3**).

54. Expected Results. The indicative trigger supported under the DPF program will strengthen debt management. As a result, the Government plans to issue an annual report to the National Assembly detailing (i) progress towards MTDS targets and (ii) consistency of the debt operations with ABP (annual borrowing plan) and purposes of borrowing. This will be a new report that the Government will prepare on an annual basis. Baseline (2018): No, report is not produced. Target (2021): Yes, report is available.

Pillar 2: Enhancing Institutional and Regulatory Framework to Promote Competitiveness

55. The prior actions support actions for enhanced institutional and regulatory framework to promote competitiveness. These prior actions are grouped into three main areas: (i) improved delivery of agricultural input subsidies using a mobile-based intervention; (i) enhanced road asset management; and (iii) strengthened business environment. These areas complement each other and would impact not only the competitiveness of the agricultural sector, but that of other sectors.

A. Modern Agricultural Inputs and Extension Services

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| <p>Prior Action 4. The Recipient’s Ministry of Agriculture (a) has launched a pilot e-voucher system for agricultural inputs to improve transparency, the targeting, and monitoring and evaluation of the distribution of subsidized agricultural inputs and a digital platform to interact with farmers for the delivering of e-vouchers; (b) has delivered e-vouchers in four prefectures out of 33.</p> | <p>Indicative Trigger 4. To improve the transparency and efficiency of agricultural subsidies and extension services, the Recipient has: (i) adopted a set of measures to open input markets to the private sector; and (ii) delivered e-extension services in three prefectures out of 33.</p> |
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Background

56. Agriculture has significant potential for accelerating inclusive growth, but its productivity is low. Guinea has abundant natural resources for agriculture, such as arable land and favorable agro-climatic conditions, but these resources are underutilized. Only 25 percent of arable land is cultivated and only 9 percent of land suitable for irrigation has irrigation infrastructure. Guinean agriculture suffers from low labor productivity and low input use per worker relatively to Sub-Saharan Africa countries. Agricultural



productivity per worker in Guinea is half that of Senegal, and one-fourth that of Mali. Cereal yields in Guinea have not followed the upward trends experienced elsewhere. The trade deficit in agriculture has been deteriorating since the early 1990s. The United States Department of Agriculture (USDA) database on agricultural productivity reports that Guinea had negative total factor productivity growth (-0.4 percentage points) and input usage per area (-0.6 percentage points) during 2001-2014. Thus, agricultural growth (3.5 percent) was mainly driven by the expansion of cultivated area (4.5 percentage points).

57. Low agricultural productivity and vulnerability to climate change can be explained by inadequate agricultural practices. Subsistence agricultural accounts for 90 percent of agricultural production. Less than 8 percent of cultivated land is planted with improved seeds. Guinean farmers have among the lowest levels of fertilizer use in Africa (<8 kg/ha versus 15 kg/ha average for Sub-Saharan Africa). Farms are small, producing primarily for household consumption with very little marketed surplus. Most plot sizes are between 0.3 – 1.5 hectares with about 70 percent of farms smaller than 0.5 ha. Due to the unfavorable business environment (including the presence of state-owned plantations), there is an absence of commercial scale production in the sector, with a very small handful of exceptions. Many production areas are cut off from markets for part or most of the year, and post-harvest losses are high due to poor agronomic practices, poor post-harvest handling, lack of storage, and deficient transport services. Processing is negligible and occurs mostly on a small scale. Agriculture’s vulnerability to climate change originates from having agricultural systems remain largely rain-fed and most farmers working on a small-scale or subsistence level.

58. Guinea’s traditional input subsidy program has faced shortcomings while hindering private sector participation. The potential impact of the fertilizer scheme has been limited because beneficiaries do not have access to agricultural advisory services, resulting in a mismatch between the quantity of applied fertilizer and the quality of the soils. Furthermore, this input subsidy program has created market distortions that have hindered private sector participation in the market for agricultural inputs, especially fertilizers.¹⁸ The program has lacked adequate targeting and many subsistence farmers do not benefit from the subsidized agricultural inputs. The 2016 study of the National Agricultural Statistics Agency (ANASA) assessed the impact of this subsidy program on farmers and found that about 60 percent of beneficiaries were not satisfied and found that the identification of the needs for agricultural inputs was not properly done.

Prior Actions, Indicative Triggers, and Expected Results

59. As part of the country’s strategy for agriculture, the Government is using mobile-based interventions to revamp the input subsidy programs. In the Summer of 2018, the Ministry of Agriculture launched an e-voucher pilot scheme for improving the transparency, the targeting, and monitoring and evaluation of the distribution of subsidized agricultural inputs (**Prior Action 4**). This pilot was supported by the West Africa Agricultural Productivity Program (P122065), a regional World Bank IDA-funded project. A digital platform sends e- vouchers through the mobile phone network to farmers. The e- vouchers indicate the subsidies awarded for a technological package (fertilizer, seeds, and other inputs) and the place where farmers should receive them. The digital platform provides an interface for the

¹⁸ Price controls and public sector imports and distributions has hindered private sector participation in inputs markets. For example, the fertilizer company Toguna opened a new plant around 2016, but it soon closed its plant after the Government signed a massive 100,000t fertilizer import contract with Morocco in 2017.



Ministry of Agriculture to interact with farmers, increase the use of modern agricultural inputs and reduce leakages through better targeting. The level of subsidies ranges from 20 percent of total price for large farmers to 40 percent to small farmers. Farmers have been classified into small (less than 2 hectares), medium (2-4 hectares), and large (5-10 hectares). The program prohibits re-selling of the received inputs. A key element of the e-voucher scheme is a database of agricultural producers, with information about geolocation, gender, type of producer, agricultural practices, and size of operations.

60. The implementation of the pilot yielded promising results. With support from the IDA-funded Guinea Integrated Agricultural Development Project (P164326), the pilot focused on four prefectures in the region of Kankan (Kouroussa, Mandiana, Siguiro and Kankan) and two crops (rice and maize). The Ministry of Agriculture enrolled the National Chamber of Agriculture for the distribution of kits of agricultural inputs (improved seeds, fertilizer, and herbicides) in the piloted areas. About 3,500 farmers of rice and corn received 5,000 kits of agricultural inputs through the e-voucher scheme. About 36 percent of beneficiaries (1,261) were women. The database in the pilot areas collected information on about 96,000 agricultural producers, covering 177,771 farms, 66,757 animal breeders, and 901 artisanal fisheries. About 22.7 percent of agricultural producers in the database are women.

61. The e-voucher program will contribute to widen resilience for adaptation to climate change. The improved seeds for rice and maize in the kits of agricultural inputs are not only high-yielding but also drought-resistance. Moreover, the agricultural kits also include fertilizer and herbicides, which allows reaping agronomic synergies when use in combination with improved seeds. Thus, the agricultural kits in the e-voucher program are climate-smart and their usage will contribute to sustainable intensification with drought resistance varieties of rice and maize.

62. Climate change is affecting current and future drought conditions in Guinea. The 2018 USAID climate risk profile for Guinea summarizes historical and future climate changes.¹⁹ It reports that since 1960: (i) the average annual temperatures have increased by 0.8°C; and (ii) the average annual precipitation has decreased by 5.3 mm per month per decade. Moreover, projected changes in future climate will increase due to rising temperatures and more variable rainfall.

63. The expansion of the e-voucher program will include a mechanism to enlist agro-dealers from the private sector (Trigger 4). In 2019, the pilot has been expanded into 10 additional prefectures and will reach 20,000 agricultural producers. Ongoing discussion with stakeholders will generate options to allow private sector agro-dealers into the e-voucher program, which will complement the activities under the Guinea Integrated Agricultural Development Project (P164326). Currently, the private sector agro-dealers operate in the market for seeds and pesticides only. The Chamber of Agriculture is the sole distributor of fertilizer to farmers but has agreed to allow entry of private agro-dealers after its current stock of undistributed fertilizer (about 50,000 metric tons) is depleted. Allowing private agro-dealers could have a crowding-in effect and potentially reduce transaction costs by providing farmers with different options for getting improved agricultural inputs. However, measures to avoid collusion and ensure quality standard of private operations will be needed to organize the market for agricultural inputs.

64. The Government plans to implement a mobile-based extension program (Trigger 4). This pilot will consist of: (i) setting up the electronic extension platform and integrating it at the national level into

¹⁹ Retrieved from: https://www.climatelinks.org/sites/default/files/asset/document/Guinea_CRP_Final_0.pdf



the call Center set up by National Financing Agency for Local Communities (*Agence Nationale de Financement des Collectivités Locales, ANAFIC*) as part of the citizen engagement and complaints management; (ii) the establishment of three digital resource pilot centers in Boké, Labé and Kankan; (iii) the training of executives and technicians of National Agency for Rural Promotion and Agricultural Council (*Agence Nationale de la Promotion Rurale et du Conseil Agricole, ANPROCA*). The design of the activities will be informed by the AFD study about modernization of advice and extension services in Guinea. As part of this system, farmers will be able to reach out a call center with questions on market information, phytosanitary issues, and modality of inputs use. Farmers can either use their mobile phones or call through an office equipped with telephone. Mobile companies will subsidize calls to the call center. In addition, the ANPROCA will provide advisory services to farmers on a weekly basis through a community radio, addressing the questions raised by callers in the same geographical locations. This will help fill the outreach gap and poor access to extension services while offering timely advice to farmers.

65. Expected results. Through the e-extension platform, the Government is focusing on changing farmers’ behavior and practices with digital solutions. The implementation of the e-voucher program will help define the operational rules to scale up the program and the number of beneficiaries. The e-extension program will also improve farmers’ access to agricultural technologies. The complementarity of fostering better public service delivery for agriculture and improving the business environment for the commercialization of certain value changes will allow farmers to improve their productivity.²⁰ The proposed indicator is: Number of small farmers (less than 5 hectares) receiving agricultural input subsidies through the e-voucher system. Baseline (2018): 2,900. Target (2021): 20,000.

B. Road Asset Management

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| <p>Prior Action 5. Recipient’s Ministry of Public Works has issued: (a) a ministerial order dated August 29, 2019, creating, providing a mandate and operationalizing the Road Classification Commission; (ii) jointly with the Minister of Agriculture, an inter-ministerial order dated March 4, 2019, implementing the road classification decree adopted on December 7, 2017 to define technical standards for all road types after approval by the Road Classification Commission.</p> | <p>Indicative Trigger 5. To improve road asset management, the Recipient has: (i) adopted measures to improve budget execution for road maintenance; and (ii) operationalized AGEROUTE under the new forthcoming procurement process.</p> |
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Background

66. The poor quality of infrastructure, including roads, is a binding constraint for growth and poverty reduction in Guinea as identified in the SCD, 2018.²¹ The 2018 Global Competitiveness Report ranks Guinea at 131st out of 140 countries in terms of the quality of infrastructure. The SCD reported that the quality of the road network has been deteriorating over the past 15 years due to poor road asset

²⁰ The World Bank has a portfolio of IPFs in the agricultural sector. The 2018 Guinea Integrated Agricultural Development aims at increasing agricultural productivity and market access for producers and agricultural small and medium enterprises (SMEs) in selected value chains in project areas. The forthcoming Guinea Agribusiness Development Project (P164184) looks at improving competitiveness of selected value-chains of selected value chains and create economic opportunities for women and youth in project intervention areas.

²¹ Report No. 123649-GN



management, delays with public procurement and lack of funding. The share of paved roads in good condition declined from 35 percent in 2002 to 16 percent in 2014. The poor condition of the Guinean road network hampers growth by hindering trade and exports of Guinea's agriculture products and reducing connectivity of farmers to markets and basic services. Critical transit corridors, such as the Kindia-Conakry axis, are often congested, increasing the transaction costs of moving products and thus discouraging additional trading activity.

67. Under the previous DPF series, the Government approved a new road classification decree in December 2017. First, this decree addressed the lack of legal clarity of about various types of roads and overlapping responsibilities among various stakeholders for proper planning, maintenance and rehabilitation of roads. To start, the decree specified six types of roads: highways, national roads, prefectural roads, urban roads, rural roads (*routes de désenclavement des communes rurales et des zones de production*), and strategic roads.²² Second, the decree assigned responsibility for the road network to the Ministry of Public Works, except for non-primary urban roads (secondary and tertiary), which fall under the responsibility of urban communes, and rural roads, which fall under the responsibility of rural communes. During a transition period not to exceed 10 years, the responsibility for non-primary urban roads is delegated to the Ministry of Public Works and responsibility for rural roads is delegated to the Ministry of Agriculture.

Prior Actions, Indicative Triggers, and Expected Results

68. To further strengthen the policy and institutional framework for road maintenance, the proposed DPF series will support the operationalization of selected aspects of the road classification decree. To classify all roads into each of the six road categories, the Government has issued technical standards for each type of roads and updated the road inventory (Arrêté 2019/649/MTP/MA/SGG). The Government will operationalize a road classification commission under the Ministry of Public Works with representatives from the Ministry of Transport, Ministry of Decentralization, and Ministry of Agriculture (**Prior Action 5**). This commission has already validated the technical standards for road classification. With the new technical standards, the commission can start validating the classification of roads into each road category for certain networks. This will address the lack of institutional capacity and overlapping responsibilities between different authorities. In the past, various agencies would plan/procure road rehabilitation and maintenance works for the same road segments thus duplicating efforts and resources.

69. Insufficient financing for road maintenance and a centralized public procurement system contribute to the poor quality of roads. In 2000, Guinea established a second-generation road maintenance fund (*Fonds d'Entretien Routier*, FER).²³ The FER collects about GNF 266 billion (about US\$29

²² National roads link prefectures and regional capitals, prefectural roads link prefectures and sub-prefectures, and urban roads include roads within Conakry and other cities. Rural roads include: roads connecting a sub-prefecture capital with a district capital, two district capitals, a district capital and prefectural road, a district town and rural community, villages within a district, and agricultural roads (connecting production areas to markets). Strategic roads are roads that have strategic importance or provide access to defense and security sites.

²³ The World Bank and UNECA promoted the creation of second-generation road funds in Africa in the 1990s to overcome the lack of resources for road maintenance. Second-generation road funds are supposed to be autonomous in collecting fuel taxes and other levies and to ring-fence the amount collected to road maintenance and improvement work without political interference. This mechanism proven to be reliable in many contexts in the world and the World Bank is now promoting a third-generation road fund concept to promote private sector participation in the road sector as part of the Maximizing Finance for



million) per year from a fuel levy on imports of GNF 250 per liter, equivalent to US cents 2.7 per liter. This fuel levy is one of the lowest in Sub-Saharan Africa - well below Kenya, for example, which collects more than US cents 17 per liter. As a result, only about 15 percent of the estimated financial resources necessary to cover the annual road maintenance needs of the network are mobilized. In 2017-2018, FER distributed, on average, its resources to primary roads (61 percent), urban roads (23 percent), rural roads (9 percent) and road safety promotion (2 percent). In addition to the lack of planning, the procurement thresholds for road maintenance contracts are too low, which results in low execution rates. For example, only 26 percent of FER's available resources for 2017 was executed.

70. To improve the execution of road maintenance works, the Government will operationalize a Road management agency (*Agence routière, Ageroute-Guinée*), which was created in April 2018.²⁴ This agency, which was modeled from the experience of similar agencies in Senegal, Mali, and Ivory Coast, will operate under the technical supervision of the Ministry of Public Works. Under this framework, the technical ministries will be responsible for the strategic planning while Ageroute will be responsible for the implementation of road maintenance programs financed by the state budget, the FER, or donors. In this context, Ageroute will manage the procurement process for road maintenance works and supervise their implementation (**Trigger 5**). To address procurement bottlenecks, the Government plans to implement a comprehensive procurement reform. Within the new procurement framework, each single procurement authority (Ministry, agencies, etc.) will be responsible for its own procurement, while the National procurement authority will supervise and control the overall procurement system. This would allow the procurement cycle of road maintenance contracts to be aligned with the weather cycle (**Trigger 5**). The Ministry of Public Works will sign a contract with Ageroute to delegate its road maintenance functions. The creation²⁵ of Ageroute is a positive step to improve the planning, design, and execution of road maintenance works.

71. Expected result: Improved road asset management will contribute towards an increase in the length of roads maintained. The indicator is: Number of kilometers of roads maintained/ per year. Baseline 2018: 313 km; Target 2021: 450 km. This indicator will be disaggregated for national paved roads and rural roads.

C. Improved Business Environment

Commercial Disputes and Investors' Complaints

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| <p>Prior Action 6. The Recipient has made operational the Commercial Court of Conakry (<i>Tribunal de Commerce du Conakry</i>), by making available to the court the allocated budget under the 2019 Revised Budget Law and through: (a) Presidential decree dated August 6, 2018, appointing the judges sitting at the Commercial Court of Conakry; (b) ministerial order dated August 1, 2019, issued by the Ministry of Justice, approving the internal rules of the</p> | <p>Indicative Trigger 6. To facilitate the settlement of commercial disputes, the Recipient has: (i) expanded the geographical coverage of the Commercial Court; (ii) established a court of appeal for commercial matters; and (iii) introduced simplified procedures for small claims.</p> |
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Development (MFD) approach. Only road funds that would collect enough resources and proven to be efficient would be selected for this approach.

²⁴ See presidential decree D2018/046//PRG/SGG.

²⁵ The European Union has provided technical assistance for the drafting of Ageroute's status and operational manual.



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| Commercial Court of Conakry; and (c) joint ministerial order dated April 25, 2019, and a decision dated February 24, 2019 issued by the Ministry of Justice, staffing the Commercial Court of Conakry. | |
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Background

72. Resolving commercial disputes takes a long time in Guinea. According to the 2018 Global Competitiveness Report, Guinea ranks 127th out of 140 countries in the efficiency of legal framework for settling disputes. The average time to resolve a commercial dispute is 311 days. This explains the widespread perception among Guinea lawyers and private sector actors that members of the judiciary lack a sound understanding of application commercial laws and legal principles. The general division of the High Court has a large case backlog of commercial disputes because there is not a specialized court for those matters. For example, routine commercial debt recovery cases take years to be resolved and complicated business disputes take much longer to be resolved.

Prior Actions, Indicative Triggers, and Expected Results

73. The Government has initiated a program to improve the efficiency and predictability of the judiciary system regarding the resolution of commercial disputes. The first element of the program is having a commercial court to support private sector activities. On August 13, 2015, the Government issued a decree to create a commercial court to provide prompt, efficient and affordable resolutions of business disputes or complex litigation. But it needs to operationalize the court, appoints its management and operating personnel, and funds its annual operating budget. A specialized court, the operationalization of the commercial court (**Prior Action 6**) will reduce the number of cases pending before the main first-instance court, and thus could lead to shorter resolution time to settling commercial disputes. This is a key reform to improve investor confidence, and to attract private investment. The commercial court started operation in May 2019, following the appointing of three judges and allocation of funding for its operation. The operationalization of the Commercial Court indicates the Government’s commitment to improve the business environment for investors. Moreover, the Government plans to expand the geographical coverage of the commercial court (currently limited to Conakry) and to set up an appeal court for commercial matters (**Trigger 6**).

74. The second element of the program is putting in place a small claim court. Having a small claim court will offer another mechanism to resolve disputes with costs and procedures that are realistic and proportionate to the size of the dispute. Moreover, it would provide a cost-effective way to reduce backlogs and caseloads in higher courts. Meanwhile, small and medium-size enterprises would benefit from a small claim court because they do not have resources to engage in costly and lengthy litigation process. The Government plans to have a functional small claim court next year to complement the commercial court and offer another venue for private businesses part of its reform program to improve the judiciary system.

75. Expected Results. The commercial and small claim courts are expected to generate positive impacts particularly on SMEs and agri-business actors. Strengthening the institutional framework for resolving business disputes will contribute to attract domestic and foreign investments. Indicator: Time



to Settle Commercial Dispute (Enforcing Contracts - DB) (days). Baseline: 311 (2018) and Target: 180 (2021)

Simplification of Business Processes for Trade Facilitation, Land Registration, and Construction Permits

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| <p>Prior Action 7. To simplify business procedures, the Recipient has established and made operational a single window pilot project for external trade (“<i>Guichet Unique du Commerce Extérieur</i>”) at Conakry Port through a unique online platform that dematerializes the management of commercial transactions and facilitates the submission of customs declarations and the management of certifications and authorizations for imports and exports.</p> | <p>Indicative Trigger 7. To simplify business procedures, the Recipient has: (i) fully implemented the single window at the Port of Conakry and (ii) extended the single window for international trade to five border crossings; and (iii) launched the operations of single window for land registration and construction.</p> |
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Background

76. Cumbersome administrative procedures for trade facilitation, land registration, and construction permits lead to high costs for private investors. According to the World Bank’s Logistic Performance Index, which measures countries’ trade logistics efficiency, Guinea ranked 145th out of 160 countries in 2018 and since 2007 its overall logistic performance has deteriorated in all dimensions but the tracking and tracing one. According to the World Bank’s Doing Business Report for 2019, Guinea has relatively low ranking when it comes to trading across border (167th out of 190 countries) and registering property (138th out of 190 countries). The time to comply with all documents for cross-border trade was 139 hours for exports and 156 hours for imports, more than 60 percent higher than the average for Sub-Saharan Africa. In the case of registering property, it takes 44 days and costs almost 8 percent of property value.

77. The high cost of trade and delays in Guinea can be attributed to several factors. These are lack of coordination among agencies, prevalence of manual procedures, reliance on paper documentation, and absence of an integrated and harmonized framework for border agencies. The one-stop shop within the Export Administrative Support Center (CAFEX) has somehow facilitated export procedures, such as the provision of quality, phytosanitary and origin certificates. However, this one-stop shop provides a partial simplification because it does not process custom procedures and export controls. As a result, agricultural traders must still visit and deal with multiple government agencies in multiple locations to obtain the necessary papers, permits, and clearances to complete their import or export processes.

Prior Actions, Indicative Triggers, and Expected Results

78. The Government has hired an experienced private operation to set up an integrated platform for trade facilitation or single-window (Prior Action 7). The contract between Webb-Fountain and the Government was signed in February 2019. The key features of the contract are: (i) the management of one single point of entry for trade that informs all other appropriate agencies; (ii) the dematerialization of management of the Commercial Transaction, a unique electronic system; (iii) the Electronic submission of the customs declaration, computerized management of certifications and authorizations for imports and exports; and (iv) collaborative management of inspections. Once the single window for trade



facilitation is operational in the port of Conakry, the Government plans to expand it to five border crossings along critical trade corridors with neighboring countries (**Trigger 7**).

79. To simplify procedures for registering property and dealing with construction permits, the Government plans to consolidate all procedures into a single-window (Trigger 7). This single window for land registration and construction permits (*Guichet Unique du Foncier de la Construction et de l’Habitation, GUFCH*) was created in 2017, but it has not been made operational yet. With TA from the IFC, the Government launched a diagnostic study and plans to hire a firm to support the establishment of the single window. The GUFCH will be the primary contact point for land administration, and application for construction permits and property registration, playing the role of a central unit. The single window will play the role of a central unit (intra and inter-ministerial groups or working committees) and thus, it will optimize the number of signatories required on building permits. The automatization of the single window through an online information portal will provide users instant access to information on land registration and building permit requirements.

80. Expected Results. The single window will help improve the predictability and transparency of Guinea’s trade procedures, giving the business community quick access to the country’s trade rules. The establishment of the One stop shop (OSS) for land registration and construction permits will improve insecurity of land titling and accelerate the delivery of construction permits. The Doing Business indicators to measure the expected results are: (i) time to import – documentary compliance (hours). Baseline (2018): 156; Target (2021): 90; and (ii) time to register property (days). Baseline (2018): 44; Target (2021): 22.

Pillar 3: Improving the Financial Performance of the Energy Sector

81. The energy sector in Guinea faces structural weaknesses that undermine its contribution to economic growth. About 30 percent of the population has access to electricity, including illegal connections in urban areas which stand at about 11 percent, with wide disparities between rural and urban areas (3 percent versus 80 percent). This access rate is well below the Sub-Saharan Africa average of 43 percent. Power outages and load shedding are frequent and caused by a variety of factors including breakdowns, operational constraints such as lack of fuel to run thermal generation plants and hydrological conditions. Guinea reported about 240 hours per year of system average interruption duration index in 2018. Unsurprisingly, the perception of reliability is among the lowest in Sub-Saharan Africa, with about 12 percent of connected households reporting that their electricity connections provide reliable power (Afro-Barometer, 2016). Businesses also report enduring power outages (84 percent in 2016), generating losses of almost 5 percent of annual sales. Extended power outages often contribute to street protests in Conakry and secondary cities.

82. The poor performance of the public electricity utility (*Electricité de Guinée, EDG*) is due to a combination of several factors, resulting in high electricity subsidies. EDG’s revenue is based on an average electricity tariff of €10 per kilowatt-hour (kWh) that cover only 40 percent of operational costs. At the same time, revenue collection from public and private consumers is low. Public sector entities, which account for about 15 percent of electricity sales pay for only 53 percent of their bills. In contrast, large private consumers pay 90 percent of their electricity bills. As 84 percent of consumers currently lack proper metering, EDG prepares electricity bills based on estimates rather than actual electricity consumption. EDG also suffers from broader operational inefficiencies, with system losses of at least 30



percent due to underinvestment in the transmission and distribution network. As a result, EDG incurred an operating deficit of US\$128 million in 2017 (1.2 percent of GDP). After declining in 2018 to 0.8 percent of GDP, this deficit is expected to increase to US\$229 million (1.7 percent of GDP) in 2019. The main drivers of this increase are: (i) expected payment for the electricity produced by Kaleta hydropower project by EDG as of the beginning of calendar year 2019;²⁶ and (ii) the increase in electricity generated while tariffs are below cost recovery.

83. About five years ago, the Government initiated a reform agenda and investments to improve the performance of the energy sector.²⁷ The plan includes the shift of the energy mix toward cheaper and cleaner hydropower and solar energy and as well as the phase out of expensive thermal generation. Currently, about 45 percent of the annual electricity generation come from expensive diesel/HFO power plants, especially during the dry season, and 55 percent from seasonal hydropower resources. Thus, the generation mix is vulnerable to fuel price and weather shocks, until such time that the Souapiti hydropower project is operational with a regulating reservoir. The future energy mix will shift towards 89 percent in renewable, mainly hydropower, by end-2021 with Souapiti on stream. Other elements of the reform agenda are to tackle shortcomings in governance, management, and commercial performance at EDG. Through targeted investments, EDG would be able to reduce illegal connections, improve billing and collection rates, and increase the metering of electricity consumption. Protecting revenues from high value customers (businesses in the mining and industrial sectors and public entities) will increase revenues to the public electricity utility as well. Moreover, a combination of tariff increases and efficiency gains along the value chain will help reduce the level of subsidies required to keep EDG operating.

84. Another element of the reform agenda is to achieve universal electricity access by 2030 in a way that minimizes fiscal impacts and engages the private sector as a strategic partner. The Government is implementing the National Least Cost Electricity Access Scale Up Program 2016–2020 (NLCEAP) to expand electricity access across the country. The NLCEAP aims to increase legal access to electricity from 18.1 percent in 2016 to 36 percent by 2020 (half of which will be achieved through regularizing illegal connections), and universal access by 2030. These targets will be achieved through connections to the main grid for 95 percent of the localities and through connections to mini grids in remote localities where the main grid cannot reach in the next 10 to 15 years. The Guinea Rural Electrification Agency (*Agence Guinéenne d'Électrification Rurale*, AGER), created in May 2017, is responsible for overseeing the development of rural electrification programs including decentralized off-grid electrification solutions in rural areas.²⁸ With the Bank's support, the Government mobilized about US\$388 million from different donors including the World Bank, African Development Bank (AfDB), Islamic Development Bank (IsDB), AFD, EU, out of about US\$645 million required to achieve NLCEAP targets. The World Bank's Guinea Electricity Access Scale-Up Project (P164225), with a co-financing from AFD, will (i) improve the financial viability of the utility through regularization of about 100,000 illegal connections in Conakry, so as to reduce energy subsidies to the power sector which currently favors the capital city and other electrified

²⁶ EDG did not pay for the electricity from the Kaleta hydropower project until December 2018. This reflected a grace period for the payment as part of the financing agreement for the hydropower plant construction.

²⁷ The Power Sector Recovery Plan adopted in 2012, highlighted investment requirements in infrastructure and sector governance improvements needed for restoring the stability of the energy sector in Guinea. Besides EDG, other public sector players in the sector are: (i) the Ministry of Energy (ME), which sets the sector's policy; (ii) the *Agence Guinéenne d'Électrification Rurale* (Guinea Rural Electrification Agency, AGER); and (iii) an independent regulator was established in 2017.

²⁸ The Government will use off-grid solutions to provide electricity services to about 50,000 households in rural areas within the next five years.



areas; (ii) rehabilitate and expand the distribution network in peri-urban areas of Conakry and two selected secondary cities and improve the reliability of power supply that support economic activity; (iii) provide access through renewable energy mini-grids in selected remote localities; and (iv) provide TA to the Government for the implementation of the electrification program.

A. Governance of EDG

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| <p>Prior Action 8. To improve the governance of the public electricity utility (EDG), the Recipient has issued a decree dated August 6, 2019, amending the statute establishing EDG to include the creation of EDG’s Board and the competitive selection of EDG’s management team, including the director general and directors, to conform with the law of 2017 on the financial governance of public establishments and corporations and its implementation decree.</p> | <p>Indicative Trigger 8. To improve the governance of public electricity utility (EDG), the Recipient, through competitive processes, has: (i) recruited the management team (including the Director General, Directors and Heads of Departments); and (ii) appointed an international management advisory firm to support the management team.</p> |
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Background

85. Weak corporate governance is a key driver of EDG’s problems. EDG is a corporation that is fully owned by the state, and thus is subjected to both the legislation governing corporations and SOEs. The ME and MEF have technical and financial oversight, respectively, over EDG. Until Guinea’s independent regulator for the electricity sector becomes operational, the ME performs both the role of policy formulator and regulator of the sector. Another governance shortcoming is that EDG currently operates without a board of directors as the Administrator General combines the roles of the board and the management. Transparency and accountability of decision-making authorities could be improved because disclosure of financial and non-financial information occurs with delays. Although the budget reports subsidies for EDG, these subsidies are received indirectly through a complex system that needs improvement in transparency (e.g., subsidies for electricity provided by IPP or the Kaleta hydropower project).

86. With the signing of a four-year management service contract in 2015, some aspects of EDG’s performance have progressed. The consortium Veolia-Seureca, a private operator, won the management services contract (MSC) after the Government launched a competitive selection process. The MSC became effective on October 9, 2015 and was supported by the previous DPF series. Despite delays with investments and realigning of management, the MSC has contributed to improve some technical indicators. As shown in Table 7, EDG has been able to reduce the number and duration of power interruptions and an increase in annual sales of electricity. However, the commercial performance of EDG has only marginally improved, which is attributed in part to a lack of coordination with reforms aimed at increasing billing and billing collection rates, and the and lack of oversight. In particular, the share of consumers billed on meters is very low at 16 percent compared to the target of 80 percent in 2018. The



billing collection rate for large-value consumers is still low at 90 percent compared to the target 93 percent in 2018, whereas billing collection for public sector entities remain relatively low.²⁹

Table 7. Performance of EDG, 2015-2017

| Indicator | 2015 | 2016 | 2017 | 2018 | Cumulative Growth |
|--|---------|---------|---------|---------|-------------------|
| Annual generation (GWh) | 1,180 | 1,530 | 1,740 | 1,886 | 69% |
| Number of substations built (MV/LV) | 2,270 | 2,410 | 2,730 | 2,902 | 28% |
| Annual duration of power outage (hr) | — | 350 | 279 | 240 | -31% |
| Electricity demand (MW) | 245 | 295 | 335 | 340 | 39% |
| System Avg. Interruption Duration Index outside Conakry (hr) | — | 177.5 | 153.7 | | -23.8 |
| Rate of unplanned outages of generation plants (%) | - | 33 | 23 | | -10 |
| Annual sales of electricity (GNF, billions) | 564 | 715 | 875 | 950 | 68% |
| Revenues collected (GNF, billions) | 407 | 616 | 625 | | 97% |
| Billing rate (%) | 63 | 64.1 | 64.2 | 70 | 7 ³⁰ |
| Collection rate (%) | 60 | 79 | 83 | 87 | 27 |
| Average generation cost (GNF per kWh) | 1,766 | 1,261 | 1,184 | | -33% |
| Average unit price (GNF per kWh) | - | 719.5 | 770 | | 7% |
| Clients | 238,469 | 246,527 | 271,249 | 400,149 | 68% |
| Meters installed | 13,000 | 21,000 | 62,603 | 119,289 | |

Source: EDG.

Prior Actions, Indicative Triggers, and Expected Results

87. The Government plans to strengthen EDG's corporate governance. Currently, the Administrator General of EDG plays the role of a board of director and director general.³¹ To address this shortcoming, the Government modified EDG's statutes in August 2019, in compliance with the 2017 SOE law, to create a new management structure for EDG that includes a board of directors (BoD) and a director general (**Prior Action 8**). This separation of roles will put more emphasis on transparency and accountability in decision making at EDG. The appointment of the board of directors will be based on transparent criteria, such as expertise in commercial, financial and human resources areas. The board will have representatives from selected ministries (Ministry of Economy and Finance, Ministry of Budget, and Ministry of Energy), the Office of the President, the Office of the Prime Minister, the private sector, the civil society, the association of consumers, EDG staff, and two technical experts. All members of EDG's board of directors, including the chairperson of the board, were appointed through a presidential decree in August 2019. Following the appointment of the board, the new management team for EDG will be selected using a competitive selection process (**Trigger 8**). A human resource firm has been hired to assist the Government in the recruitment process. Given the time it takes for the selection of the future

²⁹ Part of low penetration of meters can be explained by large increase of regularized connections and hence EDG registered many new customers without meters.

³⁰ The MSC did not improve the billing rate. This is an area of focus in 2019.

³¹ Prior to the signing of the MSC, statutes of EDG were amended to create the staff position of Administrator General which concentrates the powers of the Board of Directors and Director General.



management team, the Government has appointed an Interim Management team to manage the transition period between the MSC and the Management by the locally recruited management team.

88. An improved governance structure should aggressively pursue the implementation of the management improvement plan (MIP) approved in 2017. The MIP, also known as Internal Recovery Plan, includes strategic activities to: (i) improve service delivery and grid efficiency (better reliability of power supply and lower technical losses); (ii) reduce commercial losses by increasing billing and collection rates; and (iii) sustain capacity building of human resources at EDG. The implementation of the MIP helped focus the activities of the remaining months of the MSC and achieve some of the progress showed in Table 6. But its implementation has not progressed as fast as expected. The auditor of the MSC estimates that by the end of the MSC in October 2019, about 40 percent of MIP activities would have been completed, 50 percent will be under implementation, while 10 percent would not have been initiated.

89. Expected Result. Having a new governance structure in place and transition plans will avoid disruptions with the implementation of the MIP and/or backtracking of efficiency gains achieved under the MSC. The board of directors and new management team at EDG would implement modern management tools such as an Integrated Management System (IMS) to carry out the utility operations. Thus, the implementation of this prior action is critical to improving the financial viability of the sector.

B. Financial Viability

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| <p>Prior Action 9. The Recipient’s Ministry of Energy and MEF have issued inter-ministerial orders dated May 23, 2019 increasing retail electricity tariff by 15 percent for residential consumers and 5 percent for professional consumers, to improve the performance of the electricity sector.</p> | <p>Indicative Trigger 9. To improve the financial performance of the electricity sector, the Recipient, through its Council of Ministers, has: (i) adopted a methodology that estimates adjustments to retail electricity tariff based on EDG’s revenue requirements for service delivery and level of subsidies needed to cover the projected gap between EDG’s revenue requirements and tariff revenues; and (ii) has issued an inter-ministerial order increasing retail electricity tariff based on the adopted methodology.</p> |
| <p>Prior Action 10. (a) The Recipient, represented by Ministries of Energy, Budget and MEF, has signed an agreement with EDG dated July 18, 2019, to clear the net cross-arrear balance owed to EDG by the Recipient as of December 31, 2018 and to establish a multi-year plan to pay the balance by January 10, 2025. (b) The Recipient has transferred to EDG, under the above-mentioned agreement, the first payment of GNF 45 billion.</p> | <p>Indicative Trigger 10. To prevent accumulation of arrears for unpaid electricity consumption by public institutions and public lighting, the Recipient has:(i) issued a ministerial order that classifies public institutions into strategic and non-strategic; and (ii) approved a system for billing and collecting payments from public institutions, with pre-paid meters for non-strategic public institutions and an advance payment plan for strategic public institutions.</p> |

Background

90. Electricity tariffs are on average 40 percent of cost of service, contributing to EDG’s poor financial health. For historical reasons, households, which account for 45 percent of electricity consumption, have one of the lowest electricity tariffs in West Africa at ¢1–3 per kWh. The electricity tariffs for public institutions and large consumers are much higher at ¢17- 26 per kWh, which is closer to



the West African average. The cost of supply of electricity to end users is about €25 per kWh with the current energy mix. The seasonality of hydropower generation and deficient investment planning result in costly diesel/HFO generation accounting for a high proportion of electricity generation (about 45 percent in 2018). The reliance on thermal generation will be reduced once the regulating reservoir of the Souapiti hydropower project comes on stream in 2021. Moreover, grid losses, rampant power thefts and poor billing also contribute to high cost of supply of electricity. EDG incurred an operating deficit of US\$128 million in 2017 (1.2 percent of GDP).

91. Electricity tariffs would need to almost double by 2025 for EDG to reach financial equilibrium.

Tariff increases will need to be accompanied with reforms aimed at reducing the level of commercial losses and shifting the energy mix towards cleaner and more affordable types of electricity generation (hydropower and solar). Sector financial analysis conducted by the World Bank team with financing from ESMAP estimated that cumulative tariff increase of about 95 percent on residential category of consumers and 82 percent on nonresidential consumers would be needed by 2025 to achieve financial equilibrium. Moreover, the analysis underlined the necessity for the Government to connect mines to the interconnected electricity grid and export power to neighboring countries to be able reach such a financial equilibrium in the medium term.

92. Weak billing practices and low collection rates from the public entities also contribute to EDG's poor financial performance.

In 2016, the average revenue collection rate was 79 percent, which is substantially lower than the target for Sub-Saharan Africa of 92 percent. The collection rate for electricity consumption from the public sector was much lower, at 53 percent. Unpaid electricity consumption by public institutions and public lighting has resulted in arrears that affect EDG's financial performance.

Prior Actions, Indicative Triggers, and Expected Results

93. To contain the fiscal impact of the energy sector, the Government is committed to reform electricity tariffs. Under their ECF program, the Government increased electricity tariff for all categories of consumers (25 percent for industrial consumers and 10 percent for households) while preserving the social tariff in May 2018. A year later, the Government increased electricity tariffs by 15 percent for residential consumers and by 5 percent for non-residential consumers (**Prior Action 9**).³² This is a modest tariff increase relatively to the need of almost doubling electricity prices by 2025. The Government is committed to implement tariff increases that: (i) target the large and richer consumers; (ii) introduce a workable lifeline tariff, with elimination of illegal connections and metering system that enables its operationalization; (iii) are followed by mitigation measures for the poor (for instance through social safety net engagement); and (iv) are accompanied by improved service delivery.

94. With a history of protests for the poor quality of electricity services, the Government plans to implement a comprehensive communication campaign to effectively implement a tariff reform. The communication strategy needs to be centered around the message that reducing subsidies to the energy sector by 2025 requires reforming EDG to allow the Government to spend more on social services. Through a trust fund from the Energy Sector Management Assistance Program (ESMAP) TF (TFOA7498) on electricity subsidy reform in Guinea, Mali and Togo, the World Bank team has assisted the Government

³² The third review of the IMF ECF program included this tariff adjustment as a prior action. This is a critical action for the achievement of the objective of this pillar.



to (i) prepare a comprehensive communication plan to effectively implement ongoing energy sector reforms including tariff reform; and (ii) conduct distributional impact analysis of tariff increase and subsidies to ensure the tariff increase is less regressive and subsidies are pro-poor.

95. The independent regulator needs a transparent tariff setting methodology to regularly implement tariff adjustments. Traditionally electricity tariffs in Guinea have been proposed by the ME, without a proper tariff setting methodology. With support of the previous DPF series, the Government created an independent regulator for electricity and water sectors. The regulator has not yet become operational. The Government is now preparing grounds to adopt a tariff setting methodology to determine costs of services, tariff level and schedule of adjustments, and level of subsidies. The cost of services encompasses generation and power purchase costs, costs of transmission, distribution, and other variable and fixed costs, such as meter reading and billing, and allowable transmission and distribution (T&D) loss factors. Moreover, the tariff setting methodology will produce estimates to reach financial equilibrium in 2025. This methodology to be adopted early 2020, will guide the Electricity Regulatory Authority to regularly implement tariff adjustments (**Trigger 9**).

96. The Government plans to eliminate the amount of net cross- arrears between EDG and public institutions. It conducted a study to confirm the amount of arrears: (i) for electricity consumption by the public entities and (ii) for EDG's overdue taxes as of end-2018. The Government had accumulated arrears with EDG of around GNF 981 billion while EDG had overdue taxes for GNF 815 billion. To settle the amount of arrears, the Ministry of Economy and Finance, Ministry of Energy, Ministry of Budget and EDG signed an agreement/ protocol with a plan to eliminate the amount of net cross- arrears of GNF 166 billion by April 2021 (**Prior Action 10**). The first payment of GNF 45 billion was made, resulting in a balance of GNF 121 billion that will be pay in quarterly installments of about GNF 15 million starting in July 2019 until April 2021. Paying down arrears to EDG supports the financial viability of the sector and allows for proper differentiation between payments for electricity subsidies and for electricity consumption.

97. The Government is also pursuing parallel efforts to implement a solution to the problem of non-payment of electricity bills by public institutions and public lighting. The installation of consumption meters in all public institutions would allow EDG to produce electricity bills based on actual consumption of electricity, instead of an estimate. Moreover, the Government will classify public institutions into strategic and non-strategic for electricity disconnection. Wherever practically possible, all non-strategic public institutions will be equipped with pre-paid meters, allowing them to be current with the electricity bills. For strategic public institutions, the Government will implement an effective system to ensure regular payment of electricity bills (**Trigger 10**). In parallel, the Ministry of Economy and Finance, Ministry of Energy and EDG will work to promote energy efficiency in public institutions. The Government also plans to implement a financial restructuring plan of EDG that will include recapitalization of EDG and assets/liabilities transfer from the Government to EDG by 2020. This financial restructuring plan will address EDG's debts of around \$330 million (equivalent to two years of annual turnover) to fuel suppliers and IPPs.

98. Expected Results. EDG's annual cash flows will also increase due to new tariff adjustments and with the regularization of illegal connections as part of the access program. Transfers to EDG will decline to 0.8 percent of GDP (see Table 3). Thus, the level of electricity subsidies per kWh invoiced in the year will also decline with the reduction in transfers and the increase in electricity that is invoiced. Baseline 2018: GNF 1,081/kWh (US¢12/kWh). Target 2021: GNF 850/kWh (US¢8/kWh). Moreover, it is expected



that the amount of net arrears of the public sector to EDG will decline overtime from GNF 166.5 billion as of end-2018 to GNF 80 million by end-2021. Moreover, the public sector collection rates will increase from 53 percent in 2018 to 90 percent in 2021.

99. The design of the proposed DPF series is informed by the findings and recommendations of recent analytical work conducted by the WBG. The studies undertaken by the World Bank, the Government, and other development partners, have been essential for the identification of prior actions and indicative triggers. Annex 5 summarizes the analytical work that are relevant for the proposed DPF series.

4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

100. The proposed DPF series is an integral part of the WBG's CPF for Guinea. The WBG CPF for FY18-23 was presented to the Boards of Executive Directors the World Bank Group on June 7, 2018. The CPF consist of three pillars: (i) fiscal and natural resource management; (ii) human development; and (iii) agricultural productivity and economic diversification. The proposed PDF series is identified in the CPF as an instrument to support reforms in the energy and agricultural sectors. Moreover, it contributes to Pillars (i) and (iii) of the CPF through institutional and policy reforms for better fiscal management, improved business environment for competitiveness, and enhanced performance of the energy sector.

101. The proposed DPF series will be supported by TA from various World Bank investment operations in Guinea. The Economic Governance Technical Assistance Program (P125890) will provide TA for the SOE reform. Moreover, the Debt Management Facility (DMF) program will provide TA to the MEF to build technical capacity and improve transparency. The Guinea Agricultural Support Project (P148114) and Guinea Integrated Agricultural Development Project (P164326) are supporting the e-voucher and e-extension programs. The Rural Mobility and Connectivity Project (P164543) provides TA to the Government for road maintenance. The Guinea Investment Climate Agrobusiness Project (IFC) is providing TA for the implementation of the commercial court and single-window for land registration and construction permits. The Power Sector Recovery Project (P146696) aims to improve the technical and commercial performance of EDG. The Guinea Electricity Access Scale-Up Program (P164225) will support the expansion of grid access in selected areas and the regularization of about 100,000 illegal connections in Conakry. A pilot of privately-operated mini grid projects will help bring electricity services to off-grid localities. Funding from the Energy Sector Management Assistance Program (ESMAP) has financed a tariff study, which will support the regulator, and a communication plan to facilitate the implementation of the energy sector reforms.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

102. The design of the proposed DPF series is informed by the Government's development plan (PNDES), which was completed in 2017 and benefitted from wide-scale consultations. The Government conducted consultations at various levels, including the Council of Ministers, line ministries, government agencies, and other stakeholders such as private sector representatives and farmers. For example, consultations with domestic and foreign investors helped identify specific constraints to the business environment in the areas of solving commercial disputes and trade facilitation.



103. The proposed DPF series is being prepared in collaboration with the IMF, AfDB, EU, and AFD as well as other partners and civil society. The preparation of the proposed DPF series has relied on various World Bank investment projects that are being coordinated with a range of development partners. The EU is providing TA to the prior actions on rural roads as well as TA for the operationalization of Ageroute. The AFD and the EU are also support electrification efforts in Guinea. Moreover, the AFD is providing TA on debt management. Coordination with the IMF has been important for the assessment of Guinea’s macroeconomic framework and implementation of key actions for the electricity sector (e.g., electricity tariffs and installation of meters at public buildings).

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

104. Reforms under Pillar 1 may have neutral or some positive impacts on poverty and social development. Strengthening SOE oversight may contribute to a better fiscal management and service delivery down the road. The DPF may engender better tax compliance by contributing to strengthen tax administration. Reforms that aim to mobilize additional revenues through excise tax revenues can be simpler to administer and may discourage consumption of goods harmful to health or the environment (e.g., tobacco). In theory, additional revenues mean greater capacity for spending to promote growth and to improve living conditions for the poorest and vulnerable people. Improved debt management could help lower debt service costs, thus increasing fiscal space for pro-poor spending.

105. Reforms underpinning Pillar 2 are expected to have a net positive impact on poverty, through inclusive growth in the agriculture sector. The e-voucher scheme (Prior Action 4), in the short to medium term, is expected to improve the efficiency, transparency, of the distribution of subsidized agricultural inputs and to improve access of farmers in poor and isolated areas. The subsidies will be greatest for smallholders owning less than 2 hectares (40 percent subsidy), while larger farmers would be limited to a 20 percent subsidy. Women represented 36 percent of the targeted beneficiaries in the pilot and 39 percent among smallholder beneficiaries. More equitable access to these agricultural inputs will help increase productivity of those farmers, improve food security, and promote income diversity. To support the continuous improvement in the distribution of e-vouchers and agricultural inputs, the authorities will implement an Iterative Beneficiary Monitoring system.

106. Other prior actions in Pillar 2 are likely to have neutral to positive poverty impacts. The rationale for reforms and public investment in rural roads is that households can better exploit agricultural and nonagricultural opportunities to use labor and capital more efficiently. Prior Action 5 is expected to expand opportunities in the agribusiness sector and to increase access of small farmers to national and international markets. According to World Bank reports,³³ rural road investments can contribute to reducing poverty but should be tailored to the local context and economic potential to be cost effective.

³³ See for example: Raballand, Gaël; Macchi, Patricia; Petracco, Carly. 2010. Rural Road Investment Efficiency: Lessons from Burkina Faso, Cameroon, and Uganda. Directions in Development, Infrastructure. World Bank. Another reference is: Gachassin, Marie; Najman, Boris; Raballand, Gael. 2010. The Impact of Roads on Poverty Reduction: A Case Study of Cameroon. Policy Research Working Paper No. 5209. World Bank, Washington, DC.



Prior Actions 4 and 5 that help improve the institutional and legal framework and enhance business competitiveness, are expected to be neutral with respect to poverty impacts.

107. Pillar 3 reforms in the energy sector are expected to lead to improved governance and could potentially free-up fiscal resources that can benefit the poor. Prior Actions 8 and 10 that aim to improve governance and clear arrears are expected to be neutral for poverty. Improved management of the electricity sector that stabilizes government budget expenditures can create the fiscal space for greater social and investment expenditures, those that are key to the Government poverty reduction objectives under PNDES. While the potential for greater pro-poor spending exists, the poverty impacts will depend on the actual allocations made in the future.

108. A Poverty and Social Impact Analysis (PSIA) was prepared to assess the impacts of the electricity tariff reform.³⁴ The PSIA study indicates the impact of the 2019 tariff increase on poverty incidence to be marginal (*i.e.*, an increase of 0.1 percentage point). Both the direct effects on connected households' real expenditures (adjusted for the loss of purchasing power due to the electricity price increase) and the indirect effects through a price increase in other goods (due to the 2019 non-residential price increase of 5 percent) yield limited poverty impacts. The 2019 reform reduced the threshold for the lowest tariff bracket for households from 60 kWh to 40 kWh (effectively increasing prices for those consuming 60 kWh/month) and the tariff for consumption above 40 kWh was increased by 15 percent. Thus, the 2019 tariff structure results in a cost increase of 8.7 percent for 60 kWh/month consumption and 12.9 percent for 130 kWh/month³⁵ for households. In absolute terms, the cost increase is relatively small, GNF 760 (~US\$0.08) for 60 kWh and GNF 3,420 (~US\$0.37) for 130 kWh, due to the low baseline price. As households with electricity connections are mostly among the wealthiest quintiles, the poverty impact of the 2019 tariff increase is minimal.

109. Affordability will be critical to expanding access to electricity among the poor as future tariff increases are implemented. At 2019 prices, a basic bundle of 60 kWh/month remains affordable³⁶ for all households already connected to the electrical grid, but 130 kWh/month is deemed unaffordable for an estimated 3 percent of households (already connected) of the bottom 40 percent. As a series of future tariff increases are envisioned as part of the reform, the potential poverty impact of the cumulative tariff increase is critical to consider. According to the PSIA analysis, a 95 percent cumulative increase of residential tariff increases (2019-2025) would make 130 kWh/month level of consumption unaffordable³⁷ for about 10 percent of the poor in Conakry, 35 percent of the poor in other urban areas, and 60 percent of the poor in rural areas. Thus, appropriate measures for the poor should be implemented to offset negative distributional impacts as tariff increases are rolled out in subsequent years. In this regard, the Government is revamping its social protection program with the TA of a World Bank project.

³⁴ Poverty and distributional analysis of the electricity tariff reform was conducted by ESMAP and the Poverty and Equity GP.

³⁵ A 130 kWh/month consumption level is reflective of the average consumption estimated by EDG for its current customer base.

³⁶ An affordability threshold for electricity bills was assumed to be 3 percent of household expenditures in the PSIA.

³⁷ A cumulative tariff increase of 95 percent would likely represent the upper limit in terms of affordability for households.



5.2. ENVIRONMENTAL ASPECTS

110. The reforms and policy actions supported by the proposed DPF series are not likely to have a negative impact on the country's environment. Guinea has a rich legal and institutional framework to ensure effective management and protection of the environment. The 1987 Environmental Code, modified in 1989, establishes the legal and administrative framework for the protection of environmental resources and the human environment. Moreover, the ministerial decrees and orders associated with the Environmental Code specify the list of activities that may require an environmental impact study, including content, procedures, and methodology.

111. Various entities are involved in the implementation of the existing environmental framework. At the institutional level, the Ministry of Environment and Water and Forests leads environmental policy in Guinea. The Guinean Bureau of Environmental Studies and Assessment (*Bureau Guinéen d'Études et d'Évaluation Environnementale*, BGEEE) supports the preparation and assessment of terms of reference and consultation process. The Technical Committee for Environmental Analysis (*Comité Technique d'Analyse Environnementale*, CTAE) validates any environmental assessment, which allows projects to obtain an environmental certificate. The National Directorate of the Environment (*Direction Nationale de l'Environnement*) is responsible for environmental and social monitoring.

112. The country's capacity to address environmental and social risks and impacts still needs strengthening. With support from the WBG, Guinea adopted a new Environmental and Social Framework (ESF) on October 1, 2018. This would allow the country to take an important leadership role to identify specific environmental and social challenges at the sectoral level. For example, the Ministry of Mines and Geology completed a Sectoral and Cumulative Impact Assessment for mining in May 2019. Similar impact assessments are anticipated for the agriculture and roads and transport sectors.

113. Efforts aimed at increasing agricultural productivity through the e-voucher program can generate negative externalities on environment and human health if not well managed. The use of modern inputs (improved seeds, fertilizers, and pesticides) require specific skills and technical know how to avoid potential negative impacts on the environment, if not well applied. The transport conditions, the storage and use of those products will require closer monitoring, education and awareness campaigns. In the context of agricultural projects, the Government has prepared a "Pest and Pesticides Management Plan (PPMP)" in the framework for projects use of pesticides and fertilizers. This PPMP provides guidelines and specific measures to mitigate risks relating to the use of fertilizers and pesticides in agricultural settings. In addition, the BGEEE is receiving TA for the close monitoring of environmental and social standards in the use of these agricultural inputs, their management and disposal of used containers, reducing thus the associated risks and impacts.

114. With respect to rural road maintenance, civil works often require labor force and the associated goods and services which cannot be fully supplied locally for several reasons. If not managed appropriately this influx of workers (and followers) can lead to adverse social and environmental impacts on local communities. The World Bank's guidance notes for advising Borrowers on approach to identifying risks and impacts on local communities associated with the labor influx should help manage such risks and impacts. This can be done (i) reducing labor influx by tapping into the local workforce; (ii) assessing and managing labor influx risk based on appropriate instruments; and (iii) incorporating social and



environmental mitigation measures into the civil works contract. In practice, these risks are managed at the project level in the context of risk assessment and procurement process (i.e., contracts that have specific clauses to mitigate those risks).

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

115. The Government is committed to strengthen public financial management (PFM). The Public Expenditure and Financial Accountability (PEFA) and Public Investment Management Assessment (PIMA) exercises were conducted in 2018 with strong support and cooperation from the authorities. Their recommendations led to the approval of the action plan for the reform of public finances (*Plan de Réforme des finances Publiques*, PREFIP) 2019-2022, adopted by the Council of Ministers in December 2018. The PREFIP aims at strengthening budget preparation and presentation, budget execution and internal controls, and accounting and reporting of central government operations, among other objectives. The aggregate budget law is made generally available to the public with a lag. The detailed budget law is distributed to key institutions and international institutions and is easily obtained if requested. The authorities continue to make efforts through political support and staffing to overcome constraints and achieve the goals of the capacity building program in PFM areas. In the area of procurement, the Government eliminated the double review of externally financed contracts (previous DPF series) and plans to have a more decentralized system that gives greater authority to the procurement units within line ministries. The first pillar of the proposed operation complements efforts to increase transparency and oversight of public establishments and corporations.

116. The BCRG made progress in strengthening safeguards framework, following the latest IMF Safeguard report. The 2017 amendment to the BCRG law improved the Central Bank's autonomy, prohibited the issuance of guarantees to the private sector, and established a new governance structure for collegial decision-making. The recapitalization of the BCRG (about US\$300 million) in 2018 has restored its operational and financial autonomy. The 2017 financial statement of the BCRG were prepared in compliance with International Financial Reporting Standards (IFRS). The end-December 2018 external audit is underway and is expected by early 2019. External audits of the monetary data for end-June 2018 and end-December 2017 were completed and did not point to any significant issue.

117. The proposed operation would consist of a single-tranche credit of US\$90 million equivalent to be disbursed contingent upon effectiveness. The proposed operation will follow IDA's disbursement procedures for DPFs. The proceeds of the credit of the project will be disbursed by IDA into a dedicated account opened in U.S. dollars or in euros at the BCRG for this budget support operation to ensure a transparent management of DPF proceeds. Within three working days, an equivalent amount in local currency will be credited to an account of the Government held at the BCRG and made available in the budget management system to finance budgetary expenditure. The equivalent amount in local currency reported in the budgetary system will be based on the market rate at the date of the transfer was made. The Borrower will promptly notify the World Bank that such transfer has been made, and that proceeds have been credited to the budget management system in a manner satisfactory to the World Bank. Such a notification is expected twenty working days following the date the transfer was made by the World Bank. The proceeds of the credit will not be used to finance expenditures excluded under the Financing Agreement.



118. Audit. The previous DPF series required an audit of the DPF funds. The audit of the second DPF in that series was completed and no irregularities were found by the auditors. The Recipient shall: (i) report the exact sum received into the Dedicated Account; (ii) ensure that all withdrawals from the Dedicated Account are for budgeted public expenditures, except for items on the World Bank's negative list (items excluded under the Financing Agreement). The World Bank reserves the right to seek an audit of the dedicated account by independent auditors acceptable to the World Bank. If the proceeds of the credit are used for ineligible purposes as defined in the Financing Agreement, IDA will require that the Government refund an amount equal to the amount of ineligible payment to IDA promptly upon notice from IDA. Amounts refunded to the World Bank upon such a request will be cancelled.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

119. The MEF is responsible for the monitoring and evaluation of the program supported by the proposed DPF series. As the main implementing agency, it will coordinate with other government ministries and agencies involved in the implementation of the series, such as the ministry of agriculture and the ministry of mines and geology, and energy. Together with the MEF these institutions will collect the necessary data to assess implementation progress and report it to the World Bank. The MEF has experience in coordinating and implementing DPFs, demonstrated by its successful execution of the previous World Bank operations in the past.

120. "Grievance Redress. Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org."

6. SUMMARY OF RISKS AND MITIGATION

121. The risk assessment suggests that this operation entails a substantial risk overall. The most relevant risks that can affect the achievement of the PDOs defined for this operation are: (i) political and governance risks; (ii) macroeconomic and fiscal risks; (iii) sector strategies and policies risks; (iv) institutional capacity for implementation and sustainability risks; and (v) fiduciary risk.

122. Political and governance risks are high. These risks are related to the complex reform agenda that requires political support. Indeed, political disagreement or legislative gridlock could threaten the pace of the structural reform agenda. The authorities are aware of this risk and are raising awareness on key policy measures. This is important given the context of citizens' low public trust in the country's institutions. Development partners maintain an open dialogue with political leadership at the highest



levels, aimed at maintaining consensus and implementation momentum of the reforms. Nevertheless, political tensions may rise prior to the legislative and presidential elections and could delay the implementation of reforms, particularly in the electricity sector. In addition, debates around a referendum on new draft of constitution has intensified and, as a result, there is a high risk that political opposition could evolve into sporadic outbreaks of instability if a new constitution is proposed.

123. Although the macroeconomic policy framework is adequate, the macro risks are substantial. Policy slippages, delays in structural reforms, and external vulnerabilities constitute important risks to the implementation of DPF measures. Delays in completing the structural reforms specified in Guinea's 2016–2020 PNDES could suppress medium-term growth and threaten debt sustainability. Such delays might arise from sociopolitical tensions and from capacity and financial constraints that make it harder to complete planned investment projects. However, new mining production coming on line faster than expected would support higher medium-term growth. In addition, fiscal slippages (from a lower revenue base, weak prioritizing of public investment projects, or higher current and capital expenditures) could lead to a recourse to inflationary financing from the BCRG, increased borrowing, and affect medium-term debt sustainability. An additional risk is increased spending during the up-coming election period and as a response to social protests or union activity. The main external risks are: (i) a growth slowdown in China and advanced economies (which could reduce investment in Guinea and demand for its mineral resources); (ii) tighter or more volatile global financial conditions, e.g. a surge in the US dollar (which could impair competitiveness and strain reserve buffers); and (iii) another decline in commodity prices. Given that Guinea is an undiversified commodity exporter, with its own currency (i.e. it is not a member of the West African Economic and Monetary Union (WAEMU) currency union), it is particularly vulnerable to external shocks, highlighting the need for holding adequate international reserves as a buffer.

124. Sector strategies and policies risks are substantial, particularly in the energy sector. The risks related to improving the operational efficiency of EDG and uncertainties about the implementation of tariff policy. Another risk is that EDG's management may reverse the achievement so far after the end of the MSC. Moreover, social resistance against unpopular measures, such as metering, regularization of illegal connections, etc. to improve EDG's revenues could undermine the implementation of those policies. To mitigate those risks, the World Bank is providing TA through two investment operations (the Power Sector Recovery Project (P146696) and the Guinea Electricity Access Scale Up Project (P164225)), and the ESMAP TF financing a proper communication plan to accompany the implementation of the reforms. The World Bank and other donors (AFD, AfDB, and EU) are supporting the Government to continue the implementation of the reform agenda.

125. Risks associated with institutional capacity for implementation and sustainability are substantial. The government's multi-sector reform agenda raises the risk that implementation capacity could be stretched thin, considering Guinea's weak institutional capacity. The proposed operation supports reforms spanning multiple ministries, which compound existing capacity risks. Reform implementation for the proposed DPF series are being supported with advisory services and TA from the WBG, IMF, the EU, and other development partners.

126. Fiduciary risks are substantial, after mitigation measures. Guinea suffers from weakness in budget formulation, execution, and oversight. However, the operationalization of the Court of Accounts and the strengthening of the General Finance Inspectorate have strengthened internal oversight functions. Fiduciary risk will also be mitigated by the deposits of the World Bank loan proceeds into a



dedicated account at the BCRG that is used for this operation. Moreover, the World Bank reserves the right to seek an audit of the dedicated account by independent auditors acceptable to the World Bank.



Table 6: Summary Risk Ratings

| Risk Categories | Rating |
|---|---------------|
| 1. Political and Governance | ● High |
| 2. Macroeconomic | ● Substantial |
| 3. Sector Strategies and Policies | ● Substantial |
| 4. Technical Design of Project or Program | ● Moderate |
| 5. Institutional Capacity for Implementation and Sustainability | ● Substantial |
| 6. Fiduciary | ● Substantial |
| 7. Environment and Social | ● Moderate |
| 8. Stakeholders | ● Moderate |
| 9. Other | |
| Overall | ● Substantial |



ANNEX 1: POLICY AND RESULTS MATRIX

| <p>Prior Actions under DPF 1 <i>(circa end-August 2019)</i></p> | <p>Indicative Triggers for DPF 2 <i>(circa end-August 2020)</i></p> | <p>Result Indicator Name <i>(by end-2021)</i></p> |
|---|---|--|
| <p>Pillar 1: Strengthening Fiscal Management</p> | | |
| <p>Prior Action 1. The President of the Republic of Guinea has signed a decree dated September 28, 2018 for law of 2017 on the financial governance of public establishments and corporations, aiming to strengthen the performance and oversight of SOEs, and has issued five decrees amending the status of five public establishments and corporations to conform with the law of 2017.</p> | <p>Indicative Trigger 1. To strengthen the governance and oversight of public establishments and corporations (SOEs), the Recipient has: (i) put in place a policy requiring annual publication of audited financial statements for SOEs and published the audited financial statements of five SOEs (enterprises with full ownership by the State, <i>société publique</i>) selected on the basis of their size; (ii) updated the database of active SOE (enterprises with full or partial ownership by the State) with financial and governance indicators; and (iii) published the annual portfolio report for SOEs according to international standards.</p> | <p>Percentage of active SOEs (enterprises with full or partial ownership by the State) with published financial information available on internet Baseline (2018): 0 % Target (2021): 100%</p> |
| <p>Prior Action 2. To improve the performance of the tax administration, the Recipient’s Ministry of Budget has issued: (a) ministerial order dated February 19, 2019, adopting a new organizational framework of the DNI separating strategic operation management functions from control functions; (b) ministerial order dated August 1, 2019, creating and adopting the attribution and organization of a tax policy unit within the Ministry of Budget’s Bureau of Strategy and Development (<i>Bureau de Stratégie et de Développement</i>) to strengthen evidence-based policymaking for tax policy; (ii) jointly with the Recipient’s MEF and joint circular dated October 1, 2018, instructing commercial banks and financial</p> | <p>Indicative Trigger 2. To improve domestic revenue mobilization, the Recipient has: (i) adopted policy measures to increase excise tax collections, such as implementing a multi-year plan to bring excise duties on tobacco products closer to ECOWAS directive and adjusted excise rates for selected products according to pre-determined criteria and (ii) prepared and initiated implementation of roadmap to reorganizing DNI, including doing skill assessments, staffing position based on technical criteria, and auditing of DNI’s information system.</p> | <p>Excise tax revenue collected (% of GDP) Baseline (2018): 0.13 Target (2021): 0.34</p> |



| Prior Actions under DPF 1 <i>(circa end-August 2019)</i> | Indicative Triggers for DPF 2 <i>(circa end-August 2020)</i> | Result Indicator Name <i>(by end-2021)</i> |
|---|---|--|
| establishments to only accept electronic bank transfers for tax and custom payments due by large and medium enterprises. | | |
| Prior Action 3. To strengthen debt management, (a) the Recipient’s MEF has published a declaration of public debt policy defining debt management objectives and procedures; and (b) the Recipient’s MEF has published on its website a medium-term debt strategy (MTDS) and a statistical bulletin outlining the Recipient’s public debt data as of December 31, 2018 and the first quarter of 2019. | Indicative Trigger 3. To strengthen debt management, the Recipient has: (i) incorporated in the 2020 Finance Law, the purposes for which the State can make external borrowing; (ii) carried out a functional review of the organizational structure of the DNDAPD, including the identification of staff responsible for the debt strategy and ABP; and (iii) elaborated and published a reform plan to eliminate the usage of non-marketable securities. | Annual report to the Parliament detailing (i) progress towards MTDS targets and (ii) consistency of the debt operations with ABP (annual borrowing plan) and purposes of borrowing Baseline (2018): No Target (2021): Yes |
| Pillar 2: Enhancing Institutional and Regulatory Framework to Promote Competitiveness | | |
| Prior Action 4. The Recipient’s Ministry of Agriculture (a) has launched a pilot e-voucher system for agricultural inputs to improve the transparency, the targeting, and monitoring and evaluation of the distribution of subsidized agricultural inputs and a digital platform to interact with farmers for the delivering of e-vouchers; and (b) has delivered e-vouchers in four prefectures out of 33. | Indicative Trigger 4. To improve the transparency and efficiency of agricultural subsidies and extension services, the Recipient has: (i) adopted a set of measures to open input markets to the private sector; and (ii) delivered e-extension services in three prefectures out of 33. | Number of small farmers (less than 5 hectares) receiving agricultural input subsidies through the e-voucher system Baseline (2018): 2,900 Target (2021): 20,000 <i>Source:</i> Ministry of Agriculture, database of the e-voucher and e-extension programs. |
| Prior Action 5. The Recipient’s Ministry of Public Works has issued: (a) a ministerial order dated August 29, 2019, creating, providing a mandate and operationalizing the Road Classification Commission; (b) jointly with the Ministry of Agriculture, an inter-ministerial order dated March 4, 2019, implementing the road classification decree adopted on December 7, 2017, to define technical standards for all road types after approval by the Road Classification Commission. | Indicative Trigger 5. To improve road asset management, the Recipient has: (i) adopted measures to improve budget execution for road maintenance; and (ii) operationalized AGEROUTE under the new forthcoming procurement process. | Roads maintained per year (km) Baseline (2018): 313 Target (2021): 450 <i>Source:</i> FER and Ministry of Agriculture |
| Prior Action 6. The Recipient has made operational the Commercial Court of Conakry (<i>Tribunal de Commerce</i>) | Indicative Trigger 6. To facilitate the settlement of commercial disputes, the Recipient has: (i) | Time to settle commercial dispute (days) Baseline (2018): 311 |



| Prior Actions under DPF 1 <i>(circa end-August 2019)</i> | Indicative Triggers for DPF 2 <i>(circa end-August 2020)</i> | Result Indicator Name <i>(by end-2021)</i> |
|--|--|--|
| <p><i>du Conakry</i>) by making available to the Court the allocated budget under the 2019 Revised Budget Law, and through: (a) Presidential decree dated August 6, 2018, appointing the judges sitting at the Commercial Court of Conakry; (b) ministerial order dated August 1, 2019, issued by the Ministry of Justice, approving the internal rules of the Commercial Court of Conakry; and (c) joint ministerial order dated April 25, 2019 and decision dated February 14, 2019 issued by the Ministry of Justice, staffing the Commercial Court of Conakry.</p> | <p>expanded the geographical coverage of the Commercial Court; (ii) established a court of appeal for commercial matters; and (iii) introduced simplified procedures for small claims.</p> | <p>Target (2021): 180 <i>Source:</i> Doing Business Indicator</p> |
| <p>Prior Action 7. To simplify business procedures, the Recipient has established and made operational a single window pilot project for external trade ("<i>Guichet Unique du Commerce Extérieur</i>") at Conakry Port through a unique online platform that dematerializes the management of commercial transactions and facilitates the submission of customs declarations and the management of certifications and authorizations for imports and exports.</p> | <p>Indicative Trigger 7. To simplify business procedures, the Recipient has: (i) fully implemented the single window at the Port of Conakry and (ii) extended the single window for international trade to five border crossings; and (iii) launched the operations of single window for land registration and construction.</p> | <p>Time to import – documentary compliance (hours) Baseline (2018): 156 Target (2021): 90 Time to register property (days) Baseline (2018): 44 Target (2021): 22 <i>Source:</i> Doing Business</p> |
| <p>Pillar 3: Improving Financial Performance of the Energy Sector</p> | | |
| <p>Prior Action 8. To improve the governance of the public electricity utility (EDG), the Recipient has issued a decree dated August 6, 2019, amending the statute establishing EDG to include the creation of EDG’s Board and the competitive selection of EDG’s management team including the director general and directors, to conform with law of 2017 on the financial governance of public establishments and corporations and its implementation decree.</p> | <p>Indicative Trigger 8. To improve the governance of public electricity utility (EDG), the Recipient, through competitive processes, has: (i) recruited the management team (including the Director General, Directors and Heads of Departments); and (ii) appointed an international management advisory firm to support the management team.</p> | <p>Integrated Management System to support the board of directors and management team Baseline 2018: No Target 2021: Yes <i>Source:</i> EDG</p> |



| <p>Prior Actions under DPF 1 <i>(circa end-August 2019)</i></p> | <p>Indicative Triggers for DPF 2 <i>(circa end-August 2020)</i></p> | <p>Result Indicator Name <i>(by end-2021)</i></p> |
|--|---|--|
| <p>Prior Action 9. The Recipient’s Ministry of Energy and MEF have issued an inter-ministerial orders dated May 23, 2019, increasing retail electricity tariff by 15 percent for residential consumers and 5 percent for professional consumers to improve the performance of the electricity sector.</p> | <p>Indicative Trigger 9. To improve the financial performance of the electricity sector, the Recipient, through its Council of Ministers, has: (i) adopted a methodology that estimates adjustments to retail electricity tariff based on EDG’s revenue requirements for service delivery and level of subsidies needed to cover the projected gap between EDG’s revenue requirements and tariff revenues; and (ii) has issued an inter-ministerial order increasing retail electricity tariff based on the adopted methodology.</p> | <p>Electricity subsidies per kWh invoiced in the year (GNF /kWh) Baseline 2018: GNF 1,081 / kWh (US ¢ 12 /kWh) Target 2021: GNF 850 /kWh (US ¢ 8 / kWh)</p> <p><i>Source:</i> (Electricity and Water Sectors Regulatory Authority (<i>Agence de Régulation des secteurs de l’Eau et de l’Electricité</i>))</p> |
| <p>Prior Action 10. (a) The Recipient, represented by the Ministry fo Energy, Budget, and MEF, has signed an agreement with EDG, dated July 18, 2019, to clear the net cross-arrear balance owed to EDG by the Recipient as of December 31, 2018 and to establish a multi-year plan to pay the balance by January 10, 2025. (b) The Recipient has transferred to EDG, under the above-mentioned agreement, the first payment of GNF 45 billion.</p> | <p>Indicative Trigger 10. To prevent accumulation of arrears for unpaid electricity consumption by public institutions and public lighting, the Recipient has:(i) issued a ministerial order that classifies public institutions into strategic and non-strategic; and (ii) approved a system for billing and collecting payments from public institutions, with pre-paid meters for non-strategic public institutions and an advance payment plan for strategic public institutions.</p> | <p>Public Sector Collection Rates for Electricity (%): Baseline (2018): 53 Target (2021): 90</p> <p><i>Source:</i> EDG</p> |



ANNEX 2: IMF RELATIONS ANNEX

IMF Reaches Staff Level Agreement on the Fourth Review of the ECF Arrangement with Guinea

October 23, 2019

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

- IMF staff and the Guinean authorities have reached a staff-level agreement on the fourth review of the program of economic policies and reforms supported by a three-year Extended Credit Facility arrangement.
- Mobilizing additional tax revenues and gradually reducing electricity subsidies is key to create fiscal space for scaling-up growth-supporting public investment.
- Stepping-up public spending in social safety nets is pivotal to reduce poverty, protect the most vulnerable and foster inclusion.

Following discussions between the Guinean authorities and IMF staff in Conakry during October 1-12, 2019 and the 2019 Annual Meetings in Washington, a staff-level agreement was reached on the fourth review of the program of economic policies and reforms supported by a three-year Extended Credit Facility (ECF) arrangement. Subject to IMF management approval, consideration by the IMF's Executive Board is expected in December 2019.

At the conclusion of the discussions, Ms. Albertin, IMF mission chief for Guinea, made the following statement:

“The Guinean authorities and IMF staff have reached a staff-level agreement on the fourth review of the program of economic policies and reforms supported by a three-year ECF arrangement. The ECF arrangement aims at fostering high and broad-based growth and reduce poverty while preserving macroeconomic stability. Performance under the ECF-supported program against end-June 2019 targets was satisfactory and program-supported reforms are advancing.

“Real growth was at 6 percent in 2018 and strong economic performance is expected to continue in 2019, supported by buoyant mining activity. Headline inflation slowed to 9.4 percent in August 2019. The basic fiscal balance recorded a surplus of 1.2 percent of GDP at the end-June. Gross international reserves strengthened to 3.7 months of import coverage.

“Mobilizing additional tax revenues and gradually reducing electricity subsidies is pivotal to create fiscal space for scaling-up growth-supporting public investment. In parallel, strengthening public investment management will ensure investment returns are captured and foster efficiency and transparency.



Stepping-up public spending in social safety nets is pivotal to reduce poverty, protect the most vulnerable and foster inclusion. A prudent borrowing strategy will preserve debt sustainability.

“Further building external buffers will strengthen Guinea’s resilience against shocks. Moving towards greater exchange rate flexibility will support reserve accumulation. To this end, competition in the foreign exchange market was strengthened and a rule-based intervention strategy for the central bank is being finalized.


“Maintaining a prudent monetary policy will be important to moderate inflation. Continuing to limit the central bank’s lending to the government will be key to contain inflationary pressures. A more active liquidity management will help achieve monetary objectives.

“Advancing reforms to improve governance and the business climate is key to support the private sector development and broad-based growth. Continuing to strengthen the anti-corruption framework and the AML/CFT regime is important.”



ANNEX 3: LETTER OF DEVELOPMENT POLICY

MINISTÈRE DE L'ÉCONOMIE ET DES FINANCES
N° 2353 MEF/CAB/



RÉPUBLIQUE DE GUINÉE
Travail - Justice - Solidarité

Conakry, le 07 OCT. 2019 20.....

Le Ministre

BANQUE MONDIALE
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Objet : Lettre de Politique de Développement

Monsieur le Président,

A. Introduction

1. La présente lettre de politique de développement rend compte des progrès réalisés par la Guinée au plan économique et social, au cours de ces dernières années. Elle décrit également les politiques que le Gouvernement envisage de mettre en œuvre pour stimuler l'essor économique et consolider les progrès, conformément aux prescriptions du Plan national de développement Economique et social (PNDES). Ces politiques seront soutenues par le Programme d'appui aux politiques de développement (DPF) de la Banque Mondiale, portant sur les Reformes pour renforcer la gestion budgétaire, améliorer la compétitivité, notamment dans le secteur agricole, et consolider les performances financières du secteur de l'énergie. À cette fin, le gouvernement aura besoin d'un soutien financier soutenu de la part de ses partenaires stratégiques.

2. Le présent document s'articule autour des points ci-après : (i) Contexte et évolution récente de l'économie ; (ii) Objectifs et principales composantes du programme (iii) dispositif de coordination et de suivi de la mise en œuvre des politiques de réformes.

B. Contexte et évolution récente de l'économie

3. L'objectif principal des autorités guinéennes est de générer une croissance plus forte et plus inclusive pour réduire la pauvreté et améliorer le niveau de vie de la population tout en préservant la stabilité macroéconomique. Le but visé est de placer le pays sur la trajectoire d'une croissance durable et partagée, de favoriser la diversification de l'économie, de créer des opportunités d'emploi pour tous et d'améliorer le niveau de vie de la population.

4. Dans le cadre de sa politique de développement, le Gouvernement poursuit la mise en œuvre de son Plan National de Développement Économique et Social (PNDES) pour 2016-2020. Le PNDES a justement pour but de favoriser une croissance plus forte et plus inclusive et de réduire la pauvreté. Le PNDES est centré sur : (i) la transformation structurelle et une diversification de l'économie soutenue par des investissements dans le secteur de l'énergie, des transports, et de la modernisation de l'agriculture (ii) la promotion de la bonne



ressources naturelles. Le programme de développement a été appuyé par la communauté internationale au cours du Groupe consultatif qui s'est tenu à Paris en novembre 2017, et la Guinée a reçu des promesses de financement de l'ordre de 22 milliards de dollars des donateurs et des investisseurs du secteur privé.

5. Le contexte social de la Guinée reste fragile et les épisodes d'agitation et de grèves, notamment dans le secteur de l'éducation, se sont intensifiés en 2018, ce qui a eu des répercussions importantes sur les activités économiques. Des épisodes de troubles sociaux sont survenus dans le contexte des élections locales, tenues en février 2018 pour la première fois depuis 2005. Il est à noter que la période électorale a été marquée par des tensions exacerbées et des épisodes de violence entraînant des victimes. Les manifestations violentes dans la région minière de Boké contre le manque d'emplois et de services publics d'eau et d'électricité sont devenues récurrentes. À la suite de la hausse de 25% du prix du carburant le 1er juillet, des grèves dirigées par des syndicats et de violentes manifestations ont paralysé la capitale en juillet et début août, affectant ainsi les activités économiques et le commerce. Bien que le contexte social soit resté relativement stable au premier trimestre de 2019, les tensions pourraient être exacerbées par le cycle électoral, des élections législatives et présidentielle étant prévues d'ici à fin 2019 et 2020, respectivement. En dépit des efforts pour accroître la fourniture d'électricité à l'économie, les manifestations liées aux pénuries d'électricité restent fréquentes.

6. L'économie guinéenne croît à un rythme soutenu. Après un ralentissement en 2014-15 dû à l'épidémie à Virus Ebola, la croissance réelle s'est renforcée à 10,5% en 2016 et 2017. Le rebond de l'économie a été soutenu par une augmentation importante de la production minière, une production d'énergie plus élevée, le renforcement de l'industrie manufacturière et une activité accrue du secteur du commerce et les niveaux élevés d'investissements directs étrangers (IDE). L'industrie minière a connu une croissance d'environ 50% par an en 2016 et 2017, sous l'effet d'un rebond de l'IDE après les chocs provoqués par Ebola et les prix des produits de base en 2014-2015, et reflétant la hausse des prix de la bauxite et de l'or sur les marchés internationaux. La production d'énergie a augmenté de 22% suite à la construction du barrage de Kaleta. En 2018, la croissance a ralenti mais est restée robuste à 5,8%, tirée par la poursuite de la croissance du secteur minier et les niveaux élevés d'investissements directs étrangers (IDE). La croissance non minière a toutefois atteint 5,4%, l'investissement dans les infrastructures et la croissance dans les secteurs primaire et tertiaire restant forts.

7. Le solde budgétaire de base a atteint un excédent de 0,8 % du PIB à fin 2018. Les efforts visant à contenir les dépenses à des niveaux plus bas que prévu ont permis de compenser l'effet de recettes fiscales moins élevées et d'atteindre les objectifs budgétaires de 2018. Au total, les recettes fiscales se sont établies à 12,5 % du PIB en 2018, soit environ 0,3 % moins que prévu et un recul de 0,8 % du PIB, comparé à 2017. Grâce à la mise en œuvre de mesures pour compenser l'augmentation des salaires de l'administration publique en mars 2018, supérieure à celle programmée, la masse salariale a été maintenue à 3,8% du PIB et les dépenses en biens et services à 3,2% du PIB. Les dépenses d'investissement totales ont représenté environ 5% du PIB en 2018. À la suite de la mise en œuvre d'un ensemble de mesures, les subventions à l'électricité ont été limitées à 0,8% du PIB, en rapport avec les objectifs envisagés. La performance budgétaire s'est poursuivie au premier trimestre de 2019. Il a été réalisé un excédent du solde budgétaire de 0,4 % du PIB (sur une base annuelle) à fin mars 2019.

8. La stratégie budgétaire globale en 2019 vise à préserver la stabilité macroéconomique, à augmenter les investissements dans les infrastructures de soutien à la croissance et à



renforcer les filets de sécurité sociale pour favoriser l'inclusion. Il est envisagé un excédent budgétaire de base de 0,6% du PIB en 2019 tout en créant un espace budgétaire propice à l'augmentation des dépenses prioritaires.

9. Le déficit du compte courant extérieur s'est creusé avec le ralentissement de la croissance des exportations et la forte augmentation des réserves internationales. Après avoir augmenté respectivement de 36% et 67% en 2016 et 2017, les exportations se sont contractées de 3,4% en 2018, sous l'effet d'une baisse des exportations minières. La production artisanale d'or diminue, ce qui entraîne une baisse des exportations d'or. Les importations ont augmenté de 18,9%, parallèlement à l'augmentation des importations de biens intermédiaires et de biens d'équipement. En conséquence, le déficit du compte courant extérieur est passé de 7,1% à 18,4% du PIB, ce qui correspond à la moyenne historique. L'IDE est resté la principale source de financement extérieur, représentant 12,8% du PIB. Les réserves internationales brutes se sont renforcées et sont passées de 2,5 en 2017 à 3,3 mois d'importations en 2018.

10. L'inflation a augmenté en 2018, sous l'effet d'une hausse du prix des produits alimentaires, du prix des carburants, des tarifs de l'électricité et des salaires du secteur public. L'inflation est passée de 8,9% en 2017 à 9,7% en 2018. Bien que le principal moteur sous-jacent de l'inflation au cours des trois dernières années ait été une augmentation soutenue des prix des produits alimentaires, 2018 a également connu d'autres pressions à la hausse ponctuelles. Celles-ci provenaient de la hausse des prix des carburants réglementés par le gouvernement (de 25%) et des tarifs de l'électricité (de 25% pour les utilisateurs professionnels et de 10% pour les ménages) et d'une hausse de 40% des salaires du secteur public. Le crédit au secteur privé a également augmenté d'environ 15,2% en 2018, bien que les remboursements publics des financements contractés précédemment auprès de la banque centrale aient été à l'origine d'une pression inflationniste à la baisse. L'inflation sous-jacente, qui exclut les prix de l'énergie et des produits alimentaires, était légèrement inférieure, à 6,3% en 2018. L'objectif de la Banque centrale de République de Guinée (BCRG) est de maintenir l'inflation à un chiffre en ciblant la base monétaire. Elle a maintenu une réserve importante de 16% et maintenu son taux de refinancement à 12,5% en 2018.

C. Objectifs et principales composantes du programme

11. L'appui budgétaire de la Banque Mondiale est la première d'une série programmatique de deux Opérations de politique de développement. Elle est la suite d'une série précédente de deux années. Les réformes soutenues par l'opération d'appui budgétaire sont pleinement en phase avec le programme du Gouvernement. En particulier les mesures préalables de cette opération contribuent aux piliers suivants du PNDES : a) la transformation structurelle et une diversification de l'économie soutenue par des investissements dans le secteur de l'énergie, des transports, et de la modernisation de l'agriculture ; b) la gestion efficace des ressources naturelles.

12. Les réformes retenues dans le programme associé à la première opération de cette série pour laquelle le Gouvernement sollicite l'appui de la Banque Mondiale au titre de l'année 2019 portent sur : (i) le renforcement de la Gestion des finances publiques ; (ii) l'amélioration du cadre institutionnel et réglementaire pour promouvoir la compétitivité ; (iii) le raffermissement de la performance et de la viabilité financière du secteur de l'énergie ; etc.



Pilier I. Renforcement de la gestion des finances publiques

13. Ce pilier soutient les actions visant à renforcer la gestion des finances publiques à travers : (i) le renforcement de l'efficacité et de la transparence de la gestion de la dette ; (ii) la consolidation de la surveillance des entreprises et établissements publics ; et (iii) l'amélioration de l'administration et de la politique fiscale. Ce pilier vient en complémentarité avec l'assistance technique de la Banque Mondiale dans la mise en œuvre des dispositions du nouveau code des marchés publics et les actions d'autres partenaires techniques et financiers (PTF) dans le domaine de la Gestion des finances publiques. A ce titre, certains PTFs participent déjà à la fourniture d'assistance technique dans les domaines de la gestion de la dette (FMI, Agence Française de Développement, Union européenne etc.), de la politique et de l'administration fiscale (FMI, EU, France), de la gestion de la trésorerie (UE), la gestion des investissements publics (PNUD, Banque Africaine de développement, FMI) etc.

14. **Consolider la surveillance des organismes publics (OPs).** Les OPs souffrent d'une gouvernance et de performances financières peu satisfaisantes, préjudiciables à la fourniture de biens et services publics (eau, électricité et transports, par exemple) et à la gestion budgétaire. En 2015, les subventions aux entreprises d'État, y compris les EPA, représentaient près de 3% du PIB. Par conséquent, il est essentiel de veiller à l'efficacité des entreprises d'État pour optimiser l'utilisation des ressources et la bonne gestion des finances publiques, ainsi que pour aménager un espace budgétaire propice aux dépenses sociales. Pour ce faire, le gouvernement a proposé une révision du cadre juridique. L'Assemblée nationale a adopté la « loi sur le cadre institutionnel des établissements et entreprises publics » en décembre 2016, qui a été révisée en décembre 2017. Cette loi spécifie les conditions dans lesquelles les entreprises d'État et les EPA peuvent être créés, les modalités de leur gouvernance et de leur supervision, leurs relations financières avec l'État, ainsi que les conditions et les limites relatives à la dette qu'ils peuvent contracter.

15. Pour poursuivre et compléter ces réformes, le Gouvernement a retenu un nombre de priorités : (i) l'approbation d'un décret d'application de la loi de 2017, portant Gouvernance Financière des Sociétés et Etablissements Publics (fait en septembre 2018) ; (ii) la révision des statuts d'au moins 5 organismes publics conformément à la réglementation définie dans la loi de 2017. En outre le Gouvernement envisage pour l'année 2020 d'intégrer les informations sur les EPA dans le Rapport Financier Annuel des Sociétés du Portefeuille de l'Etat et d'adopter un format standard pour la présentation des états financiers des EPA ; et de réviser les statuts d'au moins 15 autres organismes publics, conformément à la réglementation définie dans la loi de 2017.

16. S'attaquer aux problèmes de transparence et de responsabilité des entreprises d'État nécessite un système de surveillance clair. Selon la loi, les entreprises publiques (sociétés) relèvent du droit privé et doivent publier des états financiers vérifiés. En 2020, le gouvernement prévoit de mettre en place une politique de divulgation des informations financières des entreprises d'État, qui consiste notamment à exiger la publication annuelle des états financiers audités. Elle débutera avec cinq entreprises publiques qui seront sélectionnées en fonction de leur taille. La loi sur les entreprises publiques confie également la responsabilité de la surveillance financière de ces entreprises à la Direction Nationale du Patrimoine de l'État et des Investissements Privés (DNPEIP). Cette unité prépare une stratégie à moyen terme pour améliorer les conditions financières des entreprises d'État déficitaires afin de réduire les coûts budgétaires et la constitution de passifs éventuels. La DNPEIP actualisera sa base de données qui inclue des informations financières, des rapports sur l'exécution du budget des entreprises et des indicateurs de gouvernance. Le gouvernement a soumis à



l'Assemblée nationale un rapport financier sur le portefeuille des entreprises publiques en 2017 et 2018, qui est l'un des résultats de la série précédente d'appuis budgétaires. Pour 2019, la qualité de ce rapport sera renforcée par l'adoption de normes internationales pour une bonne surveillance des entreprises d'État.

17. **Améliorer la mobilisation des recettes intérieurs.** Il faut noter que le niveau faible des revenus fiscaux est l'un des principaux obstacles à l'augmentation des dépenses prioritaires et à la mise en œuvre de l'ambitieux plan d'investissement de la Guinée. Le plan de développement national (2016-2020) vise à favoriser une croissance plus forte et plus inclusive grâce à des investissements publics nécessitant un financement supérieur à la capacité fiscale actuelle. L'incidence fiscale de la Guinée est passée de 14,2% du PIB en 2016 à 13,5% en 2018. En outre, les recettes fiscales en Guinée restent inférieures à son potentiel étant donné le niveau de revenu du pays, sa structure économique et son développement institutionnel. Augmenter les recettes intérieures pour le financement concessionnel extérieur est au cœur de la stratégie de la Guinée pour financer son plan de développement national (PNDES).

18. La combinaison de politiques fiscales inadéquates et d'une administration fiscale inefficace expliquent les faibles niveaux de recettes fiscales en Guinée. De généreuses exonérations fiscales représentent une perte de recettes de 2,8% du PIB en 2017 selon une évaluation de l'Union européenne. L'évasion fiscale a toujours été élevée en Guinée en raison du manque de capacité du gouvernement à appliquer les règles. Les lacunes de l'administration fiscale, telles qu'une organisation institutionnelle inefficace et l'absence d'un système d'information fiable sur les contribuables, affectent la performance des recettes fiscales.

19. La Direction Nationale des Impôts (DNI) et la Direction Générale des Douanes (DGD) sont confrontées à des problèmes administratifs qui entravent la perception des impôts. La structure organisationnelle actuelle de la DNI ne permet pas une supervision suffisante des fonctions clés de la direction. La répartition des responsabilités entre les unités est souvent peu claire ou fait double emploi, sans unité spécifique pour mener les réformes. Dans le cas du DGD, une évaluation réalisée par le FMI en 2016 a identifié des problèmes tels que la gestion efficace des ressources humaines, la transparence du processus d'évaluation des douanes et la mise en œuvre d'une gestion de la conformité basée sur les risques. Les procédures de dédouanement sont nombreuses, les taux d'inspections sont excessifs et les mesures prises pour lutter contre la fraude restent insuffisantes.

20. Pour relever les défis administratifs au sein du DNI, le gouvernement a adopté une nouvelle structure organisationnelle qui séparera les fonctions de gestion des opérations stratégiques des fonctions de contrôle. Actuellement, la gestion stratégique est inexistante. Avec la nouvelle structure organisationnelle, les fonctions de gestion stratégique seront placées sous la direction d'un Directeur général en charge du pilotage des missions et des moyens, secondé par des « middle offices » qui guideront l'exécution des fonctions de contrôle des directions opérationnelles. Le gouvernement a finalisé un manuel de procédures pour la DNI qui est aligné sur la nouvelle structure organisationnelle. Pour soutenir le processus de réforme, un comité de réforme au sein de la DNI a été mis en place.

21. La DNI entend continuer la mise en œuvre des réformes pour l'année 2020, à ce titre, les principales réformes qui seront soutenues par la seconde opération de cette série de politique de développement sont : (i) une évaluation des compétences pour pourvoir les postes conformément à la nouvelle structure organisationnelle sera réalisée afin de pourvoir les

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postes; (ii) un audit du système d'information du DNI sera effectué (déclencheur 11); et (iii) la mise en place d'un système d'information de gestion fiscale moderne au sein de DNI pour la numérisation des procédures fiscales, notamment la déclaration et le paiement en ligne des impôts et taxes.

22. Afin de simplifier les paiements de taxe et d'encourager le respect des obligations fiscales, le Ministère du Budget (MdB) a permis aux contribuables de traiter leurs paiements de taxe uniquement via le système bancaire (Action prioritaire 10). Concrètement, le contribuable doit déposer ses impôts et créer son bulletin de versement et le partager avec les banques commerciales pour traiter le paiement de l'impôt. Ces sociétés rempliront leurs obligations de paiement aux guichets des banques. Sur la base des données collectées par le MdB, le projet a été un succès. Au cours des deux premiers mois de l'année de mise en œuvre, près de 90% des revenus ont été versés via le système bancaire. Le traitement des paiements d'impôts par le biais du système bancaire simplifiera les paiements et renforcera le système en augmentant le nombre de points de paiement, en limitant les contacts entre les contribuables et les agents des impôts et en protégeant les fonds publics contre les erreurs de traitement. Dans une seconde phase, la plate-forme électronique de déclaration et de paiement de taxes généralisera et étendra ce système à la déclaration et au paiement en ligne.

23. En ce qui concerne la maîtrise de la politique fiscale, les autorités entendent créer et opérationnaliser une unité chargée de la politique fiscale, qui sera rattachée au Cabinet du Ministre du Budget. Cette unité renforcera l'élaboration des réformes fondées sur des preuves en matière de politique fiscale. L'un des premiers problèmes que l'unité de la politique fiscale devrait aborder est la généralisation des exonérations fiscales avec l'introduction d'une analyse coûts-avantages à long terme de l'octroi d'exonérations dans des cas spécifiques.

24. Toujours dans le cadre de la politique fiscale, il faut noter que le recouvrement des taxes d'accises est faible en Guinée en raison de leur fixation en terme nominal. Pour améliorer la perception des taxes d'accises, le Gouvernement compte indexer les taxes d'accises (y compris le TCT et l'alcool) sur l'inflation de l'année précédente, ou utiliser un taux (au lieu d'une valeur nominal), et l'adopté dans la loi de finances 2020. En outre le Gouvernement envisage mettre œuvre le plan proposer par la DGD pour l'adoption de la Directive CEDEAO sur le Tabac. Comme indiqué dans une étude récente de la Banque mondiale sur la mobilisation des recettes intérieures, les recettes des taxes d'accises représentaient 0,07% du PIB en 2018, ce qui est nettement inférieur aux recettes d'accises moyennes en Afrique subsaharienne (1,4% du PIB) en 2016. La faible collecte des taxes est attribuée : (i) aux taux des droits d'accise qui sont nettement inférieurs à ceux de la région et (ii) les droits d'accises nationaux sont fixés à en termes de valeurs nominales qui n'ont pas été ajustées régulièrement. Les taxes d'accises existantes sur le tabac sont faibles et n'ont pas été collectées à hauteur, ce qui a entraîné un taux de taxe exceptionnellement par rapport à la région. Les taxes d'accises sur l'alcool sont nettement plus élevées pour les produits importés que pour la production nationale, ce qui entraîne un écart de près de 40%. La taxe sur la consommation de télécommunications (TCT) a été définie en termes nominal et devrait également être ajustée régulièrement.

25. **Améliorer la gestion de la dette.** Les pratiques de gestion de la dette de la Guinée souffrent de lacunes, malgré les améliorations apportées au cours des 10 dernières années. L'outil d'évaluation de la performance de la gestion de la dette pour la Guinée (DeMPA) 2018 indique que le gouvernement a progressé au cours de la dernière décennie dans le renforcement du cadre juridique et des pratiques de gestion de la dette. Par exemple, la loi organique sur les finances publiques de 2012 centralise toutes les autorisations d'emprunts et

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de garanties au Ministère de l'Economie et des Finances (MEF). En outre, l'introduction du calendrier des bons du Trésor et des pratiques d'émission axées sur le marché ont contribué à une meilleure gestion de la dette. L'insuffisant respect du cadre réglementaire existant entrave la gestion de la dette et la transparence. Le Gouvernement a adopté une Stratégie de gestion de la dette à moyen terme, qui sera annexée, pour la première fois, à la loi de finances 2020, conformément à la Loi organique des finances. En Juin 2019, le Gouvernement a aussi adopté une Déclaration de politique d'endettement qui définit les objectifs et le processus de gestion de la dette publique. La politique implicite du Gouvernement en matière de financement est de maximiser l'utilisation de ressources financières concessionnelles et de réduire progressivement les arriérés intérieurs.

26. Le cadre institutionnel de la gestion de la dette est fragmenté, de même que le suivi du risque global lié à la dette. En principe, le Comité national de la dette publique (CNDP), assisté d'un comité technique et d'un groupe de travail technique, élabore et approuve la stratégie de gestion de la dette. Cependant, les rencontres du CNDP ont été rares au cours des cinq dernières années. Au sein du MEF, deux directions nationales et un département assument certaines responsabilités en matière de gestion de la dette. Les prêts-projets, l'émission de dettes négociables à moyen terme et la base de données sur la dette relèvent de la Direction nationale de la dette et de l'aide publique au développement (DND-APD). L'émission de bons du Trésor et de dettes à moyen terme non négociables relève de la Direction nationale du Trésor et de la Comptabilité publique (DNTCP). En conséquence, aucun ministère n'est chargé de surveiller les risques globaux du portefeuille de la dette et de proposer des stratégies alternatives pour réduire les coûts à long terme et gérer les principaux risques.

27. La gestion de la dette et les prévisions de trésorerie inadéquates ont entraîné l'utilisation régulière de titres non négociables pour payer les fournisseurs nationaux pour leurs services. Les banques commerciales rachètent régulièrement ces obligations à court et à moyen terme pour libérer des liquidités à l'intention de leurs détenteurs. Les banques conservent ces obligations jusqu'à leur échéance, ce qui réduit leur capacité à participer aux émissions de dettes négociables par les gouvernements. En outre, le MEF dédommage souvent les détenteurs de la réduction imposée par les banques durant l'achat des titres, ce qui se traduit par un taux d'intérêt implicite plus élevé que celui payé sur les dettes négociables.

28. Pour renforcer la gestion de la dette, le gouvernement envisage de prendre un certain nombre de mesures avant juin 2019: (i) intégrer dans le cadre juridique les objectifs pour lesquels l'Etat peut emprunter; (ii) mettre en œuvre un plan visant à remplacer les titres non négociables par des bons et/ou obligations du Trésor aux fins l'apurement des arriérés intérieurs;(iii) approuver et annexer à la loi de finances 2020 la stratégie de la dette à moyen terme (SMDD); iv) effectuer une revue fonctionnelle de la structure organisationnelle de la DNDAPD (Direction Nationale de la Dette et de l'Aide Publique au Développement).

Pilier II. Améliorer le cadre institutionnel et réglementaire pour promouvoir la compétitivité

29. Au titre des interventions prévues dans le PNDES, le Gouvernement a retenu dans le Domaine d'intervention relatif à L'agriculture et à la sécurité alimentaire et nutritionnelle l'amélioration de la production, de la productivité des filières Agricoles et de leur compétitivité. En particulier, le Gouvernement entend œuvrer prioritairement pour l'amélioration de la compétitivité Agricole.



30. S'agissant de l'amélioration de la compétitivité agricole, les principales actions retenues pour le compte de la série d'Opérations de politique de Développement portent sur (i) l'adoption des règles de fonctionnement d'un système des bons électroniques « e-vouchers » pour les intrants agricoles, l'enregistrement des agriculteurs dans les préfectures ; et la mise en œuvre de « e-vouchers » dans ces 4 préfectures., (ii) l'opérationnalisation de la Commission de classification des routes et la définition des normes techniques par arrêté d'application, (iii) l'opérationnalisation du « Tribunal de Commerce, et iv) l'opérationnalisation du « Guichet Unique du Commerce Extérieur » au Port Autonome de Conakry. Il faut noter qu'en outre, le Gouvernement est en cours de préparer et de faire adopter la Loi d'Orientation Agricole, qui va être cruciale à la mise en œuvre de certains déclencheurs pour la seconde opération de ce programme.

31. **Système des bons électroniques pour la distribution des intrants agricoles.** Pour assurer la distribution adéquate des engrais en vue de l'amélioration de la productivité agricole, le Gouvernement, en 2018, a institué le système électronique de distribution des engrais subventionnés "e-voucher". Ce système vise à améliorer la transparence, le ciblage, le suivi et l'évaluation de la distribution des intrants agricoles subventionnés. Le système consiste en une base de données des producteurs agricoles, une plate-forme numérique et des distributeurs agréés d'intrants. La plate-forme numérique fournira une interface permettant au ministère de l'Agriculture d'interagir avec les agriculteurs, de maîtriser les besoins en divers intrants agricoles, de favoriser et accroître l'utilisation des intrants agricoles modernes et de réduire les fuites et les spéculations grâce à un meilleur ciblage.

32. La phase pilote a été achevée avec l'enrôlement des paysans dans quatre préfectures dans la région de Kankan en 2018 (Kouroussa, Mandiana, Siguiry et Kankan). Cette phase a testé le bon électronique avec deux cultures (riz et maïs) et 3 500 agriculteurs. Ces agriculteurs ont reçu 5 000 kits d'intrants agricoles (semences améliorées, engrais et herbicides) dans le cadre du système de bons électroniques. Le Ministère de l'Agriculture a confié la distribution de ces kits à la Chambre Nationale de l'Agriculture. Environ 36% des bénéficiaires (1 261) sont des femmes. Le Projet de Développement Agricole Intégré de la Banque mondiale en Guinée a financé la phase pilote et son extension aux préfectures de Kérouané, Dabola et Dinguiraye. Le processus de mise en œuvre du projet pilote a donné des résultats prometteurs et des enseignements pour son expansion.

33. **Commission de classification des routes et la définition des normes techniques.** La mauvaise qualité des infrastructures, y compris des routes, est un obstacle majeur à la croissance et à la réduction de la pauvreté en Guinée. Le mauvais état du réseau routier guinéen freine la croissance en entravant le commerce et l'exportation des produits agricoles guinéens et en réduisant la connectivité des agriculteurs aux marchés. Le gouvernement avait approuvé un nouveau décret sur la classification des routes en décembre 2017. Ce décret précisait six types de routes et attribuait la responsabilité du réseau routier au ministère des Travaux publics, à l'exception des routes urbaines non primaires (secondaires et tertiaires), qui relèvent de la compétence des communes urbaines, et des routes rurales, de la responsabilité de communes rurales. Pendant une période de transition ne dépassant pas 10 ans, la responsabilité des routes urbaines non principales est déléguée au ministère des Travaux publics et celle des routes rurales au ministère de l'Agriculture.

34. Afin de renforcer davantage le cadre politique et institutionnel de l'entretien des routes, le Gouvernement, avec l'appui de l'Opération de politique de Développement et du Projet d'Appui au Secteur des Transports, de l'Union Européenne, a mis en place, en 2018, la commission de classification des routes. Cette commission relève du Ministère des travaux

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publics avec des représentants des ministères des Transports, de la Décentralisation et de l'Agriculture. La mise en place de cette commission va résoudre l'un des principaux problèmes de manque de capacités institutionnelles et de chevauchement des responsabilités entre différentes autorités, et va se traduire par des activités de réhabilitation et d'entretien des routes plus efficaces. Pour classer toutes les routes dans chacune des six catégories de routes, le gouvernement a publié des normes techniques pour chaque type de route et mis à jour l'inventaire des routes (arrêté n° 2019/649 / MTP / MA / SGG).

35. En outre, pour améliorer l'exécution des travaux d'entretien des routes, le gouvernement a mis en place une Agence de gestion des routes (Agence routière, Ageroute-Guinée) en avril 2018. L'Ageroute-Guinée est chargée de la mise en œuvre des différents programmes d'entretien routier financés par le budget de l'Etat, le Fonds d'Entretien Routier ou des bailleurs de fonds, dans le cadre d'orientations et missions générales définies par la tutelle technique. Cette agence, inspirée de l'expérience d'agences similaires au Sénégal, au Mali et en Côte d'Ivoire, fonctionnera sous la supervision technique du ministère des Travaux publics. Dans ce cadre, les ministères techniques seront responsables de la planification stratégique, tandis qu'Ageroute sera responsable de la mise en œuvre des programmes d'entretien. Dans ce contexte, Ageroute va gérer le processus de passation des marchés pour les travaux d'entretien des routes. L'Ageroute n'est pas encore opérationnelle. Le personnel de sa direction n'a pas encore été recruté.

36. Le gouvernement relève deux autres freins à l'exécution efficace de l'entretien des routes : i) un financement insuffisant et en particulier pour l'entretien des routes et pistes rurales, et ii) un système de passation des marchés publics inefficace qui contribue à la lenteur dans l'exécution des dépenses relatives à l'entretiens des routes. La Guinée a créé en 2000 un fonds d'entretien des routes de deuxième génération (Fonds d'Entretien Routier, FER). Le FER mobilise environ 266 milliards de GNF par an grâce à une taxe sur les carburants à l'importation de 250 GNF par litre. En 2017-2018, il a réparti ses ressources en moyenne sur les routes principales (61%), les routes urbaines (23%), les routes rurales (9%) et la promotion de la sécurité routière (2%). La Guinée est en passe de réformer profondément son système de passation des marchés publics. Des réflexions sont en cours pour accroître le financement de l'entretien routier. Un arrêté a été pris récemment qui a doublé la taxe sur le carburant à 500 GNF par litre, bien qu'il n'ait jamais été mis en œuvre.

37. **L'opérationnalisation du « Tribunal de Commerce.** Le Gouvernement a identifié certaines contraintes relatives au climat des affaires pour le développement de l'industrie agroalimentaire en Guinée. En particulier, le règlement des litiges commerciaux prend beaucoup de temps en Guinée. La perception répandue parmi les acteurs du secteur privé guinéens est que les juridictions classiques ne comprennent pas suffisamment les lois commerciales et les principes juridiques en vigueur. Pour cette raison, la division générale des Tribunaux de première instance a empilé un nombre assez important de différends commerciaux en attente de résolution. Ces retards sont du fait de l'inexistence de tribunal spécialisé pour ces questions. Par exemple, les affaires courantes de recouvrement de créances commerciales mettent des années à être résolues et les différends commerciaux complexes prennent beaucoup plus de temps à être résolus.

38. Le Gouvernement a lancé un programme visant à améliorer l'efficacité et la prévisibilité du système judiciaire en ce qui concerne le règlement des litiges commerciaux. Le 13 août 2015, le gouvernement a publié un décret créant un tribunal de commerce chargé de résoudre rapidement, efficacement et à moindre coût, les litiges commerciaux ou les litiges complexes. En 2018 le gouvernement a entrepris des mesures et des actions pour rendre ce



tribunal opérationnel en nommant son personnel de direction (En août 2018, le gouvernement a publié un décret nommant trois juges à la cour) et d'exploitation et en finançant son budget de fonctionnement. L'opérationnalisation du Tribunal de commerce réduira les délais et les coûts de règlement des litiges commerciaux, élément essentiel pour améliorer la confiance des investisseurs et attirer les investissements privés. Le bâtiment qui accueillera le tribunal de commerce est en cours de rénovation. L'opérationnalisation du tribunal de commerce témoigne de la volonté du gouvernement d'améliorer le climat des affaires pour les investisseurs. En outre, le gouvernement envisage d'étendre la couverture géographique du tribunal de commerce (actuellement limitée à Conakry) et de créer une cour d'appel en matière commerciale.

39. En outre, la Guinée ne dispose pas d'un mécanisme de réclamation des investisseurs (IGM) et, par conséquent, les investisseurs ne disposent d'aucun recours opérationnel transparent et rapide. Le mécanisme de règlement des griefs des investisseurs et la protection des investisseurs vont de pair. La protection des investisseurs sera probablement assurée par un mécanisme transparent de règlement des différends, assorti de délais plus courts. L'IGM est un complément au tribunal de commerce et joue un rôle déterminant dans le traitement des plaintes des investisseurs et la recherche de solutions. Avec une IGM crédible, une plainte d'investisseur est traitée avec courtoisie et, dans les meilleurs délais, les investisseurs sont informés des moyens de formuler leurs questions et leurs plaintes au sein du gouvernement ; les requêtes et les plaintes sont traitées efficacement et équitablement. Un programme d'assistance technique de la SFI appuie les autorités à mettre en place "un mécanisme de réclamation des investisseurs (IGM)" destiné à faciliter l'identification, le suivi et la résolution des problèmes rencontrés par les investisseurs du secteur agroalimentaire. Le projet aidera l'APIP à adopter les réglementations nécessaires pour mettre en place l'IGM.

40. De plus, le gouvernement envisage la création d'une plate-forme de dialogue public-privé (PDPP) afin de renforcer la conception et la mise en œuvre des réformes pour améliorer la performance du secteur de l'industrie agro-alimentaire. La plate-forme PDPP sera coordonnée par l'APIP et favorisera un dialogue inclusif entre les acteurs publics et privés aux niveaux national et local. Obtenir des résultats rapides en matière de réformes politiques grâce aux PDPP contribuera à renforcer la confiance entre les acteurs des secteurs public et privé. Le PDPP se concentrera sur le secteur agroalimentaire dans le but d'identifier des solutions aux principales contraintes du secteur. Le Gouvernement envisage également l'accroissement de la couverture géographique de l'APIP par l'intermédiaire des bureaux régionaux dans le but d'attirer les investissements extérieurs à Conakry et d'inclure des acteurs locaux dans le PDPP.

41. **L'opérationnalisation du « Guichet Unique du Commerce Extérieur » au Port Autonome de Conakry.** Pour ce qui est des procédures du commerce extérieur, le manque de coordination entre les agences, la prévalence des procédures manuelles, le recours à une documentation papier et l'absence d'un cadre intégré et harmonisé pour les agences frontalières entraînent des coûts élevés des échanges et des retards. La fonction de promotion des exportations est partagée entre de nombreux organismes relevant de différents ministères ou entités (CAFEX, APIP, CENA, CIEPEX, Comité national AGOA et la Chambre de commerce, etc.). Ceci comporte un risque de chevauchement des compétences, un manque de coordination et une complexité excessive pour le secteur privé. Les procédures pour les exportations gagneraient à être consolidées. Le guichet unique au sein du Centre d'appui aux formalités d'exportation (CAFEX) a quelque peu facilité les procédures d'exportation, telles que la fourniture de certificats de qualité, phytosanitaires et d'origine. Toutefois, ce guichet unique offre une simplification partielle, car il ne traite pas les procédures personnalisées et





les contrôles d'exportation. En conséquence, les commerçants agricoles doivent toujours se rendre et traiter avec plusieurs agences gouvernementales dans plusieurs endroits pour obtenir les papiers, permis et autorisations nécessaires pour mener à bien leurs processus d'importation ou d'exportation.

42. Le gouvernement a récemment engagé un opérateur privé expérimenté pour mettre en place une plateforme intégrée pour la facilitation des échanges ou un guichet unique du commerce extérieur. Le contrat entre Webb-Fontaine et le gouvernement a été signé en février 2019. Ses principales caractéristiques sont les suivantes : (i) la gestion d'un guichet unique pour le commerce, qui inclut les procédures de l'ensemble des agences ; (ii) la dématérialisation de la gestion de la transaction commerciale, (iii) la soumission électronique de la déclaration en douane, la gestion informatisée des certifications et des autorisations d'importation et d'exportation ; et (iv) la gestion collaborative des inspections. Cette plateforme intégrée permettra aux parties prenantes de fournir et d'obtenir les informations et les documents requis, de prendre des décisions et de payer tous les frais, en accélérant le processus. L'objectif principal de ce guichet unique est d'accroître l'efficacité en permettant aux commerçants de gagner du temps et de réaliser des économies de coûts dans leurs relations avec les autorités gouvernementales, afin d'obtenir les autorisations et permis appropriés pour le transport de marchandises à travers les frontières.

43. Pour simplifier les procédures d'enregistrement au niveau du foncier et de traitement des permis de construire, le gouvernement envisage de regrouper toutes les procédures dans un guichet unique. Ce guichet unique pour l'enregistrement des immobilisations foncières et les permis de construire (GUFCH) a été créé en 2017, mais il n'a pas encore été rendu opérationnel. Avec l'assistance technique de la SFI, le gouvernement a lancé une étude diagnostic et envisage de faire appel à une entreprise pour soutenir la mise en place du guichet unique. Le GUFCH sera le principal point de contact pour l'administration des immobilisations foncières et la demande de permis de construire et d'enregistrement de la propriété. Le guichet unique jouera le rôle d'une unité centrale (groupes intra et interministériels ou comités de travail) et optimisera ainsi le nombre de signataires requis pour les permis de construire. L'automatisation du guichet unique via un portail d'information en ligne fournira aux utilisateurs un accès instantané aux informations sur les exigences en matière d'enregistrement immobilier et de permis de construire.

Pilier III. Améliorer la performance et la viabilité financière du secteur de l'énergie

44. S'agissant de l'amélioration des performances du secteur de l'Énergie et de la société nationale d'électricité (Electricité de Guinée, EDG) en particulier, les principales actions retenues pour le compte de cette opération portent sur (i) la modification des statuts d'EDG et la nomination des membres du conseil d'administration d'EDG; (ii) l'augmentation des tarifs de l'électricité pour améliorer les résultats financiers du secteur et réduire les transferts budgétaires à EDG, (iii) la signature d'un Protocole de croisement des dettes et créances au 31 décembre 2018 entre l'Etat et EDG et l'adoption d'une feuille de route pour l'apurement de ces créances et dettes, ainsi que le règlement de la première tranche du plan d'apurement du solde net des arriérés dû à EDG ; et (iv) la prise (a) d'un arrêté ministériel définissant les critères techniques, commerciaux et économiques de priorisation des localités et sites pour l'accroissement de l'accès à l'électricité en Guinée; et (b) d'un arrêté ministériel définissant des modalités administratives, financières, techniques et commerciales pour les nouveaux raccordements au réseau national.



45. Modification des statuts d'EDG, et nomination des membres du conseil d'administration. Dans le cadre de la mise en œuvre du Plan de Redressement du Secteur de l'électricité 2012-2015, l'Etat a signé un contrat de gestion pour une durée de quatre ans avec un opérateur privé sélectionné de manière concurrentielle, afin d'améliorer la gestion de l'EDG. Au titre de l'exécution du Contrat de gestion, l'opérateur a apporté des compétences sur plusieurs fonctions clés d'EDG afin de permettre à celle-ci de réaliser son redressement interne, d'améliorer ses performances technique, commerciale et financière et de renforcer ses capacités en matière de ressources humaines. Le mode de gouvernance retenu pendant la durée d'exécution du contrat de gestion est celui de l'administrateur général qui cumule les pouvoirs du Directeur Général et du Conseil d'Administration pour disposer des pouvoirs ad hoc. A l'approche de la fin du contrat de gestion, la situation d'EDG présente quelques améliorations mais globalement les résultats obtenus sont inférieurs aux objectifs escomptés. En effet, on observe une amélioration de la qualité de service dû essentiellement à l'accroissement de l'offre de production, la mise en œuvre d'investissements dans la réhabilitation du réseau de distribution, et l'amélioration de l'exploitation et de la maintenance du réseau électrique par le Contractant de services de gestion. La performance commerciale demeure inférieure aux résultats contractuels attendus. Cependant, il est important de garder les acquis du contrat de gestion qui sont à ce jour fragiles et d'envisager de nouvelles mesures plus performantes en tenant compte de l'expérience vécue.

46. Après avoir analysé différentes options pour la gestion et la supervision de la performance d'EDG après l'expiration du contrat de gestion, en tenant compte de l'expérience internationale et du contexte actuel d'EDG, le gouvernement sur la base de l'analyse de la tendance mondiale et des exemples régionaux, estime que des alternatives telles que concession ou affermage, où le gestionnaire prend plus de risques n'est pas viable. Les contrats soit de gestion soit d'appui à l'équipe de gestion sont en principe plus viables. L'Etat a opté de transférer la gestion à une équipe de cadres guinéens recrutés à travers une sélection compétitive avec l'appui d'un cabinet spécialisé en Ressources Humaines. Les points suivants décrivent cette option:

- Adaptation du cadre légal : modifications des statuts pour permettre la création d'un conseil d'Administration et la sélection compétitive des cadres de gestion, notamment le Directeur General, les Directeurs et les chefs des départements.
- Désignation du Conseil d'Administration
- Recrutement d'un cabinet spécialisé en RH pour assister le gouvernement dans la sélection d'une équipe de direction de manière compétitive.

47. Sélection d'une société spécialisée en gestion et opération de compagnies d'électricité pour fournir une assistance technique de courte durée (deux ans) à l'équipe de direction, et notamment pour la mise en œuvre du plan de redressement Interne d'EDG. Dans ce contexte, il est envisagé de proroger le contrat de gestion pour une période de six (6) mois permettant la mise en place de l'équipe de gestion et la sélection compétitive de l'opérateur d'appui à l'équipe de gestion. Le nouveau statut d' EDG a été adopté par le gouvernement le 02 août 2019.

48. Augmentation des tarifs de l'électricité pour améliorer les résultats financiers du secteur et réduire les transferts budgétaires à EDG. Il faut souligner que les tarifs de l'électricité en Guinée ne tiennent pas compte des coûts de production et de distribution et n'ont pas suivi l'inflation. Par conséquent, la viabilité financière à long terme du secteur est



incertaine. La mauvaise santé financière du secteur est principalement due à un mix énergétique coûteux, associé à des tarifs relativement bas pour les consommateurs, bien inférieurs au coût de l'approvisionnement. Le déficit d'exploitation d'EDG est principalement lié à l'inadéquation des tarifs par rapport aux coûts de production et en particulier les tarifs résidentiels. Les ménages, qui représentent 45% de la consommation d'électricité, paient l'un des tarifs d'électricité les plus bas de l'Afrique de l'Ouest. Le prix moyen de ventes couvrait 30 % du coût de production en 2016 et représente actuellement 40 % grâce à la dernière augmentation de tarifs en 2018 (10 % des tarifs domestiques et 25 % des tarifs Moyenne tension) et à la croissance de l'efficacité opérationnelle en matière de rendement des réseaux (passant de 63 % à 70 % à fin 2018) grâce au contrat de gestion et aux travaux de réhabilitation des réseaux de distribution. Les coûts de production sont élevés due à la forte proportion de production coûteuse de diesel / HFO représentant 45% de l'énergie produite en 2018, résultant de la saisonnalité de la production d'énergie hydroélectrique et de la planification insuffisante des investissements.

49. EDG a enregistré un déficit d'exploitation de 92 millions de dollars en 2017 (0,9% du PIB) et le déficit estimé en 2019 et de 200 millions de dollars (environ 2% du PIB). Cette hausse importante en matière de subventions s'explique par deux facteurs importants : les charges d'achats d'énergie de Kaleta (788 Milliards GNF) qui deviennent décaissables depuis le début janvier 2019 et l'augmentation de la production d'énergie de plus de 13 % par rapport à 2018 pour accompagner la croissance de la demande ainsi que l'électrification des 26 préfectures.

50. L'analyse financière sectorielle réalisée par l'équipe de la Banque, tenant compte des investissements en cours dans la réhabilitation et l'extension de la capacité de production, y compris la centrale hydroélectrique de Souapiti en cours de 450 MW, qui devrait doubler la production d'énergie dans le pays, a montré que le secteur pouvait atteindre des objectifs financiers. L'équilibre financier d'ici 2025, avec une augmentation tarifaire cumulative d'environ 95% sur la catégorie de consommateurs résidentiels et 82% sur les consommateurs non résidentiels. L'analyse a souligné la nécessité pour le gouvernement de connecter les mines au réseau et d'exporter de l'électricité vers les pays voisins pour pouvoir atteindre cet équilibre financier à moyen terme. L'analyse a aussi souligné l'importance du respect du plan de production à moindre coût et de la procédure de sélection compétitive des producteurs indépendants pour maîtriser les coûts de production. Pour limiter l'impact fiscal du secteur de l'électricité, le gouvernement a augmenté, en mai 2018, le tarif de l'électricité pour toutes les catégories de consommateurs (25% pour les consommateurs industriels et 10% pour les ménages) tout en maintenant le tarif social. Le 23 mai 2019, le gouvernement a adopté une nouvelle révision tarifaire avec une augmentation d'environ 15% sur les consommateurs résidentiels et de 5% sur les consommateurs non résidentiels. Il s'agit de la première augmentation (modeste) des tarifs en Guinée qui pourrait apporter environ 49 milliards GNF par an, et les prix de l'électricité doivent plus que doubler d'ici 2025, comme indiqué. Le GoG s'est engagé à faire en sorte que la prochaine augmentation tarifaire cible les gros et les consommateurs les plus riches. En parallèle, d'autres réformes complémentaires pour améliorer les performances commerciales, y compris la régularisation des branchements illégaux, la mise en œuvre du programme de protections des revenus des gros consommateurs d'électricité et la généralisation des compteurs et l'informatisations des opérations sont en cours d'exécution dans le cadre du Projet de Redressement du Secteur de l'Electricité financé par l'IDA.

51. Le GoG s'est engagé à doter le Régulateur indépendant, d'une méthodologie transparente de détermination des tarifs. Traditionnellement, les changements de tarifs de





l'électricité en Guinée ont été proposés par le ministère en charge de l'énergie, sans une méthodologie appropriée de fixation des tarifs. Le gouvernement a mis en place un Régulateur indépendant pour les secteurs de l'électricité et de l'eau. Le gouvernement prépare à présent les bases nécessaires pour adopter une méthodologie de détermination des tarifs qui prend en compte entre autres, (i) les coûts des services, notamment les coûts de production et d'achat d'électricité, les coûts de transport, de distribution et d'autres coûts fixes et variables, tels que la lecture des compteurs et la facturation, et les facteurs de pertes. Cette méthodologie, qui doit être adoptée au début de 2020, guidera l'autorité de régulation de l'électricité dans la mise en œuvre régulière d'ajustements tarifaires.

52. Apurement des créances et dettes entre l'Etat et EDG et la mise en place d'un mécanisme de paiements réguliers des factures de consommation par l'administration et l'éclairage public. La consommation d'électricité impayée par les institutions publiques et l'éclairage public ont entraîné des arriérés qui ont affecté la performance financière d'EDG. Le gouvernement a mené une étude visant à valider le montant des arriérés et des taxes en souffrance d'EDG à fin 2018 et à élaborer un plan visant à éliminer le montant des arriérés à moyen terme. En outre, afin de limiter l'accumulation de nouveaux arriérés, le gouvernement s'est engagé à (i) classer les institutions publiques dans les catégories stratégique et non stratégique (qu'on peut déconnecter); (ii) installer des compteurs à prépaiement dans toutes les institutions non stratégiques; et (iii) commencer à mettre en place un système efficace garantissant le paiement régulier d'avance des factures d'électricité par les institutions publiques stratégiques. Le gouvernement prévoit également de mettre en œuvre un plan de restructuration financière d'EDG qui comprendra la recapitalisation d'EDG et le transfert d'actifs / passifs du gouvernement à EDG d'ici 2020. Ce plan de restructuration financière portera sur des dettes d'environ 330 millions de dollars (équivalant à deux ans de chiffre d'affaires) envers les fournisseurs et les producteurs indépendants d'électricité (IPPs).

53. Amélioration de l'accès à l'électricité. Le gouvernement a adopté et entamé la mise en œuvre du Programme National d'Amélioration de l'accès à l'Electricité à moindre coût en Guinée (PNAAEG) 2016-2020 afin d'accroître l'accès à l'électricité dans tout le pays. Le PNAAEG vise à augmenter l'accès légal à l'électricité de 18,1% en 2016 à 36% en 2020 et l'accès universel à l'horizon 2030. Ces objectifs seront atteints grâce à l'extension du réseau principal dans 95% des localités et au développement des mini-réseaux dans les régions éloignées, localités où le réseau principal ne pourra pas atteindre au cours des 10 à 15 prochaines années. Le gouvernement a mobilisé environ 388 millions de dollars auprès de différents donateurs, notamment la Banque mondiale, la BAD, la Banque islamique de développement (BID), l'Agence française de développement (AFD), l'Union européenne (UE) et le budget de l'Etat pour la mise en œuvre du PNAAEG.

54. Le programme d'accès donnera la priorité à la connexion des communautés les plus proches des lignes existantes à moyenne tension, à forte densité de population et à grande capacité de paiement. En tant que tel, le programme permettra au service public appartenant à l'Etat d'optimiser son efficacité en matière de fourniture d'électricité aux ménages et aux entreprises et contribuera à améliorer la viabilité financière d'EDG. À cette fin et pour veiller à ce que le PNAAEG soit mis en œuvre de manière équitable et transparente, en particulier dans les zones rurales, le gouvernement a adopté un règlement (un arrêté ministériel) qui définit des critères techniques, commerciaux et économiques pour guider la sélection des localités et des sites qui doivent être prioritaires lors de la mise en œuvre de différents projets d'accroissement de l'accès. Afin de mieux organiser l'exécution des branchements électriques des différents utilisateurs, un arrêté ministériel (règlement de services) définissant les règles et procédures administratives, financières, techniques et juridiques permettant aux nouveaux



utilisateurs d'obtenir des branchements électriques au réseau national (par EDG) a déjà été approuvé et publié. Le projet d'amélioration de l'accès en Guinée de la Banque mondiale a fourni une assistance technique au gouvernement pour la mise en œuvre de ces mesures de réformes.

55. Le Gouvernement s'est engagé à promouvoir le modèle de partenariat public-privé pour l'électrification des localités rurales isolées avec des mini-réseaux qui constituent l'option la moins coûteuse pour électrifier ces villages. Le PNAEG prévoit environ 50 000 nouveaux branchements dans les zones rurales isolées au cours des 3 à 5 prochaines années avec des installations décentralisées de production d'énergie renouvelable et des mini-réseaux, gérés par des opérateurs privés pour assurer la durabilité de l'électrification rurale. Un projet pilote d'électrification de 10-15 localités a été initié par l'agence guinéenne d'électrification rurale (AGER), avec l'appui de la Banque mondiale et de l'Agence Française de Développement. Un ensemble de réglementations est nécessaire pour mettre en œuvre un programme de mini-réseaux privés. Le gouvernement s'est engagé à mettre en place la réglementation nécessaire y compris un arrêté ministériel régissant l'octroi de concessions à des opérateurs privés en milieu rural, en 2020.

D. Dispositif de coordination et de suivi de la mise en œuvre des politiques de réformes.

56. Le présent programme sera exécuté sous l'Autorité du Ministère de l'Economie et des Finances, à travers son Secrétariat General et UN accompagnement technique de la Cellule Technique de Suivi des Programmes (CTSP) du MEF Guinée, en collaboration étroite avec les Ministères sectoriels et autres structures concernées par les domaines de concentration du programme. La Banque Mondiale effectuera également au besoin des revues du programme. Il sera maintenu un dialogue régulier avec la Banque Mondiale dans le cadre du suivi de la mise en œuvre des actions prévues.

57. Par la présente, le Gouvernement s'engage à prendre toutes les dispositions nécessaires pour mettre en œuvre les mesures et actions ci-dessus retenues et réitère sa demande auprès de la Banque Mondiale pour la mise en place du financement sollicité.



Mamadi CAMARA



MINISTRY OF THE ECONOMY AND
FINANCE
No. 2353 MEF/CAB

REPUBLIC OF GUINEA
Work-Justice-Solidarity

Conakry, October 7, 2019

Le Ministre

WORLD BANK
Arrival No: 1
Date: 10/08/2019
Time: 10:01 am

Re: Letter of Development Policy

Mr. President:

A. Introduction

1. This letter of development policy reports the economic and social progress achieved by Guinea in recent years. It also describes the policies the Government intends to implement to stimulate economic development and consolidate the progress made in accordance with the provisions of the National Economic and Social Development Plan (PNDES). These policies will be supported by the World Bank's Development Policy Support Program (DPF), which will back the reforms aiming to strengthen budget management, improve competitiveness, particularly in the agricultural sector, and consolidate financial performance in the energy sector. To this end, the Government will need sustained financial support from its strategic partners.

2. The present document focuses on the following points: (i) context and recent evolution of the economy; (ii) main objectives and components of the program; and (iii) coordination and monitoring measures for the implementation of the reform policies.

B. Context and recent evolution of the economy

3. The main objective of the Guinean authorities is to generate stronger and more inclusive growth, reduce poverty, and improve the standard of living of the population while preserving macroeconomic stability. The goal is to place the country on a trajectory to sustainable and shared growth, encourage economic diversification, create job opportunities for all, and improve the standard of living of the population.



4. As part of its development policy, the Government continues to implement its National Economic and Social Development Plan (PNDES) for 2016-2020, whose goal is to promote stronger and more inclusive growth and to reduce poverty. The PNDES focuses on: (i) structural transformation and diversification of the economy sustained by investments in the energy and transportation sectors and in the modernization of agriculture; and (ii) promotion of good practices in the use of natural resources. The development program was supported by the international community at the Consultative Group meeting held in Paris in November 2017, and Guinea has received pledges of funding in the order of USD 22 billion from private sector donors and investors.

5. Guinea's social context remains fragile, and episodes of unrest and strikes, particularly in the education sector, intensified in 2018, with major repercussions on economic activities. Episodes of social unrest also surfaced during local elections, which were held in February 2018 for the first time since 2005. It should be noted that the electoral period was marked by exacerbated tensions and by episodes of violence, which led to victims. Violent demonstrations in the Boké mining region protesting the lack of jobs lack of public water and electricity services have become recurrent. Following the 25% increase in the price of fuel on July 1, union-led strikes and violent demonstrations paralyzed the capital in July and early August, affecting economic activities and trade. Although the social context remained relatively stable in the first quarter of 2019, tensions could be exacerbated by the electoral cycle, with legislative and presidential elections scheduled to be held by the end of 2019 and 2020, respectively. Despite efforts to increase the supply of electricity to the economy, frequent demonstrations protesting power shortages continue to occur.

6. The Guinean economy is growing at a steady pace. After a slowdown in 2014-2015 due to the Ebola virus epidemic, real growth strengthened to 10.5% in 2016 and 2017. This economic rebound was supported by a strong rise in mining output, increased energy production, the strengthening of the manufacturing industry, increased activity in the commercial sector, and high levels of foreign direct investment (FDI). The mining industry grew by some 50% per year in 2016 and 2017 thanks to a rebound in FDI after the shocks caused by the Ebola epidemic and the rise in the price of raw commodities in 2014-2015, and reflecting the rise in the price of bauxite and gold on international markets. Energy production rose by 22% following the construction of the Kaleta Dam. In 2018, growth slowed but remained robust at 5.8%, driven by continuing growth in the mining sector and high levels of FDI. Non-mining growth reached 5.4%, with investment in infrastructure and growth in the primary and tertiary sectors remaining strong.

7. The base budget balance showed a surplus of 0.8% of GDP at the end of 2018. Efforts to contain expenditures at lower levels than forecast offset the effect of lower-than-expected tax revenues and enabled the 2018 budgetary targets to be achieved. Total tax revenues amounted to 12.5% of GDP in 2018, approximately 0.3% less than forecast and 0.8% of GDP less than in 2017. Thanks to the implementation of measures designed to offset the higher-than-planned increase in public sector wages in March 2018, payroll was maintained at 3.8% of GDP and expenditures on goods and services at 3.2% of GDP. Total investment expenditures represented approximately 5% of GDP in 2018. Following the implementation of a set of measures, electricity subsidies were limited to 0.8% of GDP, in line with



targets. This budget performance continued in the first quarter of 2019, with the end of March 2019 showing a fiscal surplus of 0.4% of GDP (on an annualized basis).

8. The overall budget strategy for 2019 aims to preserve macroeconomic stability, increase investment in infrastructures that support growth, and strengthen the social security net in order to promote inclusion. A base budget surplus of 0.6% of GDP is projected for 2019 while creating budgetary space for increasing spending on priorities.

9. The external current account deficit has deepened as a result of the slowdown in export growth and the sharp increase in international reserves. After increasing by 36% and 67% in 2016 and 2017, respectively, exports shrank by 3.4% in 2018 under the effect of a decline in mining exports. Artisanal gold production is also falling, leading to a decline in gold exports. Imports rose by 18.9%, reflecting an increase in imports of intermediate and capital goods. Consequently, the external current account deficit deepened from 7.1% to 18.4% of GDP, which matches its historic average. FDI remained the main source of external funding, representing 12.8% of GDP. Gross international reserves rose from 2.5 months of imports in 2017 to 3.3 months in 2018.

10. Inflation rose in 2018, reflecting an increase in food, fuel, and electricity prices as well as public sector wages. Inflation rose from 8.9% in 2017 to 9.7% in 2018. Although the main underlying driver of inflation over the last three years has been a sustained increase in food prices, 2018 also saw other one-off rises. These were caused by the increase in government-regulated fuel prices (by 25%) and electricity prices (by 25% for business users and 10% for households), and a 40% rise in public sector wages. Loans to the private sector also increased by approximately 15.2% in 2018, although public repayments of previously contracted financing from the Central Bank put downward pressure on inflation. Underlying inflation, which excludes energy and food prices, was slightly below 6.3% in 2018. The objective of the Central Bank of the Republic of Guinea (BCRG) is to maintain an inflation figure by targeting the monetary base. The Bank maintained a large reserve of 16% and kept its refinancing rate at 12.5% in 2018.

C. Objectives and main components of the program

11. This World Bank's budgetary support is the first of a planned series of two development policy operations. It is the continuation of a previous two-year series. The reforms underpinned by the budget support operation are fully in step with the Government's program. In particular, the prior measures taken as part this operation contribute to the following pillars of the PNDES: (i) structural transformation and diversification of the economy supported by investments in the energy and transportation sectors and in the modernization of agriculture; and (ii) efficient management of natural resources.

12. The reforms adopted in the program associated with the first operation of this series, for which the Government is seeking World Bank support for 2019, are organized under three pillars: (i) strengthening fiscal management; (ii) enhancing institutional and regulatory framework to promote competitiveness ; and (iii) improving the financial performance of the energy sector



Pillar I – Strengthening Fiscal Management

13. This pillar supports actions aimed at strengthening public expenditure management by: (i) strengthening the efficiency and transparency of debt management; (ii) consolidating the supervision of public enterprises and institutions; and (iii) improving administration and fiscal policy. This pillar goes hand in hand with the World Bank's technical assistance in the implementation of the provisions of the new Public Procurement Code and the actions of other technical and financial partners (TFP) in the field of public finance management. Accordingly, some TFPs are already participating in the provision of technical assistance in the fields of: (i) debt management, including the International Monetary Fund (IMF), the French Development Agency (AFD), the European Union (EU), etc.; (ii) fiscal administration policy (IMF, EU, France); (iii) cash management (EU); and (iv) public investment management, including the United Nations Development Program (UNDP), the African Development Bank (AfDB), the IMF, etc.

14. **Consolidating the supervision of public entities.** Public entities (OP) suffer from unsatisfactory governance and financial performance, which are prejudicial to the provision of public goods and services (such as water, electricity, and transportation) as well as to budget management. In 2015, subsidies to State enterprises, including Public Administrative Enterprises (EPA), represented close to 3% of GDP. It is therefore essential to ensure the efficiency of State enterprises in order to optimize the use of resources and the efficient management of the public finances while leave budgetary space for welfare spending. To do so, the Government has proposed an overhaul of the legal framework. The National Assembly adopted legislation on the institutional framework of public establishments and enterprises in December 2016, which was revised in December 2017. This legislation specifies the conditions in which EPAs and State enterprises can be created, their governance methods, how they are supervised, what their financial relations with the State should be, and the conditions for and limits on the debt that they can contract.

15. To continue and complete these reforms, the Government has adopted a number of priorities: (i) approval of a decree implementing the Act of 2017 on the Financial Governance of Public Companies and Establishments (September 2018); and (ii) review of the by-laws of at least five (5) public entities in accordance with the regulations defined in the Act of 2017. For 2020, the Government also intends to include information on EPAs in the Annual Financial Report on Companies in the State Portfolio, adopt a standard format for the presentation of EPAs' financial statements, and review the by-laws of at least 15 other public entities in accordance with the regulations defined in the Act of 2017.

16. Tackling the issues of transparency and responsibility in State enterprises requires a clear system of supervision. Legally, public enterprises (i.e., companies) fall under private law and are required to publish audited financial statements. In 2020, the Government intends to put in place a policy for the disclosure of financial information on State enterprises, which will require annual publication of audited financial statements. This will begin with five (5) public enterprises selected by size. The Public Enterprises Act also confers responsibility for the financial supervision of these enterprises on the National Directorate of State Assets and Private Investments (DNPEIP). This unit is preparing a medium-



term strategy designed to improve the financial conditions of loss-making State enterprises in order to reduce budgeted costs and the constitution of potential liabilities. The DNPEIP will update its database to include financial information on the budget execution of enterprises as well as governance indicators. The Government submitted to the National Assembly a financial report on the public enterprises portfolio in 2017 and 2018, which is one of the results of the previous series of budget supports. For 2019, the quality of this report will be enhanced by the adoption of international standards for effective supervision of State enterprises.

17. **Improving the mobilization of internal revenues.** Low levels of tax revenues are one of the main obstacles to increasing spending on priorities and to the implementation of Guinea's ambitious investment plan. The 2016-2020 National Development Plan aims to encourage stronger and more inclusive growth through public investment, which will require funding in excess of actual fiscal capacity. Guinea's fiscal impact declined from 14.2% of GDP in 2016 to 13.5% in 2018. Furthermore, tax revenues remain below their potential given the country's revenue level, its economic structure, and its institutional development. Increasing internal revenues for external concessional financing lies at the core of Guinea's strategy for funding its national development plan (PNDES).

18. The combination of inadequate fiscal policies and an inefficient tax administration explains the low levels of tax revenues in Guinea. According to an assessment by the European Union, generous tax exemptions represent lost revenues amounting to 2.8% of GDP in 2017. Tax evasion has always been high in Guinea due to the Government's lack of capacity to apply the rules. Shortcomings in tax administration, such as an inefficient institutional structure and the absence of a reliable taxpayer information system, also affect the performance of tax revenue collection.

19. The National Directorate of Taxes (DNI) and the General Directorate of Customs (DGD) face administrative challenges that hamper their ability to collect taxes. The current organizational structure of the DNI does not allow for sufficient supervision of its key functions. The split of responsibilities between the two units is often unclear or creates duplication, without either one being able to carry out reforms. In the case of the DGD, an assessment by the IMF in 2016 identified problems such as the lack of: (i) effective management of human resources; (ii) transparency in the customs assessment process; and (iii) implementation of risk-based compliance management. Customs procedures are numerous, inspection rates are excessive, and anti-fraud measures are inadequate.

20. To tackle the administrative challenges faced by the DNI, the Government has adopted a new organizational structure that will separate strategic operations management functions from control functions. Strategic management is currently non-existent. With this new organizational structure, the strategic management functions will be placed under a Director General in charge of steering missions and resources, seconded by middle offices that will guide the execution of the control functions of the operational departments. The Government has finalized a procedures manual for the DNI that is aligned with the new organizational structure. To support the reform process, a reform committee has been set up within the DNI.



21. The DNI intends to continue implementing the reforms for the year 2020. The main reforms to be supported by the second operation of this development policy series are: (i) a skills assessment designed to fill positions in accordance with the new organizational structure will be conducted; (ii) an audit of the DNI information system will be carried out (Trigger 11); and (iii) introduction of a modern tax information management system in the DNI in order to digitize tax procedures, particularly the online filing of tax returns.

22. To simplify tax payments and encourage compliance with tax obligations, the Ministry of the Budget (MdB) now allows taxpayers to process their tax payments solely via the banking system (Priority Action 10). In practical terms, taxpayers have to file their taxes, create a payment slip, and share this with a commercial bank in order to process the tax payment. These companies fulfill their payment obligations at bank counters. Based on data collected by the MdB, the project has been a success. Over the course of the year's first two months of implementation, close to 90% of revenues were paid via the banking system. The processing of tax payments via the banking system will simplify payments and strengthen the system by increasing the number of payment points, limiting contact between taxpayers and tax agents, and protecting public funds from processing errors. In the second phase, the electronic platform for filing and paying taxes will be rolled out more widely, and this system will be extended to allow for online filing and payment.

23. As regards the control of tax policy, the authorities intend to create and operationalize a unit charged with tax policy, which will be attached to the Office of the Minister of the Budget (MdB). This unit will strengthen the development of evidence-based reforms in the area of tax policy. One of the first challenges the tax policy unit will face is the proliferation of tax exemptions, with the introduction of a long-term cost-benefit analysis of the process of granting exemptions in specific cases.

24. Also, regarding tax policy, it should be noted that excise tax collection is low in Guinea because these are set in nominal terms. To improve excise tax collection, the Government intends to index excise taxes, including telecommunications (TCT) and alcohol taxes, to the previous year's inflation or to use a rate rather than nominal value, and it is adopting this measure in the 2020 Finance Act. The Government also intends to implement the plan proposed by the DGD for the adoption of the ECOWAS Tobacco Directive. As indicated in a recent World Bank study on the mobilization of internal revenues, excise tax revenues represented 0.07% of GDP in 2018, substantially less than average excise revenues in Sub-Saharan Africa (1.4% of GDP) in 2016. These low tax collection rates are attributable to: (i) excise tax rates being substantially lower than those in the region; and (ii) national excise taxes set in terms of nominal values that have not been adjusted on a regular basis. Existing tax rates on tobacco are low and are not fully collected, thus generating an exceptionally low tax take compared to the region. Excise taxes on alcohol are substantially higher on imported products than on domestically produced alcohol, a gap of close to 40%. Finally, the telecommunications tax (TCT) is defined in nominal terms and should also be adjusted regularly.

25. **Improving debt management.** Despite the improvements made over the last decade, debt management practices in Guinea suffer from a number of shortcomings. The 2018 debt management



performance assessment (DeMPA) tool for Guinea indicates that government performance has improved over the past decade in strengthening the legal framework and debt management practices. For example, the organic Public Finances Act of 2012 centralizes authorization for borrowing and providing collateral in the Ministry of the Economy and Finance (MEF). Furthermore, the introduction of a calendar for Treasury bills and market-oriented issuance practices have contributed to better debt management. However, insufficient compliance with the existing regulatory framework hampers debt management and transparency. In response, the Government has adopted a medium-term debt management strategy which will be appended, for the first time ever, to the 2020 Finance Act, in accordance with the organic Finance Act. In June 2019, the Government also adopted an indebtedness policy declaration that defines the debt objectives and management process for public debt. The Government's implicit financing policy is to maximize the use of concessional financial resources and to gradually reduce internal arrears.

26. The institutional framework for debt management is fragmented, as is the monitoring of overall debt-related risk. In theory, the National Public Debt Committee (CNDP), assisted by a technical committee and a technical working group, develops and approves the debt management strategy. In practice, the CNDP has rarely met over the past five years. Within the MEF, two national directorates and one department have certain debt management responsibilities. The National Directorate of the Debt and Public Development Aid (DNDAPD) is responsible for project loans, the issuance of negotiable medium-term notes, and the debt database, while the National Directorate of Financial Control (DNTCP) is responsible for the issuance of Treasury bills and non-negotiable medium-term notes. Consequently, no specific ministry is tasked with monitoring overall risk in the debt portfolio or with proposing alternative strategies for reducing long-term costs and managing key risks.

27. Inadequate debt management and Treasury forecasting have led to the regular use of non-negotiable securities to pay domestic suppliers for their services. The commercial banks regularly buy back these short- and medium-term obligations in order to release for their holders the liquidity tied up in them. The banks hold these obligations until maturity, which reduces their capacity to participate in the issuance of negotiable debt by governments. Furthermore, the MEF often compensates holders for the discount imposed by the banks when buying the securities, which translates to an implicit interest rate higher than that paid on negotiable debt.

28. To strengthen debt management, the Government intends to implement a number of measures by June 2019, as follows: (i) including in the legal framework the objectives for which the State can borrow; (ii) implementing a plan to replace non-negotiable securities by Treasury bills in order to clear internal arrears; (iii) approving and appending to the 2020 Finance Act the medium-term debt strategy; and (iv) carrying out a functional review of the organizational structure of the National Directorate of the Debt and Public Development Aid (DNDAPD).

Pillar II – Enhancing Institutional and Regulatory Framework to Promote Competitiveness



29. Government interventions planned in the National Economic and Social Development Plan (PNDES) for agriculture and food and nutrition security focus on improving production and the productivity and competitiveness of agricultural activities. In particular, the Government aims to improve agricultural competitiveness.

30. To this end, key actions in the Development Policy Operations series include: (i) adopting operational guidelines for agricultural input e-vouchers, farmer registration in four (4) prefectures, and e-voucher implementation in these four prefectures; (ii) operationalizing the Road Classification Commission and defining technical standards through an implementing decree; (iii) operationalizing the Commercial Court; and iv) operationalizing the Single Window for Foreign Trade in the Autonomous Port of Conakry. The Government is also in the process of preparing and adopting the Law on Agricultural Orientation, which will be crucial to implementing certain release mechanisms for the program's second campaign.

31. **E-voucher system for agricultural input distribution.** To ensure adequate distribution of fertilizer and improve agricultural productivity, the Government set up in 2018 an e-voucher electronic system for distributing subsidized fertilizer. This system aims to improve transparency, targeting, and monitoring and evaluation of subsidized agricultural input distribution. It consists of a database of agricultural producers, a digital platform, and a register of authorized input distributors. The digital platform provides an interface that enables the Ministry of Agriculture to: (i) interact with farmers; (ii) control requirements for various agricultural inputs; (iii) promote and increase the use of modern agricultural inputs; and (iv) reduce leakage and speculation thanks to improved targeting.

32. The pilot phase has been completed. Farmers were enrolled in the four prefectures of the Kankan Region in 2018 (Kouroussa, Mandiana, Siguiri, Kankan). E-vouchers were tested with two crops (rice and corn) and 3,500 farmers. The farmers received 5,000 agricultural input kits (improved seeds, fertilizers, and herbicides) as part of the e-voucher framework. The Ministry of Agriculture entrusted the distribution of these kits to the National Agricultural Chamber. Women recipients numbered 1,261, or approximately 36% of recipients. The World Bank's Guinea Integrated Agricultural Development Project financed the pilot phase and subsequent extension to Kérouané, Dabola, and Dinguiraye prefectures. Results from the pilot project implementation process were encouraging and provided information for its expansion.

33. **Road Classification Commission and definition of technical standards.** Poor quality infrastructure, including roads, is a major obstacle to growth and poverty reduction in Guinea. The poor state of the Guinean road network slows growth by impeding trade and the export of Guinean agricultural products and by reducing farmers' access to markets. In December 2017, the Government approved a new decree on road classification. This specified six types of roads and assigned responsibility for the road network to the Ministry of Public Works (MTP). Exempted from the scheme were non-primary (secondary and tertiary) urban and rural roads, which were the responsibility of urban and rural municipalities, respectively. For a maximum transition period of ten (10) years, the Ministry of



Public Works remains responsible for non-primary urban roads and the Ministry of Agriculture (MA) for rural roads.

34. To further strengthen the political and institutional framework for road maintenance, the government established in 2018 the Road Classification Commission with support from the Development Policy Campaign and the European Union's Project for the Transportation Sector. The commission, which comes under MTP and includes representatives from the Ministries of Transportation, Decentralization, and Agriculture, will resolve the key problems of institutional capacity and responsibility overlaps between the various authorities. The outcome will be more efficient road rehabilitation and maintenance. To classify all roads in each of the six road categories, the Government has published technical standards for each type of road and updated the road inventory (Decree 2019/649: MTP/MA/SGG).

35. In addition, in April 2018, the government established a road management agency known as Ageroute-Guinée to improve the performance of road maintenance. Ageroute is responsible for implementing various road maintenance programs financed by the national budget, the Road Maintenance Fund (FER), and various donors, and operates according to the general objectives and missions defined by the technical supervisory body. Inspired by the experience of similar agencies in Senegal, Mali, and Côte d'Ivoire, Ageroute will operate under the technical supervision of the Ministry of Public Works (MTP). Accordingly, technical ministries will be responsible for strategic planning, while Ageroute will be responsible for implementing maintenance programs and managing the procurement process for road maintenance. However, Ageroute is not yet operational, and management personnel have not yet been recruited.

36. The Government has identified two other constraints on efficient road maintenance: (i) inadequate financing, particularly for rural road and track maintenance; and (ii) an inefficient procurement system, which contributes to slow expenditure execution on road maintenance. In 2000, Guinea created a Road Maintenance Fund (FER) for second-generation roads. FER mobilizes approximately GNF 266 billion annually from a tax on imported fuel of GNF 250 per liter. In 2017-2018, the fund distributed its resources on average on main roads (61%), urban roads (23%), rural roads (9%), and the promotion of road safety (2%). Guinea is currently undertaking in-depth reform of its public procurement system, including how to increase funding for road maintenance. A decision was taken recently (though not yet implemented) to double the fuel tax to GNF 500 per liter.

37. **Operationalizing the Commercial Court.** The Government has identified constraints in the business climate on the development of the agri-food industry in Guinea. In particular, settlement of commercial disputes takes a long time. There is a widespread perception among Guinean private sector actors that traditional courts do not adequately understand current trade law or legal principles. As a result, the lower courts' general division has a significant backlog of trade disputes awaiting resolution. These delays are due to the lack of a specialized court to deal with these issues. For example, current cases of commercial debt recovery take years to resolve, and complex trade disputes much longer.



38. The Government has launched a program aimed at improving the efficiency and predictability of the legal system in terms of settling trade disputes. On August 13, 2015, the Government issued an order creating a Commercial Court responsible for resolving trade and other complex disputes speedily, efficiently, and more cheaply. In 2018, the Government took steps to make this court operational by appointing senior court staff (including three judges in August 2018) as well as operating staff and by funding the Court's operational budget. Operationalization of the Commercial Court will reduce delays and settlement costs for trade disputes, which is essential if investor confidence and private investment are to increase. The building that will house the Commercial Court is being renovated. Operationalization of the Commercial Court is testimony to the Government's ambition to improve the business climate for investors. The Government is also planning to extend the geographical coverage of the Commercial Court (currently limited to Conakry) and to create an Appeals Court for trade-related cases.

39. Guinea lacks an investor grievance mechanism (IGM), which means that investors have no transparent or speedy operational recourse. Investor redress goes hand in hand with investor protection, which is likely to be ensured through a transparent mechanism for settling differences and shorter waiting periods. An IGM complements a Commercial Court and plays a determining role in handling investor grievances and reaching resolution. With a credible IGM, investor grievances are treated with courtesy, investors are informed expeditiously on how to express queries and complaints to the Government, and these actions are treated efficiently and fairly. An International Finance Corporation (IFC) technical assistance program supports the Government in establishing an IGM aimed at facilitating identification, monitoring, and resolution of problems faced by investors in the agrifood sector. The project will help the Private Investment Promotion Agency (APIP) adopt the necessary regulations for establishing the IGM.

40. The Government also intends to create a public-private dialogue (PPD) platform to strengthen the creation and implementation of reforms designed to improve the performance of the agrifood sector. The PPD platform will be coordinated by APIP and promote inclusive dialogue between public and private actors at national and local levels. Achieving speedy outcomes in terms of political reforms through the PPD platform will build trust between public and private sector actors. The platform will focus on the agrifood sector in order to identify solutions to the sector's key constraints. The Government also plans to increase APIP's geographical coverage through regional offices aimed at attracting investment beyond Conakry and to include local actors in the PPD platform.

41. **Operationalization of the Single Window for Foreign Trade in the Autonomous Port of Conakry.** As regards foreign trade procedures, lack of coordination between agencies, the prevalence of manual procedures, use of paper documentation, and lack of an integrated and harmonized structure for border agencies lead to high trade costs and delays. The task of promoting exports is shared among several bodies under various ministries and entities (CAFEX, APIP, CENA, CIEPEX, AGOA National Committee, Chambers of Commerce, etc.). This creates a risk of overlapping jurisdictions, lack of coordination, and excessive complexity for the private sector. Export procedures would benefit from consolidation. The single window within the Export Formalities Support Center (CAFEX) has facilitated export procedures somewhat, including the provision of quality and phytosanitary certificates as well as



certificates of origin. However, the single window provides only partial simplification as it does not handle custom procedures or export controls. As a result, agricultural traders must still visit and deal with several government agencies in several locations to obtain the necessary papers, permits, and authorizations to complete the import or export process.

42. The Government has recently hired an experienced private operator to set up an integrated platform to facilitate trade or a single window for foreign trade. A contract between Webb-Fontaine and the Government was signed in February 2019. Its key features are: (i) managing a single window for trade to include procedures for all agencies; (ii) dematerialization of the management of commercial transactions; (iii) electronic submission of customs declarations and digital management of import and export certificates and authorizations; and (iv) collaborative management of inspections. This integrated platform will enable stakeholders to provide and obtain the required information and documentation, make decisions, and pay all costs while accelerating the process. The key objective of this single window is to increase efficiency by allowing traders to save time and costs in their dealings with the Government when seeking to obtain the proper authorizations and permits to transport merchandise across borders.

43. To simplify registration procedures in terms of land and the handling of construction permits, the Government plans to regroup all these procedures under a single window. This single window for registering land assets and construction permits (GUFCH) was created in 2017 but is not yet operational. With technical assistance from IFC, the Government has initiated a diagnostic study and plans to hire a company to support establishing a single window. The GUFCH will be the main point of contact for administering land assets as well as requests for construction permits and property registrations. The single window will act as a central unit (comprising intra- and interministerial groups and working committees) and thus optimize the number of signatories required for construction permits. Automation of the single window via an online information portal will provide users with instant access to information on property registration and construction permit requirements.

Pillar III – Improving the Financial Performance of the Energy Sector

44. With regard to improving the performance of the energy sector and in particular that of the State electricity provider the Guinean Electricity Company (EDG), the principal actions selected for this operation involve: (i) amending EDG's statutes and appointing EDG board members; (ii) increasing electricity rates in order to improve the financial performance of the sector and reduce budget transfers to EDG; (iii) signing a debt-and-receivable crossing agreement on December 31, 2018 between the State and EDG and adopting a roadmap for the settlement of these debts and receivables as well as the settlement of the first phase of the clearance plan for the net balance of arrears due to EDG; and (iv) issuing: (a) a ministerial decree defining the technical, commercial, and economic criteria for prioritizing localities and sites in order to increase access to electricity in Guinea; and (b) a ministerial decree defining the administrative, financial, technical, and commercial arrangements for new connections to the national grid.



45. Amending the statutes of EDG and appointing members of the Board of Directors. As part of the implementation of the 2012-2015 Electricity Sector Adjustment Plan, the State has signed a four-year management contract with a competitively selected private operator in order to improve the management of EDG. As part of its implementation of the management contract, the operator has provided expertise on several of EDG's key functions with a view to enabling it to achieve its internal adjustment, improve its technical, commercial, and financial performance, and strengthen its human resources (HR) capacities. The mode of governance adopted during the execution period of the management contract is that of the General Manager, who combines the powers of a CEO and of the Board of Directors in deploying ad hoc powers. As the end of the management contract nears, EDG's position shows a number of improvements, but overall, the results obtained fail to meet the anticipated objectives. Improvement is noted in the quality of service, mainly due to the increase in production, the implementation of investments in the refurbishment of the distribution network, and improvements in the operation and maintenance of the electricity grid by the management services contractor. However, commercial performance has remained below the expected results set out in the contract. However, it is important to retain the advances made by the management contract, which are fragile in character, and to plan new and more efficient measures that take this experience into account.

46. After analyzing various options for the management and supervision of EDG's performance after the expiration of the current management contract, taking into account international experience and the current situation of EDG on the basis of the analysis of global trends and regional examples, the Government believes that alternatives such as concessions or leasing, where management takes on more risk, are not viable. Contracts, whether for management or to provide support to the management team, are in principle more viable. The State has therefore opted to transfer EDG management to a team of Guinean executives recruited through a competitive selection process with the support of a firm specialized in HR. The following points describe this option:

- Adaptation of the legal framework: Amending EDG's statutes to allow for the creation of a Board of Directors and the competitive selection of management executives, in particular the General Manager, Directors, and Heads of Departments;
- Appointment of the Board of Directors;
- Recruitment of a specialized HR firm to assist the government in selecting a management team through a competitive process.

47. Selection of a company specialized in the management and operation of electricity companies to provide short-term technical assistance (two years) to the management team, including the implementation of EDG's internal adjustment plan. In this context, the intention is to extend the management contract for a period of six (6) months to allow for the establishment of the management team and the competitive selection of the operator providing support to the management team. The new EDG statute was adopted by the Government on August 2, 2019.

48. Increasing electricity rates to improve the financial performance of the sector and reduce budget transfers to EDG. It must be emphasized that electricity tariffs in Guinea do not take into account production and distribution costs and have not kept pace with inflation. As a result, the long-term



financial viability of the sector is uncertain. The poor financial health of the sector is due mainly to an expensive energy mix linked to relatively low prices for consumers, well below the cost of supply. EDG's operating deficit is due mainly to inappropriate levels of tariffs in relation to production costs, in particular for residential rates. Households, which account for 45% of electricity consumption, pay one of the lowest electricity rates in West Africa. The average consumer price covered 30% of the cost of production in 2016, but currently 40% thanks to the most recent rate increase in 2018 (10% for domestic rates and 25% for medium voltage tariffs) and to increased operational efficiencies in terms of grid performance (from 63% to 70% at end-2018) thanks to the management contract and the refurbishment works carried out on the distribution networks. Production costs are high due to the high proportion of expensive diesel or heavy fuel oil (HFO) used, accounting for 45% of the energy produced in 2018, as a result of the seasonal nature of hydropower generation and insufficient investment planning.

49. EDG recorded an operating deficit of USD 92 million in 2017 (0.9% of GDP) and an estimated deficit in 2019 of USD 200 million (about 2% of GDP). This significant increase in subsidies can be explained by two significant factors: Kaleta energy purchases (GNF 788 billion), which become disbursable from the beginning of January 2019, and the increase in energy production of over 13% compared to 2018 to support growth in demand as well as the electrification of 20 prefectures.

50. The sectoral financial analysis conducted by the World Bank team, taking into account ongoing investments in the refurbishment and expansion of generating capacity, including the current 450 MW Souapiti hydroelectric power plant, which is expected to double energy production in the country, has shown that the sector can achieve its financial goals. Financial equilibrium by 2025, with a cumulative tariff increase of about 95% for residential consumers and 82% for non-residential consumers. The analysis underscored the need for the Government to connect energy sources to the grid and export electricity to neighboring countries in order to achieve this medium-term financial equilibrium. The analysis also emphasized the importance of complying with the lower cost production plan and the competitive selection procedure of independent producers in order to control production costs. To limit the fiscal impact of the electricity sector, in May 2018, the Government increased electricity tariffs for all categories of consumers (25% for industrial consumers and 10% for households) while maintaining the social tariff. On May 23, 2019, the Government adopted new revised tariffs, including an increase of approximately 15% for residential consumers and 5% for non-residential consumers. This is the first (modest) increase in tariffs in Guinea, and one that could bring in about GNF 49 billion a year as electricity prices need to more than double by 2025, as indicated above. The Government is committed to ensuring that the next tariff increase targets the most numerous and richest consumers. In parallel with other complementary reforms aiming to improve commercial performance, including the regularization of illegal connections, the implementation of the income protection program for large electricity consumers, the widespread roll-out of meters, and the computerization of operations are currently being carried out as part of the IDA-financed Electricity Sector Recapitalization Project.

51. The Government is committed to providing the independent regulator with a transparent pricing methodology. Traditionally, changes to electricity tariffs in Guinea have been proposed by the Ministry responsible for energy but without an appropriate methodology for setting tariffs. The



Government has put in place an independent regulator for the electricity and water sectors. The Government is currently preparing the basis for adopting a tariff-setting methodology that takes into account (among other things): (i) service costs, including electricity production and purchasing costs, transmission and distribution costs, and other fixed and variable costs such as meter reading and billing as well as loss factors. This methodology, to be adopted early in 2020, will guide the electricity regulator in the regular implementation of tariff adjustments.

52. Clearance of debts and receivables between the State and EDG and implementation of a regular payment mechanism for bills incurred by public institutions and street lighting. Unpaid electricity consumption by public institutions and street lighting have resulted in arrears that affected EDG's financial performance. The Government has conducted a study aiming to validate the amount of arrears and taxes owed to EDG as of end-2018 and has developed a plan for eliminating these in the medium term. In addition, to prevent the build-up of new arrears, the Government has committed to: (i) classifying public institutions into "strategic" and "non-strategic" categories, with the latter liable to being disconnected); (ii) installing prepayment meters in all non-strategic institutions; and (iii) beginning to put in place an effective system to ensure regular advance payment of electricity bills by strategic public institutions. The Government is also planning to implement a financial restructuring plan for EDG that will include its recapitalization and the transfer of government assets and liabilities to EDG by 2020. This financial restructuring plan will involve approximately USD 330 million in debt (equivalent to two years' worth of revenues) owed to independent power producers and suppliers.

53. Improved access to electricity. The Government has adopted and initiated the implementation of the National Program for Improving Access to Electricity at Least Cost in Guinea (PNAAEG) 2016-2020 in order to increase access to electricity throughout the country. The PNAAEG aims to increase access to electricity from 18.1% in 2016 to 36% by 2020, with universal access by 2030. These objectives will be achieved through the extension of the main grid to 95% of localities and the development of mini-grids in remote areas the main grid will not be able to reach in the next 10 to 15 years. The Government has mobilized approximately USD 388 million from various donors, including the World Bank, AfDB, the Islamic Development Bank (IsDB), AFD, EU, and the State's budget for the implementation of the PNAAEG.

54. The access program will give priority to connecting those communities closest to existing medium-voltage lines, which are densely populated and have the ability to pay for service. The program will enable the State-owned utility to maximize efficiency in the provision of electricity to households and businesses and will help improve its financial viability. To this end and to ensure that the PNAAEG is implemented in a fair and transparent manner, especially in rural areas, the Government has adopted a regulation via a ministerial decree that sets out technical, commercial, and economic criteria that will guide the selection of localities and sites that need to be prioritized when implementing various projects designed to increase access. To most effectively organize the installation of electrical connections for new users, a ministerial decree on the regulation of services has been approved and published, setting out the financial, technical, and legal administrative rules and procedures allowing new users to obtain



electrical connections from the national grid (via EDG). The World Bank Guinea Electricity Access Scale-Up Project provided technical assistance to the Government for the implementation of these reforms.

55. The Government is committed to promoting a public-private partnership (PPP) model for the electrification of remote rural communities, with mini-grids as the least costly option for electrifying these villages. The PNAAEG anticipates approximately 50,000 new connections in remote rural areas over the next 3-5 years thanks to decentralized renewable-energy generation facilities and mini-grids managed by private operators to ensure the sustainability of rural electrification. A pilot project for the electrification of 10-15 localities was initiated by the Guinean Rural Electrification Agency (AGER) with the support of the World Bank and the French Development Agency (AFD). A set of regulations is needed in order to implement a mini-grid program. The Government is committed to putting in place the necessary regulations, including a ministerial decree governing the granting in 2020 of concessions to private operators in rural areas.

D. Mechanism for Coordinating and Monitoring the Implementation of Reform Policies

56. This program will fall under the authority of the Ministry of Economy and Finance (MEF) through its General Secretariat, with technical support from the MEF's Technical Unit for Program Monitoring (CTSP) in close collaboration with the sector ministries and other bodies covering the program areas. The World Bank will also carry out program reviews as needed. Regular dialogue will be maintained with the World Bank as part of the normal framework for the implementation of planned actions.

57. The Government hereby undertakes to take all necessary measures to implement the above measures and actions and reiterates its request to the World Bank for the implementation of the requested launch.



ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

| Prior Actions under DPF 1 | Significant positive or negative environment effects | Significant poverty, social or distributional effects positive or |
|--|--|---|
| Pillar 1: Strengthening Fiscal Management | | |
| <p>Prior Action 1. The President of the Republic of Guinea has signed a decree dated September 28, 2018 for law of 2017 on the financial governance of public establishments and corporations, aiming to strengthen the performance and oversight of SOEs, and has issued five decrees amending the status of five public establishments and corporations to conform with the law of 2017.</p> | No | No |
| <p>Prior Action 2. To improve the performance of the tax administration, the Recipient’s Ministry of Budget has issued: (a) ministerial order dated February 19, 2019, adopting a new organizational framework of the National Directorate of Taxes (<i>Direction Nationale des Impôts</i>, DNI) separating strategic operation management functions from control functions; (b) ministerial order dated August 1, 2019, creating and adopting the attribution and organization of a tax policy unit within the Ministry of Budget’s Bureau of Strategy and Development (<i>Bureau de Stratégie et de Développement</i>) to strengthen evidence-based policymaking for tax policy; and (c) jointly with the Recipient’s MEF a joint circular dated October 1, 2018, instructing commercial banks and financial establishments to only accept electronic bank transfers for tax and custom payments due by large and medium enterprises.</p> | No | No |
| <p>Prior Action 3. To strengthen debt management: (a) the Recipient’ MEF has published a declaration of public debt policy defining debt management objectives and procedures; and (b) the Recipient’ MEF has published on its website a medium-term debt strategy (MTDS) and a statistical bulletin outlining the Recipient’s public debt data as of December 31, 2018 and the first quarter of 2019.</p> | No | No |
| Pillar 2: Enhancing the Institutional and Regulatory Framework to Promote Competitiveness | | |
| <p>Prior Action 4. The Recipient’s Ministry of Agriculture (a) has launched a pilot e-voucher system for agricultural inputs to improve transparency, the targeting, and monitoring and evaluation of the distribution of subsidized agricultural inputs and a digital platform to interact with farmers for the delivering of e-vouchers; (b)</p> | Yes, Positive | Yes, Positive |



| Prior Actions under DPF 1 | Significant positive or negative environment effects | Significant poverty, social or distributional effects positive or |
|--|--|---|
| has delivered e-vouchers in four prefectures out of 33. | | |
| Prior Action 5. Recipient’s Ministry of Public Works has issued: (a) a ministerial order dated August 29, 2019, creating, providing a mandate and operationalizing the Road Classification Commission; (ii) jointly with the Minister of Agriculture, an inter-ministerial order dated March 4, 2019, implementing the road classification decree adopted on December 7, 2017 to define technical standards for all road types after approval by the Road Classification Commission. | No | No |
| Prior Action 6. The Recipient has made operational the Commercial Court of Conakry (<i>Tribunal de Commerce du Conakry</i>), by making available to the court the allocated budget under the 2019 Revised Budget Law and through: (a) Presidential decree dated August 6, 2018, appointing the judges sitting at the Commercial Court of Conakry; (b) ministerial order dated August 1, 2019, issued by the Ministry of Justice, approving the internal rules of the Commercial Court of Conakry; and (c) joint ministerial order dated April 25, 2019, and a decision dated February 24, 2019 issued by the Ministry of Justice, staffing the Commercial Court of Conakry. | No | No |
| Prior Action 7. To simplify business procedures, the Recipient has established and made operational a single window pilot project for external trade (<i>“Guichet Unique du Commerce Extérieur”</i>) at Conakry Port through a unique online platform that dematerializes the management of commercial transactions and facilitates the submission of customs declarations and the management of certifications and authorizations for imports and exports. | No | No |
| Pillar 3: Improving the Financial Performance of the Energy Sector | | |
| Prior Action 8. To improve the governance of the public electricity utility (EDG), the Recipient has issued a decree, dated August 6, 2019, amending the statute establishing EDG to include the creation of EDG’s Board and the competitive selection of EDG’s management team, including the director general and directors, to conform with the law of 2017 on the financial governance of public establishments and corporations and its implementation decree. | No | No |
| Prior Action 9. The Recipient’s Ministry of Energy and MEF have issued inter-ministerial orders dated May 23, 2019 increasing retail electricity tariff by 15 percent for residential consumers and 5 percent for professional | No | Minimal poverty impact for the 2019 tariff increase. But, negative poverty impact for the |



| Prior Actions under DPF 1 | Significant positive or negative environment effects | Significant poverty, social or distributional effects positive or |
|--|--|---|
| consumers, to improve the performance of the electricity sector. | | cumulative tariff increase over 5-7 years. |
| Prior Action 10. (a) The Recipient, represented by Ministries of Energy, Budget and MEF, has signed an agreement with EDG dated July 18, 2019, to clear the net cross-arrear balance owed to EDG by the Recipient as of December 31, 2018 and to establish a multi-year plan to pay the balance by January 10, 2025. (b) The Recipient has transferred to EDG, under the above-mentioned agreement, the first payment of GNF 45 billion. | No | No |



ANNEX 5: DPF Prior Actions and Analytical Underpinnings

| Prior Actions under DPF 1 | Analytical Underpinnings |
|--|--|
| Pillar 1: Strengthening Fiscal Management | |
| <p>Prior Action 1. The President of the Republic of Guinea has signed a decree dated September 28, 2018 for law of 2017 on the financial governance of public establishments and corporations, aiming to strengthen the performance and oversight of SOEs, and has issued five decrees amending the status of five public establishments and corporations to conform with the law of 2017.</p> | <p>World Bank (2017). Guinea: PER. The World Bank: Washington, DC. This study present information about weak governance of SOEs and how SOEs are a source of fiscal risks in Guinea.</p> <p>World Bank (2018). SOE Governance Review in Guinea. The World Bank: Washington, DC.. This report summarizes the result of a workshop carried out in Guinea in May 2018. Moreover, the report presents a list of possible next steps and lessons learned from SOE reform.</p> |
| <p>Prior Action 2. To improve the performance of the tax administration, the Recipient’s Ministry of Budget has issued: (a) ministerial order dated February 19, 2019, adopting a new organizational framework of the National Directorate of Taxes (<i>Direction Nationale des Impots</i>, DNI) separating strategic operation management functions from control functions; (b) ministerial order dated August 1, 2019, creating and adopting the attribution and organization of a tax policy unit within the Ministry of Budget’s Bureau of Strategy and Development (<i>Bureau de Stratégie et de Développement</i>) to strengthen evidence-based policymaking for tax policy; and (c) jointly with the Recipient’s MEF a joint circular dated October 1, 2018, instructing commercial banks and financial establishments to only accept electronic bank transfers for tax and custom payments due by large and medium enterprises.</p> | <p>World Bank (2019). Opportunities for enhanced domestic revenue mobilization. This study presents an analytical assessment of excise and VAT taxes in Guinea. It describes the main institutional challenges and options to increase mobilization of excise taxes.</p> |
| <p>Prior Action 3. To strengthen debt management: (a) the Recipient’ MEF has published a declaration of public debt policy defining debt management objectives and procedures; and (b) the Recipient’ MEF has published on its website a medium-term debt strategy (MTDS) and a statistical bulletin outlining the Recipient’s public debt data as of December 31, 2018 and the first quarter of 2019.</p> | <p>World Bank and IMF (2018). DeMPA.</p> |
| Pillar 2: Enhancing the Institutional and Regulatory Framework to Promote Competitiveness | |
| <p>Prior Action 4. The Recipient’s Ministry of Agriculture (a) has launched a pilot e-voucher system for agricultural inputs to improve transparency, the targeting, and monitoring and evaluation of the distribution of subsidized agricultural inputs and a digital platform to interact with farmers for the delivering of e-vouchers; (b)</p> | <p>Various reports produced during the preparation of West Africa Agriculture Productivity Program (WAAPP) have provided the analytical basis for this prior action. The WAAPP provides support to the ECOWAS, including Guinea, for the modernization of the agricultural extension services and technology</p> |



| Prior Actions under DPF 1 | Analytical Underpinnings |
|--|--|
| <p>has delivered e-vouchers in four prefectures out of 33.</p> | <p>transfer systems. This includes the use of innovative approaches, being piloted under the project in some countries, such as the use of ICT-based instruments such as e-extension and e-voucher.</p> <p>Tesfamicheal Wossen, Tahirou Abdoulaye, Arega Alene, Shiferaw Feleke, Jacob Ricker-Gilbert, Victor Manyong, Bola Amoke Awotide (2017). Productivity and Welfare Effects of Nigeria's e-Voucher-Based Input Subsidy Program.</p> |
| <p>Prior Action 5. Recipient's Ministry of Public Works has issued: (a) a ministerial order dated August 29, 2019, creating, providing a mandate and operationalizing the Road Classification Commission; (ii) jointly with the Minister of Agriculture, an inter-ministerial order dated March 4, 2019, implementing the road classification decree adopted on December 7, 2017 to define technical standards for all road types after approval by the Road Classification Commission.</p> | <p>Reports produced during the preparation of the World Bank's Agricultural Support (PASAG) Project (P148114), and the World Bank's Rural Mobility and Connectivity Project (P164543). The reports highlighted that developing an efficient road transportation network is essential for promoting trade and exports of Guinea's many agriculture products. Currently, rural roads are in a dilapidated condition, limiting farmers access to market. The reports highlighted that the definition and classification of roads was incomplete and inconsistent with the situation on the ground. In December 2017 the Government issued a new classification decree with the support of EU and World Bank. The EU as well as the World Bank will continue to provide support to prepare ministerial decrees with the standards of each type of classified road and the road mapping per the new classification.</p> <p>Reports produced under the Africa Transport Policy Program provided guidance about best practices, such as: (i) Rural Transport: Improving its Contribution to Growth and Poverty Reduction in Sub-Saharan Africa. (2012); (ii) Good Policies and Practices on Rural Transport in Africa: Monitoring and Evaluation (2014); and (iii) Good Policies and Practices on Rural Transport in Africa: Planning Infrastructure and Services (2014).</p> |
| <p>Prior Action 6. The Recipient has made operational the Commercial Court of Conakry (<i>Tribunal de Commerce du Conakry</i>), by making available to the court the allocated budget under the 2019 Revised Budget Law and through: (a) Presidential decree dated August 6, 2018, appointing the judges sitting at the Commercial Court of Conakry; (b) ministerial order dated August 1, 2019, issued by the Ministry of Justice, approving the internal rules of the Commercial Court of Conakry; and (c) joint ministerial order dated April 25, 2019, and a decision dated February 24, 2019 issued by the Ministry of Justice, staffing the</p> | <p>Guinea's doing business diagnostics, 2017. The report recommend setting up a Commercial Court in Conakry. The existence of commercial courts in the OHADA countries and the sub region has made a significant contribution to the efficiency of their judicial systems. In fact, specialized courts reduce the number of cases pending before the courts of first instance. The creation of a Commercial Court should make it possible to reduce the costs and the deadlines of execution of commercial disputes but</p> |



| Prior Actions under DPF 1 | Analytical Underpinnings |
|--|--|
| Commercial Court of Conakry. | also to promote commercial justice. |
| <p>Prior Action 7. To simplify business procedures, the Recipient has established and made operational a single window pilot project for external trade (“<i>Guichet Unique du Commerce Extérieur</i>”) at Conakry Port through a unique online platform that dematerializes the management of commercial transactions and facilitates the submission of customs declarations and the management of certifications and authorizations for imports and exports.</p> | <p>In 2016 <i>Diagnostic Trade Integration Study (DTIS)</i> has been updated. The diagnostic insisted on prompting trade facilitation through the provision of clear, comprehensive and up-to-date information on trade regulations and procedures through a Trade Information Web-portal; the streamlining of procedures by different agencies and payment through a Single Window. The Diagnostic particularly highlighted the necessity of streamlining procedures at the port, with the creation of a single electronic window (allowing for sufficient linkages with Customs); modernizing and reinforcing procedures and security rules within the port and its close vicinity. The “<i>Creation of a single window for external trade that integrates port, airport and border posts</i>” was included in the updated DTIS action plan.</p> |
| Pillar 3: Improving the Financial Performance of the Energy Sector | |
| <p>Prior Action 8. To improve the governance of the public electricity utility (EDG), the Recipient has issued a decree dated August 6, 2019, amending the statute establishing EDG to include the creation of EDG’s Board and the competitive selection of EDG’s management team, including the director general and directors, to conform with the law of 2017 on the financial governance of public establishments and corporations and its implementation decree.</p> | <p>The design of this pillar is informed by the findings and recommendations of recent analytical work conducted by the WBG, which provided the basis for the ongoing policy dialogue with the Government. The studies undertaken by the Power Sector Recovery Project (P146696), ESMAP TFs, EDG and AfDB have been essential in providing intellectual rationale for the prior actions in this pillar.</p> |
| <p>Prior Action 9. The Recipient’s Ministry of Energy and MEF have issued inter-ministerial orders dated May 23, 2019 increasing retail electricity tariff by 15 percent for residential consumers and 5 percent for professional consumers, to improve the performance of the electricity sector.</p> | |
| <p>Prior Action 10. (a) The Recipient, represented by Ministries of Energy, Budget and MEF, has signed an agreement with EDG dated July 18, 2019, to clear the net cross-arrear balance owed to EDG by the Recipient as of December 31, 2018 and to establish a multi-year plan to pay the balance by January 10, 2025.</p> <p>(b) The Recipient has transferred to EDG, under the above-mentioned agreement, the first payment of GNF 45 billion.</p> | |