



## 1. Operation Information

<b>Operation ID</b> P166322	<b>Operation Name</b> Fisc Mngt Comp Energy
<b>Country</b> Guinea	<b>Practice Area (Lead)</b> Macroeconomics, Trade and Investment

### Non-Programmatic DPF

<b>L/C/TF Number(s)</b> IDA-65070	<b>Closing Date (Original)</b> 31-Dec-2020	<b>Total Financing (USD)</b> 91,488,348.93
<b>Bank Approval Date</b> 26-Nov-2019	<b>Closing Date (Actual)</b> 31-Dec-2020	
	<b>IBRD/IDA (USD)</b>	<b>Co-financing (USD)</b>
Original Commitment	90,000,000.00	0.00
Revised Commitment	90,000,000.00	0.00
Actual	91,488,348.93	0.00

<b>Prepared by</b> Xiaolun Sun	<b>Reviewed by</b> Judyth L. Twigg	<b>ICR Review Coordinator</b> Jennifer L. Keller	<b>Group</b> IEGEC
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## 2. Program Objectives and Pillars/Policy Areas

### a. Objectives

The Program Document (PD) defined the Program Development Objectives (PDOs) as: (i) strengthening fiscal management; (ii) enhancing the institutional and regulatory framework to promote competitiveness; and (iii) improving the financial performance of the energy sector.



## **b. Pillars/Policy Areas**

The program had three pillars identical to the three PDOs:

- Pillar 1 - Strengthening Fiscal Management.
- Pillar 2 - Enhancing the Institutional and Regulatory Framework to Enhance Competitiveness.
- Pillar 3 - Improving the Financial Performance of the Energy Sector

## **c. Comments on Program Cost, Financing and Dates**

The financing of this operation consisted of an International Development Association (IDA) grant in the amount of SDR 66.1 million (US\$90 million equivalent). The grant was approved on November 26, 2019, became effective on December 11, 2019, and closed on December 31, 2020 as planned. Actual disbursement was US\$91.5 million because of exchange rate fluctuation.

This operation was conceived as the first in a programmatic series of two development policy operations (DPOs). An identification mission for DPF2 took place in January 2020 but was put on hold while a stand-alone COVID-19 Emergency DPF (P166322) was prepared. In March 2021, a virtual mission took place to restart the preparation of DPF2. However, a military coup overturned the government in September 2021 and triggered OP 7.30. Because of the political turmoil, the preparation of DPF2 was cancelled.

## **3. Relevance of Design**

### **a. Relevance of Objectives**

Resource-rich but unable to leverage its endowment for sustainable growth and poverty reduction, Guinea continued to face significant development challenges in multiple areas. Access to basic services was low, consumption growth of the bottom 40 percent was negative during 2014-2018, and gender gaps were widespread across all dimensions. This DPF followed previous Bank engagements in Guinea that were directed at selected development challenges.

The PDOs supported aspects of Guinea's national development plan (PNDES, 2016-2020): PNDES Pillar 1 on good governance and PNDES Pillar 2 on inclusive structural transformation and diversification of the economy (PD, p. 18). The PDOs addressed three of the nine development constraints identified in the 2018 Systematic Country Diagnostic (SCD): weak fiscal management and public investment systems, low private sector investment and poor access to finance, and lack of good infrastructure and information/communication technology services (ICR, p. 5). The PDOs were aligned with four of the nine objectives supported by the Country Partnership Framework (CPF) for FY2018-FY2023: Objective 1 under CPF Pillar 1 to improve public fiscal and financial management, and Objectives 6, 7, and 8 under CPF Pillar 3 to increase agricultural productivity and access to markets, improve access to energy and water services through improved management of utilities, and improve the business environment.

### **b. Relevance of Prior Actions**



## Rationale

DPF1 had ten prior actions (PA) to support the three PDOs. This ICRR does not assess the indicative triggers (IT) for the dropped DPF2 but includes them in the table below to facilitate assessment of the design of the DPF series and the results indicators.

Prior Actions for DPF1	Indicative Triggers for DPF2 (dropped)
<b>PDO1: Strengthening Fiscal Management</b>	
<p><b>Prior Action 1.</b> 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 state-owned enterprises (SOEs), and has issued five decrees amending the status of five public establishments and corporations to conform with the law of 2017.</p>	<p><b>Indicative Trigger 1.</b> 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 SOEs (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><b>Prior Action 2.</b> 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 (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 Ministry of Economy and Finance (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><b>Indicative Trigger 2.</b> 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 a roadmap to reorganizing DNI, including doing skill assessments, staffing positions based on technical criteria, and auditing of DNI's information system.</p>
<p><b>Prior Action 3.</b> 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</p>	<p><b>Indicative Trigger 3.</b> 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</p>



<p>Recipient's public debt data as of December 31, 2018 and the first quarter of 2019.</p>	<p>Development, including the identification of staff responsible for the debt strategy and annual borrowing plan; and (iii) elaborated and published a reform plan to eliminate the usage of non-marketable securities.</p>
<p><b>PDO2: Enhancing Institutional and Regulatory Framework to Promote Competitiveness</b></p>	
<p><b>Prior Action 4.</b> The Recipient's Ministry of Agriculture (a) has launched a pilot e-voucher system for agricultural inputs to improve the transparency, 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.</p>	<p><b>Indicative Trigger 4.</b> 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>
<p><b>Prior Action 5.</b> The Recipient's Ministry of Public Works has issued: (a) a ministerial order dated August 29, 2019, creating, providing a mandate for, 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.</p>	<p><b>Indicative Trigger 5.</b> To improve road asset management, the Recipient has: (i) adopted measures to improve budget execution for road maintenance; and (ii) operationalized the road management agency (AGEROUTE) under the new forthcoming procurement process.</p>
<p><b>Prior Action 6.</b> The Recipient has made operational the Commercial Court of Conakry (<i>Tribunal de Commerce de 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><b>Indicative Trigger 6.</b> 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>
<p><b>Prior Action 7.</b> 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><b>Indicative Trigger 7.</b> To simplify business procedures, the Recipient has: (i) fully implemented the single window at the Port of Conakry; (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>



<b>PDO3: Improving Financial Performance of the Energy Sector</b>	
<p><b>Prior Action 8.</b> 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><b>Indicative Trigger 8.</b> To improve the governance of 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><b>Prior Action 9.</b> The Recipient’s Ministry of Energy and MEF have issued an inter-ministerial order dated May 23, 2019, increasing retail electricity tariffs by 15 percent for residential consumers and 5 percent for professional consumers to improve the performance of the electricity sector.</p>	<p><b>Indicative Trigger 9.</b> 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 tariffs 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 tariffs based on the adopted methodology.</p>
<p><b>Prior Action 10.</b> (a) The Recipient, represented by the Ministries of Energy and 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>	<p><b>Indicative Trigger 10.</b> 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>

**PDO1: Strengthening Fiscal Management**

**PA1 (Satisfactory):** Guinean public establishments and SOEs suffered from poor governance and financial losses, which was detrimental to the delivery of public goods and services and posed fiscal risks. The National Assembly amended the Law on the Institutional Framework of Public Establishments and Corporations in December 2017. PA1 supported adopting its implementation decree in September 2018 and aligning the by-laws of five largest commercial SOEs with the new law. These new laws and regulations would enable the MEF to better manage the fiscal liabilities of SOEs and strengthen SOE fiscal transparency with specific reporting requirements to the MEF and on the internet. PA1 was a key action along the results chain to achieving PDO1.

**PA2 (Satisfactory):** At 12.5 percent of gross domestic product (GDP), Guinea’s tax revenues remained low for its income level and well below the ECOWAS target of 20 percent of GDP. Various administrative challenges (e.g., unclear or duplicative responsibilities, no specific unit to lead reforms, ad hoc assignment of taxpayers



between tax units, and new firms created at business centers not automatically assigned to a tax office) hindered the ability of the DNI to collect tax revenues. Based on IMF's ECF reviews, a WB study on DRM, and previous DPFs on tax issues, PA2 supported actions to address these challenges by separating strategic operations management functions from control functions, creating a tax policy unit within the DNI to strengthen evidence-based policy making, and processing tax payments through the banking system to simplify tax payments and encourage tax compliance. These measures would contribute to PDO1 by improving DNI's capacity to make sound tax policies, raise tax revenue collection, and increase tax payment transparency.

**PA3 (Moderately Unsatisfactory):** According to the 2018 Debt Management Performance Assessment Tool (DeMPA) for Guinea, the institutional setting for debt management was fragmented, with no single entity responsible for monitoring overall debt risk. There was no transparent debt recording and reporting system to inform debt management activities. Inadequate debt and cash forecasting led to regular use of non-marketable securities to pay domestic suppliers for their services. PA3 supported the government's debt management reform plans and the publication of a MTDS and public debt data on MEF website. While these actions were in the right direction, as the ICR pointed out, they represented small steps toward addressing the significant shortcomings underscored in the DeMPA for Guinea. More substantive support would be provided under DPF2, whose cancellation broke down the results chain and weakened the program to strengthen debt management.

#### **PDO2: Enhancing Institutional and Regulatory Framework to Promote Competitiveness**

**PA4 (Moderately Unsatisfactory):** Guinean agriculture suffered from low labor productivity and low input use, with less than eight percent of the cultivated land being planted with improved seeds and one of the lowest levels of fertilizer use in Africa. Guinea's traditional input subsidy program produced limited impact because beneficiaries did not have access to agricultural advisory services to match the quantity of applied fertilizer and the quality of the soils. The input subsidy program also created distortions that hindered private sector participation in providing agricultural inputs, especially fertilizers. PA4 supported the government's pilot program to use mobile-based interventions to revamp the input subsidy programs. The pilot focused on four prefectures and two crops (rice and maize) and was also supported by the regional West Africa Agricultural Productivity Program (P122065) and the Guinea Integrated Agricultural Development Project (P164326). However, while the tech-based platform could help improve the transparency, targeting, and monitoring and evaluation of the distribution of subsidized agricultural inputs, it did not address the distortions that hindered private participation in fertilizer supply or the key constraints to low agricultural productivity such as poor infrastructure and logistics, and lack of commercialization of key value chains (ICR, p. 14).

**PA5 (Moderately Unsatisfactory):** The Guinea SCD reported that the quality of the road network had been deteriorating over the past 15 years due to poor road asset management, delays in public procurement, and lack of funding. Under the previous DPF series, the government approved a new road classification decree in December 2017 to address the lack of legal clarity over various types of roads and overlapping responsibilities among stakeholders for proper planning, maintenance, and rehabilitation of roads (PD, p. 27). PA5 supported the operationalization of selected aspects of the road classification decree to further strengthen the policy and institutional framework for road maintenance. While poor road classification system was an important constraint to managing road asset, significant complementary measures are needed to address the fundamental issues with road asset deterioration due to inadequate capacities, processes, and funding. PA5 was therefore modestly relevant for achieving PDO2.

**PA6 (Satisfactory):** Resolving commercial disputes took on average 311 days in Guinea, with routine commercial debt recovery cases taking years and complicated business disputes even longer to be resolved. In 2015, the government issued a decree to create a commercial court to provide prompt, efficient, and affordable



resolutions of business disputes or complex litigation. However, the court remained nonfunctional until PA6 supported its operationalization by making available the allocated budget, appointing judges, approving internal rules, and staffing the court. At the same time, IFC TA supported establishing an investor grievance system to facilitate identification, monitoring, and resolution of problems faced by investors in the agri-food sector. These actions could lead to shorter resolution time to settling commercial disputes and contribute to improving the business environment to promote competitiveness.

**PA7 (Moderately Satisfactory):** Guinea ranked poorly in the World Bank's Doing Business reports for trading across borders (167th out of 190 countries). Cumbersome administrative procedures, lack of coordination among agencies, high prevalence of manual procedures, reliance on paper documentation, and absence of an integrated and harmonized framework for border agencies were key factors behind the high cost and significant delays of trade. PA7 supported a single window pilot project at Conakry Port through an online platform operated by an experienced private company to facilitate trade. The single window could help improve the predictability and transparency of Guinea's trade procedures, giving the business community quick access to the country's trade rules.

### **PDO3: Improving Financial Performance of the Energy Sector**

**PA8 (Satisfactory):** The energy sector in Guinea faced structural weaknesses, resulting in only 30 percent of the population having access to electricity, well below the Sub-Saharan African average of 43 percent. The poor performance of EDG required high electricity subsidies. A key cause of EDG's problems was weak corporate governance, which was due to a combination of factors that included the lack of a board of directors and of a functioning independent sector regulator. The Bank's previous DPF series supported the signing of a management services contract with a private operator (Veolia-Seureca) to attract investments and realign the management of EDG. PA8 supported improving EDG corporate governance through a new management structure that would separate the roles of the board and management. It was an important action to inject greater transparency and accountability into EDG governance and therefore a critical step toward achieving PDO3 of improving the financial viability of the sector.

**PA9 (Satisfactory):** Electricity tariffs covered on average 40 percent of the cost of service, contributing to EDG's poor financial health. In 2018, the government increased electricity tariffs for all categories of consumers (25 percent for industrial consumers and 10 percent for households) while preserving the social tariff. PA9 supported a further tariff increase for some consumers. While these modest increases were far from what would be needed for EDG to achieve financial equilibrium (i.e., almost doubling electricity tariffs by 2025, PD, p. 37), they moved in the right direction. It would contribute to PDO3 of improving financial performance of the energy sector.

**PA10 (Satisfactory):** Weak billing practices and low collection rates (79 percent), especially from the public entities (53 percent), added to EDG's financial woes. PA10 supported the government's plans to eliminate the net cross-arrears between EDG and public institutions by agreeing on how to pay down the arrears and making a first payment. These actions supported the financial viability of the energy sector and would allow for proper differentiation between payments from the public sector to EDG for electricity subsidies and for electricity consumption. They would contribute to PDO3

## **Rating**

Moderately Satisfactory



## 4. Relevance of Results Indicators

### Rationale

The DPF series defined eleven results indicators (RIs). All the indicators were clearly defined and measurable with baselines and targets. In most cases, there was a credible results chain linking the PAs to the outcomes measured by the RIs, and to the PDOs. However, some RIs only partially captured the impact of the PAs; others measured mainly or exclusively the impact of the ITs from the dropped DPF2; and a few measured larger impacts than what could reasonably be attributed to the PAs. The ICR presents additional evidence in situations where the original RIs were inadequate.

Results Indicator	Associated PA	RI Relevance	Baseline (2018)	Target (2021)	Actual Value (2021)	Actual / Targeted Change	RI Achievement Rating
<b>PDO1: Strengthening fiscal management</b>							
RI1: Percentage of SOEs (enterprises with full ownership by the State) with published financial information available on internet.	PA1	MS	0	100	0	0%	Negligible
RI2: Value of excise tax revenue collected as percentage of GDP.	PA2	U	0.13	0.34	0.13	0%	Negligible
RI3: 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.	PA3	S	No	Yes	Yes	100%	Substantial
<b>PDO2 Enhancing Institutional and Regulatory Framework to Promote Competitiveness</b>							
RI4: Number of small farmers (less than 5 hectares) receiving agricultural input subsidies through the e-voucher system.	PA4	MS	2,900	20,000	15,675	75%	Substantial
RI5: Kilometers of roads maintained/ per year.	PA5	U	313	450	257	-41%	Negligible
RI6: Time to settle commercial dispute	PA6	MS	311	180	98.3	162%	High



(Enforcing Contracts - DB) (days).							
RI6 bis: Average rate of closed settlements (yearly)	PA6	HS	64%	80%	89%	156%	High
RI7: (i) Time to import – documentary compliance (hours).	PA7	S	156	90	26	197%	High
RI7: (ii) time to register property (days).		HU	44	22	Not reported	NA	Negligible
<b>PDO3: Improving Financial Performance of the Energy Sector</b>							
RI8: Integrated Management System to support the board of directors and management team.	PA8	U	No	Yes	Yes	100%	Modest
RI9: Electricity subsidies per kWh invoiced in the year.	PA9	MU	1,081	850	1,601	-225%	Negligible
RI10: Public Sector Collection Rates for Electricity (percent).	PA10	U	53	90	46	-19%	Negligible

**Indicators under PDO1: Strengthening Fiscal Management**

RI1 (Moderately Satisfactory) had a much stronger link to IT1 of the dropped DPF2, which focused entirely on SOE fiscal transparency, than PA1 on adopting laws and regulations to enhance MEF oversight of SOEs. The cancellation of DPF2 broke the results chain and weakened RI1 as an indicator for tracking the impact of PA1.

RI2 (Unsatisfactory) measured mainly the impact of IT2 of the dropped DPF2, which supported tax policy reforms to improve excise tax collection. As such, it was a poor indicator for PA2 on the tax authority’s overall capacity to make tax policies and collect tax revenues.

RI3 (Satisfactory) captured the impact of PA3 (and of IT3 under the dropped DPF2). Through reporting to parliament, it tracked progress towards achieving MTDS targets and the gaps between annual debt planning and actual borrowing. As such, it provided an indication of debt management capacity.

**Indicators under PDO2: Enhancing Institutional and Regulatory Framework to Promote Competitiveness**

RI4 (Moderately Satisfactory) was well aligned with PA4 and measured the institutional capacity to deliver agricultural input subsidies through one platform. However, as the link between PA4 and the framework for promoting competitiveness was relatively weak, the indicator provided only partial information on progress toward achieving PDO2.

RI5 (Unsatisfactory), which measured the extent of the road network (KM of roads) maintained per year, was intended to capture the ultimate impact of PA5 toward better road management. While the RI was appropriate for capturing a key aspect of the results chain toward enhanced competitiveness (better road



network maintenance), changes in the RI cannot be attributed to the PA (which enhanced road classification)..

RI6 (Moderately Satisfactory) captured the impact of PA6 on improving the efficiency of Conakry Commercial Court in dispute resolution. As with other Doing Business indicators, it measured the de jure statutory time to settle business disputes. It would have been more informative also to track the actual experience of businesses going through the resolution process. The ICR proposed an additional indicator (RI6 bis), which was a highly relevant measure of the court's success in settling commercial disputes. This ICRR considers the results achieved as measured by this new indicator, but assesses the relevance of the RIs according to the official results matrix in the PD.

RI7 (i) (Satisfactory) captured the impact of PA7 and measured one, albeit important, aspect of the regulatory environment for external trade. It would be useful also to track the cost of going through customs procedures.

RI7 (ii) (Highly Unsatisfactory) measured the impact of one of several actions that would have been supported under IT7 of the dropped DPF2. The ICR reported that it had been dropped, but this ICRR includes it since there was no Board-approved document indicating its removal from the results matrix.

### **Indicators under PDO3: Improving Financial Performance of the Energy Sector**

RI8 (Unsatisfactory) was not related to PA8 on separating the board and management roles at EDG and thus did not capture the impact of the DPF1. Also, while an Integrated Management System could be a useful tool for EDG management to make better decisions and improve its financial performance, its existence was neither a necessary nor a sufficient condition for financial stability of the energy sector. Therefore, RI8 provided no information to gauge the impact of PA8 for achieving PDO3.

RI9 (Moderately Unsatisfactory) measured EDG's dependence on fiscal transfer, which was influenced by the tariff adjustments supported by PA9 and many other factors beyond tariff increases. Therefore, changes in the RI cannot be fully attributed to the PA.

RI10 (Unsatisfactory), measuring the increase in collection rates, was not an appropriate measure for the impact of PA10, which focused on paying down electricity arrears by the public sector. The RI was a better measure of the indicative trigger from DPF2, which was ultimately dropped. Because the second DPF did not occur, the relevance of RI10 is rated unsatisfactory.

## **Rating**

Moderately Unsatisfactory

## **5. Achievement of Objectives (Efficacy)**

### **OBJECTIVE 1**

#### **Objective**

Strengthening Fiscal Management



### **Rationale**

The PAs under PDO1 supported measures intended to strengthen the governance and oversight of public establishments and SOEs, improve domestic revenue mobilization and the performance of tax administration, and strengthen debt management. While the supported actions were relevant to achieving PDO1, the results were disappointing. There is no evidence of strengthened oversight of SOEs, as only one annual report on SOE financial statements was published and it was in 2020. The Direction Nationale du Patrimoine de l'État et des Investissements Privés encountered difficulties in collecting financial statements of public organizations, resulting in even less coverage of SOEs than in previous years (ICR, p. 18). On tax revenue collection, the ICR reports significant improvement in the organizational structure of the national tax directorate, but there is no information on other aspects of the supported reforms (evidence-based tax policymaking and tax payment transparency) due to a lack of relevant RIs. Instead, the RI focused on excise tax, which remained at 0.13 percent of GDP in 2021, the same as in 2018 and well below the target of 0.34 percent of GDP. Annual reporting to parliament on progress towards MTDS targets and consistency between debt operations and annual borrowing plans indicates strengthened debt management and transparency, although much more improvement and capacity building are required to address the deep-rooted issues highlighted in the DeMPA for Guinea.

### **Rating**

Moderately Unsatisfactory

## **OBJECTIVE 2**

### **Objective**

Enhancing the Institutional and Regulatory Framework to Enhance Competitiveness

### **Rationale**

The PAs under PDO2 supported measures intended to improve competitiveness through the delivery of agricultural input subsidies and extension services using digital mobile interventions, enhancement the management of road assets; and strengthening the business environment by facilitating the settlement of commercial disputes and investor complaints and simplifying business processes for trade facilitation. The relevance of the supported actions to the achievement of the objective varied greatly and results were mixed. The business environment improved. An IFC-financed evaluation of 2021 shows that the operationalization of the Commercial Court made an important contribution to reducing the time to settle commercial disputes. With IFC assistance, the government approved a new Law on Commercial Courts in 2021 to further strengthen contract enforcement. As the Commercial Court examined an increasing number of cases, its efficiency in closing settlement improved (ICR, p. 21), leading to much shorter settlement time and higher resolution rate. Similarly, the operationalization of the single window for external trade helped cut import/export processing time by over 80 percent and raise custom revenues. Despite a delay due to COVID-19, the government extended the single window for external trade to five border crossings. The ICR does not report on the RI on property registration time but notes that the single window for land registration is still under construction, suggesting no improvement.

In agriculture, the ICR reports that with support from the Guinea Integrated Agricultural Development Project (P164326), the government continued to implement the institutional reforms that would have been supported under the dropped DPF2. These included establishing an e-extension platform to monitor the rollout of the e-voucher program and to communicate with beneficiaries, integrating the platform into the call center as part of



the citizen engagement system, training staff of National Agency for Rural Promotion and Agricultural Council (*Agence Nationale de la Promotion Rurale et du Conseil Agricole*) on the use of digital solutions, and expanding the number of digital resource pilot centers (10 vs. 3 targeted under the dropped DPF2). However, it is difficult to attribute these achievements to the narrower DPF1 support.

On roads, the ICR argues that the military coup strongly impacted the institutional reforms that were expected to deliver the targeted results, although the results chain between the PA actions and the targeted RI outcomes was weak. In the event, the results as measured by the RI worsened, with a regression of over 40 percent.

### Rating

Moderately Satisfactory

## OBJECTIVE 3

### Objective

Improving the Financial Performance of the Energy Sector

### Rationale

The PAs under PDO3 supported measures intended to improve the governance of the EDG and the financial viability of the electricity sector by raising electricity tariffs and clearing net arrears owed to the EDG. Despite strong relevance of the supported actions, the RIs poorly measured progress as a result of the actions and the outcomes were below expectation. The ICR reports that the coup of 2021 halted and then reversed progress regarding the governance of EDG. The RI measured the set-up of an information technology management system, which was mostly achieved but offered no information on the governance or the financial performance of the energy sector. COVID-19 postponed the planned electricity tariff increase until an arrêté introduced a price increase for non-residential customers in June 2021. The ICR provides data on electricity price increases of 11.3 – 34.8 percent for different customers. The RI, however, measured the overall electricity subsidy to EDG, which was a poor indicator of the impact of electricity tariff adjustments and increased by 48 percent (vs reduction of 20 percent). Finally, the collection rate of public sector electricity bills decreased by 13 percent (vs a targeted increase of 80 percent) due to non-implementation of the planned reforms that would have been supported under the dropped DPF2, but not under DPF1.

### Rating

Unsatisfactory

## Overall Achievement of Objectives (Efficacy)

### Rationale



With modest progress in strengthening debt management and negligible evidence of improvement in the government of SOEs and tax revenue collection, the achievement of PDO1 is rated Moderately Unsatisfactory.

The operationalization of the commercial court and the single window for trade substantially reduced the time required to complete the related procedures. There were also significant advances in the government's ability to distribute agriculture input subsidies in a transparent and targeted manner. However, there was no progress in the management of road assets. Achievement of PDO2 is rated Moderately Satisfactory.

The financial performance of EDG did not improve because reforms of EDG governance were reverted, electricity tariff adjustment was difficult to implement during COVID-19, and public sector collection rates for electricity worsened. Achievement of PDO3 is rated Unsatisfactory.

## Overall Efficacy Rating

Moderately Unsatisfactory

## 6. Outcome

### Rationale

Overall, DPF1 had relevant PAs that could have made a positive contribution toward achieving the PDOs. However, the COVID-19 pandemic, the military coup, and the subsequent cancellation of DPF2 severed the results chains between the planned DPF program and the PDOs. The health crisis and the political turmoil made some reforms untenable (e.g., SOE governance, electricity tariff increases), while the significantly reduced scope and depth of Bank support left other reforms unsupported (e.g., single window for land registration, a system for billing and collecting payments from public institutions). While good progress was achieved in strengthening the institutional and regulatory framework for resolving business disputes and going through customs, in enhancing debt management and transparency, and in improving the transparency, targeting, and monitoring for distributing subsidized agricultural inputs, results were poor in all other areas. The governance of SOEs did not improve, road maintenance deteriorated, and the energy sector posed increased fiscal risks.

### a. Rating

Moderately Unsatisfactory

## 7. Risk to Development Outcome

The abrupt change of government had a strong impact on Guinea's institutions, elevating the risks to sustaining the development outcomes achieved under DPF1, which focused on institutional reforms. Where significant progress had been achieved (commercial courts and single window for trade), there were clear signs of commitment to improving the business environment, but reforms could stall where delays had already occurred (single window for land administration). Improved capacity and transparency in debt management and distribution of agriculture subsidies indicated important institutional strengthening, but



more capacity building and accompanying reforms are needed to safeguard these advances. In the other areas (SOE oversight, tax administration, road management, and utility EDG), given the modest or negative progress achieved, the risks were significant, although not so much to sustaining development outcomes but to relaunching the needed reforms.

## **8. Assessment of Bank Performance**

### **a. Bank Performance – Design**

#### **Rationale**

Design of this DPF series built on the reforms supported under the previous DPF series, which also supported measures to enhance fiscal management, energy sector reform, and road asset management. The PD drew lessons from that series and the World Bank's experience in fragile and low-income countries. These included the importance of close coordination with other development partners such as the IMF and the EU, upstream analysis of social and poverty impacts of prior actions to guide policy reforms, complementarity between the reform program of the proposed DPF series and the World Bank's investment project financing and technical assistance, and an inter-ministerial body for the coordination, supervision, and monitoring of the program being used to ensure ownership and sustainability of the reform program.

Another lesson highlighted in the PD was a good understanding of the political economy implications of reforms, strong political commitment at the highest levels, and selectivity in the choice of reforms based on the government's priorities and implementation capacity. However, the reforms supported under this DPF series were wide-ranging and difficult, given that many involved structural changes to Guinea's institutions and governance mechanisms suggesting that the design of the DPF series could have been more selective.

Studies by the World Bank and IMF, and those prepared for related Bank operations, provided adequate analytical underpinnings for the PAs. The PD clearly established the results chains between the PAs, RIs, and PDOs. Some RIs, however, other RIs were at a higher than appropriate level or linked exclusively to DPF2. The shortcomings in the results framework became more pronounced when the implementation of the DPF series was interrupted and DPF2 dropped.

The PD assessed that the operation entailed substantial risk overall, especially political and governance risks, which it considered high while noting "that political opposition could evolve into sporadic outbreaks of instability." The Bank proposed no mitigation measure against this risk, nor against the substantial macro risks the DPF series faced. Risk assessment did not refer to potential health emergencies but noted Guinea's vulnerability to external shocks and the associated fiscal impact. For sector strategies and policies, institutional capacity, and fiduciary risks, which were rated as substantial, the mitigation measures were relevant and included mainly on-going lending and technical assistance programs by the World Bank and other donors (AFD, AfDB, EU, and IMF).



The PD noted that the design of the DPF series benefited from wide-scale consultations, including various levels of government and stakeholders such as private sector representatives and farmers. The Bank collaborated closely with development partners.

## Rating

Moderately Satisfactory

### **b. Bank Performance – Implementation**

#### **Rationale**

An Implementation Status and Results Report of December 2020, just before DPF1 closed, noted that implementation of reforms was at a slower pace than planned due to the COVID-19 pandemic, but that the preparation of DPF2 had started. Clearly, COVID-19 and the associated lockdowns and suspension of technical assistance programs seriously limited the Bank’s ability to implement the DPF series. The 2021 military coup resulted in the removal of key focal points and temporary freezing of accounts and operations by the de facto government. The Bank responded to the health and political crises with available tools.

## Rating

Satisfactory

### **c. Overall Bank Performance**

#### **Rationale**

The operation encountered multiple unexpected shocks that could not have been fully mitigated. The design of the DPF series was technically sound (covering key issues and supporting appropriate reforms) and reflected significant prior analyses and engagement, as well as good donor coordination. However, it was overly ambitious by including many difficult institutional reforms, given the scope and depth of the reform agenda and the delicate political context and limited institutional capacity in which the reforms were to be implemented. Shortcomings in the results framework hindered results monitoring in some cases. The Bank responded to the external events flexibly and adjusted appropriately.

### **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. Other Impacts**



### **a. Social and Poverty**

The ICR reports that the electricity tariff reform included a price increase for all consumers, which would impact the poor negatively (with the impact on poverty impact limited to 0.1 percentage points), although the impact was mitigated by the Emergency DPF during COVID-19 outbreak that contained electricity bill relief targeted at the most vulnerable consumers. The e-voucher program for distributing agriculture subsidies was associated with a positive impact on poverty through better targeting.

### **b. Environmental**

The ICR reports that the measures supported by the DPF series did not cause significant negative impact on Guinea's environment. It notes that Guinea has a solid legal and institutional framework to ensure effective management and protection of the environment, and that the government has organized trainings and awareness campaigns to educate the beneficiaries of agricultural input subsidies on proper handling, storage, and protection against some sensitive products.

### **c. Gender**

The ICR reports that women represented 36 percent of the targeted beneficiaries and 39 percent of smallholder beneficiaries in the pilot e-voucher program for distributing agriculture subsidies.

### **d. Other**

N/A

## **10. Quality of ICR**

### **Rationale**

The ICR presents adequate and robust evidence to support the achievements reported. It cites credible sources, provides ample background information to allow for proper understanding of the context and progress, and offers candid assessment of both the program's achievements and its failings. In several cases where the original RIs were inadequate, the ICR presented additional data. The ICR draws four salient lessons, all supported by the evidence and findings of the ICR, operationally relevant, and anchored in the experience of the DPF series. It offers valuable insights on how better results could be achieved by learning from the experiences and lessons of this operation.



**a. Rating**

High

**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Relevance of Results Indicators	---	Moderately Unsatisfactory	
Quality of ICR	---	High	

**12. Lessons**

IEG concurs with most of the lessons in the ICR and wishes to highlight the following two points.

The first lesson (sectoral diversification can help hedge against high political and governance risk, but there are tradeoffs with capacity constraints) underscores the difficult balancing act in a challenging environment. In countries where many reforms are urgent and there is high uncertainty in every undertaking, picking the winning reforms is both difficult and risky. However, while a strategy of spreading Bank support across multiple reform areas might help avoid total failure, there is no evidence that such a strategy has delivered satisfying results; overstretching clients' capacity has a proven record of making success elusive regardless of political risk.

IEG commends the ICR's strong focus on M&E; two of its four lessons were related to results monitoring. An additional lesson from the DPF series was that it may be unwise to select RIs that are only supported by the later operations in a DPF series. This is especially true in countries susceptible to internal and external shocks that could lead to program suspension/cancellation.

**13. Project Performance Assessment Report (PPAR) Recommended?**

No