



# Program Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 23-Jun-2020 | Report No: PIDA29604



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Project ID	Project Name	Parent Project ID (if any)
Guinea	P174063	Guinea COVID-19 Crisis Response Development Policy Financing (P174063)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
AFRICA	29-Jul-2020	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	Implementing Agency		
Ministry of Economy and Finance	Ministry of Economy and Finance		

**Proposed Development Objective(s)**

The Program Development Objectives and pillars of the DPF are to: (i) protect lives and livelihoods in the context of the COVID-19 emergency; and (ii) protect the future by supporting financial inclusion and debt transparency.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	80.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	80.00
World Bank Lending	80.00

**Decision**

The review did authorize the team to appraise and negotiate



## B. Introduction and Context

### Country Context

1. Guinea will have to undertake key policy and institutional reforms to mitigate the short-term impacts of the crisis and to lay the foundations for economic recovery. The COVID19 pandemic is having a fast-rising human impact that the Government is trying to contain through a series of public health measures. The authorities have closed all schools and universities, closed borders to people, closed airports, and strengthened the capacity for surveillance, diagnostics and tracing of infected individuals. To ensure social distancing, the Government closed religious places, restaurants, and bars, limited public gatherings, and imposed a curfew from 9:00 pm to 5:00 am. To limit the spread of the virus outside Conakry, the Government banned movement of people between Conakry and other cities.

2. Guinea's economy will also be negatively affected by the ongoing COVID-crisis. The crisis is affecting the country through external and domestic channels, combining supply and demand-side shocks. The key external channels are spillovers from lower demand from Guinea's main trading partners (China and Europe), reduction in commodity price, lower net inflows of FDI in the mining sector, and contraction of remittances. On the domestic front, economic disruptions will emerge from disturbances on economic activity due to containment and mitigation measures, negatively impacting economic activity, particularly tourism, transport, and retail services. As a result, real GDP growth is projected to decline to 1.4 percent in 2020 compared to 5.6 percent in 2019. This economic shock is expected to be temporary in 2020. The decline in economic activity is projected to push almost 120,000 people into poverty in 2020 (using the \$1.9/day international poverty line). Prior to the COVID-19 crisis, Guinea has been experiencing strong growth, benefitting from a boom in the mining sector and macroeconomic stability. Previous DPFs have supported measures to enhance fiscal management, energy sector reform, local development, access to improved agricultural inputs, and road asset management.<sup>1</sup>

3. Endowed with considerable natural resources, Guinea is one of the poorest countries in the world. 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.<sup>2</sup> 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.

### Relationship to CPF

4. The operation addresses the short-term needs connected with the COVID-19 crisis, while pursuing the goals of the WBG Country Partnership Framework for FY18- 23, which was presented to Board on June 7, 2018. The COVID-19 crisis is affecting disproportionately the most vulnerable of the population and small business and may derail the CPF

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<sup>1</sup> These reforms have helped Guinea to achieve key results, such establishing a local development fund as per the mining code, better transparency of mining activities, increasing the kilometers of rural roads rehabilitation, and improved technical performance of the public electricity utility.

<sup>2</sup> 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.



objectives of improving basic education health, social protection, and maximizing access job opportunity, especially for young people. The operation will contribute to mitigating this risk by protecting those that are most affected and laying the institutional foundations for economic recovery with measures that are in line with the CPF's pillars of "Enhancing human development" and "Agriculture productivity and economic diversification" The operation is anchored on the World Bank Africa region's three-pronged framework for Operational Response to the COVID-19: (i) Protecting Lives; (ii) Protecting Livelihoods; (iii) Protecting the Future.

### **C. Proposed Development Objective(s)**

The Program Development Objectives and pillars of the DPF are to: (i) protect lives and livelihoods in the context of the COVID-19 emergency; and (ii) protect the future by supporting financial inclusion and debt transparency.

#### Key Results

5. Key results include: strengthen health institutional capacity to respond to the COVID-19 outbreak and facilitate access to medical supplies; provide temporary liquidity to residential consumers and the tourism and hotel sector and to protect service delivery of public utilities; relieve liquidity constraints for businesses; strengthen oversight of resources to address COVID-19 crisis; support financial inclusion and electronic cash transfer payments; enhance access to finance and enhance debt transparency.

### **D. Project Description**

6. The proposed operation is a stand-alone operation that aims to mitigate the impact of the COVID-19 crisis. The operation is consistent with the emergency measures put in place by the Government to respond to the COVID-19 pandemic and Guinea's national development plan (PNDES). The proposed operation will allocate US\$80 million equivalent to support the reform agenda to protect lives and livelihoods and invest in economic recovery. It complements emergency IPFs in the health, social protection, and financial sectors. The crisis response operation seeks to address the Government's immediate financial needs by supporting: (i) the COVID-19 response to protect lives and livelihoods; and (ii) financial inclusion and debt transparency for economic recovery.

### **E. Implementation**

#### Institutional and Implementation Arrangements

7. The Ministry of Economy and Finance (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 Budget, Ministry of Health, the Ministry of Water, the Ministry of energy, ANIES and Central Banque (BCRG). 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

### **F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects**



## Poverty and Social Impacts

8. The reforms under Pillar I will help protect lives and livelihoods and thus are expected to have positive poverty and social impacts. Prior Action 1 aims to improve COVID-19 testing, monitoring of transmission, and operations of health centers, all of which contribute to improving public health and will have positive social impacts. To the extent that effective testing and contact tracing can accelerate the resumption of normal economic activity and mitigate the negative economic impacts on households, the PA will have positive poverty impacts. Prior Action 2 provides a temporary subsidy for households eligible for the social tariffs for electricity and water. Although extremely poor households typically lack connections altogether, households eligible for social tariffs are consuming low quantities (e.g. less than 40 kW/month) and are typically less well-off among those with connections. The temporary relief for this sub-population would have a slightly positive distributional impact and may help prevent households from falling into poverty. Prior Action 3 will provide tax relief to SMEs and small trade and crafts formal sector businesses. As the poor are primarily employed in the informal sector, these actions are not likely to have significant positive impacts on the poor. However, given the potential for a large sustained negative economic impact of COVID-19, helping SMEs and other businesses stay afloat would help mitigate job losses and prevent more people falling into poverty. Prior Action 4 that improves transparency of COVID-19 spending is expected to be neutral with respect to poverty and distributional impact. Prior Action 6 that aims to improve debt transparency would not have any adverse negative poverty or distributional impacts...

9. Pillar II reforms that aim to protect the Future by Supporting Financial inclusion and Debt Transparency are expected to have neutral to positive poverty impacts.

## Environmental, Forests, and Other Natural Resource Aspects

10. Guinea has a rich legal and institutional framework to ensure management and protection of the environment. Various entities are involved in the implementation of the existing environmental framework. The reforms and policy actions supported by the proposed operation are not likely to have a negative impact on the country's environment, forest, and natural resources. Only two prior actions could have possible environmental impacts, which are minimized through mitigation actions. Prior Action 1 to strengthen health institutional capacity to respond to the COVID-19 outbreak and facilitate access to medical supplies could temporarily increase the amount of medical and laboratory waste generated. The adoption of operating procedures for facilitating the import of medical equipment and necessary supplies to combat the effects of the pandemic could temporarily increase the amount of medical and laboratory waste generated (Prior Action 1). To mitigate these risks, the MoH (with support from the Guinean Environmental Studies and Assessments Office, BGEEE) will update the existing Environmental and Social Management Framework (ESMF) prepared for the WBG-funded REDISSE Phase 1 in Guinea (P154807), two months after effectiveness of the Guinea COVID-19 Preparedness and Response Project (P174032). Prior Action 3 provides tax relief to respond to the impacts of the COVID-19 crisis. The set of fiscal measures under this prior action is not expected to have direct environmental effects given they aim to soften economic and social impacts. Businesses most likely will not increase their operations above pre-COVID-19 levels.

## G. Risks and Mitigation

11. 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; and (iv) institutional capacity for implementation and sustainability risks.

12. The risk from the COVID-19 crisis is a general and cross-cutting risk that impacts the economy and the general welfare of the population. Support provided by the World Bank through the health COVID-19 emergency operation as well as the substantial RCF financing from the IMF, will help to mitigate the health, economic and poverty impacts of COVID-19. The macroeconomic risk is high because of the uncertainties on how the COVID-19 outbreak will evolve and its impact on growth and budgetary and external pressures. The mitigating factors are the Government's response to the health and economic crisis, many of which are supported by the proposed operation. Another mitigating factor is the continued implementation of the IMF ECF program, which includes policies to promote macroeconomic stability and resilience. Political and governance risks are high. There are public concerns about governance issues with the implementation of the COVID-19 response plan, which would require greater transparency to ensure trust and accountability with the population. Sector strategies and policies risks are substantial, particularly in the health sector. To mitigate those risks, it would be important to implement a proper communication plan and/or repayment plans for customers. Fiduciary risks are moderate, after mitigation measures. 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.

## **CONTACT POINT**

### **World Bank**

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### **Borrower/Client/Recipient**

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**APPROVAL**

Task Team Leader(s):	Susana M. Sanchez
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**Approved By**

Country Director:	Coralie Gevers	01-Jun-2020
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