AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

REPUBLIC OF GUINEA

COUNTRY STRATEGY PAPER 2012-2016

Regional Department, West 2 (ORWB)
December 2011

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ANNEXES

CURRENCY EQUIVALENTS

(September 2011)

Currency Unit: Guinean Franc (GNF)

UA 1 = USD 1.61
UA 1 = EUR 1.11
UA 1.00 = GNF 10,883.30

Fiscal Year
1 January - 31 December

ACRONYMS AND ABBREVIATIONS

APIP	Private Investment Promotion Agency
ADF	African Development Fund
AEO	2011 African Economic Outlook
AFD	French Development Agency
APIMG	Microfinance Professional Association
CM	Council of Ministers
CNT	National Transitional Council
DNIP	National Public Investment Directorate
CSP	Country Strategy Paper
CTSP	Programme Monitoring Technical Unit
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EIG	Economic Interest Groups
ELEP	Light Poverty Assessment Survey
EU	European Union
FSF	Fragile States Facility
GAFSP	Global Agriculture and Food Security Programme
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GNF	Guinean Franc
HIPC	Heavily Indebted Poor Countries Initiative
IDA	International Development Association
IsDB	Islamic Development Bank

LV	Low Voltage
MDG	Millennium Development Goals
MV	Medium Voltage
NEPAD	New Partnership for Africa's Development
OMVG	The Gambia River Basin Development Organization.
PAC	The Autonomous Port of Conakry
PADER	Upper Guinea Agricultural Development Project
PADIPOC	Project to Support Capacity Building in Debt, Public Investment and Control Institutions
PAR	Projects at Risk
PARCGEF	Economic and Financial Management Capacity Building Project
PDRN	NERICA Rice Dissemination Project
PDSD II	Upper and Middle Guinea Sustainable Social Development Project Phase II
PEFA	Public Expenditure and Financial Accountability
PER	Rural Electrification
PHR-HG	Upper Guinea Rural Water Supply Project
PMU	Project Management Unit
PNIR	National Rural Infrastructure Programme
PPP	Public-Private Partnership
PRSP-II	Poverty Reduction Strategy Paper
PREREC	Project for the Rehabilitation and Extension of Conakry Electricity Networks
RCF	Rapid Credit Facility
RISP	2011-2015 Regional Integration Strategy Paper for West Africa
SBL	Supplementary Budget Law
SME	Small- and Medium-Sized Enterprises
SMP	Staff-Monitored Programme
NSDS	National Statistics Development Strategy
TFPs	Technical and Financial Partners
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WB	World Bank

Executive Summary

1. The success of the Presidential elections in November 2010 and the stabilization of the economic and social situation enabled the Bank to opt for the preparation of a new strategy covering the period 2012-2016. This Paper presents the strategy and the results of the portfolio review, as well as the completion report of the 2005-2009 CSP (extended to 2011).

2. On the political front, the transition following the death of President Condé in 2008 was difficult. The country experienced a serious political crisis that ended with the 2010 elections. The holding of legislative elections, originally slated for end 2011, should mark the end of the transition. On the economic front, the new authorities inherited a difficult situation. Economic performance between 2009 and 2010 fell short of the PRSP II (2007-2010) objectives and the sub-regional average because of bad public finance management. However, the medium- to long-term outlook is positive. On the social front, the country has experienced a significant increase in poverty and there is little likelihood of achieving the MDGs as planned. The largely informal private sector remains constrained by one of the world's least conducive business environments.

3. The new Government has a clear strategic vision as shown by the extension of PRSP II (2007-2010) until end 2012[1], the 2011-2015 Five-Year Plan, the preparation of PRSP III (2012-2015) and the on-going Guinea 2035 forward-looking vision. This approach takes into account all the country's weaknesses and challenges, namely: (i) the weak level of economic and financial governance, and the high level of corruption; (ii) the low level of infrastructure; (iii) the prevalence of high unemployment, under-employment and lack of human resources. It also takes into consideration the country's opportunities, namely: (a) the exceptional mineral resource endowment; (b) the water and agricultural resources potential; and (c) the country's central geostrategic position in the sub-region. Discussions with the Guinean authorities have revealed that, as in the 2011-2015 Strategic Plan, the governance and infrastructure thrusts remain at the core of PRSP III (2012-2015).

4. Although the 2005-2009 Strategy Paper (CSP) as extended to 2011 was implemented against a backdrop of socio-political instability, the Bank succeeded in obtaining several conclusive results as it was one of the rare TFPs to which the country did not owe arrears. Lessons drawn from its implementation should help to: (i) consolidate the Bank's privileged position; (ii) underscore the importance that the authorities attach to ownership of the reforms; (iii) strengthen the Bank's role in the areas of governance and infrastructure; and (iv) improve national counterpart fund and debt service payments.

5. Under these conditions, the Bank opted for the preparation of a full CSP covering the 2012-2016 period, rather than a further extension of the existing 2005-2009 strategy (already extended to 2011). The Bank's new strategy is underpinned by two pillars: **(i) economic and financial governance**; and **(ii) development supportive infrastructure**. Under the first pillar, it will aim to build public finance management capacity, improve governance in the extractive sector and strengthen the central government's budget. Under the second, it will seek to reduce the power generation gap and further develop transport infrastructure.

6. The funds earmarked under the 2012-2016 CSP concern the ADF 12 allocation only, estimated in 2011 at UA 47.67 million. UA 20 million was allocated to the Budget Support Programme approved in 2011. Guinea also has access to UA 2.50 million under FSF Window III. The available balance on ADF 12, estimated in 2011 at UA 27.67 million, has been fully allocated to three regional infrastructure projects. This option will enable the country to mobilize an additional UA 55.34 million beyond the ADF 12 allocation in respect of regional funds, thus increasing Guinea's total accessible amount for 2011-2013 to UA 105.51 million. The resources available to

[1] It is commonly called the PRSP (2011-2012)

Guinea under ADF 13 (2014-2016) will be programmed during the Mid-Term Review scheduled for end 2013, in accordance with the strategic directions thus defined.

7. In addition to the lending operations, the Bank will also carry out economic and sector work. Furthermore, it will support governance in the mining sector through the African Legal Support Facility and the private sector window. In particular, the Bank's flagship study for Guinea 'Regional Integration, Political Stability and Growth in Guinea: An Action Plan for Infrastructure' - similar to studies in the other three countries of the Mano River Union- will inform the Mid-Term Review of this Strategy as well as the cooperation with Guinea in the coming years.

8. The results framework was defined in coordination with the authorities. It establishes the results chain for the implementation of the 2012-2016 CSP and will be used for the Mid-Term Review end 2013 and the completion report in 2016. In the governance sector, budget support and FSF financing (Targeted Support) will help to improve public finance management while supporting the reforms aimed at enhancing governance especially in the extractive sector. In the energy sector, two regional projects are scheduled by end 2013 (OMVG and Cote d'Ivoire–Liberia-Senegal-Guinea Electric Power Interconnection). In the transport sub-sector, the Bank is planning to finance the Boké-Québo road, which, because of its integrative role, will provide a reliable road link between Conakry and Bissau. Given their integrative roles, these projects will help to increase the electricity access rate, create temporary and permanent jobs, lower power generating costs and reduce the number of power outages and the quantity of greenhouse gas emission. In particular, the ensuing lower transport costs between Guinea and Guinea Bissau will promote trade between the two countries.

9. The strategy preparation process was the subject of steady dialogue with the authorities. The dialogue will be maintained throughout the implementation of the 2012-2016 CSP. This will focus on: (i) HIPC completion point; (ii) budget support related reforms; (iii) preparation of the conference of Guinea's partners; (iv) monitoring-evaluation and implementation of PRSP III (2012-2015); (v) regional integration prospects; and (vi) portfolio management.

10. The Board is invited to consider and approve the 2012-2016 CSP, based on the following two complementary pillars: (i) economic and financial governance; and (ii) development supportive infrastructure.

INTRODUCTION

1. The Bank Group's 2005-2009 Country Strategy Paper was approved in July 2005, but the end of the period coincided with the 2009 socio-political crisis. Therefore, as did the other Technical and Financial Partners (TFPs), the Bank opted to extend its strategy until 2011. It also validated the country's eligibility for Window III of the Fragile States Facility (FSF) (refer to Box 1 and Annex 2).

Box 1 – Fragility in Guinea

Guinea did not experience civil war but badly managed the political transition following the death of President Condé and, consequently, remains a fragile State, eligible for FSF Window III since 2009. Apart from historical reasons, **the Bank Group's flagship study on Guinea**[2] has identified the following six sources of fragility in the country: (i) the increased number of conflicts in the sub-region (Cote d'Ivoire, Guinea Bissau, Liberia and Sierra Leone); (ii) the high level of corruption; (iii) the employment situation; (iv) problems related to drug trafficking in the sub-region; (v) income disparities; and (vi) food insecurity. Currently, despite the success of the November 2010 Presidential elections, the attempted assassination of the Head of State on 19 July 2011 and the disagreement between the Government and opposition on the date and modalities of the legislative elections that led to the demonstrations of 27 September 2011, are evidence of the country's continuing political fragility.

2. The success of the Presidential elections in November 2010 and the ensuing normalization of the economic and social situation allowed the Government to extend the 2007-2010 Poverty Reduction Strategy Paper (PRSP II) to end 2012, while embarking upon the preparation of the Five-Year Plan (2011-2015), the Guinea 2035 forward-looking Vision and the 2012-2015 PRSP III. A full interim version of the Five-Year Plan has already been the subject of a series of stakeholder consultations. The PRSP III (2012-2015) is expected to be finalized by end 2012. Against this backdrop, the Bank, in consultation with the Government, opted for the preparation of a new strategy covering the 2012-2016 period, as the discussions with the Government indicated that, similar to the Five– Year Plan, PRSP III would ensure the continuity of the *key* strategic thrusts of PRSP II (governance and infrastructure) (see paragraph 2.2.1). Nevertheless, should there be any significant change in the country's development strategy, the Bank could make the necessary strategic adjustments to the CSP during the Mid-Term Review scheduled for end 2013.

3. This Paper presents the Bank's new strategy in Guinea for the 2012-2016 period as well as a portfolio review and a completion report of the 2005-2009 CSP as extended to 2011.

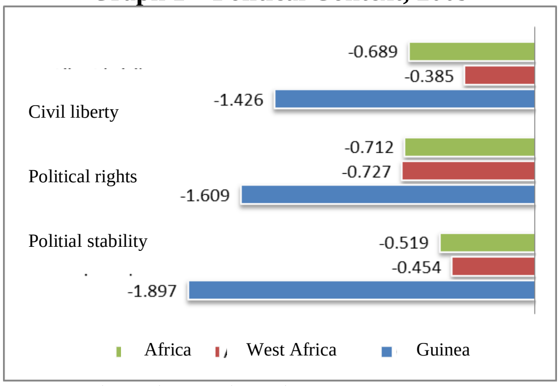
II. CONTEXT AND PROSPECTS

2.1 Political, Economic and Social Context

4. **Political Context**: Guinea did not experience civil war but badly managed the political transition following the death of President Condé. The country experienced a crisis between 2009 and 2010 that seriously affected its economic and social climate (Graph 1). The democratic transition that began after the January 2010 Ouagadougou Agreement led to the organization of the country's first free and fair elections. The holding of the forthcoming legislative elections, initially slated for end 2011, should mark the end of the transition.

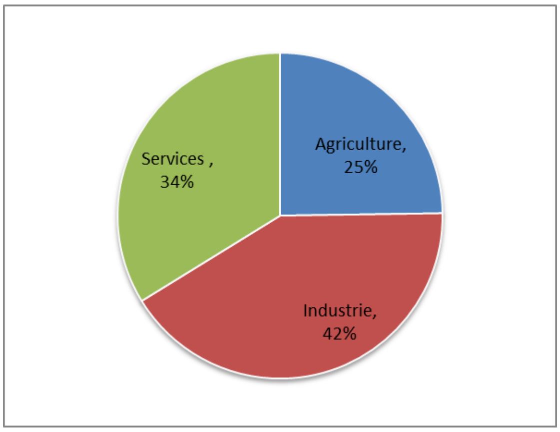
[2] The Bank's Flagship Study 'Infrastructure and Growth in Guinea' is currently being prepared as programmed the Bank's Regional Integration Strategy (RISP 2011-2015) for West Africa (refer to Box 3, p.14). It has been discussed during a validation workshop in Conakry on 29 November 2011.

Graph 1 – Political Context, 2009



Score -4.0 (Worse) to 2.5 (Better)
Source: AfDB Statistics Department

Graph 2 – GDP by Sector (2009)



Source: AfDB Statistics Department

5. **Economic Situation:** The new authorities inherited a difficult situation marked by a poorly managed economy, high and rising poverty, social and ethnic tensions, and a high debt level (300% of exports at end 2011) with the accumulation of arrears owed to most TFPs - except a few rare ones including the Bank. Structurally, the economy is little diversified[3] and dependent on the performance of the mining sector which represents 14.5% of GDP and provides almost 90% of export earnings. Agriculture accounts for 25% of GDP, industry 41% and services 34% (refer to Graph 2). Analysis of growth drivers shows its dependence on public investment (+12% in 2010) and mining sector investments (+6.4% in 2010). These investments, concentrated in low productivity (security and defense), or capital intensive (mining) sectors, have not produced the expected ripple effects on the rest of the economy or on the population's living standards.

6. Economic performance between 2009 and 2010 fell short of PRSP II objectives and the sub-regional average. In 2009, Guinea experienced its first economic recession since 1987, with a growth rate of -0.3% in 2009 compared to an estimated 4.9%. In 2010, the rate was 1.9% compared to a target of 3.7%. The share of the public deficit in GDP rose from 1.3% in 2008, to 7.2% in 2009 and to 14.3% in 2010 (Table 1). The worsening is due to an unprecedented increase in military spending and the civil service wage bill.

Table 1 – Main Macroeconomic Aggregates for Guinea

	2008	2009	2010	2011	2012	2013
Annual Growth %						
GDP	4.9	-0.3	1.9	4	5.1	5.7
GDP per capita	1.7	-3.4	-1.2	0.7	1.8	2.4
Inflation	13.5	7.9	20.8	17.1	8.3	5.6
in % of GDP						
Total Revenue	15.7	15.4	15.3	16.7	18.5	20
Total Expenditure	17.4	23.6	29.6	22.6	21.4	21
Total Fiscal Balance	-1.7	-8.3	-14.3	-2.0	-3.0	-1.4
Value in USD M						
International Reserves	70.1	163.5	78.2	267.8	521.8	582.4
Balance of Payments Deficit	422.7	403.2	326.8	222.4	167.7	205.4

Sources: IMF

7. In 2010, the drop in household income led to a fall in the level of final private consumption (8.5%) while public consumption was up by 9.7%. With regard to investment, gross fixed capital formation (GFCF) rose by 20.9 % in 2010, compared to a drop of 14.8% in 2009. GDP growth was 1.9% in 2010. In such a

[3] According to the Bank's Flagship Study, which the Bank is finalizing, the poor diversification of the Guinean economy is one of the country's sources of fragility (refer to Box 2).

context of weak economic performance, poor mobilization of domestic resources and suspension of foreign aid in the wake of the 2009/2010 political crisis, the authorities turned to bank financing, the accumulation of domestic and external arrears of payment and the printing of money to finance current expenditure.

8. Despite these difficulties, the prospects for 2011 are good (4% of growth) and especially from 2012: 5.1% in 2012 and 5.7% in 2013 (refer to Table 1). According to the African Economic Outlook 2011 (AEO), the return of constitutional order, the restoration of confidence on the part of the development partners and the strengthening of stability in the sub-region, should accelerate the pace of private investment (an average of 14% between 2011 and 2012). The country should also benefit from the rise in world prices of aluminium and, especially, gold. The mining sector recovery will have ripple effects on the construction and service sectors as well as on tax revenue. The ripple effects could also affect the agricultural sector, infrastructure and public utilities (communications and energy). This recovery should also be accompanied by the gradual containment of inflation, the rate of which could slow down from 17% in 2011 to 5.6% in 2013, as well as control of the budget deficit which should narrow from 5.9% in 2011 to 1.4% in 2014. These prospects are further strengthened by the: (i) spinoff from the transactional agreement with the Australian company, Rio Tinto, which has enabled the Treasury to garner USD 700 million of exceptional earnings; (ii) the prospects of reaching the Heavily Indebted Poor Countries Initiative (HIPC) completion point by mid-2012, which should relieve the central government's budget of a large part of its external debt (refer to Box 2); and (iii) the restoration of political stability in the sub-region, particularly in Cote d'Ivoire and Liberia.

Box 2 – Prospects for Reaching the HIPC Completion Point

Until end 2010, Guinea's debt stock, including arrears, represented 71% of GDP and 300% of export earnings. Debt is mainly public and multilateral (65%). Cumulative arrears represented about 1.1% of the stock in 2010. External debt servicing is estimated at USD 174.7 million, i.e. 11.8% of exports and 32% of tax revenue. Consequently, the budget situation will remain delicate so long as the HIPC completion point has not been reached. Guinea, which reached the enhanced decision point in December 2000, has not yet reached the completion point. Meanwhile, interim debt relief has been provided by all the main creditors, including the Bank, the IMF and the International Development Association (IDA). Paris Club members have also rescheduled their debt. The Government now considers reaching the completion point as one of its priority actions. It renewed its ties with the IMF in January 2011 and defined the necessary triggers and reforms to reach the completion point. However, since the Transactional Agreement with Rio Tinto[4], the initial sequence of IMF support was adjusted. The original proposal of implementing an Extended Credit Facility (ECF) was replaced on 1 July 2011 by a Staff-Monitored Programme (SMP) which should cover one year, retrospectively from 1 January 2011. The November 2011 mission obtained an *ad referendum* Agreement on the key elements of a macroeconomic and financial programme, especially on the 2012 budget, which could be supported by an IMF ECF. Discussions are continuing with a view to submitting the programme for approval by the IMF Executive Board in early 2012.

[4] The exceptional resources of USD 700 million obtained by central government were partly (USD 250 million) allocated to the establishment of an infrastructure investment fund and the balance (USD 450 million) was distributed between the 2011 and 2012 budgets with IMF and World Bank assistance.

9. **Governance and Country Systems:** The 2009-2010 political crises affected the country's already fragile fiduciary framework. Its governance indicators reflect these difficulties (refer to Table 2 below). Similarly, the Mo Ibrahim Foundation ranking placed Guinea in 45th position out of 53 African countries in 2008/2009 in terms of governance. Furthermore, the Bank's CPIA classification ranks the country in 26th position out of 40 ADF-eligible countries, despite an improvement in the country's score from 3.19 in 2009 to 3.40 in 2010. The main weaknesses thus identified are: (i) business regulatory framework; (ii) debt management; (iii) property rights and governance; (iv) transparency, accountability and corruption; and (v) social protection.

Table 2 – Governance Indicators

Indicators	2008	2009
Governance Effectiveness	-1.31	-1.29
Voice and Responsibility	-1.36	-1.43
Perception of Corruption	-1.31	-1.23
Rule of Law	-1.57	-1.61

Score -3.0 (Not good) to 2.5 (Very good)
Source: AfDB Statistics Department using 2010 WEF data.

10. **Regarding public finance management,** the most recent PEFA assessment dates from 2007 and underscores several weaknesses that are still topical[5] insofar as the recommended reforms could not be implemented during the 2008-2010 period. Furthermore, in 2007, the IMF carried out a Safeguards Assessment of the Central Bank of the Republic of Guinea that covered five areas: the external audit mechanism; the legal structure and its independence, the financial reporting framework, the internal audit mechanism and the internal control system. This assessment was considered satisfactory and confirmed by the most recent independent report on BCRG's 2009 accounts. Regarding procurement, the country does not meet the requirements for use of the country system. This area has some weaknesses that were exacerbated during the long period of military transition (2009/2010). Indeed, the cumulative amounts of negotiated contracts awarded over those two years represent almost 13,000 billion Guinean francs (USD 2.2 billion), i.e. about 44% of GDP. However, the new Government has undertaken to correct this practice once and for all, through an audit of all public contracts concluded between 2009 and 2010. The audit is being conducted by an independent committee composed of World Bank and public administration auditors. It has also committed to prepare an action plan to implement the audit's recommendations.

11. Aware of these difficulties, the new Government has undertaken to implement a far-reaching reform programme backed by the TFPs using a joint matrix (refer to Annex 3). It has already initiated a number of actions such as: (i) the establishment of a High Commission for State Reform and Modernization of the Administration; (ii) a freeze on public contracts signed between 2009 and 2010; (iii) preparation of the anti-corruption bill; (iv) preparation of the national programme and mastery of the principles of good governance; and (v) adjustment of civil service staffing and identification of 5000 fictitious jobs. Other actions are being prepared, including the finalization of the new Mining and Public Procurement Codes[6]. The latter will help

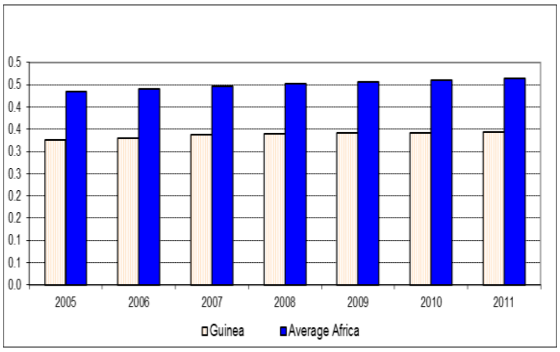
[5] These concern in particular the following areas: (i) budget execution; (ii) collection of tax revenue; (iii) transparency of intergovernmental budget relations; (iv) budget risk monitoring; (v) the internal control system; (vi) the availability of information on resources received by Primary Service Delivery Units; (vi) the scope, nature and monitoring of external auditing; and (vii) the review of external audit reports by the legislative authority.

[6] Adoption of the two Codes by the Council of Ministers represents two of the three conditions precedent to disbursement of the second UA 5 million tranche of the UA 20 million budget support approved by the Board in May 2011.

offset the weaknesses of the legal framework by regulating public procurement. The existing Code does not in fact provide for any safeguard measures to control the use of the negotiated contract and has been the subject of abuse. The Government also intends to carry out an inventory of such contracts and implement reforms aimed at strengthening the legal framework governing procurement and conducting quarterly audits of such contracts (this is a measure planned under the HIPC process).

12. **Social Context:** poverty has increased and reached a high level over the years. The Light Poverty Assessment Survey (ELEP) carried out in 2007 estimated that 53% of the population was living below the poverty line, that is, with less than USD 1 per day[7], compared to 49% en 2002. This proportion is now estimated at 55%. This phenomenon seems to be concentrated in rural areas since 63% of the rural population was living below the poverty line, compared to 31% for the urban population. The social indicators show that the likelihood of achieving the Millennium Development Goals (MDG) is low and that the country remains in the last quintile in terms of human development, although its score rose from 0.323 to 0.340 between 2005 and 2010 (refer to Graph 3).

Graph 3 – Human Development index



Source: AfDB Statistics Department

13. The health services are in a state of severe degradation because of budget cuts in the sector, whose share of GDP fell from 1% in 1993 to 0.2% in 2010. Malaria is the main cause of disease and mortality among children. The infant mortality rate was 101 per thousand in 2004 and the maternal mortality rate is one of the highest in Africa (740 per 100,000). Therefore, the new Government has decreed free caesarean sections and basic newborn care. The HIV prevalence rate estimated at 1.6% is one of the lowest in the region. The government is pursuing a policy of free access to anti-retroviral drugs, which remains limited due to lack of resources.

14. The crisis has also affected the education sector. The gross enrolment rate has stagnated around 79% since 2007 and at 70% for girls. In rural areas, the rate is 60%. The disturbing fact is that the drop-out rate rose from 5.9% in 2007 to 11.6% in 2010, bringing down the primary education completion rate to 57% in 2010.

15. **With regard to gender,** Guinea has ratified the Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW) and has made progress in reducing gender inequalities in the areas of health and education. The gender ratio improved from 0.76 in 2005 to 0.92 in 2010 in primary schools and from 0.45 to about 0.59 in secondary education. This ratio has, however, stagnated at 0.3 in the universities. Wide disparities exist in the area of employment where the proportion of women in salaried positions in the formal sector, excluding agriculture, is 0.30. On the political front, women’s representation also remains low since fewer than 20% of members of the last parliament were women and only 17% of decision-making posts in the administration are held by women.

16. **Private Sector Development; Business Environment and Competitiveness:** Development of the private sector, most of which is informal, is constrained by a business environment considered to be one of the world’s least

[7] It was expected to reach 58% in 2010.

conducive. Indeed, the 2009 and 2010 Doing Business reports rank the country in 179th position out of 183, i.e. in the 47th position in Africa (refer to Table 3), and show that Guinea suffers from a governance gap, a legacy of corruption, administrative red-tape, a low level of investor protection and difficulties of access to credit. These constraints are the reason for the low contribution of private investment to the economy (11% of GDP). The narrowness of the formal economic fabric means that the bulk of the tax burden falls on formal sector activities. Thus, Guinea is ranked 47th in Africa in terms of paying taxes according to 'Doing Business' 2012 which estimates that taxation in Guinea consumes almost 55% of profits. Furthermore, dialogue with the Chambers of Commerce shows that the lack of reliable infrastructure, especially in the transport and energy sectors, puts a constraint on private investment, especially for SMEs.

Table 3 – Ease of Doing Business

Heading	Ranking in 2009	Ranking in 2010	Improvement Status▼)
Ease of Doing Business	42	47	▲
Starting a Business	48	49	▲
Dealing with Construction Permits	46	46	►
Registering Property	43	44	▲
Getting Credit	47	47	►
Protecting Investors	49	50	▲
Paying Taxes	46	47	▲
Trading across Borders	19	19	►
Enforcing Contracts	28	27	▼
Closing a Business	20	24	▲

Source: AfDB Statistics Department

17. Aware of these weaknesses, the new Government is envisaging the implementation of a series of reforms. It has, therefore, established the Private Investments Promotion Agency (APIP) to replace the Office for the Promotion of Private Investment in Guinea (OPIP), whose objective will be expanded to cover: (i) the establishment of a one-stop-shop for the facilitation and monitoring of start-up formalities for enterprises and companies changing, or ceasing activities; (ii) consistency between the SME/SMI Investment Code and the sector codes and; (iii) harmonization with the other ECOWAS agencies. Furthermore, a new employers' structure has been established to: (i) improve synergy of action among enterprises; (ii) create more permanent jobs; and (iii) ensure better protection of the interests of national enterprises.

18. The financial sector's contribution to the economy remains marginal. Moreover, the weak competitiveness of the country's economy is largely due to inadequate access to financing since the banking sector is mainly concentrated on short-term credits. Some existing sub-regional financial institutions are trying to set up in Guinea. This should be encouraged by reforms that are essential for the banking sector's development. To this end, the Guinean Government is envisaging initiating reforms in the banking and housing sectors to facilitate access to bank and real estate credit.

19. The Bank's different interventions, both in the areas of governance and development support infrastructure, will contribute to the promotion of Small- and Medium-Sized Enterprises.

20. **Environment and Climate Change:** According to the FAO, almost 80% of the energy used in the country is provided by biomass, resulting in the disappearance of almost 37,000 ha of forests per year. Guinea's dense tropical forest has declined sharply (from 14 million ha in 1967 to 700,000 in 2002). The ensuing serious soil erosion has resulted in the loss of soil fertility and biodiversity. This situation could deteriorate under the impact of climate change on the coastal plains or the increase in flooding and soil salinization in a region which provides the bulk of the country's rice production, and could affect the country's food security. Furthermore, expansion of the mining sector exposes the population to pollution risks for which

they are unprepared. To address these threats, the Government has, since 2001, embarked upon a national environmental protection process accompanied by a National Environmental Action Plan (NEAP) with 5 objectives: (i) improved rural and urban living environments; (ii) rational resource management and conservation; (iii) protection against major risks; (iv) prevention and correction of pollution and nuisances; and (v) safeguard and development of cultural and natural assets.

21. **Regional Integration:** Despite the political will and central geostrategic positioning in the sub-region, Guinea is only ranked ninth in terms of regional integration performance out of the 15 countries of the Economic Community of West African States (ECOWAS). Of the 53 Conventions and Protocols adopted by ECOWAS, the country has only ratified 38[8]. The flagship study has also identified the low level of port infrastructure, road and electricity interconnections as one of the main explanatory factors for the low level of trade integration within the region (refer to paragraph 28). In the monetary field, the country has integrated the West African Monetary Zone (WAMZ) aimed at establishing a second Monetary Union intended to merge with the West African Economic and Monetary Union (WAEMU), according to a community road map, to form the ECOWAS monetary zone. The success of this project will, however, depend on compliance with the convergence criteria reflecting price stability, prudent fiscal policies and an adequate level of foreign exchange reserves.

[8] Behind Ghana which has ratified 43; Mali, Senegal, Sierra Leone and Togo have ratified 42 conventions.

2.2 Strategic Options

2.2.1 Country Strategic Framework

22. After years of day-to-day planning, the country expects the new Government to return to strategic planning. Initially, the Government extended PRSP II (2007-2010)[9] to end 2012 while immediately embarking on preparation of PRSP III (2012-2015) with the Bank's support. The new PRSP should include governance and infrastructure as the Government's main intervention thrusts since these two areas are among the main constraints on the country's development (refer to Section 2.2.2 and the Bank's Flagship Study). The country has also prepared sector strategies especially in the governance sector with the Strategic Plan for Public Finance and Energy Reform and the Energy Sector Development Policy Letter[10]. At the same time, the country is preparing a Five-Year Plan and a National Forward Planning Study, Vision 2035[11]. Meanwhile, it has limited its short-term operations plan to a Priority Action Plan focused on five thrusts: (i) good governance; (ii) poverty reduction and access to basic services; (iii) development of factors of production; (iv) economic expansion; and (v) restructuring of the security services.

[9] This strategy is underpinned by 3 thrusts: (i) improved governance and institutional and human capacity building; (ii) acceleration of growth and creation of jobs for all; and (iii) improved access to high quality social services. Reformulation of the strategic thrusts of the extended PRSP II or the PRSP (2011-2012), subdivides these 3 thrusts into 5 focus areas: (i) improvement of overall governance; (ii) poverty reduction; iii) development of basic infrastructure; (iv) development and expansion of the economy; and (v) reform of the security and defense forces.

[10] However, other sectors should still develop sector strategies - roads, for example.

[11] The Bank has insisted on the need for consistency among these three documents especially as they are prepared by different ministries.

2.2.2 Weaknesses and Challenges

23. Low Level of Economic and Financial Governance and High Level of Corruption: Between 2005 and 2009, Guinea's institutional governance indicators were the lowest in the sub-region. This poor performance was due to the weakness of public administration and control organs, and the existence of a high level of corruption. Public administration, which lost a lot of its skills after years of under-investment and crises, is now badly equipped to manage and execute the central government budget. During the crisis, it was unable to execute a budget without an overrun while the public procurement system was mainly managed by directly negotiated contract procedures for close to USD 2.2 billion. This was compounded by endemic corruption[12] that became widespread during the crisis, particularly in the mining sector where the absence of clear regulations left the country in the grip of bad management, thereby depriving it of considerable financing resources. According to the ELEP, 89% of the population considers corruption as one of the phenomena with the greatest impact on poverty in the country. The PRSP (2011-2012) baseline studies show that corruption will cost economic operators over GNF 500 billion per year. To address these challenges, the new Government has undertaken to implement reforms, including revision of the Mining Code and mining conventions, and a freeze on some public contracts signed in 2009 and 2010[13]. In addition, an Anti-Corruption Bill and National Good Governance Programme are being prepared.

24. Inadequate Level of Infrastructure:The Bank's Flagship Study for Guinea (Box 1) showed that Guinea's economic development is constrained by a structural infrastructure gap, especially in the energy and transport sectors. While the country has undoubtedly made some progress, it remains insufficient given the cumulative gaps over the last few decades. Energy generation only covers 40% of domestic demand and the country has the lowest road density rate in the sub-region (2.8 km/100 km² in 2010). These gaps have a serious impact on Guinea's productive fabric, which suffers from highly unreliable energy supply. Small- and medium-sized enterprises (SME) are compelled to purchase diesel generators, the exorbitant costs of which affect their competitiveness. Moreover, the lack of a modern road network prevents producers, especially agricultural producers, from adequately serving the markets. The establishment of a dedicated public infrastructure investment fund and support from the TFPs, including the Bank, should revitalize this energy and transport (especially roads) infrastructure.

25. Existence of a high level of unemployment, underemployment and a low level of human resources: In Guinea, the estimated youth unemployment rate is 30%. Underemployment concerns 9% of the work force. The civil service, which was the main provider of employment during the socialist period, experienced a 50% cutback in staffing in 1985, at the same time as the winding up, privatization or closure of 300 State-owned enterprises, At the same time, the private sector, which is still affected by a non-conducive business environment, was unable to create sufficient jobs to take over. Thus, the informal sector is by far the country's main provider of employment (90% of the workforce). Furthermore, the low level of human resources poses a major challenge to Guinea's development. This situation is especially critical at a time when the country is preparing to launch a recovery

[12] *Transparency International's* Corruption Perceptions ranks the country 154th (on a scale comprising 178 countries).

[13] This action follows up on the audit report of these contracts carried out by two experts from the Court of Auditors (France) on World Bank financing.

plan requiring sound expertise on the part of public administration. The mining sector, for its part, needs qualified labour which is currently lacking. This sector is now obliged to recruit a large part of its workforce from neighbouring countries. The training programmes planned under PRSP II with support from the TFPs as well as the involvement of the Guinean Diaspora and its expected return by the new Government, will reduce this gap to some extent, pending implementation of an educational system and vocational training reform plan. On the other hand, the acceleration of the growth rate over the next few years, the adoption of a policy to promote SMEs and investments in high employability sectors (in particular, agriculture), will help to speed up job creation and improve social conditions in the country.

2.2.3 Strengths and Opportunities

26. An exceptional mineral resource endowment: The richness of the Guinean subsoil is such that Guinea and the Democratic Republic of Congo are considered as geological scandals. The country has over one third of world bauxite reserves (estimated at 25 billion m^3) as well as major reserves of iron ore (4 billion tonnes), gold, diamonds, uranium and other minerals. These deposits which have, until now, been little exploited, could, with the strengthening of the legal framework and capacity building of the public administration[14], play a driving role in the country's economic development and procure significant tax and non-tax revenue for the central government. Furthermore, with a single alumina refinery with a capacity of only 0.6 million tonnes, Guinea exports about 95% of its bauxite unprocessed. This makes it the country with the lowest alumina/bauxite ratio among the major exporters of that ore. Therefore, the country could improve the mining sector integration rate by building a new plant for processing bauxite into alumina. However, the launching of such a high energy consuming industry would require an increase in energy generation.

27. Exceptional Water and Agricultural Resource Potential: With an estimated water potential of 27,000 m3 per capita per year, Guinea is ranked among the countries with the most water in the world. It is the source of many rivers or their tributaries, making it West Africa's 'Water Tower'. If it were better tapped, this water potential could contribute to the development of several sectors of the economy: (i) the first is energy generation, where the construction of infrastructure such as the FOMI, Souapiti, and Amaria dams and electric power interconnection projects will lead to the country's transformation into a power house for energy generation and exports in the sub-region; (ii) the second is river navigation, which could be improved by the creation of port infrastructure to intensify river navigation in remote areas and between the riparian countries sharing rivers, resulting in an increase in the volume of trade in the sub-region[15]; and (iii) the third is the agricultural sector, which can benefit from the water potential, fertile soil and tropical climate to increase production and ensure food security. The country could also take advantage of its long seaboard to develop its fishing industry. These are all assets that could reduce poverty and pave the way for Guinea to become a major actor on the international market. The National Agricultural Investment and Food Security Plan (PNIASA) could offset the inadequacies of the sector's legal and financial environment, and reverse the

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[14] Especially in the area of accounting and negotiation of exploration and exploitation contracts.

[15] In Guinea, maritime and river transport potential is facilitated by the country's Atlantic seaboard and the availability of several navigable water courses for four months per year. However, in the absence of public investments in river transport for almost twenty years, the facilities are obsolete. This restricts transport to Upper Guinea.

downward trend in the agriculture sector's contribution to GDP.

28. Geostrategic Position: Guinea occupies a central position in the sub-region. With common borders with six (6) countries, it is surrounded by Guinea-Bissau (385 km border), Senegal (330 km), Mali (858 km), Cote d'Ivoire (610 km), Liberia (563 km) and Sierra Leone (652 km), in addition to its access to the Atlantic Ocean. The country could take advantage of its geographical position and its renewed stability to play the role of economic hub in the sub-region. If the road infrastructure is strengthened, the country will be able to garner a large part of sub-regional trade, especially trade intended for landlocked countries such as Mali, transhipped through its Autonomous Port of Conakry (PAC).

2.3 Recent Aid Coordination Developments

29. Donor coordination has been affected by the long absence of most TFPs during the crisis. However, the situation appears to be improving with the resumption of the activities of most TFPs and the establishment of the Programme Monitoring Technical Unit (CTSP) with technical assistance from the Bank and the European Union (EU). Furthermore, the TFPs have consulted each other to coordinate their interventions through thematic groups, including those on: (i) macro- and public finance that has led to the preparation of the joint public finance reform matrix; (ii) TFP coordinated support in mining sector led by the French Development Agency (AFD); and (iii) the transport sector which groups together the Bank, the EU, the World Bank (WB), the Islamic Development Bank (IsDB) and AFD.

30. Annex 3 presents the sectors covered by the TFPs present in Guinea. Initial estimates indicate that they have either committed, or are about to commit, a total of about USD 1.5 billion over the 2011 to 2014 period, including USD 850 million to be disbursed between 2011 and 2012. This amount includes on-going projects and budget support operations approved by the Bank, the WB and the EU. The aid coordination matrix shows that governance appears to be the preferred sector of all donors. The infrastructure sectors also top donors' priorities, especially the transport sector which could receive 28% of the estimated funds for 2011-2014, and energy (11% of estimated funds for 2011-2014). Basic and technical education could obtain 15% of the support, but donors appear to have little interest in the health sector.

2.4 Bank Group Positioning.

2.4.1 Bank's Portfolio

Portfolio Composition

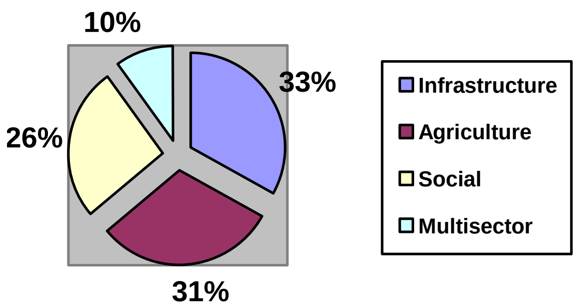
31. **Cumulative Operations:** From the start of its cooperation with Guinea in 1974 to 1 October 2011, the Bank Group had financed (excluding multinational projects) 77 operations (58 projects, 9 studies, 7 institutional support operations and 3 non-project loans) i.e. net commitments of UA 524.05 million from the different windows: ADF (64%), AfDB (34%) and NTF (2%). Most operations are small-scale (an average of UA 7 million), distributed among different sectors, including infrastructure (33%), agriculture (31%), the social sector (26%) and multi-sector (10%). Ten (10) of the 77 operations financed are on-going.

32. As at 1 October 2011, disbursements on the overall portfolio stood at UA 435 million, i.e. 83% higher than the AfDB Group average of 72%.

33. **On-going Operations**: As at 1 October 2011 the active portfolio comprised ten (10) operations for a total net amount of UA 92.42 million, of which UA 16.49 million has been disbursed, i.e. a disbursement rate of 17.8% compared to 42.2% at the last review in June 2009 (refer to Annex 4). This significant fall was due to the approval, between January

and May 2011, of four (4) new operations – in the infrastructure/energy, social and multi-sectors – thereby reducing the overall disbursement rate by their age and low/non-disbursement. Most of the other projects have experienced delays related to disruptions caused by the exceptional situation that prevailed in 2009 and 2010.

Graph 4 - Composition and Commitments by Sector since 1974



34. The portfolio is largely dominated by the infrastructure/energy sector (55.7%), followed by multi-sector (32.5%), the social sector (26.2%) and agriculture (4.1%). This new sector breakdown compared to the 2009 review, which showed the dominance of the agriculture (38.2%) and social (36%) sectors, is due to the country's strategic thrusts, in particular, the priority given by the new authorities to the energy sector, mainstreamed by the Bank in two (2) projects for UA 26.96 million – in accordance with the priorities defined in the Poverty Reduction and Growth Strategy Paper (PRGSP) and the Mid-Term Review of the Bank's Results-Based Country Strategy Paper (RBCSP 2005-2009).

35. **Projects at Risk:** The number of projects at risk (PAR) has declined considerably from 5 in 2009 (i.e. 50% of the portfolio) to 2 in 2011. These operations correspond to 2 potentially problematic projects (PPP), with no problem project (PP) reported – compared to 2 operations classified PP and 3 retained as PPP at the last review in 2009. This performance was achieved mainly thanks to efforts made to monitor and close problem operations in keeping with the Action Plan defined in 2009. The commitment at risk (CAR) level was 24% in 2011, compared to almost 40% in 2009.

Portfolio Performance

36. The Bank's overall portfolio performance in Guinea is considered satisfactory with an average overall score of 2.23 on a scale of 0 to 3, up slightly on the score of 2.10 in 2009. This progress reflects the efforts made by the Government and the Bank to shorten document processing time and speed up the project implementation rate. However, this overall performance is, in Guinea's case, seriously affected by delays in the absence of a Bank Field Office and a focal point within DNIP as well as by slippage on implementation due to the particularly difficult socio-economic context of the past two years.

37. Implementation of the Country Portfolio Performance Improvement Plan (refer to Annex 5) will help to improve the performance and quality of Bank-financed operations in Guinea. A number of difficulties common to the entire portfolio were raised and ranked during that review including, in particular: (i) counterpart funding mobilization problems; (ii) lack of technical and financial rigour in the technical and financial monitoring of projects by the implementation units and oversight ministries; and (iii) no Bank presence in Conakry, especially presence of procurement experts to handle procurement difficulties. The establishment of a focal point within the Ministry of Finance and the bolstering of the Bank's presence particularly through its Regional Office in Dakar (SNFO) will encourage the project management units to make every effort to enhance document quality through improved technical and financial monitoring. The Government has undertaken to mobilize its counterpart contributions to project financing, and speed up the procurement process. The

Bank intends to further improve the processing of documents.

Implementation Outcomes of the Portfolio Performance Improvement Plan

38. Implementation of the Portfolio Improvement Plan as defined and jointly approved in 2009 has resulted in a considerable restructuring of the portfolio. Based on the jointly approved actions, five projects were effectively closed in December 2009 in the agriculture and social sectors. These were operations at risk that had experienced acute implementation difficulties despite the restructuring efforts. A specific monitoring matrix had been prepared for the other projects, which accelerated their completion within the stipulated timeframes. This was made possible above all by the establishment of a fairly strong focal point within the Ministry of Finance as well as by increasingly well-coordinated supervision, with multi-disciplinary teams (the frequency of supervision missions has risen sharply since the return to normalcy in 2011).

39. The project management units also benefit from greater assistance from procurement specialists taking into account the constraints related to the absence of an AfDB Field Office in Conakry.

40. In contrast, a number of major concerns remain and entail risks for the portfolio. These include, in particular, the delay in the payment of the counterpart contribution. This prevents the finalization of some construction works and the operation of the PMUs that are short of the anticipated revolving funds. Furthermore, some oversight ministries are slow in committing to, or assuming ownership of, Bank-financed projects.

Portfolio's Age

41. The portfolio's average age is 2.8 years, i.e. a significant rejuvenation compared to 2009 (6.5 years). The time between the approval of an operation and its effectiveness is 5.1 months. This marks a satisfactory performance compared to the 12-month objective set by the Bank.

42. This improvement once again demonstrates the monitoring efforts made since the last review, especially for operations approved recently.

Lessons Learnt from the Portfolio Improvement Plan

43. The Bank and Government must implement strong and proactive measures to continue to improve project effectiveness and development impact, as set out in the Portfolio Improvement Plan. In particular, the Government must continue to tighten budgetary discipline with a view to maintaining macroeconomic stability, which is essential for budget support operations. It is also necessary to pursue the efforts made to ensure better ownership and close monitoring of on-going operations.

44. The Bank must pursue its institutional capacity building operations. It must also ensure closer monitoring of operations by improving communication, shortening document processing times, stepping up supervision missions, building capacity and strengthening its presence in Conakry.

Box 3 The Impact of Decentralization on Portfolio Management: Although the Regional Procurement Coordinator and the Regional Financial Management Coordinator have been decentralized to SNFO since end 2009, in terms of operational periods, it is rather premature to assess the experience. In addition, SNFO only covers Guinea with respect to public procurement and financial management. The procedures are being prepared, the key actors have undertaken to gain a better understanding of the new national procurement systems and the national systems are being assessed, all of which takes some time. Of course, there has already been a considerable overall reduction in the time taken to process procurement and financial management documents, but this does not give a global picture of the impact of decentralization.

Dialogue with the country on procurement issues has improved. This has had a profound impact on development and is helping to honour the commitments made under the Paris Declaration and the Accra Agenda for Action on Aid Effectiveness;

The fiduciary risk for the Bank and the country has also been mitigated especially as a result of high quality procurement-related decisions and a deliberate and conscious attempt to build the country's public procurement capacity.

45. Special attention must be paid to project implementation schedules in order to avoid too many project extensions in the portfolio. Although such extensions highlight the difficulties encountered due to the many disruptions to activities in Guinea's fragile context, they have a negative impact on the overall portfolio performance and on the calculation of the future country allocation.

2.4.2 Lessons Learnt from the Previous CSP

46. **Outcome of 2005-2011 RBCSP:** The Bank Group's strategy over the 2005-2009 period was implemented in a difficult context of international crises and socio-political instability. The operations slated for 2009 were postponed until 2010 and 2011. However, the Bank has been one of the rare TFPs not to be owed arrears by Guinea, which has allowed it to achieve a number of objectives within its sectors of intervention.

47. These interventions included: (i) governance, where the Bank established a joint matrix of public finance measures covering all aspects of governance in the country and agreed with the WB to focus on a number of priority sectors that have been supported under PADIPOC and PARCGEF; (ii) energy, where the Bank has two on-going projects amounting to UA 26.966 million (the Project for the Extension and Rehabilitation of the Conakry Electricity Networks (PREREC) and the Rural Electrification Project (PER)); (iii) transport, where it is financing the Tombo-Gbessia road, Conakry's main urban highway that is the main link between the capital, the interior of the country and countries without seaboards such as Mali; (iv) the social sector, where the Bank's intervention focused on two projects: the Upper and Middle Guinea Sustainable Social Development Project (PDSD) and Education Project IV; and (iv) agriculture, where the Bank recently closed three projects at the end of 2010 (the Upper Guinea Agricultural Development Project (PADER), the National Rural Infrastructure Programme Phase II (PNIR II) and the Upper Guinea Rural Water Supply Project (PHR-HG)) and is continuing to implement the Nerica Rice Dissemination Project (PDRN.

48. **Lessons Learnt from the 2005-2011 RBCSP:** implementation of the 2005-2011 RBCSP led to a series of lessons that will improve implementation of the next strategy.

a. The first is that the Bank was one of the rare TFPs not to have severed ties with the country. This enabled the Bank to maintain dialogue and keep its privileged position.

b. The second is that the Government's ownership of the reforms and its commitment will be a decisive factor towards reaching the HIPC completion point.

c. The third is that the growth process in Guinea is closely correlated with that of budget and financial discipline and transparency.

d. Lastly, regarding portfolio management, the non-payment of counterpart funding and debt service, punctuated with periods of sanctions for arrears, was a constraint on the implementation of Bank Group operations during the previous RBCSP period (2005-2011).

III. BANK GROUP ASSISTANCE STRATEGY FOR THE 2012-2016 PERIOD

3.1 Rationale for Bank Group's Involvement

49. As mentioned in the Introduction (§ 2 page 1), the new political context - marked by a clear vision and strategic framework for the next 5 years as well as the will to reform and break with the past displayed by the new authorities - has led the Bank to opt for a full CSP after extending the previous CSP to 2011.

50. The Bank's new 2012-2016 Assistance Strategy for Guinea is underpinned by the following two pillars: **(i) economic and financial governance**; and **(ii) development supportive infrastructure**. This option was selected to help the country to address these challenges and make the most of its opportunities (refer to Sections 2.2.2 and 2.2.3). It also takes into account the priorities as set forth in the country's strategic framework and the thrusts of the Government's priority programme. They have also been designed in a concern for complementarity with the intervention strategies of the other TFPs because although most of them appear to favour the same sectors of intervention, the country's requirements in terms of governance and infrastructure are so great that the Bank's intervention in these areas appears essential. This option was also selected following a strategic reflection by the Bank as part of its economic and sector works, the most important of which is the **Flagship Study** (refer to Box 4), while taking into consideration the importance of supporting the private sector through good governance as recommended by the PEFA.

Box 4 – Flagship Study 'Infrastructure and Growth in Guinea"

Under the 2011-2015 RISP for West Africa, the Bank undertook to produce a series of flagship studies covering the region's fragile States, namely Liberia, Sierra Leone, Guinea and Guinea Bissau. These studies will be used, in particular, to advocate support for regional integration and infrastructure development at both national and regional levels. The on-going 'Infrastructure and Growth in Guinea' Flagship Study has identified the country's sources of fragility. The preliminary findings of this analysis show that, in addition to the historic reasons and the low level of governance, much of Guinea's fragility is due to the low level of infrastructure, including in the energy and transport sectors. To address this situation, the study will propose an integrated Infrastructure Action Plan to enable the country to take advantage of its mining and agricultural potential. The study has been discussed with the Guinean authorities and its partners during a validation workshop on 29 November 2011.

51. This strategic choice is also consistent with: (i) the thrusts of the Regional Integration Study for West Africa 2011-2015 (RISP), the pillars of which are to link up the region's markets through investment in infrastructure and facilitation of trade and investment; and to build capacity for the regional integration agenda; (ii) ADF 12 priorities[16]; (iii) the Bank's 2008-2012 Medium-Term Strategy; and (iv) the priorities of the Bank's new Private Sector Development Policy[17].

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16 Infrastructure, governance, regional integration and fragile States.

17 The long-term objectives of which are to: (i) help improve the business environment and

3.2 Expected Outcomes and Targets

3.2.1 Strategic Pillars

52. In view of the already mentioned justifications, (i) the Bank's selectivity requirements and its sector expertise, (ii) the amount of Guinea's allocation under ADF XII (UA 47.60 million), and (iii) the opportunities provided by the leverage effect inherent to regional projects, the assistance strategy will pursue a number of objectives within each pillar.

53. **Under Pillar I 'Economic and Financial Governance'**, the Bank, in compliance with its strategy for governance and Enhanced Engagement in Fragile States, will target the following objectives:

54. Objective 1.1. strengthen public finance management: In order to achieve this objective, the Bank will seek to: (a) support the reforms aimed at building the management and control capacity of public administration and restructuring public finances; (b) support public procurement system reform; (c) strengthen local governance by building the capacity of local elected representatives and civil society in legal and legislative areas; and (d) support the Government's PRSP III strategic planning and support efforts;

55. It will furthermore assist the Government in its efforts to: (a) ease the debt burden by assisting it in the HIPC completion point process. This assistance will include support towards implementation of the IMF Support Programme; (b) leverage external financing through support to the organization of the Guinea Partnership Conference (refer to Box 5); and (c) the review of mining concession contracts with help from the African Legal Support Facility.

56. Objective 1.2. Improve governance in the extractive sector by strengthening: (a) the legislative framework (Mining and Petroleum Code); and (b) the control chain through support to the implementation of EITI and Support from the African Legal Facility during mining contract negotiations.

Box 5- Guinea Partnership Conference

Since February 2011, the Bank has pledged its support to the Government of Guinea for the organization of the Guinea Partnership Conference (CPG). This commitment was reiterated at President Kaberuka's meeting with President Condé during the latter's visit to Tunis on 21 March 2011. The CPG is expected to bring together the country's main donors and economic partners around the presentation of a clear development strategy that should lead to sector policies and projects likely to interest the entire donor community. The Bank, in collaboration with the UNDP and the WB, has undertaken to finance a team of consultants to prepare the different documents and has jointly drafted with the two partner institutions a roadmap that should lead to the holding of the Conference in early 2012 i.e. a few weeks after the legislative elections. The choice of venue remains to be determined: even though the Bank has proposed to host it in Tunis, the Government of Guinea has also initiated hosting discussions with the Government of Abu Dhabi.

57. **Under Pillar II 'Development Supportive Infrastructure', the Bank will pursue two objectives**:

58. Objective 2.1. Reduce the energy generation gap through the development of power infrastructure and interconnection between countries of the sub-region: The goal is to improve and support the development of the mining sector, while focusing on investments in the private sector through the private sector window or in the form of PPPs. The Bank will prioritize regional operations aligned with the 2011-2015 RISP in order to take

strengthen international competitiveness; (ii) expand participation and promote inclusion in the private sector, support the development of local enterprises, foster the creation of stable jobs and improve social well-being; and (iii) encourage social and environmental accountability and sustainability as well as good citizenship in private sector development.

advantage of the leverage effects inherent at the regional level.

59. Objective 2.2. Accelerate Transport Infrastructure Development: To achieve this objective, the Bank will also prioritize integrative regional projects that could enable the country to take advantage of its central geostrategic positioning in the sub-region and increase the volume of trade with neighbouring nations.

3.2.2 Deliverables and Targets

60. **Programming of ADF 13 Resources – Lending Operations:** the funds programmed only concern the ADF-12 country allocation estimated in 2011 at UA 47.67 million.

61. UA 20 million was allocated for the first Pillar, through the Budget Support Programme approved by the Bank's Board in May 2011. Guinea also has access to UA 2.50 million under FSF Window III that was allocated for implementing two capacity building programmes. The available balance on ADF 12 for 2011-2013 estimated at UA 27.67 million was fully allocated to activities planned under Pillar II. In operational terms, this translates into the implementation of three (3) regional projects. This choice will enable the country to mobilize a supplementary UA 55.43 million in addition to the ADF 12 allocation under the regional operations envelope, thereby increasing the total amount accessible to Guinea over the 2011-2013 period to UA 105.51 million (refer to Annex 7).

62. In the governance sector, the Bank has already approved budget support of UA 20 million [18] and FSF Targeted Support of UA 2.5 million, which will enable it to improve the country's public finance management while supporting the reforms aimed at enhancing governance especially in the extractive sector. The targeted support will also cover public administration capacity building, particularly in statistics and strategic planning.

63. In the energy sub-sector, two projects are scheduled for implementation by end 2013. The first is a contribution to financing the project of the Gambia River Basin Development Organization (OMVG) involving the construction of a dam and a 240 MW hydro-power plant at Kaleta. The second project is the Cote d'Ivoire-Liberia- Sierra Leone -Guinea power interconnection project that will see the construction of 1 360 km of 225 kV transmission lines and 12 sub-stations. Implementation of these two projects will result in: (i) an increase in the average electricity access rate; (ii) a reduction in the kWh generating cost; (iii) a reduction in the number of power outages; (i) the creation of temporary and permanent jobs; and (vi) a reduction in greenhouse gas emissions.

64. In the transport sub-sector, the Bank intends to finance the Boké-Quebo Road which is part of the ECOWAS Regional Transport Programme. Because of its integrative role, construction of this highway is in line with the New Partnership for Africa's Development (NEPAD) Short-Term Action Plan, one of whose core objectives is to have interstate roads without any impediment to the free movement of goods and persons. The completion of the Boké–Quebo missing

[18] This programme was approved by the Bank's Board in May 2011. The first tranche (UA 15 million) was disbursed in September 2011 while the second (UA 5 million) is expected to be disbursed no later than end 2011.

link should provide a year-round paved road link between Conakry and Bissau.

65. **Non-Lending Operations:** To deepen the analysis and understanding of the country's main challenges and fuel strategic reflexion, the Bank has already initiated economic and sector works in collaboration with the UNDP, under the first FSF programme, on the following themes: (i) private sector profile; (ii) Guinea's Vision 2035; (iii) study on financial sector reforms; (iv) study on the feasibility of the PPP framework; and (v) study on Economic Partnership Agreements (EPA). Within this framework, the FSF is providing support to: (i) build the PRSP III (2012-2015) steering capacity; (ii) good governance monitoring and promotion; and (iii) build aid mobilization and coordination capacity. That component also includes support to the organization of the Guinea Partnership Conference scheduled for early 2012 and aimed at mobilizing international community aid around the following six themes: (i) rural development and food security; (ii) infrastructure; (iii) education; (iv) social development; (v) mining, energy, water, environment and industry; and (vi) macroeconomic framework and institutional development.

66. Furthermore, a second FSF programme will support the National Statistics Development Strategy (NSDS) and the conduct of the Third General Population and Housing Census (RGPH-III). The Bank also intends to support mining sector governance through its private sector window and legal support facility. This will entail: (i) support for Guinea's accession to the EITI, already initiated under PARCGEF; (ii) support to Mining Code Reform, which includes a 15% State participation in all mining concessions, the strengthening of transparency and introduction of penalties for non-compliance with the legislation; (iii) support for the revision of mining agreements; (iv) involvement in the operational audit of mining companies; and (v) the conduct of economic and financial studies on mining contracts (their value, production costs and transfer prices, etc.).

67. **Trust Funds:** In addition to the ADF and FSF allocations, the Bank could mobilize supplementary Trust Fund resources to finance complementary operations in the sectors covered by the 2012-2016 CSP and that are important for the country's development. For example, through the Rural Water Supply and Sanitation Initiative, a strategy could be prepared in that area. Other instruments are also available: the Partial Risk Guarantee Instrument; the Global Environment Fund; and Africa Carbon Facility and Green Fund.

68. **Programming of ADF 13 resources (2014-2016) – Mid-Term Review:** The resources available for Guinea under ADF 13 will be programmed during the Mid-Term Review scheduled for end 2013, in compliance with the strategic thrusts thus defined. However, at this stage, the Government has a series of projects to create an indicative pipeline for 2014-2016. Depending on available resources, the Bank could finance: (i) supplementary budget support; (ii) institutional support for public procurement reform, especially with regard to establishing, operating and building the capacity of a public procurement regulatory organ; (iii) an energy project; and (iv) a road project (Kankan-Mandiana-Odienné-Boundiali, and/or Lola-Danané).

3.3 Monitoring and Evaluation

69. The results framework was defined in coordination with the authorities (refer to Annex 6). It is aligned with PRSP II indicators and those of the matrix of reforms common to all TFPs. This framework establishes the results chain for the programme decided upon for the 2012-2016 CSP with baseline indicators, target

indicators and progress indicators. A Mid-Term Report will be prepared at the end of 2013 and a completion report in 2016.

70. However, the weakness of the Guinean administration's monitoring and evaluation system may make it difficult to monitor results. Therefore, the Bank has made provision to support the National Statistics Development Strategy (NSDS) as well as a programme to build the capacity to steer PRSP III. The two actions will be carried out with FSF support.

3.4 Country Dialogue Issues

71. The strategy preparation process is already the subject of on-going dialogue between the Bank and the authorities. Two missions were fielded in December 2010 and February 2011. The preparation mission (refer to Box 6 below) and dialogue mission on the draft CSP deepened this dialogue with the Government, the TFPs and representatives of civil society (employers, associations, NGOs, etc.).

Box 6 – Main Conclusions of the 2012-2016 Preparation Mission (1-15 August 2011)

The Bank's CSP preparation mission from 1 to 15 August 2011 provided an opportunity for in-depth dialogue with the Government, the TFPs and representatives of civil society (employers, associations and NGOs etc.). This dialogue focused on the following themes:

- The Bank's Strategy: the Government stressed the need to include the social sectors. For its part, the mission explained that the Bank's selectivity guidelines require the prioritization of needs. It also recalled that several social sectors are covered by other TFPs and that, with regard to aid coordination, the Bank has opted to intervene in the budget consuming sectors such as energy and road infrastructure. This option was also confirmed during discussions with members of civil society and employers who consider that the lack of reliable energy supply and the dilapidated road system were the main constraints on private sector development and subsequently on poverty reduction.
- Preparation of the Guinea Partnership Conference: both parties are mutually committed to improving coordination between the different ministries, on the one hand, and among the different donors (AfDB, WB, UNDP and IsDB), on the other. Furthermore, the discussions with donors, in particular the EU, USAID and the WB, concluded that it would be preferable to hold the Conference following the legislative elections initially slated for end December 2011 and whose new dates have not yet been set.
- The prospects for achieving the HIPC Completion Point: the mission reviewed the status of implementation of the Staff-Monitored Programme (SMP) and made its expertise available to the Government and TFPs to consider the possibility of undertaking infrastructure projects planned under the 2011 Supplementary Budget Law.
- The 2012-2015 PRSP III: the mission recalled: (i) the importance for the country to meet its preparation schedule; (ii) the need to ensure its consistency with the 2011-2015 Five-Year Plan also being prepared; and (iii) the Bank's undertaking, with the other TFPs, to support the Plan's preparation process.

72. This dialogue will continue during implementation of the 2012-2016 CSP and especially during the Mid-Term Review mission. As with the preparation of the CSP, dialogue will also focus on: (i) reaching the HIPC completion point; (ii) implementation of budget support-related reforms in the context of aid coordination through the Budget Support Group; (iii) preparations for the Guinea Partnership Conference; (iv) monitoring/evaluation and implementation of PRSP II and the future PRSP III; (v) prospects for regional integration and partnership with the European Union; (vi) portfolio management; (vii) social issues, in particular, youth employment; and (viii) adoption of the Readiness Filter, which will help to improve quality at entry, including a reduction in the timeframes precedent to effectiveness for new operations. The decentralization roadmap approved in April 2011 presents a number of options in response to the Government's request to open a Bank Field Office in Conakry. These options will be discussed with the Government and considered by the Bank. The aim will be to enhance the quality of dialogue with the Government and TFPs especially in a post-conflict country that is ready to embark upon a critical reconstruction and development phase.

3.5. Risks and Mitigation Measures

73. **Risk of Social Instability:** Inflationary pressure, the high rate of unemployment and delay in the distribution of the dividends of democracy could deteriorate the country's nascent social stability. This risk could be mitigated through: (i) the adoption of an inflation control policy aimed, in particular, at stabilizing the GNF exchange rate; and (ii) implementation of the emergency programme in order to rapidly rehabilitate basic infrastructure (water and electricity supply). This programme, which will be partially financed from the national budget, also requires donor support requested at the roundtable held in Conakry on 6 and 7 April 2011.

74. **Risk of Conflict during the Legislative Elections**: The legislative elections that should have been held end 2011 (postponed to 2012) could engender conflicts between the supporters of the different political leaders. The political leaders' sense of responsibility already shown during the 2010 presidential elections will be critical in calming things down. International institutions, especially the UN and ECOWAS, will also have a major role to play in this context. Furthermore, the improved economic climate should contribute to the holding of calm elections. In conclusion, it is hoped that the new political era on which Guinea has embarked will lead to the emergence of a modern political life stripped of social or ethnic tensions.

75. **Risk of Bad Public Finance Governance**: the weakness of the fiduciary system and the continuation of dubious practices within the public administration could create the risk of bad management of resources, including those granted by the TFPs. This risk can be mitigated by the implementation of governance support programmes, including those by the Bank. Such programmes will help to strengthen the public finance legislative, fiduciary and control frameworks, among which those pertaining to procurement. In addition, the strengthening and consolidation of control organs, the adoption of the new Mining Code and the prospect of the country's forthcoming accession to EITI could play a decisive role in the establishment of sounder public finance management.

IV. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

76. With the success of the electoral process in November 2010, Guinea reached a turning point in its history, characterized by the gradual normalization of political life as well as ties with the international community, including the Bank. The Bank, which was one of the rare TFPs not to have suspended its relations with the country during the crisis, is the first TFP to opt for a new strategy for the 2012-2016 period.

77. The proposed strategy is in aligned with PRSP II (2007-2010, then extended to 2012), the Five-Year Plan (2011-2015) and PRSP III (2011-2015) under preparation. It takes into account the country's considerable needs while following a selective approach largely based on regional operations likely to have significant leverage effects in terms of financing and impact.

4.2 Recommendations

78. The Board is invited to consider and approve the Bank's Assistance Strategy for Guinea for 2012-2016, based on the following two complementary pillars: (i) economic and financial governance; and (ii) development support infrastructure.

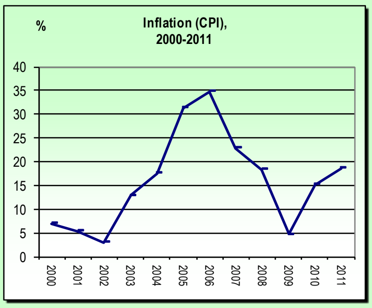
Annex 1

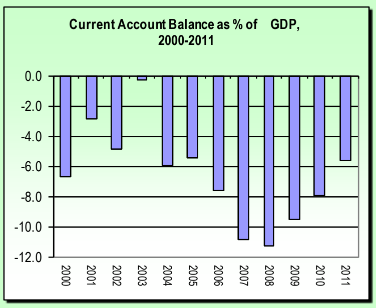
Key Macroeconomic Indicators

Guinea

Selected Macroeconomic Indicators

Indicators	Unit	2000	2006	2007	2008	2009	2010	2011 (e)
National Accounts								
GNI at Current Prices	Million US $	3,338	3,012	3,173	3,442	3,826	4,130	...
GNI per Capita	US$	400	327	339	360	392	414	...
GDP at Current Prices	Million US $	2,995.4	2,902.2	4,197.6	3,760.0	4,213.9	5,003.0	6,168.7
GDP at 2000 Constant prices	Million US $	2,995.4	3,571.9	3,634.6	3,814.1	3,802.6	3,878.3	4,061.1
Real GDP Growth Rate	%	-1.9	2.5	1.8	4.9	-0.3	2.0	4.7
Real per Capita GDP Growth Rate	%	-3.3	0.7	-0.1	2.9	-2.3	-0.2	2.3
Gross Domestic Investment	% GDP	13.6	22.6	19.8	22.1	17.3	19.1	21.3
Public Investment	% GDP	5.0	3.0	2.7	2.9	5.5	5.8	5.4
Private Investment	% GDP	8.5	19.6	17.1	19.2	11.8	13.2	15.8
Gross National Savings	% GDP	13.3	24.2	4.0	10.0	0.0	-1.5	-1.7
Prices and Money								
Inflation (CPI)	%	6.9	34.7	22.9	18.4	4.7	15.2	18.6
Exchange Rate (Annual Average)	local currency/US$	1,746.9	5,350.0	4,122.8	5,500.0	...	...	5,318.2
Monetary Growth (M2)	%	...	...	...	...	...	...	...
Money and Quasi Money as % of GDP	%	11.7	...	...	...	...	...	...
Government Finance								
Total Revenue and Grants	% GDP	13.7	17.1	15.8	16.3	16.7	16.5	15.1
Total Expenditure and Net Lending	% GDP	17.2	17.5	15.3	17.5	25.1	26.8	24.7
Overall Deficit (-) / Surplus (+)	% GDP	-3.4	-0.3	0.5	-1.2	-8.4	-10.3	-9.6
External Sector								
Exports Volume Growth (Goods)	%	5.7	1.7	0.5	38.4	-35.0	-1.0	26.8
Imports Volume Growth (Goods)	%	-5.6	15.1	10.8	-4.8	-2.6	6.8	43.2
Terms of Trade Growth	%	-10.1	8.8	0.9	-31.6	51.1	19.5	12.7
Current Account Balance	Million US $	-200.2	-221.4	-455.6	-423.2	-403.5	-399.6	-346.3
Current Account Balance	% GDP	-6.7	-7.6	-10.9	-11.3	-9.6	-8.0	-5.6
External Reserves	months of imports	1.6	...	...	...	...	...	...
Debt and Financial Flows								
Debt Service	% exports	15.3	11.8	11.1	8.9	8.2	4.1	35.5
External Debt	% GDP	108.9	109.8	77.2	82.4	71.5	64.2	54.2
Net Total Financial Flows	Million US $	329.3	177.1	236.0	227.3	189.3	...	...
Net Official Development Assistance	Million US $	152.9	169.5	228.1	327.6	214.7	...	...
Net Foreign Direct Investment	Million US $	9.9	125.0	385.9	381.9	140.9	302.9	...





Source : ADB Statistics Department; IMF: World Economic Outlook, September 2011 and International Financial Statistics, September 2011;
ADB Statistics Department: Development Data Portal Database, October 2011. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations

Last Update: October 2011

Annex 2

Conditions of Guinea's Eligibility for FSF Pillar III

Eligibility Criteria for FSF Supplemental Support **Stage 1 Eligibility Criteria**
Commitment to Consolidate Peace and Security The January 2010 Ouagadougou Agreement enabled Guinea to organize the first free elections in its history in December 2010. This outcome followed 10 years of social and political crisis that culminated in the bloody events of September 2010. The new Government, which has inherited a complex situation with weak basic services, energy and water shortages and civil service corruption, has embarked on structural reforms. If the legislative elections are well managed, they should mark the end of the transition and constitute the Government's first decisive step.
Unmet Social and Economic Needs Despite its natural wealth, the potential of its soil and subsoil, Guinea's socioeconomic indicators are among the weakest in the sub-region. Poverty has increased from an already high level (estimated at 55% in 2010), while Guinea is in the last quintile of the Human Development Index (156/170 in 2010) and a fairly high proportion of its population (estimated at 32%) lives in a situation of food insecurity. Basic services (water, electricity, health and roads) are affected by serious infrastructure gaps. Guinea has been weakened by the many internal conflicts in countries of the sub-region, the high level of corruption, under-employment and unemployment among a mainly young population (1 out of 3 inhabitants are under 16 years of age) which exacerbates income inequalities and drug trafficking–related problems. Against this backdrop, poverty reduction is one of the Government's priorities which, if it fails, could fuel socio-political tensions.
Stage 2 Eligibility Criteria
Improved Macroeconomic Conditions and Sound Debt Policies
The 2011 growth forecast (4%) reflects the increase in aluminium prices over the period. The return of constitutional order, the restoration of confidence on the part of the development partners and the strengthening of stability in the sub-region, should accelerate the pace of private investment, especially in the mining sector. Several infrastructure projects are planned and public investments should remain high due to a fiscal surplus. Budget forecasts for 2013 anticipate a deficit of about 7.6%. The likelihood of reaching the Heavily Indebted Poor Countries Initiative (HIPCI) by end 2012 is real and should relieve the central government budget of a large part of its external debt. These reforms should encourage private sector engagement and help to reduce certain tensions, particularly with regard to fiscal matters and unemployment. The transparent and diligent management of these reforms, especially in the mining growth sectors, will be critical for the country's economic and social stability. Against this backdrop, the forthcoming legislative elections will determine the Government's real ability to implement the required reforms.
Transparency of Public Accounts The financial management and public procurement report attached in Annex 4 shows that there has been no specific progress in the area of public procurement. The overuse of directly negotiated contracts continues to represent a fiduciary risk with respect to public spending.

ANNEX 3

Areas of Intervention of the Main TFPs (2008-2010)

Sectors	AfDB	WB	EU	Germany GIZ	Spain AECID	France AFD	EU AID	Japan	China	IsDB	IMF	UNICEF	UNDP
Budget Support	x	x	x								x		
Governance	x	x				x	x			x			
Modernization of Civil Service and Justice System and Decentralization		x	x			x	x						x
Security Sector			x			x							x
Health and Nutrition		x	x	x			x					x	x
Basic Education and Mining Sector-Related Vocational Training	x	x		x		x	x					x	
Urban Development		x	x			x				x			
Energy	x												
Transport	x	x				x			x	x			
Environment													x
Water and Sanitation		x						x		x			
Agriculture	x	x			x	x		x					
Rural Infrastructure	x					x						x	
Youth Employment		x											
Social Security		x	x									x	

Annex 4

Guinea - On-going Projects as at 01.10.2011

Sector/Project	Approv. Date.	Signat. Date	Compl. Date.	Source of Financing.	Amount Approved (UA)		% Disb.	Age (months)	Project Performance	Risk
Agriculture										
NERICA Dissemination Project - Guinea	26.09.03	13.02.04	30.12.11	ADF Loan	3,000,000	1,940,331.50	64.68	84.8	2.22	Non PP
Total Agriculture					**3,000,000**	**1,940,331.50**	**64.68**	**84.8**	**2.22**	
Infrastructure/Energy										
TOMBO-GBESSIA AIRPORT ROAD UPGRADING TO FOUR-LANES	13.07.05	22.07.05	31.12.10	ADF Grant	8,250,000	2,889,754.43	35.03	60.11	1.88	PPP
GUINEA – SUPPLEMENTARY GRANT	29.04.09	13.05.09	31.12.12	ADF Grant	5,170,000	269,760.78	5.22	24.3	-	Not rated
Rehabilitation of Electric Power Networks	29.10.08	13.05.09	31.12.13	ADF Grant	12,000,000	1,513,210.75	12.61	24.8	2.07	Non PP
RURAL ELECTRIFICATION PROJECT	21.01.11	15.02.11	31.12.15	ADF Grant	14,960,000	0	0	5.0	-	Not rated
Total Infrastructure/Energy					**40,380,000**	**4,672,725.96**	**11.57**	**28.55**	**1.97**	
Social Sector										
Education IV	13.07.05	22.07.05	31.12.11	ADF Grant	14,000,000	8,130,265.83	58.07	60.11	1.94	PPP
UPPER AND MIDDLE GUINEA PDSD PHASE II	09.02.11	15.02.11	31.12.13	ADF Grant	5,000,000	551,082.78	11.02	4.0	2.78	Non PP
Total Social Sector					**19,000,000**	**8,681,348.61**	**45.69**	**32.05**	**2.36**	
Multi- Sector										
CAPACITY BUILDING SUPPORT PROJECT.	26.07.06	15.09.06	31.12.11	ADF Grant	2,500,000	1,196,032.18	47.84	48.11	2.06	Non PP
PARCGEF	31.01.11	15.02.11	31.12.14	ADF Grant	7,544,000	0	0	5.0	-	Not rated
ECONOMIC REOFRM SUPPORT PROGRAMME	18.05.11	10.06.11		ADF Grant	20,000,000	0	0	1.0	2.70	Non PP
Total Multi-Sector					**30,044,000**	**1,196,032.18**	**47.84**	**18.03**	**2.38**	
GRAND TOTAL – 10 On-going Projects					**92,424,000**	**16,490,438.2**	**17.8**	**31.7**	**2.23**	**2 PPP/ 5 Non PP/ 3N. Rated**

ANNEX 5

GUINEA- 2011 PORTFOLIO PERFORMANCE IMPROVEMENT PLAN

MAIN PROBLEMS IDENTIFIED	ACTIONS REQUIRED	RESPONSIBILITY	TIMEFRAME
Operations Start-up			
Slow start-up attributable to the establishment of project units	- Ensure that a minimum of material and operating resources are available at the start-up of operations	GVT/AfDB	Quarterly Review
Financial Aspects			
Excessive delays in the approval of contracts and payment requests by the competent authorities	- Raise awareness on the need to speed up contract signature in accordance with the timeframes stipulated in the Public Procurement Code and the payment request approval chain.	GVT	Quarterly Review
Procurement Rules and Procedures			
Lack of familiarity with the Bank's procurement rules of procedure	- Ensure the timely fielding of launching missions and schedule procurement training for executing agencies	AfDB/GVT	Quarterly Review
	- Encourage PIUs to use Bank standard bidding documents	GVT/AfDB	
Operational Management and Monitoring			
Weaknesses in ownership and monitoring of operations at national level	- More closely involve the sector departments concerned and develop internal activity monitoring mechanisms	GVT	Quarterly Review
Bank delays in communicating its no-objection notices	- Reduce the number of projects per expert by developing large-scale projects and empower the future AfDB project focal point and DNIP	GVT/AfDB	Quarterly Review
Performance and Impact Measurement			
Weak results-based management culture	- Ensure that monitoring/evaluation systems are based on the results-based management system and disseminate the results through a communication strategy.	GVT/AfDB	Quarterly Review

Annex 6

Logical Framework

<table>
<tr><th rowspan="2">PRGSP-II Objectives</th><th rowspan="2">Problems Impeding Achievement of the Country's Development Objectives</th><th rowspan="2">CSP Outcomes and Area of Intervention</th><th rowspan="2">Objectives the Bank Proposes to Achieve through its Interventions</th><th colspan="2">Progress Indicators</th><th rowspan="2">Bank Deliverables</th></tr>
<tr><th>At Mid-Term (2014)</th><th>At the End of the Period (2016)</th></tr>
<tr><td colspan="7">Pillar 1 - 'Support Good Economic and Financial Governance Efforts'</td></tr>
<tr><td rowspan="5">Improved governance and institutional and human capacity building;</td><td rowspan="5">Weakness of country's fiduciary framework</td><td rowspan="4">Public finance management strengthened</td><td>Support reforms aimed at building the management and control capacity of public administration, restructuring of public finances and strengthening of public structures.</td><td>Definition of responsibilities of the Major Projects Administration and Control Agency (ACGP)</td><td>To be determined at the Mid-Term Review</td><td>Budget Support</td></tr>
<tr><td>Support public procurement system reform.</td><td>Audit of all public contracts signed between 2008 and 2009

Promulgation of a new Public Procurement Code</td><td>Establishment of a Public Procurement Regulatory Agency responsible for ex-post control of procurement procedures.</td><td>Budget Support</td></tr>
<tr><td>Strengthen local governance by building the capacity of local elected representatives, and civil society in the legal, legislative and economic and fiscal governance areas.</td><td></td><td>To be determined at the Mid-Term Review</td><td></td></tr>
<tr><td>Support the Government's Strategic planning efforts</td><td>Finalization of PRSP III
Finalization of the Five-Year Plan
Finalization of Vision 2035</td><td>Finalization of PRSP IV</td><td>Targeted Support</td></tr>
<tr><td>Governance in the extractive sector improved.</td><td>Strengthen the legislative framework and the control chain in the extractive sectors</td><td>Adoption of the Mining Code
Accession to EITI
Renegotiation of mining contracts</td><td>Adoption of the Petroleum Code</td><td>African Legal Support Facility</td></tr>
<tr><td rowspan="2"></td><td rowspan="2">Weak central government financial resources</td><td rowspan="2">Central Government budget strengthened</td><td>Relieve the country of the debt burden (through HIPCI).</td><td>Reaching of the HIPC Initiative Completion Point</td><td>To be determined at the Mid-Term Review</td><td>Budget Support
Targeted Support</td></tr>
<tr><td>Increase central government revenue from the mining sector.</td><td>Re-examine mining concession contracts and terms
Promulgation of a new Mining Code</td><td>• (Re)examine mining concession contracts and review their economic and financial aspects
• Public administration capacity building in the area of mining contract negotiations.
Promulgation of a new Petroleum Code</td><td>Access to the African Legal Support Facility during mining contract negotiations.</td></tr>
</table>

			Mobilize external financing.	Holding of the Guinea Partnership Conference	Substantial support from ‘Friends of Guinea’ for democratic transition	Organization of Guinea Partnership Conference
Pillar 2 - ‘Energy and Transport Infrastructure’						
Acceleration of growth and creation of employment opportunities; and improved access to high quality social services	Insufficient economic infrastructure in support of the development of potential growth sectors	Close the energy generation gap through the development of power infrastructure and interconnections between countries and the sub-region:	Setting up of regional energy and transport projects Creation of investments in the private sector or in the form of PPPs aimed at improving the infrastructure necessary for the mining sector’s development (transport and energy).		• Construction of a dam and 240 MW hydropower plant in Kaléta. • Creation of 1400 jobs • Raise the average electric power access rate in the 4 countries involved in this project from 21% in 2009 to over 52% in 2016. • Reduce the cost per kWh from 15 euro cents to 11.6 euro cents in 2016; • Reduce the number of power outages from 600 in 2005 to between 150 and 200 in 2016; • Reduce greenhouse gas emissions by 525,000 tonnes per year	OMVG
					• Construction of 1360 km of 225 kV power transmission lines and 12 sub-stations • Increase the electric power access rate in the 4 countries from 9% in 2010 to 15% in 2015. • Create 5000 project-related jobs and 450 permanent jobs; • Reduce the average generating cost from 20 US cents to 8 US cents in 2020 • Reduce emissions of CO_2	CLSG interconnection
		Speed up the development of transport infrastructure			Ensure the availability of a year-round paved road link between Conakry and Bissau	Boké-Kobe Road

ADF 13 (2011-2013) and FSF Operations Programming (in UA million)

Lending Operations					
	Year	**ADF 12**	**FSF (Pillar III)**	**Regional Funds**	**Total**
Pillar I – Support Good Economic and Financial Governance					
Budget Support	2011	20.00			20.00
Targeted Support	2011		2.50		
Sub-Total		**20.00**	**2.50**		**22.50**
Pillar II – Support Energy and Transport Infrastructure					
CLSG Interconnection	2012	12.00		24.00	36.00
Boké-Quebo Road	2013	3.67		7.34	11.01
OMVG	2013	12.00		24.00	36.00
Sub-Total		27.67		55.34	83.01
Total		**47.67**	**2.50**	**55.34**	**105.51**
Economic and Sector Work					
Private Sector Profile	**2012**		**x**		
Guinea Vision 2035	**2013**		**x**		
Study on Financial Sector Reforms,	**2013**		**x**		
PPP Framework Feasibility Study	**2013**		**x**		
Study on Economic Partnership Agreements (EPA).	**2012**		**x**		

Annex 8

Map of Guinea and the Sub-Region