



COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN GUINEA

Generating diversified growth in a
resource-rich environment

October 2020



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ABBREVIATIONS AND ACRONYMS

ACE	Africa Connects Europe Program
AGER	National Rural Electrification Agency
ANAIM	National Agency for Development of Mining Infrastructure (<i>Agence Nationale d'Aménagement des Infrastructures Minières</i>)
APIP	Investment Promotion Agency of Guinea
BPS	Business Pulse Survey
BRT	Bus Rapid Transit
CBG	Compagnie des Bauxites de Guinée
COBAD	Compagnie de Bauxite de Dian-Dian
CPSD	Country Private Sector Diagnostic
DFS	Digital Financial Services
ECOWAS	Economic Community of West African States
EDG	State Electricity Company (<i>Electricité de Guinée</i>)
ESIA	Environment and Social Impact Assessment
FDI	Foreign Direct Investment
FI	Financial Institution
GAC	Guinea Alumina Corporation
GDP	Gross Domestic Product
GLSG	Côte d'Ivoire, Liberia, Sierra Leone, and Guinea
GW	Gigawatt
HIPC	Highly-Indebted Poor Country
ICT	Information and Communications Technology
IDA	International Development Agency
IFC	International Finance Corporation
IMF	International Monetary Fund
IPP	Independent Power Producer
kWh	Kilowatt hour
MNO	Mobile Network Operator
MSME	Micro, Small, and Medium Enterprises
MW	Megawatt
NPL	Non-Performing Loan
PPP	Public-Private Partnership
PPR	Port Performance Rating
PSRP	Power Sector Recovery Project

SEG	National Water Utility (<i>Société des Eaux de Guinea</i>)
SME	Small and Medium-Size Enterprise
SNCFG	National Train Company (<i>Societe Nationale des Chemins de Fer de Guinée</i>)
SONAPI	National Agency for Planning and Housing Development (<i>la Société Nationale d'Aménagement et de Promotion Immobilière</i>)
SPS	Sanitary and Phyto-Sanitary
SSA	Sub-Saharan Africa
TA	Technical Assistance
UAF	Universal Access Fund
VAT	Value-Added Tax
WAEMU	West Africa Economic and Monetary Union
WAPP	West African Power Pool

EXECUTIVE SUMMARY

GUINEA'S ECONOMY REMAINS FRAGILE, BUT WITH ENORMOUS NATURAL RESOURCES OPPORTUNITIES

Guinea remains one of the poorest countries in the world. Despite GDP increasing by close to 40 percent in per capita terms between 2005 and 2017, Guinea's US\$824 GDP per capita remains well below the Sub-Saharan Africa average of US\$1,573. Extreme poverty is high, affecting 35 percent of the population.¹

Political instability and governance issues lie at the root of past economic mismanagement. A prolonged period of state control (1958–84) was followed by an equally long period of political instability and economic uncertainty (1984–2010). Since 2010, the victory of Alpha Condé and his re-election in 2015 have ushered in a period of economic progress, although continued political and institutional fragilities should not be underestimated.

Linked to this fragility, the Guinean private sector remains dominated by small, informal businesses. Almost 92 percent of private businesses employ fewer than five people and generate annual revenues of less than US\$7,000.²

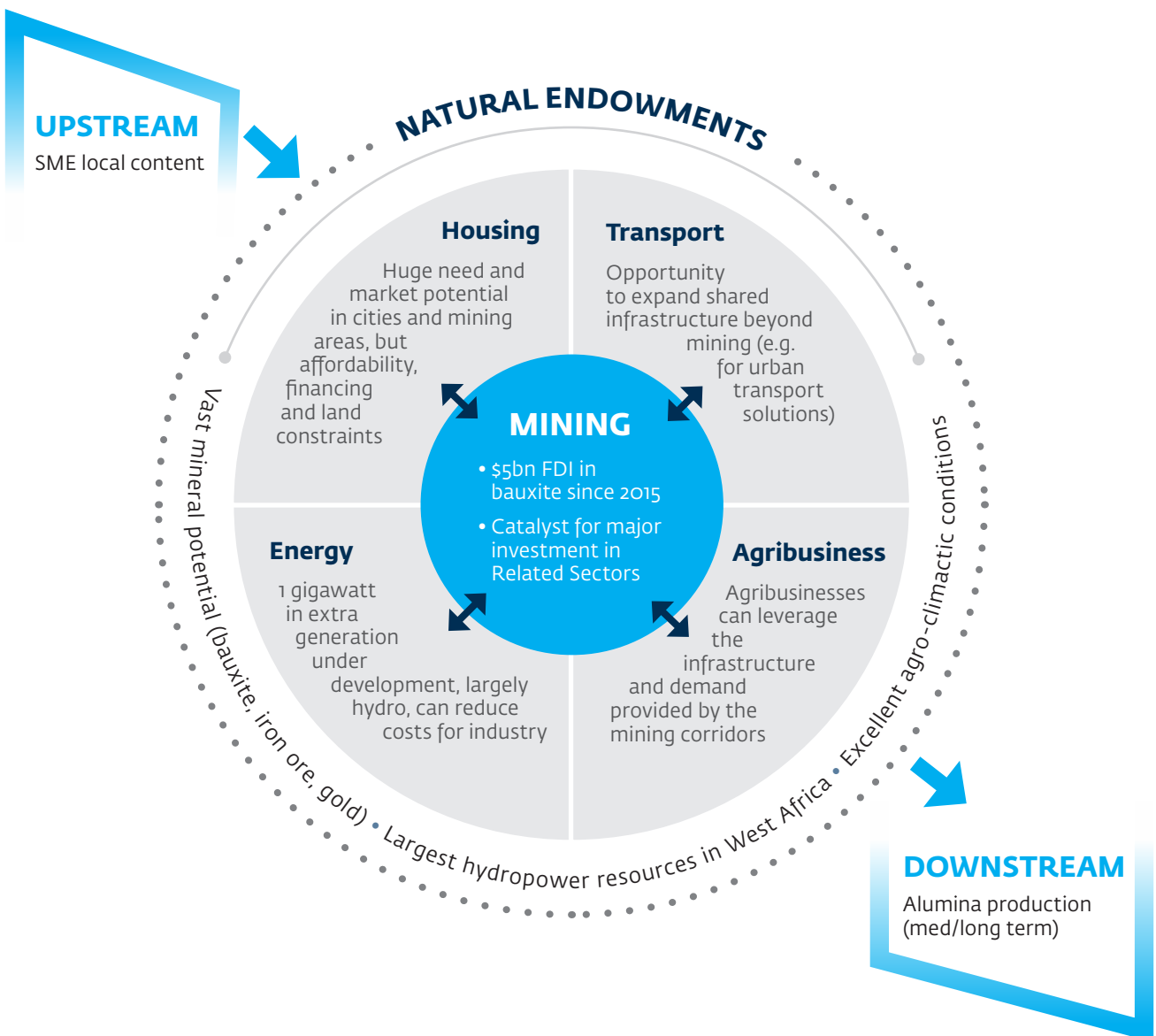
Despite these historical challenges, Guinea's natural-resource potential is enormous. These natural assets have begun to be exploited during the recent period of stability (since 2010):

- **Guinea has vast mineral potential and investment in bauxite is booming.** Natural capital per capita is estimated at about US\$7,300, more than six times current GDP per capita.³ Guinea is home to one-third of the world's known bauxite reserves (7 to 8 billion tons), the world's largest untapped iron ore deposits (3.2 billion tons), significant reserves of gold (estimated 700 tons) and diamonds (30 to 40 million carats), limestone (valuable for cement), graphite, and a wide variety of other minerals. Investment in bauxite represents the current driving force for the economy, with over US\$5 billion in cumulative foreign direct investment (FDI) since 2015 in the Boké region alone.⁴
- **Hydropower potential is the largest in West Africa.**⁵ In recent years, several large national and regional hydropower projects have started to exploit the country's vast potential, with Kaléta (240 megawatts, operational since 2015) and Souapiti I (450 megawatts, under construction since 2015) alone being equivalent to Guinea's current total generation capacity
- **Agro-climatic conditions are excellent, allowing for the cultivation of an extensive range of agricultural products.** In the 1950s, Guinea was one of the wealthiest and most agriculturally productive African countries (known as "West Africa's orchard"). This potential is still demonstrated today by a variety of flourishing informal agricultural exports within the sub-region. While commercial-scale investment remains very limited, with supportive public policies, competitive opportunities exist across a wide range of value chains.

THE CURRENT MINING BOOM HAS THE POTENTIAL TO CATALYZE A WIDE RANGE OF POSITIVE SPILLOVERS ACROSS THE ECONOMY

In the near term, mining is likely to remain the dominant sector for private investment in Guinea. Only a tiny fraction of Guinea’s 7.4 billion tons of bauxite reserves has so far been exploited. Contingent on continued macroeconomic and political stability, there remains enormous further growth potential. While market forces have been an important driver of the current boom, the 2011 Mining Code laid a critical foundation by clarifying concession rules and increasing transparency in contracts. Aside from bauxite, gold mining continues to attract investment, while for iron ore development will be contingent on improved global prices and investor appetite to finance the substantial infrastructure costs required.⁶

FIGURE 1 LEVERAGING LINKAGES BETWEEN MINING AND OTHER SECTORS WILL BE CRITICAL FOR GENERATING INCLUSIVE, DIVERSIFIED, AND SUSTAINABLE GROWTH



The knock-on effects of the current bauxite boom are already starting to transform the wider Guinean economy. The new bauxite projects are triggering substantial related investments in supportive transport and energy infrastructure. For example, the US\$1.4 billion (first phase) project by the Guinea Alumina Corporation (GAC) will expand the port terminal and commercial dock at Kamsar and the existing Boké–Kamsar railway line. Meanwhile, assuming even a low-case scenario of 10 percent local content,⁷ the investment in the Boké region since 2015 will generate an aggregate of US\$500 million in opportunities for local suppliers. Over the medium to longer term, the plentiful availability of high-quality bauxite provides a potential opportunity for Guinea to increase local value addition by moving into downstream refining of alumina, or even further into aluminum smelting.⁸

Given the rapid nature of mining growth, managing the growing environment and social (E&S) risks is a priority. This includes the need to manage the rising tensions around local benefit-sharing in the affected communities (especially in the Boké region), and the need to improve the capacity of the public sector to monitor and enforce the adoption of effective environmental safeguards.⁹

Realizing the wider economic impacts from mining and promoting diversification will be vital for Guinea, given the risks of natural-resource dependency

The current mining-dominated expansion creates significant risks in relation to lack of economic diversification.¹⁰ Mining generates 15 percent of GDP and 80 percent of export earnings, but employs fewer than 200,000 people (including those in artisanal mining). The scale of the recent foreign currency inflows may also entail substantial Dutch Disease risks,¹¹ while macroeconomic stability faces risks from commodity price volatility.

Guinea's geography creates export diversification opportunities, but current regional integration is limited. Guinea has an extended coastline and six direct neighbors, including landlocked Mali, but less than 7 percent of formal imports and 1 percent of formal exports occur within the Economic Community of West African States (ECOWAS).¹² Planned power interconnections are an important positive trend, but further regional trade integration is held back by the extremely poor road network, combined with poor harmonization of customs systems with bordering countries. While Guinea is within the ECOWAS common external tariff zone, its position outside of the West Africa Economic and Monetary Union (WAEMU) common currency zone further limits integration, especially financial.¹³

Shared use of mining infrastructure, starting with transportation infrastructure, can help increase the competitiveness of other market sectors, such as agribusiness.

To date, in the absence of an operational regulatory system, Guinea’s rail corridors are governed by bilateral agreements between the government and private mining operators. A policy to regulate shared infrastructure around the mining poles is under preparation which, if adopted and applied effectively, will provide a basis for expanding the country’s key mining regions into diversified growth corridors.¹⁴ However, management of the competing requirements of the various rail users will not be straightforward, and sustained technical assistance to strengthen the government’s regulatory capacity will be essential to realize this potential over the longer term.¹⁵

MAXIMIZING THE DEVELOPMENT IMPACT OF MINING GROWTH

OPPORTUNITIES	KEY CONSTRAINTS	PRIORITY INTERVENTIONS
<ul style="list-style-type: none"> • Mining growth and diversification (bauxite, gold, iron, graphite) • Mining-related local economic development and linkages (construction, logistics, food supply, etc.) • Expanded mining-related infrastructure (rail, ports, energy), including increased shared use • (Longer term) Resource-based manufacturing (e.g., alumina refining) 	<ul style="list-style-type: none"> • Fiscal revenue collection does not match mining sector growth: <ul style="list-style-type: none"> – Limited capacity to monitor mining output and regulate transfer pricing – Ad-hoc tax exemptions remain • Environmental and social risks: <ul style="list-style-type: none"> – Rising community discontent in key mining areas – Environment and Social Impact Assessment (ESIA) standards inconsistent – Limited government capacity to monitor cumulative impacts • Barriers to local sourcing: <ul style="list-style-type: none"> – Poor local SME capacity – Tax incentives for international suppliers crowd out local content 	<ul style="list-style-type: none"> • Strengthen sector oversight: <ul style="list-style-type: none"> – Strengthen fiscal and E&S provisions in current and future contracts – Strengthen fiscal and E&S monitoring and enforcement capacity – Continue to remove remaining tax exemptions in line with mining code • Support SME linkages: <ul style="list-style-type: none"> – Remove tax distortions disadvantaging local suppliers – Invest in supplier skills and certification • Leverage local economic development opportunities: <ul style="list-style-type: none"> – Focus and coordinate strategic investments in the Boké (bauxite) region (“growth pole” approach)¹⁶ – Build regulatory capacity to manage infrastructure on a shared-use basis

Maximizing fiscal returns and local content will be fundamental in achieving diversification. Effectively regulating and monitoring fiscal revenues will be essential to ensure that Guinea reaps the full dividends of mining development, and secures the public finance needed to support the diversification agenda. The 2011 Mining Code already provides a strong foundation, but strengthening capacity to monitor and enforce compliance will be important for effective implementation. Likewise, for local content, while mining contracts generally contain the right provisions, the lack of capacity of small and medium enterprises (SMEs) to meet the quality standards required by multinationals, as well as tax exemptions encouraging foreign companies to import rather than source locally, continue to present barriers.

From a trade perspective, agribusiness provides Guinea's best diversification opportunity

Agribusiness represents both a market opportunity and a development priority, given the country's fertile agro-climatic conditions and the dependency on agriculture for livelihoods.¹⁷ World Bank Group research suggests that many of the most competitive opportunities for diversification lie in agricultural products (including fruit, fonio, rice, coffee, eggs), the promotion of which will also generate strong GDP and employment.¹⁸ However, private investment will remain limited without concerted and complementary public support, given the breadth of obstacles facing the private sector. These include, most notably: a history of inconsistent agri-trade policies; the lack of institutional capacity to support extension services and R&D; weak market linkages between smallholders and offtakers; high access-to-market costs (both related to poor road quality and the lack of logistics infrastructure); and insecurity of land titles. Given the extent of these challenges, maximizing the return on public investments will likely require a "clustering" or "growth pole" approach to agribusiness development. This can include the leveraging of infrastructure and services that are developing around the growing mining corridors—an approach already conceived under a large new World Bank lending operation.¹⁹

AGRIBUSINESS		
OPPORTUNITIES	KEY CONSTRAINTS	PRIORITY INTERVENTIONS
<ul style="list-style-type: none"> • Fruit, including processed fruit for the local and regional market • Fonio for regional and global exports (85 percent of global production comes from Guinea) • Rice for domestic consumption • Robusta coffee for global exports • Cashew for global markets • Eggs for domestic consumption 	<ul style="list-style-type: none"> • Sudden distortionary policy changes (e.g., export bans, subsidized imports) • Weak institutional capacity (R&D, extension, regulatory agencies, etc.) • Challenging market linkages (lack of aggregated supply of suitable produce to catalyze processing investments) • High access-to-market costs (poor road quality and logistics) • Insecure land tenure and inefficient land administration 	<ul style="list-style-type: none"> • Channel public support to the most competitive geographies and value chains: <ul style="list-style-type: none"> – Short-term focus on regions with viable infrastructure and market access (e.g., Conakry–Kindia, mining corridors) – Focus on the most – competitive value chains (see opportunities) • Address short-term enabling environment reforms in input supply, trade policy, standards to remove barriers to investment in the sector (see agribusiness section for details) • (Longer term) Develop farmer organizations, public institutions and infrastructure

In the energy sector, hydropower is booming, while the financial sustainability of transmission and distribution remains a priority

As for mining, the energy sector is currently going through a critical transformation. An estimated 1 gigawatt in ongoing, predominantly hydropower, generation investments have the potential to reduce energy generation costs by over 30 percent,²⁰ while interconnections to the West African Power Pool (WAPP) will create export opportunities post 2021. In addition to serving mining sector growth, and providing a basis for regional exports, the availability of lower cost generation will provide a stronger competitive base for a wide range of productive sectors, such as manufacturing and agri-processing.

Beyond hydro, near-term opportunities for the private sector include solar, captive power for mines, and rural mini-grids. While additional large-scale hydropower generation opportunities may be limited for new investors, opportunities are emerging in solar photovoltaic (PV), contingent on government efforts to progressively reform tariffs and rationalize independent power producer (IPP) contracting plans. Other potential opportunities for the private sector include (semi-)captive power supply to the mines and, on a smaller scale, mini-grids in areas not reached by the national grid.

While the efficiency of transmission and distribution is improving, significant progress is needed to achieve financial sustainability. The recent management contract for the national power utility, *Electricité de Guinée* (EDG), supported by both IFC advisory and World Bank financing, is improving operational and financial performance in the electricity sector, albeit from a base of very high technical and commercial losses. However, tariffs remain well below cost-recovery levels, fueling fiscal risks and contingencies.

ENERGY		
OPPORTUNITIES	KEY CONSTRAINTS	PRIORITY INTERVENTIONS
<ul style="list-style-type: none"> • On-grid power production: <ul style="list-style-type: none"> – Future on-grid IPP opportunities (solar in the medium term) – Energy services to mining companies (captive or semi-captive power) • Off-grid power production: <ul style="list-style-type: none"> – 10 rural mini-grid opportunities currently planned in the government's access program 	<ul style="list-style-type: none"> • Poor financial health of the national utility (EDG): <ul style="list-style-type: none"> – Very high commercial and technical losses, regular outages – Tariffs below cost-recovery levels • IPP planning and procurement practices: <ul style="list-style-type: none"> – Multiplicity of MoUs, with bilateral negotiations leading to higher costs, delays, and risks 	<ul style="list-style-type: none"> • Support the financial sustainability of the sector: <ul style="list-style-type: none"> – Invest in transmission and distribution – Enforce pre-paid meters to increase cost-recovery – Progressively increase tariffs and enforce tougher sanctions on non-payment • Strengthen the government's PPP capacity in the energy sector: <ul style="list-style-type: none"> – Introduce competitive transaction procedures as a basis for the next wave of IPPs

Note: PPP = public-private partnership

The private sector can also play an important supportive role in tackling Conakry's urbanization challenges

In the transport sector, Conakry's urban development and congestion issues may present some of the most immediate opportunities for private sector participation. Very high on the political agenda, a range of transport public-private partnership (PPP) solutions to ease congestion in and around the Conakry peninsula is in the pipeline, linked to demand both for freight (linking the port located west of Conakry to the east of the city) and for passenger transport from the outskirts to downtown Conakry.²¹ Specific opportunities are described in detail in the new draft urban transport development plan recently launched by the government with EU support,²² and include: a dry port in Kagbelen (outskirts of Conakry), linked by rail to the Conakry port;²³ urban rail transport solutions using the existing Conakry–Kindia (CBK) rail line; and urban transport using a bus rapid transit (BRT) system. In most cases, however, these PPP solutions will not be viable on a fully commercial basis, and hence will be contingent on the allocation of public sector resources.

TRANSPORT

OPPORTUNITIES	KEY CONSTRAINTS	PRIORITY INTERVENTIONS
<ul style="list-style-type: none"> • Passenger and freight solutions to ease congestion in Conakry congestion: <ul style="list-style-type: none"> – Passenger and freight services using the existing CBK rail line – Dry port in Kagbelen, linked to the port via the CBK rail line – BRT system (medium term) – Passenger ferry services (medium term) – Conakry road by-pass to divert truck traffic 	<ul style="list-style-type: none"> • Need for public financing: <ul style="list-style-type: none"> – Most transport opportunities identified will require significant public financing and complex PPP arrangements – Need for more efficient use of existing infrastructure: – Most mining infrastructure (rail and ports) is exclusively used by the mines – Shared-use agreements, such as the new arrangement for the Boké corridor, are needed to unlock broader transport opportunities 	<ul style="list-style-type: none"> • Implement institutional, legal and regulatory reforms driving shared-use of ancillary mining infrastructure²⁴ • Introduce and negotiate new sharing agreements for the CBK rail line • Build the government's PPP capacity in the transport sector: <ul style="list-style-type: none"> – Validate and adopt planning tools (masterplans) – Prepare for the next wave of PPPs following good practice competitive bidding

Coordinated action to enable infrastructure sharing in the Northern Corridor may provide a blueprint for additional transport infrastructure-sharing opportunities. As highlighted above, the World Bank has been supporting the government for the past four years on mining infrastructure-sharing, with a focus on the Kamsar–Sangaredi rail infrastructure owned by the *Agence Nationale d’Aménagement des Infrastructures Minières* (ANAIM). Infrastructure-sharing agreements were signed between three mines (Compagnie des Bauxites de Guinée (CBG), Compagnie de Bauxite de Dian-Dian (COBAD), and GAC) and expansion investments (involving IFC financing) are now ongoing, which will increase the transport capacity of the rail line from 27 million tons to 51 million tons per year. If the government can demonstrate its ability to appropriately manage competing multi-user demands, the approach may serve as a blueprint for other rail and port infrastructure, including the use of the existing Conakry–Kindia line for passenger and freight transport.

Another urgent need, and an imminent opportunity for private investment in urban areas, is in housing. At present, the commercial housing market in Conakry remains small due to both affordability and financing constraints, while the limited availability of land and related tenure issues are also pushing up costs for potential developers. The government has, however, made housing a high national priority and, with the right interventions to open available sites and to address barriers to mortgage financing, opportunities will emerge to serve the growing urban middle class.

HOUSING

OPPORTUNITIES	KEY CONSTRAINTS	PRIORITY INTERVENTIONS
<ul style="list-style-type: none"> • Social (affordable) housing development opportunities emerging thanks to investment climate reform: <ul style="list-style-type: none"> – Public sites earmarked for development (e.g., under SONAPI) – New concession framework and incentives for developers • Demand for commercial housing to serve the growing middle class and diaspora segments 	<ul style="list-style-type: none"> • Lack of access to mortgage financing: <ul style="list-style-type: none"> – High interest rates – Limited long-term liquidity of banks – Limited aggregate demand • Poor security of land tenure: <ul style="list-style-type: none"> – Informality and poor records – Intersecting statutory and customary claims on plots 	<ul style="list-style-type: none"> • Complete implementation of new government initiatives to ease financing constraints for social housing (e.g., mortgage guarantee fund) • Proactively aggregate demand for professional developers (e.g., through large employers) • Proactively attract and structure private housing investments, beginning with available sites • Tackle longer-term policy actions (national housing strategy, Conakry urban masterplan)

The above summary of the key opportunities for the private sector in Guinea is not exhaustive. The main report also discusses important opportunities and barriers in financial services and ICT. Meanwhile, Annex 1 briefly discusses opportunities in health, education, and water and sanitation which, although critically important for social development in Guinea, are not likely to provide the same scale of opportunities for private investment over the near term.

Note: SONAPI = The National Agency for Planning and Housing Development

ADDRESSING KEY CROSS-CUTTING CONSTRAINTS WILL BE FUNDAMENTAL TO REALIZING THESE SECTOR OPPORTUNITIES

To fully realize the scale and diversity of private sector opportunities described above, Guinea will need to accelerate progress in addressing a range of cross-cutting constraints. Some of these challenges, such as governance and related political instability, and the low levels of skills and education, will require the progressive building of institutions and public investment over the long term. However, others can be tackled via more immediate reform efforts. Priorities include:

- **Tax reform to increase revenues and ease payments for business.** The macroeconomic framework, while improving, is constraining space for domestic private sector financing due to rising public debt. Increasing tax revenue is vital to reduce this pressure and increase fiscal space for investment. Efforts are already being made, for example in the mining sector, where ad-hoc tax exonerations have started to be removed, and legal provisions are being prepared to reduce transfer-pricing risks.²⁵ Further work is needed to simplify the tax code, including tax payment and auditing procedures for companies, which would increase both efficiency and revenues.
- **Strengthen public financial management.** Increased revenue must be matched by efforts to increase the efficiency of public spending. Progress has been made with the adoption of a 2019–22 action plan to reform public finances. Implementing this plan, as well as increasing the share of public contracts procured through open competition, represents current priorities in this regard.
- **Completion of ongoing reforms to the PPP framework.** While Guinea is increasingly making use of PPPs, slow implementation of the recent PPP Law is delaying new opportunities, notably in energy and transport (see above). Publishing the new law, and establishing a specialized new unit for its operation, will provide a basis for advancing the many pipeline PPP projects. Technical support to this unit in identification, preparation, evaluation and negotiation of PPPs will also be critical at the start-up phase.
- **Reinforcing the commercial justice system.** The recent launch of the commercial court is a major step forward, which will require budget and capacity support to operationalize.²⁶ Other priorities include developing an alternative dispute regulation mechanism to reduce pressure on the court systems, and implementing reforms to improve contract enforcement and resolve insolvencies.
- **Strengthening land and property rights.** While deeper land administration reforms should continue (digitalization of titles and records, land tenure reforms), a number of short-term reforms can be undertaken to reduce the time and costs of registering property and obtaining construction permits (e.g., implementing the one-stop shop for land and construction, automating of permitting procedures).
- **Expand trade by reducing costs and improving infrastructure.** Along with strengthened governance and streamlining of customs clearance processes, operationalizing the single window for customs clearance will help reduce time and costs of trade-related paperwork and inspections. Further investments and reforms that are needed to improve trade infrastructure (port logistics, dry port, etc.) are discussed in the transport chapter of the main report.

- **Reduce the cost of, and increase access to, financial services.** Immediate priorities to boost lending include: developing the financial infrastructure to reduce information asymmetries (e.g., via improved credit information systems); increasing the capacity of SMEs to access finance; and supporting local banks to expand available financial products (e.g., mortgage finance, leasing, digital financial services). In addition, strengthening the supervisory capacity of the central bank, the Central Bank of the Republic of Guinea, will enable banks to use a wider range of assets to meet reserve capital requirements.
- **Increase FDI by implementing the 2015 Investment Code.** The code is crucial for strengthening investor rights, and clarifying and simplifying investment processes and requirements. To make it effective, there is a need to simplify decision-making processes, put in place an independent appeals mechanism with sanctions for delays in attributing incentives, and automate processes for the application and granting of incentives (to reduce current governance issues).

For Guinea, it is critically important that these legislative and regulatory reform efforts also translate into practice. In the past, significant delays have been encountered with the implementation of well-structured reform efforts (for example, the investment code, prior PPP reforms, and an attempted public-private dialogue platform). Addressing issues of capacity, and incentives for implementation, should therefore be central to all future reform efforts, to ensure that well-designed reform efforts are not undermined by failed implementation.

Linked to these reform efforts, it will also be crucial to better understand how to incentivize Guinean businesses to join the formal economy. At a micro level, businesses clearly perceive advantages in remaining within the informal economy. However, at a structural level this high level of informality severely constrains the ability of the private sector to grow and access finance. Therefore, the question of how to create the right incentives and support for the formalization of SMEs is crucial for private sector development in Guinea, and warrants further detailed analysis and reflection on international experience.

COVID-19 CRISIS RESPONSE

This document was prepared before the onset of the crisis caused by the COVID-19 pandemic from March 2020. As in other countries in the region, the worst hit sectors are expected to be trade, hotels and restaurants, manufacturing, and of course export sectors in mining and agriculture hit by declining demand and prices. Informal micro, small and medium enterprises (MSMEs) are the most vulnerable segments of the private sector. The COVID-19 pandemic crisis is impacting firms through several channels. The slowdown in demand from China for mining products will most likely disrupt mining firms' activities, and by extension their local suppliers. Commodity prices have dropped dramatically, and are not expected to recover quickly. The effect will trickle down to the entire economy due to its reliance on mining. Mines will decrease production, and some may even shut down. These impacts of the crisis on Guinea's mineral exports²⁷ will affect the government's capacity to support the economy, bearing in mind the already strained fiscal space (see Chapter 2).

Furthermore, as firms are unable to operate, their ability to pay workers has diminished severely and led to some layoffs, which reduces consumer confidence in the country. A rise in uncertainty will further reduce consumption and spending affecting firms even more. Shortages in essential inputs may also result from disruption in global and regional trade caused by disruptions in trade patterns and volatility in commodity prices, thereby also affecting the production/commercial capacity of firms. Results of a rapid COVID-19 impact assessment survey (Business Pulse Survey, or BPS)²⁸ carried out in May 2020 pointed out that 53 percent of firms indicated a disruption in their supply chain.

A loss of production capacity will result from labor shortages driven by lockdowns and loss of labor mobility in non-essential activities. Similarly, the availability of workers who may also fall ill or must attend to family obligations (children, etc.) could also generate adverse impacts on businesses. The BPS reported that 65 percent of firms indicated a reduction in the availability of their personnel.

In the medium to long term, many firms that have experienced loss of revenue will recover, although the longer-term effects on employment and productivity could persist. In particular, firms created during or around this downturn will face a higher probability of remaining small for an extended period of time.

1. INTRODUCTION

COUNTRY CONTEXT

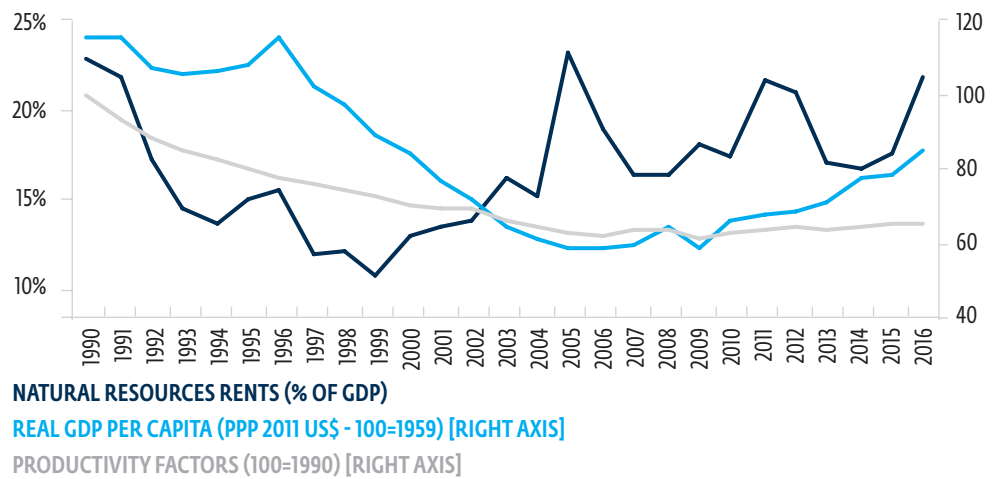
Guinea is among the poorest countries in the world. Despite GDP more than doubling in per capita terms between 2005 and 2017, Guinea's US\$827 GDP per capita remains well below the Sub-Saharan Africa average of US\$1,573.²⁹ Extreme poverty is high, currently affecting 35 percent of the population. While income inequality is low, poverty trends are exacerbated by severe regional and gender disparities,³⁰ as well as high vulnerabilities stemming from frequent adverse shocks. Non-monetary poverty outcomes are also low, as highlighted by a Human Capital Index score of 0.37, among the 20 least-performing countries in the world.

Political instability is at the root of past economic mismanagement. Under the leadership of Ahmed Sékou Touré, a 35-year-old trade unionist, Guinea was the only one of 20 French overseas territories to reject the 1958 French proposal to join the newly created Franco-African community. This triggered a swift break from French rule, and the start of a prolonged period of state control (1958–84), followed by an equally long period of political instability and economic uncertainty (1984–2010). Since 2010, the narrow victory of Alpha Condé and his re-election in 2015 have ushered in a period of economic progress, although continued political and institutional fragilities should not be underestimated.

Guinea is endowed with enormous natural resources potential. According to the World Bank, Guinea's natural capital per capita is about US\$7,300, more than six times its current GDP per capita.³¹ The country's rich mineral resources include the world's largest untapped iron ore resources, one-third of the world's bauxite (7 to 8 billion tons), significant gold and diamond reserves, limestone (valuable for cement), graphite, and a wide variety of other minerals. Guinea's water resources offer vast potential for hydropower, while the country's highly fertile and diverse agro-climatic conditions allow for the production of a wide range of different crops for local, regional, and global markets.³²

While political fragilities remain, economic progress has been largely positive since the end of the 2010 democratic transition, even despite the devastating Ebola epidemic in 2014–15. Real GDP growth reached 10.5 percent in 2016 and 10.6 percent in 2017, driven by mining production and investment and construction, as well as improved agricultural performance. During the post-2010 period, Guinea completed a wide range of major reforms, including notably the 2011 Mining Code, which has brought considerable clarity to the "rules of the game" in the extractives sector. Guinea has also undertaken a broad investment climate reform program, resulting in its gaining 23 places in the Doing Business ranking between 2012 and 2019. As a result, the current government has progressively gained credibility as a committed reformer. Consecrating this reform momentum, Guinea gathered over US\$20 billion of pledges from various development partners to fund its 2016–2020 National Development Plan.³³

FIGURE 2 GOVERNANCE AND ECONOMIC DIVERSIFICATION ISSUES HAVE PREVENTED LARGE FDI FLOWS FROM TRANSLATING INTO PRODUCTIVITY AND INCOME GAINS



Source: WB WDI, IMF WEO, and IFC staff calculations.

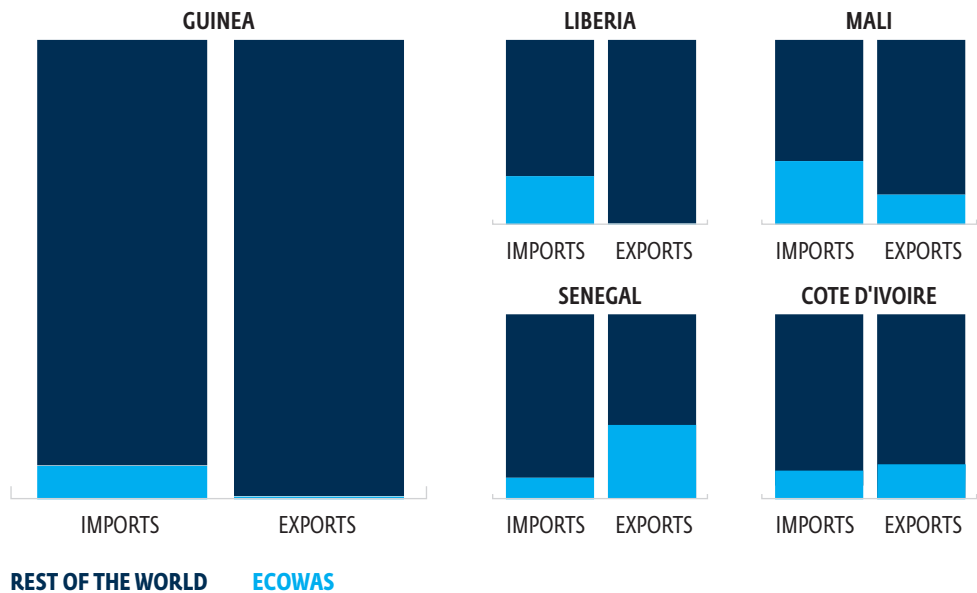
Note: natural resources rents are the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents.³⁴

Recent large and ongoing foreign investments in mining and hydropower have the potential to transform the country. Though political tensions have been rising recently—as the prospect of the 2019 legislative elections and the 2020 presidential elections fuel uncertainties—the improving macroeconomic situation, alongside generally positive reform momentum, is sustaining investors’ appetite. Most notably, a “bauxite boom” is currently the driving force for private sector activity. After seeing little new investment for 40 years, bauxite extraction has exploded since 2015, driven by rising global prices, the accessibility of major bauxite reserves (mostly close to the coast), an improving enabling environment, and systemic declines in production among other major global producers (notably Indonesia and Malaysia). Added to this, investments in over 1 gigawatt of new energy generation (over 70 percent hydropower) will more than double existing capacity and create near-term power export opportunities.

This heavy concentration of investment creates risks, however, related to the lack of diversification of exports and the low employment generated from mining and hydropower.³⁵ These include the risks of Dutch Disease, where exchange-rate appreciation following the discovery and exploitation of natural resources weighs down on the competitiveness of the domestic tradeable sectors. Other countries in the region, notably Nigeria, have in the past experienced major declines in agriculture due to this effect. Recent IMF reports confirm the risks for Guinea, with recent real effective exchange rate (REER) appreciation and a widening current account deficit driven by booming (mining and energy) FDI-related imports.³⁶ Furthermore, it is still hard to assess the scale of potential negative impacts in Guinea’s real sector, largely because non-mining tradeable exports are extremely low. Nevertheless, managing this tension will be crucial to maximizing the spillovers generated by ongoing mining and hydro projects into connected value chains, while also proactively promoting diversification and trade integration into tradeable sectors, such as agribusiness and resource-based manufacturing. Creating and developing wider employment 20%

opportunities will be especially important in a country in which 60 percent of the population is below the age of 24.

FIGURE 3 FORMAL TRADE FLOWS REGION VS. REST OF THE WORLD



Source: ITC Trademap.

Regional integration will be vital for diversification but is currently limited, despite geographic advantages. Guinea has an extended coastline and six direct neighbors, including land-locked Mali. However, less than 7 percent of formal imports and 1 percent of formal exports currently occur within the Economic Community of West African States (ECOWAS).³⁷ Further regional trade integration is held back primarily by the extremely poor road network, combined with a lack of harmonization of customs systems with bordering countries. While Guinea is within the ECOWAS common external tariff zone, its position outside of the West Africa Economic and Monetary Union (WAEMU) further limits integration, especially in financial markets. A forthcoming study by the World Bank Group, titled *Leveraging West African Regional Corridors to Support Growth and Development in Guinea*, will be instructive in providing more detailed analysis and recommendations on the regional integration agenda. The chapter below on energy also highlights the positive trends toward regional energy integration via planned power interconnections, which could also provide Guinea with an important new source of export revenue.

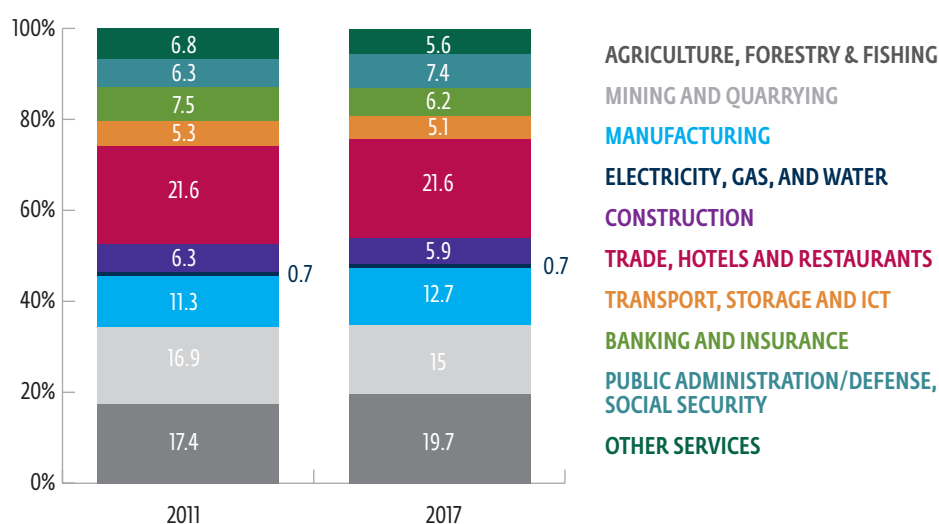
2. STATE OF THE PRIVATE SECTOR

STRUCTURE OF THE ECONOMY

The Guinean economy is under-diversified, making job creation challenging. Mining generates 15 percent of GDP and 80 percent of export earnings, but employs fewer than 200,000 people, including those in artisanal mining (less than 3 percent of total employment). Meanwhile, agriculture accounts for about 20 percent of GDP, but employs over 50 percent of the workforce. Remaining jobs come largely from the services sector, with a focus on the retail trade, construction, telecommunications and finance. The small manufacturing sector is mostly concentrated in agri-processing, resource-based industries, manufactured goods, and beverages. This economic and employment structure has remained broadly unchanged over the past few decades.

The Guinean private sector is also highly informal. Salaried workers represent only 8.5 percent of the workforce, while the informal economy accounts for 42 percent of GDP. According to a 2016 government survey, 92 percent of private businesses are informal “micro-enterprises”, i.e., employing fewer than five people and generating annual revenues of less than US\$7,000. Informality disproportionately affects women, who make up 58 percent of the workforce in informal enterprises. Formal national enterprises are dominated by a small economic elite in a limited set of sectors.

FIGURE 4 GDP SECTORAL DECOMPOSITION (% OF GDP)

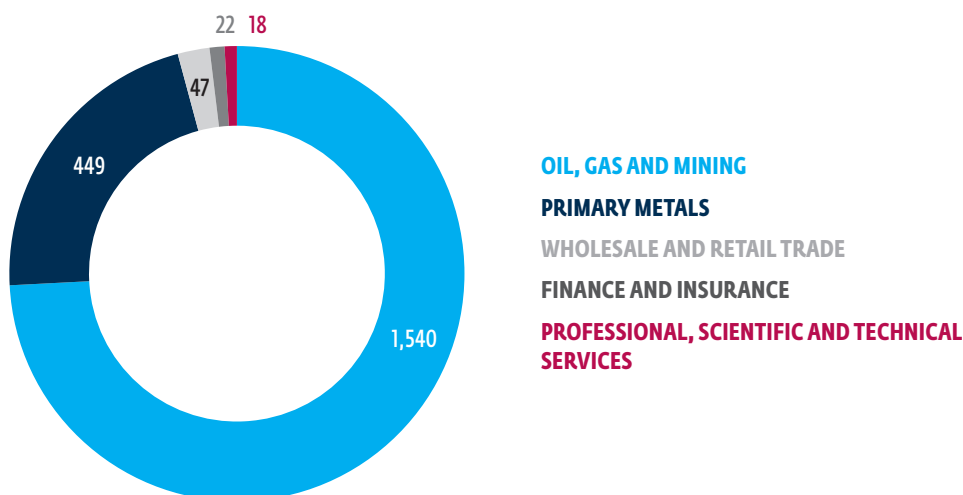


Source: National authorities and AfDB.

While FDI accounts for the bulk of private investment, it has been very limited outside of extractives. FDI inflows—representing an average of 4.4 percent of GDP between 2011 and 2015³⁸—are dominated by mining. Bauxite mining is seeing by far the strongest expansion, with major investments from China, the Russian Federation, and

the United Arab Emirates (see mining chapter for details). Other more marginal sectors for FDI include banking, mobile telecommunications, and outsourced services centers.

FIGURE 5 FDI INFLOWS BY SECTOR (GREENFIELD, 2011–15, US\$ MILLION)

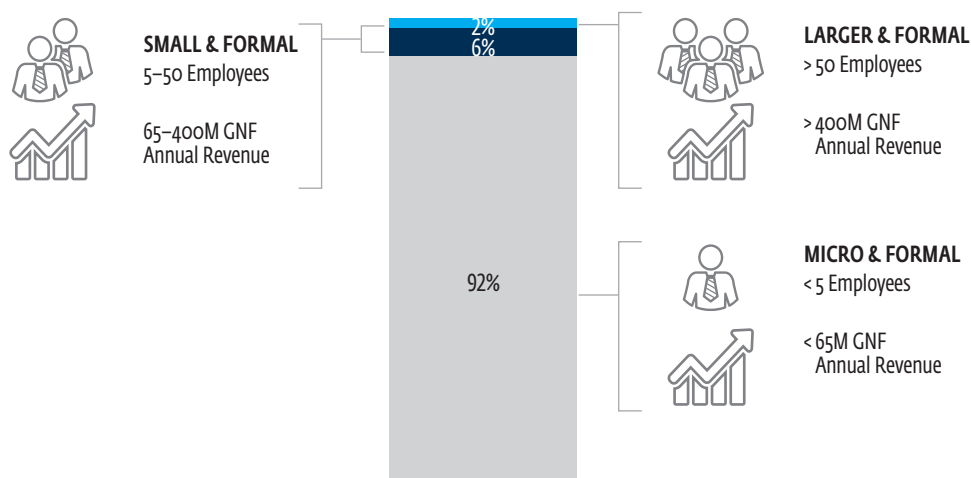


Source: FDi Markets.³⁹

PRIVATE SECTOR LANDSCAPE

Whether in agriculture or services, the domestic Guinean private sector is largely **informal**. Waged and salaried workers account for only 8.5 percent of the workforce, while the shadow economy represents 42 percent of GDP.⁴⁰ A 2016 government survey estimated that 92 percent of private enterprises are informal micro-businesses, employing fewer than five people, and generating annual revenues of under US\$7,000. This informality and low levels of revenue disproportionality affect women, who account for 58 percent of informal businesses. Formal domestic firms are dominated by a small group of business elites in a limited set of sectors.

FIGURE 6 BREAKDOWN OF THE GUINEAN PRIVATE SECTOR



Source: Dalberg (2018) using APIP, *Transformer le potentiel de la Guinée en prospérité pour le peuple Guinéen*: 2016–20

Entrepreneurship tends to be more a necessity than a choice in Guinea, especially in urban areas. Survivalist entrepreneurship is predominant, with a large percentage of informal enterprises operating just to make ends meet. Existing or aspiring formal entrepreneurs face a daunting regulatory environment, while 75 percent of them compete against unregistered firms.⁴¹ This translates into low private sector dynamism, with only 0.13 new business registrations per 1,000 working age adults. Consequently, most firms are unproductive, and only a minority of them are exporting. The top 25 percent of exporters represent over 99 percent of total exports, and the top 1 percent account for over 70 percent of total exports.⁴² More than 75 percent of firms use material inputs and/or supplies of foreign origin, and almost 70 percent of total inputs are of foreign origin.⁴³

The private sector is poorly organized and lacks credible representative organizations. There is no legitimate counterpart in Guinea that can represent the interests of the private sector. Over the years, several chambers of commerce and employers' associations have been created and continue to exist in parallel.⁴⁴ Interviews with the domestic private sector suggest that the government has contributed to this situation, both by appointing executives to private sector bodies, and by failing to promote a single, representative private sector organization. A public-private dialogue initiative—structured as an “apex organization” to federate all other organizations—was previously established with support from the World Bank Group, but is yet to receive sufficient backing from political and business leaders, and hence remains largely irrelevant.

Gender disparities remain above regional averages, limiting the contribution of women toward economic growth. School enrolment for girls remains only 70 percent of the level for boys, resulting in large gaps in female literacy (29 percent, compared with 38 percent for males). As such, women tend to be employed to a higher degree in informal and low-productivity sectors, they have less decision-making power, and often face discrimination with regards to access to health, land and finance, with adverse impacts on their ability to contribute to the formal private sector.

CROSS-CUTTING CONSTRAINTS TO PRIVATE SECTOR INVESTMENT

Investment climate performance in Guinea is low but improving. After several years close to the bottom of the World Bank's Doing Business rankings, Guinea has steadily improved to a ranking of 156 (out of 190 countries) in 2019, up from 179 in 2012. Reforms implemented in 2019 improved the investment climate for starting a business (by reducing the fees for business incorporation at the “business registration one-stop shop”) and registering property (reducing the property transfer fee).

Public sector governance and capacity challenges remain major obstacles to growth of the private sector in Guinea. According to the World Bank's World Governance Indicators (WGI), Guinea is in the bottom quartile for all indicators, except the indicator relating to political stability and the absence of violence or terrorism. The indicators for the rule of law, government effectiveness, and corruption control are below the 15th percentile. Corruption challenges cut across most of the cross-cutting constraints identified and described in the following sections: tax procedures, judicial system, property rights, foreign trade procedures, and implementation of the

investment code. Consequently, the priority recommendations proposed systematically include strategies to limit the impact of corruption on the private sector, in particular the automation of procedures, or the implementation of precise protocols for implementing legal and regulatory provisions. The recent adoption (December 2019) of a new Code of Public Procurement is an important milestone.

Tax systems and public financial management

The country is ranked 183 out of 190 economies on the Doing Business Paying Taxes indicators, the country's lowest performance in the ranking. The main constraints identified by the private sector are high tax rates, lack of transparency of tax payment systems, cumbersome procedures, the absence of a VAT refund mechanism, and excessive and arbitrary controls and audits.

PRIORITY

REFORM TAX SYSTEMS AND STRENGTHEN PUBLIC FINANCIAL MANAGEMENT

- Reform tax systems to increase revenues and reduce pressure on public debt:
 - Complete the removal of ad-hoc tax exonerations in the mining sector
 - Strengthen capacity and legal provisions to monitor and reduce transfer pricing
- Reform and automate tax payments:
 - Complete process for setting up online tax filing and online payment system to increase efficiency of tax system (starting with larger companies)
 - Computerize the National Social Security System and interconnect it with other agencies to facilitate filing and social contributions
 - Introduce a procedure to expedite VAT refund process; and add a provision in the tax code allowing companies to deduct from their expenses the VAT credit owed by the government
- Undertake a review of taxes and contributions paid by local business to align with regional best practice, in order to make the country more attractive to investors
 - Strengthen appeal mechanisms against abusive tax audits, and establish an independent tax mediator
- Increase the efficiency of government spending through strengthened public financial management:
 - Implement the 2019–22 action plan to reform public finances, which targets most notably the strengthening of budget preparation and execution, internal and external audits, cash management, and monitoring of budgetary risks⁴⁵
 - Increase the share of public procurement contracts procured through open competition

Guinea's macroeconomic framework is improving, although rising public debt may constrain space for private sector financing.⁴⁶ While measures to contain current expenditure have been relatively effective, fiscal revenues have not increased, largely due to weak enforcement and an ineffective tax regime (fiscal revenues account for about 16 percent of GDP). Guinea's actual direct (non-mining) tax revenue is critically low at 2.7 percent of GDP, partly reflecting the prevalence of ad-hoc exemptions in the

past. Liabilities related to the energy sector are also high, with the public utility (EDG) having accumulated liabilities estimated at US\$330 million (about 2.4 percent of GDP). As a result of all these factors, public debt has been rising continuously, and is forecast to peak at 45 percent of GDP in 2019,⁴⁷ crowding out local domestic credit to the private sector. Other macroeconomic risks include commodity price volatility, the upcoming election cycle, regional insecurity, potential for a slowdown in China, and (although improving) currency volatility.

The government has initiated many reforms to improve tax administration and public financial management, and respond to the challenges of greater mobilization of internal revenues, including:

- the consolidation of tax payments through the adoption of a new consolidated tax payment form;
- the payment of taxes, duties, taxes and fees due to the State by real-time bank transfers through the real-time gross settlement system (RTGS);
- the creation of permanent tax identification numbers;
- the establishment of the Mission of Support to the Mobilization of Internal Resources (MAMRI);
- the creation of approved Management Centers (CGA); and
- the establishment of an automated information and data-exchange platform, which improves the working environment and allows data to be cross checked between the various administrations (Taxes, Customs, Treasury).

Judicial system

The government created the Conakry commercial court, the first in the country, to improve the efficiency and predictability of the judiciary system regarding the resolution of commercial disputes. Going forward, the commercial court will further improve the operating legal environment for firms but will likely require significant technical support to become fully operational, and measures to minimize the risks of corruption.

PRIORITY

STRENGTHEN JUDICIAL SYSTEM

- Strengthen and reinforce the commercial justice system:
 - Secure an operating budget and equipment to operationalize the new commercial court
 - Regulate the maximum number of adjournments for court cases and set overall time standards for court events in civil cases
 - Automate judicial activities: collateral registry, filing and notification of complaints, publication of judgments, payment of court fees
 - Develop a fast-track training system to recruit new judges and clerks specialized in commercial law
 - Strengthen alternative dispute resolution mechanisms (e.g., establish financial incentives to encourage mediation or conciliation)

Insecure land titles and inefficient land administration create barriers, especially for commercial investment. As captured by the World Bank Group’s Doing Business report, dealing with construction permits and registering property are key indicators that have an immediate impact on the business environment of a country. Investment facilitation and retention are most of the time jeopardized by significant transaction costs and cumbersome administrative procedures to complete all formalities to obtain a land title, transfer a property, or secure a construction permit to build a facility. Today, it takes 151 days to obtain a construction permit and 44 days to have property/land registered in Guinea (Doing Business, 2020). Operationalizing the “one-stop shop” for land and construction permits (*Guichet Unique du Foncier de la Construction et de l’Habitation*) will be a key milestone.

PRIORITY

PROPERTY RIGHTS

- Strengthen property and land-titling framework:
 - Operationalize the "one-stop shop" for land (*Guichet Unique du Foncier de la Construction et de l’Habitation*)
 - Digitize the archives and systems of the land registrar, cadaster and National Rural Land Resources Services
 - Implement the Declaration of Land Policy in Rural Environment (DPFMR adopted since 2005) through relevant laws/regulations and the establishment of the Technical Committee of the Land and Local Land Commissions
- Reform permitting and licensing procedures for construction:
 - Adopt a decree regulating and standardizing times, costs and procedures for onsite inspections in the context of permits/license applications
 - Introduce a new building classification and risk-based inspection procedures

Despite geographic advantages, the high cost and inefficiency of trade logistics limit Guinea’s regional and global integration. Guinea’s largest trading partners remain outside the region (70 percent in Asia, and 26 percent in Europe) and less than 7 percent of its formal imports and 2.6 percent of its exports occur within Africa. Major barriers to regional trade include the extremely poor road network, and the lack of harmonization of customs systems with bordering countries. For trade outside the region, the port of Conakry is among the most expensive in the region (Abidjan, Dakar, and Nouakchott are cheaper). It is also highly congested, with occupancy rates of above 70 percent for all berths but two, and located on the city’s crowded peninsula, contributing to major traffic jams. These challenges are confirmed by the World Bank’s Logistics Performance Index (LPI), which ranks Guinea 129 out of 160 countries, with low scores for the quality of its trade- and transport-related infrastructure, as well as the efficiency of the clearance process by border control agencies. The new single window for customs clearance (*Guichet unique du commerce extérieur*) is now in place to reduce time and costs of trade-related paperwork and inspections, but improving its performance will be critical.

PRIORITY

EXPAND TRADE BY REDUCING COSTS AND IMPROVING INFRASTRUCTURE

- Improving the performance of the single window for customs clearance (*Guichet unique du commerce extérieur*) to reduce time and costs of trade-related paperwork and inspections
- Strengthen controls and governance related to charges and fees imposed on formal imports and exports
- Remove the requirement for pre-declaration of imports and exports
- Improve trade infrastructure, including logistics platforms (see transport chapter)

Guinea's labor force lacks the skills needed to increase productivity and competitiveness. Levels of education and professional skills training are particularly low, with Guinea ranking 131 out of 138 countries in the Global Entrepreneurship Index. The literacy rate was only 32 percent among adults in 2014⁴⁸ which is the lowest in the world. In agriculture, farmers lack the knowledge needed to increase productivity, including how to use agricultural inputs effectively. In the mining sector, operators have difficulty in recruiting skilled Guinean staff trained both in professional and technical/vocational schools (for example, mechanics, welders, etc.), forcing them to rely heavily on expatriate technical employees. In the financial sector, mobile operators report that low literacy has hindered the uptake and expansion of mobile money services. For example, in the case of one e-vouchers program, it was necessary to move to voicemails instead of texts, because of the low literacy rate. The lack of skills is also reflected in the limited entrepreneurial culture, which predisposes the economy to slow private sector development (see the education section in Annex 2 for further details).

Access to finance is one of the most pressing constraints to private sector development in Guinea. Credit to the private sector is low, but increasing, at around 10 percent of GDP in 2017, up from 2.5 percent in 2010 (the Sub-Saharan Africa average is around 45 percent).⁴⁹ Less than 10 percent of local firms use financial institutions to finance investments, while less than 4 percent of firms' working capital and investments are financed by banks. Where credit is available, it is on expensive terms: the average lending interest rate is 22 percent in Guinea, compared with about 7 percent in WAEMU countries, and between 14 and 16 percent in Liberia and Sierra Leone.⁵⁰ While the microfinance sector has developed to some extent to fill the gap, it remains very small and unsophisticated. These issues are discussed in more detail in the access to finance section in section 4 below.

The investment framework, designed to attract greater FDI, has still to be effectively implemented. A new Investment Code regulating FDI, prepared with the support of the World Bank and the IMF, was ratified in May 2015. While the code strengthens investor rights, clarifies and simplifies investment processes and requirements, and creates investment incentives, many aspects remain to be effectively implemented. Political will and capacity to implement continues to be lacking among key stakeholders, notably the Ministry of Industry and SMEs, and the customs office. As a result, investors still go through the old process, resulting in delays and continued governance issues.⁵¹

PRIORITY

FULLY IMPLEMENT THE 2015 INVESTMENT CODE

- Promote the effective implementation of the 2015 Investment Code, which strengthens investor rights and clarifies investment processes
 - Computerize the investment incentives awarding process to enhance transparency
 - Establish an independent complaints mechanism and enforce penalties for delays in the granting of investment incentives, to enhance accountability

Guinea is expanding use of PPPs, although slow implementation of the new PPP Law is delaying progress. The government is currently in the process of strengthening the PPP framework through a series of ongoing and planned reforms, supported by various development partners, including a new PPP Law (published in 2019), a PPP policy, and a PPP unit. Examples of recent PPPs include: a power utility management contract with the French multinational Veolia, with World Bank Group-supported advisory services; and concession of the Conakry port container terminal to Bolloré. Additional projects in the pipeline—in transport, energy, water and sanitation, health, telecommunication, industrial parks, tourism, and mining⁵²—are, however, being delayed by the slow implementation of the recent PPP Law.⁵³

PRIORITY

IMPLEMENT PPP FRAMEWORK

- Operationalize the PPP framework as a basis for advancing the many pipeline PPP projects across transport, energy, and water and sanitation:
 - Publish the PPP Law and finalize its implementation decrees
 - Establish the specialized PPP unit of the government
 - Build the capacity of this new unit and relevant line ministry staff to identify, prepare, evaluate and negotiate
-

3. MARKET CREATION OPPORTUNITIES

This section reviews market opportunities and constraints across the most important sectors for job creation and private investment in Guinea. Mining, agribusiness and housing were prioritized based on a sector scan methodology (see Annex 3) that considers each sector’s desirability (potential to advance the country’s development priorities), and feasibility in Guinea (relative advantages and constraints for private investment). Energy, financial services, transport and ICT are included given their critical importance as “enabling” sectors for the wider economy. For the education, health and water and sanitation sectors, direct opportunities for the private sector are more limited; these sectors are covered briefly in Annex 1.

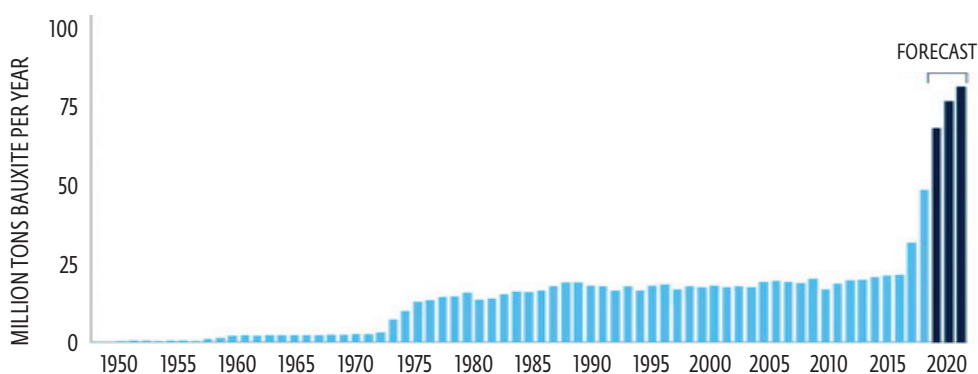
3.1 MINING: GUINEA’S CATALYST

Mining is Guinea’s growth engine, given that it: (i) currently dominates the private sector investment landscape in Guinea; (ii) is one of the major drivers of investment in core enabling sectors, notably transport and energy; and (iii) has potential to catalyze upstream and downstream linkages. With this in mind, and under the right conditions, mining ought to catalyze/serve as an anchor for Guinea’s broader private sector development.

Market Overview

A “bauxite boom” is currently the driving force for private sector activity in mining. After seeing little new investment for 40 years, investor interest in Guinea’s vast and easily accessible bauxite deposits has exploded since 2015 (Figure 7), fueled by favorable global market dynamics (booming demand led by China and dwindling supplies, as Indonesia and Malaysia essentially stopped their exports) and encouraged by Guinea’s improving investment climate.

FIGURE 7 BAUXITE PRODUCTION PER YEAR IN GUINEA, 1950-2020



Source: Strategy for the Sustainable Development of the Boké Prefecture, draft, December 2018.

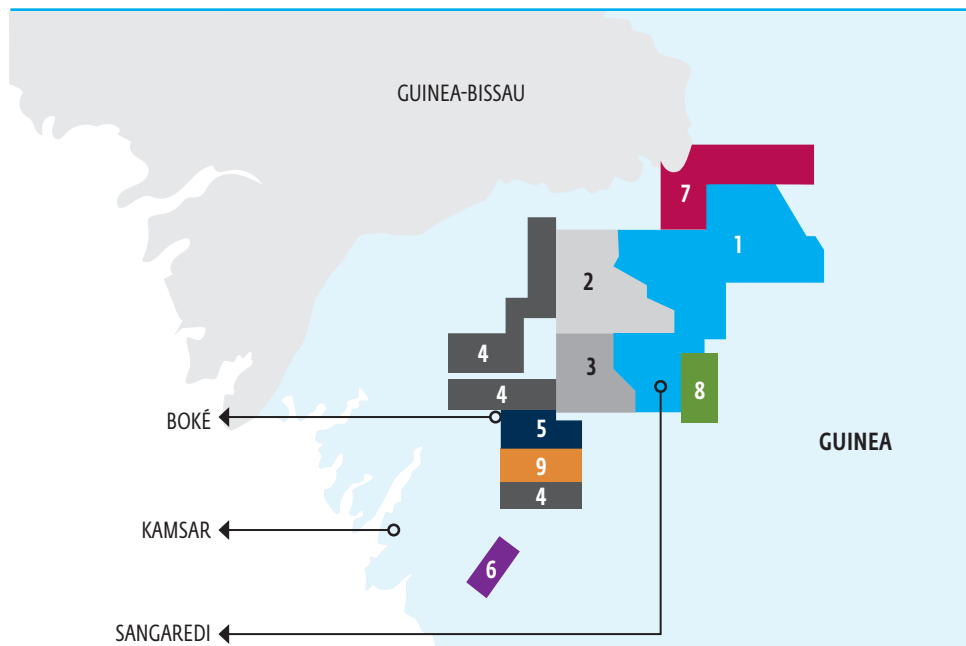
The impacts of recent large-scale bauxite investments are just starting to appear, with exports and revenues projected to grow rapidly in the coming years. Given long project development lead times, the high-profile investments that took shape in the period 2011–15 are only now beginning to generate results. In total, investments in bauxite in the Boké region alone have exceeded US\$5 billion since 2015, with aggregate total production of over 100 tons projected for 2019. Leading among these is the mega-project by the Chinese SMB consortium. This began based on exploration work from 2014, with exports reaching 15 million tons in 2016, over 30 million tons by 2017, and projected to reach 50 million tons by 2020. By then, Guinea should become the top bauxite exporter worldwide.

The 2011 Mining Code laid a critical foundation for this investment boom by clarifying concession rules, increasing transparency in contracts, and increasing revenues for the government. While market forces have been an important driver of recent bauxite investments, the government also deserves major credit for creating a supportive regulatory environment. Notably, the 2011 Mining Code (and its 2013 amendment) introduced tighter contractual obligations for investors, including clear development timelines, and the need to comply with global extractive industry transparency principles, to conduct environmental impact studies, and to contribute to local community development through mandatory contributions to a local development fund. It also increased government revenues by increasing the standard “free” government equity participation from 7.5 to 15 percent, and reformed the taxation framework to ease implementation and monitoring. While environmental and social issues certainly remain, it is notable that Guinea has attracted a number of investors that follow best-practice E&S standards, as demonstrated in part by the fact that IFC has been able to inject a combined US\$350 million into the sector over the past three years.

Among other minerals, gold is likely to generate the largest near-term investment. While gold reserves are located far in the interior, gold mining does not require heavy infrastructure. Discussions on new projects in the northeast are underway (Siguiiri and Mandiana prefectures), with project sizes generally much smaller than in the bauxite sector (under US\$200 million). A wide range of other minerals are also present, including graphite for which geological studies are underway, although further research capacity would be needed to expand exploration and verify commercial viability.

Prospects in iron ore are lower in the short to medium term. Given the sheer scale of reserves in Guinea, iron ore has been a much-discussed resource in the country. In the past, huge sums of money have been earmarked for investment, notably under the Simandou project.⁵⁴ However, a combination of falling global iron ore prices, combined with the immense logistical challenges and costs of developing Guinea’s major reserves (requiring heavy infrastructure to remote regions), has severely delayed these investments. Prospects of reviving such projects look unlikely in the short term, unless prices improve and alternative lower-cost transport options can be agreed with neighboring countries (e.g., shorter routings from Guinée Forestière to the coast via Liberia or Sierra Leone).

FIGURE 8 MAJOR BAUXITE INVESTMENTS IN THE BOKÉ REGION⁵⁵



- | | |
|---|--|
| <p>1. CBG: Compagnies des Bauxites de Guinée
 Scale: 18.5MT/year; growin to 27.5MT/year by 2022
 Investment size: \$750m
 Sponsor: 51% Halco (Alcan, Alcoa, Dadlco); 49% GdG</p> | <p>6. Alufer
 Scale: 5.5MT/year, possible expansion to 10MT/year
 Investment size: \$305m
 Sponsor: 100% Alufer</p> |
| <p>2. COBAD
 Scale: 3MT/year
 Investment size: \$543m
 Sponsor: 100% Rusal</p> | <p>7. AMC
 Scale: 5.5 MT/year; possible expansion to 10MT/year
 Investment size: \$951m
 Sponsor: 100% Privately Australian owned</p> |
| <p>3. GAC
 Scale: 12MT/year (from 2022)
 Investment size: \$1,067m
 Sponsor: 100% Emirates Global Aluminium</p> | <p>8. Chako
 Scale: Unknown
 Investment size: \$500m+ (declared)
 Sponsor: 100% Chalco (Chinese state-owned)</p> |
| <p>4. SMB
 Scale: 30MT/year (up to 50MT/year from 2019)
 Investment size: ~\$700m
 Sponsor: Winning Shipping 45%; Shargdong Welqiao 35%; UMS 10%; Yantai Jort 10%</p> | <p>9. Dynamic Mining
 Scale: 3MT/year
 Investment size: Unknown
 Sponsor: Jaguar Oversees and Anshul Gupta (JV)</p> |
| <p>5. AMR
 Scale: 10 MT/year
 Investment size: \$320m
 Sponsor: Privately French owned</p> | |

Source: *Strategy for the Sustainable Development of the Boké Prefecture*, draft, December 2018.

Opportunities

There remains enormous growth potential in extractives. Guinea's 7.4 billion tons of bauxite reserves⁵⁶ are the largest in the world, of high quality, and located in accessible coastal regions. Demand for Guinea's bauxite is projected to continue growing, based on the market trends outlined above. While an over-reliance on bauxite may prove a risk, Guinea's mineral wealth offers a wide range of diversification opportunities, from the known reserves of iron ore, gold, diamonds, and graphite, to unknown quantities of a range of other minerals (nickel, uranium, cobalt, chrome, and manganese).⁵⁷

Mining sector growth can potentially act as a critical catalyst for local economic development, providing alternative livelihood opportunities for women and youth, notably through local content sourcing. Assuming even a low-case scenario of 10 percent local content sourcing,⁵⁸ the US\$5 billion in cumulative investment in bauxite in the Boké region since 2015 (Figure 22) will generate an aggregate of about US\$500 million in opportunities for local content suppliers. This includes opportunities for local SMEs in a wide range of products and services, from construction, to food supply and catering, logistics, machinery repair, protective equipment supply, among others. IFC's advisory team has been active in supporting local content programs for the past decade, and has built the capacity of hundreds of SMEs to secure supply contracts. The World Bank Group has also assisted the government to establish a marketplace for buyers and suppliers (*bourse de sous-traitance et de partenariats*) to mitigate the challenge of asymmetry of information on procurement opportunities between local SMEs and larger local or international firms. Taking full advantage of local content opportunities, however, will require an improved enabling environment and continued capacity support for local SMEs, as discussed below. Planned special economic zone (SEZ) projects such as the Boké SEZ and the Agricultural Transformation Zones in Boké and Kankan may prove instrumental to attract investments by structuring support measures and offering an improved enabling environment

The new bauxite projects can also trigger wider economic development, including via investments in supportive transport and energy infrastructure. It also offers opportunities for integrated development around the Boké region. With the North–West Corridor becoming the main recipient of incoming investments, the Government of Guinea needs to spell out a well-thought-out policy framework and planning to leverage its mines, hydro potential and agricultural endowment as a source of growth that can lead to strategic investments and the development of linkages, clustered around the Boké region, and along the related infrastructure. For example, the US\$1.4 billion (first phase) project by the Guinea Alumina Corporation (GAC) will include a multi-user port terminal and commercial dock at Kamsar, as well as upgrading of the existing Boké rail corridor, owned by the parastatal National Agency for Development of Mining Infrastructure (*Agence Nationale d'Aménagement des Infrastructures Minières*, ANAIM). Discussions are also underway for potential hydropower investments linked to the major bauxite mines, although these would be only “semi-captive”, and would still require offtake of a sizeable percentage by the national utility, EDG, which currently represents a major commercial risk. These opportunities are discussed in more detail in the energy and transport sections below.

Resource-based manufacturing, notably alumina refining, is only likely to become feasible over the medium to longer term.⁵⁹ The plentiful availability of high-quality bauxite raises the question of whether Guinea can increase local value addition by moving into downstream refining of alumina or further into aluminum smelting. This will not be an easy transition, given the extremely high capital requirements for alumina refining (and even greater for aluminum smelting),⁶⁰ the need for a thermal source such as coal or gas (not available locally), and the lack of supportive skills and infrastructure. While transportation of heavy raw bauxite does impact the economics of its transformation, these factors still favor countries that offer lower risks and cost of capital, cheap source of heat (alumina refining) or energy (smelting), and a good labor skills level. One recent example is from Abu Dhabi which, despite having no bauxite, recently attracted a US\$3 billion investment in an alumina refinery.

Despite these hurdles, there are also several reasons not to discount the possibility of developing a domestic alumina industry. Positive factors include the facts that: (i) Guinea has now proven capable of attracting and maintaining individual investments in excess of US\$1 billion, setting a positive precedent for future investors looking at capital-intensive sectors; (ii) other middle-income countries (most importantly China) appear to be limiting new investments in domestic heavy industry, in part due to cumulative environmental impacts; and (iii) the lower weight of refined alumina exports would result in a significant 40 percent reduction in freight costs vis-à-vis raw bauxite. Added to this, all the recent major bauxite mining contracts include commitments to invest in future refining plants and the government is encouraging all operators with over 15 million tons of annual bauxite output to transform locally. While it is difficult to see these obligations being achievable at scale without the fundamental competitive conditions in place, it does show a strong degree of commitment by both the government and private sector toward moving in this direction.

Key Barriers to Address

Lack of local benefit-sharing represents a major risk to the continued expansion of bauxite mining. On the social side, there are tensions among local communities in the Boké region, which often lack access to basic services (water, electricity), and do not perceive sufficient local benefits from the expanding mining industry. Realizing the potential for mining to catalyze local economic development, especially for the youth, will be critical in mitigating the risks of future unrest. Being proactive on this issue will be especially important given that extractive industries tend to have low employment multipliers relative to other sectors. Central to this is the effective use of the resources of the local economic development fund (FODELs) to which mining companies are required to contribute in order to support economic development in local communities hosting mining projects and neighboring communities.

Effectively regulating and monitoring fiscal revenues alongside fiscal contingencies will be equally critical to ensure that Guinea reaps the economic dividends of mining development. While the mining sector experienced 52 percent real production growth in 2017, related revenue growth from mining was less than half this rate.⁶¹ Incumbent producers have been “grandfathered” out of amendments to the 2011 Mining Code that would have increased revenues, while some new production has benefited from ad-hoc tax exemptions. There are also reported challenges in monitoring the quantity of minerals being exported, with further related impacts on fiscal revenues. Furthermore,

mining contracts with large mining companies often entail sizeable fiscal contingencies for the government. On the community side, there are also concerns regarding the effective and transparent transfer of funding to the FODELs, which are supposed to represent 0.5 percent of mining taxes.

Cumulative environmental impacts represent a risk to future responsible investment. While several bauxite projects have followed international best practice environmental standards, others are reported to have been established more hastily, without the same attention to upfront environment and social impact assessments (ESIAs). In addition, even assuming that individual ESIAs (and subsequent actions) meet the necessary standards, managing cumulative impacts will inevitably be beyond the scope of any individual investments, and hence will require proactive planning and monitoring capacity on the part of the government, which currently appears to be lacking.

Local SMEs continue to be held back from increased local sourcing by a range of barriers. While mining contracts include explicit provisions for maximizing local content, the lack of capacity of SMEs to meet the quality standards required by multinationals continues to represent a major barrier to achieving this goal. In addition to the general constraints facing SMEs discussed throughout this paper (notably access to finance and skills), tax incentives are also poorly aligned with local content objectives, with VAT exemptions distorting the market and encouraging foreign companies to import rather than source locally.

Recommendations

MAXIMIZING THE DEVELOPMENT IMPACT FROM MINING		
OBJECTIVES	RECOMMENDATIONS	TIMEFRAME
STRONGER SECTOR GOVERNANCE	<ul style="list-style-type: none"> • Strengthen the government’s monitoring and enforcement capacity, especially linked to E&S impacts: <ul style="list-style-type: none"> – Increase resources for monitoring of ESIA mitigation measures – Conduct cumulative impact assessments and related risk management in key mining areas 	SHORT TERM
	<ul style="list-style-type: none"> • Maximize potential revenue benefits of mining projects: <ul style="list-style-type: none"> – Build capacity to monitor physical mining output – Consistently apply fiscal and sustainability provisions to future mining contracts – Improve governance rules on the management of mining revenues, and increase local government capacity to manage accrued revenues 	SHORT TERM

INCREASED LOCAL CONTENT	<ul style="list-style-type: none"> • Reduce market distortions favoring imported goods and services: <ul style="list-style-type: none"> – Review the scope of tax-exempted goods and services (investment code) – Establish a standard exemption list to serve as a basis for negotiations 	SHORT TERM
	<ul style="list-style-type: none"> • Strengthen linkages programs: <ul style="list-style-type: none"> – Enforce standard local content reporting through an online reporting system – Strengthen the general capacity of SME suppliers; build SME support centers – Leverage complementary programs to increase local sourcing opportunities (e.g., SME access to finance, agriculture sector programs) 	MEDIUM TERM
	<ul style="list-style-type: none"> • Invest in supplier skills and certification: <ul style="list-style-type: none"> – Build local capacity for quality certifications and assist SMEs to meet required standards – Upgrade vocational training opportunities especially in key mining areas, starting with the Boké Training Institute – Leverage complementary programs (in education & skills development) 	MEDIUM TERM
GROWTH POLE DEVELOPMENT	<ul style="list-style-type: none"> • Implement the new Boké Sustainable Development Strategy: <ul style="list-style-type: none"> – Establish and build capacity of a dedicated agency to guide implementation of the strategy and coordinate stakeholders – Mobilize priority public and/or private enabling investments (infrastructure, services, special economic zones) – Attract private investment in productive and services sectors (agriculture, agri-processing, trade, housing, hospitality, etc.) 	LONG TERM

3.2 UPSTREAM: ENABLING SECTORS

This section covers the sectors that are critical for enabling private sector growth, such as energy, transport, financial services and ICT. These sectors are closely tied to the competitiveness of other productive sectors, such as mining and agribusiness. For example, the exploitation of iron ore is currently limited by transport infrastructure to the country's eastern regions, while growth of commercial agribusiness activity will also be tied to the country's capacity to improve energy, transport, and financing.

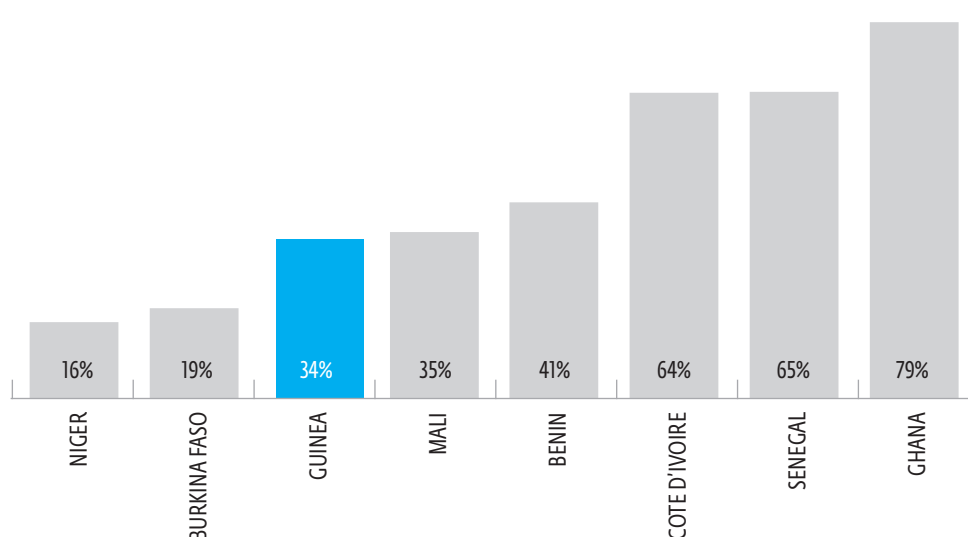
a. Energy

Similar to the mining sector, energy investments, in particular hydropower, are booming in Guinea. In addition to serving mining sector growth and providing a basis for regional exports, the availability of lower-cost generation will also assist in much-needed improved performance of the national utility, EDG, and enable greater competitiveness of a wide range of productive sectors, such as agri-processing and resource-based manufacturing.

Market Overview

Electricity access rates in Guinea are low and unequal. Average access rate was 34 percent in 2016, with wide disparities between rural (7 percent) and urban (82 percent) areas.⁶² Guinea has a total electricity generation capacity of 774 megawatts,⁶³ of which 654 megawatts belong to the national utility, Electricité de Guinée, or EDG (368 megawatt hydroelectric and 286 megawatt thermal), and 120 megawatts belong to independent power producers (IPPs), mainly mines. In addition, rural mini-grids have been promoted through a subsidy mechanism. From 2005 to 2013, 31 rural mini-grid operators emerged to provide a total of around 14,000 mini-grid connections, although fewer than 9,000 are active.⁶⁴

FIGURE 9 AVERAGE ELECTRICITY ACCESS RATE (% POPULATION, 2016 DATA)



Source: World Bank open data.

Rising investment in generation, especially hydropower, represents a key area of activity. In addition to interim short-term imports⁶⁵ and thermal plants,⁶⁶ new power production after 2020 is projected to be predominantly from hydro, with solar opportunities also likely. Existing and planned hydro investments will enable Guinea to meet its domestic electricity demand and, in future, to export electricity to the West Africa Power Pool (Table 1). Projects commissioned in the past four years include Kaléta hydropower plant (240 megawatts, commissioned in August 2015), as well as 150 megawatts in thermal plants developed as IPPs, including Kaloum 1 (24 megawatts), Kaloum 2 (26 megawatts), Kipé (50 megawatts), and GDE (50 megawatts). In 2015, the country also launched the construction of the 450 megawatt Souapiti I hydropower plant using public funds, mostly from China Exim bank, to meet domestic and regional demand by 2022, and reduce the overall risks of supply shortages. Regional hydropower projects, including Sambangalou (120 megawatts) and Koukoutamba (290 megawatts), are also in a developmental stage (pre-financial close). Other projects in the pipeline include the Amaria hydropower plant (300 megawatts), subject to a broader agreement with Chinese group TBEA, which includes a bauxite mine and alumina refinery, and two solar IPPs in advanced stages of negotiation with private sector developers.⁶⁷

TABLE 1 POWER PLANTS COMPLETED AND IN THE PIPELINE⁶⁸

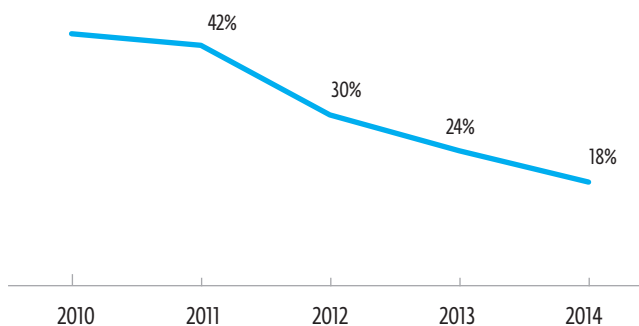
COMPLETED				PIPELINE			
SITE	TYPE	MW	YEAR	SITE	TYPE	MW	YEAR
Donkéa	Hydro	13	2016	Kaloum III	HFO	44	2019
Garafiri	Hydro	75	2016	GDE Extension	Gasoil	50	2019
G- Chutes	Hydro	28	2016	Tè	HFO	50	2020
Kaléta	Hydro	240	2016	Amaria ⁶⁹	Hydro	300	2020
Kaloum I	HFO	24	2016	Koukoutamba ⁷⁰	Hydro	294	2021
Kaloum II	HFO	26	2016	Souapiti	Hydro	450	2021
Kipé	HFO	50	2016				
GDE	Gasoil	50	2017				
Kaloum V	HFO	33	2017				

Overall, these large hydropower projects will help to reduce energy generation costs by over 30 percent compared with current costs.⁷¹ However, it should be noted that many of these hydropower projects are the result of direct negotiations, as opposed to structured, competitive bidding processes, and hence face the risk of higher costs, as well as environmental and social concerns⁷². As such, while developing this infrastructure will unlock critical private sector bottleneck, it might end up not being done in the most sustainable fashion.

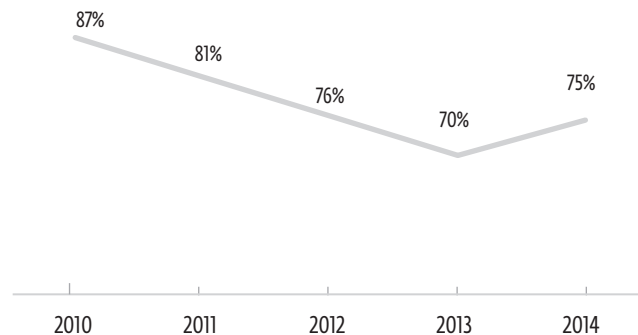
For transmission and distribution, the national power utility EDG remains a critical bottleneck. Technical and commercial losses are very large, at 18 and 25 percent, respectively, while regular outages result in significant productivity losses for firms (Figure 10). EDG's management and governance issues constitute a fiscal drain and structural barrier to private sector growth. Currently, EDG's arrears to suppliers amount to about US\$330 million. Recognizing this challenge, the government has established a reform process, including through a four-year performance management contract with Veolia, signed in October 2015 (Box 1).

FIGURE 10 ENERGY SECTOR'S PERFORMANCE ISSUES

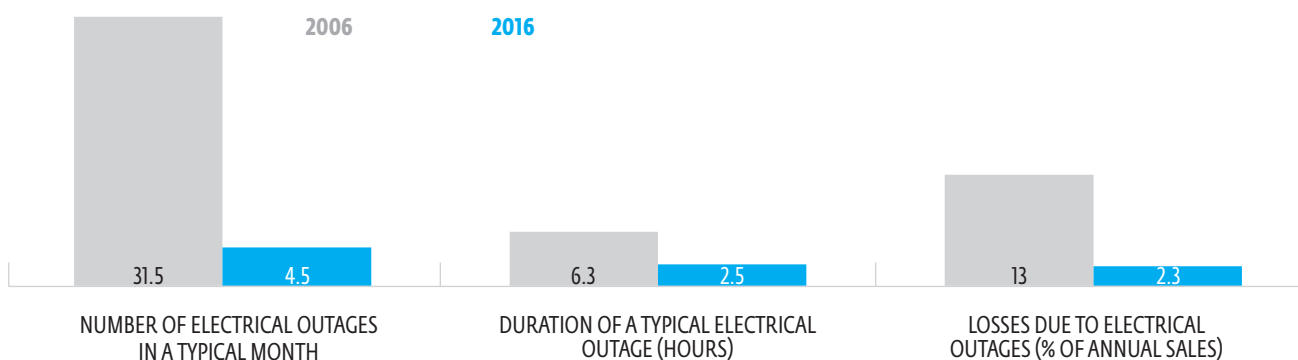
T&D Network Losses - system wide (% of output)



Bill collection rate (% total collected/total revenue billed)



Note: T&D = transmission and distribution.



Source: African Renewable Energy Access Program (AFREA) and World Bank Enterprise Survey 2016.

BOX 1 JOINT WORLD BANK GROUP IMPLEMENTATION OF A PPP IN GUINEA'S ELECTRICITY SECTOR

To redress EDG's poor performance, the government turned to IFC in 2014 to structure a four-year performance-based management contract for the national utility. IFC assisted the government in designing the contract and attracting a strong operator through a transparent and competitive tender process.

The contract was funded by the World Bank under the Power Sector Recovery Project (PSRP), through a US\$50 million blended grant/credit to improve the technical and commercial performance of the national power utility.

The management contract was signed in June 2015 with French consortium Veolia-Seureca, to ensure delivery of the much-needed improvements in EDG's operational and financial performance, and achieve the key performance indicators established in the contract.

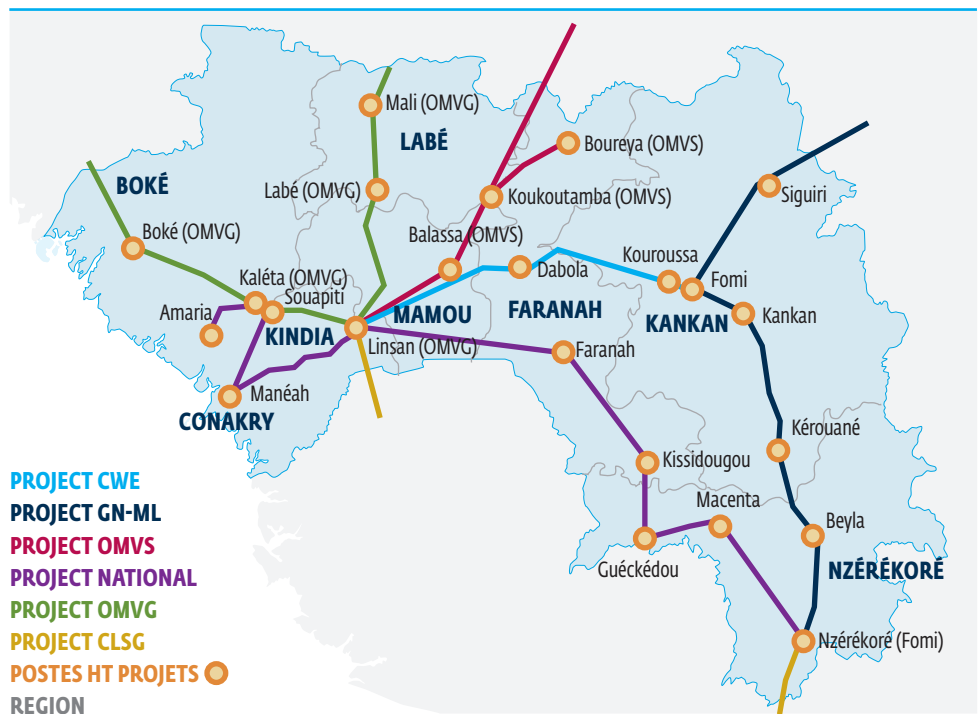
The World Bank has also been providing complementary support to EDG to improve its financial viability, invest in grid extensions (to connect new IPPs and increase its new power absorption capacity) and strengthen the PPP framework.

After two years, EDG management reported a 40 percent reduction of power outages and a 31 percent reduction of operational costs (excluding electricity and fuel purchases). However, views on the merits of the management contract remain mixed, with concerns that progress is too slow, and that, as a management contract, the PPP has yielded little new investment. On the other hand, stronger political and regulatory backing from the government will likely be needed to support faster progress, such as via the widespread introduction of pre-paid meters, tariff adjustments, and more severe sanctions in cases of fraud.

Opportunities

Low domestic access to energy, growing energy demand from mining,⁷³ and upcoming export opportunities provide a foundation for energy sector growth. In principle, current and committed new power generation should exceed the evolving domestic demand gap, while the regional inter-connections under development will provide an outlet for Guinea to become a regional energy exporter. This includes the OMVG Interconnection Project,⁷⁴ and the Côte d’Ivoire, Liberia, Sierra Leone, and Guinea (CLSG) Interconnector Project, which will complete the southern loop under the West African Power Pool (WAPP) by 2021. None of the inter-connections are operational yet, but commitments have already been made to export some energy from the Kaléta hydropower plant, which was commissioned in 2015.⁷⁵

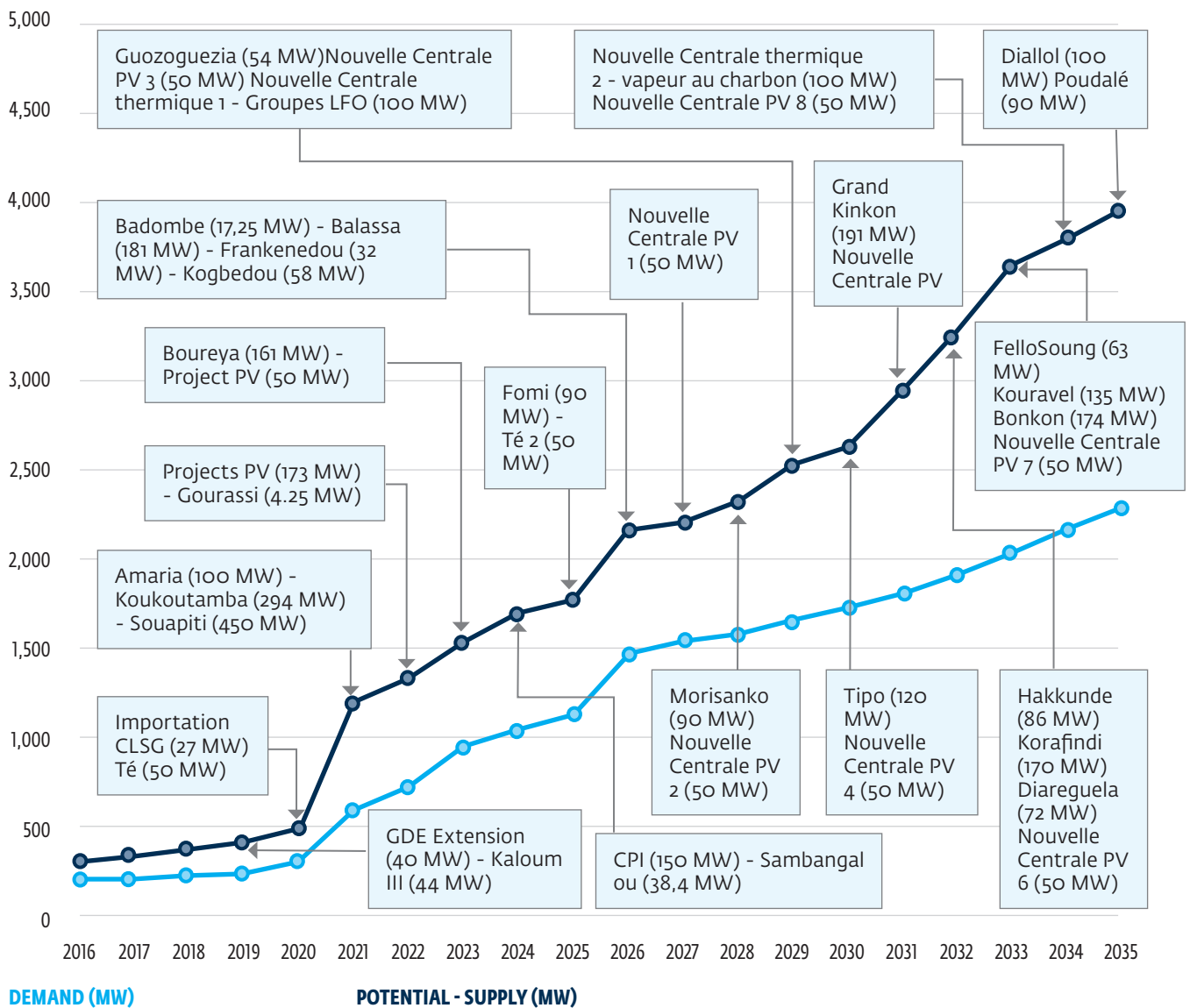
FIGURE 11 MAP OF PLANNED REGIONAL INTERCONNECTIONS



Source: Actualisation du Plan Directeur de Développement des Infrastructures de Production et de Transport, Gouvernement de Guinée, 2018.

Given tendering and E&S issues, large-scale hydropower generation may present limited competitive private investment opportunities, but some are emerging in solar photovoltaic (PV). Most of the short- to medium-term large hydropower sites have been awarded (formally or through MOUs), mostly to Chinese partners. However, opportunities in solar PV are emerging to complement hydropower during peak hours (also justified by rainfall seasonality and relatively low capacity factor of reservoirs), making use of the grid absorption capacity offered by the interconnection to neighboring countries. While the revised masterplan has up to 173 megawatts of solar PV planned within the next five years, recent World Bank Group studies suggest 80 megawatts of solar power may realistically be absorbed by the grid in the near term.⁷⁶ Given the near-term outlook on new solar IPP projects (see barriers section below), opportunities for private sector involvement in solar power are more likely after 2021, in a second wave of PV projects.

FIGURE 12 POWER GENERATION PROJECTS UNDER DEVELOPMENT



DEMAND (MW)

POTENTIAL - SUPPLY (MW)

Source: Updated Master Plan for the Development of Production and Transport Infrastructures, Government of Guinea, 2018.

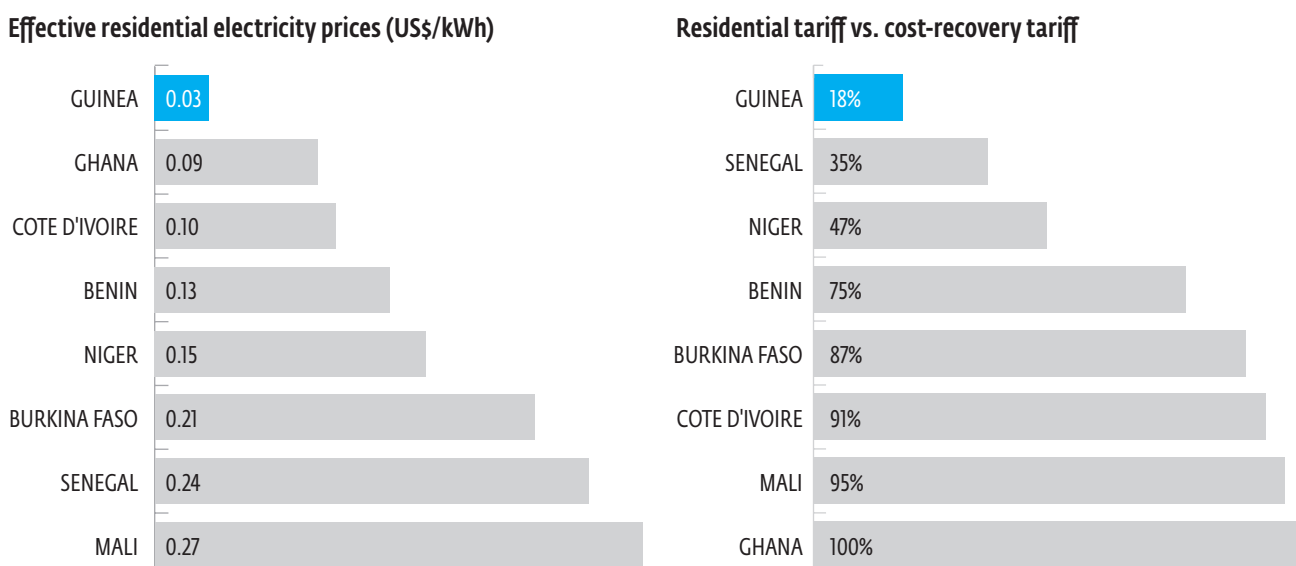
Near-term opportunities may be possible for mini-grids, but these will likely require blended finance. A new Rural Electrification Law (and associated agency) allows private operators to develop and operate mini-grids in rural areas. The World Bank access program has mapped 27,000 localities in Guinea, indicating their least-cost power supply solutions. Out of the localities for which grid extension will not be the least-cost solution, 10 have been selected as pilots for private-sector operated mini-grids. Based on the results from the pilot, the government plans to scale up to achieve its target of 50,000 households. The World Bank access program is also building the capacity of the agency in charge of managing rural electrification through the new National Rural Electrification Agency (*Agence Guinéenne d'Electrification Rurale*, AGER), which will serve as the main interlocutor for private investors in mini-grids. It should be noted, however, that if planned grid expansions do materialize, residual off-grid demand may be limited to about 300 megawatts in the medium term (2020–30).⁷⁷

Key Barriers to Address

Realizing the opportunities in the energy sector will require continued support to the national utility, as well as further attention to three key barriers:

- Tariffs:** Current investments in low-cost generation, combined with continued efforts to increase the efficiency of EDG, and to reduce commercial and technical losses, will go a long way toward improving the financial viability of the energy sector. However, residential electricity prices in Guinea are by far the lowest in the sub-region, and the furthest from a cost-recovery tariff (Figure 13).⁷⁸ This seriously undermines the financial sustainability of the sector and the bankability of power projects. In addition, about one-third of effective grid-users do not have a subscription with EDG, and out of the 330,000 subscribers only one-third (120,000) have a meter. Improved metering and tariff increases on a progressive scale will therefore be crucial for the long-term sustainability of the sector, as well as for the creditworthiness of EDG as an offtaker for IPPs.

FIGURE 13 ON-GRID ELECTRICITY TARIFFS



Source: Brineno-Garmendia, et al. (2011) in Castalia, 2017.

- Transmission and distribution efficiency:** The losses in transmission and distribution, combined with continued regular power outages, represent a major challenge, both for electricity consumers and for the reliability of the national utility as an offtaker in IPP generation contracts. Recent trends in losses and reliability have been positive, in part thanks to the EDG management contract, although there will be a limit to how far improvements can go without additional capital investment. There is also a risk that transmission and distribution challenges will be amplified by the upcoming rapid increase in generation capacity.
- IPP rationalization:** To cite one example, the current power masterplan has 173 megawatts of solar planned over the next five years. However, the government has signed an estimated 50 MoUs with potential solar IPPs for a total of over 1.5 gigawatts, among which two projects amounting to 73 megawatts are at advanced negotiation stages. Based on World Bank Group experience, such bilateral negotiations can be sub-optimal in terms of cost, time and risks for the government,

compared with a structured and competitive transaction process. Increased, sustainable commercial engagement in power production is therefore dependent on improved IPP planning and portfolio management capacity of the government.

- **Limited PPP planning and management capacity:** The government lacks experience in negotiating, managing and monitoring PPP transactions in the sector. The absence of a clear PPP framework and PPU unit (as highlighted in the cross-cutting constraints section) have resulted in the ad-hoc negotiation and signature of several MOUs which, in most cases, have then failed to materialize. Future IPPs could benefit from a more structured and competitive transaction process. Further institutional support and technical assistance to the newly established AGER and other relevant government bodies is also necessary for the government to become a reliable counterpart to private sector project developers.

Recommendations

ENERGY SECTOR		
OBJECTIVES	RECOMMENDATIONS	TIMEFRAME
Financial sustainability of the sector	<ul style="list-style-type: none"> • Efficiency of transmission and distribution: <ul style="list-style-type: none"> – Continue to invest in reducing losses, and ensure the grid expands and upgrades in line with the development of new generation capacity – Review financial restructuring options for the national utility, EDG, to reduce current and future financial losses 	MEDIUM TERM
	<ul style="list-style-type: none"> • Enforce pre-paid meters: <ul style="list-style-type: none"> – Switch to the compulsory use of pre-paid meters 	SHORT TERM
	<ul style="list-style-type: none"> • Review tariffs and enforce tougher sanctions on non-payment and fraud:⁷⁹ <ul style="list-style-type: none"> – Gradually increase tariffs to achieve cost-recovery in the medium term – Review and enforce tougher sanctions in cases of fraud 	SHORT TO MEDIUM TERM
Stronger energy sector PPPs	<p><i>As a complement to improving the cross-sectoral PPP capacity of the government (see cross-cutting recommendations below), strengthen the PPP capacity of energy sector authorities (both on-grid and off-grid projects).</i></p> <ul style="list-style-type: none"> • Introduce competitive transaction procedures to replace the ad-hoc bilateral MoU and negotiation process: <ul style="list-style-type: none"> – Strengthen the capacity of the energy authorities to manage sector development (planning, monitoring) – Introduce new standard IPP bidding procedures for future energy projects; the IFC scaling solar approach can serve as a blueprint (not only for solar) • Prepare for the next wave of IPPs using the new procedures: <ul style="list-style-type: none"> – For future IPPs, front-load technical and financial studies as a basis for competitive international bids – Build the capacity of AGER (new agency in charge of rural electrification) to serve as a credible counterpart to private mini-grid project developers 	SHORT TERM

b. Transport

Poor transport infrastructure, resulting from decades of under-investment, is a key bottleneck to improved trade integration and competitiveness of a range of sectors, such as agribusiness. In recent years, mining has been a major driver of private investment in transport, but wider benefits of this infrastructure (ports and rail mainly) have been limited by their reduced geographic reach and current exclusive use by mining projects. Urban transport also represents a growing bottleneck for the highly congested peninsula on which Conakry, the capital city, is located.

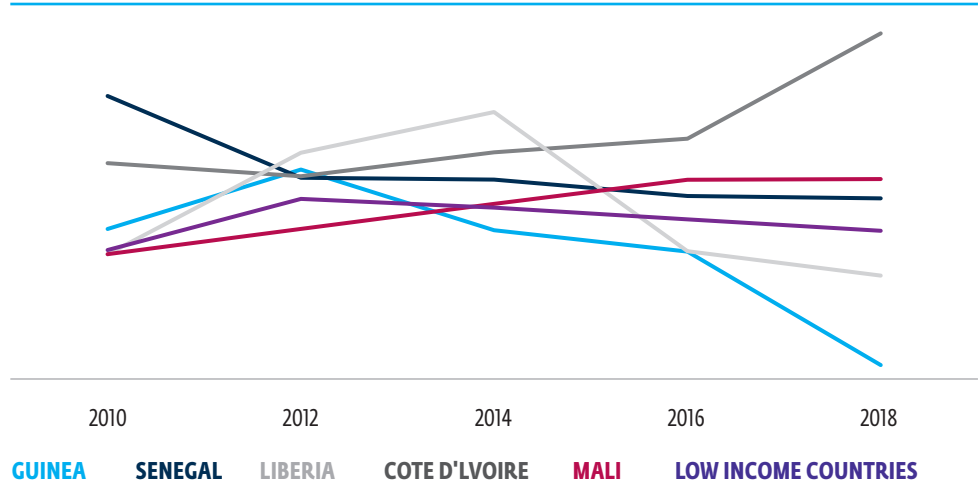
Market Overview

Guinea's trade and transport infrastructure has fallen behind those of its peers. According to the World Bank's Logistics Performance Index (LPI, 2018)—which measures the effectiveness of logistics across ports, railroads, roads, and information technology—Guinea's performance has declined sharply in recent years, falling behind averages for regional and income group peers (Figure 15).

Guinea's road network is underdeveloped and in bad condition. At 2.9 km per 100 km², Guinea's national road density is well below benchmarks (5.1 km in Côte d'Ivoire, 6.2 km in Ghana, and 6.8 km in SSA on average). Furthermore, less than one-third of national roads are paved, and those that are paved have been deteriorating over time. According to available data, in 2004, only 35 percent of Guinea's national paved roads were in good condition. This share declined to 25 percent in 2012, and to just 16 percent in 2014.

The under-developed road network is an important factor preventing greater diversification and investment into non-mining activities. For instance, greater market access and connectivity to global value chains would increase Guinea's competitiveness and attractiveness as a place for agribusiness investment. As such, much development partner activity is focused on physical infrastructure, including investments in road maintenance and upgrading.⁸⁰ Because the potential for tolling is limited, the scope for private investors to engage in this segment is limited. However, there might be private investment opportunities in contracting and maintenance, and there are immediate opportunities in freight transport services between cities (and to large mining/hydro projects), as well as in storage hub solutions.⁸¹

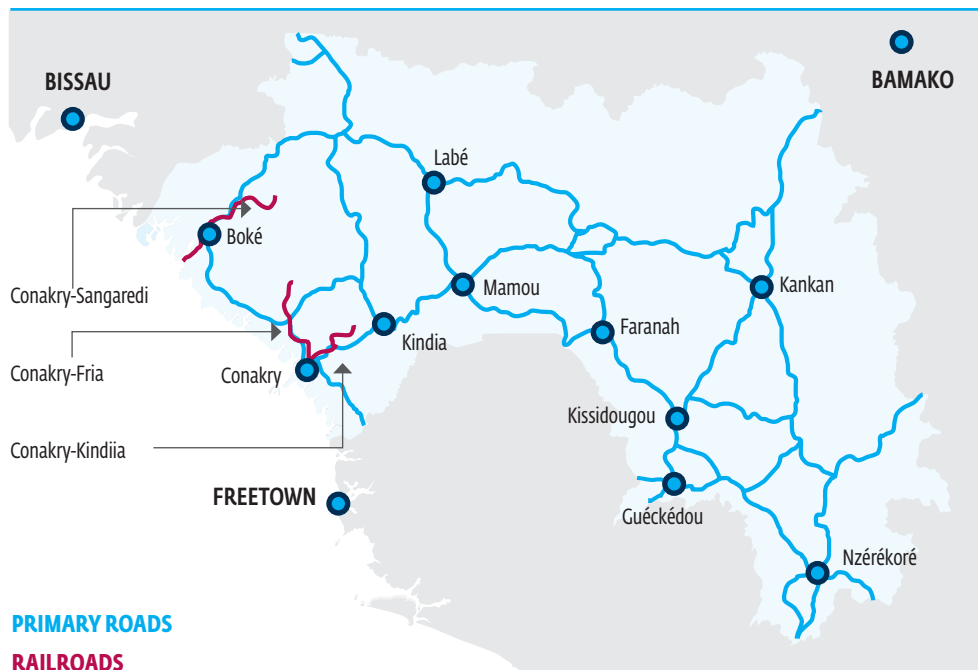
FIGURE 14 TRADE AND TRANSPORT RELATED INFRASTRUCTURE (LOGISTICS PERFORMANCE INDEX, 1 = LOW, 5 = HIGH)



Source: WB LPI.

Rail corridors within and through Guinea are almost entirely dedicated to mineral transport. The three railways currently operating are Kamsar–Sangaredi, Conakry–Fria, and Conakry–Kindia (Figure 1).⁸² A fourth rail line had been planned as part of the now stalled Simandou iron ore project, which would have provided 670 km of new railway and a new mineral port near Forecariah in the south of Guinea’s coast.

FIGURE 15 MAP OF MAIN TRANSPORT CORRIDORS IN GUINEA

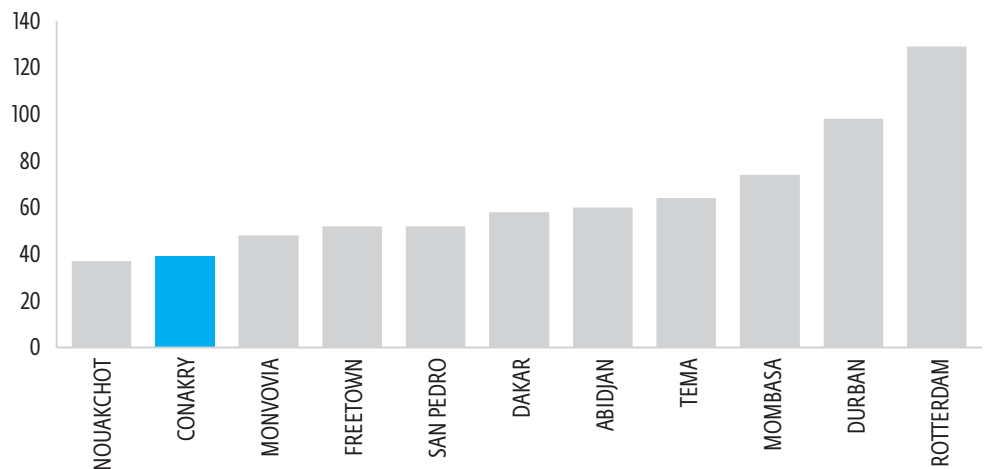


Source: Open Street Map, US National Geospatial Intelligence Agency.

The port of Conakry is uncompetitive and bureaucratic, ranking as one of the worst performing ports in the region. The port of Conakry (GNCKY) is the source of 45 percent of total fiscal revenues, 98 percent of customs revenues, and more than 10,000 jobs. The port is in good condition, but its operations and management are cumbersome and expensive. The various levies amount to US\$1,330 for a 20-foot container and US\$2,080 for a 40-foot container, thereby placing the port of Conakry among the most expensive in the region (Abidjan, Dakar, and Nouakchott are cheaper). Other major issues include port congestion (occupancy rate of above 70 percent for all berths but two) and the port’s location in the city—at the end of the Kaloum peninsula—which, combined with undersize and poor condition road access, causes major traffic jams and further delays, as trucks must wait until they can transit through Conakry during night hours.

Mining is by far the most significant driver for private sector transport infrastructure investments in Guinea. Mobilizing commercial finance for infrastructure development is currently contingent on the existence of large mines upon which the project can be underwritten.⁸³ Construction, rehabilitation and maintenance of railways and ports in Guinea are mostly financed through large mining projects. All three operational railways that have been, or are being, rehabilitated or expanded, are operated and maintained by mining projects: Kamsar–Sangaredi (COBAD, CBG and GAC), Conakry–Fria (ACG, metric line) and Conakry–Kindia (CBK).⁸⁴

FIGURE 16 PWC PORT PERFORMANCE RATING (PPR)⁸⁵



Source: Strengthening Africa’s gateways to trade, PwC 2018.

The emerging rail and port infrastructure is considered sufficient to handle projected near-term mining demand. In addition to ongoing rehabilitation and expansion investments along existing rail corridors in the north and center, new infrastructure is emerging because of an upsurge of bauxite-mining projects in recent years.⁸⁶ Current trends in the mining industry favor greenfield single-user infrastructure projects. Thus, while the government policy objective is to encourage shared-use of existing infrastructure and the diversion of the Conakry mining traffic to alternative ports, most projects are developing their own transport solutions, generally aiming for lower

costs and quicker options (such as road and barges). With the government seeking to promote the development of a new deep-sea port to concentrate mining export activity, several projects are under discussion (e.g., Taigbé near the existing Kamsar port and an expansion of the Cap Verga port under construction). However, infrastructure already developed or under construction is considered sufficient to handle projected demand.⁸⁷

Given the recent level of investment, the pipeline for fully commercial transport projects may be limited in the near term. Several large infrastructure projects that could provide critical backbone services to the rest of the country and economy are unlikely to attract private investment in the coming years. For instance, the reconstruction of the railway to Kankan (and rail corridor to Mali) is made unlikely in the foreseeable future by the very high construction costs, and the lack of one or several large anchor mining projects. One exception is the potential expansion of Conakry airport, where the existing concessionaire, SOGEAC (51 percent government-owned), has raised private financing from ADP (Paris Aeroports) and Africa 50. Similarly, in the southern corridor linking the Simandou area with the coast near Forecariah, the construction of the railway and the building of a deep-sea port in Makong have a good chance of going forward in the medium term, as rights to develop half of the Simandou iron ore deposit have been awarded to a consortium, SMB-Winning. Others opportunities in urban transport (discussed below) will mostly be reliant on large injections of public funding under PPP structures.

Opportunities

Coordinated action to enable infrastructure-sharing in the northern corridor may provide a blueprint for additional opportunities. The World Bank has been working for the past four years on mining infrastructure-sharing in Guinea, with a focus to date on the Kamsar–Sangaredi rail infrastructure owned by ANAIM. Helped by the Guinea mineral governance project, infrastructure-sharing agreements were signed between three mines (COBAD, BCG and GAC) and expansion investments are now ongoing on the rail line, to increase its transport capacity from 27 million tons to 51 million tons per year. If the government can demonstrate its ability to appropriately manage competing multi-user demands, the approach may serve as a blueprint for other rail and port infrastructure in the future, including potentially the use of the existing Conakry–Kindia line (CBK) to develop opportunities related to passenger and freight transport in and around Conakry (see below).

Conakry urban development and congestion issues may present some of the most immediate opportunities for private sector participation. Very high on the political agenda, transport solutions to ease congestion in and around the Conakry peninsula are urgently needed, including due to demand both for freight (linking the port located west of Conakry to the east of the city) and for passenger transport from the outskirts to downtown Conakry.⁸⁸ Specific opportunities are described in detail in the new draft urban transport masterplan recently launched by the government with EU support,⁸⁹ and include:

BOX 2 LEVERAGING MINING-RELATED RAIL INFRASTRUCTURE IN GUINEA—THE OPPORTUNITIES AND CHALLENGES OF SHARED USE

As highlighted in this section, as well as in the agribusiness section of this report, page 40, much of the near-term potential private investment in transport hinges on the possibility of expanding the use of existing and emerging rail and port infrastructure to multiple users, both for mineral as well as for other freight and passenger transport. To date, in the absence of an operational regulatory system, the existing rail corridors in Guinea are governed by bilateral agreements between the Government of Guinea and private mining operators that operate and maintain infrastructure.

To help fill this gap, the World Bank Group supported the government with recommendations for establishing a new legal and regulatory framework (*Development of a Regulatory and Institutional Framework for the Guinea Mining Sector Ancillary Infrastructure Master Plan*, PPIAF, 2018). To guide this work, the two major rail organization models used for the mining sector internationally were considered:

- The “haulage model” used, for instance, in Canada, where exclusive access is granted to an integrated company responsible both for managing and for operating the rail, offering transport services to other users.
- The “open access model” used for instance in Australia, where access to infrastructure is granted to a number of users acting as rail operators under a separate rail infrastructure manager.

The bilateral agreements governing the use of the existing rail lines in Guinea are essentially derived from a haulage model, but the obligations and

conditions of service provision to third-parties are not clearly spelt out.

The legal and regulatory instruments proposed by the World Bank Group build on the provisions contained in these agreements to form a framework that allow:

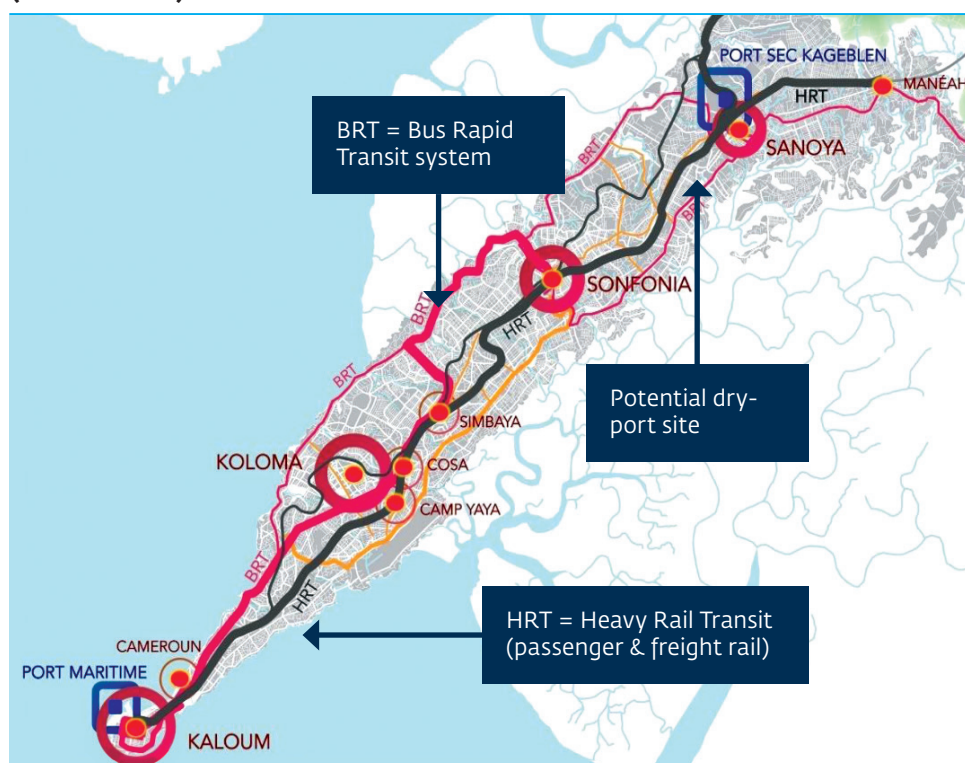
- Access to transport services for the users, provided by the main operator of the railway;
- Infrastructure access through contracts signed with the main stakeholders of the rail line;
- Public service obligations for the passengers and the freight shippers;
- Clear and transparent entrance procedures for new users; and
- Pricing principles that foster a fair and nondiscriminatory access to the users and allow optimal use of the infrastructure.

While the recommendations above draw on successful global examples of infrastructure-sharing, even in developed countries such as Australia infrastructure-sharing has at times led to protracted disputes between mining companies. Successful precedents within Sub-Saharan Africa are very limited (partial open access of the Nacala corridor, operated by Vale in Mozambique and Malawi being one example). Therefore, it should be emphasized that managing competing multi-user demands is not straightforward and hence sustained technical assistance to build the regulatory capacity of the government will be essential to realize in practice the huge potential for shared-use in the country.

- **Dry port in Kagbelen (outskirts of Conakry), linked by rail to Conakry port.**⁹⁰ The dry port could serve as a terminal for the port, as well as for the large industrial players located in Kagbelen (e.g., clinker, wheat). As this project would use the existing Conakry–Kindia (CBK) rail line, it is entirely contingent on an agreement to share the rail with the existing concessionaire, Rusal (CBK mine). Discussions have been initiated by Bolloré. If negotiations are successful, this project could presumably be entirely financed by a private sponsor (including expansion and rehabilitation of rail capacity, rail rolling stock, and dry port infrastructure).

- Urban transport using existing rail infrastructure.** The existing CBK line also presents potential for significantly increased passenger transport. The national train company, *Societe Nationale des Chemins de Fer de Guinée* (SNCFG), uses this line to operate the Conakry Express passenger train between Kagbelen and the city center. Here again, new private sector projects would first need to reach a rail-sharing agreement with Rusal, and be supported by upgrades to the line and stations. Reaching such an agreement would likely require a strong neutral convener, and hence again represent an important potential role for development partners. The interest of the private sector in such a project (i.e. provision and operation of passenger trains) would, however, be contingent on the ability of the public sector to provide a reliable subsidy scheme, as in general rail commuter services do not cover their full direct operating cost.

FIGURE 17 PROPOSED PROJECTS UNDER THE CONAKRY URBAN DEVELOPMENT PLAN (“VISION 2030”)



Source: Conakry urban development plan, February 2019 (draft).

- Urban transport using a BRT system.** To complement the rail solutions described above, the draft urban transport development plan recommends a BRT system (Figure 18). However, the private concession would likely only be for the operation of the buses, thus leaving significant infrastructure investments to the public sector.
- Maritime stations and passenger ferry services around Conakry.** Also reflected in the draft urban transport development plan, this project may present a viable commercial proposition if public sector investment in the maritime stations can be secured and tide-related technical challenges can be overcome. However, given Conakry’s peninsula geography, road or rail transport are likely to prove the more optimal solutions for reducing congestion.

- **Conakry road by-pass to Conakry port.** With potential for structuring as a PPP, this bypass would divert truck traffic from the city. This project is not part of the draft urban transport development plan, but two parallel public-private discussions are reportedly underway.

Key barriers to Address

Further near-term private participation in transport infrastructure will depend on the availability and prioritization of concessional funding, rather than policy or regulatory changes. As described above, apart from the airport expansion, much of the transport infrastructure with potential to attract majority commercial financing has already been developed, or is under development. Remaining opportunities, mostly in the areas of urban transport, will require large injections of public funding—under dedicated PPP structures—to cover capital investment requirements, as a basis for attracting private operators.

Removing barriers to the efficient use of existing transport infrastructure will be key to unlocking near-term transport sector opportunities. As highlighted above, mining-related transport infrastructure has largely been developed as single-user operations, limiting the potential economic benefits. Several specific opportunities therefore may be unlocked via the right shared-use agreements, most notably on the existing Conakry–Kindia rail line operated by Rusal, although this will require both the political will to negotiate, and strengthened regulatory capacity to manage over the medium term.

Recommendations

TRANSPORT SECTOR		
OBJECTIVES	RECOMMENDATIONS	TIMEFRAME
Efficient use of existing infrastructure	<ul style="list-style-type: none"> • Implement institutional, legal and regulatory reforms to increase shared-use of mining ancillary infrastructures (building on recent PPIAF recommendations)⁹¹ 	SHORT TERM <i>(but with long-term technical assistance)</i>
	<ul style="list-style-type: none"> • Introduce and negotiate new sharing agreements for the CBK line based on the new framework: <ul style="list-style-type: none"> – Engage with Rusal, sole user of the CBK line running through Conakry, to reach a new sharing agreement considering the new regulations 	SHORT TERM
Stronger transport sector PPPs	<i>In complement to improving the cross-sectoral PPP capacity of the government (see cross-cutting recommendations below), strengthen the PPP capacity of urban transport sector authorities.</i>	
	<ul style="list-style-type: none"> • Adopt an urban transport masterplan for the greater Conakry area (a draft plan is due for launch in 2019 with the support of the EU delegation) 	SHORT TERM
	<ul style="list-style-type: none"> • Prepare for the potential PPPs by developing and implementing good practice competitive bidding procedures (fair competition, procedure to guarantee value for money and transparency) 	MEDIUM TERM

Note: PPIADF = Public-Private Infrastructure Advisory Facility

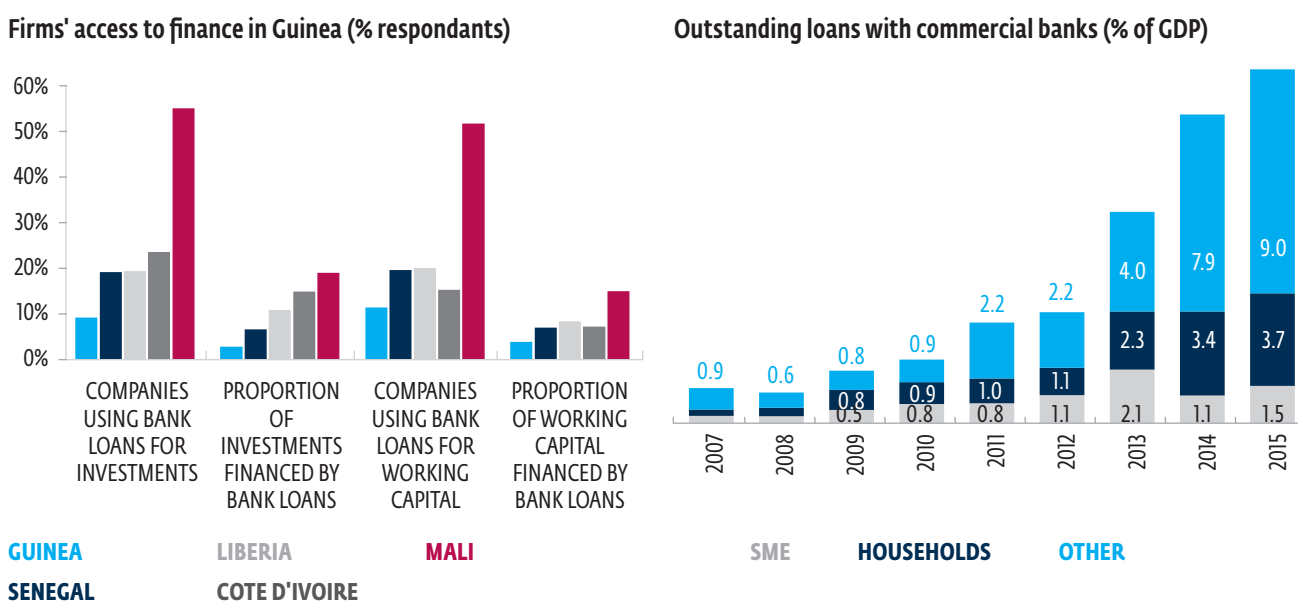
c. Financial Services

As introduced under the cross-cutting constraints, under-developed and high-cost financial services in Guinea act as a key cross-cutting barrier to local private sector development. With the economy now starting to expand, these gaps also represent opportunities to grow SME financing, and to diversify into new products, including leasing and mortgage financing. Meanwhile, ICT sector developments have the potential to unlock the fintech sector, which in turn could rapidly increase the quality and reach of financial services, in particular in more remote parts of Guinea.

Market Overview

Despite recent improvements, financial services in Guinea are under-developed compared with regional peers. Total banking assets are in the region of US\$1 billion, against total GDP of around US\$11 billion. With similar GDP, Chad, the Republic of Congo, and Benin have banking sector assets that are 2x, 4x and 6x, respectively, the size of Guinea's. This situation is improving: between 2010 and 2018, the number of banks in Guinea increased from 11 to 16, bank account penetration rates increased from 3.7 to 7.0 percent, and bank credit increased from 2.5 to 11 percent of GDP⁹² (the Sub-Saharan Africa average is around 45 percent).⁹³ The IMF also reports that the financial sector is broadly sound, with low systemic vulnerabilities.⁹⁴

FIGURE 18 LIMITED ACCESS TO FINANCE IN GUINEA



Source: World Bank Enterprise Survey (Guinea 2016, Senegal 2014, Liberia 2017, Côte d'Ivoire 2016, Mali 2016); IMF FAS.

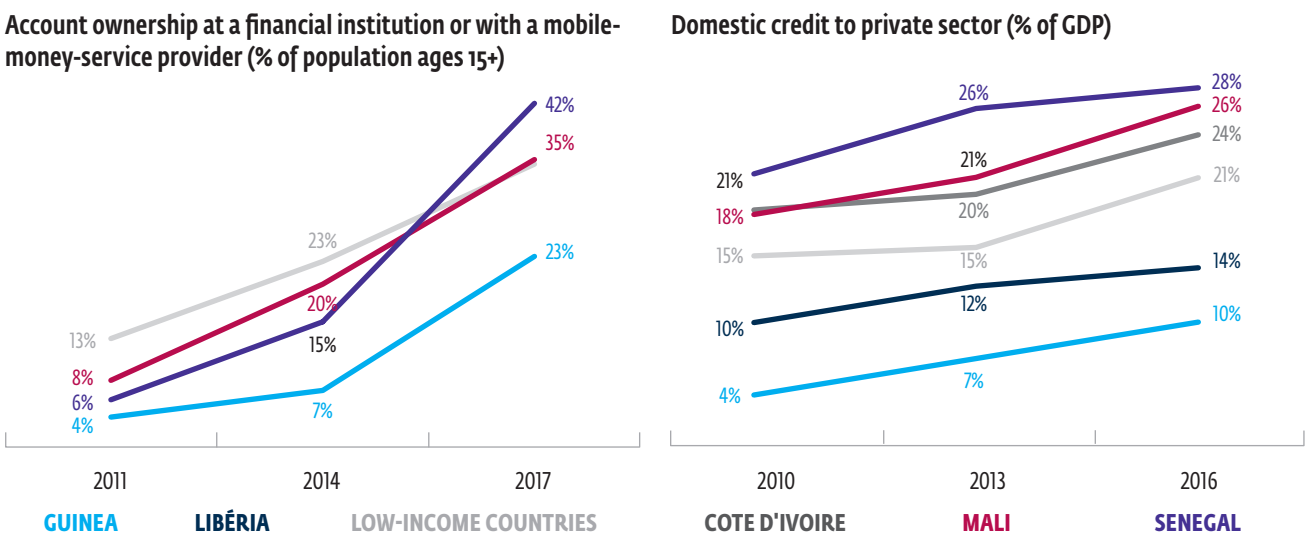
Access to finance is both challenging and expensive for Guinean firms. Less than 10 percent of firms use financial institutions to finance investments, less than 4 percent of firms’ working capital and investments are financed by banks, and outstanding credit to SMEs accounts for just 1.5 percent of GDP. This is unsurprising given the cost of borrowing: the average lending interest rate is 22 percent in Guinea, against a central bank rate of 12.5 percent⁹⁵. In comparison, lending rates are about 7 percent in WAEMU countries, and between 14 and 16 percent in Liberia and Sierra Leone. In addition, collateral requirements are very high, and access to services are limited outside of urban hubs. Long-term financing is virtually unavailable in the country, mobile banking is rudimentary, and leasing is underutilized. Finally, the lack of bank guarantees excludes many local SMEs from public procurement opportunities, while the lack of working capital discourages local businesses from leveraging opportunities offered by multinationals (largely in the mining sector), whose payment terms are generally long.

Due to the difficulty of accessing funding from commercial banks, small commercial and agricultural enterprises have increasingly turned to microfinance. Microfinance institutions have been growing rapidly with a net increase of deposits and loans. However, this growth is from a low base, and the total size of the microfinance sector is still only around US\$45 million, and serves only a fraction of low-income households with a limited range of products.

Opportunities

Banks report an appetite for increasing SME lending. Through engagements with its client banks in Guinea, IFC reports an interest by banks in increasing their SME lending activities. Key challenges relate to banks’ internal capacities to appraise SMEs and monitor risks, as well as SMEs’ low management and financial reporting capacities. Linkages programs, in the mining and agribusiness sectors, can help catalyze this market by lowering risks for providers of SME finance. Ongoing or future mining linkages and agribusiness programs provide concrete near-term opportunities to expand access to financial services for SMEs, by reducing market risks and increasing capacities of potential SME clients.

FIGURE 19 ACCOUNT OWNERSHIP AND PRIVATE SECTOR CREDIT IN GUINEA IS BELOW REGIONAL PEERS



Digital financial services (DFS) hold much potential but challenges remain. A new Financial Inclusion Law (2017) and the fast development of the mobile networks provide an opportunity for expanding DFS. The increasing access to, and lower cost of, ICT will have a significant impact on adoption. Near-term opportunities in DFS include working through microfinance institutions, with mines (e.g., salary payments), or with government (e.g., tax, customs payments).

Opportunities to develop new financial products include leasing and mortgage finance. Guinea's leasing market potential is valued at an estimated US\$70 million, of which only US\$5 million has been tapped, largely limited to vehicle financing. Helped by the 2014 Leasing Law, there is ample opportunity for leasing to support further development of key sectors. Ongoing developments and future opportunities in the construction and housing sector (described in the housing section below) open up great potential to expand mortgage finance.

Key Barriers to Address

The capacity of the central bank to supervise domestic financial institutions is limited. A more efficient and competitive financial sector needs more sophisticated banking oversight capacity. For example, the negative effects of requiring commercial banks to hold high levels of reserves, independent of the underlying asset risks, could in part be eased by more advanced, risk-based methods for evaluating banks' assets.⁹⁶ Technical support for the central bank will therefore be crucial to ease the flow of finance to borrowers over the medium term. The capacity of the central bank to effectively monitor and regulate the DFS market will also be of growing importance, as the use of mobile money and agent banking models expand.

For SME financing, reducing information asymmetries by strengthening the financial ecosystem is central to lowering credit risk and costs. The lack of reliable information on SMEs increases risks for financial institutions and limits access to finance. Current priorities, which will allow banks to better assess credit risks, include upgrading the existing credit information system, and establishing a credit bureau and moveable collateral registry. Meanwhile, implementing a digital retail payment platform connecting financial institutions—the so-called “national switch”—will reduce transaction costs and further strengthen credit information by supplying consumer data and analytics.

Meanwhile, on the demand side, investment climate challenges are central to SMEs' willingness to access finance. From the perspective of financial institutions, priorities here include operationalizing the commercial court and improving the (land) title registry (see cross-cutting constraints and recommendations under Chapter 5 for details).

Lack of capacity, both of financial institutions and potential SME clients, also presents a barrier. Most banks do not appear to have a clear strategy for the unbanked, and lack capacity in new product development, including new delivery channels. On the demand side, SME clients generally lack structure and capacity, reducing opportunities and further raising transaction costs. Mining linkages and agribusiness programs, including those under implementation or design by the World Bank Group, may be harnessed to enhance credit-readiness of potential SME clients.

Recommendations

FINANCIAL SERVICES		
OBJECTIVES	RECOMMENDATIONS	TIMEFRAME
Strengthen supervisory capacities of the central bank	<ul style="list-style-type: none"> Strengthen the central bank’s capacity and introduce more sophisticated banking regulations: <ul style="list-style-type: none"> Develop refined risk-based methods for evaluating commercial banks’ assets and establish differentiated reserve requirements Refine and clarify KYC requirements and transaction ceilings to encourage mobile money 	MEDIUM TERM
	<ul style="list-style-type: none"> Introduce new regulations to encourage “out-of-the-branch” banking models, similar to the successful examples in Kenya or Brazil 	MEDIUM TERM
Reduced information asymmetries to boost credit	<ul style="list-style-type: none"> Operationalize the new national switch (Société Monétique de Guinée) 	SHORT TERM
	<ul style="list-style-type: none"> Credit information system: upgrade the credit registry at the central bank to increase its coverage and improve the quality of credit information 	SHORT TERM
	<ul style="list-style-type: none"> Develop and adopt a new law to establish a credit bureau 	SHORT TERM
	<ul style="list-style-type: none"> Establish a moveable collateral registry 	MEDIUM TERM
Stronger financial institutions and more reliable SME clients	<ul style="list-style-type: none"> Build institutional, human, and business capacities of financial institutions to strengthen their ability to effectively serve the MSME market (such as design of MSME products, marketing approaches, adaptation, origination, and decision-making methodology for MSME credit origination),and improve their offering through the promotion of products in leasing finance, mortgage finance, and digital financial services 	MEDIUM TERM
	<ul style="list-style-type: none"> Build SME capacity to access finance (management skills, financial literacy, market access), leveraging complementary sector programs (in mining linkages, agribusiness, education and skills) 	MEDIUM TERM
	<ul style="list-style-type: none"> Address priority cross-cutting investment climate issues affecting SMEs (see cross-cutting recommendations under Chapter 4) 	See table pp. 64-67

d. Information and Communications Technology (ICT)

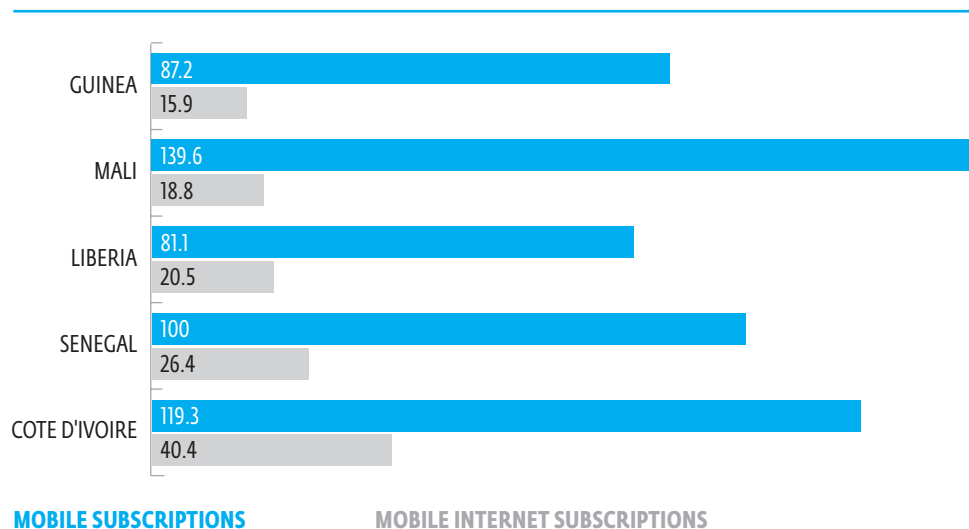
The underwater fiber-optic cable commercially deployed to create Guinea's "backbone" network in September 2020 will help to catalyze investment opportunities in “last-mile” infrastructure, towers and possibly data centers. A second undersea cable initiative could also be structured to attract commercial financing. The resulting improved broadband access may reduce the cost of access and boost investments in digital services, such as financial services (as discussed under the previous section), but also across a range of other public and private sector services (e-government for administrative procedures, e-vouchers for agricultural input subsidies, e-commerce for trade, e-education, etc.). This will help Guinea to close some of the pressing gaps that have opened up relative to its peers.

Market Overview

While mobile usage is high, rural telecommunications and data usage in Guinea lag. There are about 90 mobile-phone subscriptions per 100 inhabitants, but unique customer penetration (i.e., actually mobile phone users) is below 50 percent, while just 15 percent are broadband, and less than 8 percent of households have internet access.⁹⁷ All Mobile Network Operators (MNOs) deploy their own tower-based backbone, but networks are currently saturated and offer poor business continuity, and rural coverage remains non-existent or of poor quality.

Fiscal pressure on the ICT sector has increased sharply. The ICT sector is a major contributor to fiscal revenues in Guinea and its development has sped up the modernization of the economy. With rapid tax increases since 2014–15, ICT sector taxation in Guinea is now above many countries in Africa, although in line with the sub-regional average.⁹⁸ However, mobile operators claim that fiscal policies are cumbersome, curbing investments in rural areas and the development of new services.

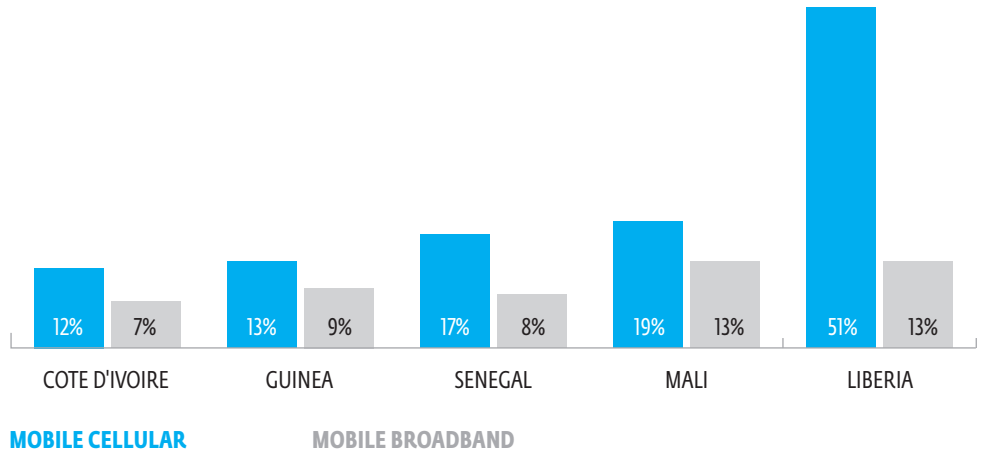
FIGURE 20 ICT DEVELOPMENT INDEX 2017 INDICATORS (SUBSCRIPTIONS PER 100 INHABITANTS)



Source: <http://www.itu.int>

The national fiber-optic backbone under construction will bring high-speed connectivity from the Africa Connects Europe (ACE) underwater fiber-optic cable to the entire country. Guinea has been connected to the ACE fiber-optic cable since 2014, and the development of 4,500 km of long-haul terrestrial fiber is underway by Huawei, thanks to a US\$238 million concessionary loan from the Chinese government. This new infrastructure may democratize and reduce the cost of both mobile and broadband access,⁹⁹ providing a basis for the expansion of mobile services, such as DFS. However, concerns are voiced over the financial sustainability of this very large infrastructure investment, given limited current and projected demand trends.

FIGURE 21 ICT PRICES 2017 (STANDARD BASKET PRICE, AS % OF GNI PER CAPITA, USING 2016 DATA)



Source: ICT Prices 2017, ITU.

Opportunities

The imminent launch of the fiber-optic backbone presents near-term opportunities in last-mile infrastructure, towers and data centers. So far, telecom companies have developed their own mobile networks on owned towers, but have also deployed some fiber, primarily in Conakry and other urban centers. If appropriate policies and incentives can be established between the government and private operators, the expansion of last-mile infrastructure may be done using shared infrastructure, either via regulated sharing agreements or through third-party providers. The increased availability of broadband has the potential to reduce the cost of access, which in turn will likely increase use. A secondary effect of increased internet usage will be hosting demand by private operators and enterprise customers, which will create demand for data centers.

Improved broadband access could boost investment opportunities in a range of digital services. The new improved fiber-optic infrastructure can be expected to prompt innovation and investment in digital services. Fintech and DFS are obvious areas, discussed in more details under the previous section (financial services). Applications may, however, encompass a much broader range of services, including administrative procedures and payments to the government, e-commerce, training and education services, agricultural extension services, and input subsidy vouchers, etc.

GUILAB has begun working on a second undersea cable project. GUILAB, the company created to manage the new cable, is also required to develop a second cable project to serve as a back-up. Initial discussions with coastal neighbors suggest strong interest for a sub-regional cable and potential to raise project finance on the market. In addition, the government plans to decrease its participation in GUILAB from the current 52 percent to 25 percent, which may present an attractive equity opportunity, offering strategic access to the ICT sector in Guinea.

Key Barriers to Address

Taxation of the ICT sector acts as a constraint to investment, notably in rural areas. A 2016 government study recommends reviewing the ICT fiscal policy to improve incentives without decreasing overall fiscal revenues.¹⁰⁰ For example, reforms could incentivize improved rural coverage by operationalizing a proposed Universal Access Fund (UAF), or introducing a “pay-or-play” alternative to the UAF, whereby operators would be offered the opportunity to make their own direct investments instead of paying into the UAF.¹⁰¹ Other alternatives could be increasing the taxation on dividends, rationalizing taxes, and providing tax credits for investments/innovation.

The ICT regulatory environment needs to be strengthened to provide clarity to private operators as they develop new infrastructure and services. For example, in the area of digital financial services, a new Law on Digital Transactions has been put in place, and now requires implementation, including the establishment of a regulatory authority to supervise transactions. In the area of ICT infrastructure (towers, fiber, data centers), clear policies and incentives from the government could help to encourage infrastructure-sharing among operators, which can be expected to lead to both increased efficiency and new investments.

Recommendations

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)		
OBJECTIVES	RECOMMENDATIONS	PRIORITY
Optimize ICT sector taxation	<ul style="list-style-type: none"> Review ICT sector taxation, building on the recommendations of the recent government study on this topic (and taking into account positive spillovers from ICT for the wider economy): <ul style="list-style-type: none"> Consider increasing taxation on dividends paid by operators Bundle taxes into fewer, more stable and predictable taxes in line with international practices Incentivize investment and innovation, for example through tax credits 	SHORT TERM
	<ul style="list-style-type: none"> Incentivize improved rural coverage: <ul style="list-style-type: none"> Operationalize the Universal Access Fund (UAF) Consider a “pay-or-play” alternative to the UAF 	SHORT TERM
Regulate the development of ICT services	<ul style="list-style-type: none"> Review and fill gaps in ICT services regulations: <ul style="list-style-type: none"> Complete implementation of the new digital transactions law, including through the establishment of the new regulatory authority Develop a regulatory framework encompassing the entire electronic communications market space (i.e., covering other digital services) 	MEDIUM TERM
Structure private sector participation in ICT infrastructure	<ul style="list-style-type: none"> Guide and regulate last mile infrastructure investments to encourage efficiency (via shared use) and increased coverage (including in combination with UAF utilization) 	SHORT TERM
	<ul style="list-style-type: none"> Review current utilization and performance levels of the primary cable to optimize value from that connection 	SHORT TERM
	<ul style="list-style-type: none"> Explore investment opportunities in new cable initiatives, led by GUILAB (including in a second undersea cable, and at the regional level) 	SHORT TERM

3.3 DOWNSTREAM: TRADABLE SECTORS

a. Agribusiness

Agribusiness represents an obvious development and diversification priority for Guinea, given its dominant role in the economy, the country's positive agro-climatic conditions, and hence the sector's potential to create jobs and improve livelihoods for Guineans, particularly women, who make up the backbone of the rural economy.¹⁰²

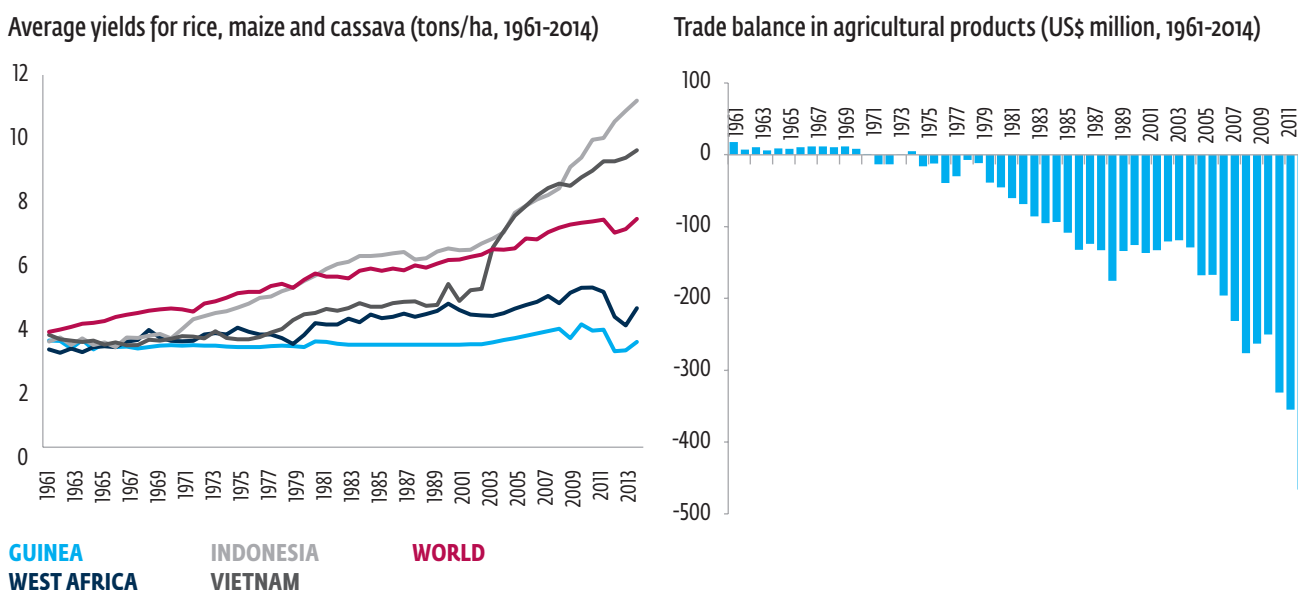
Market Overview

Agro-climatic conditions in Guinea are excellent, allowing for the cultivation of an extensive range of agricultural products. In the 1950s, Guinea was one of the wealthiest and most agriculturally productive African countries (known as “West Africa’s orchard”). Banana exports in the 1950s were 100,000 metric tons—the largest exporter in Africa at that time. This potential is still illustrated today by the wide variety of flourishing informal exports within the sub-region. Rainfall is abundant and water resources are considerable: over 19,000 m³ per capita per year, compared with less than 4,000 m³ on average in Sub-Saharan Africa. Arable land area is estimated at 6.2 million ha, of which fewer than 2 million ha are exploited each year.

However, Guinea’s governance and institutional challenges have resulted in massive underperformance in the agriculture sector over the past 60 years. Agricultural production systems in Guinea remain highly traditional, and subsistence agriculture accounts for 90 percent of agricultural production, leaving only 10 percent of marketable surplus and negligible cash crop production. Agribusiness activity is limited, with very few private input and service providers, commercial producers or processors: agricultural exports account for only 11 percent of the country's total exports and the trade deficit in agricultural products has steadily deteriorated (Figure 23).

As a result, formal private sector activity is limited across the agribusiness ecosystem, especially at the producer level. What commercial activity does exist is mostly in agri-processing, with a handful of SMEs operating in beverages and juices, oils (peanut and palm), cashew, coffee, fonio and (imported) wheat-milling. However, the development of agri-processing of local agricultural produce also remains limited due to the same constraint at the production level, plus additional challenges in aggregating production related to transport and the lack of producer organizations (see the key barriers described below).

FIGURE 22 POOR PERFORMANCE OF GUINEA'S AGRICULTURE SECTOR



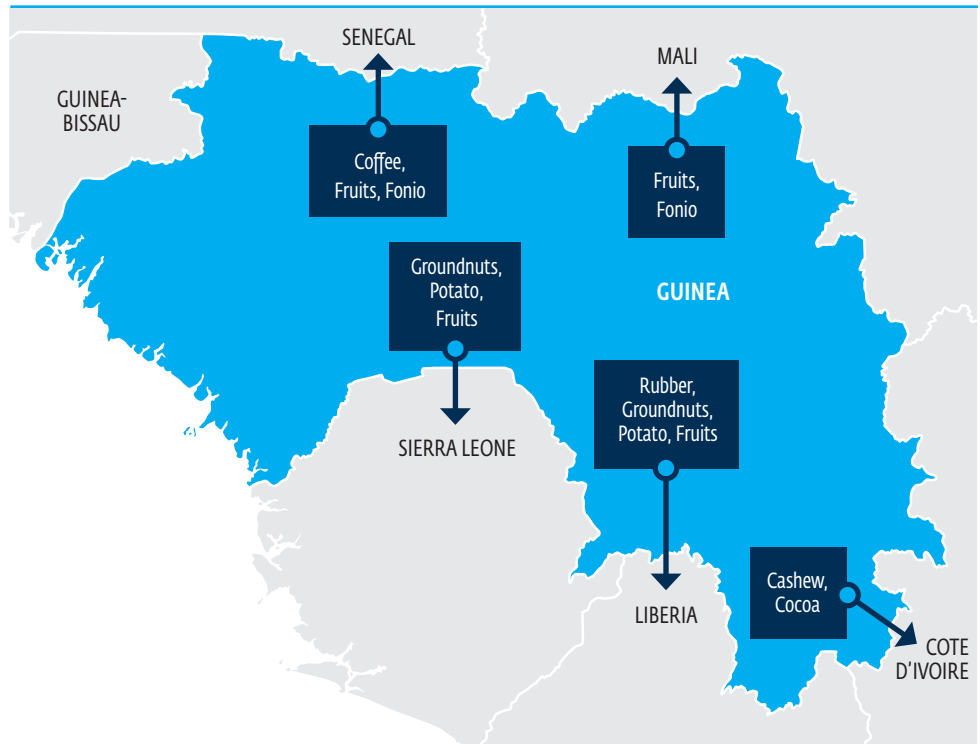
Source: FAOstat.

Opportunities

Ongoing and planned efforts to ease competitiveness constraints for investment in agriculture are substantial. Supported by the World Bank Group, the government has taken significant policy steps to support the commercialization of key value chains, improve infrastructure and logistics, and strengthen agricultural institutions. These essential public-sector investments and business environment reform efforts can be expected to catalyze a range of private sector agribusiness opportunities over the medium term.

One strategic avenue is to leverage the growing mining corridors for agribusiness development. For example, the Boké–Kamsar and the Conakry–Kindia–Fria mining corridors include railway lines, reasonable roads, and ports, all of which could be used for the transport of agricultural commodities to major urban markets and export points (e.g., the ports of Kamsar and Conakry, which also represent large domestic consumption centers). Meanwhile, the expanding population in mining areas, including mine workers themselves, provides a growing source of demand. Over the longer term, the Kankan and Guinée Forestière areas also represent opportunities for combined mining-agribusiness development, being endowed with substantial gold and iron ore deposits, while also being highly agriculturally productive. These could also represent high-potential development “clusters” with the right infrastructure investments. While the mining-related transport infrastructure in these corridors could help unlock agribusiness opportunities, shared-use remains a challenge, as further discussed in the transport section below.

FIGURE 23 REPORTED INFORMAL EXPORT FLOWS FROM GUINEA TO ITS NEIGHBORS



Source: Stakeholder interviews in Guinea, IFC 2018.

One further structural opportunity is to expand existing export channels within the sub-region. Given Guinea’s fertile climate, informal exports are reported across a wide range of crops (Figure 24). This is happening notwithstanding low yields, a lack of producer organization, and very poor transport networks. If production were to be improved, it is feasible that agricultural exports to the sub-region could become a substantial component of Guinea’s export basket. In addition, produce is currently exported almost entirely in raw form, often for processing in neighboring countries (e.g., rubber and palm oil in Sierra Leone and Liberia, and fonio and coffee in Senegal). This provides a further opportunity to increase value addition in Guinea, if the conditions for investment by processors (and means of aggregation of produce) can be improved, including the complementary development of quality energy and transport infrastructure.

At the value chain level, a number of specific opportunities (including agri-processing) have been identified with current or near-term competitive potential in Guinea.¹⁰³

- **Fruit:** Guinea has excellent growing conditions for a range of fruit (mangoes, pineapples, etc.), with estimated production of 800,000 metric tons per year. This has resulted in a dynamic informal export market across the sub-region, and creates opportunities for local processors (concentrate, dried, frozen), although lack of organization among producers makes securing consistent supply of quality fruit challenging. As across West Africa, fresh exports will likely remain a niche market in the short term, given cost competitiveness (e.g., pineapple export price parity is above that of Costa Rica, the market leader) and sanitary and phyto-sanitary (SPS) challenges (mangoes).
- **Fonio:** Guinea is the largest producer of fonio globally (around 500,000 tons annually), with high yields versus regional peers. The sub-regional market outlook is positive, with high willingness to pay based on current urban market prices in Guinea and in the region. In terms of extra-regional exports, leveraging fonio's nutritional benefits to develop a global market niche will require substantial marketing to build a fonio "brand", given the lack of international awareness of this grain type.
- **Rice:** Guinea produces around 2 million tons of rice annually, against local demand of 2.8 million tons. Local rice is currently not quite competitive on price with imported rice: local wholesale prices are US\$550 to US\$650 per metric ton, versus US\$480 to US\$590 for imported rice. However, high willingness to pay for local parboiled rice, and opportunities for greatly improved processing efficiency, indicate high potential upside. Growth will require investment in more cost-effective industrial processing (Guinea currently lacks any large-scale rice mills, although reported local investments are underway), which in turn will require significant sourcing challenges to be overcome.
- **Coffee:** Guinea can produce robusta coffee at prices that are competitive globally: farm-gate prices of US\$1,400 per metric ton provide a small margin on reported FOB prices of between US\$1,750 per metric ton (for export of lower quality beans to Europe for the production of "instant" coffee) and US\$1,900 (for Grade 2 robusta to Morocco). Indications are that quality potential is high, as confirmed by export prices and feedback from major global brands. However, concerted support is necessary to reverse current declines in production, which are a result of an ageing orchards, weak farmer organization, and competition from other tree crops such as palm oil and rubber.
- **Eggs:** Local producers report receiving good profit margins on egg production, based on consumer preference for fresher local eggs, and strong growth in domestic demand. Opportunities for commercial investments in layer operations could exist with the right local sponsors, although there is generally a preference for SME-scale investments (linked to advantages of informality). Feed opportunities also offer potential at larger scale.

Further opportunities exist to increase value addition through processing of existing production. However, evidence of a range of primary export flows implies that there are competitiveness challenges facing potential agri-processing investors. Palm oil and rubber, for example, are currently exported from the Guinée Forestière region for processing in Sierra Leon and Liberia. Prior to export restrictions, fonio was also exported raw for processing in Senegal. Addressing the constraints to competitiveness will therefore be key to expanding both local production and local value addition, as discussed in the following section.

Key barriers to Address

Although the government is making agribusiness a priority, many barriers to competitiveness continue to plague the sector. A full list of constraints identified through the IFC agribusiness deep dive, would be extensive, but include most notably:¹⁰⁴

- **Trade policy:** Sudden distortionary changes in trade policies (e.g., export bans, subsidized imports, etc.) discourage private sector investments, while administrative procedures are often cumbersome and lack transparency (e.g., procedures for customs clearance).
- **Input markets:** The current system of public sector distribution is inefficient and lacks transparency, hindering efforts to increase farmer productivity.
- **Institutional capacity:** The institutional support system for agriculture (R&D, extension services, regulatory agencies, investment support and promotion, etc.) is too weak to support a transition toward commercial agriculture in Guinea.
- **Market linkages:** Most farms are only weakly integrated into the market, with few efficiently structured value chains. The few attempts at processing investments have faced challenges to source locally adequate volumes of products that meet the quality requirements for processing. Linkage challenges are compounded by geographical remoteness of many farmers.
- **Transport and trade logistics:** Highly dispersed production locations and poor road quality create high access-to-market costs. Port costs are among the highest in the sub-region. The lack of storage and efficient cold-chain infrastructure leads to food losses and waste.
- **Land:** Insecure land titles and inefficient land administration create barriers, especially for commercial investment.
- **Governance and the organization of the sector:** Guinea’s agricultural actors are not well organized. Producers work in silos with no coordination among different stages of their activities. The connections between actors in production, transformation, storage, commercialization and exports are weak or nonexistent, and value chains are poorly structured and organized.

Recommendations

AGRIBUSINESS SECTOR		
OBJECTIVES	RECOMMENDATIONS	TIMEFRAME
Improve the sector-specific investment climate	<ul style="list-style-type: none"> • Address “quick win” reforms (in addition to cross-cutting reforms in property rights and trade facilitation, discussed later): <ul style="list-style-type: none"> – Establish a legal framework for modern and competitive agricultural sector policies – Review tariffs and exemptions on imports (tariff, non-tariff barriers, export taxes, port charges etc.) to incentivize local production – Foster the growth of private sector input markets (seeds, fertilizer, etc.): e.g., by completing a registry of farmers in the countryside and replacing public sector distribution with an electronic distribution system for agricultural inputs (e-vouchers) that encourages private sector supply • Increase efforts to tackle longer-term policy priorities: <ul style="list-style-type: none"> – Establish the legal/regulatory basis for, and strengthen, farmers’ organizations (“interprofessions”) in priority value chains¹⁰⁵ 	SHORT TERM
	<ul style="list-style-type: none"> • Build capacity of public institutions (in R&D, extension services), with a focus on priority value chains • Focus on the most competitive value chains: <ul style="list-style-type: none"> – Build on recent World Bank Group competitiveness analysis to target value chains that present the best short-term commercial potential by removing specific barriers to investments, for example: <ul style="list-style-type: none"> + Reviewing and optimize incentives for local production and processing of rice and fonio + Introduce a national quality assurance system for high potential value chains such as the egg laying sector + Strengthening sanitary and phytosanitary standards for high-value fruit exports 	LONG TERM
Catalyze private investment in commercial agriculture	<ul style="list-style-type: none"> • Focus private sector development efforts in geographies with viable infrastructure and market access: <ul style="list-style-type: none"> – Adopt a “growth pole” approach to public investments (see also mining sector recommendations), beginning with high potential corridors (Boké region, Conakry–Kindia) – Unlock shared use of mining infrastructure (see transport section) – Utilize available concessional finance for catalytic public infrastructure (feeder roads, irrigation, post-harvest logistics) 	MEDIUM TERM
	<ul style="list-style-type: none"> • Provide targeted support to “first-mover” agribusiness investors in priority value chains (e.g., technical assistance, concessional finance linked to smallholder integration, etc.), including through facilitation of access to land 	MEDIUM TERM

b. Housing

Housing, and particularly affordable housing, is highly desirable from a developmental perspective, as many Guineans living in urban areas do not have access to decent housing. Proven to be a lucrative sector in other countries in the region, housing is also generating interest from private investors, although various reforms and policy actions are needed to trigger commitments. Given the very high-level commitment within the government to unlock these opportunities, it is likely that investment may accelerate in the near term..

Market Overview

The housing market in Guinea is small, with substantial room for growth. Currently, no more than 10 percent of housing is formal, while of the remaining 90 percent of informal housing, only one-third is considered physically durable or of a decent standard, with the rest being a mix of under-equipped housing, spontaneous housing, and slums. The share of housing built by professional developers is minimal, and the few that exist are targeted toward high-end urban households. Though over half of all housing units are registered as “owned”, most of these do not have proper land titles.

On the demand side, the government quantifies housing need at 100,000 homes per year, although effective demand is much lower due to financing constraints. Mortgages account for only 0.4 percent of overall bank loans (less than US\$26 million).¹⁰⁶ Average households cannot access mortgage finance because of the unreliability of formal income: commercial banks in Guinea exclusively lend to their employees, or employees of large multinationals. To help address this constraint, a housing fund (Fonds de l’Habitat) has been created. However, it is yet to be allocated the financial resources it needs to operate.

TABLE 2 SITUATION OF THE HOUSING SECTOR IN GUINEA

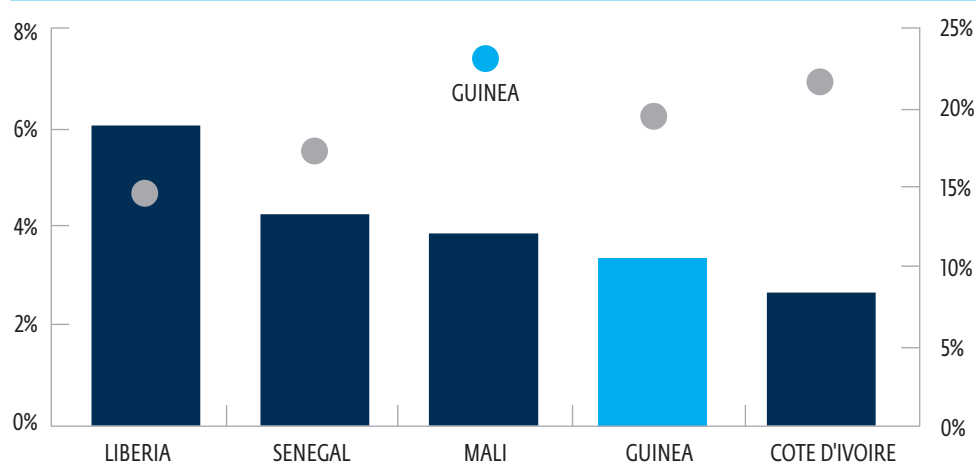
Current housing deficit (2016–26)	1,420,000 units
Annual housing demand	100,000 units
Urban population living in slums (2013)	59%
Urban population living in decent housing (2013)	21.7%
Owner-occupied units	52%
Mortgage-to-GDP ratio (2017)	0.4%

Source: Analyse du Marché du Logement en Guinée – Rapport Provisoire, IFC 2018.

The government has made housing a high national government priority, but the implementation of policies, strategies, and laws has been slow. Following the enactment of a National Policy for Social Housing in 2012, the government put in place incentives for private developers, including tax holidays for developers of social housing, and tax-free purchase of land, construction equipment, and building materials. A National Housing Strategy, adopted in 2015, was also voted into law. However, there have been no decrees authorizing its execution to date. On the legal side, a new Condominium Law has been adopted to allow condo ownership of multi-dwelling structures, but this remains to be implemented.

As a result of these constraints, progress in both public and private investment has been limited. Agreements were signed with private developers for the construction of 40,000 homes, of which 60 percent were to be affordable housing.¹⁰⁷ So far, none has been completed and few have even been started. On the government side, the National Society for Planning and Real Estate Development (SONAPI) was established in 2008 as a public-sector housing developer and given significant land assets to develop (see below). However, SONAPI has so far lacked the resources to implement at scale.

FIGURE 24 SOCIAL HOUSING CONSTRUCTION PRICES AND CURRENT LEVELS OF MORTGAGE FINANCING RELATIVE TO REGIONAL PEERS



OUTSTANDING MORTGAGE LOANS (% OF ADULTS OVER 15)
PRICE OF SOCIAL HOUSING (US\$1,000, RIGHT AXIS)

Source: The Global Findex Database 2017; Housing Finance in Africa 2018, Centre for Affordable Housing Finance in Africa.

Opportunities

Construction costs in Guinea appear to be relatively low. The cost of a regular bag of Portland cement is about US\$8 in Conakry, which is within the range of prices in other countries in the sub-region. Furthermore, unskilled labor in Guinea is very cheap, and while skilled workers are harder to find, there is good availability within the region, notably from Senegal and Mali. Overall, the estimated cost of a social housing unit in Guinea is US\$20,000, below estimates for Mali or Côte d'Ivoire.

International developers are eager to enter the market. According to IFC analysis, foreign developers have expressed significant interest in entering the sector, and a number of housing developers from Turkey, South Africa, and China have signed agreements with various government entities. Few have come to fruition, however, with demand-side challenges (i.e., mortgage financing, the lack of aggregated demand) being highlighted as a key reason for failure to proceed beyond the feasibility stages.

Guinea has both large-scale local employers and a sizeable diaspora as potential sources of aggregate demand. For example, companies in the mining sector regard affordable housing for their workforce as a critical priority, and some have developed their own company-specific housing initiatives (including through private financing and savings programs, in partnership with local banks). If such employers were

coordinated, they could emerge as a substantial source of aggregated demand. Another source is the large Guinean diaspora, many of whom send money back to Guinea to help their extended families build, improve, buy and own quality Guinean homes. If these capital flows could be connected to mechanisms for housing development and mortgage financing, they could provide another substantial source of demand. The company American Home Builders of West Africa is already targeting this opportunity, with a business model to provide reputable, quality homebuilding exclusively for members of the diaspora.

The “Grand Conakry Vision 2040”¹⁰⁸ could provide a potential catalyst to housing development in the central Kaloum district. The strategy proposes a repositioning of Kaloum into a tourist and residential center, both via optimizing Kaloum’s picturesque seafront and existing buildings, infrastructure, and heritage, and via construction of islands around the capital offering venues for events, festivals and culture in Conakry. It is beyond the scope of this study to evaluate the merits of this strategy. However, if advanced, it would clearly provide a catalyst for new private investment in housing and real estate development in Kaloum.

Key Barriers to Address

While the need for affordable housing in Guinea is huge, effective—or financeable—demand is severely limited by the lack of access to mortgage financing. On the cost side, local interest rates are high (average 22 percent commercial bank lending rate) and, despite falling inflation, banks remain cautious. Long-term liquidity is also scarce due to local banks reliance on deposits (see access to finance section for details), combined with high reserve requirements. Construction financing for developers is also very limited, for similar structural reasons, as well as due to risks related to the uncertainty of finding buyers.

Security of land tenure remains a major challenge. Identifying the owners or occupants of plots of land is extremely difficult, with the potential for intersecting documentary, customary, or tribal claims. Given these complexities, most land transactions are informal, which further complicates efforts to formalize. In 2017, the Government of Guinea signed an agreement with the Government of Morocco for the creation of a digitized cadaster and supervised training, an important step, but one will take time to implement.

The government is already taking practical steps to lift these barriers. On the financing side, the central bank has agreed to give banks more flexible reserve requirements and to refinance mortgages in the context of social housing developments. On this basis, banks have agreed to provide mortgage financing at affordable, long-term rates. A decree was also recently drafted for the creation of a new agency in charge of housing finance (AGUIFIL), along with GNF 20 billion from the government toward the creation of a mortgage guarantee fund, which will be structured in such a way that private sector investors can participate. On the land side, the government (through the Ministère de la Ville et de l’Aménagement du Territoire) has already identified a total of 44,000 ha of titled state land with potential for social housing development, and a new type of concession was designed that will allow developers to blend social housing with regular housing. In addition, SONAPI owns significant land assets, including over 16,000 ha in Koyah (35 km from Conakry CBD) and 40 ha in Kansonyah (45 km from Conakry CBD), and is looking for public and private financing partners to develop them.

While short-term opportunities exist, longer-term housing opportunities face wider urbanization challenges in Guinea. As described in the recent Guinea Urbanization Review, urban development in Guinea is characterized by spontaneous and unplanned informal housing, hazardous construction, sanitation issues, and insufficient basic infrastructure. Therefore, while in the short-term opportunities may exist around specific sites, in the longer term, improved urban planning will be critical in addressing the structural lack of decent, affordable, and safe housing.

Recommendations

HOUSING SECTOR		
OBJECTIVES	RECOMMENDATIONS	TIMEFRAME
Unlock mortgage financing and strengthen land tenure	<ul style="list-style-type: none"> Complete ongoing institutional reform initiative led by the Prime Minister's Office: <ul style="list-style-type: none"> Review and restructure existing public agencies involved in housing Set up and capacitate the new housing finance agency (AGUIFIL) 	MEDIUM TERM
	<ul style="list-style-type: none"> Support effective implementation of the new mortgage guarantee fund 	SHORT TERM
	<ul style="list-style-type: none"> Operationalize the new Condominium Law by issuing implementation regulations, to encourage densification and reduce housing costs 	SHORT TERM
	<ul style="list-style-type: none"> Initiate immediate priority reforms to improve land registration (e.g., establishing the land registration and construction permit one-stop shop) 	SHORT TERM
Promote short-term housing investments	<ul style="list-style-type: none"> Proactively prepare opportunities for investment promotion among local and international developers: <ul style="list-style-type: none"> Priority sites identified by the ministry in charge of land (Ministère de la Ville et de l'Aménagement du Territoire) Existing sites already titled to SONAPI 	SHORT TERM
	<ul style="list-style-type: none"> Proactively engage and coordinate among large employers and other sources of aggregate demand (e.g., diaspora) to pool financeable demand that developers may target 	MEDIUM TERM
Prepare for longer-term housing investments	<ul style="list-style-type: none"> Implement the National Housing Strategy, and issue the decree that will operationalize the 2015 Law on the National Housing Strategy 	SHORT TERM
	<ul style="list-style-type: none"> Expand the draft Kaloum peninsula masterplan to the greater Conakry area, as a basis for land allocations and zoning regulations conducive to affordable housing development 	MEDIUM TERM

ANNEX

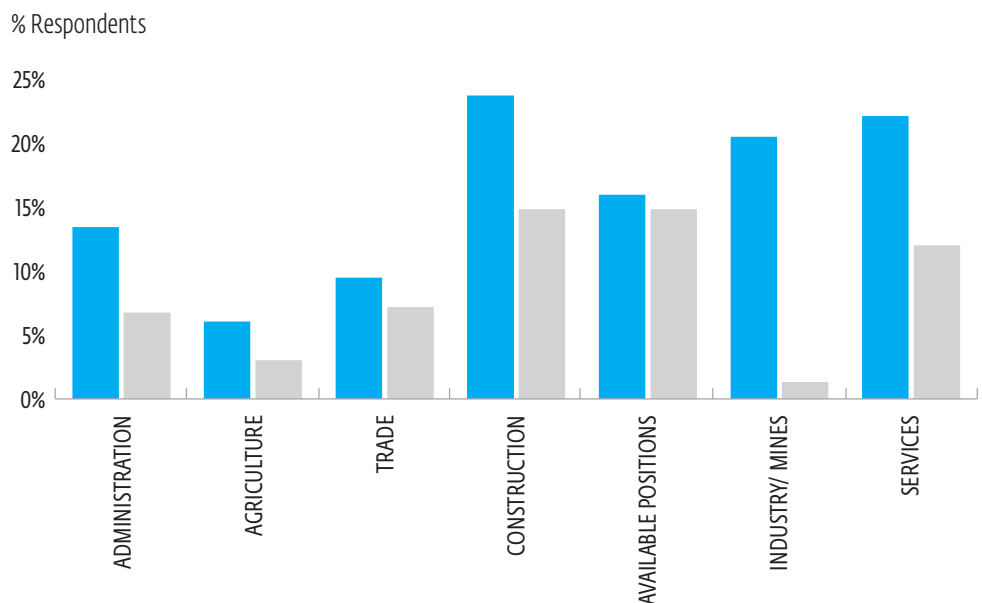
ANNEX 1: OTHER ENABLING SECTORS

While investment in a range of other enabling sectors, such as health and education, would be highly desirable, opportunities for the private sector tend to be less attractive in the near term, as deeper reforms are needed to encourage renewed private sector participation in the future.

Education

Education and skills are among the biggest constraints facing the Guinean private sector. With a literacy rate of only 31 percent, Guinean adults remain among the least literate in the region, and well below the Sub-Saharan Africa average of 61 percent. Only 8 percent of the population have completed university or professional training.¹⁰⁹ Where tertiary education does exist, the private sector reports that existing curricula are simply not aligned to their needs. A significant proportion of companies therefore report that positions remain vacant due to the shortage of labor with the adequate skills to do the job (Annex Figure A1). This issue affects Guineans' entrepreneurial culture and companies' capacity to formalize, access finance, and seize opportunities associated with the booming mining and energy sectors.

ANNEX FIGURE A1 A HIGH PROPORTION OF COMPANIES REPORT VACANT POSITIONS DESPITE HIGH UNEMPLOYMENT



UNAVAILABLE SKILLS AND QUALIFICATIONS POSTES VACANTS

Source: Employers' survey, World Bank, 2012.

Nearly 20 percent of schools and over 55 universities in Guinea are private but have developed on dwindling government subsidies. Government spending on education in Guinea is around 2.6 percent of GDP (2014), which is lower than the mean for Sub-Saharan Africa (4.6 percent) and low-income countries (4.2 percent). The government's inability to cater to demand makes private schools indispensable and there are over 2,000 such schools in Guinea. Similarly, the government has encouraged private universities since a law was passed in 2000, and around 65 percent of private university students are government sponsored. However, the government can take up to two years to pay school fees arrears, and it recently terminated the university scholarship system due to budget issues in order to free up resources for investments in the sector.

The World Bank Group's skills program provides an important vehicle to support the government to strengthen the employability of graduates. The World Bank Group's Stepping Up Skills program (BOCEJ) is working with private vocational training institutions to strengthen governance and reform curricula to better meet the needs of employees. Through its activities in relation to mining, there may be valuable additional opportunities for the World Bank Group to engage mining operators and their suppliers in the design of curricula, practical trainings, and in the recruitment of graduates.

Health

Traditionally underfunded, the Guinean health system is among the weakest in the world. The 2017–18 Global Competitiveness Index ranks Guinea 130 among 137 countries in terms of health systems. Access to health facilities in Guinea is hindered by high fees, and by distance, with large disparities between rural and urban areas, and across regions. Maternal and under-five mortality rates are among the highest in the world, and an estimated 34 percent of sick individuals fail to visit a health center due to high fees. Public health expenditures accounted for only 2.6 percent of total expenditures in 2014, but was almost doubled to reach 5 percent in 2016.¹¹⁰

The black market undermines the pharmaceutical sector. Guineans consume as many pharmaceuticals as Ivoirians, despite a smaller population and economy. Total turnover of the formal pharmaceutical market is estimated at US\$45 million, but the black market is large, estimated at more than US\$100 million. Pharmacies and distributors (two main distributors accounting for 90 percent of the formal market) are working with the Ministry of Health through the *Ordre des Pharmaciens* to address this issue through stronger regulations.¹¹¹

Investment opportunities are emerging in private clinics. Conakry has five main private clinics. The largest is Clinique Ambroise Paré with 56 beds, followed by Clinique Pasteur and Clinic International BelAir (CIBA), both with 14 beds. Most clinics plan to invest in renovations or expansions, and new equipment: Clinique Pasteur plans to increase its current capacity to 70 beds and CIBA to 45. Challenges for investment include the availability of skilled medical staff, the cost of electricity, and delays in payments from insurance companies. Meanwhile, medical evacuation services (mostly to Morocco, Tunisia, Europe, and India) are expanding due to the poor quality of the national health system.¹¹²

A PPP opportunity for a regional hospital was evaluated positively in a recent World Bank Group review. In a 2017 review of 77 PPP opportunities in Guinea by IFC,¹¹³ the building and operation of a regional hospital in Matoto (Conakry area) was ranked among the highest opportunities. A high priority of the government, the project is relatively mature with draft design studies realized in 2013.

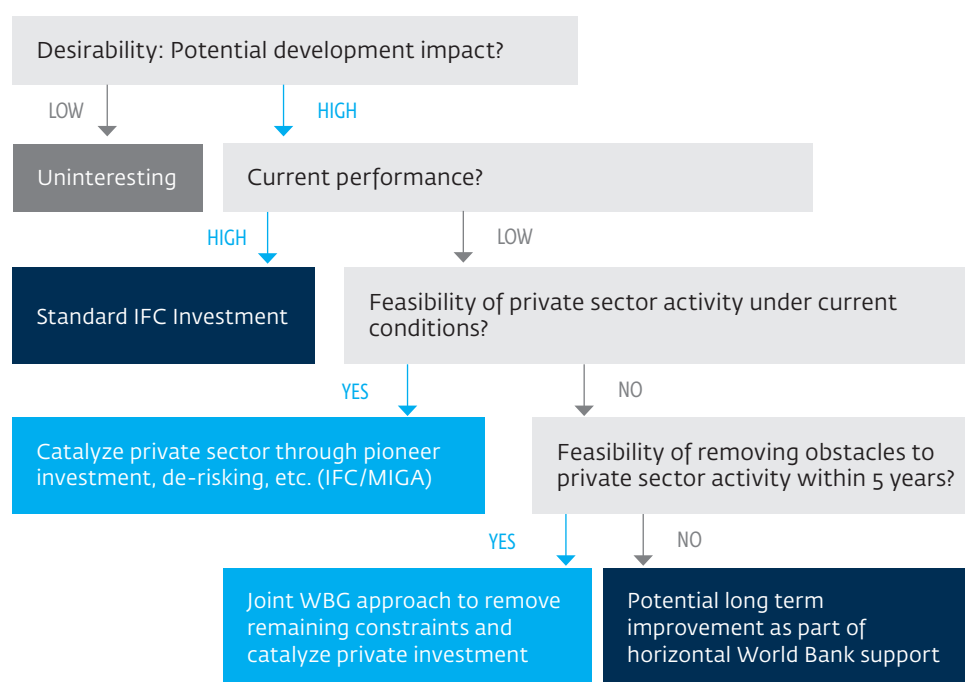
Water and Sanitation

Additional PPP opportunities are emerging in the water and sanitation sector. The World Bank Group is already preparing to engage in a water sector PPP, through a new IDA lending operation, combined with IFC advisory support to mobilize a private sector partner to improve the technical and financial performance of the national water utility (*Société des Eaux de Guinée*, SEG). In addition, and further expanding on the IFC advisory footprint in Guinea, the government recently requested IFC to help attract and structure private sector participation in solid waste management in the Conakry area. These PPPs will draw closely upon staff experiences from the recent energy sector management contract to help optimize the transactions for the Guinean environment.

ANNEX 2: SECTOR SCAN METHODOLOGY

A long list of economic sectors¹¹⁴ is assessed in terms of their desirability and feasibility. The sector scan is founded on four questions of desirability (potential impact of private sector growth) and feasibility (attractiveness of private sector investment): (i) What is the potential impact of the sector's output growth on the country's development objectives? (ii) What is the sector's current performance in terms of output quantity and quality, and how does it contribute to development impact? (iii) Under current conditions in the country, is profitable private sector activity in the sector feasible? If not, where are the constraints? (iv) To what extent can conditions in the country be improved within a limited time horizon of three to five years to make profitable and transformative private sector activity in the sector feasible?

CPSD SECTOR SCAN LOGIC AND EXPECTED RESULTS



The CPSD sector scoring methodology provides quantitative benchmarking insights. A CPSD data file was generated to inform the scoring of a long-list of sectors along four groups of indicators of desirability (Inclusion & Jobs, Economic Growth, Competitiveness & Productivity, and Integration & Connectivity) and along four groups of indicators of feasibility (Demand, Production Factors, Key Inputs, and Institutions). To inform sector scoring against the desirability indicators, a Social Accounting Matrix (SAM) multiplier approach is used¹¹⁵ to assess a sector's linkages with other sectors in the economy, the labor market, and the rest of the world. To inform sector scoring against the feasibility indicators, a wide range of country specific performance indicators (135 in total) are matched to country and sector specific scores on financial success of past IFC investment projects¹¹⁶ to identify sector specific constraints in a country by comparing its performance on any given indicator to the performance of countries where IFC clients have performed well in a given sector.

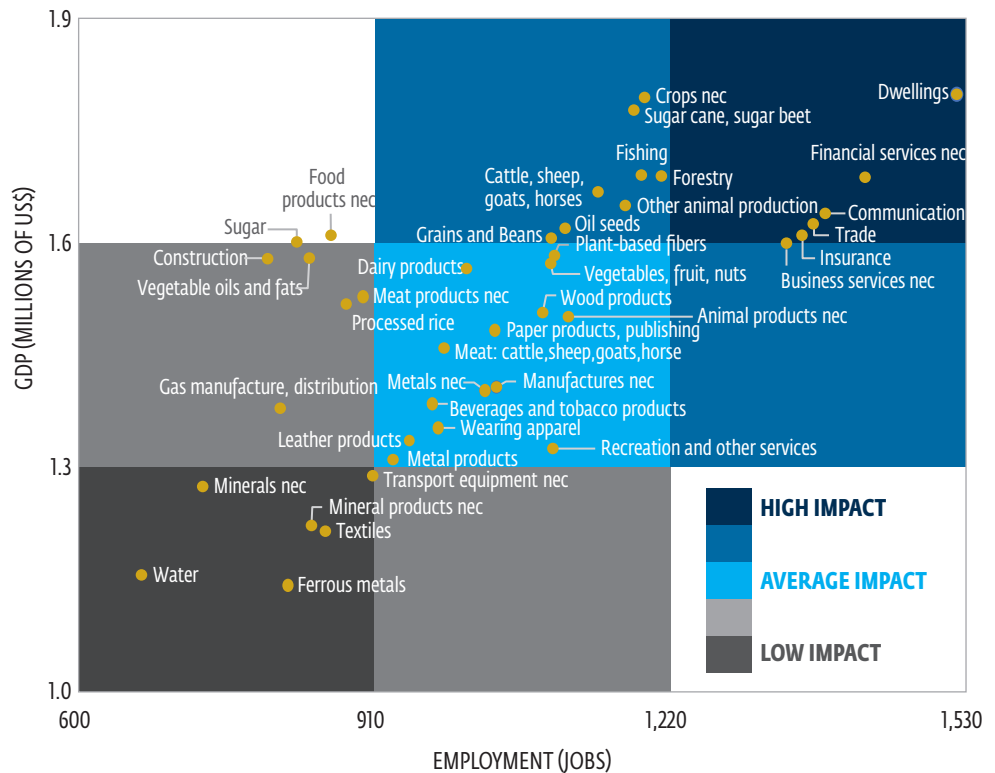
These quantitative insights are complemented by qualitative information collected through stakeholder interviews. The quantitative approach described above comes with serious limitations, and is only intended to give teams an initial intuition on a sector. This is then refined through consultations with knowledgeable stakeholders and careful review of existing literature in order to make an informed and well-founded decision on the scores assigned to a sector.

ANNEX 3: SECTOR SCAN ANALYSIS

Analysis

In Guinea, investments in agriculture and services generate the highest GDP and employment impacts. This results primarily from large direct effects due to a high ratio of value-added to output driven by low cost of intermediate goods relative to revenue. The share of imported intermediate goods in manufacturing output is nearly 42 percent on average, compared with an average of 8 percent in the agriculture sector. However, food-manufacturing industries with strong backward production linkages in the agriculture sector offer strong GDP multipliers (e.g., sugar, palm oil), unlike other light manufacturing with a higher share of imported intermediate goods. In addition, induced effects are also large in these sectors, primarily driven by increased household spending on domestically produced food products. In fact, the share of imported goods in the domestic absorption accounts on average for only 24 percent for agricultural and food manufacturing products, as opposed to more than 73 percent for non-food manufacturing. Employment multipliers are computed using the sectoral GDP multipliers and historical employment elasticities for three broad sectors: agriculture, manufacturing, and services in Guinea. High GDP multipliers, combined with large number of created jobs, lead to high employment multipliers in the agriculture and service sectors.

ANNEX FIGURE A2 IMPACT PER US\$1 MILLION OF ADDITIONAL REVENUE ON GDP AND EMPLOYMENT



Source: IFC Staff Using GTAP.

High-productivity and capital-intensive manufacturing subsectors generally have strong backward production linkages with other industries, but this is not the case in Guinea given its high concentration of imported intermediate goods. Guinea demonstrates the lowest GDP multipliers in manufacturing industries such as textiles and transport equipment. In these subsectors, the value added-to-output ratio is relatively small due to the high share of intermediate goods in production, which reduces direct effects.

Long-term household consumption growth is projected to be strongest in the enabling sectors of transport, ICT and water supply, and in housing (Annex Table A1).

Calculations to determine the projected household consumption growth rate per year between 2014 and 2030 by sector suggest that the highest consumption growth will be in housing, water supply, transport and ICT. The lowest growth will be observed in food and beverages, health and pharmaceuticals, and in clothing/footwear.

ANNEX TABLE A1 PROJECTED HOUSEHOLD CONSUMPTION GROWTH RATE PER YEAR BETWEEN 2014 AND 2030 BY SECTOR

CATEGORIES	GUINEA
Clothing and footwear	4.65
Housing	6.58
Water supply	5.81
Energy	4.90
Pharmaceutical products	4.52
Health (ex-pharma)	4.36
Transport	6.31
ICT	5.74
Education	5.35
Personal care	4.97
Others (non-food)	4.76
Food & Beverages	4.02

Source: IFC's Global Macro and Markets Research based on World Bank data.

Some of the commodities and products that Guinea may be well-placed to produce¹¹⁷ represent a significant share of the country's imports (Annex Table A2). The mining, hydropower, and construction sectors will continue to drive demand for iron and steel products (already the top import following fossil fuels, machines and vehicles), as well as cement and clinker. Imports of these construction materials are already growing at a staggering 20 percent (note that while the five-year CAGR of cement imports is negative, imports have resumed their growth, with +23 percent between 2016 and 2017). In food, rice, sugar and palm oil are the top imports. With US\$233 million, rice represents over 5 percent of Guinea's total imports by value and about 600,000 tons by volume (five-year volume CAGR of 13 percent). Sugar and palm oil imports are also growing fast. Over 100,000 tons of sugar and about 60,000 tons of palm oil were imported in 2017. It is noteworthy that a similar pattern is observed in the rest of ECOWAS.

ANNEX TABLE A2 SELECTED IMPORTS BY GUINEA

	GUINEA IMPORTS 2017, USD M	% OF TOTAL VALUE	5-YR CAGR
All products	4,170	100%	14%
Iron & steel products	239	5.7%	20%
Rice	233	5.6%	-3%
Sugar	72	1.7%	11%
Palm oil & margarine	68	1.6%	14%
Cement & clinker	39	0.9%	-0.06

Source: ITC Trademap.

Sector Scan Scoring Results

Based on a combination of expert interviews, desk work, and available data analysis, the team developed a simplified version of the sector-scan approach to identify the economic sectors that could drive Guinea's development within three to five years. With respect to the CPSD sector-scan methodology outlined in Annex 2, the simplified version uses a more limited set of indicators to cater to Guinea's small economic size and data limitations. The desirability component is made up of GDP, jobs, balance of payments, and spillovers dimensions, while the feasibility component includes markets, inputs, infrastructure, and policy dimensions. This approach provides a more flexible, tailor-made sector scan that helps select and prioritize opportunities in a country where the formal private sector is small and cross-cutting constraints to private sector development remain severe.

ANNEX FIGURE A3 SECTOR SCAN SUMMARY



Source: CPSD Team.

ANNEX TABLE A SECTOR SCAN SUMMARY

SECTOR	EVAL.	DESIRABILITY - TEAM ASSESSMENT COMMENTS	EVAL.	FEASIBILITY - TEAM ASSESSMENT COMMENTS
Agriculture	5	Diversification and rural employment, priority of the government	4	Good fundamentals but requires strong public sector support, in particular on infra constraints
Mining	3	Driver of broad supply chain and ancillary investment	5	Compelling natural assets, limited constraints in bauxite and gold
Construction / housing	4	Jobs/GDP driver and social well-being, priority of the government	4	Binding policy constraints could be fixed opportunistically
Other manufacturing domestic	2	Average desirability, organic growth occurring	2	Limited market scale in medium term
Resource-based manufacturing	4	Diversification and value addition to existing primary sectors, priority of the government (alumina)	2	Bauxite but no heat source and secondary inputs, need to build trust for such large investments
Trade	3	Transformative effect limited, organic growth happening	2	Limited market scale in medium term
Tourism	3	Average desirability, organic growth occurring	2	Limited scale outlook

Source: CPSD Team.

The most desirable and feasible opportunities are in mining, agriculture and their associated downstream manufacturing (resource-based manufacturing). Building on Guinea’s potential and strengths in agriculture and mining, market-creation opportunities exist in expansion (more agriculture, more mining), diversification through the development of ancillary services (e.g., logistics, construction, hotels, etc.), and higher value-added related sectors (e.g., food-processing, manufacturing, etc.).

Mining is one of the main drivers of growth and diversification through supply chain development and related infrastructures, possibly through downstream manufacturing in the medium term. Relying on Guinea’s unique mineral deposits and supported by a new Mining Code¹¹⁸ and improved licensing framework, mining is already the top FDI sector, with the strongest momentum in bauxite and gold. While the extractive sectors per se generate lower GDP and employment growth perspectives (see GDP and employment multiplier analysis above) and contribute to a further concentration of exports, they offer strong direct and indirect linkages opportunities with more significant GDP and employment effects. Challenges to the mining sector include environmental and social issues (including uncontrolled artisanal mining), logistics infrastructures (ports, rail, roads), power access and price, labor skills and sustainability frameworks (environmental, social, including local content).

In the medium term, once cheap electricity has become available through the development of hydropower dams, resource-based manufacturing will become more feasible. Guinea's natural endowments associated with future sources of cheap and reliable energy could make it a prime spot for commodity-based regional processing.¹¹⁹ Cement and other resource-based industries have been performing well over the past few years. Going forward, Guinea could leverage its hydro potential to transform domestically its mineral wealth. For instance, alumina production may become feasible in the medium term.¹²⁰

Agriculture and agri-processing, particularly food and beverages, score high overall with strong desirability and feasibility, mainly hindered by infrastructure and land-related challenges. As highlighted in the GDP and employment multiplier analysis, growth in primary agriculture tends to offer superior GDP and employment dividends, and forms a basis to develop processing activities and diversify exports. Guinea's natural endowments (agri-climate, fish stocks, forests, water resources) and abundant rural labor provide a strong asset base to tap domestic and export market opportunities. In turn, the resulting raw material production, combined with ongoing improvements in the power sector, increase the feasibility of agri-processing industries with strong backward production linkages that bring higher levels of competitiveness and productivity, and better-quality employment. Key constraints to agriculture include access to land, access to finance, poor road and transport services, and trade logistics. Similar to other manufacturing sectors, agri-processing is also negatively impacted by low firm capabilities (technology, R&D, innovation) and labor skills, while power remains an issue in the short term. This is corroborated by a very recent IFC agribusiness deep-dive, which shows Guinea's strong competitive potential in certain value chains, notably fruits, rice, fonio, coffee and eggs. Similarly, the analysis of Guinea's imports suggests significant untapped domestic market opportunities exist in sugar, palm oil and rice, which also present regional market potential.

Opportunities in construction and real estate are driven by urban development, but are hindered by poor affordable housing development planning, access to land, and financial services. With an urban population growth rate of 3.5 percent, Guinea has, similar to many other countries in the region, among the fastest growing cities in the world, driving demand for construction and real estate. This sector presents medium to high scores against most desirability (GDP, jobs, productivity gains) and feasibility indicators. It may also fuel upstream opportunities (e.g., cement manufacturing, construction materials) and downstream opportunities (e.g., urban logistics, transportation services). Growth of the construction sector's contribution to GDP since 2010 has been moderate according to official figures, but recent media reports suggest a real estate 'boom', including through high levels of investment by the diaspora,¹²¹ as well as interest by Moroccan, Chinese, and Turkish sponsors. There are few developers in the residential property segment (mostly informal, self-building), and most opportunities are in civil projects (e.g., government offices, affordable housing projects) or related to mining or other multinational corporates.

The main constraints in this sector are related to urban planning, access to land and finance for developers, labor skills, and sponsor-related issues. Upstream in the cement manufacturing, current supply (2.2 million tons) outstrips demand (1.6 million tons) following significant investments in anticipation of large mining and infrastructure projects that were delayed. However, it is projected that an additional facility of 1 million tons capacity will be required to keep up with demand by 2022.

Finally, urbanization also creates opportunities in water and sanitation. The World Bank is currently developing a series of studies on urban water supply sector that should be completed toward the end of 2019. Based on this, the World Bank and IFC could potentially replicate the experience conducted with EDG, but for the water sector with SEG, i.e., a private management contract. In the context of the restructuring of solid waste management in the Conakry area, supported by the EU and the Government of Belgium, IFC's PPP advisory team may be involved in bringing in a private operator for the collection and processing of solid waste in a new landfill, but questions remain on how this service will be financed.

Tourism is of relatively low feasibility in general due to logistics constraints and political stability issues. However, tourist arrivals are showing a strong rebound following the Ebola crisis and existing supply of tourism facilities is mostly outdated or insufficient. As a result, interesting opportunities may exist in business and leisure tourism associated with the development of large mining and hydro projects. There are two internationally branded hotels in Conakry: a Sheraton with 269 rooms and a Novotel (Accor) with 227 rooms. Investment is underway with new hotels opening in the Conakry business tourism segment.¹²² Several hotels were built during the past five years in anticipation of the boom in the mining sector (e.g., Noom Conakry, Camayenne, Onomo, Kaloum) and several others are planned or under construction (e.g., Azalai, Radisson Blu). Key challenges include poor mobility within Conakry and limited access outside of Conakry, relatively high crime rates, low labor skills, and cumbersome visa issues.

Non-resource-based manufacturing sectors (other manufacturing) exhibit lower desirability and feasibility. Fundamental reasons for this include the high share of imported inputs (e.g., petroleum products) limiting impact multiplier effects and increasing input costs. Other issues include the lack of competitive labor and capital compared with alternative locations, and poor sector capabilities. The relatively small market and lack of effective cross-border trade are also limiting the potential for scale. However, manufacturing continues to grow in products that have high import costs, serving the mining sector (fabrications, castings, metalwork, packaging, etc.) and the growing, rapidly urbanizing population (low value or bulky FMCG - detergent, soap, plastic products such as water pipes and tanks, foam mattresses, roofing, etc.). Issues here for larger private investment, including via IFC, are those of scale, as these projects tend to be small individually, given the small size of the Guinean market. Improved cross-border trade with neighbors may create opportunities for scale, but local players are already present in neighboring markets, producing locally at competitive prices.

Other services (trade, other business services) are desirable but of low feasibility.

Output data suggest that the services sectors are growing, despite limitations in production factors (labor skills, sector capabilities) and input supply (access to finance, transport). There is one international brand in the retail trade sector with four minimarkets (Spanish franchise Dia, specialized in hard discount supermarkets), a few smaller players, and one modern shopping mall with 45 shops and restaurants owned by Ivorian nationals. Most of the market demand is met by the informal sector, except for the mining companies, expats and high-income families. A warehousing shortage in Conakry and lack of logistics infrastructures are an issue to be explored further.

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ANNEX 5: TEAM AND TIMELINE

Team

The CPSD was co-led by Will Davies (Senior Operations Officer, CAFAF), Mariama Cire Sylla (Private Sector Specialist, GFCA2), and Vincent Arthur Floreani (Economist, CCECE). Other core team members included Julien Haarman (Consultant, GFCMT), Volker Treichel (IFC Principal Country Economist, CCECE) provided input and quality assurance support throughout. The core team worked under the general supervision of Mona Haddad (Director, CCEDR), Aliou Maiga (Director, CAFWO), and Soukeyna Kane (Country Director, AFCW3), alongside Country Manager Olivier Buyoya (Country Manager, CAFWG), Practice Managers Alejandro Alvarez de la Campa (Practice Manager, GFCM1) and Consolate Rusagara (Practice Manager, GFCAW), and World Bank Country Manager, Rachidi Radji (AFMBF). The team closely collaborated with Frank Armand Douamba (Chief Program Manager, CAFSC), Jean Michel Marchat (Lead Economist, GFCAW), and the AFCW3 Program Leaders Christophe Lemiere, Jose Lopez Calix, and Michel Rogy. Inputs into the various sector write ups were provided by a wide range of IFC and World Bank operational staff (a full list will be included in the final publication). Additional valuable support was provided by Fatoumata Bah (Consultant - GFCA2), Marian Ewurama Wiredu (Program Assistant – CAFW2), Thierno Saidou Diallo (Program assistant - CAFWG), and Rachita Daga (Strategy Analyst, CCECE).

Eric Mabushi (Senior Operations Officer – CAFCS), Ibrahima Sory Soumah (Chief Risk Officer - International Islamic Trade Finance Corporation), and Abdoul Mijiyawa (Senior Economist – GMTA2) have kindly agreed to peer review this Decision Meeting draft.

Timeline

CPSD Launch	October 2018
First Mission	November 5-15, 2018
PCN review meeting	November 26, 2018
Decision meeting	February, 2019
Final report	April, 2019

ANNEX 6: LIST OF WBG STAKEHOLDERS

INTERNATIONAL FINANCE CORPORATION		
SECTOR	INVESTMENT STAFF	OTHER STAFF
Agribusiness	Donald Nzorubara Zeina Mouawad Malick Fall	Jean Saint-Geours Oksana Nagayets Christophe Ravry Barry Lee
Infrastructure	Cheick-Oumar Sylla Juan Carlos Pereira Dina Marie-Natacha Manitra Ramamonjisoa	Pierre Pozzo di Borgo Roy Kroese Yann Loic Tanvez Jean Francois Mercier Emelly Mutambatsere Hayat Abdo
Mining	Namrata Thapar Christian Mulamula Roland Yameogo Sacha Backes Fernando Mauricio Pereda Garcia	Rodrigue Djahlin Saramory Kampo
Financial Sector	Florence Boupda Wilfried Tamegnon Mehdi Cherkaoui Yakhara Ngally Sembene Thierno Habib Hann (housing) Vivian Awiti Owuor Alexandra Celestin Margaret Nzuki Aurelia Fah Juan Andres Mosquera (Trade Finance) Benie Kouakou Florian Witch Ray Ionel Ndinga	Ferdinand Ngobounan Meritxell Martinez Vivian Awiti Owuor Tiphaine A. Crenn Charlotte Ndaw Oscar Maddeddu
Manufacturing & Services	Marieme Travaly Andrei Tomilin Olivier N'Gonian Yao Kevin Berkane Gregoire Nalet Kalim Shah Biju Mohandas Musonda Chipalo	Tania Lozansky Fanja Ravoavy
ICT	German Cufre	Funso Fasetire
Funds	Kevin Warui Nijiraini	

Health and Education	Biju Mohandas Kevin Berkane
Investment climate	Jean Michel Marchat Mariama Cire Sylla Fatoumata Bah
FCS	Michel Botzung Eric Mabushi
Gender	Anne Kabugi
Environment	Seynabou Ba Elizabeth White
PPP	Michael Opagi Stefan Rjaonarivo Ange Claver Kouassi Carine Sophie Donges Servant Jacques Bleindou Aicha Farida Boubakary

WORLD BANK

GP	WB STAFF
Program Leaders	Michel Rogy (SD) Jose R. Lopez Calix (EFI) Christophe Lemiere (HD)
Agriculture	Marianne Grosclaude Aifa Fatimata Ndoeye Niane Jeremy Robert Strauss Mariama Altine Mahamane El Hadj Adama Toure Juvenal Nzambimana Christopher Gilbert Sheldon
Extractives	Boubacar Bocoum
Energy	Charles Joseph Cormier Yussuf Uwamahoro
Finance, Competitiveness and Innovation	Consolate K. Rusagara Mohamadou S Hayatou Mariama Cire Sylla Sarah Zekri Maimouna Gueye

Macroeconomics, Trade and Investment	Lars Christian Moller Susana M. Sanchez Abdoul Ganiou Mijiyawa Ernest John Sergenti Bourel Toure Irene Muthoni Ngatia Maimouna Gueye Diego Rivetti
Transport & Digital Development	Nicolas Peltier-Thiberge Marc Marie Francois Navelet Federico Antoniazzi Marc Jean Yves Lixi
Water	Steven N. Schonberger Oumar Diallo Deo-Marcel Niyungeko
Poverty	Yele Maweki Batana
SD	Fanta Toure Ibrahim Magazi Kaori Oshima Marie-Helene Cloutier Nicolas Perrin Christopher H. Herbst Scherezad Joya Monami Latif Shobhana Sosale Assane Dieng Ragnvald Michel Maellberg
Governance	Alexandre Arobbio Abel Paul Basile Bove Robert A. Yungu

ANNEX 7: OVERVIEW OF GOVERNMENT AND WORLD BANK GROUP PRIVATE SECTOR DEVELOPMENT STRATEGY

The Government of Guinea's overarching development plan is based on three pillars: (i) catalytic investments in the mining sector in energy, roads, ports, airports, and information and communications technology (ICT), together with good governance of the mining sector; (ii) productivity increases in the agro-sylvo-pastoral and fisheries sectors resulting from investment in development, equipment and tools, and skills development, as well as openness to trade and foreign capital; and (iii) non-mining industrial diversification linked to regional agri-value chains.

The FY18-23 World Bank Group Country Partnership Framework (CPF) is built around nine objectives clustered into three pillars. The overall architecture is aligned with both the SCD pathways and the government priorities defined in *Plan National De Développement Economique et Social 2016–2020*.

The CPF is voluntarily selective, leveraging on the World Bank Group comparative advantages and synergies with development partners.

The three pillars are:

1. Fiscal and natural resource management;
2. Human development; and
3. Agricultural productivity and economic growth.

In a nutshell, the overarching objective of the CPF is to help Guinea achieve its tremendous development potential with dedicated interventions to boost productivity, enhance capacities (in natural-resource management, for instance), and bolster private sector competitiveness.

To deliver on these ambitious objectives, mitigating risks and attracting private investment are critical. In the spirit of the Maximizing Finance for Development, the World Bank Group focuses on creating markets and crowding in private capital. The objective is to support Guinea to better manage flows of inward investment and mobilize private capital in high potential sectors. To do so, the World Bank Group will adopt a sequenced approach to scale up private sector solutions. This entails improving or developing value chains and introducing new products and solutions. In particular, concessional resources—e.g., technical assistance, direct financing, and PPP structuring—will be used for policy reforms that de-risk sectors, thus crowding in private capital and contributing to the creation of new markets.

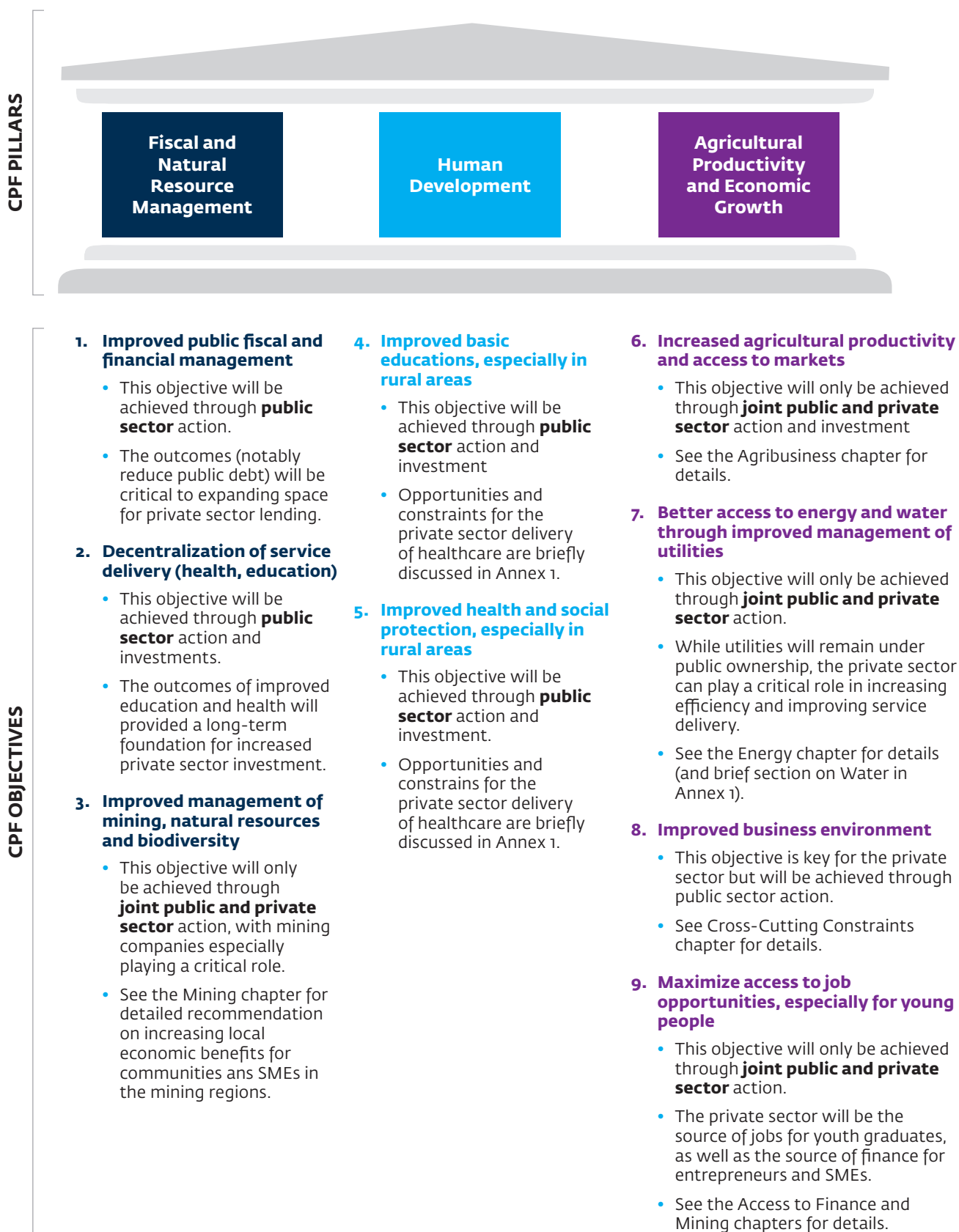
Complementing the World Bank's approach, IFC focuses on promoting sustainable inclusive growth, enhancing competitiveness and creating employment in Guinea. As such, IFC will primarily target the agribusiness, financial, infrastructure and manufacturing sectors. IFC's renewed strategy, IFC 3.0, is particularly relevant for Guinea. To deepen its engagement and leverage the IDA 18 private sector window, IFC will focus on: (i) pursuing value chain and cross-sectoral approaches; (ii) leveraging internal and external stakeholders; and (iii) proposing new products and solutions. This will allow the World Bank Group to adopt a systematic and sequenced approach to create markets by scaling up private sector solutions and catalyzing private capital.

In the context of the CPF, IFC is especially focusing on: (i) strengthening key value chains, as well as diversifying further the economy by propping up private sector development; and (ii) deepening its engagement in key sectors (mining, agribusiness, tourism, financial markets, housing and SME financing), with an enhanced focus on restoring Guinea's competitiveness and bolstering the private sector's capacity through an accelerated improvement of the investment climate.

With the continued roll-out of the capacity-building program to improve the level of the local SMEs, the access to finance initiative will gain momentum as more SMEs are trained and able to provide sensible business plans to the local banks. IFC plans to capitalize on the new Leasing Law (which it recently helped the government enact) to develop risk-sharing schemes that reduce the level of collateral needed by the borrowing SMEs, while also providing greater comfort to the local financial institutions.

All in all, the World Bank Group will pursue a sequenced and systematic approach in line with the principle of Maximizing Finance for Development to create markets and crowd in private capital. This entails using technical assistance and concessional resources upstream to enable private sector participation in critical sectors such as infrastructure, agriculture and housing. For the projects that could not be otherwise undertaken, IDA 18 PSW facilities will be deployed. This will include the Risk Mitigation Facility for infrastructure projects, the Blended-Finance Facility for housing and agribusiness, as well as the Creating Markets Advisory Window in water and sanitation. IFC and MIGA, in particular, will work with private sector counterparts to catalyze private investment in sectors such as agro-industry and mining.

Guinea Country Partnership Framework: Creating Markets Opportunities



ANNEX 8: OVERVIEW OF WORLD BANK GROUP ACTIVITIES

IFC ACTIVE INVESTMENT PORTFOLIO			
INDUSTRY GROUP SECTOR	PRODUCT TYPE	CLIENT	COMMITTED PORTFOLIO (US\$ MILLION)
Financial Markets	Debt	Afriland Guinea	2.0
Financial Markets	Guarantee/RM	BICIGUI RSF	1.9
Financial Markets	Guarantee/RM	EGN SME RSF	2.5
Financial Markets	Guarantee/RM	BPMG SME RSF	1.2
Oil, Gas & Mining	Debt	CBG	135.0
Tourism, Retail, Construction & Real Estates (TRP)	Debt	Palma Guinee	12.2

IFC ACTIVE ADVISORY PORTFOLIO		
PRIMARY BUSINESS LINE NAME	PROJECT NAME	TOTAL FUNDS MANAGED BY IFC (US\$ MILLION)
Infrastructure and Natural Resources	Guinea- Local Economic Development Program	4.0
Equitable Growth, Finance and Institutions	Guinea Investment Climate Phase 2 Mining Linkages	2.2
Equitable Growth, Finance and Institutions	Guinea IC Agri	1.85
Equitable Growth, Finance and Institutions	Guinea Leasing Project	0.3

WORLD BANK LENDING PORTFOLIO				
PROJECT NAME	LEAD GP/GLOBAL THEMES	APPR. FY	LEN. INST. TYPE	NET COMM. AMT. - TOTAL (US\$ MILLION)
Mineral Governance Support Project	Energy & Extractives	2013	IPF	609.6
Productive Social Safety Net Project	Social Protection & Labor	2012	IPF	506.2
Economic Governance Technical Assistance and Capacity Building	Governance	2012	IPF	382.9
GUINEA - Stepping Up Skills Project	Education	2015	IPF	135.6
Power Sector Recovery Project	Energy & Extractives	2014	IPF	154.8
GN PRIMARY HEALTH SERVICES IMPROVEMENT PROJECT	Health, Nutrition & Population	2015	IPF	88.8
Guinea Agricultural Support Project	Agriculture	2015	IPF	70.7
GUINEA - Pooled-Fund for Basic Education	Education	2016	IPF	0.0
Third Village Community Support Project	Social, Urban, Rural and Resilience Global Practice	2016	IPF	0.2
Guinea Urban Water Project	Water	2017	IPF	609.6
Guinea Second Macroeconomic and Fiscal Management DPO	Macroeconomics, Trade and Investment	2019	DPF	506.2
Guinea Health Service and Capacity Strengthening Project	Health, Nutrition & Population	2018	IPF	382.9
Support to MSME Growth Competitiveness and Access to Finance Project	Finance, Competitiveness and Innovation	2019	IPF	30
Guinea Integrated Agricultural Development Project (PDAIG)	Agriculture	2019	IPF	135.6

WORLD BANK ANALYTICS AND ADVISORY SERVICES

TASK NAME	LEAD GP/GLOBAL THEMES	PROD. LINE	TOTAL LIFETIME EXPENDITURE - (US\$ '000)
Lck.Guinea - Education Impact Evaluation	Education	AA	609.6
Guinea #Co15 Strengthening Microfinance and Financial Inclusion	Finance, Competitiveness and Innovation	AA	506.2
Post Ebola HRH Strengthening	Health, Nutrition & Population	AA	382.9
Guinea Incidence of Fiscal Policy on Poverty	Poverty and Equity	AA	135.6
Strengthening Social Protection in Guinea	Social Protection & Labor	AA	154.8
Jobs, Informality and Urban Youth	Social Protection & Labor	AA	88.8
CMC: Guinea Debt Management Performance Assessment	Macroeconomics, Trade and Investment	AA	70.7
Mainstreaming Citizen Engagement in Guinea Portfolio	Social, Urban, Rural and Resilience Global Practice	AA	0.0
Guinea: The Economic Benefits of a Gender-Inclusive Society	Macroeconomics, Trade and Investment	AA	0.2

SECTOR SYNERGIES: WITHIN WBG AND BETWEEN OTHER DEVELOPMENT PARTNERS					
SECTOR	IFC PROJECTS		WB PROJECTS		OTHER DEVELOPMENT PARTNERS
Cross-cutting			Economic Governance Technical Assistance and Capacity Building	IPF, 32M, P125890, 2012	EU – Job & Growth Compact: tax and trade procedures, cost of imports (inputs)
			Productive Social Safety Net Project	IPF, 37M, P123900, 2012	
			Guinea Second Macroeconomic and Fiscal Management DPO	DPF, 60M, P161796, 2019 (partial: commercial court, trade OSS, investment code implementation, decentralized public services)	
			Guinea Support to Local Governance Project	IPF, 40M, P167884, 2019	
Power	Guinea Power PPP	Completed (EDG management contract concluded with VEOLIA)	Power Sector Recovery Project	IPF, 75M, P146696, 2014	ADB – Energy access: grid expansion, EDG sustainability with tariff review, investment in PS production
			Guinea Electricity Access Scale Up Project	IPF, 50M, P164225, 2019	
			Guinea Second Macroeconomic and Fiscal Management DPO	DPF, 60M, P161796, 2019	
Financial Services	IFC FIG Investments	Total debt ca. 35M BICIGUI, Ora, Afriland, Ecobank	Support to MSME Growth Competitiveness and Access to Finance	IPF, 20M, P164283, 2019 Entrepreneurship & innovation, financial inclusion (collateral registry, credit bureau, national switch, digitalisation)	AFD – SME credit guarantee + TA to SMEs AFD – MFI loans Proparco investments – FI loans
	Guinea Leasing	Pipeline			EU – Job & Growth Compact: access and IRs
	Expanding DFS to agri value chains	Pre-pipeline			

SECTOR	IFC PROJECTS		WB PROJECTS		OTHER DONORS
Agribusiness	Guinea IC Agribusiness	Pipeline Agri IC incl. land OSS & access to land reforms, agri IPP support to APIP, MAS advisory support to firms.	Guinea Agricultural Support Project	IPF, 15M, P148114, 2015	ADB – agri growth poles: roads, power, irrigation, land tenure
			Guinea Integrated Agricultural Development Project (PDAIG)	IPF, 40M, P164326, 2019	ADB – Youth agri-entrepreneurship: training, credit, land access (regulatory)
			Guinea Second Macroeconomic and Fiscal Management DPO	DPF, 60M, P161796, 2019 (partial: policy/legal reform in agri, reform input subsidy mechanism, rural road maintenance)	EU – Job & Growth Compact: land access
			Guinea Agribusiness Development Project	IPF, 175M, P164184, 2019	
Mining	IFC mining Investments	Total debt ca. 285M GAC, CBG	Mineral Governance Support Project	IPF, 20M, P122916, 2013	
	Rio Tinto - TA & Local Supplier Development Project	Portfolio Business Edge training to firms			
	Guinea- Local Economic Development Program	Portfolio Mining linkages support			
	Guinea Investment Climate Phase 2	Portfolio Mining Linkages			

ANNEX 9: MAP OF GUINEA



NOTES

- 1 This refers to the international poverty line (US\$1.9 per day) and the 2012 national poverty survey. A new household survey is underway, and therefore an update to this figure can be expected soon.
- 2 The average interest rate on loans is 22 percent in Guinea, compared with around 7 percent in the WAEMU countries (see the "cross-cutting constraints" in Chapter 1 for further details).
- 3 World Bank (2018), the Changing Wealth of Nations. Natural Capital includes energy (oil, gas, coal) and minerals, agricultural land, forests, and protected areas.
- 4 Based on the *Strategy for the Sustainable Development of the Boké Prefecture* (draft, December 2018), This number includes aggregated mining investments underway and/or committed since 2015 in the accessible and bauxite-rich region of Boké, to the north-west of Conakry.
- 5 Technically, the potential is estimated at 6,200 megawatts, although IFC industry specialists put the commercially viable potential (currently undeveloped) at closer to 1,200 megawatts.
- 6 In the past, huge investments have been earmarked for iron ore, notably under the Simandou mining project. Based on previous designs, this project would require initial investment of about US\$20 billion, including to develop a new 670-km heavy-haul freight railway, originating in the southeast of the country and connecting with a new deep-water, multi-user port to be constructed in Conakry. The start of the project has been delayed for several years due to a combination of low iron-ore prices and ownership changes. In 2017, the main shareholder, Rio Tinto, planned to transfer its shares to Chinalco (a Chinese state-owned enterprise), but these discussions appear to currently be on hold.
- 7 This is conservatively based on the Guinean Mining Code (minimum 10 percent local content mandated at exploration stage, 15 to 25 percent at operation stage). In supporting Guinea's local content policy, World Bank Group advice has however been to increase focus on creating the enabling environment for local suppliers and boosting their capacities, rather than quantitative targets, which are already covered in the code. See the mining section 3.1 for further details.
- 8 Currently, the Friguia Alumina Refinery, operated by Rusal, is the only refinery reported as being in operation, although there are questions regarding its actual production following a publicized "restart" in 2018. The agreement to restart the refinery was part of a wider agreement giving Rusal new bauxite rights in the Boké region. It remains questionable whether it is of sufficient scale to be commercially competitive.
- 9 Environmental and social (E&S) challenges in the communities most affected are also beginning to receive negative international publicity. For example: <https://www.economist.com/business/2018/11/03/guineas-bauxite-boom-is-helping-china-but-failing-locals>.
- 10 See *Leveraging Export Diversification in Fragile Countries: The Cases of Mali, Chad, Niger and Guinea*, World Bank, March 2019 for a comprehensive analysis of the importance of—and strategies for—export diversification. The assessment supports the conclusion that many of the most viable avenues for diversification for Guinea lie in agri-based products.
- 11 According to the IMF, certain underlying drivers of Dutch Disease risk can be inferred: the external position is weaker than the level consistent with economic fundamentals and desirable policies, a trend that continues with recent real exchange rate appreciation and current account widening. (Source: IMF Guinea Country Report No. 19/30, 2019)
- 12 This does however exclude unquantified, but reportedly significant, amounts of informal cross-border trade, in particular in agricultural products.
- 13 A forthcoming study by the World Bank Group, *Leveraging West African Regional Corridors to Support Growth and Development in Guinea*, will be instructive in providing more detailed analysis and recommendations on the regional integration agenda.
- 14 For a broader description, including international case studies used to inform the recommendations made to the Government of Guinea, see: "Development of a Regulatory and Institutional Framework for the Guinea Mining Sector Ancillary Infrastructure Master Plan". PPIAF. 2018.
- 15 Even in developed countries such as Australia, infrastructure sharing has at times led to protracted disputes between mining companies. Successful precedents within Sub-Saharan Africa are very limited (partial open access of the Nacala corridor, operated by Vale in Mozambique and Malawi being one example).
- 16 A Strategy for the Sustainable Development of the Boké Prefecture will provide a blueprint (latest draft, December 2018)
- 17 Agriculture is also central to women's participation in the economy. In Guinea, 71 percent of women are employed in the agriculture sector, compared to 64 percent of men (ILOSTAT 2016). However, women face a variety of constraints, such as limited access to agricultural inputs, technologies, finance, and networks (<https://blogs.worldbank.org/voices/three-misconceptions-about-women-agribusiness-hold-companies-back>).
- 18 See *Leveraging Export Diversification in Fragile Countries: The Cases of Mali, Chad, Niger and Guinea*, World Bank, March 2019. In addition, IFC conducted an internal "Guinea Agribusiness Deep Dive", May 2018.
- 19 The proposed US\$175 million Guinea Agribusiness Development Project (P164184).

- 20 Generation costs are estimated at US\$0.14/kWh (2018), down from US\$0.20/kWh in 2014. Hydropower generation costs are expected to range from US\$0.10/kWh (Kaleta project, 2015) to US\$0.06/kWh (long-term estimated cost potential). Current projects have generally been undertaken via direct negotiations rather than competitive bidding, and therefore it is unclear whether recent costs represent fair or inflated prices.
- 21 "Appui au Programme PPP de la Guinée", IFC 2017.
- 22 The EU Delegation in Guinea recently launched a new Urban Transport Development Plan, to be validated in the course of 2019.
- 23 Note on Conakry port: the container terminal is concessioned to Bolloré but a corruption investigation is underway targeting Bolloré's operations in Guinea and Togo. Other port facilities were recently concessioned to a Turkish operator. In addition, there are a limited number of terminal concessions for the mining companies (CBK, ACG).
- 24 *Expanded in Development of a Regulatory and Institutional Framework for the Guinea Mining Sector Ancillary Infrastructure Master Plan*, PPIAF, 2018.
- 25 See IMF Guinea Country Report No. 19/30 (2019) for details.
- 26 More specific recommendations include: allocating temporary budget resources to the court until it is properly embedded into the next budget bill; impose regulations to cap the duration of cases; and develop an accelerated training program for judges and clerks in the area of commercial justice.
- 27 The global economic recession looming as a result of the sanitary crisis will likely depress demand for bauxite. Gold on the other hand may appreciate as investors seek safe haven.
- 28 Rapid COVID Response Survey (BPS survey) conducted by IFC in May 2020 on 150 companies from various sectors.
- 29 World Bank open data
- 30 Ninety-six percent of women are in vulnerable employment compared with 84 percent of men (ILOSTAT database 2016, vulnerable employment accounts for self-employed workers). Women's unpaid time burdens are significant: only two out of three women surveyed said they had been paid for their work within the previous month. Source: UN Women (2016): Supporting Women's Empowerment and Gender Equality in Fragile States (Research Brief).
- 31 World Bank (2018), the Changing Wealth of Nations. The calculation of natural capital includes energy (oil, gas, hard and soft coal) and minerals (10 categories), agricultural land (cropland and pastureland), forests (timber and some nontimber forest products), and protected areas. Natural capital is measured as the discounted sum of the value of rents generated over the lifetime of the asset.
- 32 Guinea's estimated hydro potential, at 6,200 megawatts, is the highest in West Africa. IFC industry specialists put the commercially viable potential (currently undeveloped) at closer to 1,200 megawatts.
- 33 Guinea was also one of the first members of the G20 Compact with Africa, which aims to support private sector reforms to boost development objectives.
- 34 Estimates based on sources and methods described in "The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium" (World Bank, 2011).
- 35 See *Leveraging Export Diversification in Fragile Countries: The Cases of Mali, Chad, Niger and Guinea*, World Bank, March 2019 for a comprehensive analysis of the importance of—and strategies for—export diversification.
- 36 See for example *IMF Country Report No. 18/234*, IMF (2018) and IMF Guinea Country Report No. 19/30, 2019. This last paper notes that the Guinean authorities are taking the right steps by accumulating reserves, strengthening the fiscal position through revenue mobilization, and reforming the foreign-exchange market to enhance exchange-rate flexibility. Assuming sufficient central bank independence over the medium term, this will put Guinea in a good position to manage the risks of over-appreciation.
- 37 This does, however, exclude unquantified, but reportedly significant, amounts of informal cross-border trade, in particular in agricultural products.
- 38 World Bank open data.
- 39 These FDI data cover greenfield investment projects. They do not include mergers and acquisitions or other equity-based or non-equity investments. Only new investment projects and significant expansions of existing projects are included. The data presented include FDI projects that have either been announced or opened by a company. The data on capital investment and job creation are based on the investment the company is making at the time of the project announcement or opening. As companies can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency, the data used in this report are different to the official data on FDI flows. The data shown include estimates for capital investment and job creation derived from algorithms when a company does not release the information.
- 40 Medina, L and F. Schneider. 2018. "Shadow Economies around the World: What Did We Learn over the Last 20 Years?"
- 41 World Bank Enterprise Survey.
- 42 World Bank Exporters Dynamic Database.
- 43 World Bank Enterprise Survey 2016.
- 44 As an example, there are at least three parallel employers' associations: the Conseil National du Patronat Guinéen (CNP), the Confédération Patronale des Entreprises de Guinée (CPEG), and the Patronat de Guinée (PAG). The national and regional chambers of Commerce operate without coordination.

- 45 This is outlined in detail in the IMF Country Report No. 19/30. Key targets for 2019 include: operationalize budget execution procedural manuals; operationalize the Treasury Single Account; and strengthened cash management processes.
- 46 The current account deficit narrowed to about 7 percent in 2017 reflecting a surge in mining exports; gross international reserves increased to about US\$1 billion at end-September 2018 (3.5 months of import cover). The inflation rate has fallen from highs of 35 percent in 2006, to 21 percent in 2011, to between 8 and 9 percent annually between 2014 and 2017.
- 47 IMF Country Report No. 19/30.
- 48 World Bank data portal.
- 49 World Bank WDI.
- 50 Source of access to finance figures: IMF Financial Access Survey, quoted in the World Bank (Guinea Systematic Country Diagnostic, 2018).
- 51 Automating the processing of investor incentives and putting in place an appeal mechanism are priorities to overcome the governance issues surrounding the current system.
- 52 <http://mef.gov.gn/wp-content/uploads/2017/06/Communication-en-conseil-relative-au-projet-de-loi-sur-les-PPP.pdf>
- 53 The implementation decrees have not yet been issued. This confusion is altering the spirit of the PPP Law and without more clarity on the matter, developing competitive PPP projects is not feasible. Once this is addressed, capacity might remain an issue and would require specific support activities—see recommendations section.
- 54 With reserves estimated at 3.2 billion tons of iron ore, the Simandou mining project would require a substantial initial investment of about US\$20 billion, including to develop a new 670-km heavy haul freight railway, originating in Simandou and connecting with a new deep-water, multi-user port to be constructed in Conakry. The start of the project has now been delayed for several years due to a combination of low iron-ore prices and ownership changes. In 2017, the main shareholder of the Simandou mining project, Rio Tinto, planned to transfer its shares to Chinalco (a Chinese state-owned enterprise), but these discussions also appear to currently be on hold.
- 55 This includes all major investments made, or committed, since 2015.
- 56 *Guinea: Country Mining Guide*, KPMG Global Mining Institute (2014).
- 57 For gold, current production is 8 to 10 megawatts/year, with potential reserves estimated at 700 megawatts. This is compared with potential of 1,000 megawatts in Ghana (current production 100 megawatts/year) and 6,000 megawatts in South Africa (production 140 megawatts/year) in South Africa. For diamonds, Guinea has 30 to 40 million carats in proven reserves, compared with 70 million carats in South Africa, 90 million carats in Botswana and 150 million carats in DRC. For other minerals, so far only studies into graphite were reported to be underway (interview with Ministry of Mines, February 2019).
- 58 This is conservatively based on the Guinean Mining Code (minimum 10 percent local content mandated at exploration stage, 15 to 25 percent at operation stage). In supporting Guinea's local content policy, World Bank Group advice has however been to increase focus on creating the enabling environment for local suppliers and boosting their capacities, rather than quantitative targets, which are already covered in the code. Countries such as Brazil, Malaysia, Venezuela, and Norway, for example, have been successful in achieving local content levels of between 45 and 75 percent following targeted supplier development efforts. In Ghana and Nigeria, results have been much lower, despite ambitious targets. For more information, refer to: *Local Content and Value Addition in Ghana's Mineral, Oil, and Gas Sectors*; African Center for Economic Transformation (2015).
- 59 Currently, the Friguia Alumina Refinery, operated by Rusal, is the only refinery reported as being in operation, although there are questions regarding its actual production following a publicized "restart" in 2018. The agreement to restart the refinery was part of a wider agreement giving Rusal new bauxite rights in the Boké region. It remains questionable whether it is of sufficient scale to be commercially competitive.
- 60 Capital investments for modern alumina refineries can be upwards of US\$3 billion, while investments in smelting facilities can run as high as US\$10 billion.
- 61 Drawn from World Bank Concept Note on Opportunities for enhanced domestic revenue mobilization (P168589). Data source IMF First ECF Review, 2018.
- 62 World Bank, Sustainable Energy for All (SE4ALL) database, 2016 data.
- 63 Government of Guinea, Groupe Consultatif (<https://groupe-consultatif-guinee.com/pndes-content/uploads/2017/11/Programme-national-damelioration-de-laccess-a-lelectricite-en-Guinee-1.pdf>)
- 64 Castalia, 2017.
- 65 27 megawatts committed from Côte d'Ivoire through the CLSG for the period 2020–21 until Souapiti dam is commissioned.
- 66 There are a few existing thermal plants and a few additional ones planned but the masterplan projects that these will be phased out or kept as a back-up in the short to medium term.
- 67 One concession agreement signed at the end of February 2019 (so far, the only solar IPP with a signed concession agreement).
- 68 *Actualisation du Plan Directeur de Développement des Infrastructures de Production et de Transport, Gouvernement de Guinée*, 2018. Dates are those taken from the source document, however see below footnotes for additional details.

- 69 The Amaria project is still in negotiation between the government and the sponsor, after which construction will take over 4 years. Therefore, commissioning in 2023/24 would be more realistic.
- 70 Sinohydro was appointed in March 2019 by the Organisation for the Valorisation of the Senegal River (OMVS) to implement the Koukoutamba hydroelectric project. The project will require investment of over \$800m (will not be commissioned before 2023).
- 71 Generation costs are estimated at US\$0.14/kWh (2018), down from US\$0.20/kWh in 2014. Hydropower generation costs are expected to range from US\$0.10/kWh (Kaleta project, 2015) to US\$0.06/kWh (long-term estimated cost potential). Whether competitive bidding would have generated lower costs for current projects would require further research.
- 72 E.g. <https://www.theguardian.com/world/2019/feb/28/chinese-dam-project-in-guinea-could-kill-up-to-1500-chimpanzees>
- 73 Energy demand by the extractives sector can be expected to broadly correlate growth in mineral extraction. Although most mining companies currently integrate their own power supplies, cheaper hydro or solar supply could prove attractive. The development of heavy resource-based industries (e.g., alumina production) would be a game-changer for energy demand, but this is only likely over the medium to longer term.
- 74 Organisation de Mise en Valeur du Fleuve Gambia.
- 75 Against this opportunity, must be weighed the facts that: (i) energy exports from Guinea will face the challenges inherent to the poor financial health of most national utilities in the sub-region (and associated payment default risks); and (ii) the future competitiveness of Guinea's power is also uncertain in the context of gas-powered generation capacity developments in other WAPP countries.
- 76 *Soutien au développement de l'énergie solaire PV par la préparation d'appels d'offres concurrentiels*, World Bank 2018.
- 77 Under the reference scenario (*variante de base*) of the masterplan, including existing and announced mining projects (without alumina refining). An alternative "sub-scenario" (*variante sans mines*) includes the possibility that mines would produce their own power/source from an IPP, which would increase the off-grid potential.
- 78 Castalia. 2017. Effective residential electricity tariffs are here calculated based on a household consuming 50 kWh per month, taking account of the tariff and any additional fixed costs.
- 79 AfDB is planning to undertake work in this area.
- 80 Ongoing World Bank ASA "Guinea: Leveraging West African Regional Corridors to Support Growth and Development in Guinea" is expected to provide evidence-based analysis and proposals to inform public sector investments and reforms.
- 81 At least one relatively large SME met during the CPSD mission, historically focused on providing trucking services to mining projects, is now focusing expansion on general freight solutions between cities, combined with storage hub solutions (in Mamou, Kankan, Faranah, Labé).
- 82 The Conakry–Kindia historic metric-gauge line is no longer operational as rails were removed in most parts.
- 83 IFC presentation, Cape Town Indaba 2014.
- 84 COBAD, CBG, GAC, ACG and CBK each refer to different bauxite mining operations. For details of all current and planned bauxite mining operations in Guinea, please refer to "*Actualisation du Schéma Directeur des Infrastructures Auxiliaires aux Mines*", June 2018. A map is also available at: https://resourcegovernance.org/sites/default/files/styles/asset_image_full/public/assets/images/gn_infra.png?itok=oX2qKdGj
- 85 PwC's Port Performance Rating (PPR) combines published ratings of infrastructure quality, port operations effectiveness, and logistics efficiency (customs, logistics quality, track-and-trace and timeliness).
- 86 For details, please refer to the revised Masterplan of mining-related ancillary infrastructures (*Actualisation du Schéma Directeur des Infrastructures Auxiliaires aux Mines*, June 2018, supported by the World Bank program PAGSEM), which reports 26 bauxite mining projects, including 11 projects that were not mapped as part of the previous masterplan in 2014.
- 87 *Actualisation du Schéma Directeur des Infrastructures Auxiliaires aux Mines*, June 2018.
- 88 "*Appui au Programme PPP de la Guinée*", IFC 2017. In this review of 77 potential PPP projects in Guinea, the top three transport sector PPP opportunities included: (i) the development and operation of the Conakry port "Eastern extension", since then awarded to Turkish and Chinese interests; (ii) the development and operation of a 100 ha logistics platform in Kouriah (40 km from Conakry); and (iii) the construction and operation of maritime stations around Conakry for passenger transport.
- 89 The EU Delegation in Guinea recently launched a new Urban Transport Development Plan, to be validated in the course of 2019.
- 90 Note on Conakry port: the container terminal is concessioned to Bolloré but a corruption investigation is underway targeting Bolloré's operations in Guinea and Togo. Other port facilities were recently concessioned to a Turkish operator. In addition, there are a limited number of terminal concessions for the mining companies (CBK, ACG).
- 91 "*Development of a Regulatory and Institutional Framework for the Guinea Mining Sector Ancillary Infrastructure Master Plan*", PPIAF (2018).
- 92 <https://afrique.latribune.fr/afrique-de-l-ouest/guinee/2018-01-09/guinee-bonne-performance-des-banques-malgre-le-bras-de-fer-entre-patronat-et-syndicats-763950.html>
- 93 World Bank WDI.
- 94 IMF (2018). IMF Country Report No. 18/234.

- 95 High lending rates in Guinea are also linked to high, albeit falling, inflation. The inflation rate has fallen from highs of 35 percent in 2006, to 21 percent in 2011, to between 8 and 9 percent annually between 2014 and 2017.
- 96 This relates to the prudential reserves required to be maintained by commercial banks on their balance sheet, as opposed to those physically held by commercial banks with the central bank.
- 97 This is closely linked to affordability, as the cost of a typical 500MB basket represents 11 percent of monthly income for the poorest Guineans, higher than the 5 percent threshold from the UN Broadband Commission for Sustainable Development.
- 98 The total tax contribution of the mobile sector is equivalent to 54 percent of the sector's total market revenue. Therefore, while this may be comparable to other countries in the sub-region, it is on the high side for Africa as a whole. For comparison, tax represents a considerably lower share in Nigeria (9 percent), Morocco (11 percent), South Africa (20 percent), Rwanda (21 percent), Senegal (22 percent) and Egypt (23 percent).
- 99 According to GSMA, increasing mobile penetration by 10 percent could raise GDP per capita growth by between 1.4 and 2.8 percent in low-income countries.
- 100 *"Etude Fiscale et Tarifaire du Secteur des TIC en Guinée, Rapport sur la Politique Fiscale"* (version provisoire, Décembre 2016), WARCIP, Ministère des Télécommunications du Gouvernement de Guinée.
- 101 The UAF in Guinea predates the current law (Loi N°2015/018/AN), but its operationalization never took place and it is unclear at this stage what the operators' contributions to date have become.
- 102 In Guinea, 71 percent of women are employed in the agriculture sector, compared with 64 percent of men (ILOSTAT 2016); yet women face a variety of constraints, such as limited access to agricultural inputs, technologies, finance, and networks: <https://blogs.worldbank.org/voices/three-misconceptions-about-women-agribusiness-hold-companies-back>.
- 103 As identified by IFC's *Guinea Agribusiness Deep Dive*, May 2018. It should be stressed that this analysis aimed to shortlist the most competitive value chains based on Guinea's comparative advantages and near-term potential from the private sector perspective. Value chains not reflected in this list, including in fisheries and livestock, may still present lucrative investment opportunities and be important for Guinea's development.
- 104 As identified by IFC's *Guinea Agribusiness Deep Dive*, May 2018.
- 105 *Interprofessions* groups together professions from all stages of the same value chain (input providers, producers, traders, processors, transporters, among others), with the objective of improving the performance of the value chain, while ensuring equity among the different professions along the chain.
- 106 Central Bank of the Republic of Guinea (BCRG), 2018.
- 107 Information gathered during field trip interviews in Conakry, April 2018.
- 108 This is an urban development project for the Conakry area, under which the government commissioned a detailed urbanization master plan for Kaloum, the high-value district at the tip of Conakry's peninsula.
- 109 USA Central Intelligence Agency 2014.
- 110 This paragraph is derived from World Bank (2018): Guinea Systematic Country Diagnostic.
- 111 Views and data reported in this paragraph sourced from an unpublished IFC market assessment, dated November 2017.
- 112 Views and data reported in this paragraph sourced from an unpublished IFC market assessment, dated November 2017.
- 113 *"Appui au Programme PPP de la Guinée"*, IFC 2017.
- 114 The standard IFC sector definition at 1-digit level is used as a basis for the long-list, excluding the sectors discussed in the previous section (enabling sectors).
- 115 The main database for this model is GTAP version 9 (<https://www.gtap.agecon.purdue.edu/databases/v9/>)
- 116 Data on IFC project performance are drawn from the Development Outcome Tracking System (DOTS).
- 117 Guinea's natural wealth arguably make it a potential producer of a range of resource-based goods. In agriculture, Guinea's alluvial plains and rivers can host irrigated sugarcane and rice, its abundant rainfall make it suitable for oil palm and wood pulp, its position along one of Africa's most biomass-rich coasts indicates superior fisheries potential. Guinea's world-class mineral deposits and vast (hydro and solar) power resources combine into long-term strategic advantage for metal (aluminum, steel) and non-metal product manufacturing (clinker, cement).
- 118 Parliament approved a new Mining Code in 2011 that included several best practices to govern relations between mining companies and the government in a fair and transparent way. As a result, the Government of Guinea launched a new online database containing all its existing mining contracts. It also completed a Technical Review to ensure that the existing contracts align with international fiscal and environmental norms, and that they are in compliance with the 2011 Mining Code.
- 119 World Bank (2018). *Trouble in the Making? The Future of Manufacturing-Led Development*.
- 120 Precedent in Mozambique where a smelter and associated power cables manufacturing (Midal project), even though Mozambique must import bauxite. For such projects, it will be feasible to attract large investors as risks can be mitigated.
- 121 <http://www.guineeco.info/2017/09/05/investissements-diaspora-secteur-du-batiment-en-guinee/>
- 122 <http://www.rfi.fr/emission/20170110-guinee-le-developpement-tourisme-affaires>

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