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GRAY/20/2449

June 18, 2020

**Statement by Mr. Farber, Ms. Pollard, and Ms. Senich on Guinea
(Preliminary)
Executive Board Meeting 20/71
June 19, 2020**

We thank staff for the helpful report and Messrs. Raghani, Sylla, and N'Sonde for the useful Buff statement. Despite the authorities' comprehensive response plan, the local outbreak is spreading rapidly, unfortunately causing Guinea's short-term outlook to deteriorate significantly. We support the request for disbursement under the Rapid Credit Facility for approximately \$148 million, 50 percent of quota, as budget support given the urgent balance of payments and fiscal financing needs.

All but one performance criteria under the fifth ECF review period were met and the staff report indicates that program-supported reforms advanced and the end-March indicative target on reserves was met. It is not surprising that most March indicative targets were missed, given the impact of the COVID-19 pandemic on Guinea's economy. We appreciate the difficulties in moving forward with the fifth review given the uncertainty surrounding the short-term outlook and in conducting comprehensive policy discussions. We note that the RCF disbursement is expected to catalyze other financing, but if downside risks materialize, further support could be provided under an additional RCF or augmentation of access. We welcome the authorities' commitment to the ECF program and would encourage the authorities to consider augmentation of their existing program as the default option, rather than an additional RCF, given the need to continue reform efforts, if possible.

As an example of a program-supported reform that should not be delayed, we agree with staff that the authorities should move ahead with strengthening debt management and reporting. We share staff's concerns that the signing of the now-cancelled loan agreement with the private partnership to finance infrastructure development was not reported to the Fund as required under the ECF. We welcome the authorities' commitment to adhere to the requirements under the DSSI, including maintaining non-concessional borrowing within the envelope allowed under the ECF program.

We support the authorities' commitment to medium-term fiscal and debt sustainability, noting that the fiscal deficit path will now be less contractionary than previously programmed. The report states that the authorities will moderate their public investment plans and will limit the share of external project financing in 2021–22 to preserve debt sustainability. *With capital expenditure expected to be almost 2 percent of GDP lower during this time period, are staff concerned that the cuts will delay needed infrastructure and hinder the post-crisis recovery, or do the benefits of the increased debt sustainability outweigh any such concerns?*

With 60 percent of the population in poverty, we urge continued progress on inclusion and expanding the social safety net to reduce sources of social unrest and enable a more robust recovery. The staff report notes that large-scale protests and social unrest marked the legislative elections and the constitutional referendum in March. *Do staff expect the current social unrest to hinder the authorities' capacity to reach agreement on budget adjustments this year?*

We welcome the measures to ensure adequate monitoring of resources to address the COVID-19 crisis, including a dedicated account at the central bank to receive and disburse crisis funds, published monthly reports on the execution of crisis spending, and ex-post control of high-risk expenditures. The transparency of procurement contracts for COVID-19 related projects, including publishing beneficial ownership information on the website of the Ministry of Economy and Finance and the Ministry of Budget is commendable, as is the published third-party audit of the COVID-19 spending. *Could staff comment on the autonomy and capability of the Court of Accounts to effectively execute an independent ex-post audit?*