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June 18, 2020

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

We thank staff for the informative report and Mr. Raghani, Mr. Sylla, and Mr. N'Sond for their helpful staff statement. The COVID-19 outbreak is spreading rapidly in Guinea in the face of limited healthcare capacity and a fragile social situation. The pandemic has severely affected economic activity and caused an urgent balance of payments and fiscal financing needs. We commend the swift response by the authorities through the National Emergency Preparedness and Response Plan which includes measures to scale up healthcare spending, protect the most vulnerable, and support the private sector. We support the Guinean authorities' request for financial assistance under the Rapid Credit Facility (RCF) and hope that it will help unlock assistance from other development partners and donors to cover the remaining financing gap, which will be key in alleviating debt pressures and helping to bring the program back on track.

Spillovers from the pandemic and containment measures have taken their toll on economic activity. Mining was particularly hit on the back of lower global demand and slower growth in major trading partners. Growth was revised to 1.4 percent in 2020, down from 5.8 percent previously anticipated, while inflation spiked to about 9.5 percent as a result of movement restrictions and high healthcare costs. Foreign reserves declined as mining export revenues dropped significantly which also led to a deterioration in Guinea's fiscal position.

Balance of payments financing needs are estimated to be about 2.4 percent of GDP while additional budgetary cost of the COVID-19 response plan is estimated at 1.5 percent of GDP in 2020. The fiscal deficit is expected to widen to about 2 percent of GDP in 2020 despite lowering non-priority spending, with the increased budgetary financing needs covered partly by the central bank. We welcome the targeted measures planned to mitigate the impact of the

crisis including the targeted cash transfer program for poor households supported by the World Bank. That, in addition to strengthening the social safety net, should help protect the most vulnerable in a country where poverty incidence was high even before the crisis. We encourage the central bank to remain vigilant to possible increases in inflation and note that the authorities intend to limit central bank lending to the government within the existing statutory limits.

We welcome the authorities' commitment to strengthen public finance governance including the creation of a budgetary fund to account for all earmarked external and domestic resources to address the pandemic and to publish monthly reports on the execution of COVID-19-related spending. Guinea's debt is assessed to be sustainable with a moderate risk of external and public debt distress and limited space to absorb shocks, even after accounting for debt service suspension under the Debt Service Suspension Initiative. We welcome the authorities' commitment to maintaining non-concessional borrowing within the envelope allowed under the ECF program. We encourage the authorities to continue strengthening debt management capacity and enhance the transparency of debt reporting.