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June 17, 2021

**Statement by Mr. Bhalla and Mr. Natarajan on Guinea
(Preliminary)
Executive Board Meeting
June 21, 2021**

1. We thank the staff for the detailed report and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpassi for the informative Buff. The authorities have made commendable efforts in managing the successive waves of COVID-19 pandemic and the recent Ebola outbreak. Effective implementation of the vaccination plan and inflation management are key drivers in achieving a robust economic recovery. Strong mining sector activities combined with the current boom in commodity prices provide a unique opportunity to the Guinean authorities to diversify the economy, boost human development, strengthen governance, and build a supportive business climate.
2. The economy clocked an impressive 7.1 percent growth in 2020, primarily due to a boom in the mining sector and production of Bauxite and Artisanal Gold. However, growth was modest at about 1.3 percent in the non-mining sector due to the adverse impact of the pandemic. The economic growth in the near-term is expected to remain strong as the mining sector expands and the non-mining sector recovers gradually. High dependence on commodity exports makes the economy vulnerable to global price shocks. Despite an increase in community exports, the current account deficit increased due to a rise in service imports.
3. Increase in expenditure towards healthcare, social inclusion, and support to the private sector along with decline in revenue is expected to widen the fiscal deficit by about 2.5 percent in 2020. We welcome the COVID-19 vaccination plan and Ebola containment measures as they constitute key priorities for the authorities this year. In the meanwhile, it is necessary to continue household support measures and targeted support to business. We recognize the measures proposed to enhance mining sector revenue with the support of African Development Bank.
4. The accommodative monetary policy helped to enhance credit and liquidity in the economy. Inflation has reached double digit to about 12 percent due to supply

disruptions caused by mobility restrictions. Higher than the average growth of base money and inflationary pressures indicate need for an active liquidity management, strengthening monetary policy transmission and sterilization issuances. As far as the financial sector is concerned, we encourage the authorities to enhance supervisory monitoring of non-performing loans and asset quality of banks. *Could the staff comment on the contours of an accommodative monetary policy stance which can support economic recovery while alleviating the inflationary pressures?*

5. The boom in the mining sector can be leveraged to diversify the economy in sectors like agriculture and hydropower. Public investment in infrastructure and human capital can be complemented by encouraging private sector investment in non-mining sectors. We welcome the progress made in improving the business climate by giving impetus to digitalization as well as investment in critical infrastructure like electricity and transport networks. We welcome the recent promulgation of AML/CFT law and encourage the authorities to strengthen national cooperation and risk-sensitive allocation of resources.
6. Finally, we wish the authorities the best in their endeavors.