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**Joint Statement by Mr. Buissé, Mr. Ronicle, Mr. Rozan, Mr. Comolet, and Mr. Evangelou on Guinea
(Preliminary)
Executive Board Meeting
June 21, 2021**

We thank staff for a comprehensive set of reports and Mr. Andrianarivelo, Mr. Sylla and Mrs. BoukpeSSI for their insightful Buff statement.

We agree with staff analysis that Guinea faces the challenge of leveraging the growth of the booming mining sector and diversifying its economy, while large development needs and a fragile context persist. We note steady growth in 2020 and in 2021, and the dynamic growth outlook driven by the mining sector, in particular for bauxite and gold. Nevertheless, we regret that this growth remains insufficiently inclusive to date and largely relies on demand for mining output. We also note that risks are tilted to the downside. In this regard, after the generally satisfactory performance under the 2017-20 ECF, and the conclusion of the 2020 elections, continued strong Fund engagement is important to anchor progress, address outstanding issues, and more generally continue to support the country's capacity development. *What kind of cooperation do staff and the authorities envisage in the short to medium term (program engagement, technical assistance)?*

We note that the budget deficit in 2020 was smaller than anticipated. Regrettably, this stems from under execution of expenditure and subsidies of the COVID response plan, in particular related to social measures, while nevertheless making substantial arrears repayments. In the context of increasing poverty levels, and the need to support non-mining growth, we deem it essential to protect social and infrastructure spending, and agree with staff that the country needs to strengthen social protection and human capital. We note with interest the suggestion that Guinea could re-balance its spending on education to improve inclusion. In addition, we agree with Staff on the need to strengthen PIM and PFM (building on the progress mentioned in the report). *In this regard, could staff elaborate on the volume and recipient of the arrears' repayments made and on its collaboration with IFIs to support adequate social expenditure?* It also remains critical that central bank advances continue to be repaid, as their gross stock still stands at 1.8% of GDP, and that the authorities continue

implementing their budget transparently and minimize recourse to exceptional spending procedures. We also welcome that the authorities have been broadly implementing their RCF governance commitments and we are looking forward to the ex post audit of COVID procurement results.

We expect the ongoing boom of the mining sector to be an opportunity to support domestic revenue mobilization and more broadly benefit the country. In its very useful SIP, staff note that improving Guinean citizens' welfare through the mining sector is inherently limited beyond the government revenues it provides and they present a number of options to improve these in the context of the mining boom. In particular minimizing profit shifting from transfer pricing has been highlighted by staff in previous board engagements, as well as applying fair and transparent taxation by using the existing mining code which already offers a number of exemptions. Fund technical assistance and coordination with other IFIs, in particular the World Bank (which approved significant financing to support Natural Resources, Mining and Environmental Management), including EITI membership, is therefore critical, given the authorities' low capacity. *Moreover, considering its size, could staff comment on the impact of the classification of smuggled artisanal gold on the current account?*

We note that Guinea remains at moderate risk of external debt distress though with some limited space to absorb shocks. The PPG debt increased sharply in 2020 on the back of multilateral support and the first loan disbursement for the Souapiti dam. We therefore support a prudent approach to non-concessional borrowing. *Moreover, in the current mining boom, could staff elaborate on the stock, if any, of resource backed loans and progress made on debt transparency?*