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June 17, 2021

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

**We thank staff for an excellent set of reports, as well as Mr. Andrianarivelo, Mr. Sylla and Mrs. Boukpassi for an informative Buff statement.** We commend the authorities for maintaining relative macroeconomic stability over the past years despite commodity price swings, periods of social unrest and two major pandemics. We broadly share staff's appraisal and offer the following comments for emphasis.

**While we positively note that growth has remained resilient to the COVID-19 shock and is projected to remain robust in the medium-term, we underline the importance of an effective vaccine rollout to foster the recovery throughout the economy.** In the near term, we agree that maintaining support to vulnerable households and targeted support to the non-mining private sector is critical. In order to avoid cliff effects, we support staff's advice to consider a gradual repayment of financial aid granted to companies during the COVID pandemic. Given financing constraints, we also share staff's view that the vaccination campaign should be financed through grants and concessional borrowing to the greatest extent possible, while the authorities should make every effort to increase effective coordination at the national level.

**To secure medium-term growth, it is imperative that the authorities continue efforts to address pressing development challenges.** In view of high poverty rates, low life expectancy and low adult literacy rates, significant improvements in equitable, high-quality health and education infrastructure are urgent. We note with concern that spending on tertiary education is privileged over spending on primary education and that large gender gaps persist across social indicators. All of these issues have become even more pressing following the COVID-19 outbreak, which has had even worse repercussions for female-headed households. We thus agree with staff that increases in social protection spending should be made permanent.

**Diversifying the economy away from the capital-intensive mining sector can be an important way to create more jobs and address some of these negative social outcomes.** Staff rightly recommends leveraging the mining boom to boost human capital and enhance governance and the business climate in general. We hope that the authorities' next 5-year national development plan builds on welcome progress over recent years and commits to an ambitious reform agenda in these

areas. *Given their key recommendation to diversify the economy, could staff comment on the reasoning for assessing the impact of a global commodity shock as 'medium' in the Risk Assessment Matrix?*

**To finance these policy measures, we fully share staff's advice to create fiscal space through improved resource mobilization and spending efficiency.** Given anemic revenue growth from mining activities, it is essential to mobilize additional resources from this booming sector. We note staff's estimate of a large potential to increase revenues through even modest reforms, such as reducing tax holidays. We also stress the importance of including state-owned enterprises in public debt reporting. On the spending side, we welcome the authorities' efforts to improve their PFM and PIM frameworks and encourage them to continue this vital work, which can also yield benefits in the fight against corruption.

**Given the pandemic, we support the authorities' decision to relax the fiscal stance in 2020.** We note that the final outcome has turned out slightly better than expected. We take positive note that Guinea has benefited from major international initiatives, such as the DSSI and CCRT. Given high and continued inflation pressures, we urge the authorities to make swift progress on repaying central bank advances and avoid future recourse to such actions.

**On the financial sector, we appreciate that policy support has helped sustain credit supply to the economy, while banks have remained profitable.** At the same time, we agree that the suspension of NPL loan classification may mask deteriorations in portfolios. While slow progress is understandable due to the economic context, we also encourage the authorities to make swift progress on the 2019 FSSR recommendations and adopt the 2020-23 National Strategy for Financial Inclusion.

We wish the authorities success in their continued efforts to improve the situation of the Guinean people, supported by Fund lending and technical assistance.