



## **Executive Board Minutes 21/63-2**

June 21, 2021–2:30 p.m.

### **Guinea—2021 Article IV Consultation**

Documents: SM/21/89, and Cor.1, and Cor.2, and Sup.1, and Sup1, Cor.1, and Sup.2;  
SM/21/90, and Cor.1

Staff: Mira Salama, AFR; Steinberg, SPR

Length: 49 minutes

ISSUED: November 22, 2022

APPROVAL: December 1, 2022

**CEDA OGADA**  
Secretary

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<sup>1</sup> Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary “gray” or “buff” statements by Executive Directors and staff’s responses to Directors’ technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair’s “sense of the meeting” or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF’s Open Archives Policy.

## THE ACTING CHAIR'S SUMMING UP

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for their prompt response to the COVID-19 pandemic, which took a significant toll on the non-mining economy and social outcomes. Directors welcomed Guinea's resilient growth in 2020 and noted the favorable near-term outlook, subject to downside risks. They emphasized that implementing the vaccination plan and maintaining targeted support for vulnerable households and businesses remain key priorities. Directors stressed the need to diversify the economy and secure more inclusive, balanced, and sustainable growth over time.

Directors encouraged continued efforts to create fiscal space for investment in infrastructure, human capital, and social protection. They highlighted the urgency of domestic revenue mobilization, particularly from the mining sector. Specifically, they recommended addressing profit shifting risks from transfer mispricing, fully applying the Mining Code to new contracts, minimizing tax exemptions, and adopting the General Tax Code. Directors called on the authorities to enhance spending efficiency and eliminate energy subsidies. They also encouraged the authorities to continue strengthening public financial management and maintaining prudent external borrowing policies, maximizing recourse to concessional financing and grants to safeguard debt sustainability.

Directors emphasized the need to address rising inflation, including by accelerating the repayment of central bank advances. They encouraged the authorities to limit monetary financing of the budget and continue modernizing the monetary policy framework, with a focus on more active liquidity management and clearer communication of monetary targets. Directors also underscored that exchange rate flexibility would help build reserves and absorb the impact of shocks. They welcomed the transparent rules-based foreign exchange intervention policy and its contribution to external rebalancing.

Directors encouraged further diversification efforts, prioritizing measures to strengthen the business climate and the financial sector, promote digitalization, and boost human capital development. They welcomed recent improvements in governance and encouraged the authorities to continue strengthening the anti-corruption framework, including by swiftly adopting and implementing the national strategy and the asset declaration regime.

It is expected that the next Article IV consultation with Guinea will be held on the standard 12-month cycle.

**EXECUTIVE BOARD ATTENDANCE<sup>2</sup>**

M. Furusawa, Acting Chair

**Executive Directors**

L. Levonian (CO)

A. Buisse (FF)

R. von Kleist (GR)

A. Mozhin (RU)

**Alternate Executive Directors**

W. Nakunyada (AE)

F. Sylla (AF)

I. Bustillo (AG), Temporary

C. White (AP)

R. Velloso (BR), Temporary

Z. Zhang (CC)

J. Romero (CE)

C. Just (EC)

N. Thiruvankadam (IN), Temporary

M. Massourakis (IT)

M. Kashima (JA)

M. El Qorchi (MD)

F. Al-Kohlany (MI), Temporary

M. Scholer (NE), Temporary

J. Sigurgeirsson (NO)

A. Alaqla (SA), Temporary

F. Mochtar (ST)

A. Muradov (SZ), Temporary

D. Ronicle (UK)

C. Westphal (US), Temporary

O. Vongthieres, Acting Secretary

V. Sola, Summing Up Officer

D. Al-Jarbou, Board Operations Officer

L. Nagy-Baker, Verbatim Reporting Officer

**Also Present**

African Department: S. Issoufou, O. Kaze, N. Koumtingue, A. Massara, C. Mira Salama, C. Pattillo. Communications Department: M. Louis. Fiscal Affairs Department: T. Mogues. Finance Department: S. Matai, N. Westelius. Legal Department: C. El Khoury, A. El Murr,

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<sup>2</sup> For countries in each constituency, please see the Constituency Codes in the annex.

I. Luca. Monetary and Capital Markets Department: S. Nicholls. Research Department: Z. Aligishiev. Strategy, Policy, and Review Department: Y. Carriere-Swallow, C. Steinberg. World Bank Group: S. Sanchez. Executive Director: A. Andrianarivelo (AF), S. Bhalla (IN), R. Lim (ST), M. Mahmoud (MI), P. Moreno (CE), M. Mouminah (SA). Alternate Executive Director: B. Alhomaly (SA), A. Alhosani (MI), H. Azal (EC), A. Guerra (CE), R. N'Sonde (AF), F. O'Brolchain (CO), O. Odone (AE), L. Palei (RU), P. Rozan (FF). Senior Advisors to Executive Directors: W. Abdelati (MI), M. Alle (AF), H. Andrianometiana (AF), K. Badsa (MD), E. Cartagena (CE), M. Choueiri (MI), O. Hendrick (AG), S. Potapov (RU), J. Rojas (CE), S. Senich (US), T. Shay (NE), M. Zhunusbekova (SZ). Advisors to Executive Directors: A. Alaqla (SA), P. Al-Riffai (MI), A. Arevalo Arroyo (CE), Bah, R. (AF), Gonaya Basutli (AE), M. Bernatavicius (NO), A. Biriukv (RU), B. Boostani (MD), E. Boukpepsi (AF), F. Dogan (EC), D. Fadhel (MI), Z. Huang (CC), A. Korinthios (IT), K. Kuretani (JA), M. Merhi (MI), P. Mooney (CO), R. Moral Betere (CE), B. Piasecki (SZ), L. Siliva (AP), D. Susiandri (ST), F. Lopez (CE), A. Evangelou (UK).

**DISCUSSION RECORD<sup>3</sup>**

*The Acting Chair (Mr. Furusawa):*

Good afternoon, everyone, and welcome to the Board meeting on Guinea to discuss the 2021 Article IV Consultation. Bank staff is attending this meeting. Fifteen gray statements have been issued by 21 Directors.

In the gray statements, Directors noted the heavy toll the pandemic took on the most vulnerable and on Guinea's non-mining sectors, despite the overall positive growth on the back of a booming mining sector. Directors welcomed the authorities' prompt response to the crisis and appreciated their efforts to ensure transparency and accountability of emergency spending.

Directors also concurred with the temporary fiscal relaxation and encouraged the authorities to continue to support the most vulnerable households and firms and continue with the vaccination process. As the crisis subsides, Directors also recommended creating fiscal space to respond to the significant investment needs while preserving debt sustainability and improving the quality of spending. On the monetary side, Directors highlighted the importance of modernizing the monetary policy framework and repaying the central bank advances.

Finally, over the medium-term, Directors emphasized the importance of diversification and greater investment in human capital development, which will support efforts to provide more sustainable and inclusive growth.

*The staff representative from the African Department (Ms. Mira):*

I would like to mention a couple of updates and address two points raised by Directors in their gray statements, which we did not address in the written responses. On the updates, since we issued the staff report, the best possible news, which I am pleased to share, is that on the health front, this Saturday, June 19, the Guinean authorities and the World Health Organization announced the end of the second Ebola epidemic, so it has now been 44 days without any positive case, and, therefore, the end of the pandemic can be declared. The authorities should be really applauded for the way that they have handled the epidemic through rapid, coordinated response efforts, building on their experience from the previous outbreak.

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<sup>3</sup> Edited for clarity.

Furthermore, also on the health front, the COVID-19 cases remain low, so the 7-day moving average positivity rate fell to 2 percent this week. This is the lowest it has been this year. This is also positive news on the health front.

Now on the economic front, the May 2021 inflation CPI was released on June 18. Annual inflation has not changed. It remained at 12.4 percent, like in April, and it is again driven by strong food price increases at 16.7 percent, and this is in part a result of an increased Ramadan-related demand. Non-food prices registered lower increases and transport prices were flat, so they did not increase as they had in the past.

There has also been another positive development on the revenue side; the authorities have submitted the General Tax Code to the National Assembly for approval, and the version that they have submitted is aligned, broadly aligned with IMF advice. We, therefore, see this as very positive progress on the revenue front.

There is also recent work ongoing to restructure the Ministry of Economy and Finance and the Ministry of Budget to improve their efficiency. While this is part of a wider reform effort to improve the efficiency of the Guinean public administration, the fact that the first two ministries to be restructured are Finance and Budget is a testament to the importance attributed to these ministries. Specifically, the President has just signed last week two decrees which upgrade key departments, including the Treasury, the Budget and the Tax Departments, so these departments are now becoming general directorates, as opposed to national directorates before.

A few of these changes had been encouraged by our technical assistance, and the changes are, in fact, institutional upgrades, as these general directorates are better structured and have operational autonomy. More changes are expected in the coming weeks, and we think it is very important that the staffing of these new directorates is made on a merit basis for the reform to really bear the expected fruit.

On the update front, there is ongoing work to prepare the terms of reference for the tax audits that we mentioned that are going to be financed by the African Development Bank (AfDB). These audits are going to focus on large enterprises in the sectors of mining, telecom, and finance. So while the preparation of these terms of reference is still preliminary, we would just like to share a note of caution and say that these terms of reference have to be very well crafted to ensure that this activity takes place within the procedural

framework established by the Guinean General Tax Code and that these audits support the work of the tax audits that the Guinean Tax Administration itself undertakes, so that this works in full synergy.

Now let me turn to the questions raised by Directors, which we have not addressed yet. One question was on how to improve coordination between the Ministry of Health and Economic Ministries. I decided to address this question orally because this issue applies in a different context within the administration. We think it would be useful to strengthen data and information sharing and coordination among different ministries and institutions in Guinea. On the specific case of the coordination between the Ministry of Health and the Economic Ministries, the concern that we had was that at some point we have seen insufficient or delayed access to data on anticipated and received vaccine procurements and needs, the expected financial support to the Ministry of Health and the health agency, and other information related to activities of the Ministry of Health in regard to the COVID-19 and Ebola responses. We think that information flow and coordination is really critical so that the finance and budget ministries can conduct credible budget projections on spending and external assistance for the health crisis, and support the resource mobilization effort for which they are responsible.

More generally, we think it would be useful to reenergize the committee that exists to enhance coordination of economic and financial reforms that has maybe been less active during the COVID period, so this is a committee that brings together ministries and institutions that have a bearing on the economic front, including the central bank, and they share information and work together under the direction of the president.

Lastly, let me turn to the question about next steps in the IMF's engagement with Guinea. We understand that the authorities are considering their options, and Mr. Sylla may be in a better position to inform the Board. On staff's side, we have maintained a very close engagement with the authorities, including after the program ended in December 2020, with an extensive TA program because Guinea remains an intense user of TA and a pilot country under the IMF capacity building framework for fragile countries. We have also maintained very close surveillance. We plan to continue supporting the authorities in any potential form of engagement that they may choose with the IMF.

*Mr. Just:*

We appreciate staff's introductory comments including on the possible future engagement between the Fund and the authorities. Let us share a few points.

First, the COVID pandemic as well as the Ebola outbreak put further strains on Guinea's economy and society, and Ms. Mira's update on Ebola is excellent news. We appreciate the measures the authorities have taken to protect the most vulnerable and hope that those will become a permanent feature to address high levels of poverty and inequality. We are concerned about weaknesses in public health infrastructure, which could make vaccination progress very challenging going forward.

Second, staff's work on the mining sector is very welcome and excellent for the authorities. Reducing the gap between mining output and collected tax revenue is of utmost important to increase policy space as well as opportunities for all by funding critical investment in human capital and providing the basic needs of the population. We positively note the work on establishing a transfer pricing mechanism supported by Fund's TA, as there is still significant potential to tap Guinea's natural resources wealth. Fully using the Mining Code should improve contracted investors and would facilitate the transparent and accountable use of revenue generators. We agree that an infrastructure investment necessary to exploit mining wealth should be leveraged for the entire economy, notably to increase its diversification, increase value chains, and ideally strengthen private sector-led growth.

To this end, the public sector will have to reduce its footprint in the economy, notably the monetary and financial sector. We note that recent credit growth was largely due to public sector borrowing, seemingly crowding out the private sector. Equally, the accumulated advances by the government in 2020 are a source of concern due to the impact on inflation for restricting the central bank's room for maneuver. We see merit in staff's advice that the treasury should repay about 60 percent of outstanding advances this year. In this context, we would like a bit more from staff on the tradeoffs between the different views, especially before it is projected to be much less ambitious.

Lastly, staff rightfully acknowledges in the past on the ECF experience is that Guinea is a fragile state and has limited capacity, which has to be taken into account, for example, in program relationships. Against this background, we thought that the staff document at times is a bit too comprehensive and very dense, and it might be useful to prioritize staff policy advice and

recommendations going forward, especially since staff has had very good traction in certain areas like the Mining Code and transfer pricing.

*Mr. Nakunyada:*

We also appreciate staff's update on the tax code and the audits as steps in the right direction. We issued a statement in which we broadly share the staff assessment and urge authorities to remain in support of vulnerable households and firms, accelerate the vaccine campaign, and sustain supportive macroeconomic policies and structural reforms to sustain the recovery. This said, we would like to add a few points for emphasis.

First, a supportive fiscal policy stance would be required in the near-term for vulnerable households and firms. That said, we note the sharp increase in public debt levels at the end of 2020 but are encouraged that Guinea remains at moderate risk of public debt distress. Nevertheless, we urge the authorities to remain attentive to potential debt sustainability risks. Like other Directors, we stress the need to rely more on concessional and grant resources, improve debt management, as well as strengthening PFM and public investment management to prevent further deterioration in economics.

Second, we view the authorities' planned energy subsidy reforms as important but stress the need to strengthen social protection to cushion poor households. We concur with staff that there is need to forge ahead with the elimination of subsidies by adjusting tariffs to post-recovery levels. Concurrent efforts are also required to strengthen social protection, cushion vulnerable households from the tariff adjustments. At the same time a clear communication strategy would be important to ensure a smooth subsidy removal process.

Finally, we commend the authorities for decisive steps taken to successfully curtail the Ebola epidemic. The authorities leveraged their experience in dealing with the disease in the effective containment of Ebola would be important to free up health resources, focus more on tackling the COVID-19 pandemic, and set the stage for a durable and inclusive recovery.

*Mr. Velloso:*

We issued a comprehensive gray statement. Therefore, I will limit my intervention to a couple of points for emphasis.

First, let me acknowledge the resilience and potential of Guinea's economy. Thanks to the expansion in mining production, growth last year turned out to be positive and better than expected. This happened despite the country's sociopolitical vulnerabilities and two health emergencies that are still unfolding. However, as social indicators worsened during the health crisis, stronger and broad-based social protection schemes are needed going forward to support the most vulnerable.

Second, steadfast implementation of fiscal reforms, particularly in the mining sector, will be critical to enhancing revenue mobilization and creating fiscal space for additional public investment and social protection outlays. In this regard, we congratulate the authorities on the General Tax Code update. Its effective implementation, reinforced by continued monitoring and audit of mining companies, will be needed to help ensure that the country's significant natural resource wealth is shared more broadly. These steps will not only boost tax revenue collections but also contribute to enhancing governance and promote a more transparent and attractive business environment in Guinea.

*Mr. Zhang:*

We have issued a comprehensive gray statement, so I will limit my comments to the following two points.

First, Guinea is a country rich in natural resources. These resources provide considerable growth potential but need a huge initial investment. Like many other low-income countries, at this point Guinea's economic growth could firmly be achieved by boosting domestic consumption but must rely on investment and external demand. A friendly business climate, together with an appropriate external tax incentives are essential to attract foreign investment. More importantly, a well-designed policy framework should be in place to ensure the whole economy could reap the benefits from the resource sector and the foreign investment. In this regard, we encourage the authorities to raise domestic revenue, especially from the mining sector.

Second, we commend the authorities' efforts in balancing financing from different sources, as demonstrated by appropriate mix of lending from multilateral, official, bilateral, and commercial creditors. More importantly, most of these debts are raised for productive investment rather than for nonproductive current expenditures, which means they create infrastructure assets and could generate future income. The Debt Sustainability Analysis (DSA) should not only include the tax from these investments but also take into account the assets resulting from these investments.

We thank staff for the Annex III, which is the major infrastructure projects during the past decade. Centered on the mining sector, these projects have created a greater synergy, unleashed growth potential and provided lots of local jobs. We welcome the authorities' continued commitment to prudent borrowing strategy and agree with the authorities that the efforts to preserve debt sustainability should be done in the context of the need to mobilize adequate resources to invest in infrastructure.

*Mr. Buisse:*

We issued a joint gray statement with Mr. Ronicle, so I just want to make a couple of remarks for emphasis.

First, we really welcome the conclusion of this Article IV consultation for Guinea on the back of the conclusion of the ECF program at the end of last year. Article IVs are an important means of engagement to build on in ensuring continuous close engagement between the Fund and the authorities, especially with risks tilted to the downside. We do think there is value in the long-term structural engagement between the Fund and the authorities grounded on a thorough TA program, bilateral engagements, and when needed, program engagements, given the large need to develop capacities.

Second, among the challenges going forward, we underline again the need for further work on domestic revenue mobilization (DRM) to improve the fiscal account and finance development and social needs. In particular, the mining sector could probably contribute more than it has, and in staff reports, it is clear that there are still a few figures to reconcile between production exports and fiscal revenue from this sector, including tax-based erosions for transfer pricing or exonerations in the Mining Code. The Fund, along with other IFIs, has a critical role to play to ensure that this booming industry provides an impetus to be leveraged on the fiscal account, too, and so capacity development there again in this sector will be key.

*Mr. Romero:*

We broadly agree with the thrust of the staff appraisal and policy recommendations and generally recognize the good performance of Guinea and the good practices to manage the Ebola and the COVID-19 pandemic situation. We hope success on this regard of saving lives is always a priority.

We issued a gray statement, but we want to make a few comments for emphasis. First, very important institutional reforms are in process, and Guinea needs technical assistance and support from the Fund. It is very important to know in which areas we are planning to support them, we are planning to give this technical assistance.

We see advances in public investment management and public financial management. We welcome the DSA implementation. It is necessary to improve data sharing and reconciliation between all the authorities. It is also very important to modernize the monetary policy framework for pricing stability and external rebalancing and to strengthen the monetary policies toward an interest rate-based targeting framework.

Finally, and I think it is very remarkable and important, the modernization of the tax administration to a more efficient and inclusive system, together with the reform of the tax code and special sectorial audits are the right steps to warranty collections on revenues for fiscal sustainability for the future.

We welcome the updated information we received today, together with the decrees that were issued last week. We fully agree that diversification should be the focus of the authorities' efforts to a sustainable economic and medium and long term. We welcome the diversification strategy to take advantage of mining boosts to invest in non-mining activities that warranty a more inclusive and stable growth. We commend the authorities to continue their actions to increase international reserve and reduce inflation to improve competitiveness of non-mining economic activities, and we would like to underline the following important aspects of the strategy, which should be followed up permanently: building human capital to produce people with technical skills in different areas, creating synergies between the mining sector and other sectors of the economy, taking advantage of the supply chain; and, finally, creating a business environment to attract foreign investment is a process that requires creating confidence, efficiency, and compromise of the authorities with the facilitation of business activities.

*Mr. Massourakis:*

We issued a gray statement, so today I will add just a few additional comments.

Despite rich natural resources endowments, the lack of infrastructure, poor management, and low competitiveness discourage potential foreign

investment. We appreciate that tackling corruption is at the top of the government's agenda and welcome the improvements achieved so far, including the recent promulgation of the AML/CFT law. However, further progress would be needed to underpin Guinea's efforts to a more prosperous future.

Finally, we welcome the authorities' reforms underway aiming at increasing digitalization. This may also observe the positive impact on female labor force participation and help reduce female unemployment that grows during the pandemic. Moreover, we are pleased to hear that the World Bank is to engage with the authorities to discuss strategies to reduce gender inequality and would like to hear more details in this regard.

*Mr. Mozhin:*

We have issued our written statement, so I do not need to repeat what is in the written statement. I am very glad to hear that the potential Ebola pandemic did not materialize or has been taken care of. The only point I would like to make is: it may be difficult for my authorities to support any successive program with Guinea because of the outstanding financial claims, we have on this country. Actually, we have these financial claims since the Soviet times, and these claims are not related to any lending. All the loans of the former USSR to Guinea have been fully written off, so the remaining claims are related to the so-called blocked account, effectively money confiscated from one of the Russian banks, money in the accounts of the Central Bank of Guinea. I would encourage the Guinean authorities to respond to letters my Finance Ministry has been sending to them. The last one was sent in March of this year. No response received so far.

I would certainly encourage the Guinean authorities to respond and try to regularize and resolve this whole issue as soon as possible. We are prepared to provide staff with all the details of this claim.

*Mr. El Qorchi:*

We welcome the progress made on the Ebola front. We have issued a gray statement, but I would like to underscore a few points.

First, notwithstanding the devastating global pandemic, Guinea succeeded to maintain a strong growth momentum in 2020 bolstered by a dynamic mining sector. Nonetheless, the non-mining sector has been hard hit, thus worsening poverty. The recently completed ECF arrangement has been

essential in preserving macroeconomic stability and advancing structural reforms.

Two, while the fiscal and monetary policy stances in response to the crisis are deemed appropriate at this point, creating fiscal space through revenue mobilization and more efficient spending should be a key priority going forward.

Three, we welcome the authorities' commitment to pursuing the process of eliminating subsidies and maintaining a moderate risk of debt distress. The authorities' determination to strengthen social protection, enhance investment in human capital, and continue strengthening the PIM and the PFM are commendable.

We strongly encourage the authorities to continue the repayment of central bank advances to support the BCRG's efforts in alleviating inflationary pressure. The authorities should also guard against a potential deterioration of NPLs, which could jeopardize financial stability. We look forward to the Second National Development Plan aimed at prioritizing diversification, digitalization, and good governance.

*Mr. von Kleist:*

As we have not issued a gray statement, let me highlight just a few points here.

We take positive note of Guinea's relative macroeconomic stability and strong growth performance amidst the global pandemic last year. While the strong performance came on the back of a booming mining sector, most other parts of the economy contracted. We, like other speakers, encourage the authorities to seize this opportunity and build a more resilient economy, more diversified economy, by boosting human capital, enhancing governance, and strengthening the business climate. And, of course, boosting human capital especially through education and, of course, especially through the education of women.

In this regard, we would also be interested in staff's view on whether Guinea could benefit from further close engagement with the Fund via a Policy Coordination Instrument (PCI), a question also posed in the gray statement by the US. We would see merit in the strong signal such an arrangement could send to markets and in supporting the authorities with the upcoming reform efforts. We note with some concern that social indicators

have worsened considerably during 2020. We thus encourage the authorities to make further efforts to reduce poverty and protect the most vulnerable parts of the population. In this context, could staff provide further details on the impact of the recent Ebola outbreak for social indicators and the Guinean economy on the whole.

On monetary policy, we urge the authorities to limit recourse to monetary financing of the budget as much as and as soon as possible and to further strengthen the independence of their central bank. An additional widening of the monetary base should be avoided at this point given already double-digit inflation figures and Guinea's negative experience with high inflation periods in the past.

*The staff representative from the African Department (Ms. Mira):*

Let me start with the first issue about the repayment of the advances and whether this 60 percent that we have recommended was the right number. We did quite a bit of work trying to figure out what was the right figure. The issue is with inflation recently increasing above 12 percent; even under our baseline--which is the 60 percent repayment of advances--inflation will not go to single digits until 2022, so therefore, we think that there is merit in trying to repay the central bank advances by 60 percent this year to find a balance between the fiscal needs to respond to the crisis, the space, but also the need to address inflation. Basically, base money grew by 19 percent in 2020. This is nearly double of the average rate of growth in the pre-pandemic years, so therefore, we see the importance. To some extent, this also relates to another point that had been made in terms of how monetary policy is finding the balance between supporting growth and addressing inflation, and we do see that the fact that the policy rate was kept unchanged and low, it needs to be complemented with this repayment of advances to be able to play these two roles, so to support activity-- because activity still needs really supporting-, but at the same time addressing inflation, which is taking a toll not only on competitiveness but also on social indicators. If these repayments had not happened or do not happen as planned, it is likely that inflation could remain higher for a longer period of time.

On the issue of Gender that was mentioned, indeed, the authorities are placing an emphasis on it, so the new upcoming National Development Plan is focusing on gender, and it has a part that is going to focus also on digitalization, which is also going to help. Our World Bank colleagues are really looking for these entry points to strengthen their dialogue on how to help them make more progress in this area.

While I am on the subject of social issues, on the social indicators in the Ebola outbreak, what we have seen so far are a few calculations prepared by the World Bank on their poverty assessment for this year, and what they see is that the potential impact of Ebola, together with the COVID crisis, might increase poverty in Guinea by about 4 percent. This means that the progress that we had seen over the last three, four years, which was some reduction of about that magnitude, is completely taken back by both the Ebola and the COVID pandemic.

On the point mentioned by Mr. Mozhin, we take note of his concerns, and we will follow up.

On the issue of what kind of program would the authorities need: it is pretty much for the authorities to decide; but the question is, would they also benefit from the signaling, in my view, of the PCI, but would they also benefit from a financing program in terms of strengthening their reserve buffers? That could also be a consideration that I think that the authorities would need to take into account, but maybe I can be complemented here.

*Mr. Sylla:*

Greetings from Conakry, Guinea. On behalf of my Guinean authorities, I thank Directors, management, and staff for their continued support and engagement with Guinea. I very much welcome Directors' insightful comments and recommendations, which I will convey to my authorities. I also thank Ms. Mira and her team for their hard work and dedication in supporting the authorities' efforts amidst a challenging global environment. I associate myself with staff's responses to the technical questions posed by Directors, and I will emphasize just two additional points.

Guinea is one of the few countries in the world that have made such robust growth performance in 2020, and this thanks to a booming mining sector. I would like to assure our Directors that my authorities are building on this outcome to accelerate the vaccination campaign, continue providing supportive policy measures, especially to the most vulnerable, while laying the ground for a sustained and more inclusive growth.

The end of the Ebola outbreak as declared today is a good testimony of the authorities' coordinated and efficient response. Cooperation from Russia and France were also instrumental in this. The outlook is very positive for Guinea. The recent investment in the mining and energy sector will enhance

competitiveness and boost private sector activity. The Simandou project alone, the world's largest iron ore mine with revenues of more than the country's GDP, is expected to transform the economy. In this context, as stressed by many Directors, an efficient Mining Code and its proper application will be key. The authorities are committed to ensure that Guinea duly benefits from its mineral resource wealth. They have broadly considered staff's recommendation, as indicated by Ms. Mira earlier, and the General Tax Code. However, the authorities express their preference for measures aiming at minimizing profit shifting from transfer pricing and revisions of the tax exemption. They do believe that there are better alternatives to an additional taxation, especially taxation of domestic artisanal gold production.

Regarding the debt arrears, I would like to mention the commitment of my authorities to do everything possible to settle them. We owe this debt to the longtime friends like Russia and Libya; and as the French people say: when accounts are balanced, that makes friendship stronger.

Finally, Directors have inquired about Guinea's future engagement with the Fund. My authorities have indicated that an ECF-supported program would provide a solid framework so their new five-year National Development Plan can be approved, which is expected to be adopted by end of 2021. However, the authorities strongly believe that there should be room for flexibility in the design of programs to accommodate countries facing low to moderate risk of debt distress in selecting external financing based on their development needs and their absorption capacity.

This is not business as usual. We should not be designing programs with our countries like COVID-19 never happened and keep recommending economic diversification when countries have no access to adequate resources for productive investment. This flexibility is critical to support a strong post-COVID recovery and a long-term inclusive growth prospect. This point was also made by President Ouattara of Cote d'Ivoire, who used to be Director of AFR and former DMD of IMF. He did a declaration during the recent ceremony of the 16th anniversary of IMF African Department, so I wanted to stress on that point again.

The Acting Chair (Mr. Furusawa) noted that Guinea is an Article VIII member and maintains a multiple currency practice subject to Article VIII, Section 3, but no decision is proposed.

*The Acting Chair (Mr. Furusawa) adjourned the discussion.*

## **ANNEX**

- Gray Statements
- Staff Responses to Executive Directors' Technical Questions
- Constituency Codes

BUFF/ED/21/76

June 16, 2021

**Statement by Mr. Andrianarivelo, Mr. Sylla, and Mrs. BoukpeSSI on Guinea  
Executive Board Meeting  
June 21, 2021**

**Introduction**

1. Our Guinean authorities highly value the continued engagement with the Fund. The policy discussions with Staff during the 2021 Article IV consultation rightly focused on the country's macroeconomic and development challenges, which have been exacerbated by the Covid-19 pandemic. The authorities broadly share the thrust of the staff reports as a fair account of the main issues discussed, the immediate priorities, and policies for the medium-term.

2. The Covid-19 pandemic took a heavy toll on the Guinean economy. The non-mining sector was severely impacted by the lockdowns and containments measures taken at the onset of the pandemic and which continue to weigh on the socio-economic activity of the country. However, building on their previous experience in managing the 2014-2016 Ebola crisis, the authorities swiftly adopted the National Emergency Preparedness and Response Plan in response to the shock. Accommodative fiscal and monetary policies were implemented alongside financial sector and exchange rate measures to address the economic fallout from the pandemic. At this juncture, the authorities' priorities include rolling out an effective vaccination program and targeting support measures toward the most affected. As the crisis recedes, they will strive to implement macroeconomic policies and structural reforms to support the recovery and spur economic diversification.

**Recent Economic Developments and Outlook**

3. Despite the pandemic, growth in 2020 was robust thanks to buoyant bauxite production and artisanal gold activity. Real GDP growth is estimated at 7.1 percent in 2020 with the mining sector expanding by 34.6 percent, and the hard-hit non-mining sector growing only by 1.3 percent. Fiscal discipline adopted during the last ECF was maintained in 2020 as the deficit stood at 2.9 percent of GDP enough to accommodate the response to the crisis. End-of-period y-o-y inflation rose to two digits due to higher food prices and freight costs related to the pandemic-caused disruptions and the accommodative fiscal and monetary policies. The current account deficit widened to 13.7 percent of GDP in 2020 as the spike in service imports more than offset high exports supported by favorable world commodity

prices. The deficit was mainly financed by FDI with stronger investment in the mining sector.

4. Looking ahead, growth is expected to reach 5.2 percent in 2021 and hover above 5 percent over the medium-term, benefitting from a sustained dynamism in the mining sector and a gradual recovery of the non-mining economy. The Guinean authorities are confident that recent investments in the mining and energy sectors along with other large infrastructure projects (Annex III), including the *Simandou* iron ore project, will enhance competitiveness and boost private sector activity and hence growth. Nonetheless, the authorities recognize the downside risks to the outlook, stemming notably from the protracted Covid-19 pandemic with various strains of the virus, the second and third waves in West Africa, and potential weakening demand for mining exports. They are committed to stepping up their efforts in addressing the challenges under their control to improve the outlook.

### **Immediate Priorities**

5. The authorities' near-term priorities encompass Covid-19 vaccine acquisition and successful distribution –and addressing a localized Ebola outbreak to a lesser extent–, and properly targeting support to the most vulnerable households and businesses. The ongoing revamping of the social welfare and transfers system by the national agency in charge of social protection programs (*Agence Nationale d'Inclusion Economique et Sociale (ANIES)*), with the assistance of the World Bank and the World Food Program, will help ensure that support is extended to the most vulnerable. Moreover, the authorities are continuing to monitor developments and would introduce additional targeted measures to support businesses if necessary.

6. A more expansionary revised 2021 budget will be adopted in the coming weeks to accommodate the immediate priorities. It will feature a basic fiscal deficit of - 0.1 percent of GDP compared to the previous 0.5 per cent of GDP at the time of the 5<sup>th</sup> and 6<sup>th</sup> reviews last December. The government is committed to seeking grants and concessional resources to finance the 2021 pandemic-related needs.

### **Medium-term Macroeconomic Policies and Structural Reforms**

7. As the pandemic recedes, our authorities will pursue policies to support the recovery. Efforts will focus on preserving fiscal sustainability, safeguarding financial stability, and bolstering structural reforms to advance economic transformation. It is the authorities' intention to continue building on the gains from the 2017-2020 Extended Credit Facility-supported program. In this regard, they will strengthen their actions for higher revenue mobilization, mainly from the mining sector; efficient spending; increased investment in infrastructure and human capital including social protection. They will also initiate far-reaching reforms to enhance the business climate and promote diversification for long-term sustained and inclusive growth.

### ***Fiscal Policy***

8. Fiscal policy will be geared towards significantly increasing domestic revenue while targeting spending on growth-enhancing investments. On the revenue side, the government has signed performance contracts with managers of the fiscal administration, with the view to significantly raising revenue by 2023. To this end, key fiscal administration measures include: (i) digitalization of tax management, (ii) synchronization of tax and customs databases, (iii) the operationalization of the organizational structure at the tax authority – *Direction Nationale des Impôts (DNI)* and; (iv) adoption of the updated Tax Code – *Code Général des Impôts (CGI)*. The authorities also plan to conduct, with the support of the African Development Bank (AfDB), thorough tax audits of the mining, telecom, and banking sectors to address deficiencies and secure and bolster tax revenue.

9. Regarding the mobilization of mining revenue, the authorities are aware of and concerned about the growing gap between the increasing mining output and revenue collected from this sector. They highly welcome the in-depth analysis provided by Staff in the Selected Issues Paper on Mobilizing Mining Revenue in Guinea and due consideration will be given to the recommendations. In the meantime, the authorities would like to stress that the Mining Code should be applied as it is, and they will ensure that transfer pricing fully reflects competitive prices. They are also working with the IMF and other Technical Assistance (TA) partners to build capacity on these issues. In the same vein, a forthcoming study on artisanal gold producers and intermediaries will improve the understanding of the sector, including the *pros* and *cons* of the reintroduction of a tax on artisanal gold.

10. The bulk of spending in the coming years will target scaling up investment in both health and education, and social protection. Investment in infrastructure will also be pursued as the authorities make effort to improve Public Investment Management (PIM). They agree that the Covid-19 crisis should serve as an opportunity to strengthen social safety nets and make inroads towards achieving the Sustainable Development Goals (SDGs). While the finalization and adoption of the PIM Manual would help improve public investment and boost productivity, Public Financial Management (PFM) will be enhanced with the reinforcement of the expenditure chain and cash management through the future expanded Treasury Single Account (TSA).

11. Ongoing reforms in the energy sector will contribute to spending restraint. The authorities are determined to move forward the 2020-2025 multi-year tariff reform, to reduce untargeted electricity subsidies once conditions allow. They will also implement the automatic petroleum price adjustment mechanism in due time while putting in place, measures to protect the most vulnerable segments of the population.

### ***Debt Sustainability***

12. Preserving debt sustainability is a key priority in the authorities' ambitious public investment and development agenda. They are committed to preserving the country's status of moderate risk of debt distress as assessed by the DSA. To this end, the authorities reiterate their commitment to a prudent borrowing strategy and will reinforce their debt management capacity alongside efforts in PIM, to ensure medium-term debt sustainability. However, these efforts will have to be carried out in the context of the need to mobilize adequate resources to

endow the country with the needed infrastructures to ensure the diversification of the economy.

### ***Monetary and Exchange Rate Policies***

13. The Central Bank –*Banque Centrale de la République de Guinée (BCRG)*– has recently decided to continue with a slightly accommodative monetary policy to support the recovery. The authorities will further improve the monetary policy framework and they are committed to limiting monetary financing of the budget, to reduce inflation. In this regard, they have taken measures since end-2020 to reduce central bank advances and will continue to do so. Going forward, the authorities will further strengthen the monetary policy transmission, including through an active liquidity management, to ensure transition to an interest rate-based targeting framework. As well, the high unremunerated reserve requirement will be addressed to increase commercial banks’ ability to lend and to promote financial intermediation.

14. Our authorities are confident that the recent operationalization of the Monetary Policy Committee and the use of monetary regulation instruments such as the *Titres de Régulation Monétaire (TRMs)* will enhance the monetary policy framework and help achieve the policy targets. As regards the external position, the authorities will continue their actions to boost international reserves. Likewise, they expect that efforts to reduce inflation will improve the real exchange rate and thus competitiveness of the non-mining economy.

### ***Financial Sector Stability***

15. The BCRG is closely monitoring the effects of the pandemic on the banking sector and stands ready to withdraw the Covid-19 support measures as the pandemic recedes. The authorities are contemplating restoring some prudential requirements, which together with banks’ own actions on NPLs and moratoria, will enhance financial stability.

16. Several important steps have also been taken to strengthen banking supervision following the 2019 Financial Sector Stability Review. Progress has been made in enhancing risk-based supervision and improving financial intermediation and inclusion with notably the operationalization of the framework for a risk-based supervision of banks in 2019. The same holds with the launch in May 2021 of the National Strategy for Financial Inclusion (NSFI) with the support of the World Bank. The authorities are convinced that the NSFI will contribute to improving access to finance for SMEs, youth, and women including through the development of mobile money services. With the support of IMF TA, a new AML/CFT law was promulgated in April 2021. The authorities will push ahead, based on this law, with the needed enhancements including implementing related regulations and ensuring greater operational independence of the financial intelligence unit.

### ***Structural Reforms for Economic Diversification***

17. Our authorities appreciate the in-depth analysis and concur with staff on policies needed to leverage the booming mining sector to promote economic diversification. The

upcoming second national development plan –*Plan National de Développement Economique et Social (PNDS II)*– will be geared towards further diversifying economic activities away from the mining sector, increasing digitalization and efficiency gains for a private-sector led growth, and promoting good governance.

18. The diversification strategy will include two important pillars: creating and leveraging synergies between the mining sector and the rest of the economy and moving up the value chain in sectors such as agriculture to promote agribusiness. Alumina production on a large scale is also being explored by mining companies as a way to exploit the value chain.

19. The authorities are cognizant that creating of an enabling environment for the development of the private sector is paramount in the economic transformation agenda. They have made progress in that regard thus far, including the operationalization of the commercial court, the improved public-private dialogue, and a fast-track process to register businesses. Ongoing efforts include the inception of a credit bureau and a digital portal for foreign trade. The authorities will push ahead with the needed reforms to improve the health and education systems, and address bottlenecks in the areas of land registration, transport, and electricity infrastructures.

20. Important steps are also underway to enhance governance and combat corruption, such as measures to increase transparency and more digitalized procedures. Gains in accountability have benefitted Covid-19 related spending; the authorities have been compliant with the Rapid Credit Facility (RCF) governance safeguards for proper transparency and accountability. The authorities will further strengthen the anti-corruption framework, notably by swiftly adopting and implementing the national strategy and the asset declaration regime.

### ***Social Outcomes and Poverty Reduction***

21. Beyond their actions to address the social impact of the pandemic, our authorities are committed to improving social outcomes and reducing poverty on a sustainable basis. The recent overhaul of social welfare and transfers system has helped improve data collection on the most vulnerable segments of the population for a better targeting of government operations. This will be helpful in the implementation of poverty reduction programs set forth under the new national development plan. The authorities are confident that their overall effort, including in the education and health sectors and steps to foster inclusive growth, will contribute to improve social outcomes and poverty reduction in the coming years.

### **Conclusion**

22. The Guinean authorities have made significant inroads in enhancing macroeconomic stability and advancing structural reforms in the context of the previous ECF-supported program. As they continue to work tirelessly to exit the Covid-19 and Ebola crises, they strive to safeguard macroeconomic stability while supporting the nascent recovery. Beyond the crisis and associated policy responses, they are stepping up efforts to diversify the

economy for a strong and inclusive private sector led growth, capable of improving social outcomes and reducing poverty. Our authorities count on the continued assistance from the Fund in advancing their development agenda.

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GRAY/21/1668

June 16, 2021

**Statement by Mr. El Qorchi and Mr. Badsì on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for the well-crafted set of reports and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpassi for their informative Buff statement. We concur with the staff appraisal and limit our statement to the following comments.

At a time when Guinea was still struggling to overcome the scars of the deadly Ebola's crisis, the COVID-19 pandemic strikes hard, coming on top of multifaceted challenges. Thanks to a buoyant mining sector, GDP growth attained a peak in 2020, thus offsetting the severe contraction of the non-mining sector. Against a backdrop of rising inflation and internal as well as external imbalances, the overall risk of debt distress remains moderate, while the already widespread poverty has worsened. On the upside, growth prospects are expected to improve on the back of new mining investments. However, risk to the outlook are skewed to the downside, mainly driven by intensified geopolitical tensions and security risks, political and social instability, a prolonged pandemic, and an adverse shift in the Ebola outbreak.

The implemented fiscal measures aimed at cushioning the adverse impact of the pandemic are deemed to be appropriate. We are reassured by the authorities' awareness of the need to step up efforts to implement the COVID-19 vaccine plan. We also believe that striking the right balance between enhancing revenue mobilization and improving expenditure efficiency would be the most effective means of building fiscal space. We commend the authorities for the recent revenue mobilization measures, which should be complemented by a swift mining sector revenue reform. We welcome the authorities' commitment to pursuing the process of eliminating subsidies and to preserving a moderate risk of debt distress while protecting the most vulnerable households. We also note with satisfaction the authorities' determination to strengthen social protection, to enhance investment in human capital, and to continue strengthening PIM and PFM.

The banking sector seems to be adequately capitalized and profitable. Yet, as in many other countries, the real picture of bank portfolio may be impaired due to the suspension of the NPL loan classification, which is not reflected in NPL indicators (Table 5.) *Staff comments are welcome.* Monetary policy stance has been appropriate, therefore helping the banking sector to meet the increased demand for liquidity due to the crisis. We welcome the repayment of central bank advances combined with sterilization operations, which will contribute to easing inflationary pressures. We encourage the authorities to modernize the monetary policy framework, to strengthen banking supervision and regulation, to build the financial market infrastructures, and to intensify their efforts to elaborate a comprehensive bank crisis resolution. The recent promulgation of the AML/CFT law is commendable.

While recognizing the major role of the flourishing mining sector in propelling recovery and growth, the authorities are encouraged to promote economic diversification while pushing ahead with key structural reforms to foster job-rich and more inclusive growth. Encouraging FDIs in the non-mining sector would be an appropriate policy to foster diversification. We commend the authorities for the strides made on the governance and anti-corruption legal and institutional framework. We encourage the authorities to step up efforts to tackle the remaining shortcomings in the business environment and to ease access to finance for SMEs. We note with satisfaction the improvement made on statistics and data provision.

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GRAY/21/1680

June 17, 2021

**Statement by Mr. Nakunyada and Ms. Basutli on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for their comprehensive report as well as Mr. Andrianarivelo, Mr. Sylla, and Ms. Boukpepsi for their insightful Buff statement. We broadly share the staff assessment and provide the following remarks for emphasis.

Guinea registered robust growth performance in 2020, notwithstanding the adverse effects of the COVID-19 pandemic. The expansion of economic activity was attributed to the mining sector boom that benefitted from favorable international commodity prices. Nevertheless, non-mining growth was severely impacted by the pandemic, culminating in the worsening of social outcomes and scarring. We, therefore, welcome the authorities' response measures aimed to combat the impact of the two COVID-19 waves and the recent outbreak of Ebola. The outlook, however, remains clouded by risks from climate change, commodity shocks, a resurgence of the pandemic, and limited donor resources. Against this backdrop, we urge the authorities to maintain support to vulnerable households and firms, accelerate the vaccine campaign, sustain supportive macroeconomic policies and structural reforms to support the recovery.

**We view the accommodative fiscal policy stance as warranted to help tackle the COVID-19 pandemic and cushion vulnerable households and businesses.** Such support would be important to bolster the health response and effectively control the twin challenges of COVID-19 and Ebola. Additional grant and concessional resources would, however, be required to close attendant financing gaps. That said, we are concerned that support to business was abruptly halted, and that the call on the immediate settlement of accumulated bills and the expiry of the initial moratorium, could complicate firms' cashflows. We, therefore, call for the amicable resolution of this challenge, to avoid reversal of the benefits conferred by the authorities support measures on firms. Going forward, we see scope for enhanced domestic revenue mobilization particularly in the mining sector and reduction of tax exemptions. Relatedly, we are encouraged by the authorities' ambitious plan to double revenues by 2023 and appreciate the recent revenue mobilization measures. Further, TA on transfer pricing in the bauxite sector should help plug revenue leakages

**We support the accommodative monetary policy stance but stress the need to modernize the monetary framework to further entrench price and external stability.** In this regard, we emphasize the need for active liquidity management through the clear communication of monetary targets, as important to shape inflation expectations. Nonetheless, we positively note the authorities' commitment to reduce the monetization of budget deficits to reduce inflation. Importantly, we welcome the establishment and operationalization of the monetary policy committee (MPC) and urge the authorities to take further steps to anchor inflation expectations in line with their long-term inflation objectives. The central bank also needs to carefully review the effectiveness of the monetary policy transmission mechanism and align its signaling policy rate with market rates. That said, we underscore the need for vigilance in identifying emerging financial sector risks, particularly those associated with the unwinding of COVID-19 support measures. Further, we underline the need to closely monitor banks asset quality particularly as the suspension of NPL classification may mask their deterioration. We also urge the authorities to implement key recommendations of the 2019 FSSR.

**Structural reforms are required to accelerate diversification and enhance economic resilience.** In this context, the need to reduce reliance on the capital-intensive mining sector, which is vulnerable to commodity price shocks, cannot be over-stated. Further efforts to promote private sector development would be important to alleviate poverty and inequality. We note the challenges associated with implementing structural reforms in the past and urge the authorities to build the necessary capacity and take strong ownership of the reform agenda. Further, we view investment in human capital as crucial for achieving sustainable and inclusive growth. Finally, we positively note the progress made towards strengthening the business environment. We commend the authorities for embracing digitalization and moving ahead with the digital platform for business licensing and the online tax declaration and payment system. We, therefore, look forward to updates on the second 5-year national development plan (PNDES II), aimed at prioritizing diversification, digitalization, and good governance.

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GRAY/21/1682

June 17, 2021

**Statement by Mr. Bevilaqua, Mr. Velloso, and Ms. Cruz on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for the report and Mr. Andrianarivelo, Mr. Sylla and Mrs. Boukpepsi for their helpful statement.

**Despite a challenging socio-political environment and two health emergencies that are still unfolding, Guinea's economy grew last year thanks to strong mining production.** However, the non-mining sector, particularly services, were adversely affected by the COVID-19 pandemic and the new Ebola outbreak. In addition, longstanding fragilities that require steadfast implementation of reforms to promote economic diversification and strengthen governance continue hinder long-term inclusive growth prospects. Also, social indicators worsened due to the health crises, requiring stronger and broad-based social protection schemes going forward.

**Steadfast implementation of fiscal reforms will be crucial to enhancing revenue mobilization and creating fiscal space for additional public investment and social protection outlays.** We take positive note of the authorities' commitment to strengthening revenue mobilization, particularly from the mining sector, which represents 90 percent of Guinea's total exports and one-quarter of its economy. In this regard, we congratulate the authorities on concluding the General Tax Code update, with IMF technical assistance. The adoption of the new Code will be critical to help ensure that the country's natural resource wealth is shared more broadly, as pointed in the staff report. We encourage the authorities to move ahead, as planned, with auditing the mining companies, applying effectively the Mining Code to new contracts, and keeping tax exemptions and exonerations to the minimum required. These steps will not only boost tax revenue collections but also contribute to enhancing governance and promote a more transparent and attractive business environment in Guinea.

**We encourage the authorities to continue improving PFM systems and debt management.** Enhancing the efficiency of budget execution and public investment management will create additional room for priority spending in health and education, which is important considering the urgent needs to strengthen human capital in Guinea. Also, we

encourage the authorities to take the necessary steps to improve data reconciliation between the Central Bank and the Treasury, Budget, and Debt Departments. This would help strengthen cash management and prevent the accumulation of arrears.

**Finally, implementing a prudent monetary policy stance will be instrumental in bringing inflation to single digits.** Also, keeping the flexibility of the exchange rate and gradually increasing the international reserve cover, to at least 3 months of imports, will leave the economy better prepared to absorb future external shocks.

With these remarks we wish the Guinean authorities success in their future endeavors.

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GRAY/21/1683

June 17, 2021

**Statement by Mr. Hendrick and Ms. Bustillo on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for the comprehensive reports and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpepsi for the insightful Buff statement

**The Guinean economy remained strong in the face of the COVID-19 pandemic.** Driven by mining activity, real GDP grew by 7.1 percent in 2020, more so than in the previous years. However, non-mining activity which accounts for most of the employment, was heavily impacted and is expected to recover only gradually. This threatens to reverse recent gains in poverty reduction whereby nearly 45 percent of the population still live below the national poverty line.

**Accelerating vaccine rollout.** Expanding coverage and accelerating mass vaccination is key to protect lives and bring the health crisis to an end. As indicated by staff, the vaccination rollout has a target of covering 20 percent of the population with a plan to expand coverage in subsequent years. *We would appreciate staff's comments on its assessment that stronger coordination is critical to enhance planning and budgeting for vaccination and what near term measures could be implemented.*

**Continuing fiscal support to the most vulnerable should remain a priority.** To this end, the authorities' efforts in scaling up the cash and food transfers program are key to protect the most vulnerable and improve social outcomes including, if warranted, additional measures in support of the private sector. Going forward, as indicated in the Buff statement, the recent overhaul of the social welfare and transfers system will contribute to better targeting of government spending and thus of social outcomes. On revenue mobilization, we welcome the authorities' recent efforts to improve revenues including the fiscal administration measures advanced. At the same time, a broadening of the tax base and

application of the fiscal provisions of the mining code are essential to improve revenues. In particular, combating transfer pricing and securing a fair share of resource rents is needed to ensure that the benefits of mineral resources reach all people in Guinea. We welcome that authorities are working on building capacity on these issues noted in the Buff statement.

**Improving the quality of investment.** As the pandemic subsides, higher and more efficient investments are needed to improve social conditions. We welcome the authorities' commitment to increasing investment in health, education, and social protection to improve well-being. To this effect, education spending merits special attention. As mentioned in the report, about 33 percent of the education budget is spent on tertiary education, comprising less than 10 percent of the student body. We would like to underscore that higher and more equitably shared investments are needed to improve access of low income, rural, girls and ethnic minorities.

**Strengthening the monetary policy framework.** As noted by staff, the central bank has struggled in meeting its inflation objective over the past years and, in the context of COVID, inflation accelerated and exceeded 12 percent. We appreciate the excellent analysis in Annex XII and concur with staff that strengthening the monetary policy framework would help anchor inflation expectations. Limiting the monetary financing of the budget is essential.

**We encourage the authorities to press ahead with the adoption of the 2020-23 National Strategy for Financial Inclusion.** The component of developing mobile money services will be instrumental for improving access to finance by SMEs, the youth, and women. Progress in implementing the 2019 Financial Sector Stability Review recommendations, including those regarding financial safety nets and contingency planning, will strengthen the ability of the financial system to deal with possible negative effects with households and corporates customers, once the COVID-19 measures are phase off.

**Leveraging natural resources for development.** Advancing the second national development plan with its focus on diversification, digitalization, private sector led growth, and good governance, will be key to sustained and more inclusive growth. Regarding economic diversification, we emphasize that while the mining sector is expected to be driving Guinea's economic growth, it is essential to mitigate vulnerabilities to commodity price cycles and generate stronger linkages between growth and job creation. We appreciate staff's analysis of the potential benefits of economic diversification. To this end, we note that moving ahead successfully with diversification would require consistent public policies as well as a firm and sustained political commitment. *Could staff elaborate on any concerns?*

With these comments, we wish the authorities and people of Guinea all the best in their future endeavors.

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GRAY/21/1684

June 17, 2021

**Statement by Ms. Senich and Mr. Westphal on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for this report and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpepsi for an informative Buff statement. While Guinea's overall GDP growth reached 7.1 percent in 2020 – an improvement from 5.6 percent projected at the ECF conclusion in December 2020 – we note that non-mining GDP grew by only 1.3 percent. These numbers are impressive given the pandemic, but they emphasize the need for continued diversification in Guinea's economy. **We agree with staff and authorities that the main near-term priorities will be to contain the pandemic by implementing the COVID-19 vaccination plan, to support the most vulnerable, and to facilitate private sector development.** *Given the ambitious reform agenda going forward, we would welcome views from staff on whether the authorities may be interested in a Policy Coordination Instrument.*

**We welcome staff's analysis on the authorities' fiscal priorities, as well as expenditure recommendations to facilitate continued diversification of Guinea's economy.** We agree that the recent increase in social spending should continue after the pandemic, as strengthening social protection would contribute to reducing poverty. We also support calls to increase investment in human capital to facilitate more inclusive growth. We note that the government cancelled subsidies and capital expenditures worth 2.5 percent of GDP. *Can staff elaborate on which subsidies and capital expenditures were cut? We would also welcome more information on when petroleum subsidies might be eliminated per the automatic pricing mechanism.* We welcome that this year's DSA broadens its coverage of domestic-held debt, and we reinforce the importance of concessional and transparent borrowing. Any collateralized lending arrangements should be collateralized by project revenues (not revenues from other sources) and should avoid creating contingent liabilities for the sovereign.

**We appreciate the selected issues paper on mining revenues in particular, and we agree that the divergence between production and revenue urgently needs to be addressed and reversed.** We note staff's estimate that mining revenue could increase by 5 percent of GDP over the next decade through improved collection, which could provide a foundation for greater social and development spending. We appreciate the technical assistance being

provided by development partners, including the Fund, on profit-shifting and transfer pricing and on national pricing guidelines. The authorities should stop providing tax holidays that go above and beyond what is already reflected in the Mining Code.

**The authorities have made meaningful progress in strengthening the central bank's monetary policy framework, but more progress is needed.** We encourage the central bank to refrain from monetary financing of the deficit, and urge the authorities to continue to repay the central bank's advances to alleviate inflationary pressures. We commend the authorities' progress in enhancing foreign exchange flexibility and introducing a rule-based intervention strategy to reduce discretion.

**We note that risks to the financial sector are elevated and encourage the authorities to accelerate the implementation of the 2019 FSAP recommendations.** We agree that the central bank should intensify its supervisory monitoring, encourage banks to conduct viability assessments to screen unviable and insolvent debtors, and require banks to recognize potential non-performing loans – potentially in a phased-in manner to avoid a shock to the banking sector. We also welcome the recent promulgation of the AML/CFT law but are concerned by the delays in operationalizing the asset declaration regime.

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GRAY/21/1685

June 17, 2021

**Joint Statement by Ms. Levonian, Mr. Trabinski, Ms. Kashima, Mr. Mochtar, and Mr. White on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for the reports and Mr. Adrianarivelo, Mr. Sylla and Mrs. Boukpepsi for the informative Buff statement.

Despite the challenging macroeconomic and socio-political environment, Guinea has performed well over the last decade, supported by two consecutive IMF programs. In 2020, Guinea was one of the few countries to record positive economic growth, although COVID-19 unavoidably affected the economy severely, in particular the non-mining sector. COVID-19 was the second major health shock for Guinea in recent years after the Ebola crisis, and has further worsened already weak social indicators, with nearly 45 percent of the population living below the poverty line. Going forward, some challenges both in the short and medium term remain and will require further policy responses to sustain the economic recovery. Against this backdrop, we broadly concur with the staff assessment and offer the following comments for emphasis.

**Temporary loosening the fiscal stance in the near term to mitigate the COVID-19 impact is appropriate.** While we commend the authorities for their prompt response to the pandemic and implementation of the COVID-19 Response Plan, we take note of delays in the implementation of the social inclusion measures such as the cash transfer program. We strongly encourage the authorities to prioritize support to the most vulnerable households. Further, early withdrawal of the private sector support measures should be avoided, and additional measures considered if necessary. In the medium term, we agree with staff that fiscal policy should be calibrated to ensure debt sustainability, supported by the revenue mobilization reforms, more efficient spending, and prudent borrowing practices. In this regard, we encourage the authorities to apply the Mining Code to enhance mining sector

revenue and encourage them to establish a transfer pricing mechanism in line with IMF and other TA recommendations. Further reforms to strengthen public investment management and the public financial management framework, including budget preparation and execution as well as cash management, are welcome.

**Further improvements to the monetary policy framework will support a reduction in inflation and external rebalancing.** We take positive note of the recent operationalization of the Monetary Policy Committee and echo staff on the need for more active liquidity management. We also welcome the implementation of the safeguard assessment recommendations to limit monetary financing and enhance financial accountability. We share staff's view that continuation of the rule-based foreign exchange intervention policy would support the exchange rate realignment process and facilitate structural transformation as well as diversification. We also strongly encourage the authorities to continue the repayment of central bank advances to support the BCRG in alleviating inflationary pressure while sustaining the provision of private sector credit. We nonetheless take note of the slow implementation of the 2019 Financial Sector Stability Review (FSSR) recommendations. *Can staff comment on the reasons for the slow implementation of the FSSR recommendations?*

**Structural reforms are key to ensure sustainable and inclusive growth in the medium to long term.** Due to concentration in the mining sector, Guinea is vulnerable to the global commodity market volatility and efforts aimed at achieving greater diversification of the economy are critical to fully utilize the country's growth potential and strengthen resilience to external shocks. We particularly emphasize the need for further reforms to improve the business environment, increase foreign direct investment into the non-mining sector, strengthen fiscal governance, enhance financial supervision, and improve the AML/CFT framework. Furthermore, we welcome continued efforts to strengthen social protection and enhance the quality of health spending to combat the rise in poverty rates. Investment in human capital through education and training is also crucial to improve productivity. *Can staff clarify if the authorities have introduced any policies targeted at increasing female labor force participation?*

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GRAY/21/1688

June 17, 2021

**Statement by Mr. Massourakis and Ms. Korinthios on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

*We thank staff for the excellent set of reports and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpepsi for their insightful Buff statement. We broadly concur with the thrust of staff's appraisal and would like to add the following comments for emphasis:*

- **Despite the pandemic, overall growth in Guinea remains robust, driven by booming mining production.** However, while we appreciate the authorities' response plan, we encourage them to remain vigilant against new waves of the pandemic. We regret that a new Ebola outbreak was announced in mid-February 2021 *and would appreciate staff's further details.* We welcome that vaccination campaigns have started for both Covid-19 and Ebola. We note that, with regards to the Covid-19 pandemic, Guinea's vaccination strategy aims to cover just 20 percent of the population this year, although there are plans to expand coverage in the following years. We believe that this target is not sufficient to keep the pandemic under control and, therefore, urge the international community to intensify efforts to provide greater assistance.
  
- **We broadly share staff's policy recommendations. We agree that the immediate priorities are ensuring a successful vaccine rollout and supporting the most vulnerable.** However, although the fiscal stance was appropriately relaxed in response to the crisis, as the crisis recedes the authorities should create fiscal space through revenue mobilization and more efficient spending. Moreover, increasing digitalization, strengthening monetary policy and actively pursuing economic diversification will be key to support the post-pandemic recovery. In this regard, we are reassured by the authorities' commitment and encourage them to leverage the mining boom and build further on the country's natural endowments. We regret that, despite the weight of the mining sector in the economy, its potential for improving citizens' welfare is quite limited, but we are encouraged by the fact that the authorities will take into consideration the recommendations provided by staff in the Selected Issues Paper, including improving

public investment management. We appreciate that preserving debt sustainability is a key priority in the authorities' agenda and we commend their commitment to strengthen debt management.

- **With nearly 45 percent of the population living below the poverty line, we commend the authorities for their commitment to increase investment in human capital, including in social protection, so as to reduce poverty and improve living standards.** This is of the utmost importance considering that recent studies indicate that the crisis could reverse gains in poverty reduction achieved in the past. With only 16 percent of adults having completed a secondary education, and with total education spending falling below peer countries, higher education spending is essential, particularly in rural areas. *We understand that a revised 2021 budget will be adopted in the coming weeks and would like to hear more details in this regard.*

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GRAY/21/1689

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.

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GRAY/21/1694

June 17, 2021

**Joint Statement by Mr. Mohieldin, Mr. Mouminah, Mr. Alhomaly, Mr. Alhosani, Ms. Alaqla, and Mr. Al-Kohlany on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for a well-written set of reports and Mr. Andrianarivelo, Mr. Sylla and Mrs. Boukpepsi for their helpful Buff statement. We broadly concur with staff's assessment and policy recommendations and would like to make the following points.

**1. Notwithstanding Guinea's positive growth prospects for this year underpinned by the expansion of the mining sector, further progress is needed to enhance economic resilience.** We note that uncertainties relating to the pandemic persist, and risks remain tilted to the downside. Against this backdrop, we agree that the policy actions over the near-term should continue to be geared towards supporting the private sector and countering the pandemic, including by ensuring successful rollout of vaccines and protecting the most vulnerable through targeted and relatively adequate social transfers. We note that the authorities are targeting 20 percent of the population to be vaccinated. *Could staff elaborate on the expected timeline for receiving the vaccine and for achieving the 20 percent target? What are the authorities plans for vaccinating the remaining population?*

**2. Despite the authorities' containment measures to curtail the spread of the pandemic, Guinea's socioeconomic situation remains fragile and vulnerable to significant challenges.** We are pleased to note staff's assessment that the authorities have benefited from the financial assistance under the RCF as well as the debt service relief under both the CCRT and the G20 DSSI to help address pandemic-related spending. Given social risks and high and rising poverty rate, more needs to be done, including with regard to ensuring sufficient protection to the poorest segment of the population. *We would be interested to learn more to what extent the current Cash Transfer Program would help shield*

*the most vulnerable. We also invite staff to share their views on the lesson learned about Guinea's design for social assistance program.*

**3. Strengthening revenue mobilization and improving quality spending, as well as ensuring prudent external borrowing policy in the medium-term are necessary to ensure that public debt remains sustainable.** We encourage the authorities to limit non-concessional borrowing, improve debt management, and strengthen public financial management (PFM) and public investment management (PIM) to prevent future deterioration in the risk of debt distress. In the near-term, we support the efforts to ensure further flexibility in budget allocation to free up fiscal space for priority health, social, and investment spending. Ensuring more targeted and efficient subsidies is critical. We therefore underscore the importance of continuing to implement the electricity sector reform. Enhancing fiscal governance and transparency are necessary for efficient public spending and combating corruption. Here, we welcome the steps taken by the authorities to upgrade the anti-corruption legal and institutional framework and encourage them to increase their efforts in this area.

**4. We welcome the Monetary Policy Committee's (MPC) ongoing efforts towards monitoring inflationary pressures and strengthen the monetary policy framework.** We agree that targeting base money, limiting the central bank's budget financing, and active liquidity management are crucial to reduce inflation and ensure macroeconomic stability. The authorities are also encouraged to closely monitor the financial sector to safeguard financial stability. In addition, we welcome the ongoing efforts to further strengthen the AML/CFT framework and look forward to further progress in this area.

**5. Finally, stepping up efforts to support private sector development and strengthening good governance are paramount to promoting inclusive recovery.** Here, we welcome the authorities' ongoing efforts of preparing their second 5-year national development plan (PNDES II) and look forward to its successful implementation. Moreover, the authorities are encouraged to accelerate the needed reforms in the mining sector, including by effective regulation, good governance, and strong institutions to realize the potential of mineral wealth for Guinea's growth. We agree that economic diversification would provide a more resilient and inclusive base for growth while also helping to reduce poverty. Further measures to enhance human capital and improve youth and female labor force participation rate are warranted.

With these remarks, we wish the authorities further success.

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GRAY/21/1696

June 17, 2021

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

We thank staff for the comprehensive set of reports and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpassi for their helpful Buff statement. We share staff's assessment and offer the following points for emphasis.

**While macroeconomic stability in Guinea was maintained over the last decade and the overall economic growth remains strong, it was mainly driven by the mining sector.** As the COVID-19 shock weighed heavily on the non-mining economy, we encourage the authorities to improve the business environment and strive for a greater economic diversification. In this context, we welcome the authorities' notable efforts in reducing public arrears, which supported the private sector during the pandemic.

**A better revenue mobilization is essential to address vast development needs.** The booming mining production has not translated into higher budget revenues yet. Guinea's divergence between the mining production and revenue has been significantly below peers. As staff argue in their informative Selected Issues Paper, various options exist to stem the mining revenue losses, such as addressing profit-shifting practices, or establishing a national pricing guideline.

**We note with concern that the already weak social indicators have deteriorated further during the pandemic.** We agree with staff that a vaccine rollout and poverty reduction are key near-term policy priorities, as nearly 45 percent of the population live below the poverty line. We welcome the authorities' commitments to replace the inefficient fuel and electricity subsidies with better targeted measures.

**We encourage the authorities to move ahead with the implementation of remaining recommendations under the Safeguards Assessment.** A monetary financing of the budget should be avoided to preserve the independence of the central bank in achieving its price stability objective. We support staff's call to pursue a further accumulation of reserves, as high dependence on commodity exports leaves the country vulnerable to global price shocks.

**We welcome the progress made in implementing the governance commitments under the RCF.** At the same time, we encourage the authorities to further strengthen the anti-corruption framework and operationalize the asset declaration regime as soon as possible.

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GRAY/21/1697

June 17, 2021

**Statement by Mr. Romero Tarazona and Mr. Rojas Ramirez on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

We thank staff for the report and Mr. Andrianarivelo, Mr. Sylla, and Mrs. BoukpeSSI for their helpful Buff statement. We broadly agree with the thrust of staff’s appraisal and policy recommendations.

**We recognize the good advances of the authorities and methodic application of the recommendations throughout past years, with a resilient attitude before situations such as Ebola and Covid-19.** Sustained growth and macroeconomic stability have turned Guinea into a success story over the last decade. Guinea effectively completed its first ECF-supported program in 2016 and its second one in December 2020. Its performance under the 2017-2020 ECF arrangement was remarkable. Guinea's authorities remain committed to a path of stability and to an inclusive growth.

**We concur that revenue mobilization and public finance reforms are essential for macroeconomic stability and underpin Guinea's achievements.** Authorities remain fully committed to both a tax policy and a tax administration reform to foster Guinea’s tax potential (around 18 percent of GDP in 2000-2019, with a large gap at 7.3 percent of GDP); Digitalizing tax management, improving tax and customs databases, fully operationalizing the organizational structure of the DNI and adopting General Tax Code in line with IMF TA. We welcome the implementation of the new DNI structure and the reform advances to eliminate tax exemptions toward a more equitable system. In this moment, in which it is very important to attract private investments to Guinea, it is key to have a system that makes everybody pay taxes according to the capacity, strengthens tax administration and reduces evasion and corruption.

**We encourage authorities to further implementing reforms in the mining sector (Mining code) and measures on subsidies and tariffs in the energy sector.** We see advances in public investment management (PIM) and public financial management (PFM). We welcome TSA implementation. Nevertheless, we encourage the authorities to improve data sharing and reconciliation between the Treasury, the budget, the debt departments and the BCRG, and we commend the technical assistance of the IMF to support these matters. Policies aiming at strengthening fiscal balances and continuing to improve the debt management practices are crucial for assuring debt sustainability.

**We welcome a diversification strategy to take advantage of mining boost to invest in non-mining activities that warranty a more inclusive and stable growth.** Fiscal policy for building human capital and improving quality health services is crucial for economic diversification. We agree with staff's recommendation on redirecting spending for investing in human capital and social safety nets, promoting at the same time a high-quality education to raise Guinea's labor force and technical skills. Improving health services, strengthening social protection and reducing poverty, are necessary elements to assure sustaining growth and to build resilience, particularly in the primary and rural areas. We also recognize that it is important to create synergies between the mining sector and other sectors of the economy, identifying activities that could result in new products with a higher value added. The creation of a business environment to attract foreign investments is a process that requires creating confidence, efficiency, and a compromise from the authorities with the facilitation of business activities.

**We welcome staff's recommendations to modernize the monetary policy framework for price stability and external rebalancing and to strengthen the monetary policy towards an interest rate-based targeting framework.** This policy will improve the effectiveness of monetary policy through active liquidity management within open market operations, will strengthen the central bank's capital position and will help stopping BCRG from financing the budget and continuing the repayment process. We welcome corrective measures to reduce advances, sterilization actions reducing base money growth, and the Monetary Policy Committee's (MPC) March 2021 decision to maintain an accommodative policy stance to support the economic recovery.

**We commend authorities to continue their actions to increase international reserves and reduce inflation to improve competitiveness of non-mining economy.** The external position remained weaker than expected by the fundamentals and desirable policies at the end of 2020. Despite the BCRG's more flexible exchange rate policy, due to the implementation of the rule-based FX intervention policy, the real exchange rate continues to appreciate in 2021. Even if

the BCRG has consistently accumulated reserves throughout the ECF arrangement (reaching US \$1,355m by the end of 2020). We agree with staff's recommendation for a further gradual accumulation of reserves to at least three months' worth of coverage.

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GRAY/21/1698

June 17, 2021

**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. Boukpassi 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?*

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GRAY/21/1703

June 17, 2021

**Statement by Mr. Mozhin, Mr. Palei, and Mr. Potapov on Guinea  
(Preliminary)  
Executive Board Meeting  
June 21, 2021**

1. **We thank staff for the well-written reports on Guinea and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpassi for their informative Buff statement.** Despite the severe implications of the Covid-19 crisis, Guinea experienced quite fast growth at around 7 percent in 2020, which is in line with the average growth rate over the five years before the pandemic. Growth has been supported by the resilient mining-sector performance, while the rest of the economy was significantly impacted by the lockdowns and containments measures. Containing the pandemic and providing additional and targeted support to vulnerable households and affected businesses remain the authorities' near-term priorities. We take a positive note that vaccination campaigns have started for both Covid-19 and Ebola. Further efforts are needed to strengthen macroeconomic stability, improve the fiscal position, and promote inclusive growth.

2. **The Guinean authorities have swiftly responded to the pandemic by closing the borders, ensuring the provision of healthcare and necessary goods and services, as well as providing support to vulnerable households.** The fiscal stance was appropriately relaxed in response to the crisis. The BCRG has also provided a monetary accommodation by lowering the policy rate and the reserve requirement rate. At the same time, the Covid-19-related shocks have exacerbated existing economic and social challenges and slowed poverty reduction. The recent spike in inflation is also an important source of concern, as supply disruptions and accommodative policies continue. Over the medium term, growth is projected to remain above 5 percent, driven by mining-related infrastructure investment.

3. **Fiscal policy should continue to support the economic recovery, while maintaining debt sustainability and creating additional fiscal space for large social and development needs.** We agree that addressing the gap between booming mining activity and limited budget gains calls for more decisive steps towards greater revenue mobilization. Tax base erosion through transfer pricing and deviations from the provisions of the Mining Code should be addressed to ensure Guinea's benefits from its mineral resource wealth. Stronger

efforts should also be taken to formalize artisanal gold production and its taxation base. We thank staff for the well-written Selected Issues Paper on Mobilizing Mining Revenue in Guinea that provides a useful simulation of possible reforms to limit tax privileges. *Such deep-dive approach represents a good example on how staff can underpin their recommendations and should be expanded to many upcoming Article IV consultations.*

4. **On the expenditure side, strengthening social protection, resuming the multi-year electricity tariff reform, and adopting an automatic petroleum price adjustment mechanism remain the authorities' key priorities.** We welcome staff's analysis of the efficiency of social spending in Guinea and encourage the authorities to continue their work in this critical area in close collaboration with the World Bank. *Could staff elaborate on the specific measures under the 2017-2020 ECF-supported program for Guinea that were designed to improve education and health services and increase investments in human capital?*

5. **The results of the new debt sustainability analysis indicate that Guinea continues to face a moderate risk of external and overall public debt distress, despite the sharp increase in public debt in 2020.** According to staff, space for additional borrowing beyond what is included in the baseline scenario remains limited, notably in the near term. We encourage the authorities to remain vigilant and monitor debt sustainability risks, while prioritizing concessional financing and improving debt management capacity. Moreover, the authorities are well advised to strengthen the oversight of the investment projects, SOEs, and PPPs in order to mitigate potential fiscal risks.

6. **Reducing inflation and modernizing the monetary policy framework will contribute to macroeconomic stability.** We welcome the authorities' corrective measures to reduce the central bank advances to the government and implement the sterilization issuances. We also welcome the recent steps to increase exchange rate flexibility, including the introduction of the rule-based intervention policy that has strengthened the BCRG's international reserves position. Staff have rightly highlighted the risks of increasing NPLs and the worsening of asset quality in the banking sector. Therefore, continuous monitoring of the regulatory forbearance measures is essential to prevent financial disruptions.

7. **Advancing structural reforms is needed to improve the business environment, strengthen governance, and promote diversification.** We note that the authorities are preparing the second national development plan PNDS II that will be focused on further diversifying economic activities away from the mining sector, increasing digitalization, and promoting good governance. *We wonder whether the authorities and staff have discussed the prospects for a new Fund-supported program to strengthen macroeconomic stability and advance necessary structural reforms.*

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GRAY/21/1707

June 17, 2021

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

We thank staff for the comprehensive set of reports and Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpepsi for their helpful Buff statement. Despite the pandemic, Guinea registered a very strong economic growth in 2020. The mining sector grew at a record pace, but the crisis hit the non-mining sector hard. The recently completed Extended Credit Facility (ECF) arrangement helped to maintain macroeconomic stability and implement a series of structural reforms. Looking forward, the authorities are encouraged to continue the reform momentum to secure a sustainable recovery and a diversified economy. We broadly agree with the thrust of staff's appraisal and would like to highlight a few points for emphasis.

**Raising domestic revenue is critical to accommodate the rising spending needs.** Guinea is a typical low-income country rich in natural resources. Its abundant reserves of bauxite, iron ore, and hydropower provide considerable growth potential but need huge initial investments. At this point, its economic convergence could hardly be achieved by boosting domestic consumption demand, but must rely on investment and external demand. In this regard, a friendly business climate together with an appropriate extent of tax incentives are essential to attract foreign investment. More importantly, a well-designed policy framework, including a fair tax code, should be in place to ensure the whole economy could reap the benefits from the resource sector and foreign investment. In this regard, we agree with staff on the suggestions to raise domestic revenue, including those from the mining sector. The authorities are encouraged to eliminate the tax exemptions that are not approved by the legal documents and further improve the efficiency of tax administration.

**We take positive note that Guinea remains at moderate risk of public debt distress and most of its debt is related to infrastructure projects.** The public debt stands at 43.4 percent of GDP at the end of 2020, more than half of which is external public debt. We welcome the authorities' commitment to a prudent borrowing strategy, which has already been demonstrated by the moderate risk and an appropriate mix of lending from multilateral,

official bilateral, and commercial creditors. We take positive note that most debt is raised for productive investment rather than for non-productive current expenditures, as indicated by Annex III of the staff report. These major infrastructure projects have created valuable infrastructure assets, unleashed the growth potential, and provided lots of local jobs. Centered on the mining sector, these projects have created great synergy, with hydropower allowing the minerals extraction and ports and roads enabling the products transportation. With two major hydroelectric dams completed, we encourage the authorities to closely work with neighbor countries to improve infrastructure interconnectivity so as to facilitate the export of abundant electricity. While preserving debt sustainability is of great important, we agree with the authorities, as in the Buff statement, that it should be done in the context of the need to mobilize adequate resources to invest in infrastructure and diversify the economy. We note that the Souapiti loan is reclassified as public and public guaranteed debt (PPG) in the DSA. *Could staff elaborate more on the change of classification and how other infrastructure loans serviced by SPVs in both Guinea and more broadly other low-income countries are treated? In addition, how does staff take the infrastructure asset into account in the DSA?*

**Containing government borrowing from the central bank is the key to reduce inflationary pressure.** Inflation continues to moderate from the peak in April of 2020, as the government started repaying central bank advances and the central bank began sterilization operations. We see merit in staff's recommendation on the continuation of the repayment of central bank advance and welcome the authorities' commitment to limit monetary financing of the budget, as indicated in the Buff statement. As the Monetary Policy Committee (MPC) comes into operation, we encourage the authorities to continue to enhance the monetary policy transmission by performing active liquidity management and reducing the high unremunerated reserve requirement. The implementation of the rule-based FX intervention policy is also a step in the right direction. Like staff, we suggest the authorities to actively accumulate the foreign reserves to reach at least 3 months of import coverage.

**Continued efforts are needed to promote economic diversification.** We agree with staff that the authorities should take advantage of the recent mining sector boom to diversify its economy. Efforts to move up in the value chain are welcome. The recently completed hydropower plant has started to provide electricity, paving the way to industrialization. Besides infrastructure, investing in human capital and improving the business environment is also important. We share staff's suggestion on increasing education spending, especially on the primary, secondary, and vocational subsectors, to equip laborers with skills to work in the higher valued-added sector. The progress made in improving the business climate is commendable. More should be done to further ease doing business and improve governance.

With these remarks, we wish the authorities every success in their policy endeavors.

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GRAY/21/1708

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.

## Guinea 2021 Article IV consultation

Responses to Technical Questions Posed by Executive Directors in Advance of  
EBM/21/63—June 21, 2021

*Staff's responses to technical questions are below. Broader policy questions in the areas of policy coordination and information sharing and next steps in our engagement will be addressed in staff's intervention at the Board meeting.<sup>1</sup>*

### Outlook / Risks

1. **We regret that a new Ebola outbreak was announced in mid-February 2021 and would appreciate staff's further details.**
  - The Ministry of Health announced a new Ebola outbreak on February 14, 2021, following the reporting of a cluster of cases in the sub-prefecture of Gouécké, Nzérékoré Region. The Government reacted promptly and together with WHO support set up testing and treatment structures and implemented prevention measures, including a vaccination campaign, with about 10,873 people vaccinated in the region. This response has been successful in quickly containing the outbreak, with all together 23 confirmed and probable cases and 12 deaths. The authorities are currently 4 days away from declaring the end of the epidemic, provided the current trend of no new cases continues. The authorities should be applauded for the way they have handled the Ebola epidemic, building on their experience from the previous outbreak.
  
2. **Could staff elaborate on the expected timeline for receiving the vaccine and for achieving the 20 percent target? What are the authorities plans for vaccinating the remaining population?**
  - The 20 percent target is still relatively far off. As of 4 June, nearly 280,000 people have received their first dose, but only 90,000 have been fully vaccinated, which constitutes 0.72 percent of the population. The number of covid-19 vaccine doses so far received by Guinean authorities is only 8.6 percent of expected total doses.
  - While the plan is to expand vaccines beyond the initial 20 percent of the population, the authorities have not stated a specific additional percentage to receive the vaccine, nor a timeline to reach such an expanded immunization goal. We understand that should the SDR allocation be approved and more resources be provided through the Covax initiative, it could help the authorities fast-track the vaccination.

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<sup>1</sup> EDs have requested that staff indicate those areas for which responses will be provided during staff's oral intervention at the Board. This avoids the need for EDs to repeat their questions during the discussion. In addition, staff may want to indicate which questions they intend to address orally.

## Fiscal Policy

**3. We understand that a revised 2021 budget will be adopted in the coming weeks and would like to hear more details in this regard.**

- The authorities have not yet concluded on the exact date when the 2021 revised budget will be submitted to the National Assembly, but plan to do so before the other major budget submission due this year (the 2022 preliminary budget law). They plan to use the end-2020 and end-April 2021 budget execution reports, currently in preparation, to inform the discussions. As stated in the Buff statement, the draft revised 2021 budget is expected to maintain the same basic fiscal balance as staff's projection in the Article IV report.

**4. We note that the government cancelled subsidies and capital expenditures worth 2.5 percent of GDP. Can staff elaborate on which subsidies and capital expenditures were cut?**

- Authorities reduced 2020 spending relative to projections at the time of the last (combined 5th and 6th) ECF review on several items, including (i) non-electricity related transfers and subsidies by 0.9 percent of GDP, (ii) electricity subsidies by 0.3 percent of GDP, (iii) domestically financed public investment by 0.8 percent of GDP, (iv) externally financed capital spending by 0.7 percent of GDP, with cuts concentrated in projects financed on concessional terms with multilateral development banks. Infrastructure projects financed with non-concessional loans—including the priority projects accommodated under the recent ECF to rehabilitate a national road and the urban road system in Conakry—were disbursed and executed as planned.

**5. We would also welcome more information on when petroleum subsidies might be eliminated per the automatic pricing mechanism.**

- The question about fuel price subsidies is extremely sensitive in Guinea. President Conde's announcement of an increase in petroleum prices at the pump after the month of Ramadan resulted in a heated internal debate about the advisability and social impact of such an increase in a context of economic crisis. Faced with serious threats of unrest, the authorities decided to leave fuel prices unchanged at end-May 2021. If the subsidized fuel prices persist throughout the whole year, this would pose a risk to the 2021 budget.
- There is still no clear decision or timeline on the transition to an automatic fuel price mechanism. The authorities have expressed willingness but consider the mechanism should also take into account Guinea's idiosyncratic needs, including the social situation and the need to treat differently the different kinds of petroleum products.

**6. We would be interested to learn more to what extent the current Cash Transfer Program would help shield the most vulnerable. We also invite staff to share their views on the lesson learned about Guinea's design for social assistance program.**

- Guinea's Covid-19-response cash transfers program has provided cash transfers reaching 20,000 households and food transfers going to 15,000 households in Conakry, and is

expected to cover approximately 120,000 vulnerable households in rural and urban areas outside of the capital. The World Bank will also provide assistance for an additional social protection program extending over 1.5 years, which offers a more holistic package of intervention for 48,000 rural households that goes beyond cash transfers. In addition to its direct effects, Guinea's social assistance is expected to promote growth by strengthening human capital (when households are better able to use cash transfers to cover health and education expenses) and thus productivity.

- In terms of lessons, Guinea has come a long way launching a national registry of potential social protection beneficiaries, collaborating with the private sector (money transfer companies) to provide digital cash transfers to the poor and vulnerable, and partnering with WFP to provide food transfers during the pandemic. However, during the crisis, the initiation of support to households was not timely, due to delays in meeting conditions of effectiveness for the receipt of external assistance for social protection. It also emerged as important to ensure that the crisis-induced scaling-up be followed up by efforts to permanently strengthen social protection so as to improve resilience and reduce poverty. The abovementioned holistic social assistance program is, in this regard, a step in the right direction. It is also critical for the new agency in charge of social protection operations, ANIES, to strengthen its institutional capacity to deliver on the needed social protection beyond the crisis. In this regard, it is expected that the World Bank's continued collaboration with ANIES will be instrumental.

**7. 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?**

- The authorities repaid a large amount of arrears (1.7 percent of GDP) that corresponded mostly to goods and services that had been provided by private sector businesses to government, including suppliers of services in the areas of IT, construction, property rental, and of goods such as fuel, clothing/uniforms, and office equipment, among other.
- A TA mission on the management of arrears is planned for July 2021 and is expected to be useful to bring more transparency and efficiency in cash and arrears management.
- On the collaboration with IFIs to reinforce social spending, the authorities are working closely with the World Bank on social protection. Collaboration between ANIES and WFP enabled provision of food transfers to vulnerable households. Authorities have also had a productive relationship with the WHO, which provided extensive technical guidance in support of health expenditures to mitigate the pandemic. The African Development Bank and other donors also collaborated with the authorities on other areas of social expenditure.

**Debt questions and external sector questions**

**8. Considering its size, could staff comment on the impact of the classification of smuggled artisanal gold on the current account?**

- Staff have included smuggled artisanal gold as both an import and an export, making the operation neutral for the current account balance. The transactions cannot be classified as re-exports because the gold is believed to change ownership when it is smuggled into Guinea from neighboring countries.

**9. Moreover, in the current mining boom, could staff elaborate on the stock, if any, of resource backed loans and progress made on debt transparency?**

- Staff understand that two external loans have been collateralized by mining revenues, both of which were signed in September 2018 after having been anticipated and accommodated in the design of the ECF program. No new collateralized loans have been signed since then. For these loans, US\$194 million had been disbursed by end-2020, with the remaining amount expected to be evenly spread over 2021-23.
- On debt transparency, staff have worked with the authorities to expand the detail included in DSA Table 2 with respect to previous reports. The table now provides a breakdown of the PPG domestic debt stock as well as PPG external debt. The World Bank's Sustainable Development Finance Policy is also supporting the authorities to expand the perimeter of reported PPG external debt to include SOEs—though the stock of non-guaranteed SOE debt is likely to be small.

**10. We note that the Souapiti loan is reclassified as PPG in the DSA. Could staff elaborate more on the change of classification and how other infrastructure loans serviced by SPVs in both Guinea and more broadly other low-income countries are treated? In addition, how does staff take the infrastructure asset into account in the DSA?**

- The Souapiti loan (and its corresponding debt service) has always been included as part of PPG external debt in the DSA, since before its signature in 2018. This reflects the fact that the Government of Guinea is the debtor on the loan. However, in the past we were not fully including it in the fiscal accounts. The loan is on-lent to a resident SPV (outside the perimeter of central government), who undertakes the construction and operation of the dam. The Government of Guinea's 51% stake in the SPV generates for the central government (i) an income stream that covers debt service on the loan, and (ii) a dividend stream. The first item had previously not been included in the non-tax revenues of the central government in the fiscal accounts, and had thus been excluded from the DSA. Upon review of the associated contracts by staff's Legal and Statistics departments, both items are now included in both fiscal and DSA. As a result, the treatment is now clearer and more accurate.
- In general, the treatment of loans serviced by an SPV depends on the perimeter of the public sector in the fiscal accounts. In the case of Guinea, the fiscal accounts reflect the central government only, so the resident SPV is outside the perimeter.

## Monetary policy and financial sector

### 11. Could the staff comment on the contours of an accommodative monetary policy stance which can support economic recovery while alleviating the inflationary pressures?

- One of the main goals of the accommodative monetary policy stance is to ensure that there is ample credit and liquidity in the financial system to support the economic recovery without creating inflationary pressures and undermining price stability. Recent inflationary pressures have mainly resulted from a combination of demand pull (especially increased government domestic spending which has contributed to a growth in the monetary aggregates) and supply-side factors including the closure of land borders and soaring freight costs which have impacted food prices.
- In balancing the objectives of supporting economic growth and alleviating inflationary pressures, staff has emphasized the need for the central bank to reduce the stock of outstanding advances to the government as well as to engage in more active liquidity management operations to contain the buildup of excess liquidity in the domestic financial system. Furthermore, it is expected that the improvement of the health-related restrictions of movement would in itself have a positive impact on inflationary pressures. Over the medium term, the central bank intends to modernize its monetary policy framework by fully transitioning to an interest-based operational framework.

### 12. The banking sector seems to be adequately capitalized and profitable. Yet, as in many other countries, the real picture of bank portfolio may be impaired due to the suspension of the NPL loan classification, which is not reflected in NPL indicators (Table 5.) Staff comments are welcome.

- While financial support measures are still in place, the central bank continues to closely monitor NPLs in the banking system with a view to quantifying their impact on overall bank solvency and stands ready to take appropriate action if required. Staff emphasized that the extraordinary measures should not be kept for too long, and advised the central bank to intensify supervisory monitoring and encourage banks to conduct viability assessments to screen unviable and insolvent debtors and take prompt recovery action. As the pandemic subsides, the central bank should prioritize the restoration of the prudential framework by requiring banks to reclassify nonperforming loans and to provision so as to fully reflect true asset quality. Phasing-in arrangements would be considered to avoid a sudden and abrupt increase in NPLs and provisioning.

### 13. Can staff comment on the reasons for the slow implementation of the FSSR recommendations?

- Following the conclusion of the FSSR mission, a three-year follow-up technical assistance (TA) project plan was developed, in consultation with the central bank, to help implement priority FSSR recommendations, commencing in 2020. The execution of this plan was however severely stymied by the Covid-19 pandemic as the Guinean authorities had to shift focus to more pressing pandemic-related needs. Progress was however made in delivering

some aspects of planned FSSR banking supervision TA through AFRITAC West. The Fund's FSSR team has since adjusted the dates in the follow-up TA plan and will be meeting with the authorities soon to advance TA delivery during 2021 and 2022.

**Structural reforms and diversification:**

**14. We appreciate staff's analysis of the potential benefits of economic diversification. To this end, we note that moving ahead successfully with diversification would require consistent public policies as well as a firm and sustained political commitment. Could staff elaborate on any concerns?**

- The authorities share and understand the need to accelerate the diversification agenda. The key potential constraints that could be found on the way include potential governance weaknesses, social/political unrest and delayed implementation of business environment reforms—linked to limited implementation capacity—which would deter additional private sector investment.
- Generally, the diversification agenda could be affected by shocks to the mining sector, which currently drive overall growth. Shocks could include a decline in mining prices, as well as a more prolonged global recovery from the pandemic. Should these materialize, planned infrastructure investment could be delayed or canceled, which would reduce positive spillovers to the non-mining economy. Public revenues would also decline, which could delay the expansion of social safety nets and education expenditure, and thus human capital development.

**15. 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?**

- Staff agree that a commodity price shock would have a significant negative impact on growth and exports, as shown in Annex V. However, staff view the relative impact of a commodity price shock as lower than that of other shocks, such as a second Covid wave or social unrest. This view is partly the result of the fact that the authorities have built adequate buffers in the form of additional reserves and increased exchange rate flexibility, which would allow them to mitigate some of the impact of a commodity price shock. In addition, the mining sector weathered the pandemic with record output in 2020, despite lower prices and external demand in early 2020. Finally, a significant amount of mining investment is part of long-lived projects that are underway, so a price shock would be unlikely to have a strong impact on planned production volumes unless it were highly persistent.

**16. We would appreciate staff's comments on its assessment that stronger coordination is critical to enhance planning and budgeting for vaccination and what near term measures could be implemented.**

- Staff will respond to this question during the Board meeting.

**17. Could staff elaborate on the specific measures under the 2017-2020 ECF-supported program for Guinea that were designed to improve education and health services and increase investments in human capital?**

- In the 2017-20 ECF program, an indicative target established a floor on domestically-financed “social safety nets” programs. The formal definition of such programs included domestically-financed spending disbursed to support, among other: (i) the schooling of children with handicaps; (ii) targeted health activities, notably medical coverage for the poor, free medical procedures, and support to individuals with infectious diseases; (iii) targeted activities in education, notably provision of school meals and health support; and (iv) scholarship to students to improve living conditions.

**18. Can staff clarify if the authorities have introduced any policies targeted at increasing female labor force participation?**

- Guinea adopted a policy to promote female labor force participation in 2017 and has a Ministry dedicated to women’s rights and empowerment. The authorities are currently implementing reforms to increase digitalization and the digital infrastructure, which according to studies conducted by the World Bank are expected to have a strong positive impact on female labor force participation by allowing greater flexibility in terms of working remotely. The authorities are also actively promoting digital financial services, which studies have shown can increase female labor force participation, as payments can be made directly to the beneficiary, which increases economic decision making, as well as female entrepreneurship. Finally, the authorities are strengthening their social safety net system, which can unlock additional time and resources for women to seek employment and other sources of income. The World Bank is also planning to engage with the authorities to discuss potential entry points to reduce gender disparities.

**Next steps**

**19. Given the ambitious reform agenda going forward, we would welcome views from staff on whether the authorities may be interested in a Policy Coordination Instrument.**

- Staff will respond to this question during the Board meeting.

**20. What kind of cooperation do staff and the authorities envisage in the short to medium term (program engagement, technical assistance)?**

- Staff will respond to this question during the Board meeting.

## CONSTITUENCY CODES

### OEDAE

Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

### OEDAF

Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

### OEDAG

Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

### OEDAP

Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

### OEDBR

Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

### OEDCC

China

### OEDCE

Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

### OEDCO

Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

### OEDEC

Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

### OEDFF

France

### OEDGR

Germany

### OEDIN

Bangladesh, Bhutan, India, and Sri Lanka

### OEDIT

Albania, Greece, Italy, Malta, Portugal, and San Marino

### OEDJA

Japan

### OEDMD

Afghanistan, Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

### OEDMI

Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, United Arab Emirates, and Yemen

### OEDNE

Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

### OEDNO

Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

### OEDRU

Russian Federation and Syrian Arab Republic

### OEDSA

Saudi Arabia

### OEDST

Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

### OEDSZ

Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

### OEDUK

United Kingdom

### OEDUS

United States