

**Guinea: 2022 Article IV  
Consultation and Request for  
Disbursement Under the Rapid  
Credit Facility-Press Release;  
Staff Report; and Statement by  
the Executive Director for Guinea**



# GUINEA

January 2023

## 2022 ARTICLE IV CONSULTATION AND REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2022 Article IV consultation with Guinea, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its December 22, 2022 consideration of the staff report that concluded the Article IV consultation with Guinea
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 22, 2022 following discussions that ended on November 4, 2022 with the officials of Guinea on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 8, 2022.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Guinea.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services  
PO Box 92780 • Washington, D.C. 20090  
Telephone: (202) 623-7430 • Fax: (202) 623-7201  
E-mail: [publications@imf.org](mailto:publications@imf.org) Web: <http://www.imf.org>  
Price: \$18.00 per printed copy

**International Monetary Fund  
Washington, D.C.**



## IMF Executive Board Approves US\$71 Million in Emergency Financing Support and Concludes 2022 Article IV Consultation with Guinea

FOR IMMEDIATE RELEASE

- Growth is expected to reach 4.7 percent in 2022 and 5.6 percent in 2023, driven by continued strength in the mining sector, though the non-mining sector is grappling with the impact of international price shocks.
- The Executive Board also approved a disbursement of SDR 53.55 million (about US\$71 million) to Guinea under the new Food Shock Window of the Rapid Credit Facility.
- Guinea is facing a challenging economic and food insecurity situation. Containing the effects of the price shocks and cushioning its impact on food security remain the key short-term policy priorities.

**Washington, DC – December 22, 2022:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with Guinea. Growth is expected to reach 4.7 percent in 2022 and 5.6 percent in 2023, driven by continued strength in the mining sector, though the non-mining sector is grappling with the impact of international price shocks.

The Executive Board also approved today a disbursement of SDR 53.55 million (US\$71 million) under the Food Shock Window of the Rapid Credit Facility to help Guinea address urgent balance of payment needs related to the global food crisis. Food insecurity in Guinea has increased significantly owing to the international food and fertilizer prices shock. The UN 2022 Global Report on Food Crises considers Guinea to have a major food crisis, with a large share of the population affected by acute food insecurity and worsening malnutrition. The population is also affected by a precarious post-pandemic recovery of the non-mining sector.

Following the Executive Board's discussion, Ms. Gita Gopinath, First Deputy Managing Director and acting Chair, issued the following statement:

"Guinea's chronic food insecurity was significantly exacerbated in 2022 as a result of the international food and fertilizer price shock, threatening the fragile post-pandemic recovery of the non-mining sector. Together with the increase in fuel prices, external performance in 2022 is expected to have deteriorated, resulting in weaker-than-desirable foreign reserve coverage. Inflation remains high, partly driven by food prices. Emergency financial assistance under the RCF's new Food Shock Window would help address urgent balance-of-payments needs and mitigate the impact of the food shock. The authorities' plan to use the resources to support the most vulnerable, in coordination with the World Food Program, and to provide fertilizers to

---

<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

improve the next harvest, is welcome. Ensuring the transparent and effective use of the resources will be essential.”

“Mobilizing domestic revenue, including from the mining sector, and improving the quality of expenditure, via a reduction in regressive subsidies and better public investment management, will help create additional space to invest in infrastructure, education, and social protection, enhancing Guinea’s growth potential while preserving debt sustainability.”

“Guinea remains at moderate risk of debt distress, with some space to absorb shocks but limited space for new borrowing. Maximizing the concessionality of new debt, tapping domestic financing sources, strengthening debt management capacity, and enhancing public investment management will be crucial in preserving medium-term debt sustainability. “

“Maintaining a tight monetary policy and ensuring that central bank lending to the government remains within the statutory limit are critical to contain inflation. The development of a new consumer price index covering the entire country is welcome; it will be important for the central bank to introduce it gradually, according to best practice.”

“Economic diversification will be essential to sustain growth over time and make it more resilient and inclusive. A sound implementation of the Simandou iron ore project should be a key priority, while addressing weaknesses in governance will also be important. In this regard, moving ahead in the implementation of the 2021 safeguards assessment recommendations and improving governance and the anti-corruption system as well as the AML/CFT regime are welcome steps.”

**Guinea: Selected Economic Indicators, 2020-23**

(Percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023
	Est.		Projection	
<b>Output and Inflation</b>				
Real GDP Growth (annual percentage change)	4.9	4.3	4.7	5.6
Mining (annual percentage change)	28.3	6.6	11.8	11.1
<i>Industrial mining (annual percentage change)</i>	1.6	-0.6	10.9	11.9
Non-mining (annual percentage change)	0.3	3.7	2.9	4.1
Inflation Average (annual percentage change)	10.6	12.6	12.2	11.4
<b>Central Government Finances</b>				
Total revenue and grants	13.9	13.6	13.1	13.0
Expenditures and net lending	17.0	15.3	14.4	15.3
<i>Current Expenditures</i>	13.5	13.0	10.6	10.7
<i>Capital Expenditures</i>	3.5	2.3	3.7	4.5
Overall balance including grants	-3.1	-1.7	-1.3	-2.3
Basic fiscal balance	-1.5	-0.7	0.1	-0.1
<b>External Sector</b>				
Current account balance (including official transfers)	-16.1	-2.1	-7.4	-6.8
Current account balance (excluding official transfers)	-16.9	-2.1	-7.4	-6.8
Overall balance of payments	-0.9	2.4	-0.3	0.4
Gross available reserves (months of imports)	2.5	2.7	2.5	2.4
Gross public debt	47.1	40.4	34.9	35.3
Nominal GDP (GNF billions)	135,612	157,725	185,329	215,692

Sources: Guinean authorities; and Fund staff estimates and projections.



# GUINEA

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION AND REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

December 8, 2022

### EXECUTIVE SUMMARY

**Context.** Following a coup d'état in September 2021 and a year of socio-political tension, the situation has stabilized after the authorities agreed with ECOWAS on a revised, shorter (24-month) transition calendar. While the non-mining sector remains weakened by the subsequent shocks—the pandemic, political uncertainty, the global food and fuel price shock and ensuing food insecurity—overall growth remains buoyant, driven by strong mining production. Inflation hovered around 12 percent for most of 2021 and 2022, despite significant international prices pressures. Food insecurity became increasingly acute during 2022 stemming from the price shock and could be exacerbated next year.

**Fund financial support.** The authorities have requested a disbursement of 25 percent of quota (SDR 53.55 million) under the Rapid Credit Facility-Food Shock Window (FSW) to address urgent balance-of-payments needs and mitigate the food shock, including through a program of in-kind food distribution (together with the World Food Program), purchase of fertilizer, and strengthening of cash transfer programs to vulnerable households.

**Policy recommendations.** Supporting vulnerable households in response to the price shock via targeted measures and strengthening social protection are the key near-term priorities. Fiscal and monetary policy must also support efforts to rein in inflation. Efforts to mobilize additional revenue should continue, particularly from the mining sector; in addition to enhancing spending efficiency; investing in infrastructure and human capital; and strengthening the monetary policy framework. Over the medium-term, policies should provide the foundation for more diversified and resilient economic growth and poverty reduction.

**Fiscal policy.** Despite significant foregone revenues from fuel price support measures, the fiscal stance is projected to be tighter in 2022 relative to 2021, due to restraint in recurrent expenditures and under-execution of the capital budget. The authorities are making important strides in mobilizing revenue, notably through efforts to address profit shifting in the mining sector. Improving the quality of expenditure, via a reduction

in regressive subsidies, and a boost to public investment management will help create additional space to invest in infrastructure, education, and social protection, enhancing Guinea's growth potential while maintaining debt sustainability.

**Monetary policy.** The tighter stance prevented additional monetary financing that, together with the appreciation of the exchange rate, contributed to containing inflation, which nonetheless remains high. The authorities must maintain a tight monetary stance, including through actively managing liquidity and ensuring that any lending to government stays under the statutory limit. While the development of a new consumer price index will help to better measure and understand inflation dynamics, the central bank should react to the new index gradually.

**Structural reforms.** Diversification, reforms to enhance governance and resilience, and improvements to the business climate will be critical to ensure inclusive, more resilient growth and improved social indicators.

Approved By  
**Montfort Mlachila**  
**(AFR) and Eugenio**  
**Cerutti (SPR)**

An IMF team consisting of Ms. Mira (head), Ms. Lyngaas, Mr. Massara, Mr. Otero Nule, and Mr. Medenou (all AFR), Ms. Zuniga (SPR), Mr. Bidawi (FAD), Mr. Weber (MCM), Mr. Issoufou (Resident Representative), Ms. Diallo and Mr. Diallo (local economists) held virtual and in person discussions with the authorities during October 4–November 4, 2022. Mr. Sylla (ED) and Ms. Bah (ED's office) joined some of the meetings. The Guinea team also wishes to acknowledge: Gregory Legoff (STA) and Fahd N'Diaye (AFW) for assistance on national accounts data and reconciliation; Brian Graf (STA) for assistance on price statistics; Patrick Petit and Pierre Kerjean (all FAD) for their inputs on mining revenue analysis; Jean Pierre Nguenang, David Kamano and Aristide Karangwa (all FAD) for assistance with PFM-related issues; Celine Thevenot (FAD) for contributions on expenditure rationalization; Nicolas Kacou (AFW) for assistance on government finance statistics; Nicolas Hiol and Rene Ossa (all FAD) on revenue administration reforms; David Amaglobeli, Emine Hanedar and Samir Jahan (all FAD) on fuel subsidy reforms; Dan Devlin (FAD) on gold tax policy; and Alejandro Badel (SPR) on inequality. The team met with Minister of Economy and Finance Moussa Cissé, Minister of Budget Lanciné Condé, Central Bank Governor Karamo Kaba, other senior officials, and representatives from the private sector, civil society, and the development partner community. Ms. Manning assisted in the preparation of this report and Ms. Ly (local office assistant) helped organize virtual meetings.

## CONTENTS

<b>CONTEXT</b>	<b><u>6</u></b>
<b>RECENT ECONOMIC DEVELOPMENTS</b>	<b><u>8</u></b>
<b>OUTLOOK AND RISKS</b>	<b><u>16</u></b>
<b>POLICY DISCUSSIONS</b>	<b><u>17</u></b>
A. Fiscal Policy	<u>17</u>
B. Monetary and Financial Sector Policies	<u>25</u>
C. Diversification, Resilience and Governance	<u>27</u>
<b>IMF ASSISTANCE MODALITIES</b>	<b><u>30</u></b>
<b>OTHER ISSUES</b>	<b><u>31</u></b>



**STAFF APPRAISAL** 31**BOXES**

1. The Interim Reference Program and the Economic Recovery Plan	<u>8</u>
2. Bauxite Transfer Pricing Reform in Guinea	<u>21</u>
3. Simandou Iron Ore Development	<u>29</u>

**FIGURES**

1. Population in Acute Food Insecurity	<u>6</u>
2. Fertilizer Prices and Uses	<u>6</u>
3. Petroleum Product Prices and Subsidies	<u>7</u>
4. Real Sector Developments	<u>9</u>
5. Gender Indicators	<u>10</u>
6. Inflation and Monetary Developments	<u>11</u>
7. Financial Sector Developments	<u>12</u>
8. Fiscal and Debt Indicators	<u>14</u>
9. External Sector Indicators	<u>15</u>
10. Social Safety Net Indicators	<u>20</u>
11a. Tax Revenues to GDP Ratio, 2015-2021	<u>21</u>
11b. Mining Sector Real and Fiscal Indicators, 1995-2021	<u>21</u>
12a. Long-Run Impact of Reforms on GDP Growth	<u>23</u>
12b. Long-Run Impact on Poverty and Inequality	<u>23</u>
13. Historical Decomposition of Inflation	<u>25</u>

**TABLES**

1. Key Economic and Financial Indicators, 2019–27	<u>34</u>
2. Balance of Payments, 2019–27	<u>35</u>
3a. Fiscal Operations of the Central Government, 2019–27 (Billions of Guinean Francs)	<u>36</u>
3b. Fiscal Operations of the Central Government, 2019–27 (Percent of GDP)	<u>37</u>
4. Money Accounts, 2019–27	<u>38</u>
5. Financial Soundness Indicators, 2019–22	<u>39</u>
6. Indicators of Capacity to Repay the IMF, 2021–32	<u>40</u>

**ANNEXES**

I. Implementation of 2021 Article IV Recommendations	<u>41</u>
II. External Sector Assessment	<u>42</u>
III. Risk Assessment Matrix for Guinea	<u>48</u>

IV. Artisanal Gold Mining and Regional Trends	<a href="#">50</a>
V. Electricity Sector in Guinea: Context and Reform Options	<a href="#">54</a>
VI. Investing Mining Revenues to Strengthen Guinea’s Development	<a href="#">57</a>
VII. Inflation and Monetary Policy—Recent Trends and Prospects	<a href="#">61</a>
VIII. Supporting Export Diversification with an Eye on Complexity	<a href="#">66</a>
IX. The Role of Agriculture and Climate Change in Food Security	<a href="#">71</a>
X. Capacity Building	<a href="#">75</a>

## **APPENDIX**

I. Letter of Intent	<a href="#">77</a>
---------------------	--------------------