

Managing the accumulation of internal arrears in Guinea



Introduction

The Republic of Guinea, rich in mineral and oil resources, faces substantial economic challenges despite a resilient growth rate of 5% from 2020 to 2023. The country is grappling with a high inflation rate and significant public financial issues, including an accumulation of domestic arrears.



Key economic indicators

- **Population:** Over 13 million, with 45% under 14 years old.
- **Economic growth:** 5% (2020-2023); GDP debt level at 36.2% (2023).
- **Human Development Index:** Ranked 182 out of 191 (2021/2022).
- **Domestic resource mobilisation:** 13.7% of GDP (2023) vs. sub-Saharan Africa's average of 15%



Public finance overview

- **Budget deficit:** Reduced from 4.2% to 0.3% of GDP (2020-2022); widened to 2.2% (2022-2023).
- **Payment arrears:** Total of 3,925 billion GNF (14% of public expenditure).



Profile of payment arrears

- **Composition:** 63% state subsidies (mainly to Électricité de Guinée), 21% investments, 16% services.
- **Impact:** Arrears exceed health and social budgets significantly and contribute to decreased GDP growth and tax revenue.



Challenges identified

- **Political instability:** Coups and changes in administration.
- **Budget management:** Unrealistic budgeting practices and inefficiencies in cash management.
- **Lack of a clear arrears clearance strategy.**



Approach for resolution

The Syli team has engaged in CABRI's Building Public Finance Capabilities (BPFC) programme to address these challenges through the application of the Problem-Driven Iterative Adaptation (PDIA) approach.

Key entry points

1. **Unrealistic budgeting**, with an analysis of all the sub-causes related to macroeconomic and budget guidelines.
2. **Inefficiency of the cash management system**, in particular with the Single Treasury Account (STA) becoming operational.



Proposed solutions

Short-term

- Establish data-sharing platforms among stakeholders.
- Introduce monitoring committees for arrears clearance strategies.
- Implement financial information system innovations to manage expenditures better.

Long-term

- Improve forecasting tools and enhance technical capacities for reliable budget evaluation.
- Engage in continuous dialogue and consensus-building among key stakeholders on budgeting practices.

Conclusion

The Syli team's initiative addresses Guinea's pressing financial issues by enhancing public finance management, reducing the accumulation of domestic arrears, and fostering trust among institutions. Progress relies on the commitment to implement proposed strategies effectively and the establishment of new cooperative frameworks with financial partners to enable sustainable recovery.