Natural Resource Governance Institute

Resource Governance Index

2021 Resource Governance Index
Guinea

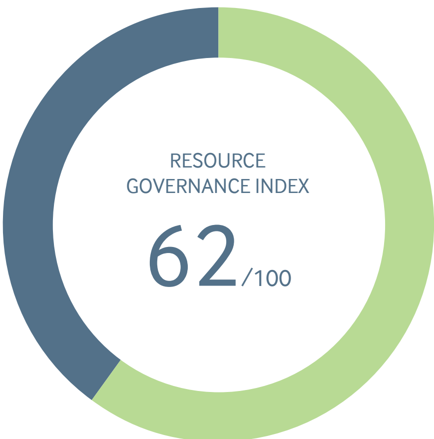
Mining

In the 2021 Resource Governance Index (RGI), Guinea gained 6 points compared to the 2019 interim evaluation with a score of 62 out of 100, allowing the country to move to the higher "satisfactory" performance band, though the country's increase is lower than its previous progress between the 2017 RGI and the 2019 interim evaluation (+12 points).

The most significant improvement since the 2019 interim evaluation relates to the implementation of article 165 of the 2011/2013 mining code on subnational transfers of mining revenue to all municipalities of the country. In consequence, the revenue management component has progressed significantly, from 52 to 71 points, and is now in the satisfactory performance band. While the enabling environment component remains in the weak band, performance in the value realization component is firmly in the highest band, with a score of 80. Lastly, the continuous closing of the gap between practices and laws since the 2017 RGI (from -15 to -14) is due to progressive application of the mining code.

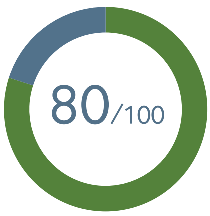
- Guinea's government should make mandatory the disclosure of environmental and social impact assessments and management plans relating to mining projects. The regulations of the 2019 environment code will need to be finalized, particularly those relating to compensation and to the resettlement of people affected by mining projects.
- In addition, the government should accelerate progress in the fight against conflicts of interest and corruption by operationalizing the mechanism for disclosing information about the beneficial ownership of mining licenses, and the declaration of any interests of government officials in companies operating in the sector.
- The Court of Audit of Guinea (Cour des Comptes) should carry out an audit of subnational transfers of mining revenues realized since 2019.

Guinea mining: 2021 Resource Governance Index and component scores

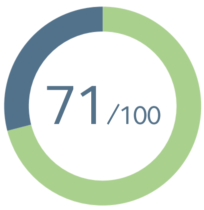


PERFORMANCE BANDS

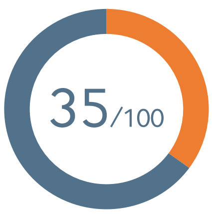
GOOD Scores over 75
SATISFACTORY Scores 60-74
WEAK Scores 45-59
POOR Scores 30-44
FAILING Scores under 30



VALUE REALIZATION
Measure of the quality of governance regarding allocating extraction rights, exploration, production, environmental protection, revenue collection and state-owned enterprises.



REVENUE MANAGEMENT
Measure of the quality of national budgeting, subnational resource revenue sharing and sovereign wealth funds.



ENABLING ENVIRONMENT
Measure of the general quality of governance in the country

2021 RGI results for Guinea

The publication of the 2021 Resource Governance Index for Guinea follows the 2017 index and the 2019 interim evaluation. NRGI teams in Guinea started collecting data in October 2020 and continued until the end of the year. An independent peer reviewer then closely examined the data and submitted a report in February 2021, after which began government consultations and final verifications.

The following sections present the results of the 2021 evaluation in Guinea (see table below), for each of the RGI components: value realization, revenue management and enabling environment. The specific resource assessed in Guinea was bauxite, and the state-owned enterprise was SOGUIPAMI.

Guinea's scores in the 2017 RGI, 2019 Interim Evaluation and 2021 RGI

	2017 RGI score (revised)	2019 Interim Evaluation	2021 RGI score	Trend (2019-2021)
RGI COMPOSITE SCORE	44	56	62	6
VALUE REALIZATION	67	83	80	-3
Licensing	69	77	77	0
Taxation	64	75	77	2
Local impact	78	100	83	-17
State-owned enterprises	59	78	82	4
REVENUE MANAGEMENT	27	52	71	19
National budgeting	30	80	80	0
Subnational resource revenue sharing	23	23	62	39
Sovereign wealth funds	.	.	.	.
ENABLING ENVIRONMENT	37	35	35	0
Voice and accountability	45	46	45	-1
Government effectiveness	21	23	37	14
Regulatory quality	37	33	37	4
Rule of law	18	16	15	-1
Control of corruption	29	28	35	7
Political stability and absence of violence	57	44	35	-9
Open data	50	53	42	-9
LAW	77	84	88	4
PRACTICE	45	69	74	5
GAP (PRACTICE LESS LAW)	-32	-15	-14	1

VALUE REALIZATION

The value realization component assesses the conditions for establishing and realizing mining activities. The score has remained solid throughout the period, with 80 out of 100, which positions it in the highest performance band. It includes four subcomponents: licensing, taxation, local impact and state-owned enterprises.

Licensing

The licensing subcomponent remains stable and in the highest performance band, with 77 points out of 100. Guinea's online cadaster has remained operational throughout the period. However, the updating of this online cadaster by the Center for Mining Promotion and Development (Centre de promotion et de développement miniers, CPDM) could be more systematic, including about the data on the Compagnie des Bauxites de Kindia (CBK).

The regulations on licensing seem to be respected, notably in the main call for tenders launched during the period, relating to iron ore deposit blocks 1 and 2 at Simandou, from the reservation of blocks to investor selection. With regard to the licensing of the Kiniéro gold deposit two calls for tender procedures were opened in 2017 and 2018, prior to the current evaluation period. We recommend that the CPDM and the relevant departments of the Ministry of Mines and Geology periodically disclose the list of license applicants, either for the calls for tender or for the 'first come first served' processes. The Ministry of Mines should further formally make public the results of the calls for tender, and establish, in collaboration with the Extractive Industries Transparency Initiative (EITI) in Guinea, a systematic monitoring mechanism for the comprehensive online publication of mining contracts.

Since the 2017 RGI, delays in achieving two significant reforms on conflicts of interest and corruption have driven down the score for this subcomponent. These reforms concern disclosure of information about the beneficial owners of companies and the financial interests in companies of officials and members of the government. While EITI reports contain increasing amounts of data on beneficial ownership, the government could consolidate these efforts by finalizing the regulations that are currently being drafted, following the example of neighboring Senegal which published in 2020 a decree on the register of beneficial owners. Regarding the disclosure of interests held in mining companies and affiliated companies by members of the government and officials, provided for in Article 8 of the mining code, in 2020 Guinea's government adopted regulations relating to the assets reporting regime, an important milestone.

Taxation

Guinea's taxation subcomponent also remains in the highest performance band. The two-point increase between the 2019 interim assessment and the 2021 RGI, to 77 out of 100, reflects the disclosure at the end of 2020, for the first time in a machine-readable form (Excel), of data on production, exports and payments, mainly based on the 2018 EITI Report. These advanced formats facilitate access to and exploitation of public data by stakeholders. In addition, in its February 2019 validation decision, the EITI judged Guinea's progress as "meaningful," which explains the 15-point increase, in direct relation to the country's participation in the EITI process.

The Ministry of Mines and EITI Guinea could further facilitate monitoring by disclosing data for individual projects and more regularly publishing data on company payments (as the ministry does with mining statistics), in particular by using the mechanisms for flexible reporting provided by the EITI.

Since the 2019 interim evaluation NRGI has encouraged Guinea's Court of Audit (Cour des Comptes) to more regularly publish its activity reports, containing the conclusions of the audits carried out at the National Tax Administration (DNI), as a dozen other African countries do, including Tanzania and neighboring Sierra Leone. Failing that, the Ministry of Budget could make public the performance contract signed with the DNI. Apparently, the Ministry of Budget envisions, from 2021, the external audit of the customs and tax revenue authorities with its partners, including the African Development Bank.

Local impact

Guinea's local impact subcomponent has decreased by 17 points since the 2019 interim evaluation, despite the fact that the country recorded significant progress with the adoption of its new environmental code of 2019. The decrease is due to the revocation of existing environmental regulations resulting from the adoption of this new code. The Ministry of the Environment, Water and Forests, the Bureau for the Management of Environmental Studies and Evaluations (BGEEE) and the Ministry of Mines, should therefore prepare or update, then make public, new implementation regulations. They should integrate in those regulations the obligation on the part of the government to publish environmental and social impact assessments (ESIAs) and environmental and social management plans (ESMPs) relating to mining projects, to ensure that the BGEEE maintains over time its good disclosure practices. Other major issues concern the finalization of regulations relating to compensation and to the resettlement of people affected by mining projects, and the implementation regulations of Article 144 of the mining code, on fiduciary accounts to which companies must contribute for the environmental rehabilitation and closure of mining sites.

State-owned enterprises

The state-owned enterprises subcomponent under which national mining company SOGUIPAMI is assessed, shows stability in the highest performance band, having gained four points and a current score of 82 out of 100. The comprehensive disclosure, in SOGUIPAMI's 2019 annual report, of information about sales of bauxite (buyers, volumes, amounts and dates) has largely contributed to this score. However, SOGUIPAMI continues to publish only its aggregated costs, whereas the recommended practice is to publish costs project-by-project. Furthermore, to the extent that SOGUIPAMI's business activities since the 2019 interim evaluation extend to interests other than those held in Compagnie des bauxites de Guinée (CBG), the company should prepare and publish details on the selection of technical partners and buyers. SOGUIPANI could, in this regard, draw from the 2019 EITI Standard, which contains provisions on the types of procedures and data to disclose. (Apparently SOGUIPAMI is working with the OECD and African Development Bank in this regard.)

Additionally, authorities may consider making the SOGUIPAMI board of directors independent from the government. This is an emerging good practice adopted by some African countries, such as Ghana, to make the state-owned enterprise immune from political influences which become more intense as its revenue and scope of activities increase. SOGUIPAMI should also make public its code of conduct. This would inform stakeholders on the values and principles on which its operations are based. The essential parts relate to the policy relating to gifts and donations, favors or bribes, the independence of directors and disclosure of their assets.

In 2021 (after the period of assessment) SOGUIPAMI began to require any person wishing to access the company's website to register in advance. This choice merits monitoring, as Guineans should continue to benefit from free, unfettered access to the company's data.

Last, the direct guardianship of SOGUIPAMI exercised by Guinea's presidency since April 2019 does not seem to be a recommendable practice, as the intensity of political influence at that level is likely to jeopardize the company's performances in governance. The stakeholders, including civil society organizations should monitor this arrangement to ensure the good governance of the company.

REVENUE MANAGEMENT

The score for Guinea's revenue management component has increased substantially, by 19 points, to 71 out of 100, as a result of the implementation, since the 2019 interim evaluation, of subnational transfers to all municipalities in the country, through the FNDL. Revenue management comprises three subcomponents: national budgeting, subnational transfers and sovereign wealth funds.

National budgeting

During the assessment period, Guinea's national budgeting subcomponent remained stable in the highest performance band, with a score of 80 points out of 100. This score reflects the maintenance of the good practices observed in the 2019 interim evaluation, on the part of the Ministries of Budget and Economy and Finance. These include the implementation of regulations on budgetary prudence comprising numerical indicators, with external oversight by the Economic Community of West African States (ECOWAS), and also the disclosure of mining revenue projections, the finance act, reports on the execution of the budgets with mining revenues specified, and the level of debt. These good practices provide citizens with the means to determine whether the state collects and manages mining revenues in everyone's interests. The Ministry of the Economy and Finance and the Ministry of Budget could consolidate these achievements by publishing, online and more regularly, statistics on debt, particularly those on resource-backed loans. Authorities could also publish the regulations on budgetary prudence online, as well as the convergence reports that include the results of the external oversight by ECOWAS with regard to the application of such regulations.

The main remaining challenge in this subcomponent relates to the lack of an online portal with accessible mining data. The Ministry of Mines is apparently in the process of finalizing such an online platform which will capture the data contained in its quarterly bulletin on mining statistics, while EITI Guinea has been supporting an open data portal since 2021 through its website. The portal also contains data taken from EITI Reports. The Ministry of Mines and EITI-Guinea should present data project by project, in machine-readable formats, following the example of Mexico, where appropriate.

Subnational resource revenue sharing

In the RGI methodology, subnational transfers are transfers from the central state to subnational entities. In the case of Guinea this means the transfer of income provided for under Article 165 of the mining code to finance the Fonds National de Développement Local (FNDL), managed by the National Agency for the Financing of Local Authorities (Agence nationale de financement des collectivités locales, ANAFIC).

For the first time since the 2011/2013 mining code came into force, the state has transferred resources to all municipalities under the FNDL: GNF 191 million (USD 20 million) in 2019, and GNF 225 million (USD 22 million) in 2020. Through this reform, Guinea has taken a remarkable step forward, both for the country and in francophone Africa. The amounts transferred and used for financing infrastructure and revenue-generating activities are a "small revolution" for many communities who sometimes receive the equivalent of several times their ordinary annual budget. Moreover, the approach for transparency and accountability adopted by Guinea is an example to other African countries, such as Senegal and Cameroon, where mechanisms for subnational transfer are not yet fully operational.

To make further progress, the Court of Audit (Cour des Comptes) should audit these first transfers from the FNDL, made since 2019, for the identification and timely correction at this early stage of any bad practices on the part of stakeholders and institutions involved. The Ministry of Budget, the Ministry of Territorial Administration and Decentralization and the Ministry of Mines, should make public through an interministerial decree (as provided for in the regulations) the FNDL procedural manual containing the formula for revenue sharing among municipalities. In addition, inefficiency in the allocation of funds, low utilization of provisions and the dependence of municipalities on the substantial mining revenues all represent major governance challenges, which is why the government should further improve its plans and better communicate them, building on the technical support that ANAFIC provides to municipalities. Last, the annual amounts transferred to the FNDL appear particularly high in comparison to the estimates based on Article 165 of the mining code. The Government of Guinea should pay careful attention to these figures, to avoid being budgeting and spending through the FNDL beyond the actual provisions.

Sovereign wealth funds

The RGI's sovereign wealth funds subcomponent remains inapplicable since such an institution does not yet exist in Guinea.

ENABLING ENVIRONMENT

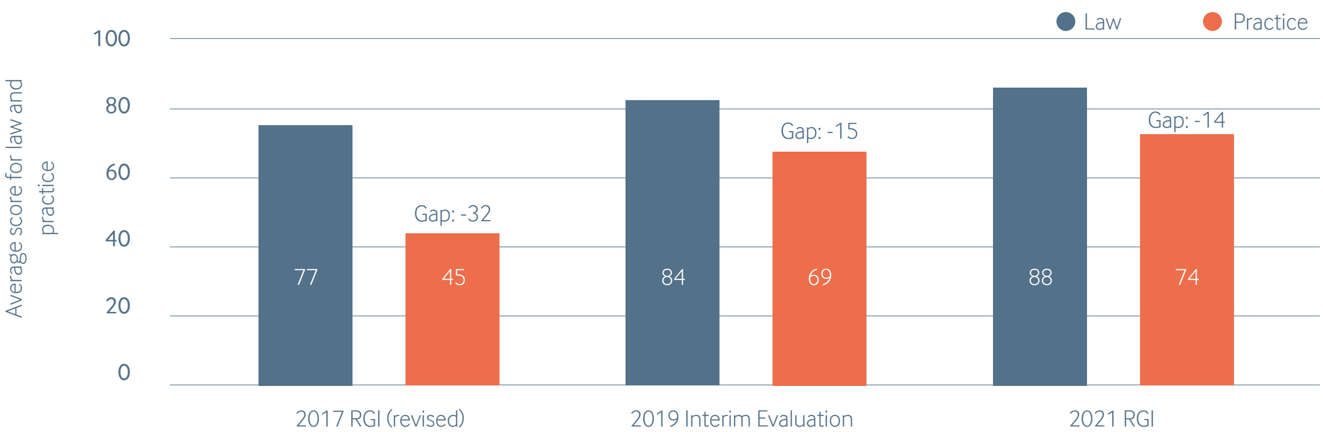
Data for this last component comes from several credible external and public sources rather than NRGI's own research. This component evaluates the underpinning conditions that are decisive for the development of all sectors. It is unlikely to change significantly over short periods, meaning that the interpretation of this component is most relevant for medium- and long-term considerations.

The enabling environment component remains unchanged in Guinea, within the "poor" performance band, with 35 points out of 100. There has been a decrease in the open data subcomponent (-11 points, with a score of 42 out of 100); notably, the government has slowed initial momentum around moving public administration online. There has also been a decrease in the political stability and absence of violence subcomponent (-9 points, with a score of 35), in response to the socio-political unrest the country experienced from the second half of 2019 until 2020. However, the government efficiency subcomponent has improved (+14 points, with a score of 37), as has the control of corruption subcomponent, which has increased (+7 points) to reach a score of 35 points out of 100.

LAW AND PRACTICE SCORES

The gap between the quality of relevant laws and how authorities implement them in practice is a major governance challenge in several countries. Starting from -32 in the 2017 RGI, Guinea has closed the gap slightly, from -15 in the 2019 interim evaluation to -14 points (see figure below), reflecting the progressive application of the 2011/2013 mining code and, more recently, the effective implementation of subnational transfers.

Evolution of the difference between law and practice in Guinea



RECOMMENDATIONS

1. **Guinean government:** Disclose the financial interests held in mining companies and affiliated companies by officials and members of the government, as provided for under Article 8 of the mining code—or, where applicable, the absence of any such interests.
2. **Ministry of Mines and Geology and EITI Guinea:** Finalize and adopt the regulations on beneficial ownership in the mining sector. Establish a systematic monitoring mechanism for the comprehensive publication of contracts. Develop an online portal for integrated project-level data on mining activities and payments in a machine-readable format.
3. **Ministry of the Environment, Water and Forests, the Bureau for the Management of Environmental Studies and Evaluations (BGEEE) and the Ministry of Mines and Geology:** Integrate into regulations the obligation to make public ESIAs and ESMPs relating to mining projects. Finalize the implementing regulations of the 2019 environment code, including on compensation and resettlement of people affected by mining projects, and on the fiduciary accounts of companies for the rehabilitation of mining sites.
4. **SOGUIPAMI:** Make public its code of conduct, publish its costs in joint operations on a project-by-project basis, describe the procedures for the realization of technical partnerships and bauxite commercialization on behalf of the state, and maintain high standards of transparency and accountability, regardless of which body oversees the company and irrespective of the way it identifies the visitors to its website.
5. **Ministry of Economy and Finance, and the Ministry of Budget:** Publish on their websites the ECOWAS Acts that establish the regulations on budgetary prudence and any related national decisions, and disclose ECOWAS periodic monitoring reports on progress (convergence reports). Disclose information on the conclusion and execution of resource-backed loans.
6. **Court of Audit (Cour des Comptes):** Audit the fund FNDL and its disbursements since 2019. Publish reports containing the audit of the Directorate of Taxation (DNI), or, alternatively, for the Ministry of Budget, to publish its performance contract with the DNI.
7. **Ministry of Budget, Ministry of Territorial Administration and Decentralization, and Ministry of Mines:** Make public, through an inter-ministerial decree, the procedural manual containing the formula for revenue sharing between authorities of the FNDL.

What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGI, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.

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