

Guinea

EXECUTIVE SUMMARY

Guinea is a West African country of 10.5 million people, sitting on vast undeveloped resources of bauxite, iron ore, gold and diamonds. The country has a gross national income per capita of less than 500 USD and a poverty rate of more than 55 percent. Several constraints have held the country back in recent years, including the Ebola crisis, political instability and the end of the mining boom. However, at the time of writing, the Ebola crisis appears to be over¹ and Guinea successfully underwent its second democratic presidential election, bringing stability and returning President Condé to office for a second five-year term. There are high hopes that the mining sector can become the backbone of the government's development agenda by providing private international capital and much needed public revenues. This will require navigating unstable commodity markets and a complex political economy, as well as realizing sustained improvements in mining sector governance.

In line with the institutional goal of NRGI, the objective of NRGI programming in Guinea is that citizens benefit from extractive resource wealth. To advance this goal, NRGI will address the challenges and opportunities identified in our contextual analysis by working towards the following three strategic objectives over the three-year period spanning from 2016 to the end of 2018.

CONTEXTUAL ANALYSIS

Political and economic environment

Alpha Condé became president in the 2010 elections, after a transition period following the death of Guinea's second president, Lansana Conté, in 2008. Conté's death marked the end of a tightly controlled system with a pretense of democratic elections. Legislative elections were held in September 2013, after a wave of protests and social unrest, which led to the establishment of a pluralistic National Assembly where the Presidential Coalition has an absolute majority of seats. While reforms since 2010 had begun to attract investors, and better governance was helping improve Guinea's economy, the global economic downturn and particularly the fall in commodity prices, combined with the Ebola outbreak, caused the economy to contract.

ABOUT THIS DOCUMENT

This country strategy note summarizes an NRGI analysis of country context and reform priorities. It also outlines NRGI's engagement in Guinea, complementing the work of other actors. Developments will naturally affect the assessments and objectives described herein. Updates to this synopsis may be made as events require.

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¹ Official confirmation is still expected from the government.

As a first step to restoring normalcy after the disorder of the transitional period, Guinea instituted a series of public finance reforms, with support from developing partners, to restore fiscal discipline.² The reforms included the development and implementation of a poverty reduction strategy paper (PRSP), the establishment of a sound macroeconomic policy framework, the improvement of a poverty database and monitoring capacity, the publication of annual reports on the activities of the Anti-Corruption Agency, an increase in enrollment rates in primary schools, and an increase in immunization rates for children.³ These improvements allowed Guinea to reach the completion point of the International Monetary Fund Highly Indebted Poor Countries (HIPC) initiative in 2012, after 12 years, which led to full debt relief. An assessment conducted in 2013 by the World Bank showed an overall improvement in public finance management system and Guinea also substantially reduced its external debt.

Budget execution, on the other hand, has not been as successful. Ongoing social unrest in 2013 caused a 1.2 percent decline in revenues, which required the government to reduce expenditures. Initial estimates for spending in priority sectors⁴ had been GNF 4,200 billion, but only GNF 3,321 billion was spent. The cash base budget deficit at the end of 2013 stood at -2.6 percent, compared to the -3.3 percent of GDP estimated in the IMF program.

At the monetary level, the efforts to stabilize the Guinean franc and control the increase in money supply through reserve requirements imposed on primary banks (up to 22 percent) led to a drop in inflation (10.3 percent at end-November 2013, compared to 19 percent in December 2011) and stabilization of the exchange rate of the Guinean franc. With regard to debt sustainability, under the IMF program, investment needs are to be met with grants and concessional loans. Furthermore, significant efforts have been made to strengthen debt management capacity. To that end, a National Debt Management Committee was established in 2014, though the committee's analysis and strategy development were slowed by the Ebola outbreak.

Perhaps the greatest challenges to economic development in Guinea have been a lack of administrative capacity, lack of infrastructure, and the legacy of bad governance. Capacity is being addressed progressively through numerous programs by development actors, investment partners and the government itself. Infrastructure on the other hand requires large-scale investment in a series of major projects. Guinea lacks transportation infrastructure and energy supply, both of which are essential for exports and any industrial production.

Overview of the extractive sector

Guinea is one of the world's poorest nations. It ranks 179th out of 187 on UNDP's Human Development Index⁵ and its gross national income (GNI) per capita is around 36 percent lower than other nations in sub-Saharan Africa.⁶ Guinea is also endowed with considerable natural resources, including iron ore, bauxite, gold and diamonds. Mining the foreign direct investment (FDI) it generates are essential to the Guinean economy.

2 Economic and Financial Reform Support Program (PAREF)

3 Guinea was granted a waiver on the trigger related to audits of large government procurement contracts, as the broad objective of this requirement was achieved and implementation has improved.

4 Priority sectors include: Education, Health, Agriculture, Energy, Justice, Social Affairs and Public Works.

5 UNDP. Human Development Report 2014: sustaining human progress: reducing vulnerabilities and building resilience. <http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf>. (accessed Aug 15, 2014.)

6 World Bank. 2014. World Development Indicators 2014. Washington, DC

According to the World Bank, mining is responsible for around 80 percent of exports, around 20 percent of government revenues, and the employment of around 10,000 people.⁷ Its significance to Guinea's overall economic condition cannot be overstated.

Mining Code

The principles codified in Guinea's 1995 mining law were consistent with the policy to open up Guinea's economy to the world market and were thus particularly attractive to investors. However, while there were numerous agreements on the books when Condé came into office in 2010, many of the commitments had yet to be realized. Consistent with mining's prominent place in Guinea's development agenda, Condé targeted the mining sector as key to his reform platform. In the years before his election, a government committee had been formed to revise the mining code, finalized hastily under the new democratic government. In 2011, a modernized and more equitable legal framework was signed and an initiative to review the existing mining contracts established.

The policy enshrined in the 2011 Mining Code was a wholesale departure from the previous approach. It introduced a host of new requirements relating to social, environmental and accountability mechanisms and established stringent requirements on license applicants, including a detailed feasibility study with environmental and social impact assessments. It contained tighter controls on license-holders, intended to deter the freezing of mining assets without meaningful investment. It introduced corporate social responsibility standards including on employment and training, as well as industry standards and anti-corruption measures that made Guinea a leader in the sub-region. Finally, the new legal regime took the bold step of requiring that all mining agreements negotiated under its regime comply with all of its provisions, though it is not clear that this requirement is being strictly observed.

While efforts had been made to conduct the revision process in a participatory manner, some of the changes in the 2011 code were received with hostility by the private sector. The pushback was sufficiently strong that, shortly after the law's passage, a process of amending the new law, this time conducted more openly, began. The amendments to the code were passed in April 2013 and partly satisfied investor concerns. Principally, there was an overhaul of the mining tax requirements, with a reduction in royalties, corporate taxes and customs duties.

In January 2012 the government announced a review of all existing mining contracts. A multi-stakeholder committee was established and 18 contracts⁸ were identified for evaluation and review, and each contract was published online. With support from international expertise, legal and fiscal evaluations were conducted on each of the projects in 2013 and 2014 and the committee has progressively been negotiating amendments to the agreements and making recommendations to the responsible ministers on final decisions to be taken by the government. At the time of writing, seven reviews have been completed, six are close to completion, and seven are still undergoing negotiations. The process has been hailed by some as a brave step demonstrating the commitment to good governance by a newly democratic government, particularly

7 World Bank, 2012. Mineral Governance Reform Project Appraisal Document

8 The Guinea Development Corporation iron joint venture of Bellzone and the China International Fund, in Forecariah, was initially excluded from the list; it was added in 2014, bringing the total number of contracts being reviewed to 19.

in light of the decision to cancel two licenses found to have been issued under the influence of corruption.⁹ Others within the media and the extractive industry, however, have been frustrated with the delay and have criticized the process as destabilizing to the sector. While the process has been slower than hoped, it has been an important opportunity for the government to reestablish control over a sector that was long lacking clear standards and rules.

Petroleum Code

While Guinea has intermittently conducted oil exploration activities since 1967, no indications of commercially exploitable oil resources have been identified and the sector remains nascent. Governance-wise, great steps forward were made with the passage of the new Petroleum Code in December 2014. At this stage of the evolution of the Guinean petroleum sector, the main activities, as have been carried out by the Guinean Office of Petroleum Research and Production, under the auspices of the Ministry of Mines and Geology (MMG), are: managing geological data, the granting of permits, negotiating contracts, and control and monitoring of research activities conducted by third parties.

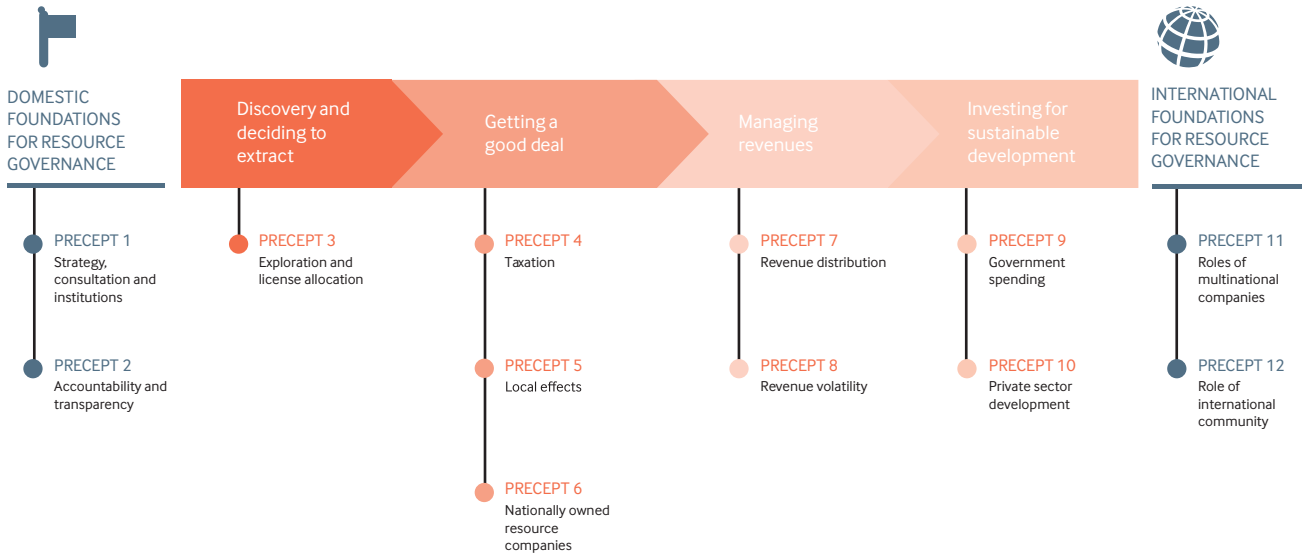
Two oil exploration contracts are in force today, one offshore (Tullow Oil) and the other onshore (Simba / Summa Energy). Until a commercially-exploitable resource is brought into production, the role of the government will remain the same: to conduct research, manage the granting of oil contracts, control, monitor and facilitate the activities of oil companies. Carrying out these obligations will require implementing regulations. A decree and a model contract, developed in parallel to the code, are still under review. In the meantime, a national oil company (ONAP) has been authorized by presidential decree. This move is in clear contradiction to the petroleum law, which unambiguously states that a national oil company can be established only upon recommendation by the Ministries of Mines and Geology and the Ministry of Finance, and only after a commercial discovery. The order also concentrates power for all upstream and downstream functions in one office directly under the presidency, creating concerns about accountability.

⁹ In April 2014, Guinea formally withdrew the licenses for Simandou Blocks 1 and 2 and Zogota, held by the joint venture of Vale and the Beny Steinmetz Resources Group, due to evidence of corruption. (Comité Technique, 2014).

DOMESTIC FOUNDATIONS FOR RESOURCE GOVERNANCE

The following overview and analysis outlines the challenges and opportunities for extractive resource governance using the NRC framework. The NRC’s twelve precepts outline the decision-making and governance environment required for effective resource development. (See figure below.)

Overview of the Natural Resource Charter



Precept 1: Strategy making and public participation. *Resource management should secure the greatest benefit for citizens through an inclusive and comprehensive national strategy, clear legal framework and competent institutions.*

The ambition of the political authorities is to make Guinea an emerging country in the next 15 – 25 years, and for mining to play an important part toward achieving that goal. Aware of the need for mining to contribute more to the development of Guinea, the government plans to improve governance and the development of the sector through the elaboration of a strong strategic vision. The strategy is being developed in a participatory manner to make it an inclusive process.

The participatory nature of the development of Guinea’s mining code, with the strong involvement of local civil society organizations (CSOs), national governmental organizations (NGOs) and technical and financial partners (TFP) should be noted. The mining code has been judged as one of the best in Africa, due to its provisions on contract disclosure, its taking into account of local content issues, and measures for the prevention of corruption and promotion of transparency in the awarding of new contracts.¹⁰ However, it is important to note that the mining code needs a good set of regulations to ensure proper implementation of the law. Some regulatory texts are being developed, but much work remains to facilitate the applicability of the code. Also, efforts to broadly educate Guinean who work in the sector about the content of the law have been insufficient. It is critical for more stakeholders to develop an understanding of the code and promote its implementation in a coordinate manner.

10 http://www.resourcegovernance.org/training/resource_center/republic-guinea-2011-mining-code

There remains a lack of dialogue and consultation at the local level between mining companies, surrounding communities, and national and local authorities. This has contributed to social tensions and conflict.

The definition of an inclusive and comprehensive operational strategy at the national level, a clear legal framework in place and the establishment of relevant institutions are both keys challenges and opportunities to engage with stakeholders in Guinea.

Precept 2: Accountability. *Resource governance requires decision makers to be accountable to an informed public.*

The adoption in 2011 of the new mining code helped strengthen the legal framework for the promotion of accountability and transparency in Guinea, which already included some provisions on the right of access to public information via the 2010 Organic Law. Indeed, Guinea has a strong legal framework for transparency, as noted by the Resource Governance Index of 2013 which awarded the country a score of 86/100 for its legal and institutional setting.

Although considerable progress has been made in the area of accountability and transparency – for instance regarding EITI and contract disclosure – an informed citizen dialogue remains barely perceptible. It is still difficult for citizens to access information, first because the government still shares insufficient information about the extractive sector and second because of the complexity of some of the information that it makes available to citizens. This is particularly the case for EITI reports, which in their present form do not allow the majority of the citizens to understand, appreciate or comment on the information contained in the reports.

The EITI has not created the expected free and informed dialogue on natural resource management among citizens in Guinea. As reported in a recent study by OSIWA, there are some institutional limits to the EITI multi-stakeholder group (MSG) (a key body in the implementation of the initiative). These include, among others: the absence of operating rules and management, low compliance by the state in terms of its financial commitments towards the operation of the group and a weak implementation of the MSG's communication strategy.

Article 217 of the mining code requires contract transparency and contracts are available on the website <http://mines.gov.gn/projets/conventions-minieres/>.

Transparency in the process of licensing mining rights

Guinea has made progress in transparency in the award of mining rights. Indeed, the mining code established a National Mining Commission (NMC) that examines applications to ensure that the provisions of the mining code, its implementing regulations and other legal texts applicable to the proposed mining activity are being met. The workings of the commission should be published and the award of mining blocks done according to the rules of full competition in case of known geological information or competing interest from several investors. However, the government has yet to create and operationalize the NMC.

Mining cadastre

The MMG operates a mining cadastre through its System of Geological and Mining Information (SIGM). The mining cadastre is not regularly updated and does not include all of the country's mining titles, making it difficult for actors to monitor these titles. The Ministry of Mines launched reforms to bring information technology and more systematic disclosures in the management of the cadaster.

Beneficial ownership

Under the mining code, any holder or applicant for mining or quarrying, as well as their direct subcontractors, are obliged to provide the Center for the Promotion and Development of Mining (CPDM) the identity of all parties with interests in the title. However, these provisions are not yet applied.

Civil society and other oversight actors working on EITI and related issues

There is no mechanism that facilitates communication and reporting between civil society members on the MSG and those not on the MSG (but interested in EITI). This has resulted in a low involvement of civil society actors and citizens (not on the MSG) in monitoring the implementation of the EITI.

The communication channels and tools used by the government when sharing extractive related information does not reach the grassroots. This is particularly the case with the extractive contracts website and the publication of EITI reports, both of which are only in French. In a country with a low literacy rate, and where access to computers and mobile technology remains very low, the government could choose more appropriate communication tools and channels to allow the majority of its population to have access to information. And beyond the EITI, oversight actors, not only CSO, but also media and parliamentarian should improve their role in monitoring and controlling government action.

While Guinea scores highly in its legal and institutional setting, its overall resource index score is low (45/100) due to the low translation of accountability and transparency measures from law to practice.

Discovery and deciding to extract

Precept 3: Exploration and license allocation. *The government should aim to reduce geological uncertainty under a transparent licensing regime that allocates rights efficiently.*

In Guinea, a distinction is made between mining titles and mining contracts (referred to as "convention"). Mining titles include research permits, operating licenses and concessions. Research permits are renewable and give exploration rights to a class of minerals on a given area for three years. They are granted to companies by the MMG on a first-come-first-served basis, after observation and recommendation of the entity responsible for the mining cadastre, the CPDM.

Operating licenses and concessions are awarded by presidential decrees upon recommendation from the Ministry of Mines. They confer rights of extraction and sale on a given ore on a specific area, and for respective periods of 15 and 25 years. When the available geological information is sufficient to generate interest in several companies, licenses are awarded through a competitive tendering process organized by the National Mining Commission (NMC). Operating licenses, concessions and contracts must be approved by the NMC.

Mining contracts contain all legal rights and obligations of a given title-holder for a specific project. They have the status of law and must be ratified by parliament. This ratification comes after a technical study by the NMC, approval by the Cabinet, and a legal opinion issued by the Supreme Court. In addition to the ratification of new contracts, the Guinean parliament must also ratify all existing contracts that have been changed as a result of the current review of contracts.

A large number of research and exploitation permits were awarded towards the end of Conté's administration as well as under the military regime that followed, which resulted in a confusing legal situation. This prompted the government in 2012 to perform an audit of the SIGM, which dealt with the administrative and technical control of titles granted by the mining cadastre. This audit was conducted by KPMG and identified active and non-active licenses. On this basis the SIGM proceeded to withdraw more than a hundred inactive mining titles in gold, bauxite, iron and other substances.

The SIGM should be an essential tool for the management of mining titles, but unfortunately has not received the necessary financial support to improve performance and meet expectations. To date, the SIGM faces enormous technical operating difficulties and is not operational. The equipment is obsolete, the software must be updated and better applications must be acquired. Staff must be trained in the use of software. To this end a tender¹¹ has been made for the audit and diagnosis of the SIGM that will develop specifications and terms of references for improvements to the body and cadastral management.

Getting a good deal

Precept 4: Taxation. *Tax regimes and contractual terms should enable the government to realize the full value of its resources consistent with attracting necessary investment, and should be robust to changing circumstances.*

Articles 159-189 of the amended mining code define the tax regime and offer investors the necessary incentives to engage in exploration and resource development, while ensuring that the Guinean state and its citizens receive their fair share of the benefits of extraction. To set the taxation of mining in Guinea, the code is based on the following fiscal tools, particularly royalties (mining tax), the income tax, state participation in capital and withholding taxes. The code also seeks to fight transfer pricing by basing the tax obligations of businesses under charges on international targets price indices and requiring arm's length pricing.

Despite some good tax measures on paper, there remain weaknesses in Guinea's fiscal regime. While the code stipulates that no mining contract should diverge from the general law, in practice, companies still negotiate with the government negotiating team the fiscal regime applicable to each single project. Not only does this practice allow companies to use their leverage to extract important fiscal incentives from the government, it also creates separate fiscal regimes for each project. Administering multiple mining fiscal obligations can be a nightmare for the tax authority. Companies and their host countries can take advantage of Guinea's relative inexperience by signing investment agreements and tax treaties that create exemptions from the law and undermine domestic resource mobilization. The government may not always be willing to ensure strict adherence to the law, in order to keep investors on good terms.

11 The tender was launched by the MMG with support from the PAGSEM

The absence of some of the mining code's regulations prevents the implementation of several tax measures. In addition, the capacity of resource persons in both the mining and tax administrations to audit companies is low, and tax authorities lack modern tools and equipment to carry out effective tax inspections. Finally, the political economy discourages strong and equitable enforcement: companies with political connections can avoid legitimate audits, while others can be harassed for minor infractions.

Precept 5: Local effects. *Opportunities for local benefits should be pursued, and the environmental and social costs of resource projects should be accounted for, mitigated and offset.*

Section 130 of the mining code requires a local development agreement between the company and local authorities. This convention provides for a regular contribution to the local development fund, of between 0.5 to 1 percent of the turnover of the company. It promotes the management of the local development contribution paid by the holder of the mining title and strengthens the capacity to plan and implement the community development program. On subcontracting issues, Article 107 states that Guinean companies should be prioritized over foreign ones, provided they offer a quality, quantity and prices comparable to those offered by other companies. These conditions are also intended to support the creation and consolidation of Guinean small and medium enterprises (SMEs) and small and medium industries (SMIs).

In terms of employment support and vocational training, article 108 of the code obliges holders of mining titles to give preference to Guinean workers and to have a growing quota of national workers, as well as implement a management training plan. Section 109 meanwhile requires that the companies organize a training and development program for Guinean personnel. However there is still a gap between the skillset of Guinean citizens wanting to work in mines and the training provided.

Impact assessments must comply with the standards set by the Environmental Code and its regulatory texts, and during the development of the study and before official approval, consultations and public hearings are usually organized. The mining code states that these studies should be written by independent organizations and made public. Approval from the community is not a condition for the awarding of exploration licenses. However, before a company moves to the extraction phase, the government requires that the social and environmental impact be minimized so that the convention can be signed.

There are a range of mechanisms through which Guinean legislation aims to capture benefits from extraction for the local level and protect communities from negative effects caused by extraction. However, an important challenge now is for the government to ensure compliance with these commitments and for communities and local CSOs to better understand and claim their rights. Capacities building of oversight actors are therefore critical. Pilot projects initiated by civil society to monitor companies and government contracts and legal obligations in some communities should be extended as they are great opportunities to hold these actors accountable.

Precept 6: Nationally owned resource companies. *Nationally owned resource companies should be accountable, with well-defined mandates and seek to be commercially efficient in the long-term.*

In 2011, the government established a public company, the Guinean Mining Patrimony Company (SOGUIPAMI), whose mission is to manage the state shares in mining projects. According to Article 150 of the 2011 mining code, all new mining titles granted after the enactment of the code must provide to the state a free 15 percent stake in the company holding the title for unrefined minerals in Guinea (e.g., bauxite, iron ore, gold) and a lower participation for refined products. The state also has the option to purchase additional shares up to a 35 percent equity ceiling. These new rules do not apply uniformly to projects that existed before the promulgation of the code. However, any change in the state involvement will be negotiated through the ongoing process of revision of the mining contracts. These state shares should be managed by SOGUIPAMI.

SOGUIPAMI has a well-populated website with information about its structure and the mining projects it is engaged in. In early 2015 it was restructured with support from the World Bank. However, there remain several challenges for SOGUIPAMI to contribute effectively to the prosperity of Guinea's mining sector. First, the rules and management of SOGUIPAMI and of how it collaborates with other entities lacks clarity. The creation of SOGUIPAMI splits limited human resources between the ministry and the company. The ministry has not given in practice the responsibility that the company has on paper. The company lacks financial and human resources. Finally, the history of political interference in Guinea leaves open the possibility of political manipulation of SOGUIPAMI's technical commercial role.

Managing the revenues

Precept 7: Revenue distribution. *Resource revenues should be invested to achieve optimal and equitable outcomes for both current and future generations.*

Most mining revenues are treated as any other public revenues and represent a key contributor to the national budget, around 20%. There is no specific earmarking of mineral revenues for certain types of expenditures, nor does the Guinean legislation provide a stabilization fund or a fund for future generations. However, we should note that two funds have been created: the Fund for Mining Promotion and Development (FDP), created in 1992 to finance promotional activities in the mining sector, and the Special Investment Fund (FSI).

Since 1992, the FDP has received fees from mineral licensing. The management of the FDP, under the Ministry of Mines and Geology, has been opaque and audits have never been published. With the new mining code this fund became the Mining Investment Fund (FIM). The mining code stipulates that the amount allocated to the FIM (five percent of all mineral royalties) as well as its expenditures and revenues, be included in the Finance Act. In addition, the disbursement of funds shall be established by a joint order of the Ministers of Economy and Mines. At the time of writing, the FIM still functioned according to its previous rules, did not receive any share of the royalties, and the government had yet to publish detailed implementing regulations.

The second mechanism is the Special Investment Fund (FSI), funded by any exceptional income of the sector. Its objective is to fund large public or public-private investments. It was established by the Finance Act of 2012, following the payment of USD 700 million by Rio Tinto in 2011 as part of a settlement with Guinea on its mining rights. The FSI funded projects defined by public investment programs and managed by a steering committee. A letter to the IMF by the minister of economy and the governor of the central bank stated that the fund recorded in March 2012 an initial contribution of USD 250 million, and at the time of writing the funds had all been spent on investment projects, ebola-related measures and the 2015 presidential elections. The ministry of finance has not published a detailed breakdown of the fund's spending. Coordination among key agencies for the allocation of resources to priority areas in the implementation framework of the strategy for poverty reduction, is additional challenges in managing revenues from the mining sector.

The mining code also provides for the establishment of local development funds. (See precept 5.)

Precept 8: Revenue volatility. *Domestic spending of resource revenues should be smoothed to take account of revenue volatility.*

On average, mining tax revenues currently account for 20 percent of state revenues and mineral exports represent over 80 percent of the country's export revenues. Guinea is therefore vulnerable to fluctuating prices both for domestic revenue mobilization and for macroeconomic stability—as was demonstrated by the effects on the economy of the recent falling commodity prices and the indirect effect on investment of the Ebola pandemic.

Guinea is not ready to develop a stabilization fund, given its poor public financial management. The best way to manage the volatility of government mining revenues is to generate budget surpluses when prices are high, which will reduce net public debt, and to borrow sustainably when prices are low, keeping in line with IMF programs.

The government is planning to accelerate the diversification of its economy to make it less sensitive to variations of the mining market.

Investing for sustainable development

Precept 9: Government spending. *The government should use revenues as an opportunity to increase the efficiency of public spending at the national and sub-national levels.*

Public financial management is very weak in Guinea, even at the central government level, but several donors (e.g., IMF, EU) have ongoing programs to support the ministry of finance in this area. The scale of the problem and its solutions are not specific to the mining sector.

One of the ongoing government reforms is a commitment to improving the efficiency of spending at the local level. Guinea is currently engaged in a decentralization effort, and in line with the increased authority (including independent budget authority) now held by local governments, mining revenues are now designated to fund local government activities. The new mining code provides that companies should develop a local development plan with communities. Companies should then commit a percentage of their turnover (0.5 percent for bauxite and iron ore exploitation, one percent for other minerals) to the implementation of that plan. Article 165 states that the national

government should transfer 15 percent of total mining revenue (after taxes and fees have been collected) to local communities. Preliminary discussions have been held about how to implement both of these requirements, but no mechanism is yet in place.

Precept 10: Private sector development. *The government should facilitate private sector investments to diversify the economy and to engage in the extractive industry.*

Guinea's private sector is characterized by a dichotomy between very small, often informal, commercial enterprises, and branches of large multinationals (mining, banking and maritime transport). The private sector continues to face substantial constraints including: inadequate energy and road infrastructure, insufficient regulatory framework to attract private investment, and inefficient government administrative services.

Guinea's ranking in the Doing Business report improved somewhat between 2012 and 2014, thanks to reforms undertaken on seven of the ten indicators. The country moved from 179th of 183 countries in 2012 to 175th of 189 countries in 2014. Indeed, it was made easier to start a business, deal with construction permits, register property, trade across borders, get credit, and pay taxes. The time required to start a business was also reduced substantially. Efforts to improve other indicators are ongoing. However, obstacles remain—such as administrative red tape, costly production inputs, difficulty in obtaining financing, corruption, and the lack of a legal and institutional framework to support business development, including public-private partnerships.

International foundations for resource governance

Precept 1 1: Roles of multinational companies. *Companies should commit to the highest environmental, social and human rights standards, and to sustainable development.*

Through corporate social responsibility (CSR) initiatives, companies are implementing certain projects to improve living condition for local communities. These include projects on providing electricity, building schools, building health centers and providing drinking water sources – they are decided on as part of the local development plans drawn up in consultation with local communities. Regarding environmental issues, companies are required to submit social-environmental impact assessments and a social-environmental management plan before extraction, and while many companies try to adhere to international environmental standards, some companies are receiving mining licenses despite poor track records in terms of respecting these standards. There are gaps in monitoring companies' compliance to environmental, social, and human rights standards. Efforts of coordination from government agencies, as well as capacity development are important. Civil society efforts to monitor these obligations should be strengthened and extended. Some developing partners committed to assist the government in defining a CSR policy for the mining sector

Precept 1 2: Role of international community. *Governments and international organizations should promote an upward harmonization of standards to support sustainable development.*

The international community pays attention to Guinea in general, and on the governance of the mining sector in particular. Indeed the international community, through actors such as the EU, United Nations, United Kingdom, the African Development Bank (ADB), the World Bank, French and American diplomatic missions, UNDP, GIZ, OSIWA and NRGi provide range of support the government along the

decision chain in its efforts to improve governance in the mining sector, and to non-state actors to strengthen their capacity and play their oversight role. Coordination mechanism in place should continue and be strengthened.

STRATEGIC RESPONSE

The goal of NRGi's program in Guinea is that citizens benefit from extractive resource wealth. To achieve this, NRGi will address the challenges and opportunities identified by the contextual analysis and work toward the main objectives and related targets outlined in the sections below. They follow directly from our engagement in Guinea since 2007 with civil society and since early 2011 with the government, following the democratization process.

Objective 1: Improved design and implementation of mining legislation, regulations, internal controls and external oversight mechanisms

- The government (through the Ministry of Mines) adopts robust regulations, translating the mining law into effective and accountable policy.
- The government (relevant implementing and oversight staff), civil society, media and parliament effectively implement and oversee the regulations.
- The Ministry of Mines establishes internal procedures and mechanisms to operationalize the mining law and implement contractual provisions.
- The government, CSOs, media and parliamentarians collaborate in implementation of legal and regulatory framework.

Objective 2: More informed decisionmaking in the mining sector, consistent with a long-term development strategy and with effective internal and external checks and balances

- The government (through the Ministry of Mines) adopts a clear operational strategy for the mining sector based on internal government consultations.
- The government (relevant ministries other than the Ministry of Mines) takes up the new operational strategy for the mining sector.
- The parliament effectively oversees and participates in mining sector decisionmaking, in line with the new operational strategy.
- The media produces technical and rigorous coverage that generates debate on government decisions and management of the extractive sector.

Objective 3: Strengthened transparency mechanisms and increased use of extractive sector data for accountability

- Civil society and parliament effectively advocate for policy reform aligned with existing law and the new EITI standards.
- The EITI Secretariat and EITI multi-stakeholder group implement the new EITI standards for policy reform and the effective oversight of the sector.
- Civil society, media and parliament effectively oversee the sector, especially compliance with legislation and the contractual obligations of companies.
- Civil society, media and parliament effectively oversee the operations of state-owned entities.