MINISTRY OF ECONOMY AND FINANCE (MOEF)	CENTRAL BANK OF GUINEA (BCRG)

Letter of Intent

Conakry, July 9, 2019

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Managing Director:

1. **We are committed to generating high and more inclusive growth to reduce poverty and improve the living standards of our population while preserving macroeconomic stability**. We aim to place our country on a path of sustained and broad-based growth and foster economic diversification, generate employment opportunities for all and improve the living standard of the population. We will continue to implement our new National Social and Economic Development Plan (PNDES) for 2016–20 to foster higher and more inclusive growth and reduce poverty. The PNDES is focused on: i) a structural transformation and diversification of the economy supported by infrastructure investments in energy, transport and agricultural modernization to increase productivity and foster market access and commercialization of agricultural products; ii) promoting good governance; iii) human capital development; and iv) the effective management of natural resources. Our development program was endorsed by the international community at the Consultative Group held in Paris in November 2017 and we received pledges for US$22 billion from donors and private sector investors.

2. **Guinea's social context remains fragile and episodes of unrest and widespread strikes, notably in the education sector, intensified in 2018 with significant repercussions on economic activities**. Episodes of social unrest arose in the context of our local election, held in February 2018 for the first time since 2005. Notably, the electoral period was marked by heightened tensions and episodes of violence with casualties. Violent demonstrations in the mining region of Boké against the lack of jobs and water and electricity public services became recurrent. Following the increase in petroleum prices of 25 percent on July 1, trade union-led strikes and violent demonstrations paralyzed our capital in July and early August, impacting economic activities and commerce. While the social context remained relatively stable in the first quarter of 2019, social

tensions could be heightened by the electoral cycle, with legislative and presidential elections scheduled to take place by end-2019 and 2020, respectively. Despite our efforts to increase the supply of electricity to the economy, protests due to electricity shortages remain frequent.

3. **Despite these difficult circumstances, thanks to our efforts to implement sound macroeconomic policies and advancing reforms, the performance of our economy against end-December 2018 program targets was satisfactory**. We met all the quantitative performance criteria (PC) at end-December 2018 on net international reserves of the central bank, the basic fiscal balance, net government budgetary borrowing from the central bank, and net domestic assets of the central bank. We also met the continuous PCs on the non-accumulation of external arrears and on new non-concessional external debt contracted or guaranteed by the government and the central bank. Thanks to our efforts in scaling-up spending in social safety-nets in the last quarter of 2018, we met the indicative target (IT) on domestically-financed social safety nets programs at end-2018. However, the ITs on mobilizing tax revenues was not met due to the impact of social tensions on economic activity, higher-than-anticipated revenue losses stemming from rising international oil prices, as well as some delays in the implementation of our programmed revenue-mobilization measures. Furthermore, the IT on new domestic arrears accumulated by the central government was not met, with a net accumulation at end-December 2018 against a programmed reduction. We also me the indicative targets (ITs) at end-March 2019 on net international reserves of the central bank, the net government budgetary borrowing from the central bank, and net domestic assets of the central bank and the non-accumulation of external arrears were met. However, the ITs on mobilizing tax revenues and strengthening domestically-financed social safety nets were not met, owing to delays in the implementation of the programmed scaling-up in social safety nets programs. We made significant progress in advancing program-supported reforms and most structural benchmarks (SBs) for the third review were met. The remaining structural benchmarks are expected to be completed with some minor delays (Table 2). Notably, we have advanced our reforms to strengthen macroeconomic resilience, reduce untargeted energy subsidies, strengthen public financial management, improve the central bank's autonomy, and foster governance and the business climate to support the development of the private sector.

4. **We are strongly committed to continuing the implementation of sound economic policies to ensure macroeconomic stability and advance our reform agenda to generate higher and more broad-based growth**. We are committed to orient macroeconomic policy towards supporting stability. The ECF arrangement will continue to provide the appropriate framework for continuing the implementation of sound macroeconomic policies and achieve our goal to foster higher and more inclusive growth. To this end, our economic policies and reform program will aim at: (i) preserving macroeconomic stability; (ii) scaling-up much needed investments in infrastructure to support higher growth and economic diversification while preserving macroeconomic stability; (iii) strengthening our social safety nets programs to reduce poverty and foster inclusiveness; and iv) advancing key growth-supporting structural reforms to strengthen governance and foster the development of private sector.

5. **In view of the appropriate policies taken to achieve our program targets and progress in implementing our reform agenda, we request the completion of the third review of the program supported by an Extended Credit Facility and the disbursement of SDR 17.213 million**. We propose new: (i) end-September 2019 ITs and end-December 2019 PCs for

the basic fiscal balance, net government budgetary borrowing from the central bank, net domestic assets of the central bank; (ii) end September 2019 and end-December 2019 indicative targets on tax revenues and accumulation of new domestic arrears (on a net basis) (Annex I, Table 1); iii) re-phasing the SB to strengthen social safety nets targeting to align it with the revised timeline of the World Bank supporting operation (Annex I, Table 2). We also propose a revised definition for the: (i) PC on new non-concessional debt contracted or guaranteed by the government or the central bank, to exclude any domestic-currency denominated government security holdings and stock holdings by non-residents; (ii) the net government budgetary borrowing from the central bank to exclude the amounts related to the recapitalization of the central bank (Annex II).

6. **The attached Memorandum of Economic and Financial Policies (MEFP) builds on the MEFP at the ECF arrangement request and lays out the medium-term economic policies and reform program of the government of Guinea and the policies of the Central Bank of the Republic of Guinea that we plan to implement during 2019–20**. It also describes the performance targets and structural benchmarks for the first and second year of the ECF arrangement, setting forth the underpinning economic policies and structural reforms needed to achieve these objectives.

7. **Our program will continue to be monitored through semi-annual reviews with quantitative performance criteria, indicative targets and structural benchmarks, as described in the attached MEFP and Technical Memorandum of Understanding**. There will be six reviews, of which two have been completed, to monitor progress in program implementation and to agree on eventual additional corrective measures to achieve the program objectives. We request that the disbursements be made in equal installments. The fourth review of Guinea’s performance under the ECF arrangement will be completed on or after December 11, 2019, based on performance criteria at end-June 2019. Given our objective of generating higher and inclusive growth through a significant increase in public investment in infrastructure, the effectiveness of public investment and progress in strengthening the management of public investment will be a key element in the evaluation of program performance.

8. **We are confident the policies outlined in the attached MEFP are adequate to achieve the objectives of our economic program, but we will take any further measures that may become appropriate to attain these objectives**. The government of Guinea will consult with IMF staff on the adoption of these measures, and in advance of revisions to the macroeconomic policies contained in the MEFP, in accordance with the IMF’s policies on such consultations. We will provide to IMF staff with all information necessary for monitoring the implementation and achievement of our program objectives.

9. **In line with our commitment to transparency and accountability, we authorize the IMF to publish this letter, its attachments (MEFP, TMU, Tables 1 and 2), and related staff report**, including publication of these on the IMF website in accordance with Fund procedures, following the IMF Executive Board’s approval of the request.

4 Please accept, Madam Managing Director, the assurance of our highest consideration.

_______________/s/_______________	_______________/s/_______________
Mamadi Camara	Lounceny Nabé
Minister of Economy and Finance	Governor of the Central Bank of Guinea

Attachments: Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

May 21, 2019

A. Recent Economic and Financial Developments

1. **The strong growth momentum of the Guinean economy continues on the back of buoyant mining activity**. After slowing-down during 2014–15 due to the Ebola crisis, real growth rebounded to 10.8 percent in 2016 (against 3.8 percent in 2015) supported by a significant pick-up in mining production, higher energy production and strengthening in manufacturing and commerce activities. Furthermore, real GDP growth reached about 10 percent in 2017 and is estimated at 6 percent in 2018, on the back of buoyant mining activity, strong construction and commerce activities, and good agricultural performance. Mining production increased by 7.5 percent (y-o-y) in 2018, with stronger-than-expected bauxite and diamond production, compensating for a sharp decline in artisanal gold production following the ban of the use of a certain chemical. After reaching 9.9 percent at end-December 2018, headline inflation decelerated to 9.7 percent (year-on-year) in March 2019. While food inflation decelerated in the first months of 2019, it slightly increased to 12 percent (y-o-y) in March 2019, reflecting higher prices of cereals and fresh produce. Core inflation, excluding food and energy, decelerated to 4 percent (y-o-y) from 4.5 percent at end-December 2018, as price increases on some consumers goods eased.

2. **The current account deficit is estimated to have widened to 18.4 percent of GDP in 2018, financed by large FDI inflows**. Mining exports declined by 4.5 percent (y-o-y) in 2018, reflecting the decline in artisanal gold production in part compensated by higher bauxite production. Imports picked-up by 18.9 percent (y-o-y) 2018, reflecting mining and infrastructure investments and higher international oil prices. FDI inflows in the mining sector continued to be strong and are estimated at 13 percent of GDP in 2018. Gross international reserves increased to US$945 million (equivalent to 3.3 months of import coverage) at end-2018, and further increased to [US$1030] at end-March 2019 (equivalent to 3.6 months of import coverage). The real effective exchange rate (REER) appreciated by 7.2 percent in 2018, mostly reflecting the pick-up in inflation. The REER appreciated by 13.8 percent (y-o-y) at end-March 2019, with the nominal effective exchange rate appreciating by 6.3 percent (y-o-y). The premium between the official and foreign exchange bureaus rates remained contained at 0.48 percent at end-2018 and 1.08 percent at end-April 2019.

3. **The basic fiscal balance recorded a surplus of 0.8 percent of GDP at end-2018, in line with program objectives**. Our efforts in containing expenditures to lower-than-programmed amounts allowed us to compensate for weaker-than-anticipated tax revenues and achieve our 2018 fiscal objective. Overall tax revenues were at 12.5 percent in 2018, about 0.3 percent of GDP lower-than-programmed and declining by 0.8 percent of GDP compared to 2017. Mining revenues were at 2.6 percent of GDP, broadly in line with programmed amounts, on the back of strong mining activity and new bauxite companies starting production. However, non-mining tax revenues declined to 9.9 percent of GDP, 0.4 percent of GDP lower-than-anticipated, reflecting the underperformance of direct taxes. This reflected the impact of social unrest and strikes on economic activity; revenue losses in the first half of the 2018 due to downward ad-hoc adjustments of the special tax on petroleum products (TSPP) and custom duties on petroleum products to keep retail

prices unchanged, which was mitigated by the increase in petroleum prices in July 2018; and delays in the implementation of some revenue mobilization measures. Direct taxes revenues declined to 2.2 percent of GDP, mostly reflecting the weaker-than-anticipated revenues from personal income taxes and the property tax. Indirect taxes were at 7.7 percent of GDP, with higher-than-anticipated revenues from taxes on international trade compensating for weaker revenues from taxes on goods and services. Notably, revenues from domestic VAT and taxes on telecommunication were significantly lower than expected. The increase in petroleum products prices on July 1, 2018 allowed us to increase the special tax on petroleum products and restore customs duties on petroleum products to their standard rates in the second half of the year, which supported taxes on international trade. Non-tax revenues increased to 0.7 percent of GDP in 2018, reflecting a GNF 400 billion (0.4 percent of GDP) exceptional transfer of past collected revenues from the Posts and Telecommunications Regulatory Authority. Thanks to the implementation of programmed measures to compensate for the higher-than-programmed increase in wages for the public administration in March 2018, we maintained wage bill contained at 3.8 percent of GDP. We contained spending on goods and services to 3.2 percent of GDP. Overall capital expenditures were at about 5 percent of GDP in 2018, with domestically-financed investments at 1.9 percent of GDP and externally-financed capital investments at 3 percent of GDP. On the back of the implementation of a package of measures, electricity subsidies were contained to 0.8 percent of GDP, in line with program objectives. A larger-than-programmed net repayment to the central bank, at about 1.9 percent of GDP, was recorded while government borrowing from commercial banks increased to 1 percent of GDP. Net domestic arrears of 0.2 percent of GDP were accumulated at end 2018, despite the fact that we repaid 181 GNF billion out of the 1982-2013 arrears to the private sector, in line with our strategy to clear arrears adopted at end-2017.

4. Fiscal performance continued to be strong in the first quarter of 2019. We achieved a basic fiscal surplus of 0.4 percent of GDP (on an annual basis) at end-March 2019, in line with program objectives. Mining revenues were at 0.5 percent of GDP in the first quarter (increasing by 38 percent (y-o-y) on the back of strong mining activity. Non-mining tax revenues were at 2.6 percent of GDP, increasing by 24 percent (y-o-y). Indirect taxes were at 2.3 percent of GDP and increasing by 51 percent (y-o-y), supported by a more than four time increase in TSPP revenues on the back of higher retail prices and strong taxes on international trade. However, direct taxes were at 0.3 percent of GDP and declined by 38 percent (y-o-y) in the first quarter of 2019, reflecting a decline in corporate income taxes revenues. Spending in goods and services and the wage bill were contained at 0.8 and 0.5 percent of GDP, respectively. Electricity subsidies increased to 0.3 percent of GDP in the first quarter of 2019, half of the overall budgeted amount for 2019, reflecting EDG's payment of the electricity produced by the Kaleta dam, which started in January 2019. Government net borrowing from the central bank significantly increased to 0.5 percent of GDP at end-March 2019. On the other hand, domestic arrears (on a net basis) were reduced by 1.2 percent of GDP.

5. Our banking system remains stable and private sector credit has strengthened, supported by banks' improved liquidity. After declining by 1.3 percent in 2017, private sector credit growth increased by 11.2 percent (average, y-o-y) in 2018 and by 15 percent in the first quarter of 2019 (average, y-o-y). In parallel, commercial banks' lending to the government also increased by 27 percent (average, y-o-y) in 2018, as government borrowing from the BCRG was contained and by 33 percent in the first quarter of 2019 (average, y-o-y), while remaining in a situation of non-conformity at end-March 2019 at the same level of end-2018. Banks' liquidity conditions improved in 2018 and remained favorable in the first quarter of 2019, on the back of sustained deposits growth at 12.9 percent (average, y-o-y) in 2018 and by 14.3 percent (average, y-o-y) in the first quarter of 2019 reflecting sustained economic growth. Notably, deposits in GNF increased by 17.7 percent (average, y-o-y) while deposits in foreign currency increased by 3 percent (average, y-o-y) in 2018 and by 19.2 (average, y-o-y) percent and 3.5 percent (average, y-o-y) in the first quarter in 2019. Excess reserves in domestic currency increased from 268 billion GNF in 2018 to 932 billion GNF in the first quarter of 2019. Interbank market activity improved, with 27 transactions in 2018 compared to 22 transactions in 2017. One bank was in non-compliance of reserve requirements at end-2018 and one bank remained non-compliant with the share minimum capital adequacy requirement at end-2018 (six banks were not-compliant at end-2016 and two banks at end-2017. Three banks did not comply with the net equity capital requirement at end-2018. Non-performing loans (NPLs) increased to 12.2 percent at end 2018 (10.6 percent in 2017), reflecting the increase of non-performing loans in the hotel sector due lower-than-anticipated occupancy rates. Provisioning for NPLs improved to 37.8 percent at end-2018 (11.3 percent at end-2017).

B. Program Objectives and Key Elements

6. Generating higher and more broad-based growth and reducing poverty while preserving macroeconomic stability and debt sustainability is our key objective. To this end, we are committed to implementing a comprehensive program of sound macroeconomic policies and economic reforms which aims at:

- **Preserving Guinea's macroeconomic stability**. We will continue to build our external buffers against shocks, in view of Guinea's vulnerability to terms-of-trade shocks, and we will preserve moderate inflation. In view of fiscal slippages in 2017, we have strengthened our program fiscal targets for 2018–19 and aim at achieving a basic fiscal surplus to: (i) preserve medium-term debt sustainability; (ii) gradually repay government borrowing from the Central Bank above programmed levels in 2017 and limit the Central Bank's advances to the central government to short-term cash management and within the statutory limits indicated in the Central Bank Law; (iii) limit borrowing from the banking sector to a level which is consistent with ensuring the provision of credit to the private sector; and (iv) gradually repay all new domestic arrears accumulated in 2017, as well as arrears to the private sector accumulated in previous fiscal years. To this end, we have added the decumulation of the stock of domestic arrears (on a net basis) as an indicative target to the ECF arrangement. We will avoid accumulating domestic and external arrears. We will maintain the stability of the financial sector.

- **Scaling-up public investments in infrastructure to put our economy on a higher growth path and support economic diversification while preserving stability and medium-term debt sustainability**. We are committed to creating budgetary space to step up the implementation of infrastructure projects—notably in energy production, transport and agriculture—so as to support achieving higher growth and diversifying our economy. To this end, we are committed to mobilize additional domestic revenues on the back of our tax policy and administration reform and contain non-priority spending. Notably, we will gradually phase out untargeted energy subsidies while putting in place appropriate mitigating measures to protect the most vulnerable. In parallel, we will mobilize the necessary external financing to support our ambitious investment program, notably in infrastructure, while preserving medium-term debt sustainability and ensuring that the risk of external debt distress does not exceed a moderate level. To this end, we are committed to maximize the concessionality of our external borrowing and to limit non-concessional borrowing that will be contracted or guaranteed during the three-year ECF arrangement to a maximum of US$650 million to maintain medium-term debt sustainability and contain debt vulnerabilities. In addition, we will implement a domestic debt policy which will support debt sustainability and gradually clearing government arrears to the private sector. Gradually clearing domestic arrears will support the recovery of the private sector, which has been severely affected by the recent health crisis, economic growth and job creation. At the same time, it will support private companies to pay their debt owed to the banking system.

- **Mobilizing additional domestic resources to strengthen our social safety nets programs to reduce poverty and foster inclusion**. We are moving ahead with the implementation of our recently adopted social protection strategy. In this vein, we will increase the envelope of domestic budgetary resources that we devote to social safety nets programs aimed at reducing poverty, fostering inclusion and generate employment opportunities for the most vulnerable. This will be key to start building the basis to reduce over-reliance on donors' external financing over time and ensure the medium-term sustainability of our social safety net programs.

- **Advancing our reforms to support sound macroeconomic policies and good governance and key structural reforms to achieve higher and more inclusive growth**. We will continue to strengthen our public finances and public investment management to ensure the appropriate selection and monitoring, transparency, and efficiency of our ambitious public investment program. We will continue to strengthen our monetary policy framework and finalize our reform of the exchange market. Furthermore, we will advance our key growth-supporting reforms to strengthen governance, the business climate, and financial inclusion which will support private sector development.

C. Economic Policies and Reforms Program

Macroeconomic Outlook

7. Guinea's near and medium-term growth outlook is expected to be strong, thus contributing to improving the living standards of the population. Real growth is expected at about 6 percent (y-o-y) in 2019–20, on the back of buoyant mining and construction activity. Notably, continued large FDI in the mining sector will increase production capacity and the implementation of infrastructure projects will boost construction activity. The implementation of our reforms to strengthen governance and the business climate, as well as higher electricity provision thanks to the completion of the Souapiti dam, will support private sector development over the medium-term. A stronger than assumed pace of investments and of new mining capacity production would support higher medium-term growth. We will contain inflation to single digits through our prudent monetary policy.

8. The current account deficit would widen to an average of about 20.7 in 2019–20, financed by FDI inflows and project loans, and gradually narrow over the medium term. Mining exports would increase by 7.4 percent in 2019, reflecting the anticipated increase in mining production. Imports would increase by 7.7 percent (y-o-y) on the back of large FDI (about 9 percent of GDP) and infrastructure development. International reserves would increase to 3.6 months of import coverage in 2019 to reach 3.8 months of import coverage in 2020. External imbalances would narrow over the medium term, reflecting an improvement in the trade balance. Export growth would average at [6.2] percent over the medium term, reflecting higher mining production capacity. Import growth would average at 2.3 percent over the medium term, continuing to be financed by large FDI, notably in the mining sector (9.9 percent of GDP, on average over 2019–23).

Fiscal Policy

9. We are committed to continue to orient our fiscal policy towards preserving macroeconomic stability and achieve our program fiscal targets over 2019–20. We have achieved a basic fiscal surplus of 0.8 percent of GDP at end-2018, in line with program objectives. We are committed to achieving a basic fiscal surplus of 0.6 percent of GDP in 2019 and 0.9 percent of GDP in 2020. This will allow us to continue to gradually recoup part of the fiscal slippages in 2017 and contain budgetary financing needs so as to gradually repay government borrowing from the central bank, limit commercial banks' financing to a level consistent with healthy provision of credit to the private sector and gradually repaying domestic arrears. We are committed to continuing to avoid the occurrence of extrabudgetary expenditures and the accumulation of new domestic arrears, and better align cash flows and expenditures commitment plans.

10. Creating needed fiscal space to scale-up growth-supporting public investments, notably in infrastructure, and priority social spending is our key objective. As outlined in our PNDES, we are committed to implementing an ambitious scaling-up of public investments, notably in infrastructure, which will be crucial to realize the growth potential of our economy and support the development of the private sector. To this end, we aim at increasing capital expenditures to more than 7.5 percent of GDP over the 2019-20 period. Furthermore, we aim at stepping up social safety nets as a critical element of our strategy to reduce poverty. To this end, we will mobilize additional tax revenues and contain current non-priority spending to generate the needed fiscal space for increasing growth-supporting priority spending while preserving macroeconomic stability.

11. In parallel, we will mobilize additional external financing to finance our national public investment plan while maximizing reliance on concessional external borrowing to preserve medium-term debt sustainability. To this end, we are committed to limit non-concessional external borrowing that will be signed during the three-years of the ECF arrangement period to a maximum of US$650 million. These loans will be used to finance priority infrastructure projects, notably the rehabilitation of the RN1 road and the rehabilitation of the Conakry urban road network, the construction of an electrical interconnection line and the rehabilitation of a university. In order to ensure transparency, efficiency and maximize the impact on growth, we have conducted and finalized the related feasibility studies in March 2018. In case external program loans and grants will be higher than budgeted, we will direct any additional public expenditure towards priority sectors, including strengthening social spending and social safety nets, in consultation with IMF staff, to support higher and more inclusive growth and reduce poverty.

Fiscal Strategy for 2019

12. **We are committed to achieving a basic fiscal surplus of 0.6 percent of GDP in 2019 to support macroeconomic stability**. The 2019 Budget law (BL) targeted a fiscal surplus of 0.9 percent of GDP. In view of lower-than-expected tax revenues in 2018 and outcomes in the first quarter of 2019, tax revenues are expected at 13.5 percent of GDP in 2019, about 0.3 percent of GDP lower-than-anticipated in the 2019 BL. On the other hand, non-tax revenues are expected to be 0.7 percent of GDP higher-than-anticipated in 2019, reflecting the payment of the 4G licenses for US$90 million. Furthermore, external financing is expected to be 0.8 percent of GDP higher than anticipated in 2019, due to the larger-than-expected budget support from the World Bank (US$100 million against previously expected US$40 million) and the disbursement of the US$60 million loan from Qatar in April 2019. In view of this, the Council of Ministers will adopt a revised budgetary framework for 2019 to achieve a fiscal target of 0.6 percent of GDP in 2019 (prior action). This revised budgetary framework will reflect lower-than-anticipated tax revenues for 2019, higher-than-anticipated non-tax revenues and external financing, and re-phasing of non-priority investment projects, with respect to the amounts approved in the 2019 BL so as to achieve the targeted basic fiscal balance. In addition, we will use part of the additional external financing to reduce net domestic arrears more than planned to compensate for the 2018 net accumulation. We will submit to the Economic and Financial Commission of the National Assembly a 2019 Supplementary Budget Law in line with agreed fiscal corrective measures and the program fiscal target (end-September 2019 SB).

13. **Our budget strategy in 2019 will aim at preserving macroeconomic stability, scaling-up growth-supporting infrastructure investments and strengthening social safety nets to foster inclusion**. We will target a basic fiscal surplus of 0.6 percent of GDP in 2019 while creating fiscal space to step-up priority spending. Overall tax revenues are expected to increase to 13.5 percent of GDP in 2019, supported by a more stable social context and strong economic activity, higher retail prices of petroleum price products, and the implementation of programmed measures to mobilize additional revenues. We expect mining tax revenues at 2.5 percent of GDP, on the back of buoyant production of incumbent bauxite companies and the start of production of new companies. Non-mining tax revenues are expected to increase to 11.0 percent of GDP. Direct taxes would strengthen to 2.5 percent of GDP. In addition, indirect taxes would increase to 8.5 percent of GDP. Notably, taxes on goods and services will increase to 6.1 percent of GDP in 2019, on the back of strong TSPP revenues. Taxes on international trade would be at 2.3 percent, reflecting sustained trade and the impact of gradually reducing custom duties in line with CDEAO requirements. Non-tax revenues are expected to surge to 1.2 percent of GDP in 2019, reflecting the payment of the 4G licenses for US$90 million, of which already US$45 million were disbursed in March 2019 to the Post and Telecommunications Regulatory Authority and were transferred to the central government in May 2019. On the expenditure side, we will continue to keep our wage bill contained to 3.6 percent of GDP. We will contain spending on goods and services to 3.3 percent of GDP in 2019 such as to create fiscal space to scale-up public investments and social safety nets program. In view of the structural increase in production costs of the public electricity company, electricity subsidies are expected to increase to 1.7 percent of GDP. We will scale-up overall capital expenditures to 7 percent of GDP. Domestically-financed public investment will be scaled up to 3 percent of GDP, of which 0.4 percent of GDP (15 percent of expected mining revenues) will be devoted to the Local Development Fund to undertake priority projects in local communities to

foster development and reduce poverty. Foreign-financed capital expenditure will increase to 4 percent of GDP, supported by large project loans, including for the rehabilitation of the RN1 and the road system in Conakry. We will repay on a net basis the BCRG for an amount equivalent to 0.2 percent of GDP and contain government borrowing from commercial banks to a level consistent with banks' provision of credit to the private sector. We will reduce domestic arrears (on a net basis) by 1.2 percent of GDP.

Mobilizing Revenues

14. We are moving ahead with our reforms to support tax revenues mobilization. We have created a new unit at the Prime Minister's office (MAMRI) in early 2019, which will provide key political impulsion to revenue mobilization. The MAMRI will not have an operational role and we will continue to advance our reform to strengthen the existing revenue administration authorities. To this end, we have adopted the new organizational structure of the National Directorate of Taxes (DNI) in February 2019 and we are working to modernize DNI management practices and orienting them towards effectiveness. Furthermore, the Ministry of Economy and Finance will sign performance contracts with the DNI and the General Directorate for Customs (DGD) (prior action). In addition, we have established in January 2019 a permanent tax number for all businesses which will improve our ability to monitor tax compliance. Furthermore, we have operationalized the data interconnections between the National Directorate for Taxes and the Directorate for Customs that will allow closer integration and better exchange of information between the two organizations and allow to strengthen fiscal control. Furthermore, we will implement a package of tax policy and administration measures to mobilize additional revenues (¶15). We are also committed to conduct a review of non-tax revenues, with the support of IMF technical assistance.

15. We are committed to moving ahead with the implementation of our programmed tax policy and administration measures to support mobilizing additional tax revenues of 0.4 percent of GDP in 2019. In 2018, we started implementing a package of tax policy and administration measures, which allowed us to mobilize additional tax revenues of about 0.2 percent of GDP. We are committed to continue our tax policy and administration measures for 2019 which will allow us to mobilize 0.4 percent of GDP additional revenues:

- **We will move ahead with rationalizing ad-hoc tax exonerations in 2019, which is expected to mobilize additional 0.06 percent of GDP**. We started to rationalize ad-hoc tax-exonerations in 2018, which allowed us to mobilize additional revenues of 0.08 percent of GDP. A Prime Minister's circular established in April 2018 the creation of an inter-ministerial committee and the requirement of the authorization of the Minister of Budget for the issuance of any new exonerations. This has strengthened our institutional framework to provide tax exonerations and allowed us to: (i) streamline the provision of new exonerations; and (ii) start eliminating tax exonerations which were provided on an ad-hoc basis (overall ad-hoc tax exonerations are estimated at GNF 500 billion). We prepared a time-bound action plan to rationalize ad-hoc tax exonerations in June 2018 and mobilized GNF 89 billion additional tax revenues (0.08 percent of GDP) in 2018, more than double our target of GNF 40 billion. We will continue our efforts to rationalize ad-hoc tax expenditures in 2019 to mobilize additional revenues of GNF 69 billion (0.06 percent of GDP). We have updated in November 2018 our action plan to rationalize ad-hoc tax exonerations to include envisaged measures for 2019 and the findings of the review of tax expenditures in the Guinean economy that was finalized in July 2018 with the support of the EU. Due to the delays in the signature of the decree making mandatory the subscription of insurance policies from local insurance companies to cover imported goods, the anticipated broadening of the tax base on insurance contracts was not implemented in 2018, against an expected mobilization of additional tax revenues of GNF 21 billion. As this decree has been signed in early 2019, we expect to mobilize additional revenues of GNF 15 billion in 2019.

- **We will move ahead with a number of tax administration measures to mobilize additional revenues of 0.35 percent of GDP in 2019**. We implemented a number of tax administration measures that allowed us to mobilize additional revenues of 0.13 percent of GDP in 2018, about one third of our programmed target. Notably, we made progress in: (i) stepping-up general and desk audits for large enterprises, which were expected to mobilize GNF180 billion (0.17 percent of GDP) and GNF 33 billion (0.03 percent of GDP) in 2018, supported by improved audit procedures and introducing performance contracts for auditors; (ii) conducting the audits of 32 companies on the basis of cross-checking companies' import data in 2018 with declared turnover, which was supposed to mobilize additional GNF 20 billion (0.02 percent of GDP); (iii) stepping-up the recovery of tax arrears, which was expected to mobilize additional GNF 95 billion (0.09 percent of GDP), out of an identified stock of recoverable arrears of GNF 622 billion. However, some delays in the implementation of those measures occurred and, while we are committed to continue our efforts in those areas, revenue mobilization was lower-than-programmed in 2018. Due to delays in the conduct of audits, additional revenue mobilization in 2018 was limited to GNF 59 billion (0.05 percent of GDP) from the general audits of large enterprises and to GNF 17 billion (0.02 percent of GDP) from desk audits. In order to enhance performance from general audits, our inspectors have concentrated their efforts on a few large mining firms for whom tax control measures have yielded large tax revenue returns in previous years. We are committed to stepping up general and desk audits of large enterprises in order to mobilize, respectively, additional GNF 155 billion (0.1 percent of GDP) and GNF 36 billion (0.03 percent of GDP) in 2019. To this end, we have identified and notified a sufficient number of tax payers through desk audits to assure that we will meet the target for desk audits by end-2019. Due to administrative delays in conducting the programmed cross-checking of companies' import data with declared turnover only allowed us to mobilize about GNF 4 billion in 2018. We are committed to continuing to conduct this exercise in 2019 and we expect to mobilize GNF 60 billion in 2019, which will be facilitated by the recently introduced tax payer permanent number for businesses. In addition, we have initiated negotiations with ten companies with outstanding arrears and requested advance payment on a minimum portion of these arrears as a precondition for developing a long-term strategy for their arrears clearance and we expect to mobilize additional GNF 122 billion in 2019. We have strengthened controls and collection of the Single Land Contribution (CFU) through the use of geo-localization, which was expected to mobilize additional 32 billion GNF (0.05 percent of GDP) in 2018. We exceeded our target and mobilized GNF 47 billion by end-2018 and expect to mobilize an additional GNF 65 billion in 2019.

16. We aim at broadening the tax base to support revenue mobilization. We introduced key tax policy measures in the 2018 Budget Law which simplified our tax system, made it more equitable, and contributed to broadening the tax base. Thus, we reduced the corporate income tax from 35 percent to 25 percent (excluding banks, mining and telecom companies), and the rate of the minimum tax on turnovers from 3 to 1.5 percent while removing its ceiling, thus allowing broader application, and we introduced a higher tax bracket at 20 percent for withholding on personal income from wages. We had expected these measures to mobilize an additional 0.1 percent of GDP in 2018. However, the revenue mobilization impact was neutral in 2018 as the actual implementation of the new 20 percent bracket was delayed and the minimum tax on turnovers experienced low compliance from local firms as local economic operators challenged the measures to remove the ceiling. Following this, the ceiling on the minimum tax on turnovers was reintroduced in the 2019 budget law. We will continue the dialogue with key stakeholders with the aim of eliminating the ceiling on the minimum tax on turnovers and lower the threshold of the additional newly-introduced 20 percent tax bracket to broaden the tax basis and support revenue mobilization.

17. We are committed to implementing an automatic adjustment price mechanism for petroleum products while putting in place mitigating measures to protect the most vulnerable and conduct a communications campaign, ahead of its implementation. During mid-2017–mid 2018, we reduced taxes on petroleum products to keep retail prices of petroleum products unchanged, in a context of rising international oil retail prices. Notably, we implemented ad-hoc downward adjustments of the TSSP, which led to substantial revenue losses. In addition, since January 2018, we started ad-hoc downward adjustments of custom duties on petroleum products, which led to revenue losses of about 0.6 percent of GDP in the first half of 2018. To support revenue mobilization, we increased retail prices of petroleum products on July 1, 2018, for the first time since early 2015. Thus, we increased retail prices for petroleum products by 25 percent, from 8,000 to 10,000 Guinean francs per liter, more than twice the programmed increase of 12 percent, in view of higher-than-anticipated international oil prices. In parallel, we implemented mitigating measures to protect the most vulnerable from the price increase. To this end, we strengthened our public transportation system and we increased the number of available public buses. Following the increase in petroleum products prices in July 2018, the need to adjust downwards custom duties substantially reduced, which allowed us to mobilize additional custom duties revenues of 0.8 percent of GDP (compared to a baseline scenario with unchanged petroleum products prices) in the second half of 2018. This allowed to mitigate the losses accumulated in the first half of 2018 and contain the overall revenue losses on international trade taxes, due higher international oil price, to about 0.6 percent of GDP in 2018. Furthermore, the price increase allowed to significantly narrow the gap between import and domestic retail prices, as a key step to implement an automatic price adjustment. We started to implement our automatic price adjustment mechanism for petroleum products in January 2019. In view of lower international oil prices at end-2018, we reduced retail prices by 5 percent in January 2019, from GNF 10,000 to GNF in 9,500 per liter. In addition, a technical committee was set up and started to meet on a monthly basis to assess the need for adjusting retail petroleum prices on the basis of our current rule, which requires retail prices to be adjusted on a monthly basis if import prices (in local currency) are 5 percent higher or lower than in the previous month. However, based on this analysis, we concluded that the automatic application of the current rule would generate excessive price volatility, given the fragile social context. Thus, we kept petroleum products prices constant in the first five months of 2019. Moving ahead, we are committed to implementing upward adjustments of petroleum retail prices as needed to ensure that budgetary revenues are protected if international oil prices were to increase and/or the exchange rate to depreciate. In parallel, we will review the existing automatic price adjustment mechanism to ensure that it is tailored to the needs of Guinea, also assessing whether more smoothing and longer lags of implementation are needed, with the support of IMF staff, by end-2019. In addition, we will continue to engage with key stakeholders to build consensus on our energy subsidies reform and we will advance our communications campaign, including on the media, that will focus on the budgetary costs of the subsidies on petroleum products, how they disproportionally benefit the wealthiest, and how their elimination will increase fiscal revenue and create fiscal space to support the stepping-up of priority spending. Furthermore, we will advance the programmed mitigating measures, notably expanding cash transfers provision and high intensity public works schemes in urban and peri-urban areas, to protect the most vulnerable from the impact of higher prices. In the event that the implementation of the automatic adjustment price system is delayed, we will undertake additional tax revenue measures to achieve our program revenue target.

Containing Current Spending

18. We are committed to containing non-priority spending in goods and services to achieve our 2019 fiscal target and create fiscal space for scaling-up priority spending in infrastructure investments and social safety nets. We will contain spending on goods and services to 3.3 percent of GDP, through rationalizing orderings of electronic material, vehicles, furniture, and office material

19. We are committed to containing untargeted electricity subsidies by advancing our electricity tariff reform, improving EDG's efficiency, and optimizing the use of thermal production to contain production costs over the medium term. We aim to gradually reduce electricity subsidies on the back of a three-pronged strategy, which aims at (i) gradually increasing electricity tariffs to bring them closer to cost recovery; (ii) improving EDG's efficiency by strengthening the payments collection rate and reducing commercial and technical losses, in line with the internal recovery plan that is underway; and (iii) substituting more costly thermal electricity production with cheaper hydro production. We have started implementing this strategy in 2018 and we are committed to continue it in 2019:

- **We reduced electricity subsidies to 0.8 percent of GDP in 2018, on the back of measures which allowed us to generate savings of about 0.6 percent of GDP**. First, we signed a ministerial order in April 2018 which established electricity tariff increases for all consumer categories while preserving the social tariff. Thus, a 25 percent increase in the electricity tariff for the tranche of industrial and professional users and a 10 percent tariff increase for households started to be applied in May 2018. Together with the 42 percent increase in tariff for industrial and professional users that was applied during January–February 2018 (abandoned in March 2018, due to protests), the tariff increase in May 2018 generated savings on electricity subsidies of GNF 148.6 billion in 2018 (0.13 percent of GDP). In addition, we improved the composition of the mix of our electricity production by substituting costly thermal production with cheaper hydro production, which reduced EDG production costs by GNF 440 billion in 2018 (0.4 percent of GDP). We also signed a new contract with fuel suppliers to reduce purchasing costs, which generated savings of about 25 GNF billion in 2018 (0.02 percent of GDP). On the operational side, EDG moved ahead with conducting a survey and regularizing domestic consumers that are directly connected to the grid or sub-subscribers to official customers. and partnering with domestic consumers to identify and eliminate illegal connections to the distribution system. This allowed to regularize about 82,000 industrial and domestic clients at end-2018 and lead to additional savings of about GNF 6 billion in 2018. In addition, significant progress was made in the installation of electricity consumption meters in the public administration and for private consumers. Notably, EDG installed electricity consumption meters in the Prime Minister's Office and all Ministries, in about 55 percent of domestic consumers (end-February 2019 SB) and about 65 percent of all administrative buildings. As at end April 2019, consumption meters were installed for about 150 000 customers (that is 65 percent of the initial target and 29 percent of the current target that is in constant expansion due to the regularization campaign) and in 86 percent of administrative buildings.

- **We are committed to increasing electricity tariffs in 2019 to contain the increase in electricity subsidies and gradually bring tariffs to cost-recovery levels over the medium-term.** Electricity subsidies are expected to be substantially larger than anticipated in 2019 due to: (i) EDG having started to pay for the electricity produced by the Kaleta dam in January 2019, which it had not been paying so far, adding about GNF 788 billion in additional costs over the year; (ii) an anticipated increase in the production of electricity of 14 percent in 2019 (y-o-y) which will exacerbate EDG's losses as electricity tariffs remain below cost-recovery level. Thus, EDG's subsidy needs would reach GNF 2,206 (1.8 percent of GDP) in 2019, against a programmed GNF 880 (0.7 percent of GDP) in the 2019 Budget Law. In view of this, we will increase electricity tariffs in June 2019 to generate savings of about GNF 49 billion (0.04 percent of GDP) and contain electricity subsidies to GNF 2,157 billion (1.7 percent of GDP) in 2019. To this end, we will sign a Ministerial order setting a 15 percent increase in the electricity tariff for households and 5 percent increase for professionals and industrials in 2019 (prior action), which will start to be applied in July 2019. Furthermore, we will bring electricity tariffs to cost-recovery levels gradually over the medium-term. To this end, we will adopt a multi-year tariff reform strategy by end-September 2019, gradually increasing electricity tariffs during 2020–25 to reach cost recovery by 2025 (end-September 2019 SB). We are developing this reform strategy with the support of the World Bank, based on the findings of the electricity tariff study that we completed in July 2018. Furthermore, EDG will continue to move ahead with the elimination of illegal connections to the distribution system, which is expected to lead to additional savings of about GNF 6 billion in 2019. We will also continue to strengthen the collection rate of EDG and we will finalize the installation of electricity consumption meters for 80 percent of private consumers and all public administration by end-2019.

20. We will continue to move ahead with our administration and civil service reform. To control the wage bill, we have conducted a biometric census, covering already 91,095 individuals—pensioners (56,074), civil servants (24,327), and contractual employees (10,694). This first census was instrumental to detect discrepancies with our civil servants' database (reflecting ghost and deceased workers that still appear in the database) and to clean our registries. Building on this improvement, we are currently conducting a new census to further clean up irregular cases. Further, we are moving ahead in establishing a permanent system to monitor staff and ensure the enforcement of organizational laws and regulations. With the support of the World Bank, we have put in public work places 120 machines to monitor the work data of civil servants to discourage fraud. Thanks to this, we have already exposed about 2800 ghost workers. We have moved forward in installing new machines and we have installed 150 additional machines at end-April 2019. We are also working to introduce biometric cards, and to this end, we launched a pilot exercise in 2018. We have so far covered about 55,800 employees and we aim at covering all civil servants by end-2019. In the medium term, we also aim to establish a new electronic platform to monitor and consolidate data on civil servant work activity and salaries.

Strengthening Social Safety Nets

21. We are committed to stepping-up domestically-financed social safety net programs to protect the most vulnerable from the impact of the recent increase in petroleum products prices, reduce poverty and foster inclusion. We have finalized our first National Social Protection Policy in November 2016, which supports our objective to reduce poverty by: (i) strengthening social protection; (ii) providing access to employment opportunities; (iii) improving the living conditions of the poorest and most vulnerable; (iv) improving access to health and education services; (v) improving access to food and nutrition security; (vi) preventing and managing crises and disasters and building resilience; and (vii) improving access to social housing. We have created in January 2019 a new National Agency for Economic and Social Inclusion (ANIES), which will coordinate the implementation of our strategy to foster inclusion. We will ensure that the financing and operations of the ANIES are conducted in respect of the provisions of the law of public finances (LORF) and the new law on governance of public entities. We are committed to using a share the budgetary savings from the electricity tariff increase implemented in 2019, to reinforce non-contributory and domestically-financed social safety nets programs under the Social Development and Solidarity Fund and under the Program Filets Social Productive (PFSP) to GNF 130 billion in 2019. This would allow us to strengthen the coverage of these programs and start reducing over-reliance on donor financing. We have conducted an analysis which shows that the increase in petroleum prices has affected significantly more the populations living in urban and peri-urban areas. Thus, to off-set the impact of the increase in petroleum product prices on the real incomes of vulnerable populations, we are committed to expanding domestically-financed social safety nets programs under the PFSP to urban and peri-urban areas. Notably, we have allocated an amount equivalent of GNF 37 billion (US$4 million) in the 2019 BL to expand targeted cash transfer programs under the PFSP (currently being delivered only in rural areas through the financing of the World Bank) to key urban and peri-urban areas and step up labor-intensive public works projects in urban areas (THIMO), notably for women and the youth. Owing to the change in the institutional framework for the setting up of the NAI, delays were recorded in the implementation of the above planned expansion of cash transfer and THIMO in the urban and peri-urban areas, which are expected to start as a pilot over five regions by September 2019, once we have finalized the ongoing biometric census to strengthen targeting of the planned programs. Furthermore, delays in disbursement of budgetary allocations led to delays in the implementation of the social programs under the Social Development and Solidarity Fund. We will also continue to finance social projects aimed at reducing gender inequality and fostering women's integration in the labor force; and social assistance to the most vulnerable, including the elderly, the disabled, and those impacted by HIV/AIDS and Ebola. We have finalized a roadmap to establish a prototype of unified social register of vulnerable populations by end-January 2020 (SB) to strengthen the targeting of social safety nets programs, which will be supported by the World Bank. We will finalize the unified social register of vulnerable populations by end 2020. To this end, we have started to strengthen capacities, and we have held in March 2018 a workshop with donors and key stakeholders, with the support of the World Bank, and we have defined in March 2019 a roadmap for the setting-up of the unified social registry.

Medium-Term Revenue Mobilization Strategy

22. We are committed to mobilizing additional tax revenues to create fiscal space for priority expenditures. Our strategy to mobilize additional tax revenues will focus on fostering mining and non-mining tax revenues, notably direct taxes, through broadening the tax base and strengthening controls and payments.

23. We will implement tax policy and administration measures to support revenue mobilization, which is key to creating needed fiscal space to scale-up growth-support priority public expenditures. Specifically, in addition to the measures discussed, we will adopt the following measures:

- **Tax policy measures**: we will focus on the implementation of measures that would allow mobilizing additional revenues while making our tax system more equitable and transparent. Notably, we will: (i) continue to rationalize tax exemptions based on our ongoing review of tax expenditures (the latter are estimated at about 4 percent of GDP) which will support broadening the tax base; (ii) streamlining excises and reviewing rates; (iii) reviewing the property tax regime; and (iv) developing a strategy to reduce the outstanding stock of VAT credit arrears. We are currently revising the General Tax Code (CGI), with the support of IMF technical assistance, to eliminate the global income tax and increase the coherence of the withholding system and have completed a review of international taxation provisions to bring the tax code closer in line with international standards. We are well-advanced in the streamlining for the tax code and will finalize the new CGI by end-2019. Additionally, we will work with IMF technical assistance during 2019 to model mining revenues and improve our revenue projections from the mining sector.

- **Tax administration measures**: we will focus on measures that will strengthen tax payment and collection. To this end, we will: (i) finalize the development of online tax declaration and payment modalities by end-2019; (ii) further advance computerization, with alternatives and replacement of the RAND project and given the fact that the Ministry of Budget is in discussion with the private sector about the operationalization of the MERCURY project by end-2019, enabling real-time processing of tax obligations and consolidate information and data from various tax units into a centralized network (SFIG); (iii) operationalize the new organizational structure and modernize management practices of the DNI, and orient them towards effectiveness to support revenue mobilization. To this end, we have developed a new organizational structure of the DNI, with the support of IMF technical assistance, which will separate strategic operation management functions from control functions, and we aim at operationalizing it by end-June 2019. We have also completed a draft of a procedural manual for the DNI in line with the new organizational structure and operationalized a reform committee within the DNI to support the reform. We will (i) finalize the development of a procedural manual and an internal audit protocol for the DNI, with the support of the EU; (ii) continue to expand the cross-checking of import data with declared turnover to reduce under-declaration and increase tax control by improving tax-payer identification, with the support of the interdepartmental committee on reform and modernization (CIRMDI) established between Customs and the DNI; (iii) continue to collect tax arrears from large companies (estimated at 0.7 percent of GDP); (iv) strengthen the capacity of the Directorate for Taxes and the recovery focusing on large enterprises; (v) improve compliance of large and medium tax-payers; (vi) continue the cleansing and transferring of taxpayers files to management services; and (vii) make progress with the digitalization of customs.

24. We are committed to continuing to apply the tax provisions of the new mining code to mobilize additional mining revenues on the back of buoyant mining activity. Significant progress was achieved towards strengthening governance and transparency in the mining sector. Guinea joined the Extractive Industries Transparency Initiative (EITI) in 2007 and was designated 'EITI compliant' in 2014. The mining code of 2011 was amended in 2013 with the support of the IMF technical assistance, introducing taxation provisions in line with international standards. In addition, with the support of the AFDB, we reviewed mining agreements and titles signed before the adoption of the mining code of 2011 to bring them closer to the new code. We have also modernized, with the support of the World Bank, the mining cadaster by making it more transparent through the implementation of a new cadastral procedure and made the cadaster accessible online. In addition, we have set up an inter-ministerial Committee for monitoring integrated mining projects to facilitate the issuance of non-mining permits and authorizations to accelerate the implementation of mining projects. In view of new large investments in the mining sector, we aim at taking advantage of the buoyancy in the sector to mobilize additional revenues to finance our programmed scaling-up of investments in infrastructure to support the diversification of the economy and priority social spending. To this end, we will continue to ensure that all new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be put in line with the tax provisions of the 2013 mining code and that all new agreements with new investment in infrastructure and/or transformation will be presented to the National Assembly with an assessment of tax expenditures (continuous SB). During June-December 2018, we ratified a new mining contract which is fully in line with the tax provisions of the mining code. A new mining contract, signed in late 2018 and ratified and published in the first quarter of 2019, entailed new investments in infrastructure and domestic transformation and was presented to the National Assembly with an assessment of tax expenditures (continuous SB). To reduce risks of profit shifting from transfer pricing in the mining sector, we have introduced key international taxation provisions in our legal framework, with the support of IMF technical assistance, including provisions to support the 'arm's length principle', which were adopted in the 2019 Budget Law. In addition, we are working on the Tax Base Erosion and Profit Shifting (BEPS) program in the mining industry with the support of the OECD to strengthen the mobilization and securing of mining revenues. We are committed to start strengthening the capacity of tax administration to tackle price transfers issues to support revenue mobilization. We have also started modeling mining revenues using our internal human capacity, with the support of IMF technical assistance, which will support strengthening our revenues projections and better assess the potential for revenue mobilization. Notably, the Ministry of Mining and Geology has prepared a projection for mining revenues over 2019–35. We are also working to build capacity in economic and financial modeling of mining projects with the support of GIZ and Natural Resources Governance Institute (NRGI).

Fiscal Structural Reforms

25. **We will strengthen our public financial management to support our fiscal strategy and the envisaged scaling-up of investments and we have prepared a comprehensive strategy over 2019–22**. We made important progress in strengthening public financial management, and we are committed to advancing reforms. To this end, we have conducted the PEFA exercise in April 2018, with the support of IMF TA, which provided an in-depth evaluation of Guinea's public financial management framework. On this basis, we have prepared an updated action plan for the reform of public finances (PREFIP) over 2019–22 based on key conclusions and recommendations from the 2018 PEFA and PIMA exercises (end-September 2018 SB). The PREFIP 2019–22 provides the road map and identifies time-bound measures to strengthen our public financial management. This plan was validated by a committee chaired by the Minister of Economy and Finance and the Minister of Budget in September 2018 and adopted by the Council of Ministers in December 13, 2018. We are committed to implement our overarching strategy developed in the PREFIP 2019–22, which is articulated on ten pillars and aims at strengthening: (i) domestic revenue mobilization; (ii) budget preparation and presentation, including planning and allocation of resources to public investments; (iii) budget execution, notably of public investments, and internal controls; (iv) strengthening cash management and debt management; (v) the accounting and reporting of central government operations; (vi) evaluation and monitoring of budgetary risks from government-owned public enterprises, local authorities, public enterprises and public-private partnerships; (vii) improvement of internal and external audits of public finances; (viii) capacity building; (ix) improvement of the computerized management system of public finances; and x) improved steering and monitoring of reforms.

26. **We will continue our efforts towards improving budget transparency and control by modernizing the budget preparation process and producing periodical reports of budget execution**. For the first time, we presented a medium-term budget (MTB) with the 2017 budget law. We have adopted the new budget nomenclature for the 2018 Budget Law, in line with the GFSM 2001 manual for public finance statistics implemented the new budget nomenclature for the 2018 budget execution and modernized the information system for the preparation and execution of the budget. We have established a top-down budgetary approach by setting targets for medium-term budgeting in line with the ECF-arrangement fiscal targets. In addition, we have enhanced our budget preparation calendar and have made considerable progress in adhering to the calendar for the 2018 Supplementary Budget Law and the 2019 budget preparation and we will continue to publish the quarterly reports of the budgetary execution. We have adopted in December 2017 the new law on the financial governance of public enterprises and institutions in accordance with the new legislative and regulatory framework of public finances. We have prepared the budget execution procedural manuals in February 2019 to strengthen the quality of budgetary execution and the quality of the reports of budgetary execution. We will operationalize it on the chain of expenditures by the end of 2019, following their validation and approval by July 2019. In order to avoid the recurrence of extrabudgetary expenditures and the accumulation of new domestic arrears, and to better align cash flows and planned expenditure commitments, we have limited the use of exceptional expenditure procedures during 2018 and the first quarter of 2019 to

sovereign expenditures and special funds, and we have linked the execution of all authorized expenditures to budget lines, in accordance with the Budget Management and Public Accountancy Decree (RGGBCP) regarding the use of these exceptional procedures for the execution of public expenditure. We have put [an end] to the use of payment authorization (PA) terminology, which is not provided for in the regulations and has been used instead of exceptional procedure as an exception to the normal execution procedure of public expenditure, in order to comply with the RGGBPC. Like the PA procedure, the use of these exceptional procedures will be limited, in accordance with the RGGBPC, to the execution of the expenses of special funds and the sovereign expenses inscribed in the budget for the benefit of the President of the Republic, as well as expenditures of constitutional institutions, and will be linked to the appropriations available on budget lines to avoid extrabudgetary expenditure. We have provided and will continue to provide a quarterly report to IMF staff on the use of exceptional procedures for expenditures of special funds, sovereignty expenses of the President of the Republic and other constitutional institutions, and all other expenditures submitted to these procedures, excluding the payment of debt interest.

27. We are committed to establishing a Treasury Single Account (TSA) to strengthen transparency, budget monitoring and our cash management. To this end, we closed all accounts of the public administration entities (EPA) held at commercial banks in the perimeter of Conakry and opened a centralizing account with the Central Bank aiming at consolidating all accounts in the perimeter of the TSA. In this context, we have finalized a census of EPA accounts in Conakry and in the rest of the country. We have elaborated a list of the concerned EPA in March 2019. We have issued an instruction to implement the TSA between the Ministry of Economy and Finance and the BCRG and we set-up in January 2019 a TSA system operating with a Treasury current account and 8 operational accounts of the 5 main state accountants in the BCRG books. Based on the experimental functioning of this system, we will finalize a TSA convention between the Ministry of Economy and Finance and the BCRG by end-June 2019. We are committed to expand the coverage of the TSA and we will consolidate the accounts of all ministries and the majority of EPA in the TSA by end-2019, with the exception of accounts opened for public projects and development programs financed by donors. The process of consolidation of the public treasury will continue in 2020, with the extension of the TSA to the accounts of donors-financed public projects and programs, most of which are opened in commercial banks.

28. We will move ahead with improving our cash management, which would also be important to support containing budgetary financing from the BCRG. We will continue to align expenditures commitment plans with cash flows. We started conducting this exercise on a monthly basis since January 2018 which was a key reform to strengthen expenditure control. In addition, we have and will continue holding on a weekly basis a technical inter-ministerial meeting to support the committee for cash management, including the Central Bank, to support the Treasury Committee. We are committed to hold the Treasury Committee meetings, including the Prime Minister, on a regular monthly basis. In view of this, we will restart these meetings in the second quarter of 2019. In addition, we are working towards strengthening cash management forecasting, in line with recent IMF TA recommendations, which will enable us to improve our assessment of budgetary needs. We are in the process of reviewing the ministerial order which established the creation and the functioning of the unit in charge of supporting the Treasury Committee in order to strengthen its functionality.

29. We will strengthen our public investment management to improve transparency and efficiency and maximize returns of our public investment plan. We are committed to prioritizing public investments projects with higher growth and poverty reduction impact, conduct a full cost-benefit analysis of projects (cost-advantages for social projects). We have conducted the PIMA (Public Investment Management Assessment) with the support of IMF TA in May 2018. In line with the recommendations of the PIMA exercise, we will finalize a draft of the decrees establishing a regulatory framework while clarifying responsibilities of each major public sector actor along the different phases of public investments management by end 2019, with support from IMF technical assistance, and we will adopt them by January 2020 to regulate the mechanisms, mandates, procedures and standards of public investment management. Furthermore, we will develop and adopt a manual for the preparation, appraisal and selection of priority investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes (end-May 2020 SB). Processes for producing reports on project execution and completion will also be established. In addition, we will conduct a stock-taking exercise of all projects in progress for at least 10 years before continuing to finance them in the 2020 Budget Law. We have installed the software platform for integrated investment management, with support from the African Development Bank and the United Nations Development Program (UNDP). Following testing, we will make this platform fully operational by 2019. This will allow us to have a better knowledge of the investment portfolio and improve the ability of all stakeholders to track the financing and evolution of public investments and strengthen their coordination and monitoring.

30. We will enforce the provisions of the new procurement code and conduct competitive bidding for public investment projects. In 2014, we adopted a new procurement code, which established competitive bidding for public investment projects (above a certain threshold). In 2016, we conducted and published an audit of public contracts. We reduced turnaround times in procurement by streamlining processes and finalized our survey of providers' prices in May 2018 to ensure the transparency of contracts and we are implementing a system of sanctions as specified in the public procurement code. Furthermore, we have prepared the first report on public contracts. We have published it on the Ministry of Finance website and we will continue to publish it on a six-month basis. We have created a national agency for procurement control in early 2019 and deconcentrate procurement to the level of ministries/contracting authorities which now possess the legal mandate for all the attributes related to the planning, programming, execution and monitoring of the technical and financial implementation. We will implement these changes by making necessary amendments to the related texts, with the support of World Bank technical assistance. We are working to amend the procurement code to simplify and streamline procedures, reduce delays, and improve the transparency and monitoring of contracts, including the application of sanctions, which we expect will reduce costs and improve the quality of spending. In a first phase, we amended in 2018 the public procurement legislation, notably by: (i) removing the control of procurement procedures at the level of the Administration and Control of Major Projects and Public Procurement; (ii) abolishing the National Directorate of Public Procurement; (iii) creating a new National Directorate for Public Procurement Control and Public Service Delegation; and (iv) transferring public procurement to contracting authorities, in which we have established competent technical services. In the second phase, we will revise the Code des Marches Publics and all of its implementation texts. To this end, two draft texts have been prepared: (i) a draft decree creating, attributing, organizing and operating public procurement bodies and public service delegations within the contracting authorities; and (ii) a draft decree on the attributions and organization of the National Directorate for Controlling Public Contracts and Public Service Delegations. We will submit these two draft decrees to the Council of Ministers by end-2019. We will finalize the elaboration of the new Public Procurement Code by end- 2019. In a last phase, we will carry out the following activities in 2019: update of the standard documents; update of the procedure manual of the Public Procurement Code and public service delegations; information and training of public control actors; installation of the competent services; and a communication strategy

31. We will finalize our public-private partnership (PPP) framework in line with best practices to strengthen monitoring and managing risks from PPPs. To support our objective of scaling-up investments, a new PPP law was adopted by the Parliament in July 2017. We will publish the new PPP law in the Official Gazette by end-June 2019. We made significant progress in preparing draft implementation decrees of the 2017 PPP, with the support of IMF technical assistance, and we will ensure that the new PPP framework is in line with best practices and consistent with the organic law on public finance (LORF). We will finalize the implementation decrees by November 2019 and adopt it by end-2019. We will subject PPPs to the same rigorous preparation, selection and appraisal processes as to public investment projects; we will cap explicit commitments and guarantees of PPPs; we will open unsolicited PPP offers to competition, and we will also conduct an analysis of the fiscal risk emerging from existing PPP commitments. Given the risks and contingent liabilities associated with PPP-financed projects, we will exercise prudence in the use of PPPs and we will ensure that those guarantees are well monitored, evaluated, and contained. To this end, a PPP unit will be established at the Ministry of Economy and Finance by end-2019.

32. We will continue to move ahead with our reform of public entities (SOEs) aiming at strengthening their governance and limit fiscal risks. We completed a census of all public entities in 2017 and the 2016 SOEs' annual financial report was submitted for the first time to the Parliament in 2017. A revised law on the governance of SOEs was approved by the Parliament in December 2017, which ensured consistency with the law of public finance (LORF) and the decree on budget management and public accounting. The new SOEs' law strengthens governance and monitoring of SOEs by: (i) applying the tax provisions of the common law; (ii) strengthening the obligation to pay dividends; (iii) clarifying the eventual granting of subsidies; and iv) strengthening control of fiscal risks stemming from SOEs. The draft implementation decree of the new SOEs' law on governance was discussed at the Council of Ministers. It was approved in September 2018 (end-September 2018 SB). We made good progress in bringing the texts of the SOEs in line with the requirements of the new legislation and we will pursue the harmonization of the texts by end-2029, and we are working to mobilize technical assistance in this area. So far, we have reviewed the regulations of ten SOEs and brought them in line with the new legislation. In line with the new law, we have prepared the annual financial report for SOEs for 2017 and we have submitted it to the Parliament as an Annex of the 2019 budget law. We are committed to continue to prepare the financial report for SOEs on a yearly basis and submit it to the National Assembly. Thus, we have started preparation of the SOEs' annual financial report for 2018 which will be submitted with the 2020 budget law. We are working to develop a medium-term strategy to improve the financial conditions of loss-making SOEs to reduce fiscal costs and the build-up of contingent liabilities. To this end, we aim at improving the management and performance of SOEs, including by consolidating their financial position and we have started to establish their Board of Directors. In order to elaborate our medium-term strategy, we have identified the loss-making enterprises and we will recruit an audit firm to elaborate the economic and financial diagnosis, as a basis to make a decision on their restructuring or recapitalization.

Debt Policy and Management

33. We are committed to preserving medium-term debt sustainability and ensure that Guinea does not exceed a moderate level of risk of external and overall public debt distress. We will continue to prudently manage our external borrowing to finance the planned increase in public investments to preserve the sustainability of our debt and contain debt vulnerabilities. In view of Guinea's moderate risk of external and public debt distress and the US$1.2 billion non-concessional loan we signed in September, 2018 to finance the construction of the Souapiti dam project (about 11 percent of GDP), which is critical to improve our electricity capacity production, we are committed to maximize the concessional element of our new external borrowing and limit any additional non-concessional debt, contracted or guaranteed, to our program ceiling to preserve medium-term debt sustainability. Notably, we are committed to limiting non-concessional debt that will be contracted or guaranteed during the three years of the ECF arrangement to a maximum of US$650 million to finance key growth-supporting infrastructure projects so that Guinea's risk of external and public debt stress does not exceed a moderate level. Within this envelope, we have already signed two loans for financing the rehabilitation of the RN1 road and Conakry urban road network, respectively, in September 2018 for an overall amount of US$598. These loans were collateralized by future stream of mining revenues. We signed at end-November a US$60 million non-concessional loan for budget support which was disbursed in April 2019. We have re-opened and will continue negotiations to achieve concessional financing terms for this loan. In the meantime, we are committed to earmark it to the key infrastructure projects as specified in the TMU (¶15). In parallel, we will implement a prudent domestic borrowing strategy, in view of vulnerabilities. Notably, we are planning the issuance of a GNF 800 billion three years bond in the domestic market in 2019. In parallel, we will reduce, in part, the planned issuance of treasury bills to contain the increase in the overall stock of domestic debt. In this regard, we have started publicizing to institutional investors with a view to smooth implementation of issuance plans.

34. We are committed to gradually repaying domestic arrears that have been accumulated in previous fiscal years. The overall stock of domestic arrears was at GNF 3383 billion (3.1 percent of GDP) end-2018. We completed in 2016 an audit of domestic arrears over the period 1982-2013. We have adopted in December 2017 a strategy for the clearance of those longstanding domestic arrears which aims at clearing small creditors (which represent 80 percent of the number of creditors and 20 percent of the nominal value of the audited and validated arrears). To this end, we have already repaid GNF 43 billion in 2017 and GNF 181 billion in 2018, and we will repay about GNF 208 billion in 2019. Furthermore, we are planning to repay the remainder amounts over a seven-year period, through issuance of securities and direct payments. We will start in March 2020 the second phase of the external audit for the purpose of continuing negotiations with creditors and finalizing memoranda of understanding for audited and validated amounts. We are in the process of negotiating with the same external auditor to conduct a review of domestic arrears contracted during 2014–17. We are committed to avoid the accumulation of new domestic arrears, which will help support the private sector.

35. We will continue our efforts to resolve our long-standing external arrears. We have initiated discussions to resolve pre-HIPC external arrears to Non-Paris Club and commercial creditors. To this end, we have sent letters to the creditors to which we have not yet received a response. We will re-send letters to communicate with the creditors and advance discussions. We will ensure not to accumulate new external arrears, including through improving debt management.

36. We are moving ahead in strengthening our debt management framework to reduce vulnerabilities. We are making progress in strengthening our debt management and we will continue to build on these efforts, with the support of technical assistance from the IMF, U.S. Treasury, AFD and other development partners. In 2015, we elaborated an operational procedures manual and the National Debt Policy statement, and we conducted an audit of domestic arrears. We set up a National Debt Committee in 2014 and a National Debt Working Group on debt management in 2015. We have published a calendar of bond issuance on the Ministry of Economy and Finance website in April 2018, which supported transparency and improved cash management. We set up in 2018 a computerized tracking system for live monitoring of the auction of the Treasury Bills. We conducted the DEMPA exercise (Debt Management Performance Assessment) in May 2018, with the support of the World Bank, to identify key areas to reinforce the management of our debt. We finalized in March 2019 a time-bound action plan to strengthen debt management on the basis of the DEMPA findings which identified concrete measures to be implemented during 2019–20. The Action Plan includes measures to improve the legal and regulatory framework for debt management, better co-ordination with fiscal and monetary policy, clearer communication on the debt strategy and improved recording and management of debt data. Thus, we prepared a draft update of the medium-term debt management strategy (MDTS) in November 2018, with the support of IMF technical assistance, and we finalized it in February 2019. Furthermore, we operationalized the National Working Group on the Management of Public Debt in February 2019 which updated the medium-term debt strategy and conducted an analysis of the sustainability of our debt to assess the impact of potential new loans, which will be done a regular basis. We have published, for the first time, a report on public debt in June 2018, and we will continue to publish it on a quarterly basis. Furthermore, we will publish a fully-fledged statistical bulletin by September 2019. We [have started] updating the T-bills calendar on a weekly basis according to forecast needs. Furthermore, in order to reduce refinancing risk, we are planning to facilitate bond issuance, with the support of IMF. We will operationalize the National Debt Committee by September 2019. We will also strengthen our public debt recording system by end-2019 by adopting the Debt Management and Financial Analysis System (DMFAS) funded by UNCTAD.

D. Monetary and Exchange Rate Policies

37. We will continue to strengthen the BCRG's international reserves to strengthen external buffers against shocks. We have made good progress in gradually accumulating international reserves in 2018, that reached 3.5 months of imports coverage. We will continue to accumulate international reserves to further strengthen external buffers, and we aim at reaching the ARA-CC metric reserve adequacy estimate of 3.8 months of imports by 2020. To support building buffers, the BCRG has started implementing a more active strategy to accumulate reserves. Notably, it has set up unilateral and competitive auctions to conduct purchases of foreign exchange in September 2018 and conducted a communication campaign to banks to limit market risks. The

BCRG started conducting such auctions in September 2018 and purchased US$0.5 million during September 2018–April 2019. In line with the recommendations of the IMF technical assistance, these unilateral auctions are open to all Guinean banks and foreign non-bank entities operating in the MEBD, target small and regular purchases to preserve the MEBD's stability, and the auction is conducted all days of the week, excluding the days of the MEBD. We are working to develop a rule-based intervention strategy for BCRG by May 2019 (SB) to limit discretion and support greater exchange rate flexibility and we will implement this strategy as soon as it is approved. In this respect, we have finalized a weekly foreign exchange liquidity forecast [in December 2018] to improve the predictability of market supply and demand conditions.

38. We are committed to finalize our foreign exchange market reform to strengthen the role of market forces and support greater exchange rate flexibility. The BCRG made significant progress in reforming the exchange rate mechanism by replacing the foreign exchange allocation system with a bilateral foreign exchange market (MEBD) in early 2016. This allowed greater exchange rate flexibility and reduced the differential between the official rate and the rate of the foreign exchange bureaus. We have made MEBD operations more regular and predictable by issuing an instruction in early 2016 that details how the MEBD and auctions are organized. Auctions are currently held twice a week (on Tuesday and Friday) and are preceded by a communiqué the day before. We discontinued the practice of fixing the official ER one day after receiving banks' foreign exchange transactions reports and the reference rate is now published before 9 a.m. on a daily basis. We are committed to finalizing our reform of the foreign exchange market. To this end, the BCRG has signed an instruction in May 2018 that clarifies the methodology used for the calculation of the daily reference exchange rate which was communicated to banks. The BCRG issued an instruction in June 2018 which clarifies the rules for banks' participation in the MEBD and will strengthen the reporting and analysis of the MEBD operations by preparing a quarterly report to support discussions with participants in the market by end-2018. In order to make the MEBD more competitive and support greater exchange rate flexibility, we have started to gradually eliminate the limit on auction allocations to a single participant. Thus, the BCRG increased this limit to 40 percent in September 2018 (from 20 percent) and to 60 percent in December 2018 and will fully eliminate it by June 2019. This is key in supporting greater market competition and greater exchange rate flexibility. We will also establish an electronic platform to make MEBD operations more fluid by 2020, and we have strengthened foreign exchange liquidity forecasting by better sharing of information and regular meetings between the BCRG and the Ministry of Finance. We will ensure that the premium between the official exchange rate (which is the reference rate for all market participants) and the commercial banks' purchase and sales rate does not exceed 2 percent on a given day.

39. Our monetary policy will need to be prudent to maintain moderate inflation. The BCRG will aim at maintaining inflation within single digits. To this end, the BCRG will target base money in line with program objectives to maintain moderate inflation. Reserve money growth was lower-than-expected at 6.3 percent in 2018 (y-o-y), reflecting a larger-than-programmed reduction in net government borrowing from the central bank. In view of persistent inflation and the increase in core inflation (excluding food and energy), the BCRG will maintain a prudent monetary policy and stand ready to tighten to maintain a positive real interest rate. For 2019, the BCRG will target the monetary base to expand at about 4.6 percent (y-o-y), which is consistent with an inflation rate at about 8.9 percent and growth of credit to the private sector at about 7.6 percent (in percent of broad money). To this end, we will ensure that net government borrowing from the central bank is contained in line with program objectives as key to contain inflation. Furthermore, we will use a more active liquidity management to achieve our monetary targets, including absorbing liquidity through the issuance of TRM as needed in 2019.

40. We will contain government borrowing from the BCRG to short-term cash management and in respect of the provisions of the Central Bank Law. We signed a Memorandum of Understanding (MoU) between the BCRG and the Ministry of Economy and Finance in May 2018 that limits the BCRG advances to the government to the statutory limits indicated in the Central Bank Law (prior action; first ECF review): no more than 5 percent of the average fiscal revenues of the last three years to be repaid within a period of 92 days. During 2018, central bank advances to the government were contained within statutory limits. Net borrowing from the central bank picked-up by 11.5 percent (y-o-y) in the first quarter, after declining in the second half of in 2018. We are committed to maintain government borrowing from the central bank in line with the 2018 MoU and program objectives as key to support achieving the program monetary target and contain inflation. The BCRG started and will continue holding on a weekly basis its Executive Committee to strengthen monitoring of the provision of credit to the government. Furthermore, we have been preparing since May 2018 and we will continue to prepare periodic reports to the BCRG's Board on the level of credit to the government and whether it complies to the BCRG law.

41. We will continue to strengthen our monetary policy framework by improving liquidity management. We are convinced that a more active liquidity management will support strengthen reserve money targeting towards preserving low inflation and ensure banks' provision of credit to the economy. The BCRG re-introduced monetary regulation instruments (short-term securities) to absorb excess liquidity and injections operations (refinancing windows) to meet liquidity needs, creating an interest rate corridor. Furthermore, the BCRG has improved its capacity to monitor liquidity by preparing a daily monitoring liquidity table and a weekly liquidity report. BCRG established a new liquidity forecasting regime in August 2018 with a liquidity committee and a team for the forecast of autonomous liquidity factors. BCRG will start implementing a more active management to ensure that banks' liquidity needs are met and support banks' provision of credit to the private sector. The liquidity committee meets on a weekly basis to manage liquidity and determine calibration of liquidity operations. We have also made further enhancements including by aligning the forecasting period with monetary policy operations and the reserve maintenance period and have started publishing the results of monetary policy operations shortly after their execution. We have set up an electronic platform for interbank transactions in domestic and foreign currencies since March 2016, notably with the national payment system, which strengthened interbank market activity and supported a more competitive market. Furthermore, the initial step to establish the legal basis of an emergency liquidity assistance framework for illiquid, but solvent banks, was completed in February 2019 (SB). We will move ahead with further reforms needed to operationalize the framework, with the support of IMF technical assistance.

42. We are committed to continuing to strengthen the autonomy of the BCRG. We amended in 2017 the published version of the new BCRG Law to strengthen its autonomy, which was approved by the Parliament in November 2016, to include all key amendments. Notably, the law prohibits the issuance of guarantees by the BCRG to the private sector. In order to ensure the financial and operational autonomy of the BCRG, we have signed in May 2018 a Memorandum of Understanding (MoU) between the BCRG and the Ministry of Economy and Finance which specifies the modalities and a timeline for the recapitalization of the BCRG (about U$300 million). We signed the letter between the BCRG and the Ministry of Economy and Finance in October 2018 to kick-start the implementation phase of the recapitalization the BCRG. The BCRG was recapitalized in 2018 through the issuance of non-marketable government securities (about $300 million), which restored its operational and financial autonomy. We will timely issue government securities to the BCRG on the related interest payment, in line with the 2018 MoU between the BCRG and the Ministry of Economy and Finance, to ensure that the recapitalization of the BCRG remains on track. To this end, we will issue the government securities to the BCRG for interests falling due in 2019 by the last quarter of 2019.

43. We will continue to move forward in addressing remaining recommendations of the 2018 Safeguards Assessment Update to strengthen the BCRG's financial reporting transparency, accountability and internal audit. We made significant progress towards enhancing the transparency of BCRG's financial reporting, strengthening its internal audit capacity and controls in currency operations. In line with the recommendations of the 2018 Safeguard Assessment Update, the BCRG has adopted and started implementing the International Financing Reporting Standards (IFRS) and published, for the first time, IFRS-compliant financial statements for 2017 in November 2018 (September 2018, SB). We will continue to publish the BCRG's financial statements in line with IFRS moving forward. We are committed to improve the audit Committee oversight. To this end we have already improved the technical presentation of audit files, adopted the principle of an annual assessment of auditors, and recruit an IT audit firm in March 2019. In addition, we have developed a platform to share information and data internally and we will carry out in September 2019, a personalized training program for the members of the committee. We will regularly monitor the implementation of audit recommendations. We will move ahead in strengthening the internal audit processes and capacity of the BCRG by ensuring adequate legal and institutional frameworks are in place and that the approach is in line with international standards of a risk-based assessment. Notably, we have started producing periodic reports for the Audit Committee focusing on high-risk areas, and we have set up a capacity building program, including by reinforcing the number of personnel in digital audit, with support from IMF TA. Furthermore, we will implement an action plan for improving IT audit capacity, which will be approved and monitored by the BCRG's Management by June 2019. We set up internal compliance processes at the BCRG to review adherence with legislation and provide semi-annual reporting to the Board in September 2018 (SB). We will review internal audit practices and assess measures needed to implement the International Professional Practices Framework (IPPF), with the support of IMF technical assistance. We will conduct a peer-review of currency operations by June 2019, following the lessons we garnered from the recent exchanges that we have had with other central banks in this area. We have started reviewing the BCRG investment policy which we will conclude by end-2019 and we will create a middle office to support it as soon as the trading floor is in place. We will also complete the external audit of the monetary data at end-December 2018 by September 2019, after completing the closing of the accounts in accordance with the traditional standards. We will also complete the external audit of monetary data at-end June 2019 by end-2019.

44. We are committed to maintaining the stability of the banking sector and continue to strengthen banking supervision. In order to strengthen banking supervision, the BCRG signed in

April 2019 the instruction to adopt the new chart of the accounts. The instruction to adopt the updated accounting and financial reporting for banks will be issued in May 2019, and implemented by the end of 2020. The new bank rating methodology was operationalized, with the banks' ratings on the statements at end-2018 being underway. We have implemented the banking law by putting place remaining texts and procedures, including instructions on banks' internal controls and corporate governance, use of external auditors, conditions of appointment of a second accounts auditor. The additional instructions on the supervision of the activity of business introducers, and the right to the bank account-customer protection will be finalized by September 2019. We will begin the gradual implementation of the new chart of accounts and the revised banking reporting framework by the end-2019 and we will finalize it by May 2020. We also aim to improving cross-border supervision after the signature of the cooperation agreements with the counterpart supervisors, notably WAMU Banking Commission and the Central Bank of Nigeria, with whom Joint Inspection Missions have already begun at the level of Nigerian bank subsidiaries. We will strengthen banking supervision by implementing the bulk of Basel II/III provisions by end-2020, with technical assistance from the IMF. Also, we will adopt the IFRS standards for banks from the 2020 financial statements with the technical assistance of the IMF and other partners. In addition, the BCRG will strengthen the human resources allocated to banking supervision (document controls and on site controls) by recruiting and or redeploying around ten people by the end of September 2019. In view of high non-performing loans and to support banks' provision of credit to the private sector, we have set up a new credit information system, with the support of the World Bank, to provide better information on the creditworthiness of banks' customers which has been fully operational since end-2017 and we will improve it by converting it into a credit bureau with assistance from the World Bank by end-2019. An Insurance Code to improve sector supervision and meet international standards was developed and adopted in July 2017. We will set-up a banking resolution framework by end-2019, with the support of IMF technical assistance. In addition, the legal framework for the implementation of the Deposit Guarantee Fund was finalized in December 2018 by signing a Decision of the Approval Committee. To this end, a Board of Directors, chaired by the Governor of the BCRG and composed of representatives of the banking sector and of the State (Ministries of Finance and Justice) has been set up to administer the Fund and oversee its operation. In this respect, the contribution rate of the banks to the Fund has been fixed by the Board of Directors. The first contributions are expected by the end-September 2019 The three banks that did not meet the net equity requirement at the end of 2018 were placed under stricter supervision in accordance with regulatory procedures and are prohibited dividend distribution, in accordance with the provisions of the Banking Act. In addition, the BCRG will ensure that all banks comply with the reserve requirement.

Structural Reforms

45. **We are committed to move ahead with the implementation of key structural reforms to support higher and more inclusive growth**. We will aim at ensuring the development of the private sector to generate higher and more inclusive growth and generate needed job-creation to reduce poverty. Our reforms will be targeted at improving the business climate and governance and strengthening financial inclusion over the program period.

46. **Improving the business climate is needed to support private sector development and achieve higher and more inclusive growth**. Guinea significantly improved its ranking in the World

Business Indicators in the last five years and gained 27 places between 2013 and 2018 (152 out of 190 countries). We are committed to continue strengthening the business climate to foster private sector development. To this end, we developed an action plan to improve the business climate in March 2018 which defines short, medium and long-term actions. Notably, we aim at: (i) easing procedures to start a business; (ii) easing paying taxes, including by introducing a business identification number and online tax declarations; (iii) improving access to credit, notably for small and medium-sized enterprises; (iv) strengthening contract enforcement; (vi) easing cross border trade; and (vii) developing a framework for the public-private dialogue. We are committed to move ahead swiftly in the implementation of our new action plan and we made significant progress. We have streamlined procedures and reduced the number of days needed to create a business by computerizing the one-stop-shop and, in this context, we have operationalized an online business creation platform, SyNERGUI, which allows to new business to be created in less than 72 hours. We have finalized the permanent tax identification number and now over 2,000 private sector operators have the new tax identification number. The interconnection between the Agency to promote private investment, APIP, with the National Tax Directorate was created in January 2019. Furthermore, we made progress in establishing a system to declare and pay taxes on-line and we will finalize it by end 2019 to enhance transparency and governance. We set-up a specialized Commerce Court in Conakry in October 2018 (SB) so as to improve contracts enforcement. In this regard, a decree was signed on August 2018 nominating the President of the Commerce Court and a judge and we are moving ahead with training staff and equipping offices. The headquarters of the Commerce Court was inaugurated in March 2019 and the Consular Judges for the Commerce Court, designed were selected, and the first court cases started at end-April 2019. Furthermore, we established a one-stop shop for foreign trade to facilitate cross border trade. Notably, we have selected the operator and we are moving ahead with its operationalization by end-June 2019. Notably, we nominated the General Director for the one-stop-shop for foreign trade, and the specifications for its operationalization is being elaborated. In order to facilitate credit provision, we have established a credit Information system at the Central Bank to which banks and microfinance institutions and all banks are currently interconnected, and the debtors of each bank declared on the platform. We are committed to strengthen the public-private dialogue and we will reinforce the public-private consultative platform by establishing a consultative platform between the private sector and the public administration in by June 2019.

47. We are committed to strengthening governance, a central pillar of our growth-enhancing strategy. We are moving ahead towards strengthening our anti-corruption framework, which we consider key to improve governance, by:

- **Strengthening our legislative and institutional anti-corruption framework**. The Parliament adopted in July 2017 the anti-corruption law, which represents an important step towards improving governance. We have organized three workshops to ensure the coherence between the new anti-corruption law and our national strategy and plan of action to fight against corruption and promote good governance, with the support of the EU. We adopted our anti-corruption strategy in October 2018. We adopted a decree on the organization and operation of the National Agency for the Fight Against Corruption (NAFC) in October 2018 (SB). We are committed to improve the NAFC's capacity, independence and financial autonomy. We will adopt the implementation decrees for the asset declaration regime and whistle blowers and victims' protection by end-September 2019 (SB). With the support of IMF TA, we are reviewing the consistency of the criminalization of acts of corruption in our legal framework to ensure it is in line with United Nations Convention against Corruption (UNCAC). We have launched the second review cycle of the United Nations Convention against Corruption (UNCAC) with the assistance of the United Nations Office on Drugs and Crime (UNODC), which will have next steps: (i) the finalization of the workshop of Guinea's self-assessment checklist by May 2019; (ii) the holding of the Guinea self-assessment workshop in Conakry by end-July 2019; (iii) submission of the report of the Guinea self-assessment workshop to UNODC followed by a self-assessment monitoring workshop in Guinea; and (iv) submission of the final report of the self-assessment of Guinea to the two States reviewers of Guinea for observations, comments, and recommendations followed by country visits by experts of it two Reviewing States and UNODC by the end-September 2019.

- **Implementing the asset declaration regime**. The implementation decree for the asset declaration regime is being prepared with the support of IMF TA, ensuring that declaration obligations cover high-level officials, their family members and close associates, requiring the declaration of all assets held domestically and abroad, directly and beneficially, establishing dissuasive sanctions for non-compliance, and requiring the publication of the declaration. We are committed to implementing the asset declaration decree by mobilizing resources for the Audit Court to establish the logistical structure to manage and control the declarations and implement sanctions. We expect the first declarations to be filled in early 2020 and subsequently published in the Official Gazette as required by the Constitution.

- **Strengthening our Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime**. We are committed to continue to strengthen our AML/CFT regime to support anti-corruption efforts notably by revising our legislation in line with the 2012 Financial Action Task Force standard. We have started preparing the new AML/CFT draft law, with the technical assistance of the IMF. The Council of Ministers will approve it by November 2019. Furthermore, we are developing tools for the implementation of a risk-based approach to AML/CFT supervision of the banking sector, with the support of IMF TA, which will be operationalized by October 2019. We are also working on strengthening the Financial Intelligence Unit (CENTIF) with support of IMF TA by improving its institutional framework, strengthening the capacity of its personnel and developing operational processes and strategies. We have set up an inter-ministerial AML/CFT committee to steer our national AML/CFT strategy and oversee the conduct of the ongoing AML/TF National Risk Assessment. With the support of IMF TA, we are also in the process of developing internal risk-based AML/CFT controls and procedures for the BCRG to ensure the integrity of its operations. To that end, a dedicated policy was adopted by the BCRG early this year, a risk matrix was developed. The AML/CFT risk management procedures will be rolled out by end-2019, following training of the BCRG staff.

48. We will strengthen financial inclusion to support the development of the private sector. We have adopted in July 2017 a new Financial Inclusion Law which will provide a framework for the activity of microfinance institutions and will be key to support increasing credit access of SMEs, women and the youth. Notably, the law introduces new regulations governing the activity and control of microfinance institutions as well as of the electronic money institutions and the financial services of the Guinean Post. We have adopted the law's implementation decrees in 2018. To this end, we have adopted fourteen draft instructions, with the support of the World Bank, we have transmitted them to key stakeholders (micro-finance institutions, e-money operators, postal financial services, etc.) and we held a workshop in April 2018 to discuss their observations and comments. We will develop a National Strategy on Financial Inclusion with the support of the World Bank by end-2019. Notably, we aim at developing digital finance supported by a well-developed payment system, good physical infrastructure, appropriate regulations and strong safeguards for protection of consumers so that to extend the financial sector to vulnerable and excluded populations. As a member of the Alliance for Financial Inclusion (AFI), we are actively engaged in African Financial Inclusion Policy Initiative (AfPI) for which Governor of the BCRG has been elected the new Chair.

E. Program Monitoring

49. The program will continue to be monitored on a semi-annual basis, through quantitative performance criteria and indicative targets (Table 1) and structural benchmarks (Table 2). Quantitative targets set for end-June 2019 and end-December 2019 are performance criteria, while those for end-September 2019 and end-March 2020 are indicative targets. The fourth review should be completed on or after December 11, 2019, and the fifth review on or after June 11, 2020. We will continue to evaluate the implementation of our macroeconomic policies and reforms through the government's program coordination and monitoring bodies, the Economic Coordination and Reform Council (CCER) and Technical Unit for Program Monitoring (CTSP).

50. We will continue our ongoing efforts to strengthen our statistical system to ensure the appropriate assessment and monitoring of our macroeconomic policies and reforms. We have strengthened in March 2017 our methodology for the compilation of the national accounts and adopted the 1993 SNA, with support of IMF technical assistance. We will continue our ongoing work to further strengthen our methodology by migrating from SNA 1993 to SNA 2008 by end-2020 with the support of IMF TA. We put in place the steering bodies of the national statistical system, and we will ensure the operationalization of the macroeconomic framework committee to facilitate the harmonization of the data. To this end, we will complete by end-2019 household survey to update our assessment of the living conditions of the population.

Table 1. Guinea: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2017–20

(Billions of Guinean Francs; unless otherwise indicated)

	2017				2018														
	Dec				March				June			Sept.				Dec			
	PC	Adj. PC	Act.	Status	IT	Adj. IT	Prel.	Status	PC	Prel.	Status	IT	Adj. IT	Prel.	Status	PC	Adj. PC	Prel.	Status
Quantitative performance criteria																			
Basic fiscal balance (floor; cumulative change for the year)	519	614	-1,030	Not Met	346	503	1,196	Met	1,022	1,749	Met	1,387	1,417	999	Not Met	904	899	924	Met
Net domestic assets of the central bank (ceiling; stock)	7,208	7,350	8,236	Not Met	7,137	7,369	8,070	Not Met	8,358	7,460	Met	8,112	8,156	7,068	Met	7,909	7,902	6,869	Met
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,179	7,321	7,983	Not Met	7,108	7,340	7,651	Not Met	7,939	6,648	Met	7,693	7,737	6,257	Met	7,656	7,649	5,920	Met
Net international reserves of the central bank (floor; stock); US$ million[1]	345	330	357	Met	420	395	390	Not Met	422	437	Met	506	501	494	Not Met	544	544	555	Met
Continuous performance criteria																			
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	0	Met	650	650	0	Met	650	0	Met	650	650	598	Met	650	650	658	Met
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	0	Met	0	0	Met	0	0	0	Met	0	0	0	Met
Indicative targets																			
Tax revenues collected (floor)	12,893	12,893	12,443	Not Met	3,115	3,115	2,995	Not Met	7,524	6,849	Not Met	11,089	11,089	10,383	Not Met	14,702	13,609	13,609	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor)[*]	138	138	47	Not Met	76	76	6	Not Met	99	16	Not Met	148	148	51	Not Met	75	75	105	Met
New domestic arrears accumulated by the central government (net)[*]	...	...	...	...	...	...	...	...	-340	-409	Met	-390	-390	434	Not Met	-82	-82	244	Not Met
Memorandum items:																			
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[4,5]	315	315	315	...	365	365	339	...	339	343	...	399	399	405	...	399	399	405	...

	2019						2020			
	March			June	Sept.	Dec	March	June	Sept.	Dec
	IT	Prel.	Status	PC	IT	PC	IT	IT	IT	IT
Quantitative performance criteria										
Basic fiscal balance (floor; cumulative change for the year)	499	502	Met	903	548	691	651	762	1,197	1,366
Net domestic assets of the central bank (ceiling; stock)	7,780	7,205	Met	7,652	5,518	5,856	5,767	5,636	5,526	5,569
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,533	6,601	Met	7,410	5,794	5,626	5,611	5,556	5,521	5,339
Net international reserves of the central bank (floor; stock); US$ million[1]	583	631	Met	622	679	739	784	798	814	850
Continuous performance criteria										
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	Met	650	650	650	650	650	650	650
New external arrears of the central government and central bank (ceiling)[3]	0	0	Met	0	0	0	0	0	0	0
Indicative targets										
Tax revenues collected (floor)	3995	3,914	Not Met	8,489	12,939	16,960	4,863	9,944	14,181	19,973
Domestically financed social safety programs to reduce poverty (cumulative floor)[*]	33	19	Not Met	65	98	130	35	69	104	139
New domestic arrears accumulated by the central government (net)[*]	-95	-1192	Met	-152	-857	-812	-45	-90	-104	-127
Memorandum items:										
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[4,5]	415	405	...	455	405	505	505	530	530	610

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

[1] It will be calculated using program exchange rates.

[2] External debt contracted or guaranteed other than with a grant element equivalent to 35 percent or more,

calculated using a discount rate of 5 percent, excluding the $1.2 billion loan for the Souapiti dam. Excludes borrowing from the IMF. Continuous performance criterion.

[3] Continuous performance criterion.

[4] Cumulative from the beginning of each year.

[5] To be monitored continuously, reflects projected disbursements.

[6] The continuous performance criterion was missed in November 2018 by a total amount of US$8 million. A waiver was approved by the Board at the time of the second review.

[7] Excluding recapitalization of the central bank

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20			
Measures	**Date**	**Status**	**Objectives**
Prior Actions			
First Review			
Limit the use of authorization letters (ALs), in line with the budget management and public accounting decree, to sovereign expenditures and special funds and link the execution of expenditures authorized through ALs to budgetary lines. Provide a report on the use of ALs in line with these principles during January-May 2018 to IMF staff.		Not met. A minor deviation was recorded with ALs used for expenditures other than sovereign expenditures and special funds for a marginal amount (0.001 percent of GDP).	Ensure the execution of public expenditures in line with legal procedures as defined in the law and regulations and avoid extra-budgetary expenditures, and better align cash flows and commitment plans.
Adopt a time-bound action plan to rationalize ad-hoc tax expenditures.		Met	Support mobilization of additional tax revenues
The Council of Ministers to approve a budgetary framework for 2018 in line with agreed corrective measures and revised program fiscal targets to be used as the basis for the 2018 Supplementary Budget Law and submit it to the Financial Commission of the National Assembly.		Met	Strengthen macroeconomic stability
Signing a Memorandum of Understanding between the BCRG and the Ministry of Economy and Finance limiting the BCRG's lending to the government to the statutory limits indicated in the BCRG Law.		Met	Limit government borrowing from the Central Bank
Signing a Memorandum of Understanding between the BCRG and the Ministry of Economy and Finance with modalities and timeline for the recapitalization of the BCRG.		Met	Ensure the operational autonomy of the BCRG
Implementation of a 25 percent increase in the electricity tariff for industrial and professional users and a 10 percent increase for households as detailed in the circular 2018/3334.		Met	Reduce electricity subsidies
Sign a ministerial order to increase the price of petroleum products by at least 12 percent starting from July 1, 2018.		Met	Protect budget revenues
Second Review			
The Council of Ministers will adopt a revised budgetary framework for 2018 consistent with achieving the end-2018 fiscal program target.		Met	Strengthen macroeconomic stability

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (continued)

Measures	Date	Status	Objectives
Minister of Budget will adopt an expenditure commitment plan for the last quarter of 2018 in line with the revised budgetary framework.		Met	Strengthen macroeconomic stability
Third Review			
The Ministry of Budget will sign performance contracts with the National Directorate of Taxes and the National Directorate of Customs.	By end-May 2019	Met	Mobilize additional tax revenues
The Council of Ministers will adopt a revised budgetary framework for 2019 in line with agreed corrective measures and consistent with achieving the end-2019 fiscal program target.	By end-June, 2019	To be assessed	Preserve macroeconomic stability
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 15 percent electricity tariffs for households and by 5 percent electricity tariffs for professionals and industrials in 2019.	By June 10, 2019	Met	Reduce electricity subsidies
Structural Benchmarks			
First Review			
I. Fiscal Policy			
Adoption of an action plan for a targeted tax policy and administration reform by the Ministry of Budget.	End Dec-17	Met	Mobilize and safeguard tax revenues
Adoption of the Government's strategy for the clearance of domestic arrears by the Ministry of Finance.	End-Dec-17	Met	Improving fiscal management and transparency and strengthening the private sector
Implementation of the 25% increase in electricity tariffs for industrial consumers and large consumers adopted in October 2016 by the Government.	End Dec-17	Met. Electricity tariffs for industrial and large consumers were increased by 42 percent in November 2017. The increase was suspended in March 2018 and re-instated at 25 percent in May 2018 as a prior action.	Reduce electricity subsidies

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (continued)

Measures	Date	Status	Objectives
Completion of the electricity tariff study, including the impact analysis by the Ministry of Energy and Hydraulics.	End Feb-18	Not met. The electricity tariff study was completed with a delay in July 2018.	Establish tariffs that cover medium-term electricity costs and accompanying measures to protect the most vulnerable populations
Implementation of the existing automatic price adjustment mechanism for petroleum products by the Government.	End Mar-18	Not met. Retail prices of petroleum products were increased by 25 percent on July 1, 2018. The adjustment mechanism was applied in January 2019, leading to a 5 percent reduction in prices. The automatic implementation of the current mechanism was not applied in the first five months of 2019.	Protect budget revenues
Finalization of feasibility studies for public investment projects financed by non-concessional borrowing.	End Mar-18	Met	Ensuring efficiency and good management of public investments
II. Monetary and foreign exchange policy			
Signing a Memorandum of Understanding between the BCRG and the Ministry of Economy and Finance with modalities and timeline for the recapitalization of the BCRG.	End Feb-18	Not met. The Memorandum of Understanding was signed with a delay in May 2018 as a prior action.	Ensure the operational autonomy of the BCRG
BCRG to establish a liquidity forecasting framework.	End Mar-18	Met	Strengthen monetary policy framework and improve liquidity management
III. Structural reforms			
Adoption of an action plan to improve the business climate by the Government.	End Mar-18	Met	Foster the development of the private sector
Submission to the Parliament the 2016 SOEs annual financial reports by the Ministry of Finance.	End Dec-17	Met	Improve transparency and governance

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (continued)

Measures	Date	Status	Objectives
Second Review			
I. Fiscal Policy			
EDG to install electricity consumption meters in the premises of the Prime Minister and fifteen Ministries and provide a complete report on the installation of meters for the rest of the consumers.	End Jun-18	Met. Electricity consumption meters were installed at the premises of the Prime Minister and fifteen Ministries and the largest consumers in the public administration. A report on the installation of meters for the rest of consumers was provided.	Increase the revenues of the public electricity utility to reduce budgetary transfers to the company
Integrate the PEFA recommendations in the action plan to reform public finances.	End Sep-18	Met. A new 2019–22 action plan to reform public finances, incorporating the PEFA and PIMA recommendations, was prepared and validated by a Committee chaired by the Minister of Economy and Finance.	Strengthen public financial management
Submit to the National Assembly a Supplementary Budget Law for 2018 in line with agreed corrective measures and revised program fiscal target.	End Sep-18	Not met. A Supplementary Budget Law in line with program fiscal target was submitted to the National Assembly in August 2018. However, the composition of the adjustment had to be revised to ensure reaching the end-year target. To this end, a revised budgetary framework for 2018 was adopted by the Council of Ministers as a prior action.	Strengthen macroeconomic stability

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (continued)

Measures	Date	Status	Objectives
All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	End Nov-18	Met. Since June 2018, a new bauxite extraction contract was ratified and put fully in line with the tax provisions of the mining code. In addition, a new contract, with an infrastructure, was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
II. Monetary and foreign exchange policy			
BCRG to publish IFRS-compliant financial statements for 2017.	End Sep-18	Not met. This was completed with a delay. The 2017 financial statements were published on November 28, 2018.	Strengthening the BCRG financial accountability
BCRG to establish internal compliance processes to review adherence with legislation and provide semi-annual reporting to the Board.	End Sep-18	Met. A compliance committee has been set up which covers internal compliance and AML/CFT issues and a compliance officer has been appointed. The BCRG's legal department is a member of the internal compliance mechanism to foster coordination.	Strengthening internal audits and control functions
BCRG to establish unilateral and competitive auctions to conduct regular and small purchases of foreign exchange.	End Sep-18	Met. An instruction formalizing the setting-up of the unilateral and competitive auctions has been signed by the Governor of the BCRG.	Conduct an active strategy to accumulate international reserves

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (continued)

Measures	Date	Status	Objectives
III. Structural reforms			
Adoption of the implementation decree of the 2017 law on governance of public entities.[1]	End Sep-18	Met. The implementing decree was signed in September 2018.	Improve transparency and governance and reduce fiscal risks
Establish a specialized Commerce Court in Conakry.	End Oct-18	Met. A presidential decree has nominated the President and the judges of the Commerce Court and the administrative buildings have been identified. The process to acquire equipment and training staff is ongoing.	Improve the business climate
Adoption of the implementation decree on the organization and operation of the National Agency for the Fight Against Corruption.	End Oct-18	Met. The implementation decree was signed by the President of the Republic.	Strengthen governance
Third Review			
I. Fiscal Policy			
EDG to complete the installation of electricity meters in all buildings of all Ministries and complete the installation of meters for 80 percent of the rest of the consumers.	End Feb-19	Not met. This expected to be met with a delay by end 2019. Electricity consumption meters were installed in the buildings of all Ministries. The installation of meters for the rest of consumers reached 55 percent at end-February 2019.	Increase the revenues of the public electricity utility to reduce budgetary transfers to the company

[1]While this structural benchmark had been previously indicated for end-June 2018 in Table 2 of the Memorandum of Economic and Financial Policies (MEFP) in the Staff Report for the First Review of the ECF arrangement with Guinea (EBS/18/234), its timing was in fact end-September 2018 as per ¶24 of the MEFP in the same report.

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (continued)

Measures	Date	Status	Objectives
All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	Continuous	Met. A new mining agreement was signed in November 2018 and ratified and published in the first quarter of 2019. This contract entailed new investments in infrastructure and local transformation and was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
II. Monetary and foreign exchange policy			
BCRG to establish an emergency liquidity assistance framework for illiquid but solvent banks.	End Feb-19	Met. An instruction for liquidity was signed by the Governor of the BCRG.	Strengthening the monetary framework
Elaborate a rule-based intervention strategy for the BCRG in the foreign exchange market.	End May-19	Not met. A draft rule-based intervention strategy was prepared by the BCRG and shared with IMF staff. The strategy is expected to be finalized by end-December 2019.	Limit discretion in interventions and increase foreign exchange market transparency
Fourth Review			
I. Fiscal Policy			
Submit to the National Assembly a Supplementary Budget Law for 2019 in line with agreed budgetary measures and program fiscal target *(newly proposed).*	End Sept-19		Ensure macroeconomic stability
The Council of Ministers will adopt a multi-year tariff reform strategy over 2019-25 to gradually bring electricity tariffs to reach cost recovery. *(newly proposed).*	End Sept-19		Reduce electricity subsidies

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (concluded)

Measures	Date	Status	Objectives
Structural reforms			
Adoption of implementation decrees of the 2017 corruption law on the asset declaration regime and whistle blowers and victims' protection.	End Sept-19	In progress. The draft decree on asset declaration is being revised to incorporate the recommendations of IMF technical assistance.	Strengthen governance
Fifth Review			
I. Fiscal Policy			
Establish a prototype for the unified social register of vulnerable populations by the Ministry of Social Affairs (*re-phased*)	End-Feb 20	In progress. A roadmap for the setting-up of the unified social register has been finalized, with the support of the World Bank.	Improve the targeting of social protection programs.
Prepare and adopt a manual for the preparation, appraisal and selection of investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes *(newly proposed).*	End May-20		Strengthen public investment management

Attachment II. Technical Memorandum of Understanding

May 21, 2019

1. **This memorandum sets out the understandings between the Guinean authorities and IMF staff regarding the definitions of the quantitative performance criteria and indicative targets for the ECF arrangement**. It also sets out the content and frequency of data reporting to IMF staff for program monitoring purposes.

2. **The quantitative performance criteria, indicative targets, and test dates are detailed in Table 1 of the Memorandum of Economic and Financial Policies (MEFP), attached to the Letter of Intent dated Mai 21, 2019**. For data reporting purposes, the Guinean authorities will follow the rules and the format considered appropriate for data reporting as covered by this technical memorandum of understanding, unless otherwise agreed with IMF staff.

3. **For program purposes, all assets, liabilities, and flows denominated in foreign currency at the Central Bank will be valued at the "program exchange rate" as defined below, with the exception of items affecting the government's budgetary accounts, which will be measured at current exchange rates**. For program purposes, the exchange rate corresponds to the accounting exchange rate of the GNF prevailing on December 31, 2016, as shown in the table below. The SDR to US$ exchange rate will be based on World Economic Outlook (WEO) projections. Gold holdings of the BCRG will be valued at the gold price in effect on December 30, 2016 US$1159.10 per oz.

Program Exchange Rates, Guinean Franc per Foreign Currency and Gold Price[1]	
Gold bullion LBM US$/troy ounce[2]	1159.10
Euro to US$ exchange rate	0.95
Yen to US$ exchange rate	116.80
Sterling UK to US$ exchange rate	0.81
Yuan to US$ exchange rate	6.95
Guinean Franc to US$ exchange rate	9225.31
Guinean Franc to SDR exchange rate	12362.72

Source: IMF (International Financial Statistics).
[1]Rates and prices as of end-December 2016.
[2]LBM connotes London Bullion Market.

DEFINITIONS OF PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND MEMORANDUM ITEM

A. Performance Criteria and Indicative Benchmarks

4. The quantitative performance criteria and indicative benchmarks specified in Table 1 of the MEFP are:

Performance Criteria

- Floor on the basic fiscal balance of the central government.
- Ceiling on net domestic assets of the central bank.
- Ceiling on net central government budgetary borrowing from the central bank.
- Floor on the net international reserves of the central bank.

Continuous Performance Criteria

- Ceiling on new non-concessional external debt contracted or guaranteed by the central government or the central bank.
- Zero ceiling on new external arrears of the central government and the central bank.

Indicative Targets

- Floor on tax revenues collected.
- Floor on domestically-financed social safety nets program.
- Ceiling on new domestic arrears accumulated by the central government (net)

Memorandum Item

- Ceiling on new concessional external debt contracted or guaranteed by the central government or central bank.

B. Central Government Definition

5. The central government of the Republic of Guinea (the government) is defined as all ministries and agencies subject to central budgetary administration in accordance with the organic law on public finances. Unless otherwise indicated, the central government does not include local governments, the Central Bank of the Republic of Guinea (BCRG), or any other public entity with autonomous legal personality, notably administrative public entities (*établissements publics administratifs*).

C. Floor on the Basic Fiscal Balance of the Central Government

6. The basic fiscal balance is defined as the difference between the government's total tax and nontax revenue (excluding grants and proceeds of privatizations, the latter recorded as financing) and total expenditure (including expenditure corresponding to earmarked revenues) plus net lending, excluding interest payments on external debt and externally financed capital expenditures. Government expenditures are defined as expenditures for which payment orders have been issued and which have been approved by the accountants, regardless of the execution procedure followed.

D. Ceiling on Net Domestic Assets of the Central Bank

7. Net domestic assets (NDA) of the BCRG are, by definition, equal to the difference between reserve money (defined below) and net foreign assets (NFA) of the BCRG (defined below), both calculated at the program exchange rate as indicated above. NFA are equal to the difference between the gross foreign assets of the BCRG, including foreign assets that are not part of reserve assets, and foreign liabilities of the BCRG.

8. Reserve money comprises of (i) local banks' deposits and other private sector deposits with the BCRG (including bank reserve requirements) denominated both in Guinean francs and in foreign currencies; and (ii) Guinean francs in circulation, and Guinean francs in the vaults of local banks. The amounts in foreign currencies will be converted to Guinean francs at the program exchange rate (as defined above in paragraph 3).

9. Net Foreign Assets (NFA) of the BCRG are defined as its gross foreign assets (GFA) minus its gross foreign liabilities as follow:

- Gross foreign liabilities are equal to gross foreign exchange liabilities as defined in paragraph 13, including SDR allocations, plus any other foreign liabilities not listed in that paragraph.
- Gross foreign assets (GFA) of the BCRG are defined as gross reserves assets as defined in paragraph 12, plus (i) any foreign currency claims on residents; (ii) capital subscriptions in international institutions; (iii) foreign assets in nonconvertible currencies; (iv) transfers of foreign currency claims to BCRG by other institutional units in Guinea just prior to reporting dates with accompanying reversals of such transfers soon after those dates; (v) assets obtained through currency swaps of less than three months duration; and (vi) gross reserves that are in any way encumbered or pledged, including, but not limited to: (a) assets blocked when used as collateral for third party loans and third-party payments, or pledged to investors as a condition for investing in domestic securities; (b) assets lent by BCRG to third parties that are not available before maturity, and are not marketable; and (c) foreign reserves blocked for letters of credit.

E. Ceiling on Net Government Budgetary Borrowing from the Central Bank

10. Net borrowing of the central government from the Central Bank is defined as BCRG claims on the central government minus the total of all government deposits at the BCRG and amounts related to the recapitalization of the central bank, which includes the stock and cumulative annual interest as set out in the MoU between the Governor and the Minister of Finance dated May 30, 2018. Central government borrowing from the BCRG is defined as loans, advances, arrears, and purchases of government securities and treasury bills by the BCRG. The monitoring of this indicator will be based on the central government's net position at the BCRG.

F. Floor on the Net International Reserves of the Central Bank

11. Net international reserves (NIR) of the BCRG are, by definition, equal to the difference between the gross reserve assets of the BCRG and the gross foreign exchange liabilities of the BCRG.

12. Gross reserve assets of the BCRG include the following: (i) monetary gold holdings of the BCRG; (ii) holdings of SDRs; (iii) the reserve position in the IMF; (iv) foreign convertible currency holdings; (v) foreign currency denominated deposits held in foreign central banks, the Bank for International Settlements, and other banks; (vi) loans to foreign banks redeemable upon demand; (vii) foreign securities; and (viii) other unpledged convertible liquid claims on nonresidents. It excludes the following: (i) any foreign currency claims on residents; (ii) capital subscriptions in international institutions; (iii) foreign assets in nonconvertible currencies; (iv) transfers of foreign currency claims to BCRG by other institutional units in Guinea just prior to reporting dates with accompanying reversals of such transfers soon after those dates; (v) assets obtained through currency swaps of less than three months duration; and (vi) gross reserves that are in any way encumbered or pledged, including, but not limited to: (a) assets blocked when used as collateral for third party loans and third-party payments, or pledged to investors as a condition for investing in domestic securities; (b) assets lent by BCRG to third parties that are not available before maturity, and are not marketable; and (c) foreign reserves blocked for letters of credit.

13. Gross foreign exchange liabilities are defined as the sum of the following: (i) outstanding medium and short-term liabilities of the BCRG to the IMF; (ii) all short-term foreign currency liabilities of the BCRG to nonresidents with an original maturity of up to, and including, one year; (iii) all foreign currency denominated liabilities to residents, including foreign currency denominated deposits of domestic banks and other residents with the BCRG; and (iv) any outstanding central bank guarantees in foreign currency. SDR allocations are excluded from gross foreign exchange liabilities of the BCRG.

G. Ceiling on New Non-Concessional External Debt Contracted or Guaranteed by the Central Government or the Central Bank

14. Definition of concessional external debt. The definition of debt, for program purposes, is set out in paragraph 8a of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014.[1] For

[1] The definition of debt set forth in the IMF Debt Limit Policy (2014) reads as the outstanding amount of those actual current, and not contingent, liabilities, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy. Debts owed to nonresidents can take a number of forms, the primary ones being as follows: (i) loans, that is, advances of money to obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including

(continued)

program purposes a debt is considered to be concessional if it includes a grant element of at least 35 percent. The grant element is the difference between the nominal value of the loan and its present value, expressed as a percentage of its nominal value. The present value of the debt is calculated on the date on which it is contracted by discounting the future stream of payments of debt service due on this debt. The grant element is calculated using a discount rate of 5 percent.[2] The ceiling on concessional external debt applies to the contracting and the guaranteeing of debt with nonresidents by the central government and the BCRG. For program monitoring purposes, concessional external debt is deemed to be contracted or guaranteed at the date of its signature.

15. Definition of non-concessional external debt: For program purposes, debt is non-concessional if it includes a grant element of less than 35 percent (paragraph 14 for definition of grant element), as indicated in the IMF Executive Board Decision No. 11248–(96/38), April 15, 1996. The total amount of non-concessional debt allowed to be contracted or guaranteed during the arrangement is limited to a ceiling of US$650 million on a cumulative basis from the start of the arrangement, to be used to finance the following priority infrastructure projects, as specified in the relevant loan documents: the Rehabilitation of the RN1 national road; the rehabilitation of the road system in Conakry; the construction of the Lisan-Fomi-Kankan electricity transmission line; and university rehabilitation. The ceiling on non-concessional debt applies to the contracting and guaranteeing of debt with nonresidents by the central government and the BCRG. This performance criterion is monitored on a continuous basis. The ceiling is measured from the start of the arrangement. For program monitoring purposes, non-concessional external debt is deemed to be contracted or guaranteed at the date of its signature.

16. Excluded from the limit on non-concessional external debt is the following: (i) the use of IMF resources; (ii) debts classified as international reserve liabilities of the BCRG; and (iii) the non-concessional loan that the government is contracting to finance the Souapiti dam project; (iv) debt that is non-concessional upon signature but later cancelled or renegotiated to be made concessional, once such cancellation or renegotiation becomes effective in accordance with the terms of the relevant contract and as determined by the law applicable to such contract; and (v) any Guinean francs denominated government security holdings and stock holdings by non-residents.

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deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, that is, arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property.

[2]As approved by the IMF executive Board on October 11, 2013. A more detailed discussion of the concessionality concept and a calculator to estimate the grant element of a financing package are available on the IMF website at http://www.imf.org/external/np/spr/2015/conc/index.htm.

H. Ceiling on New External Arrears of the Central Government and Central Bank

17. New external arrears: The definition of debt for the purposes of the program is provided in paragraph 14 of the TMU, and such debt is considered to be external when it is contracted with a non-resident. For purposes of the PC on the non-accumulation of new external payment arrears, arrears are defined as external debt obligations contracted or guaranteed by the central government or the BCRG that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). This PC excludes arrears on external financial obligations of the government subject to rescheduling.

I. Floor on Tax Revenues Collected

18. The floor on total domestic central government tax revenue is defined as total central government revenue, as presented in the central government financial operations table (TOFE), excluding external grants and non-tax revenue, defined as such in the TOFE.

J. Domestically-financed Social Safety Nets Programs

19. Domestically-financed social safety nets programs are defined as the domestically-financed spending, which is disbursed to support the implementation of: (i) all non-contributory social programs under the *Programmes Filets Sociaux Productifs* (PFSP); (ii) the activities of the Ministry of Social Action and Women Promotion and Infancy, including all non-contributory social programs under the Social Development Fund; (iii) transfers to public administrative entities conducting activities aimed at protecting the most vulnerable, including the activities of National Fund for Youth Placement (FONIJ, of the Center for Women Autonomy, and schooling of children with handicaps; (iv) targeted health activities, notably medical coverage for the poor, free medical procedures, support to individuals with infectious diseases; (v) targeted activities in education, notably provision of school meals and health support; (vi) scholarship to students to improve living conditions.

K. New Domestic Arrears Accumulated by the Central Government (Net)

20. **Domestic arrears are defined as spending** that have been recorded by the public accountants of the Treasury as due by the central government and which have not been paid, including checks that were issued but not yet cashed.

ADJUSTMENT FACTORS FOR THE PROGRAM PERFORMANCE CRITERIA

A. Adjustor for Basic Fiscal Balance

21. The floor for the basic fiscal balance of the central government will be adjusted:

- upward by an amount equal to 40 percent of the shortfall of external program loans and external program grants compared to programmed amounts, as specified in Table 1 (requiring a fiscal adjustment equivalent of 40 percent of the shortfall in program loans and program grants);

- downward by an amount equal to 40 percent of the surplus of external program loans and external program grants compared to programmed amounts, as specified in Table 1 (allowing 40 percent of the surplus in program loans and program grants to be used for supplementary expenditures.

Table 1. Guinea: External Financing Assumptions (Non-cumulative)
(Millions of U.S. Dollars)

	2018							2019					
	Q1A	Q2A	Q3A	Q4P	Q4A	Total P	Total A	Q1A	Q2P	Q3P	Q4P	Total P	Total A
Program Loans	0	0	60	0	0	60	60	0	60	0	100	160	160
Of which													
World Bank	0	0	60	0	0	60	60	0	0	0	100	100	100
Qatar	0	0	0	0	0	0	0	0	60	0	0	60	60
Program Grants	0	0	0	50	50	49	50	0	0	24	29	53	53
Of which													
EU	0	0	0	18	19	18	19	0	0	0	23	23	23
AFD	0	0	0	6	6	6	6	0	0	0	6	6	6

B. Adjustor for Net International Reserves

22. The floor on net international reserves will be adjusted:

- downward by an amount equal to 60 percent of the U.S. dollar equivalent of the cumulative shortfall of external program loans and external program grants of the central government as specified in Table 1;

- upward by an amount equal to 60 percent of the U.S. dollar equivalent of the cumulative surplus of external program loans and external program grants of the central government as specified in Table 1.

C. Adjustor for Net Domestic Assets of the Central Bank

23. The ceiling on net domestic assets will be adjusted:

- upward by an amount equal to 60 percent of the Guinean Franc equivalent (calculated at the program exchange rate) of the cumulative shortfall in external program loans and external program grants compared to programmed amounts as specified in Table 1;

- downward by an amount equal to 60 percent of the Guinean Franc equivalent (calculated at the program exchange rate) of the cumulative surplus of external program loans and program grants compared to programmed amounts as specified in Table 1.

D. Adjustor for Net Government Budgetary Borrowing from the Central Bank

24. The ceiling on net government budgetary borrowing from the Central Bank will be adjusted:

- upward by an amount equal to 60 percent of the Guinean Franc equivalent (calculated at the program exchange rate) of the cumulative shortfall in external program loans and external program grants compared to programmed amounts as specified in Table 1;
- downward by an amount equal to 60 percent of the Guinean Franc equivalent (calculated at the program exchange rate) of the cumulative surplus of external program loans and program grants compared to programmed amounts as specified in Table 1.

MONITORING AND REPORTING REQUIREMENTS

25. Performance under the program will be monitored from data supplied to the IMF by the Guinean authorities as outlined in the table below, consistent with the program definition above. The authorities will transmit promptly to IMF staff any data revisions, as well as other information necessary to monitor the arrangement with the IMF.

Table 2. Guinea: Data Reporting to IMF Staff for Program Monitoring			
Category of Data	**Table/Report**	**Frequency**	**Deadline**
Financial and monetary data	Central bank balance sheet, consolidated commercial bank balance sheet, monetary survey (at the current exchange rate, as well as at the program exchange rate).	Monthly	30th of the month for the previous month.
	Detailed net treasury position (NTP) and net government position (NGP).	Monthly	30th of the month for the previous month.
	Interest rates and stock of government and central bank securities (*BDT* and *TRM*).	Monthly	30th of the month for the previous month.
	Prudential indicators for commercial banks.	Quarterly	One month after the end of the quarter.
	Foreign exchange budget.	Monthly	30th of the month for the previous month.
	Central Bank net advances to the Treasury above the statutory limit and advance amounts not paid within 92 days.	Monthly	30th of the month for the previous month.
Fiscal data	Status report, including a detailed statement of revenue, expenditure, and cash-flow operations	Monthly	30th of the month for the previous month.
	Status report on the use of exceptional procedures, specifying nature of the public expenditures and link to budgetary lines.	Quarterly	One month after the end of each quarter
	General Treasury balances (TOFE).	Monthly	30th of the month for the previous month.
	Cash-flow plan.	Monthly	30th of the month for the previous month.
	Government fiscal reporting table (TOFE).	Monthly	30th of the month for the previous month.
	New mining contracts and revised expiring contracts, including annexes with tax provisions	Quarterly	One month after the end of each quarter
	Stock of VAT credits to be refunded, and domestic debt arrears.	Monthly	30th of the month for the previous month.

Table 2. Guinea: Data Reporting to IMF Staff for Program Monitoring (concluded)			
Category of Data	**Table/Report**	**Frequency**	**Deadline**
Real sector data and prices	Consumer price index, Conakry.	Monthly	30th of the month for previous month's data.
	National accounts.	Annual	Summary estimates: nine months after the end of the year Balance.
Balance of payments data	Imports by use and exports by major products, trade balance.	Quarterly	Three months after the end of the quarter.
	Price and volume indices of imports and exports.	Quarterly	Three months after the end of the quarter.
	Consolidated balance of payments estimates	Annual	Summary estimates: six months after the end of the year.
External debt	Debt service due before and after debt relief.	Monthly	30th of the month for previous month's data.
	Debt service paid.	Monthly	30th of the month for previous month's data.
	Debt service reconciliation table.	Monthly	30th of the month for previous month's data.
	End-of-month outstanding debt and stock of daily debt service outstanding (after relief) and unpaid, stock of daily arrears according to the program definition.	Monthly	30th of the month for previous month's data.
	Drawings on new loans.	Monthly	30th of the month for previous month's data.
External grants and loans	Disbursements.	Quarterly	Quarterly. 30th of the last month of the quarter for previous quarter's data.