



GUINEA

July 2018

FIRST REVIEW OF THE ARRANGEMENT UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUEST FOR MODIFICATION AND FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

In the context of the First Review of the Arrangement Under the Three-Year Extended Credit Facility, Financing Assurances Review, and Request for Modification and for Waivers of Nonobservance of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 25, 2018, following discussions that ended on April 26, 2018, with the officials of Guinea on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 12, 2018.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the International Development Association (IDA).
- A **Supplementary Information** updating information on recent developments.
- A **Statement by the Executive Director** for Guinea.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Guinea*

Memorandum of Economic and Financial Policies by the authorities of Guinea*

Technical Memorandum of Understanding*

*Also included in Staff Report

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

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June 25, 2018

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IMF Executive Board Completes First Review Under the Extended Credit Facility and Approves US\$24.3 Million Disbursement for Guinea

On June 25, 2018, the Executive Board of the International Monetary Fund (IMF) completed the first review of Guinea's economic performance under the program supported by an Extended Credit Facility (ECF). Completion of this review enables the immediate disbursement of SDR 17.213 million (about US\$24.3 million), bringing total disbursements under the arrangement to SDR 34.423 million (about US\$48.6 million). The Board also approved the authorities' request for modification and waivers of non-observance of performance criteria.

Guinea's three-year ECF arrangement was approved by the Executive Board of the IMF on December 11, 2017 (see Press Release No. 17/484) for SDR 120.488 million (about US\$170.1 million at the time of the arrangement's approval, or 56.25 percent of Guinea's quota). The ECF arrangement aims at strengthening resilience, scaling-up public investment in infrastructure while preserving stability, strengthening social safety nets, and promoting private sector development.

Following the Executive Board's discussion on Guinea, Mr. Mitsuhiro Furusawa, Acting Chair and Deputy Managing Director, issued the following statement:

"Guinea continues to demonstrate strong growth momentum and the medium-term outlook is favorable. Owing to fiscal slippages, performance under the ECF-supported arrangement against end-December targets was mixed while program-supported reforms advanced. The authorities implemented corrective measures and program performance strengthened. Strong commitment to implementation of program measures is critical to ensure program success and macroeconomic stability.

"Achieving stronger fiscal targets is necessary to preserve debt sustainability, maintain moderate inflation, and support bank's credit to the economy. To this end, the authorities aim at mobilizing additional revenues, capturing mining revenues, containing non-priority

spending and reducing untargeted energy subsidies while scaling-up growth-supporting public investment and strengthening social safety nets. Maximizing reliance on concessional borrowing while limiting non-concessional borrowing for infrastructure development will help preserve debt sustainability. Strengthening public finance and investment management is important to foster transparency and efficiency.

“Building external buffers is important to strengthen Guinea’s resilience to shocks. To this end, the authorities will adopt an active strategy for accumulating foreign exchange reserves. Strengthening competition in the foreign exchange market and moving to a rule-based central bank’s intervention strategy will support greater exchange rate flexibility.

“Monetary policy should gear towards preserving moderate inflation. Furthermore, limiting government budgetary borrowing from the central bank will help contain inflationary pressures. A more active liquidity management will enhance the monetary policy framework and support banks’ provision of credit to the private sector. Advancing reforms to maintain financial stability will strengthen macroeconomic resilience and support growth.

“Pressing ahead with structural reforms is pivotal to foster private sector development and broad-based growth. Thus, implementing the action plan to improve the business climate, strengthening governance and fostering financial inclusion is key.”



GUINEA

June 8, 2018

FIRST REVIEW OF THE ARRANGEMENT UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUEST FOR MODIFICATION AND FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. The Guinean economy is growing at a faster than anticipated pace on the back of buoyant mining activity. The growth momentum is expected to continue, with real growth at about 6 percent in 2018 and over the medium term. However, risks of instability are heightened by the current electoral cycle.

Program performance. Program performance against end-December 2017 targets was mixed. PCs on the basic fiscal balance, net government borrowing from the central bank and net domestic assets of the central bank were missed, as were the indicative targets (IT) on tax revenues and domestically-financed social safety programs. Most structural benchmarks were met. The authorities have started implementing a package of corrective measures for the missed end-December PCs and request waivers of nonobservance on this basis. Program performance improved in 2018 and the IT at end-March 2018 on the basic fiscal balance was met by a large margin.

Program strategy. Achieving high and broad-based growth while preserving macroeconomic stability is key. Program fiscal targets over 2018–19 have been strengthened to recoup 2017 slippages and preserve debt sustainability. A package of adjustment measures of 2.8 percent of GDP will support achieving the 2018 fiscal target. Building external buffers, maintaining moderate inflation, and safeguarding financial sector stability will strengthen resilience. Scaling-up of growth-supporting public investments needs to be balanced with preserving stability. Social safety nets will be strengthened to reduce poverty. Advancing structural reforms is needed to foster private sector development.

Staff views. In view of corrective measures, staff supports the authorities' request for completion of the first review under the ECF arrangement and for waivers of nonobservance of the missed end-December 2017 PCs. This would result in the disbursement of SDR 17.213 million and catalyze donor support. The program is subject to significant risks and strong ownership is key to foster program success.

Approved By
Dominique Desruelle
Kevin Fletcher

An IMF team consisting of Ms. Albertin (Head), Mr. Egoume, and Ms. Sian (all AFR), Ms. Khalid (FAD), Mr. Yang (SPR) and Mr. Sulemane (Resident Representative), and Mr. Diallo (local economist) held discussions with the authorities in Conakry, Guinea during April 3–15, 2018 and during April 17–26, 2018 in Washington DC. Mr. N’Sondé and Mr. Bah (Senior Advisors to the ED) joined the discussions. The team met with President of the Republic Alpha Condé, President of the National Assembly Claude Kory Kondiano and the Economic and Finance Commission of the National Assembly, Minister of Economy and Finance Malado Kaba, Central Bank Governor Louncy Nabé, Minister of Budget Mohamed Doumbouya, Minister of Planning and Cooperation Kanny Diallo and other members of the government, the Ministers Counselors to the President and other senior government officials. The IMF team also met with representatives of the donor community, civil society, trade unions, private sector and banks. Ms. Cooray provided research support and Ms. Malouf-Hardesty provided assistance for the preparation of this report.

CONTENTS

CONTEXT AND BACKGROUND	4
RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS	6
PERFORMANCE UNDER THE PROGRAM	8
OUTLOOK AND RISKS	9
PRESERVING MACROECONOMIC STABILITY	10
A. Fiscal Policy	10
B. Monetary and Exchange Rate Policies	14
SCALING-UP INFRASTRUCTURE INVESTMENT WHILE PRESERVING DEBT SUSTAINABILITY	15
STRENGTHENING SOCIAL SAFETY NETS	17
ADVANCING GROWTH-SUPPORTING STRUCTURAL REFORMS	18
PROGRAM MODALITIES	18
STAFF APPRAISAL	19

FIGURES

1. Pervasive Poverty, Weak Social Outcomes, and Gender Inequality	5
2. Sectoral Contributions to Real GDP Growth	6
3. Headline and Core Inflation	6
4. Current Account, FDI and Reserves	6
5. Real Effective Exchange Rate	6
6. Revenues and Expenditures Performance	7
7. Fiscal Imbalances and Central Bank Financing	7
8. Reserve Requirements	8
9. Commercial Banks—Credit to Government and Private Sector	8
10. Bauxite Production Capacity	9
11. Sectoral Contribution to Real GDP Growth	9
12. Taxes on International Trade and Effect of Petroleum Products Prices Increase	12
13. Savings in Electricity Subsidies, 2018	13
14. Business Climate	19
15. Governance	19
16. Recent Economic Developments	22
17. Fiscal and Monetary Indicators	23

TABLES

1. Key Economic and Financial Indicators, 2015–23	24
2. Balance of Payments, 2015–23	25
3a. Fiscal Operations of the Central Government, Billions of Guinean Francs, 2015–23	26
3b. Fiscal Operations of the Central Government, Percent of GDP, 2015–23	27
4. Central Bank and Deposit Money Accounts, 2015–23	28
5. Monetary Survey, 2015–23	29
6. Financial Soundness Indicators, 2015–17	30
7. Indicators of Capacity to Repay the IMF, 2018–26	31
8. Schedule of Disbursements and Timing of Reviews Under the ECF Arrangement, 2017–20	32
9. Projected External Borrowing	33
10. Risk Assessment Matrix	34

ANNEXES

I. Strengthening Mining Sector Tax Revenues	35
II. Sources of Inflation	38
III. Strengthening Banks' Credit Provision to the Private Sector	41
IV. Capacity Building Framework Strategy Note: Update	43

APPENDICES

I. Letter of Intent	47
Attachment I. Supplementary Memorandum of Economic and Financial Policies	50
Attachment II. Technical Memorandum of Understanding	74

CONTEXT AND BACKGROUND

1. Guinea is a fragile country with risks of social and political instability, weak institutional capacity, and pervasive poverty. Guinea's social context remains fragile. Violent demonstrations took place in the mining region against the lack of jobs and public services in late 2017 and in 2018; strikes organized by the opposition and labor unions have repeatedly paralyzed the capital, and protests due to electricity shortages are frequent. The political landscape is polarized and rising political and social tensions point to heightened risks of instability. Despite improvements, Guinea's institutional capacity remains weak and weighs on the implementation of economic policies and reforms. Poverty incidence has been reportedly rising, affecting 60 percent of the population in 2016.¹ Education and health outcomes are weak and income and gender inequality are sizable. A large infrastructure gap, poor governance, and a weak business climate constrain private sector development.

2. The current electoral cycle has heightened Guinea's underlying fragilities. Local elections were held in February 2018, the first time since 2005. The electoral process was marked by tensions between the ruling party and the opposition and episodes of violence with casualties. Preliminary results showed the ruling party leading in more than half of the districts. However, the opposition has contested the results. After a reshuffling, a new Prime Minister was appointed and a new government took office at end-May 2018. Looking ahead, parliamentary elections scheduled in early 2019 and presidential elections in 2020 heighten risks of political and social instability.

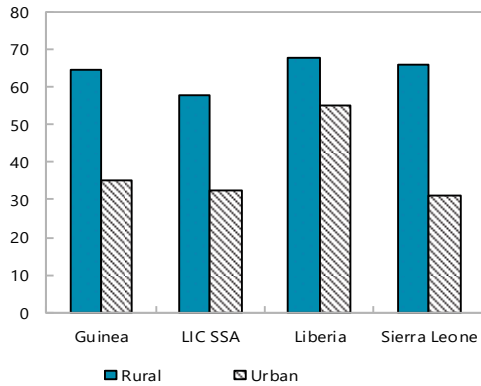
3. The three-year ECF arrangement supports the authorities' 2016–20 National Social and Economic Development Plan to achieve high and broad-based growth and reduce poverty while preserving stability. The ECF arrangement aims at strengthening macroeconomic resilience; scaling-up growth-supporting public investments in infrastructure while preserving stability; strengthening social safety nets; and promoting private sector development. The program is subject to significant risks, including electoral cycle pressures and political instability in the run-up to the legislative and presidential elections, and capacity and implementation constraints.¹ Guinea is a pilot country under the IMF Capacity Building Framework for fragile countries and targeted IMF technical assistance is supporting the authorities' efforts to achieve program objectives.

¹ Socioeconomic Impact of Ebola using Mobile Phone Survey (World Bank 2016).

Figure 1. Guinea: Pervasive Poverty, Weak Social Outcomes, and Gender Inequality

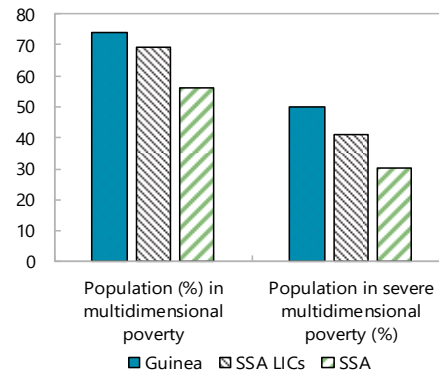
Poverty Rates in Urban and Rural Areas¹

(Percent of population)



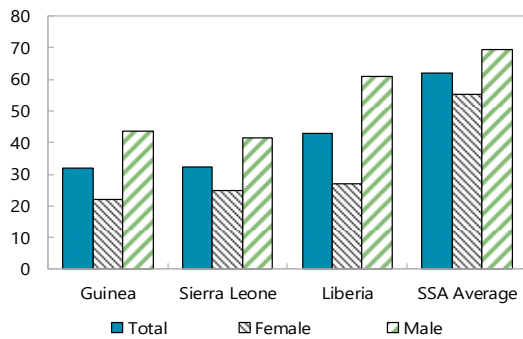
Multidimensional Poverty Rates¹

(Percent of population)



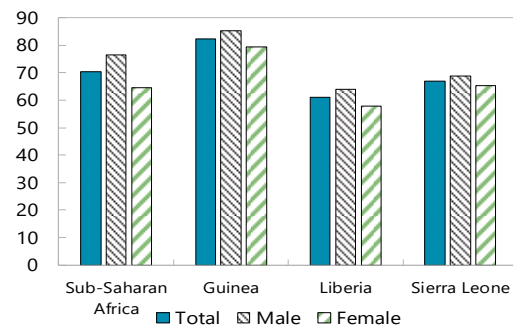
Adult Literacy Rate¹

(Percent of 15+ Population)



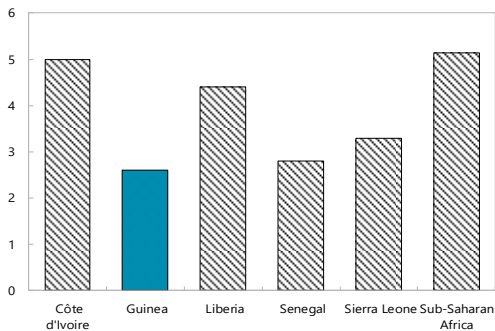
Labor Force Participation Rates, 2016

(15+; percent of population)



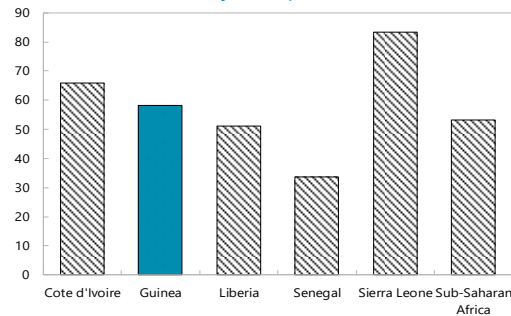
Average Years of Schooling, 2015

(Number of years)



Infant Mortality, 2015

(Mortality rate per 1000 births)

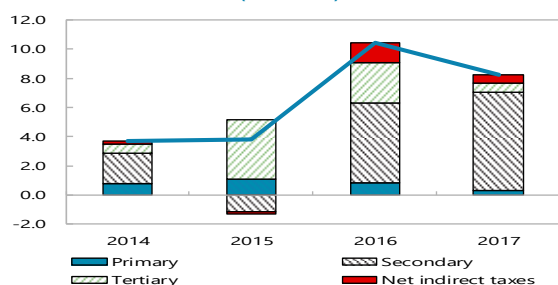


Sources: World Development Indicators; UN Development Program; and the International Labor Organization.
¹ Most recent year of data used for each country. SSA average is the mean of most recent years of data for Sub-Saharan African countries.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

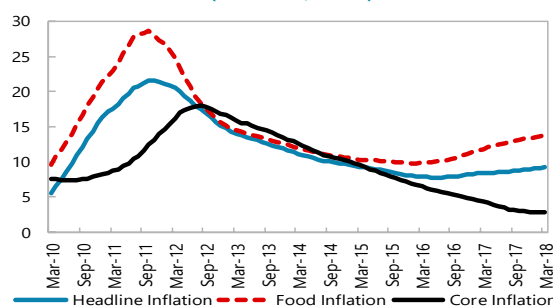
4. The Guinean economy is growing at a faster-than-anticipated pace on the back of buoyant mining activity. Real growth was revised upwards to 10.5 percent in 2016. The growth momentum was sustained in 2017, with real growth estimated at 8.2 percent due to buoyant mining activity, strong construction activity, good agricultural performance, and larger-than-programmed capital expenditures. Average inflation increased to 8.9 percent in 2017 and rose to 9.2 percent in the first quarter of 2018 reflecting sustained food inflation (Annex II). Core inflation, excluding energy and food, remained moderate at 3.4 percent.

Figure 2. Guinea: Sectoral Contributions to Real GDP Growth (Percent)



Sources: Guinean authorities; and IMF staff estimates.

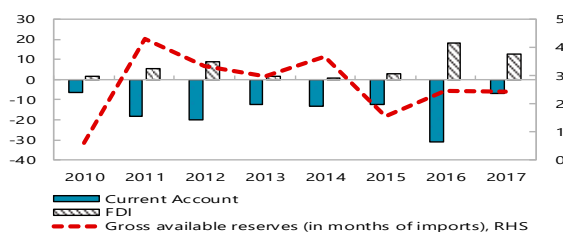
Figure 3. Guinea: Headline and Core Inflation (Percent, YOY)



Sources: Guinean authorities; and IMF staff estimates.

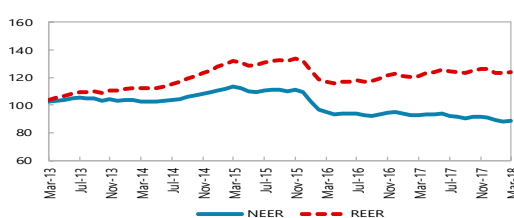
5. The current account deficit is estimated to have narrowed to 7 percent of GDP in 2017, reflecting surging mining exports. Mining exports increased by 79 percent (y-o-y) in 2017, on the back of rising bauxite production and the impact of the elimination of export taxes on gold. FDI in the mining sector continued to be strong at 13 percent of GDP and investment-related imports remained buoyant. International reserves increased to US\$686 million (2.4 months of import cover). After an appreciation of 4 percent in 2017, the real effective exchange rate depreciated by 2 percent in the first quarter of 2018.

Figure 4. Guinea: Current Account, FDI and Reserves (Percent of GDP; in months of imports)



Sources: Guinean authorities; and IMF staff estimates.

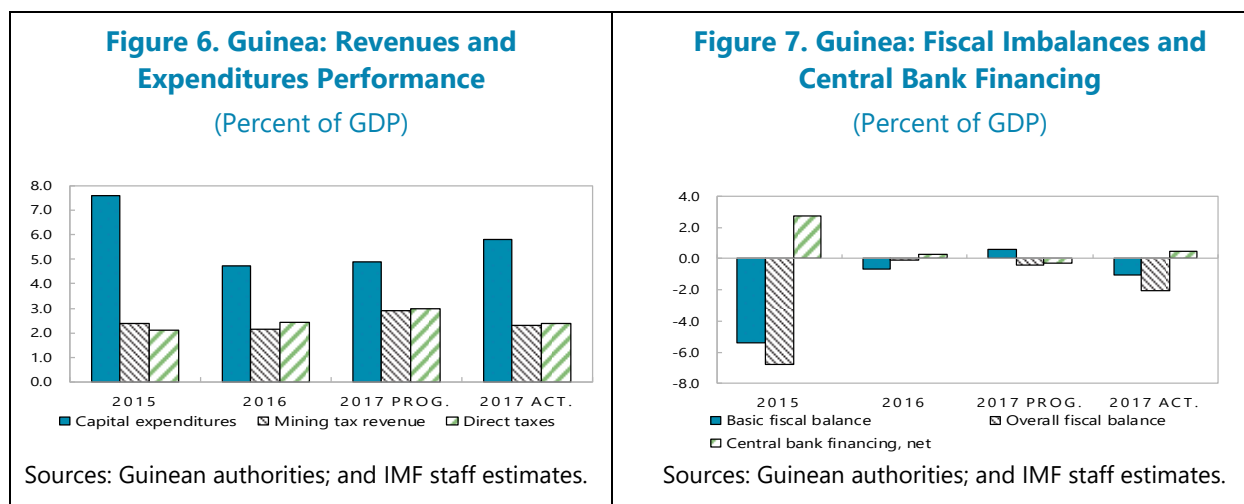
Figure 5. Guinea: Real Effective Exchange Rate (Index 2015=100)



Sources: Guinean authorities; and IMF staff estimates.

6. Fiscal imbalances sharply widened in 2017, reflecting tax revenues shortfalls and expenditures over-runs. The basic fiscal balance recorded a deficit of 1.1 percent of GDP in 2017 against a targeted surplus of 0.6 percent of GDP.² Mining tax revenues underperformed due to the impact of social protests on the activity of a bauxite company (Annex I). Non-mining tax revenues were lower-than-programmed due to downward adjustments of the tax on petroleum products (TSPP) to keep retail prices constant in the face of rising international oil prices and delays in measures for electronic tax controls and collection.³ Domestically-financed capital expenditures and spending on goods and services were largely above programmed levels, reflecting electoral pressures and higher-than-budgeted costs for local elections. Extra-budgetary expenditures were authorized through the irregular use of exceptional approval procedures (authorization letters).⁴ Electricity subsidies were in line with targets. Large financing needs led to borrowing from the central bank and commercial banks above programmed levels and accumulation of domestic arrears (1.0 percent of GDP).

7. Fiscal performance improved in the first quarter of 2018, owing to efforts to contain expenditures and strengthened mining revenues. The basic fiscal balance recorded a surplus of 1 percent of annual GDP. Mining tax revenues increased by 61 percent (y-o-y) on the back of buoyant activity. Non-mining tax revenues increased by 8 percent (y-o-y), with higher taxes on international trade compensating for declining TSPP revenues. Ad-hoc downward adjustments of customs duties on petroleum products to keep retail prices constant led to a revenue loss of 0.2 percent of GDP. Spending on goods and services and domestically-financed capital expenditures were contained at 0.5 and 0.1 percent of GDP. A net government repayment to the central bank was recorded, borrowing from commercial banks was contained, and domestic arrears were reduced by 0.5 percent of GDP.

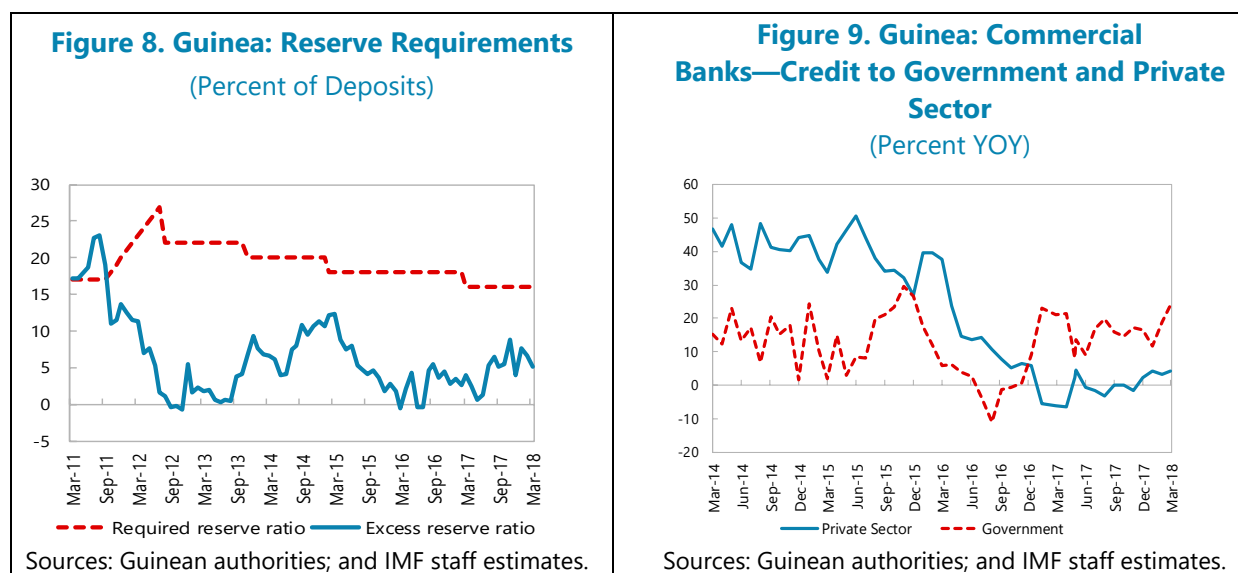


² The basic fiscal balance had recorded a 0.5 percent of GDP surplus in year-to-date through October 2017

³ The TSPP rate was reduced to 250 GNF/liter for gasoil and essence and to 0 for Kerosene.

⁴ The budget management and public accounting decree allows the use of authorization letter for sovereign expenditures and special funds and requires their use to be linked to budgetary lines.

8. Liquidity conditions in the banking sector improved but credit to the private sector remained weak. Banks' liquidity conditions eased, reflecting a reduction in reserve requirements (from 18 to 16 percent) in March 2017 and sustained deposit growth. While positive credit growth resumed at end-2017, credit to the private sector declined by 1.3 percent on average (y-o-y) in 2017, reflecting crowding out effects of banks' government financing compounded by banks' hesitance to lend to the private sector (Annex III). Non-performing loans (NPLs) declined to 10.7 percent at end-2017 (11.4 percent in June 2017). All banks were in compliance with reserve requirements at end-2017. Two banks were in non-compliance with capital adequacy requirements at end-2017 (six banks were non-compliant at end-2016).



PERFORMANCE UNDER THE PROGRAM

9. Performance against the end-December 2017 program targets was mixed. The performance criteria (PC) on net international reserves, non-concessional external debt and non-contraction of new external arrears were met. Owing to fiscal slippages, PCs on the basic fiscal balance, net government budgetary borrowing from the central bank and net domestic assets of the central bank were missed. The indicative targets (IT) on tax revenues and on domestically-financed social safety programs were also missed, the latter partly due to capacity constraints

10. Program-supported reforms advanced and most structural benchmarks (SBs) were met. Reforms to mobilize tax revenues, strengthen fiscal management, reduce untargeted electricity subsidies, improve the monetary policy framework, and foster private sector development and governance advanced (MEFP, Table 2). The implementation of the automatic price adjustment mechanism for petroleum products and the agreement on the recapitalization of the central bank were delayed.

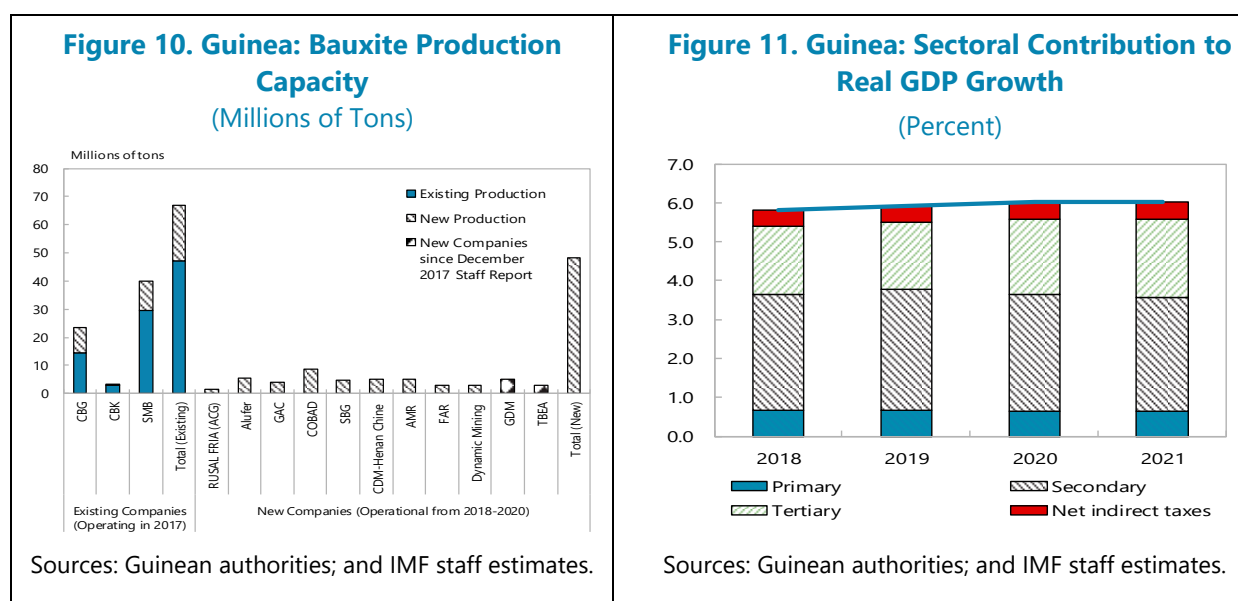
11. The authorities have started implementing a package of corrective measures for the missed end-December PCs and request waivers of nonobservance on this basis. The authorities agreed to strengthen program fiscal targets over 2018–19 to recoup 2017 fiscal slippages and

adopted a revised budgetary framework for 2018 in line with agreed corrective measures (IMEFP 17). A comprehensive set of prior actions started to be implemented to address sources of program underperformance and achieve strengthened fiscal targets. Actions focus on adopting a revised budgetary framework for 2018 to form the basis for a Supplementary Budget Law; preventing the occurrence of extra-budgetary expenditures; mobilizing additional tax revenues; limiting the central bank’s lending to the government; reducing untargeted electricity and petroleum products subsidies; and setting the modalities for the recapitalization of the central bank (MEFP, Table 2).

12. Program performance strengthened in the first quarter of 2018. The IT at end-March 2018 on the basic fiscal balance was met by a large margin. A government net repayment to the central bank was recorded in the first quarter of 2018 and the IT on net government budgetary borrowing from the central bank and net domestic assets of the central bank were missed only due to the base effect of the larger-than programmed stock at end-2017. The IT on net international reserves was missed by a small margin owing to the postponement of disbursement of World Bank budget support from the first to the third quarter of 2018.

OUTLOOK AND RISKS

13. Guinea’s growth outlook is favorable under the program scenario. The growth momentum is expected to continue with real growth at 5.8 percent in 2018 on the back of continued buoyant mining activity, strong construction activity reflecting the implementation of infrastructure projects and stronger agricultural performance. Real growth would average about 6 percent over the medium-term supported by FDI in mining, infrastructure investments, a stable macroeconomic environment, and structural reforms to support private sector development. Inflation is expected to be moderate owing to a prudent monetary policy and strengthened fiscal position, which would reduce the central bank’s budgetary financing.



14. The current account deficit is expected to reach 21 percent of GDP in 2018, financed by FDI inflows, and gradually narrow over the medium term. Mining exports would slightly increase from buoyant 2017 levels in 2018. Imports are expected to increase by 26 percent (y-o-y) on the back of large FDI inflows, infrastructure development, and higher oil prices. International reserves would increase to 3.2 months of import coverage in 2018. External imbalances are expected to gradually narrow over the medium term, reflecting strong mining exports growth, and will continue to be financed by large FDI inflows. International reserves would gradually increase to reach 3.8 months of import coverage in 2020.

15. Risks to the growth outlook remain balanced. Political and social instability in the run-up to the legislative elections could undermine near-term growth prospects and weaken policy discipline and reform implementation. Delays in mining projects, a decline in commodity prices, or capacity and execution constraints in infrastructure development could undermine medium-term growth. On the other hand, new mining production capacity could come on stream faster than anticipated and support higher growth.

PRESERVING MACROECONOMIC STABILITY

A. Fiscal Policy

16. Fiscal policy will be oriented towards preserving macroeconomic stability while supporting higher and more inclusive growth. To recoup fiscal slippages recorded in 2017, program fiscal targets were strengthened to a surplus of 0.8 in 2018 and 1.0 percent of GDP in 2019 (0.6 and 0.9 percent of GDP, respectively at program request). Containing budgetary financing needs will help preserve medium-term sustainability, gradually repay government borrowing from the central bank and domestic arrears, limit commercial banks' financing, and support provision of credit to the economy. Mobilizing additional tax revenues of 2½ percent over 2018–20 and containing non-priority spending will create the fiscal space to scale-up growth-supporting public investments and strengthen social safety nets to reduce poverty.

17. The authorities have started implementing a package of corrective measures to strengthen the fiscal position. In the absence of additional adjustment measures, the basic fiscal balance would record a deficit of 2 percent of GDP in 2018. The Council of Ministers adopted a revised budgetary framework for 2018 to achieve a basic fiscal surplus of 0.8 percent of GDP underpinned by corrective measures (prior action), which will form the basis for a Supplementary Budget Law to be adopted by September 2018 (new SB). To avoid the occurrence of extrabudgetary spending, the use of authorization letters to approve expenditure execution has been limited in line with the provisions of the law (prior action). A package of adjustment measures of 2.8 percent of GDP will support achieving the fiscal target in 2018 (Text Table 1). Thus, tax measures and the increase in petroleum product prices will support revenue mobilization, non-priority goods and services will continue to be contained, and untargeted electricity subsidies will be reduced while social safety nets will be strengthened. While overall public investment will be scaled-up, domestically-financed non-priority investment projects will be rephased, in view of larger than

programmed execution in 2017. Stronger fiscal balances will enable the government to make a net repayment to the central bank, reduce borrowing from commercial banks, and reduce domestic arrears, including long-standing arrears for which a clearance strategy was approved at end-2017.

Text Table 1. Guinea: Impact of Adjustment Measures, 2018
(Percent of 2018 GDP)

Tax revenue mobilization	0.77
Tax policy measures	
Rationalize ad-hoc exonerations	0.04
Broadening the base for the insurance tax	0.02
Tax administration measures	
Tax recovery from general audits of large enterprises	0.17
Tax recovery from desk audits of the enterprises	0.03
Collection of recoverable tax arrears	0.09
Tax recovery from matching of customs and tax databases	0.02
Strengthen collection of Single Land Contribution	0.03
Increase in petroleum products retail prices	0.38
Non Tax revenues mobilization	
Exceptional recovery from the Regulatory Agency for Post and Telecommunications	0.38
Containing public expenditures	1.69
Measures to offset the impact on the wage bill of the public administration wage increase	0.31
Containing current expenditures in goods and services	0.68
Reduction in electricity subsidies (from tariff increase, efficiency measures, and change in production mix)	0.38
Eliminating university subsidies for fictitious students	0.04
Rephasing non-priority domestically-financed public investments	0.28
Total	2.8

Sources: Guinean authorities; and IMF staff estimates.

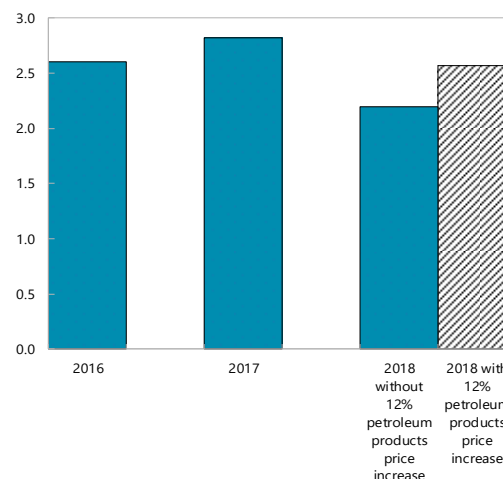
Mobilizing Additional Revenues

18. Tax policy and administration measures will support mobilizing additional revenues. In line with the action plan for a targeted tax policy and administration reform adopted at end-2017, key tax policy measures were introduced in the 2018 budget to simplify the tax system, make it more equitable, and broaden the tax base. In addition to those, a package of newly identified tax measures is expected to mobilize additional tax revenues of 0.4 percent GDP in 2018 (MEFP ¶14). Notably, ad hoc-tax exonerations will start to be eliminated in line with the recently adopted time-bound action plan (prior action), general and desk audits of large companies and tax arrears recovery will be stepped-up, and cross-checking large companies imports with declared turnover will improve tax control and collection. Efforts to mobilize additional revenue will continue over the medium term by broadening the tax base and making the tax system more equitable (MEFP ¶20). To this end, continuing to rationalize tax exemptions, reviewing excise rates, the property tax regime and international tax rules and provisions, and strengthening tax control and collection will be

19. Retail prices of petroleum products will be increased to support revenue mobilization and to move toward the implementation of an automatic price adjustment mechanism.

Petroleum products prices at the pump have been kept constant since 2015 at GNF 8,000 per liter. Due to the international oil price increase, custom duties on petroleum products were reduced in the first quarter of 2018 to keep retail prices unchanged leading to sizable revenue losses. To support revenue mobilization, a decree to increase petroleum products prices at the pump by 12 percent from July 1st, 2018 was signed in June 2018 (prior action). The increase in petroleum prices will mobilize additional tax revenues of 0.4 percent of GDP (MEFP ¶15). This will be accompanied by strengthening social safety nets to mitigate the impact on the most vulnerable (¶37). Reducing the gap with import prices will facilitate the full implementation of the automatic price adjustment mechanism in early 2019, which will be preceded by an extensive communication campaign.

Figure 12. Guinea: Taxes on International Trade and Effect of Petroleum Products Prices Increase
(Percent of GDP)



Sources: Guinean authorities; and IMF staff estimates.

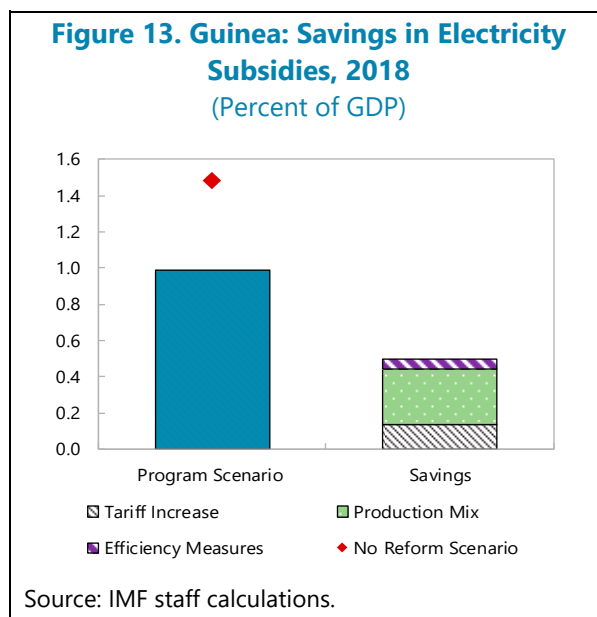
20. Applying the tax provisions of the mining code is essential to capture revenue windfalls from buoyant mining activity. Guinea's Mining Code was amended in 2013 and tax provisions in line with international standards were introduced. However, incumbent mining companies were grandfathered from the new tax provisions, and several new mining companies have been granted sizable tax exonerations (Annex I). Capturing revenue windfalls from buoyant activity in the mining sector and new companies' production coming on-stream is key to create fiscal space for growth-supporting investment and priority social spending. To this end, all new and renewed mining agreements, excluding those with new investments in infrastructure for multiple users and local transformation, will be in line with the tax provisions of the mining code while bilateral conventions will be presented to the National Assembly with an assessment of tax expenditures (new SB).

Containing Current Non-priority Spending

21. Measures to offset the impact of a larger-than-programmed wage increase for the public administration will keep the wage bill contained. A 20 percent higher-than-programmed salary increase for the public administration was adopted in March 2018. Freezing planned recruitment and ordinary advancements, and delaying the implementation of the new status for certain categories of employees will generate savings of 0.3 percent of GDP to offset the impact of the wage increase (MEFP ¶18). In parallel, cleaning civil servants' registries and strengthening the system to monitor civil servants will continue. The wage bill will be contained over the medium term.

22. Electricity subsidies will be reduced thanks to a comprehensive tariff reform, reduced electricity production costs and greater efficiency of the public electricity utility.

Electricity tariffs for households and industrial and professional users were increased by 10 and 25 percent, respectively, since May 2018 (prior action) as a first key step to bring them closer to cost recovery. The tariff reform, coupled by gains from the temporary tariff increase for industrial and large consumers in the first months of 2018, will generate savings on electricity subsidies of 0.1 percent of GDP in 2018. A tariff study and impact analysis is being finalized and will provide the basis to further advance the reform and bring tariffs to cost recovery levels over the medium-term (MEFP ¶17). In addition, the authorities' strategy to substitute thermal with hydroelectric production will reduce production costs for the electricity public utility (EDG) by about 0.3 percent in 2018. EDG's efficiency will also be improved. The installation of consumption meters will strengthen revenue collection and measures to curb fraud will reduce commercial losses.



Fiscal Structural Reforms

23. Advancing reforms to strengthen public financial management will support the fiscal strategy. Guinea conducted a Public Expenditure and Financial Accountability (PEFA) assessment in April 2018, with the support of IMF technical assistance. Time-bound actions to address PEFA recommendations will be integrated in the public finance reforms plan by September 2018 (new SB) (MEFP ¶21). The medium-term budget framework was strengthened (MEFP ¶21), which will support better expenditure monitoring. Adhering to the budget preparation calendar for the 2019 budget law will be a further important step. Strengthening cash management will improve budgetary execution and reduce the need for budgetary borrowing from the central bank. To this end, expenditure commitment plans have started to be aligned to cash flows since January 2018 and cash management forecasting will be improved with the support of IMF technical assistance. Setting-up the Treasury Single Account (TSA) by end-December 2018 will strengthen transparency, cash management, and budget monitoring (MEFP ¶21).

24. Staff welcomes progress in the reform of state-owned enterprises (SOEs) to strengthen governance and mobilize fiscal revenue. A survey of the legal and financial status of SOEs was completed in 2017 and the 2016 SOEs' annual financial report was submitted for the first time to the Parliament. The 2017 SOEs' annual financial report will be submitted to Parliament with the 2019 budget law. The revised SOE law approved at end-2017 strengthens the governance and monitoring of SOEs, facilitates SOEs' payment of taxes and dividends, and clarifies rules for receiving subsidies. The implementation decrees of the law will be adopted by September 2018 (new SB) and all SOEs'

by-laws will be put in line with the new law by end-2018. SOEs' financial losses amounted to 1.6 percent of GDP at end-2016. A medium-term strategy to improve the financial situation of loss-making SOEs is being prepared (MEFP ¶24).

B. Monetary and Exchange Rate Policies

25. Gradually building external buffers is needed to strengthen Guinea's resilience to commodity price shocks. In view of increased foreign exchange supply in the economy, the BCRG will adopt a more active strategy for accumulating reserves and will start conducting regular and small purchases in unilateral and competitive auctions starting September 2018 (new SB) (MEFP ¶30). This will support gradually building comfortable buffers and reaching the ARA-CC metric reserve adequacy estimate of 3.8 months of import cover by 2020. In parallel, BCRG interventions in the bilateral foreign exchange market (MEBD) will be limited to maintaining liquidity and preventing disorderly market conditions.

26. Further strengthening foreign exchange market operations will support greater exchange rate flexibility. The reform of the foreign exchange market is well-advanced. To improve competition in the MEBD and support greater exchange rate flexibility, the limit on auction allocations to a single participant will be increased to 40 percent by September 2018 and gradually phased out by June 2019. The BCRG will develop a rule-based intervention strategy in the MEBD to limit discretion by March 2019 (SB). Greater exchange rate flexibility will help reduce the real effective exchange rate overvaluation, estimated between 19–23 percent at end-2016. The methodology used for the calculation of the daily reference exchange rate and the rules for banks' participation in the MEBD were clarified, and market reporting and analysis will be strengthened (MEFP ¶29).

27. Monetary policy will aim at maintaining moderate inflation. In view of rising inflation, monetary policy will need to be prudent and maintain a positive real interest (Annex II). Reserve money increased at a much faster-than-programmed rate in 2017, due to large central bank lending to the government. Strengthening coordination between fiscal and monetary policy is needed to limit recourse to central bank lending and contain inflationary pressures. To this end, the BCRG and the Ministry of Economy and Finance signed a Memorandum of Understanding in May 2018 that limits central bank advances to the government to short-term cash management and statutory limits in line with the Central Bank Law (prior action). In addition, the system for monitoring and reporting central bank lending to the government will be strengthened, including by providing regular reports to the BCRG's Board (MEFP ¶33).

28. Strengthening liquidity management will enhance the monetary policy framework. The BCRG has established a new liquidity forecasting framework in March 2018, which will help calibrate liquidity injections and absorption operations. Actively using the new framework and liquidity instruments will strengthen reserve money targeting and ensure appropriate liquidity in the banking system to support credit to the economy. Setting-up an electronic platform for interbank transactions by September 2018 will strengthen activity and competition in the interbank market. An emergency liquidity framework for illiquid but solvent banks will also be established by February 2019.

29. Ensuring the BCRG's operational and financial autonomy is important. While the autonomy of the BCRG was strengthened through the enactment of the amended BCRG law in 2017, recapitalizing the BCRG is needed to ensure its operational and financial autonomy. To this end, a Memorandum of Understanding between the BCRG and the Ministry of Economy and Finance, specifying the modalities and timeline of the central bank's recapitalization, was signed in May 2018 (prior action). Furthermore, the implementation of the Memorandum of Understanding that limits the central bank's advances to the government (¶27) will be needed to mitigate risks that emerged with the BCRG's lending to the government in 2017 exceeding statutory limits.

30. Implementing the recommendations of the 2018 safeguard assessments is important to strengthen the BCRG's financial reporting transparency and internal audit. The 2018 safeguards assessment noted mixed progress at the central bank. Implementing International Financial Reporting Standards (IFRS) is on-track and the BCRG expects to publish 2017 IFRS-compliant financial statements by September 2018 (SB). A capacity building program was set-up to strengthen the BCRG's internal audit and a peer-review of currency operations is expected to be conducted by November 2018 (MEFP ¶33). Internal compliance processes will be established and semi-annual reports provided to the Board by end-September 2018 (new SB).

C. Financial Sector

31. Reforms to maintain financial stability and strengthen resilience are advancing. Efforts to strengthen banking supervision continue, including by updating banks' accounting framework, improving financial reporting, and strengthening the rating methodology of banks. An action plan has been adopted to establish a deposit guarantee scheme by end-2018. A new credit information system has become operative in February 2018 to provide better information to banks on customers' creditworthiness. The BCRG will ensure that all banks comply with reserve requirements and an action plan with the two remaining non-compliant banks was defined to bring them into capital regulatory compliance by end-2018 (MEFP ¶34).⁵ A banking resolution framework will also be established by end-2018.

SCALING-UP INFRASTRUCTURE INVESTMENT WHILE PRESERVING DEBT SUSTAINABILITY

32. Scaling-up infrastructure investment needs to be balanced with preserving stability. The program supports a significant scaling-up of public investments to foster higher growth and economic diversification. Overall capital expenditure is expected to increase to 6.5 percent of GDP in 2018 and about 7 ½ percent over 2019–20. In addition to creating fiscal space, a prudent external borrowing strategy is key to support the scaling-up of public investments while preserving stability.

⁵ One bank is in breach of capital adequacy requirements by a minimal amount and is expected to be in compliance following the incorporation of the 2017 financial year results; a recapitalization plan has been defined for the remaining bank.

Mobilizing External Financing While Maintaining Medium-term Debt Sustainability

33. A prudent external borrowing strategy geared towards maximizing reliance on concessional loans and limiting non-concessional loans is key to preserve medium-term sustainability. Given the large financing needs for infrastructure development and constraints in mobilizing sufficient concessional resources, the

authorities have started mobilizing non-concessional loans. A US\$1.2 billion (11 percent of GDP) non-concessional loan for the construction of the Souapiti dam is being finalized. In view of this, the authorities remain committed to limit new non-concessional loans, in addition to the Souapiti loan, to a maximum of US\$650 (6.3 percent of GDP) under the three year-ECF arrangement so as to preserve medium-term debt sustainability. New non-concessional

loans will finance key priority growth-supporting infrastructure projects in the energy, transport and education sectors (Text Table 2). Notably, the non-concessional loans to finance the rehabilitation of the RN1 national road and the Conakry road system are expected to be signed in 2018. Under the program scenario Guinea's debt dynamics remains sustainable with a moderate risk of debt distress (Update of Debt Sustainability Analysis, SM/18/XX). Owing to stronger than-anticipated growth in 2016-17, debt vulnerabilities are more contained than in the 2017 Debt Sustainability Analysis (DSA) with the present value of external debt-to-GDP expected to increase from 13 percent in 2017 to a peak of 22 percent in 2020 (the ratio was peaking at 26 percent in the 2017 DSA). The authorities remain committed to resolve long-standing external arrears (US\$150.1 million to Non-Paris Club and commercial creditors at end-2017) and will continue to engage with creditors.⁶

Text Table 2. Guinea: New Non-Concessional Loans to Finance Priority Infrastructure Projects¹

Project	Amount (USD million)
Rehabilitation of RN1 (national road)	275
Rehabilitation of road system in Conakry	159
Construction of electricity transmission line (Lisan-Fomi-Kankan)	150
University Rehabilitation	63

Source: Guinean authorities.

¹ Indicative values on a contracted basis, expected during 2017–20. This excludes the US\$1.2 billion non-concessional Souapiti loan which is being finalized.

34. Strengthening debt management will support preserving debt sustainability. For the first time, a statistical bulletin on public debt and a calendar of government bond issuance were published (MEFP 128). A committee to oversee debt management will be set-up and the authorities will update their medium-term debt management strategy by end-2018, with the support of IMF technical assistance. Guinea participated in the Debt Management Performance Assessment (DEMPA) in May 2018 and, on the basis of the findings a comprehensive action plan to strengthen debt management will be developed by October 2018.

⁶ Guinea owes long-standing arrears that predate the HIPC completion point to non-Paris Club countries (Libya, Morocco, Thailand, Bulgaria, Romania and Iraq). These arrears continue to be deemed away under the IMF Policy on Arrears to official bilateral creditors as the underlying Paris Club Agreement is adequately representative and the authorities are making best efforts to resolve the arrears. Regarding the external arrears owed by Guinea to private creditors, the authorities continue to make good faith efforts to reach a collaborative agreement.

Strengthening the Public Investment Framework

35. Strengthening public investment management is key to improving the transparency, efficiency and returns of public investments. Guinea conducted a Public Investment Management Assessment (PIMA) in May 2018, with the support of IMF technical assistance. Based on the findings, the authorities will develop an action plan to strengthen public investment management by September 2018. A platform for integrated investment management is being developed to support better execution and monitoring of public investments. Conducting cost-benefit analysis for public investment projects will support prioritizing projects with higher growth and poverty reduction impact and improve transparency. To this end, feasibility studies were prepared for the key priority infrastructure projects to be financed by non-concessional loans. Conducting competitive bidding, streamlining procedures, and improving public contracts monitoring will support transparency and efficiency (MEFP ¶22).

36. Finalizing the new public-private partnership (PPP) framework in line with best practices will support infrastructure development. Adopting the implementation decrees of the new PPP law in line with best practices and consistent with the organic law on financial management is key. In view of associated risks, the authorities agreed that prudence is needed in the use of PPPs to finance infrastructure projects and that contingent liabilities will need to be well-monitored and contained in line with sound risk management.

STRENGTHENING SOCIAL SAFETY NETS

37. Stepping-up domestic resources allocated to social safety nets will reduce poverty and foster inclusion. Strengthening domestically-financed social safety nets (SSNs) will help achieve the authorities' objective to reduce the poverty rate to 45 percent by 2020, fostering inclusion and mitigating the impact of the increase in petroleum products prices on the most vulnerable. To this end, domestic resources allocated to the main SSNs in Guinea—the *Program Filet Social Productive* (PFSP) and *Fonds de Développement Social et de Solidarité* (FDSS) will be stepped-up by the equivalent of the electricity subsidies savings stemming from the electricity tariff reform (about 0.2 percent over 2018–19). This will strengthen labor-intensive public works in rural regions, notably for women and the youth; socio-economic reintegration programs for vulnerable groups; and targeted cash transfers programs. In addition, this would also reduce the dependence of these programs on donor financing and increase their long-term sustainability.

38. Scaling-up of social safety net programs will be accompanied by improving targeting to reach the most vulnerable groups. A unified social register of vulnerable populations will be set-up by February 2019, which will be key to strengthening the targeting and delivery of social programs. To this end, a technical committee has been created to develop the terms of reference and an implementation plan, with donors' support.

ADVANCING GROWTH-SUPPORTING STRUCTURAL REFORMS

39. Improving the business climate is needed to support private sector development and achieve higher and more inclusive growth. The authorities have developed a time-bound action plan to improve the business climate by easing procedures to start a business and for paying taxes, developing a framework for the Public-Private dialogue, improving access to credit and contract enforcement, and easing cross border trade. To this end, a specialized Commerce Court will be set-up in Conakry by October 2018 (new SB) and a one-stop-shop to facilitate international trade will be established by end-2018.

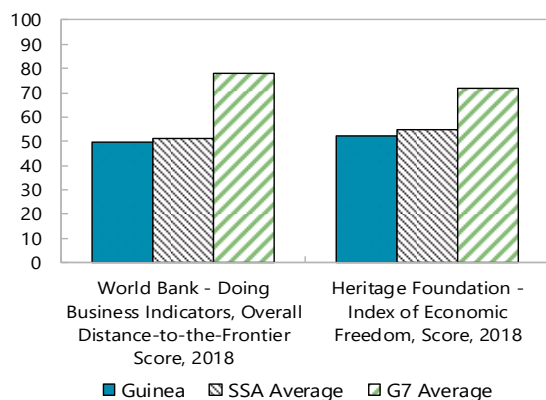
40. The anti-corruption framework is being strengthened to enhance governance. A new anti-corruption law was adopted in 2017 and its implementation decrees on the asset declaration regime and whistle blowers and victims' protection will be adopted by end-December 2018 (new SB). Furthermore, the implementation decree for the organization and operation of the National Agency for the Fight Against Corruption (NAFC) will be adopted by end-October 2018 (New SB). Notably NAFC's independence and financial autonomy, as well as its human, technical, and logistic capabilities will be strengthened (MEFP ¶37). The authorities aim to further strengthen the AML/CFT regime and implement the recommendations of the GIABA assessment, including measures related to politically-exposed persons, with the support of IMF technical assistance.

41. Strengthening financial inclusion will support private sector development. A new Financial Inclusion Law was adopted in 2017 which provides a framework for the activity of microfinance institutions and will help increase credit access for SMEs, women, and the youth. The law's implementation decrees will be adopted by June 2018.

PROGRAM MODALITIES

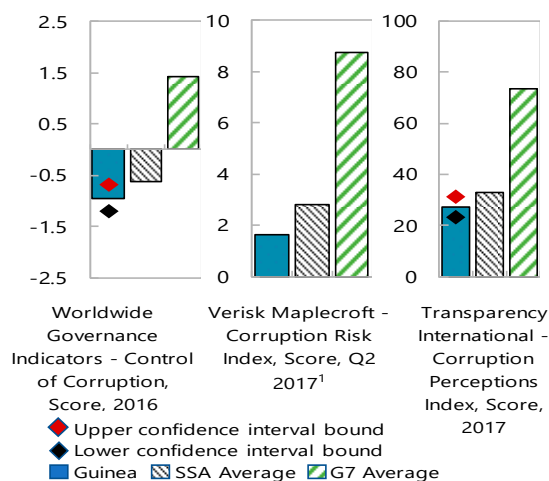
42. Capacity to repay the Fund and financing assurances. Guinea's credit outstanding to the IMF is at SDR 231 million (about 92 percent of quota) in 2018. Given the good track record in meeting obligations to the Fund, the strength of the program, the favorable medium-term growth outlook, and a sustainable debt position, staff considers that Guinea has an adequate capacity to repay the Fund (Table 7). Firm financing assurances are in place for the next 12 months, in view of external financing to be catalyzed by the program—budget support from the World Bank (US\$60 million in 2018) and the European Union (Euros 55 million over 2017–19)—and IMF disbursements (Table 9), with good prospects for the rest of the program. A safeguard assessment update was conducted in 2017.

Figure 14. Guinea: Business Climate
(0 indicates poor business climate)



Sources: World Bank's Doing Business Indicators, 2018; and Heritage Foundation's Index of Economic Freedom, 2018.

Figure 15. Guinea: Governance
(Lower scores indicate poor governance)



Sources: Worldwide Governance Indicators, D. Kaufman (Natural Resources Governance Institute and Brookings Institutions, and A. Kraay (World Bank), 2017; Verisk Maplecroft's Corruption Risk Index, 2017; Transparency International's Corruption Perceptions Index, 2017.

Note: The use of these indicators should be considered carefully as they are derived from perceptions-based data.
¹ Confidence intervals are not available for this indicator.

43. Modifications to the program and monitoring. The following modifications are proposed: (i) modify end-June PCs for the basic fiscal balance net government borrowing from the central bank, and net domestic assets of the central bank to correct program slippages in line with the strengthened 2018 fiscal target, and for net international reserves to reflect the postponement of the disbursement of World Bank budget support to the third quarter of 2018; (ii) introduce an indicative target on government domestic arrears to support the authorities' strategy to gradually reduce those arrears; and (iii) introduce new SBs for the second and third reviews to support strengthening the fiscal targets; mobilizing mining tax revenues; improving public financial management; strengthening SOEs' governance; building external buffers; strengthening the central bank's internal audit; and improving the business climate and governance. Program performance will continue to be monitored through semi-annual program reviews based on quantitative performance criteria (Table 8) and structural benchmarks (Table 10).

STAFF APPRAISAL

44. The growth momentum of the Guinean economy continues. Real growth was revised upwards in 2017 and is expected at about 6 percent in 2018, driven by buoyant mining activity. The medium-term growth outlook is favorable on the back of strong FDI in mining, scaling-up of infrastructure investment, a stable macroeconomic environment and the implementation of growth-supporting structural reforms. Risks to the growth outlook are balanced.

45. Guinea remains a fragile country with widespread poverty and risks of social and political instability, which are heightened by the current electoral cycle. Violent demonstrations in the mining region for lack of jobs and public services, strikes and protests took place in the last quarter of 2017 and continued in 2018. Local elections held in February 2018 were marked by strong political tensions and episodes of violence with casualties. The run-up to the 2019 elections heightens risks of instability. Poverty is pervasive, and social outcomes are weak. A large infrastructure gap, weak governance, and a challenging business climate constrain private sector development.

46. In view of mixed performance at end-2017, moving ahead with agreed corrective measures is essential. Owing to large fiscal slippages, program performance against end-December 2017 targets was mixed while program-supported structural reforms advanced. Staff welcomes the authorities' willingness to strengthen program fiscal targets over 2018–19 to recoup the 2017 slippages, the comprehensive set of actions that have been undertaken to address the underlying sources of end-2017 program under-performance, and the start of adjustment measures to achieve the 2018 fiscal target. Owing to this, program performance improved in the first quarter of 2018. Continuing to move ahead with agreed corrective measures is needed. The program is subject to significant risks, including electoral cycle pressures, political instability, commodity price volatility and capacity and implementation constraints. Strong ownership of economic reforms is essential to mitigate these risks and foster program success.

47. Fiscal policy will need to preserve macroeconomic stability while supporting higher and more inclusive growth. Achieving the strengthened fiscal targets is needed to preserve debt sustainability, maintain moderate inflation, reduce domestic arrears, and support banks' credit to the economy. To this end, mobilizing additional tax revenues, capturing revenue windfalls from buoyant mining activity, containing non-priority spending, and reducing untargeted electricity and petroleum products subsidies is key. Creating fiscal space will allow a scaling-up of growth-supporting public investment in infrastructure and domestically-financed social safety nets to reduce poverty and foster inclusion. Maximizing reliance on concessional borrowing and limiting non-concessional borrowing for infrastructure development is needed to preserve debt sustainability. Strengthening public financial and investment management will support the fiscal strategy and foster transparency and efficiency.

48. Building external buffers will be important to strengthen Guinea's resilience to commodity price shocks. The BCRG will adopt a more active strategy for accumulating reserves and conduct regular purchases on unilateral auctions. Furthermore, the BCRG's interventions in the bilateral foreign exchange market will be limited to maintaining liquidity and preventing disorderly market conditions. Strengthening competition through gradually phasing out the limit on auction allocations and moving to a rule-based intervention strategy for the BCRG will support better market operations and greater exchange rate flexibility.

49. Maintaining moderate inflation and ensuring banks' credit provision to the private sector is key. In view of rising inflation, monetary policy will need to be prudent and maintain a positive real interest rate. The active use of the newly-adopted liquidity forecasting framework and liquidity instruments will strengthen reserve money targeting and help maintain appropriate liquidity

in the banking system, thus supporting credit to the economy. Strengthening coordination between fiscal and monetary policy will be essential to limit government borrowing from the central bank at programmed levels and contain inflationary pressures. Staff welcomes progress towards strengthening the BCRG's operational autonomy and transparency, including by moving toward international standards of financial reporting and strengthening internal audit practices.

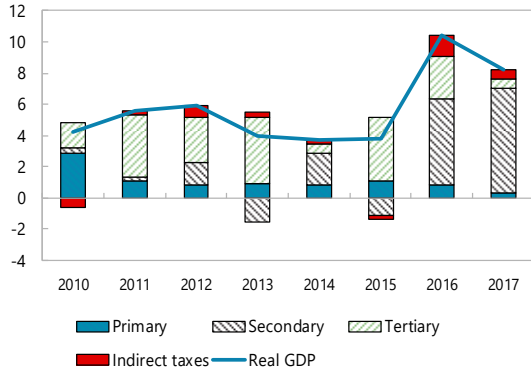
50. Preserving financial stability through strengthening the regulatory and supervisory framework will support macroeconomic resilience. Strengthening banking supervision, creating a deposit guarantee scheme, and establishing a banking resolution framework will support financial stability. The BCRG should ensure that all banks comply with reserve requirements and capital adequacy. Staff welcomes the new credit information system that will support banks' credit to the economy.

51. Pressing ahead with structural reforms is needed to foster the development of the private sector and more-broad based growth. The swift implementation of the action plan to improve the business climate and strengthening governance and the fight against corruption, including by enhancing the AML/CFT framework, are key to supporting private sector development.

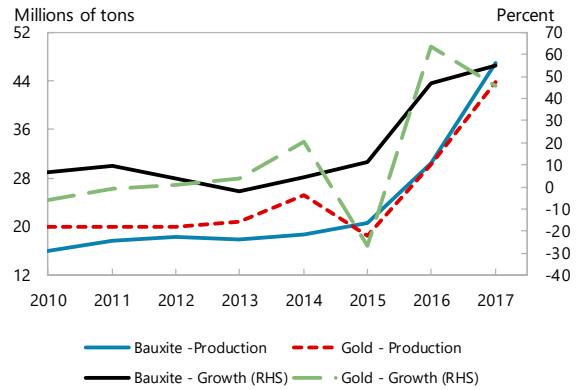
52. In view of the corrective measures and progress in advancing the reform agenda, staff supports the authorities' request for completion of the first review under the ECF arrangement and for waivers of nonobservance of end-December 2017 PCs of the basic fiscal balance, net government borrowing from the central bank, and net domestic assets of the central bank. Staff also supports modifying the end-June 2018 PCs for the basic fiscal balance, net government borrowing from the central bank, net domestic assets of the central bank, and net international reserves, introducing an indicative target on domestic arrears and new structural benchmarks, and the completion of the financing assurances review.

Figure 16. Guinea: Recent Economic Developments

Real GDP Growth at Factor Price and Contributions by Sector
(Percent)

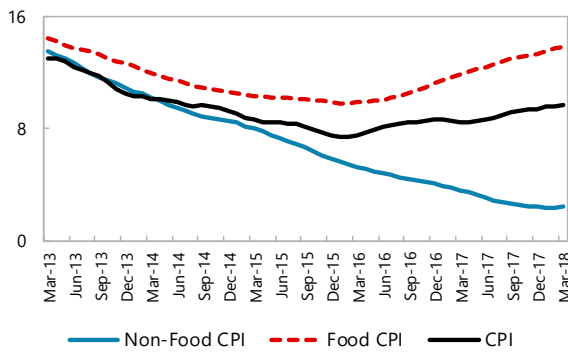


Production and Growth in the Mining Sectors
(Millions of tons; percent)

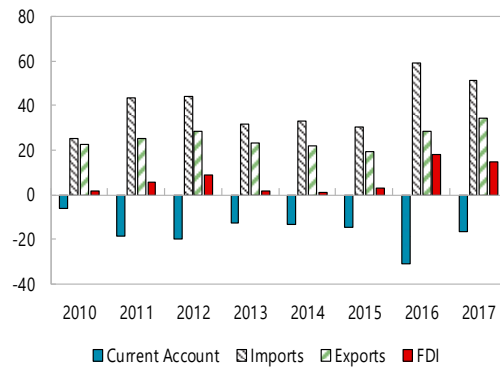


Inflation

(Average year-on-year growth, percent)

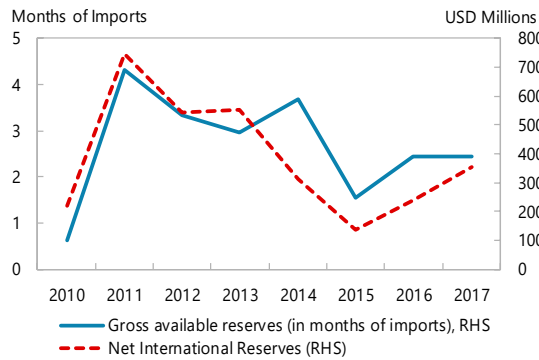


Current Account, Exports, Imports, and FDI
(Percent of GDP)

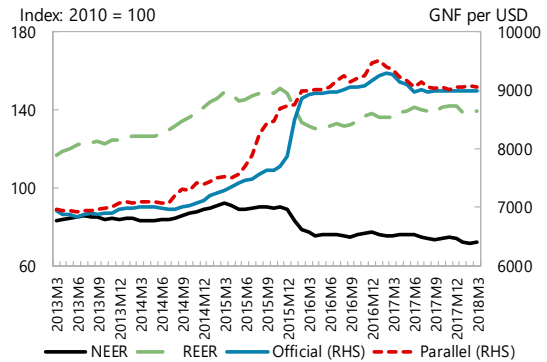


Gross Available Reserves and Net International Reserves

(Months of imports, USD millions)

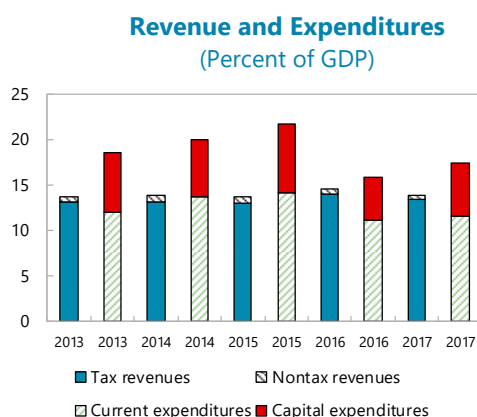
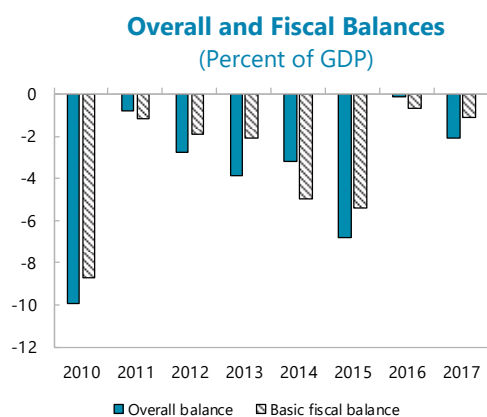


Exchange Rates
(Averages)

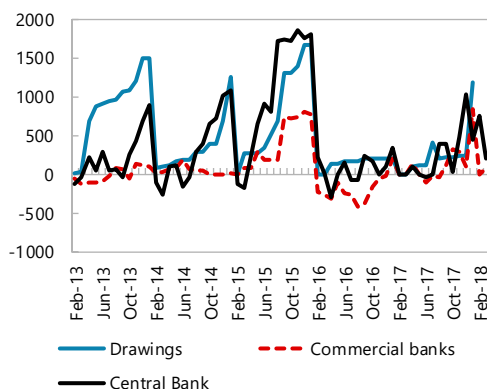


Sources: Guinean authorities; and IMF staff estimates.

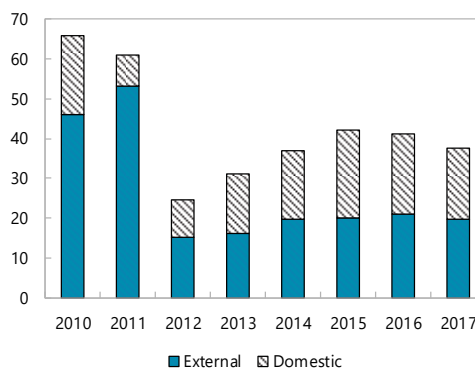
Figure 17. Guinea: Fiscal and Monetary Indicators



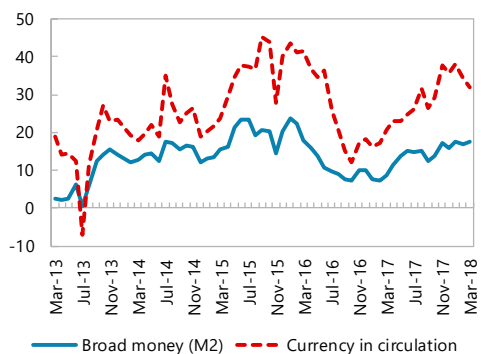
External Borrowing and Bank Financing (GNF, billions)



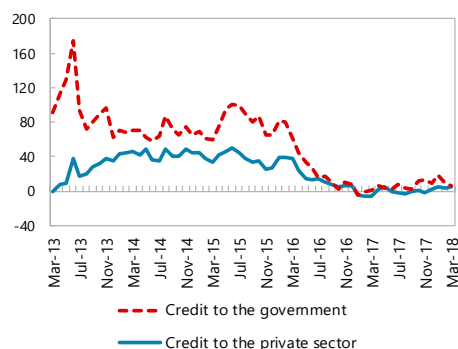
Public and Publicly Guaranteed Debt (Percent of GDP)



Broad Money and Currency in Circulation (Year-on-year growth, percent)



Credit to the Private Sector and to the Government (Year-on-year growth, percent)



Sources: Guinean authorities; and IMF staff estimates.

Table 1. Guinea: Key Economic and Financial Indicators, 2015–23

	2015		2016		2017		2018		2019	2020	2021	2022	2023
		Prog.	Req.	Act.	Prog.	Req.	1st Rev.	Prog.	Req.	1st Rev.	Proj.	Proj.	Proj.
Annual percentage change, unless otherwise indicated													
National accounts and prices													
GDP at constant prices	3.8	6.6	10.5	6.7	8.2	5.8	5.8	5.9	6.0	6.0	5.3	5.0	4.9
Mining	-18.0	33.5	46.1	13.7	52.3	7.5	6.7	8.5	8.3	10.0	6.6	5.3	4.9
Non-mining	6.6	3.4	6.9	5.6	2.2	5.5	5.6	5.4	5.5	5.2	5.0	4.9	4.9
GDP deflator	2.8	8.5	7.1	7.8	10.5	7.7	8.1	8.1	7.9	7.8	7.8	7.8	7.8
GDP at market prices	6.8	15.7	18.3	15.0	19.6	14.0	14.4	14.5	14.4	14.3	13.5	13.2	13.2
Consumer prices (average)													
Average	8.2	8.2	8.2	8.5	8.9	8.2	8.2	8.0	8.0	7.8	7.8	7.8	7.8
End of period	7.3	8.7	8.7	8.2	9.5	8.0	8.0	8.0	7.9	7.8	7.8	7.8	7.8
External sector													
Exports, f.o.b. (US\$ terms)	-6.8	55.0	35.6	30.0	67.1	19.3	0.8	10.2	12.3	6.7	3.8	3.9	3.9
Imports, f.o.b. (US\$ terms)	-6.7	102.1	102.1	2.5	-7.3	3.2	24.8	-5.3	15.9	1.0	2.8	0.8	0.8
Average effective exchange rate (depreciation -)													
Nominal index	6.0	-14.6	-14.6	...	-2.5	...	...	...	...	...	...	...	...
Real index	12.6	-9.2	-9.3	...	4.1	...	...	...	...	...	...	...	...
Terms of trade	0.0	7.1	42.5	-3.2	-9.9	6.0	2.0	-1.1	1.7	-0.2	1.9	1.9	1.9
Money and credit													
Net foreign assets ¹	-11.0	7.6	7.3	6.8	9.6	8.0	5.7	6.4	6.7	6.3	5.9	4.9	4.9
Net domestic assets ¹	31.2	2.4	2.7	3.7	6.2	5.9	4.8	7.2	7.3	4.6	4.3	3.7	3.7
Net claims on government ¹	17.2	1.9	1.9	1.5	5.0	-0.3	-0.4	-0.4	-0.5	-0.2	-0.5	-0.5	-0.5
Credit to non-government sector ¹	10.8	2.9	2.4	2.0	0.9	6.2	5.2	7.7	7.7	4.8	4.8	4.2	4.2
Reserve money	2.6	15.5	15.5	1.7	10.3	13.9	14.3	9.6	11.0	10.9	8.8	8.3	8.3
Broad money (M2)	20.3	9.9	9.9	10.5	15.8	14.0	10.4	14.4	15.8	15.9	14.4	13.4	13.4
Interest rate (short-term T-bill)	11.5	...	...	...	...	...	...	...	...	...	...	...	...
Percent of GDP, unless otherwise indicated													
Central government finances													
Total revenue and grants	14.8	16.2	15.8	17.0	15.4	18.4	15.8	16.6	17.4	17.6	17.7	17.8	17.8
Revenue	13.7	15.0	14.6	15.4	13.8	16.2	14.5	15.4	16.2	16.4	16.6	16.8	16.8
<i>Of which: Non-mining revenue</i>	11.3	12.8	12.5	12.6	11.5	13.3	12.0	12.9	13.4	13.6	13.8	14.0	14.0
Grants	1.2	1.2	1.2	1.6	1.5	2.2	1.3	1.3	1.3	1.2	1.1	1.1	1.1
Total expenditure and net lending	21.7	16.4	16.0	17.4	17.5	20.8	18.0	18.8	18.9	19.1	19.3	19.4	19.4
Current expenditure	14.1	11.5	11.2	12.5	11.6	13.0	11.5	11.3	11.6	11.6	11.6	11.6	11.6
<i>Of which: Interest payments</i>	0.8	1.1	1.1	1.3	0.9	1.3	1.1	1.0	0.9	1.0	1.0	1.0	1.0
Capital expenditure and net lending	7.6	4.8	4.7	4.9	5.8	7.8	6.5	7.5	7.3	7.4	7.7	7.8	7.8
Overall budget balance	-6.8	-0.1	-0.1	-0.4	-2.1	-2.5	-2.2	-2.2	-1.5	-1.5	-1.5	-1.5	-1.5
Including grants	-6.8	-0.1	-0.1	-0.4	-2.1	-2.5	-2.2	-2.2	-1.5	-1.5	-1.5	-1.5	-1.5
Excluding grants	-8.0	-1.4	-1.3	-2.0	-3.6	-4.6	-3.5	-3.4	-2.7	-2.7	-2.6	-2.6	-2.6
Basic fiscal balance	-5.4	-0.7	-0.7	0.6	-1.1	0.6	0.8	1.0	1.1	1.0	1.0	1.0	1.0
National accounts													
Gross capital formation	7.3	25.2	24.8	23.3	12.0	19.1	19.9	16.0	20.2	17.9	17.0	15.1	15.1
Savings	-5.3	-6.7	-6.3	-1.2	5.1	-2.2	-1.1	0.2	3.1	4.5	4.2	4.1	4.1
Current account balance													
Including official transfers	-12.5	-31.9	-31.1	-24.4	-6.9	-21.3	-21.0	-15.9	-17.1	-13.3	-12.8	-11.0	-11.0
Excluding official transfers	-12.7	-32.9	-32.1	-25.2	-7.4	-22.4	-21.4	-16.4	-17.6	-13.8	-13.2	-11.5	-11.5
Overall balance of payments	-4.0	1.3	0.8	0.7	0.7	1.9	1.6	1.3	1.4	1.5	1.2	1.1	1.1
Memorandum items:													
Exports, goods and services (US\$ millions)	1,859.1	2,471.3	2,471.2	3,201.2	4,086.1	3,810.9	4,119.7	4,537.6	5,091.4	5,431.5	5,638.9	5,855.6	5,855.6
Imports, goods and services (US\$ millions)	2,694.6	5,142.3	5,142.3	5,389.6	4,863.0	5,560.0	5,998.1	5,659.4	6,560.4	6,593.2	6,751.3	6,806.0	6,806.0
Overall balance of payments (US\$ millions)	-347.3	111.3	73.3	62.6	72.0	186.5	189.3	166.7	193.3	221.9	194.0	181.0	181.0
Net foreign assets of the central bank (US\$ millions)	161.2	274.3	268.9	331.5	314.5	517.1	522.4	692.1	899.1	1,122.1	1,320.3	1,524.6	1,524.6
Gross available reserves (months of imports) ²	1.5	2.3	2.4	2.5	2.4	3.2	3.2	3.5	3.8	4.0	4.1	4.1	4.1
External public debt, incl. IMF (percent of GDP)	21.6	21.5	21.6	23.0	19.6	30.8	26.9	31.7	33.0	32.4	31.9	31.6	31.6
Total public debt, incl. IMF (percent of GDP)	39.3	40.9	39.8	40.4	37.2	45.1	40.3	43.0	42.4	40.3	38.6	37.6	37.6
Nominal GDP (GNF billions)	65,829	75,943	77,899	87,355	93,160	99,558	106,561	122,055	139,623	159,633	181,221	205,093	205,093

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

¹ In percent of the broad money stock at the beginning of the period.² In months of the following year's imports excluding imports for large foreign-financed mining projects.

Table 2. Guinea: Balance of Payments, 2015–23
(Millions of U.S. Dollars, unless otherwise indicated)

	2015	2016	2017		2018		2019	2020	2021	2022	2023
		Prel.	Prog. Req.	1st Rev.	Prog. Req.	1st Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Exports, f.o.b.	1,781	2,414	3,140	4,034	3,745	4,066	4,482	5,034	5,372	5,578	5,794
Mining products	1,327	2,016	2,638	3,606	3,182	3,632	3,950	4,439	4,557	4,680	4,805
Other	454	398	502	428	563	434	532	594	815	898	988
Imports, f.o.b.	-2,192	-4,429	-4,539	-4,107	-4,683	-5,126	-4,854	-5,627	-5,681	-5,838	-5,885
Food products	-276	-617	-668	-425	-717	-698	-755	-816	-883	-948	-1,016
Other consumption goods	-290	-305	-330	-359	-354	-403	-435	-471	-509	-547	-586
Petroleum products	-498	-402	-563	-548	-741	-793	-842	-903	-936	-977	-1,025
Intermediate and capital goods	-1,128	-3,106	-2,978	-2,774	-2,870	-3,233	-2,822	-3,436	-3,353	-3,365	-3,257
Services trade balance	-425	-656	-789	-704	-811	-818	-750	-876	-853	-853	-859
Services exports	78	57	62	52	66	53	55	58	60	61	62
Services imports	-503	-713	-851	-756	-877	-872	-805	-933	-912	-914	-921
Income balance	-261	-155	-204	-51	-586	-623	-975	-971	-935	-1,064	-1,106
Of which: Interest on public debt	-15	-26	-37	-21	-33	-28	-29	-35	-39	-43	-49
Transfers	-6	121	147	123	236	94	124	148	161	179	210
Of which:											
Net private transfers	-17	38	76	74	123	41	61	78	94	108	132
Official transfers	12	83	71	49	113	53	64	69	67	71	77
Current account											
Including official transfers	-1,102	-2,705	-2,245	-705	-2,099	-2,407	-1,973	-2,293	-1,936	-1,997	-1,847
Excluding official transfers	-1,114	-2,788	-2,316	-754	-2,212	-2,460	-2,037	-2,362	-2,003	-2,068	-1,925
Capital account	79	26	88	146	116	95	96	103	111	105	104
Public transfers	33	10	72	143	99	92	92	100	107	101	100
Financial account	613	2,508	2,219	1,502	2,169	2,501	2,044	2,383	2,047	2,086	1,924
Public (medium and long-term)	172	-29	679	106	855	915	827	489	334	346	368
Project-related loans	187	22	701	132	922	921	884	557	397	420	450
Program financing	36	0	20	20	10	71	10	12	11	10	9
Amortization due	-52	-51	-42	-46	-77	-77	-67	-79	-74	-84	-91
Public (short-term)	0	0	0	0	0	0	0	0	0	0	0
Direct and other private investment (net)	263	1,595	1,489	1,306	1,248	1,546	1,197	1,851	1,666	1,651	1,463
Private short-term	178	942	51	90	66	40	19	43	46	89	93
Errors and omissions	63	244	0	-871	0	0	0	0	0	0	0
Overall balance	-347	73	63	72	187	189	167	193	222	194	181
Financing	347	-73	-63	-72	-187	-189	-167	-193	-222	-194	-181
Use of Fund resources (net)	33	50	24	24	48	47	45	-1	-45	-47	-37
Of which:											
Disbursements	63	22	24	24	48	49	50	50	0	0	0
Change in gross official reserves (- = increase)	291	-123	-86	-102	-235	-236	-212	-192	-176	-147	-144
Of which: SDR Allocation											
Change in arrears (- = reduction)	11	-1	-82	0	0	0	0	0	0	0	0
Debt relief	13	0	82	6	0	0	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0	0
<i>Memorandum items:</i>											
Current account balance (percent of GDP)											
Including official transfers	-12.5	-31.1	-24.4	-6.9	-21.3	-21.0	-15.9	-17.1	-13.3	-12.8	-11.0
Excluding official transfers	-12.7	-32.1	-25.2	-7.4	-22.4	-21.4	-16.4	-17.6	-13.8	-13.2	-11.5
Overall balance (percent of GDP)	-4.0	0.8	0.7	0.7	1.9	1.6	1.3	1.4	1.5	1.2	1.1
Exports-GDP ratio (percent)	21.1	28.4	34.9	39.9	38.7	35.9	36.5	37.9	37.4	36.1	35.0
Imports-GDP ratio (percent)	-30.7	-59.1	-58.7	-47.4	-56.4	-52.2	-45.6	-48.8	-45.4	-43.2	-40.7
FDI-GDP ratio (percent)	3.0	18.3	16.2	12.7	12.7	13.5	9.6	13.8	11.5	10.6	8.7
Gross available reserves (US\$ millions)	461	584	680	686	915	922	1,134	1,326	1,503	1,649	1,794
Gross available reserves (months of imports)	1.5	2.4	2.5	2.4	3.2	3.2	3.5	3.8	4.0	4.1	4.1
Nominal GDP (US\$ millions)	8,790	8,695	9,183	10,251	9,855	11,486	12,423	13,438	14,533	15,613	16,729
National currency per US dollar (avg.)	7,489	9,088	...	...	...	...	...	...	...	...	...

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

Table 4. Guinea: Central Bank and Deposit Money Accounts, 2015–23¹
(Billions of Guinean Francs, unless otherwise indicated)

	2015	2016	2017		2018		2019	2020	2021	2022	2023
			Prog. Req.	Prel.	Prog. Req.	1st Rev.					
Central bank											
Net foreign assets	1,290	2,480	3,058	2,901	4,771	4,819	6,385	8,294	10,352	12,180	14,065
Net domestic assets	7,449	7,616	7,208	8,236	6,924	7,909	7,560	7,185	6,821	6,501	6,168
Domestic credit	7,469	7,487	7,199	8,014	6,915	7,686	7,360	6,985	6,621	6,301	5,968
Claims on central government (net)	7,353	7,462	7,179	7,983	6,895	7,656	7,329	6,955	6,591	6,270	5,938
<i>Of which: to the Treasury (PNT1)</i>	7,507	7,640	7,356	8,088	7,072	7,762	7,435	7,061	6,696	6,376	6,043
Claims on private sector	115	24	20	31	20	30	30	30	30	30	30
Liabilities to deposit money banks (-)	0	0	0	0	0	0	0	0	0	0	0
Claims on other public sector	2	0	0	0	0	0	0	0	0	0	0
Other items, net (assets +)	-21	130	9	222	9	222	200	200	200	200	200
Reserve money	8,739	10,097	10,266	11,138	11,695	12,728	13,945	15,479	17,173	18,681	20,233
Currency outside banks	5,178	5,608	6,000	6,732	6,838	6,945	7,947	9,204	10,491	12,006	13,590
Bank reserves	3,096	3,802	3,580	3,621	4,170	4,998	5,213	5,491	5,897	5,890	5,858
Deposits	2,392	2,751	2,580	3,004	3,170	4,381	4,596	4,874	5,279	5,272	5,240
Required reserves	2,160	2,358	2,359	2,391	2,704	2,732	3,111	3,548	3,914	4,295	4,638
Excess reserves	231	393	221	613	467	1,649	1,484	1,326	1,366	977	602
Required reserves on GNF deposits	....	1,734	1,454	1,670	1,660	1,899	2,154	2,446	2,692	2,948	3,177
Excess reserves on GNF deposits	....	195	71	508	417	1,499	1,384	1,276	1,316	977	602
Required reserves on FX deposits	....	625	904	720	1,044	833	958	1,101	1,222	1,347	1,462
Excess reserves on FX deposits	....	198	150	105	50	150	100	50	50	50	50
Cash in vaults of deposit banks	704	1,051	1,000	618	1,000	618	618	618	618	618	618
Private sector deposits	465	686	686	785	686	785	785	785	785	785	785
Deposit money banks											
Net foreign assets	502	595	1,384	2,034	1,393	1,393	1,411	1,416	1,421	1,848	2,092
Bank reserves	3,096	3,802	3,580	3,621	4,170	4,998	5,213	5,491	5,897	5,890	5,858
Deposits at the central bank	2,392	2,751	2,580	3,004	3,170	4,381	4,596	4,874	5,279	5,272	5,240
Cash in vaults of deposits banks	704	1,051	1,000	618	1,000	640	640	640	640	640	618
Claims on central bank	0	0	0	0	0	0	0	0	0	0	0
Domestic credit	9,966	10,702	11,776	11,319	13,332	12,716	14,854	17,298	19,175	21,138	23,073
Credit to the government (net)	2,457	2,683	3,266	3,127	3,488	3,364	3,603	3,848	4,136	4,284	4,408
Claims on public enterprises	40	10	13	3	15	4	5	5	6	7	8
Claims on the private sector	7,469	8,009	8,497	8,189	9,829	9,348	11,246	13,445	15,034	16,847	18,657
Other items, net (assets +)	-1,563	-1,998	-1,998	-2,033	-1,998	-2,033	-2,033	-2,033	-2,033	-2,033	-2,033
Liabilities to the private sector (deposits)	12,001	13,100	14,742	14,942	16,897	17,074	19,446	22,172	24,460	26,843	28,990
Memorandum items:											
Net foreign assets of the central bank (US\$ million)	161	269	332	314	517	522	692	899	1,122	1,320	1,525
Net international reserves (GNF billion)	1,102	2,197	3,185	3,295	4,858	5,017	6,508	8,323	10,260	12,013	13,783
Net international reserves (US\$ million) ²	138	238	345	357	527	544	705	902	1,112	1,302	1,094

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

¹ End of period.

² Excludes amounts in transit and Central Bank guarantees.

Table 5. Guinea: Monetary Survey, 2015–23¹
(Billions of Guinean Francs; unless otherwise indicated)

	2015	2016	2017		2018		2019	2020	2021	2022	2023
			Prog. Req.	1st Rev.	Prog. Req.	1st Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	1,793	3,075	4,442	4,936	6,164	6,212	7,797	9,710	11,772	14,028	16,157
Net domestic assets	15,852	16,320	16,986	17,523	18,258	18,592	20,381	22,450	23,964	25,605	27,208
Domestic credit	17,435	18,188	18,975	19,333	20,247	20,402	22,213	24,283	25,797	27,438	29,041
Claims on central government	9,811	10,145	10,445	11,110	10,383	11,020	10,933	10,803	10,727	10,555	10,346
Claims on public enterprises	41	10	14	4	15	4	5	5	6	7	8
Claims on private sector	7,583	8,033	8,517	8,220	9,849	9,378	11,276	13,475	15,064	16,877	18,687
Other items, net (assets +)	-1,584	-1,868	-1,989	-1,810	-1,989	-1,810	-1,833	-1,833	-1,833	-1,833	-1,833
Broad money (M2)	17,644	19,395	21,428	22,458	24,422	24,804	28,381	32,870	38,081	43,580	49,420
Currency	5,178	5,608	6,000	6,732	6,838	6,945	7,947	9,204	10,491	12,006	13,590
Deposits	12,466	13,787	15,428	15,727	17,584	17,859	20,230	22,957	25,245	27,627	29,774
(Year-on-year percent change of beginning-of-period M2, unless otherwise indicated)											
<i>Memorandum items:</i>											
Net foreign assets	-11.0	7.3	6.8	9.6	8.0	5.7	6.4	6.7	6.3	5.9	4.9
<i>Of which: central bank</i>	-13.5	6.7	2.7	2.2	8.0	8.5	6.3	6.7	6.3	4.8	4.3
Net domestic assets	31.2	2.7	3.7	6.2	5.9	4.8	7.2	7.3	4.6	4.3	3.7
<i>Of which: central bank</i>	15.0	1.0	-1.8	3.2	-1.3	-1.5	-1.4	-1.3	-1.1	-0.8	-0.8
Domestic credit	28.0	4.3	3.6	5.9	5.9	4.8	7.3	7.3	4.6	4.3	3.7
Net claims on government	17.2	1.9	1.5	5.0	-0.3	-0.4	-0.4	-0.5	-0.2	-0.5	-0.5
Credit to the private sector	10.8	2.4	2.0	0.9	6.2	5.2	7.7	7.7	4.8	4.8	4.2
Broad money (M2)	20.3	9.9	10.5	15.8	14.0	10.4	14.4	15.8	15.9	14.4	13.4
Reserve money (Annual percentage change)	2.6	15.5	1.7	10.3	13.9	14.3	9.6	11.0	10.9	8.8	8.3
Commercial bank credit to the private sector (Annual percentage change)	26.1	7.2	6.1	2.3	15.7	14.2	20.3	19.6	11.8	12.1	10.7
Money multiplier (M2/reserve money)	2.0	1.9	2.1	2.0	2.1	1.9	2.0	2.1	2.2	2.3	2.4
Velocity (GDP/average M2)	4.1	4.2	4.2	4.5	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Velocity (GDP/M2, EOP)	3.7	4.0	4.1	4.1	4.1	4.3	4.3	4.2	4.2	4.2	4.2
Consumer prices (Annual percentage change, EOP)	7.3	8.7	8.2	9.5	8.0	8.0	8.0	7.9	7.8	7.8	7.8
Real GDP (Annual percentage change)	3.8	10.5	6.7	8.2	5.8	5.8	5.9	6.0	6.0	5.3	5.0
Nominal GDP (Annual percentage change)	6.8	18.3	15.0	19.6	14.0	14.4	14.5	14.4	14.3	13.5	13.2

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

¹ End of period.

Table 6. Guinea: Financial Soundness Indicators, 2015–17
(End of period, except otherwise indicated)

	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4
Regulatory Capital to Risk-Weighted Assets	18.51	18.59	16.98	16.45	16.95	17.49	17.92	17.89	18.60	17.90	18.38	16.83
Regulatory Tier 1 Capital to Risk-Weighted Assets	18.26	18.73	17.43	16.87	15.77	16.84	17.99	18.00	19.10	18.20	18.77	17.43
Non-performing Loans Net of Provisions to Capital	7.42	6.98	9.18	6.82	9.09	23.08	14.05	14.66	12.90	14.40	13.06	11.30
Non-performing Loans to Total Gross Loans	6.34	5.91	6.19	6.07	6.66	10.08	9.36	9.44	10.00	11.40	11.14	10.68
Sectoral Distribution of Total Loans: Residents	99.55	99.58	99.44	99.71	99.61	99.64	99.96	99.97	99.40	99.90	99.69	99.70
Sectoral Distribution of Total Loans: Deposit-takers	-	-	-	-	-	-	-	-	-	-	-	-
Sectoral Distribution of Total Loans: Central bank	-	-	0.07	0.13	-	0.06	-	0.11	0.10	0.20	0.02	0.02
Sectoral Distribution of Total Loans: Other financial corporations	-	0.00	-	0.00	0.00	0.00	0.00	0.00	-	-	-	-
Sectoral Distribution of Total Loans: General government	0.03	0.03	0.04	0.03	0.02	0.02	0.02	0.02	0.00	0.30	0.22	0.20
Sectoral Distribution of Total Loans: Nonfinancial corporations	60.64	65.91	61.72	58.86	56.69	55.26	51.74	53.03	54.00	54.30	55.79	59.86
Sectoral Distribution of Total Loans: Other domestic sectors	38.89	33.64	37.62	40.69	42.90	44.29	48.21	46.80	45.30	45.10	43.66	39.62
Sectoral Distribution of Total Loans: Nonresidents	0.45	0.42	0.56	0.29	0.39	0.36	0.04	0.03	0.60	0.10	0.31	0.30
Return on Assets	1.72	1.84	2.21	2.39	2.60	2.20	2.19	2.15	2.40	2.20	2.06	2.05
Return on Equity	15.31	16.40	19.89	21.74	24.25	21.50	18.30	18.81	19.40	17.10	16.14	16.74
Interest Margin to Gross Income	17.62	18.46	18.52	20.10	33.45	37.40	37.75	38.93	40.70	40.80	41.27	41.76
Non-interest Expenses to Gross Income	90.62	89.76	89.02	86.58	80.92	80.05	79.27	79.22	76.50	76.40	78.45	78.13
Liquid Assets to Total Assets (Liquid Asset Ratio)	32.38	32.27	28.10	25.56	24.35	26.56	28.18	28.89	26.20	30.40	28.91	26.83
Liquid Assets to Short Term Liabilities	53.32	52.03	45.20	42.15	40.45	43.41	45.62	45.80	42.70	48.60	46.25	43.11
Net Open Position in Foreign Exchange to Capital	17.67	30.87	-26.34	-56.35	-49.74	-34.10	26.03	25.11	56.90	68.30	51.13	79.16

Source: Guinean authorities.

Table 7. Guinea: Indicators of Capacity to Repay the IMF, 2018–26¹
(As of end-December 2017; SDR millions, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	0.0	3.0	28.2	34.6	38.3	34.4	30.7	15.3	9.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit									
(In millions of SDRs)									
Principal	-	3.0	28.2	34.6	38.3	36.1	39.3	30.8	29.6
Charges and interest	-	-	-	-	-	-	-	-	-
Total obligations based on existing and prospective credit ^{1/}									
In millions of SDRs									
In percent of exports of goods and services	-	0.1	0.8	0.9	1.0	0.9	0.9	0.7	0.6
In percent of debt service ^{2/3/}	-	2.7	18.1	22.0	21.6	19.3	17.1	11.0	7.9
In percent of GDP	-	0.0	0.3	0.3	0.4	0.3	0.3	0.2	0.2
In percent of Gross International Reserves	-	0.4	3.1	3.3	3.3	2.9	3.0	2.2	2.0
In percent of quota	-	1.4	13.2	16.1	17.9	16.8	18.3	14.4	13.8
Outstanding Fund credit									
In millions of SDRs									
In percent of exports of goods and services	8.0	8.3	7.6	6.2	5.0	3.9	2.8	2.0	1.3
In percent of debt service	263.8	241.4	172.5	149.1	110.9	85.7	52.4	32.2	16.1
In percent of GDP	2.9	3.0	2.9	2.3	1.8	1.4	1.0	0.7	0.4
In percent of Gross International Reserves	36.0	33.3	29.2	22.4	17.1	12.8	9.2	6.4	4.0
In percent of quota	107.9	122.6	125.5	109.4	91.5	74.7	56.3	41.9	28.1
Net use of Fund credit (millions of SDRs)									
Disbursements	34.4	34.4	34.4	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	3.0	28.2	34.6	38.3	36.1	39.3	30.8	29.6
Memorandum items:									
Exports of goods and services (millions of US\$)	4,120	4,538	5,091	5,431	5,639	5,856	6,118	6,410	6,722
External Debt service (millions of US\$)	126	156	224	226	254	268	331	401	540
Nominal GDP (millions of US\$)	11,486	12,423	13,438	14,533	15,613	16,729	17,927	19,189	20,538
Gross International Reserves (millions of US\$)	922	1,134	1,326	1,503	1,649	1,794	1,890	2,010	2,162
Quota (millions of SDR)	214	214	214	214	214	214	214	214	214

Source: IMF staff estimates and projections.

^{1/} Including the proposed disbursements under the current ECF.

^{2/} On October 3, 2016 the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through December 31, 2018 and possibly longer. The Board also decided to extend zero interest rate on ESF until end 2018 while interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of SDR rate, the following interest rates are assumed beyond 2018: projected interest charges between 2019 and 2020 are based on 0/0/0/0.25 percent per annum for the ECF, SCF, RCF and ESF, respectively, and beyond 2020 0/0.25/0/0.25 percent per annum. The Executive Board will review the interest rates on concessional lending by end-2018 and every two years thereafter. See: <http://www.imf.org/external/np/fin/tad/extfor1.aspx>

^{3/} External debt service includes IMF repurchases and repayments.

Table 8. Guinea: Schedule of Disbursements and Timing of Reviews Under the ECF Arrangement, 2017–20

Percent of quota	Millions of SDRs	Date of Availability	Condition for Disbursement
8.035	17.210	December 11, 2017	Executive Board approval of the three-year arrangement under the ECF arrangement.
8.036	17.213	June 11, 2018	Observance of all relevant performance criteria, including the performance criteria for December 2017 and completion of the first review under the ECF arrangement.
8.036	17.213	December 11, 2018	Observance of all relevant performance criteria, including the performance criteria for June 2018 and completion of the second review under the ECF arrangement.
8.036	17.213	June 11, 2019	Observance of all relevant performance criteria, including the performance criteria for December 2018 and completion of the third review under the ECF arrangement.
8.036	17.213	December 11, 2019	Observance of all relevant performance criteria, including the performance criteria for June 2019 and completion of the fourth review under the ECF arrangement.
8.036	17.213	June 11, 2020	Observance of all relevant performance criteria, including the performance criteria for December 2019 and completion of the fifth review under the ECF arrangement.
8.036	17.213	November 26, 2020	Observance of all relevant performance criteria, including the performance criteria for June 2020 and completion of the sixth review under the ECF arrangement.
56.250	120.488	Total	

Source: IMF staff.

Note: All quota percentages are presented to reflect the new Guinea's quota under the 14th General Quota Review.

Table 9. Guinea: Projected External Borrowing

January 1, 2017 – December 31, 2018

PPG external debt	Volume of new debt in 2017		PV of new debt in 2017 (program purposes)		Volume of new debt in 2018		PV of new debt in 2018 (program purposes)	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	315	100	184	100	1690	100	1206	100
Concessional debt, of which	315	100	184	100	83	5	34	3
Multilateral debt	286	91	166	90	83	5	34	3
Bilateral debt	29	9	18	10	0	0	0	0
Other	0	0	0	0	0	0	0	0
Non-concessional debt, of which	0	0	0	0	1607	95	1172	97
Semi-concessional	0	0	0	0	1607	95	1172	97
Commercial terms	0	0	0	0	0	0	0	0
By Creditor Type	315	100	184	100	1690	100	1206	100
Multilateral	286	91	166	90	83	5	34	3
Bilateral - Paris Club	0	0	0	0	0	0	0	0
Bilateral - Non-Paris Club	29	9	18	10	1607	95	1172	97
Other	0	0	0	0	0	0	0	0
Uses of debt financing	315	100	184	100	1690	100	1206	100
Infrastructure	272	86	161	88	1630	96	1178	98
Social Spending	0	0	0	0	0	0	0	0
Budget Financing	0	0	0	0	60	4	28	2
Other	43	14	23	12	0	0	0	0
Memo Items								
Indicative projections								
Year 2 (2018)	1690		1206		Year 2 (2019)	266	192	
Year 3 (2019)	266		192		Year 3 (2020)	60	28	

Sources: Guinean authorities; and IMF staff estimates.

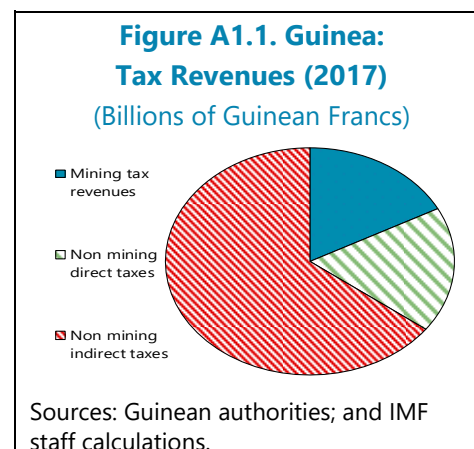
Table 10. Guinea: Risk Assessment Matrix¹

Sources of Risks	Relative Likelihood	Impact If Realized	Policy Response if Materialized
Retreat from cross-border integration	Medium	Medium Export market access for Guinea mining exports could be affected.	Advance structural reforms to remove bottlenecks, support private sector development and economic diversification.
Policy and geopolitical uncertainties related to two-sided risks to US growth; post-Brexit arrangements; NAFTA; and elections in several large economies	Medium	High FDI in large-scale mining projects could be delayed, weakening medium-term growth prospects.	
Tighter global financial conditions	High	Medium More volatile exchange rate and capital flows. Funding and debt service costs may increase.	Rebuild fiscal buffers through revenue mobilization, design prudent public investment plans, and allow greater exchange
Significant U.S. slowdown and its spillovers	Medium	High Could weaken demand for minerals exported by Guinea and reduce tax revenue from the mining sector.	Intensify structural reforms to improve the business climate and diversify the economy, and allow greater exchange rate flexibility.
Significant China slowdown and its spillovers	Low/Medium		
Intensification of the risks of fragmentation/security dislocation in parts of the Middle East, Africa, Asia, and Europe, leading to socio-economic disruptions	High	Medium Large-scale investment projects would likely be postponed. Progress out of fragility would be in doubt.	Intensify structural reform to remove bottlenecks to growth, and protect buffers. Fiscal policy to focus on revenue mobilization, and delivery of public services.
Deterioration of the domestic socio-political and security situation	Medium	High Investment and growth would be affected; poverty could increase; implementation of program could weaken. Macroeconomic stability would be at risk.	Refocus reform on areas less sensitive to socio-political environment. Aim to maintain fiscal control and promote inclusive growth through diversification.

¹The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively

Annex I. Strengthening Mining Sector Tax Revenues

1. The mining sector in Guinea is booming and is the main driver of economic growth. Guinea holds more than a quarter of the world's reserves of bauxite, one of the largest untapped iron ore deposits in the world, and significant gold reserves. Mining activity increased by 52 percent in real terms in 2017, on the back of surging bauxite and gold production. The mining sector accounted for 19 percent of nominal GDP and provided the largest sectoral contribution to real GDP growth. Mining tax revenues amounted to 2.3 percent of GDP in 2017, representing over 17 percent of total tax revenues. The mining sector is expected to continue to drive growth over the medium term thus representing a key source for revenue in Guinea.



2. Incumbent companies are expanding their production capacity and new bauxite companies are coming on stream. SMB is the main bauxite producer, which started operations in 2015 and nearly tripled its production in 2017, driving the overall increase in production. State-owned CBG, the other major player in the sector, is planning to further expand its operations. Several new bauxite companies started production in 2018 and more companies are expected to come on-stream during 2019–20. New companies would add 11 million tons of bauxite production during 2018–20,¹ about ¼ of 2017 production. SMD and SAG are the two gold mining companies currently operating in Guinea. Artisanal extraction of gold is also present, contributing 58 percent of overall production.

Text Table A1.1. Guinea: Mining Production

	2015	2016	2017
Bauxite (Millions of tons)			
CBG	16.4 (79%)	15.85 (52%)	14.45 (31%)
CBK	3.40 (16%)	3.00 (10%)	3.00 (6%)
SMB	0.90 (4%)	11.55 (38%)	29.56 (63%)
Total	20.70	30.4	47
Gold (tons)			
SMD	6.70 (36%)	7.12 (24%)	6.45 (15%)
SAG	9.40 (50%)	10.80 (36%)	11.88 (27%)
Artisanal	2.36 (14%)	12.22 (41%)	25.53 (58%)
Total	18.46	30.14	43.86

3. Amendments to the Mining Code in 2013 introduced tax provisions that are well-aligned with international standards. Mining companies are subject to corporate taxes under the General Tax Code, notably a 30 percent corporate income tax on profits (IS), a 10 percent tax on income derived from investment, and a 1.5 percent minimum tax on turnovers (MFI). In addition, extraction activities are subject to: (i) an extraction tax at 0.075 percent of the value of the substance extracted for bauxite and 5 percent for precious metals; (ii) an export tax for bauxite at 0.075 percent of value while precious metals are exempted; and (iii) surface royalties which are set in proportion to

¹ New companies that have started production in 2018 include CMD-Chine and Guineenne Mine. Alufer, COBAD, Alumina-Friguia, AMR and GDM are also expected to start production in 2018. GAC, Dynamic Mining, and AMC are expected to start production in 2019 and TBEA and SBG in 2020.

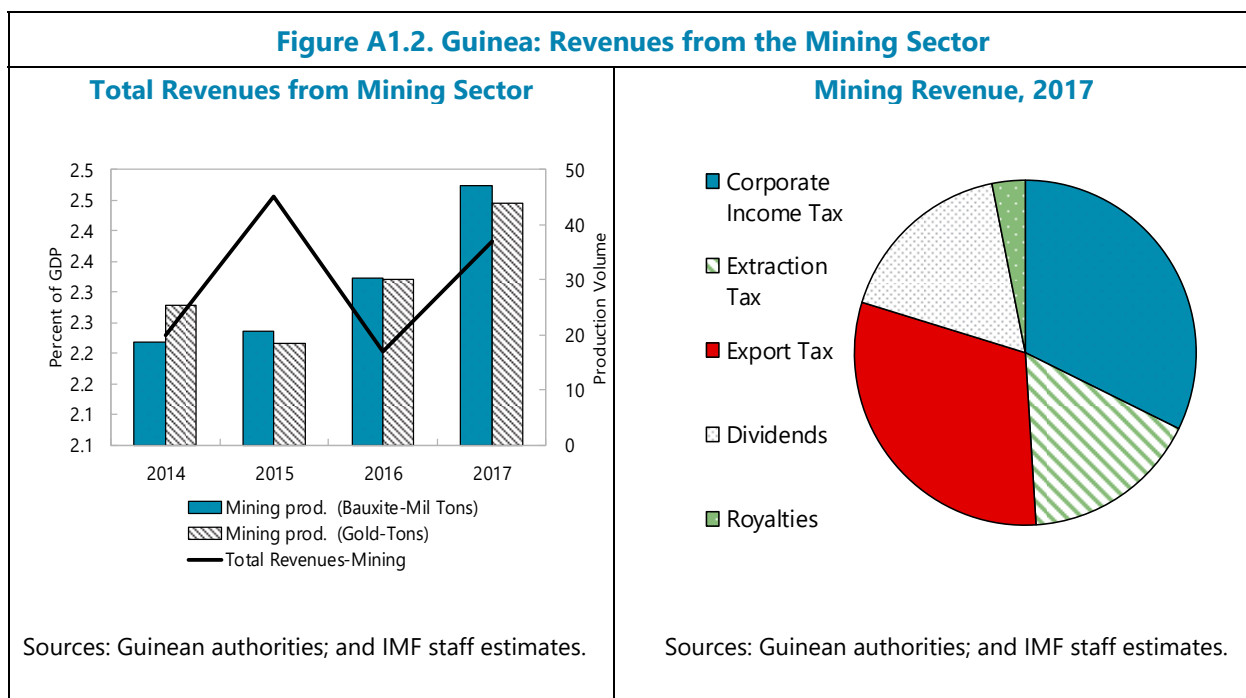
surface area and type of mining permit.² Taxes on profits, which include corporate income tax, and extraction tax are the largest contributors to mining tax revenue (Figure A.1.2).

4. However, mining tax revenues have not increased in line with booming production.

While overall mining taxes increased in 2017, the rise in production volumes largely outstripped the increase in mining tax revenues. Two main factors explain the limited buoyancy of mining tax revenues. First, mining companies that were already operating before the mining code was amended (CBG, CBK, SAG, SMD) were grandfathered from the application of the new tax provisions. Second, extensive exonerations to the provisions of the mining code have been provided to new mining companies.

5. The grandfathering of incumbent mining companies from the tax provisions of the new mining code has constrained revenue mobilization.

CBG is currently the only bauxite company paying the IS, which constraints the revenue base and makes it more vulnerable to production shocks. Notably, due to social protests in CBG’s mining zones at end-2017, CBG’s payment of the IS recorded a shortfall of about US\$20 million (0.2 percent of GDP) with a significant impact on overall mining revenues. CBK was grandfathered from the new code and is exempt from IS and extraction tax until 2026. In gold mining, SAG currently pays IS as it was granted exonerations for only 5 years from the date of first production (1998). While SMD is not exempt from the payment of IS, it did not make payments in 2017 as it did not declare positive taxable profits.



² Exploration permit: 10 USD/km squared at award, 15 USD/km squared at first renewal, 20 USD/km squared at second renewal. Industrial mining operation permit: 75 USD/km squared at award, 100 USD/km squared at first renewal, 200 USD/km squared at second renewal. Semi Industrial Mining Operation permit: 20 USD/km squared at award, 50 USD/km squared at first renewal, 100 USD/km squared at second renewal. Mining concession: 150 USD/km squared at award, 200 USD/km squared at first renewal, 300 USD/km squared at second renewal.

6. Many new bauxite companies have received extensive ad-hoc tax exonerations which are detrimental to revenue mobilization. Currently, SMB is the only mining company that does not have a bilateral convention and is fully subject to the tax provisions of the new mining code. As such, SMB is paying extraction and export taxes and will start paying the corporate income tax when it will record positive accounting profits, which currently remain negative owing to the amortization of large investments. However, most new companies were granted ad-hoc tax exonerations which represent significant deviations from the tax provisions of the mining code. Available bilateral conventions for 5 out of the 12 companies that are expected to start production during 2018–20 highlight that extensive exonerations were provided on the different types of taxes (Text table A1.2). Thus, four companies received exemptions on corporate income tax for extended periods, ranging from 5 to 25 years. Furthermore, three companies were exonerated from the extraction and export tax and IMF for extended periods ranging from 10 to 30 years.

Text Table A1.2. Guinea: Exonerations from the 2013 Mining Code Tax Provisions				
	Corporate income tax (IS)	Extraction tax	Export tax	MFI
<i>Bauxite Companies expected to start production in 2018–2020</i>				
Company 1	15 years	30 years	30 years	30 years
Company 2	25 years			25 years
Company 3	5 years	10 years (relief)	10 years (relief)	
Company 4			15 years	15 years
Company 5	6 years			5 years
<i>Mining Companies with uncertain start date of production</i>				
Company 6	6 years			
Company 7	6 years			Relief (indefinite) ¹
¹ Charged at 0.25 percent with no time period defined.				

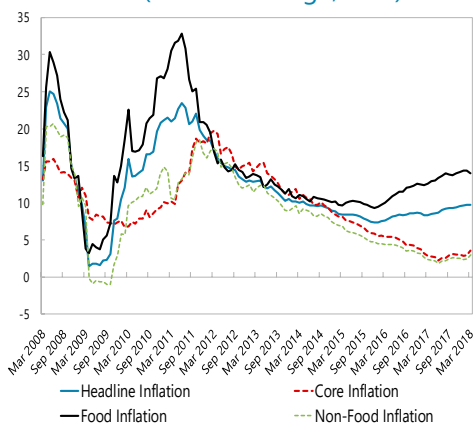
7. Applying the mining code’s tax provisions is essential to capture revenue windfalls from booming mining activity. The extensive provision of tax exonerations has been detrimental to revenue performance, with booming mining activity yielding only limited dividends for the government. Several agreements with new mining companies are currently in the process of being negotiated. Applying the mining code’s tax provisions to all new companies and expiring agreements is needed for Guinea to mobilize additional tax revenues to create the fiscal space to scale-up priority growth-supporting public investments in infrastructure and strengthening social spending. However, exonerations may be warranted to foster the development of public infrastructure for multiple users and transformation of mining products in higher value-added products.

Annex II. Sources of Inflation

1. Headline inflation in Guinea has been rising steadily over the last two years and reached 9.7 percent (y-o-y) at end-March 2018—over two percentage points higher than at end-2015. Average inflation reached 9.2 percent in the first quarter of 2018 (y-o-y) and was at 20 percent since January 2016 on a cumulative basis. While inflation remains well below historic highs, the BCRG’s objective to keep headline inflation at single digits is coming under pressure. The 20 percent higher-than-programmed increase in public sector wages in March 2018 reinforced inflationary pressures and the risk of wage-price spirals.

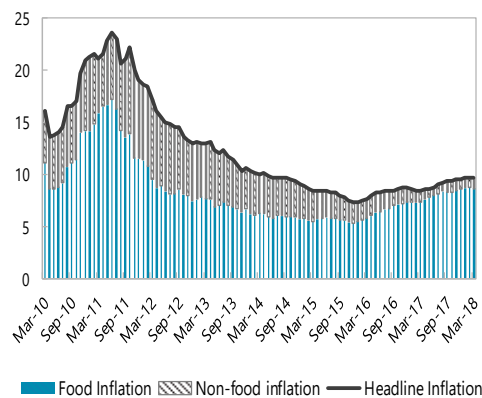
2. The recent upward trend in headline inflation is mostly explained by higher food prices. Food prices have increased by 31 percent on a cumulative basis since January 2016 contributing over 7 percentage points to average annual headline inflation—explaining almost the entire upsurge over the same period. By contrast, non-food prices increased by only 6.4 percent since 2016 and contributed around 1.3 percentage points on average to overall annual inflation (Figures A2.1, A2.2). As in many low-income countries, movements of food prices in Guinea affect headline inflation considerably as food has the largest weight in consumer price basket (40 percent). Fish and vegetables have recorded soaring prices since January 2016. Notably, fish prices have increased by almost 20 percent contributing 3.5 percentage points to the headline rate. The average increase in vegetable prices reached 15 percent contributing 1.6 percentage points to headline inflation (Figure A2.3).

Figure A2.1. Guinea: Inflation Measures
(Percent change, YOY)



Sources: Guinean authorities; and IMF staff calculations.

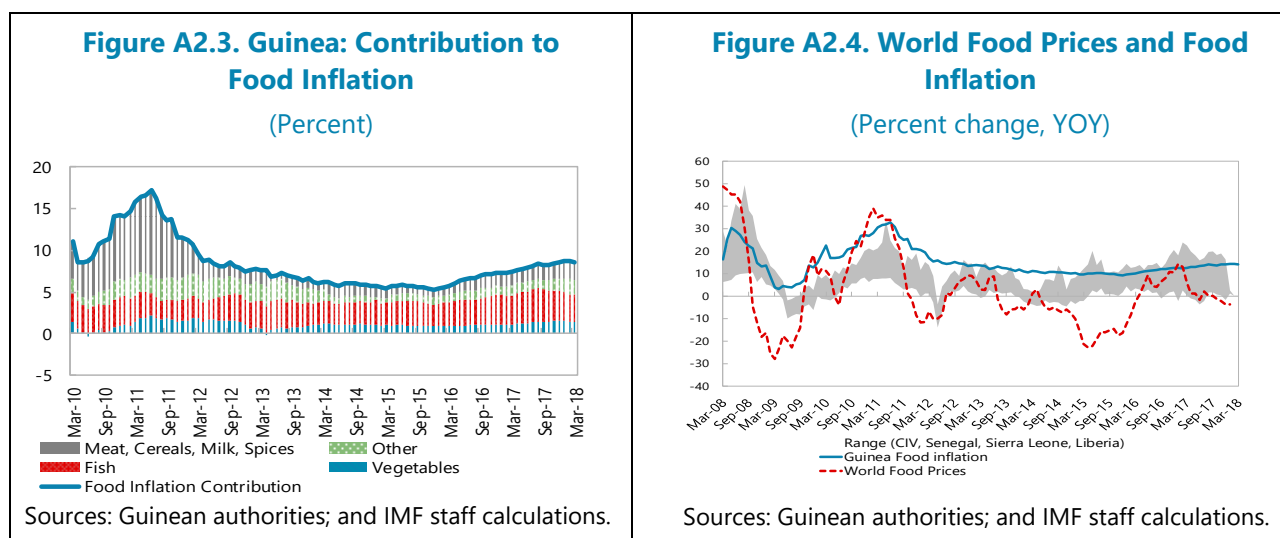
Figure A2.2. Guinea: Inflation
(Percent change, YOY)



Sources: Guinean authorities; and IMF staff calculations.

3. Trends in food prices in Guinea display little correlation with world food prices, which have been declining recently. Since early 2012, food inflation in Guinea has shown little correlation with global food prices trends (Figure A2.4). This is in contrast to neighboring countries where food inflation displayed more correlation to world food prices movements and volatility. Estimates suggest that for every one percent change in world food prices, domestic prices in Guinea increase

by only 0.05 compared to the SSA average of 0.32 (Alper et al. (2016)).¹ This weak pass-through can be explained by a lower proportion of imported food relative to other countries. In Guinea, only 16 percent of total staple foods, such as cereals, are sourced through imports compared with an average of 49 percent in neighboring countries.² Furthermore, domestic food production has significantly increased since 2012 (Figure A.2.5).



4. The rise in domestic food prices, and notably fresh produce, is the main factor driving food inflation in Guinea. Since the start of 2016, the price of local products and fresh produce increased significantly on a cumulative basis by 28 percent and 41 percent, respectively. By contrast, the price of imported products rose by only 5 percent over the same period. Food price trends in Guinea have been highly correlated to movements in the price of domestic food products, notably with the rising price of fresh produce (Figure A.1.4). The increase in fish prices, the main contributor to headline inflation, may be explained by unpredictable and reduced supply as a result of overfishing and illegal fishing activities in Guinea's waters.³ The increase in food inflation due to domestic food inflation in Guinea is consistent with the finding that higher food inflation in SSA is driven by fresh (and non-tradable) food items (Alper et al. (2016)).

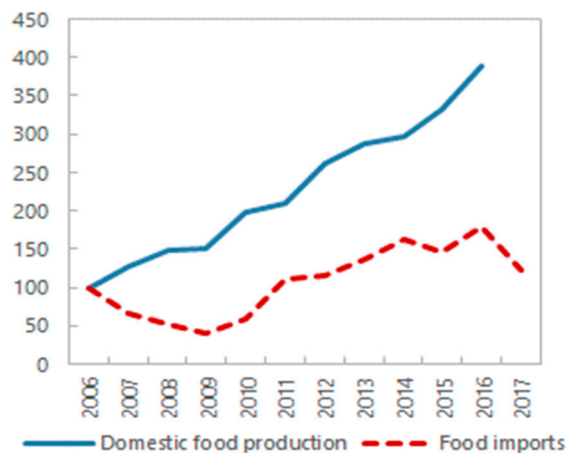
5. While food prices have increased substantially in Guinea, pass-through to core inflation has not materialized so far—although risks are building. Core inflation—which excludes the volatile components such as food and energy—has remained contained. However, core inflation slightly increased from 2.9 percent (y-o-y) on average to 3.6 percent at end-March 2018 suggesting that second-round effects of higher food inflation into higher non-food inflation could materialize. Notably, food inflation was found to granger cause non-food inflation in Guinea in contrast to other SSA countries (Alper et al. (2016)).

¹ IMF Working Paper: Food Inflation in Sub-Saharan Africa: Causes and Policy Implications, by Alper, Hobdari, and Uppal, December 2016.

² Food security indicators (2017), Food and Agriculture Organization of the United Nations.

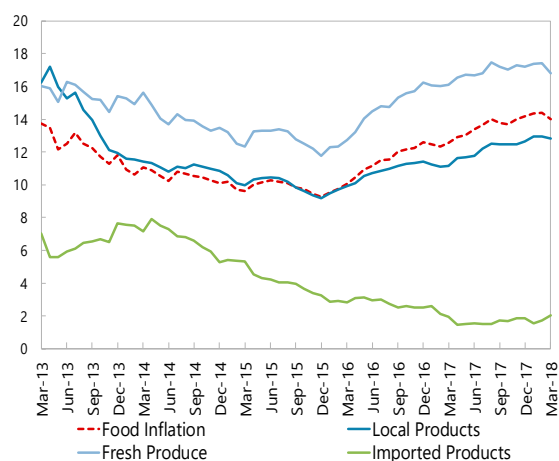
³ In 2016, Guinea signed the world's first illegal fishing treaty with the UN's FAO and 28 other countries to stamp out illegal fishing activities.

Figure A2.5. Guinea: Domestic Food Production and Food Imports
(Index 2006=100)¹



Sources: Guinean authorities; and IMF staff calculations.
¹ Based on value. Domestic food production estimates are based on national accounts data.

Figure A.2.6 Guinea: Imported and Domestic Inflation
(Percent change, YOY)



Sources: Guinean authorities; and IMF staff calculations.

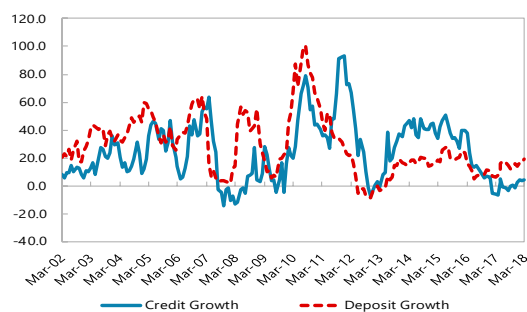
6. With rising inflationary pressures, monetary policy needs to remain prudent and continue to target headline inflation. Measures of core inflation are typically used to assess the underlying inflationary conditions. However, persistent and high food inflation in Guinea and the significant weight of food in the consumer price basket suggests that monetary policy should continue to target headline inflation rather than the core measures of inflation. In view of rising headline inflation and the risks of second round effects of food inflation, the BCRG should stand ready to tighten the monetary policy stance to contain inflationary pressures. These findings also emphasize the need to anchor inflation expectations with credible monetary policy.

Annex III. Strengthening Banks' Credit Provision to the Private Sector

1. Banks' credit to the private sector remains weak and continues to constrain private sector development. After surging to almost 40 percent in early 2016, private sector credit growth progressively slowed to 5.9 percent (y-o-y) by end-2016 and turned negative at -1.3 percent (average, y-o-y) in 2017. Positive credit growth resumed at 2.3 percent (y-o-y) at end-2017 and strengthened to 4.1 percent in the first quarter of 2018 (y-o-y). Nevertheless, credit to the private sector remains weak, and entrepreneurs indicate lack of access to credit as a main constraint for businesses.

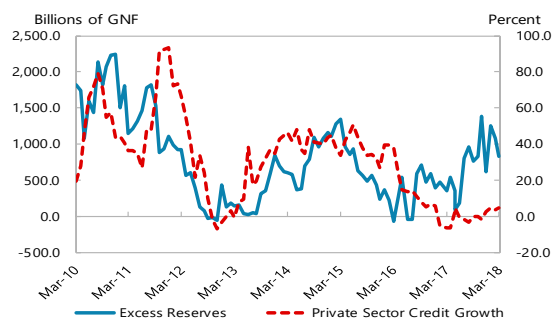
2. Improved liquidity conditions in the banking system had only a limited impact on credit to the economy. Following tight liquidity conditions in 2016 and early 2017, liquidity in the banking system started to improve in the second half of 2017. The reduction in the reserve requirement ratio from 18 to 16 percent in March 2017 freed-up liquidity in the banking system. Furthermore, the pick-up in deposits growth at about 13 percent (average, y-o-y) in 2017, which continued at 17 percent (average, y-o-y) in first quarter of 2018, improved banks' liquidity. Banks' excess reserves at the BCRG increased by 56 percent (y-o-y) in 2017 and by 35 percent in the first quarter of 2018 compared to end-2017. However, in contrast to previous episodes where private sector credit growth had moved broadly in line with changes in liquidity conditions, credit growth remained weak despite strengthened liquidity conditions (Figure A2.2).

Figure A3.1. Guinea: Private Sector Credit and Deposit Growth
(Percent change, YOY)



Sources: Guinean authorities; and IMF staff calculations.

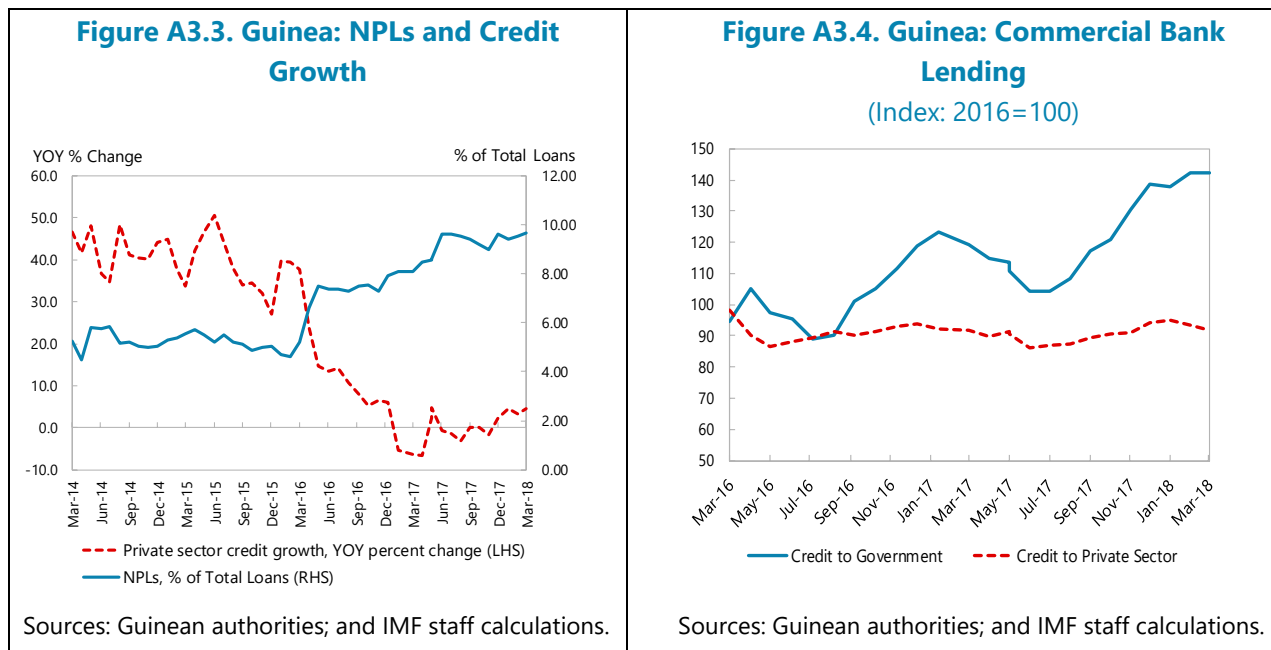
Figure A3.2. Guinea: Excess Reserves and Credit Growth
(Billions of GNF; Percent)



Sources: Guinean authorities; and IMF staff calculations.

3. Crowding out effects of government borrowing from commercial banks contributed to constrain credit to the private sector. During 2016 and the first quarter of 2018, commercial bank lending to the government increased by over 42 percent, on a cumulative basis, while lending to the private sector declined by 3.1 percent (Figure A2.4). Owing to much larger-than-programmed budgetary financing needs, commercial banks' lending to government increased by 16.5 percent in 2017 (average, y-o-y). Furthermore, commercial banks' lending increased by 2.8 percent in the first quarter of 2018 (compared to end-2017) to finance the repayment of expenditure arrears accumulated in 2017.

4. Banks have also been hesitant to lend to the private sector owing to the sharp deterioration in their loan portfolios. Non-performing loans (NPLs) increased from 6 percent at end-2015 to 10.7 percent at end-2017, mostly owing to loans to private entities for the procurement of public infrastructure projects. The rise in NPLs correlates closely with the decline in credit growth over the same period (Figure A2.3). Banks’ have noted a preference to extend credit to the public sector due to a lower level of risks, compounded by a lack of viable lending opportunities. The new credit information system—which became operational at end-2017—will provide a database on the creditworthiness and credit history of all customers, including credit scores and outstanding credit to other banks. This is expected to support banks’ lending to the private sector over time.



5. Containing budgetary financing needs and improving liquidity management are key to support banks’ provision of credit to the economy. The programmed fiscal strategy—anchored on revenue mobilization and containing non-priority spending—will reduce budgetary financing needs from commercial banks. In parallel, an active use of the new liquidity forecasting framework established in March 2018 will strengthen liquidity management and ensure bank’s liquidity needs are met thereby supporting better provision of credit to the private sector.

Annex IV. Capacity Building Framework Strategy Note: Update

A. Brief Assessment of the Capacity Building in FY18

1. **Guinea continues to be an intense user of Fund technical assistance (TA).** Guinea is a pilot country under the IMF Capacity Building Framework for fragile countries. During the calendar year 2017, Guinea received 41 missions (21 from AFRITAC West and 20 missions from HQ, and two long-term experts (LTX)). In FY18, a total of 34 missions (18 from AFW and 16 from HQ) were delivered. The intensity of TA reflected the need to strengthen economic institutions and help the country exit out of fragility.
2. **IMF TA was well-aligned with program priorities and aimed at strengthening Guinea's economic policies and reforms.** Targeted IMF technical assistance supported the authorities towards achieving program objectives. Fund TA aimed at improving macroeconomic management and statistics, improving Public Financial Management (PFM), modernizing tax and customs, advancing the foreign exchange market reform, strengthening the monetary policy framework, supporting financial sector development, and strengthening the AML/CFT framework. Fund TA was well-aligned with program objectives and was delivered through missions from headquarters and AFRITAC West, resident long-term experts at the Ministry of Finance and the Ministry of Budget, a regional advisor for fragile countries, training workshops, and participation in ICD training courses.
3. **Absorptive capacity constrains the implementation of TA recommendations.** In view of the number of TA missions and extensive TA recommendations, domestic capacity creates challenges for implementation. Better management and continuity of local staff, more training on the job, and prioritizing recommendations from TA missions, would help mitigate capacity constraints.
4. **The authorities expressed their satisfaction with IMF TA while noting that the number of missions was too high and posed management issues.** The authorities noted that TA missions need to be streamlined and better aligned with the cycle of the government's calendar. They highlighted that in calendar year 2017, half of the missions took place between October and December, which coincided with the discussion of the draft budget law with the parliament.

B. Main TA Priorities in the Period Ahead

5. **IMF TA will continue to support the authorities in achieving program objectives.** Guinea's 2017–20 ECF supports the authorities' program of economic policies and reforms to: (i) preserve macroeconomic stability; (ii) scale-up public investments in infrastructure to put the economy on a higher growth path and support economic diversification while preserving macroeconomic stability and debt sustainability; (iii) strengthen social safety net programs; and (iv) advance key structural reforms to support higher and more inclusive growth. To this end planned TA focuses on strengthening public financial and investment management; improving cash management and setting-up the treasury single account; debt management; advancing the tax policy and administration reform; strengthening the monetary policy framework; banking supervision; strengthening the anti-corruption framework; strengthening statistics, including on

inflation, national accounts, and the balance of payments; and reinforcing the AML/CFT framework. TA will aim to achieve the right number of missions, mode of delivery, and timing given domestic absorption capacity.

6. The IMF will continue to collaborate closely with donors in the provision of TA. Some donors are already involved in the provision of TA in debt management (European Union, and US Treasury), revenue administration (France, and EU), Treasury management (EU), and monetary operations (Central Bank of Morocco). In the last few years, FAD has been working closely with the European Union on activities related to Revenue Administration and PFM, including the financing of two LTXs. The IMF Resident Representative and the EU Office started to organize periodic meetings, including at the time of IMF TA missions in the country, to brief donors on the outcome of the mission, and enhance the coordination of their activities with the authorities. In some cases, donors are also invited (e.g. the EU) to participate in the concluding meetings of IMF TA missions with the authorities. Going forward, the units in government in charge of monitoring the economic program in collaboration with the IMF Resident Representative could play a leading role to enhance this coordination activity. This would also improve the absorption capacity of TA/CD recommendations.

C. Main IMF Capacity Building Activities for FY19

7. Results expected from the delivery of Fund TA are mainly to support revenue mobilization, advance fiscal structural reforms, support the efficiency of public investment, improve cash management, set-up the Treasury Single Account, strengthen debt management, improve the monetary policy framework and foreign exchange operations, strengthen bank supervision, and improve statistics to support policy formulation and monitoring

8. TA delivery priorities will be focused on the following areas: (i) public financial management (cash management, TSA, public accounting, PPP framework); (ii) tax policy and administration (tax policy, tax expenditures, revision of income tax, and review of non-tax revenues); (iii) monetary and exchange rate framework; (iv) statistics compilation; (v) macroeconomic projections and analysis; and (vi) strengthening the AML/CFT framework. The mode of delivery will consist of: diagnostic HQ missions, short term expert visit(s), long term advisors, and AFW missions. Furthermore, the priorities reflect the authorities' preference for LTXs training to support traditional TA reports, and participation in training courses. Capacity building efforts in the area of public finances in FY19 will focus on revenue administration, fiscal policy, macro fiscal management, budget preparation and execution, public investment management and budgeting, treasury operations and management of the wage bill and will be delivered by AFW and FAD, including the LTXs placed at the treasury and the budget ministry and funded by the European Union. Planned missions are:

Guinea: Missions AFW and HQ FY19	
Areas	TA Inputs
Public Finance Management	
Accounting	(AFW) Support to the quality review of the accounting procedures implemented by the main accountants of the State and impact on the quality of the accounts of the State
Public Finance Statistics	(AFW) Refinement of the Table of Financial Operations of the State of the Central Budget Administration based on the Manual of Statistics of Public Finances 2001 and social security
Public Debt Management	(HQ) Debt capacity management; MTDM
Public Financial Management – Budget	(AFW) Multi-year commitment authorizations for investment expenditures; (FAD) Budget execution and controls; Expenditure assessment; Tax policy; Non-tax revenue, legal drafting of tax code, and international taxation; Cash Management and accounting functions; Treasury Single Account; PEFA and PIMA
Tax Administration	
Customs	(AFW) Monitoring and control of exemptions; Transit
Tax Administration	(AFW) Strengthening the tax operations of the Tax Directorate (Large Tax Payers Unit and Medium-size enterprises unit;
Financial System and Monetary Sector	
Bank Supervision and Regulation	(AFW) Regulation and risk based supervision; Start work transition Basel III; Basel III works continuation and works of permanent control
Central Bank Operations	(MCM) Monetary policy and exchange rate market; Open market operations; Liquidity management and forecasting
Safeguards Assessments	(FIN) Internal audit capacity development
AML/CFT	(LEG) AML/CFT: Internal AML/CFT policy of the BCRG; AML/CFT supervision of banks; Capacity and operations of the FIU; Amendments to the legal framework to better address the laundering of proceeds of corruption
Monetary and Financial Statistics	(STA) Monetary and Financial Statistics
Statistics Compilation	
Real Sector Statistics	(AFW) Implementation of the 2015 base year according to the National Accounting System 2008: Preparation of the 2015 Annual National Accounts; Preparation of the National Accounts 2016-2017 according to the System of National Accounts 1993; (STA) CPI; External sector statistics
Macroeconomic Projections and Analysis	
Macroeconomic Analysis and Projections	(AFW) Strengthening the institutional mechanism for validating macroeconomic frameworks

D. Main Risks and Mitigating Measures

9. Traction of IMF TA could be held back by weak capacity, insufficient ownership of the TA program, and a lack of coordination with donors. Knowledge and endorsement of TA recommendations by technical staff in the public administration remains limited although the outcomes of the missions are discussed with top country officials. Presenting the results of the mission to a larger audience of technical staff directly involved with the specific subject and organizing workshops would increase traction and ownership. Furthermore, TA recommendations should be prioritized given capacity constraints in the implementation of TA. Strengthening coordination among donors will be key to avoiding overlapping efforts and conflicting messages.

10. Conducting outreach would help mitigate risks. Outreach activities will improve the coordination and consultation among the government, Fund staff, and other stakeholders. In this regard, the Fund Resident Representative will identify stakeholders with vested interests and help develop a strategy to allay their concerns and showcase the merits of the reforms.

E. Authorities' Commitments

11. The authorities continue to show their commitment via the necessary political support, staffing, and other resources to overcome the identified constraints and achieve the goals of the capacity building program. The authorities are working on strengthening the units (CTA and CTSP) tasked with monitoring the implementation of reforms by providing these units the resources to manage the overall medium-term capacity building program. They are also committed to put in place mechanisms for the strict enforcement of rules and regulations, e.g., laws on public procurement, laws on the governance of public enterprises and agencies, the banking law, and so on.

12. CTSP will produce a first semi-annual report to address the status of the implementation of the TA missions' recommendations, as well as the constraints on their implementation. Staff thinks that producing such a report and submitting it to the government for discussion and validation would be a step in the right direction in helping focus reforms and increase ownership of CD activities. The authorities would promote an inclusive discussion with individuals and units responsible for the implementation of the recommendations of capacity building plans.

Appendix I. Letter of Intent



MINISTRY OF ECONOMY AND FINANCE—MOEF	CENTRAL BANK OF GUINEA—BCRG
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Conakry, June 6, 2018

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

Dear Ms. Lagarde:

1. Our key objective is to generate higher 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 have started implementing 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. Social tensions reemerged in 2017 with economic repercussions, and Guinea’s social context remains fragile. Violent demonstrations took place in the Boké mining region in late 2017 thus disrupting activity of companies in the localities affected. Widespread strikes and social demands for higher wages in the education sector have paralyzed our capital Conakry and had repercussions country-wide. Despite our efforts to increase the provision of electricity to the economy, protests due to electricity shortages remain frequent. We held in February 2018, for the first time since 2005, our local elections through a democratic process which put additional and unforeseen pressures on our budget and contributed to fiscal slippages. Furthermore, the electoral period was marked by heightened tensions and episodes of violence with casualties.

3. On the backdrop of these difficult circumstances, the performance of our economy against end-December 2017 program targets was mixed. We met the performance criteria (PC) on net international reserves and the continuous PC on the non-contraction of new non-concessional external debt at end-December 2017. However, fiscal performance was weak and the PCs on the basic fiscal balance, net government budgetary borrowing from the central bank and net domestic assets of the central bank, and the indicative target (IT) on tax revenues were missed by large margins. We missed our indicative target on strengthening social safety nets, due to implementation constraints. We moved ahead with the implementation of program-supported reforms and most structural benchmarks (SBs) were met (Table 2). Notably we have advanced our reforms to support the implementation of sound macroeconomic policies, mobilize tax revenues, strengthen fiscal management, reduce untargeted electricity subsidies, and foster private sector development and good governance.

4. We are strongly committed to implement sound policies to ensure macroeconomic stability and advance our reform agenda to generate higher and more broad-based growth. In view of fiscal slippages in 2017, we are committed to orient the macroeconomic policy towards supporting stability. This arrangement will 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 policy 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 2018 fiscal program target and progress in implementing our reform agenda, we request the completion of the first review of the program by an Extended Credit Facility and the disbursement of SDR 17.213 million. In light of the corrective actions taken, the authorities also requests waivers for non-observance of the end-December 2017 quantitative performance criteria on the basic fiscal balance, government net borrowing from the Central Bank, and net domestic assets of the Central Bank. We also propose revised performance criteria for end-June and new end-December 2018 performance criteria, as well as a new continuous indicative target on non-accumulation of new domestic arrears (on a net basis) as described in the MEFP (Table 1) and in the attached Memorandum of Understanding.

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 2018–20. 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

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 second review of Guinea's performance under the ECF arrangement will be completed on or after December 11, 2018, based on performance criteria at end-June 2018. 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 and 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.

Sincerely,

_____/s/_____
Mamady Camara
Minister of Economy and Finance

_____/s/_____
Lourenço Nabé
Governor of the Central Bank of Guinea

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

Attachment I. Supplementary Memorandum of Economic and Financial Policies

June 6, 2018

A. Recent Economic and Financial Developments

1. The Guinean economy is growing at a strong pace. After slowing-down during 2014–15, real growth strengthened to 10.5 percent in 2016 (against 3.8 percent in 2015). The rebound of the economy was supported by a significant pick-up in mining production, higher energy production, strengthening in manufacturing, and increased commerce activity. Notably, real growth in the mining sector picked-up at 46 percent, reflecting higher bauxite and gold prices in the international markets, energy production increased by 22 percent following the construction of the Kaleta dam, and growth in manufacturing strengthened to 5.6 percent. The strong growth momentum of our economy continued in 2017, with real growth estimated above 8 percent owing to continued strength in mining, construction and commerce activity. Average inflation increased to 8.9 percent in 2017, reflecting a pick-up in the food price index of 13 percent, while core inflation remained stable at 2.5 percent. Inflation edged up to 9.7 percent (year-on-year) in February due to a pick-up in fresh food prices.

2. The current account deficit is estimated to have narrowed to about 7 percent of GDP in 2017 supported by strong export growth and continued to be financed by large FDI in the mining sector. Mining exports increased by 79 percent (y-o-y), reflecting the surge in bauxite production and the positive impact of the elimination of export taxes on gold which reduced smuggling to neighboring countries. Investment-related imports remained buoyant, while slightly declining by 7 percent (y-o-y) due to the high base effect in 2016. FDI in the mining sector continued to be strong and is estimated at 13 percent of GDP in 2017. International reserves increased to US\$686 million, equivalent to 2.4 months of import coverage at end-2017. After depreciating by 9 percent in 2016, the real effective exchange rate appreciated by 4 percent in 2017, with the nominal effective exchange rate slightly depreciating by 2.5 percent. The premium between the official and foreign exchange bureaus rates was at 0.74 percent at end-2017, and further declined to 0.7 percent in March 2018 (14 percent in November 2015).

3. Guinea's fiscal imbalances significantly deteriorated in 2017. The basic fiscal balance recorded a deficit of 1.1 percent of GDP in 2017, despite having recorded a 0.5 surplus through October 2017. This weaker-than-anticipated performance reflected lower-than-programmed tax revenues and significantly larger-than-programmed expenditures, a large share of which was executed through the use of the exceptional approval procedures such as authorization letters which were applied outside the scope of the law. Mining tax revenues slightly increased to 2.3 percent of GDP (2.1 percent of GDP in 2016) but were significantly lower-than-programmed due to the impact of social protests on the activity of the bauxite company CBG and the amortization of CBG's investments. Non-mining tax revenues declined to 11 percent of GDP (11.9 percent of GDP in 2016). Notably non-mining corporate income tax and domestic VAT were significantly lower-than-programmed, mainly because of delays in the implementation of the Rand and Mercury projects for electronic control and collection. Furthermore, the tax on petroleum products (TSPP) declined to

0.5 percent of GDP (1.2 percent of GDP in 2016) and was 0.8 percent of GDP lower-than-budgeted due to the downward adjustments of the tax rate to maintain constant retail prices due to rising import prices. On the other hand, taxes on international trade were 0.2 percent of GDP higher-than-programmed, supported by much higher trade volume and strengthened customs controls and collection, including through digitalization. On the expenditures side, we maintained our wage bill and electricity subsidies in line with our program objectives, respectively at 3.6 percent and at 1.3 percent of GDP. However, spending on goods and services were above programmed levels, owing to higher-than-budgeted costs for the local elections, at 3.6 percent of GDP. Domestically-financed capital expenditures were 0.8 percent above programmed levels, reflecting also projects execution related to the Independence Celebration Day. Owing to larger than programmed budgetary financing needs, net financing from the central bank reached 0.5 percent of GDP, against a programmed net repayment of 0.3 percent of GDP, and government borrowing from commercial banks increased to 0.9 percent of GDP, largely above program targets. In addition, domestic arrears of 1 percent of GDP were accumulated.

4. The basic fiscal balance recorded a surplus of 0.9 percent of GDP in the first two months of 2018. During January-February 2018 mining tax revenues increased by 31 percent (y-o-y) and reached 0.4 percent of GDP, on the back of buoyant mining production and CBG returning to its normal activity. Non-mining tax revenues increased by 22 percent (y-o-y) driven by strong international trade taxes. However, TSPP revenues declined by 51 percent (y-o-y) reflecting the lower tax rate. Due to rising import prices, customs duties on petroleum products were reduced, for the first time, to keep petroleum products retail price constant, which led to a revenue loss of GNF 220 million (0.2 percent of GDP) in the first quarter. We contained non-priority goods and services expenditures by 20 percent (y-o-y) and overall capital expenditures declined by 20 percent (y-o-y) during January-February 2018. We repaid domestic arrears equivalent to 1 percent of GDP in the first two months of the 2018. Net budgetary financing from the central bank continued and was at 0.2 percent of GDP.

5. Despite improved liquidity conditions of the banking system, credit to the private sector remained weak reflecting crowding out effects of government financing and banks' hesitance to provide credit to the private sector. Reserve money increased by 10.3 percent at end-2017, faster than programmed. Private sector credit growth was positive but remained weak at 2.3 percent, while commercial bank lending to government increased by 16.5 percent. The decision to lower reserve requirements (from 18 to 16 percent) in March 2017 freed up liquidity in the banking system. However, most of the additional liquidity was absorbed by the banks' subscription of the GNF500 billion government bond to finance road development. Crowding out effects of commercial bank financing of the government continued to constrain the provision of credit to the private sector, coupled by banks' hesitance to lend to the private sector due to a deterioration in their loan portfolio. Non-performing loans (NPLs) increased to 10.7 percent in December 2017 (9.4 percent in 2016 and 6 percent in 2015) which has also led banks to limit credit to the private sector.

6. Our banking system is broadly sound, but faces some challenges. Liquidity conditions in the banking sector have improved, reflecting the stronger pace of deposit growth which strengthened to 16.7 percent at end-2017 (10.6 percent in 2016). Deposits in GNF increased by 16.8 percent (y-o-y), and deposits in foreign currency continued to rise by 19.8 percent since

end-2016, mostly reflecting higher repatriation of export earnings from artisanal gold following the elimination of the tax on gold exports. Reflecting improved liquidity conditions, banks' excess reserves increased by 56 percent and the interbank market activity slightly improved, with 26 transactions in 2017 compared to 24 transactions in 2016. All banks were in compliance of reserve requirements at end-2017. Provisioning for NPLs improved with NPLs net of provision to capital falling to 11.3 percent at end-2017 (14.7 percent in 2016). However, while profitability has improved on some measures, the interest margin-to-income has increased to 42 percent at end-2017 (39 percent at end-2016). Two banks remained non-compliant with the capital adequacy requirement at end-2017 (six banks were not-compliant at end-2016).

B. Program Objectives and Key Elements

7. 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 aim 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 will strengthen our fiscal program targets and contain budgetary financing needs 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 government to short-term cash management and within the 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 on 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 will 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 while preserving medium-term debt sustainability and ensuring that the risk of distress of our external debt 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 aiming at gradually clearing government arrears to the private sector, toward which we remain indebted with a considerable debt stock. 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 inclusiveness.** 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 key structural reforms to achieve higher and more inclusive growth.** We will continue to strengthen our medium-term budget framework and public finances, including public investment management to ensure the appropriate 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 rate market. Furthermore, we will advance our key growth-supporting reforms to improve governance and the business climate and foster private sector development. We will also move ahead with the implementation of our strategy to foster financial inclusion.

C. Economic Policies and Reforms Program

Macroeconomic Outlook

- 8. 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 5.8 percent in 2018 on the back of buoyant mining activity, strengthening agricultural performance, and continued strength in construction activity reflecting the implementation of infrastructure projects. Medium-term growth is projected to be 6 percent supported by a scaling-up of investments in mining and infrastructure, strengthening exports, a stable macroeconomic environment and the implementation of growth-supporting structural reforms. A stronger than assumed pace of investments and pace of new mining capacity production would support higher medium-term growth. We will contain inflation to single digits through our prudent monetary policy.
- 9. The current account deficit would remain large in 2018, financed by FDI inflows, and gradually narrow over the medium term.** The current account deficit is expected at 21 percent of GDP in 2018. Mining exports would further increase by about 1 percent from the buoyant 2017 levels. Imports would increase by 26 percent (y-o-y) on the back of large FDI (13.8 percent of GDP) and infrastructure development. International reserves would increase to 3.2 months of import

coverage. External imbalances would narrow over the medium term, reflecting an improvement in the trade balance. Export growth would average at 4 percent over the medium term, reflecting higher mining production capacity. Import growth would average at 3 percent over the medium term, continuing to be financed by large FDI, notably in the mining sector, (11 percent of GDP, on average over 2019-2023). International reserves would gradually increase to 3.8 months of import coverage in 2020.

Fiscal Policy

10. We are committed to orient our fiscal policy towards preserving macroeconomic stability and strengthen our program fiscal targets. In view of the deterioration in fiscal imbalances in 2017, we are committed to strengthen the program fiscal targets over 2018–20 to preserve debt sustainability. Thus, we are committed to achieve a basic fiscal surplus of 0.8 percent of GDP in 2018, of 1.0 percent of GDP in 2019 and 1.1 percent of GDP in 2020. This will allow us to gradually recoup part of the fiscal slippages which took place in 2017 and further contain budgetary financing needs so as to gradually repay government borrowing from the central bank above programmed levels in 2017, limit commercial banks' financing to a level consistent with healthy provision of credit to the private sector and gradually repaying domestic arrears accumulated in 2017 and in previous fiscal years. To avoid extrabudgetary expenditures and the accumulation of new domestic arrears, and better align cash flows and commitment plans, the Minister of Finance issued a circular to all ministries and financial controllers in February 2018 that limits the use of authorization letters (ALs) to sovereign expenditures and special funds in line with the budget management and public accounting decree (RGGBCP). We will ensure that the use of ALs is conducted in line with the Minister of Finance circular and the RGGBCP and limited to sovereign expenditures and existing special funds and the execution of expenditures authorized through ALs is linked to budgetary lines, and we will provide a report on the use of ALs during January-May 2018 to IMF staff and on a quarterly basis as part of the program requirements (prior action).

11. 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 implement an ambitious scaling-up of public investments, notably in infrastructure, by about 3.5 percent of GDP during 2017–20, which will be crucial to realize the growth potential of our economy and support the development of the private sector. 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. 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, including the rehabilitation of the RN1 road, 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 2018

12. We have adopted in May a revised budgetary framework which strengthens our fiscal target to a basic fiscal surplus of 0.8 percent of GDP. We expect mining tax revenues to increase to 2.5 percent of GDP in 2018 on the back of strong production of incumbent bauxite companies and the start of production of new companies. Furthermore, non-mining direct taxes revenues would increase to 2.8 percent of GDP on the back of strong economic growth and the implementation of our targeted tax policy and administration reform. Non-tax revenues will increase to 1 percent of GDP, owing to the mobilization of an exceptional transfer of past collected revenues of GNF 400 billion (0.4 percent of GDP) in April 2018 from the National Agency for the Regulation of Post and Telecommunications. We will contain current expenditures in goods and services to 3.3 percent of GDP in 2018 and reduce electricity subsidies to 1.0 percent of GDP while we will mobilize additional domestic resources to strengthen social safety nets. We will implement measures to compensate the higher-than-programmed increase in salaries for the public administration which will allow to maintain the wage bill at 3.9 percent of GDP. Overall capital expenditure will increase to 6.5 percent of GDP to support growth. In parallel, we will contain domestically financed capital expenditures to 2.4 percent of GDP, by rephasing investment projects in view of higher-than-programmed domestically-financed capital expenditures in 2017. We will repay on a net basis the BCRG equivalent to 0.2 percent of GDP, thus repaying a share of the government borrowing from the BCRG above programmed levels in 2017 and the 2015 government borrowing from the BCRG falling due. We will contain government borrowing from commercial banks to 0.2 percent of GDP, to ensure banks' provision of credit to the private sector. We will repay 0.4 percent of GDP of the outstanding government arrears to the private sector.

Mobilizing Revenues

13. We have adopted key tax policy measures in the 2018 Budget Law that simplified our tax system and supported broadening the tax base and will allow us to mobilize an additional 0.1 percent of GDP in non-mining tax revenues in 2018. We have adopted a time-bound action plan for a targeted tax policy and administration reform in November 2017. In line with our action plan, 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 introduced a higher tax bracket at 20 percent for withholding on personal income from wages, we reduced the corporate income tax from 35 percent to 25 percent (excluding banks, mining and telecom companies), and we reduced the rate of the minimum tax on turnovers from 3 to 1.5 percent while removing its ceiling, allowing broader application. This would mobilize 0.1 percent of GDP additional revenues in 2018.

14. In order to achieve our fiscal target, we have started implementing a package of additional tax measures which are expected to mobilize about 0.4 percent of GDP additional tax revenues in 2018. We will go ahead with a package of additional tax policy and administration measures to support revenue mobilization and we will update our action plan by June 2018 to incorporate those new measures. Notably:

- We have introduced tax policy measures that will mobilize 0.06 percent of GDP additional revenues in 2018.** We have adopted in April 2018 a Prime Minister's circular which establishes the creation of an inter-ministerial committee and requires the authorization of the Minister of Budget for the issuance of new exonerations which has strengthened our institutional framework to provide tax exonerations. This will allow us to: i) streamline the provision of new exonerations; and ii) start eliminating tax exonerations which were provided on an ad-hoc basis which is expected to generate GNF 40 billion additional tax revenues (0.04 percent of GDP) in 2018 (overall ad-hoc tax exonerations are estimated at GNF 500 billion). The Minister of Budget will adopt a time-bound action plan to rationalize tax expenditures which were provided on an ad-hoc basis by June 15, 2018 (prior action). We will integrate in this time-bound action plan, the recommendations to further streamline legal tax expenditures based on the review we will be conducting with the support of the EU, by end-August 2018. In addition, we have made it mandatory to purchase insurance policies on imported goods from local insurance companies which will broaden the tax base on insurance contracts and generate GNF 21 billion additional tax revenues (0.02 percent of GDP).
- We are moving ahead with a number of tax administration measures which are expected to mobilize about 0.35 percent of GDP in 2018.** The Domestic Directorate for Taxes will conduct (i) general and desk audits for large enterprises which would respectively mobilize additional GNF180 billion (0.17 percent of GDP) and GNF 33 billion (0.03 percent of GDP) supported by improved audit procedures and introducing performance contracts for auditors; (ii) audits of 32 companies on the basis of cross-checking companies' import data in 2018 with declared turnover to mobilize GNF 20 billion (0.02 percent of GDP). In addition, we will step-up the recovery of tax arrears to GNF 95 billion (0.09 percent of GDP), out of an identified stock of recoverable arrears of GNF 622 billion. We will also strengthen the collection of the Single Land Contribution through the use of geo-localization. We have hired for this purpose 125 youth to cover all 5 municipalities of Conakry which is expected to mobilize GNF 32 billion (0.03 percent of GDP).

15. We are committed to implement the automatic adjustment price mechanism for petroleum products, while putting in place mitigating measures to protect the most vulnerable, to support revenue mobilization and budgetary transparency. We have kept the retail prices of fuel products constant since early 2015 at 8,000 Guinean francs per liter and the TSPP has been used as an adjustment variable to bridge the gap between import and retail prices. Due to the international oil price increase, this led to sizable revenue losses in 2017 as the TSPP rate was reduced to 250 GNF/liter for gasoil and essence and to 0 for Kerosene to keep the retail prices constant. Starting with January 2018, we also had to introduce, for the first time, ad-hoc downward adjustments of customs duties on petroleum products to maintain the petroleum products retail price which led to substantial revenue losses of 0.2 percent of GDP in the first quarter of 2018 and could lead to an overall loss of 0.8 percent of GDP over 2018. In order to reduce revenue losses and facilitate a gradual increase in the price of petroleum products towards the price indicated by the automatic price mechanism, we will increase the price of petroleum products at the pump by at least 12 percent on July 1st, 2018 which will enable us to reduce the losses on customs duties revenues by GNF 404 billion (0.38 percent of GDP) over 2018. To this end we have signed a ministerial order in

June 2018 (prior action). In addition, we have been studying the petroleum products pricing system in neighboring countries and we are cleaning the price structure, without compromising appropriate margins for distributors and other costs. We are committed to implement the automatic price adjustment mechanism for petroleum products and we are convinced that ensuring the mobilization and the predictability of TSPP revenues is key to support higher fiscal revenues, create fiscal space to step-up public investments, and allow better budgetary planning. In view of the difficult social context, we have decided to delay the implementation of the automatic adjustment price mechanism at the latest in the first quarter of 2019. As a key step to facilitate and notably to inform our petroleum products price reform, we have initiated discussions with key stakeholders to build consensus and we are preparing a communication strategy to inform the public of the importance of reforming the system and how petroleum price subsidies disproportionately benefit more the wealthiest. In parallel, we will put in place targeted mitigating measures, including strengthening social safety nets, to minimize the impact of the reform on the most vulnerable segments of society. In the event the implementation of the automatic adjustment price system is delayed beyond January 2019, we will undertake additional tax revenue measures to achieve our revenue target.

Containing Current Spending

16. We will contain non-priority current spending in goods and services. We will rationalize orderings of electronic material, vehicles, furniture, and office material which will generate GNF 345 billion (0.3 percent of GDP) savings compared to programmed amounts in the ECF arrangement request for 2018.

17. We will reduce untargeted electricity subsidies on the back of our electricity tariff reform, improving EDG's efficiency, changing our electricity production mix to reduce production costs. We aim to gradually reduce electricity subsidies to 0.6 percent of GDP by 2020 on the back of our three-pronged strategy which aims at (i) increasing electricity tariffs to bring them closer to cost recovery; ii) improving EDG's efficiency by strengthening payments collection rate and reducing commercial and technical losses; and iii) substituting costly thermal electricity production with cheaper hydro production. We will reduce electricity subsidies to 1.0 percent of GDP in 2018 from 1.3 percent of GDP in 2017. To this end, we increased electricity tariffs by 42 percent for industrial and large consumers in November 2017. Due to protests, we suspended the 42 percent tariff increase for industrial and large consumers in March 2018 while we decided to move ahead with a more comprehensive review of electricity tariffs. We signed a ministerial order in April 2018 which establishes electricity tariff increases for all consumers categories, while preserving the social tariff. Thus, the above-mentioned ministerial decree establishes a 25 percent increase in the electricity tariff for the tranche of industrial and professional users and a 10 percent tariff increase for households. We will implement the new tariff structure (prior action) which, jointly with the 42 percent increase for industrial and professional users that was applied during January-February 2018, will generate savings on electricity subsidies of GNF 143 billion (0.13 percent of GDP). On the basis of the findings of the tariff study and impact analysis which is being finalized with the support of the African Development Bank, we will continue to move ahead with our tariff reform to bring electricity tariff to cost recovery levels. In addition, we have started improving the composition mix of our electricity production to reduce production costs for EDG. Notably, we will substitute 121,089 MHW of thermal production in 2018 with hydro production which will reduce the EDG production costs by GNF 328 billion. Furthermore, we have signed a new contract with fuel suppliers

to reduce purchasing costs which is expected to generate savings of about 30 GNF billion. On the operational side, efforts to increase the collection rate of EDG will continue by moving forward with the installation of electricity consumption meters for the Prime Minister's Office and 15 public ministries by June 2018 (SB) and for 100,000 domestic consumers by end-2018 throughout the central government and for 80 percent of the rest of consumers by the end of February 2019 (SB). We are continuing to strengthen controls to curb fraud in the electricity sector and reduce commercial losses. Notably, EDG is conducting a survey and partnering with domestic consumers to identify and eliminate illegal connection to the distribution system. This is expected to regularize 80,000 industrial and domestic clients and lead to additional savings of GNF 47 billion in 2018. We have begun infrastructure investments in the distribution network which are expected to reduce technical losses.

18. We will take measures to contain the impact of the larger-than-programmed salary increase to maintain the wage bill in line with the 2018 programmed level. The higher-than-programmed increase in public wages of 20 percent adopted in March 2018 would add GNF 326 billion (0.3 percent of GDP) to the wage bill in 2018. In order to counterbalance the impact of the increase in wages, we will take the following measures to maintain the wage bill within the budgeted envelope which will generate savings of GNF 326 billion: (i) freeze planned recruitment to generate savings of GNF 169 billion (0.2 percent of GDP), while ensuring to expand access to social services in rural areas with a minimum of 16540 teachers and 8025 health workers; (ii) delay the implementation of the status on a number of paramilitary corps which is expected to generate savings of GNF 60 billion (0.05 percent of GDP); and (iii) freeze automatic advancements in the public administration to generate savings of GNF 94 billion (0.09 percent of GDP). We will continue to move ahead with our administration and civil service reform. Notably, we have continued to move forward with the biometric census of civil servants (pensioners and contractual employees). During this process, we have discovered discrepancies with our civil servants' database (reflecting ghost and deceased workers that still appear in the database), and we have started to clean our registries. We are 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 2800 ghost workers. We will install 150 additional machines by end-2018. In the medium term we also aim to establish a new electronic platform that can monitor and consolidate data on civil servant work activity and salaries.

19. We will increase domestically-financed public expenditures directed towards social safety net programs to support reducing 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. In order to support the implementation of our strategy, we are committed to use budgetary savings from the electricity subsidy reform to increase domestically-financed public expenditures on non-contributory social safety nets programs under the Social Development Fund and the Program Filets Social Productive (PFSP) to GNF197 in 2018 and over the program period. This would allow us to strengthen the coverage of these programs and start reducing over-reliance on donor financing to

ensure the continuation of these programs over time. These include labor-intensive public works projects providing employment and training to women and the youth; conditional transfers to vulnerable households to support children's school enrolment and provision of health services; non-conditional cash transfers to poor households particularly in rural areas to reduce the poverty gap; social projects aimed at reducing gender inequality and fostering women's integration in the labor force; social assistance to the most vulnerable, including the elderly and the disabled, and those impacted by HIV/AIDS and Ebola. We will establish a unified social register of vulnerable populations which will be key to strengthen the targeting of the delivery of social programs by February 2019 (SB). To this end, we have started to strengthen capacity building, and we have held a workshop with donors and key stakeholders with the support of the World Bank in March 2018 to discuss a roadmap for execution. We will continue to liaise with donors, notably the World Bank and UNICEF, to mobilize needed external financing, in view of the significant cost of the project and identify the next steps.

Medium-term Revenue Mobilization Strategy

20. We are committed to mobilize additional tax revenues of 3 percent of GDP during the program period. Our strategy to mobilize additional tax revenues will focus on fostering non-mining tax revenues, notably direct taxes, through broadening the tax base and strengthen controls and payments. Specifically, 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) rationalize tax exemptions based on our ongoing review of tax expenditures (estimated at about 4 percent of GDP) which will support broadening the tax basis. To this end, we will adopt an action plan with time-bound measures to streamline exonerations in June 2018 on the basis of the review of existing tax exemptions that we conducted with the support of the EU and we will conduct an in-depth audit of the tax directorates; (ii) we will conduct a tax payer census of small and medium-sized businesses which will be the basis for the establishment of the Unique Professionals Tax (TPU) by June 2018, which will improve tax compliance for businesses in the informal sector through tax recovery via electronic and secured payment available in banks; (iii) streamlining excises and review rates; (iii) reviewing the property tax regime; (iv) introducing an additional tax bracket of 25 percent for personal income tax; (v) eliminating the global income tax while broadening the coverage increasing the coherence of the withholding system; and (vi) reviewing international tax rules and provisions. We will also put in place a strategy to reduce the outstanding stock of VAT credit arrears.
- **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 June 2019 ; (ii) further advance informatization, with projects RAND and MERCURY allowing to connect TVA payments from businesses to the network of the National Directorate of Taxes (DNI) by end-2018, and enable real-time processing of tax obligations and consolidate information and data from various tax units into a centralized network (SFIG); (iii) reinforce the capacity of the DNI notably by separating management and

operations; (iv) finalize the development of a procedural manual and an internal audit protocol for the DNI, with the support of the EU; (v) expanding the cross-checking of large companies' imports with declared turnover to reduce under-declaration and increase tax control by improving tax-payer identification; (vi) continue to collect tax arrears from large companies (estimated at 0.7 percent of GDP); (vii) introducing a permanent tax-payers' identification number by end-2018; (viii) strengthening the capacity of the Directorate for Taxes and the recovery of the Department of Large Enterprises; (ix) improving compliance of large and medium tax-payers; (vi) cleansing and transferring taxpayers files to responsible tax offices; and (x) digitalization of customs.

- **We remain committed to apply the tax provisions of the new mining code to mobilize additional mining revenues on the back of buoyant mining activity.** We have made significant progress towards strengthening governance and transparency in the mining sector. Guinea joined the Extractive Industries Transparency (EIT) initiative in 2014, and we implemented the amended Mining Code (adopted in 2011) in 2013, which introduced taxation provisions which are in line with international standards. In addition, we have conducted a review of mining agreements and titles and set-up a more transparent system for issuance, renewing and transfers of permits. We have made significant progress in bringing expiring agreements closer to the provisions of the new mining code. 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 and priority social spending. To this end, will 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 mining code, including the tax provisions, and that all conventions which deviate from the mining code will be presented to the National Assembly with an assessment of tax expenditures, which will be updated on yearly basis as an annex in the budget law (new SB).

Fiscal Structural Reforms

21. We will continue to strengthen public financial management to support our envisaged scaling up of investments. We made important progress in strengthening public financial management, and we are committed to advancing reforms to support the fiscal strategy:

- **We will further strengthen our medium-term budget framework to better monitor public expenditures and manage the scaling-up in public investment.** For the first time, we presented a medium-term budget (MTB) with the 2017 budget law. We have adopted the new budget nomenclature in line with the GFSM 2001 manual for the 2018 Budget Law, 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 the MTB in line with the ECF-arrangement fiscal targets. In addition, we have enhanced our budget preparation calendar and will adhere to the calendar for the 2019 budget preparation with the budget

orientation debate being held by July 1, 2018, and we will continue to publish the quarterly reports of the budgetary execution. We have adopted in December 2017 the ministerial orders for compliance of budgetary and accounting management of administrative public entities (EPA) with the new legislative and regulatory framework of public finances. We will adopt and operationalize the related procedural manuals to strengthen the quality of budgetary execution and the quality of the reports of budgetary execution by end-2018.

- **We will swiftly move ahead to finalize establishing a Treasury Single Account (TSA) to strengthen transparency, budget monitoring and our cash management.** To this end, we closed all accounts of the EPA held at commercial banks and allowed only one account at the Central Bank aiming at consolidating all accounts in the perimeter of the TSA. In this context, we have finalized a survey of the accounts of those entities in Conakry and in the rest of the country. We will transfer to the TSA the accounts of all ministries and all administrative public entities (EPA) in Conakry to make it operational by end-December 2018. The process of consolidation of the public treasury will continue in 2019 by the extension of the CUT to the accounts of externally-financed public development projects and programs, most of which are opened in commercial banks.
- **We are moving ahead with improving our cash management, which would be important to support containing budgetary financing from the BCRG.** We have better aligned expenditures commitment plans with cash flows, and we started conducting this exercise on a monthly basis since January 2018. In addition, we are holding on a weekly basis a technical inter-ministerial meeting to support the committee for cash management, which is held on a monthly basis. In addition, we will strengthen the forecasting component of our cash flow model, in line with recent IMF TA recommendations, which will enable us to improve our assessment of budgetary needs.
- **We are committed to move ahead with the implementation of the recommendations of the PEFA assessment.** 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 will integrate the recommendations of this assessment in the action plan to reform public finances by September 2018 (new SB) which will identify time bound measures to improve the strength of the public financial management system. Notably, we will focus strengthening the following areas: accounting, reporting, audit, performance information for service delivery, evaluation and monitoring of budgetary risk, public investment management, expenditure arrears and wage bill forecasting.

22. We will strengthen public investment management to improve transparency and efficiency and maximize returns of our envisaged national 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 will conduct the PIMA (Public Investment Management Assessment) methodology with the support of IMF TA in May 2018, which will be key to develop an action plan by September 2018 to strengthen our public investment management. We will ensure the implementation of our procurement framework. We have contracted a firm to assist in the implementation of a platform for integrated investment

management, which 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 the coordination and monitoring of investment projects which we will finalize by end-2018. 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 the delays in procurement by streamlining processes and we will finalize our survey of providers' prices by May 2018 to ensure the transparency of contracts and we will implement 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 will enforce the provisions of the procurement code and conduct competitive bidding for public investment projects. In addition, we are working to amend the procurement code by end-2018 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 line with this reform, we will adopt a manual for procurement procedures by March 2019, and we will develop a platform to support internal management and monitoring of the execution of public contracts, for which we are elaborating on the terms of reference.

23. We will finalize our new public-private partnership (PPP) framework and ensure it is consistent with best practices. In view of our objective of increasing investments, a new PPP law was adopted by the Parliament in July 2017. We will publish the new law in the Official Gazette by end-June 2018. We will finalize the related implementation decrees by June 2018, ensuring that the new PPP framework is in line with best practices, geared toward supporting projects envisaged in the PNDES, and consistent with the organic law on public finance (LORF). Given the risks and contingent liabilities associated with PPP-financed projects, we will exercise prudence in the use of PPPs to ensure that we are not exposed to possible government contingent liabilities resulting from the implementation of those PPPs. We will ensure that those guarantees are well monitored, evaluated, and contained in line with sound risk management.

24. We will move ahead with our reform of state-owned enterprises (SOEs) aiming at strengthening their governance and support the mobilization of fiscal revenues. We completed a survey of the legal and financial status of all SOEs in 2017 and an SOEs' annual financial report for 2016 was submitted for the first time to the Parliament. A revised law on the governance of SOEs was approved by the parliament in December 2017 and 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. We have already prepared a draft of the implementation decrees of the SOEs' law and we will adopt it by September 2018 (new SB). We have started to bring the texts of five SOEs in accordance with the requirements of the new law and will finalize it for all public enterprises by end December-2018. In line with the new law, we are preparing the annual financial report for SOEs for 2017 and we will be submitting it to the Parliament as an Annex of the 2019 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. We will aim at improving the management and performance of

these companies. To this end, we will update SOEs' legal status and texts, consolidate their financial position, and establish their Boards of Directors.

Debt Policy and Management

25. We are committed to preserve medium-term debt sustainability and not exceeding a moderate level of external debt distress. We will continue to carefully 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 debt distress and the large non-concessional loan we are finalizing to finance the construction of the Souapiti dam project (about 11 percent of GDP), which is critical to improve our electricity capacity production, we will maximize the concessional element of our new external borrowing and limit contracting or guaranteeing any additional non-concessional debt to preserve medium-term debt sustainability to our program ceiling. To this end, we are notably committed to limit 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 infrastructure projects so that Guinea's risk of debt stress does not exceed a moderate level. Within this envelope we are planning to sign the two loans for the financing of the rehabilitation of the RN1 road and Conakry urban road network by end-2018.

26. We are committed to gradually repaying the domestic arrears that have been accumulated in previous fiscal years. We conducted in 2016 an audit of domestic arrears and the overall stock of domestic arrears is estimated at end-2017 at GNF 4113 billion (4.4 percent of GDP). We have adopted in December 2017 a strategy for the clearance of domestic arrears which aims at clearing 80 percent of creditors (about GNF 109 billion) of the audited and verified arrears over the period 1982–2013. To this end, we have already repaid GNF43 billion in 2017, and we plan to repay GNF 58 billion in 2018. Furthermore, we are planning to repay the remainder amounts over a seven-year period, and we are working on defining the modalities. We will recruit an auditor and we will conduct a review of domestic arrears contracted during 2013–17. We are committed to avoid the accumulation of new arrears, including through better debt management which will help support the private sector.

27. We will continue our efforts to resolve our long-standing external arrears. We have initiated negotiations to liquidate external arrears to Non-Paris Club and commercial creditors, and we will continue communications to the creditors to this end. Our objective is to gradually normalize these arrears as soon as we receive a response from the creditors. To this end, we will continue discussions with creditors. We will ensure not to accumulate new external arrears, including through improving debt management.

28. We will continue to strengthen our debt management framework. We published an operational procedures manual and the National Debt Policy statement and concluded in 2016 the audit of domestic arrears. We have strengthened our debt management capacities 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. We will set-up a Committee to oversee debt management by end June 2018. We will update the medium-term debt management strategy (MDTS) by end 2018 for which we have requested technical assistance from the IMF. We will finalize and publish a statistical bulletin on public debt by end April 2018, and we will continue to publish it on a quarterly basis. We have published a calendar of bond issuance on the Ministry of Economy

and Finance website in April 2018, which will support transparency and improve cash management. We have requested the DEMPA exercise (Debt Management Performance Assessment), which will be conducted with the support of the World Bank in May 2018. This will allow us to identify key measures to reinforce the management of our debt and we will develop an action plan to strengthen our debt management on the basis of the DEMPA findings by October-2018.

D. Monetary and Exchange Rate Policies

29. We are committed to finalize our foreign exchange market reform in order 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 will issue an instruction by June 2018 which will clarify the rules for banks' participation in the MEBD and will strengthen the reporting and analysis of the MEBD operations and prepare a quarterly report to support discussions with participants in the market. In order to make the MEBD more competitive and support greater flexibility of the exchange rate, we will gradually eliminate the limit on auction allocations to a single participant. Thus, we will increase this limit to 40 percent by September 2018 and 60 percent by December 2018. We will then fully eliminate it by June 2019. We will develop a rule-based intervention strategy for BCRG by March 2019 (SB), supported by IMF TA, to limit discretion. We will also establish an electronic platform to make MEBD operations more fluid and secure by June 2019, 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.

30. We will strengthen our foreign exchange reserves to build additional external buffers against exogenous shocks. We have strengthened our reserves in 2017, but they remain below 3 months of import coverage and below the ARA-CC metric reserve adequacy estimate of 3.8 months of imports. To support achieving our objective of reserve coverage of 3.8 months of imports by 2020 the BCRG will start an active strategy to accumulate reserves through regular and small purchases in unilateral and competitive auctions open to all Guinean banks and foreign non-bank entities operating in the MEBD by September 2018 (new SB) while we will ensure to preserve the MEBD's stability. Notably, we will conduct a unilateral auction each day, out of the days in which the MEBD is conducted. This will allow us to take advantage of a larger supply of foreign exchange in the economy. We will continue moving towards greater exchange rate flexibility, limiting our interventions in the MEBD to provide appropriate liquidity and prevent disorderly

market conditions. In this respect, we will finalize a weekly foreign exchange liquidity forecast by December 2018 so as to improve the predictability of market supply and demand conditions.

31. Our monetary policy will aim at preserving moderate inflation. We are committed to continuing to strengthen the autonomy of the BCRG. The BCRG will aim at maintaining broadly stable inflation within single digits by continuing to target base money. In view of rising inflation and the build-up in inflationary pressures in the economy due the recent increase in wages in the public administration, we will maintain a prudent monetary policy and stand ready to tighten our monetary policy stance to maintain a positive real interest rate. For 2018, we will target the monetary base to expand at about 14 percent (y-o-y), which is consistent with an inflation rate at about 8 percent and growth of credit to the private sector at about 5 percent (in percent of broad money).

32. We will continue to strengthen our monetary policy framework by improving liquidity management. The BCRG has 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. In line with recent TA recommendations, we have started to use our liquidity management tools on a more regular basis. We have established a new liquidity forecasting framework in March 2018, which will allow the BCRG to calibrate its liquidity injections and absorption operations. We will operationalize our new liquidity framework in May 2018 and we will use it to ensure that banks' liquidity needs are met and support banks' provision of credit to the private sector. We will set-up an electronic platform for interbank transactions in domestic and foreign currencies by September 2018, which will strengthen activity in the interbank market and support a more competitive market. Furthermore, we will establish an emergency liquidity framework for illiquid but solvent banks, supported by IMF TA, by February 2019.

33. We will continue to move forward in addressing remaining recommendations of the 2017 Safeguards Assessment Update to strengthen the BCRG's autonomy, transparency and accountability. We are convinced that recapitalizing the BCRG to ensure its operational autonomy, enhancing the BCRG's financial reporting transparency, developing its internal audit capacity and strengthening controls in currency operations are key. We are committed to continue to strengthen the autonomy of the BCRG. To this end, we have amended 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. To ensure to maintain the operational autonomy of the BCRG, we have prepared a first draft of the Memorandum of Understanding between the BCRG and the Ministry of Economy and Finance which specifies the modalities and a timeline for the needed recapitalization of the BCRG (estimated at about U\$200 million), and we are committed to sign it by end-May 2018 (prior action). The BCRG has made significant progress toward the implementation of the International Financing Reporting Standards (IFRS) and it is on track to publish IFRS compliant financial statements for 2017 by September 2018 (SB). We are committed to contain the government's borrowing from the BCRG to short-term cash management and in respect of the provisions of the Central Bank Law. To this end, we will sign a Memorandum of Understanding (MoU) between the BCRG and the Ministry of Economy and Finance in May 2018 that will limit the BCRG statutory

advances to the government to the statutory limits indicated in the Central Bank Law (prior action) and thus to no more than 5 percent of the average revenues of the last three years which will have to be repaid within a period of 92 days. In addition, we will conduct an internal audit of the monitoring system of the credit provided to the government, and we will share the report with IMF staff by end May 2018. Furthermore, we will hold regularly the Executive Committee of the BCRG to strengthen monitoring, and we will start providing from May 2018 monthly regular reports to the BCRG Board on the level of credit to the government and whether it is in compliance to the BCRG law. We are committed to strengthening the internal audit processes and capacity of the BCRG. We have commenced implementation of the 2017 Safeguards Assessment Update in this area, including 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. We will set-up internal compliance processes at the BCRG to review adherence with legislation and provide semi-annual reporting to the Board by end-September 2018 (new SB), and we will conduct a peer-review of currency operations by November 2018. With the support of IMF TA, we will strengthen internal audit practices 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.

34. We are committed to maintaining the stability of the banking sector and continue to strengthen banking supervision. The BCRG has defined an action plan with the two remaining non-compliant banks to bring them into capital regulatory compliance by end-2018. One bank is in breach of capital adequacy requirements by a minimal amount and is expected to be in compliance following the incorporation of the 2017 financial year results; a recapitalization plan has been defined for the remaining bank. Furthermore, the BCRG will ensure that all banks are in compliance with the reserve requirement. In view of the recent increase in 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. The BCRG is taking a number of measures to strengthen banking supervision, including updating the accounting framework applicable to credit institutions; automating the process reporting financial data; revising and drafting new regulations; and improving the rating methodology of banks and supervisory actions. We will further strengthen banking supervision by ensuring that all banks are compliant with IFRS standards and are moving towards implementing Basel II. An Insurance Code to improve sector supervision and meet international standards was developed and adopted in July 2017. We aim at establishing a banking resolution framework by end-2018 and discussions are underway with TA providers. We are in the process of setting up a deposit guarantee scheme, and we expect to finalize it by end-2018. A Professional Association of Banks (APB) and BCRG commission has been set up for this purpose, and a draft decision has been prepared as an action plan to implement the deposit guarantee fund.

Structural Reforms

35. We are committed to move ahead with the implementation of 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.

36. 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 (153 out of 190 countries). We are committed to continue strengthening the business climate to foster private sector development and investments. 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) developing a framework for the Public-Private dialogue, iii) easing paying taxes, including by introducing a business identification number and online tax declarations; iv) improving access to credit, notably for small and medium-sized enterprises; v) strengthening contract enforcement; and (vi) easing cross border trade. Notably, we will establish a specialized Commerce Court in Conakry by October 2018 to improve contracts execution (new SB). In addition, we aim to establish a one-stop shop for foreign trade to facilitate cross border trade. To this end, we issued the tender for the operator. We are evaluating the offers received, aiming at finalizing the recruiting of the operator by end-2018.

37. We are committed to strengthening governance, a central pillar of our growth-enhancing strategy. The Parliament adopted in July 2017 the anti-corruption law, which represents an important step towards improving governance. The law was published in the Official Gazette on August 2017 and the implementation decrees on the asset declaration regime and whistle blowers and victims' protection will be adopted by end December 2018 (new SB). We are committed to move ahead with the criminalization of all acts of corruption. In addition, we will adopt the implementation decree on the organization and operation of the National Agency for the Fight Against Corruption by end October 2018 (New SB). To this end, we have already prepared the draft decrees on the role and organization of the Agency to Fight Corruption (NAFC), whistle blower and victims' protection, and declaration of assets. We will strengthen the enforcement of the rule of law and the judiciary system, and the overall anti-corruption framework to improve 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. Notably, we are committed to strengthening the NAFC by improving its human, technical, and logistic capabilities and by strengthening its independence and financial autonomy with a proper budget allocation and we will create a pool of specialized magistrates on the issues of corruption and a judicial police brigade within the NAFC. We are moving ahead with the reorganization of the Executive Secretariat of the NAFC and the restructuring of seven ANLC regional branches. We have started the consultations to establish a judicial police brigade and training of personnel. We are committed to continue to strengthen our AML/CFT regime and move ahead with the implementation of the recommendations of the assessment conducted by the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA), including measures related to politically-exposed persons, and enhancing the legal framework, with the support of IMF TA. We have made progress in improving our AML/CFT regime, including by operationalizing the Financial Intelligence Unit—in line with recommendations from IMF TA—and by setting-up an inter-ministerial committee and a steering committee.

38. We will strengthen financial inclusion to support the development of the private sector. To this end, 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 will swiftly adopt the law's implementation decrees by June 2018. To this end, we have prepared the 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.

E. Program Monitoring

39. 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 2018 and end-December 2018 are performance criteria, while those for end-March 2018 and end-September 2018 are indicative targets. The second review should be completed on or after December 11, 2018, and the third review on or after June 11, 2019. We will 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).

40. We will continue our 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 TA. We will continue our ongoing work to further strengthen our methodology by migrating from SNA 1993 to SNA 2008 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 started a new household survey to update our assessment of the living conditions of the population, which will be completed by end-2018.

Table 1. Guinea: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2017-19
(Billions of Guinean Francs; unless otherwise indicated)

	2017				2018				2019					
	Dec		March		June		Sept	Dec	March	June				
	PC	Adj. PC	Act.	Status	IT	Adj. IT	Prel.	Status	PC	Rev. PC	IT	PC	IT	IT
Quantitative performance criteria														
Basic fiscal balance (floor; cumulative change for the year)	519	614	-1,030	Not Met	346	502	1,196	Met	957	1,022	1,387	904	609	1,394
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	7,066	8,358	8,112	7,909	7,878	7,786
Net government budgetary borrowing from the central bank (ceiling; stock)	7,179	7,321	7,983	Not Met	7,108	7,340	7,651	Not Met	7,037	7,939	7,693	7,656	7,625	7,534
Net international reserves of the central bank (floor; stock); US\$ million ¹	345	330	357	Met	420	395	390	Not Met	456	422	506	544	585	624
Continuous performance criteria														
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US\$ million ²	650	650	0	Met	650	650	0	Met	650	650	650	650	650	650
New external arrears of the central government and central bank (ceiling) ³	0	0	0	Met	0	0	0	Met	0	0	0	0	0	0
Indicative targets														
Tax revenues collected (floor)	12,893	12,893	12,443	Not Met	3,115	3,115	2,995	Not Met	8,071	7,524	11,089	14,394	3,920	9,416
Domestically financed social safety programs to reduce poverty (cumulative floor) ⁴	138	138	47	Not Met	76	76	6	Not Met	153	99	148	197	53	106
New domestic arrears accumulated by the central government (net) ⁴	...	...	...	...	...	...	...	...	...	-340	-390	-479	-120	-145
Memorandum items:														
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative) ⁵ ; US\$ million	315	315	315	Met	365	365	339	Met	365	339	399	399	399	399

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.

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

Measures	Date	Status	Objectives
Prior Actions			
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.		In progress. A draft of the report has been prepared.	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		In progress. A draft of the action plan has been prepared.	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		In progress. The ministerial decree was published in the Official Gazette and the increase in electricity tariffs was adopted by the electricity company in May 2018.	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

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

Measures	Date	Status	Objectives
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 as a prior action	Reduce electricity subsidies
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 is being finalized	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	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

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

Measures	Date	Status	Objectives
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
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		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 (<i>Newly proposed</i>)	End Sep-18		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 (<i>Newly proposed</i>)	End Sep-18		
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 (<i>Newly proposed</i>)	End Nov-18		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		Strengthening the BCRG financial accountability
BCRG to establish internal compliance processes to review adherence with legislation and provide semi-annual reporting to the Board (<i>Newly proposed</i>)	End Sep-18		Strengthening internal audits and control functions
BCRG to establish unilateral and competitive auctions to conduct regular and small purchases of foreign exchange (<i>Newly proposed</i>)	End Sep-18		Conduct an active strategy to accumulate international reserves
III. Structural reforms			
Adoption of the implementation decree of the 2017 law on governance of public entities (<i>Newly proposed</i>)	End June-18		Improve transparency and governance and reduce fiscal risks
Establish a specialized Commerce Court in Conakry (<i>Newly proposed</i>)	End Oct-18		Improve the business climate

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

Measures	Date	Status	Objectives
Adoption of the implementation decree on the organization and operation of the National Agency for the Fight Against Corruption (<i>Newly proposed</i>)	End Oct-18		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		Increase the revenues of the public electricity utility to reduce budgetary transfers to the company
Establish a unified social register of vulnerable populations by the Ministry of Social Affairs	End Feb-19		Improving the targeting of social protection programs
II. Monetary and foreign exchange policy			
BCRG to strengthen its intervention strategy in the foreign exchange market	End Feb-19		Limit discretion in interventions and increase foreign exchange market transparency
BCRG to establish an emergency liquidity assistance framework for illiquid but solvent banks	End Feb-19		Strengthening the monetary framework
III. Structural reforms			
Adoption of implementation decrees of the 2017 corruption law on the asset declaration regime and whistle blowers and victims' protection (<i>Newly proposed</i>)	End Dec-18		Strengthen governance

Attachment II. Technical Memorandum of Understanding

June 6, 2018

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 November 27, 2017.** 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 Price¹	
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 government (net)

Memorandum Item

- Ceiling on new concessional external debt contracted or guaranteed by the 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 the government budget. 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 assumed by the Treasury, 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. 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. Central government borrowing from the BCRG is defined as loans, advances, arrears, and purchases of government securities and treasury bills. 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 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 priority infrastructure projects: 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.

¹The 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 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 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 (*recettes non-fiscales*), 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 all non-contributory social programs under: i) the *Programmes Filets Sociaux Productifs* (PFSP); and ii) the Social Development Fund.

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

20. Domestic arrears are defined as spending that have been recorded by the public accountant of the Treasury as due by the central government (*prise en charge comptable*) 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 2 (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 2 (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)

	2017							2018					2019		
	Q1A	Q2A	Q3A	Q4P	Q4A	Total P.	Total A.	Q1P	Q1A	Q2P	Q3P	Q4P	Total P.	Q1P	Q2P
Loans	13	10	1	61	107	85	132	35	0	66	224	158	448	42	34
Project	13	10	1	41	107	65	132	33	0	66	156	156	377	42	34
<i>Of which</i>															
World Bank	0	0	0	0	0	0	0	3	0	6	3	3	13	3	3
<i>BID</i>	7	7	0	7	13	20	26	24	0	48	24	24	97	21	21
Program	0	0	0	20	0	20	0	2	0	0	68	3	71	0	0
<i>Of which</i>															
World Bank	0	0	0	20	0	20	0	0	0	0	60	0	60	0	0
Budget grants	25	34	40	40	60	139	158	62	1	40	26	79	145	24	17
Project grants	16	21	24	19	44	80	106	22	0	40	26	26	92	24	17
Budget support	7	12	15	21	15	55	49	40	0	0	0	53	53	0	0
<i>Of which,</i>															
EU	0	0	11	16	11	27	21	0	0	0	0	20	20	0	0
AFD	0	0	0	0	0	0	0	0	0	0	0	6	6	0	0

Sources: Guinean authorities; and IMF staff estimates.

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 2;
- 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 2.

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 2;
- 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 2.

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 2;
- 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 2.

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. 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	Monthly	30th of the month for the previous month.
	Detailed net treasury position (NTP) and net government position (NGP).	Monthly	30 th of the month for the previous month.
	Interest rates and stock of government and central bank securities (<i>BDT</i> and <i>TRM</i>).	Monthly	30 th 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	30 th of the month for the previous month.
	Central Bank net advances to the Treasury above the statutory limit and advance amounts not paid within	Monthly	30 th of the month for the previous month.
Fiscal data	Status report, including a detailed statement of revenue, expenditure, and cash-flow operations	Monthly	30 th of the month for the previous month.
	Status report on the use of special authorization letters, specifying nature of the public expenditures and link to budgetary lines.	Quarterly	One month after the end of each quarter
	General Treasury balances.	Monthly	30 th of the month for the previous month.
	Cash-flow plan.	Monthly	30 th of the month for the previous month.
	Government fiscal reporting table (TOFE).	Monthly	30 th 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
	Execution of budgetary expenditures from HIPC resources and other priority expenditures.	Monthly	30 th of the month for the previous month.
	Balance of current expenditures, VAT credits to be refunded, and domestic debt arrears.	Monthly	30 th of the month for the previous month.

Table 2. 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: three months after the end of the year.
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
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.



GUINEA

June 8, 2018

FIRST REVIEW OF THE ARRANGEMENT UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUEST FOR MODIFICATION AND FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX

Prepared By

African Department
(In Consultation with Other Departments)

CONTENTS

RELATIONS WITH THE FUND	2
RELATIONS WITH THE WORLD BANK, 2014–17	13
JOINT WORLD BANK-FUND MATRIX	18
RELATIONS WITH THE AFRICAN DEVELOPMENT BANK, 2011–17	19
SUSTAINABLE DEVELOPMENT GOALS	23
STATISTICAL ISSUES	25

RELATIONS WITH THE FUND

(As of April 30, 2018)

Membership Status: Joined: September 28, 1963

Article VIII

General Resources Account:	SDR Million	%Quota
<u>Quota</u>	214.20	100.00
<u>IMF's Holdings of Currency (Holdings Rate)</u>	187.35	87.47
<u>Reserve Tranche Position</u>	26.85	12.54

SDR Department:	SDR Million	%Allocation
<u>Net cumulative allocation</u>	102.47	100.00
<u>Holdings</u>	154.65	150.93

Outstanding Purchases and Loans:	SDR Million	%Quota
RCF Loans	26.78	12.50
ECF Arrangements	169.95	79.34

Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
ECF	Dec 11, 2017	Dec 10, 2020	120.49	17.21
ECF	Feb 24, 2012	Nov 07, 2016	173.66	173.66
ECF ^{1/}	Dec 21, 2007	Dec 20, 2010	69.62	24.48

^{1/} Formerly PRGF.

Overdue Obligations and Projected Payments to Fund^{1/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Principal		2.95	28.23	34.58	38.25
Charges/Interest	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>0.00</u>	<u>2.95</u>	<u>28.23</u>	<u>34.58</u>	<u>38.25</u>

^{1/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

	Enhanced <u>Framework</u>
I. Commitment of HIPC assistance	Dec 2000
Decision point date	
Assistance committed	
by all creditors (US\$ Million) ^{1/}	639.00
Of which: IMF assistance (US\$ million)	36.01
(SDR equivalent in Millions)	27.80
Completion point date	Sep 2012
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	27.80
Interim assistance	11.30
Completion point balance	16.49
Additional disbursement of interest income ^{2/}	7.45
Total disbursements	35.25

^{1/} Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

^{2/} Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR):

<u>Date of Catastrophe</u>	<u>Board Decision Date</u>	<u>Amount Committed (SDR million)</u>	<u>Amount Disbursed (SDR million)</u>
N/A	Mar 18, 2015	21.42	21.42

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Exchange Rate Arrangement

Guinea's de jure exchange rate arrangement is classified as a managed float system with no predetermined path, after an interruption of the system during 2009–10; the *de facto* exchange rate arrangement has been reclassified to *other managed* from a stabilized arrangement, effective February 5, 2015. The Central Bank of the Republic of Guinea (BCRG) intervenes twice a week through a multi-price, two-way, foreign exchange auction with active commercial banks. The BCRG regularly publishes information regarding such auctions. The reference rate is calculated every morning on the basis of all foreign exchange transactions of the previous day and published no later than 9am on a daily basis. The reference rate is a weighted average of commercial banks' purchase and sale rates and is mandatory for government transactions, including current transactions, on the day after it is calculated. Since February 2017, the spread between the reference exchange rate and the foreign exchange bureau rates has remained below 2 percent. However, the foreign exchange system gives rise to a multiple currency practice because the reference rate can potentially deviate by more than 2 percent from the commercial banks' purchase and sales rates on a given day.

Technical Assistance 2011–18

Calendar Year 2011

Provider	Main topic	Dates
AFW	Needs assessment (fiscal, real, financial sectors)	Feb 2011
Fiscal Affairs		
FAD	Stocktaking and update of PFM strategy	Apr–May 2011
AFW	PFM capacity building	April 2011
AFW	Revenue Administration	April 2011
FAD	Diagnostic Revenue Administration	May 2011
AFW	PFM capacity building	May 2011
AFW	Customs administration	May 2011
AFW	Tax arrears management and other tax administration issues	May–June 2011
FAD	PFM: Budget Execution	Aug–Sep 2011
AFW	PFM: Chart of public accounts implementation	Sep 2011
AFW	Customs: strengthening of human resources management	Oct 2011
FAD	Tax policy: general and mining	Oct 2011
AFW	Public Debt	Oct–Nov 2011
AFW	Tax arrears and other tax administration issues	Nov 2011
AFW	PFM capacity building	Nov 2011
FAD	PFM: legal framework, installation of resident advisor	Nov–Dec 2011
FAD	FAD resident advisor to the Treasury	Dec 2011–Mar 2013
Monetary and Capital Markets		
AFW	Banking supervision	Feb 2011
AFW	Banking supervision	Mar–Apr 2011
MCM	Foreign Exchange Management	Jul 2011
AFW	Banking supervision and regulation	Oct–Nov 2011
Statistics		
AFW	National accounts	Feb 2011
AFW	Public finance statistics	Mar 2011
AFW	National accounts	Apr 2011
AFW	Real Sector Statistics/Assistance with 1993 SNA implementation	Jul 2011
AFW	Real Sector Statistics/National Accounts implementation	Dec 2011

Source: IMF staff.

Calendar Year 2012

Provider	Main topic	Dates
Fiscal affairs		
FAD	Government accounting, chart of accounts, budget organic law.	February 2-15, 2012
FAD	Mining and General tax policy	February 9-10, 2012
FAD	Cash management plan, Treasury Single Account, commitment plan, budget organic law, chart of accounts.	March 3-15, 2012
FAD	Mining tax policy	April - May 2012
AFW	Treasury management	May - June 2012
AFW	Customs administration	June 14-25, 2012
FAD	Legal framework of public financial management	June - July, 2012
FAD	Mining tax policy	July 1-14, 2012
FAD	Mining tax policy	September 1-10, 2012
FAD	Agreement on central bank advances	September 3-14, 2012
FAD	Legal framework of public financial management	October 1-15, 2012
FAD	Public expenditure	October 1-14, 2012
AFW	Customs administration	November 14-23, 2012
FAD	Public expenditure	December 1-21, 2012
AFW	Tax administration	December 12-23, 2012
FAD	Public financial management (resident advisor)	2012-2013
Legal		
LEG	Legal drafting assistance on mining taxation	August 30-September 11, 2012
Monetary and Capital Markets		
AFW	Bank Supervision and Regulation	January 2012
MCM	Central Banking (resident advisor)	Feb 2012-Feb 2013
AFW	Bank Supervision and Regulation	February 2012
AFW	Bank Supervision and Regulation	March 2012
AFW	Bank Supervision and Regulation	September 2012
AFW	Bank Supervision	Oct-Nov 2012
Statistics		
AFW	Real sector statistics, national accounts	Feb-Mar 2012
STA	Balance of payments	Mar-Apr 2012
AFW	National accounts	September 2012
STA	Migration to GFSM 2001	September 2012
AFW	National accounts	November 2012

Source: IMF staff.

Calendar Year 2013

Provider	Main topic	Dates
Fiscal Affairs		
FAD	Manual on budget execution (1/2)	January 28-February 15, 2013
FAD	Budget preparation framework (1/2)	January 29-February 1, 2013
FAD	TSA implementation (follow up)	February 6-15, 2013
FAD	Budget preparation framework (2/2)	March 4-8, 2013
FAD	PEFA assessment	March 20-April 3, 2013
FAD	Extrabudgetary entities framework	April 29-May 3, 2013
FAD	Manual on budget execution (2/2)	April 15-26, 2013
FAD	Public financial management	April 8-19
FAD	PEFA dissemination and reform strategy	May 15-22, 2013
FAD	Tax administration	June 17- 28, 2013
FAD	Public financial management	September 2-13, 2013
FAD	VAT credit refund in the mining sector	November 18-22, 2013
FAD	Customs Administration	December 9-13, 2013
FAD	Public financial management	December 9-20, 2014
FAD	Public financial management (Resident advisor)	2013
Money and Capital Markets		
AFW	Bank Supervision and Regulation in Guinea	February 4-22, 2013
AFW	Analysis of Debt Portfolio	April 8-19, 2013
AFW	Bank Supervision	May 13-24, 2013
AFW	Bank Supervision	December 1-13, 2013
AFW	Bank Supervision and Regulation in Guinea	December 2-13, 2013
MCM	Central Banking (Resident advisor)	2013
Legal		
LEG	Central Banking Legislation	March, 2013
Statistics		
AFW	Migration to GFSM 2001	April 8-19, 2013
AFW	National accounts	May 13-24, 2013
AFW	Government finance statistics	May 22-31, 2013

Source: IMF staff.

Calendar Year 2014

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	Fiscal forecasting and budgeting	February 10–24, 2014
FAD	VAT refund mechanisms for the mining sector and PFM governance	January 29–February 6, 2014
Monetary and Capital Markets		
MCM	Reserve Management	January 30–February 7, 2014
AFW	Bank Supervision	March 3–14, 2014
MCM	Central Banking Resident Advisor	2013–2014
Statistics		
AFW	National Accounts	January 6–17, 2014
STA	Financial Soundness Indicators	April 14–18, 2014
Source: IMF Staff.		

Calendar Year 2015

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	PFM Strategy and MT Framework	February 3–12, 2015
FAD	Budget Classification	February 16–25, 2015
FAD	Fiscal Governance of Parastatals and Natural Resources	February 3–10, 2015
FAD	JSA7 Project Inception	June 3–16, 2015
AFW	PFM Strategy	July 27–August 7, 2015
AFW	Tax Administration	September 21–October 2, 2015
Monetary and Capital Markets		
AFW	Bank Supervision	January 22– February 11, 2015
AFW	Bank Supervision	June 1–12, 2015
AFW	Bank Supervision	November 23–December 4, 2015
MCM	FX Market Development and Liquidity Management	November 30–December 10, 2015
Statistics		
AFW	Government Finance Statistics	November 14–25, 2015
Source: IMF Staff.		

Calendar Year 2016

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	Natural Resource Management	January 13–27, 2016
FAD	STX Visit	January 13–26, 2016
FAD	SOEs and Fiscal Risks	January 13–24, 2016
FAD	PFM Long Term Resident Advisor	January 25–29, 2016
	Installation of Guinea LT Advisor	February 1–3, 2016
FAD	STX Visit	March 7–18, 2016
FAD	STX Visit	April 14–15, 2016
FAD	Budget Execution and Fiscal Reporting	May 9–20, 2016
AFW	Tax ADM	May 23–June 3, 2016
FAD	HQ Backstopping Visit	June 27–July 1, 2016
AFW	Customs ADM	Sep 12–23, 2016
AFW	Tax ADM/Mission FAD	Nov 29–Dec 2016
FAD	Revenue Administration	Nov 30–Dec 13, 2016
AFW	Customs ADM	Dec 1–13, 2016
FAD	PFM Resident Advisor	Jan 31, 2016–2017
Monetary and Capital Markets		
AFW	Debt Management	Feb 22–March 4, 2016
MCM	Monetary and FX Operations	March 9–22, 2016
AFW	Bank Supervision	March 14–25, 2016
AFW	Bank Supervision	Sept 26–Oct 7, 2016
AFW	Debt Vulnerability	Oct 31–Nov 11, 2016
Statistics		
AFW	National Accounts Compilation	February 2–19, 2016
AFW	Government Finance Statistics	March 3–25, 2016
STA	Financial Soundness Indicators	April 20–26, 2016
AFW	National Accounts	August 29–Sept 9, 2016
STA	Balance of Payments Statistics	Oct 24–Nov 4, 2016
AFW	TOFE Methodology	Nov 8–17, 2016

Source: IMF Staff.

Calendar Year 2017

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	Budget Execution	Jan 16–27, 2017
FAD	Macrofiscal	Feb 8–22, 2017
FAD	Inspection of PFM Resident Advisors	Feb 23–March 1, 2017
AFW	Customs ADM	March 20–31, 2017
FAD	Review PPP Laws	May 1–May 7, 2017
AFW	Customs ADM	June 5–16, 2017
FAD	PFM–Government Accounting	June 26–July 7, 2017
FAD	Budget Nomenclature	Aug 3–17, 2017
AFW	Tax ADM	Aug 28–Sept 8, 2017
FAD	Income Tax Base Broadening	Oct 1–15, 2017
FAD	Strengthening Cash Flows Projections	Oct 5–18, 2017
AFW	Customs ADM	Oct 16–20, 2017
FAD	Financial Control Modernization	Oct 25–Nov 8, 2017
FAD	Tax Policy	Oct 26–Nov 10, 2017
AFW	Customs ADM	Nov 6–11, 2017
AFW	PFM- Multiyear budgeting (MTBF/MTEF)	Nov 7–17, 2017
AFW	Tax ADM	Nov 27–Dec 8, 2017
FAD	Public Expenditure and Financial Accountability (PEFA)	Nov 27–Dec 5, 2017
AFW	Macro-fiscal	June 5–16, 2017
AFW	Macro-fiscal	Oct 16–Nov 03, 2017
Monetary and Capital Markets		
MCM	Monetary and Foreign Exchange Operations	Jan 23–Feb 3, 2017
AFW	Banking Supervision	Feb 27–March 3, 2017
AFW	Banking Supervision	Jun 5–16, 2017
AFW	Banking Supervision	Sep 11–22, 2017
AFW	Primary market operations	Oct 2–6, 2017
MCM	Foreign exchange operations and policy	Nov 6–17, 2017
MCM	Monetary Operations	Nov 20–Dec 1, 2017
AFW	Banking Supervision	Dec 4–15, 2017
Legal		
LEG	AML/CFT Diagnostic Mission	May 15–19, 2017
LEG	AML/CFT	Oct 16–20, 2017
LEG	AML/CFT	Dec 4–8, 2017
Statistics		
AFW	National Accounts Rebasing	March 13–24, 2017
STA	Monetary and Financial Statistics	April 10–21, 2017
AFW	Implementation of 2008 SNA	Sept 18–22, 2017
STA	Balance of Payments Statistics	Sept 25–Oct 6, 2017
STA	Consumer/Produce Prices	Oct 2–13, 2017
AFW	National Accounts	Oct 2–20, 2017
AFW	Government Finance Statistics	Oct 23–Nov 3, 2017

Source: IMF Staff.

Calendar Year 2018

Provider	Main Topic	Dates
Fiscal Affairs		
AFW	Tax ADM	Feb 5-16, 2018
FAD	PEFA Assessment	Mar 1-21, 2018
FAD	Treasury Single Account	Apr 23-May 3, 2018
FAD	Tax policy	Apr 25-May 15, 2018
FAD	Cash Flow Management	May 3-15, 2018
FAD	PIMA	May 3-17, 2018
Monetary and Capital Markets		
AFW	Banking Supervision	May 14–25, 2017
Legal		
LEG	AML/CFT	Apr 16–20, 2018
Statistics		
AFW	Government Finance Statistics	Apr 9–20, 2018
STA	National Accounts	May 7–18, 2018

Source: IMF Staff.

RELATIONS WITH THE WORLD BANK, 2014–17

(As of May 2018)

- 1. The World Bank Group’s Country Partnership Strategy (CPS) 2014–17, approved by the Board on September 13, 2013, focused on three pillars:** (i) improving governance and service delivery; (ii) stimulating growth and economic diversification; and (iii) strengthening human capital. The World Bank Group’s (WBG) program in Guinea was relatively new at the time, following a reengagement that took place in 2011. Most of the portfolio was restructured and re-evaluated at the time of reengagement. The CPS was grounded in the Government’s strategy and included support for each pillar and contained a mix of ongoing and new operations. These included a mix of Advisory Services and Analytics (ASAs), Technical Assistance (TA), Development Policy Operations (DPOs), and Investment Project Financing (IPFs), as well as International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) interventions. See Tables 1 and 2 below for a list of WBG activities in Guinea from 2014 to 2017.
- 2. During the period, the WBG program was reoriented to activities that focused more directly on the immediate impacts of the Ebola epidemic** – but without losing sight of the country’s long-term strategic goals and objectives. The delivery of the program in Guinea remained on track, despite emerging challenges. The WBG’s interventions continued to contribute to the country’s long-term strategic objectives in mining, energy, agriculture, public financial management (PFM) and the human development sectors. The WBG’s portfolio grew quickly due to several emergency operations focused on dealing with Ebola, including the Emergency Macroeconomic and Fiscal Support DPO. However, there was no need to extend the CPS implementation period, with the focus remaining instead on the implementation of ongoing activities.
- 3. Pillar 1: Improving Governance.** The WBG supported improvements in technical capacity and governance systems of key institutions responsible for managing the mineral sector through the Mineral Governance Project and the Guinea Mining Ancillary Infrastructure TA, as well as other TA to support activities related to Legal and Regulatory Institutional Reforms and the Extractive Industries Transparency Initiative (EITI). Support to re-establishing and strengthening basic systems and practices to improve PFM, human resources management, and service delivery were conducted under the Economic Governance Technical Assistance and Capacity Building (EGTACB) IPF. World Bank TA also supported the roll-out of an HR system for the Guinean Civil Service. Citizen monitoring was introduced and supported through a Public-Sector Governance and Accountability State and Peace-Building Fund (SPF), which worked closely with civil society to gradually build public sector transparency.
- 4. Pillar 2: Stimulating Growth and Economic Diversification.** Implementation of the Electricity Sector Efficiency Improvement Project and the Power Sector Recovery Project supported progress in improving technical and commercial performance of the national electric utility EDG, while the Gambia River Basin Development Organization (OMVG) Interconnector Project supported electricity trade between Gambia, Guinea, Guinea-Bissau and Senegal. Implementation of the

Guinea Agriculture Sector Support Project focused on strengthening the capacity of sector institutions to implement Guinea's Food Security and Agriculture Plan. The Third Village Communities Support Program helped strengthen local government financial systems, service delivery, and crisis readiness at the local level. Guinea also benefited from the West Africa Agriculture Productivity Project (WAAPP). The West Africa Regional Communications Infrastructure Project (WARCIP) supported an increase in geographical reach of broadband networks and the reduction in costs of communication services in Guinea. In addition, MIGA maintained its single guarantee in the telecommunications sector. The MSME (Micro, Small, Medium Enterprises) Support Project focused on strengthening Guinea's investment climate and financial sector and developing MSMEs in various value chains through assistance to: building capacity at the Private Investment Promotion Agency (APIP), improving access to financing through a new Credit Information System, and developing a new payment system at the BCRG. The Guinea Business Regulation Project helped to create an enabling (and more transparent) regulatory environment to make it easier and less costly for businesses (particularly SMEs) to formally start, operate and grow. The project assisted the Government with revising its investment code, developing a local content policy, and generating a consolidated tax code. In addition, the IFC supported the adoption of a comprehensive PPP law. The West and Central Africa Air Transport Project helped increased regional integration and improve regulation of transport. Finally, the West Africa Regional Fisheries Program supported improvements in governance and management of targeted fisheries and improved handling of landed fish at selected sites and access to international markets for Guinea's fisheries.

5. In addition, the IFC's Mining Advisory Programs promoted local supplier development solutions around IFC mining projects by providing technical assistance to the mining sector and capacity building to SMEs to maximize their participation in mining supply chains. In particular, with the Simandou mining project, the local supplier program built the capacity of more than 400 local suppliers, trained approximately 900 SMEs and over 3,000 participants through IFC Business Edge and other activities. It has also supported the Simandou Employee Volunteer Departure Plan and trained more than 700 local employees.

6. Pillar 3: Supporting Human Development. The third pillar focused on improving delivery of social services, promoting youth employment, and building resilience among the most vulnerable. WBG support focused on health and education service delivery, improving skills for job creation, and establishing a functional social safety net system reaching those living below the poverty line. Following the Ebola epidemic, building resilience and strengthening budget management for Ebola-related spending were added to the pillar's objectives. Several operations supported the utilization of maternal, child health, and nutrition services at the primary care level in target regions, including the Guinea Community Service Delivery Strengthening Project and the Health Sector Strengthening Project. After the Ebola outbreak, the Ebola Emergency Response Project and Additional Financing, the Emergency Macroeconomic and Fiscal Support DPO mentioned above, and the Ebola Recovery and Reconstruction Trust Fund were added. Several interventions (ASAs and IPFs) supported improving access and learning in basic education for underserved populations and strengthening capacity in evidence-based management at the Ministry of National Education and Literacy (MEPUA). A Human Development Public Expenditure

Review (PER) and two policy notes were also completed. The Stepping Up Skills IPF focused on improving employability and employment outcomes of Guinean youth in targeted skills programs. Finally, the Productive Social Safety Net Project and the SPF described above supported the establishment of a functional social safety net system reaching those below the poverty line.

7. World Bank Group and Fund staff collaboration: The WBG and Fund actively collaborated in the sharing of information on the ECF-supported program, the macroeconomic situation, the budget, progress in structural reform, planned missions, and mission reports.

Table 1. Guinea: Country Partnership Strategy (CPS) 2014–17
(\$US million)

Lending Operations					
	Fiscal Year	IDA	Trust Fund	Regional	Total
Development Policy Operations (DPOs)					
Emergency Macroeconomic and Fiscal Support Operation	2015	50.00	-	-	50.00
Macroeconomic & Fiscal Management Operation	2016	40.00	-	-	40.00
Sub-Total		90.00	-	-	90.00
Pillar I – Improving Governance					
SPF-Public Sector Governance and Accountability	2014	-	2.05	-	2.05
Economic Governance Technical Assistance and Capacity Building - Additional Financing	2017	22.00	-	-	22.00
Building Civil Society Capacity to Engage in State Reform Programs	2017	-	0.80	-	0.80
Sub-Total		22.00	2.85	-	24.85
Pillar II – Stimulating Growth and Economic Diversification					
Power Sector Recovery Project	2014	50.00	-	-	50.00
Senegal River Basin Climate Change Resilience Development Project	2014	-	-	28.50	28.50
OMVG Interconnection Project	2015	-	-	30.00	30.00
Guinea Agriculture Sector Support Project	2015	15.00	-	-	15.00
West Africa Regional Fisheries Program (WARFP)	2015	-	-	10.00	10.00
Third Village Communities Support Project	2016	15.00	-	-	15.00
GN-Rural Roads Emergency Improvement Project	2016	-	2.85	-	2.85
Additional Financing WAAPP	2017	-	-	23.00	23.00
West Africa Region Fisheries Program AF Guinea, Sierra Leone, & Liberia	2017	-	5.00	-	5.00
Sub-Total		80.00	7.85	91.50	179.35
Pillar III – Supporting Human Development					
Stepping Up Skills Project	2015	20.00	-	-	20.00
Primary Health Services Improvement Project	2015	15.10	-	-	15.10
Ebola Emergency Response Project	2015	72.00	-	-	72.00
Ebola Emergency Response Project	2015	25.00	-	-	25.00
GN- Post Ebola Support Project, Mamou	2015	-	4.35	-	4.35
Productive Social Safety Net Project	2015	-	1.87	-	1.87
Productive Social Safety Net Project - AF	2016	12.00	-	-	12.00
Productive Social Safety Net Project	2016	-	4.35	-	4.35
Pooled Fund for Basic Education	2016	-	38.80	-	38.80
Regional Disease Surveillance Systems Enhancement Project – REDISSE	2016	-	-	30.00	30.00
Urban Water Project	2017	30.00	-	-	30.00
Sub-Total		174.10	49.37	30.00	253.47
Total		366.10	60.07	121.50	547.67

Table 2. Guinea: Analytical and Advisory Work for Guinea FY14–FY17

Advisory Services and Analytics	Fiscal year	Output Type
Towards a tertiary education strategy	FY15	Sector or Thematic Study/Note
Guinea Public Expenditure Review	FY15	Public Expenditure Review (PER)
HD PER -- Policy Notes 2	FY15	Public Expenditure Review (PER)
Socioeconomic Impact of Ebola using Mobi	FY16	Sector or Thematic Study/Note
Boosting Budget Execution for Dev. Impact	FY16	Sector or Thematic Study/Note
Assessment of Mining	FY17	Sector or Thematic Study/Note
DTIS Update Guinea	FY17	Sector or Thematic Study/Note
GN-Public Expenditure Review	FY17	Public Expenditure Review (PER)
Technical Assistance	Fiscal year	Output Type
GN Investment Climate Change Dialogue TA	FY14	Technical Assistance
GN-Public reform in Security Sector	FY14	Technical Assistance
Youth Employment	FY14	Technical Assistance
GN- Social Protection Strategy	FY15	Technical Assistance
GN Policy Dialogue and Collaboration	FY15	Technical Assistance
Guinea: Mineral Advisory Facility (EI-TAF)	FY16	Technical Assistance
Mining Ancillary Infrastructure	FY16	Technical Assistance
Tourism Sector Note	FY16	Technical Assistance
GN- Portfolio Extended GAC Review	FY16	Technical Assistance
Mining Ancillary Infrastructure (2)	FY17	Technical Assistance
Support to Social Protection Strategy	FY17	Technical Assistance
GN- Support to Post-Ebola Recovery Program	FY17	Technical Assistance
SE4ALL TA for Guinea	FY18	Technical Assistance
Guinea#C015 Strengthening MF	FY18	Technical Assistance
GN - Post Ebola HRH Strengthening	FY18	Technical Assistance

JOINT WORLD BANK-FUND MATRIX

Title	Products	Expected Delivery Date
World Bank work program in the next 12 months	Operations:	
	Guinea Integrated Agricultural Development Project	Q2 2018
	Budget Support Lending (DPO)	Q3 2018
	Support to MSME Growth Competitiveness and Access to Finance	Q3 2018
	Guinea Rural Mobility and Connectivity Project	Q3 2018
	Guinea Agribusiness Development Project	Q3 2018
	Guinea Electricity Access Scale Up Project	Q4 2018
	Guinea Education Program for Results	Q2 2019
	Improving Institutional Capacity and Local Governance	Q2 2019
	Support to MSME Growth Competitiveness and Access to Finance	Q3 2018
	Guinea Rural Mobility and Connectivity Project	Q3 2018
	Technical Assistance/Other Analytical:	
	Economic and Poverty Monitoring	Ongoing
	Economic Governance Tech. Assistance & Capacity Building (EGTACB)	Ongoing
	Agricultural Review for Competitiveness, Diversification and Growth	Q4 2018
	Guinea Urbanization Review	Q4 2018
	Strengthening Microfinance and Financial Inclusion	Q4 2018
	Country Private Sector Diagnostic (CPSD)	Q4 2018
	Strengthening Social Protection in Guinea	Q2 2019
	Jobs, Informality, and Urban Youth	Q2 2019
	Electricity Subsidy Reform	Q2 2019
	State-Owned Enterprise Governance Review	Q2 2019
	Guinea Incidence of Fiscal Policy on Poverty	Q2 2019
	Constraints and Opportunities to Mobilize Domestic Revenue	Q2 2019
	Policy Dialogue on Education Financing	Q2 2019
	Mainstreaming Citizen Engagement	Q2 2019
	IMF work program in the next 12 months	Program:
First review under the ECF		June 2018
Second review under the ECF		December 2018
Third review under the ECF		June 2019
Technical Assistance:		
Tax policy and tax administration		Ongoing
Public financial management		Ongoing
Monetary and exchange rate policy		Ongoing
Banking supervision		Ongoing
National and fiscal accounts, balance of payments		Ongoing
	AML/CFT	Ongoing
Fund requests to the Bank	Update of poverty analysis Assessment of electricity reform plan and budgetary implications.	Ongoing April 2018
Bank requests to Fund	Regular updates on macro-economic and fiscal projections Consultations on program structural benchmarks Surveillance of fiscal impact of mining reforms	Ongoing Ongoing Ongoing
Joint Bank-Fund products	Debt sustainability for the first ECF-supported program	Q3 2018

RELATIONS WITH THE AFRICAN DEVELOPMENT BANK, 2011–17

(As of May 2018)

1. The Bank's Country Strategy Paper (CSP) 2012–16, approved by the Board on March 1, 2012 and extended to 2017, focuses on two pillars: (i) economic and financial governance; and (ii) infrastructure for development. Under the first pillar, the Bank assisted in building public financial management capacity, improving governance in the extractive sector and strengthening the central government's budget. Under the second pillar, the Bank contributed to reducing the power generation gap and further developing transport infrastructure. The mid-term review of the CSP, which was delayed due to the Ebola (EVD) crisis, was done in February 2016. This provided an opportunity for dialogue on the Bank's support to Guinea through the implementation of the PRSP, taking into account the fight against Ebola, the socio-economic recovery process, and outcomes of the Abu Dhabi Conference for the period 2015 to 2017 and the mobilization of resources for the national economic and social development plan (PNDES 2016–20) implementation. The Bank and Guinea's authorities agreed to extend the end of the CSP from 2016 to 2017 and to maintain the two pillars. The extension: (i) allowed the government and the Bank to implement the reforms and the operations which were delayed due to the EVD; and, (ii) allowed the Bank to better prepare the next country strategy paper (2018–22) which will be aligned on the new national development plan 2016–20. They agreed also that the Bank will support the development of the agricultural sector and the value chain program Guinea intends to develop in the coming months, targeting sector reforms (including land reform), entrepreneurship and business management (including youth), and financing (credit and guarantees). The targeted support to the country's development program will be delivered through the mobilization of all its financial and technical assistance instruments/vehicles. The new Bank's strategy (2018–2022) for Guinea is under preparation. The AfDB mission of March 2018 has agreed with the country's authorities that the AfDB intervention strategy in Guinea should focus on the following two pillars: Improving access to energy (Pillar 1); and Support for the development of agricultural and industrial value chains (Pillar 2).

2. In the governance sector, six operations were approved between 2012 and 2017. Two operations have been closed and four are in progress. The closed projects are: i) the Economic and Financial Reform Support Program (PAREF 2) approved in June 2014 for UA 12 million and closed in 2015 and ii) PAREF 3 approved in July 2016 for an amount of UA 10.52 million and closed in 2017. The four operations still running are: i) Capacity building in economic management and mining (PAPEGM) financed UC 11,38 million and is expected to be closed in September 2018, ii) the Administrative Capacity Building Support Project (PARCA-GPI) approved in 2016 for an amount of UA 6 million, which is planned to close in June 2020, (iii) the Financial Sector Modernization Support Project (PAMSM) approved in March 2017 for UA 2.4 million is expected to close in June 2020 and iv) the PPF of the Guinean agriculture transformation support project, youth agricultural entrepreneurship component (PPF PATAG-EAJ) approved in 2016 for UA 0.99 million. This PPF is being prepared and will lead to the creation of a UA9 million project, which is expected to be approved in October 2018. The results of the implementation of the six 1st pillar operations on governance are quite significant. The implementation of two budget support has allowed, among

others, the adoption of the Customs Code, the organization of the conference of donors in 2014, the creation of the Court of Auditors, conducting audits of the accounts the State and the training of managers in public financial management. The Bank's targeted and institutional support has mainly contributed to the adoption of mining and petroleum codes, the revision of mining contracts and Guinea's compliance with the Extractive Industries Transparency Initiative (EITI). In 2018 the Bank intend to co-finance with Agence Francaise de Developpement (AFD) a capacity building support operation targeting public enterprises governance, budget, PPP unit, and project management. The Agricultural project the Bank intends to support in 2018 for at least UA 9 million at the beginning of the program will target the governance of the sector, entrepreneurship (including youth), and financing issues (credit and guarantees).

3. In the energy sub-sector, four projects were approved between 2012 and 2017 and are under implementation. Two projects were signed at the end of 2013 and began implementation in 2014. The first project is the second Conakry Electrical Networks Rehabilitation and Extension Project (PREREC.2) for UA 11 million. The energy infrastructure built at the end of 2017 by the project consists of: (i) the construction and equipment power stations (ii) the construction of low, medium and high voltage lines (iii) the installation of public lighting and iv) the increase of power connection subscribers, v) the reduction of power loss rate and the improvement of the financial and commercial performance of the Electricity Company of Guinea (EDG). The second project is the Côte d'Ivoire-Liberia- Sierra Leone-Guinea power regional interconnection project for UA 39.2 million that will see the construction of 1,360 km of 225 kV transmission lines and 12 sub-stations. Two other projects were approved between 2015 and 2017. First, the Bank approved in 2015 the financing for UC 46,25 million of the interconnection project of the Gambia River Basin Development Organization (OMVG) involving the construction of a dam and a 240 MW hydro-power plant at Kaleta already financed by the government with a loan from China. Second, in December 2017 the Bank approved Guinea-Mali power regional interconnection project for UA 30 million for the construction of transmission lines and sub-stations. Implementation of these projects will result in: (i) an increase in the average electricity access rate; (ii) a reduction in the kWh generating cost; (iii) a reduction in the number of power outages; (iv) the creation of temporary and permanent jobs; and (v) a reduction in greenhouse gas emissions.

4. In the transport sub-sector, two public operations were approved between 2012 and 2017. First, the Board approved in December 2014 the road development and Transport Facilitation Programme within the MRU including the road Danané (Côte d'Ivoire) Frontier of Guinea and from the frontier to N'zoo-Lola (Guinea). This road is part of a regional project including these key roads: Zantiébougou-Kolondiéba-Kadiana-Frontier of Côte d'Ivoire (140 km) linking Bamako to Abidjan and San-Pédro through the axe Tengréla-Boundiali-Séguéla-Daloa; and Duekoué-Guiglo-Bloléquin-Toulepleu-Frontier of Liberia. These roads are part of the Transafrican Dakar-Abidjan-Lagos road. Second, the Bank approved in 2017 the Coyah-Farmoriah-Pamelap road towards Sierra Leone for UA million 38,28. The Bank intends also to co-finance in 2018 with other partners, the Boké (Guinea)-Quebo (Guinea-Bissau) road, which is part of the ECOWAS Regional Transport Program. Because of their integrative role, construction of these roads is in line with the New Partnership for Africa's Development (NEPAD) Short-Term Action Plan, whose core objective is to have interstate roads without any impediment to the free movement of goods and persons.

5. Support to private sector operations. In 2017, the Bank supported specific private sector operation with high and transformative impact. AfDB approved a loan of about USD 100 million for financing part of the Boke Mine, Rail and Port Project. AfDB also support capacity building and provide technical assistance in order to allow the government to fulfil its commitment pertaining to the implementation of the mining and other private sector projects.

6. Non-lending operations: To deepen the analysis and understanding of the country's main challenges and fuel strategic reflexion, the Bank supported the government finalize in 2016, in collaboration with UNDP, an economic and sector works (ESWs) on (i) private sector strategy and (ii) local taxation, (iii) balance of payment statistics and (iv) Water and sanitation governance. The Bank keep enhancing its dialogue and provide specific technical assistance on PPP (PPP law and PPP Unit) and on mining sector governance. The Bank will also continue to support implementation of the country development plan-PNDES, and the link between macroeconomic/budget framework sector policies and the public investment plan. The Bank will continue its support through the FSF programme to the National Statistics Development Strategy (NSDS).

7. Trust Funds: In addition to the ADF and TSF allocations, the Bank mobilized supplementary resources from the ADB private sector window (including enclave operations in the mining sector infrastructure), and the Trust Fund resources to finance complementary operations in the sectors covered in the 2012–16/17 Country Strategy Paper (CSP) and that are important for the country's development. For example, through the Rural Water Supply and Sanitation Initiative, a strategy has been prepared in that area. Other instruments also available are the Partial Risk Guarantee Instrument, the Global Environment Fund, the African Legal Support Facility and the Africa Carbon Facility and Green Fund.

8. Response to the Ebola crisis. The AfDB has adopted a regional approach to address the Ebola crisis. Five operations against Ebola Virus Disease (EVD) were funded by the Bank between 2014 and 2016 for a total amount of UA 43 million. The following four projects have had beneficial effects for the population. These include: (i) the EVD response program, approved in October 2014, (ii) the emergency assistance approved in August 2014, (iii) the technical assistance operation approved in October 2014, and (iv) the capacity building project for West African Health Facilities (SWAPHS) approved in 2014. These operations enabled Guinea and the affected neighboring countries (Sierra Leone and Liberia) to eradicate the EVD epidemic in June 2016 and strengthen the resilience of health structures and populations against the threats of similar epidemics. Note also that the Post-EBOLA Social Investment and Rehabilitation Fund Project (PERSIF) was approved in October 2015 for UA 9.8 million. Its objective is the construction of water supply and sanitary infrastructures and self-production of sanitation materials.

9. African Development Bank and Fund staff collaboration: sharing of information on the ECF-supported program, the macroeconomic situation, the budget, progress in structural reform, planned missions, and mission reports.

**Table 1. Guinea: Operations of the Country Strategy Paper (DSP) (2012-2016/17)
(Millions UC)**

Operations financed	An	FAD/ BAD	FAT	Régionaux et autres	Total
PILLAR 1: Economic and Financial Governance					
PPF Support to the transformation of Guinean agriculture - youth entrepreneurship component	2016	0,99			0,99
Support Project for Economic Planning and Mining Governance (PAPGEM)	2013	11,38			11,38
Economic Reform Support Program II (PAREF 2)	2014	12,00			12,00
Administration Capacity Building Support Project for Integrated Project Management (PARCA-GPI)	2016	4,00	2,00		6,00
Economic Reform Support Program III (PAREF 3)	2016	6,98	3,54		10,52
Financial Sector Modernization Support Project (PAMSFI)	2017	2,40			2,40
Subtotal		37,75	5,54	0,00	43,29
PILLAR 2: Infrastructure Development					
Road Development and Facilitation Program in the Mano River Union	2014	4,57	8,86	19,74	33,17
Coyah-Farmoriah-Pamelap Border Sierra Leone Road Project	2017	16,00		22,28	38,28
Multinational Electricity Interconnection Project of Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG): the two components	2013	16,80		22,39	39,19
Second project for the rehabilitation and extension of the Conakry networks	2013	11,00			11,00
Energy Project of the Organization for the Development of the Gambia River (OMVG)	2015	15,42		30,83	46,25
Guinea-Mali Interconnection Project	2017	12,00		18,00	30,00
Boke Mine Project, Rail and Port		68,77			68,77
Subtotal		144,56	8,86	113,24	266,66
EMERGENCY					
Ebola Emergency Assistance	2014	0,00		0,70	0,70
Ebola Response Technical Assistance	2014	0,00	1,50		1,50
Project to strengthen the response of West African public health systems to the Ebola crisis	2014	0,00	10,00		10,00
Ebola Response Program - PRCE (Budget Support)	2014	4,40	2,60	14,00	21,00
Post-EBOLA Social Investment and Rehabilitation Fund Project	2015	3,00		6,80	9,80
Subtotal		7,40	14,10	21,50	43,00
STUDIES					
Private Sector Strategy	2012				
Prospective Vision 2040 of Guinea	2016				
Study on Financial Sector Reforms	2013				
Development of the PPP law	2016				
Institutional Support Study for the reorganization of the SNAPE	2014	0,00		0,36	0,36
Study on the improvement of the balance of payments	2015	0,29			0,29
Subtotal		0,29	0,00	0,36	0,65
TOTAL DSP 2012-2016/17		190,00	28,50	135,10	353,60

SUSTAINABLE DEVELOPMENT GOALS

	2012	2013	2014	2015	2016	2017	2030 Target
Goal 1: End Poverty in all its forms everywhere							
Proportion of population below the international poverty line of US\$1.90 per day	35.3	...	...	...	...	...	Eradicate extreme poverty for all people living on less than \$1.90 per day
Proportion of population below national poverty line ^{1/}	55.2	...	...	...	...	...	Reduce the proportion of all people living in poverty according to national definitions
Proportion of employed population covered in the event of work injury	...	14.5	...	...	...	...
Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture							
Prevalence of undernourishment	17.5	17.1	16.8	16.4	...	...	End hunger and ensure access by all people to food year round
Proportion of wasted children (weight for height below minus two standard deviations from the median) under the age of 5 years	9.9	...	...	...	...	...	End all forms of malnutrition
Number of locally adapted and exotic animal breeds kept in the country	...	7.0	...	...	...	...
Goal 3: Ensure healthy lives and promote well-being for all at all ages							
Maternal mortality ratio (per 100,000 live births)	695.0	695.0	688.0	679.0	...	...	Reduce the global maternity mortality ratio to less than 70 per 100,000 live births
Proportion of births attended by skilled health personnel (percent)	45.3	...	...	...	...	...	Reduce the global maternity mortality ratio to less than 70 per 100,000 live births
Infant mortality rate (per 1000 live births)	66.8	64.7	62.8	61.0	...	...	End preventable deaths of newborns to at least as low as 12 per 1,000 live births
Neonatal mortality rate (per 1000 live births)	33.2	32.6	31.8	31.3	...	...	End preventable deaths of children under 5 years of age to at least as low as 25 per 1,000 live births
Estimated HIV incidence rate	0.8	0.7	0.6	0.6	...	...	End the AIDS epidemic
Tuberculosis incidence per 100,000 population	180.0	177.0	177.0	177.0	...	...	End the tuberculosis epidemic
Malaria incidence per 1,000 population	...	...	...	367.8	...	...	End the malaria epidemic
Mortality rate attributed to cardiovascular disease, cancer, diabetes or chronic respiratory disease	...	...	...	20.3	...	...	Reduce by one third premature mortality from non-communicable diseases
Suicide mortality rate	...	...	...	7.7	...	...	Reduce by one third premature mortality from non-communicable diseases
Total gross official disbursements for medical research and basic health sectors, by recipient (billions USD)	29.3	15.9	94.6	139.8	...	...
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all							
Participation rate in organized learning (one year before the official primary entry age)	...	37.0	40.7	...	...	...	Ensure that all girls and boys have access to quality early childhood development and pre-primary education
Proportion of teachers in lower secondary education who have received at least the minimum organized teacher training (e.g. pedagogical training) pre-service or in-service required for teaching at the relevant level in a given country	...	...	...	...	...	...	Increase the supply of qualified teachers
Proportion of teachers in primary education who have received at least the minimum organized teacher training (e.g. pedagogical training) pre-service or in-service required for teaching at the relevant level in a given country	74.5	74.1	75.0	...	...	...	Increase the supply of qualified teachers
Goal 5: Achieve gender equality and empower all women and girls							
Proportion of women aged 20-24 years who were married by age 15	21.3	...	...	...	...	...	Eliminate all harmful practices, such as child/early marriage and female genital mutilation
Proportion of seats held by women in national parliaments	...	...	21.9	21.9	21.9	21.9	Ensure women's full participation and equal opportunities for leadership
Goal 6: Ensure availability and sustainable management of water and sanitation for all							
Mortality rate attributed to unsafe water, unsafe sanitation and lack of hygiene	40.7	...	...	...	...	...	Achieve universal access to safe drinking water
Proportion of population with basic handwashing facilities on premises	8.8	8.8	8.8	8.8	...	...	Achieve universal access to adequate and equitable sanitation and hygiene
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all							
Proportion of population with access to electricity	26.2	26.9	27.6	...	...	...	Ensure universal access to affordable and reliable energy services
Proportion of population with primary reliance on clean fuels and technology	...	...	5.7	...	...	...	Ensure universal access to affordable and reliable energy services

^{1/}The poverty line is defined as those that are living on less than \$0.98 per day (8815 Guinean Franc). The UNDP pull this data from the World Bank database. The WB database uses national statistics based on household surveys to determine the number that live below a certain threshold of income.

	2012	2013	2014	2015	2016	2017	2030 Target
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all							
Growth rate of real GDP per capita	3.7	1.6	-1.6	-2.5	...	...	Sustain at least 7 per cent gross domestic product growth per annum in the least developed countries
Growth rate of real GDP per employed person	0.9	-10.3	-2.6	-2.9	0.8	...	Achieve diversification, technological upgrading and innovation
Proportion of children aged 5-17 years engaged in labour	...	...	...	...	...	...	Eradicate forced labour and secure the prohibition and elimination of the worst forms of child labour
Number of automated teller machines (ATMs) per 100,000 adults	1.1	1.3	1.6	2.0	...	...	Expand access to banking, insurance, and financial services
Number of commercial bank branches per 100,000 adults	1.6	1.6	2.2	2.4	...	...	Expand access to banking, insurance, and financial services
Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation							
Freight volume (tonne kilometres), by road transport	...	...	...	1042.0	...	...	Develop quality, reliable, sustainable and resilient infrastructure
Passenger volume (passenger kilometres), by road transport	...	...	...	3825.0	...	...	Develop quality, reliable, sustainable and resilient infrastructure
Goal 10: Reduce inequality within and among countries							
Labour share of GDP, comprising wages and social protection transfers	...	...	...	...	...	...	Adopt fiscal, wage and social protection policies to achieve greater equality
Total assistance for development, by recipient	622.7	385.9	605.4	580.3	...	...	Encourage development assistance and financial flows to States where the need is greatest
Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable							
Proportion of urban population living in slums	...	...	43.3	...	...	...	Ensure access for all to adequate, safe and affordable housing
Direct disaster economic loss, average annual loss in relation to global GDP	...	...	...	...	3.8	...	Reduce the number of disaster-related deaths and direct economic losses
Goal 12: Ensure sustainable consumption and production patterns							
Material footprint per capita	...	...	...	...	...	...	Achieve sustainable management and efficient use of natural resources
Material footprint per unit of GDP	...	...	...	...	...	...	Achieve sustainable management and efficient use of natural resources
Goal 13: Take urgent action to combat climate change and its impact							
Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development							
Coverage of protected areas in relation to marine areas	...	...	...	...	0.5	...	Conserve at least 10 per cent of coastal and marine areas
Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss							
Forest area as a proportion of total land area	...	...	...	25.9	...	...	Ensure the conservation, restoration and sustainable use of terrestrial ecosystems
Coverage by protected areas of important sites for mountain biodiversity	66.0	66.0	66.0	66.0	66.0	66.0	Ensure the conservation of mountain ecosystems, including their biodiversity
Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels							
Number of victims of intentional homicide per 100,000 population	...	...	...	8.5	...	...	Significantly reduce all forms of violence and related death rates everywhere
Proportion of firms experiencing at least one bribe payment request	...	...	...	...	7.9	...	Substantially reduce corruption and bribery
Number of cases of killings of journalists and associated media personnel	...	...	...	0.0	...	...	Ensure public access to information
Goal 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development							
Volume of remittances (in United States dollars) as a proportion of total GDP	1.2	1.5	1.4	1.4	...	...	Mobilize additional financial resources for developing countries
Debt service as a proportion of exports of goods and services (percent)	8.57	3.77	4.39	2.74	...	...	Assist developing countries in attaining long-term debt sustainability

Source: United Nations Sustainable Development Goals. <https://unstats.un.org/sdgs/indicators/database>

Note: For additional information on the 2030 goals outlined, refer to the Revised list of global Sustainable Development Goal indicators located here: <https://unstats.un.org/sdgs/indicators/Official%20Revised%20List%20of%20global%20SDG%20indicators.pdf>

STATISTICAL ISSUES

(As of May 2018)

I. Assessment of Data Adequacy for Surveillance	
General: Data provision is broadly adequate for surveillance with some key data shortcomings in national accounts and fiscal statistics.	
National Accounts: In 2017, with the support of IMF technical assistance, the SNA1993 methodology (from SNA 1968) to compile national accounts statistics was adopted and Guinea's national accounts were revised. Notwithstanding these improvements, Guinea's annual national accounts are still compiled using an outdated base year (2006) and are not timely. They comprise an eleven-year time series concluding in 2016. The authorities recently appointed a new director of national accounts which had been vacant since 2015. They have committed to recruiting additional staff by the end of 2018 to address inadequate staffing. The additional resources are essential to implement the latest international standard (2008 SNA) and a contemporary base year (2015) over the coming years. The authorities remain reliant on externally funded technical assistance provided by AFRITAC West to achieve this objective and improvements in the timeliness of annual GDP.	
Price Statistics: The monthly consumer price index (CPI), which only covers Conakry, is published in a timely manner with an outdated base year (2002/03).	
Government Finance Statistics: The Ministry of Economy and Finance compiles comprehensive monthly budgetary central government data on a cash basis for revenue, and on commitment and cash basis for expenditure based on a national presentation not comparable to international standards. The last Government Finance Statistics (GFS) technical assistance (TA) mission found that public finance reforms are progressing in Guinea, with most progress in the adoption of the new budget nomenclature and the new State's chart of accounts since June 2017. The current compilation methodology of the government operations tables (TOFE) needs to be modernized, which is currently reconciled with budgetary execution and financing data. The authorities adopted new budget nomenclature in line with the GFSM 2001 manual for the preparation and execution of the 2018 Budget Law. The production of the TOFE based on GFSM 2001/2014 will require the use of the data outside the general accounting system, as it lacks comprehensiveness and timeliness. Cash-based general accounts must also be improved along with the gradual implementation of accrual accounting. Implementation of these reforms will require new IT systems, adequate staffing and institutional arrangements (including the creation of a GFS Committee, which is currently under way), training and manuals. The data produced by the debt office is of fair quality, although it does not yet include the financing of new infrastructural projects. Data on extra-budgetary units, local government and central government investments in public and private corporations is available, but will need to be assessed from a GFS perspective. Complete accounts for the social security funds sub-sector of good quality are also available. No fiscal data are reported to STA for the Government Finance Statistics Yearbook and the International Finance Statistics. Guinea does not send data to the World Bank for the Public Sector Debt database.	
Monetary and Financial Statistics: The latest monetary data based on the old forms reported to STA corresponds to December 2016. In April 2017, STA provided TA to the BCRG to start reporting monetary data using the recommended standardized report forms (SRFs), which are more adequate for surveillance purpose. The BCRG submitted preliminary sectoral balance sheet data based on the SRFs for the central bank and ODCs, and they are being reviewed by STA	
Financial Sector Surveillance: The BCRG reports quarterly FSIs to the Fund, which are published on the IMF's FSI website. The reported FSIs comprise all the core FSIs, 8 encouraged FSIs for deposit takers and 2 encouraged FSI for real state market.	
External Sector Statistics: The Central Bank of the Republic of Guinea (BCRG) compiles balance of payments and international investment position statistics in line with the <i>Balance of Payments and International Investment Position Manual</i> , sixth edition (<i>BPM6</i>). The BCRG has been receiving technical assistance (TA) under the JSA Project to Improve ESS in West and Central Africa launched in 2016. Quarterly balance of payments data up to 2016 Q4 and annual international investment position (IIP) data up to 2016 have been submitted to STA based on <i>BPM6</i> . Quarterly IIP is not produced due to weak source data. TA has been provided to improve FDI statistics including source data, recording of external debt transactions related IMF debt relief, timeliness of quarterly balance of payments, statistics, etc. In addition, the BCRG is supported on future participation in quarterly external debt statistics survey and the coordinated direct investment survey. The next TA mission under the JSA Project should focus on addressing the large net errors and omissions observed in the last few years.	
II. Data Standards and Quality	
Guinea participates in the enhanced General Data Dissemination System, but the metadata have not been updated since 2003.	No data ROSC is available.

Table of Common Indicators Required for Surveillance
(As of May 21, 2018)

	Date of Latest Information	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Frequency of Publication ⁶
Exchange Rates	05/18/2018	05/21/2018	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	03/31/2018	05/10/2018	M	M	M
Reserve/Base money	03/31/2018	05/03/2018	M	M	M
Broad Money	03/31/2018	05/03/2018	M	M	M
Central Bank Balance Sheet	03/31/2018	05/03/2018	M	M	M
Consolidated Balance Sheet of the Banking System	03/31/2018	05/03/2018	M	M	M
Interest Rates ²	03/31/2018	05/03/2018	M	M	M
Consumer Price Index	03/31/2018	05/03/2018	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ - General Government ⁴	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing ³ - Central Government	03/31/2018	05/04/2018	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	03/31/2018	05/04/2018	Q	Q	A
External Current Account Balance	12/31/2017	04/01/2018	Q	Q	A
Exports and Imports of Goods and Services	12/31/2017	04/01/2018	Q	Q	A
GDP/GNP	12/31/2016	02/23/2018	A	A	A
Gross External Debt	12/31/2017	04/01/2018	Q	Q	A
International Investment Position	2016	06/08/2017	A	A	A

¹ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, and domestic bank and non-bank financing.

⁴ The general government consists of the central government (budgetary and extra-budgetary funds, and social security funds) and state and local governments. Guinea does not yet compile data at the General Government due to capacity constraints.

⁵ Including currency and maturity composition.

⁶ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Not Available (NA).



GUINEA

June 8, 2018

FIRST REVIEW OF THE ARRANGEMENT UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUEST FOR MODIFICATION AND FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS UPDATE

Approved By
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Prepared by the International Monetary Fund and the International Development Association

The results of the update of the Debt Sustainability Analysis (DSA) show that Guinea continues to be at a moderate risk of external debt distress.^{1,2} All external debt burden indicators under the baseline scenario lie below their policy-dependent thresholds and debt dynamics have improved compared to the 2017 DSA, given higher-than-anticipated growth during 2016–17. Stress tests suggest that debt vulnerabilities owing to accumulation of external debt related to financing of infrastructure projects will increase if adverse shocks materialize, though remaining more contained than in the 2017 DSA. Under most extreme stress tests,³ all solvency and liquidity indicators except one breach their thresholds and for prolonged periods. The inclusion of domestic debt does not significantly change the conclusion of the external DSA. A prudent external borrowing strategy aimed at maximizing the concessionality of new debt, limiting non-concessional loans in line with programmed amounts, and strengthening debt management will be key to preserving medium-term debt sustainability.

¹ The DSA was prepared jointly by the IMF and the World Bank, in collaboration with the Guinean authorities. It updates the DSA analysis contained in the Request for a Three-Year Arrangement Under the Extended Credit Facility Arrangement (December 11, 2017, No. 17/387).

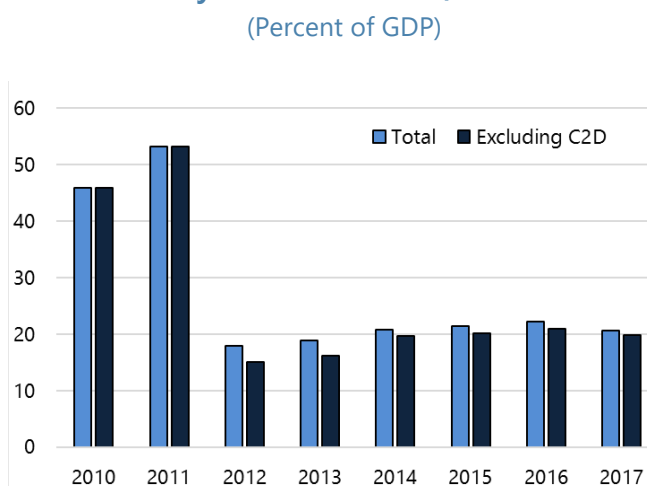
² The three-year average rating for Guinea in the Country Policy and Institutional Assessment (CPIA) is 3.09, which classifies Guinea as a weak policy performer in the LIC-DSA Framework.

³ A combination of shocks to growth, exports, the GDP deflators, and net non-debt creating flows.

BACKGROUND

1. Guinea's external public debt declined slightly in 2017, after having increased gradually since 2012. Since Guinea reached the completion point of the HIPC initiative in 2012, external borrowing has been used to finance infrastructure investment in the energy and transport sectors, notably the construction of the Kaleta hydroelectric dam (US\$335 million or 3 percent of 2017 GDP) and the rehabilitation of the electric transmission networks. Total public and publicly guaranteed (PPG) external debt stood at US\$2 billion (19.6 percent of GDP) in 2017, slightly declining in percent of GDP from 21 percent in 2016 (Table 1)⁴. Approximately 54 percent of this stock is due to official bilateral creditors, mostly to Non-Paris Club creditors, while 42 percent is owed to multilateral creditors. At end-2017, Guinea had outstanding external debt arrears of US\$150.1 million (1.7 percent of GDP). These arrears pre-date the completion of the HIPC and are owed to non-Paris club official bilateral (60 percent) and commercial creditors (40 percent). The authorities continue to make best efforts to discuss debt relief and normalize these arrears with the creditors, with the aim of reaching an agreement on repayment at the earliest. Creditors have so far not requested payment of these arrears.⁵

Figure 1. Guinea: Stock of External Public and Publicly Guaranteed Debt,¹ 2010–17



Sources: Guinean authorities; and IMF Staff calculations.

¹ Starting in 2014, external and domestic PPG debt includes guarantees issued by the Guinean Central Bank (BCRG) to local and foreign banks to provide commercial loans to private sector operators to pre-finance the execution of public works. Notably, a guarantee issued to an external creditor in foreign currency, increased the stock of public and publicly-guaranteed external debt by US\$72 million in 2014.

⁴ In this DSA, the definition of PPG external debt excludes French claims under C2D debt-for-development swaps, which were cancelled in the context of the HIPC debt relief. The C2D mechanism implies a payment of the debt service to the creditor from Guinea, which is later returned to the government in the form of grants to finance development projects. See Country Report No. 15/39 for a detailed discussion.

⁵ Domestic arrears built up in the early 2000s as social and political unrest contributed to a deterioration of public financial management. In addition, arrears increased sharply in 2011 after the newly formed government froze many procurement contracts that had been committed outside of standard procedures under the military and transition government of 2009–10.

Table 1. Guinea: Structure of External Public and Publicly Guaranteed Debt
(Nominal values)

	end-2016		end-2017	
	USD (millions)	USD (millions)	Percent of Total	Percent of GDP
Total	1822.1	2026.9	100.0	19.6
Total incl. C2D	1934.4	2118.4	104.5	20.5
Multilateral creditors	778.7	869.5	42.9	8.4
IMF	241.3	277.2	13.7	2.7
World Bank	219.8	240.4	11.9	2.3
AfDB Group	98.9	122.1	6.0	1.2
IsDB	106.1	112.9	5.6	1.1
EU	0.0	0.0	0.0	0.0
Other Multilateral creditors	112.5	116.9	5.8	1.1
Official Bilateral Creditors	984.4	1095.8	54.1	10.6
Paris Club (excl. C2D)	27.7	43.2	2.1	0.4
Non-Paris Club	809.3	879.3	43.4	8.5
Arab Funds	147.4	173.3	8.6	1.7
Commercial Creditors	58.9	61.6	3.0	0.6
Memo				
Arrears	147.4	150.1	7.4	1.5

Sources : Guinean authorities; and IMF Staff calculations.

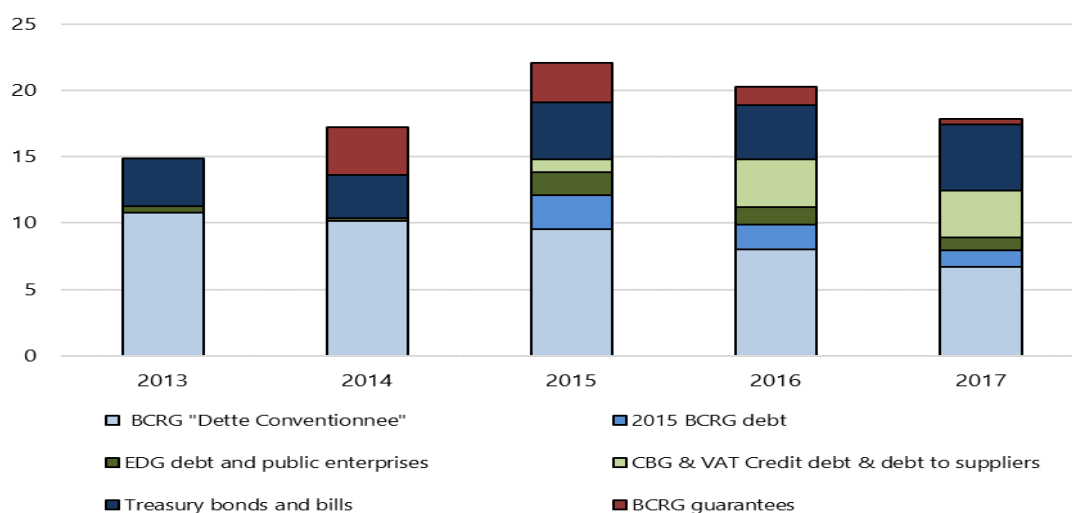
Notes: Arrears at end-2017 are due to Non-Paris Club official bilateral creditors (US\$88.5 million) and commercial creditors (US\$61.6 million). The Guinean authorities have started discussions with creditors in order to reach a resolution on the normalization of these arrears.

2. Domestic debt declined further in 2017, as settlement of central bank debt and guarantees continued (Figure 2). PPG domestic debt declined to 17.8 percent of GDP at end-2017 from 19.4 percent of GDP in 2016. On the one hand, the government accumulated additional domestic arrears of 1 percent of GDP in 2017 (the overall stock of domestic arrears is estimated at 4.4 percent of GDP at end-2017), of which 0.5 percent of GDP were repaid in first quarter of 2018.⁶ On the other hand, further settlements reduced to 0.4 percent of GDP at end-2017 the debt related to the guarantees issued by the central bank during 2014-15.⁷ In addition, part of the outstanding government debt towards the BCRG accumulated in 2015 was repaid in an amount equivalent to 0.3 percent of GDP. In addition to debt related to the 2014–15 central bank guarantees and to 2015 central bank advances to the government, Guinea continued to hold US\$678 million (6.7 percent of 2017 GDP) in “dette conventionnée”, which is debt related to consolidated central bank advances accumulated prior to 2013, scheduled to be repaid over 40 years starting in 2023.

⁶ Domestic arrears built up in the early 2000s as social and political unrest contributed to a deterioration of public financial management. In addition, arrears increased sharply in 2011 after the newly formed government froze many procurement contracts that had been committed outside of standard procedures under the military and transition government of 2009–10. In July 2016 the authorities completed an audit of the outstanding stock of central government arrears over 1982-2013, which led to the inclusion of an additional US\$0.2 billion (2.9 percent of GDP) in arrears, owed mainly to domestic suppliers and for VAT credit refunds, in domestic debt.

⁷ In 2014 and 2015, the central bank had issued US\$870 million (9.6 percent of 2017 GDP) worth of guarantees to commercial banks to provide loans to private companies to pre-finance the execution of public investment projects. Most of the guarantees were domestic apart from US\$72 million owed to a foreign bank. Owing to restructuring in 2015 and settlements, those guarantees were gradually reduced to reach 1.4 percent of GDP at end-2016.

Figure 2. Guinea: Stock of Domestic Public and Publicly Guaranteed Debt, 2013–17
(Percent of GDP)

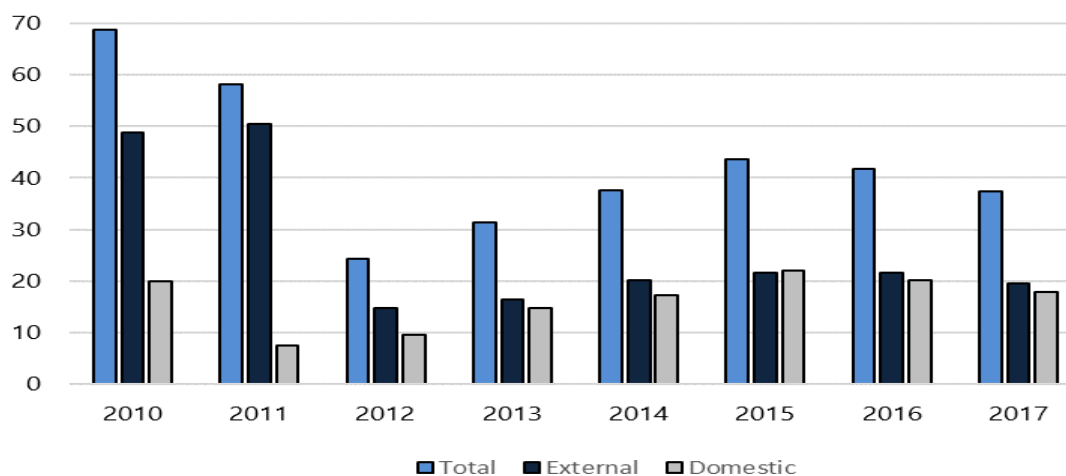


Sources: Guinean authorities; and IMF Staff calculations.

Note: "Dette conventionnée" comprises consolidated past advances to the government which are to be repaid over 40 years with amortization payments beginning in 2023. BCRG debt in 2015 are central bank advances to the government whose repayment agreement calls for amortization over six years beginning in 2016.

3. The stock of overall public debt increased slightly in 2017 but declined as a share of GDP on the back of strong growth (Figure 3). Total public debt amounted to US\$3.8 billion (37.4 percent of GDP) at end-2017 compared with US\$3.6 billion (41.8 percent of GDP) in 2016. The external debt stock reached US\$2.0 billion, compared with US\$1.9 billion in 2016, due to new disbursements of previously signed loans with bilateral creditors. The domestic debt stock increased by US\$0.7 billion, mainly owing to an increase in treasury bond issuance and accumulation of arrears.

Figure 3. Guinea: Stock of Total Public and Publicly Guaranteed Debt, 2010–17
(Percent of GDP)



Sources: Guinean authorities; and IMF Staff calculations.

UNDERLYING ASSUMPTIONS

4. Key assumptions are consistent with the macroeconomic framework outlined in the Staff Report for the First Review under a Three-Year Extended Credit Facility⁸ (Table 2); changes to the assumptions in relation to the 2017 LIC-DSA are as follows:

- **Real GDP growth** was revised upwards to 10.5 percent (from 6.6 percent) in 2016 and to 8.2 percent (from 6.7 percent) in 2017, which led to a significant upward revision of nominal GDP. The growth momentum is expected to continue with real GDP growth reaching 5.8 percent in 2018 and averaging about 6 percent over the medium term, driven by strong performance in mining, construction, and scaled-up investments in infrastructure (Table 2). Over the long run (2022–38), growth is projected to remain near 5 percent, reflecting the increased productive capacity of the economy and its further diversification. Risks to the growth outlook are balanced, with downside potential stemming from socio-political tensions and delays in projects and reform implementation and with upside potential arising from faster-than-expected mining production capacity coming on stream.
- **Inflation** is expected to remain moderate at around 8.2 percent in 2018 and decline slightly over the medium term, reflecting a prudent monetary policy stance.
- **Fiscal balance.** The basic fiscal surplus is projected to improve from 0.8 percent of GDP in 2018 to an average of 1 percent of GDP during 2019–23, reflecting revenue mobilization efforts and the containment of non-priority current expenditure, including the gradual phasing

⁸ Guinea—First Review Under a Three-Year Extended Credit Facility and Request for Waivers of Nonobservance of Performance Criteria.

out of electricity subsidies.⁹ Additional tax revenues of about 2.5 percent of GDP are expected to be mobilized over 2018–20 supported by a targeted tax policy and administration reform and stronger mining revenues. In parallel, capital expenditures are expected to rise with the scale up in public infrastructure investment under the authorities National Economic and Social Development Plan (PDNES) from 6.5 percent of GDP in 2018 to 7.8 percent in 2023. Grants are expected at 1 percent in 2018 and at about 0.6 percent of GDP over the period 2019–21, also reflecting the mobilization of donors' support following the 2017 Consultative Group for Guinea. The primary fiscal balance is expected to register a deficit of 1.1 percent of GDP in 2018 and an average deficit of 0.7 percent over 2019–23.

- **The current account** is expected to record a deficit at 21 percent of GDP in 2018 and to average 14 percent of GDP over 2019–23, reflecting high FDI-financed imports for mining and public infrastructure projects, including the Souapiti dam. These investments will boost exports over the longer term, resulting in a gradual narrowing of the current account deficit.
- **External financing mix and terms.** In addition to the borrowing to finance the construction of the Souapiti dam (US\$1.2 billion, 11 percent of 2017 GDP) to be signed in 2018, this DSA also incorporates the authorities' expected borrowing of an additional US\$650 million in non-concessional loans to be disbursed over 2018–21, from China Eximbank (Table 3).¹⁰ These loans will finance priority infrastructure projects such as the rehabilitation of the RN1 national road and the Conakry urban road network, the construction of an electrical interconnection line, and the rehabilitation of a university. Out of this envelope, US\$434 million in non-concessional loans are expected to be signed in 2018 to finance rehabilitation of the RN1 national road and the Conakry urban road network. New external borrowing is expected to pick up significantly in the near term from 1.0 percent of GDP in 2017 to 9.0 percent of GDP in 2018, to average 4.9 percent of GDP over 2019–21, and settle around a long-run average of about 2 percent of GDP, reflecting the expected impact of the Souapiti loan and the programmed US\$650 million debt for priority infrastructure projects in the short to medium term. Due to the mostly non-concessional nature of borrowing in the near term, the average grant element of new borrowing would decline from around 31 percent in 2018 to 29.1 in 2019, and further decline to an average grant element of 24 percent in the long run, reflecting that use of non-concessional financing is expected to gradually increase over time.
- **Domestic borrowing.** Net government domestic financing is expected to be negative throughout 2018–27, as the government is expected to gradually repay past borrowings from the BCRG, domestic arrears accumulated during 2017, and the validated 1982–2013 arrears to the private sector in line with their strategy for clearance of these arrears approved in December 2017. This will be supported by revenue mobilization and containing current non-priority spending. Net domestic borrowing is expected to turn positive and increase gradually from 2028 onwards.

⁹ The basic fiscal balance is calculated as government revenue excluding grants minus expenditures, excluding interest payments on external debt and externally financed capital expenditure.

¹⁰ The grant element of these loans is expected to be approximately 25.9 percent.

Table 2. Guinea: LIC DSA Macroeconomic Assumptions
(Percent of GDP, unless otherwise indicated)

	Previous DSA						Current DSA					
	2016	2017	2018	2023	2028	2038	2016	2017	2018	2023	2028	2038
Nominal GDP (\$ Million)	8476.3	9182.7	9855.4	14160.2	19901.3	39324.0	8694.6	10250.5	11486.0	16729.0	23529.4	46449.8
Real GDP (percentage change)	6.6	6.7	5.8	5.0	5.0	5.0	10.5	8.2	5.8	5.0	5.0	5.0
Fiscal Accounts												
Revenues and grants	16.0	16.8	18.1	18.9	19.0	...	15.6	15.2	15.6	17.8	17.4	17.5
Public Sector Expenditure	16.4	17.4	20.8	21.5	20.7	...	16.0	17.5	18.0	19.4	18.8	18.7
of which: Capital expenditure and net lending	4.9	4.9	7.8	9.1	8.3	...	4.8	5.9	6.5	7.8	7.4	7.3
Primary Fiscal Balance	1.0	0.9	-1.2	-1.8	-1.1	...	0.9	-1.2	-1.1	-0.6	-0.3	-0.1
New external borrowing	...	3.4	9.9	3.5	2.9	...	0.0	0.0	9.0	2.7	2.3	1.8
Grant elements of new external borrowing	...	32.2	29.5	29.1	25.6	...	0.0	0.0	31.1	28.4	25.8	20.5
Balance of Payments												
Exports of goods and services	29.2	34.9	38.7	41.3	39.5	...	28.4	39.9	35.9	35.0	33.3	31.9
Imports of goods and services	60.7	58.7	56.4	46.6	41.4	...	59.1	47.4	52.2	45.6	48.8	45.4
Current account (including transfers)	-32.2	-24.7	-21.6	-11.3	-9.4	...	-31.4	-7.1	-21.2	-11.0	-6.5	-1.9
Foreign direct investment	18.8	16.2	12.7	9.1	4.9	...	18.3	12.7	13.5	8.7	5.2	1.6

Sources: Guinean authorities; and IMF and World Bank staff estimates.

Table 3. Guinea: Non-concessional Loans to Finance Priority Infrastructure Projects¹

Project	Amount (USD million)
Rehabilitation of RN1 (national road)	275
Rehabilitation of road system in Conakry	159
Construction of electricity transmission line (Lisan-Fomi-Kankan)	150
University Rehabilitation	63

Source: Guinean authorities.

¹ Indicative values on a contracted basis, expected during 2017–20. This excludes the US\$1.2 billion non-concessional Souapiti loan which is being finalized.

DEBT SUSTAINABILITY ANALYSIS

A. External Debt

5. **Under the baseline scenario, all external debt ratios remain below their policy dependent thresholds, indicating that Guinea's debt dynamics are sustainable** (Table 4 and Figure 4). The PV of debt to GDP is expected to remain below the policy-dependent threshold, peaking at 21.9 percent in 2020 (significantly below the peak of 26.2 percent of GDP in the 2017 DSA) and then decline. Furthermore, liquidity ratios (debt service-to-exports and debt service-to-revenues) are also expected to remain well-below policy dependent thresholds. Debt service to export and to revenue ratios have slightly declined compared with the 2017 DSA. The growth rate for accumulation of external debt will average 3.3 percent (year-on-year) over 2018–22, slightly lower than in the 2017 DSA (average 3.8 percent year-on-year growth rate over the same period).

6. Guinea remains at moderate risk of debt distress while vulnerabilities have eased. Under the historical scenario and most extreme stress tests, nearly all indicators breach their thresholds and for prolonged periods (Figure 4).¹¹ However, the magnitude of these breaches is smaller than in the 2017 DSA suggesting that stronger growth would help to partially mitigate risk of debt distress. Under the historical scenario, all indicators breach their thresholds for prolonged periods. Under the bound tests, all indicators except one breach their thresholds under the most extreme stress tests, and most indicators breach their thresholds under several bound tests. However, these tests are based on historical growth and export averages, which reflect exceptionally adverse economic conditions for Guinea, including the Ebola crisis and commodity price shocks during 2014–15 and earlier periods of civil unrest. Under two more plausible country-specific scenarios: i) a weak policy implementation scenario; and ii) less prudent phasing of investment projects scenario with frontloaded disbursements of the anticipated US\$650 non-concessional loans, all indicators remain below their policy dependent thresholds but slightly closer than under the baseline scenarios (Figure 5).¹²

Table 4. Guinea: Policy Dependent Thresholds and Results

	Policy-dependent Threshold	Guinea (2018)	Guinea (Max 2018-38)
PV of debt to GDP ratio	30	17.8	21.9
PV of debt-to-exports ratio	100	49.6	65.4
PV of debt-to-revenue ratio	200	122.7	138.0
Debt service-to-exports ratio	15	2.3	6.0
Debt service-to-revenue ratio	18	5.6	10.4

Source: IMF Staff calculations.

B. Total Public Debt

7. Debt indicators remain below the benchmark under the baseline scenario when adding public and publicly guaranteed domestic debt (Figure 6). Public debt dynamics have improved compared to the 2017 DSA and vulnerabilities have reduced. The PV of total public debt-to-GDP ratio peaks in 2019 at 32 percent of GDP (compared to its peak of 36 percent of GDP in the 2017 DSA) and then declines gradually over the long term. This dynamic mirrors the path of the PPG external debt stock, which increases in the short run due to the high rate of debt accumulation. The PV of total debt-to-GDP ratio would briefly exceed the benchmark in the medium term only under the extreme shock, while in the 2017 DSA it was also exceeding it under the historical scenario.¹³ Delays in repaying domestic arrears or debt owed to the BCRG, or data revisions after new audits of domestic debt and arrears could worsen the dynamics of total debt.

¹¹ The most extreme shocks are either an exports shock or a combination shock, consistent with the 2017 DSA.

¹² The weak policy scenario assumes real GDP is 1 percentage point below the baseline over 2019–38, reflecting slower reform implementation, and the basic fiscal balance is 0.5 percent of GDP in 2019–20, reflecting slower revenue collection. The frontloaded disbursement scenario assumes the US\$650 million in non-concessional loans are disbursed over a three rather than five-year period and more rapid disbursement of already signed concessional loans.

¹³ In this case, the most extreme shock is a 10 percent GDP increase in other debt creating flows in 2019.

CONCLUSION

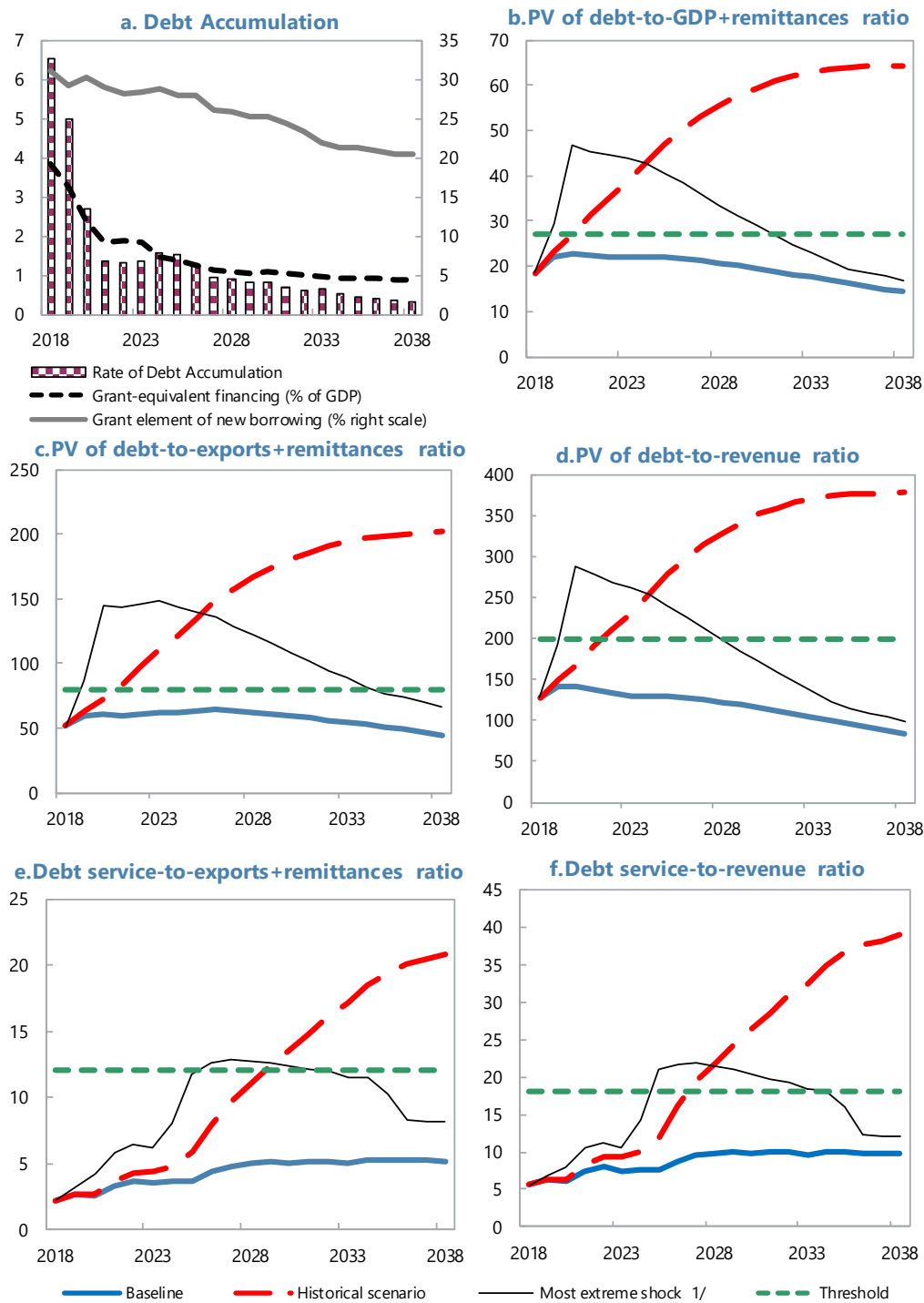
8. Guinea remains at moderate risk of external debt distress. External debt is expected to increase significantly in the short run due to borrowing for financing critical infrastructure needs. The authorities' strategy of carefully phasing investment projects and spreading out loan disbursements, and commitment to containing non-concessional external borrowing within the amounts specified under the objectives of the ECF arrangement,¹⁴ will be key to ensuring that debt remains sustainable and does not exceed a moderate risk of external debt distress. Notably, indicators have improved under the baseline, alternative, and extreme shock scenarios compared to the 2017 DSA, pointing to reduced vulnerabilities, on the back of higher than anticipated growth.

9. Maximizing concessional debt and strengthening debt and public investment management will be essential to preserving debt sustainability in the context of large financing needs. In this regard, the authorities' commitment to implement a prudent borrowing strategy that aims to maximize concessionality and limit non-concessional borrowing to a maximum of US\$650 million (excluding Souapiti) during 2018–21 is key to ensuring that the risk of debt distress does not exceed a moderate level. Ongoing efforts to strengthen the debt management framework, with the support of technical assistance from the IMF, World Bank, and other development partners, will be essential to containing debt vulnerabilities. More specifically, updating the medium-term debt management strategy, further improvement in bond issuance practices, enhancing capacity to analyze debt sustainability, improving public debt statistics, and strengthening procedures for managing domestic debt will be helpful. The authorities plan to set-up a Committee to oversee debt management by end May 2018 and will update the medium-term debt management strategy (MTDS) by end-2018 with the support of IMF technical assistance. A statistical bulletin on public debt has been published in May 2018 and will continue to be updated on a quarterly basis. The authorities have also published for the first time a calendar of bond issuance on the Ministry of Economy and Finance website in April 2018. The World Bank also conducted a Debt Management Performance Assessment (DeMPA) in May 2018, the findings of which will be key to identify areas for improvement and to establish an action plan to strengthen debt management, with IMF and World Bank technical assistance. Further improving coordination among ministries and the central bank will be important to ensure that new borrowing is in line with the national strategy. Strengthening public investment management, including with the implementation of a platform for integrated public investment management and the support of the Public Investment Management Assessment (PIMA) with IMF technical assistance, will enhance the transparency and efficiency of the investment plan.

10. The authorities broadly agree with the conclusions of the DSA. They underscored their commitment to maintaining a sustainable level of debt that does not exceed a moderate risk of debt distress. They also concurred with the importance of maximizing concessional borrowing where possible, but noted financing under these terms is not available in the scale needed to finance their large infrastructure needs. The authorities agree that addressing domestic debt is a priority and are committed to implement their strategy to gradually clear domestic arrears toward the private sector. They also remain committed to strengthen debt management by closely working with development partners.

¹⁴ Under the ECF arrangement, non-concessional borrowing is capped at US\$650 million, excluding the use of IMF resources, debts classified as international reserve liabilities of the BCRG and the non-concessional loan to finance the Souapiti dam project.

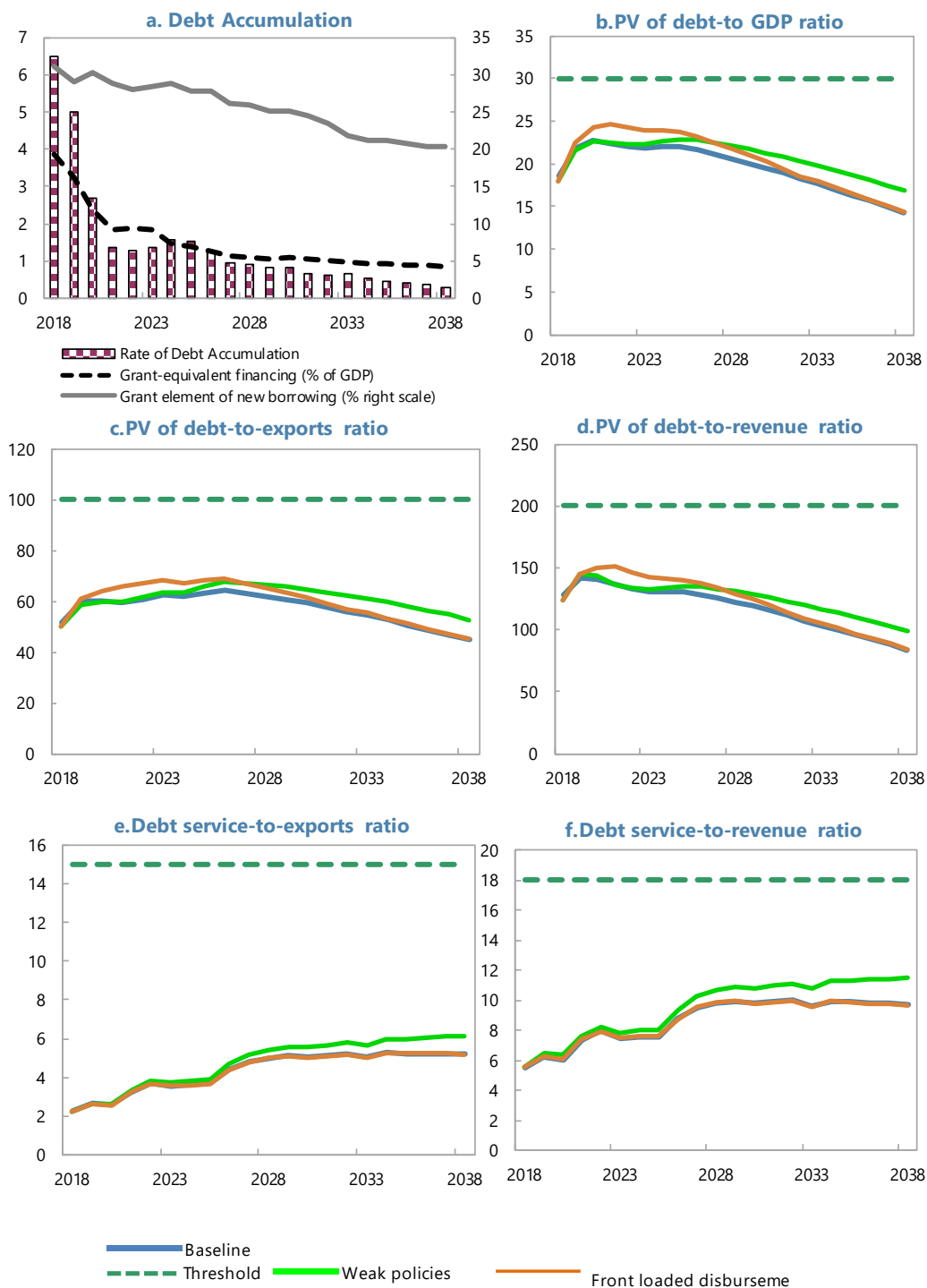
Figure 4. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2018–38^{1/}



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2028. In figure b, it corresponds to a Combination shock; in c, to a Exports shock; in d, to a Combination shock; in e, to a Exports shock and in figure f, to a Combination shock

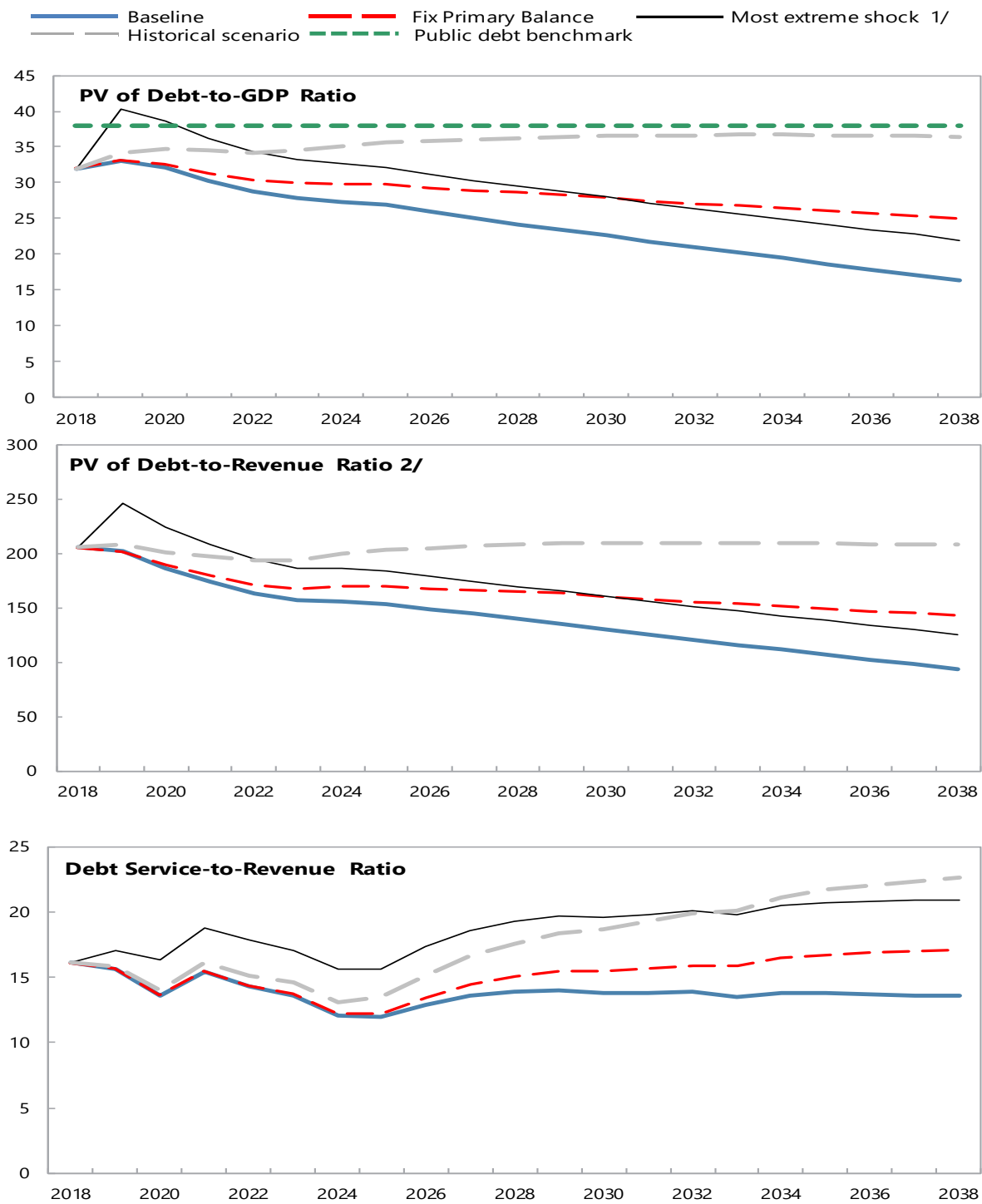
Figure 5. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Country-Specific Alternative Scenarios, 2018–38^{1/}



Sources: Country authorities; and staff estimates and projections.

1/ The weak policies scenario assumes real GDP growth of 1 percentage point below the baseline over 2019-2038 and a lower overall primary fiscal balance of 0.5 percent of GDP in 2019-2020 to reflect slower reform implementation and revenue collection. The frontloaded disbursement scenario assumes the \$650 million in non-concessional loans are disbursed over a three rather than five-year period along with a more rapid disbursement profile for already signed concessional loans.

Figure 6. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2018–38^{1/}



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2028.

2/ Revenues are defined inclusive of grants.

Table 5. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2015–38^{1/}
(Percent of GDP, unless otherwise indicated)

	Actual			Historical ^{6/} Standard ^{6/}		Projections							2018-2038		
	2015	2016	2017	Average	Deviation	2018	2019	2020	2021	2022	2023	Average	2028	2038	Average
External debt (nominal) 1/	21.6	21.6	19.6			26.9	31.7	33.0	32.4	31.9	31.6		28.8	19.8	
<i>of which: public and publicly guaranteed (PPG)</i>	21.6	21.6	19.6			26.9	31.7	33.0	32.4	31.9	31.6		28.8	19.8	
Change in external debt	1.3	0.0	-2.0			7.3	4.8	1.3	-0.6	-0.5	-0.4		-0.9	-0.9	
Identified net debt-creating flows	9.5	13.3	-8.9			6.7	5.0	1.7	0.1	0.6	0.8		-0.1	-0.6	
Non-interest current account deficit	12.3	31.1	6.9	13.1	8.1	20.9	15.7	16.8	12.8	12.3	10.6		6.1	1.6	4.8
Deficit in balance of goods and services	9.5	30.7	7.6			16.4	9.0	10.9	8.0	7.1	5.7		2.6	-0.1	
Exports	21.1	28.4	39.9			35.9	36.5	37.9	37.4	36.1	35.0		33.3	31.9	
Imports	30.7	59.1	47.4			52.2	45.6	48.8	45.4	43.2	40.7		35.9	31.9	
Net current transfers (negative = inflow)	0.0	-1.1	-0.9	-3.0	2.1	-0.6	-0.8	-0.9	-1.1	-1.1	-1.3		-1.3	-1.2	-1.2
<i>of which: official</i>	-0.2	-0.7	-0.2			-0.2	-0.3	-0.3	-0.4	-0.5	-0.5		-0.3	-0.3	
Other current account flows (negative = net inflow)	2.8	1.5	0.3			5.1	7.5	6.8	5.9	6.4	6.2		4.7	2.8	
Net FDI (negative = inflow)	-3.0	-18.3	-12.7	-6.1	5.7	-13.5	-9.6	-13.8	-11.5	-10.6	-8.7		-5.2	-1.6	-4.1
Endogenous debt dynamics 2/	0.2	0.6	-3.1			-0.7	-1.1	-1.3	-1.2	-1.1	-1.0		-0.9	-0.6	
Contribution from nominal interest rate	0.2	0.3	0.2			0.3	0.4	0.4	0.6	0.5	0.5		0.4	0.3	
Contribution from real GDP growth	-0.8	-2.3	-1.5			-1.0	-1.5	-1.8	-1.8	-1.6	-1.5		-1.4	-1.0	
Contribution from price and exchange rate changes	0.8	2.5	-1.8			...	...	...	...	...	...		...	...
Residual (3-4) 3/	-8.2	-13.3	6.9			0.6	-0.2	-0.5	-0.6	-1.1	-1.2		-0.8	-0.2	
<i>of which: exceptional financing</i>	-0.5	0.0	-0.1			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	13.6			18.6	21.9	22.8	22.4	22.0	21.9		20.6	14.3	
In percent of exports	...	...	34.1			51.7	59.9	60.2	59.8	61.0	62.5		62.0	44.7	
PV of PPG external debt	...	...	13.6			18.6	21.9	22.8	22.4	22.0	21.9		20.6	14.3	
In percent of exports	...	...	34.1			51.7	59.9	60.2	59.8	61.0	62.5		62.0	44.7	
In percent of government revenues	...	...	98.0			127.9	142.2	140.8	136.5	132.6	130.3		122.3	83.7	
Debt service-to-exports ratio (in percent)	4.9	3.6	1.1			2.2	2.6	2.6	3.2	3.7	3.6		5.0	5.2	
PPG debt service-to-exports ratio (in percent)	4.9	3.6	1.1			2.2	2.6	2.6	3.2	3.7	3.6		5.0	5.2	
PPG debt service-to-revenue ratio (in percent)	7.6	7.1	3.2			5.5	6.2	6.0	7.4	8.0	7.5		9.8	9.7	
Total gross financing need (Billions of U.S. dollars)	0.9	1.2	-0.5			0.9	0.9	0.5	0.4	0.5	0.5		0.6	0.8	
Non-interest current account deficit that stabilizes debt ratio	11.0	31.1	8.9			13.5	10.9	15.6	13.3	12.9	11.0		6.9	2.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.8	10.5	8.2	4.9	3.2	5.8	5.9	6.0	6.0	5.3	5.0	5.7	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	-3.7	-10.5	8.9	0.6	9.6	5.9	2.1	2.0	2.0	2.0	2.0	2.7	2.0	2.0	2.0
Effective interest rate (percent) 5/	0.8	1.5	1.1	1.2	0.3	1.9	1.6	1.5	1.9	1.5	1.5	1.7	1.5	1.7	1.6
Growth of exports of G&S (US dollar terms, in percent)	-5.1	32.9	65.3	15.4	25.4	0.8	10.1	12.2	6.7	3.8	3.8	6.3	6.3	7.1	6.4
Growth of imports of G&S (US dollar terms, in percent)	-7.1	90.8	-5.4	16.4	34.1	23.3	-5.6	15.9	0.5	2.4	0.8	6.2	4.9	6.3	5.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	31.1	29.1	30.3	28.9	28.0	28.4	29.3	25.8	20.5	24.0
Government revenues (excluding grants, in percent of GDP)	13.7	14.6	13.8			14.5	15.4	16.2	16.4	16.6	16.8		16.9	17.1	16.9
Aid flows (in Billions of US dollars) 7/	0.1	0.1	0.1			0.4	0.4	0.4	0.4	0.4	0.5		0.4	0.6	
<i>of which: Grants</i>	0.1	0.1	0.1			0.1	0.1	0.1	0.2	0.2	0.2		0.1	0.2	
<i>of which: Concessional loans</i>	0.0	0.0	0.0			0.3	0.2	0.2	0.2	0.3	0.3		0.3	0.4	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.8	3.2	2.4	1.8	1.9	1.8		1.1	0.9	1.1
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			38.4	37.9	44.2	48.8	48.5	48.5		39.3	37.5	39.2
Memorandum items:															
Nominal GDP (Billions of US dollars)	8.8	8.7	10.3			11.5	12.4	13.4	14.5	15.6	16.7		23.5	46.4	
Nominal dollar GDP growth	0.0	-1.1	17.9			12.1	8.2	8.2	8.1	7.4	7.1	8.5	7.0	7.0	7.0
PV of PPG external debt (in Billions of US dollars)	...	...	1.4			2.1	2.6	3.0	3.2	3.4	3.6		4.7	6.4	
(Pvt-Pvt-1)/GDPT-1 (in percent)	...	...	...			6.5	5.0	2.7	1.4	1.3	1.4	3.0	0.9	0.3	0.8
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	13.6			18.6	21.9	22.8	22.4	22.0	21.9		20.6	14.3	
PV of PPG external debt (in percent of exports + remittances)	...	...	34.1			51.7	59.9	60.2	59.8	61.0	62.5		62.0	44.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	1.1			2.2	2.6	2.6	3.2	3.7	3.6		5.0	5.2	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p/(1+g)] / (1+g+p+gp)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and p = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. Projections also includes price and exchange rate changes.

It includes donors' financing expected to be mobilized during the program (US\$ 40 million in 2017 by the World Bank and Euro 55 million over 2017-19 by the European Union).

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 6. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018–38

(Percent)

	Projections							2038
	2018	2019	2020	2021	2022	2023	2028	
PV of debt-to GDP ratio								
Baseline	19	22	23	22	22	22	21	14
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	19	23	27	31	35	39	56	64
A2. New public sector loans on less favorable terms in 2018-2038 2/	19	23	25	25	25	25	26	21
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	19	22	24	24	23	23	22	15
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	19	26	36	35	34	34	27	14
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	19	24	28	27	27	27	25	17
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	19	28	38	37	36	36	27	14
B5. Combination of B1-B4 using one-half standard deviation shocks	19	30	47	45	45	44	33	17
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	19	30	31	31	30	30	28	20
PV of debt-to-exports ratio								
Baseline	52	60	60	60	61	62	62	45
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	52	63	72	84	97	111	167	202
A2. New public sector loans on less favorable terms in 2018-2038 2/	52	63	65	66	69	72	77	67
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	52	58	58	58	59	61	60	43
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	52	87	145	143	145	148	122	67
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	52	58	58	58	59	61	60	43
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	52	76	100	99	100	102	82	44
B5. Combination of B1-B4 using one-half standard deviation shocks	52	79	120	119	121	123	98	52
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	52	58	58	58	59	61	60	43
PV of debt-to-revenue ratio								
Baseline	128	142	141	137	133	130	122	84
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	128	149	168	191	211	231	329	377
A2. New public sector loans on less favorable terms in 2018-2038 2/	128	149	152	151	150	150	153	126
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	128	144	149	144	140	137	129	88
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	128	169	222	214	207	202	157	82
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	128	155	172	167	162	159	149	102
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	128	180	234	225	217	212	162	82
B5. Combination of B1-B4 using one-half standard deviation shocks	128	192	288	277	268	261	198	99
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	128	196	194	188	182	179	168	115

Table 6. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018–38 (concluded)
(Percent)

	Projections							
	2018	2019	2020	2021	2022	2023	2028	2038
Debt service-to-exports ratio								
Baseline	2	3	3	3	4	4	5	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	2	3	3	4	4	4	11	21
A2. New public sector loans on less favorable terms in 2018-2038 2/	2	3	3	3	4	4	7	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	2	3	3	3	4	4	5	5
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	2	3	4	6	6	6	13	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	2	3	3	3	4	4	5	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	2	3	3	4	4	4	9	5
B5. Combination of B1-B4 using one-half standard deviation shocks	2	3	3	5	5	5	11	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	2	3	3	3	4	4	5	5
Debt service-to-revenue ratio								
Baseline	6	6	6	7	8	7	10	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2018-2038 1/	6	6	6	8	9	9	22	39
A2. New public sector loans on less favorable terms in 2018-2038 2/	6	6	6	8	8	8	13	14
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	6	7	7	8	9	8	11	11
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	6	6	6	9	9	9	17	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	6	7	8	9	10	9	12	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	6	6	7	9	9	9	17	10
B5. Combination of B1-B4 using one-half standard deviation shocks	6	7	8	11	11	10	22	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	6	9	9	10	11	11	14	14
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	29	29	29	29	29	29	29	29

Sources: Country authorities; and staff estimates and projections.

- 1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
- 2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.
- 3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
- 4/ Includes official and private transfers and FDI.
- 5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
- 6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 7. Guinea: Public Sector Sustainability Framework, Baseline Scenario, 2014–38
(Percent of GDP, unless otherwise indicated)

	Actual				Average ^{5/}	Standard Deviation ^{5/}	Estimate						Projections		
	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	37.5	43.6	41.8	37.4			40.3	43.0	42.4	40.3	38.6	37.6		32.4	21.9
<i>of which: foreign-currency denominated</i>	23.1	23.3	22.5	19.6			26.9	31.7	33.0	32.4	31.9	31.6		28.8	19.8
Change in public sector debt	6.2	6.1	-1.8	-4.4			2.9	2.7	-0.6	-2.0	-1.7	-1.1		-1.2	-1.0
Identified debt-creating flows	2.0	6.0	-3.3	-5.0			-1.2	-1.4	-2.1	-2.0	-1.6	-1.4		-1.0	-0.5
Primary deficit	2.6	6.2	-0.7	1.4	2.3	3.2	1.2	1.2	0.6	0.4	0.4	0.4	0.7	0.3	0.1
Revenue and grants	16.7	14.7	15.6	15.2			15.6	16.5	17.3	17.4	17.7	17.8		17.4	17.5
<i>of which: grants</i>	2.8	1.0	0.9	1.3			1.1	1.1	1.1	1.1	1.1	1.1		0.5	0.5
Primary (noninterest) expenditure	19.2	20.9	14.9	16.6			16.8	17.7	17.8	17.8	18.1	18.3		17.6	17.7
Automatic debt dynamics	-0.5	0.8	-2.7	-6.4			-2.5	-2.6	-2.7	-2.4	-2.0	-1.8		-1.3	-0.6
Contribution from interest rate/growth differential	-1.0	-1.6	-5.7	-5.9			-3.5	-4.0	-4.3	-4.1	-3.7	-3.4		-2.8	-1.7
<i>of which: contribution from average real interest rate</i>	0.2	-0.2	-1.6	-2.7			-1.5	-1.7	-1.9	-1.7	-1.6	-1.5		-1.3	-0.6
<i>of which: contribution from real GDP growth</i>	-1.1	-1.4	-4.1	-3.2			-2.1	-2.3	-2.4	-2.4	-2.0	-1.8		-1.6	-1.1
Contribution from real exchange rate depreciation	0.5	2.3	3.0	-0.5			1.1	1.4	1.6	1.7	1.6	1.6		...	...
Other identified debt-creating flows	-0.1	-1.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Debt relief (HIPC and other)	-0.1	-1.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Residual, including asset changes	4.2	0.1	1.5	0.6			4.1	4.0	1.5	0.0	0.0	0.3		-0.2	-0.5
Other Sustainability Indicators															
PV of public sector debt	...	...	...	31.4			32.0	33.1	32.2	30.3	28.8	27.9		24.2	16.4
<i>of which: foreign-currency denominated</i>	...	...	...	13.6			18.6	21.9	22.8	22.4	22.0	21.9		20.6	14.3
<i>of which: external</i>	...	...	...	13.6			18.6	21.9	22.8	22.4	22.0	21.9		20.6	14.3
PV of contingent liabilities (not included in public sector debt)	...	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	52.2	9.9	3.2	4.3			3.7	3.8	2.9	3.1	2.9	2.8		2.7	2.5
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	...	206.7			205.3	201.4	186.3	173.6	162.3	156.2		139.4	93.2
PV of public sector debt-to-revenue ratio (in percent)	...	...	...	226.8			220.3	215.3	198.8	184.8	173.0	166.1		143.6	95.9
<i>of which: external 3/</i>	...	...	...	98.0			127.9	142.2	140.8	136.5	132.6	130.3		122.3	83.7
Debt service-to-revenue and grants ratio (in percent) 4/	298.1	25.3	24.8	19.1			16.1	15.7	13.6	15.4	14.3	13.6		13.9	13.5
Debt service-to-revenue ratio (in percent) 4/	358.5	27.2	26.3	21.0			17.3	16.7	14.5	16.4	15.2	14.5		14.3	13.9
Primary deficit that stabilizes the debt-to-GDP ratio		0.1	1.1	5.8			-1.7	-1.4	1.2	2.4	2.1	1.5		1.5	1.1
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.7	3.8	10.5	8.2	4.9	3.2	5.8	5.9	6.0	6.0	5.3	5.0	5.7	5.0	5.0
Average nominal interest rate on forex debt (in percent)	1.0	0.7	1.4	1.1	1.1	0.3	1.9	1.6	1.5	1.9	1.5	1.5	1.7	1.5	1.7
Average real interest rate on domestic debt (in percent)	3.0	2.0	-2.4	-5.5	-0.4	5.2	-2.4	-1.6	-1.2	0.6	2.1	3.7	0.2	11.4	26.3
Real exchange rate depreciation (in percent, + indicates depreciation)	3.2	10.7	15.3	-2.4	8.5	10.9	6.0	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.8	2.8	7.1	10.5	8.4	5.3	8.1	8.1	7.9	7.8	7.8	7.8	7.9	8.0	8.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	12.8	-21.3	20.4	1.4	10.6	7.3	11.6	7.0	5.8	7.2	5.7	7.4	5.2	4.5
Grant element of new external borrowing (in percent)	...	...	...	...	...	...	31.1	29.1	30.3	28.9	28.0	28.4	29.3	25.8	20.5

Sources: Country authorities; and staff estimates and projections.

1/ Public debt is defined as the gross central government debt (including the BCRG guarantees).

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 8. Guinea: Sensitivity Analysis for Key Indicators of Public Debt 2018–38
(Percent)

	Projections							
	2018	2019	2020	2021	2022	2023	2028	2038
PV of Debt-to-GDP Ratio								
Baseline	32	33	32	30	29	28	24	16
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	32	34	35	34	34	35	36	36
A2. Primary balance is unchanged from 2018	32	33	33	31	30	30	29	25
A3. Permanently lower GDP growth 1/	32	33	33	31	30	30	30	33
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-20	32	35	36	35	34	34	34	31
B2. Primary balance is at historical average minus one standard deviations in 2019-202	32	36	38	36	35	34	29	19
B3. Combination of B1-B2 using one half standard deviation shocks	32	36	38	36	35	35	33	27
B4. One-time 30 percent real depreciation in 2019	32	40	39	36	34	33	29	22
B5. 10 percent of GDP increase in other debt-creating flows in 2019	32	40	39	37	35	34	29	19
PV of Debt-to-Revenue Ratio 2/								
Baseline	205	201	186	174	162	156	139	93
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	205	208	201	197	193	193	208	208
A2. Primary balance is unchanged from 2018	205	201	189	179	171	168	165	142
A3. Permanently lower GDP growth 1/	205	203	190	179	170	167	171	186
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-20	205	212	209	201	193	192	198	179
B2. Primary balance is at historical average minus one standard deviations in 2019-202	205	219	222	208	195	188	166	108
B3. Combination of B1-B2 using one half standard deviation shocks	205	217	219	208	198	194	189	154
B4. One-time 30 percent real depreciation in 2019	205	245	223	208	194	186	170	125
B5. 10 percent of GDP increase in other debt-creating flows in 2019	205	243	224	210	197	190	167	109
Debt Service-to-Revenue Ratio 2/								
Baseline	16	16	14	15	14	14	14	14
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	16	16	14	16	15	15	18	23
A2. Primary balance is unchanged from 2018	16	16	14	15	14	14	15	17
A3. Permanently lower GDP growth 1/	16	16	14	16	15	14	16	20
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-20	16	16	15	17	16	15	17	21
B2. Primary balance is at historical average minus one standard deviations in 2019-202	16	16	14	16	15	14	17	15
B3. Combination of B1-B2 using one half standard deviation shocks	16	16	14	17	16	15	18	19
B4. One-time 30 percent real depreciation in 2019	16	17	16	19	18	17	19	21
B5. 10 percent of GDP increase in other debt-creating flows in 2019	16	16	14	16	15	14	17	15

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.



GUINEA

June 21, 2018

FIRST REVIEW OF THE ARRANGEMENT UNDER THE THREE-YEAR EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUEST FOR MODIFICATION AND FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION

Approved By
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Prepared by the African Department in consultation with other Departments

- 1. This supplement provides an update on the status of the remaining prior actions and fiscal developments based on information received since the issuance of the staff report on June 11, 2018.** The additional information does not change the thrust of the staff appraisal.
- 2. Six out of the seven prior actions for the completion of the first review have been fully implemented and the implementation of the last one has been satisfactory.** At the time the staff report was issued, four prior actions had been met. Out of the remaining three prior actions, two have been fully implemented: a time-bound action plan to rationalize ad-hoc tax expenditures has been adopted; and the programmed 25 percent electricity tariff increase for industrial and professional users and 10 percent increase for households were implemented. Regarding the third prior action, the use of exceptional procedures through authorization letters to execute public expenditures during January-May 2018 was broadly in line with the budget management and public accounting decree. Notably, the execution of all public expenditures through authorization letters (ALs) was linked to budgetary lines and mostly limited to sovereign expenditures and special funds. However, 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). In view of these actions, staff supports the completion of the first review under the ECF arrangement. Staff will monitor closely the use of ALs to

ensure that they are limited to sovereign expenditures and special funds and linked to budgetary lines based on a quarterly report that was added in the data reporting for program monitoring.

3. Fiscal performance strengthened at end April, supported by continued efforts to contain expenditures and strengthen revenues. The basic fiscal balance recorded a surplus of 1.4 percent of annual GDP during the first four months of 2018 (1.1 percent of GDP in the first quarter). Mining tax revenues increased by 47 percent (y-o-y) on the back of buoyant activity. Non-mining tax revenues increased by about 7½ percent (y-o-y), with higher taxes on goods and services compensating for declining revenues from the tax on petroleum products. Non-tax revenues more than doubled, due to an exceptional transfer from the Regulatory Agency for Post and Telecommunication. Spending on goods and services continued to be contained at 0.7 percent of GDP, declining by 10½ percent (y-o-y). Domestically-financed capital expenditures were contained at 0.4 percent of GDP, declining by 26 percent (y-o-y). A net government repayment to the central bank was recorded, borrowing from commercial banks remained limited, and domestic arrears were reduced by 0.8 percent of GDP.

**Statement by Daouda Sembene, Executive Director for Guinea and
Mamadou Siradiou Bah, Advisor to the Executive Director**

June 25, 2018

The Guinean authorities are thankful to Management and Staff for the constructive discussions they have held last April in Conakry and Washington in the context of the first review under the ECF-supported arrangement.

Guinea experienced a difficult domestic context in the run-up to the local elections held in February 2018. Prevailing social tensions adversely impacted economic activity, putting unforeseen pressures on the budget and slowing progress toward the completion of some program's targets. In May 2018, a new prime minister was appointed and a new government was formed, including new ministers in charge of economy, finance and budget. Immediately after this move, the authorities took needed corrective measures to bring program implementation back in line with its objectives.

The authorities highly value Fund's continued support to their efforts to achieve high and broad-based economic growth while preserving macroeconomic stability. Despite a challenging environment and significant capacity constraints, they remain strongly committed to attaining the objectives of their second ECF-supported program, which is considered as a key vehicle to advance their National Social and Economic Development Plan (PNDES) over the period 2016-2020.

I. Recent Economic Developments

The strong growth momentum of the Guinean economy that began in 2016 has continued in 2017, supported by buoyant mining, construction and trade activities as well as by larger capital expenditures. Real growth is estimated to have reached 8.2 percent in 2017 and this growth momentum is expected to be maintained in 2018. However, average inflation picked up slightly to 8.9 percent in 2017 while core inflation remained stable at 2.5 percent.

The basic fiscal balance experienced a deficit of 1.1 percent of GDP in December 2017 due to lower-than-expected tax revenues and larger-than-budgeted expenditures. However, the

basic fiscal balance recorded a surplus of 0.9 percent of GDP in the first two months of 2018, reflecting notably efforts to control spending. In addition, a net government repayment to the central bank was recorded; borrowing from commercial banks was contained; and domestic arrears were reduced by 0.5 percent of GDP. The current account deficit narrowed to about 7 percent of GDP in 2017 thanks to strong mining export growth, the elimination of export taxes on gold, and continued inflows of foreign direct investments in the mining sector.

II. Performance under the ECF Arrangement

The authorities' policy and reform efforts helped meet end-December 2017 performance criteria (PCs) on net international reserves and the non-contraction of new non-concessional external debt. However, the PCs on the basic fiscal balance, net government borrowing from the central bank, and net domestic assets of the central bank and the indicative target on tax revenues and social safety programs were missed partly in the face of capacity weaknesses. On the other hand, most structural benchmarks (SBs) were met. Indeed, as underscored in the staff report, reform implementation advanced significantly, notably those aimed at strengthening tax revenue collection, enhancing fiscal management, fostering private sector development, and promoting good governance.

Mindful of the need to keep the program on track, the authorities have implemented strong corrective measures for the missed performance criteria at end-December 2017. These actions include: (i) better alignment of the use of authorization letters to ensure the execution of public expenditures with legal procedures; (ii) the adoption of a time-bound action plan to rationalize ad hoc tax expenditures; (iii) a revised budgetary framework for 2018 in line with agreed corrective measures to form the basis for a supplementary budget law; (iv) the signature of a memorandum of understanding between the central bank and the ministry of economy and finance limiting the central bank's lending to the government to the statutory limits as stated in the Central Bank's Law and another indicating the modalities and timeline for the recapitalization of the central bank; (v) the implementation of electricity tariff increases for industrial and large consumers; and (vi) the signature of a ministerial order increasing the retail price of petroleum products, as of July 1, 2018.

The strong measures taken by the authorities have contributed to strengthening program performance in the first quarter of 2018. The indicative target at end-March 2018 on the basic fiscal balance was met by a large margin and the government secure a net repayment to the central bank.

III. Economic Outlook and Policies and Reforms for 2018 and Beyond

The authorities' assessment of the near and medium-term economic outlook remains positive, as they are committed to ensuring strong implementation of the policy and reform agenda set under the ECF-supported program, consistent with the country's economic and social national development plan, PNDES. To this end, they will strive to preserve macroeconomic stability and debt sustainability while scaling up public investments to put the economy on a path to higher and more broad-based growth.

Going forward, real growth is expected to remain strong 2018, supported by continued buoyant mining production, improved agricultural performance and strengthened implementation of infrastructure projects. Medium-term growth is projected to hover around 6 percent, driven by scaling-up of investments in mining and infrastructure, and structural reform implementation. The current account deficit is forecasted to remain large and financed by continued FDI inflows—but expected to narrow gradually over the medium-term. Moreover, prudent fiscal and monetary policies will help strengthen external buffers, maintain moderate inflation, and safeguard financial sector stability.

Fiscal Policy and Reforms

Fiscal policy is aimed at preserving the macroeconomic stability in line with the fiscal targets under the ECF-supported program. In this regard, the basic fiscal balance is projected to achieve a surplus of 0.8 percent of GDP in 2018 and to increase slightly onwards. The adoption in May 2018 of a revised budgetary framework supported the authorities' consolidation efforts. Going forward, steps will be taken in this direction, including by avoid extrabudgetary expenditures and the accumulation of new domestic arrears, improving cash flow management. Moreover, the tax policy measures embedded in the 2018 Budget Law will contribute to simplifying the tax system and broadening the tax base, thereby further mobilizing non-mining tax revenues.

On the expenditure front, the authorities' efforts to contain non-priority spending will be focused on reducing untargeted electricity subsidies by implementing their electricity tariff reform and improving the efficiency of the electricity company. Moreover, the authorities plan to take bold measures to counterbalance the impact of the larger-than-programmed salary increases in early 2018, including freezing planned recruitments, delaying the implementation of the status on a number of paramilitary corps and freezing automatic advancements in the public administration. The administration and civil service reform will be accelerated with the biometric census of civil servants and the establishment of an effective system to monitor staff and ensure the enforcement of organizational laws and regulations. To support their poverty reduction efforts and foster inclusion, the authorities plan to strengthen social safety nets.

The authorities will pursue the reform of public financial management (PFM). They will move ahead to finalize the establishment of the Treasury Single Account (TSA) to strengthen transparency, budget monitoring and cash management. They also intend to finalize the new public-private partnership (PPP) framework by publishing the new law by end-June 2018 while ensuring that it is consistent with international best practices. Given the risks and contingent liabilities associated with PPP-financed projects, prudence will be exercised in their use to reduce fiscal risks. Under the reform of state-owned enterprises (SOEs) which aims at strengthening their governance and supporting the mobilization of fiscal revenues, a draft decree to implement the new law on the governance of these entities is scheduled to be adopted by September 2018. The legal status and texts of SOEs will be also updated to consolidate their financial position and establish their Boards of Directors.

Debt Policy and Management

The authorities take good note of the updated debt sustainability analysis (DSA) which suggests that debt dynamics have improved compared with the 2017 exercise owing to higher-than-anticipated growth during 2016-17. The authorities remain committed to preserving medium-term debt sustainability. To this end, they will continue implementing a prudent external borrowing strategy aimed at maximizing the concessionality of new debt and limiting non-concessional loans in line with program commitments. Addressing domestic debt remains a priority, and the authorities are committed to implementing a strategy aimed at gradually clearing domestic arrears vis-à-vis the private sector. They are also determined to further strengthen the debt management framework by closely working with development partners and the Fund in enhancing institutional and human capacities. They highly value TA from the Fund and World Bank in this regard.

Monetary and Exchange Rate Policies

Monetary policy will aim at preserving moderate inflation, and the authorities stand ready to tighten their monetary policy stance as warranted. In parallel, the monetary policy framework will be strengthened notably by improving liquidity management and further enhancing the operational autonomy of the central bank (BCRG).

The authorities are determined to finalize the reform of the foreign exchange market in order to improve the role of market forces and support greater exchange rate flexibility. The central bank plans to issue instructions clarifying the rules for banks' participation in the MEBD, and strengthening the reporting and analysis of MEBD operations. To make the foreign exchange market more competitive and support greater flexibility of the exchange rate, the limit on auction allocations to a single participant will be gradually eliminated.

Although external reserves were strengthened in 2017, they remain below 3 months of import coverage. To achieve the objective of 3.8 months of imports by 2020, the central bank will adopt an active strategy in coming months to accumulate reserves through regular and small purchases in unilateral and competitive auctions. In this process, the central bank will take advantage of a larger supply of foreign exchange in the economy, move towards greater exchange rate flexibility and prevent disorderly market conditions.

Financial Sector Stability

The authorities are strongly committed to maintaining financial sector stability while working to increase its contribution to the financing of the economy. They will pursue efforts to further strengthen banking supervision. The BCRG has designed an action plan to bring all banks in compliance with the capital regulatory requirement by end 2018 and with IFRS standards. To address the increase in non-performing loans and encourage credit to the private sector, a new credit information system has been established with the support of the World Bank. Moreover, a banking resolution framework will be adopted by end-2018 along with the finalization of the process to set up a deposit guarantee scheme.

The authorities are mindful of the need to further improve financial inclusion. In this regard, a new Financial Inclusion Law was adopted in July 2017 to provide a framework for the activity of microfinance institutions in supporting access to credit for small and medium-sized enterprises (SMEs), women and youth. Implementation decrees of this law are being prepared with the support of the World Bank, and are expected to be adopted soon.

Structural Reforms and Governance

The implementation of reforms needed to foster the development of the private sector and achieve more-broad based growth will be pursued. In this regard, they finalized in recent months an action plan to improve the business climate through measures to ease procedures to start a business, facilitate the public-private dialogue, improve access to credit, ease tax payment, strengthen contract enforcement and facilitate cross-border trade.

The authorities place a premium on increasing transparency and promoting good governance. In this regard, it is worth noting that members of the new government have complied with asset declaration requirements. The decree on the organization and operation of the National Agency for the Fight against Corruption is to be adopted by end-October 2018. This will enhance the enforcement of the rule of law and improve governance. Moreover, the authorities remain committed to further strengthen the AML/CFT regime and move ahead with the implementation of the recommendations made by the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA).

IV. Conclusion

Despite the daunting challenges facing the country, the Guinean authorities remain strongly determined to successfully implement the ECF-supported program with a view to putting the economy on a path to higher, more sustainable and more broad-based growth. Based on the implementation of bold corrective measures and in view of the progress made in advancing the reform agenda, they request the favorable completion of the first ECF review and waivers of nonobservance of end-December 2017 performance criteria. They look forward to the continued support of the Fund going forward.