



# GUINEA

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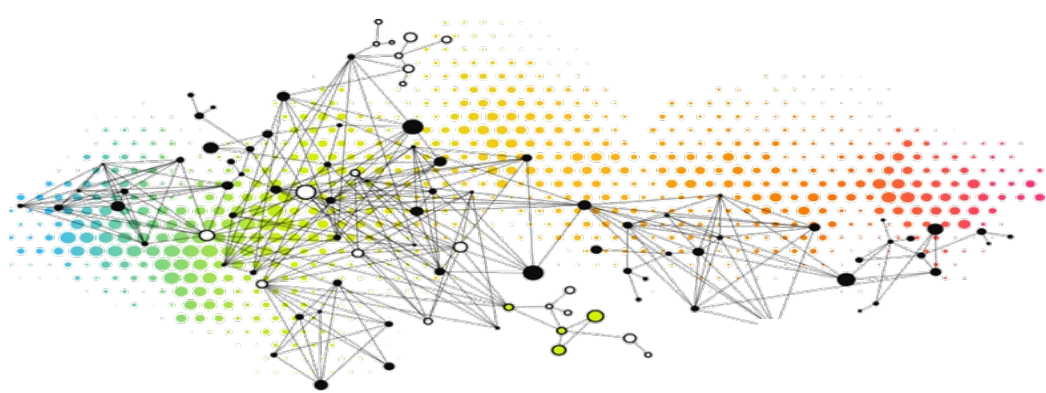
## TECHNICAL ASSISTANCE REPORT—REPORT ON TECHNICAL ASSISTANCE MISSION ON EXTERNAL SECTOR STATISTICS

This Technical Assistance Report paper on Guinea was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on February 2019.

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# GUINEA

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## REPORT OF THE TECHNICAL ASSISTANCE MISSION ON EXTERNAL SECTOR STATISTICS (JULY 9–20, 2018)

Prepared by **Ahmed Racine Yago**

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## Glossary

AFD	French Development Agency
AfDB	African Development Bank
APIP	Private Investment Promotion Agency
BCEAO	Central Bank of West African States
BCRG	Central Bank of the Republic of Guinea
BEAC	Bank of Central African States
BIS	Bank for International Settlements
<i>BPM5</i>	<i>Balance of Payments Manual, fifth edition</i>
<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual, sixth edition</i>
CDIS	Coordinated Direct Investment Survey
CMG	Guinean Chamber of Mines
CTHBP	Technical Committee on Balance of Payments Harmonization
DeMPA	Debt Management Performance Assessment
DGD	Directorate General of Customs
DND	National Directorate of Debt
DOTS	IMF Direction of Trade Statistics
DSBP	Directorate of Statistics and Balance of Payments
ECOWAS	Economic Community of West African States
ESS	External Sector Statistics
IIP	International Investment Position
IMF	International Monetary Fund
INS	National Statistics Institute
JEDH	BIS, IMF, OECD, World Bank Joint External Debt Hub
MEF	Ministry of Economy and Finance
MFS	Monetary and Financial Statistics
NEO	Net Errors and Omissions
QEDS	Quarterly External Debt Statistics
SBP	Balance of Payments Unit
SIGD	Automated Debt Management System
SMB	Société Minière de Boké
SSM	Monetary Statistics Unit
STA	IMF Statistics Department
SYGADE	Debt Management and Analysis System
TA	Technical Assistance
TOFE	Government Financial Operations Table
UNCTAD	United Nations Conference on Trade and Development

## SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

- 1. A technical assistance (TA) mission visited Guinea during July 9–20, 2018, as part of the project funded by the Government of Japan to improve external sector statistics (ESS) in 17 Francophone African countries.** This was the third mission under this project following the missions in 2016 and 2017. The mission was hosted by the Central Bank of the Republic of Guinea (BCRG), which is responsible for compiling ESS. The mission addressed the following main issues (i) improvement of the surveys on migrant remittances and informal trade; (ii) perform detailed technical work to improve ESS; and (iii) participation in the coordinated direct investment survey (CDIS) and the quarterly external debt statistics (QEDS) database. The mission also reviewed the status of implementation of the recommendations from the previous TA missions.
- 2. During its visit, the mission worked closely with the Balance of Payments Unit (SBP) and the Monetary Statistics Unit (SSM) within the BCRG Directorate of Statistics and Balance of Payments (DSBP).** It also held discussions with other key institutions aimed at improving ESS, including the National Debt Directorate (DND) and the National Statistics Institute (INS). The mission completed the assigned tasks and agreed with the authorities on an action plan to improve ESS.
- 3. The mission observed that the recommendations from the previous technical assistance mission had been satisfactorily implemented.** Those efforts should continue, particularly regarding correcting net errors and omissions (NEO) in accordance with the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*; conducting outreach for balance of payments survey correspondents; and arranging technical meetings with the DND and the INS to address the update of debt statistics and the consistency of international merchandise trade statistics, respectively.
- 4. Data collection for the informal trade survey began in March 2018 and is continuing. For the migrant remittances survey, the data collection tools were validated, and interviewer training was scheduled for July 2018.** The administration of questionnaires was programmed for the second half of 2018. Development of an automated application to process external sector data is also continuing. The initial tests have been conducted and the related tasks are expected to be completed by end-2018.
- 5. Improving data sources and the quality of data for specific balance of payments items should continue.** The mission proposed the use of administrative sources from the social security fund and utility companies (electricity and water) to capture transactions with nonresident entities and recommended reclassifying the expenses of Guinea's foreign diplomatic missions to general government goods and services not included elsewhere instead of "current transfers." Corrections should also be made to the item "other current transfers," which includes

trade (counterparty transactions) between resident corporations and nonresidents, rather than transfers as used in the balance of payments.

6. **Consistency between ESS and other macroeconomic accounts and data reliability continue to pose a challenge.** The quality of data reported by companies, particularly mining companies, leaves room for improvement. Further effort is also needed to ensure consistency between the balance of payments and the government flow-of-funds table (TOFE).
7. **The formula used to calculate NEO is not consistent with the *BPM6* recommendations.** Furthermore, the calculation of balances for functional categories of the financial account should be revised to comply with the *BPM6* methodology. The correction of these issues as proposed by the mission resulted in large NEO that should be addressed. Improving the quality of financial data from private corporations should help reduce NEO.
8. **The main task remaining before the submission of CDIS data is to complete the data entry and processing application to streamline the completion of questionnaires.** The mission encouraged the DSBP to strengthen cooperation with the Private Investment Promotion Agency (APIP) and the Guinean Chamber of Mines to improve the collection of direct investment data.
9. **Discussions have already begun between the SDBP and the DND in connection with Guinea's reporting to the QEDS.** They should continue, primarily to define each stakeholder's responsibilities in the process of joining the QEDS database and the schedule for submitting data to the World Bank.
10. **The timeliness of ESS, based on international standards, should be improved, mainly for the international investment position (IIP) and the quarterly balance of payments statistics.** In addition, the format in which ESS data is published on the BCRG website and the periods of availability should be revised to enhance public access.

11. To contribute to progress in the above-mentioned areas, the mission made a one-year detailed action plan, with priority given to the following recommendations of importance in improving ESS:

**Table 1. Guinea Priority Recommendations**

<b>Target Date</b>	<b>Priority Recommendation</b>	<b>Responsible Entities</b>
<b>03/2019</b>	<i>Correct the formula used to calculate net errors and omissions and the balances of functional categories of the financial account in accordance with the BPM6, then submit revised statistics to the IMF's Statistics Department (STA).</i>	<b>BCRG (DSBP)</b>
<b>03/2019</b>	<i>Develop a template for inputting and processing CDIS data for use in completing the IMF CDIS form, and submit to STA.</i>	<b>BCRG (DSBP)</b>
<b>06/2019</b>	<i>Continue discussions with DND to define each stakeholder's responsibilities in the process of joining the QEDS database and establish a data reporting schedule.</i>	<b>BCRG (DSBP), DND</b>

Additional information on the priority recommendations and corresponding actions/milestones is provided in the action plan presented in the section entitled "Detailed Technical Assessment and Recommendations."

# IMPLEMENTATION OF RECOMMENDATIONS AND DEVELOPMENTS WITH RESPECT TO EXTERNAL SECTOR STATISTICS

## A. Implementation of Recommendations

12. **The mission and DSBP staff reviewed the implementation of recommendations made by the previous technical assistance mission of September 25–October 6, 2017.** Of the 11 recommendations made by the previous mission, 10 were to be completed by March 2018. The recommendation on the use of mirror data from statistics on external trading goods from the IMF Direction of Trade Statistics (DOTS) was to be completed by June 2018 at the latest. The overall implementation of recommendations was satisfactory despite personnel constraints in the unit responsible for preparing the external accounts.
13. **The recommendation on instituting a framework for quarterly consultations between the BCRG and the DND to update and validate external debt statistics was partially implemented.** A working session between the two entities in January 2018 led to an amended questionnaire on public external debt. Quarterly meetings of the Technical Committee on Balance of Payments Harmonization (CTHBP)—the next meeting is scheduled in August 2018—also provide an opportunity to discuss issues of interest. In addition, the questionnaire on external debt was modified to add a line entitled “IMF credits and loans.” Both entities use the central bank position as a source of information for the new line item instead of data from the Ministry of Economy and Finance (MEF).
14. **The verification of data sources for other (private) sectors’ stock of short-term debt was not performed.** This situation is attributed to the unavailability of data prior to 2008. The mission encouraged the DSBP to increase the coverage of the balance of payments survey for 2017, particularly for stocks of debt. The 2017 stock of debt could be used to estimate prior years through backward extrapolation based on the annual flows observed.
15. **The recommendation on reporting reinvested earnings of direct investment enterprises, net increases in insurance company liabilities, and income on reserve assets was partially implemented.** A training session for correspondents is being prepared and will serve as a framework for outreach to the entities concerned. However, mining companies are a particular case; they submit the responses to balance of payments questionnaires to the oversight ministry, rather than directly to the BCRG. This complicates outreach to these companies. Missions to the mining sites could also be considered to train the staff completing the questionnaire. With respect to income on reserve assets, the information is collected but is included in interest on portfolio investments in the primary revenue account. The mission suggested that the DSBP reclassify the amount concerned as “interest” on reserve assets in the



same account. In addition, the Directorate of Foreign Exchange stated that the authorities had suspended the placement of BCRG foreign assets, but placement resumed in July 2017.

16. **The statistics on trade credits were confirmed by the balance of payments survey among corporations.** Also, the amount reported as Debt instruments – Direct investor in investment enterprises in 2016 was reclassified under the item Direct investment – Equity investments other than reinvestment of profits – Direct investor in direct investment enterprises. The revised data were submitted to STA.

17. **The issue concerning the formula used to calculate net errors and omissions (NEO) for specific quarters in the balance of payments was not satisfactorily corrected.** The formula in question has been modified, but the error persists. The mission also noted an error in calculating the balances of functional categories of the financial account. The mission held a working meeting with the DSBP to correct these problems.

18. **The BCRG has yet to effectively utilize data sources from the Bank for International Settlements (BIS) to reconcile statistics on cash and deposits.** The BCRG's Internet connection is too slow to download the data. The mission provided the DSBP with tables on cross-border positions by instrument for counterparties resident in Guinea (Table A6 .1) obtained from the BIS website (<https://www.bis.org/statistics/bankstats.htm?m=6%7C31%7C69>). The BCRG could provide the SBP with a better-quality Internet connection. A comparison between the non-bank sector stocks of claims and liabilities indicated by the BIS and reported in the IIP is provided in Annex I.

19. **The transactions recorded under “SDR allocation” in the 2014, 2015, and 2016 balance of payments have not been corrected.** The DSBP requested the mission's assistance in correcting the inconsistency.

20. **Concerning the reconciliation of DOTS mirror data and import data for 2016, a working session with the Directorate General of Debt (DGD) and the INS on this issue is scheduled for July.** The mission's discussions with INS indicated that statistics on imports and exports are not harmonized, mainly because of the DSBP's adjustments of data on bauxite exports by Société Minière de Boké (SMB). The DSBP considers the price used by the DGD to value SMB bauxite exports too high and revises the figures based on prices stipulated in the conventions between the government and other bauxite mining companies. The DSBP does not have access to the convention between the government and SMB. Also, the INS requested technical assistance with the national accounts to reconcile real sector statistics with the ESS while maintaining the balance of supply and use. Greater efforts are needed to ensure harmonization of statistics published by the BCRG and the INS on international trade in merchandise and, on that basis, improve consistency between the external and national accounts. This concern could also be raised with the National Statistics Board (CNS), which oversees the coordination and harmonization of statistics within the Guinean statistics system.

21. **Finally, the mission confirmed the implementation of the recommendation on reconciling statistics on direct investment and other investment reported in the balance of payments with changes in stocks reported in the IIP; and ensuring that reserve assets are reported consistently in the monetary statistics and the balance of payments statistics.**

**Recommendations:**

- Schedule regular meetings of the CTHBP and ensure the harmonization of external debt and international trade statistics;
- Use data sources from the BIS and the DOTS to improve ESS;
- Organize a training and outreach session for balance of payments survey correspondents, including correspondents from mining companies.

## **B. Developments With Respect to ESS**

22. **The additional staff member planned for the SBP by end-2017 has not yet been hired, mainly due to a reorganization of BCRG staff now under way.** Initially, the SBP was to receive two additional staff members. The unit currently has three members, including the unit chief, as indicated during the initial October 2016 mission. The third staff member was in training in 2017 and re-joined the unit in April 2018. Considering the workload required to improve ESS, it will be difficult for the BCRG to achieve its objectives in this area with the current staffing level.

23. **The survey on informal trade conducted in partnership with the DGD, and the survey on migrant transfers in cooperation with the INS, both financed by the African Development Bank (AfDB), are continuing as planned.** Data collection for the informal trade survey began in March 2018 and is ongoing. The data collection tools for the migrant transfers survey have been finalized; training of interviewers is programmed for July 2018, and data collection is expected to begin during the second half of 2018.

24. **Also, work is under way on the development of an IT application to automate the processing of balance of payments and IIP data.** The initial testing has been completed and the application is expected to be in production before end-2018. The DSBP stated that it had sent a mission to the Central Bank of West African States (BCEAO) headquarters in Dakar in 2016 to share experiences with their balance of payments information system. However, the Bank of Central African States (BEAC) has a more advanced system that enables corporations to complete their questionnaires directly online. The DSBP would benefit by borrowing from the BEAC model in developing its dedicated balance of payments application.

25. **As indicated during the previous TA mission, Guinea's balance of payments for the period 2014-2017 reflects SDR allocations, although the most recent SDR allocation was in 2009.** The mission discussed the problem with the DSBP with a view toward correcting it. Since there were no transactions during the periods concerned, the balance of payments should not

indicate any changes. The overall IIP should reflect the stocks of SDR allocations, which would vary slightly over those periods in line with the exchange rate between the Guinean franc and the SDR. The effect of exchange rate fluctuations should be recorded in the revaluation account, not in the balance of payments financial account. Changes in the IIP are explained by the financial account and that of other changes in financial assets and liabilities (change in volume and revaluation).

***Recommendations:***

- Incorporate the results of the migrant transfers and informal trade surveys and forward the revised data to STA for publication;
- Correct the transactions relating to SDR allocations included in the balance of payments;
- Using the BEAC information system as a model, develop an automated balance of payments application.

## DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Priority	Action/Milestone	Target Completion Date
<b>Outcome: Strengthened capacities and institutional cooperation.</b>		
Low	Organize a training and an outreach session for balance of payments survey correspondents, including correspondents from mining companies.	March 2019
Low	Using the BEAC information system as a model, develop an automated balance of payments application.	June 2019
<b>Outcome: Improved sources and quality of balance of payments data.</b>		
High	Schedule regular meetings of the Technical Committee on Balance of Payments Harmonization (CTHBP) and ensure the harmonization of external debt and international trade statistics.	March 2019
High	Correct the items "general government secondary revenue" and "current transfers."	March 2019
High	Arrange a technical meeting with the Directorate General of Customs, the INS, and the ministry in charge of mines to establish a harmonized approach to valuing bauxite exports for international trade statistics.	March 2019
High	Correct the formula used to calculate net errors and omissions and the balances of functional categories of the financial account in accordance with the <i>BPM6</i> , then submit the revised statistics to STA.	March 2019
Low	Use data sources from the Bank for International Settlements and the IMF Direction of Trade Statistics to improve ESS.	June 2019
Low	Incorporate the results of the migrant transfer and informal trade surveys and forward the revised data to STA for publication.	March 2019
Low	Correct the transactions in the balance of payments relating to SDR allocations.	March 2019
Low	Utilize sources from public entities (social security fund, national water and electric utilities) to estimate transactions with nonresident entities.	June 2019
Low	Verify the accuracy and reliability of external account data provided by mining companies.	March 2019
Low	Ensure consistency between balance of payments data and the TOFE.	March 2019
Low	Improve the breakdown of other depository corporations' monetary statistics in the IIP.	March 2019
Low	Complete the "Reserve assets" item in the BCRG monetary survey (Form 1SR).	March 2019

Priority	Action/Milestone	Target Completion Date
<b>Outcome: Participation in the CDIS.</b>		
High	Complete the CDIS data entry and processing template for use in completing the associated IMF form and submit statistics to STA.	March 2019
Low	Arrange a working meeting with the APIP to share data and coordinate both organizations' activities relating to foreign investment.	March 2019
<b>Outcome: Participation in QEDS.</b>		
High	Continue discussions with DND to define each stakeholder's responsibilities in the process of joining the QEDS database and to establish a data reporting schedule.	June 2019
<b>Outcome: Data dissemination.</b>		
Low	Disseminate the quarterly external accounts.	June 2019
Low	Provide public access to external account data in spreadsheet form via the BCRG website.	March 2019
Low	Improve dissemination of the external accounts by means of a detailed annual report on the balance of payments and IIP to analyze trends in the accounts.	June 2019

## A. Improvement of Source Data

26. **The item general government goods and services n.i.e. (not included elsewhere) shows no credit entries.** Information on the consumption of electricity, water, and telecommunications by nonresident entities could be used to estimate this item. The mission encouraged the DSBP to contact the companies concerned to collect the data on consumption by territorial enclaves and other nonresident entities.

27. **Also, salaries paid to local personnel by nonresident entities could be supplemented by data on social security if the information provided on the corresponding questionnaires is unsatisfactory.** The mission encouraged the DSBP to contact the social security agency (CNSS) to collect quarterly data on social contributions and statements of wages of nonresident entities to estimate the amounts paid as employee salaries.

28. **General government secondary revenue is negative for the years 2015 and 2016 because secondary revenue paid to nonresidents exceeded that received by nonresidents.** The DSBP explained that this is because secondary revenue paid to nonresidents includes MEF transfers to Guinean embassies and consulates located abroad. The mission noted first that the transfers are operations between residents, as the foreign entities are considered residents of Guinea. Secondly, expenditures of embassies and consulates should be included in the item

"General government goods and services n.i.e." if the specific services received by the entities are not known (*BPM6*, § 10.173 and 10.179).

29. **The first quarter of 2018 statistics show no debits or credits entries for the secondary revenue account item "workers' remittances."** The DSBP explained that workers' remittances are estimated and included in the item "Other current transfers." The mission recommended that the DSBP record those operations in the item "Private transfers." Also, the remittances survey in preparation should contribute to improving those statistics.

30. **Moreover, other current transfers of financial and nonfinancial corporations are reported based on data on "transfers" issued or received by those corporations.** However, those transactions are actually exchanges (with *quid pro quo*) rather than transfers (without *quid pro quo*) as used in the balance of payments (*BPM6*, § 3.13). The transactions involve the exchange of a good or service of corresponding economic value, as opposed to transactions without consideration. The mission encouraged the DSBP to correct the transactions and ensure that correspondents completing the balance of payments survey adequately understand the concept of "current transfer."

31. **The mission and SBP staff held a working meeting with the DGD to discuss the valuation of bauxite exports.** The valuation of bauxite exported by mining companies that began production before the effective date of the 2013 mining code is governed by the convention with the government, while bauxite exports by companies established after 2013 is governed by the 2013 Mining Code, which bases the value of bauxite on the international price and the alumina content. For example, bauxite exports by the Compagnie de Bauxite de Kindia (CBK) and the Compagnie de Bauxite de Guinée (CBG, in operation since 1973) are valued at US\$15 and US\$32 per ton, respectively. On the other hand, for SMB, the largest bauxite mine that began production in 2015, bauxite is valued according to the quality, the international price (London Metal Exchange, LME), and alumina content (Annex VII).

32. **The price per ton of aluminum (LME Primary Aluminum Cash) stood at US\$1,704 at end-2016 and US\$2,256 at end-2017.** However, the price of bauxite, which is sold by private contract, was US\$41.00 and US\$44.50, respectively, at those dates (China Bauxite Australian Monohydrate 50 percent CIF). During that time, the DSBP valued bauxite at an average of US\$43 per ton, although the DGD approach, which is also used by the INS, appears to overstate the value. The DGD valuation method is intended primarily for tax purposes and not statistics. The DSBP should arrange a technical meeting with the DGD, the INS, and the ministry in charge of mines to decide on a valuation to be used for foreign trade statistics that is close to the market price. In addition, it might consult the quarterly and annual reports of Australian Bauxite Limited (<http://www.australianbauxite.com.au>), which contain information on quantities and prices of bauxite sold on the Chinese market by the world's leading bauxite exporters, including Guinea. The next mission could review the proposed bauxite valuation in detail.

**Recommendations:**

- Utilize sources from public entities (social security, electricity and water utilities, etc.) to estimate transactions with nonresident entities;
- Correct the items “general government secondary revenue” and “other current transfers”;
- Arrange a technical meeting with the Directorate General of Customs, the INS, and the ministry in charge of mines to establish a harmonized approach to valuing bauxite exports for international trade statistics.

**B. Data Consistency and Plausibility**

33. **The mission reviewed the consistency of balance of payments statistics and the IIP with respect to data from the BIS, the TOFE, and the monetary and financial statistics (MFS).**

34. **Guinea’s imports jumped by 102 percent in 2016, from US\$2,192 million in 2015 to US\$4,429 million.** The increase was driven by equipment imports (mining vessels, crane ships, towing vehicles, etc.) by mining companies, particularly SMB (bauxite) and Société Guinea Alumina. Mining companies’ investments and equipment purchases were reflected in increased bauxite exports in 2017 (+127 percent). In addition, gold production increased substantially, from 19.6 tons in 2015 to 30.0 tons in 2016 and 45.1 tons in 2017. The proportion of artisanal gold production officially exported increased substantially over the period (+12.2 percent in 2015, +41.8 percent in 2016, and +57.5 percent in 2017), reflecting the February 2016 decision by the Minister of Budget to temporarily suspend the system of withholding taxes, commissions and other fees on exports by licensed gold exporters. Gold produced is weighed, valued, and exported with the BCRG’s intervention.

35. **Mining companies’ investments and equipment purchases are generally financed by external borrowing from the parent company or foreign financial corporations.** This development is not reflected in the balance of payments or IIP statistics; neither is it reflected in debt instruments within direct investment or loans within other investments.

36. **Increased mining sector equipment imports in 2016 resulted in increased bauxite and gold exports in 2017.** However, the proceeds of foreign sales of those goods—which should be reflected in increased reserve assets, non-bank sector deposits, repayments of financial liabilities, or distributions of dividends—are not discernible in the external accounts. An analysis of BIS statistics found no increase in non-bank sector deposits of the same magnitude over the period. This suggests a need for a thorough investigation of foreign investment enterprises, primarily mining companies, and their relations with the parent companies, particularly in regard to debt, equity holdings, distribution of dividends, and interest payments, etc.

37. **The TOFE statistics are not always consistent with the balance of payments statistics (Annex II).** This is because revenue and expenditures are allocated to incorrect categories. For example, the data on project grants (allocated to investments), budgetary grants, interest on external public debt, and transfers to international organizations of which Guinea is a member should be updated in the balance of payments to conform to the TOFE data. The mission's discussions with the SBP indicated that interest payments on external public debt are included in income from portfolio investments. The mission prepared a consistency table between TOFE data and balance of payments data for the statisticians' use as a reference (Annex II (a)). A comparison of TOFE statistics with balance of payments statistics is also provided in Annex II (b). The DSBP was encouraged to correct public sector international transactions to conform to the operations presented in the TOFE.

38. **All foreign assets and liabilities of other deposit-taking corporations (ODC) presented in their monetary surveys (Form 2SR) are classified under "Other investments / Cash and deposits" in the financial account.** This makes it impossible to distinguish between interbank positions (deposits and loans), which should be included in this item, and other positions (*BPM6*, §5.42). According to discussions with the monetary statistics unit chief, the item "Nonresident credits" in the liabilities on Form 2SR represents interbank positions, while stocks of other accounts payable/receivable on the Form 2SR should be included in the corresponding item of the IIP and the balance of payments (Other accounts receivable/payable), not "Cash and deposits."

39. **Moreover, the data on stocks and flows of ODCs' direct investments are not completed (bank questionnaire).** As ODCs are subject to the banking law, the DSBP should take steps to ensure that they correctly complete the questionnaire or face sanctions.

40. **The "IMF reserve position," a line item of reserve assets in the balance of payments and IIP, is completed using data from the IMF website.** However, this statistic is not completed in the BCRG monetary survey (Form 1SR). The monetary statistics unit should correct the Form 1SR to ensure consistency between the monetary and external sectors for this item. Furthermore, the figures reported on Form 1SR for "Other deposits included in official reserves" have fluctuated erratically from month to month and should be verified.

**Recommendations:**

- Verify the accuracy and reliability of external account data provided by mining companies;
- Ensure consistency between balance of payments data and the TOFE;
- Improve the breakdown of monetary statistics for other depository corporations in the IIP;
- Complete the "Reserve assets" item in the BCRG monetary survey (Form 1SR).



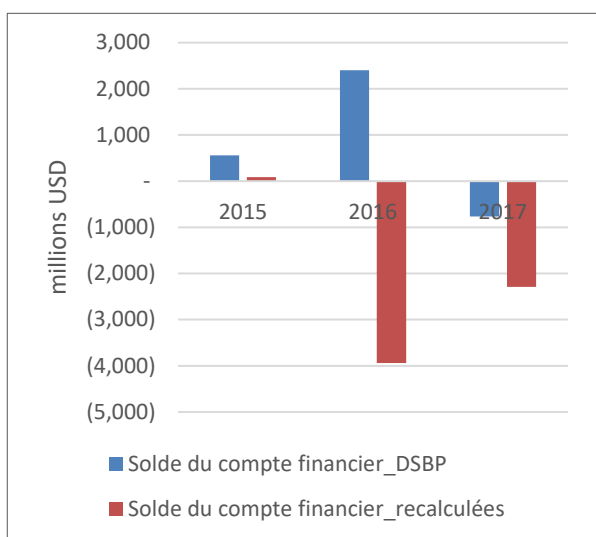
### C. Financial Account and Calculation of NEO

41. **The balance of functional categories of the BCRG balance of payments financial account is calculated as the sum of net acquisitions of financial assets and the net increase in liabilities.** This practice is based on the sign convention used in calculating the financial account balance in the *Balance of Payments Manual, fifth edition (BPM5)*. In contrast, the financial account balance in the *BPM6* is equal to net acquisitions of financial assets less net increases in liabilities (§ 8.102 and § 8.103 of the *BPM6 Compilation Guide*). The mission encouraged the DSBP to correct the formula used to calculate the balances of functional categories in the financial account.

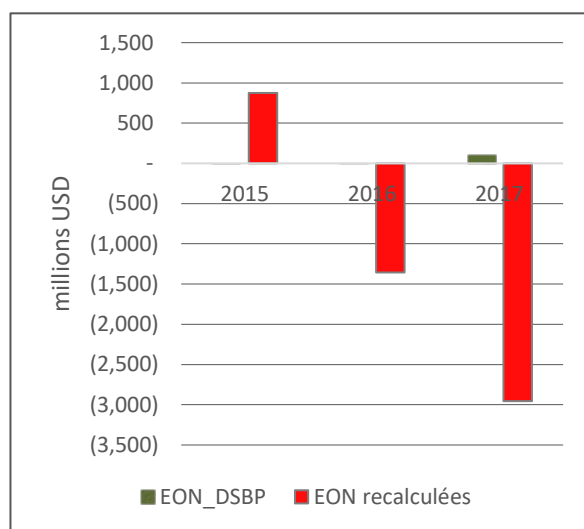
42. **A comparison of statistics from the balance of payments financial account provided by the DSBP with statistics from the IMF database identified some net increases in liabilities that appear with the opposite arithmetic sign in the IMF statistics database.** The DSBP was asked to review those statistics.

43. **The DSBP calculates NEO as the negative value of the financial account less the sum of the current and capital accounts ( $EON = -CF - CA - CK$ ), rather than the financial account balance less the sum of the current and capital accounts ( $EON = CF - CA - CK$ ).** The mission corrected the formulas used to calculate the functional categories of the financial account and NEO as indicated in the figures below. Annex III provides further details on the corrections. The recalculated NEO for 2016 and 2016 are larger negative values, reflecting significant imbalances. This situation, particularly for mining companies, could be a sign of the companies' inadequate coverage of foreign deposits, debt repayment, distributions of dividends, or payment of services.

**Figure 1. Comparison of the DSBP's Financial Account With the Recalculated Version**



**Figure 2. Comparison of the DSBP's NEO With the Recalculated Version**



44. **In addition, stocks of financial liabilities are included in the item “Reserve assets” in the IIP for first quarter 2018.** In the standard components of the balance of payments and IIP, reserve-related liabilities are included in other categories (in particular, portfolio and other investments) (*BPM6*, § 6.115).

45. **The mission urged the DSBP to ensure that the balance of payments and direct investment questionnaires are fully and consistently completed,** particularly the questionnaires sent to mining companies, which have been the source of volatility in the external accounts in recent years.

**Recommendation:**

- Correct the formula used to calculate net errors and omissions and the balances of functional categories of the financial account in accordance with the *BPM6*, then submit the revised statistics to STA.

## **D. Direct Investment and Participation in the Coordinated Direct Investment Survey (CDIS)**

46. **Given the need to improve consistency between the financial account statistics and the IIP and ensure the reliability of those statistics with respect to current operations (imports, income from investments),** the DSBP should improve its system of collecting data on direct investments and other components of the financial account in preparation for participation in the CDIS.

47. **The questionnaire used to collect data for the external accounts includes information relating to the current account, the capital account, and the financial account.** In particular, the section relating to the financial account requests information on the opening and closing balances of stocks, and other flows with other Economic Community of West African States (ECOWAS) countries and the rest of the world.

48. **The DSBP collects data on companies’ foreign investments each year based on the form shown in Annex V.** This information is used to supplement the quarterly external account data in preparing the annual accounts. At this time, they are not used in the context of the CDIS.

49. **The mission held discussions with the SBP on the supplemental direct investment form, the data collection method, and the development of an application to support input and analysis of data to streamline completion of the CDIS form.** The SBP plans to roll out the CDIS in 2019, focusing first on large direct investment enterprises and large direct investors. A guide on this subject could be prepared, as was done for the balance of payments survey. The use of CDIS mirror data reported by counterparties would also provide useful information. In addition, the SBP should pay due attention to data from depository corporations, because all their debt positions with related nonresident depository corporations are excluded from direct

investment (*BPM6*, § 5.42). The mission shared the WAEMU countries' experience in this area with the SBP and provided it with the spreadsheet tool used by WAEMU countries for use as a model.

50. **In the interest of improving data sources for foreign investment, the mission and the SBP held a meeting with the Private Investment Promotion Agency (APIP).** The APIP's function is to promote private investment in Guinea and implement the government's policy for expanding domestic and foreign private investment. In June 2018, the APIP implemented an automated national business registry (SYNERGUI) as a solution to streamline business formation.

51. **The APIP maintains data on business creation according to the investor's country of origin and total capital stock.** In 2016 it conducted a study on direct investment in Guinea based on intentions to invest. The mission suggested to the DSBP that it collaborate with the APIP in view of the key role it plays in promoting investment in Guinea. The available data on business creation could also be provided to the DSBP for use in producing the external accounts. In addition, the DSBP could invite the APIP to meetings of the STHBP as needed.

52. **The mission and the SBP also met with the Guinean Chamber of Mines (CMG) to gain a better understanding of the Guinean mining sector, particularly in terms of operations and financing, and request its support in outreach to the membership on the external account surveys.** The CMG indicated that the mining sector was willing to cooperate in the BCRG surveys. It also insisted on using administrative data on the mining sector, which the BCRG could obtain first from the Ministry of Mines. The CMG explained that since the mining companies are bound by an obligation of transparency, they report this information regularly to the oversight ministry and it is available in the ministry's annual report.

**Recommendations:**

- Complete the CDIS data entry and processing template for use in completing the associated IMF form and submit statistics to STA;
- Arrange a working meeting with the APIP to share data and coordinate both organizations' activities relating to foreign investment.

## **E. External Debt Statistics and Participation in the Quarterly External Debt Statistics (QEDS)**

53. **The mission held a working meeting with the chief of the DND's external debt division** to review the previous mission's recommendations concerning the update of external debt statistics. Implementation of the recommendation is in progress. The meeting also provided an opportunity to discuss the conclusions of the Debt Management Performance Assessment (DeMPA) mission and the outlook for participation in the QEDS.

54. **The DeMPA mission held a working meeting with the units upstream and downstream of the borrowing process.** Its assessment of the mechanism for issuing public

securities was positive; however, other areas such as securing debt statistics need improvement. The server problem and the update of the Commonwealth Secretariat Debt Recording and Management System (CD-DRMS) software are still to be resolved. Moreover, the CD-DRMS software is not available in French. The question of whether existing data can be migrated from CD-DRMS would arise, however, if the DND decided to replace its debt management system. This issue was presented to the competent authorities, and support has been requested from technical and financial partners including the French Development Agency (AFD). The mission encouraged the DND to consider the possibility of purchasing the UNCTAD Debt Management and Analysis System (DMAS), which is available in French, to have a precise assessment of the costs and benefits of both automated debt management options. The DMAS system is used by 69 countries throughout the world, including 23 African countries, while the CD-DRMS is used in 53 countries around the world, 19 of them in Africa.

55. **Regarding the prospect of participation in the QEDS, each stakeholder's role should be clearly defined in an official document.** For example, the BCRG could provide debt statistics for the central bank, commercial banks, and the non-bank private sector; while the DND could be responsible for statistics on debt and service of public and government-guaranteed debt and serve as lead entity in the timely transmission of data to the World Bank. The DSBP advised the mission that discussions with the DND to this effect had begun. The mission provided the DND and the DSBP with copies of tables to be completed in connection with the QEDS and encouraged them to utilize data from the Joint External Debt Hub (JEDH) to refine their debt statistics.

**Recommendation:**

- Continue discussions with DND to define each stakeholder's responsibilities in the process of joining the QEDS database and establish a data reporting schedule.

## F. Dissemination of External Accounts

56. **Balance of payments statistics are published and annotated in the BCRG annual report and its Bulletin of Monetary, Financial, and Balance of Payments Statistics. The bulletin is available in April of the following year.** In addition, the BCRG publishes regularly updated balance of payments statistics on its website (Annex VI). However, the annual IIP and quarterly external accounts statistics are not published on its website. The table updated March 9, 2018, available on the BCRA website (as at July 16, 2018) does not indicate the currency of the amounts presented.

57. **According to the General Data Dissemination System, the annual balance of payments and IIP should be disseminated from six to nine months after the end of the reference year.** Without prejudice to the contribution to the Bulletin of Monetary, Financial, and Balance of Payments Statistics, the DSBP could set itself a maximum of nine months to produce the final balance of payments and IIP statistics, which could be analyzed in depth in an annual report on the external accounts.

***Recommendations:***

- Disseminate the quarterly external accounts;
- Provide public access to external account data in spreadsheet form via the BCRG website;
- Enhance the dissemination of external accounts by providing in-depth analyses of external account developments in a detailed annual report.

## Annex I. Comparison With BIS Stocks of Claims and Liabilities With the IIP

(in USD millions)

	Indicators	2014	2015	2016	2017
BIS	BIS claims / non-bank sector	174.1	603.6	617.1	757.7
IIP	Liabilities / Other investments of other sectors	424.6	450.6	230.5	NA
BIS	BIS liabilities / non-bank sector	252.6	198.9	211.0	235.8
IIP	Assets / Other investments of other sectors	142.0	48.1	422.8	NA

Source: BRI, BCRG

NA: not available

## Annex II. Consistency Between the TOFE and the Balance of Payments

### Annex II (a). Consistency Between the TOFE and the Balance of Payments

TOFE	BPM5	BPM6
<b>Revenue</b>		
Nontax revenue / Public real property – (concerning international organizations or nonresident states)	Capital account / capital transfers / general government	Capital account / capital transfers / general government
Grants / Not allocated or allocated to current expenditure	Current transfers / general government	Secondary revenue/General government
Grants/Allocated to investments	Capital account / capital transfers	Capital account / capital transfers
<b>Expenditure</b>		
Transfers / International organizations	Current transfers / general government	Secondary revenue/general government
Interest / External	Revenue / Other investments / General government	Primary revenue / Other investments

Source: BPM6, our analyses

**Annex II (b). Consistency Between the TOFE and the Balance of Payments 2014–2017.**  
(in USD millions)

		2014	2015	2016	2017
TOFE	Interest / external debt	11.53	13.63	25.55	21.07
<i>BPM6</i>	Primary revenue / Investment revenue / Other investments / Interest / Debit		2.94	2.53	7.73
TOFE	Budgetary grants (not allocated or allocated to current expenditure)	105.66	11.07	80.41	49.82
<i>BPM6</i>	Secondary revenue / general government / credit	67.2	33.49	18.33	114.68
TOFE	Grants allocated to investments	39.99	31.14	9.95	106.54
<i>BPM6</i>	Capital account / capital transfers / general government / Other capital transfers / Credit		150.89	108.98	145.91

Source: BCRG, MEF



## Annex III. DSBP Balance of Payments and Balance of Payments Including Recalculated Financial Account

(in USD millions)

	DSBP Balance of Payments			Balance of Payments with Financial Account Recalculated by the Mission		
	2015	2016	2017	2015	2016	2017
<b>Current account</b>	<b>-1,020.2</b>	<b>-2,744.9</b>	<b>518.4</b>	<b>-1,020.2</b>	<b>-2,744.9</b>	<b>518.4</b>
<b>Capital account</b>	<b>230.9</b>	<b>164.2</b>	<b>145.7</b>	<b>230.9</b>	<b>164.2</b>	<b>145.7</b>
<b>Financial acct</b>	<b>562.2</b>	<b>2,400.8</b>	<b>-763.9</b>	<b>86.7</b>	<b>-3,965.5</b>	<b>-2,300.2</b>
Direct investment	48.2	1,597.3	576.5	-58.1	-1,601.3	-578.6
Portfolio investments	54.7	1.2	0.1	-55.9	-0.9	0.0
Financial derivatives (other reserves) and employee stock options	-	-	-	-	-	-
Other investments	186.9	939.1	-1,264.0	-49.9	-2,155.2	-1,645.1
<i>Other equity investments</i>	-	-	-	-	-	-
<i>Currency and deposits</i>	22.9	-576.3	-1,421.9	56.7	-599.6	-1,339.9
<i>Loans</i>	281.3	193.9	125.5	-255.5	-193.9	-125.5
<i>Insurance, pension, and standardized guarantees scheme</i>	0.0	66.2	-	0.0	66.2	-
<i>Commercial credits and advances</i>	-95.8	1,251.7	24.3	155.3	-1,411.8	-176.4
<i>Other accounts receivable / payable</i>	6.6	14.9	3.3	5.9	-1.4	1.6
<i>Special Drawing Rights</i>	12.3	14.6	4.9	-12.3	-14.6	-4.9
Reserve assets	250.6	-208.2	-76.5	250.6	-208.2	-76.5
<b>Net errors and omissions</b>	<b>-0.4</b>	<b>0.1</b>	<b>99.8</b>	<b>876.0</b>	<b>-1,384.8</b>	<b>-2,964.3</b>

Source: BCRG, our calculations

## Annex IV. Consistency Between BCRG Financial Liabilities and IMF Data in 2015 and 2016

(in USD millions)

		2015	2016
BCRG	Net liabilities/ Direct investment	53.2	1,599.3
IMF data	Net liabilities/ Direct investment	-53.2	1,511.6
BCRG	Net liabilities/Invest. Portfolio	55.3	1.0
IMF data	Net liabilities/Invest. Portfolio	-55.3	-1.0

Source: BCRG, IMF data

## Annex V. Direct Investment Form

### ADDITIONAL INFORMATION ON FOREIGN INVESTMENTS IN RESIDENT ENTERPRISES

#### I. TRANSACTIONS IN EQUITY SECURITIES

##### I.1. SHAREHOLDERS EQUITY AFTER ALLOCATION OF EARNINGS (\*\*)

Line item	2017	2018
Share capital		
Reserves		
Retained earnings		
Total equity		

(\*\*): This information is the information presented on the respondent companies' balance sheets.

##### I.2. GEOGRAPHIC DISTRIBUTION OF CAPITAL STOCK HELD BY FOREIGN INVESTORS

Investor country of residence (***)	% of capital stock held	
	2017	2018

(\*\*\*): If multiple creditors reside in the same country, distinguish them by repeating the country name whenever necessary. Attach a detailed statement if additional space is needed.

##### I.3. GEOGRAPHIC DISTRIBUTION OF EQUITY INVESTMENTS HELD BY YOUR COMPANY ABROAD

Country of residence of investment enterprise (****)	Value of securities		Share in capital stock of investment enterprise (%)	
	2017	2018	2017	2018

(\*\*\*\*): The enterprise in which your company has invested.

## II. TRANSACTIONS IN DEBT INSTRUMENTS

Debt instruments are instruments that require repayment of principal and/or payment of interest at one time or another in the future. They include cash, deposits, debt securities, loans, commercial credits, etc. The information concerns claims and liabilities.

### II.1. GEOGRAPHIC DISTRIBUTION OF YOUR COMPANY'S EXPOSURES VIS-À-VIS NONRESIDENTS

Creditor country of residence (*)	Relation to creditors A: Affiliated company <sup>(1)</sup> B: Non-affiliated company <sup>(2)</sup>	Value of liabilities vis-à-vis nonresidents	
		2017	2018

(\*): If multiple creditors reside in the same country, distinguish them by repeating the country name whenever necessary. Attach a detailed statement if additional space is needed.

### II.2. GEOGRAPHIC DISTRIBUTION OF YOUR COMPANY'S CLAIMS ON NONRESIDENTS

Borrower country of residence (**)	Relationship to borrower A: Affiliated company <sup>(1)</sup> B: Non-affiliated company <sup>(2)</sup>	Value of claims on nonresidents	
		2017	2018

(\*\*): The country of residence of entities on which your company holds claims.

(1) Entities to which your company is related by direct investment, i.e.: (i) investors that directly or indirectly hold at least 10 percent of the capital of your company; (ii) nonresident companies in which your company directly or indirectly holds at least 10 percent of the capital; or (iii) companies which you have a common parent company, provided that neither company holds 10 percent or more of the capital stock of the other.  
However, inter-company claims between affiliated financial intermediaries (other than insurance companies and pension funds) are excluded from direct investment, regardless of the type of instrument. In this regard, they are not included in this category.

(2) Creditors or debtors that do not satisfy criterion A.

## Annex VI. Guinea's Balance of Payments Published on the BCRG Website

**Central Bank of the Republic of Guinea**  
 Directorate General of Analysis and Statistics  
 Directorate of Statistics and Balance of Payments  
 Balance of Payments Unit (SBP)

### Balance of Payments: *BPM6* Analytical Presentation

BP6GINA.wk1: Last update: 03/09/2018

Line item	2014	2015	2016	2017
<b>A. Current account n.i.e.</b>	<b>-981.66</b>	<b>-1020.20</b>	<b>-2744.92</b>	<b>519.40</b>
Credit	4238.40	3142.02	3469.53	5190.29
Debit	5220.07	4162.22	6214.46	4670.89
<b>1. Trade balance</b>	<b>-306.08</b>	<b>-410.61</b>	<b>-2,015.09</b>	<b>1,111.01</b>
Credit	2,066.34	1,781.15	2,414.35	4,595.06
Exports f.o.b.	1,027.95	1,086.76	1,597.31	2,910.37
Net goods exports / international trade	28.19	22.56	51.00	-7.77
Non-monetary gold	1,010.20	671.83	1,839.25	1,692.46
Debit	2,372.42	2,191.75	4,429.44	3,484.05
Imports f.o.b.	2,372.42	2,191.75	3,185.98	3,484.05
<b>2. Balance on trade in services</b>	<b>-481.19</b>	<b>-425.03</b>	<b>-479.99</b>	<b>-703.53</b>
Credit	63.91	78.26	53.10	52.38
Transport	0.38	7.98	11.17	9.22
Other	63.53	70.27	219.97	43.16
Debit	545.10	503.29	655.70	755.91
Transport	283.05	249.88	430.52	416.95
Other	262.05	253.42	114.32	338.96
<b>3. Primary revenue</b>	<b>-212.22</b>	<b>-143.24</b>	<b>-102.43</b>	<b>-50.63</b>
Credit	21.50	35.46	83.37	47.66
Debit	233.71	178.71	154.32	98.29
<b>4. Secondary revenue</b>	<b>17.82</b>	<b>-41.32</b>	<b>315.29</b>	<b>162.55</b>
Credit	2086.66	1247.15	946.31	495.19
Debit	2068.84	1288.47	687.88	332.64
<b>B. Capital account n.i.e.</b>	<b>257.88</b>	<b>230.91</b>	<b>164.25</b>	<b>145.70</b>
Credit	258.58	231.61	129.38	149.42
Debit	0.71	0.70	4.20	3.72
<b>D. Financial account n.i.e.</b>	<b>435.21</b>	<b>289.83</b>	<b>-2973.54</b>	<b>-705.04</b>
1. Direct investment n.i.e.	77.06	48.23	-1597.34	575.50
2. Portfolio investment n.i.e.	16.44	54.68	-1.15	0.08
3. Financial derivatives n.i.e.	0.00	0.00	0.00	0.00
4. Other investments n.i.e.	341.72	186.92	-1375.05	-1284.61
<b>E. Net errors and omissions</b>	<b>34.02</b>	<b>-0.48</b>	<b>4.23</b>	<b>-0.11</b>

<b>F. Total balance to be financed</b>	<b>-254.56</b>	<b>-499.94</b>	<b>397.10</b>	<b>-44.05</b>
<b>G. Financing of total balance</b>	<b>254.56</b>	<b>499.94</b>	<b>397.07</b>	<b>44.05</b>
Reserve assets	-37.68	250.61	208.17	-76.50
IMF credits and loans	18.83	39.01	40.64	26.26
Exceptional financing	273.40	210.32	148.30	94.28
Drawings of new borrowings	135.44	182.72	148.26	94.28
Debt relief	0.00	2.26	0.00	0.00
Rescheduling of existing debt	132.98	24.21	0.00	0.00
Accumulation of arrears	4.99	1.13	0.00	0.00
Rescheduling of arrears	0.00	0.00	0.00	0.00
Cancellations of arrears	0.00	0.00	0.00	0.00
Grants received IMF subsidy	0.00	0.00	0.00	0.00
Repayment of arrears	0.00	0.00	0.00	0.00

**For reference**

<i>GDP in USD millions at current prices*</i>	7,258.8	6,726.4	8,427.0	9,414.0
<i>Coverage of goods exports / goods imports</i>	87.10%	81.27%	54.51%	178.34%
<i>Mining sector share in total goods exports</i>	79.90%	88.70%	89.75%	78.50%
<i>Combined bauxite-alumina share in goods exports</i>	19.21%	78.50%	85.00%	41.11%
<i>Petroleum products share in goods imports</i>	27.89%	26.60%	28.00%	15.73%
<i>Current account as % of GDP</i>	-13.52%	-15.17%	-32.57%	5.52%
<i>Total balance as % of GDP</i>	-3.51%	-7.43%	4.71%	-0.47%
<i>Gross international reserves in USD millions</i>	777.17	465.41	614.65	657.71
<i>Gross international reserves in months of goods and services imports</i>	3.20	2.07	1.45	1.86
<i>Debt service in USD millions**</i>	256.72	18.80	18.80	87.20
<i>Stock of debt (in USD millions)***</i>	2889.23	468.25	1873.00	1757.10
<i>Stock of debt in % of GDP</i>	39.80%	6.96%	22.23%	18.66%
<i>Imports CIF</i>	2,655.46	2,441.63	4,859.96	3,901.00

**NB: \* GDP in 2017: forecast from the macroeconomic framing**

**\*\* Debt service in 2017: forecast from the macroeconomic framing**

**\*\*\* Stock of debt in 2017: forecast from the macroeconomic framing**

**\*\*\*\* Revised data based on the most recent information provided by the Ministry of Mines and Société Minière de Boké (SMB)**

Source: BCRG

## Annex VII. DGD Valuation of Bauxite

MINISTRY OF BUDGET

\*\*\*\*\*

DIRECTORATE GENERAL OF CUSTOMS

\*\*\*\*\*

BUREAU OF MINING COMPANIES

\*\*\*\*\*

REPUBLIC OF GUINEA

\*\*\*\*\*

### VALUATION OF CRUDE BAUXITE

Formula applicable to the valuation of mining products and calculation of extraction and export taxes and duties for crude bauxite.

Determination of value

$$V = Q_{\text{séche}} \times \frac{TE}{TS} \times LME$$

*QS = Dry quantity*

*TE = Content when loaded*

*TS = Standard content obtained from Ministry of Mines geological map*

*LME = London Metal Exchange obtained quarterly*

$$QS = QE - (QE \times TH)$$

*QE = Quantity loaded on board vessel*

*TH = Moisture content obtained by independent analysis by specialized company; varies from 7 percent to 12 percent*

Calculation of extraction and export taxes and duties

Extraction (Tax)

$$Ex = V \times 0.075\%$$

Export duty (Customs)

$$Ep = V \times 0.075\%$$

Under article 161 of the new Mining Code, we prefer the use of the simplified declaration to allow companies to pay the assessments (taxes and duties) at a single rate.

$$T = V \times 0.15\%$$

**NB** The taxable event for purposes of the mining tax is removal of the ore from the mine head; the tax is payable by the fifteenth of the month following export (Amended Mining Code of 2011).

**The Bureau Chief**  
**Lt. Col. Aly Fancinadouno**  
*Customs inspector*