INTERNATIONAL MONETARY FUND

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GUINEA

August 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERION AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; SUPPLEMENTARY INFORMATION; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

In the context of the Third Review under the Extended Credit Facility Arrangement, Request for Modification of Performance Criterion and Financing Assurances review, 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 July 26, 2019, following discussions that ended on June 13, 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 July 10, 2019.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the International Development Association.
- 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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July 26, 2019

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IMF Executive Board Completes Third Review Under the Extended Credit Facility and Approves US$23.9 Million Disbursement for Guinea

On July 26, 2019, the Executive Board of the International Monetary Fund (IMF) completed the third 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$23.9 million), bringing total disbursements under the arrangement to SDR 68.849 million (about US$95.7 million). The Board also approved the authorities' request for modification of a performance criterion.

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's growth momentum continues, and the medium-term outlook is favorable with some downside risks. The authorities are moving ahead in the implementation of macroeconomic policies and reforms to foster high and broad-based growth and reduce poverty while preserving stability. Performance under the ECF-supported program against end-December 2018 targets was satisfactory, and program-supported reforms have advanced. Program performance continued to be satisfactory through the first quarter of 2019. The authorities have started implementing additional adjustment measures to achieve the end-2019 fiscal target, given higher than-anticipated electricity subsidies and lower tax revenues.

"Achieving a basic fiscal surplus will preserve stability while growth-supporting public investment will be scaled-up. Advancing programmed tax revenue measures and applying the petroleum price adjustment mechanism will support revenue mobilization. Gradually bringing electricity tariffs to cost recovery levels will reduce untargeted electricity subsidies and create fiscal space for priority spending. In parallel, social safety nets will be strengthened to protect the most vulnerable and reduce poverty. Improving public investment management will foster investment returns and efficiency. Maintaining non-concessional loans to programmed amounts and continuing to strengthen debt management will preserve debt sustainability.

"Continuing to build external buffers against shocks will strengthen Guinea's resilience. Greater exchange rate flexibility will support building reserves. To this end, competition in the foreign exchange market is being strengthened and a rule-based intervention strategy will be finalized.

"Monetary policy will need to be prudent to moderate inflation. Limiting the central bank's lending to the government will be key to contain inflationary pressures. An active liquidity management effort will support achieving monetary targets. Strengthening banking supervision and regulation will support stability.

"The authorities are advancing growth-supporting structural reforms. Strengthening the anti-corruption framework, the AML/CFT regime, and the business climate will enhance governance and support private sector development."

INTERNATIONAL MONETARY FUND

GUINEA

July 10, 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERION AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Guinea's strong growth momentum continues. Real growth is estimated at 5.8 percent in 2018 and expected at about 6 percent in 2019–20. The social context remains fragile. Social unrest, strikes and protests marred 2018. While strikes have subsided so far in 2019, political and social tensions are intensifying due to delays in the legislative elections and questions related to the 2020 presidential elections.

Program performance. Performance against end-December 2018 targets was satisfactory. All performance criteria and the indicative target (IT) on social safety net spending were met. A strong package of adjustment measures was implemented to achieve the end-2018 fiscal target. The ITs on tax revenue and the accumulation of new domestic arrears were not met. Program performance was satisfactory at end-March 2019, with most ITs met. Program-supported reforms advanced. Two of the four structural benchmarks were met, with substantial progress on the other two and full completion expected by end-2019.

Program strategy. Additional adjustment measures will be implemented to achieve a basic fiscal surplus in 2019, compensating for anticipated higher electricity subsidies and lower tax revenue. In parallel, public investment will be scaled-up to support growth. Advancing programmed tax measures and applying the petroleum prices adjustment mechanism will be key to support revenue mobilization. Untargeted electricity subsidies will be gradually reduced, and targeted social safety nets will be strengthened. Improving public financial and investment management will support the fiscal strategy. Further accumulating reserves will strengthen external buffers against shocks. Maintaining a prudent monetary policy will preserve moderate inflation. Maximizing debt concessionality and keeping non-concessional borrowing within programmed amounts will support debt sustainability. Strengthening governance and the business climate will foster private sector development.

Staff views. In view of the satisfactory program performance and supplementary actions, staff supports the authorities' request for completion of the third review under the ECF arrangement. 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 and Kevin Fletcher

An IMF team consisting of Ms. Albertin (Head), Ms. Kaze, Mr. Koumtingue, Mr. Maino, and Mr. O'Sullivan (all AFR), Ms. Mogues (FAD), and Mr. Sulemane (Resident Representative) held discussions with the authorities in Conakry, Guinea during April 18–May 4, 2019 and during May 10–June 13, 2019 from Washington D.C. Mr. Sylla (Alternate ED) joined the mission discussions. The team met with President of the Republic Alpha Condé, Prime Minister Ibrahima Kassory, President of the National Assembly Claude Kory Kondiano and the Economic and Finance Commission of the National Assembly, Minister of Economy and Finance Mamadi Camara, Central Bank Governor Lounceny Nabé, Minister of Budget Ismaël Dioubaté, Minister of Plan and Economic Development 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, private sector and banks. Mr. Magno provided assistance in the preparation of this report.

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CONTEXT AND BACKGROUND

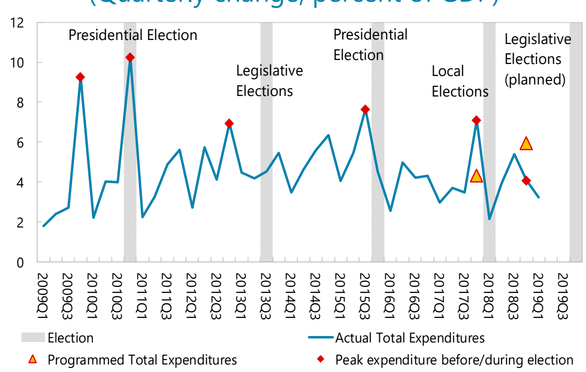
1. **Guinea is a fragile country with heightened risks of social and political instability, weak institutional capacity and pervasive poverty**. Episodes of social unrest, widespread protests and trade-union led strikes marred 2018, including paralyzing the capital for weeks. Strikes have subsided in the first half of 2019. However, political and social tensions are intensifying due to delays in the legislative elections and questions related to the 2020 presidential elections. Institutional capacity remains weak and weighs on the implementation of economic policies and reforms. Poverty incidence is at 60 percent of the population (Figure 3).[1]

2. **The 2017–20 ECF arrangement aims to foster high and broad-based growth and reduce poverty while preserving macroeconomic stability**. The ECF arrangement supports Guinea's 2016-20 National Social and Economic Development Plan (PNDES). Key program objectives are strengthening macroeconomic resilience; scaling-up growth-supporting public investment in infrastructure while preserving debt sustainability; strengthening social safety nets; and promoting private sector development. Guinea is a pilot country under the IMF's Capacity Building Framework for fragile states, and targeted IMF technical assistance is supporting program objectives (Annex I).

3. **The program is subject to significant risks**. Electoral pressures, risks of political and social instability, weak institutions and governance, commodity price volatility, and capacity constraints could weaken the implementation of sound policies and reforms. After slippages at end-2017, program ownership strengthened, with fiscal policy being re-oriented towards macroeconomic stability and key reforms advancing. Continued strong program ownership is essential to mitigate risks and foster program success.

Figure 1. Guinea: Electoral Cycle and Public Expenditures

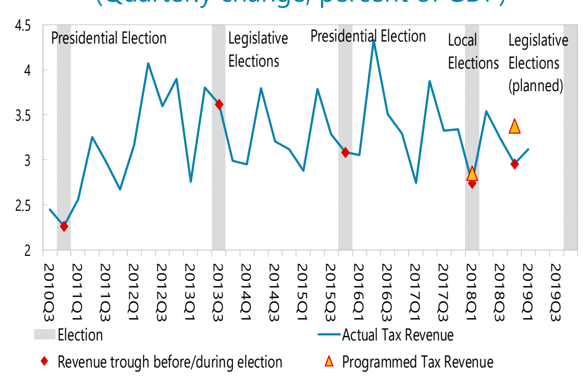
(Quarterly change, percent of GDP)



Sources: Guinean authorities; and IMF staff estimates.

Figure 2. Guinea: Electoral Cycle and Tax Revenues Mobilization

(Quarterly change, percent of GDP)



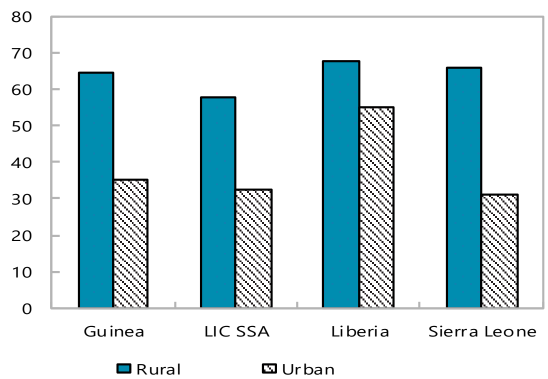
Sources: Guinean authorities; and IMF staff estimates.

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

Figure 3. Guinea: Pervasive Poverty, Weak Social Outcomes, and Gender Inequality

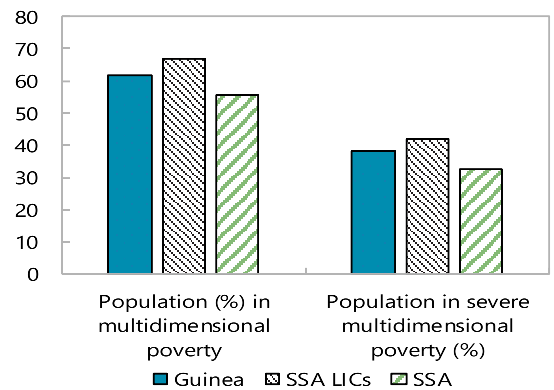
Poverty Rates in Urban and Rural Areas[1]

(Percent of population)



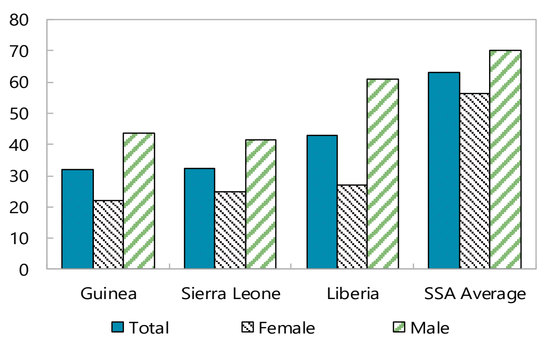
Multidimensional Poverty Rates[1]

(Percent of population)



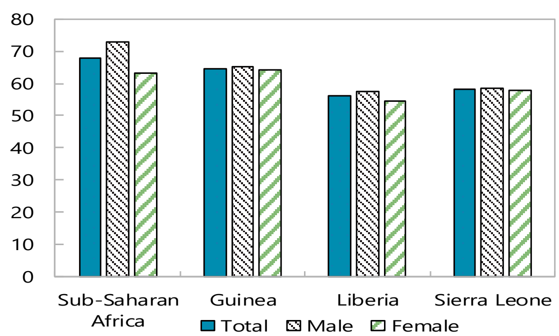
Adult Literacy Rate[1]

(Percent of 15+ Population)



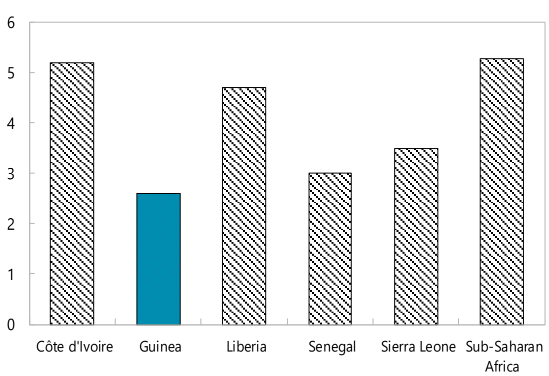
Labor Force Participation Rates, 2018

(15+; percent of population)



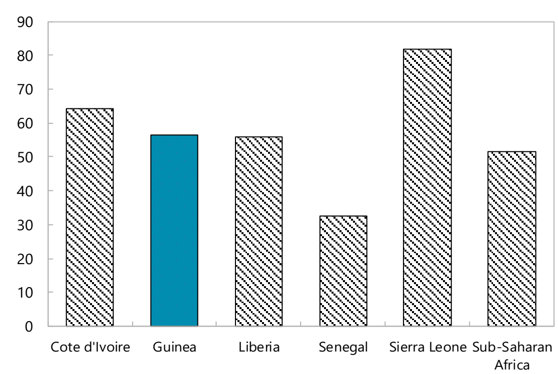
Average Years of Schooling, 2017

(Number of years)



Infant Mortality, 2017

(Mortality rate per 1000 births)



Sources: World Development Indicators; UN Development Program; and the International Labor Organization.

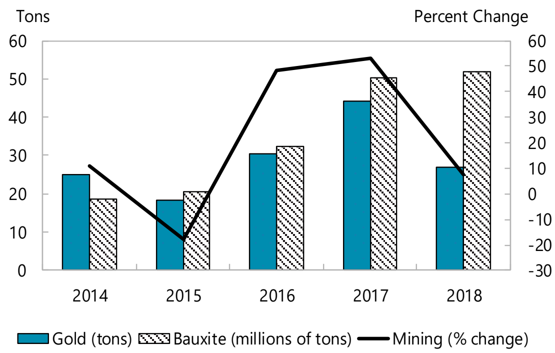
[1] Most recent year of data used for each country. SSA average is the mean of most recent years of data for Sub-Saharan African countries.

RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS

4. The strong growth momentum continues. Real growth is estimated at 5.8 percent in 2018, on the back of strong mining and construction activity, and good agricultural performance. Episodes of social unrest and strikes reportedly affected retail activity. Mining growth was at 7.5 in 2018, with stronger-than-expected bauxite and diamond production compensating for a sharp decline in artisanal gold production.[2] After reaching 9.9 percent at end-2018, headline inflation decelerated to 9.7 percent (y-o-y) in March 2019. Core inflation slowed to 4 percent (y-o-y) from 4.5 percent at end-2018.

Figure 4. Guinea: Mining Growth and Production

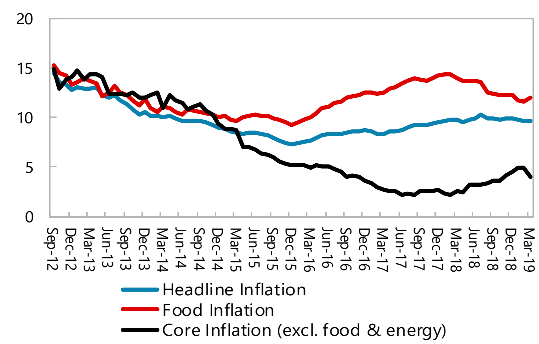
(Tons; millions of tons; percent change)



Sources: Guinean authorities; and IMF staff estimates.

Figure 5. Guinea: Headline and Core Inflation

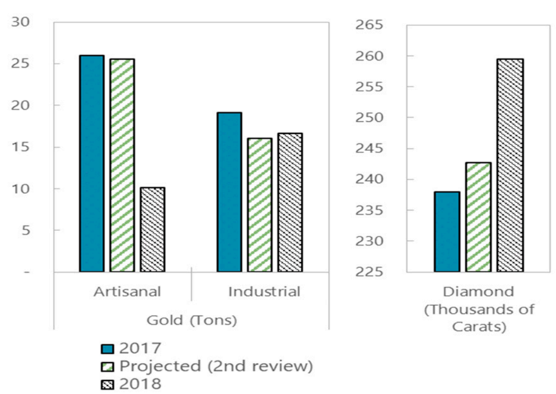
(Percent, YOY)



Sources: Guinean authorities; and IMF staff estimates.

Figure 6. Guinea: Gold and Diamond Production

(Tons; Thousands of Carats)

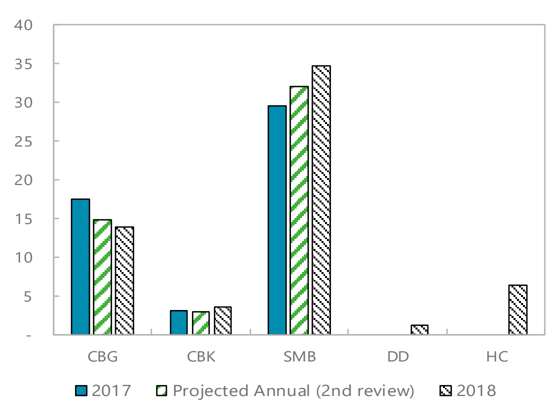


Sources: Guinean authorities; and IMF staff estimates.

Figure 7. Guinea: Bauxite Production

(Percent, YOY)

(Millions of tons)



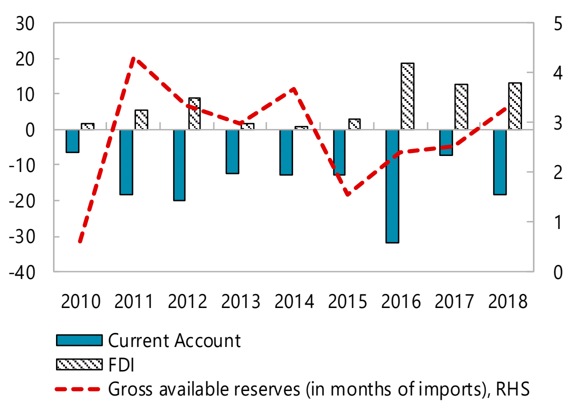
Sources: Guinean authorities; and IMF staff estimates.

[2]The government banned the use of a certain chemical due to environmental concerns, which led to a disruption in the production of artisanal gold.

5. The current account deficit widened to 18.4 percent of GDP in 2018, financed by large FDI inflows in mining and external project financing. Exports declined by 3.4 percent (y-o-y) in 2018, reflecting the drop in artisanal gold production. Imports picked-up by 19 percent (y-o-y), due to mining and infrastructure investments. Gross international reserves increased to 3.6 months of import coverage at end-March 2019. The real effective exchange rate appreciated by 11.0 percent (average, y-o-y) at end-April 2019 (Annex II).

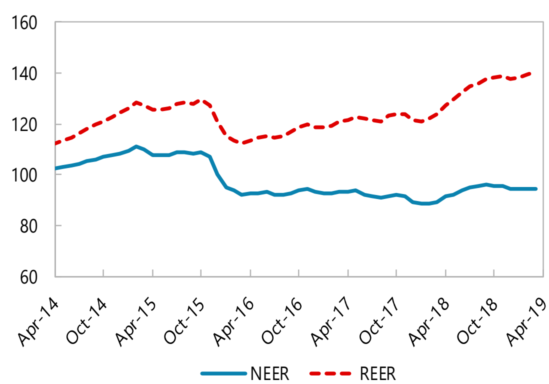
Figure 8. Guinea: Current Account, FDI, and Reserves

(Percent of GDP; in months of imports)



Sources: Guinean authorities; and IMF staff estimates.

Figure 9. Guinea: Real Effective Exchange Rate

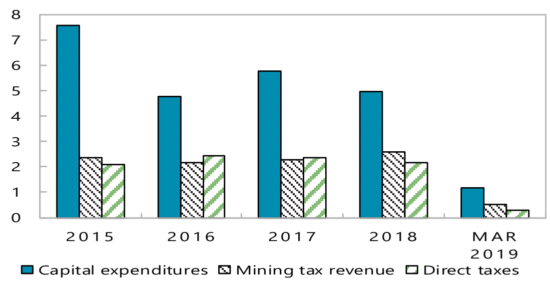


Sources: Guinean authorities; and IMF staff estimates.

6. Basic fiscal surpluses of 0.8 percent of GDP at end-2018 and 0.4 percent of GDP at end-March 2019 were achieved, in line with program objectives. Tax revenues were 0.3 percent of GDP lower-than-expected in 2018, due to a stronger-than-anticipated impact of social unrest on activity and delays in some revenue mobilization measures (MEFP ¶3 and ¶15). The wage bill and electricity subsidies were in line with objectives. Capital expenditures were lower-than-programmed, compensating for larger spending on goods and services. In the first quarter of 2019, tax revenues strengthened while remaining below objectives, reflecting underperforming direct taxes (MEFP ¶4). Spending on goods and services was contained to compensate for a pick-up in electricity subsidies (¶17). Domestic arrears of 0.2 percent of GDP (on a net basis) were accumulated at end-2018, reflecting lower-than-programmed net borrowing from the central bank. They were reduced by 0.9 percent of GDP at end-March 2019.

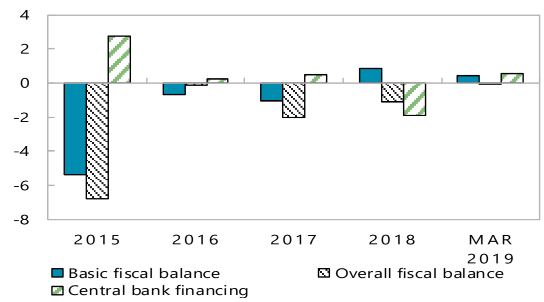
7. Private sector credit growth strengthened, supported by banks' improved liquidity. Banks' liquidity conditions improved in 2018 and remained favorable in the first quarter of 2019, supported by sustained deposits growth (MEFP ¶5). Private sector credit growth strengthened to 11 percent in 2018 (average, y-o-y) and 15 percent in the first quarter of 2019 (average, y-o-y). In parallel, commercial banks' net lending to the government increased by 27 percent in 2018 (average, y-o-y), as government borrowing from the central bank was contained, and remained broadly constant in the first quarter. Non-performing loans (NPLs) increased to 12.2 percent at end-2018 (Table 6), mostly in the hotel sector. Three banks did not comply with the net equity capital requirement at end-2018. One bank did not comply with reserve requirements (MEFP ¶5).

Figure 10. Guinea: Revenue and Expenditure Performance
(Percent of GDP)



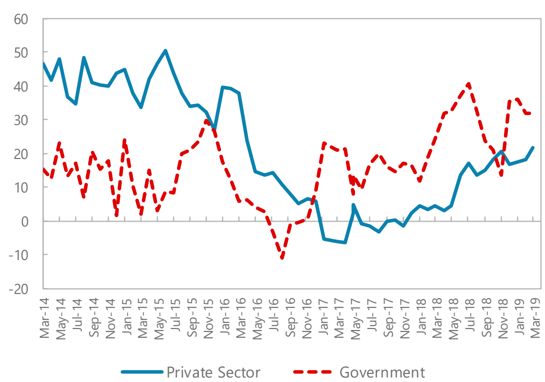
Sources: Guinean authorities; and IMF staff estimates.

Figure 11. Guinea: Fiscal Imbalances and Central Bank Net Financing
(Percent of GDP)



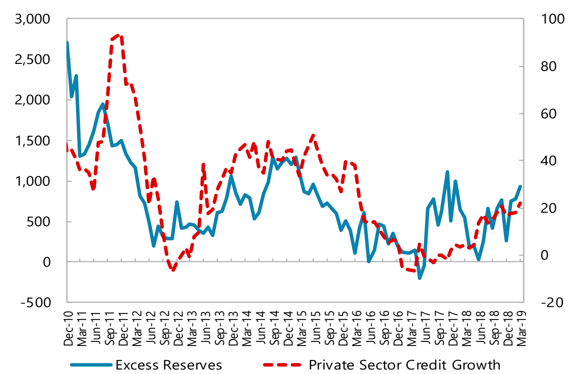
Sources: Guinean authorities; and IMF staff estimates.

Figure 12. Guinea: Commercial Banks—Net Credit to the Government and Private Sector
(Percent, YOY)



Sources: Guinean authorities; and IMF staff estimates.

Figure 13. Guinea: Excess Reserves and Credit Growth
(GNF billions; Percent, YOY)



Sources: Guinean authorities; and IMF staff estimates.

PERFORMANCE UNDER THE PROGRAM

8. **Performance against end-December 2018 program targets was satisfactory**. All end-December 2018 performance criteria (PCs) and the indicative target (IT) on domestically-financed social safety net programs were met. The IT on tax revenue at end-2018 was missed, reflecting the impact of social tensions and delays in revenue mobilization measures (¶6, ¶10). The IT on new domestic arrears was also missed, with a net accumulation against a programmed reduction (¶6).

9. **A strong package of adjustment measures was implemented to achieve the end-2018 fiscal target**. Retail prices of petroleum products were increased in July 2018 to protect tax revenues (¶17). Tax policy and administration measures mobilized 0.2 percent of GDP additional

revenues in 2018 (about half of the end-2018 target, Text Table 2). Rationalizing ad-hoc tax exonerations overperformed while administrative delays were recorded in most tax administration measures, notably conducting tax audits and recovering tax arrears. Electricity tariffs were increased to reduce untargeted subsidies (¶19); measures to contain the wage bill in line with program objectives were adopted; non-priority spending in goods and services was contained; and non-priority investment projects were re-phased.

10. Program performance at end-March 2019 continued to be satisfactory. The ITs on the basic fiscal balance, net government budgetary borrowing from the central bank, net domestic assets of the central bank, and net international reserves were met. The IT on new domestic arrears was met by a large margin, more than compensating for the arrears accumulation at end-2018. The IT on tax revenue was missed, reflecting still limited progress in programmed tax administration measures (¶16). The IT on domestically-financed social safety net programs was missed, due to delays in releasing budgeted resources for social programs due to institutional changes (¶21).

11. Program-supported reforms are advancing. Reforms to support macroeconomic stability, reducing untargeted electricity subsidies, mobilizing additional mining revenues, improving public financial and debt management, and strengthening governance and business climate are progressing. Two out of four structural benchmarks (SBs) were met, with substantial progress on the other two and with full completion expected by end-2019 (MEFP Table 2).

OUTLOOK AND RISKS

12. Guinea's growth outlook is favorable under the program scenario. Real growth is expected to reach about 6 percent in 2019–20. Large FDI in the mining sector will increase production capacity. Scaling-up infrastructure investments will continue boosting construction.[3] Strengthening the business climate and governance and higher electricity provision to the economy will support private sector development over the medium-term.[4] Inflation is expected to be moderate owing to a prudent monetary policy and contained central bank financing of the government.

13. The current account deficit is expected at about 19 percent of GDP in 2019–20, financed by large FDI inflows and external project loans. Mining exports would increase by 7.4 percent (y-o-y) in 2019, reflecting increased mining production. Imports are expected to increase by 7.7 percent (y-o-y), on the back of continued large investment in mining and infrastructure. International reserves would increase to 3.8 months of import coverage by 2020.

14. Risks to the outlook are on the downside. Social unrest and political instability in the run-up to the legislative and presidential elections could weaken near-term growth, policy

[3]The program scenario assumes new mining production capacity coming on stream gradually and lower public investments than envisaged in Guinea's 2016-20 National Economic and Development Strategy to account for capacity constraints.

[4]The Souapiti dam is expected to be completed by 2020 and double electricity production capacity in Guinea.

discipline, and reform implementation. Delays in mining projects, a decline in commodity prices, weaker demand of bauxite due to tariffs on trading partners' aluminum exports, capacity and execution constraints in public investment, and governance slippages could undermine medium-term growth.

PRESERVING MACROECONOMIC STABILITY

A. Fiscal Policy

15. Additional adjustment measures are being implemented to achieve the end-2019 fiscal target. Despite the implementation of programmed measures to reduce electricity subsidies in 2018, they are expected to sharply increase in 2019 due to structural changes in the electricity sector (¶19). Notably, electricity subsidies are expected to be 1.1 percent of GDP larger than in the 2019 Budget Law. Tax revenues are projected to be 0.3 percent of GDP lower-than-budgeted, reflecting a lower base effect from 2018 and outcomes in the first quarter of 2019. Staff supports the authorities' revised fiscal framework for 2019 (prior action) to achieve a basic fiscal surplus of 0.6 percent of GDP. Due to higher-than-expected electricity subsidies and lower tax revenues, the revised framework entails a package of additional adjustment measures (about 1.3 percent of GDP), and a modest easing of the end-year target (by 0.3 percent of GDP) to avoid an excessive contraction in spending, which would be disruptive and harm poverty-reduction objectives. Specific adjustment measures include mobilizing additional non-tax revenues, re-phasing non-priority domestically-financed public investment, and increasing electricity tariffs to contain subsidies (Text table 1). These measures will add to the package of tax measures, agreed at the second ECF arrangement review, to mobilize 0.4 percent of GDP in additional revenues (¶15, Text Table 2). In parallel, larger-than-anticipated external financing will support stepping-up public investments and repaying domestic arrears.[5] As the new adjustment measures will mainly affect the second half of 2019, the quarterly fiscal path was re-profiled. On this basis, a basic fiscal surplus of 0.3 percent of GDP is expected at end-June 2019 and of 0.4 percent of GDP at end-September 2019. Submission to the National Assembly of a 2019 Supplementary Budget in line with measures above will be key to achieving the end-2019 program objectives (end-September SB).

Text Table 1. Additional Adjustment Measures, 2019 Third ECF Review
(Percent of 2019 GDP)

Non Tax revenue mobilization	**0.70**
Exceptional payment due to the sale of 4G licenses	0.70
Containing public expenditures	**0.55**
Reduction in electricity subsidies (from tariff increase)	0.05
Rephasing non-priority domestically-financed public investments	0.50
Total	**1.25**

Sources: Guinean authorities; and IMF staff estimates.

[5] A US$60 million budget support loan from Qatar was disbursed in April 2019. Budget support from the World Bank is expected at US$100 million 2019, against an anticipated US$40 million in the 2019 BL, reflecting the scaling-up in IDA resources for Guinea.

Creating Fiscal Space to Scale-up Priority Spending

16. Advancing programmed tax measures is needed to mobilize additional revenues (MEFP ¶14). The programmed package of tax policy and administration measures mobilized about 0.05 percent of GDP revenues at end-May 2019, against a 0.4 percent of GDP end-year target (Text Table 2). Stepping-up efforts to rationalize ad-hoc tax exoneration and conduct audits, tax controls and arrears recovery is needed. To this end, performance contracts with the tax revenue authorities were signed in May 2019 (prior action), setting revenue collection targets. Furthermore, a new organizational structure of the Directorate of Taxes (DNI) was adopted, and a permanent tax number for businesses was operationalized. These measures will strengthen tax collection and controls and support achieving the end-2019 targets. Moving forward, modernizing DNI management practices and orienting them towards effectiveness, cleansing taxpayers' files and conducting a review of non-tax revenues will support revenue mobilization.

Text Table 2. Tax Policy and Administration Measures, 2018–19

(Percent of GDP)

	Programmed Revenue Mobilization 1st review	Execution (End Dec 2018)		Additional Revenue Mobilization in 2019[1]	Execution (End May 2019)	
	% of GDP	GNF billions	% of Target	% of GDP	% of GDP	% of Target
Tax revenue mobilization	**0.39**	**227**	**53.9**	**0.42**	**0.05**	**14.2**
Tax policy measures	**0.06**	**89**	**145.1**	**0.07**	**0.02**	**37.0**
Rationalize ad-hoc exonerations	0.04	89	221.3	0.06	0.01	35.5
Broadening the base for the insurance tax	0.02	0	0.0	0.01	0.01	39.9
Tax administration measures	**0.33**	**139**	**38.5**	**0.35**	**0.03**	**10.4**
Tax recovery from general audits of large enterprises	0.17	59	32.9	0.12	0.02	11.6
Tax recovery from desk audits of the enterprises	0.03	17	51.8	0.03	0.00	8.9
Collection of recoverable tax arrears	0.09	10	10.9	0.10	0.00	2.9
Tax recovery from matching of customs and tax databases	0.02	4	22.1	0.05	0.00	0.0
Strengthen collection of Single Land Contribution	0.03	47	148.0	0.05	0.01	33.6

Sources: Guinean authorities; and IMF staff estimates.

[1] This is total additional revenue in 2019 relative to a baseline in which no measures were undertaken in 2019.

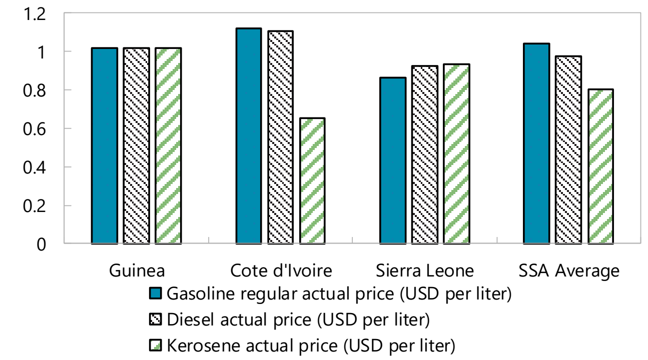
17. Applying the automatic petroleum products price adjustment mechanism, while setting-up mitigating measures to protect the most vulnerable, is key to protect revenues. Retail prices of petroleum products were increased by 25 percent in July 2018, the first time since 2015.[6] This supported the mobilization of additional revenues and mitigated revenue losses incurred in the first half of 2018.[7] Retail prices were reduced by 5 percent in January 2019, on the basis of the

[6]The retail price of fuel, gasoil and kerosene was increased from 8,000 to 10,000 Guinean francs per liter in July 2018. The price was lowered to 9,500 Guinean Francs per liter in January 2019.

[7]Ad-hoc reductions of custom duties on petroleum products led to revenue losses of 0.6 percent of GDP in the first half of 2018.

application of the petroleum prices adjustment mechanism, and kept constant in the first half of 2019.[8] A committee meets on a monthly basis to assess the need for price adjustments. Staff underscores that upward price adjustments will be needed to protect tax revenue in case of higher international oil prices or exchange rate depreciation (MEFP ¶17). In parallel, implementing the programmed scaling-up in social safety nets (¶21) is needed to protect the most vulnerable. The petroleum prices adjustment mechanism will also be reviewed by end-2019, with the support of IMF technical assistance, to ensure it is well-tailored to the fragile social context.

Figure 14. Guinea: Petroleum Products Prices: Guinea Versus Comparators
(USD per Liter)



Sources: Guinean authorities; and IMF Staff estimates.
Note: Guinea, Cote d'Ivoire and Sierra Leone prices are as of May/June 2019. All other SSA petroleum products prices are as of May 2018.

18. **Reforms to strengthen revenue mobilization, transparency and governance in the mining sector are advancing**. Since June 2018, a new mining agreement for bauxite extraction was put fully in line with the tax provisions of the mining code. Furthermore, two new agreements, entailing new infrastructure investments and local transformation of bauxite, were presented to the National Assembly with an assessment of tax expenditures (continuous SB). Key international taxation provisions were introduced in the legal framework to address risks of profit shifting from transfer pricing, including to support the arm's length principle (MEFP ¶24). Strengthening tax administration capacity will be key to identifying and tackling cases of transfer pricing.

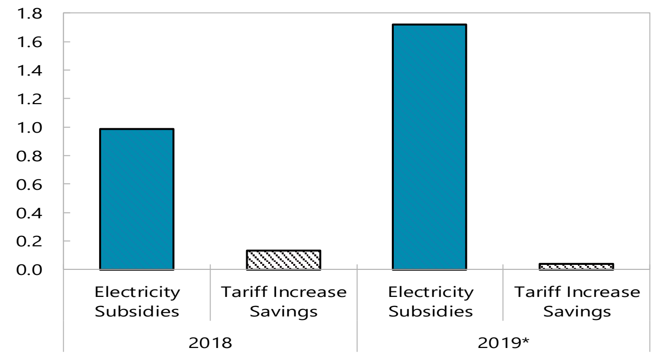
19. **Reducing untargeted electricity subsidies is pivotal to free fiscal space to scale-up priority spending**. Electricity subsidies were reduced to 0.8 percent of GDP in 2018, thanks to the implementation of a package of measures. Specifically, electricity tariffs were increased in May 2018, thermal electricity production was substituted by cheaper hydro production, and efficiency measures started to be implemented (MEFP ¶19).[9] Despite the carry-over impact of 2018 measures, electricity subsidies are expected to sharply increase to 1.6 percent of GDP in 2019, due to the increase in the financing needs of the electricity public utility (EDG). Notably, after a contractual grace period, the payment of the electricity produced by the Kaleta dam started in early 2019.[10] This

[8]The price adjustment rule requires retail prices to be adjusted on a monthly basis if imports prices, expressed in local currency, are 5 percent higher or lower that in the previous month.

[9]Electricity tariffs for households and industrial and professional users were increased by 10 and 25 percent in 2018.

[10]EDG bought the electricity produced by the Kaleta at a zero-price until December 2018. This reflected a grace period for the payment of the financing loan agreement for the dam construction.

Figure 15. Guinea: Electricity Subsidies and Tariff Increases, 2018–19
(Percent of GDP)



Source: IMF staff estimates.
*Savings from 2019 tariff increases corresponds to impacts in the second half of the year.

is expected to increase EDG's costs by 0.8 percent of GDP in 2019 and per year. Furthermore, the planned increase in electricity production in 2019 will exacerbate EDG's losses, as electricity tariffs are largely below cost-recovery.[11] Tackling structural weaknesses in the electricity sector is needed to gradually phase out untargeted subsidies. Staff welcomes the increase in electricity tariffs by 15 percent for households and by 5 percent for professional and industrials in June 2019 (prior action), while maintaining the social tariff. This is expected to generate savings of 0.05 percent of GDP in electricity subsidies over the second half of 2019. The 2019 tariff increase is the first step of a multi-year reform to gradually increase electricity tariffs to reach cost recovery levels by 2025, which is being prepared with the support of the World Bank (end-September 2019 SB). On a cumulative basis, tariffs are expected to double over 2019–25 while the social tariff would be maintained to protect the most vulnerable. In parallel, improving revenue collection and curbing commercial fraud will strengthen EDG's efficiency. To this end, the installation of consumption meters was completed in all ministries and is advancing for private consumers.

Fiscal Structural Reforms

20. Measures to strengthen public financial management are advancing, following the recommendations of the 2018 Public Expenditure and Financial Accountability Assessment (PEFA). The Treasury Single Account was operationalized in early 2019 on a sub-set of accounts and its coverage will be gradually expanded (MEFP ¶27). Budget execution manuals were finalized and will be implemented by-end 2019 (MEFP ¶26). Strengthening institutional coordination will support better aligning expenditure commitment plans with cash flows (MEFP ¶28).

21. Public investment management needs to be strengthened to maximize investment returns and improve governance. A regulatory framework of public investment management will be finalized by end-2019 to establish mechanisms, mandates and procedures (MEFP ¶29), following the recommendations of the 2018 Public Investment Management Assessment (PIMA). Furthermore, a manual for the preparation, appraisal and selection of public investment project will be adopted, requiring feasibility studies to be conducted for major projects (end-March 2020 SB). Finalizing the integrated investment management platform will support better execution and monitoring of projects (MEFP ¶29).

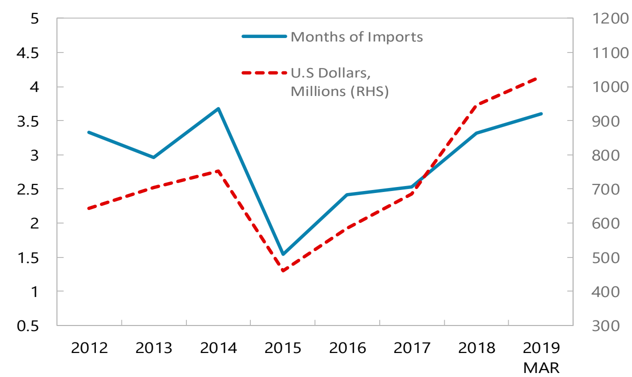
[11] The average electricity tariff currently covers only about 40 percent of production and service costs.

B. Monetary and Exchange Rate Policies

22. Staff welcomes progress in building external buffers against shocks. Foreign exchange reserves of the BCRG have gradually accumulated, reaching 3.6 months of import coverage at end-March 2019. The BCRG has moved towards a more active reserve accumulation strategy, including the through a foreign exchange purchase program. Further accumulation of reserves will support reaching the ARA-CC metric reserve adequacy estimate of 3.8 months of import cover by 2020 (Annex II).

Figure 16. Guinea: Gross International Reserves, 2012–18

(USD millions; Months of imports)



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

23. Greater exchange rate flexibility will support building reserves and help reduce the real effective exchange rate overvaluation (Annex II). Finalizing the rule-based intervention strategy for the BCRG in the foreign exchange market will be important to reduce discretion and support greater flexibility.[12] Furthermore, fully eliminating the limit on auction allocation to a single participant will strengthen market competition.

24. Monetary policy will need to remain prudent to moderate inflation. Targeting base money in line with program objectives is needed to reduce inflation. To this end, limiting government recourse to central bank financing to programmed amounts will be key. Furthermore, an active liquidity management will support achieving monetary targets. Using available instruments, including to absorb liquidity, and calibrating operations based on the new liquidity forecasting framework is needed. The initial step to establish the legal basis for a new emergency assistance liquidity framework for illiquid but solvent banks was completed. Further reforms will be needed to operationalize the framework, with the support of IMF technical assistance.

25. The BCRG implemented some important recommendations of the 2018 safeguard assessment but a number of other areas need further work (MEFP ¶43). Financial reporting transparency and accountability were strengthened through the publication of IFRS-compliant financial statements. Internal compliance processes and semi-annual reports to the Board were established to strengthen governance and internal controls. External audits of the monetary data for end-June 2018 and end-December 2017 were completed and did not point to any significant issue. The end-December 2018 external audit is underway and will be completed by end-September 2019. Moving ahead, ensuring the timely preparation of the external audit reports is important. Outstanding recommendations include conducting regular reviews of the investment policy;

[12]The BCRG currently intervenes to close imbalances between supply and demand in the MEBD.

establishing a middle office in the foreign exchange operations; conducting a peer review of currency operations; improving internal audit capacity and oversight; and strengthening the central bank law. The BCRG is in the process of advancing these reforms.

C. Financial Sector

26. Banking supervision and regulation are being strengthened. The new accounting framework and reporting system for banks were adopted and will be gradually implemented (MEFP ¶43). The new risk-based rating methodology of banks was operationalized. Strengthening human resources in banking supervision will be important. The legal framework for a deposit guarantee fund was set-up. A banking resolution framework will be set-up by end-2019, with the support of IMF technical assistance. The BCRG will ensure that all banks comply with capital and reserve requirements.

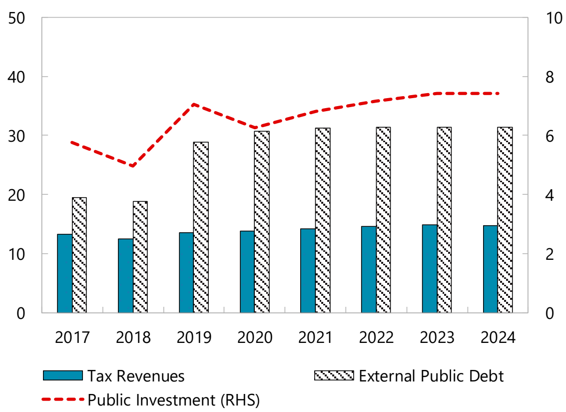
SCALING-UP INFRASTRUCTURE INVESTMENT WHILE PRESERVING DEBT SUSTAINABILITY

27. Addressing Guinea's large infrastructure needs has to be balanced with preserving debt sustainability. The program supports stepping-up public investment in infrastructure to foster economic diversification and broad-based growth. Capital expenditures are expected to increase to 7 percent of GDP in 2019, more than half of it devoted to infrastructure. Prudent borrowing will be key to support the scaling-up while preserving medium-term debt sustainability.

28. Maximizing debt concessionality and limiting non-concessional loans to programmed amounts is key to preserve debt sustainability. Under the program scenario, Guinea's debt dynamics is sustainable, with a moderate risk of external debt distress. The overall risk of public debt distress is also assessed to be moderate, although space for additional borrowing is very limited (2019 Debt Sustainability Analysis Update*)*. Guinea has fully utilized the US$650 million envelope of non-concessional loans (NCLs) allowed under the program to finance priority infrastructure projects. In 2018, two NCLs (US$598 million, 5 percent of GDP) were signed for the rehabilitation of a national road and the road system in Conakry. These loans are collateralized by future mining revenues streams. Furthermore, a non-concessional budget support was signed with Qatar in 2018 (US$60 million, 0.4 percent of GDP). Efforts to resolve long-standing external arrears (1.4 percent of GDP) continue (MEFP¶35).[13] Staff has expressed concerns regarding collateralized borrowing as earmarking revenues weakens budget flexibility and may complicate debt restructuring in the unexpected events of debt distress (IMF Country Report No. 19/30).

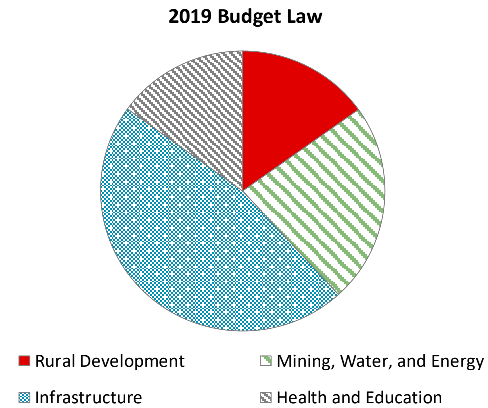
[13]Guinea owes long-standing arrears that predate the HIPC completion point to non-Paris Club countries (Libya, Morocco, Thailand, Bulgaria, Romania, and Iraq). These arrears continue to be deemed away under the IMF Policy on Arrears to official bilateral creditors as the underlying Paris Club Agreement 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. The IMF Board concluded a financing assurance review on December 21, 2018, jointly with the second review of the ECF program.

Figure 17. Guinea: Public Investment, Tax Revenues, and External Public Debt
(Percent of GDP)



Sources: Guinean authorities; and IMF staff estimates.

Figure 18. Guinea: Public Investment Composition, 2019
(Percent of Total)



Sources: Guinean authorities; and IMF staff estimates.

29. Staff welcomes progress in strengthening debt management. A time-bound action plan was finalized in early 2019 to address vulnerabilities identified in the 2018 Debt Management Performance Assessment (DeMPA) (MEFP ¶36). To this end, a medium-term debt strategy was updated in February 2019, with the support of IMF technical assistance. A working group on public debt management was operationalized and started preparing sustainability analysis. A full-fledged statistical bulletin will be published and a modern debt recording system will be acquired by end-2019. The implementation of the end-2017 strategy to clear longstanding domestic arrears is moving ahead (MEFP ¶34).

30. Setting-up an appropriate public-private partnerships (PPP) framework is needed to manage risks stemming from using PPPs for infrastructure development. The implementation decrees of the 2017 PPP law are being finalized, with the support of IMF technical assistance. Staff underscored that it is important that PPPs are in line with the public investment plan, rigorous selection and appraisal processes are applied, explicit commitments and guarantees are capped, and fiscal risks assessed and monitored (MEFP ¶31).

STRENGTHENING SOCIAL SAFETY NETS

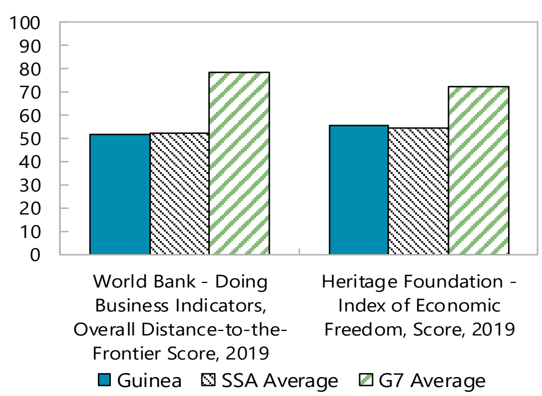
31. Moving ahead with the programmed strengthening of social safety nets is needed to mitigate the impact of the energy subsidy reform on the most vulnerable and to reduce poverty. A new National Agency for Economic and Social Inclusion was set-up in early 2019 to coordinate the implementation of Guinea's strategy to foster inclusion (MEFP ¶21). Due to this institutional change, delays were recorded in releasing budgeted resources to social safety nets programs in the first quarter of 2019. Staff stressed the need to advance social programs, notably the programmed expansion of cash transfers to poor households and labor-intensive public works in urban and peri-urban areas to compensate for higher petroleum products prices. This is expected to start in September 2019, once the biometric census to better target beneficiaries is finalized. Setting-up a unified registry of vulnerable population, with the support of the World Bank, will strengthen targeting (end-February 2020 SB).

ADVANCING GROWTH-SUPPORTING STRUCTURAL REFORMS

32. Measures to strengthen the business climate are advancing. The specialized Commerce Court was operationalized, a one-stop-shop for international trade was set-up, and a permanent business identification number was established (MEFP ¶46). Finalizing the on-line tax declaration and payment and strengthening the private-public dialogue is important.

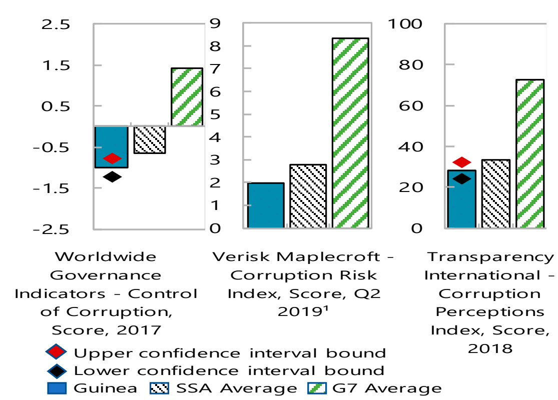
33. The anti-corruption framework is being strengthened. The implementation decree for the asset declaration regime is being prepared, with the support of IMF technical assistance, to be adopted by end-September 2019 (SB). The AML/CFT regime is being strengthened, contributing to anti-corruption efforts (MEFP ¶47). Moving ahead, adopting an AML/CFT law in line with the international standards, implementing the asset declaration regime and strengthening the independence of the National Agency Against Corruption is important. In parallel, reforms in the mining sector (¶24) and public financial and investment management (¶25) will strengthen governance and reduce vulnerabilities to corruption.

Figure 19. Guinea: Business Climate
(0 indicates poor business climate)



Sources: World Bank's Doing Business Indicators, 2019; and Heritage Foundation's Index of Economic Freedom, 2019.

Figure 20. Guinea: Governance
(Lower scores indicate poor governance)

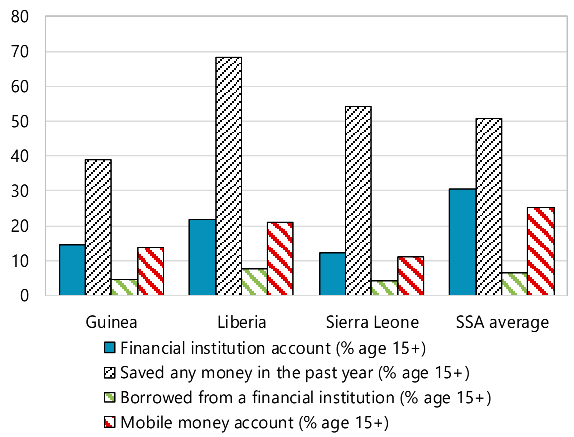


Sources: Worldwide Governance Indicators, D. Kaufman (Natural Resources Governance Institute and Brookings Institutions, and A. Kraay (World Bank), 2017; Verisk Maplecroft's Corruption Risk Index, 2019; Transparency International's Corruption Perceptions Index, 2017.

Note: The use of these indicators should be considered carefully as they are derived from perceptions-based data. Confidence intervals are not available for the Verisk Maplecroft's Corruption Risk Index.

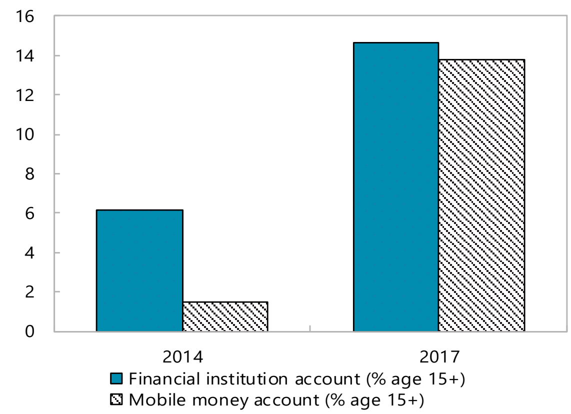
34. Strengthening access to finance is needed to foster private sector development and inclusion. A new framework for microfinance and electronic money institutions was operationalized. A National Strategy for Financial Inclusion will be finalized by end 2019 to foster access to finance, notably for SMEs, women and the youth.

Figure 21. Guinea: Financial Inclusion, 2017
(Percent of 15+ Population)



Source: World Bank, Global Findex Database.

Figure 22. Guinea: Access to Financing
(Percent of 15+ Population)



Source: World Bank, Global Findex Database.

PROGRAM MODALITIES

35. Capacity to repay the Fund and financing assurances. Guinea's credit outstanding to the IMF is at SDR 262.6 million (about 122.6 percent of quota). Given the good track record in meeting obligations to the Fund, the program's strength, the favorable medium-term growth outlook, and a sustainable debt position, staff considers that Guinea has adequate capacity to repay the Fund (Table 7). Firm financing assurances are in place for the next 12 months, with good prospects thereafter, in view of external financing to be further catalyzed by the program—budget support from the World Bank (US$100 million in 2019 and US$40 million in 2020) and the European Union (Euros 20 million in 2019 and in 2020)—and IMF disbursements (Table 9). A safeguard assessment update was completed in 2018.

36. Modifications to the program and monitoring. The following modifications are proposed: (i) revise the end-September 2019 IT on the basic fiscal balance, net domestic assets of the central bank, net government budgetary borrowing from the central bank, and net international reserves; (ii) revise the end-September 2019 and the end-December 2019 ITs on tax revenues and accumulation of new domestic arrears; (iii) set new end-December 2019 PCs on the basic fiscal balance, net domestic assets of the central bank, net government budgetary borrowing from the central bank, and net international reserves; (iv) modify the continuous PC on new non-concessional external debt to clarify that it excludes domestic-currency denominated government security holdings by non-residents and will be used to finance priority infrastructure projects as specified in the relevant loan documents; (v) modify the PC on net government budgetary borrowing from the central bank to clarify that it excludes the amounts related to the recapitalization of the central bank; and (vi) re-phase the SB on establishing a prototype of the register for vulnerable populations to align it with the revised timeline of the World Bank supporting operation. Program performance will continue to be monitored through semi-annual reviews based on quantitative performance criteria and structural benchmarks (Table 1 and 2 in the MEFP).

STAFF APPRAISAL

37. Guinea's growth momentum continues, supported by strong mining activity. Real growth is estimated at 5.8 percent in 2018 and is expected at 6 percent in 2019–20, supported by large FDI in mining and the scaling-up of infrastructure investments. Strengthening the business climate and governance and increasing electricity provision will support private sector development over the medium-term. Risks to the outlook are tilted to the downside, reflecting heightened risks of social and political instability.

38. Preserving stability while scaling-up growth-supporting public investments is needed. Staff supports the authorities' revised fiscal framework for 2019 which entails additional measures to achieve the end-2019 program objective and a modest easing of the end-year target, given higher-than-expected electricity subsidies and lower tax revenues. Thus, additional non-tax revenues will be mobilized, non-priority domestically-financed investment projects will be re-phased, and electricity subsidies contained. In parallel, public investments in infrastructure will be scaled up, supported by larger-than-anticipated external financing. Adopting a 2019 Supplementary Budget in line with the revised fiscal framework will be key. Advancing programmed tax measures and applying the petroleum price adjustment mechanism, while strengthening social safety nets, is pivotal to mobilize tax revenues. Keeping non-concessional loans to programmed amounts is needed to preserve debt sustainability. Strengthening public financial and investment management will support the fiscal strategy.

39. Tackling structural weaknesses in the electricity sector is needed to reduce untargeted electricity subsidies and create fiscal space for priority spending. Staff supports the increase in electricity tariffs to contain the anticipated pick-up in electricity subsidies in 2019. Gradually bringing electricity tariffs to cost recovery levels over the medium-term and increasing EDG's efficiency will be key to gradually reduce untargeted subsidies. This is needed to free-up resources for targeted social safety nets programs and priority growth-supporting public investment.

40. Staff welcomes progress in building external buffers against shocks. Foreign exchange reserves of the BCRG have gradually increased, supported by a more active reserve accumulation. Further building buffers will strengthen Guinea's resilience against external shocks. Greater exchange rate flexibility will support building reserves and improve the external position which is substantially weaker than the level consistent with economic fundamentals and desirable policies. Finalizing the rule-based intervention strategy for the BCRG in the foreign exchange market will reduce discretion. Phasing out the limit on auctions allocation will support market competition.

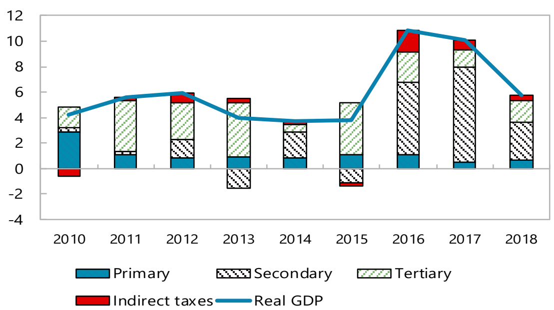
41. Monetary policy needs to remain prudent to moderate inflation. Targeting reserve money in line with program objectives is important to contain inflationary pressures. To this end, limiting government recourse to central banks' lending is key. An active use of liquidity instruments and the new liquidity forecasting framework will support achieving monetary targets. The legal basis for a new emergency assistance liquidity framework for illiquid but solvent banks was established. Strengthening banking supervision and the regulatory framework is advancing. The BCRG should ensure that all banks comply with reserve requirements and capital adequacy.

42. Strengthening the anti-corruption framework and the business climate will improve governance and support private sector development. Finalizing and implementing the asset declaration regime and strengthening the AML/CFT framework are key to strengthen the anti-corruption framework. Measures to improve the business climate are advancing. Adopting a national strategy for financial inclusion will support improving access to finance.

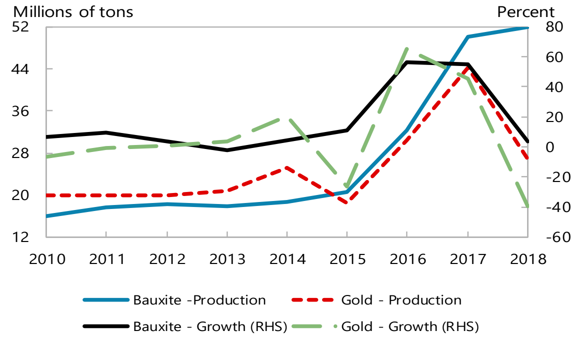
43. In view of the satisfactory program performance and progress in reforms, staff supports the authorities' request for completion of the third review under the ECF arrangement, for modification of the external debt PC, and the completion of the financing assurances review.

Figure 23. Guinea: Recent Economic Developments

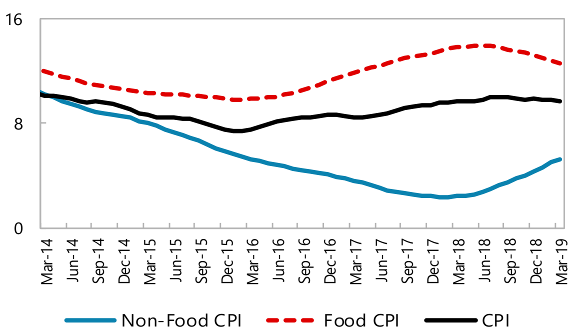
Real GDP Growth at Factor Price and Contributions by Sector
(Percent)



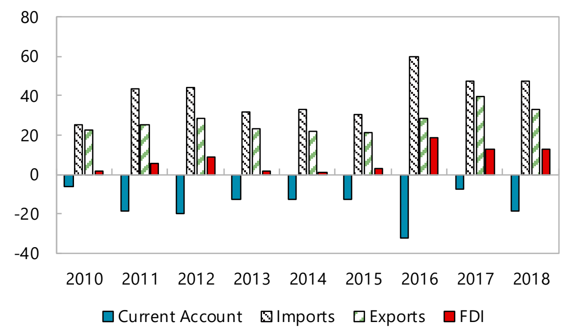
Production and Growth in the Mining Sectors
(Millions of tons; percent)



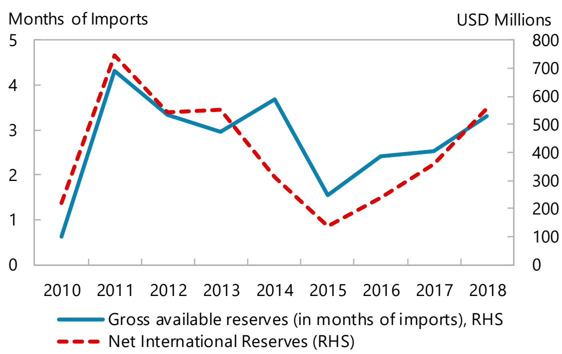
Inflation
(Average year-on-year growth, percent)



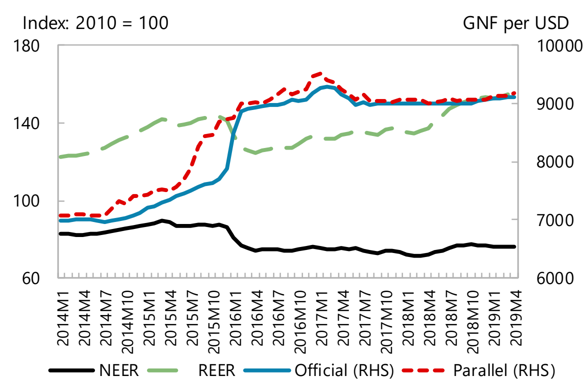
Current Account, Exports, Imports, and FDI
(Percent of GDP)



Gross Available Reserves and Net International Reserves
(Months of imports, USD millions)

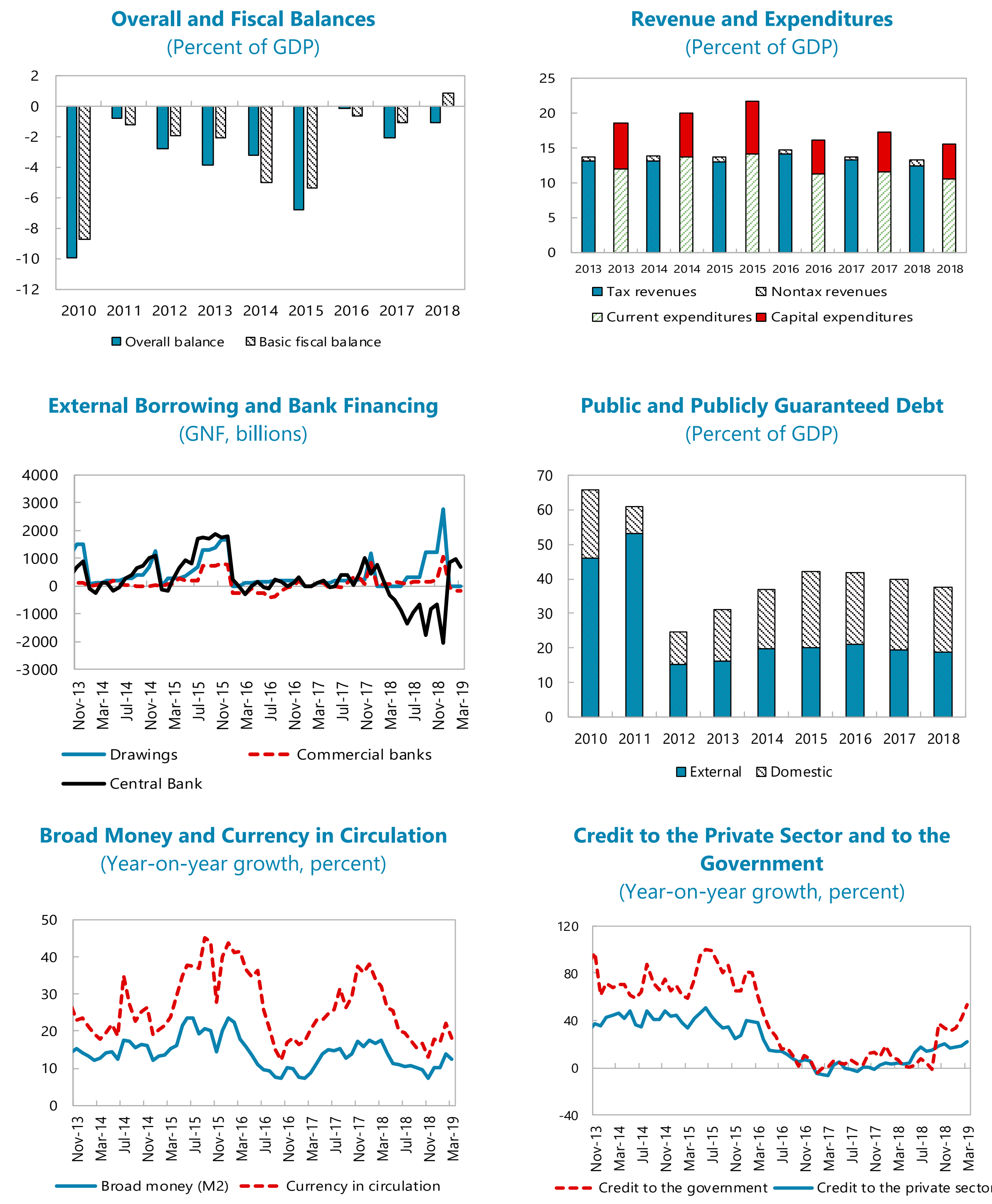


Exchange Rates
(Averages)



Sources: Guinean authorities; and IMF staff estimates.

Figure 24. Guinea: Fiscal and Monetary Indicators



Sources: Guinean authorities; and IMF staff estimates.

Table 1. Guinea: Key Economic and Financial Indicators, 2016–24

	2016	2017	2018				2019			2020		2021	2022	2023	2024
	Act.	Prel.	Prog. Req.	1st Rev.	2nd Rev.	Prel.	1st Rev.	2nd Rev.	3rd Rev.	2nd Rev.	3rd Rev.	Proj.	Proj.	Proj.	Proj.
	Annual percentage change, unless otherwise indicated														
National accounts and prices															
GDP at constant prices	10.8	10.0	5.8	5.8	5.8	5.8	5.9	5.9	5.9	6.0	6.0	6.0	5.3	5.0	5.0
Mining	48.4	53.3	7.5	6.7	6.7	7.5	8.5	8.5	9.4	8.3	8.3	10.0	6.5	5.3	5.1
Non-mining	7.1	4.1	5.5	5.6	5.6	5.4	5.4	5.4	5.2	5.6	5.5	5.1	5.0	4.9	4.9
GDP deflator	5.7	10.4	7.7	8.1	9.7	10.0	8.1	8.8	8.8	8.1	8.1	8.1	7.9	7.8	7.8
GDP at market prices	17.1	21.5	14.0	14.4	16.0	16.4	14.5	15.2	15.2	14.6	14.6	14.6	13.6	13.2	13.1
Consumer prices (average)															
Average	8.2	8.9	8.2	8.2	9.7	9.8	8.0	8.9	8.9	8.3	8.3	8.0	7.9	7.8	7.8
End of period	8.7	9.5	8.0	8.0	9.6	9.9	8.0	8.6	8.6	8.1	8.1	8.0	7.9	7.8	7.8
External sector															
Exports, f.o.b. (US$ terms)	35.6	67.1	19.3	0.8	7.3	-3.4	10.2	3.5	7.9	11.8	12.4	5.4	5.3	4.1	3.6
Imports, f.o.b. (US$ terms)	102.1	-6.6	3.2	24.8	19.8	18.9	-5.3	9.5	7.7	5.0	4.8	-1.5	3.4	0.9	3.4
Average effective exchange rate (depreciation -)															
Nominal index	-14.6	-2.5	...	...	...	-0.6	...	...	...	...	...	...	...	...	...
Real index	-9.3	4.1	...	...	...	3.7	...	...	...	...	...	...	...	...	...
Terms of trade	34.2	-6.6	6.0	2.0	-6.1	-0.9	-1.1	-4.1	-11.3	2.0	2.7	3.6	3.6	3.3	2.5
Money and credit															
Net foreign assets[1]	7.3	9.6	8.0	5.7	5.8	8.3	6.4	6.3	4.9	6.7	3.9	5.4	6.5	5.3	4.6
Net domestic assets[1]	2.7	6.2	5.9	4.8	6.3	1.9	7.2	6.1	1.5	6.3	7.4	8.7	7.1	5.2	4.5
Net claims on government[1]	1.9	5.0	-0.3	-0.4	-0.3	10.0	-0.4	-0.3	1.3	-0.7	0.4	0.7	0.7	0.7	0.7
Net claims on government[1], excl. recapitalization	1.9	5.0	-0.3	-0.4	-0.3	-4.2	-0.4	-0.3	-0.9	-0.7	-0.7	-0.4	-0.4	-0.3	-0.3
Credit to non-government sector[1]	2.4	0.9	6.2	5.2	6.5	6.2	7.7	6.4	4.7	7.0	8.1	9.1	7.4	5.5	4.8
Reserve money	15.5	10.3	13.9	14.3	14.5	6.3	9.6	9.9	4.6	10.9	6.5	9.7	10.3	8.6	8.9
Broad money (M2)	9.9	15.8	14.0	10.4	12.0	10.2	14.4	12.4	6.4	13.0	11.3	14.0	13.5	10.5	9.1
Interest rate (short-term T-bill)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
	Percent of GDP, unless otherwise indicated														
Central government finances															
Total revenue and grants	16.0	15.3	18.4	15.8	15.4	14.6	16.6	15.6	15.8	16.4	15.5	16.0	16.2	16.4	16.3
Revenue	14.8	13.8	16.2	14.5	13.7	13.2	15.4	14.5	14.7	15.3	14.4	14.8	15.2	15.4	15.4
Of which: Non-mining revenue	12.6	11.5	13.3	12.0	11.0	10.6	12.9	11.7	12.2	12.6	11.7	12.0	12.4	12.6	12.6
Grants	1.2	1.5	2.2	1.3	1.7	1.4	1.3	1.1	1.1	1.1	1.1	1.2	1.0	1.0	0.9
Total expenditure and net lending	16.1	17.4	20.8	18.0	17.5	15.7	18.8	17.9	18.4	18.1	17.5	18.1	18.4	18.5	18.4
Current expenditure	11.3	11.5	13.0	11.5	10.8	10.6	11.3	10.2	11.3	10.9	11.2	11.2	11.1	11.0	10.9
Of which: Interest payments	1.1	0.9	1.3	1.1	1.0	0.8	1.0	0.8	0.8	0.7	0.7	1.0	1.0	1.0	1.0
Capital expenditure and net lending	4.8	5.8	7.8	6.5	6.5	5.0	7.5	7.6	7.0	7.1	6.3	6.8	7.2	7.4	7.4
Overall budget balance															
Including grants	-0.1	-2.1	-2.5	-2.2	-2.0	-1.1	-2.2	-2.3	-2.6	-1.7	-2.0	-2.1	-2.2	-2.1	-2.1
Excluding grants	-1.4	-3.6	-4.6	-3.5	-3.8	-2.5	-3.4	-3.4	-3.7	-2.7	-3.1	-3.3	-3.2	-3.1	-3.0
Basic fiscal balance	-0.7	-1.1	0.6	0.8	0.8	0.8	1.0	0.9	0.6	1.0	0.9	0.9	0.9	0.9	0.9
Current account balance															
Including official transfers	-31.9	-7.1	-21.3	-21.0	-16.1	-18.4	-15.9	-20.2	-20.7	-17.1	-17.7	-13.6	-12.8	-11.1	-10.3
Excluding official transfers	-32.9	-7.6	-22.4	-21.4	-16.6	-18.8	-16.4	-20.6	-21.1	-17.4	-18.0	-14.1	-13.1	-11.6	-10.7
Overall balance of payments	0.9	0.7	1.9	1.6	1.6	1.7	1.3	1.4	1.1	1.2	0.5	1.6	1.2	0.8	1.0
Memorandum items:															
Exports, goods and services (US$ millions)	2,471.2	4,086.5	3,810.9	4,119.7	4,382.7	4,001.9	4,537.6	4,535.7	4,310.9	5,065.4	4,836.4	5,092.1	5,357.7	5,575.8	5,776.0
Imports, goods and services (US$ millions)	5,142.3	4,891.9	5,560.0	5,998.1	5,751.4	5,710.8	5,659.4	6,248.4	6,212.3	6,558.1	6,510.6	6,382.6	6,556.4	6,613.1	6,837.9
Overall balance of payments (US$ millions)	73.3	72.0	186.5	189.3	187.3	210.7	166.7	177.7	147.2	162.8	77.5	246.7	196.7	150.3	182.7
Net foreign assets of the central bank (US$ millions)	268.9	322.1	517.1	522.4	524.8	547.0	692.1	695.4	707.8	901.3	825.9	996.4	1,188.8	1,368.9	1,566.5
Gross available reserves (months of imports)[2]	2.4	2.5	3.2	3.2	3.2	3.3	3.5	3.5	3.6	3.8	3.8	4.0	4.1	4.1	4.1
External public debt, incl. IMF (percent of GDP)	21.8	19.4	30.8	26.9	21.3	19.1	31.7	31.1	29.6	32.4	31.3	31.5	31.5	31.5	31.5
Total public debt, incl. IMF (percent of GDP)	42.5	39.6	45.1	40.3	38.4	37.6	43.0	45.6	45.0	45.0	44.5	43.0	41.6	40.5	39.6
Nominal GDP (GNF billions)	77,086	93,664	99,558	106,561	109,691	109,023	122,055	126,356	125,589	144,860	143,916	164,919	187,404	212,110	239,979

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, 2016–24

(Millions of U.S. Dollars, unless otherwise indicated)

	2016	2017	2018				2019			2020		2021	2022	2023	2024
	Act.	Prel.	Prog. Req.	1st Rev.	2nd Rev.	3rd Rev.	1st Rev.	2nd Rev.	3rd Rev.	2nd Rev.	3rd Rev.	Proj.	Proj.	Proj.	Proj.
Exports, f.o.b.	2,414	4,034	3,745	4,066	4,329	3,898	4,482	4,480	4,204	5,008	4,727	4,980	5,243	5,459	5,658
Mining products	2,016	3,606	3,182	3,632	3,895	3,444	3,950	3,950	3,697	4,413	4,045	4,283	4,503	4,678	4,813
Other	398	428	563	434	434	454	532	531	507	595	682	697	740	782	844
Imports, f.o.b.	-4,429	-4,136	-4,683	-5,126	-4,918	-4,918	-4,854	-5,386	-5,298	-5,653	-5,552	-5,469	-5,656	-5,704	-5,898
Food products	-617	-425	-717	-698	-701	-479	-755	-755	-549	-815	-621	-702	-753	-806	-863
Other consumption goods	-305	-386	-354	-403	-405	-440	-435	-437	-539	-471	-558	-574	-616	-659	-725
Petroleum products	-402	-548	-741	-793	-803	-792	-842	-855	-827	-912	-884	-920	-958	-1,005	-1,058
Intermediate and capital goods	-3,106	-2,776	-2,870	-3,233	-3,009	-3,206	-2,822	-3,339	-3,383	-3,455	-3,489	-3,273	-3,328	-3,234	-3,251
Services trade balance	-656	-704	-811	-818	-779	-689	-750	-807	-808	-848	-849	-802	-787	-792	-821
Services exports	57	52	66	53	54	104	55	55	106	58	109	112	114	116	118
Services imports	-713	-756	-877	-872	-833	-793	-805	-863	-915	-905	-958	-914	-901	-909	-940
Income balance	-155	-51	-586	-623	-617	-618	-975	-967	-967	-982	-979	-948	-1,080	-1,125	-1,144
Of which: Interest on public debt	-26	-21	-33	-28	-31	-36	-29	-28	-26	-35	-32	-39	-48	-56	-63
Transfers	81	124	236	94	90	96	124	129	100	143	106	114	148	172	229
Of which:															
Net private transfers	-2	74	123	41	40	46	61	79	48	94	58	45	88	93	155
Official transfers	83	49	113	53	50	50	64	50	53	49	47	69	59	79	73
Current account															
Including official transfers	-2,745	-732	-2,099	-2,407	-1,896	-2,231	-1,973	-2,550	-2,768	-2,331	-2,548	-2,125	-2,132	-1,991	-1,978
Excluding official transfers	-2,828	-782	-2,212	-2,460	-1,946	-2,281	-2,037	-2,600	-2,821	-2,380	-2,595	-2,194	-2,191	-2,069	-2,051
Capital account	26	146	116	95	158	140	96	96	120	105	131	140	134	128	133
Public transfers	10	143	99	92	155	118	92	93	97	101	107	115	109	102	106
Financial account	2,548	1,510	2,169	2,501	1,925	1,861	2,044	2,632	2,796	2,389	2,494	2,231	2,194	2,013	2,027
Public (medium and long-term)	-29	86	855	915	332	243	827	1,372	1,513	488	554	477	453	457	451
Project-related loans	22	132	922	921	356	250	884	1,406	1,423	535	599	534	522	559	581
Program financing	0	0	10	71	60	60	10	40	160	40	40	40	37	18	12
Public (short-term)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization due	-51	-46	-77	-77	-84	-67	-67	-74	-70	-86	-84	-96	-105	-120	-143
Direct and other private investment (net)	1,595	1,306	1,248	1,546	1,546	1,574	1,197	1,197	1,197	1,851	1,851	1,666	1,651	1,463	1,499
Private short-term	982	117	66	40	47	44	19	62	86	51	89	88	89	92	77
Errors and omissions	244	-851	0	0	0	440	0	0	0	0	0	0	0	0	0
Overall balance	73	72	187	189	187	211	167	178	147	163	78	247	197	150	183
Financing	-73	-72	-187	-189	-187	-211	-167	-178	-147	-163	-78	-247	-197	-150	-183
Use of Fund resources (net)	50	24	48	47	49	49	45	34	48	29	24	-71	-76	-62	-58
Of which															
Disbursements	22	24	48	49	49	49	50	48	48	49	48	0	0	0	0
Change in gross official reserves (- = increase)	-123	-102	-235	-236	-236	-259	-212	-212	-195	-192	-101	-175	-120	-88	-125
Of which: SDR Allocation															
Change in arrears (- = reduction)	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt relief	0	6	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:															
Current account balance (percent of GDP)															
Including official transfers	-31.9	-7.1	-21.3	-21.0	-16.1	-18.4	-15.9	-20.2	-20.7	-17.1	-17.7	-13.6	-12.8	-11.1	-10.3
Excluding official transfers	-32.9	-7.6	-22.4	-21.4	-16.6	-18.8	-16.4	-20.6	-21.1	-17.4	-18.0	-14.1	-13.1	-11.6	-10.7
Overall balance (percent of GDP)	0.9	0.7	1.9	1.6	1.6	1.7	1.3	1.4	1.1	1.2	0.5	1.6	1.2	0.8	1.0
Exports-GDP ratio (percent)	28.7	39.7	38.7	35.9	37.3	33.1	36.5	35.9	32.2	37.1	33.6	32.7	32.1	31.2	30.2
Imports-GDP ratio (percent)	-59.8	-47.5	-56.4	-52.2	-49.0	-47.2	-45.6	-49.4	-46.5	-48.0	-45.2	-41.0	-39.2	-37.0	-35.7
FDI-GDP ratio (percent)	18.5	12.7	12.7	13.5	13.2	13.0	9.6	9.5	9.0	13.6	12.9	10.7	9.9	8.2	7.8
Gross available reserves (US$ millions)	584	686	915	922	922	945	1,134	1,134	1,140	1,326	1,241	1,417	1,537	1,625	1,750
Gross available reserves (months of imports)	2.4	2.5	3.2	3.2	3.2	3.3	3.5	3.5	3.6	3.8	3.8	4.0	4.1	4.1	4.1
Nominal GDP (US$ millions)	8,604	10,306	9,855	11,486	11,743	12,099	12,423	12,650	13,368	13,651	14,396	15,566	16,707	17,881	19,143
National currency per US dollar (avg.)	8,959	9,088	...	...	...	9,011	...	...	...	...	...	...	...	...	...

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

Table 3a. Guinea: Fiscal Operations of the Central Government, 2016–24[1]

(Billions of Guinean Francs, unless otherwise indicated)

	2016	2017	2018			2019				2020		2021	2022	2023	2024
	Act.	Prel.	2nd Rev.	Prel.	Suppl. Budget[3]	2nd Rev.	3rd Rev.	Mar. Cum. Prel.	Approved Budget	2nd Rev.	3rd Rev.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**12,325**	**14,342**	**16,933**	**15,965**	**17,101**	**19,709**	**19,876**	**4,277**	**19,709**	**23,780**	**22,327**	**26,374**	**30,317**	**34,821**	**39,189**
Revenue	11,391	12,902	15,014	14,423	15,754	18,283	18,475	4,051	18,283	22,190	20,786	24,425	28,435	32,680	36,940
Tax revenue	10,930	12,443	14,072	13,609	14,796	17,612	16,960	3,914	17,612	21,288	19,973	23,443	27,379	31,486	35,524
Mining sector	1,671	2,153	2,912	2,836	3,209	3,452	3,147	647	3,452	3,958	3,886	4,617	5,247	5,939	6,719
Local Development Fund		...	...	...	...	518	472	472	518	594	583	693	787	891	1,008
Non-mining sector	9,259	10,290	11,160	10,773	11,587	14,160	13,813	3,267	14,160	17,330	16,088	18,826	22,133	25,547	28,805
Direct taxes	1,890	2,226	2,762	2,346	2,321	3,296	3,190	361	3,295	4,059	3,758	4,386	5,208	6,189	6,893
Indirect taxes	7,369	8,064	8,398	8,428	9,266	10,865	10,623	2,905	10,863	13,271	12,330	14,439	16,925	19,358	21,912
Taxes on goods and services	5,342	5,434	5,993	5,861	7,112	7,680	7,678	2,107	7,679	9,231	8,886	10,354	12,066	13,657	15,462
Taxes on international trade	2,027	2,630	2,406	2,566	2,154	3,184	2,945	798	3,184	4,040	3,444	4,085	4,859	5,701	6,450
Non-tax revenue	462	459	941	814	958	671	1,515	137	671	902	813	982	1,055	1,195	1,416
Grants	934	1,440	1,919	1,542	1,347	1,426	1,402	227	1,426	1,590	1,541	1,950	1,882	2,141	2,249
Project grants	92	960	1,449	1,061	852	928	907	227	928	1,074	1,067	1,219	1,218	1,209	1,328
Budget support	742	449	470	449	495	498	495	0	498	516	474	730	664	932	921
Other earmarked grants	101	32	0	32	...	...	...	...	...	...	...	...	...	...	...
Expenditures and net lending	**12,439**	**16,276**	**19,167**	**17,132**	**19,467**	**22,584**	**23,102**	**4,066**	**22,585**	**26,172**	**25,249**	**29,877**	**34,444**	**39,309**	**44,135**
Current expenditures	8,708	10,809	11,886	11,589	12,605	12,901	14,140	2,595	12,901	15,764	16,096	18,488	20,865	23,409	26,144
Primary current expenditures	7,863	9,955	10,740	10,710	11,419	11,897	13,174	2,441	11,897	14,698	15,113	16,915	19,009	21,264	23,675
Wages and salaries	2,937	3,400	4,051	4,122	4,031	4,478	4,478	1,015	4,478	5,305	5,159	5,906	6,711	7,631	8,633
Goods and services	2,714	3,393	3,245	3,445	3,945	4,138	4,138	655	4,138	4,777	4,749	5,519	6,217	7,022	7,965
Subsides and transfers	2,212	3,114	3,444	3,142	3,444	3,280	4,557	770	3,280	4,616	5,205	5,490	6,081	6,611	7,076
of which EDG	416	1,168	1,050	905	...	880	2,157	414	880	877	1,940	1,740	1,583	1,346	1,144
other subsidies and transfers	1,796	1,946	2,394	2,237	...	2,400	2,400	356	2,400	3,739	3,265	3,750	4,498	5,265	5,933
Interest on debt	845	854	1,146	879	1,186	1,004	966	154	1,004	1,065	983	1,573	1,856	2,146	2,470
Domestic debt	609	665	859	557	923	716	716	67	716	691	661	1,154	1,312	1,485	1,680
External debt	236	190	287	322	263	288	251	87	288	375	322	419	545	661	790
Capital expenditure	3,682	5,395	7,157	5,417	6,739	9,567	8,847	1,471	9,569	10,282	9,027	11,252	13,431	15,741	17,820
Domestically financed	3,389	3,240	2,387	2,105	2,386	4,383	3,779	1,041	4,383	5,177	3,520	4,809	6,357	7,901	9,205
Investment (central budget exec.)	3,327	3,172	2,351	2,105	2,350	4,329	3,725	1,041	4,329	5,044	3,520	4,809	6,357	7,901	9,205
Local Development Fund		...	...	...	...	518	472	518	518	594	583	693	787	891	1,008
Capital transfers	63	68	36	0	36	54	54	0	54	134	0	0	0	0	0
Externally financed	293	2,155	4,770	3,312	4,353	5,185	5,068	430	5,186	5,105	5,507	6,442	7,074	7,840	8,615
Net lending and restructuring expenditures	49	72	124	127	124	115	115	0	115	126	126	137	148	159	171
Adjustment measures	...	...	-0	0	...	0	0	0	0	0	0	0	0	0	0
Basic fiscal balance[2]	**-520**	**-1,030**	**904**	**924**	**903**	**1,172**	**691**	**502**	**1,172**	**1,498**	**1,366**	**1,410**	**1,609**	**1,872**	**2,210**
Overall balance															
Excluding grants	-1,048	-3,374	-4,153	-2,709	-3,713	-4,300	-4,628	-15	-4,302	-3,982	-4,463	-5,452	-6,009	-6,629	-7,195
Including grants	-114	-1,935	-2,234	-1,167	-2,366	-2,875	-3,226	254	-2,876	-2,392	-2,922	-3,502	-4,127	-4,488	-4,945
Float				695				525							
Financing	**55**	**1,935**	**2,234**	**472**	**2,366**	**2,875**	**3,226**	**-779**	**2,875**	**2,392**	**2,922**	**3,502**	**4,127**	**4,488**	**4,945**
Domestic financing	**318**	**1,100**	**-866**	**-1,700**	**-1,080**	**-1,042**	**-1,779**	**-886**	**-1,042**	**-1,147**	**-1,074**	**-1,122**	**-960**	**-938**	**-707**
Bank financing	505	1,300	-57	-999	-90	-64	-214	499	-64	-185	-187	-129	-124	-110	-112
Net position at central bank	294	453	-327	-2,063	-327	-294	-294	681	-294	-374	-287	-287	-287	-287	-287
Commercial banks	210	847	270	1,064	237	230	80	-182	230	190	100	158	163	177	175
Nonbank financing	-345	-1,140	-727	-945	-511	-537	-752	-192	-537	-542	-760	-818	-660	-658	-421
Privatization revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Borrowing/Amortization of domestic debt (net)	-350	-1,189	-727	-985	-511	-588	-803	-238	-588	-542	-760	-818	-660	-658	-421
Other / Exceptional revenue	5	50	0	40	0	51	51	46	51	0	0	0	0	0	0
Change in arrears	158	939	-82	244	-479	-440	-812	-1,192	-440	-421	-127	-174	-175	-169	-173
External financing (net)	**-263**	**835**	**3,100**	**2,172**	**3,446**	**3,916**	**5,005**	**107**	**3,916**	**3,539**	**3,995**	**4,624**	**5,087**	**5,425**	**5,652**
Drawings	201	1,196	3,882	2,781	4,158	4,657	5,664	203	4,657	4,455	4,839	5,643	6,267	6,844	7,439
Project	201	1,196	3,321	2,250	4,058	4,257	4,161	203	4,257	4,031	4,439	5,223	5,856	6,631	7,287
Program	0	0	560	530	100	400	1,503	0	400	424	400	420	411	214	152
Amortization due	-456	-414	-782	-605	-712	-740	-659	-96	-740	-916	-844	-1,019	-1,180	-1,419	-1,787
Debt relief	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in cap. arrears (- = reduction)	-6	-2	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in int. arrears (- = reduction)	-2	0	0	-4	0	0	0	0	0	0	0	0	0	0	0
Non Paris Clus bilateral rescheduling	0	55	0	0	0	0	0	0	0	0	0	0	0	0	0
HIPC-related financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Errors and omissions	46	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:															
Primary fiscal balance	731	-1,080	-1,088	-288	-1,180	-1,871	-2,260	366	-1,872	-1,326	-1,939	-1,929	-2,271	-2,342	-2,475
Nominal GDP (GNF billion)	77,086	93,664	109,691	109,023	109,023	126,356	125,589	125,589	125,589	144,860	143,916	164,919	187,404	212,110	239,979

Sources: Guinean authorities; Fund staff estimates and projections.

[1] Based on GFSM 1986 due to data availability limitations.

[2] Total revenue excluding grants minus expenditures excluding interest on external debt and foreign-financed capital expenditures.

[3] Supplementary budget law 2018 approved in August.

Table 3b. Guinea: Fiscal Operations of the Central Government, 2016–24[1]
(Percent of GDP, unless otherwise indicated)

	2016	2017	2018			2019				2020		2021	2022	2023	2024
	Act.	Prel.	2nd Rev.	Prel.	Suppl. Budget [3]	2nd Rev.	3rd Rev.	Mar. Cum. Prel.	Approved Budget	2nd Rev.	3rd Rev.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**16.0**	**15.3**	**15.4**	**14.6**	**15.7**	**15.6**	**15.8**	**3.4**	**15.7**	**16.4**	**15.5**	**16.0**	**16.2**	**16.4**	**16.3**
Revenue	14.8	13.8	13.7	13.2	14.5	14.5	14.7	3.2	14.6	15.3	14.4	14.8	15.2	15.4	15.4
Tax revenue	14.2	13.3	12.8	12.5	13.6	13.9	13.5	3.1	14.0	14.7	13.9	14.2	14.6	14.8	14.8
Mining sector	2.2	2.3	2.7	2.6	2.9	2.7	2.5	0.5	2.7	2.7	2.7	2.8	2.8	2.8	2.8
Local Development Fund			...	...	...	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Non-mining sector	12.0	11.0	10.2	9.9	10.6	11.2	11.0	2.6	11.3	12.0	11.2	11.4	11.8	12.0	12.0
Direct taxes	2.5	2.4	2.5	2.2	2.1	2.6	2.5	0.3	2.6	2.8	2.6	2.7	2.8	2.9	2.9
Indirect taxes	9.6	8.6	7.7	7.7	8.5	8.6	8.5	2.3	8.6	9.2	8.6	8.8	9.0	9.1	9.1
Taxes on goods and services	6.9	5.8	5.5	5.4	6.5	6.1	6.1	1.7	6.1	6.4	6.2	6.3	6.4	6.4	6.4
Taxes on international trade	2.6	2.8	2.2	2.4	2.0	2.5	2.3	0.6	2.5	2.8	2.4	2.5	2.6	2.7	2.7
Non-tax revenue	0.6	0.5	0.9	0.7	0.9	0.5	1.2	0.1	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Grants	1.2	1.5	1.7	1.4	1.2	1.1	1.1	0.2	1.1	1.1	1.1	1.2	1.0	1.0	0.9
Project grants	0.1	1.0	1.3	1.0	0.8	0.7	0.7	0.2	0.7	0.7	0.7	0.7	0.7	0.6	0.6
Budget support	1.0	0.5	0.4	0.4	0.5	0.4	0.4	0.0	0.4	0.4	0.3	0.4	0.4	0.4	0.4
Other earmarked grants	0.1	0.0	0.0	0.0	...	...	...	...	...	...	...	...	...	...	...
Expenditures and net lending	**16.1**	**17.4**	**17.5**	**15.7**	**17.9**	**17.9**	**18.4**	**3.2**	**18.0**	**18.1**	**17.5**	**18.1**	**18.4**	**18.5**	**18.4**
Current expenditures	11.3	11.5	10.8	10.6	11.6	10.2	11.3	2.0	10.3	10.9	11.2	11.2	11.1	11.0	10.9
Primary current expenditures	10.2	10.6	9.8	9.8	10.5	9.4	10.5	1.9	9.5	10.1	10.5	10.3	10.1	10.0	9.9
Wages and salaries	3.8	3.6	3.7	3.8	3.7	3.5	3.6	0.8	3.6	3.7	3.6	3.6	3.6	3.6	3.6
Goods and services	3.5	3.6	3.0	3.2	3.6	3.3	3.3	0.5	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Subsides and transfers	2.9	3.3	3.1	2.9	3.2	2.6	3.6	0.6	2.6	3.2	3.6	3.3	3.2	3.1	2.9
of which EDG	0.5	...	1.0	0.8	...	0.7	1.7	0.3	0.7	0.6	1.3	1.1	0.8	0.6	0.5
other subsidies and transfers	2.3	...	2.2	2.1	...	1.9	1.9	0.3	1.9	2.6	2.3	2.3	2.4	2.5	2.5
Interest on debt	1.1	0.9	1.0	0.8	1.1	0.8	0.8	0.1	0.8	0.7	0.7	1.0	1.0	1.0	1.0
Domestic debt	0.8	0.7	0.8	0.5	0.8	0.6	0.6	0.1	0.6	0.5	0.5	0.7	0.7	0.7	0.7
External debt	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.1	0.2	0.3	0.2	0.3	0.3	0.3	0.3
Capital expenditure	4.8	5.8	6.5	5.0	6.2	7.6	7.0	1.2	7.6	7.1	6.3	6.8	7.2	7.4	7.4
Domestically financed	4.4	3.5	2.2	1.9	2.2	3.5	3.0	0.8	3.5	3.6	2.4	2.9	3.4	3.7	3.8
Investment (central budget exec.)	4.3	3.4	2.1	1.9	2.2	3.4	3.0	0.8	3.4	3.5	2.4	2.9	3.4	3.7	3.8
Local Development Fund			...	...	...	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Capital transfers	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Externally financed	0.4	2.3	4.3	3.0	4.0	4.1	4.0	0.3	4.1	3.5	3.8	3.9	3.8	3.7	3.6
Net lending and restructuring expenditures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment measures	...	0.0	-0.0	0.0	...	0.0	0.0	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Basic fiscal balance[2]	**-0.7**	**-1.1**	**0.8**	**0.8**	**0.8**	**0.9**	**0.6**	**0.4**	**0.9**	**1.0**	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**
Overall balance															
Excluding grants	-1.4	-3.6	-3.8	-2.5	-3.4	-3.4	-3.7	-0.0	-3.4	-2.7	-3.1	-3.3	-3.2	-3.1	-3.0
Including grants	-0.1	-2.1	-2.0	-1.1	-2.2	-2.3	-2.6	0.2	-2.3	-1.7	-2.0	-2.1	-2.2	-2.1	-2.1
Float				0.6				0.4							
Financing	**0.1**	**2.1**	**2.0**	**0.4**	**2.2**	**2.3**	**2.6**	**-0.6**	**2.3**	**1.7**	**2.0**	**2.1**	**2.2**	**2.1**	**2.1**
Domestic financing	**0.4**	**1.2**	**-0.8**	**-1.6**	**-1.0**	**-0.8**	**-1.4**	**-0.7**	**-0.8**	**-0.8**	**-0.7**	**-0.7**	**-0.5**	**-0.4**	**-0.3**
Bank financing	0.7	1.4	-0.1	-0.9	-0.1	-0.1	-0.2	0.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.0
Net position at central bank	0.4	0.5	-0.3	-1.9	-0.3	-0.2	-0.2	0.5	-0.2	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1
Commercial banks	0.3	0.9	0.2	1.0	0.2	0.2	0.1	-0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Nonbank financing	-0.4	-1.2	-0.7	-0.9	-0.5	-0.4	-0.6	-0.2	-0.4	-0.4	-0.5	-0.5	-0.4	-0.3	-0.2
Privatization revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowing/Amortization of domestic debt (net)	-0.5	-1.3	-0.7	-0.9	-0.5	-0.5	-0.6	-0.2	-0.5	-0.4	-0.5	-0.5	-0.4	-0.3	-0.2
Other / Exceptional revenue	0.0	0.1	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.2	0.9	-0.1	0.2	-0.4	-0.3	-0.6	-0.9	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1
External financing (net)	**-0.3**	**0.9**	**2.8**	**2.0**	**3.2**	**3.1**	**4.0**	**0.1**	**3.1**	**2.4**	**2.8**	**2.8**	**2.7**	**2.6**	**2.4**
Drawings	0.3	1.3	3.5	2.6	3.8	3.7	4.5	0.2	3.7	3.1	3.4	3.4	3.3	3.2	3.1
Project	0.3	1.3	3.0	2.1	3.7	3.4	3.3	0.2	3.4	2.8	3.1	3.2	3.1	3.1	3.0
Program	0.0	0.0	0.5	0.5	0.1	0.3	1.2	0.0	0.3	0.3	0.3	0.3	0.2	0.1	0.1
Amortization due	-0.6	-0.4	-0.7	-0.6	-0.7	-0.6	-0.5	-0.1	-0.6	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in cap. arrears (- = reduction)	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in int. arrears (- = reduction)	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non Paris Clus bilateral rescheduling	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:															
Primary fiscal balance	0.9	-1.2	-1.0	-0.3	-1.1	-1.5	-1.8	0.3	-1.5	-0.9	-1.3	-1.2	-1.2	-1.1	-1.0
Nominal GDP (GNF billion)	77,086	93,664	109,691	109,023	109,023	126,356	125,589	126,988	125,589	144,860	143,916	164,919	187,404	212,110	239,979

Sources: Guinean authorities; Fund staff estimates and projections.

[1] Based on GFSM 1986 due to data availability limitations.

[2] Total revenue excluding grants minus expenditures excluding interest on external debt and foreign-financed capital expenditures.

[3] Supplementary budget law 2018 approved in August.

Table 4. Guinea: Central Bank and Deposit Money Accounts, 2016–24[1]

(Billions of Guinean Frances, unless otherwise indicated)

	2016	2017	2018				2019				2020		2021	2022	2023	2024
	Act.	Prel.	Prog. Req.	1st Rev.	2nd Rev.	Prel.	1st Rev.	2nd Rev.	3rd Rev.	Mar Prel.	2nd Rev.	3rd Rev.	Proj.	Proj.	Proj.	Proj.
Central bank																
Net foreign assets	2,480	2,901	4,771	4,819	4,842	4,969	6,385	6,416	6,530	5,852	8,315	7,619	9,192	10,967	12,628	14,451
Net domestic assets	7,616	8,236	6,924	7,909	7,909	6,869	7,560	7,592	5,856	7,205	7,218	5,569	5,282	4,995	4,708	4,421
Domestic credit	7,487	8,014	6,915	7,686	7,686	9,284	7,360	7,392	9,382	10,171	7,018	9,393	9,428	9,489	9,577	9,696
Claims on central government (net)	7,462	7,983	6,895	7,656	7,656	9,114	7,329	7,362	9,352	10,051	6,988	9,363	9,398	9,458	9,547	9,665
Claims on central government (net), excl. recapitalization[4]	7,462	7,983	6,895	7,656	7,656	5,920	7,329	7,362	5,626	6,601	6,988	5,339	5,052	4,765	4,478	4,191
Of which: to the Treasury (PNT1)	7,640	8,088	7,072	7,762	7,762	9,239	7,435	7,468	8,945	10,276	7,093	8,657	8,370	8,083	7,796	7,509
Recapitalization	...	...	...	...	...	3,194	...	...	4,024	3,450	...	4,346	4,694	5,069	5,475	5,913
Claims on private sector	24	31	20	30	30	170	30	30	30	121	30	30	30	30	30	30
Liabilities to deposit money banks (-)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Claims on other public sector	0	0	0	0	0	0	0	0	0	-1	0	0	0	0	0	0
Other items, net (assets +)	130	222	9	222	222	-2,416	200	200	-3,526	-2,966	200	-3,824	-4,146	-4,494	-4,869	-5,275
Reserve money	10,097	11,138	11,695	12,728	12,751	11,838	13,945	14,008	12,386	13,057	15,533	13,188	14,474	15,963	17,336	18,872
Currency outside banks	5,608	6,732	6,838	6,945	7,675	7,245	7,947	8,726	7,372	7,551	10,168	7,883	9,089	10,200	10,468	10,978
Bank reserves	3,802	3,621	4,170	4,998	4,291	4,156	5,213	4,497	4,577	5,203	4,581	4,869	4,947	5,326	6,431	7,458
Deposits	2,751	3,004	3,170	4,381	3,416	3,304	4,596	3,697	3,877	4,339	3,881	4,169	4,247	4,826	5,931	6,958
Required reserves	2,358	2,391	2,704	2,732	2,673	2,730	3,111	3,004	2,963	2,927	3,363	3,357	3,823	4,367	4,961	5,492
Required reserves on GNF deposits	1,734	1,670	1,660	1,899	1,859	1,986	2,154	2,082	2,166	2,160	2,323	2,449	2,783	3,173	3,599	3,980
Required reserves on FX deposits	625	720	1,044	833	813	745	958	922	797	767	1,041	909	1,040	1,194	1,362	1,512
Excess reserves	393	613	467	1,649	744	574	1,484	693	914	1,413	517	811	425	458	970	1,465
Excess reserves on GNF deposits	195	508	417	1,499	544	268	1,384	508	814	932	467	761	375	408	920	1,465
Excess reserves on FX deposits	198	105	50	150	200	306	100	185	100	480	50	50	50	50	50	50
Cash in vaults of deposit banks	1,051	618	1,000	618	875	852	618	800	700	863	700	700	700	500	500	500
Private sector deposits	686	785	686	785	785	437	785	785	437	304	785	437	437	437	437	437
Deposit money banks																
Net foreign assets	595	2,034	1,393	1,393	1,393	1,825	1,411	1,411	1,485	1,201	1,416	1,416	1,411	1,795	2,133	2,248
Bank reserves	3,802	3,621	4,170	4,998	4,291	4,156	5,213	4,497	4,577	5,203	4,581	4,869	4,947	5,326	6,431	7,458
Deposits at the central bank	2,751	3,004	3,170	4,381	3,416	3,304	4,596	3,697	3,877	4,339	3,881	4,169	4,247	4,826	5,931	6,958
Cash in vaults of deposits banks	1,051	618	1,000	640	875	852	640	800	700	863	700	700	700	500	500	500
Claims on central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Domestic credit	10,702	11,319	13,332	12,716	13,052	13,675	14,854	14,899	15,049	13,927	17,058	17,291	20,124	22,767	25,033	27,213
Credit to the government (net)	2,683	3,127	3,488	3,364	3,396	4,236	3,603	3,626	4,316	4,236	3,816	4,417	4,574	4,738	4,914	5,089
Claims on public enterprises	10	3	15	4	4	4	5	5	5	3	5	6	6	7	8	9
Claims on the private sector	8,009	8,189	9,829	9,348	9,652	9,435	11,246	11,268	10,728	9,688	13,236	12,869	15,543	18,022	20,111	22,114
Other items, net (assets +)	-1,998	-2,033	-1,998	-2,033	-2,033	-2,592	-2,033	-2,033	-2,592	-2,040	-2,033	-2,592	-2,592	-2,592	-2,592	-2,592
Liabilities to the private sector (deposits)	13,100	14,942	16,897	17,074	16,704	17,065	19,446	18,775	18,519	18,291	21,022	20,984	23,891	27,295	31,006	34,326
Memorandum items:																
Net foreign assets of the central bank (US$ million)[3]	269	322	517	522	525	547	692	695	708	643	901	826	996	1,189	1,369	1,566
Net international reserves (GNF billion)[3]	2,197	3,298	4,858	5,017	5,010	5,121	6,508	6,490	6,814	5,818	8,406	7,842	9,283	10,904	12,397	14,122
Net international reserves (US$ million)[2,3]	238	357	527	544	543	555	705	703	739	631	911	850	1,006	1,182	1,017	1,096

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

[1] End of period.

[2] Excludes amounts in transit and Central Bank guarantees.

[3] Using Program exchange rate from 2017 onwards.

[4] Recapitalization became effective in October, 2018.

Table 5. Guinea: Monetary Survey, 2016–24[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2016	2017	2018				2019					2020		2021	2022	2023	2024
	Act.	Prel.	Prog. Req.	1st Rev.	2nd Rev.	Prel.	Prog. Req.	1st Rev.	2nd Rev.	3rd Rev.	Mar Prel.	2nd Rev.	3rd Rev.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	3,075	4,936	6,164	6,212	6,235	6,795	7,783	7,797	7,827	8,015	7,053	9,731	9,035	10,603	12,762	14,761	16,699
Net domestic assets	16,320	17,523	18,258	18,592	18,928	17,952	20,063	20,381	20,458	18,313	19,092	22,243	20,268	22,814	25,170	27,149	29,042
Domestic credit	18,188	19,333	20,247	20,402	20,739	22,960	22,053	22,213	22,291	24,432	24,098	24,076	26,684	29,552	32,256	34,611	36,908
Claims on central government	10,145	11,110	10,383	11,020	11,052	13,351	10,346	10,933	10,988	13,668	14,286	10,804	13,779	13,972	14,196	14,461	14,754
Central Bank (net)	7,462	7,983	6,895	7,656	7,656	9,114		7,329	7,362	9,352	10,051	6,988	9,363	9,398	9,458	9,547	9,665
Central Bank (net), excl. recapitalization[2]	7,462	7,983	6,895	7,656	7,656	5,920		7,329	7,362	5,626	6,601	6,988	5,339	5,052	4,765	4,478	4,191
Commercial Banks	2,683	3,127	3,488	3,364	3,396	4,236		3,603	3,626	4,316	4,236	3,816	4,417	4,574	4,738	4,914	5,089
Claims on public enterprises	10	4	15	4	4	4	18	5	5	5	2	5	6	7	7	8	10
Claims on private sector	8,033	8,220	9,849	9,378	9,682	9,605	11,689	11,276	11,298	10,758	9,809	13,266	12,899	15,573	18,052	20,141	22,144
Other items, net (assets +)	-1,868	-1,810	-1,989	-1,810	-1,810	-5,008	-1,989	-1,833	-1,833	-6,118	-5,006	-1,833	-6,416	-6,738	-7,086	-7,461	-7,867
Broad money (M2)	19,395	22,458	24,422	24,804	25,163	24,746	27,846	28,381	28,285	26,328	26,146	31,974	29,303	33,417	37,932	41,911	45,741
Currency	5,608	6,732	6,838	6,945	7,675	7,245	7,797	7,947	8,726	7,372	7,551	10,168	7,883	9,089	10,200	10,468	10,978
Deposits	13,787	15,727	17,584	17,859	17,488	17,502	20,049	20,230	19,559	18,956	18,595	21,806	21,421	24,328	27,732	31,443	34,763
	(Year-on-year percent change of beginning-of-period M2, unless otherwise indicated)																
Memorandum items:																	
Net foreign assets	7.3	9.6	8.0	5.7	5.8	8.3	6.6	6.4	6.3	4.9	4.1	6.7	3.9	5.4	6.5	5.3	4.6
Of which: central bank	6.7	2.2	8.0	8.5	8.6	9.2	6.6	6.3	6.3	6.3	10.6	6.7	4.1	5.4	5.3	4.4	4.3
Net domestic assets	2.7	6.2	5.9	4.8	6.3	1.9	7.4	7.2	6.1	1.5	8.4	6.3	7.4	8.7	7.1	5.2	4.5
Of which: central bank	1.0	3.2	-1.3	-1.5	-1.5	-6.1	-1.2	-1.4	-1.3	-4.1	-3.7	-1.3	-1.1	-1.0	-0.9	-0.8	-0.7
Domestic credit	4.3	5.9	5.9	4.8	6.3	16.1	7.4	7.3	6.2	5.9	22.3	6.3	8.6	9.8	8.1	6.2	5.5
Net claims on government	1.9	5.0	-0.3	-0.4	-0.3	10.0	-0.1	-0.4	-0.3	1.3	14.7	-0.7	0.4	0.7	0.7	0.7	0.7
Credit to the private sector	2.4	0.9	6.2	5.2	6.5	6.2	7.5	7.7	6.4	4.7	7.6	7.0	8.1	9.1	7.4	5.5	4.8
Broad money (M2)	9.9	15.8	14.0	10.4	12.0	10.2	14.0	14.4	12.4	6.4	12.5	13.0	11.3	14.0	13.5	10.5	9.1
Reserve money (Annual percentage change)	15.5	10.3	13.9	14.3	14.5	6.3	11.3	9.6	9.9	4.6	14.0	10.9	6.5	9.7	10.3	8.6	8.9
Commercial bank credit to the private sector																	
(Annual percentage change)	7.2	2.3	15.7	14.2	17.9	15.2	18.7	20.3	16.7	13.7	21.4	17.5	20.0	20.8	16.0	11.6	10.0
Money multiplier (M2/reserve money)	1.9	2.0	2.1	1.9	2.0	2.1	2.1	2.0	2.0	2.1	2.0	2.1	2.2	2.3	2.4	2.4	2.4
Velocity (GDP/average M2)	4.2	4.5	4.2	4.2	4.2	4.6	4.2	4.2	4.2	4.2	6.6	4.2	4.2	4.2	4.2	4.2	4.2
Velocity (GDP/M2, EOP)	4.0	4.2	4.1	4.3	4.4	4.4	4.1	4.3	4.5	4.8	6.3	4.5	4.9	4.9	4.9	5.1	5.2
Consumer prices (Annual percentage change, EOP)	8.7	9.5	8.0	8.0	9.6	9.9	8.0	8.0	8.6	8.6	…	8.1	8.1	8.0	7.9	7.8	7.8
Real GDP (Annual percentage change)	10.8	10.0	5.8	5.8	5.8	5.8	5.9	5.9	5.9	5.9	…	6.0	6.0	6.0	5.3	5.0	5.0
Nominal GDP (Annual percentage change)	17.1	21.5	14.0	14.4	16.0	16.4	14.1	14.5	15.2	15.2	…	14.6	14.6	14.6	13.6	13.2	13.1

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

[1] End of period.

Table 6. Guinea: Financial Soundness Indicators, 2015–18

(End of period, except otherwise indicated)

	2015	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4
Regulatory Capital to Risk-Weighted Assets	16.45	18.51	18.59	16.98	16.45	16.95	17.49	17.92	17.89	18.65	17.91	18.38	16.83	16.07	16.97	17.16	15.24
Regulatory Tier 1 Capital to Risk-Weighted Assets	16.87	18.26	18.73	17.43	16.87	15.77	16.84	17.99	18.00	19.07	18.21	18.77	17.43	16.43	17.65	17.90	15.58
Non-performing Loans Net of Provisions to Capital	6.82	7.42	6.98	9.18	6.82	9.09	23.08	14.05	14.66	12.91	14.43	13.06	11.30	12.34	13.52	13.54	37.50
Non-performing Loans to Total Gross Loans	6.07	6.34	5.91	6.19	6.07	6.66	10.08	9.36	9.44	10.00	11.42	11.14	10.68	11.05	8.66	11.89	12.15
Sectoral Distribution of Total Loans: Residents	99.71	99.55	99.58	99.44	99.71	99.61	99.64	99.96	99.97	99.42	99.95	99.69	99.70	99.97	99.93	99.94	99.60
Return on Assets	2.39	1.72	1.84	2.21	2.39	2.60	2.20	2.19	2.15	2.35	2.23	2.06	2.05	2.13	2.05	2.02	2.04
Return on Equity	21.74	15.31	16.40	19.89	21.74	24.25	21.50	18.30	18.81	19.38	17.09	16.14	16.74	18.49	17.30	16.33	19.34
Interest Margin to Gross Income	20.10	17.62	18.46	18.52	20.10	33.45	37.40	37.75	38.93	40.68	40.82	41.27	41.76	37.84	38.38	39.39	38.56
Non-interest Expenses to Gross Income	86.58	90.62	89.76	89.02	86.58	80.92	80.05	79.27	79.22	76.50	76.41	78.45	78.13	78.21	79.02	79.18	77.98
Liquid Assets to Total Assets (Liquid Asset Ratio)	25.56	32.38	32.27	28.10	25.56	24.35	26.56	28.18	28.89	26.23	30.39	28.91	26.83	29.57	30.63	30.87	26.16
Liquid Assets to Short Term Liabilities	42.15	53.32	52.03	45.20	42.15	40.45	43.41	45.62	45.80	42.74	48.62	46.25	43.11	48.54	50.11	51.05	42.62
Net Open Position in Foreign Exchange to Capital	-56.35	17.67	30.87	-26.34	-56.35	-49.74	-34.10	26.03	25.11	56.89	68.26	51.13	79.16	109.54	115.34	116.07	105.71

Source: Guinean authorities.

Table 7. Guinea: Indicators of Capacity to Repay the IMF, 2019–27[1]

(As of end-June 2019; SDR millions, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	3.0	28.2	34.6	38.3	34.4	37.6	22.2	15.8	10.3
Charges and interest	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Fund obligations based on existing and prospective credit									
(In millions of SDRs)									
Principal	3.0	28.2	34.6	38.3	34.4	37.6	30.8	29.6	24.1
Charges and interest	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total obligations based on existing and prospective credit 1/ 2/									
In millions of SDRs	3.1	28.6	34.9	38.6	34.7	37.9	31.1	29.9	24.4
In percent of exports of goods and services	0.1	0.8	1.0	1.0	0.9	0.9	0.7	0.7	0.5
In percent of debt service 3/	4.6	21.2	18.3	18.1	15.1	14.2	9.9	8.4	4.8
In percent of GDP	0.0	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.1
In percent of Gross International Reserves	0.4	3.2	3.5	3.6	3.1	3.1	2.4	2.1	1.6
In percent of quota	1.5	13.3	16.3	18.0	16.2	17.7	14.5	14.0	11.4
Outstanding Fund credit									
In millions of SDRs	262.6	268.8	234.2	196.0	161.7	124.1	93.3	63.7	39.6
In percent of exports of goods and services	8.5	7.8	6.5	5.2	4.2	3.1	2.2	1.4	0.8
In percent of debt service	387.5	199.3	122.9	92.0	70.3	46.7	29.6	17.8	7.8
In percent of GDP	2.7	2.6	2.1	1.7	1.3	0.9	0.7	0.4	0.2
In percent of Gross International Reserves	32.2	30.5	23.4	18.2	14.3	10.2	7.2	4.6	2.7
In percent of quota	122.6	125.5	109.4	91.5	75.5	57.9	43.6	29.7	18.5
Net use of Fund credit (millions of SDRs)	31.5	6.2	-34.6	-38.3	-34.4	-37.6	-30.8	-29.6	-24.1
Disbursements	34.4	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	3.0	28.2	34.6	38.3	34.4	37.6	30.8	29.6	24.1
Memorandum items:									
Exports of goods and services (millions of US$)	4,311	4,836	5,092	5,358	5,576	5,776	6,243	6,571	6,994
External Debt service (millions of US$)	95	190	270	304	329	384	455	517	731
Nominal GDP (millions of US$)	13,368	14,396	15,566	16,707	17,881	19,143	20,510	21,956	23,505
Gross International Reserves (millions of US$)	1,140	1,241	1,417	1,537	1,625	1,750	1,867	2,013	2,151
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 May 24, 2019 the IMF Executive Board approved an interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 30, 2021 and possibly longer. The Board also decided to set a zero interest rate on ESF until end-June 2021 while the interest rate on RCF was set to zero in July 2015.

3/ External debt service includes IMF repurchases and repayments.

Table 8. Guinea: Proposed Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2017–20

(Billions of Guinean Francs; unless otherwise indicated)

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

	2018				2019						2020			
	Dec				March			June	Sept.	Dec	March	June	Sept.	Dec
	PC	Adj. PC	Prel.	Status	IT	Prel.	Status	PC	IT	PC	IT	IT	IT	IT
Quantitative performance criteria														
Basic fiscal balance (floor; cumulative change for the year)	904	899	924	Met	499	502	Met	903	548	691	651	762	1,197	1,366
Net domestic assets of the central bank (ceiling; stock)	7,909	7,902	6,869	Met	7,780	7,205	Met	7,652	5,518	5,856	5,767	5,636	5,526	5,569
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,656	7,649	5,920	Met	7,533	6,601	Met	7,410	5,794	5,626	5,611	5,556	5,521	5,339
Net international reserves of the central bank (floor; stock); US$ million[1]	544	544	555	Met	583	631	Met	622	679	739	784	798	814	850
Continuous performance criteria														
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	658	Met	650	650	Met	650	650	650	650	650	650	650
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	Met	0	0	0	0	0	0	0
Indicative targets														
Tax revenues collected (floor)	14,702	13,609	13,609	Not Met	3995	3,914	Not Met	8,489	12,939	16,960	4,863	9,944	14,181	19,973
Domestically financed social safety programs to reduce poverty (cumulative floor)[*]	75	75	105	Met	33	19	Not Met	65	98	130	35	69	104	139
New domestic arrears accumulated by the central government (net)[*]	-82	-82	244	Not Met	-95	-1192	Met	-152	-857	-812	-45	-90	-104	-127
Memorandum items:														
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[4,5]	399	399	405	...	415	405	...	455	405	505	505	530	530	610

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

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

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

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

[3] Continuous performance criterion.

[4] Cumulative from the beginning of each year.

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

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

[7] Excluding recapitalization of the central bank

Table 9. 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 10. Guinea: External Financing Requirements and Sources, 2016–24

(Millions of U.S. Dollars)

	2016	2017	2018				2019			2020		2021	2022	2023	2024
	Act.	Prel.	Prog. Req.	1st Rev.	2nd Rev.	Prel.	1st Rev.	2nd Rev.	3rd Rev.	2nd Rev.	3rd Rev.	Proj.	Proj.	Proj.	Proj.
1. Gross financing requirements	2,987	926	2,507	2,770	2,263	2,585	2,317	2,887	3,067	2,695	2,796	2,489	2,445	2,295	2,331
External current account deficit	2,828	782	2,212	2,460	1,946	2,281	2,037	2,600	2,821	2,380	2,595	2,194	2,191	2,069	2,051
Capital account balance [1]	-16	-3	-17	-3	-3	-23	-3	-3	-23	-3	-24	-25	-25	-26	-27
Debt amortization	51	46	77	77	84	67	67	74	70	86	84	96	105	120	143
Change in arrears, net [2]	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross reserves accumulation	123	102	235	236	236	259	212	212	195	192	101	175	120	88	125
IMF Repayments [3]	0	0	0	0	0	0	4	4	4	40	40	49	55	44	39
2. Available financing	2,964	886	2,396	2,641	2,136	2,458	2,193	2,774	2,896	2,581	2,685	2,489	2,445	2,295	2,331
Foreign direct investment, net [4]	2,577	1,424	1,314	1,586	1,593	1,619	1,216	1,259	1,283	1,901	1,940	1,754	1,741	1,556	1,577
Identified disbursements	115	307	1,082	1,057	543	399	977	1,484	1,509	660	730	757	726	758	773
Grants	93	175	150	125	188	150	132	118	126	125	131	184	168	180	179
Project	10	143	99	92	155	118	92	93	97	101	107	115	109	102	106
Program	83	33	51	33	32	32	40	25	30	24	24	69	59	79	73
Loans	22	132	932	932	356	250	845	1,366	1,383	535	599	573	559	577	593
Project	22	132	922	921	356	250	834	1,366	1,323	535	599	534	522	559	581
Program	0	0	10	11	0	0	10	0	60	0	0	40	37	18	12
Other flows	272	-851	0	-3	0	440	0	30	104	21	15	-22	-22	-18	-19
Debt relief [1,2]	0	6	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Residual financing	-22	-40	-111	-129	-127	-127	-124	-113	-171	-114	-112	0	0	0	0
ECF and RCF disbursement	22	24	48	49	49	49	50	48	48	49	48	0	0	0	0
World Bank budget support	…	…	40	60	60	60	50	40	100	40	40	…	…	…	…
EU budget support	…	16	22	20	18	18	24	25	23	25	23	…	…	…	…

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

[1] Excludes public transfers and capital grant from IMF CCR Trust for debt cancellation.

[2] Projected clearance of outstanding debt arrears to non-Paris Club official creditors and commercial creditors through debt relief.

[3] In 2015 includes debt cancellation (under IMF repayments) and debt relief provided under the IMF's CCR Trust.

[4] Includes private short-term capital flows.

Table 11. Guinea: Projected External Borrowing[1]

January 1, 2019–December 31, 2020

PPG external debt	Volume of new debt in 2019		PV of new debt in 2019 (program purposes)			Volume of new debt in 2020		PV of new debt in 2020 (program purposes)	
	USD million	Percent	USD million	Percent		USD million	Percent	USD million	Percent
By sources of debt financing	**160**	**100**	**89**	**100**		**265**	**100**	**122**	**100**
Concessional debt, of which	**100**	**63**	**46**	**52**		**265**	**100**	**122**	**100**
Multilateral debt	100	63	46	52		265	100	122	100
Bilateral debt	0	0	0	0		0	0	0	0
Other	0	0	0	0		0	0	0	0
Non-concessional debt, of which	**60**	**38**	**43**	**48**		**0**	**0**	**0**	**0**
Semi-concessional	60	38	43	48		0	0	0	0
Commercial terms	0	0	0	0		0	0	0	0
By Creditor Type	**160**	**100**	**89**	**100**		**265**	**100**	**122**	**100**
Multilateral	100	63	46	52		265	100	122	100
Bilateral - Paris Club	0	0	0	0		0	0	0	0
Bilateral - Non-Paris Club	60	38	43	48		0	0	0	0
Other	0	0	0	0		0	0	0	0
Uses of debt financing	**160**	**100**	**89**	**100**		**265**	**100**	**122**	**100**
Infrastructure	0	0	0	0		225	85	103	85
Social Spending	0	0	0	0		0	0	0	0
Budget Financing	160	100	89	100		40	15	18	15
Other	0	0	0	0		0	0	0	0
Memo Items									
Indicative projections									
Year 2 (2020)	**265**		**122**		Year 2 (2021)	**65**		**30**	
Year 3 (2021)	**65**		**30**		Year 3 (2022)	**183**		**84**	

Sources: Guinean authorities; and IMF staff estimates.

[1]New external debt is recorded on a signature basis.

Table 12. Guinea: Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Policy Response if Materialized
External risks			
Rising protectionism and retreat from multilateralism	**High**	**High** Export market access for Guinea mining exports could be reduced.	Advance structural reforms to support economic diversification and private sector development.
Sharp tightening of global financial conditions	**Low/ Medium**	**Medium** Reduction in capital inflows. Funding and debt service costs may increase.	Build external buffers and allow greater exchange rate flexibility. Mobilize additional tax revenues.
Weaker-than-expected growth in the U.S. and Euro area	**Medium/ High**	**High** Demand for Guinea's minerals could fall thus reducing growth and mining tax revenue.	Strengthen non-mining tax revenue mobilization. Move ahead with structural reforms to support economic diversification and improve the business climate
Weaker-than-expected growth in China	**Medium**		
Intensification of security risks	**High** **High**	**Medium** Large-scale investment projects would likely be postponed.	Intensify structural reform to remove bottlenecks to growth and support economic diversification.
Large swings in energy prices	**Medium**	**Medium** Higher (lower) energy prices could reduce (increase) tax revenue and widen (reduce) external imbalances.	Implement the automatic price adjustment mechanism for petroleum products to allow pass-through to domestic prices. Build external buffers and allow greater exchange rate flexibility to absorb external shocks and build adequate FX reserve coverage.
Domestic Risks			
Deterioration of the domestic socio-political and security situation	**Medium**	**High** Investment and growth could be affected; program implementation could weaken; macroeconomic stability could deteriorate.	Focus reforms on areas less sensitive to socio-political environment. Orient fiscal policy towards supporting macroeconomic stability and promoting inclusive growth.

[1]The 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. Capacity Building Strategy Note: Update

A. Brief Assessment of the Capacity Building in FY19

1. **Guinea is a pilot country under the IMF Capacity Building Framework for fragile countries and intense user of Fund technical assistance (TA)**. During FY19 Guinea received 40 missions (21 from AFRITAC West and 19 missions from HQ, including two long-term experts (LTX)). The intensity of TA reflects the need to strengthen economic institutions and help the country exit out of fragility.

2. **IMF TA was well-aligned with the program objectives**. Targeted IMF technical assistance in FY19 supported the authorities towards achieving program objectives and strengthened institutional capacity. IMF TA focused in the following areas: tax policy and administration, public expenditures and investment management, treasury single account and cash management, government finance statistics, national accounts, the monetary policy framework, reserves accumulation strategy, debt management, external sector and monetary statistics, banking supervision, the anti-corruption framework and the AML/CFT regime. The capacity building program was delivered through TA missions from headquarters and AFRITAC West, resident long-term experts at the Ministry of Economy and Finance and the Ministry of Budget, a regional advisor for fragile countries, training workshops, and participation in ICD training courses.

3. **The authorities expressed their satisfaction with IMF TA which has been targeted to priority needs**. Domestic capacity continues to be a challenge for implementation of TA recommendations. In view of capacity constraints, staff has been closely engaged with the authorities to ensure that TA is demand-driven and it is prioritized to key areas. In addition, staff has worked closely with functional departments (MCM, FAD and STA) and AFRITAC West to ensure that technical assistance is targeted to priority needs and delivered in a phased manner.

B. Main TA Priorities in the Period Ahead

4. **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 foster high and more inclusive growth. Planned TA focuses on advancing the tax policy and administration reform; strengthening public financial and investment management; improving cash management and setting-up the treasury single account; improving debt management; strengthening central bank's internal audit; banking supervision; strengthening the anti-corruption framework and AML/CFT regime; strengthening macroeconomic statistics, including national accounts. Staff will continue to closely engage with the authorities to ensure that TA is demand-driven and it is prioritized to key areas.

Guinea: Technical Assistance, FY19		
Provider	**Main Topic**	**Date**
Fiscal Affairs		
FAD	LTX (Ministry of Budget)	
FAD	LTX (Ministry of Finance)	
FAD	Cash flow management	May 3-15, 2018
FAD	PIMA	May 3-17, 2018
AFW	Customs ADM	Jun 4-15, 2018
FAD	Expenditure assessment	Jun 5-14, 2018
AFW	PFM-Multy year commitment authorizations for investment expenditu	Jun 11-22, 2018
AFW	Public Expenditure Management	Jun 25-Jul 16, 2018
AFW	Tax Administration	Jul 2-20, 2018
FAD	Tax Adm & Customs (revenue Administration)	Jul 9-20, 2018
FAD	PEFA Assessment (Final Report Presentation)	Jul 11-19, 2018
AFW	Tax Administration	Sep 17-28, 2018
FAD	Improving Income Tax (Code, Internaional taxation, Non-tax)	Sep 27-Oct 11, 2018
AFW	Tax Administration	Nov 5-16, 2018
AFW	Pub Exp Maanagement-Accounting Procedures	Nov 19-30, 2018
FAD	TSA	Nov 19-30, 2018
AFW	Customs ADM	Dec 3-14, 2018
AFW	Customs (Exonerations and Temporary Admissions)	Feb 11-15, 2019
AFW	Customs (Sstrengthening the customs valuation function)	Feb 18-22, 2019
AFW	Tax Administration (Contribute to strengthening DNI's tax operations)	Feb 18- Mar 1, 2019
Legal		
LEG	AML/CFT	Oct 8-12, 2018
LEG	AML/CFT	Nov 26-30, 2018
LEG	AML/CFT	Mar 4-8, 2019
Monetary and Capital Markets		
AFW	Bank Supervision	May 14-25, 2018
MCM	Monetary Policy (Central Bank operations)	June 18-29, 2018
AFW	Bank Supervision	Sep 25- Oct 4, 2018
MCM	MTDS	Nov 5-16, 2018
MCM	Strengthening Internal Audit Function	Nov 26-Dec 7, 2018
MCM	FSSR	Jan 14-17, 2019
AFW	Bank Supervision	Jan 23- Feb1, 2019
Statistics		
STA	National Accounts	May 7-18, 2018
AFW	Real Sector Statistics (National Accounts)	Jun 18-29, 2018
STA	Statistics External Sector	Jul 9-20, 2018
AFW	National Accounts	Oct 1-12, 2018
AFW	GFS	Dec 10-21, 2018
STA	Monetary and Financial Statistics	Jan 7-18, 2019
AFW	Macro Forecasts	Feb 11-22, 2019

C. Main Risks and Mitigating Measures

5. Capacity and absorption constraints might weight on IMF TA implementation. Presenting the results of TA missions to a larger audience of technical staff directly involved and organizing workshops would increase traction and ownership. Furthermore, prioritizing TA recommendations, would facilitate absorption and implementation of TA recommendations. Better management and continuity of local staff and more training on the job would foster continuity and help mitigate capacity and absorption constraints.

6. Conducting outreach is helping to mitigate risks. Outreach activities conducted by the IMF Resident Representative will continue to facilitate the coordination and consultation among the government, Fund staff, and other stakeholders.

7. 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). 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.

D. Authorities' Commitments

8. The authorities continue to advance in the implementation of TA recommendations to achieve the goals of the capacity building program. The authorities are moving ahead in implementing program-supported reforms, with the support of IMF TA. Notably the PEFA, PIMA, and DemPA exercises were conducted in mid-2018, with strong authorities' support and cooperation, and their recommendations led to the approval of the action plan for the reform of public finances (PREFIP) 2019-2022, adopted by the Guinean government in December 2018. IMF TA recommendations towards strengthening the monetary policy framework and support the accumulation of foreign exchange reserves were swiftly implemented by the Central Bank. Furthermore, the implementation of the recommendations of IMF TA missions on tax administration led to the adoption of a new organic framework of the National Tax Directorate. The authorities are also working on strengthening the units (CTA and CTSP) tasked with monitoring the implementation of program-supported reforms.

9. The authorities aim at improving the absorption of TA. With the approval of the PREFIP 2019-2022, a monitoring process has been established and quarterly reports will be produced on reform implementation of public finances, including a dedicated section on the implementation of TA recommendations. The reform monitoring committees will provide an interface for TA missions and support TA absorption.

Annex II. External Sector Assessment for Guinea

The external position of Guinea in 2018 remained substantially weaker than the level consistent with economic fundamentals and desirable policies. Recent REER appreciation and current account widening suggest that this assessment is also likely to apply for 2019. Reserve coverage has improved in 2018 and further accumulation is needed to strengthen buffers against shocks, given Guinea's narrow export base. Continued efforts to enhance exchange rate flexibility, strengthen the fiscal position, and continue a more active reserve accumulation strategy should help strengthen the external position.

A. Balance of Payments and Exchange Rate Developments

1. The current account (CA) deficit deteriorated to -18.4 percent of GDP in 2018 from -7.1 percent in 2017 (Figure1, top left). Mining exports fell by about 4 percent in 2018, owing to a sharp decline in gold production. Imports increased by 19 percent (y-o-y) in 2018, reflecting investments in mining and infrastructure and higher international oil prices (Figure 1, top right). The export base remains narrow, with 88 percent of exports originating in the mining sector. The CA deficit was financed mostly by FDI, which reached 13 percent of GDP in 2018, and external project financing. The CA deficit is projected to widen to 20.7 percent of GDP in 2019 and to 17.7 percent of GDP in 2020, driven by mining and infrastructure investment-related imports. The CA deficit would narrow to 13.6 percent of GDP by 2021 as mining exports continue to increase and growth of investment-related imports moderates. FDI is expected to remain high during 2020–24, averaging 10.4 percent of GDP.

2. Guinea's real effective exchange rate (REER) appreciated by 7.2 percent in 2018, as inflation gained momentum (Figure 1, bottom right). The establishment of the bilateral foreign exchange auction market in early 2016 allowed greater flexibility and gradually reduced the premium between the official and foreign exchange bureaus rates (0.5 percent at end- 2018 compared to 14 percent in November 2015). The REER has further appreciated by 13.7 percent on average in the first four months of 2019, mostly reflecting high inflation. The nominal effective exchange rate (NEER) was broadly stable in 2018 in the first four months of 2019.

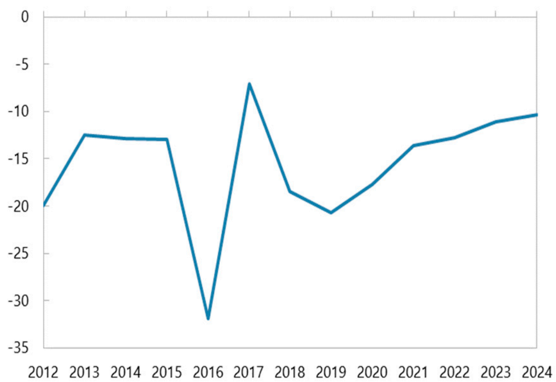
B. Model-Based Assessments

3. Model-based assessments are based on the IMF's External Balance Assessment (EBA)-Lite Methodology using the CA model and the REER model.[1] The CA model estimates a current account norm, or value consistent with fundamentals and desirable policies and determines the exchange rate adjustment needed to eliminate the gap between the current account norm and the actual current account. The REER model estimates the equilibrium real exchange rate based on the product of economic fundamentals and coefficients of a cross-country panel regression. In addition to fundamentals, the CA and REER norms of both models are determined based on desirable policy settings based on program targets.

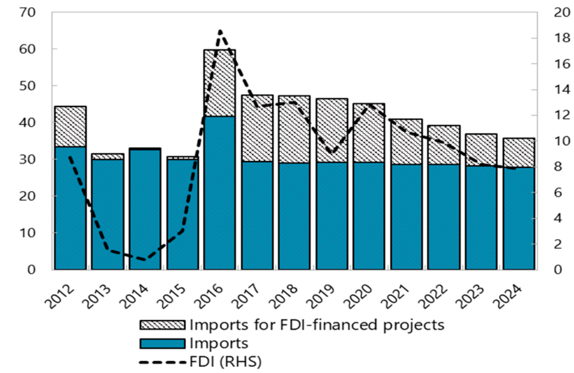
[1]See Methodological Note on EBA-Lite (IMF, 2016). https://www.imf.org/external/np/pp/eng/2016/020516.pdf. The External Stability model is not used because of weaknesses in balance of payments data.

Figure 1. Guinea: External Sector Developments

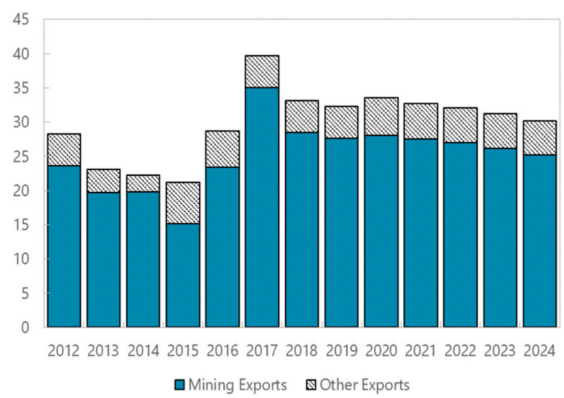
Current Account Balance
(Percent of GDP)



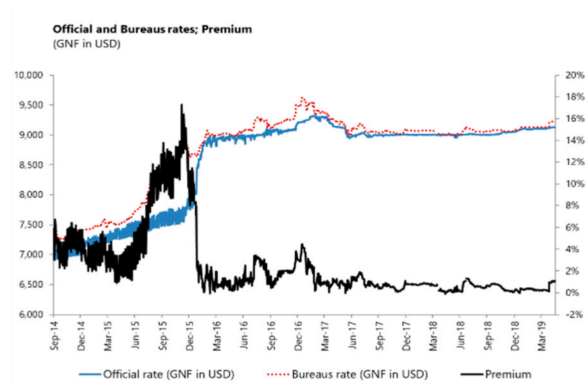
Imports and FDI
(Percent of GDP)



Exports
(Percent of GDP)



Official and Bureau rates; Premium
(GNF in USD, percent)



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

4. Both models point to the external position being substantially weaker than implied by fundamentals and a misalignment of the REER:

- The **CA model** suggests the real exchange rate was overvalued by between 17–31 percent in 2018.[2] The model estimates the cyclically-adjusted CA norm at -1.8 percent of GDP based on 1996–2018 historical data on fundamentals and policy factors, against an adjusted actual CA deficit of 8.4 percent of GDP in 2018. The CA outturn is adjusted downwards by 10 percent of GDP to remove the transitory effects of FDI-financed imports. The adjusted

[2]A range is provided to underscore that there is uncertainty around the point estimate of CA and REER gaps.

CA deficit and the CA model's estimated CA and REER gaps are expected to remain substantial in 2019.

- The **REER model** indicates an overvaluation of 16–30 percent in 2018. The REER has appreciated a further 1.1 percent from December 2018 to April 2019, suggesting that the overvaluation will persist in 2019. Although the gap is still large, the authorities' policies aimed at containing inflation and increasing productivity and exchange rate flexibility should help bring the exchange rate closer to fundamentals over time.

Summary of EBA-lite Findings

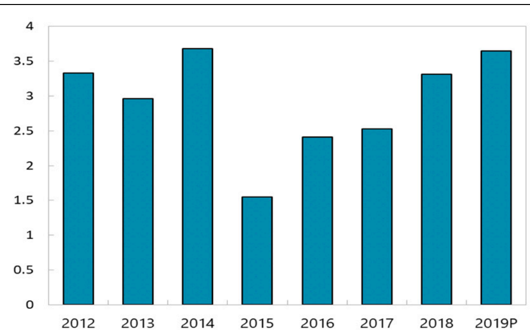
	CA Norm*	Actual CA*	CA Gap	REER Gap
		(Percent of GDP)		(Percent)
CA Approach	-1.8	-8.4	-7.2	23.6
REER Approach	n.a.	n.a.	n.a.	23.3

Notes: Values are cyclically adjusted.
The actual CA is adjusted for transitory effects of FDI-financed imports.

C. Reserve Adequacy

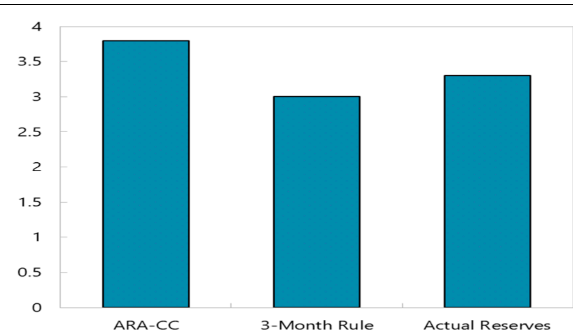
5. **International reserves increased in 2018 as the authorities continued to strengthen buffers, following the commodity price and Ebola shocks in 2015** (Figure 2). Guinea's gross international reserves rose from 2.5 months in 2017 to 3.3 months of import coverage at end-2018 (excluding imports related to large FDI-financed projects) or US$945 million. Gross international reserves further accumulated to about US$1 billion at end-March 2019 (3.6 months of import cover), reflecting a more active accumulation strategy of the BCRG.

Figure 2. Guinea: Gross International Reserves, 2012–19
(Months of imports)



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

Figure 3. Guinea: Reserve Adequacy, 2018



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

6. **Reserves are progressing towards achieving the reserve adequacy metrics** (Figure 3). The 2018 reserve level is above the 3-month rule of thumb. At around 34 percent of broad money, it is also significantly above the 20 percent of broad money rule of thumb. However, these metrics may not account for the full range of benefits and costs of holding reserves in Guinea. Guinea's status as an undiversified commodity exporter and fragile state suggests the benefits to holding reserves as a

buffer against shocks may be higher. In addition, while the authorities are moving toward a more flexible exchange rate regime, there may still be a need to intervene to provide market liquidity or to avoid large exchange rate fluctuations, which would also require holding more reserves. Without access to the international capital market, however, Guinea may face higher opportunity costs to holding reserves. A cost-benefit analysis approach considering these factors using the IMF's reserve adequacy assessment framework for credit constrained LICs (ARA-CC) estimates that the optimal level of reserves for Guinea is in the range of 0.9-5.1 months of imports (see text table). Given the limited export diversification and high dependency of the mining sector, staff considers that the range of adequate reserves is between the levels for a resource rich country with a flexible or fixed regime of 2.5 to 5.1 months of import coverage, respectively, or an average of 3.8 months.[3] The authorities remain committed to strengthening foreign exchange reserves and are targeting an import reserve coverage of 3.8 months under the program by 2020, in line with the average optimal level of reserves for Guinea.

Summary of ARA-CC Results
(Adequate Reserve Coverage in Months of Imports)

Economic Classification	Exchange Rate Regime	
	Flexible	Fixed
Resource Rich	2.5	5.1
Fragile	0.9	1.7

Note: Assumes cost of holding reserves of 6.2 percent.

D. Staff Assessment and Policy Implications

7. Overall, staff considers that Guinea's external position remained substantially weaker than the level consistent with economic fundamentals and desirable policies. Specifically, staff assesses the CA gap for 2018 to be -5 to -9 percent of GDP and REER overvaluation to be 17–30 percent, based mainly on the CA and REER model results. Recent REER appreciation and current account widening suggest that the external position is likely to remain substantially weaker than the level consistent with economic fundamentals and desirable policies in 2019. However, economic volatility and related issues with data quality create a significant degree of uncertainty regarding the external assessment.

8. Policies under the program will help strengthen the external position and address exchange rate misalignment. The authorities are committed to finalizing the market-driven reforms of the foreign exchange market with the support of IMF technical assistance and develop a rules-based intervention strategy for the central bank. Strengthening the fiscal position through revenue mobilization and containing non-priority current expenditure can also contribute to improving the current account balance. The BCRG is also continuing to implement a more active strategy to build external buffers against exogenous shocks.

[3]This considers the range of outcomes for resource rich countries for flexible and fixed exchange rate regimes. The opportunity cost of holding reserves is assumed to be 6.2 percent based on the LIC average for the marginal productivity of capital.

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

Appendix I. Letter of Intent

Conakry, July 9, 2019

Mr. David Lipton
Acting Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Acting Managing Director:

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

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

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

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

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

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

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

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

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

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

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

Please accept, Dear Acting Managing Director, the assurance of our highest consideration.

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

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

Attachment I. Memorandum of Economic and Financial Policies

May 21, 2019

A. Recent Economic and Financial Developments

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

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

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

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

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

5. **Our banking system remains stable and private sector credit has strengthened, supported by banks' improved liquidity**. After declining by 1.3 percent in 2017, private sector credit growth increased by 11.2 percent (average, y-o-y) in 2018 and by 15 percent in the first quarter of 2019 (average, y-o-y). In parallel, commercial banks' lending to the government also increased by 27 percent (average, y-o-y) in 2018, as government borrowing from the BCRG was contained and by 33 percent in the first quarter of 2019 (average, y-o-y), while remaining in a situation of non-conformity at end-March 2019 at the same level of end-2018. Banks' liquidity

conditions improved in 2018 and remained favorable in the first quarter of 2019, on the back of sustained deposits growth at 12.9 percent (average, y-o-y) in 2018 and by 14.3 percent (average, y-o-y) in the first quarter of 2019 reflecting sustained economic growth. Notably, deposits in GNF increased by 17.7 percent (average, y-o-y) while deposits in foreign currency increased by 3 percent (average, y-o-y) in 2018 and by 19.2 (average, y-o-y) percent and 3.5 percent (average, y-o-y) in the first quarter in 2019. Excess reserves in domestic currency increased from 268 billion GNF in 2018 to 932 billion GNF in the first quarter of 2019. Interbank market activity improved, with 27 transactions in 2018 compared to 22 transactions in 2017. One bank was in non-compliance of reserve requirements at end-2018 and one bank remained non-compliant with the share minimum capital adequacy requirement at end-2018 (six banks were not-compliant at end-2016 and two banks at end-2017. Three banks did not comply with the net equity capital requirement at end-2018. Non-performing loans (NPLs) increased to 12.2 percent at end 2018 (10.6 percent in 2017), reflecting the increase of non-performing loans in the hotel sector due lower-than-anticipated occupancy rates. Provisioning for NPLs improved to 37.8 percent at end-2018 (11.3 percent at end-2017).

B. Program Objectives and Key Elements

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

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

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

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

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

C. Economic Policies and Reforms Program

Macroeconomic Outlook

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

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

Fiscal Policy

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

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

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

Fiscal Strategy for 2019

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

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

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

Mobilizing Revenues

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

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

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

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

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

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

Containing Current Spending

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

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

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

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

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

Strengthening Social Safety Nets

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

Medium-Term Revenue Mobilization Strategy

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

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

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

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

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

Fiscal Structural Reforms

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

26. We will continue our efforts towards improving budget transparency and control by modernizing the budget preparation process and producing periodical reports of budget execution. For the first time, we presented a medium-term budget (MTB) with the 2017 budget law. We have adopted the new budget nomenclature for the 2018 Budget Law, in line with the GFSM 2001 manual for public finance statistics implemented the new budget nomenclature for the 2018 budget execution and modernized the information system for the preparation and execution of the budget. We have established a top-down budgetary approach by setting targets for medium-term budgeting in line with the ECF-arrangement fiscal targets. In addition, we have enhanced our budget preparation calendar and have made considerable progress in adhering to the calendar for the 2018 Supplementary Budget Law and the 2019 budget preparation and we will continue to publish the quarterly reports of the budgetary execution. We have adopted in December 2017 the new law on the financial governance of public enterprises and institutions in accordance with the new legislative and regulatory framework of public finances. We have prepared the budget execution procedural manuals in February 2019 to strengthen the quality of budgetary execution and the quality of the reports of budgetary execution. We will operationalize it on the chain of expenditures by the end of 2019, following their validation and approval by July 2019. In order to avoid the recurrence of extrabudgetary expenditures and the accumulation of new domestic arrears, and to better align cash flows and planned expenditure commitments, we have limited the use of exceptional expenditure procedures during 2018 and the first quarter of 2019 to sovereign expenditures and special funds, and we have linked the execution of all authorized expenditures to budget lines, in accordance with the Budget Management and Public Accountancy Decree (RGGBCP) regarding the use of these exceptional procedures for the execution of public expenditure. We have put an end to the use of payment authorization (PA) terminology, which is not provided for in the regulations and has been used instead of exceptional procedure as an exception to the normal execution procedure of public expenditure, in order to comply with the RGGBPC. Like the PA procedure, the use of these exceptional procedures will be limited, in accordance with the RGGBPC, to the execution of the expenses of special funds and the sovereign expenses inscribed in the budget for the benefit of the President of the Republic, as well as expenditures of constitutional institutions, and will be linked to the appropriations available on budget lines to avoid extrabudgetary expenditure. We have provided and will continue to provide a quarterly report to IMF staff on the use of exceptional procedures for expenditures of special funds, sovereignty expenses of the President of the Republic and other constitutional institutions, and all other expenditures submitted to these procedures, excluding the payment of debt interest.

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

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

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

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

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

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

Debt Policy and Management

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

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

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

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

D. Monetary and Exchange Rate Policies

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

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

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

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

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

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

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

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

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

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

Structural Reforms

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

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

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

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

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

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

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

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

E. Program Monitoring

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

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

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

(Billions of Guinean Francs; unless otherwise indicated)

	2017				2018															2019						2020			
	Dec				March				June			Sept.				Dec				March			June	Sept.	Dec	March	June	Sept.	Dec
	PC	Adj. PC	Act.	Status	IT	Adj. IT	Prel.	Status	PC	Prel.	Status	IT	Adj. IT	Prel.	Status	PC	Adj. PC	Prel.	Status	IT	Prel.	Status	PC	IT	PC	IT	IT	IT	IT
Quantitative performance criteria																													
Basic fiscal balance (floor; cumulative change for the year)	519	614	-1,030	Not Met	346	503	1,196	Met	1,022	1,749	Met	1,387	1,417	999	Not Met	904	899	924	Met	499	502	Met	903	548	691	651	762	1,197	1,366
Net domestic assets of the central bank (ceiling; stock)	7,208	7,350	8,236	Not Met	7,137	7,369	8,070	Not Met	8,358	7,460	Met	8,112	8,156	7,068	Met	7,909	7,902	6,869	Met	7,780	7,205	Met	7,652	5,518	5,856	5,767	5,636	5,526	5,569
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,179	7,321	7,983	Not Met	7,108	7,340	7,651	Not Met	7,939	6,648	Met	7,693	7,737	6,257	Met	7,656	7,649	5,920	Met	7,533	6,601	Met	7,410	5,794	5,626	5,611	5,556	5,521	5,339
Net international reserves of the central bank (floor; stock); US$ million[1]	345	330	357	Met	420	395	390	Not Met	422	437	Met	506	501	494	Not Met	544	544	555	Met	583	631	Met	622	679	739	784	798	814	850
Continuous performance criteria																													
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	0	Met	650	650	0	Met	650	0	Met	650	650	598	Met	650	650	658	Met	650	650	Met	650	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	Met	0	0	0	Met	0	0	0	Met	0	0	Met	0	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	7,524	6,849	Not Met	11,089	11,089	10,383	Not Met	14,702	13,609	13,609	Not Met	3995	3,914	Not Met	8,489	12,939	16,960	4,863	9,944	14,181	19,973
Domestically financed social safety programs to reduce poverty (cumulative floor)	138	138	47	Not Met	76	76	6	Not Met	99	16	Not Met	148	148	51	Not Met	75	75	105	Met	33	19	Not Met	65	98	130	35	69	104	139
New domestic arrears accumulated by the central government (net)	...	...	...	...	...	...	...	...	-340	-409	Met	-390	-390	434	Not Met	-82	-82	244	Not Met	-95	-1192	Met	-152	-857	-812	-45	-90	-104	-127
Memorandum items:																													
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[4,5]	315	315	315	...	365	365	339	...	339	343	...	399	399	405	...	399	399	405	...	415	405	...	455	405	505	505	530	530	610

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

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

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

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

[3] Continuous performance criterion.

[4] Cumulative from the beginning of each year.

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

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

[7] Excluding recapitalization of the central bank

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

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

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

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

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

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

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

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

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2017–20 (continued)			
Measures	**Date**	**Status**	**Objectives**
All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	End Nov-18	Met. Since June 2018, a new bauxite extraction contract was ratified and put fully in line with the tax provisions of the mining code. In addition, a new contract, with an infrastructure, was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
II. Monetary and foreign exchange policy			
BCRG to publish IFRS-compliant financial statements for 2017.	End Sep-18	Not met. This was completed with a delay. The 2017 financial statements were published on November 28, 2018.	Strengthening the BCRG financial accountability
BCRG to establish internal compliance processes to review adherence with legislation and provide semi-annual reporting to the Board.	End Sep-18	Met. A compliance committee has been set up which covers internal compliance and AML/CFT issues and a compliance officer has been appointed. The BCRG's legal department is a member of the internal compliance mechanism to foster coordination.	Strengthening internal audits and control functions
BCRG to establish unilateral and competitive auctions to conduct regular and small purchases of foreign exchange.	End Sep-18	Met. An instruction formalizing the setting-up of the unilateral and competitive auctions has been signed by the Governor of the BCRG.	Conduct an active strategy to accumulate international reserves

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

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

[1]While this structural benchmark had been previously indicated for end-June 2018 in Table 2 of the Memorandum of Economic and Financial Policies (MEFP) in the Staff Report for the First Review of the ECF arrangement with Guinea (Country Report No. 18/234), its timing was in fact end-September 2018 as per ¶24 of the MEFP in the same report.

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

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

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

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

Attachment II. Technical Memorandum of Understanding

May 21, 2019

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

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

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

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

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

DEFINITIONS OF PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND MEMORANDUM ITEM

A. Performance Criteria and Indicative Benchmarks

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

Performance Criteria

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

Continuous Performance Criteria

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

Indicative Targets

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

Memorandum Item

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

B. Central Government Definition

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

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

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

D. Ceiling on Net Domestic Assets of the Central Bank

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

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

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

- Gross foreign liabilities are equal to gross foreign exchange liabilities as defined in paragraph 13, including SDR allocations, plus any other foreign liabilities not listed in that paragraph.

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

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

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

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

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

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

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

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

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

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

(continued)

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

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

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

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

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

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

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

I. Floor on Tax Revenues Collected

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

J. Domestically-financed Social Safety Nets Programs

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

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

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

ADJUSTMENT FACTORS FOR THE PROGRAM PERFORMANCE CRITERIA

A. Adjustor for Basic Fiscal Balance

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

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

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

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

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

B. Adjustor for Net International Reserves

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

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

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

C. Adjustor for Net Domestic Assets of the Central Bank

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

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

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

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

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

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

MONITORING AND REPORTING REQUIREMENTS

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

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

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

GUINEA

July 10, 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERION AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS UPDATE

Approved By
Abebe Aemro Selassie (IMF) and Marcello Estevão (IDA)

Prepared by the International Monetary Fund and the International Development Association

Guinea: Joint Bank-Fund Debt Sustainability Analysis[1]		
Risk of external debt distress	*Moderate*	
Overall risk of debt distress	*Moderate*	
Granularity in the risk rating	*Some space to absorb shocks*	
Application of judgment	Yes	The overall risk of debt distress is assessed to be moderate against a mechanical rating of high risk of debt distress.

Guinea is at moderate risk of external debt distress with some space to absorb shocks*. All external debt burden indicators under the baseline scenario lie below their policy-dependent thresholds. Stress tests suggest that debt vulnerabilities will increase if adverse shocks materialize. Under the most extreme stress tests, all solvency and liquidity indicators breach their thresholds for prolonged periods. The overall risk of public debt distress is also assessed to be moderate, with the application of judgement regarding a brief and marginal breach for the PV of total public debt to GDP ratio over 2019–20, reflecting the one-off impact of the recapitalization of the central bank. Guinea's external and public debt position at end-2018 improved compared to the December 2018 DSA, owing to upward revisions of growth estimates in 2016–17, lower-than-anticipated external loan disbursements in 2018, and a stable exchange rate in 2018. A prudent external borrowing strategy aimed at maximizing the concessionality of new debt, limiting non-concessional loans to programmed amounts and strengthening debt management will be key to preserving medium-term debt sustainability.*

[1]The Debt Sustainability Analysis (DSA) update was prepared jointly with the World Bank and in collaboration with the Guinean authorities. This DSA updates the DSA analysis in the staff report, No. 18/234 and has been prepared following the revised Debt Sustainability Framework (DSF) for LICs and Guidance Note (2017) in effect as of July 1, 2018. Guinea's debt carrying capacity is classified as weak based on the Composite Indicator (CI) under the revised LIC DSF. Thresholds for debt burden indicators are also those established in the revised 2017 DSF.

COVERAGE OF PUBLIC DEBT

1. **The definition of public debt used in this DSA covers central government debt, central government-guaranteed debt, and central bank debt contracted on behalf of the government (Table 1).**[2] Audited and validated arrears to suppliers over the period 1982–2013, as well as domestic arrears accumulated in 2018 (for domestic arrears stock of 3.1 percent of GDP at end-2018) have been included in the baseline. While other elements of public sector debt, such as non-guaranteed debt of state-owned enterprises and social security funds, are not included due to data constraints, a contingent liability stress test is performed to enhance the robustness of the DSA (Table 1). Staff continues to work with the authorities to broaden the coverage of public debt and improve capacity to address debt data weaknesses. The definition of public and publicly guaranteed debt (PPG) used in the DSA includes the loan for the Souapiti dam (US$1.2 billion, about 10 percent of 2018 GDP) signed on September 4, 2018.[3] Furthermore, to depict the potential full impact on the debt profile, the government is assumed to be responsible for servicing the loan in the DSA.[4]

Table 1. Guinea: Coverage of Public Sector Debt and Design of the Contingent Liability Stress Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2	
4	PPP	35 percent of PPP stock	1.33	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		8.3	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[2] 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. The payments with respect to C2D are included in debt service of the fiscal baseline. See Country Report No.15/39 for a detailed discussion. Information on non-residents' holding of local currency debt is not available. This could give rise to an underestimation of external debt on a residency basis.

[3] The grant element of the Souapiti loan is estimated to be 29 percent. The loan will be transferred to a Special Purpose Vehicle (SPV) jointly owned by the Guinean government (51 percent) and China International Water & Electricity Corporation (49 percent), which will be managing and operating the dam on a commercial basis and will be responsible for servicing it.

[4] The Souapiti loan is not included in the public investment of the central government as it will be carried out by an SPV that is not considered as part of the central government.

RECENT DEBT DEVELOPMENTS

2. **The stock of Guinea's overall public debt as a share of GDP declined in 2018 as both external and domestic positions strengthened, supported by robust economic growth.** Total public debt stood at US$4.5 billion (37.6 percent of GDP) at end-2018 compared with US$4.1 billion (39.6 percent of GDP) in 2017. External public debt as a percent of GDP declined for the second consecutive year to 19.1 percent of GDP in 2018 from 19.4 in 2017. The stock of external debt increased moderately to US$2.3 billion at end-2018 compared to US$2 billion in 2017, reflecting lower-than-anticipated loan disbursements. Domestic debt as a percent of GDP also declined to 18.6 percent of GDP in 2018 from 20.2 percent of GDP in 2017. The domestic debt stock increased to US$2.2 billion in 2018 from US$2.1 billion in 2017, owing mainly to an increase in the issuance of treasury bills and a net accumulation of domestic arrears.

Table 2. Guinea: Structure of External Public and Publicly Guaranteed Debt

(Nominal values)

	end-2017	end-2018		
	USD (millions)	USD (millions)	Percent of Total	Percent of GDP
Total	**2026.9**	**2287.4**	**100.0**	**19.1**
Total incl. C2D	2118.4	2355.4	103.0	19.6
Multilateral creditors	**869.5**	**1116.1**	**48.8**	**9.3**
IMF	277.2	322.3	14.1	2.7
World Bank	240.4	341.4	14.9	2.8
Other Multilateral creditors	351.9	452.4	19.8	3.8
Official Bilateral Creditors	**1095.6**	**1110.6**	**48.6**	**9.3**
Paris Club (excl. C2D)	43.0	37.9	1.7	0.3
Non-Paris Club	1052.6	1072.7	46.9	8.9
Commercial Creditors	**61.6**	**60.8**	**2.7**	**0.5**
Memo				
Arrears	150.1	149.3	6.5	1.2

Sources: Guinean authorities; and IMF Staff calculations.

Notes: Arrears at end-2018 are due to Non-Paris Club official bilateral creditors (US$88.5 million) and commercial creditors (US$60.8 million). The Guinean authorities have started discussions with creditors in order to reach a resolution on the normalization of these arrears.

UNDERLYING MACROECONOMIC ASSUMPTIONS

3. **Key assumptions are consistent with the macroeconomic framework outlined in the Policy Note for the Third Review under a Three-Year Extended Credit Facility**. Changes to the assumptions compared to the December 2018 DSA are as follows:

- **Real GDP growth** was revised upwards to 10.8 percent in 2016 (from 10 percent) on the back of stronger mining activity and to 10 percent in 2017 (from 9.9 percent). Real GDP growth is estimated at 5.8 percent in 2018, driven by strong performance in mining and construction and good agriculture performance. The growth momentum is expected to continue with real growth at 6 percent over 2019–20. Over the long run (2022–39), real growth is projected to remain at about 5 percent, reflecting the increased productive capacity of the economy and its further diversification. Risks to the growth outlook are tilted to the downside, stemming from socio-political tensions in the run-up to elections and delays in projects and reform implementation. Upside potential could arise from mining production capacity coming on stream faster than currently expected.

- **Inflation** is expected to remain moderate at around 8.9 percent in 2019 and gradually decrease to 7.8 percent over the medium term, reflecting a prudent monetary policy stance.

- **Fiscal balance**.[5] The primary fiscal balance recorded a deficit of 0.3 percent of GDP in 2018 (versus a projected 1 percent in the 2018 DSA) and it is expected to record a deficit of 1.8 percent of GDP in 2019, reflecting the increase in electricity subsidies due to structural changes in the sector and an average deficit of 1.2 percent of GDP over 2020–24. This reflects expected revenue mobilization efforts and the containment of non-priority current expenditure, including the gradual phasing out of electricity subsidies. Additional tax revenues of about 1.7 percent of GDP are expected to be mobilized over 2019–20, supported by tax policy and administration measures, and stronger mining revenues resulting from measures to reduce leakages from transfer pricing. Continued revenue mobilization effort is expected to gradually increase tax revenue by 1.4 percent of GDP over 2021–29. 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 5 percent of GDP in 2018 to 7.4 percent in 2024. In view of development needs, capital expenditures are expected to remain high at 7.6 percent of GDP, on average, over 2025–29. Grants stood at 1.4 percent of GDP in 2018 and are expected to remain at 1.1 percent of GDP on average over the period 2019–21, also reflecting the continued mobilization of donors' support following the 2017 Consultative Group for Guinea.

- **The current account** is expected to record a deficit of about 19 percent of GDP in 2019–20 and to average 12 percent of GDP over 2021–24, reflecting high imports for mining and public infrastructure projects, including the Souapiti dam, financed by FDI and external borrowing. These investments will boost exports, resulting in a gradual narrowing of the current account deficit over the medium term.

- **External financing mix and terms**. The authorities plan to continue mobilizing external financing to scale-up public investments in infrastructure to support economic diversification and high growth. New external borrowing is expected to pick up significantly in the near term, from 4.0 percent of GDP in 2018 to 12.1 percent in 2019 and average

[5]While it is the primary fiscal balance that drives public debt, the basic fiscal balance is the main fiscal anchor under the ECF program. The basic fiscal balance is defined as government revenue excluding grants minus expenditures, excluding interest payments on external debt and externally financed capital expenditure. This measure of fiscal balance aims to capture actual fiscal efforts. The basic fiscal surplus is projected to improve from 0.8 percent of GDP in 2018 to an average of 0.8 percent of GDP during 2019–24.

6.8 percent of GDP over 2019–21. The pick-up in debt accumulation in the short term reflects the one-off impact of the borrowing to finance the construction of the Souapiti dam signed in September 2018 (Table 4). In addition to the Souapiti loan to be disbursed over 2019–21, the DSA also incorporates, the non-concessional borrowing of US$658 million (5 percent of 2018 GDP) to finance priority projects to be disbursed over 2019–21.[6] Out of this envelope, US$598 million were signed with Eximbank China and ICBC in September 2018 to finance the rehabilitation of the RN1 national road and the Conakry urban road network. In addition, US$60 million (0.4 percent of 2019 GDP) in non-concessional budget support from Qatar was signed in November 2018 and disbursed in April 2019. External borrowing is expected to continue to be sustained in the long run to finance infrastructure development, averaging at about 3 percent of GDP over 2021-29 and 2.3 percent of GDP over 2030–39. This would include anticipated World Bank budget support of US$100 million in 2019 and US$40 million in 2020, as well as project loans of US$325 million over the period 2020-24, including the World Bank enclave loan of $200 million for the agricultural sector. Due to the mostly non-concessional nature of borrowing in the near term, however, the average grant element of new borrowing is expected to decline sharply to about 31 in 2019 (36.3 in 2018) due to the expected large disbursement from the Souapiti loan and to average 30.4 percent in the long run, reflecting that the use of non-concessional financing is expected to gradually increase over time.

- **Domestic borrowing**. Net government domestic financing is expected to be negative throughout 2019–24 (-1.1 percent of GDP in 2019, -0.7 percent of GDP in 2020 and averaging -0.5 percent of GDP for 2021-24), as the government is expected to gradually repay past borrowings from the BCRG, domestic arrears accumulated during 2017–18, and the validated 1982–2013 arrears to the private sector in line with the clearance strategy 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 in the long term.

- **Realism of assumptions**. Growth projections at about 6 percent in 2019–20 are predicated on conservative assumptions, notably against the background of weak historical growth outturns in Guinea, reflecting adverse conditions such as the Ebola crisis, commodity price shocks and earlier periods of social unrest. In this context, the investment-growth nexus remains conservative (Figure 6, bottom panel). The scaling of-up of public investment is expected to support growth. While higher-than-projected primary fiscal deficits were historically the largest contributor to unexpected debt accumulation for the past five years (Figure 5), the current ECF arrangement supports a fiscal adjustment that is feasible for Guinea, taking into account the country's fragility and capacity constraints (Figure 6, top panel).

[6] For the Souapiti loan, US$980 million, US$155 million and US$41 million are expected to be disbursed in 2019, 2020 and 2021, respectively. For the US$598 million envelope of non-concessional loans signed in September 2018, US$109 million is expected to be disbursed in 2019, US$208 million in 2020, and the remaining amount in 2021.

COUNTRY CLASSIFICATION

4. **The Composite Indicator for Guinea is 2.51 based on the April 2019 WEO vintage and the 2018 update for the CPIA index, which classifies Guinea at weak debt-carrying capacity**. Two tailored stress tests are triggered to account for Guinea's specific economic features. A contingent liabilities stress test captures a combined shock from SOEs' external debt default, PPPs' distress and/or cancellations, and financial market vulnerabilities, all of which amount to 8.3 percent of GDP (Table 1).[7] A commodity prices stress test is also applied as mining exports constitute more than 80 percent of total exports for Guinea. Furthermore, two fully customized scenarios—a weak policy scenario, and higher non-concessional loans—have also been performed to assess Guinea's country-specific risks and capacity to absorb shocks.

Table 3. Guinea: Calculation of CI index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.128	1.20	48%
Real growth rate (in percent)	2.719	6.189	0.17	7%
Import coverage of reserves (in percent)	4.052	19.764	0.80	32%
Import coverage of reserves^2 (in percent)	-3.990	3.906	-0.16	-6%
Remittances (in percent)	2.022	0.359	0.01	0%
World economic growth (in percent)	13.520	3.559	0.48	19%
CI Score			2.51	100%
CI rating			Weak	

MODEL SIGNALS AND RISK RATING

A. External Debt

5. **Guinea stands at moderate risk of external debt distress, with some space to absorb shocks** (Table 4, Table 7, Figure 1, and Figure 7). Under the baseline scenario, all external debt ratios remain below their policy dependent thresholds. Based on the mechanical rating of the moderate risk tool, Guinea is assessed to have some space to absorb shocks. The external debt position has improved slightly compared to the December 2018 DSA, due to upward revisions in estimated growth in 2016–17, lower-than-anticipated external loan disbursements in 2018, and a stable exchange rate in 2018. The PV of external debt-to-GDP is expected to peak at 23.3 percent in 2026 (slightly above the 2020 peak of 22.8 percent of

[7]The contingent liability stress test has two components: (i) a minimum starting value of 5 percent of GDP representing the average cost to the government of a financial crisis in a LIC since 1980; and (ii) a tailored value, reflecting additional potential shocks from SOE's debt and PPP that are not included in the definition of public debt. A tailored PPP shock is used, and the size of the PPP shock is estimated to be 3.8 percent of GDP based on the 2018 PIMA report, larger than the default value of 1.37 percent from the World Banks' PPP database. Local governments in Guinea have limited debt exposure, and the stock of non-guaranteed SOE's debt is also likely to be a small. Overall, a contingent liability shock of 8.3 percent of GDP should adequately capture risks arising from debt not covered under the baseline.

GDP in the December 2018 DSA) and then to decline. Liquidity ratios are also expected to remain well below policy dependent thresholds and decline slightly compared with the December 2018 DSA. Under the historical scenario and most extreme stress tests, all indicators breach their thresholds.[8] However, some of 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) higher non-concessional loans—all indicators scenario.[9]

B. Total Public Debt

6. Guinea's overall risk of debt distress is assessed to be moderate, with the application of staff judgement. As in the December 2018 DSA, under the baseline scenario the PV of total public debt-to-GDP breaches the benchmark for two years (2019 and 2020) (Table 5 and Figure 3). The PV of total public debt-to-GDP ratio peaks in 2019 at 37.2 percent of GDP (vis-à-vis the benchmark of 35 percent of GDP and 37 percent of GDP in the December 2018 DSA). This reflects the one-off impact of the recapitalization of the BCRG in 2018, a key reform to enhance Central Bank independence. This adds to the anticipated disbursement of the loan for the Souapiti dam (US$1.2 billion signed on September 4, 2018) and of non-concessional loans for priority infrastructure development that increase PPG external debt in the short run. Staff applied judgment to assign a moderate risk rating as: (i) the magnitude of the breach is marginal, and the length is temporary (just two years); and (ii) the recapitalization will only affect one debt burden indicator—the PV of overall public debt to GDP. Notably, the recapitalization will not add to the debt service burden in the near term as it was conducted by issuing 30-year bonds for the overall recapitalization needs, additional securities are expected to be issued in lieu of interest payments, and no payment is expected to be made until 2046. The PV of the total debt-to-GDP ratio exceeds the benchmark in the medium term under the most extreme shock. Space for additional borrowing is limited, notably in the near term. Delays in repaying domestic arrears or debt owed to the BCRG, higher-than-anticipated government borrowing from the BCRG, or new audits of domestic arrears could worsen the dynamics of total public debt.

7. The authorities broadly agreed 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 that financing under these terms is not available in the scale needed to finance their large infrastructure needs. The authorities are committed to continuing to implement their strategy to gradually clear domestic arrears to the private sector and strengthening debt management.

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[8]The most extreme stress test is an export shock that sets export growth to its historical average minus one standard deviation in the second and third years of the projection period for the PV of debt-exports and debt service-to-exports, while for the PV of debt-to-GDP and debt service-to-revenue, the most extreme shocks are a combination of all shocks and a non-debt creating flow shock, respectively.

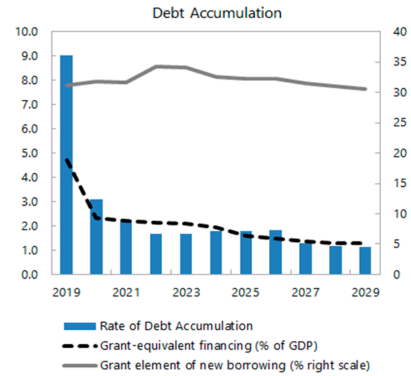
[9]The weak policy scenario assumes real GDP growth is 1 percentage point below the baseline over 2019–38, reflecting slower reform implementation, and the basic fiscal balance is 0.5 percent of GDP in 2019–20, reflecting slower revenue collection. The higher non-concessional loans scenario assumes an additional non-concessional borrowing of U$260 million, corresponding to projected cost of the envisaged Lissan-Foni electricity transmission project to be disbursed during 2019–22, on top of the programmed envelope of US$650 million in non-concessional loans.

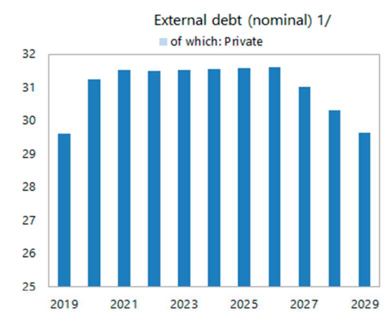
Table 4. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	21.8	19.4	19.1	29.6	31.3	31.5	31.5	31.5	31.5	29.6	21.5	28.2	31.0
of which: public and publicly guaranteed (PPG)	21.8	19.4	19.1	29.6	31.3	31.5	31.5	31.5	31.5	29.6	21.5	28.2	31.0
Change in external debt	0.2	-2.4	-0.3	10.6	1.6	0.3	0.0	0.0	0.0	-0.7	-0.9		
Identified net debt-creating flows	14.1	-8.9	2.8	10.9	3.4	1.2	1.3	1.5	1.0	0.2	-1.0	7.0	2.0
Non-interest current account deficit	31.9	7.2	18.4	20.7	17.5	13.3	12.3	10.7	9.9	5.5	-0.4	14.4	10.9
Deficit in balance of goods and services	31.0	7.8	14.1	14.2	11.6	8.3	7.2	5.8	5.5	2.0	0.0	12.1	6.2
Exports	28.7	39.7	33.1	32.2	33.6	32.7	32.1	31.2	30.2	29.6	0.0		
Imports	59.8	47.5	47.2	46.5	45.2	41.0	39.2	37.0	35.7	31.6	0.0		
Net current transfers (negative = inflow)	-0.7	-0.9	-0.6	-0.5	-0.5	-0.7	-0.9	-1.0	-1.2	-0.7	0.0	-2.6	-0.8
of which: official	-0.7	-0.2	-0.2	-0.2	-0.1	-0.4	-0.4	-0.4	-0.4	-0.3	0.0		
Other current account flows (negative = net inflow)	1.5	0.3	4.8	7.0	6.4	5.7	6.0	5.8	5.5	4.2	-0.4	4.9	5.5
Net FDI (negative = inflow)	-18.5	-12.7	-13.0	-9.0	-12.9	-10.7	-9.9	-8.2	-7.8	-4.3	0.0	-6.8	-7.8
Endogenous debt dynamics 2/	0.8	-3.4	-2.6	-0.8	-1.3	-1.3	-1.1	-1.0	-1.0	-1.0	-0.7		
Contribution from nominal interest rate	0.3	0.2	0.3	0.2	0.4	0.4	0.4	0.4	0.5	0.4	0.4		
Contribution from real GDP growth	-2.4	-1.8	-1.0	-1.0	-1.6	-1.7	-1.6	-1.5	-1.5	-1.4	-1.0		
Contribution from price and exchange rate changes	2.9	-1.8	-1.9	...	...	...	...	...	...	...	...		
Residual 3/	-13.9	6.5	-3.1	-0.4	-1.8	-1.0	-1.4	-1.5	-1.0	-0.9	0.2	-10.1	-1.0
of which: exceptional financing	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	14.3	21.1	22.5	22.8	22.8	22.9	23.0	22.2	16.6		
PV of PPG external debt-to-exports ratio	...	...	43.3	65.6	67.0	69.8	71.1	73.3	76.3	74.8	...		
PPG debt service-to-exports ratio	3.6	1.4	1.7	1.6	2.9	4.1	4.7	4.7	5.0	6.2	...		
PPG debt service-to-revenue ratio	7.1	4.1	4.2	3.6	6.6	9.0	10.0	9.5	9.8	11.5	...		
Gross external financing need (Billion of U.S. dollars)	1.2	-0.5	0.7	1.6	0.8	0.6	0.7	0.7	0.7	0.8	0.8		
Key macroeconomic assumptions													
Real GDP growth (in percent)	10.8	10.0	5.8	5.9	6.0	6.0	5.3	5.0	5.0	5.0	5.0	5.2	5.3
GDP deflator in US dollar terms (change in percent)	-11.7	8.8	11.0	4.3	1.6	2.0	1.9	1.9	2.0	2.0	2.0	1.0	2.2
Effective interest rate (percent) 4/	1.4	1.1	1.8	1.1	1.3	1.4	1.5	1.5	1.5	1.6	1.8	1.1	1.5
Growth of exports of G&S (US dollar terms, in percent)	32.9	65.4	-2.1	7.7	12.2	5.3	5.2	4.1	3.6	6.8	-100.0	12.2	6.5
Growth of imports of G&S (US dollar terms, in percent)	90.8	-4.9	16.7	8.8	4.8	-2.0	2.7	0.9	3.4	5.0	-100.0	16.2	3.7
Grant element of new public sector borrowing (in percent)	...	...	...	31.2	31.7	31.7	34.3	34.0	32.6	30.6	27.7	...	32.1
Government revenues (excluding grants, in percent of GDP)	14.8	13.8	13.2	14.7	14.4	14.8	15.2	15.4	15.4	15.9	16.5	13.3	15.4
Aid flows (in Billion of US dollars) 5/	0.1	0.1	0.1	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.7	2.3	2.2	2.2	2.1	1.9	1.3	1.0	...	2.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	36.2	43.1	46.8	49.5	49.8	48.3	41.0	40.6	...	44.0
Nominal GDP (Billion of US dollars)	9	10	12	13	14	16	17	18	19	27	53		
Nominal dollar GDP growth	-2.1	19.8	17.4	10.5	7.7	8.1	7.3	7.0	7.1	7.0	7.0	6.2	7.6
Memorandum items:													
PV of external debt 7/	...	...	14.3	21.1	22.5	22.8	22.8	22.9	23.0	22.2	16.6		
In percent of exports	...	...	43.3	65.6	67.0	69.8	71.1	73.3	76.3	74.8	...		
Total external debt service-to-exports ratio	3.6	1.4	1.7	1.6	2.9	4.1	4.7	4.7	5.0	6.2	...		
PV of PPG external debt (in Billion of US dollars)			1.7	2.8	3.2	3.6	3.8	4.1	4.4	6.0	8.8		
(PVt-PVt-1)/GDPt-1 (in percent)				9.0	3.1	2.2	1.7	1.7	1.8	1.1	0.5		
Non-interest current account deficit that stabilizes debt ratio	31.7	9.6	18.7	10.2	15.9	13.0	12.4	10.7	9.8	6.2	0.5		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

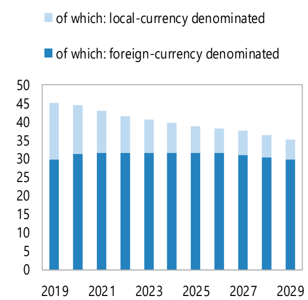
1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Current-year interest payments divided by previous period debt stock.
5/ Defined as grants, concessional loans, and debt relief.
6/ 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).
7/ Assumes that PV of private sector debt is equivalent to its face value.
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

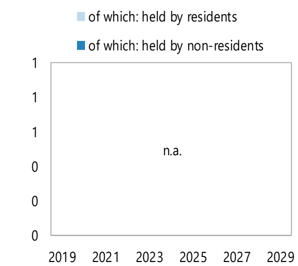
Table 5. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	**42.5**	**39.6**	**37.6**	**45.0**	**44.5**	**43.0**	**41.6**	**40.5**	**39.6**	**35.2**	**24.8**	**44.5**	**40.0**
of which: external debt	**21.8**	**19.4**	**19.1**	**29.6**	**31.3**	**31.5**	**31.5**	**31.5**	**31.5**	**29.6**	**21.5**	**28.2**	**31.0**
Change in public sector debt	-1.1	-2.9	-2.0	7.3	-0.4	-1.5	-1.4	-1.0	-0.9	-1.1	-1.1		
Identified debt-creating flows	**-3.4**	**-5.9**	**-4.4**	**-1.3**	**-2.0**	**-1.7**	**-1.2**	**-1.0**	**-0.9**	**-0.9**	**-0.9**	**-2.8**	**-1.1**
Primary deficit	**-0.9**	**1.2**	**0.3**	**1.8**	**1.3**	**1.2**	**1.2**	**1.1**	**1.0**	**0.6**	**-0.1**	**2.4**	**1.1**
Revenue and grants	15.7	15.2	14.4	15.6	15.3	15.9	16.2	16.4	16.3	16.4	16.9	**14.6**	**16.1**
of which: grants	0.9	1.5	1.1	0.9	0.9	1.1	1.0	1.0	0.9	0.5	0.4		
Primary (noninterest) expenditure	14.8	16.4	14.6	17.4	16.7	17.0	17.4	17.5	17.4	17.0	16.8	**17.0**	**17.2**
Automatic debt dynamics	**-2.5**	**-7.0**	**-4.6**	**-3.1**	**-3.3**	**-2.9**	**-2.4**	**-2.1**	**-1.9**	**-1.5**	**-0.8**		
Contribution from interest rate/growth differential	-4.5	-5.1	-3.5	-3.1	-3.3	-3.0	-2.5	-2.2	-2.0	-1.5	-0.8		
of which: contribution from average real interest rate	-0.2	-1.2	-1.3	-1.0	-0.8	-0.5	-0.3	-0.2	-0.1	0.2	0.4		
of which: contribution from real GDP growth	-4.3	-3.9	-2.2	-2.1	-2.5	-2.5	-2.2	-2.0	-1.9	-1.7	-1.2		
Contribution from real exchange rate depreciation	2.0	-1.9	-1.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-2.8**	**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		
Recognition of contingent liabilities (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		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**2.3**	**3.0**	**2.4**	**8.6**	**1.6**	**0.3**	**-0.2**	**0.0**	**0.1**	**-0.3**	**-0.2**	**0.7**	**0.9**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**33.0**	**37.2**	**36.5**	**34.9**	**33.5**	**32.5**	**31.7**	**28.4**	**20.4**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**230.2**	**237.7**	**237.6**	**220.4**	**207.3**	**198.1**	**194.4**	**173.2**	**120.4**		
Debt service-to-revenue and grants ratio 3/	**11.9**	**6.1**	**12.2**	**16.9**	**14.7**	**17.9**	**16.9**	**15.9**	**15.6**	**16.0**	**15.3**		
Gross financing need 4/	-0.2	1.2	2.0	4.6	3.8	4.2	3.9	3.7	3.6	3.2	2.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	10.8	10.0	5.8	5.9	6.0	6.0	5.3	5.0	5.0	5.0	5.0	**5.2**	**5.3**
Average nominal interest rate on external debt (in percent)	1.5	1.1	1.8	1.1	1.4	1.4	1.5	1.6	1.6	1.6	1.8	**1.2**	**1.5**
Average real interest rate on domestic debt (in percent)	-1.4	-5.7	-6.5	-4.8	-4.2	-1.7	-0.7	0.2	1.1	5.5	14.1	**-0.5**	**0.8**
Real exchange rate depreciation (in percent, + indicates depreciation)	10.3	-9.9	-6.3	...	...	...	...	...	...	...	...	**0.3**	**...**
Inflation rate (GDP deflator, in percent)	5.7	10.4	10.0	8.8	8.1	8.1	7.9	7.8	7.8	8.0	8.0	**7.5**	**8.1**
Growth of real primary spending (deflated by GDP deflator, in percent)	-21.1	22.1	-5.6	26.4	1.4	8.1	7.5	5.8	4.0	4.8	4.6	**14.3**	**6.9**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.2	4.1	2.2	-5.5	1.8	2.7	2.6	2.2	1.9	1.8	1.0	**2.2**	**1.3**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

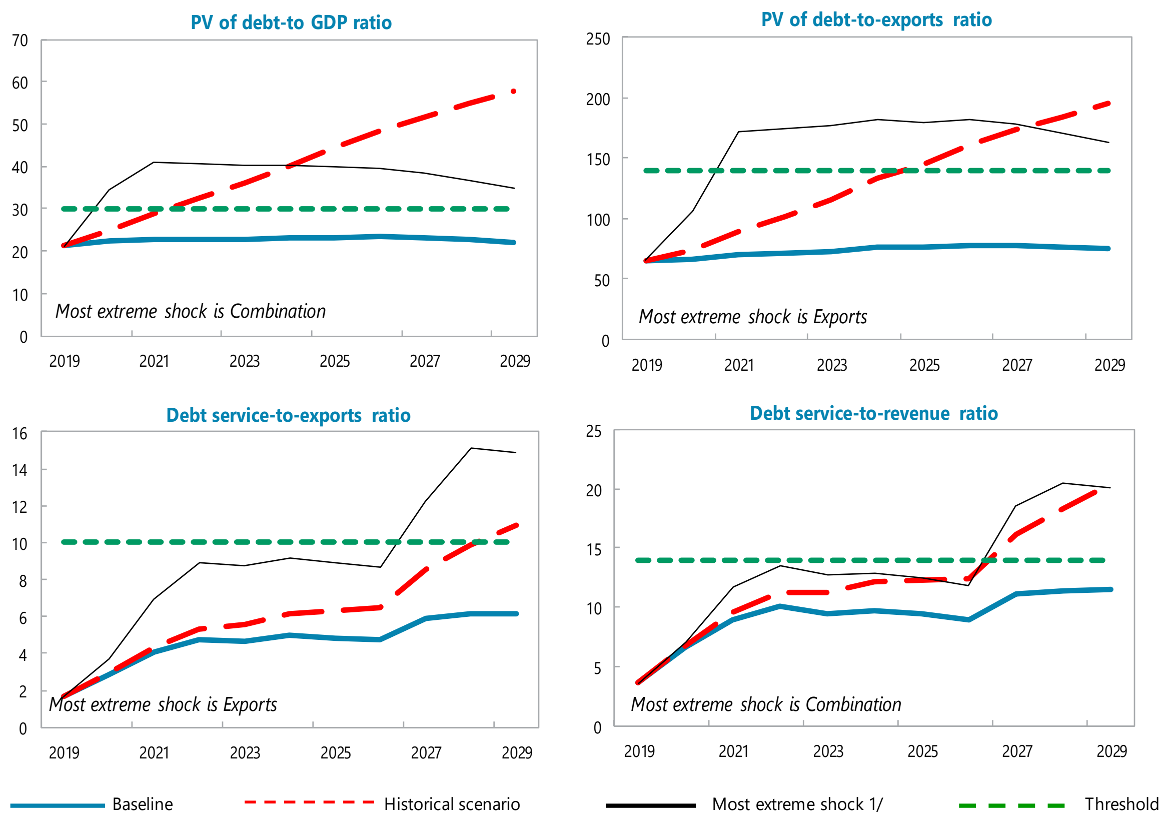
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ 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 and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 2. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2019–29



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	No	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	No	No
Market Financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	6	6

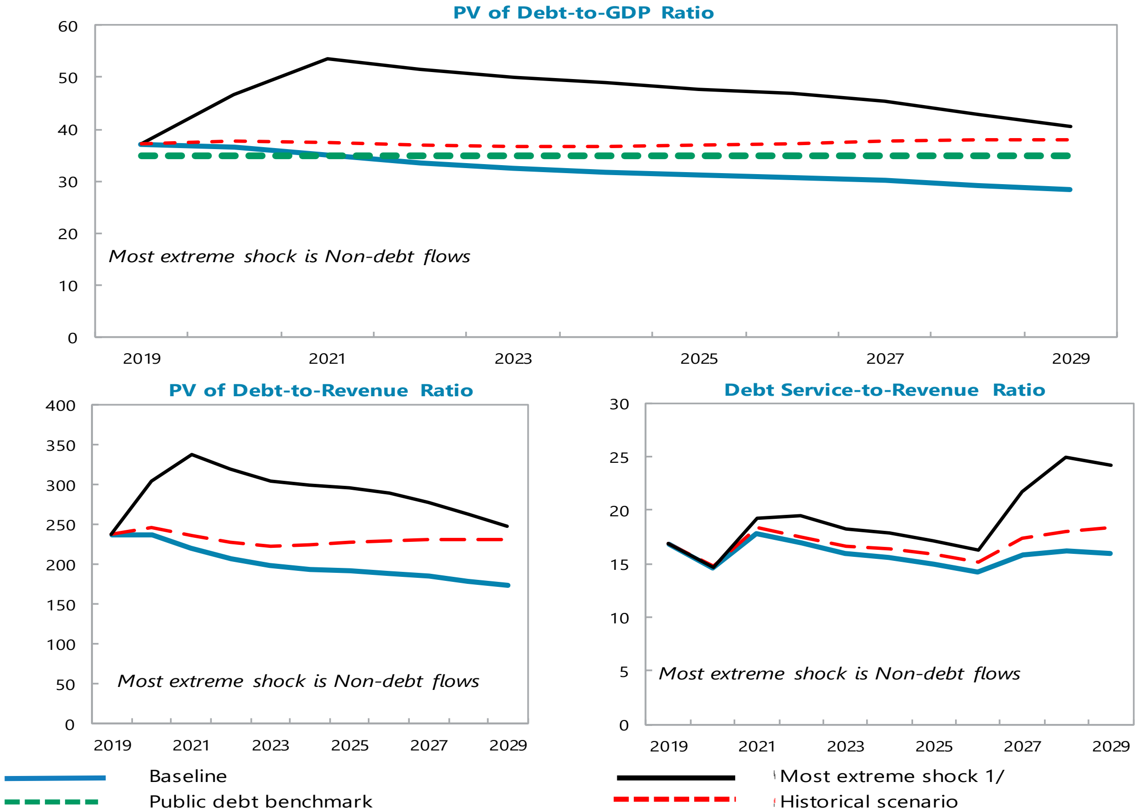
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 3. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	92%	92%
Domestic medium and long-term	1%	1%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.6%	2.6%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	0%	0.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 4. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Country Specific Alternative Scenarios, 2019–29[1/]

Sources: Country authorities; and staff estimates and projections.

1/ The weak policy scenario assumes real GDP growth 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 higher non-concessional loans scenario assumes an additional non-concessional borrowing of U$260 million, corresponding to projected cost of the envisaged Lissan-Foni electricity transmission project to be disbursed during 2019–22, on top of the programmed envelope of US$650 million in non-concessional loans.

Table 6. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–29

(Percent)

	Projections 1/										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
PV of debt-to GDP ratio											
Baseline	21	23	23	23	23	23	23	23	23	23	22
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	21	25	29	**33**	**36**	**40**	**44**	**48**	**52**	**55**	**58**
A2. Weak Policy	21	23	23	23	24	24	24	25	25	24	24
A3. Higher non-concessional borrowing	21	23	24	24	24	24	24	24	24	23	23
B. Bound Tests											
B1. Real GDP growth	21	24	26	26	26	26	26	27	26	26	25
B2. Primary balance	21	25	28	28	28	28	28	28	27	27	26
B3. Exports	21	29	**38**	**38**	**38**	**37**	**37**	**37**	**36**	**34**	**33**
B4. Other flows 3/	21	**32**	**41**	**40**	**40**	**40**	**39**	**39**	**38**	**36**	**34**
B5. Depreciation	21	28	26	26	26	26	27	27	27	26	26
B6. Combination of B1-B5	21	**35**	**41**	**41**	**40**	**40**	**40**	**40**	**38**	**36**	**35**
C. Tailored Tests											
C1. Combined contingent liabilities	21	28	28	28	28	28	28	28	27	27	26
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	21	24	26	26	26	26	26	26	25	25	24
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	66	67	70	71	73	76	76	78	77	76	75
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	66	74	89	102	116	133	**145**	**161**	**173**	**184**	**195**
A2. Weak Policy	66	68	71	73	76	80	80	83	83	82	82
A3. Higher non-concessional borrowing	66	69	74	75	77	80	80	81	80	78	77
B. Bound Tests											
B1. Real GDP growth	66	67	70	71	73	76	76	78	77	76	75
B2. Primary balance	66	74	85	87	89	92	91	93	92	90	88
B3. Exports	66	107	**172**	**174**	**178**	**183**	**180**	**182**	**179**	**171**	**163**
B4. Other flows 3/	66	97	125	126	128	132	129	131	127	121	115
B5. Depreciation	66	67	63	64	66	69	69	71	71	70	70
B6. Combination of B1-B5	66	109	113	136	139	**143**	**141**	**143**	138	132	126
C. Tailored Tests											
C1. Combined contingent liabilities	66	82	85	87	89	92	91	93	92	91	89
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	66	75	82	83	85	87	86	87	86	84	82
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio											
Baseline	2	3	4	5	5	5	5	5	6	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	2	3	4	5	6	6	6	7	9	10	**11**
A2. Weak Policy	2	3	4	5	5	5	5	5	6	7	7
A3. Higher non-concessional borrowing	2	3	4	5	5	5	5	5	6	6	7
B. Bound Tests											
B1. Real GDP growth	2	3	4	5	5	5	5	5	6	6	6
B2. Primary balance	2	3	4	5	5	5	5	5	7	7	7
B3. Exports	2	4	7	9	9	9	9	9	**12**	**15**	**15**
B4. Other flows 3/	2	3	5	6	6	6	6	6	9	**11**	**11**
B5. Depreciation	2	3	4	5	5	5	5	5	6	5	6
B6. Combination of B1-B5	2	3	6	7	7	7	7	7	**11**	**12**	**12**
C. Tailored Tests											
C1. Combined contingent liabilities	2	3	4	5	5	5	5	5	6	6	6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	2	3	4	5	5	5	5	5	7	7	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	4	7	9	10	9	10	9	9	11	11	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	4	7	10	11	11	12	12	12	**16**	**18**	**20**
A2. Weak Policy	4	9	12	10	10	10	10	10	12	12	13
A3. Higher non-concessional borrowing	4	7	9	10	10	10	10	10	12	12	12
B. Bound Tests	4	9	12	10	10	10	10	10	12	12	13
B1. Real GDP growth	4	7	10	11	11	11	11	10	13	13	13
B2. Primary balance	4	7	9	11	10	10	10	10	13	14	14
B3. Exports	4	7	10	13	12	12	12	11	**16**	**19**	**19**
B4. Other flows 3/	4	7	11	13	12	12	12	11	**17**	**20**	**20**
B5. Depreciation	4	8	11	12	12	12	12	11	14	13	13
B6. Combination of B1-B5	4	7	12	13	13	13	12	12	**19**	**21**	**20**
C. Tailored Tests											
C1. Combined contingent liabilities	4	7	10	11	10	10	10	10	12	12	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	4	7	10	12	11	11	10	10	12	13	13
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

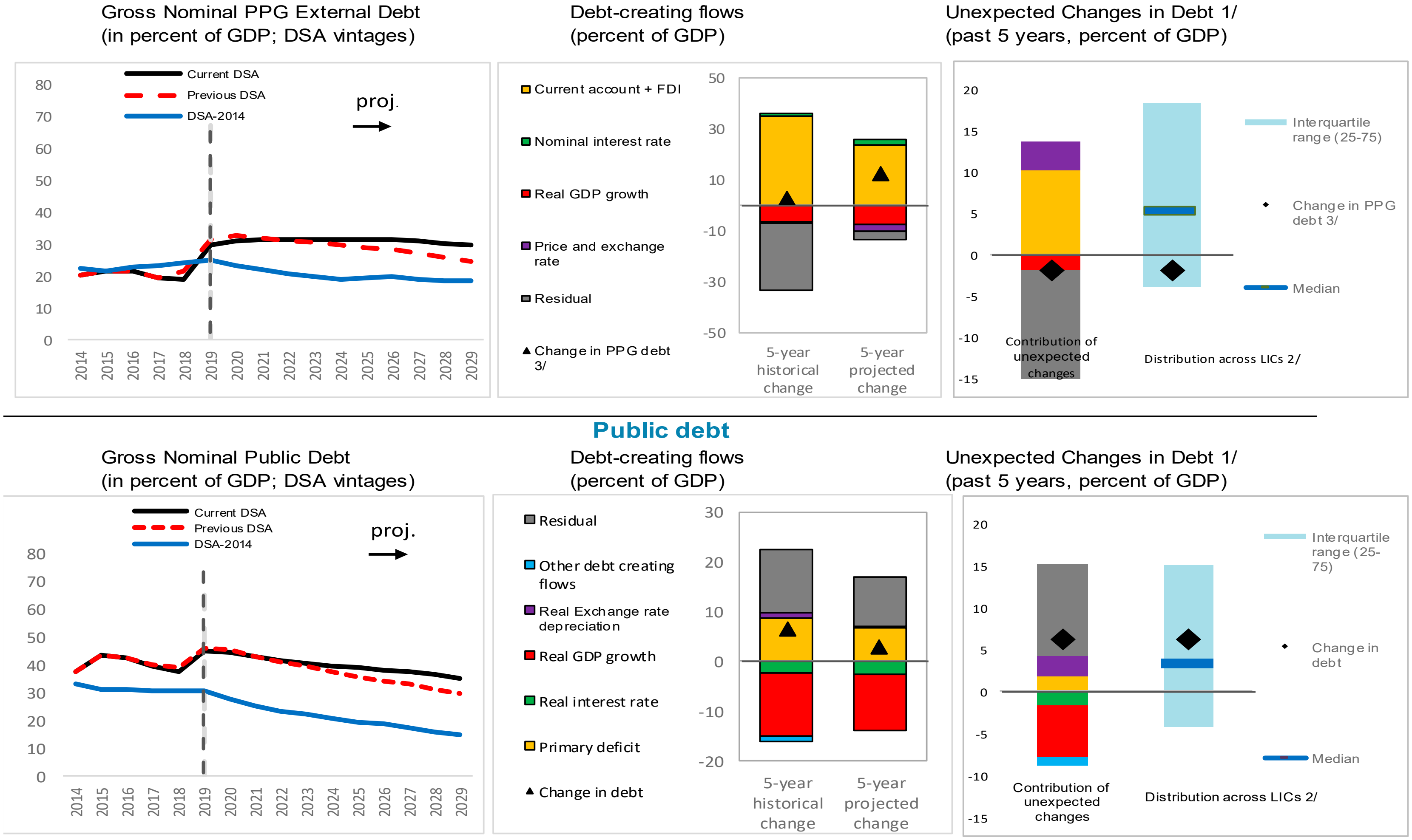
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 7. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2019–29
(Percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**37**	**36**	35	34	33	32	31	31	30	29	28
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	**37**	**38**	**37**	**37**	**37**	**37**	**37**	**37**	**38**	**38**	**38**
B. Bound Tests											
B1. Real GDP growth	**37**	**40**	**42**	**42**	**42**	**42**	**43**	**43**	**44**	**44**	**45**
B2. Primary balance	**37**	**39**	**41**	**39**	**38**	**37**	**36**	**35**	35	34	33
B3. Exports	**37**	**42**	**49**	**47**	**45**	**44**	**43**	**42**	**41**	**39**	**37**
B4. Other flows 3/	**37**	**47**	**54**	**52**	**50**	**49**	**48**	**47**	**45**	**43**	**41**
B5. Depreciation	**37**	**39**	**37**	34	32	30	29	28	26	25	23
B6. Combination of B1-B5	**37**	**39**	**38**	34	33	32	32	31	31	30	29
C. Tailored Tests											
C1. Combined contingent liabilities	**37**	**42**	**41**	**39**	**38**	**37**	**36**	**35**	35	34	33
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**37**	**39**	**40**	**41**	**42**	**43**	**44**	**45**	**46**	**46**	**46**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	238	238	220	207	198	194	192	189	185	179	173
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	238	246	236	228	223	224	228	229	231	231	232
B. Bound Tests											
B1. Real GDP growth	238	257	262	255	253	257	263	267	270	270	271
B2. Primary balance	238	256	256	241	230	225	223	218	213	206	199
B3. Exports	238	273	306	289	276	271	268	262	253	240	228
B4. Other flows 3/	238	304	338	319	305	299	296	289	278	262	247
B5. Depreciation	238	258	233	213	197	187	180	171	162	152	143
B6. Combination of B1-B5	238	251	240	211	201	197	195	191	189	183	177
C. Tailored Tests											
C1. Combined contingent liabilities	238	276	256	241	230	226	223	218	213	207	200
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	238	273	271	273	271	275	278	277	279	280	281
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	17	15	18	17	16	16	15	14	16	16	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2039 2/	17	15	18	18	17	16	16	15	17	18	18
B. Bound Tests											
B1. Real GDP growth	17	16	21	20	19	19	19	18	20	21	22
B2. Primary balance	17	15	20	20	17	16	16	15	17	19	19
B3. Exports	17	15	19	19	18	17	17	16	19	23	22
B4. Other flows 3/	17	15	19	19	18	18	17	16	22	25	24
B5. Depreciation	17	15	19	18	17	17	16	15	17	17	17
B6. Combination of B1-B5	17	14	18	17	16	16	15	14	18	18	18
C. Tailored Tests											
C1. Combined contingent liabilities	17	15	22	18	17	16	16	15	17	17	17
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	16	21	21	20	20	19	18	20	21	22
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 5. Guinea: Drivers of Debt Dynamics—Baseline Scenario External Debt



1/ Difference between anticipated and actual contributions on debt ratios.

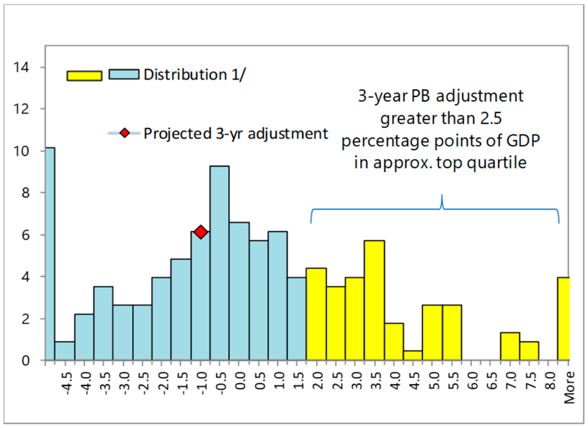
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 6. Guinea: Realism Tools

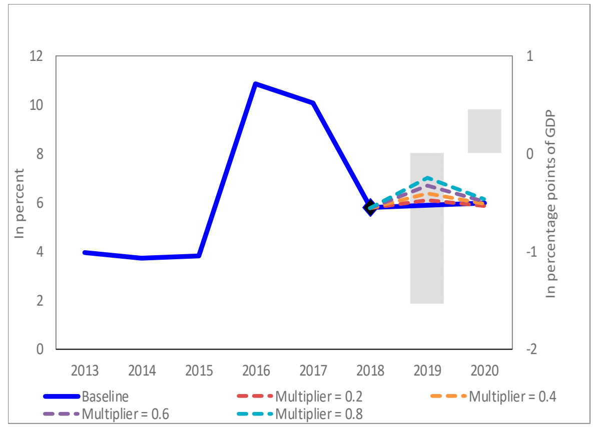
3-Year Adjustment in Primary Balance

(Percentage points of GDP)



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

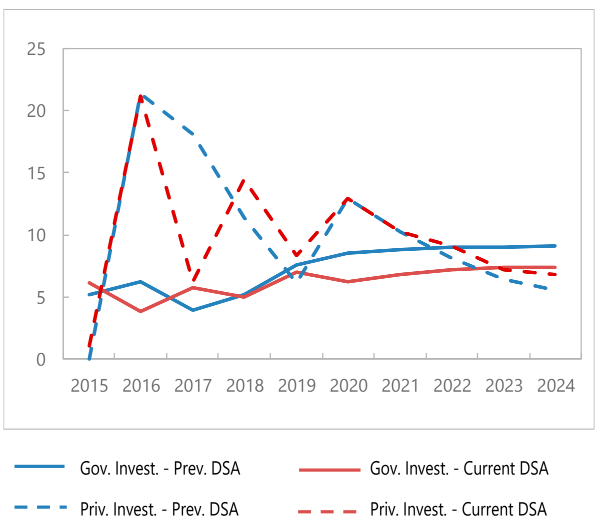
Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates

(Percent of GDP)



Contribution to Real GDP growth

(Percent, 5-year average)

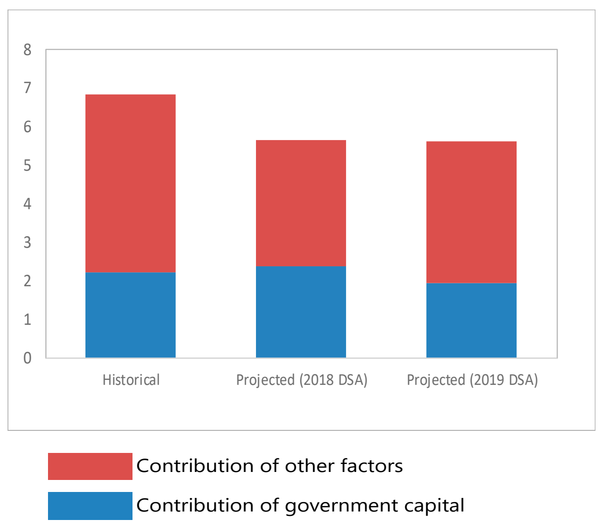
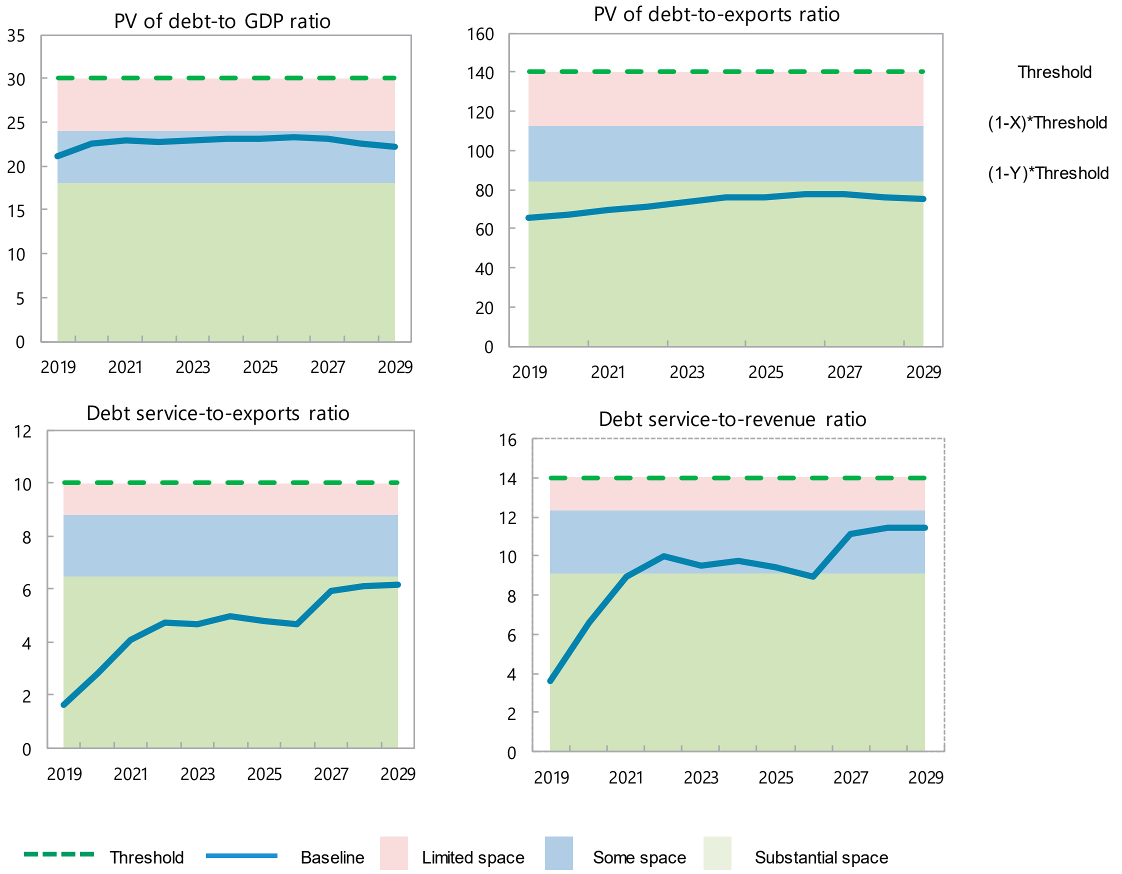


Figure 7. Guinea: Qualification of the Moderate Category, 2019–29[1]



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

INTERNATIONAL MONETARY FUND

GUINEA

July 22, 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY, REQUEST OF MODIFICATION OF PERFORMANCE CRITERION AND FINANCING ASSURANCES REVIEW — SUPPLEMENTARY INFORMATION

Approved By
David Robinson (AFR) and Kevin Fletcher (SPR)

Prepared by the African Department in consultation with other Departments

1. **Subsequent to the issuance of the staff report, EBS/19/72, the staff has received new information from the Guinean authorities**. The additional information does not change the thrust of the staff appraisal.

2. **The Guinean authorities have provided revised estimates for end-March 2019 fiscal outcomes**. The staff report identified: i) a surplus on the basic fiscal balance of GNF 502 billion (0.4 percent of GDP) at end-March 2019 so that the related indicative target (IT) was met; and ii) a reduction of domestic arrears (on a net basis) of GNF 1192 billion so that the associated IT was met. The revised data indicate a slightly smaller surplus on the basic fiscal balance of GNF 261 billion (0.2 percent of GDP) at end March-2019, mostly due to lower tax revenues on goods and services, implying that the end-March IT on the basic fiscal balance was missed by about 0.2 percent of GDP (Table 1). The lower estimate for tax revenues also implies that the associated IT was missed by GNF 285 billion (0.2 percent of GDP), slightly larger shortfall than previously indicated (0.06 percent of GDP). The revised data also indicate a slightly lower reduction of domestic arrears of GNF 961 billion (on a net basis), but the associated IT continues to be met by a considerable margin.

3. **Tax revenues strengthened at end-May 2019, on track to achieve end-June target**. Preliminary data indicate that overall tax revenues increased to 5.5 percent of GDP at end-May 2019 (compared to 3.0 percent of GDP at end-March 2019). Mining tax revenues increased to 1 percent of GDP (compared to 0.5 percent of GDP at end-March), on the back of buoyant activity. Non-mining tax revenues increased to 4.6 percent of GDP (from 2.4 percent of GDP at end-March), reflecting a pick-up in direct taxes and taxes on international trade.

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

(Billions of Guinean Francs; unless otherwise indicated)

	2017				2018						
	Dec				March				June		
	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status	PC	Act.	Status
Quantitative performance criteria											
Basic fiscal balance (floor; cumulative change for the year)	519	614	-1,030	Not Met	346	503	1,196	Met	1,022	1,749	Met
Net domestic assets of the central bank (ceiling; stock)	7,208	7,350	8,236	Not Met	7,137	7,369	8,070	Not Met	8,358	7,460	Met
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,179	7,321	7,983	Not Met	7,108	7,340	7,651	Not Met	7,939	6,648	Met
Net international reserves of the central bank (floor; stock); US$ million[1]	345	330	357	Met	420	395	390	Not Met	422	437	Met
Continuous performance criteria											
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	0	Met	650	650	0	Met	650	0	Met
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	0	Met	0	0	Met
Indicative targets											
Tax revenues collected (floor)	12,893	12,893	12,443	Not Met	3,115	3,115	2,995	Not Met	7,524	6,849	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	138	138	47	Not Met	76	76	6	Not Met	99	16	Not Met
New domestic arrears accumulated by the central government (net)[4]	...	...	...	...	...	...	...	...	-340	-409	Met
Memorandum items:											
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[4,5]	315	315	315	...	365	365	339	...	339	343	...

	2018							
	Sept.				Dec			
	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status
Quantitative performance criteria								
Basic fiscal balance (floor; cumulative change for the year)	1,387	1,417	999	Not Met	904	899	924	Met
Net domestic assets of the central bank (ceiling; stock)	8,112	8,156	7,068	Met	7,909	7,902	6,869	Met
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,693	7,737	6,257	Met	7,656	7,649	5,920	Met
Net international reserves of the central bank (floor; stock); US$ million[1]	506	501	494	Not Met	544	544	555	Met
Continuous performance criteria								
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	598	Met	650	650	658	Met
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	0	Met
Indicative targets								
Tax revenues collected (floor)	11,089	11,089	10,383	Not Met	14,702	13,609	13,609	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	148	148	51	Not Met	75	75	105	Met
New domestic arrears accumulated by the central government (net)[4]	-390	-390	434	Not Met	-82	-82	244	Not Met
Memorandum items:								
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[4,5]	399	399	405	...	399	399	405	...

	2019						2020			
	March			June	Sept.	Dec	March	June	Sept.	Dec
	IT	Act.	Status	PC	IT	PC	IT	IT	IT	IT
Quantitative performance criteria										
Basic fiscal balance (floor; cumulative change for the year)	499	261	Not Met	903	548	691	651	762	1,197	1,366
Net domestic assets of the central bank (ceiling; stock)	7,780	7,205	Met	7,652	5,518	5,856	5,767	5,636	5,526	5,569
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,533	6,601	Met	7,410	5,794	5,626	5,611	5,556	5,521	5,339
Net international reserves of the central bank (floor; stock); US$ million[1]	583	631	Met	622	679	739	784	798	814	850
Continuous performance criteria										
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	Met	650	650	650	650	650	650	650
New external arrears of the central government and central bank (ceiling)[3]	0	0	Met	0	0	0	0	0	0	0
Indicative targets										
Tax revenues collected (floor)	3995	3,710	Not Met	8,489	12,939	16,960	4,863	9,944	14,181	19,973
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	33	19	Not Met	65	98	130	35	69	104	139
New domestic arrears accumulated by the central government (net)[4]	-95	-961	Met	-152	-857	-812	-45	-90	-104	-127
Memorandum items:										
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[4,5]	415	405	...	455	405	505	505	530	530	610

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

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

[2] External debt contracted or guaranteed other than with a grant element equivalent to 35 percent or more,
calculated using a discount rate of 5 percent, excluding the $1.2 billion loan for the Souapiti dam. Excludes borrowing from the IMF.
Continuous performance criterion.

[3] Continuous performance criterion.

[4] Cumulative from the beginning of each year.

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

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

[7] Excluding recapitalization of the central bank

Statement by Mr. Mohamed-Lemine Raghani, Executive Director for Guinea, Mr. Facinet Sylla, Alternate Executive Director and Mr. Mamadou Siradiou Bah, Advisor to the Executive Director

July 26, 2019

I. Introduction

On behalf of our Guinean authorities, we would like to thank Staff, Management and the Executive Board for the continued support provided to Guinea in the implementation of the ECF-supported program. Our authorities are grateful to the Staff for their constructive engagement, as well as for the useful policy discussions held in the context of the third review under the ECF arrangement.

Guinea's macroeconomic performance continues to be strong amid the difficult domestic and external environment. Program execution remained satisfactory as all end-December 2018 performance criteria (PCs) and the indicative target (IT) on social safety net spending were observed. Furthermore, significant progress has been made in carrying out structural reforms. Looking forward, the Guinean authorities remain fully committed to achieving the program objectives through prudent macroeconomic policies and sound reforms.

Against this backdrop, the authorities seek the Executive Board' approval of the completion of the Third Review under the ECF arrangement and its continued support to the country's reform agenda.

II. Recent Developments and Program Performance

Recent Macroeconomic Developments

In 2018, Guinea's economic growth reached 5.8 percent driven mainly by a robust mining production, buoyant construction and commerce activities as well as good agricultural harvests. Headline inflation stood at 9.9 percent at end-December 2018 and decreased to 9.7 percent (y-o-y) in March 2019 while core inflation dropped to 4 percent (y-o-y) from 4.5 percent at the end of 2018.

On the fiscal front, the consolidation measures resulted in a surplus of the basic fiscal balance (0.8 percent of GDP) at end-2018, in line with program objectives. The authorities' continued efforts to contain expenditures enabled them to compensate for weaker-than-excepted tax revenues due notably to the impact of strikes and other social protests. According to the most recent estimate, a basic fiscal surplus of 0.2 percent of GDP was achieved at end-March 2019.

Guinea's overall public debt at end-2018 stood at 37.6 percent of GDP, down from 39.6 percent in 2017 with the strengthening of both external and domestic positions supported by robust economic growth. The external public debt decreased for the second consecutive year from 19.4 percent of GDP in 2017 to 19.1 percent in 2018. In addition, the risk of external debt distress remained moderate, with some space to absorb shocks.

The current account deficit widened to 18.4 percent of GDP from 7.1 percent of GDP in 2017 mainly on account of declining gold exports and sharp increase in investment-related imports in the mining and infrastructure sectors. This deficit was financed by large inflows in FDI and external projects assistance. The central bank's gross international reserves strengthened to reach 3.3 months of imports coverage at end-December 2018 and 3.6 months at end-March 2019. In addition, while the real effective exchange rate appreciated somewhat, the premium between the official and foreign exchange bureaus rates remained contained at 0.48 percent at end-December 2018.

The banking sector remains broadly stable with notably improved banks' liquidity and increased activity in the interbank market. Credit to the private sector grew by 11.2 percent (average, y-o-y) in 2018 and by 15 percent (average, y-o-y) in 2019 Q1. However, the non-performing loans moved from 10.6 percent in 2017 to 12.2 percent in 2018, reflecting mainly the accumulation of payment arrears in the hotel industry.

Program Performance

In a context of broadly favorable economic developments, the authorities have continued to pursue their program objectives. All quantitative PCs at end-December 2018 on net international reserves, basic fiscal balance, net government borrowing from the central bank (BCRG) and net domestic assets of the latter were met as were the continuous PCs on non-accumulation of external arrears and new non-concessional external debt contracted or guaranteed by the government and the central bank. The indicative target on domestically-financed social safety net programs at end 2018 was also observed. However, owing to the adverse effects of social tensions on economic activity and public finances, the indicative targets on tax revenue and on the accumulation of new domestic arrears by the central government were missed. Nevertheless, the IT for the latter at end-March was met and overall program performance continued to be good in the first quarter of this year as most related indicative targets were reached.

Regarding structural reforms, progress has been made, with the observance of two out of four structural benchmarks (SBs) while the other two reforms have advanced significantly and should be completed by end-year. Moreover, it is important to note that remarkable strides were achieved in reducing untargeted energy subsidies, strengthening public financial management, improving central bank's autonomy, enhancing good governance and promoting private sector development.

III. Economic Policies and Reforms for 2019 and 2020

The authorities will lean on favorable prospects to continue unfolding their policy and reform agenda set forth in the ECF-supported program and consistent with the country's national development plan covering the period 2016-2020. Real GDP growth is projected at 6 percent in 2019 and 2020, supported by increased production in the mining sector as well as large investments in infrastructure, energy and construction. The containment of central bank financing under the prudent monetary policy should help reduce inflation further to single digit. The BCRG's international reserves are expected to reach 3.8 months of imports cover by 2020. As for the current account deficit, it is projected to reach 19 percent of GDP on the back of continued investment-related imports but should be largely financed by FDI notably in the mining and services sectors.

The authorities are fully aware of the impact that the materialization of downside risks would have on the economy's outlook, notably those stemming from socio-political challenges, capacity constraints, and uncertainties in the global economy and tariff policies. Notwithstanding, they are confident that their continued prudent policies and sound reforms will help strengthen Guinea's macroeconomic stability, enhance resilience and create a conducive environment to generate higher and more inclusive growth.

Enhancing Fiscal Sustainability

The authorities' fiscal policy going forward will aim at creating more space to scale-up needed public investments in infrastructure and social protection spending. The fiscal framework for 2019 was revised to meet the target of basic fiscal surplus of 0.6 percent of GDP. In this regard, they intend to step up their efforts to mobilize additional tax revenues and contain non-priority spending.

To further bolster domestic revenue mobilization, the authorities will push ahead the modernization of tax administration towards increasing the effectiveness of tax collection, streamline tax exemptions, conduct tax audits and pursue the recovery of tax arrears.

They will also boost revenue from the mining sector through enhanced transparency and governance. In addition, they plan to review by end-2019 the petroleum price adjustment mechanism with a view to make it more effective amid the fragile social environment. They also intend to increase electricity tariffs to the cost-recovery level to bring down subsidies over the medium-term. Based on the 2018 PEFA recommendations, fiscal structural reforms will be geared at reinforcing public financial management. The new regulatory framework of public investment management will also be finalized by end-2019 to better support the execution and monitoring of projects.

Strengthening Debt Policy and Management

The authorities welcome the updated debt sustainability analysis (DSA) which reveals that Guinea continues to be at moderate risk of external debt distress with some space to absorb shocks. They are determined to sustain this progress by implementing a prudent debt policy anchored by pertinent program PCs, and further improving public debt management. In this vein, capacity constraints should be tackled through adequate technical assistance. In addition, the authorities intend to gradually clear domestic arrears accumulated in previous fiscal years, which will help contain public debt and reinvigorate the private sector.

Monetary and Financial Sector Policies

Monetary policy will remain prudent to further reduce inflation while increasing exchange rate flexibility. In this context, the central bank financing to government will be contained within program's limits. The new liquidity forecast, and the use of liquidity instruments will enable the BCRG to meet its monetary targets. Regarding the foreign exchange market, BCRG's rule-based intervention strategy will be essential for reducing discretion and promoting market flexibility.

The remaining recommendations of the 2018 safeguard assessment will be fully executed to strengthen the central bank's governance, financial reporting, transparency and accountability. Moreover, the central bank is enhancing the banking supervision, regulation and financial stability, including through the adoption of a banking resolution framework by end -2019. Efforts to ensure that all banks are complying with capital and reserve requirements will be stepped up.

On financial inclusion, the authorities will develop by end-2019 a National Strategy to facilitate access to finance for SMEs, women and the youth, with the support of the World Bank. The promotion of digital finance will be pursued to extend financial services notably to the vulnerable and unbanked population.

Advancing Structural Reforms

The authorities intend to continue steadfastly the implementation of structural reforms supportive of higher, sustained and more inclusive growth. Their efforts will be focused notably on improving the business climate and governance by building on the good progress made over the past 5 years with Guinea gaining 27 places in the World Business Indicators between 2013 and 2018. Ongoing initiatives include the finalization by end-2019 of the system enabling online tax declaration and payment to enhance transparency, governance and effectiveness; the operationalization of the one-stop shop for foreign trade; and the establishment of a Credit Information System to promote the financing of the private sector.

Regarding governance, the authorities will approve by September 2019 the decrees implementing the asset declaration regime in addition to the full operationalization of the National Agency for the Fight Against Corruption. Under Fund's technical assistance, a new AML/CFT law in line with international standards will be adopted by end-November 2019. The development of tools for a risk-based approach to AML/CFT is also underway. Moreover, the capacities of the Financial Intelligence Unit will be enhanced.

Reinforcing Social Safety Nets

Social inclusion ranks high in the Guinean authorities' development agenda. In January 2019, a new National Agency for Economic and Social Inclusion (ANIES) was established to accelerate the implementation of their strategy in this regard. The financing and operations of this agency are conducted in the framework of the budget law and the law governing public entities. To mitigate the impact of increases in fuel prices and protect the most vulnerable groups, the government is committed to reinforce non-contributory and domestically-financed social safety nets under the Social Development and Solidarity Fund and the Productive Social Safety Net Program. In this context, a unified social register of vulnerable population will be finalized by 2020 with the World Bank's assistance. Cash transfer and labor-intensive public works programs will also be expanded.

IV. Conclusion

Our Guinean authorities are determined to attain the objectives of their ECF-supported program. In view of the good performance achieved thus far and renewed commitment to the program, we would appreciate Directors' support for the completion of the third review under the ECF arrangement. We also seek the Executive Board's approval of the authorities' request for the modification of the external debt performance criterion.