INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/111

GUINEA

April 2020

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

In the context of the FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, 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 April 1, 2020, following discussions that ended on October 12, 2019, 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 March 18, 2020.
- A **Debt Sustainability Analysis** prepared by the staff[s] of the IMF and the World Bank.
- A **Staff Supplement** 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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PRESS RELEASE

PR 20/127

IMF Executive Board Completes Fourth Review Under the Extended Credit Facility Arrangement and Approves US$23.5 Million Disbursement for Guinea

FOR IMMEDIATE RELEASE

- IMF approves US$23.5 million (SDR 17.213 million) disbursement for Guinea.
- While performance under the Fund-supported program remains broadly satisfactory, Guinea faces significant downside risks related to COVID-19 pandemic. The Fund will remain closely engaged with the Guinean country authorities as the situation evolves, and as the authorities further develop their policy responses and financing needs change.
- The ECF arrangement supports strengthening Guinea's resilience, scaling-up growth-supporting investment and social-safety nets and promoting private sector development.

Washington DC – April 1, 2020. On April 1, 2020, the Executive Board of the International Monetary Fund (IMF) completed the fourth 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 the equivalent of SDR 17.213 million (about US$23.5 million), bringing total disbursements under the arrangement to the equivalent of SDR 86.062 million (about US$117.6 million).

While performance under the Fund-supported program remains broadly satisfactory, Guinea faces significant downside risks related to COVID-19 pandemic. The Fund will remain closely engaged with the Guinean country authorities as the situation evolves, and as the authorities further develop their policy responses and financing needs change.

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 the equivalent of 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 performance under the ECF-supported program against end-June 2019 targets was satisfactory and the authorities implemented corrective actions to achieve the end-2019 program targets. Guinea faces significant downside risks related to COVID-19 pandemic. The

IMF will remain closely engaged as the situation evolves, the authorities further develop their policy responses, and financing needs change. The authorities have finalized a National Emergency Preparedness and Response Plan for a COVID-19 outbreak, with the technical support of international developments partners. Key measures focus on prevention and mitigation of an eventual outbreak. The IMF fully supports the adoption and the implementation of the authorities' COVID-19 Emergency Plan.

"Beyond immediate needs created by the COVID-19 crisis, creating fiscal space for priority spending will be pivotal to foster broad-based growth in the years to come. Achieving a basic fiscal surplus in 2020 will contribute to containing inflation and preserving debt sustainability. Mobilizing additional tax revenues and reducing untargeted electricity subsidies will generate resources to scale-up public investments and strengthen social safety nets. To this end, implementing programmed tax revenue measures, adopting an automatic petroleum prices adjustment mechanism, and advancing the multi-year tariff electricity tariff is key. Prudent external borrowing strategy will support scaling-up public investments, notably in infrastructure. Strengthening public investment management will support the fiscal strategy and enhance governance.

"Allowing greater exchange rate flexibility is important to preserve buffers against external shocks. Continuing to limit central bank interventions in the foreign exchange market will be important. Reforms to strengthen market forces in the foreign exchange market have progressed well. Moving ahead with the implementation of a rule-based central bank's intervention strategy will reduce discretion.

"Continuing to limit central bank's lending to the government in line with program objectives is needed to reduce inflation. A more active liquidity management will also support achieving monetary targets. Strengthening banking supervision and regulation will support financial stability.

"The authorities are advancing growth-supporting structural reforms. Strengthening the anti-corruption framework and the business climate will enhance governance and support private sector development. Implementing the new asset declaration regime and further strengthening the AML/CFT regime will be important.''

INTERNATIONAL MONETARY FUND

GUINEA

March 18, 2020

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Real growth is expected at 5.8 percent in 2020, supported by rebounding mining production and investment-led construction activity. Legislative elections and a referendum for a new constitution will be held in March and presidential elections by end-year. Protests against the referendum are ongoing. Risks of political and social instability are high.

Covid-19. The baseline scenario is based on the initial global downward revisions to growth due to the COVID-19 outbreak and assumes no outbreak in Guinea. As of March 10, 2020, there was no declared coronavirus case in Guinea. As the situation evolves, the country authorities and staff are keeping a close watch on macroeconomic developments, needed policy responses, and their impact on financing needs.

Program performance. All end-June 2019 performance criteria and the indicative targets (ITs) on domestically-financed social safety nets programs and new domestic arrears accumulated by the central government were met. The end-June IT on tax revenues was missed by a marginal amount. Program performance deteriorated at end-September 2019 as lower-than-programmed tax revenues weighed on fiscal performance and financing needs. In view of this, the authorities implemented corrective measures to achieve the end-2019 program targets. Preliminary data point to most end-December 2019 PCs having been met. Program-supported reforms advanced and most structural benchmarks were met.

Program strategy. Achieving the programmed basic fiscal surplus in 2020 will contribute to containing inflation and preserving debt sustainability. Mobilizing additional tax revenues and reducing electricity subsidies will create fiscal space to scale-up growth-supporting public investments and strengthen social safety nets. To this end, implementing programmed tax revenues measures, adopting an automatic petroleum products price adjustment mechanism, and advancing the multi-year electricity tariff reform is key. A prudent borrowing strategy will support scaling-up growth-supporting public investment. Strengthening public investment management is important to support the fiscal strategy. Limiting central bank's interventions in the foreign exchange market and allowing greater exchange rate flexibility will preserve external buffers against shocks. Containing central bank's lending to the government is needed to reduce inflation. Strengthening governance and the business climate will foster private sector development.

Staff views. In view of the satisfactory program performance at end-June 2019 and corrective actions implemented to achieve end-2019 targets, staff supports the authorities' request for completion of the fourth 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 maintaining strong ownership is needed.

Approved By
Dominique Desruelle and Chad Steinberg

An IMF team consisting of Ms. Albertin (Head), Mr. Maino, Ms. Kaze, and Mr. Koumtingue (all AFR), Ms. Mogues (FAD), Mr. Carrière-Swallow (SPR), and Mr. Issoufou (Resident Representative) held discussions with the authorities in Conakry, Guinea during October 1–12, 2019 and during October 15–21, 2019 and November 12-22 in Washington D.C. Messrs. Sylla and N'Sonde (OED) 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 civil society, private sector and donor community. Ms. Delcambre and Mr. Magno provided assistance in the preparation of this report.

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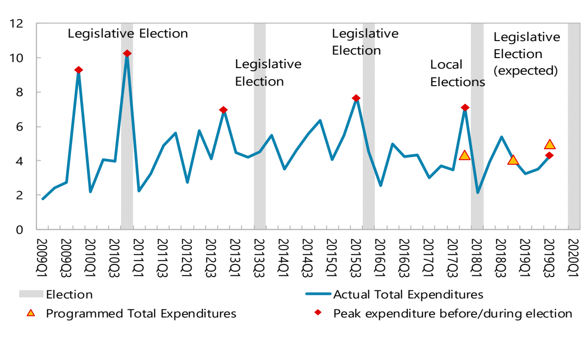
CONTEXT AND BACKGROUND

1. **Large-scale protests and episodes of social unrest marked the last months of 2019 and early 2020, highlighting Guinea's fragility**. A new draft constitution that would lift the presidential mandate limit will be submitted to a referendum, jointly with the legislative elections, in March 2020. Widespread protests against the constitutional referendum have been ongoing since October 2019. Presidential elections are scheduled by end-2020. Despite improvements, Guinea's weak institutional capacity weighs on the implementation of economic policies and reforms. Poverty incidence is at about 60 percent of the population.[1] Social outcomes are below sub-Saharan Africa average.

2. **The 2017–20 ECF arrangement supports fostering high and broad-based growth and reducing poverty while preserving stability**. 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. The program supports maintaining international reserves at 3.8 months of import cover, achieving an average basic fiscal surplus of 0.6 percent, and reducing inflation to 8.5 percent by 2020. Guinea is a pilot country under the IMF's Capacity Building Framework for fragile states, and IMF capacity development (CD) is supporting program objectives (Annex I).

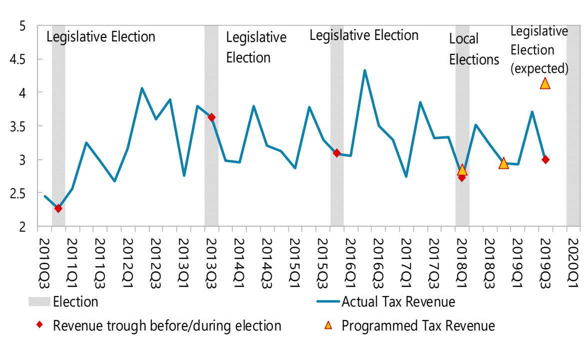
3. **The program is subject to significant implementation risks and maintaining strong program ownership is essential**. High risks of political and social instability, electoral pressures, weak institutions and governance could weaken the implementation of sound policies and program-supported reforms, notably mobilizing tax revenues and reducing untargeted electricity subsidies. After program slippages during September-November 2019, program ownership has strengthened, and corrective measures were implemented. Notably, fiscal policy has been re-oriented towards stability, central bank foreign exchange interventions have eased, and key reforms are advancing.

Figure 1. Guinea: Electoral Cycle and Public Expenditures
(Quarterly, Percent of GDP)



Sources: Guinean authorities; and IMF staff estimates.

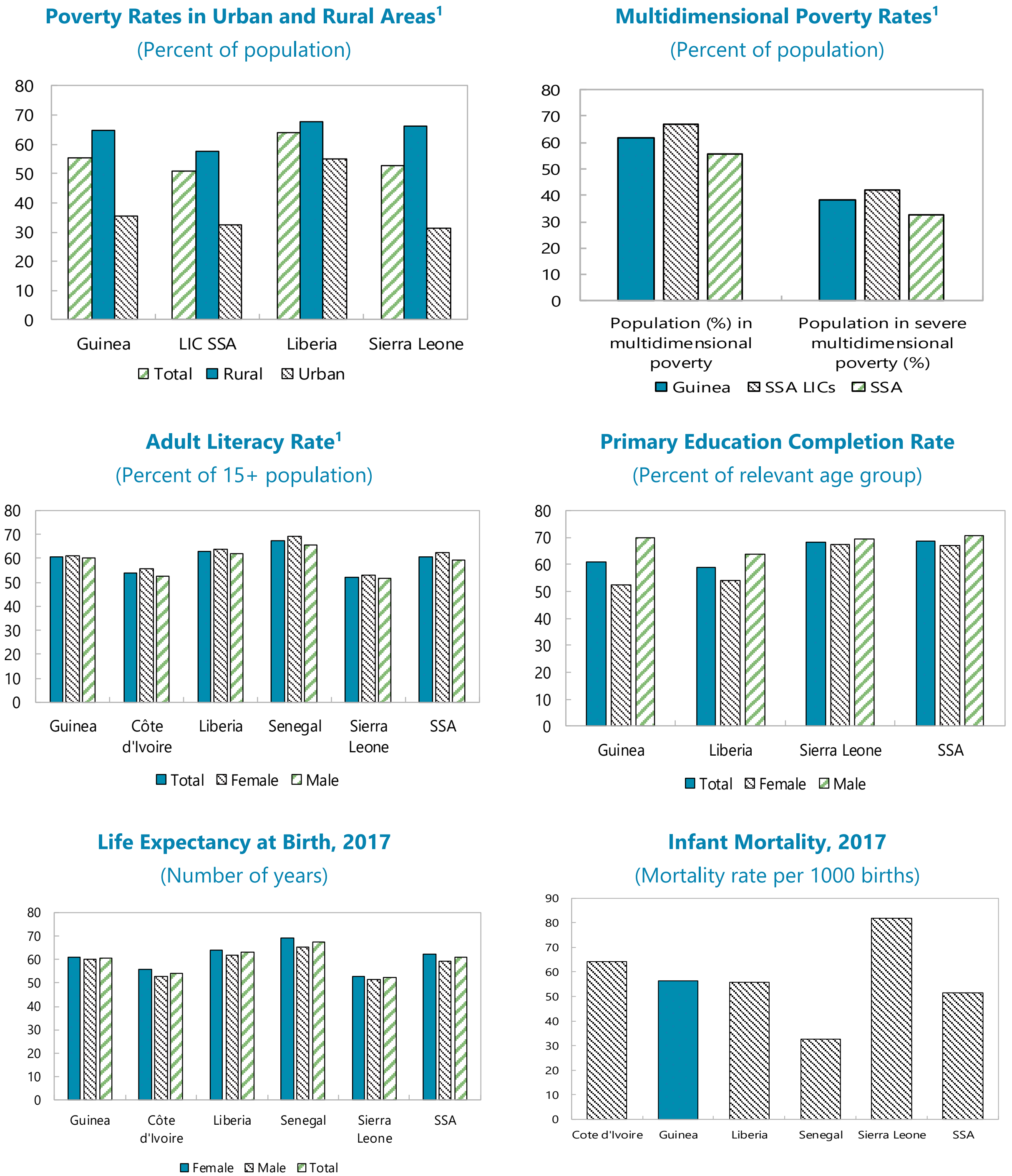
Figure 2. Guinea: Electoral Cycle and Tax Revenues Mobilization
(Quarterly, Percent of GDP)



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



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. **Mining activity recovered, after being disrupted by severe weather conditions in the third quarter of 2019**. The production of bauxite declined by 16 percent (y-o-y) in the third quarter, due to heavy and protracted rains. As a result, mining growth slowed from 32 to 10.6 percent (y-o-y) between June and September 2019. Bauxite production recovered in the last quarter, with mining growth strengthening to 11.2 percent (y-o-y) at end-November (Figure 4). Headline inflation slowed to 9.1 percent (y-o-y) at end-2019, with core inflation declining to 3.7 percent (Figure 4).

5. **Mining exports strengthened, and foreign exchange reserves picked-up at end-2019**. Bauxite exports increased by 5 percent (y-o-y) at end-November, after a 22 percent decline in the third quarter due to weather-induced disruption to production and transport (¶4). After declining during September-October, gross international reserves surged to US$1.3 billion at end-2019 (4.2 months of imports coverage). This reflected the disbursement of World Bank budget support and of the 4G licenses sale and reduced central bank's interventions in the foreign exchange market (¶20). The nominal exchange rate (against the US$) depreciated by 3.5 percent (y-o-y) at end-2019. The real effective exchange rate further appreciated by 9.5 percent (average, y-o-y) during 2019, reflecting high inflation and a slightly appreciating nominal effective exchange rate.

6. **Preliminary data point to a basic fiscal surplus of 0.6 percent of GDP at end-2019**. Overall tax revenues were 1 percent of GDP lower-than-programmed at end-2019. Mining tax revenues and non-mining direct taxes underperformed, reflecting the shock to mining production, the impact of social tensions on economic activity, and partial implementation of tax revenue mobilization measures (¶16). Despite the payment of the sale of the 4G licenses (US$90 million), non-tax revenues were lower-than-programmed, as the dividends from SOGEKA were not distributed (¶14).[2] Spending on goods and services was 0.2 percent of GDP larger-than-expected while the wage bill and electricity subsidies were as programmed.[3] Domestically-financed investments were 0.4 percent of GDP lower-than-expected. Externally-financed investments were 1.8 percent of GDP lower-than-anticipated. After borrowing from the central bank surged in September-November, a net repayment was recorded at end-2019. In parallel, borrowing from commercial banks surged. Net domestic arrears were reduced by 1.1 percent of GDP.

7. **The banking sector remains stable**. Private sector credit growth was at 24 percent (average, y-o-y) at end-2019, supported by banks' liquidity. In parallel, banks' net lending to the government increased by 27 percent at end-2019 (average, y-o-y). Excess reserves were gradually re-built in the last quarter, after sharply declining at end-June 2019, due to banks' subscription of a GNF1,302 billion three-year government bond. One bank did not comply with the net equity capital requirement at end-June 2019. Non-performing loans slightly declined to 12.5 percent at end-June.

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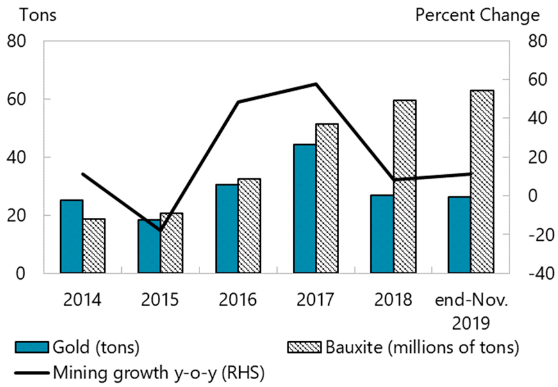
[2] The State has a 49 percent share in the *Société de Gestion de Kaléta* (SOGEKA), which manages the Kaleta dam.

[3] Electricity subsidies picked-up in 2019 due to the state-owned electricity company starting to pay the electricity produced by the Kaleta dam.

Figure 4. Guinea: Mining and Inflation

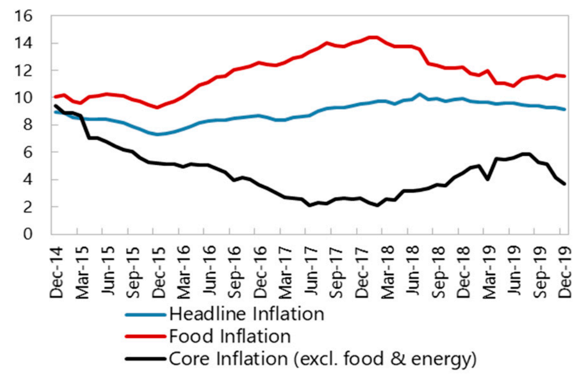
Mining Growth and Production

(Tons; millions of tons; percent change)



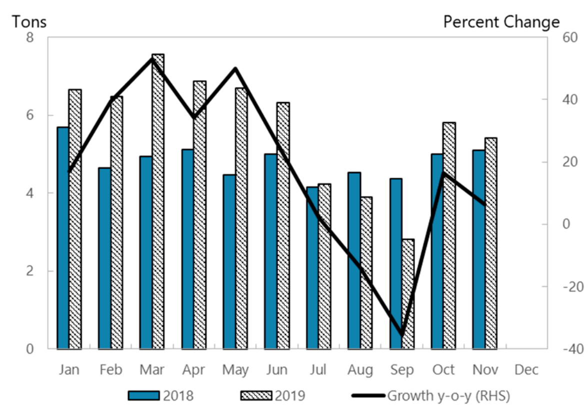
Headline and Core Inflation

(Percent, YOY)



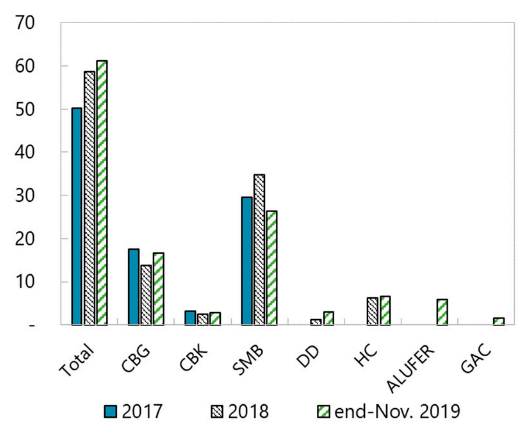
Monthly Bauxite Production and Growth

(millions of tons; percent change)



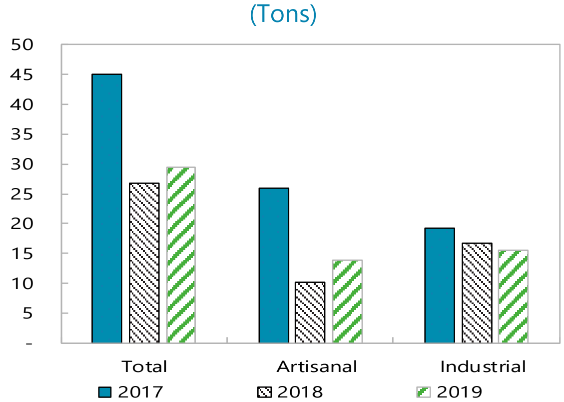
Bauxite Production by Company

(Millions of tons)



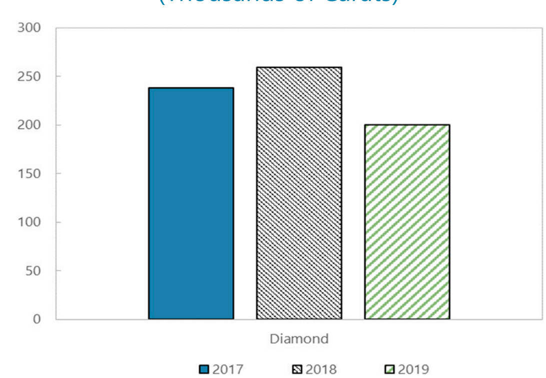
Gold Production

(Tons)



Diamond Production

(Thousands of Carats)

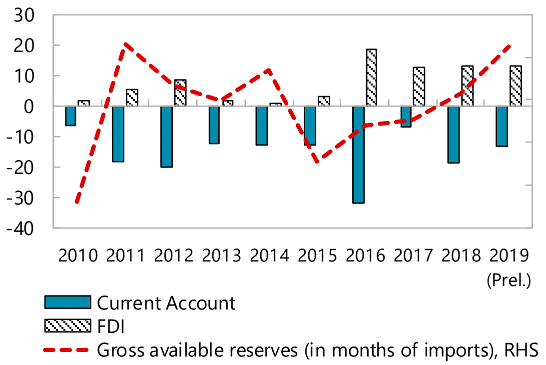


Sources: Guinean authorities; and IMF staff estimates.

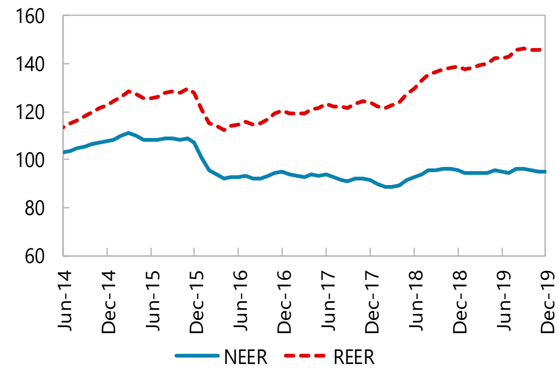
Sources: Guinean authorities; and IMF staff estimates.

Figure 5. Guinea: Key Economic Indicators

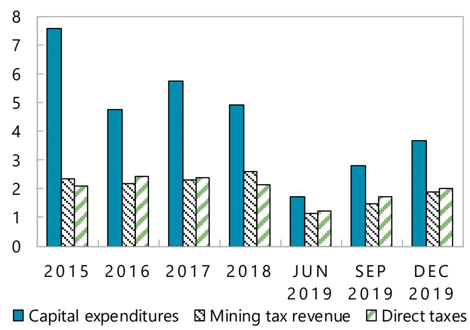
Current Account, FDI, and Reserves
(Percent of GDP; in months of imports)



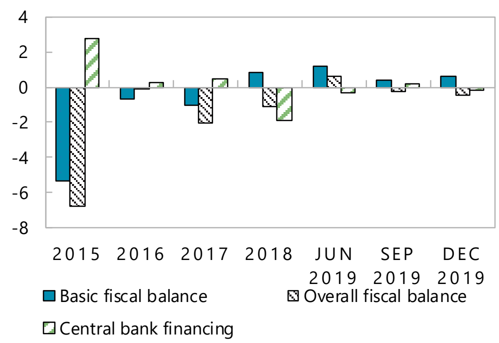
Real Effective Exchange Rate



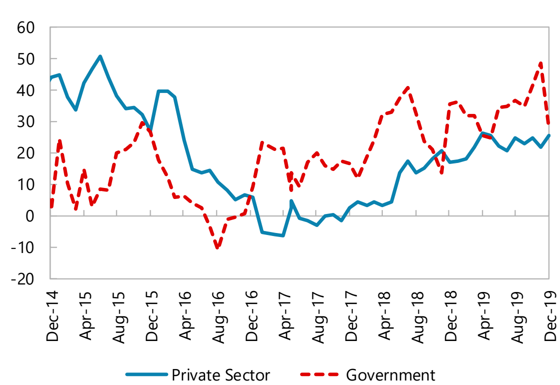
Revenue and Expenditure Performance
(Percent of GDP)



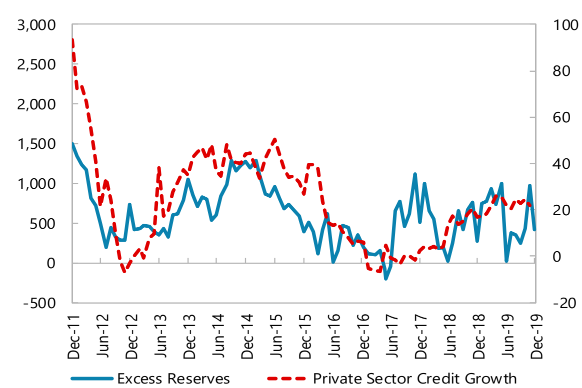
Fiscal Imbalances and Central Bank Net Financing
(Percent of GDP)



Commercial Banks—Net Credit to the Government and Private Sector
(Percent, YOY)



Excess Reserves and Credit Growth
(GNF billions; Percent, YOY)



Sources: Guinean authorities; and IMF staff estimates.

Sources: Guinean authorities; and IMF staff estimates.

PERFORMANCE UNDER THE PROGRAM

8. **Performance against end-June 2019 program targets was satisfactory**. All end-June 2019 performance criteria (PCs) on the basic fiscal balance, net international reserves, net government borrowing from the central bank, and net domestic assets were met. The end-June indicative targets (ITs) on domestically-financed social safety net programs and new domestic arrears were met. Tax revenues were in line with program objectives, with the related IT missed by a marginal amount.

9. **After program performance deteriorated at end-September 2019, the authorities implemented corrective measures to achieve the end-year targets**. Despite the implementation of the adjustment measures identified at the time of the third review (¶14, Text table 1), all end-September ITs, except on net international reserves, were missed. Notably, lower-than-programmed tax revenues, weighted on fiscal performance and financing needs (¶6). In view of the large tax revenues shortfall (1 percent of GDP), the authorities implemented additional measures to contain spending in the last months of 2019 (¶14, Text table 2). To this end, they adopted an expenditure commitment plan (prior action). Accordingly, the fourth review was delayed to allow for the implementation of corrective measures and strengthen program performance. Preliminary data point to most end-December 2019 PCs having been met. The PC on the basic fiscal balance is expected to have been missed by a minor amount. The continuous PC on contracting or guaranteeing of non-concessional external debt was met. The program is subject to significant implementation risks and maintaining strong program ownership is essential.

10. **Program-supported reforms advanced and most structural benchmarks were met**. Reforms to strengthen macroeconomic resilience, reduce untargeted energy subsidies, improve public financial and debt management, and strengthen the anti-corruption framework and business climate progressed. Three out of the five structural benchmarks (SBs) were met. One missed SB was completed with a delay, and the remaining one will be completed by end-March 2020 (Table 13).

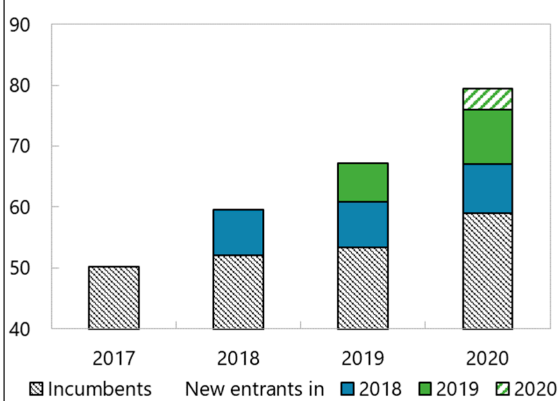
OUTLOOK AND RISKS

11. **Guinea's growth outlook is favorable under the baseline scenario**. Real growth is expected to be lower-than-anticipated at 5.6 percent in 2019, due to the adverse weather-related shock to mining activity. It would reach 5.8 percent in 2020 and 6.2 percent in 2021, on the back of rebounding mining activity, investment-boosted construction activity, and scaled-up electricity production.[4] The baseline scenario is based on the initial global downward revisions to growth due to the COVID-19 outbreak, and assumes no outbreak in Guinea. Strengthening the business climate, governance and better electricity provision will support private sector development over the

[4] The baseline program scenario also assumes: (i) new mining production capacity coming on stream gradually; (ii) public investments to be lower than envisaged in Guinea's 2016-20 National Economic and Social Development Plan to account for capacity and execution constraints; and (iii) the Kaleta dam reaching full production capacity and the Souapiti dam starting operations in 2020.

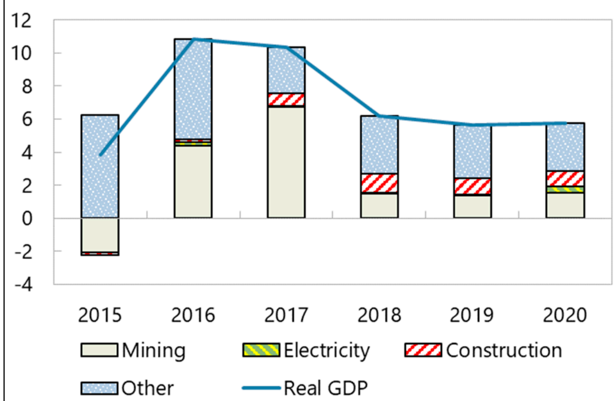
medium-term. Inflation is expected to moderate to 8 percent at end-2020, owing to a prudent monetary policy and contained central bank budgetary financing, in line with program objectives.

Figure 6. Guinea: Bauxite Production
(Millions of Tons)



Sources: Guinean authorities; and IMF Staff estimates.

Figure 7. Guinea: Contributions to Real GDP
(Percent)



Sources: Guinean authorities; and IMF Staff estimates.

12. **Large external imbalances are expected to continue to be financed by FDI inflows in mining and project financing**. The current account deficit is expected at about 14 percent in 2019, widening to 22 percent of GDP in 2020. Mining exports are expected to strengthen in 2020, on the back of rebounding production and a higher international gold price. Imports would surge due to large mining and infrastructure investments, notably the final phase of the construction of the Souapiti dam. International reserves are expected at 3.8 months of import coverage at end-2020. External imbalances would narrow over the medium-term, reflecting strong mining exports and a slow-down in import growth, following the completion of the Souapiti dam.

13. **Risks to the outlook are tilted to the downside**. Social and political instability, a COVID-19 outbreak and weaker demand for bauxite from main trading partners (Box 1), lower aluminum price, capacity and execution constraints in public investment, and governance slippages could undermine the growth outlook. Stronger-than-expected mining production could support higher growth

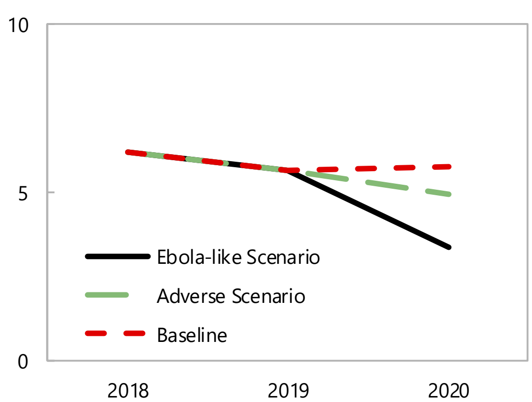
Box 1. Risk and Potential Impact of the COVID-19 Outbreak

The authorities have taken steps to strengthen Guinea's preparedness for a potential COVID-19 local outbreak. Guinea was severely hit by the Ebola virus epidemic during 2014-15. Building on this experience, a National Emergency Preparedness and Response Plan to the risk of a COVID-19 outbreak was adopted in March 2020. The authorities have started discussions with donors to mobilize needed financing for the implementation of the plan, preliminary estimated at US$13 million (0.1 percent of GDP). As there are no reported cases in Guinea, the focus of authorities' strategy is on prevention. To this end, rapid response teams have been deployed and enhanced screening has been adopted at points of entry. Three laboratories have been equipped for diagnosis, and a quarantine center has been prepared in Conakry.

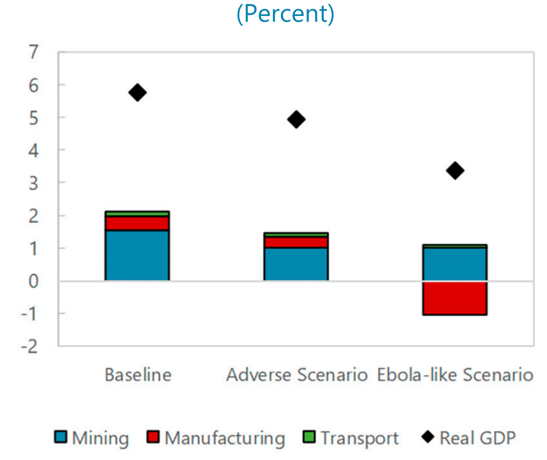
The COVID-19 outbreak is a downside risk to Guinea's growth outlook and could lead to budgetary and external pressures. A COVID-19 outbreak in Guinea is expected to hit manufacturing, commerce and services, and transport activities, owing to closure of borders, social distancing and reduction in labor supply. This would weaken tax revenues and, coupled with the need to scale-up health-related spending, deteriorate Guinea's fiscal position. In addition, a stronger-than-expected slowdown in China due to the outbreak, could weaken the demand for bauxite and delay foreign direct investments in the mining sector. This would negatively affect Guinea's mining production, exports, and tax revenues, thus putting a further strain on budgetary resources and international reserves.

Alternative scenarios point to a deterioration of Guinea's short-term growth if COVID-19-related risks materialized, compared to the baseline program scenario.[1] Both scenarios assume a COVID-19 outbreak in Guinea, coupled with lower-than-anticipated real growth in China in 2020. Thus, Guinea's growth would weaken to 4.9 percent in 2020 under the adverse scenario (against 5.8 percent under the baseline scenario). In an Ebola-like scenario, in which sectoral disruptions would be more severe, real growth would decline to 3.4 percent.

Guinea: Real GDP Growth, 2018-20
(Percent)



Guinea: Contributions to Growth, 2020
(Percent)



[1] The baseline scenario assumes a 0.4 percentage points downward revision to China's real growth in 2020 due to the COVID-19 outbreak and no outbreak in Guinea. Both the adverse and the Ebola-like scenarios assume real growth in China to be 1.1 percentage points lower than under the baseline. The adverse scenario models the impact of the COVID-19 outbreak to be 20 percent of the anticipated reduction in China's growth. The Ebola-like scenario calibrates the impact of the local outbreak in Guinea by replicating the sectoral impact of the 2014 Ebola crisis.

PRESERVING MACROECONOMIC STABILITY

A. Fiscal Policy

14. Domestically-financed public investments were rephased to compensate for the tax revenues shortfall in the last quarter of 2019. The fiscal adjustment measures agreed at the third review were implemented. Thus, electricity tariffs were increased by 15 percent for households and by 5 percent for industrial and professional consumers in June 2019 (¶13, MEFP ¶19). Furthermore, non-tax revenues from the sale of the 4G licenses were mobilized. In view of the tax revenues shortfall at end-September, which carried over till end-year, the authorities agreed to implement a package of additional measures to reach the programmed end-year basic fiscal surplus of 0.6 percent of GDP (Text table 2). This included: i) mobilizing additional non-tax revenues; ii) containing non-priority spending in goods and services; and iii) rephasing non-priority domestically-financed public investments. Staff regrets that the end-2019 adjustment was skewed towards containing domestically-financed investments, which were rephased by 0.8 percent of GDP (against a programmed 0.4 percent of GDP) as spending in goods and services was higher-than-anticipated and non-tax revenues from SOGEKA were not disbursed.

Text Table 1. Guinea: Fiscal Adjustment Measures, 2019
Third ECF Review[1]
(Percent of 2019 GDP)

	Expected	Actual
Non Tax revenue mobilization	**0.65**	**0.65**
Exceptional payment due to the sale of 4G licenses	0.65	0.65
Containing public expenditures	**0.55**	**0.55**
Reduction in electricity subsidies (from tariff increase)	0.05	0.05
Rephasing non-priority domestically-financed public investments	0.50	0.50
Total	**1.20**	**1.20**

Sources: Guinean authorities; and IMF staff estimates.
[1] Fiscal adjustment measures were calculated compared to the 2019 Budget Law.

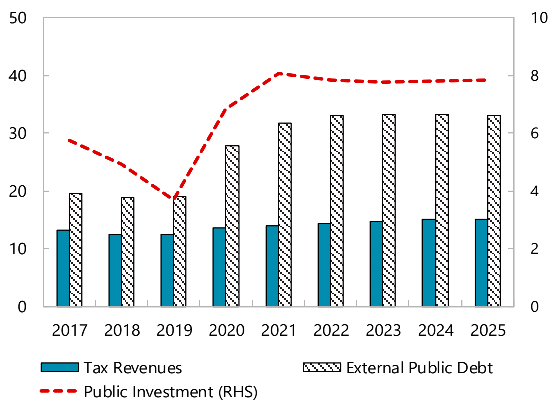
Text Table 2. Guinea: Additional Fiscal Measures, 2019
Fourth ECF Review[1]
(Percent of 2019 GDP)

	Expected	Actual
Non Tax revenue mobilization	**0.10**	**0.00**
Dividends from SOGEKA	0.10	0.00
Containing public expenditures	**0.60**	**0.78**
Containing non-priority spending in goods and services	0.13	0.00
Non-priority transfers to Public Enterprises	0.03	0.00
Rephasing non-priority domestically-financed public investments	0.43	0.78
Total	**0.70**	**0.78**

Sources: Guinean authorities; and IMF staff estimates.
[1] Adjustment measures are calculated with respect to the 2019 Supplementary Budget Law.

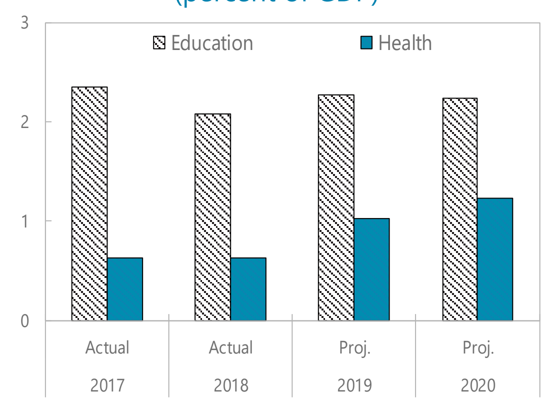
15. Creating fiscal space for scaling-up priority spending is pivotal to foster broad-based growth. Achieving a basic fiscal surplus of 0.6 percent of GDP in 2020 will contribute to containing inflation and preserving debt sustainability. Staff underscored that mobilizing additional tax revenues (¶16, ¶17, and ¶18), maintaining spending in goods and services to programmed amounts, and reducing untargeted electricity subsidies is needed to create fiscal space to increase growth-supporting public investments, strengthen social safety nets (¶28) and increase priority social spending. In this vein, staff supports a modest easing of the end-2020 fiscal objective by 0.3 percent of GDP (compared to the third ECF review) to account for a one-off expenditure for a US$40 million guarantee in the electricity sector and avoid an excessive reduction in spending, which could harm poverty-reduction objectives (MEFP ¶14).[5] In parallel with mobilizing domestic resources, external borrowing will support scaling-up public investments to about 7 percent of GDP in 2020.

Figure 8. Guinea: Public Investment, Tax Revenues, and External Public Debt
(Percent of GDP)



Sources: Guinean authorities; and IMF staff estimates.

Figure 9. Guinea: Health and Education Spending, 2017–20
(percent of GDP)



Sources: Guinean authorities; and IMF Staff estimates.

Creating Fiscal Space to Scale-up Priority Spending

16. **Broadening the tax base and strengthening tax controls and collection is pivotal to mobilize additional revenues.** Tax revenues mobilization measures were expected to generate 0.4 percent of GDP revenues in 2019. However, programmed measures were partially implemented and mobilized about 0.2 percent of GDP revenues in 2019 (Text Table 3, MEFP ¶16). The authorities stepped-up efforts in late 2019 and will implement a package of tax policy and administration measures in 2020, expected to generate 0.4 percent of GDP additional revenues (Text Table 3, MEFP ¶16 and ¶17). To this end, ad-hoc tax exonerations will be rationalized. The new organizational structure of the National Directorate for Taxes (DNI) will be operationalized, with the support of IMF technical assistance (TA). The one-stop-shop for international trade was operationalized (¶29) and will enhance tax controls and collection. Moving forward, cleansing taxpayers' files will support medium-term revenue mobilization.

17. **Adopting an automatic petroleum products price adjustment mechanism, while setting up mitigating measures for the most vulnerable, will protect tax revenues**. Staff welcomes the 5 percent increase in retail prices of petroleum products in August 2019, in view of higher import

[5] The public utility company (EDG) will be the unique buyer of the electricity produced by the Souapiti dam, expected to start production in 2020. As part of the purchasing power agreement (PPA), the government will provide a guarantee in case EDG should not be able to pay for the electricity purchased. To this end, an amount of US$40 million will be transferred in 2020 as a guarantee. The PPA does not envisage any further guarantees in subsequent years.

Text Table 3. Guinea: Tax Revenue Mobilization Measures, 2019-20 [1]

(Percent of GDP)

	Additional Revenue Mobilization in 2019		Execution End-December 2019			Additional Revenue Mobilization in 2020	
	% of GDP	GNF billions	% of GDP	GNF billions	% of Target	% of GDP	GNF billions
Tax revenue mobilization	**0.41**	**522**	**0.23**	**297**	**57.0**	**0.42**	**613**
Tax policy measures	**0.07**	**84**	**0.05**	**67**	**79.7**	**0.25**	**359**
Rationalize ad-hoc exonerations	0.05	69	0.03	44	62.9	0.09	130
Broadening the base for the insurance tax	0.01	15	0.02	24	157.1	0.16	229
Tax administration measures	**0.35**	**438**	**0.18**	**230**	**52.6**	**0.18**	**254**
Tax recovery from general audits of large enterprises	0.12	155	0.09	119	76.6	0.06	91
Tax recovery from desk audits of the enterprises	0.03	36	0.03	35	97.5	0.01	18
Collection of recoverable tax arrears	0.10	122	0.01	17	14.3	0.03	48
Tax recovery from matching of customs and tax databases	0.05	60	0.00	3	4.2	0.01	20
Operationalization of the one-stop shop for international trade	…	…	…	…	…	0.02	30
Strengthen collection of Single Land Contribution	0.05	65	0.04	57	87.7	0.02	23
Operationalization of the DNI's new organizational structure[2]	…	…	…	…	…	0.02	25

Sources: Guinean authorities; IMF staff estimates.

[1] This is total additional revenue in 2019 and 2020 relative to a baseline in which no measures were undertaken.

[2] The National Directorate of Taxes (DNI).

prices (Figure 11).[6,7] Given the outlook for international oil prices, current retail prices are expected to remain above import prices in 2020. In case of higher-than-anticipated international oil prices, further upward price adjustments will be needed to protect tax revenues. The authorities aim to adopt a new automatic petroleum price adjustment mechanism, well-tailored to Guinea's fragile social context, by mid-2020 and conduct a communication campaign ahead of its implementation. To this end, the current price adjustment rule was reviewed, and key elements of a communication strategy were identified at end-2019, with the support of IMF TA. Targeted social safety nets programs to protect the most vulnerable from the impact of the energy subsidy reform started to be implemented (¶28, MEFP ¶23).

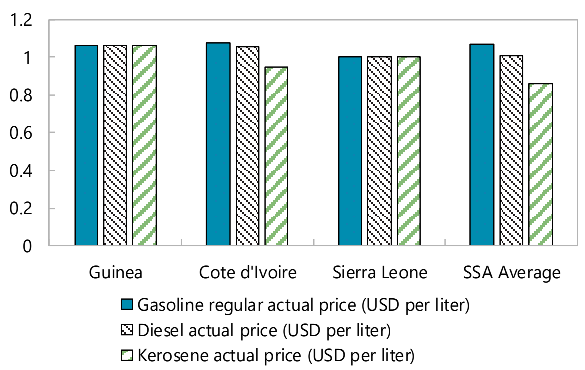
18. Applying the tax provisions of the mining code to new contracts and addressing risks of profit shifting in the mining sector is key to mobilize additional revenues. Mining tax revenues are expected to increase by about 0.4 percent of GDP in 2020, on the back of rebounding production and exports (¶11 and ¶12). Avoiding ad-hoc tax exonerations is pivotal to capture revenue windfalls from new companies entering the mining sector. To this end, adopting the new mining tax revenues model, developed with the support of IMF TA, will allow to assess tax revenue losses from exonerations. Key international taxation provisions to address profit shifting from transfer pricing were adopted in 2019. Ensuring companies' export pricing practices are appropriate with market

[6] The current price adjustment rule requires retail prices of petroleum products to be increased (decreased) on a monthly basis if import prices, expressed in local currency, are 5 percent higher (lower) than in the previous month. However, the authorities have applied the pricing rule on an ad-hoc basis to avoid excessive price volatility.

[7] The retail price of fuel, gasoil, and kerosene was increased from 8,000 to 10,000 GNF per liter in July 2018, the first time since 2015. This was followed by a 5 percent reduction in January 2019, reflecting lower international oil prices. In view of higher import prices, retail prices were increased from 9,500 to 10,000 GNF per liter in August 2019.

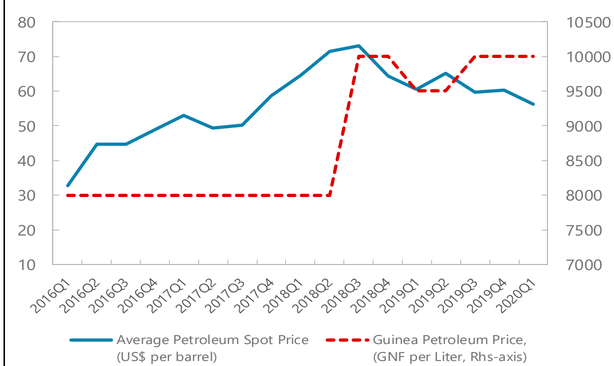
values and strengthening tax administration capacity is key to reduce risks of profit shifting (MEFP ¶26).

Figure 10. Guinea: Petroleum Products Prices: Guinea versus Comparators
(USD per Liter)



Sources: Guinean authorities; and IMF Staff estimates.
Note: Gasoline and Diesel prices are as of February 2019. SSA kerosene prices are based on the latest available data.

Figure 11. Guinea: Evolution of Petroleum Products Prices[1], 2016-20



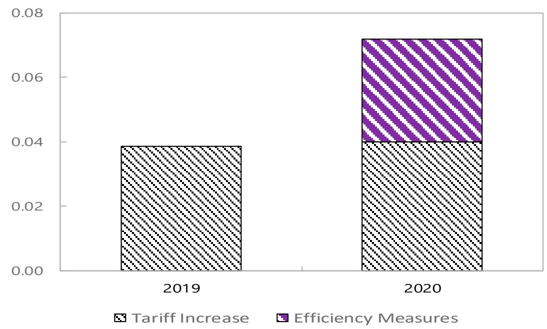
Sources: World Economic Outlook; and IMF Staff estimates.
[1]The Average petroleum Spot price is an average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The Guinea petroleum products price is a single price for Petroleum, Gasoil and Kerosene.

19. Advancing the multi-year tariff reform is key to reduce untargeted electricity subsidies and free up resources for priority spending. The 2019 electricity tariff increase was the first step of a multi-year strategy, prepared with the support of the World Bank, to gradually increase tariffs to cost recovery levels by 2025 (end-September 2019 SB). In line with this, electricity tariffs will be doubled over 2019-25 (on a cumulative basis).[8] Notably, electricity tariffs will be increased by 9 percent for households and 10 percent for industrial and professional users in 2020 (June 2020 SB), with the social tariff being maintained to protect the most vulnerable.[9] This is expected to reduce electricity subsidies by 0.04 percent of GDP over the second half of 2020, and budgetary savings will be allocated to strengthening social safety nets (¶28). Improving the operational efficiency of EDG will also contribute to reducing subsidies by 0.02 percent of GDP in 2020 (MEFP ¶21). To this end, the installation of consumption meters for private consumers is advancing.

[8] About 90 percent of the subsidy needs of EDG stem from electricity tariffs being below cost recovery level, as the average tariff covered about 40 percent of production and service costs at end-2018. The remaining part is due to operational inefficiencies of EDG such as weak revenue collection and high technical and commercial losses.

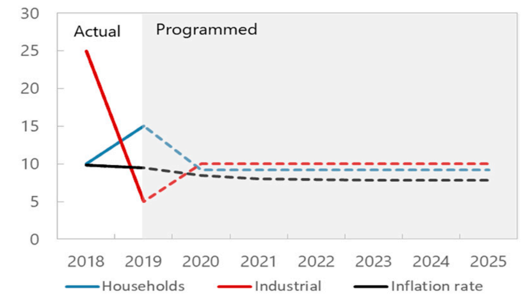
[9] In July 2018, electricity tariffs were increased by 25 percent for industrial and professional users and by 10 percent for households.

Figure 12. Guinea: Savings on Electricity Subsidies, 2019-20
(Percent of GDP)



Sources: Guinean authorities; and IMF Staff estimates.

Figure 13. Guinea: Electricity Tariff Increases, 2018-25
(12-Month Percent Change)



Sources: Guinean authorities; and IMF Staff estimates.

B. Monetary and Exchange Rate Policies

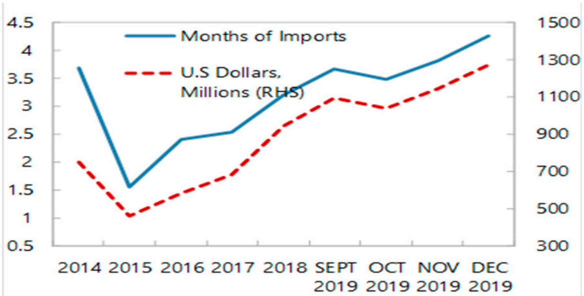
20. Greater exchange rate flexibility is needed to preserve Guinea's external buffers against shocks and help reduce the real effective exchange rate overvaluation. Gross international reserves were higher-than-programmed at end-June 2019 (3.7 months of import coverage). Following strong pressures in the foreign exchange market, spurred by social tensions, the BCRG stepped-up its interventions during September-October 2019, which contributed to a decline in international reserves.[10] In view of this, the BCRG limited its interventions during November-December 2019 while allowing a modest depreciation, as agreed with staff. Continuing to limit interventions and allowing greater exchange rate flexibility is needed to preserve external buffers in line with the ARA-CC metric reserve adequacy estimate (3.8 months of import cover). Greater exchange rate flexibility will also reduce the real effective exchange rate overvaluation (between 16-31 percent at end-2018) and improve the external position, which is substantially weaker than the level consistent with economic fundamentals and desirable policies.

21. Staff welcomes progress in strengthening the role of market forces in the foreign exchange market. The limit on auctions allocation to a single participant was fully eliminated in June 2019, thus strengthening market competition. The BCRG finalized a rule-based intervention strategy in October 2019 (missed end-May 2019 SB). This is expected to be implemented by mid-2020 and will reduce discretion (MEFP ¶40).[11]

[10] The BCRG currently intervenes to close imbalances between supply and demand in the bilateral foreign exchange auction market (MEBD). The BCRG was a net buyer on the bilateral foreign exchange market (MEBD) during January-August 2019.

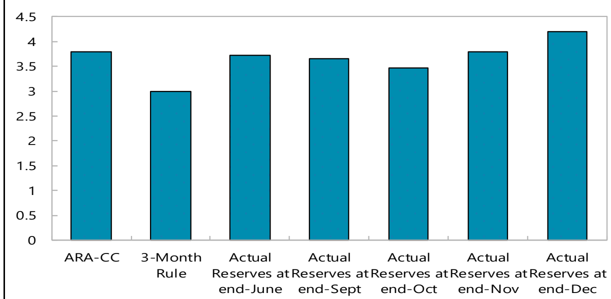
[11] The rule-based intervention strategy will allow the central bank to intervene in the foreign exchange market when the change in the market exchange rate exceeds an undisclosed threshold.

Figure 14. Guinea: Gross International Reserves, 2012–19
(USD millions; Months of imports)



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

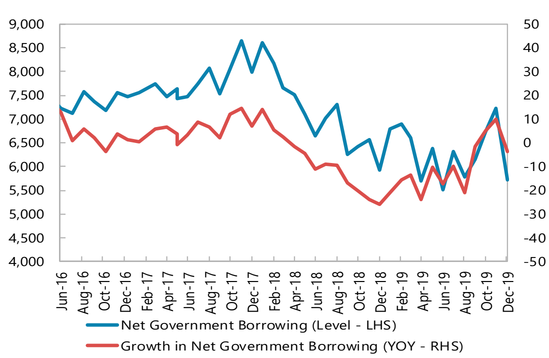
Figure 15. Guinea: Reserve Adequacy
(Months of imports)



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

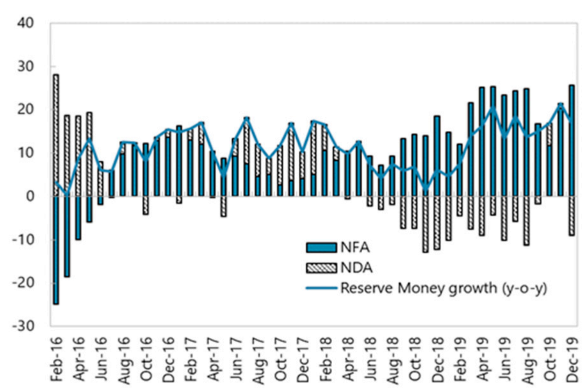
22. Limiting central bank's lending to the government is important to reduce inflation. Reserve money growth was larger-than-programmed at end-2019, also reflecting the end-year pick-up in net foreign assets. Due to the tax revenues shortfall and large budgetary financing needs, central bank's lending to the government surged during September-November 2019. Central bank's advances to the government were curtailed in December, as budget support and exceptional non-tax revenues were disbursed. Moving forward, targeting base money in line with program objectives is needed to reduce inflation. To this end, limiting central bank's lending to the government is key.[12] Furthermore, adopting a more active liquidity management — using available liquidity instruments and calibrating liquidity operations — will support achieving monetary targets (MEFP¶ 41).

Figure 16. Guinea: Net Government Borrowing (Excl. Recapitalization)
(GNF Billions, Percent)



Sources: Guinean authorities; and IMF staff estimates.

Figure 17. Guinea: Reserve Money Growth
(Percent of M2)



Sources: Guinean authorities; and IMF staff estimates.

[12] The 2018 Memorandum of Understanding between the BCRG and the Ministry of Economy and Finance – limiting the BCRG advances to the government to short-term cash management and to the statutory limits of the Central Bank Law (no more than 5 percent of the average fiscal revenues of the last three years) – remains appropriate.

23. Finalizing the implementation of the remaining recommendations of the 2018 safeguard assessment is needed. Progress in implementing recommendations from the 2018 safeguards assessment has been mixed. The BCRG was recapitalized and its financial reporting and accountability were strengthened. The external audit of monetary data at end-June 2019 was conducted and did not raise any significant issues. A review of the BCRG investment policy was completed. Staff underscored that finalizing the peer review of currency operations, setting-up a middle office for foreign exchange operations, and strengthening the internal audit capacity and oversight is needed. The BCRG has committed to addressing the remaining overdue issues (MEFP ¶45).

C. Financial Sector

24. Strengthening banking supervision and regulation will support financial stability. The updated accounting framework and reporting system for banks is being gradually implemented. A new risk-based rating methodology for banks was operationalized. In line with the recommendations of the June 2019 Financial Sector Stability Review, it is important to increase human resources in banking supervision, strengthen the BCRG's early intervention policy, operationalize the emergency liquidity assistance framework, operationalize the deposit guarantee and set-up a banking resolution framework, with the support of IMF TA (MEFP ¶46). In order to limit fiscal risks, the newly-created development bank will not be allowed to collect retail deposits (MEFP ¶47).

SCALING-UP INFRASTRUCTURE INVESTMENT WHILE PRESERVING DEBT SUSTAINABILITY

25. Prudent external borrowing will support the programmed scaling-up of public investment in 2020. Addressing Guinea's large infrastructure gap is needed to foster economic diversification and broad-based growth. Prudent external borrowing will mobilize resources to scale-up public investments in infrastructure.[13] Under the program scenario Guinea's debt is sustainable, with a moderate risk of external and overall public debt distress (Debt Sustainability Analysis, 2020). Guinea has fully utilized the US$650 million envelope of non-concessional loans allowed under the program to finance priority infrastructure projects. Moving forward, maximizing concessionality will contribute to preserve debt sustainability.

26. Further strengthening debt management will support sustainability. A national committee and a working group for debt management were operationalized, and a full-fledged statistical bulletin was published (MEFP ¶38). The implementation of the end-2017 strategy to gradually clear long-standing domestic arrears is advancing (MEFP ¶36). Efforts to resolve

[13] Two non-concessional loans (US$598 million; 5 percent of GDP) were signed in 2018 for the rehabilitation of a national road and the road system in Conakry. As these loans were collateralized by future stream of mining tax revenues, staff expressed concerns (IMF Country Report No. 19/30). Non-concessional budget support was also signed with Qatar in 2018 (US$60 million; 0.4 percent of GDP).

long-standing external arrears (1.4 percent of GDP) are ongoing (MEFP¶37).[14] Moving forward, it will be important to regularly conduct debt sustainability analysis, modernize the debt recording system, and improve institutional efficiency and coordination (MEFP ¶38).

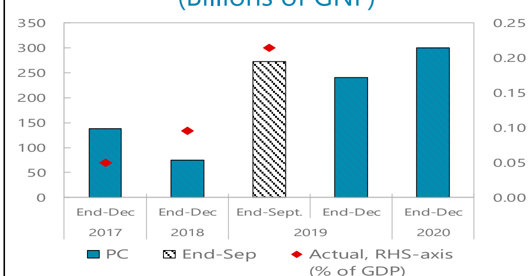
27. Strengthening public investment management is key to maximize investment returns and improve governance. A decree to strengthen the regulatory framework for public investment management was prepared, with the support of IMF TA, expected to be adopted by end-March. A stock-taking exercise of long-standing public investment projects was initiated, and some projects were discontinued in the 2020 Budget Law (MEFP ¶31). An integrated investment management platform started to be operationalized and will support better execution and monitoring (MEFP ¶31). 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-May 2020 SB), with the support of IMF TA. Finalizing the setting-up of an appropriate public-private partnerships (PPP) framework is needed to manage risks from infrastructure development (MEFP ¶33).

STRENGTHENING SOCIAL SAFETY NETS

28. Staff welcomes progress in strengthening social safety nets to reduce poverty and foster inclusion. End-September spending on domestically-financed social safety net programs was above the end-2019 target, owing to the stepping-up of health programs. In addition, cash transfers to poor households in urban and peri-urban areas started to be provided and labor-intensive public works were stepped up (MEFP ¶23) to protect the most vulnerable from the impact of the energy subsidy reform. The authorities raised the end-2020 program target for domestically-financed social safety nets. A prototype of a registry of vulnerable population was established (end-February 2020 SB), with the support of the World Bank. This will contribute to strengthening the targeting of social programs.

Figure 18. Guinea: Public Spending on Domestically-Financed Social Safety Nets, 2017-20

(Billions of GNF)



Sources: Guinean authorities; and IMF Staff estimates.

[14] 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 third review of the ECF program.

ADVANCING GROWTH-SUPPORTING STRUCTURAL REFORMS

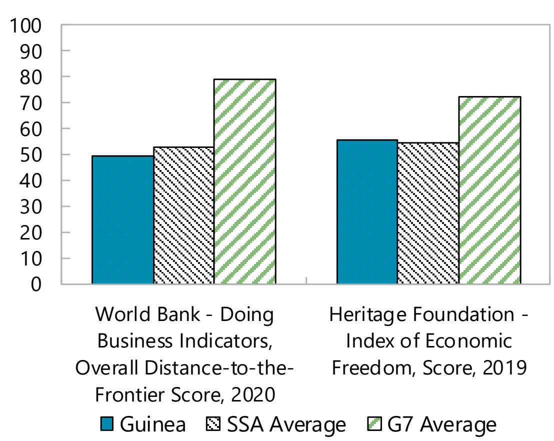
29. Reforms to improve the business climate are progressing. The one-stop-shop for international trade was operationalized, a platform for public-private dialogue was re-activated and the tax code was streamlined, with the support of IMF TA (MEFP ¶49). Finalizing the online tax declaration and payment system and the one-stop shop for land registration is important.

30. Strengthening the anti-corruption framework is needed to improve governance. The implementation decree for the asset declaration regime was finalized, with the support of IMF TA (MEFP ¶50) and will be adopted by end-March 2020 (missed end-September 2019 SB). Moving ahead, implementing the new asset declaration regime will be key (end-June 2020 SB). A new AML/CFT law in line with international standards will be submitted to the National Assembly by March 2020, risk-based AML/CFT internal controls for the BCRG and a risk-based approach to AML/CFT supervision of banks are being finalized (MEFP ¶50). In parallel, reforms in the mining sector (MEFP ¶26) and public financial and investment management (MEFP ¶31) will strengthen governance and reduce vulnerabilities to corruption.

31. Advancing the National Strategy for Financial Inclusion (NSFI) will support credit access. The NSFI is being finalized, with the support of the World Bank. Developing digital finance, financial education programs, and establishing an electronic safeguards registry will foster credit access, notably for SMEs, women, and the youth (MEFP ¶51).

Figure 19. Guinea: Business Climate

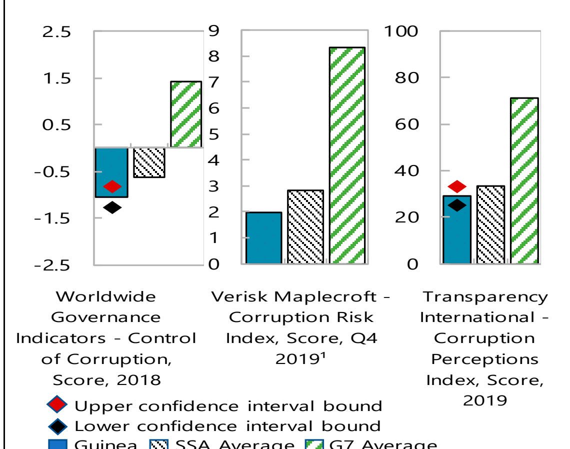
(0 indicates poor business climate)



Sources: World Bank's Doing Business Indicators, 2020; and Heritage Foundation's Index of Economic Freedom, 2019.

Figure 20. Guinea: Governance

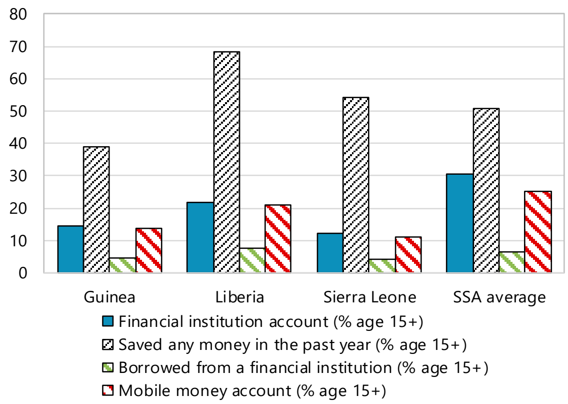
(Lower scores indicate poor governance)



Sources: Worldwide Governance Indicators, D. Kaufman (Natural Resources Governance Institute and Brookings Institutions) and A. Kraay (World Bank), 2018; Verisk Maplecroft's Corruption Risk Index, 2019; Transparency International's Corruption Perceptions Index, 2019.

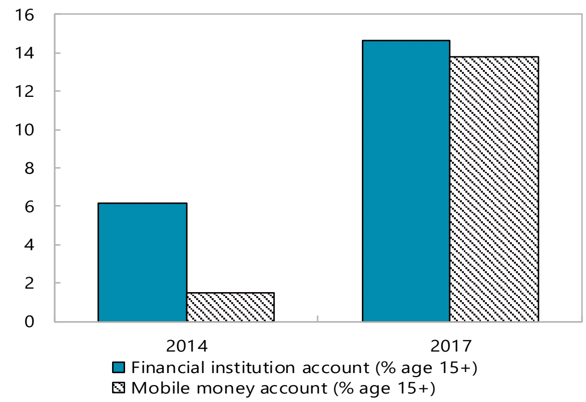
[1]Confidence intervals are not available for this indicator.

Figure 21. Guinea: Financial Inclusion
(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

32. Capacity to repay the Fund and financing assurances. Guinea's credit outstanding to the IMF is at SDR 245.4 million (about 114.6 percent of quota). Staff considers that Guinea has an adequate capacity to repay the Fund, given the program's strength, the favorable medium-term growth outlook, a sustainable debt position and a good track record in meeting obligations to the Fund (Table 7). Firm financing assurances are in place until the end of the arrangement, with good prospects thereafter, in view of external financing to be further catalyzed by the program—budget support from the World Bank (US$40 million in 2020) and the European Union (EUR18 million expected in December 2019 were disbursed in early 2020, and an additional disbursement of EUR18 million is anticipated in 2020)—and IMF disbursements (Table 9). A safeguard assessment update was completed in 2018.

33. Modification to the program, setting end-June PCs, and monitoring. Staff proposes: (i) to revise the end-March 2020 and end-September ITs and set the end-June 2020 PCs for the basic fiscal balance, net international reserves, net government budgetary borrowing from the central bank, and net domestic assets of the central bank; (ii) revise the end-March 2020 ITs, end-June 2020 ITs, and end-September ITs for tax revenues, domestically-financed social safety nets, and net accumulation of new domestic arrears. Program performance will continue to be monitored through semi-annual program reviews based on quantitative performance criteria and structural benchmarks (Tables 8 and 13). The proposed QPCs are in line with the program objectives to reduce inflation, preserve debt sustainability and appropriate external buffers against shocks. In view of Guinea's fragility, structural conditionality will continue to be focused on reform priorities. Thus, the structural benchmarks for the fifth review will support reducing untargeted electricity subsidies, strengthening public investment management and anti-corruption framework.

STAFF APPRAISAL

34. Guinea's growth outlook is favorable under the baseline scenario. Real growth is expected at 5.6 percent in 2019 and to reach 6 percent in 2020-21, supported by investment-boosted mining and construction activity and scaled-up electricity production. 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**.**

35. Corrective measures were implemented to achieve the end-2019 program targets. Program performance was satisfactory at end-June 2019 but deteriorated at end-September, as lower-than-programmed tax revenues weighed on fiscal performance and financing needs. Staff welcomes the authorities' efforts to implement additional measures to contain non-priority spending in the last months of 2019 to achieve the end-year targets. However, staff regrets that the fiscal adjustment was skewed towards rephasing domestically-financed public investments while spending in goods and services was larger-than-programmed. Preliminary data point to most end-December 2019 PCs having been met.

36. Creating fiscal space for priority spending is needed to foster broad-based growth. Achieving the programmed basic fiscal surplus in 2020 will contribute to containing inflation and preserving debt sustainability. Tax revenues were markedly lower-than-anticipated in 2019, due to an adverse shock to mining production, the impact of social tensions on economic activity, and partial implementation of programmed tax revenue mobilization measures. Mobilizing additional tax revenues and reducing untargeted electricity subsidies is needed to create fiscal space to increase growth-supporting public investments and strengthen social safety nets. To this end, implementing programmed tax revenue mobilization measures, adopting an automatic petroleum price adjustment mechanism, and advancing the multi-year electricity tariff reform will be pivotal. In parallel, prudent external borrowing will scale-up public investments, notably in infrastructure. Strengthen public investment management will support the fiscal strategy, capture investment returns and enhance governance.

37. Greater exchange rate flexibility is needed to preserve buffers against external shocks and help reduce real effective exchange rate overvaluation. Staff supports the authorities' decision to reduce central bank interventions in the foreign exchange market in late 2019 while allowing a modest exchange rate depreciation. Continuing to limit BCRG interventions and allowing greater exchange rate flexibility is needed to preserve external buffers and achieve program objectives. Staff welcomes progress in advancing reforms to strengthen market forces in the foreign exchange market. Notably, the limit on auctions allocation was eliminated. A rule-based intervention strategy for the central bank in the foreign exchange market was finalized and its implementation will reduce discretion. Moving forward, allowing greater exchange rate flexibility will also help reduce the real effective exchange rate overvaluation.

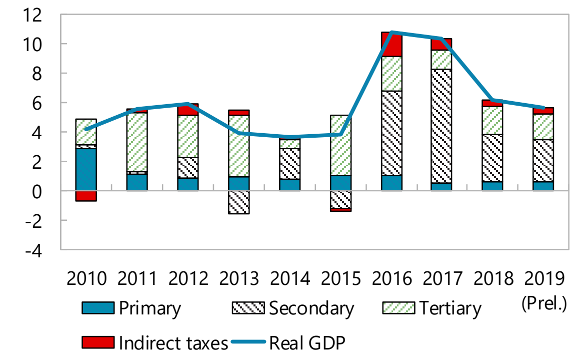
38. Limiting central bank's lending to the government in line with program objectives is needed to reduce inflation. Staff welcomes the reduction in the central bank's advances to the government in late 2019, following a surge in previous months to close budgetary financing needs. Moving forward, targeting base money in line with program objectives is needed to reduce inflation. To this end, limiting central bank's budgetary lending, in line with program objectives, is key. A more active liquidity management will also contribute to achieving monetary targets. Strengthening banking supervision and regulation will support financial stability.

39. Strengthening the anti-corruption framework and improving the business climate is progressing. Implementing the new asset declaration regime and further strengthening the AML/CFT regime is needed to enhance governance. Finalizing the online tax declaration and payment system will improve the business climate. Advancing the national strategy for financial inclusion will support access to credit, notably for the most vulnerable.

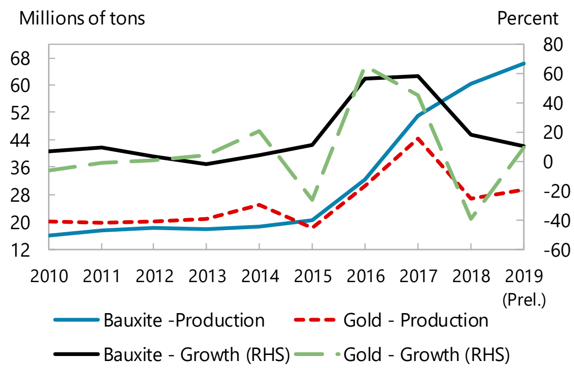
40. In view of the satisfactory program performance, corrective actions taken and progress in reforms, staff supports the authorities' request for completion of the fourth review under the ECF arrangement, for modification of indicative targets, and the completion of the financing assurances review. The program is subject to significant implementation risks and maintaining strong program ownership is essential.

Figure 23. Guinea: Recent Economic Developments

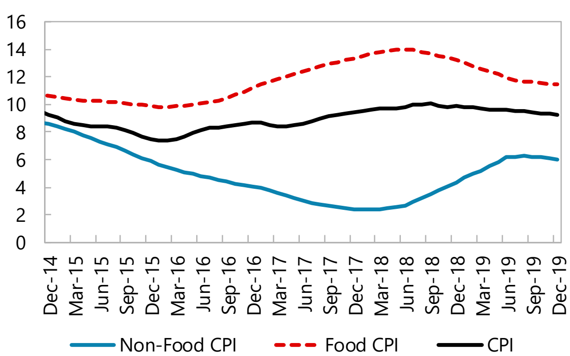
Real GDP Growth at Factor Cost and Contributions by Sector
(Percent)



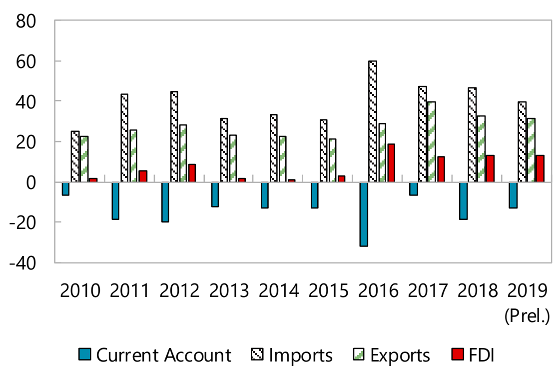
Production and Growth in the Mining Sectors
(Millions of tons; percent)



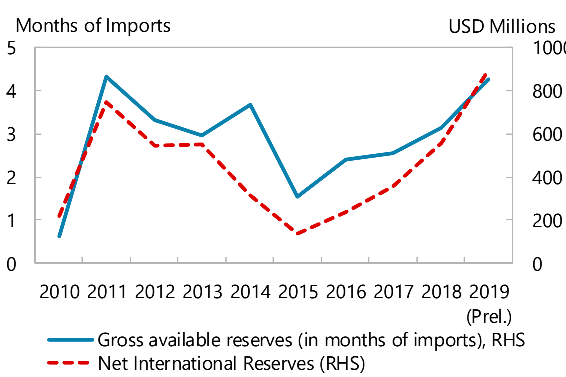
Inflation
(Average year-on-year growth, percent)



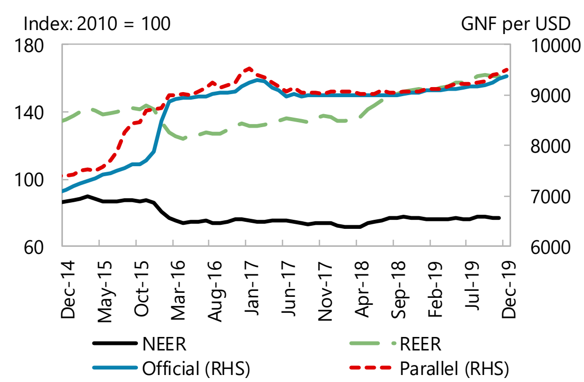
Current Account, Exports, Imports, and FDI
(Percent of GDP)



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



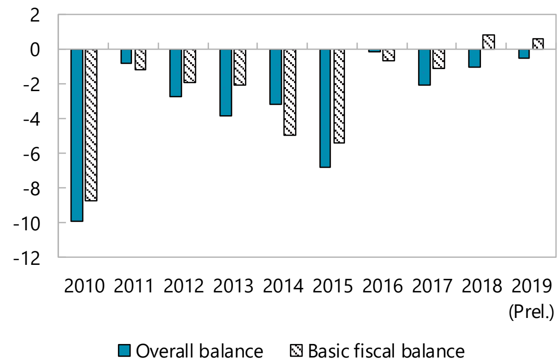
Exchange Rates
(Averages)



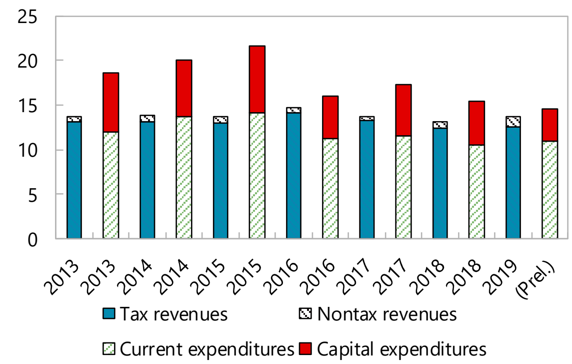
Sources: Guinean authorities; and IMF staff estimates.

Figure 24. Guinea: Fiscal and Monetary Indicators

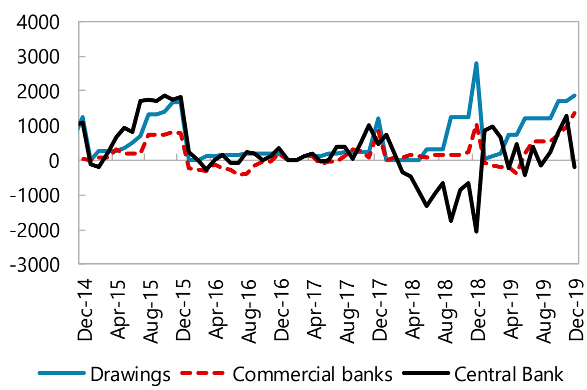
Overall and Fiscal Balances
(Percent of GDP)



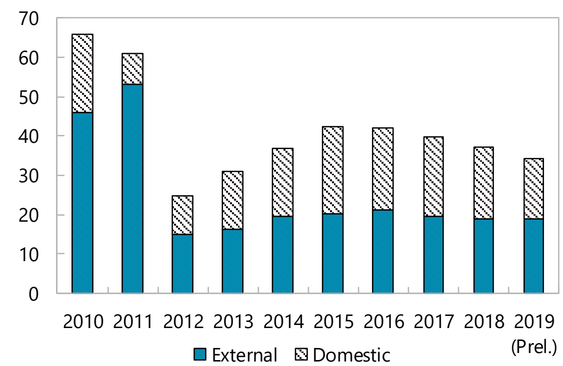
Revenue and Expenditures
(Percent of GDP)



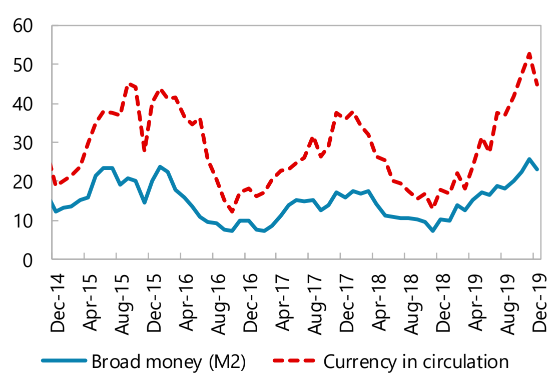
External Borrowing and Bank Financing
(GNF, billions)



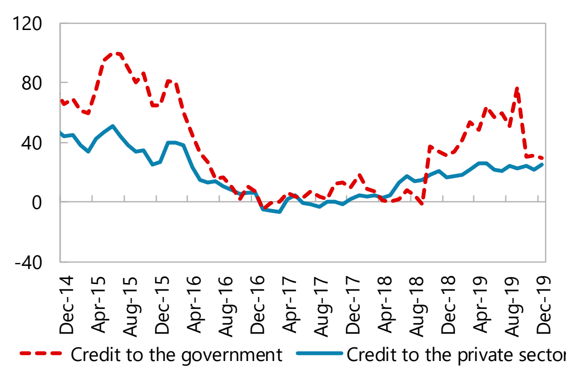
Public and Publicly Guaranteed Debt
(Percent of GDP)



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



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



Sources: Guinean authorities; and IMF staff estimates.

Table 1. Guinea: Key Economic and Financial Indicators, 2017–25

	2017	2018	2019			2020		2021	2022	2023	2024	2025
	Act.	Act.	3rd Rev.	4th Rev.	Prel.	3rd Rev.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
	Annual percentage change, unless otherwise indicated											
National accounts and prices												
GDP at constant prices	10.3	6.2	5.9	5.6	5.6	6.0	5.8	6.2	5.6	5.1	5.0	5.0
Mining	55.5	8.7	9.4	7.4	8.0	8.3	8.6	11.3	8.0	5.9	5.2	5.0
Non-mining	4.1	5.7	5.2	5.2	5.1	5.5	5.1	5.1	5.0	4.9	4.9	4.9
GDP deflator	10.4	10.0	8.8	8.7	9.3	8.1	8.2	8.1	8.0	7.8	7.8	7.8
GDP at market prices	21.9	16.8	15.2	14.8	15.4	14.6	14.4	14.9	14.0	13.3	13.2	13.1
Consumer prices (average)												
Average	8.9	9.8	8.9	8.9	9.5	8.3	8.5	8.0	7.9	7.8	7.8	7.8
End of period	9.5	9.9	8.6	8.6	9.1	8.1	8.1	8.0	7.9	7.8	7.8	7.8
External sector												
Exports, f.o.b. (US$ terms)	68.7	-4.3	7.9	4.7	3.1	12.4	17.2	9.0	6.1	10.8	8.0	3.5
Imports, f.o.b. (US$ terms)	-6.6	18.5	7.7	-5.0	-5.5	4.8	33.4	-5.4	2.8	4.6	4.5	4.4
Average effective exchange rate (depreciation -)												
Nominal index	-1.4	0.2	...	...	2.5	...	...	...	...	...	...	...
Real index	4.9	7.2	...	...	9.5	...	...	...	...	...	...	...
Terms of trade	-6.8	-0.3	-11.3	-12.9	-9.7	2.7	13.0	3.2	5.1	9.4	7.3	0.7
Money and credit												
Net foreign assets[1]	9.6	8.3	4.9	5.7	12.1	3.9	1.8	4.6	5.7	4.4	4.0	3.8
Net domestic assets[1]	6.2	1.9	1.5	5.1	10.8	7.4	3.6	3.3	1.2	1.2	1.4	1.2
Net claims on government[1]	5.0	10.0	1.3	1.6	6.1	0.4	1.6	0.4	0.4	0.5	0.4	0.6
Net claims on government[1], excl. recapitalization	5.0	-4.2	-0.9	-0.6	3.9	-0.7	0.7	-0.5	-0.5	-0.4	-0.5	-0.3
Credit to non-government sector[1]	0.9	6.2	4.7	8.0	9.9	8.1	2.3	2.0	3.0	1.9	1.9	1.6
Reserve money	10.3	6.3	4.6	6.9	16.8	6.5	3.0	8.3	8.9	7.5	6.3	5.7
Broad money (M2)	15.8	10.2	6.4	19.0	23.0	11.3	21.7	8.4	6.0	6.6	6.1	5.6
Interest rate (short-term T-bill)	...	...	...	...	...	...	...	...	...	...	...	...
	Percent of GDP, unless otherwise indicated											
Central government finances												
Total revenue and grants	15.3	14.5	15.8	15.2	14.1	15.5	15.2	15.7	16.0	16.6	17.2	17.3
Revenue	13.7	13.1	14.7	14.1	13.7	14.4	14.1	14.7	15.2	15.7	16.3	16.4
Of which: Non-mining revenue	11.4	10.6	12.2	12.0	11.8	11.7	11.7	12.1	12.5	12.9	13.4	13.5
Grants	1.5	1.4	1.1	1.1	0.5	1.1	1.1	1.0	0.8	0.9	0.9	0.9
Total expenditure and net lending	17.3	15.6	18.4	17.0	14.6	17.5	18.2	19.7	19.4	19.2	19.3	19.4
Current expenditure	11.5	10.6	11.3	11.1	10.9	11.2	11.3	11.5	11.5	11.4	11.5	11.5
Of which: Interest payments	0.9	0.8	0.8	0.8	0.5	0.7	0.7	0.9	1.0	1.0	1.0	1.0
Capital expenditure and net lending	5.7	4.9	7.0	5.8	3.6	6.3	6.8	8.1	7.8	7.8	7.8	7.9
Overall budget balance												
Including grants	-2.1	-1.1	-2.6	-1.8	-0.5	-2.0	-3.0	-4.0	-3.4	-2.6	-2.1	-2.1
Excluding grants	-3.6	-2.5	-3.7	-2.9	-0.9	-3.1	-4.1	-5.0	-4.2	-3.5	-3.0	-3.1
Basic fiscal balance	-1.1	0.8	0.6	0.5	0.6	0.9	0.6	0.9	0.9	0.9	0.8	0.7
Current account balance												
Including official transfers	-6.7	-18.7	-20.7	-15.6	-13.7	-17.7	-21.9	-15.3	-13.2	-10.8	-10.0	-9.8
Excluding official transfers	-7.2	-19.1	-21.1	-16.0	-13.9	-18.0	-22.3	-15.7	-13.6	-11.3	-10.4	-10.2
Overall balance of payments	0.7	1.7	1.1	1.0	2.2	0.5	-0.4	1.0	1.2	1.2	1.0	0.7
Memorandum items:												
Exports, goods and services (US$ millions)	4,125.0	4,001.7	4,310.9	4,187.6	4,214.7	4,836.4	4,818.5	5,244.0	5,560.0	6,153.8	6,640.4	6,871.5
Imports, goods and services (US$ millions)	4,894.1	5,695.4	6,212.3	5,495.5	5,431.5	6,510.6	7,254.3	6,833.4	6,983.1	7,302.7	7,632.0	8,021.5
Overall balance of payments (US$ millions)	72.0	210.7	147.2	138.5	303.4	77.5	-62.7	164.2	209.6	218.2	204.3	139.0
Net foreign assets of the central bank (US$ millions)	322.1	547.0	707.8	727.7	868.5	825.9	918.8	1,087.6	1,267.6	1,433.7	1,587.0	1,736.0
Gross available reserves (months of imports)[2]	2.5	3.2	3.6	3.6	4.3	3.8	3.8	3.9	4.0	4.0	4.1	4.1
External public debt, incl. IMF (percent of GDP)	19.3	18.9	29.6	24.3	19.5	31.3	28.5	32.4	33.6	33.9	33.7	33.7
Total public debt, incl. IMF (percent of GDP)	39.5	37.4	45.0	40.0	34.2	44.5	43.1	44.4	44.3	43.3	42.0	41.2
Nominal GDP (GNF billions)	93,942	109,761	125,589	125,999	126,707	143,916	144,980	166,521	189,787	215,080	243,403	275,395

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, 2017–25

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

	2017	2018	2019		2020		2021	2022	2023	2024	2025
	Act.	Prelim.	3rd Rev.	4th Rev.	3rd Rev.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Exports, f.o.b.	4,073	3,898	4,204	4,019	4,727	4,709	5,132	5,446	6,036	6,520	6,749
Mining products	3,644	3,482	3,697	3,556	4,045	4,130	4,353	4,594	5,135	5,549	5,707
Other	429	416	507	463	682	579	779	852	901	971	1,042
Imports, f.o.b.	-4,138	-4,903	-5,298	-4,631	-5,552	-6,176	-5,843	-6,009	-6,284	-6,567	-6,859
Food products	-425	-449	-549	-498	-621	-567	-653	-702	-751	-804	-860
Other consumption goods	-386	-440	-539	-547	-558	-591	-694	-740	-768	-886	-948
Petroleum products	-548	-792	-827	-820	-884	-796	-966	-1,016	-1,069	-1,119	-1,182
Intermediate and capital goods	-2,778	-3,222	-3,383	-2,765	-3,489	-4,222	-3,530	-3,551	-3,695	-3,758	-3,868
Services trade balance	-704	-689	-808	-605	-849	-970	-879	-860	-902	-945	-1,040
Services exports	52	104	106	196	109	109	112	114	117	120	122
Services imports	-756	-793	-915	-801	-958	-1,079	-990	-975	-1,019	-1,065	-1,163
Income balance	-51	-686	-967	-771	-979	-928	-1,002	-1,002	-1,010	-1,147	-1,091
Of which: Interest on public debt	-21	-36	-26	-20	-32	-11	-34	-50	-57	-64	-70
Transfers	125	97	100	97	106	96	123	127	148	155	163
Of which:											
Net private transfers	75	48	48	74	58	32	49	65	61	66	67
Official transfers	49	50	53	24	47	64	74	62	86	90	96
Current account											
Including official transfers	-695	-2,282	-2,768	-1,890	-2,548	-3,268	-2,468	-2,298	-2,011	-1,983	-2,078
Excluding official transfers	-744	-2,332	-2,821	-1,914	-2,595	-3,332	-2,543	-2,360	-2,097	-2,073	-2,174
Capital account	146	140	120	64	131	121	114	107	114	120	128
Public transfers	143	118	97	41	107	97	90	82	87	94	100
Financial account	1,472	1,913	2,796	2,129	2,494	3,085	2,518	2,400	2,116	2,067	2,089
Public (medium and long-term)	86	243	1,513	235	554	1,481	1,009	665	563	479	501
Project-related loans	132	250	1,423	153	599	1,525	1,076	755	675	602	629
Program financing	0	60	160	152	40	40	40	37	18	12	12
Public (short-term)	0	0	0	0	0	0	0	0	0	0	0
Amortization due	-46	-67	-70	-70	-84	-84	-107	-127	-130	-135	-140
Direct and other private investment (net)	1,306	1,574	1,197	1,786	1,851	1,514	1,417	1,652	1,464	1,500	1,500
Private short-term	80	96	86	109	89	90	92	83	89	88	89
Errors and omissions	-851	440	0	0	0	0	0	0	0	0	0
Overall balance	72	211	147	303	78	-63	164	210	218	204	139
Financing	-72	-211	-147	-303	-78	63	-164	-210	-218	-204	-139
Use of Fund resources (net)	24	49	48	24	24	32	-48	-53	-48	-52	-40
Of which											
Disbursements	24	49	48	24	48	71	0	0	0	0	0
Change in gross official reserves (- = increase)	-102	-259	-195	-327	-101	31	-117	-157	-171	-152	-99
Of which: SDR Allocation											
Change in arrears (- = reduction)	0	0	0	-1	0	0	0	0	0	0	0
Debt relief	6	0	0	0	0	0	0	0	0	0	0
Financing gap	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:											
Current account balance (percent of GDP)											
Including official transfers	-6.7	-18.7	-20.7	-13.7	-17.7	-21.9	-15.3	-13.2	-10.8	-10.0	-9.8
Excluding official transfers	-7.2	-19.1	-21.1	-13.9	-18.0	-22.3	-15.7	-13.6	-11.3	-10.4	-10.2
Overall balance (percent of GDP)	0.7	1.7	1.1	2.2	0.5	-0.4	1.0	1.2	1.2	1.0	0.7
Exports-GDP ratio (percent)	39.9	32.9	32.2	30.5	33.6	32.2	32.4	32.0	33.1	33.4	32.3
Imports-GDP ratio (percent)	-47.3	-46.8	-46.5	-39.4	-45.2	-48.5	-42.3	-40.2	-39.3	-38.3	-37.7
FDI-GDP ratio (percent)	12.6	12.9	9.0	12.9	12.9	10.1	8.8	9.5	7.9	7.5	7.0
Gross available reserves (US$ millions)	686	945	1,140	1,272	1,241	1,241	1,358	1,514	1,685	1,837	1,935
Gross available reserves (months of imports)	2.5	3.2	3.6	4.3	3.8	3.8	3.9	4.0	4.0	4.1	4.1
Nominal GDP (US$ millions)	10,337	12,181	13,368	13,797	14,396	14,951	16,167	17,376	18,601	19,904	21,302
National currency per US dollar (avg.)	9,088	9,011	…	9,184	…	…	…	…	…	…	…

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

Table 3a. Guinea: Fiscal Operations of the Central Government,[1] 2017–25

(Billions of Guinean Francs, unless otherwise indicated)

	2017	2018		2019								2020			2021	2022	2023	2024	2025
	Act.	Act.	Suppl. Budget	3rd Rev.	4th Rev.	Prel.	Mar. Cum. Prel.	Jun. Cum. Prel.	Sep. Cum. Prel.	Budget 2019	Suppl. Budget[3]	3rd Rev.	4th Rev.	Budget 2020	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**14,342**	**15,965**	**17,101**	**19,876**	**19,175**	**17,903**	**3,998**	**9,435**	**13,709**	**19,710**	**19,979**	**22,327**	**22,067**	**21,675**	**26,152**	**30,447**	**35,743**	**41,887**	**47,621**
Revenue	12,902	14,423	15,754	18,475	17,800	17,306	3,846	9,101	13,295	18,284	18,577	20,786	20,504	20,265	24,462	28,883	33,737	39,648	45,088
Tax revenue	12,443	13,609	14,796	16,960	16,153	15,869	3,710	8,404	12,187	17,612	17,064	19,973	19,537	19,339	23,112	27,142	31,585	36,799	41,672
Mining sector	2,153	2,836	3,209	3,147	2,632	2,373	647	1,451	1,870	3,452	3,147	3,886	3,558	3,609	4,241	5,075	6,038	7,034	7,959
Local Development Fund	…	…	…	472	395	356	356	356	356	518	472	583	534	541	636	761	906	1,055	1,194
Non-mining sector	10,290	10,773	11,587	13,813	13,521	13,495	3,062	6,952	10,316	14,160	13,917	16,088	15,979	15,729	18,872	22,067	25,546	29,765	33,713
Direct taxes	2,226	2,346	2,321	3,190	2,822	2,563	361	1,530	2,207	3,295	3,190	3,758	3,255	3,781	3,949	4,561	5,210	5,988	6,806
Indirect taxes	8,064	8,428	9,266	10,623	10,699	10,933	2,701	5,422	8,110	10,863	10,727	12,330	12,724	11,948	14,923	17,506	20,337	23,778	26,908
Taxes on goods and services	5,434	5,861	7,112	7,678	7,487	7,583	1,903	3,778	5,616	7,679	7,779	8,886	8,927	8,675	10,407	12,120	14,010	16,401	18,445
Taxes on international trade	2,630	2,566	2,154	2,945	3,212	3,349	798	1,644	2,493	3,184	2,948	3,444	3,798	3,272	4,516	5,387	6,327	7,376	8,462
Non-tax revenue	459	814	958	1,515	1,648	1,437	137	697	1,109	672	1,513	813	966	926	1,350	1,741	2,152	2,849	3,416
Grants	1,440	1,542	1,347	1,402	1,375	597	152	334	414	1,426	1,402	1,541	1,563	1,410	1,690	1,564	2,006	2,239	2,533
Project grants	960	1,061	852	907	910	377	152	227	303	928	907	1,067	942	950	923	892	1,010	1,144	1,294
Budget support	449	449	495	495	465	216	0	108	108	498	495	474	621	460	767	672	996	1,095	1,239
Other earmarked grants	32	32	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…	…
Expenditures and net lending	**16,276**	**17,132**	**19,467**	**23,102**	**21,434**	**18,497**	**4,281**	**8,795**	**14,408**	**22,585**	**23,203**	**25,249**	**26,450**	**26,493**	**32,757**	**36,806**	**41,307**	**47,012**	**53,521**
Current expenditures	10,809	11,589	12,605	14,140	13,982	13,830	2,595	6,325	10,431	12,901	14,164	16,096	16,451	16,555	19,169	21,823	24,475	27,899	31,624
Primary current expenditures	9,955	10,710	11,419	13,174	12,981	13,253	2,441	5,995	9,971	11,897	13,197	15,113	15,484	15,401	17,653	19,947	22,305	25,404	28,786
Wages and salaries	3,400	4,122	4,031	4,478	4,470	4,430	1,015	2,136	3,280	4,478	4,478	5,159	5,159	5,421	5,926	6,754	7,654	8,661	9,800
Goods and services	3,393	3,445	3,945	4,138	4,012	4,253	655	1,732	3,182	4,138	4,178	4,749	4,959	4,790	5,696	6,492	7,357	8,282	9,358
Subsides and transfers	3,114	3,142	3,444	4,557	4,499	4,570	770	2,128	3,509	3,280	4,541	5,205	5,366	5,190	6,031	6,701	7,294	8,461	9,629
EDG	1,168	905	…	2,157	2,157	2,157	414	1,034	1,659	880	2,157	1,940	2,401	2,401	2,161	1,945	1,750	1,575	1,418
Subsidies				2,057	2,057	2,057	414	1,034	1,659	880	2,057	1,940	2,014	2,014	2,161	1,945	1,750	1,575	1,418
Gurantee Fund				100	100	100					100		387	387					
other subsidies and transfers	1,946	2,237	…	2,400	2,342	2,413	356	1,094	1,849	2,400	2,384	3,265	2,965	2,789	3,870	4,756	5,544	6,886	8,211
Interest on debt	854	879	1,186	966	1,001	577	154	330	460	1,004	967	983	966	1,154	1,516	1,876	2,170	2,495	2,838
Domestic debt	665	557	923	716	750	391	67	218	300	716	716	661	856	849	1,166	1,329	1,506	1,704	1,928
External debt	190	322	263	251	251	186	87	112	160	288	251	322	111	305	351	548	664	791	910
Capital expenditure	5,395	5,417	6,739	8,847	7,337	4,544	1,686	2,402	3,895	9,569	8,877	9,027	9,873	9,812	13,450	14,834	16,672	18,940	21,711
Domestically financed	3,240	2,105	2,386	3,779	3,262	2,766	1,077	1,318	2,445	4,383	3,809	3,520	3,118	2,970	4,017	5,696	7,862	10,436	12,290
Investment (central budget exec.)	3,172	2,105	2,350	3,725	3,208	2,766	1,077	1,318	2,445	4,329	3,755	3,520	3,087	2,397	4,017	5,696	7,862	10,436	12,290
Local Development Fund	…	…	…	472	395	519	518	519	519	518	472	583	534	541	636	761	906	1,055	1,194
Capital transfers	68	0	36	54	54	0	0	0	0	54	54	0	31	31	0	0	0	0	0
Externally financed	2,155	3,312	4,353	5,068	4,074	1,779	609	1,084	1,450	5,186	5,068	5,507	6,754	6,842	9,433	9,138	8,810	8,504	9,421
Net lending	72	127	124	115	115	117	0	62	76	115	163	126	126	126	138	149	161	173	186
Basic fiscal balance[2]	**-1,030**	**924**	**903**	**691**	**691**	**774**	**261**	**1,502**	**497**	**1,172**	**692**	**1,366**	**919**	**919**	**1,488**	**1,763**	**1,904**	**1,932**	**1,898**
Overall balance																			
Excluding grants	-3,374	-2,709	-3,713	-4,628	-3,634	-1,191	-435	306	-1,113	-4,300	-4,627	-4,463	-5,946	-6,228	-8,295	-7,923	-7,571	-7,364	-8,433
Including grants	-1,935	-1,167	-2,366	-3,226	-2,259	-595	-237	535	-1,052	-2,875	-3,225	-2,922	-4,383	-4,818	-6,606	-6,359	-5,564	-5,125	-5,900
Float		695				-142	656	525	412										
Financing	**1,935**	**472**	**2,366**	**3,226**	**2,259**	**737**	**-419**	**-1,060**	**641**	**2,875**	**3,225**	**2,922**	**4,383**	**4,818**	**6,606**	**6,359**	**5,564**	**5,125**	**5,900**
Domestic financing	**1,100**	**-1,700**	**-1,080**	**-1,779**	**-1,656**	**-1,411**	**-779**	**-2,185**	**-673**	**-1,042**	**-1,780**	**-1,074**	**-1,005**	**-630**	**-1,209**	**-907**	**-944**	**-733**	**-572**
Bank financing	1,300	-999	-90	-214	-138	1,165	499	-206	755	-64	-214	-187	200	575	-186	-184	-178	-211	-156
Net position at central bank	453	-2,063	-327	-294	-294	-208	681	-408	228	-294	-294	-287	-287	-287	-287	-287	-287	-287	-287
Commercial banks	847	1,064	237	80	156	1,373	-182	202	527	230	80	100	487	862	101	103	109	76	130
Nonbank financing	-1,140	-945	-511	-752	-705	-1,128	-317	-487	-872	-537	-756	-760	-1,140	-1,140	-914	-616	-658	-421	-313
Privatization revenue	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)	-1,189	-985	-511	-803	-803	-1,175	-364	-565	-918	-588	-803	-760	-1,140	-1,140	-914	-616	-658	-421	-313
Other / Exceptional revenue	50	40	0	51	98	46	46	78	46	51	98	0	0	0	0	0	0	0	0
Change in arrears	939	244	-479	-812	-812	-1,448	-961	-1,492	-556	-440	-810	-127	-65	-65	-109	-107	-108	-101	-103
External financing (net)	**835**	**2,172**	**3,446**	**5,005**	**3,915**	**2,148**	**361**	**1,125**	**1,313**	**3,916**	**5,005**	**3,995**	**5,389**	**5,448**	**7,815**	**7,266**	**6,508**	**5,858**	**6,472**
Drawings	1,196	2,781	4,158	5,664	4,575	2,799	457	1,401	1,687	4,657	5,664	4,839	6,200	6,293	8,919	8,648	8,009	7,510	8,285
Project	1,196	2,250	4,058	4,161	3,164	1,402	457	861	1,147	4,257	4,161	4,439	5,812	5,892	8,511	8,247	7,800	7,361	8,127
Program	0	530	100	1,503	1,410	1,397	0	539	539	400	1,503	400	388	401	409	401	209	149	159
Amortization due	-414	-605	-712	-659	-660	-644	-96	-274	-371	-740	-659	-844	-811	-845	-1,104	-1,382	-1,501	-1,652	-1,813
Debt relief	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in cap. arrears (- = reduction)	-2	0	0	0	0	-7	0	-2	-3	0	0	0	0	0	0	0	0	0	0
Change in int. arrears (- = reduction)	0	-4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non Paris Clus bilateral rescheduling	55	0	0	0	0	0	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	0	0	0	0
Errors and omissions	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
Memorandum items:																			
Primary fiscal balance	-1,080	-288	-1,180	-2,260	-1,258	-18	-129	970	-239	-1,871	-2,258	-1,939	-3,417	-3,664	-5,089	-4,483	-3,394	-2,630	-3,062
Nominal GDP (GNF billion)	93,942	109,761	109,761	125,589	125,999	126,707	126,707	126,707	126,707	126,707	126,707	143,916	144,980	144,980	166,521	189,787	215,080	243,403	275,395

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 2019 approved in August.

Table 3b. Guinea: Fiscal Operations of the Central Government,[1] 2017–25

(Percent of GDP, unless otherwise indicated)

	2017	2018		2019								2020			2021	2022	2023	2024	2025
	Act.	Act.	Suppl. Budget [3]	3rd Rev.	4th Rev.	Prel.	Mar. Cum. Prel.	Jun. Cum. Prel.	Sep. Cum. Prel.	Budget 2019	Suppl. Budget[3]	3rd Rev.	4th Rev.	Budget 2020	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**15.3**	**14.5**	**15.6**	**15.8**	**15.2**	**14.1**	**3.2**	**7.4**	**10.8**	**15.6**	**15.8**	**15.5**	**15.2**	**15.0**	**15.7**	**16.0**	**16.6**	**17.2**	**17.3**
Revenue	13.7	13.1	14.4	14.7	14.1	13.7	3.0	7.2	10.5	14.4	14.7	14.4	14.1	14.0	14.7	15.2	15.7	16.3	16.4
Tax revenue	13.2	12.4	13.5	13.5	12.8	12.5	2.9	6.6	9.6	13.9	13.5	13.9	13.5	13.3	13.9	14.3	14.7	15.1	15.1
Mining sector	2.3	2.6	2.9	2.5	2.1	1.9	0.5	1.1	1.5	2.7	2.5	2.7	2.5	2.5	2.5	2.7	2.8	2.9	2.9
Non-mining sector	11.0	9.8	10.6	11.0	10.7	10.7	2.4	5.5	8.1	11.2	11.0	11.2	11.0	10.8	11.3	11.6	11.9	12.2	12.2
Direct taxes	2.4	2.1	2.1	2.5	2.2	2.0	0.3	1.2	1.7	2.6	2.5	2.6	2.2	2.6	2.4	2.4	2.4	2.5	2.5
Indirect taxes	8.6	7.7	8.4	8.5	8.5	8.6	2.1	4.3	6.4	8.6	8.5	8.6	8.8	8.2	9.0	9.2	9.5	9.8	9.8
Taxes on goods and services	5.8	5.3	6.5	6.1	5.9	6.0	1.5	3.0	4.4	6.1	6.1	6.2	6.2	6.0	6.2	6.4	6.5	6.7	6.7
Taxes on international trade	2.8	2.3	2.0	2.3	2.5	2.6	0.6	1.3	2.0	2.5	2.3	2.4	2.6	2.3	2.7	2.8	2.9	3.0	3.1
Non-tax revenue	0.5	0.7	0.9	1.2	1.3	1.1	0.1	0.6	0.9	0.5	1.2	0.6	0.7	0.6	0.8	0.9	1.0	1.2	1.2
Grants	1.5	1.4	1.2	1.1	1.1	0.5	0.1	0.3	0.3	1.1	1.1	1.1	1.1	1.0	1.0	0.8	0.9	0.9	0.9
Project grants	1.0	1.0	0.8	0.7	0.7	0.3	0.1	0.2	0.2	0.7	0.7	0.7	0.6	0.7	0.6	0.5	0.5	0.5	0.5
Budget support	0.5	0.4	0.5	0.4	0.4	0.2	0.0	0.1	0.1	0.4	0.4	0.3	0.4	0.3	0.5	0.4	0.5	0.4	0.5
Other earmarked grants	0.0	0.0	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Expenditures and net lending	**17.3**	**15.6**	**17.7**	**18.4**	**17.0**	**14.6**	**3.4**	**6.9**	**11.4**	**17.8**	**18.3**	**17.5**	**18.2**	**18.3**	**19.7**	**19.4**	**19.2**	**19.3**	**19.4**
Current expenditures	11.5	10.6	11.5	11.3	11.1	10.9	2.0	5.0	8.2	10.2	11.2	11.2	11.3	11.4	11.5	11.5	11.4	11.5	11.5
Primary current expenditures	10.6	9.8	10.4	10.5	10.3	10.5	1.9	4.7	7.9	9.4	10.4	10.5	10.7	10.6	10.6	10.5	10.4	10.4	10.5
Wages and salaries	3.6	3.8	3.7	3.6	3.5	3.5	0.8	1.7	2.6	3.5	3.5	3.6	3.6	3.7	3.6	3.6	3.6	3.6	3.6
Goods and services	3.6	3.1	3.6	3.3	3.2	3.4	0.5	1.4	2.5	3.3	3.3	3.3	3.4	3.3	3.4	3.4	3.4	3.4	3.4
Subsides and transfers	3.3	2.9	3.1	3.6	3.6	3.6	0.6	1.7	2.8	2.6	3.6	3.6	3.7	3.6	3.6	3.5	3.4	3.5	3.5
EDG	...	0.8	...	1.7	1.7	1.7	0.3	0.8	1.3	0.7	1.7	1.3	1.7	1.7	1.3	1.0	0.8	0.6	0.5
Subsidies	...	...	...	1.6	1.6	1.6	0.3	0.8	1.3	0.7	1.6	1.3	1.4	1.4	1.3	1.0	0.8	0.6	
Gurantee Fund	...	...	...	0.1	0.1	0.1	...	...	...	...	0.1	...	0.3	0.3	...	...	...	...	
other subsidies and transfers	...	2.0	...	1.9	1.9	1.9	0.3	0.9	1.5	1.9	1.9	2.3	2.0	1.9	2.3	2.5	2.6	2.8	3.0
Interest on debt	0.9	0.8	1.1	0.8	0.8	0.5	0.1	0.3	0.4	0.8	0.8	0.7	0.7	0.8	0.9	1.0	1.0	1.0	1.0
Domestic debt	0.7	0.5	0.8	0.6	0.6	0.3	0.1	0.2	0.2	0.6	0.6	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.7
External debt	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3	0.3
Capital expenditure	5.7	4.9	6.1	7.0	5.8	3.6	1.3	1.9	3.1	7.6	7.0	6.3	6.8	6.8	8.1	7.8	7.8	7.8	7.9
Domestically financed	3.4	1.9	2.2	3.0	2.6	2.2	0.9	1.0	1.9	3.5	3.0	2.4	2.2	2.0	2.4	3.0	3.7	4.3	4.5
Investment (central budget exec.)	3.4	1.9	2.1	3.0	2.5	2.2	0.9	1.0	1.9	3.4	3.0	2.4	2.1	1.7	2.4	3.0	3.7	4.3	4.5
Local Development Fund		...	...	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Capital transfers	0.1	0.0	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	0.0	0.0	0.0
Externally financed	2.3	3.0	4.0	4.0	3.2	1.4	0.5	0.9	1.1	4.1	4.0	3.8	4.7	4.7	5.7	4.8	4.1	3.5	3.4
Net lending	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Basic fiscal balance[2]	**-1.1**	**0.8**	**0.8**	**0.6**	**0.5**	**0.6**	**0.2**	**1.2**	**0.4**	**0.9**	**0.5**	**0.9**	**0.6**	**0.6**	**0.9**	**0.9**	**0.9**	**0.8**	**0.7**
Overall balance																			
Excluding grants	-3.6	-2.5	-3.4	-3.7	-2.9	-0.9	-0.3	0.2	-0.9	-3.4	-3.7	-3.1	-4.1	-4.3	-5.0	-4.2	-3.5	-3.0	-3.1
Including grants	-2.1	-1.1	-2.2	-2.6	-1.8	-0.5	-0.2	0.4	-0.8	-2.3	-2.5	-2.0	-3.0	-3.3	-4.0	-3.4	-2.6	-2.1	-2.1
Float		0.6					0.5	0.4	0.3										
Financing	**2.1**	**0.4**	**2.2**	**2.6**	**1.8**	**0.6**	**-0.3**	**-0.8**	**0.5**	**2.3**	**2.5**	**2.0**	**3.0**	**3.3**	**4.0**	**3.4**	**2.6**	**2.1**	**2.1**
Domestic financing	**1.2**	**-1.5**	**-1.0**	**-1.4**	**-1.3**	**-1.1**	**-0.6**	**-1.7**	**-0.5**	**-0.8**	**-1.4**	**-0.7**	**-0.7**	**-0.4**	**-0.7**	**-0.5**	**-0.4**	**-0.3**	**-0.2**
Bank financing	1.4	-0.9	-0.1	-0.2	-0.1	0.9	0.4	-0.2	0.6	-0.1	-0.2	-0.1	0.1	0.4	-0.1	-0.1	-0.1	-0.1	-0.1
Net position at central bank	0.5	-1.9	-0.3	-0.2	-0.2	-0.2	0.5	-0.3	0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
Commercial banks	0.9	1.0	0.2	0.1	0.1	1.1	-0.1	0.2	0.4	0.2	0.1	0.1	0.3	0.6	0.1	0.1	0.1	0.0	0.0
Nonbank financing	-1.2	-0.9	-0.5	-0.6	-0.6	-0.9	-0.3	-0.4	-0.7	-0.4	-0.6	-0.5	-0.8	-0.8	-0.5	-0.3	-0.3	-0.2	-0.1
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	0.0	0.0	0.0	0.0
Borrowing/Amortization of domestic debt (net)	-1.3	-0.9	-0.5	-0.6	-0.6	-0.9	-0.3	-0.4	-0.7	-0.5	-0.6	-0.5	-0.8	-0.8	-0.5	-0.3	-0.3	-0.2	-0.1
Other / Exceptional revenue	0.1	0.0	-0.4	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.9	0.2	-0.4	-0.6	-0.6	-1.1	-0.8	-1.2	-0.4	-0.3	-0.6	-0.1	-0.0	-0.0	-0.1	-0.1	-0.1	-0.0	-0.0
External financing (net)	**0.9**	**2.0**	**3.1**	**4.0**	**3.1**	**1.7**	**0.3**	**0.9**	**1.0**	**3.1**	**4.0**	**2.8**	**3.7**	**3.8**	**4.7**	**3.8**	**3.0**	**2.4**	**2.4**
Drawings	1.3	2.5	3.8	4.5	3.6	2.2	0.4	1.1	1.3	3.7	4.5	3.4	4.3	4.3	5.4	4.6	3.7	3.1	3.0
Project	1.3	2.1	3.7	3.3	2.5	1.1	0.4	0.7	0.9	3.4	3.3	3.1	4.0	4.1	5.1	4.3	3.6	3.0	3.0
Program	0.0	0.5	0.1	1.2	1.1	1.1	0.0	0.4	0.4	0.3	1.2	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1
Amortization due	-0.4	-0.6	-0.6	-0.5	-0.5	-0.5	-0.1	-0.2	-0.3	-0.6	-0.5	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	-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	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	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	0.0	0.0	0.0	0.0
Non Paris Clus bilateral rescheduling	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	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**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:																			
Primary fiscal balance	-1.1	-0.3	-1.1	-1.8	-1.0	-0.0	-0.1	0.8	-0.2	-1.5	-1.8	-1.3	-2.4	-2.5	-3.1	-2.4	-1.6	-1.1	-1.1
Nominal GDP (GNF billion)	93,942	109,761	109,761	125,589	125,999	126,707	126,707	126,707	126,707	126,707	126,707	143,916	144,980	144,980	166,521	189,787	215,080	243,403	275,395

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, 2017–25[1]

(Billions of Guinean Francs, unless otherwise indicated)

	2017	2018	2019						2020			2021	2022	2023	2024	2025
	Act.	Act.	3rd Rev.	4th Rev.	Mar Prel.	Jun Prel.	Sep Prel.	Dec Prel.	2nd Rev.	3rd Rev.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Central bank																
Net foreign assets	2,901	4,969	6,530	6,713	5,852	6,513	6,304	8,012	8,315	7,619	8,476	10,034	11,694	13,226	14,640	16,015
Net domestic assets	8,236	6,869	5,856	5,946	7,205	6,310	6,871	5,810	7,218	5,569	5,755	5,378	5,082	4,811	4,526	4,242
Domestic credit	8,014	9,284	9,382	9,472	10,171	9,075	9,713	9,543	7,018	9,393	9,579	9,524	9,587	9,680	9,801	9,954
Claims on central government (net)	7,983	9,114	9,352	9,352	10,051	8,962	9,598	9,438	6,988	9,363	9,449	9,484	9,545	9,633	9,752	9,903
Claims on central government (net), excl. recapitalization[4]	7,983	5,920	5,626	5,626	6,601	5,512	6,148	5,712	6,988	5,339	5,425	5,138	4,851	4,564	4,277	3,990
Of which: to the Treasury (PNT1)	8,088	9,239	8,945	8,945	10,276	9,266	9,874	9,755	7,093	8,657	9,468	9,181	8,894	8,607	8,320	8,033
Recapitalization	…	3,194	4,024	4,024	3,450	3,450	3,450	3,450	…	4,346	4,346	4,694	5,069	5,475	5,913	6,386
Claims on private sector	31	170	30	120	120	113	115	105	30	30	130	40	42	47	49	51
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	0	0	0	0	0	0	0
Other items, net (assets +)	222	-2,416	-3,526	-3,526	-2,966	-2,765	-2,842	-3,733	200	-3,824	-3,824	-4,146	-4,505	-4,869	-5,275	-5,713
Reserve money	11,138	11,838	12,386	12,659	13,057	12,823	13,175	13,822	15,533	13,188	14,231	15,412	16,776	18,038	19,166	20,256
Currency outside banks	6,732	7,245	7,372	7,280	7,551	8,049	8,179	8,816	10,168	7,883	9,110	9,220	10,434	11,466	12,334	13,198
Bank reserves	3,621	4,156	4,577	4,898	5,202	4,315	4,549	4,656	4,581	4,869	4,760	5,828	5,975	6,200	6,457	6,661
Deposits	3,004	3,304	3,877	3,997	4,338	3,404	3,711	3,876	3,881	4,169	4,010	5,178	5,460	5,713	5,993	6,251
Required reserves	2,391	2,730	2,963	3,470	2,927	3,192	3,063	3,402	3,363	3,357	3,471	4,737	5,077	5,362	5,662	5,947
Required reserves on GNF deposits	1,670	1,986	2,166	2,534	2,160	2,159	2,219	2,428	2,323	2,449	2,483	3,332	3,616	3,818	4,030	4,233
Required reserves on FX deposits	720	745	797	936	767	846	844	974	1,041	909	989	1,405	1,460	1,544	1,632	1,715
Excess reserves	613	574	914	787	1,412	400	648	474	517	811	539	441	383	351	332	303
Excess reserves on GNF deposits	508	268	814	647	932	17	250	414	467	761	472	382	321	284	262	233
Excess reserves on FX deposits	105	306	100	140	480	383	398	60	50	50	67	59	62	67	70	70
Cash in vaults of deposit banks	618	852	700	901	863	911	838	779	700	700	750	650	515	487	464	410
Private sector deposits	785	437	437	481	305	459	447	350	785	437	361	364	368	372	375	398
Deposit money banks																
Net foreign assets	2,034	1,825	1,485	1,487	1,201	2,083	1,936	1,783	1,416	1,416	1,882	2,034	2,663	3,018	3,415	3,864
Bank reserves	3,621	4,156	4,577	4,898	5,203	4,315	4,549	4,656	4,581	4,869	4,760	5,828	5,975	6,200	6,457	6,661
Deposits at the central bank	3,004	3,304	3,877	3,997	4,339	3,404	3,711	3,876	3,881	4,169	4,010	5,178	5,460	5,713	5,993	6,251
Cash in vaults of deposits banks	618	852	700	901	863	911	838	779	700	700	750	650	515	487	464	410
Claims on central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Domestic credit	11,319	13,675	15,049	15,871	13,927	14,653	15,307	17,365	17,058	17,291	18,530	19,453	20,748	21,677	22,610	23,492
Credit to the government (net)	3,127	4,236	4,316	4,392	4,236	4,351	4,417	5,411	3,816	4,417	5,898	5,999	6,102	6,211	6,287	6,417
Claims on public enterprises	3	4	5	5	3	1	1	0	5	6	0	0	0	0	0	0
Claims on the private sector	8,189	9,435	10,728	11,474	9,688	10,301	10,889	11,955	13,236	12,869	12,632	13,454	14,646	15,466	16,324	17,076
Other items, net (assets +)	-2,033	-2,592	-2,592	-2,592	-2,040	-2,275	-2,651	-2,539	-2,033	-2,592	-2,539	-2,539	-2,539	-2,539	-2,539	-2,539
Liabilities to the private sector (deposits)	14,942	17,065	18,519	21,689	18,291	18,776	19,141	21,265	21,022	20,984	21,697	30,541	31,729	33,511	35,385	37,170
Memorandum items:																
Net foreign assets of the central bank (US$ million)[3]	322	547	708	728	643	710	682	869	901	826	919	1,088	1,268	1,434	1,587	1,736
Net international reserves (GNF billion)[3]	3,298	5,121	6,814	6,818	5,808	6,493	6,260	8,218	8,406	7,842	7,901	9,751	11,353	12,796	14,121	15,410
Net international reserves (US$ million)[2,3]	357	555	739	739	631	704	679	891	911	850	856	1,057	1,231	1,387	1,531	1,670

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, 2017–25[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2017	2018	2019							2020	2021	2022	2023	2024	2025
	Act.	Act.	3rd Rev.	4th Rev.	Prel.	Mar Prel.	Jun Prel.	Sep Prel.	Dec Prel.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	4,936	6,795	8,015	8,200	9,795	7,053	8,596	8,241	9,795	10,358	12,068	14,358	16,244	18,055	19,879
Net domestic assets	17,523	17,952	18,313	19,225	20,636	19,092	18,688	19,528	20,636	21,746	22,960	23,441	23,949	24,598	25,195
Domestic credit	19,333	22,960	24,432	25,343	26,908	24,098	23,728	25,021	26,908	28,109	28,977	30,335	31,357	32,411	33,447
Claims on central government	11,110	13,351	13,668	13,744	14,849	14,286	13,313	14,015	14,849	15,347	15,482	15,646	15,844	16,038	16,320
Central Bank (net)	7,983	9,114	9,352	9,352	9,438	10,051	8,962	9,598	9,438	9,449	9,484	9,545	9,633	9,752	9,903
Central Bank (net), excl. recapitalization[2]	7,983	5,920	5,626	5,626	5,712	6,601	5,512	6,148	5,712	5,425	5,138	4,851	4,564	4,277	3,990
Commercial Banks	3,127	4,236	4,316	4,392	5,411	4,236	4,351	4,417	5,411	5,898	5,999	6,102	6,211	6,287	6,417
Claims on public enterprises	4	4	5	5	0	3	1	1	0	0	0	0	0	0	0
Claims on private sector	8,220	9,605	10,758	11,594	12,060	9,808	10,415	11,004	12,060	12,762	13,494	14,688	15,513	16,373	17,127
Other items, net (assets +)	-1,810	-5,008	-6,118	-6,118	-6,272	-5,006	-5,040	-5,493	-6,272	-6,363	-6,017	-6,894	-7,408	-7,814	-8,252
Broad money (M2)	22,458	24,746	26,328	29,450	30,432	26,147	27,284	27,768	30,432	32,103	35,028	37,798	40,193	42,653	45,074
Currency	6,732	7,245	7,372	7,280	8,816	7,551	8,049	8,179	8,816	9,110	9,220	10,434	11,466	12,334	13,198
Deposits	15,727	17,502	18,956	22,170	21,615	18,596	19,235	19,589	21,615	22,993	25,808	27,365	28,727	30,319	37,568
	(Year-on-year percent change of beginning-of-period M2, unless otherwise indicated)														
Memorandum items:															
Net foreign assets	9.6	8.3	4.9	5.7	12.1	4.1	11.0	8.0	12.1	1.8	4.6	5.7	4.4	4.0	3.8
Of which: central bank	2.2	9.2	6.3	7.0	12.3	10.6	12.1	8.3	12.3	1.5	4.2	4.1	3.6	3.1	2.9
Net domestic assets	6.2	1.9	1.5	5.1	10.8	8.4	4.7	12.0	10.8	3.6	3.3	1.2	1.2	1.4	1.2
Of which: central bank	3.2	-6.1	-4.1	-3.7	-4.3	-3.7	-6.5	-0.9	-4.3	-0.2	-1.0	-0.7	-0.6	-0.6	-0.6
Domestic credit	5.9	16.1	5.9	9.6	16.0	22.3	19.2	28.2	16.0	3.9	2.3	3.4	2.4	2.3	2.2
Net claims on government	5.0	10.0	1.3	1.6	6.1	14.7	12.7	19.4	6.1	1.6	0.4	0.4	0.5	0.4	0.6
Credit to the private sector	0.9	6.2	4.7	8.0	9.9	7.6	6.5	8.9	9.9	2.3	2.0	3.0	1.9	1.9	1.6
Broad money (M2)	15.8	10.2	6.4	19.0	23.0	12.5	15.7	20.0	23.0	21.7	9.1	7.9	6.3	6.1	5.6
Reserve money (Annual percentage change)	10.3	6.3	4.6	6.9	16.8	14.0	11.6	15.0	16.8	3.0	8.3	8.9	7.5	6.3	5.7
Commercial bank credit to the private sector (Annual percentage change)	2.3	15.2	13.7	21.6	26.7	21.4	18.2	24.0	26.7	5.7	6.5	8.9	5.6	5.5	4.6
Money multiplier (M2/reserve money)	2.0	2.1	2.1	2.3	2.2	2.0	2.1	2.1	2.2	2.6	2.6	2.5	2.5	2.5	2.5
Velocity (GDP/average M2)	4.5	4.7	4.2	4.2	4.2	6.7	9.2	9.4	4.6	4.2	4.2	4.2	4.2	4.2	4.2
Velocity (GDP/M2, EOP)	4.2	4.4	4.8	4.3	4.2	6.4	8.9	8.9	4.2	3.9	4.2	4.5	4.7	5.1	5.4
Consumer prices (Annual percentage change, EOP)	9.5	9.9	8.6	8.6	9.1	2.3	2.8	...	...	8.1	8.0	7.9	7.8	7.8	7.8
Real GDP (Annual percentage change)	10.3	6.2	5.9	5.6	5.6	...	...	...	...	5.8	6.2	5.6	5.1	5.0	5.0
Nominal GDP (Annual percentage change)	21.9	16.8	15.2	14.8	15.4	...	...	...	...	14.4	14.9	14.0	13.3	13.2	13.1

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

[1] End of period.

Table 6. Guinea: Financial Soundness Indicators, 2015–19

(End of period, except otherwise indicated)

	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2
Regulatory Capital to Risk-Weighted Assets	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	18.20	16.00
Regulatory Tier 1 Capital to Risk-Weighted Assets	18.26	18.73	17.43	16.87	15.77	16.84	17.99	18.00	19.07	18.21	18.77	17.43	16.43	17.65	17.90	15.58	18.50	16.80
Non-performing Loans Net of Provisions to Capital	7.42	6.98	9.18	6.82	9.09	23.08	14.05	14.66	12.91	14.43	13.06	11.30	12.34	13.52	13.54	37.50	18.90	19.60
Non-performing Loans to Total Gross Loans	6.34	5.91	6.19	6.07	6.66	10.08	9.36	9.44	10.00	11.42	11.14	10.68	11.05	8.66	11.89	12.15	12.60	12.50
Sectoral Distribution of Total Loans: Residents	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	99.60	99.60
Return on Assets	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	1.70	2.04
Return on Equity	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	16.50	16.80
Interest Margin to Gross Income	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	43.80	42.20
Non-interest Expenses to Gross Income	90.62	89.76	89.02	86.58	80.92	80.05	79.27	79.22	76.50	76.41	78.45	78.13	78.21	79.02	79.18	77.98	78.20	74.60
Liquid Assets to Total Assets (Liquid Asset Ratio)	32.38	32.27	28.10	25.56	24.35	26.56	28.18	28.89	26.23	30.39	28.91	26.83	29.57	30.63	30.87	26.16	28.40	26.30
Liquid Assets to Short Term Liabilities	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	45.40	42.62
Net Open Position in Foreign Exchange to Capital	17.67	30.87	-26.34	-56.35	-49.74	-34.10	26.03	25.11	56.89	68.26	51.13	79.16	109.54	115.34	116.07	105.71	78.60	66.30

Source: Guinean authorities.

Table 7. Guinea: Indicators of Capacity to Repay the IMF, 2020–28[1]

(As of end-January 2020; SDR millions, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	28.2	34.6	38.3	34.4	37.6	25.6	19.3	13.8	10.3
Charges and interest	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fund obligations based on existing and prospective credit									
(In millions of SDRs)									
Principal	28.2	34.6	38.3	34.4	37.6	29.1	29.6	24.1	20.7
Charges and interest	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Outstanding credit based on existing and prospective drawings 1/ 2/									
In millions of SDRs	268.8	234.2	196.0	161.7	124.1	95.0	65.4	41.3	20.7
In percent of exports of goods and services	7.7	6.2	4.9	3.6	2.6	1.9	1.2	0.7	0.3
In percent of debt service 3/	241.4	133.6	90.7	71.6	50.3	35.8	18.9	11.2	4.0
In percent of GDP	2.5	2.0	1.6	1.2	0.9	0.6	0.4	0.2	0.1
In percent of Gross International Reserves	29.7	23.8	17.9	13.3	9.4	6.8	4.4	2.6	1.2
In percent of quota	125.5	109.4	91.5	75.5	57.9	44.4	30.5	19.3	9.6
Outstanding credit based on existing drawings 1/ 2/									
In millions of SDRs	245.4	217.2	182.6	144.4	110.0	72.5	46.8	27.5	13.8
In percent of exports of goods and services	7.0	5.7	4.5	3.3	2.3	1.5	0.9	0.5	0.2
In percent of debt service	220.4	123.8	84.5	63.9	44.6	27.3	13.5	7.4	2.6
In percent of GDP	2.3	1.9	1.5	1.1	0.8	0.5	0.3	0.2	0.1
In percent of Gross International Reserves	27.1	22.0	16.7	11.9	8.3	5.2	3.2	1.8	0.8
In percent of quota	114.6	101.4	85.2	67.4	51.4	33.8	21.9	12.9	6.4
Net use of Fund credit (millions of SDRs)	23.4	-34.6	-38.3	-34.4	-37.6	-29.1	-29.6	-24.1	-20.7
Disbursements	51.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	28.2	34.6	38.3	34.4	37.6	29.1	29.6	24.1	20.7
Memorandum items:									
Exports of goods and services (millions of US$)	4,818	5,244	5,560	6,154	6,640	6,872	7,423	7,727	8,305
External Debt service (millions of US$)	153	242	299	313	344	369	482	516	725
Nominal GDP (millions of US$)	14,951	16,167	17,376	18,601	19,904	21,302	22,802	24,410	26,130
Gross International Reserves (millions of US$)	1,241	1,358	1,514	1,685	1,837	1,935	2,064	2,185	2,313
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: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2019–20

(Billions of Guinean Francs; unless otherwise indicated)

	2019													2020		
	March			June				Sept.				Dec		March	June	Sept.
	IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Prel.	Status	PC	Adj. PC	IT	PC	IT
Quantitative performance criteria																
Basic fiscal balance (floor; cumulative change for the year)	499	261	Not Met	903	859	1,502	Met	548	592	497	Not Met	691	829	265	254	622
Net domestic assets of the central bank (ceiling; stock)	7,780	7,205	Met	7,652	7,586	6,310	Met	5,518	5,585	6,871	Not Met	5,856	6,064	5,722	5,688	5,579
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,533	6,601	Met	7,410	7,344	5,512	Met	5,794	5,861	6,148	Not Met	5,626	5,834	5,641	5,623	5,531
Net international reserves of the central bank (floor; stock); US$ million[1]	583	631	Met	622	629	704	Met	679	672	679	Met	739	716	795	808	824
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	658	Met	650	650	658	Met	650	650	658	Met	650	650	650	650	650
New external arrears of the central government and central bank (ceiling)[3]	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	0	0
Indicative targets																
Tax revenues collected (floor)	3995	3,710	Not Met	8,489	8,489	8,404	Not Met	12,939	12,939	12,187	Not Met	16,960	15,869	4,895	9,889	14,706
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	33	19	Not Met	65	65	171	Met	98	98	272	Met	130	240	78	154	232
New domestic arrears accumulated by the central government (net)[4]	-95	-961	Met	-152	-152	-1492	Met	-857	-857	-556	Not Met	-812	-812	-37	-49	-59
Memorandum items:																
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[5]	905	905	...	987	987	987	...	1052	1052	1052	...	1142	1142	1475	1613	1667

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. Shows accumulated face value of new concessional loans on a signature basis. Until the Third Review, this memo item had been defined on a disbursement basis.

[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, 2017–25

(Millions of U.S. Dollars)

	2017	2018				2019					2020			2021	2022	2023	2024	2025
	Prel.	Prog. Req.	1st Rev.	2nd Rev.	Prel.	1st Rev.	2nd Rev.	3rd Rev.	4th Rev.	Prel.	2nd Rev.	3rd Rev.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.
1. Gross financing requirements	889	2,507	2,770	2,263	2,636	2,317	2,887	3,067	2,355	2,323	2,695	2,796	3,401	2,787	2,676	2,422	2,392	2,430
External current account deficit	744	2,212	2,460	1,946	2,332	2,037	2,600	2,821	2,142	1,944	2,380	2,595	3,332	2,540	2,365	2,099	2,079	2,178
Capital account balance [1]	-3	-17	-3	-3	-23	-3	-3	-23	-23	-23	-3	-24	-24	-25	-25	-26	-27	-28
Debt amortization	46	77	77	84	67	67	74	70	70	70	86	84	84	107	127	130	135	140
Change in arrears, net [2]	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
Gross reserves accumulation	102	235	236	236	259	212	212	195	162	327	192	101	-31	116	157	171	152	99
IMF Repayments [3]	0	0	0	0	0	4	4	4	4	4	40	40	39	48	53	48	53	41
2. Available financing	849	2,396	2,641	2,136	2,510	2,193	2,774	2,896	2,221	2,207	2,581	2,685	3,247	2,787	2,676	2,422	2,392	2,430
Foreign direct investment, net [4]	1,386	1,314	1,586	1,593	1,670	1,216	1,259	1,283	1,294	1,875	1,901	1,940	1,602	1,506	1,737	1,552	1,591	1,589
Identified disbursements	307	1,082	1,057	543	399	977	1,484	1,509	833	237	660	730	1,645	1,280	939	870	801	841
Grants	175	150	125	188	150	132	118	126	126	63	125	131	120	164	144	174	184	196
Project	143	99	92	155	118	92	93	97	97	39	101	107	97	90	82	88	94	100
Program	33	51	33	32	32	40	25	30	29	24	24	24	22	75	62	86	90	96
Loans	132	932	932	356	250	845	1,366	1,383	707	174	535	599	1,525	1,116	796	696	617	644
Project	132	922	921	356	250	834	1,366	1,323	647	114	535	599	1,525	1,076	759	678	605	632
Program	0	10	11	0	0	10	0	60	60	61	0	0	0	40	37	18	12	12
Other flows	-851	0	-3	0	440	0	30	104	94	96	21	15	0	0	0	0	0	0
Debt relief [1,2]	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Residual financing [5]	-40	-111	-129	-127	-127	-124	-113	-171	-134	-115	-114	-112	-154	0	0	0	0	0
ECF and RCF disbursement	24	48	49	49	49	50	48	48	24	24	49	48	71	0	0	0	0	0
World Bank budget support	...	40	60	60	60	50	40	100	90	91	40	40	40	...	...	...	...	...
EU budget support	16	22	20	18	18	24	25	23	20	0	25	23	42	...	...	...	...	...

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.

[5] For 2019, this reflects actual disbursments.

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	**491**	**100**	**296**	**100**	**550**	**100**	**328**	**100**
Concessional debt, of which	**491**	**100**	**296**	**100**	**550**	**100**	**328**	**100**
Multilateral debt	245	50	143	48	424	77	253	77
Bilateral debt	246	50	153	52	126	23	75	23
Other	0	0	0	0	0	0	0	0
Non-concessional debt, of which	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Semi-concessional	0	0	0	0	0	0	0	0
Commercial terms	0	0	0	0	0	0	0	0
By Creditor Type	**491**	**100**	**296**	**100**	**550**	**100**	**328**	**100**
Multilateral	245	50	143	48	424	77	253	77
Bilateral - Paris Club	56	11	31	11	70	13	42	13
Bilateral - Non-Paris Club	190	39	122	41	56	10	33	10
Other	0	0	0	0	0	0	0	0
Uses of debt financing	**491**	**100**	**296**	**100**	**550**	**100**	**328**	**100**
Infrastructure	335	68	206	69	393	71	233	71
Social Spending	50	10	29	10	50	9	30	9
Budget Financing	91	19	53	18	40	7	24	7
Other	15	3	9	3	67	12	40	12
Memo Items								
Indicative projections								
Year 3 (2021)	**317**		**205**					
Year 4 (2022)	**222**		**138**					

Sources: Guinean authorities; and IMF staff estimates.

[1] New external debt is recorded on a signature basis. Includes program loans and project loans.

Table 12. Guinea: Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Policy Response if Materialized
External risks			
Rising protectionism; 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 rise in risk premia	High Medium	**Medium** Reduction in capital inflows. Funding and debt service costs increase.	Build external buffers and allow greater exchange rate flexibility. Mobilize additional tax revenues.
Weaker-than-expected growth in U.S. and Europe	High	**High** Demand for Guinea's minerals could fall thus reducing growth and mining tax revenue.	Strengthen non-mining tax revenue mobilization. Implement structural reforms to support economic diversification and private sector development.
Weaker-than-expected growth in China	High	**High** Demand for Guinea's minerals could fall thus reducing growth and mining tax revenue.	Strengthen non-mining tax revenue mobilization. Advance structural reforms to foster economic diversification and private sector development.
More severe COVID-19 pandemic	High	**High.** Disruptions to economic activity and global spillovers through supply chains could reduce growth and tax revenues.	Scale-up social spending, including in the health sector, in the event of a COVID-19 outbreak in the country.
Intensification of geopolitical tensions and security risks	High	**Medium** Large-scale investment projects would likely be postponed, weakening medium-term growth prospects.	Intensify structural reform to remove bottlenecks to growth and support economic diversification. Create fiscal space to scale-up priority spending and advance social programs
Large swings in energy prices	High	**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.
Domestic Risks			
High risks of political and social instability, electoral pressures	High	**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.

Table 13. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20			
Measures	**Date**	**Status**	**Objectives**
Prior Actions			
Fourth Review			
The Minister of Budget will adopt an expenditure commitment plan consistent with agreed fiscal adjustment measures and achieving the end-2019 program fiscal target.	End-Nov. 19	Met	Preserve macroeconomic stability
Structural Benchmarks			
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 was expected to be completed with a delay by end-2019. Electricity consumption meters were installed in the buildings of all Ministries at end-February 2019. The installation of meters for the rest of consumers reached 70 percent at end-August 2019. Data are not yet available to assess progress at end-2019.	Increase the revenues of the public electricity utility to reduce budgetary transfers to the company
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

Table 13. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (continued)

Measures	Date	Status	Objectives
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. This measure was completed with a delay in October 2019. A rule-based intervention strategy, in line with the recommendations of IMF technical assistance, was finalized in October 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	End Sept-19	Met. The draft 2019 Supplementary Budget submitted to the National Assembly in mid-August 2019 was in line with agreed budgetary measures and program fiscal target. It was adopted in September 2019.	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.	End Sept-19	Not met. This measure was completed with a delay in mid-November 2019. A ministerial order established a multi-year tariff reform strategy over 2019-25 to bring electricity tariffs to cost recovery level by 2025.	Reduce electricity subsidies
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 agreement for iron ore extraction was ratified in December 2019. This contract entailed new investments in infrastructure and was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency

Table 13. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (continued)

II. 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	Not met. This measure is expected to be completed with a delay by end-March 2020. The draft decree on asset declaration was finalized, with the support of LEG technical assistance. A draft decree on the content of an asset declaration form was also developed.	Strengthen governance
Fifth Review			
I. Fiscal Policy			
Establish a prototype for the unified social register of vulnerable populations by the Ministry of Social Affairs.	End Feb 20	Met. A presidential decree in November 2019 created the unified social registry of vulnerable populations under the Ministry of Social Affairs. In addition, a roadmap for the setting-up of a social register was finalized by the National Agency for Economic and Social Inclusion (ANIES), 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	End May-20	To be assessed. FAD technical assistance is expected to support the authorities in preparing the manual.	Strengthen public investment management
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 9 percent electricity tariffs for households and by 10 percent electricity tariffs for professionals and industrials in 2020, in line with the electricity tariff reform strategy 2019-25.	June 1, 2020	To be assessed	Reduce electricity subsidies
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	To be assessed	Mobilize additional mining revenues and foster governance and transparency

Table 13. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (concluded)

Sixth Review			
I. Structural reforms			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 20	To be assessed. A draft decree on the content of an asset declaration form has been developed.	Strengthen governance

Annex I. Capacity Building Strategy Note: Update

A. Brief Assessment of the Capacity Building in FY2019–20

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 resident long-term experts (LTX)). The intensity of TA reflects the need to strengthen economic institutions and help the country exit out of fragility. So far in FY20, Guinea received 23 missions (13 from AFRITAC West and 10 missions from HQ) and the two resident LTX experts.

2. **IMF TA was well-aligned with the program objectives**. IMF technical assistance in FY19 was targeted to support 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 continued to express their satisfaction with IMF TA which has been targeted to priority needs**. Domestic capacity remains 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 continues to work closely with TA-delivering departments 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 in FY20 will continue to focus on strengthening tax administration; public financial and investment management; central bank's internal audit; banking supervision; the anti-corruption framework and AML/CFT regime; and macroeconomic statistics, including national accounts. TA on tax policy will be scaled down, reflecting the sizable TA already provided and good absorption of TA recommendations by the authorities. Staff will continue to closely engage with the authorities to ensure that TA is demand-driven, and it is prioritized to key areas.

Table 1. Guinea: Technical Assistance, FY2019 and FY2020

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 expenditure	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
FAD	LTX (Ministry of Budget)	
FAD	LTX (Ministry of Finance)	
FAD	Budget Accounting	Jun 19-26, 2019
AFW	Customs (Transit procedures)	Jul 1-12, 2019
AFW	Public Investment Management	Jul 9-19, 2019
AFW	Tax Administration (Contribute to strengthening DNI's tax operations)	Jul 19-Aug 2, 2019
AFW	Public Financial Management	Sept 9-20, 2019
AFW	National Accounts Statistics	Sept 30 - Oct 12, 2019
AFW	Customs	Oct 28 - Nov 8, 2019
FAD	Tax Administration and Tax Policy	Nov 6 - 19, 2019
FAD	Petroleum Price Adjustment	Nov 12 - 25, 2019
AFW	Tax Administration	Nov 25 - dec 6, 2019
AFW	Public Expenditure Management	Dec 2-13, 2019
AFW	Developing and Implementing the MTDS	Dec 9-18, 2019
AFW	GFSM 2014	Dec 10-20, 2019
AFW	GFSM 2014	Jan 21-31, 2020
AFW	Banking Supervision	Feb 3-5, 2020
FAD	PFM STX Visit	Feb 5-10, 2020
Legal		
LEG	AML/CFT	Oct 8-12, 2018
LEG	AML/CFT	Nov 26-30, 2018
LEG	AML/CFT	Mar 4-8, 2019
LEG	AML/CFT	Jun 24-July 4, 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- Feb 1, 2019
AFW	Debt Management- Treasury Bonds Issuance	April 1-12, 2019
AFW	Bank Supervision and Regulation	April 15-19, 2019
MCM	FSSR	Jun 11-24, 2019
AFW	Debt Management-Forecast and Transparence of the debt	Jun 17-28, 2019
Statistics		
STA	National Accounts	May 7-18, 2018
AFW	GFS	Jun 5-15, 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
STA	External Sector Statistics	Aug 26-30, 2019
STA	e-GDDS	Nov 18 - 26, 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), budget execution and cash management (EU), government financial information system (EU and the World Bank), 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/ recommendations.

D. Authorities' Commitments

8. The authorities have advanced 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 supporting 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 annual 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.

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

Appendix I. Letter of Intent

Conakry, March 16, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Managing Director:

1. We are committed to generating high and more inclusive growth to reduce poverty and improve the living standards of our population while preserving macroeconomic stability. We aim to place our country on a path of sustained and broad-based growth and foster economic diversification, generate employment opportunities for all and improve the living standard of the population. We will continue to implement our 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. As of September 2019, about US$9 billion were mobilized.

2. Guinea's social context is fragile, and risks of political and social tensions are significant. Episodes of unrest and widespread strikes, notably in the education sector marred 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. Violent demonstrations in the mining region of Boké against the lack of jobs and water and electricity public services became recurrent. Strikes and violent demonstrations paralyzed our capital in July and early August 2018, impacting economic activities and commerce. While the social context remained relatively stable in the first half of 2019, protests and demonstrations re-surged in mid-October. Risks of political and social tensions are further heightened by the electoral cycle, with legislative and presidential elections scheduled to take place in 2020.

3. **Thanks to our efforts to implement sound macroeconomic policies and advancing reforms, the performance of our economy against end-June 2019 program targets was satisfactory**. We met all the quantitative performance criteria (PC) at end-June 2019 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 second quarter of 2019, we met the indicative target (IT) on domestically-financed social safety nets programs at end-June 2019. Our tax revenues mobilization was broadly in line with program objectives and the IT on tax revenues was missed by a minor amount. The IT on new domestic arrears accumulated by the central government was met by a large margin. We made significant progress in advancing program-supported reforms and three out of five structural benchmarks (SBs) were met (Table 2). The remaining two SBs are expected to be completed with a minor delay. The Council of Ministers adopted a multi-year electricity tariff reform strategy in November 2019. 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 fourth review of the program supported by an Extended Credit Facility and the disbursement of SDR 17.213 million**. We propose to (i) revise the end-March 2020 ITs and end-September ITs and set the end-June 2020 PCs for the basic fiscal balance, net international reserves, net government budgetary borrowing from the central bank, net domestic assets of the central bank; (ii) revise the end-March 2020 ITs, end-June 2020 ITs and end-September 2020 ITs on tax revenues, domestically-financed social safety nets, and accumulation of new domestic arrears (on a net basis) (Attachment I, Table 1).

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 fifth review 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 three 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 fifth review of Guinea's performance under the ECF arrangement will be completed on or after June 11, 2020, based on performance criteria at end-December 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, Madam Managing Director, the assurance of our highest consideration.

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

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

Attachment I. Memorandum of Economic and Financial Policies

November 22, 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 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 10.3 percent in 2017 and is estimated at 6.2 percent in 2018, on the back of buoyant mining activity, strong construction and commerce activities, and good agricultural performance. Mining production increased by 8.7 percent (y-o-y) in 2018, with strong bauxite and diamond production and the start of the production of alumina, compensating for a sharp decline in artisanal gold production following the ban of the use of a certain chemical. Mining activity further strengthened in 2019 despite a weather-related shock, with production growth reaching 10.6 percent (y-o-y) at end-September 2019 on the back of strong bauxite production and recovering artisanal gold production. After reaching 9.9 percent at end-December 2018, headline inflation declined to 9.4 percent (y-o-y) in September 2019. Notably, food inflation decelerated to 11.6 percent (y-o-y) in September 2019 reflecting easing prices on fish and meat. Core inflation, excluding food and energy, increased to 5.3 percent (y-o-y) in September 2019, from 4.5 percent at end-December 2018.

2. **The current account deficit is estimated to have widened to 18.7 percent of GDP in 2018, financed by large FDI inflows and external project financing**. Mining exports increased by 15 percent during the first half of 2019 due to stronger-than-anticipated bauxite and recovering artisanal gold production. Imports also remained strong during the first half of 2019, 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$1,115 million (equivalent to 3.7 months of import coverage) at end-June 2019, and slightly declined to about US$1 billion at end-October 2019 (equivalent to 3.5 months of import coverage). The real effective exchange rate (REER) appreciated by 7.2 percent in 2018, mostly reflecting high inflation. The REER appreciated by 8 percent (y-o-y) during the first seven months of 2019, with the nominal effective exchange rate appreciating by 2.4 percent (y-o-y). The premium between the official and foreign exchange bureaus rates remained contained at 0.5 percent at end-2018 but increased to 0.8 percent at end-August 2019 and to 1.4 percent at end-September 2019.

3. **Fiscal performance was stronger-than-programmed in the first half of 2019**. We achieved a basic fiscal surplus of 1.2 percent of GDP (on an annual basis) at end-June 2019. Mining revenues were at 1.1 percent of GDP (increasing by 0.8 percent (y-o-y)) on the back of strong mining activity. Non-mining tax revenues were at 5.5 percent of GDP (increasing by 29.2 percent (y-o-y)), supported by strengthening direct and indirect tax revenues. Notably, direct tax revenues were at 1.2 percent of GDP at end-June 2019 (increasing by 11.2 percent (y-o-y)) supported by the good performance of corporate income tax revenues. Indirect taxes were at 4.3 percent of GDP, increasing by 35.3 percent (y-o-y), supported by an increase in TSPP revenues and strong taxes on

goods and services. Furthermore, non-tax-revenues increased to 0.6 percent of GDP, boosted by the first payment of US$45 million for the 4G licenses (out of the anticipated US$90 million in 2019). Spending in goods and services and the wage bill were at 1.4 and 1.7 percent of GDP, respectively, in line with program objectives. Overall capital expenditures were at about 2.3 percent of GDP at end-June 2019, with domestically-financed investments at 1.0 percent of GDP and externally-financed capital investments at 1.3 percent of GDP. Electricity subsidies increased to 0.8 percent of GDP in the first half of 2019 (increasing by 11,3 percent (y-o-y)) reflecting EDG's payment of the electricity produced by the Kaleta dam, which started in January 2019. A net repayment to the central bank of 0.3 percent of GDP was recorded at end-June 2019. Furthermore, domestic arrears (on a net basis) were reduced by 1.2 percent of GDP.

4. **Fiscal performance weakened at end-September 2019, with the basic fiscal surplus narrowing to 0.4 percent of GDP (on an annual basis)**. Overall tax revenues reached 10.8 percent of GDP, on the back of sustained non-mining revenue performance. Mining revenues were at 1.5 percent of GDP (declining by 12.3 percent in 2018 (y-o-y)). Non-mining tax revenues increased to 8.1 percent of GDP (increasing by 25.1 percent (y-o-y)). Within this category, direct tax revenues were at 1.7 percent of GDP at end-September 2019 (increasing by 2.0 percent (y-o-y)). Indirect taxes were at 6.4 percent of GDP (increasing by 33.3 percent (y-o-y)), supported by the increase in retail prices for petroleum products and continued strong taxes on international trade. Spending in goods and services picked-up, reaching 2.5 percent of GDP. Electricity subsidies reached 1.3 percent of GDP. The wage bill remained contained at 2.6 percent of GDP. Overall capital expenditures increased to about 3.4 percent of GDP at end-September 2019, on the back of domestically-financed investments picking-up to 1.9 percent of GDP while externally-financed capital investments remained slow at 1.5 percent of GDP. A net borrowing from the central bank of 0.2 percent of GDP was recorded at end-September 2019. Government net borrowing from commercial banks significantly picked-up to 0.4 percent of GDP. Domestic arrears (on a net basis) were reduced by 0.4 percent of GDP.

5. **Our banking system remains stable and private sector credit has strengthened, supported by banks' improved liquidity**. Private sector credit growth increased to 19.5 percent in the first half of 2019 and by 22.2 percent in the first three quarters of 2019 (average, y-o-y). In parallel, commercial banks' net lending to the government also increased by 28.1 percent in the first half of 2019 and by 31.2 percent in the first three quarters of 2019 (average, y-o-y). Banks' sustained deposits growth, at 13.9 percent (average, y-o-y) in the first half of 2019 and 15.6 percent in in the first three quarters of 2019 (average, y-o-y), supported liquidity and sustained economic growth. Notably, deposits in GNF increased by 18.8 percent at end-June 2019 (average, y-o-y) and by 19.8 percent in the first three quarters of 2019 (average, y-o-y). Deposits in foreign currency increased by 3.4 percent (average, y-o-y) in the first half of 2019 and by 6.3 percent (average, y-o-y) in the first three quarters of 2019. After sharply declining at end-June, following the banks' subscription of a GNF1,302 billion three-year government bond, excess reserves in domestic currency increased to 250 billion GNF at end-September 2019. Interbank market activity improved, with 21 transactions at end-august 2019, compared to 27 transactions in 2018. All banks were in compliance with reserve requirements and with the share minimum capital adequacy requirement at end-September 2019. Only one bank did not comply with the net equity capital requirement at end-June 2019 (three banks at end-2018). Non-performing loans (NPLs) increased from 12.2 percent at end-2018 (10.6 percent in 2017) to 16.6 percent in September 2019, reflecting

the increase of NPLs in the hotel sector due lower-than-anticipated occupancy rates and the deterioration of payment ability among teachers following protracted strikes. Provisioning for NPLs improved to 59.0 percent at end-June and 62.4 percent at end-August 2019 (from 37.8 percent at end-2018).

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. We aim at achieving a basic fiscal surplus to: (i) preserve medium-term debt sustainability; (ii) gradually repay government borrowing from the Central Bank 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 and 2018, 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. 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 a moderate risk of external and overall public debt distress and contain debt vulnerabilities. In addition, we will implement a domestic debt policy that 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 Ebola health crisis, economic growth and job creation. At the same time, it will allow 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 improve the living standards of the population**. Real growth is expected at 5.6 percent (y-o-y) in 2019 and about 6 percent in 2020-21, on the back of investment-boosted mining and construction activity and scaled-up electricity production. 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 production capacity would support higher medium-term growth. We will contain inflation to single digits through our prudent monetary policy.

8. **The current account deficit is expected to widen to about 22 percent in 2020, financed by FDI inflows and project loans, and gradually narrow over the medium term**. Mining exports would increase by 5 percent in 2019 and 17 percent in 2020, on the back of strong mining production. Imports will remain strong in 2019, despite declining by 5 percent (y-o-y) from the 2018 level and increase strongly in 2020 on the back of large FDI (about 13 percent of GDP in 2019 and 10 percent of GDP in 2020) and disbursement of project loans for infrastructure development. We will continue to accumulate international reserves to reach 3.6 months of import coverage in 2019 and 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 about 8 percent over 2021-25, reflecting higher mining production capacity. Import growth would average at about 14 percent over the medium term, continuing to be financed by strong FDI, notably in the mining sector (8 percent of GDP, on average over 2021–25).

Fiscal Policy

9. We are committed to continuing 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 0.5 percent of GDP in 2019 and 0.6 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 6 percent of GDP in 2019 and about 7 percent in 2020. 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 implement 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 ensure we maintain a medium risk of debt distress and contain vulnerabilities. At end-2018, we had fully utilized the envelope of US$650 million of non-concessional loans allowed under the program. The loans were used to finance priority infrastructure projects, notably the rehabilitation of the RN1 road and the rehabilitation of the Conakry urban road network. 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. Our fiscal strategy in 2019 aims at preserving macroeconomic stability while scaling-up growth-supporting infrastructure investments. We are committed to achieving a basic fiscal surplus of 0.5 percent of GDP in 2019 to support macroeconomic stability while creating fiscal space to step-up priority spending. The National Assembly adopted in September 2019 a Supplementary Budget Law (SBL), which includes a package of fiscal adjustment measures to achieve the program fiscal target (end-September 2019 SB). However, due to the anticipated negative impact of the shock on international oil prices on TSPP tax revenues, overall tax revenues are expected at 12.8 percent of GDP in 2019, about 0.7 percent of GDP lower-than-anticipated in the 2019 SBL. On the other hand, the anticipated dividends from SOGEKA (the special purpose vehicle that operates the Kaleta dam in which the state owns a 51 percent share), would lead to higher-than-anticipated non-tax revenues by US$14 million than in the 2019 SBL. In view of this, the Minister of Budget will adopt an expenditure commitment plan by end-November 2019 (prior action) to ensure achieving the end-year program fiscal target. This expenditure commitment plan will reflect lower-than-anticipated tax revenues, higher-than-anticipated non-tax revenues; and additional spending adjustment measures of 0.6 percent of GDP, with respect to the amounts approved in the 2019 SBL, in re-phasing of non-priority investment projects, to achieve the targeted basic fiscal balance.

13. We are committed to continuing our efforts to mobilize revenues and contain non-priority spending in 2019. We expect mining tax revenues at 2.1 percent of GDP. Non-mining tax revenues are expected to reach 10.7 percent of GDP. Direct taxes would strengthen to 2.2 percent of GDP. In addition, indirect taxes would increase to 8.5 percent of GDP. Notably, taxes on goods and services will be at 5.9 percent of GDP in 2019, reflecting the impact of lower-than-anticipated TSPP revenues. Taxes on international trade would be at 2.5 percent, reflecting sustained trade and the impact of gradually reducing custom duties in line with ECOWAS requirements. Non-tax revenues are expected to surge to 1.3 percent of GDP in 2019, reflecting the payment of the 4G licenses for US$90 million, of which about US$68 million were disbursed to the Post and Telecommunications Regulatory Authority and transferred to the central government as of end-August 2019 and the start of the payments of dividends from SOGEKA. On the expenditure side, we will continue to keep our wage bill contained to 3.5 percent of GDP. We will contain spending on goods and services to 3.2 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, we increased electricity tariffs in May 2019 to contain the increase in electricity subsidies to 1.7 percent of GDP. We will scale-up overall capital expenditures to 5.8 percent of GDP. Domestically-financed public investment will increase to 2.6 percent of GDP, also reflecting the share of domestic resources to be devoted to the two priority projects for the rehabilitation of the RN1 and the road system in Conakry. Out of this envelope, 0.3 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 3.2 percent of GDP, supported by the disbursements of project loans. Furthermore, program loans are expected to significantly increase to 1.2 percent of GDP, due to the anticipated budget support from the World Bank (US$90 million) and the disbursement of the US$60 million loan from Qatar in April 2019. 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 0.6 percent of GDP.

Fiscal Strategy for 2020

14. Our fiscal strategy in 2020 will aim at preserving macroeconomic stability, scaling-up growth-supporting infrastructure investments and strengthening social safety nets to foster inclusion. The 2020 draft budget law, submitted to the National Assembly in October 2019, targets a basic fiscal surplus of 0.6 percent of GDP in 2020 while creating fiscal space to step-up priority spending, in line with program objectives. To this end, we will continue our efforts to mobilize tax revenues and contain non-priority spending:

- Overall tax revenues are expected to increase to 13.5 percent of GDP in 2020, supported by the implementation of programmed measures to mobilize additional tax revenues. We expect mining tax revenues at 2.5 percent of GDP, on the back of continued buoyant mining production. Non-mining tax revenues are expected to increase to 11 percent of GDP. Direct taxes would be at 2.2 percent of GDP. In addition, indirect taxes would increase to 8.8 percent of GDP. Notably, taxes on goods and services will increase to 6 percent of GDP. Taxes on international trade would be at 2.3 percent, reflecting sustained trade and the impact of gradually reducing custom duties in line with ECOWAS requirements.

- 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 3.4 percent of GDP in 2020 such as to create fiscal space to scale-up public investments and social safety nets program. We will contain electricity subsidies at 1.4 percent of GDP, on the back of an electricity tariff increase and efficiency measures (¶19). We will scale-up overall capital expenditures to 7 percent of GDP. Domestically-financed public investment will be scaled up to 2.3 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 4.7 percent of GDP, supported by the disbursements of 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 0.04 percent of GDP.

Mobilizing Revenues

15. We will continue to move ahead with the implementation of our package of reforms to support tax revenues mobilization in 2019 and 2020. We have created the Mission for the Mobilization of Domestic Revenues (MAMRI), a new unit at the Prime Minister's office 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, the National Directorate of Taxes (DNI) and the General Directorate for Customs (DGD). To this end, we have adopted the new organizational structure of the DNI in February 2019 that will separate strategic operation management functions from control functions. We have also adopted the 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 fully operationalize the new organizational structure of the DNI by mid-2020, with the support of IMF technical assistance, to modernize its management practices and orienting them towards effectiveness. Furthermore, the Ministry of Economy and Finance signed in May 2019 performance contracts with the DNI and the DGD. In addition, we have established in January 2019 a permanent tax number for all businesses which has improved our ability to monitor tax compliance and supported revenue mobilization in 2019. We will also continue to move ahead with the cleansing of taxpayers' files. We will finalize the development of the online tax declaration and payment modalities by end-April 2020 for the large enterprises, by end-July 2020 for medium enterprises and fully operationalize it for all taxpayers end March 2021. Furthermore, we have operationalized the data interconnection between the DNI and the DGD that will allow closer integration and better exchange of information between the two entities and strengthen fiscal control. In addition, we started operationalizing the one-stop-shop for international trade in October 2019 which is expected to support revenue mobilization. In parallel, we are moving ahead in implementing a package of tax policy and administration measures to mobilize additional revenues in 2019 and 2020 (¶16). We are also committed to conduct a review of non-tax revenues, with the support of IMF technical assistance.

16. We will strengthen our efforts to implement 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 continuing our tax policy and administration measures for 2019 which will allow us to mobilize 0.4 percent of GDP in additional revenues:

- **We will step-up the ongoing rationalization of ad-hoc tax exonerations in 2019 to mobilize programmed additional revenues of 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 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 in additional tax revenues (0.08 percent of GDP) in 2018, more than the double of our target of GNF 40 billion. We are continuing our efforts to rationalize ad-hoc tax exonerations to mobilize additional revenues of GNF 69 billion in 2019 (0.05 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. At end-September 2019 we have mobilized GNF 39 billion (0.03 percent of GDP) of additional revenues. 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. We expect to mobilize additional revenues of GNF 15 billion in 2019. We reached our target in August 2019 and expect to mobilize additional revenues of GNF 20 billion by end-2019.

- **We will move ahead with a number of tax administration measures to mobilize the programmed 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 (0.16 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. At end-September 2019, we have mobilized GNF 67 billion (0.05 percent of GDP) from the general audits of large enterprises and GNF 25 billion (0.02 percent of GDP) from desk audits. We have identified and notified a sufficient number of taxpayers through desk audits to ensure 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, the measure only allowed us to mobilize about GNF 4 billion in 2018. We continued to conduct the exercise in 2019 and we expect to mobilize GNF 60 billion in 2019, facilitated by the recently introduced taxpayer permanent number for businesses. At end-September 2019, we have not yet mobilized additional revenues on the account of this measure. 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 aim at mobilizing additional GNF 122 billion in 2019. At end-August 2019 we have mobilized GNF 14 billion (0.01 percent of GDP). 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. At end-September 2019 we have mobilized GNF 42 billion (0.03 percent of GDP).

17. **We are committed to continuing to implement our programmed tax policy and administration measures in 2020 to mobilize additional tax revenues of 0.4 percent of GDP in 2020**:

- **We will continue rationalizing ad-hoc tax exonerations in 2020, which is expected to mobilize additional revenues of 0.09 percent of GDP**. We will continue our efforts to rationalize ad-hoc tax exonerations in 2020 to mobilize additional revenues of GNF 130 billion (0.09 percent of GDP). We will broaden the tax base on insurance contracts, which is expected to mobilize additional revenues of GNF 229 billion in 2020 (0.16 percent of GDP).

- **We will continue implementing our package of tax administration measures to mobilize additional revenues of 0.18 percent of GDP in 2020**. Notably, we are committed to continuing our efforts in: (i) stepping-up general and desk audits for large enterprises, which are expected to mobilize GNF 91 billion (0.06 percent of GDP) and GNF 18 billion (0.01 percent of GDP) in 2020; (ii) cross-checking companies' import data in 2019 with declared turnover to mobilize additional GNF 20 billion (0.01 percent of GDP); (iii) stepping-up the recovery of tax arrears, which is expected to mobilize additional GNF 48 billion (0.03 percent of GDP), out of an identified stock of recoverable arrears of GNF 622 billion (0.4 percent of GDP). We will continue strengthening controls and collection of the Single Land Contribution (CFU), which is expected to mobilize additional GNF 23 billion (0.02 percent of GDP) in 2020. In addition, we aim at operationalizing the new organizational structure of the DNI and the one-stop-shop for international trade, which will strengthen tax collection and controls and mobilizing additional revenues of GNF 23 billion (0.02 percent of GDP) and GNF 25 billion (0.02 percent of GDP) in 2020, respectively.

18. 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 because 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 are continuing 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 base and support revenue mobilization.

19. We are committed to implementing an automatic price adjustment 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 to 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 TSPP, 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 to improve the availability of services. 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 customs 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 to 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 meets regularly 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 during February-July 2019. In view of higher import prices of fuel products, we increased retail prices from GNF 9,500 to GNF 10,000 per liter in August 2019, as a key measure to protect tax revenues. Moving ahead, we are committed to continue 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 TA, by end-2019. Based on this review, we will identify which is the automatic price adjustment mechanism most appropriate for Guinea and adopt it by June 2020. 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 to the public, with the support of IMF TA and the World Bank, including on the media. This campaign 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 (¶22). In the event that the implementation of the automatic price adjustment mechanism is delayed, we will undertake additional tax revenue measures to achieve our program revenue target.

Containing Current Spending

20. We are committed to containing non-priority spending in goods and services to achieve our 2019 and 2020 fiscal targets 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 in 2019 and 3.4 percent of GDP in 2020, through rationalizing orderings of electronic material, vehicles, furniture, and office material.

21. We are committed to reducing untargeted electricity subsidies by advancing our multi-year electricity tariff reform, improving EDG's efficiency, and containing production costs by reducing the use of thermal production. We aim to gradually reduce untargeted electricity subsidies on the back of a three-pronged strategy, which aims at (i) gradually increasing electricity tariffs over 2019-25 to bring them 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 continuing it in 2019 and 2020:

- **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 increases 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 buildings of 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 at end-2018.

- **We are committed to maintaining electricity subsidies within the programmed envelope in 2019**. Electricity subsidies are expected to increase 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) a planned increase in electricity production by 14 percent in 2019 (y-o-y) which will exacerbate EDG's losses as electricity tariffs are below cost-recovery level. As a result, EDG's operational subsidy needs would be at GNF 2,106 billion (1.7 percent of GDP) in 2019 (against a GNF 880 in the 2019 Budget Law, equivalent to 0.7 percent of GDP). In order to contain this pick-up in subsidies, we increased electricity tariffs by 15 percent for households and 5 percent for professionals and industrials in June 2019. This is expected to generate savings of GNF 49 billion (0.04 percent of GDP) and contain electricity subsidies to GNF 2,057 billion (1.6 percent of GDP) in 2019.

- **We will implement our multi-year electricity tariff reform strategy over 2020-25 such as to gradually bring electricity tariffs to cost-recovery**. We increased electricity tariffs in 2019 as a first step to gradually bring tariffs to cost-recovery levels over the medium-term. We will adopt a multi-year tariff reform strategy (end-September 2019 SB) by end-November 2019, which sets the yearly electricity tariffs increases that we will implement during 2020–25 to reach cost recovery levels by 2025. Notably, we will increase the electricity tariff for households by 9.2 percent and for other consumers by 10 percent, each year during 2020-25 while we will maintain the social tariff to protect the most vulnerable. We developed 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. This is expected to contribute to reducing untargeted electricity subsidies by about 0.1 percent of GDP per year during 2020-24.

- **We will contain electricity subsidies at GNF 2,401 billion in 2020 (1.7 percent of GDP as in 2019)**. In the absence of additional measures, due to the anticipated increase in production of about 20 percent in 2020, EDG's operational subsidy needs would reach GNF 2,505 billion (2 percent of GDP) in 2020. In order to reduce EDG's subsidies needs, we will implement a package of measures that will allow to reduce subsidies of about GNF 104 billion (0.07 percent of GDP). First, we will increase electricity tariffs for households by 9.2 percent and for other consumers by 10 percent in June 2020, in line with our medium-term tariff reform strategy, while maintaining the social tariff. This is expected to generate savings of about GNF 58 billion (0.04 percent of GDP). Furthermore, the public administration will start paying its electricity consumption on the basis of the recently-installed meters (rather than on a forfeit basis) which is expected to mobilize additional revenues of about 30 billion GNF (0.02 percent of GDP) in 2020. Finally, we will repay to EDG previously accumulated arrears on electricity consumption of 21 billion GNF (0.014 percent of GDP).

- **Furthermore, we will continue to strengthen EGD's efficiency by improving revenue collection and reducing commercial losses**. We will also continue to strengthen the collection rate of EDG and we will continue the installation of electricity consumption meters to reach 80 percent of private consumers and all public administration by end-2019. As at end August 2019, consumption meters were installed for 217,000 customers (75 percent of the initial target and 30 percent of the current target that is in constant expansion due to the regularization campaign) and in 99 percent of the administrative buildings. 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.

22. 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 census operation 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. 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 workplaces 120 machines to monitor the work data of civil servants to discourage fraud. This operation allows us to expose about 2,800 ghost workers. We have moved forward in installing new machines and we have installed 150 additional machines at end-August 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 60,000 employees and we aim at covering all civil servants by end-2019. We will start the distribution of the biometric cards in October 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

23. 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 are in the process of recruiting a private to assist with the operationalization of the ANIES. We will ensure that the financing and operations of the ANIES are conducted in line with 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 reform to increase the resources devoted to non-contributory and domestically-financed social safety nets programs (as defined in the TMU). After delays in the implementation of the social programs due to delays in releasing budgetary allocation in the first quarter of 2019, we have stepped up our efforts and achieved our end-June program target on domestically-financed social safety nets. Furthermore, we have increased our program indicative target on domestically-financed social safety nets—including the social programs realized under the Social Development and Solidarity Fund (FDSS) and under the Productive Social Safety Net Program (PFSP)—to GNF 240 billion in 2019 and to GNF 300 billion in 2020. This would allow us to broaden the coverage of these programs and start reducing over-reliance on donor financing. We had conducted an analysis which shows that the increase in petroleum prices had affected significantly more the populations living in urban and peri-urban areas. Thus, to off-set the impact of higher petroleum product prices on the real incomes of vulnerable populations, we have allocated an amount equivalent of GNF 37 billion (US$4 million) in the 2019 SBL to start providing targeted cash transfers to poor households in urban and peri-urban areas (cash transfers are currently being delivered only in rural areas under the PFSP through the financing of the World Bank) and step up labor-intensive public works projects in urban and peri-urban areas (THIMO), notably for women and the youth. Owing to the change in the institutional framework for the setting up of the ANIES, delays were recorded in the implementation of the above planned expansion of cash transfer and THIMO in the urban and peri-urban areas. This will start as a pilot over eight regions during December 2019-June 2020, once we have finalized the ongoing biometric census to strengthen program targeting. 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 the Ebola virus disease epidemic. We will set-up a unified social register of vulnerable populations by end-2020, with the support of the World Bank, to strengthen the targeting of social safety nets programs. To this end, we will establish a prototype of the unified social register of vulnerable populations by end-February 2020 (SB). In this regard, 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, we have defined in March 2019 a roadmap for the setting-up of the unified social registry. Furthermore, ANIES has started developing a social registry, with the goal of registering 800,000 vulnerable households by mid-2020, which will provide inputs to the unified social registry. To this end, ANIES is developing a field survey questionnaire, and will conduct the required data collection by end-2019.

Medium-Term Revenue Mobilization Strategy

24. 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.

25. 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. Furthermore, the Ministry of Mining has developed a model for a model for mining revenues projections, with the support of external experts. We will finalize this model with the support of IMF technical assistance and other technical and financial partners, including companies specialized in the extractive industry.

- **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 operationalize 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 adopted 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-2019. We have also adopted the 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 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. Furthermore, we will continue to (i) collect tax arrears from large companies; (ii) strengthen the capacity of the Directorate for Taxes and the recovery focusing on large enterprises; (iii) improve compliance of large and medium tax-payers; (iv) continue the cleansing and transferring of taxpayers files to management services; and (vi) make progress with the digitalization of customs.

26. 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 as close as possible to the new code. We have also modernized, with the support of the World Bank, the mining cadaster by making it more attractive and transparent through the elaboration of a new cadastral procedure and made the mining cadaster accessible online. In addition, with the support of the World Bank and AfDB, 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/multi-usage and/or transformation in Guinea to expand the domestic value-chain, will be put in line with the tax provisions of the 2013 mining code and that all new agreements with new investment in mining-related infrastructure and/or domestic transformation of mining products will be presented to the National Assembly with an assessment of tax expenditures (continuous SB). During June-December 2018, we ratified: i) a new mining convention which is fully in line with the tax provisions of the mining code; and ii) a new mining convention entailing new investments in multiple users/multi-usage infrastructure and domestic transformation of mining products that was presented to the National Assembly with an assessment of tax expenditures (continuous SB). Both conventions will be published in the Official Journal by end-2019. In September 2019, we took the opportunity of the change in the ownership structure of an existing mining convention for iron ore exploitation, to improve the expected prospects for Government revenues, notably through a non-contributive participation of the State in the company. We will present it to the National Assembly for ratification by end-2019. To reduce risks of profit shifting from transfer pricing in the mining sector, we have introduced in 2019 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 have strengthened the capacity of our tax and mining administrations agents in the areas of transfer pricing in the mining industry and the economic and financial modelling of revenues of mining projects, with the support of the GiZ, the OECD through the Intergovernmental Forum on Mining (IGF), and the Natural Resources Governance Institute (NRGI). We have also started modeling mining revenues using the Fiscal Analysis of Resource Industries (FARI) model developed, with the support of IMF technical assistance, which will support improving our revenues projections and better assess the potential for revenue mobilization. On this basis, the Ministry of Mining and Geology has prepared a projection for mining revenues over 2019–35. The national laboratory of geology has been rehabilitated and equipped to improve the mining administration's capability in assessing the quality (mineral content) of exported mineral products. Furthermore, we assembled a unit tasked with the assessment of the quality and quantity of mineral products loaded onto ships for exports, with the support of the GiZ. In this regard, mining administration agents were trained in France in mineral exports' weighting techniques (Drift Survey). In order to protect mining revenues, no vessel carrying mineral products is allowed to leave Guinea's territorial waters without any quantity assessment by the unit. Collected samples are then used to assess the mineral content of the shipment. The legislation regulating this new procedure will be adopted by end-March 2020. We also conducted an audit of export pricing practices of the main bauxite producer and the findings will be finalized by end-2019. On this basis, we will identify measures to support tax revenues mobilization in the mining sector, including further strengthening the national laboratory of geology in the assessment of the mineral content of exported bauxite.

Fiscal Structural Reforms

27. We will strengthen our public financial management to support our fiscal strategy and the envisaged scaling-up of investments. In this area, 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 on December 13, 2018. We are committed to implementing 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) cash management and debt management; (v) the accounting and reporting of central government operations; (vi) the evaluation and monitoring of budgetary risks from public enterprises and entities, public-private partnerships, and local authorities; (vii) internal and external audits of public finances; (viii) capacity building; (ix) computerized management system of public finances; and (x) steering and monitoring of reforms.

28. 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; we have 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 budget calendar for the 2018 Supplementary Budget Law and the 2019 and 2020 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 validated and approved the manuals on the chain of expenditures in July 2019 and will operationalize it by end-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 half of 2019 to sovereignty 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.

29. We are committed to establishing a Treasury Single Account (TSA) to strengthen transparency, budget monitoring and our cash management. To this end, we closed most of the accounts of 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 conducted 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 have set-up in January 2019 a TSA system operating with a central Treasury account including 8 accounts of 5 main state accountants out of the 44 State's operational accounts in the BCRG books. Based on the experimental functioning of this system, we will finalize a TSA agreement between the Ministry of Economy and Finance and the BCRG by end-2019. We are committed to expand the coverage of the TSA and we will consolidate all the accounts of the State and of the majority of EPA in the TSA by March 2019, with the exception of accounts opened for public projects and development programs financed by international donors. The process of consolidation of the public treasury will continue in 2020, with the gradual extension of the TSA to the accounts of donors-financed public projects and programs, most of which are opened in commercial banks.

30. 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 Treasury Committee, including the Central Bank. We are committed to holding the Treasury Committee meetings, including the Prime Minister, on a regular monthly basis. In view of this, we restarted 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 reviewed and adopted a new 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. In addition, we are working toward a more active cash management, with reports presented every Monday morning to the Minister of Budget on revenues and expenditures, both on commitment and cash basis. We are also working to make the orders between the Central Bank and the treasury electronic, for better harmonization of the commitment plans with payment orders from the Treasury.

31. 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 investment projects with higher growth and poverty reduction impact and we will 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 and 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 have conducted a stock-taking exercise of all projects in progress for at least 10 years, during the period 2009-19 and assessed the status of those projects. On this basis, we decided to initiate the process of terminating the financing of some of those project sand identified those that need to continue to be financed in the 2020 Budget Law. We have established an electronic platform for integrated investment management, with support from the African Development Bank (AfDB) and the United Nations Development Program (UNDP). Following testing, we have started to operationalize this platform and will make it fully operational by March 2020. 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.

32. 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 website of the Ministry of Finance, 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 revised the Procurement Code 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 are finalizing the new Public Procurement Code, which was validated in a workshop in mid-October 2019 and will sign the decrees relating to the public procurement code and its implementing legislation 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.

33. 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 and published in the Official Gazette in June 2019. We made significant progress in preparing draft implementation decrees of the 2017 PPP law, 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). Following consultations with various stakeholders in October 2019, we will finalize the implementation decrees by end-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.

34. 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 Parliament in 2017. A revised law on the governance of public enterprises and entities was approved by the Parliament in December 2017, which ensured consistency with the organic law on public finance (LORF) and the decree on budget management and public accounting. The new law on public enterprises and entities strengthens governance and monitoring of these entities 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 public enterprises and entities. 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 public enterprises and entities in line with the requirements of the new legislation and we will pursue the harmonization of the texts by end-2020, and we are working to mobilize technical assistance in this area. So far, we have reviewed the regulations of eleven entities and brought them in line with the new legislation. In line with the new law, we have prepared the annual financial report for public entities for 2017 and we have submitted it to Parliament as an Annex of the 2019 budget law. We are committed to continue to prepare the financial report for public enterprises on a yearly basis and submit it to the National Assembly. Thus, we prepared these entities annual financial report for 2018 and we will be submitted it to the National Assembly with the 2020 budget law. We are working to develop a medium-term strategy to improve the financial conditions of loss-making enterprises to reduce fiscal costs and the build-up of contingent liabilities, with the support of the World Bank. To this end, we aim at improving the management and performance of public enterprises, 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 are in the process of recruiting 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

35. 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 issued a GNF 1,302 billion three years bond in the domestic market in June 2019. In parallel, we will reduce, the planned issuance of treasury bills by 90 percent of that amount to contain the increase in the overall stock of domestic debt.

36. We are committed to gradually repaying domestic arrears that have been accumulated in previous fiscal years. 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 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 June 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 will launch a public tender for the recruitment of an independent auditor to conduct a review of domestic arrears up to 2018 that are yet to be audited. We are committed to avoid the accumulation of new domestic arrears, which will help support the private sector.

37. 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 by end-2019. We will ensure not to accumulate new external arrears, including through improving debt management.

38. 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 Treasury bonds 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 continued to publish it on a quarterly basis. Furthermore, we published a fully-fledged statistical bulletin on the website of the ministry of economy and finance in July 2019. We will publish it on a quarterly basis and will continue working on improving the coverage and content of the bulletin. Notably, we will adopt a manual for the preparation of the bulletin by end-2019. We operationalized the National Debt Committee in September 2019: to this end, we will request the assistance of our technical and financial partners. We will adopt a manual for the operation of the National Debt Committee by March 2020. This will specify the timing for regular meetings and clarify modalities for the Committee to provide advises on borrowing plans. Moving ahead, we are taking steps to strengthen our debt service forecast and the actual debt service by building our forecast of new disbursements indicated in the budget and taking into account all debt instruments falling due during the budget cycle. 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. To this end, we finalized the logistical setting and successfully tested the bid processing tools. We conducted a pilot test with the banks in June 2019 and undertook an active communication with investors in September 2019. Given the current institutional setting where DNTCP oversees T-bills and DNDAPD oversees bond issuance, we adopted a procedure for coordinating the different steps of the auction process. We aim to move ahead with the issuance of treasury bonds on a regular basis, starting prudently with small amounts of GNF 150 billion to GNF 200 billion of a maturity of 2 years by June 2020 in order to create the market and gradually develop a yield curve. We will also strengthen our public debt recording system by acquiring and adopting the Debt Management and Financial Analysis System (DMFAS/SYGADE) Program by March 2020, will train our staff by end-June 2020 and operationalize the system by August 2020. Furthermore, we will carry out a diagnostic of our institutional framework and adopt a reorganization scheme by June 2020 to reduce the number of entities involved in debt management and enhance efficiency and coordination. In particular, we will merge the issuance of Treasury bonds and bills under a unique institution.

D. Monetary and Exchange Rate Policies

39. 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 that reached about US$1 billion at end-September 2019, corresponding to 3.7 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 will limit the interventions in the foreign exchange market and 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 and conducted a communication campaign to banks to limit market risks. The BCRG started conducting such unilateral auctions in September 2018 and purchased 22.23 million dollars during September 2018–September 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 business days of the week, excluding the days of the MEBD. 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.

40. 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. BCRG strengthened the reporting and analysis of the MEBD operations by preparing a quarterly report to support discussions with participants in the market since 2018. In order to make the MEBD more competitive and support greater exchange rate flexibility, we gradually eliminated 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 fully eliminated it in 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 efficient by end-June 2020, and we have strengthened foreign exchange liquidity forecasting through better information sharing and regular consultations between the BCRG and the Ministry of Finance. We are finalizing a rule-based intervention strategy to limit BCRG's discretion in the MEBD, foster transparency and support greater exchange rate flexibility, with the support of IMF TA. This will also support the operations of the interbank market. We will implement this strategy by end-June 2020, once the electronic platform is in place. We will continue to 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.

41. Our monetary policy will need to be prudent to maintain moderate inflation. The BCRG will aim at maintaining inflation within single digits.[1] To this end, the BCRG will target base money in line with program objectives to 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. Reserve money growth increased to 13.6 percent at end-August 2019 compared to 11.6 percent (y-o-y) at end-June, reflecting higher-than-anticipated net foreign assets. In view of high inflation, the BCRG will maintain a prudent monetary policy and stand ready to tighten to maintain a positive real interest rate. For 2019, the BCRG targeted the monetary base to expand at about 6.8 percent (y-o-y), which is consistent with an average inflation rate at 8.9 percent and growth of credit to the private sector at 9 percent (in percent of broad money). To this end, we will continue to keep BCRG's net credit to the government 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 if needed.

42. 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. In the first eight months of 2019, central bank advances to the government were contained within statutory limits. Net borrowing from the central bank declined by 6.7 percent (y-o-y) in the first half of 2019 and by 21.1 percent at end-August 2019. We remain 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.

43. We will continue to strengthen our monetary policy framework by improving liquidity management. We are convinced that a more active liquidity management will support strengthening reserve money targeting towards preserving low inflation and ensuring 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 mechanism. Furthermore, the BCRG has improved its capacity to monitor liquidity by preparing a daily monitoring liquidity table and a weekly liquidity report. We have also made further enhancements including by aligning the forecasting period with monetary policy operations and the reserve maintenance period and have

[1]Our strategy also integrates the convergence criteria established by the West African Monetary Agency (WAMA) to achieve single-digit inflation rates as part of the ECOWAS integration process.

started publishing the results of monetary policy operations shortly after their execution. The BCRG established a new liquidity forecasting regime in August 2018 with a liquidity committee and a team in charge of forecasting autonomous liquidity factors. The BCRG aims at implementing a more active liquidity management to support achieving monetary targets and moderate inflation and we will timely inform banks, via seminars, on the BCRG's intention to actively manage liquidity. The internal monetary committee of the BCRG regularly meets on a monthly basis to decide on the direction of monetary policy. Notably, it will assess and take a decision on the level of liquidity in the banking system, which is consistent with the chosen policy stance, on the basis of the assessment provided by the liquidity committee. The operational unit of the liquidity committee will then meet on regularly basis to calibrate liquidity operations through the use of the existing monetary regulation instruments, on the basis of the new liquidity forecasting framework, which will then be implemented by the monetary policy department. In September 2019, the liquidity committee has requested the Research Department to prepare an analysis of the optimal level of liquidity, which will inform and help improve our liquidity management. To strengthen representation, we will create a Monetary Policy Committee by early 2020 to decide on the direction of monetary policy at the beginning of each quarter. 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. We will move ahead with further reforms needed to operationalize the emergency liquidity framework, notably by adopting a transparent collateral framework to provide legal certainty regarding the availability of assets used as a guarantee if a counterparty defaults; setting the minimum credit risk level for eligible assets; adopting risk control measures, and proposing alternative models for government guarantees, with the support of IMF technical assistance.

44. 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 continue to 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 December 2019 in the last quarter of 2019 and in June 2020 for interest falling due in 2020.

45. 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 (end-September 2018 SB). We will publish IFRS-compliant financial statements for 2018 by end-2019 and we will continue to publish the BCRG's financial statements in compliance 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 recruited an IT audit firm in March 2019. In addition, the BCRG's Board approved an action plan to enhance IT audit capacity in the Internal Audit Department in June 2019 and its implementation is being monitored by the Audit Committee. The process of strengthening the team with IT specialists is underway and the recruitment of three technicians will be finalized by end-2019. In addition, we have developed a platform to share information and data internally and we have carried out in September 2019, a personalized training program for the members of the committee. We are regularly monitoring the implementation of audit recommendations. We are moving 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 quarterly 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. In addition, the BCRG will provide further improvements to the central bank law by end-2020, notably clarifying the roles of the Monetary Policy Committee and the Board of Directors regarding foreign exchange operations and explicit assigning a supervisory role to the Board. 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. 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. Notably, we aim at enhancing risk maps, developing a central database of incidents, and strengthening off-site surveillance by establishing an internal control charter that defines the responsibilities of risk managers. Following the lessons we garnered from the recent exchanges that we have had with other central banks in the area of currency operations, we will prepare an action plan to conduct a peer-review of currency operations by June 2020. We have started reviewing the BCRG investment policy. The Investment Committee amended its policy in May 2019 to diversify the BCRG's counterparties and specifying the proportion of monetary gold to be held in foreign assets. We will conduct regular review of the investment policy moving ahead. We have started reorganizing the existing structure to create a middle office function in the foreign exchange operations and we will make it operational as soon as the trading room is in place, which we are setting -up with the support of the AfDB. We completed the external audit of the monetary data at end-December 2018 in September 2019, after completing the closing of the accounts in accordance with the traditional standards. We will complete the external audit reports of monetary data in a timely manner. Notably, we will also complete the external audit of monetary data at-end June 2019 by mid-December 2019, and the external audit of end-December 2019 monetary data by mid-June 2020.

46. 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 was issued in May 2019. Furthermore, we adopted a new risk-based rating methodology for banks which introduces more complete tools for off-site examination, and in particular improves the collection of additional data on governance, risk management, internal control, and the anti-money laundering/ combating terrorist financing mechanism (AML-CFT). 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. We have started the gradual implementation of the new chart of accounts and the updated accounting and reporting system for banks started to be operationalized and will be fully implemented by June 2020. The new bank rating methodology was operationalized, with the banks' ratings on the statements at end-2018 being underway. 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 is committed to strengthen the human resources allocated to banking supervision (document controls and on-site controls) by recruiting and or redeploying around ten people by end-March 2020. We will also create a small dedicated unit initially called upon to express the resource needs (data, human resource profile, software) of an expanded unit, in order to provide a solid basis for the financial stability function by June 2020. 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 at end-2017 to provide better information on the creditworthiness of banks' customers which is fully operational. We aim at completing the automation of data sharing between the banks and the BCRG and covert the credit information into a credit bureau, with the support of the World Bank by end-March 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 June 2020, with the support of IMF technical assistance. This will require that all banks (and subsidiaries) operating in Guinea have recovery and resolution plans, banks determine the triggers for implementing recovery plans, and that those plans contain measures specifically applicable to the subsidiaries in Guinea. In addition, the legal framework for the implementation of the Deposit Guarantee Fund was finalized in December 2018 through the signing of 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 the State (Ministry of Economy and Finance and Ministry of Justice) has been set up to administer the Fund and oversee its operations. In this respect, the first contributions from the banks were paid in October 2019. We will continue the operationalization of the deposit insurance scheme by setting the ceiling for the compensation of depositors and the 2020 annual contribution rates by December-2019. We will finalize the operationalization of the deposit guarantee scheme by June 2020, with the support of IMF technical assistance. Only one bank did not meet the net equity requirement at the end-June 2019. This bank was placed under stricter supervision in accordance with regulatory procedures and is prohibited from dividend distribution, in accordance with the provisions of the Banking Act, and the BCRG has requested this bank to present a timetable for improving the required minimum capital by end-October 2019. In addition, the BCRG will ensure that all banks comply with the reserve requirement.

47. We are committed to reduce financial and fiscal risks stemming from the operations of the recently created National Investment Bank of Guinea. In early 2019, we established a new development bank to support the provision of credit to small and medium enterprises and foster investments, notably in the agricultural sector. The National investment bank of Guinea (NIBG) started its operations in October 2019, with an initial capital of GNF 100 billion, with investments in agriculture, including fishery and livestock**.** We will contain the fiscal risks arising from the operations of the NIBG. To this end, the NIBG will not be allowed to collect any retail deposits, including short and long-term ones. In addition, we will ensure the transparency of its funding through dedicated budgetary allocations and we will establish a monitoring structure of its operations by March 2020. Although the central bank is currently a stakeholder of the NIBG, it aims at disinvesting its shares gradually to the benefit of interested investors. In this regard, we are discussing with potential shareholders, including multilateral donors, to take part in the shareholding, contribute to the financing of the bank and support its governance. In addition, we will amend the banking law to introduce specific licensing provisions for development banks and define their operational framework by end-2020, with the support of IMF technical assistance.

Structural Reforms

48. 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.

49. 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; (v) easing cross border trade; and (vi) 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 a new business to be created in less than 72 hours. From January to end-august 2019, 7 322 businesses were created through the one-stop shop, of which half were created within 72 hours and 28 percent were created in less than 24 hours. We have finalized the permanent tax identification number and now over 2,000 private sector operators have the new tax identification number since March 2019. The interconnection between the Agency for the promotion of private investment (APIP) and the National Tax Directorate was created in January 2019 and operational since March 2019. We are working with the provider to improve the transmission of data to DNI. 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 also made progress in establishing a one-stop shop for land registration, with the support of the World Bank. To this end, we have identified office spaces and will provide the necessary equipment and financial resources to operationalize it by end-2019. We set-up a specialized Commerce Court in Conakry in October 2018 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 were selected. The first court cases started at end-April 2019 and we provided GNF 1 billion to fund the budget of the Commerce Court in August 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-2019. Thus, we nominated the General Director for the one-stop-shop for foreign trade, and the specifications for its operationalization are being elaborated. We acquired the equipment for the online issuance of descriptive import and export declaration forms (DDI/DDE) in October 2019, will operationalize the related module by end-2019 and will extend it to other trade documents by February 2020. Starting April 2020, we will implement the second stage of the operationalization of the one-stop shop, which includes rolling it out at the Port of Conakry, the Gbessia International Airport and gradually to land borders. 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. To this end, we are committed to strengthen the public-private consultative platform by re-activating the Guinean business forum (GBF) which was launched in 2017 and organizing workshops. An executive secretary for the GBF was selected. Furthermore, we will ensure that the public-private consultative platform is inclusive by ensuring that the representatives of all the private sector actors can participate in it.

50. 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 2019). 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). To this end, we conducted a workshop on Guinea's self-assessment in October 2019 and will hold a self-assessment control workshop in Conakry by end-November 2019. To finalize the process, we will submit by June 2020: i) the report of the Guinea self-assessment workshop to UNODC followed by a self-assessment monitoring workshop in Guinea; and (iv) 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 two Reviewing States and UNODC which will take place by end-September 2020.

- **Implementing the asset declaration regime**. The implementation decree for the asset declaration regime is being finalized, with the support of IMF TA, and will be adopted by end-March 2020 (end-September 2019 SB). The asset declaration regime provides 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 regime. To this end, we will allocate in the 2020 Budget Law the resources for the Audit Court to establish the logistical structure to manage and control the declarations and implement sanctions. We will adopt a decree on the asset declaration form (end-June 2020 SB). 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 are finalizing the new AML/CFT draft law, with the technical assistance of the IMF. Notably, we are conducting consultations at inter-governmental level and with private sector on the draft AML/CFT Law. The Council of Ministers will approve it by end 2019 and it will be presented to the National Assembly by March 2020. We are also committed to mobilize the needed resources for its implementation. 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 was operationalized in October 2019. These tools include the continuous updating of the reporting system, forms for the identification of BCRG clients, the analysis of foreign exchange flows, and the mapping of risks and vulnerabilities to inform policy decisions. We are also working on strengthening the National financial information processing unit (CENTIF) with support of IMF TA by improving its institutional framework, strengthening the capacity of its personnel and developing operational processes and strategies. To this end, we have developed a monitoring manual, scoring methodology, and Excel database for risk scoring and controls to be used by the supervision department in connection with AML/CFT tasks. We designed a new form for cross-border declaration of foreign currency and submitted it to the approval of relevant authorities before its use which is scheduled for end-December 2019. Since 2017, we have organized five workshops to train human resources working on AML/CFT, with the support of the IMF and the United Nations Office on Drugs and Crime (UNODC). We have set up an inter-ministerial AML/CFT committee to steer and monitor our national AML/CFT strategy, with the support of the World Bank and the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA); the AML/CFT National Risk Assessment is underway. 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 were rolled out in September 2019 and we are committed to continue strengthening the capacity of the BCRG staff, including through training.

51. 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 have conducted a diagnostic on financial inclusion in November 2018, with the support of the World Bank. Based on the diagnostic, we are finalizing a National Strategy on Financial Inclusion, with the support of the World Bank, and we will adopt it 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. To support women, the youth, and vulnerable populations, we will provide financial education programs to advance the adoption of financial services, particularly in the areas of depositors' rights, savings and e-money accounts. In this regard, by end-2020, we will conduct a demand survey covering financial education and protection aspects, targeting, specifically, small and medium firms, rural populations and women. Furthermore, will aim at reducing constraints on access to financial services and improve supply by strengthening the regulatory and supervisory framework, developing payment infrastructures, and encouraging the introduction of the necessary interfaces and adaptations of information systems for "bank-to-wallet" integration and the development of innovative products and services (microinsurance, savings plan). We will also advance specific measures to support the demand side by strengthening consumer protection of financial services and improving the financial education of populations in Guinea. Furthermore, we will support access to SME financing by establishing an electronic safeguards registry that would make the verification and security clearance process transparent and effective. Also, we will develop a strategy for the financing of the agricultural sector. 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 is the current Chair.

E. Program Monitoring

52. 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-December 2019 and end-June 2020 are performance criteria, while those for end-March 2020 and end-September 2020 are indicative targets. The fifth review should be completed on or after June 11, 2020, and the sixth review on or after November 26, 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).

53. We will renew our efforts to strengthen our statistical system, including by providing more resources, which is critical to appropriately assess and monitor our macroeconomic policies and reforms. We are committed to provide adequate resources to the national statistical institute (INS) to strengthen our statistical system. To this end, we will provide the appropriate resources in the 2020 Budget Law. 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 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 are conducting a household survey to update our assessment of the living conditions of the population. We have completed the data collection phase and are compiling data with the support of the World Bank. We attended a regional workshop to standardize the methodology in October 2019 and the results are expected by end-2019. We are also pursuing efforts to strengthen our methodology for the compilation of the harmonized consumer price index and will publish the new series by end-2020.

Table 1. Guinea: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2019–20

(Billions of Guinean Francs; unless otherwise indicated)

	2019													2020		
	March			June				Sept.				Dec		March	June	Sept.
	IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Prel.	Status	PC	Adj. PC	IT	PC	IT
Quantitative performance criteria																
Basic fiscal balance (floor; cumulative change for the year)	499	261	Not Met	903	859	1,502	Met	548	592	497	Not Met	691	829	265	254	622
Net domestic assets of the central bank (ceiling; stock)	7,780	7,205	Met	7,652	7,586	6,310	Met	5,518	5,585	6,871	Not Met	5,856	6,064	5,722	5,688	5,579
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	7,533	6,601	Met	7,410	7,344	5,512	Met	5,794	5,861	6,148	Not Met	5,626	5,834	5,641	5,623	5,531
Net international reserves of the central bank (floor; stock); US$ million[1]	583	631	Met	622	629	704	Met	679	672	679	Met	739	716	795	808	824
Continuous performance criteria																
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	650	650	650
New external arrears of the central government and central bank (ceiling)[3]	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	0	0
Indicative targets																
Tax revenues collected (floor)	3995	3,710	Not Met	8,489	8,489	8,404	Not Met	12,939	12,939	12,187	Not Met	16,960	15,869	4,895	9,889	14,706
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	33	19	Not Met	65	65	171	Met	98	98	272	Met	130	240	78	154	232
New domestic arrears accumulated by the central government (net)[4]	-95	-961	Met	-152	-152	-1492	Met	-857	-857	-556	Not Met	-812	-812	-37	-49	-59
Memorandum items:																
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[5]	905	905	...	987	987	987	...	1052	1052	1052	...	1142	1142	1475	1613	1667

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. Shows accumulated face value of new concessional loans on a signature basis. Until the Third Review, this memo item had been defined on a disbursement basis.

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
Fourth Review			
The Minister of Budget will adopt an expenditure commitment plan consistent with agreed fiscal adjustment measures and achieving the end-2019 program fiscal target.	End-Nov. 19	Met	Preserve macroeconomic stability
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

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

Date	Date	Date	Date
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
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. Retail prices were maintained constant during the first seven months of 2019. The adjustment mechanism was applied in August 2019, leading to a 5 percent increase in prices.	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

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

Measures	Date	Status	Objectives
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
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

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

Date	Date	Date	Date
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
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

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

Measures	Date	Status	Objectives
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
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

[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
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 was expected to be completed with a delay by end-2019. Electricity consumption meters were installed in the buildings of all Ministries at end-February 2019. The installation of meters for the rest of consumers reached 70 percent at end-August 2019. Data are not yet available to assess progress at end-2019.	Increase the revenues of the public electricity utility to reduce budgetary transfers to the company
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

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

Measures	Date	Status	Objectives
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. This measure was met with a delay in October 2019. A rule-based intervention strategy, in line with the recommendations of IMF technical assistance, was finalized in October 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	End Sept-19	Met. The draft 2019 Supplementary Budget submitted to the National Assembly in mid-August 2019 was in line with agreed budgetary measures and program fiscal target. It was adopted in September 2019.	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.	End Sept-19	Not met. This measure was completed with a delay in mid-November 2019. A ministerial order established a multi-year tariff reform strategy over 2019-25 to bring electricity tariffs to cost recovery level by 2025.	Reduce electricity subsidies

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 agreement for iron ore extraction was ratified in December 2019. This contract entailed new investments in infrastructure and was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
II. 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	Not met. This measure is expected to be completed with a delay by end-March 2020. The draft decree on asset declaration was finalized, with the support of LEG technical assistance. A draft decree on the content of an asset declaration form was also developed.	Strengthen governance
Fifth Review			
I. Fiscal Policy			
Establish a prototype for the unified social register of vulnerable populations by the Ministry of Social Affairs	End Feb 20	Met. A presidential decree in November 2019 created the unified social registry of vulnerable populations under the Ministry of Social Affairs. In addition, a roadmap for the setting-up of a social register has been finalized by the National Agency for Economic and Social Inclusion (ANIES), 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	End May-20	To be assessed. FAD technical assistance is expected to support the authorities in preparing the manual.	Strengthen public investment management

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

Measures	Date	Status	Objectives
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 9 percent electricity tariffs for households and by 10 percent electricity tariffs for professionals and industrials in 2020, in line with the electricity tariffs reform strategy 2019-25.	June 1, 2020	To be assessed	Reduce electricity subsidies
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	In progress	Mobilize additional mining revenues and foster governance and transparency
Sixth Review			
I. Structural reforms			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 20	To be assessed. A draft decree on the content of an asset declaration form has been developed.	Strengthen governance

Attachment II. Technical Memorandum of Understanding

November 22, 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 October 12, 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 à caractère administratif*).

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

[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 (CONTINUED)

35 percent, as indicated in the IMF Executive Board Decision No. 11248–(96/38), April 15, 1996. 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 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
Linsan-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.

15. 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.

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

16. 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

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

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

(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

17. **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

18. **Domestically-financed social safety nets programs** are defined as the domestically-financed spending, which is disbursed to support the implementation of: (i) all domestically-financed non-contributory social programs under the *Programmes Filets Sociaux Productifs* (PFSP); (ii) the budgetary allocation to 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)

19. **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.

L. New Concessional External Debt Contracted or Guaranteed by the Central Government or Central Bank (Cumulative)

20. **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 (¶14). For program purposes a debt is considered to be concessional if it includes a grant element of at least 35 percent (paragraph 14 for definition of grant element). The memorandum item on new concessional external debt is defined as new concessional loans contracted or guaranteed by the central government or the central bank from the start of the arrangement, recorded on a cumulative basis. For program monitoring purposes, concessional external debt is deemed to be contracted or guaranteed at the date of its signature.

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)

	2019										2020					
	Q1P	Q1A	Q2P	Q2A	Q3P	Q3A	Q4P	Q4A	Total P	Total A	Q1P	Q2P	Q3P	Q4P	Total P	Total A
Program Loans	0	0	60	60	0	0	100	91	160	151	0	0	0	40	40	40
Of which:																
World Bank	0	0	0	0	0	0	100	91	100	91	0	0	0	40	40	40
Qatar	0	0	60	60	0	0	0	0	60	60	0	0	0	0	0	0
Program Grants	0	0	0	12	24	0	29	12	53	24	20	0	0	22	42	0
Of which:																
EU	0	0	0	0	0	0	23	0	23	0	20	0	0	22	42	0
AFD	0	0	0	0	0	0	6	0	6	0	0	0	0	0	0	0

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.
	Domestically-financed social safety nets program	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.	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 and unpaid, stock of arrears according to the program definition.	Monthly	30th of the month for previous month's data.
	New signed loans and 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.

INTERNATIONAL MONETARY FUND

GUINEA

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

March 18, 2020

Approved by
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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 2020–21, reflecting the one-off impact of the recapitalization of the central bank. Guinea's external and public debt dynamics position are broadly unchanged compared to the July 2019 DSA update, and space for additional borrowing beyond what is included in the baseline scenario remains limited, notably in the near term. 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) was prepared with the World Bank and in collaboration with the Guinean authorities. This DSA 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 2017-18 and decumulated in 2019 (for domestic arrears stock at about 2.5 percent of GDP at end-2019 based on preliminary estimates) have been included in the baseline.[3] 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, they are assessed as not relevant. In addition, a contingent liability stress test is performed to enhance the robustness of the DSA. 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.[4] 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.[5]

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	

		Default		Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt			
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	1.3	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	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]Local governments in Guinea have limited debt exposure and the stock of non-guaranteed SOE's debt is also likely to be a small.

[4]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 manage and operate the dam on a commercial basis and will be responsible for servicing it.

[5]The Souapiti dam 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 2019 reflecting a robust economic growth. Preliminary data suggest that total public debt stood at US$4.7 billion (34.2 percent of GDP) at end-2019 compared with US$4.6 billion (37.4 percent of GDP) in 2018. External public debt as a percent of GDP increased to 19.5 percent of GDP in 2019 from 18.9 in 2018. The stock of external debt increased moderately to US$2.6 billion at end-2019 compared to US$2.3 billion in 2018, with loan disbursement lower-than-anticipated. Domestic debt as a percent of GDP declined to 14.7 percent of GDP in 2019 from 18.5 percent of GDP in 2018. The domestic debt stock decreased to US$2 billion in 2019 from US$2.2 billion in 2018, owing mainly to a decumulation of the stock of domestic arrears of about 1.0 percent of GDP at end-2019 and large amortization of domestic borrowing more than compensating for the issuance of a GNF 1,3 billion three-year domestic bond.

UNDERLYING MACROECONOMIC ASSUMPTIONS

3. Key assumptions are consistent with the macroeconomic framework outlined in the Staff Report for the Fourth Review under the Three-Year Extended Credit Facility:

- **Real GDP growth** is estimated at 5.6 percent in 2019, driven by strong investment-boosted mining and construction activity and electricity production. The growth momentum is expected to continue in the short term, with real growth at 5.8 percent in 2020 and 6.2 percent in 2021. Growth is projected to converge to its long-run rate of 5 percent by 2024, supported by the increased productive capacity of the economy and 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** reached 9.1 percent (y-o-y) at end-2019 and is expected to moderate at around 8.1 percent (y-o-y) in 2020 and gradually decrease to 7.8 percent over the medium term, reflecting a prudent monetary policy stance.

- **Fiscal balance**.[6] The primary fiscal balance recorded a deficit of 0.3 percent of GDP in 2018 that was virtually eliminated in 2019. The primary deficit is expected to average 1.9 percent of GDP over 2020–25. 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 2.0 percent of GDP are expected to be mobilized over 2020–25 (compared to end-2019), supported by tax policy and

[6]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 0.6 percent of GDP in 2019 to an average of 0.8 percent of GDP during 2020–25.

administration measures, and stronger mining revenues. Continued revenue mobilization effort is expected to gradually increase tax revenue by 2.9 percent of GDP over 2021–30. 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 4.0 percent of GDP in 2019 to 7.9 percent in 2025. In view of development needs, capital expenditures are expected to remain high at 8.4 percent of GDP, on average, over 2025–30. Grants fell to 0.5 percent of GDP in 2019 but are expected to remain at 1.0 percent of GDP on average over the period 2020–22, also reflecting the continued mobilization of donors' support following the 2017 Consultative Group for Guinea.

Table 2. Guinea: Structure of External Public and Publicly Guaranteed Debt
(Nominal Values)

	end-2018			end-2019		
	USD (millions)	Percent of Total	Percent of GDP	USD (millions)	Percent of Total	Percent of GDP
Total	**2287.4**	**100.0**	**18.9**	**2624.4**	**100.0**	**19.5**
Total incl. C2D 1/	2355.4	103.0	19.5	2668.7	101.7	19.8
Multilateral creditors	**1116.1**	**48.8**	**9.2**	**1336.8**	**50.9**	**9.9**
IMF	322.3	14.1	2.7	338.5	12.9	2.5
World Bank	341.4	14.9	2.8	466.8	17.8	3.5
Other Multilateral creditors	452.4	19.8	3.7	531.5	20.3	3.9
Official Bilateral Creditors	**1110.6**	**48.6**	**9.2**	**1227.4**	**46.8**	**9.1**
Paris Club (excl. C2D)	37.9	1.7	0.3	35.8	1.4	0.3
Non-Paris Club	1072.7	46.9	8.9	1191.6	45.4	8.8
China	629.8	27.5	5.2	694.6	26.5	5.2
Angola	126.6	5.5	1.0	117.2	4.5	0.9
Saudi Arabia	101.1	4.4	0.8	105.8	4.0	0.8
Kuwait	76.7	3.4	0.6	77.7	3.0	0.6
Others	138.5	6.1	1.1	196.3	7.5	1.5
Commercial Creditors	**60.8**	**2.7**	**0.5**	**60.2**	**2.3**	**0.4**
Memo						
Arrears	149.3	6.5	1.2	148.8	5.7	1.1

Sources: Guinean authorities; and IMF Staff calculations.

1/ C2D refers to Debt Reduction-Development Contract.

Notes: External arrears at end-2019 predate the 2012 HIPC completion point and are due to Non-Paris Club official bilateral creditors (US$88 million) and commercial creditors (US$60.8 million). These arrears continue to be deemed away under the IMF Policy on Arrears 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 concluded a financing assurance review on July 26, 2019, jointly with the third review of the ECF program.

- **The current account** (including transfers) is expected to have recorded a deficit of 13.7 percent of GDP in 2019 and to rise to 21.9 percent of GDP in 2020, financed by FDI and external borrowing. This would reflect strong imports for mining and public infrastructure projects, including the construction of the Souapiti dam. These investments will boost mining exports, resulting in a gradual narrowing of the current account deficit over the medium term, which is expected to average 11.8 percent of GDP over 2021–25.

- **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 broad-based growth. New external borrowing is expected to pick up significantly in the near term, from 4.9 percent of GDP in 2019 to 10.9 percent in 2020 and average 5.7 percent of GDP over 2021–22. Under the baseline scenario, external borrowing is assumed to continue to be strong in the medium and long run, averaging about 3.6 percent of GDP per year over 2021–29 and 2.4 percent of GDP per year over 2030–39. The average grant element of new borrowing is expected to remain at about 31.7 percent in 2020 with the disbursement of large non-concessional project loans, before returning to about 42 percent in 2022. It would then gradually reduce to 22 percent by 2040, reflecting a gradual increase in the relative use of non-concessional financing over time.

    - *Non-concessional borrowing*. The pick-up in debt accumulation in the short term reflects the one-off impact of the non-concessional borrowing to finance the construction of the Souapiti dam, signed in September 2018 (Table 3) and expected to be disbursed over 2020–21. In addition, the DSA incorporates non-concessional borrowing of US$658 million (5 percent of 2018 GDP) to finance programmed priority infrastructure projects and for budget support, to be disbursed over 2019–23.[7] Out of this envelope, US$598 million were signed in September 2018 to finance the rehabilitation of the RN1 national road and the Conakry urban road network, to be disbursed over 2019–22. Furthermore, a non-concessional loan of US$60 million (0.4 percent of 2019 GDP) for budget support from Qatar was signed in November 2018 and disbursed in April 2019. Additional non-concessional borrowing of about US$220 million is assumed to be signed in 2021–22 and disbursed during 2023–24 to finance infrastructure projects.

    - *Concessional borrowing*. The World Bank provided concessional budget support loans of US$91.5 million in 2019 and is expected to provide US$40 million per year over 2020–25. Concessional project loans, largely to finance infrastructure and agriculture development, are assumed to total US$2.5 billion over 2020–24. Out of this envelope about US$700 million concessional project loan financing is expected to be provided by the World Bank over 2020–24.

- **Domestic borrowing**. Net government domestic financing is expected to be negative throughout 2019–25 (-1.1 percent of GDP in 2019, -0.7 percent of GDP in 2020 and averaging -0.4 percent of GDP for 2021-25), as the government is expected to gradually

[7]For the Souapiti dam loan, US$925 million and US$250 million are expected to be disbursed in 2020 and 2021, respectively. For the US$598 million envelope of non-concessional loans signed in September 2018, US$39 million was disbursed in 2019, with US$172 million expected in each of 2020 and 2021, and the remaining amount in each of 2022 and 2023.

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 6.0 percent in 2020–21 are predicated on conservative assumptions. While the scaling-up of public investment is expected to support growth, a conservative assumption about the investment-growth nexus is informed by weak historical growth outturns in Guinea, which has suffered from adverse conditions including the Ebola crisis, commodity price shocks and earlier periods of social unrest (Figure 5, bottom panel). While higher-than-projected primary fiscal deficits were historically the largest contributor to unexpected debt accumulation for the past five years (Figure 4), the current ECF arrangement supports a fiscal adjustment that is feasible for Guinea, taking into account the country's fragility and capacity constraints (Figure 5, top panel).

Table 3. Guinea: LIC DSA Macroeconomic Assumptions

(Percent of GDP, unless otherwise indicated)

	Previous DSA					Current DSA				
	2018	2019	2020	2025	2030	2018	2019	2020	2025	2030
Nominal GDP ($ Million)	12099	13368	14396	20510	28833	12181	13797	14951	21302	29944
Real GDP (percentage change)	5.8	5.9	6.0	5.0	5.0	6.2	5.6	5.8	5.0	5.0
Fiscal Accounts										
Revenues	13.2	14.7	14.4	15.6	16.1	13.1	13.7	14.1	16.4	17.2
Grants	1.1	0.9	0.9	0.6	0.5	1.1	0.3	0.9	0.9	0.9
Public Sector Expenditure	15.7	18.4	17.5	18.2	18.2	15.6	15.0	18.2	19.4	19.9
of which: Capital expenditure and net lending	5.1	7.1	6.4	7.6	7.8	5.1	4.0	6.9	8.0	8.7
Primary Fiscal Balance	-0.3	-1.8	-1.3	-1.0	-0.5	-0.3	-0.4	-2.4	-1.1	-0.7
New external borrowing	13.4	4.9	4.0	3.2	2.7	13.4	4.9	10.9	3.1	2.8
Grant elements of new external borrowing	31.2	31.7	31.7	32.3	30.3	31.2	31.7	31.7	39.5	37.8
Balance of Payments										
Exports of goods and services	33.1	32.2	33.6	30.4	29.4	32.9	30.5	32.2	32.3	32.1
Imports of goods and services	47.2	46.5	45.2	41.0	39.2	46.8	39.6	48.5	37.7	34.0
Current account (including transfers)	-18.7	-20.9	-17.9	-9.0	-5.3	-19.0	-14.1	-22.0	-9.8	-6.6
Foreign direct investment	13.0	9.0	12.9	6.9	3.8	12.9	12.9	10.1	7.0	7.0

Source: Guinean authorities, IMF and World Bank staff estimates.

COUNTRY CLASSIFICATION

4. **The Composite Indicator for Guinea is 2.51 based on the October 2019 WEO vintage and the 2018 update for the CPIA index, which classifies Guinea at weak debt-carrying capacity (Table 4)**. 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).[9] A commodity prices stress test is also applied since 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 borrowing—have also been performed to assess Guinea's country-specific risks and capacity to absorb shocks.

Table 4. 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	3.149	1.21	48%
Real growth rate (in percent)	2.719	6.228	0.17	7%
Import coverage of reserves (in percent)	4.052	19.802	0.80	32%
Import coverage of reserves^2 (in percent)	-3.990	3.921	-0.16	-6%
Remittances (in percent)	2.022	0.356	0.01	0%
World economic growth (in percent)	13.520	3.499	0.47	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 5, Table 6, Figure 1, and Figure 6). 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. Medium-term external debt dynamics are broadly unchanged from the July 2019 DSA update, while the timing of disbursements of the non-concessional loans for the Souapiti dam and the programmed priority infrastructure projects has been partially shifted from 2019 to 2020. The PV of external debt-to-GDP is expected to peak at 23.5 percent of GDP in 2023, broadly in line with the July 2019 DSA update, and then to decline. Liquidity ratios are expected to remain well below policy dependent thresholds (in line with the July 2019 DSA). Under the most extreme stress tests, all indicators breach their thresholds (Figure 1).[10] These tests are based on historical growth

[9]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. Overall, a contingent liability shock of 8.3 percent of GDP should adequately capture risks arising from debt not covered under the baseline.

[10]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 (CONTINUED)

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 the historical scenario the debt service to exports and revenue ratios remain within their thresholds, while the present value of debt-to-GDP and debt-to-exports breach their thresholds. Under two more plausible country-specific scenarios—(i) a weak policy implementation scenario; and (ii) higher non-concessional loans—all indicators remain within their thresholds (Figure 3).[11]

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 July 2019 DSA update, under the baseline scenario, the PV of total public debt-to-GDP breaches the benchmark for two years, but a revised disbursement schedule for the Souapiti loan have delayed the breach to 2020-21 (Table 6 and Figure 2). The PV of total public debt-to-GDP ratio peaks in 2020 at 35.7 percent of GDP (vis-à-vis the benchmark of 35 percent of GDP) with a projection of 35.5 percent of GDP in 2021, slightly below the July 2019 DSA update. The peak reflects the impact of the recapitalization of the BCRG in 2018, a key reform to enhance central bank independence, and the anticipated disbursement of non-concessional loans for the Souapiti dam (US$1.2 billion signed on September 4, 2018) and for two other priority infrastructure development projects that increase PPG external debt in the short run.[12] 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, in addition to what is already included in the baseline scenario, is limited, notably in the near term. Delays in repaying domestic arrears or debt owed to the BCRG, higher-than-anticipated government domestic and external borrowing, or new audits of domestic arrears could worsen the dynamics of total public debt.[13]

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and debt service-to-exports. 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.

[11]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 US$350 million, to be disbursed during 2021–23, on top of the non-concessional loan envelope included in the baseline.

[12]In Table 6, the large residual for 2019 and 2020 reflects the fact that these non-concessional project loans are not included in the primary balance.

[13]An audit of domestic arrears covering the period of 2014-18 is being planned.

AUTHORITIES' VIEWS

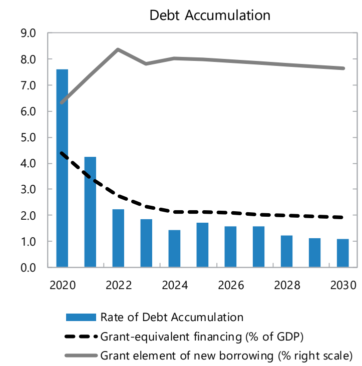
7. **The authorities broadly agreed with the conclusions of the DSA**. They underscored their commitment to maintaining a sustainable level of debt that does not exceed a moderate risk of debt distress. They also concurred with the importance of maximizing concessional borrowing where possible but noted 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.

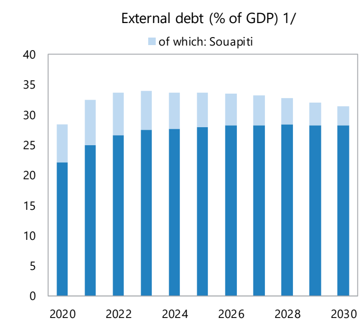
Table 5. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	19.3	18.9	19.5	28.5	32.4	33.6	33.9	33.7	33.7	31.4	24.2	25.2	32.6
of which: public and publicly guaranteed (PPG)	19.3	18.9	19.5	28.5	32.4	33.6	33.9	33.7	33.7	31.4	24.2	25.2	32.6
Change in external debt	-2.5	-0.4	0.5	9.0	3.9	1.2	0.3	-0.3	0.0	-0.7	-0.2		
Identified net debt-creating flows	-9.3	3.1	-1.3	10.9	4.9	2.0	1.3	0.8	1.2	-1.9	-9.1	6.3	1.8
Non-interest current account deficit	6.8	18.7	13.8	21.8	14.9	12.8	10.4	9.5	9.3	6.2	-1.3	15.3	10.7
Deficit in balance of goods and services	7.4	13.9	8.8	16.3	9.8	8.2	6.2	5.0	5.4	1.9	-4.0	12.7	6.0
Exports	39.9	32.9	30.5	32.2	32.4	32.0	33.1	33.4	32.3	32.1	33.7		
Imports	47.3	46.8	39.4	48.5	42.3	40.2	39.3	38.3	37.7	34.0	29.7		
Net current transfers (negative = inflow)	-0.9	-0.6	-0.5	-0.5	-0.7	-0.7	-0.8	-0.8	-0.8	-0.5	-0.1	-2.3	-0.7
of which: official	-0.2	-0.2	0.0	-0.2	-0.4	-0.4	-0.5	-0.4	-0.4	-0.5	-0.5		
Other current account flows (negative = net inflow)	0.3	5.3	5.4	6.0	5.8	5.3	5.0	5.3	4.7	4.8	2.8	4.9	5.4
Net FDI (negative = inflow)	-12.6	-12.9	-12.9	-10.1	-8.8	-9.5	-7.9	-7.5	-7.0	-7.0	-7.0	-7.8	-7.8
Endogenous debt dynamics 2/	-3.5	-2.6	-2.1	-0.8	-1.3	-1.2	-1.2	-1.1	-1.1	-1.1	-0.8		
Contribution from nominal interest rate	0.2	0.3	0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.3		
Contribution from real GDP growth	-1.9	-1.0	-0.9	-1.0	-1.6	-1.7	-1.6	-1.6	-1.6	-1.5	-1.1		
Contribution from price and exchange rate changes	-1.8	-1.9	-1.3	...	...	...	...	...	...	...	...		
Residual 3/	6.8	-3.5	1.8	-1.9	-1.0	-0.8	-1.0	-1.1	-1.1	1.2	9.0	-9.3	-0.7
of which: exceptional financing	-0.1	0.0	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	...	...	14.6	20.5	22.8	23.3	23.5	23.3	23.4	22.0	17.4		
PV of PPG external debt-to-exports ratio	...	...	47.6	63.5	70.4	72.9	71.1	69.9	72.6	68.4	51.7		
PPG debt service-to-exports ratio	1.4	1.7	1.6	2.7	3.6	4.6	4.2	4.2	4.0	5.2	4.7		
PPG debt service-to-revenue ratio	4.1	4.2	3.5	6.1	8.0	9.6	8.9	8.5	7.9	9.7	9.3		
Gross external financing need (Billion of U.S. dollars)	-0.5	0.8	0.2	1.9	1.2	0.8	0.7	0.7	0.8	0.2	-4.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	10.3	6.2	5.6	5.8	6.2	5.6	5.1	5.0	5.0	5.0	5.0	6.0	5.2
GDP deflator in US dollar terms (change in percent)	8.9	11.0	7.2	2.5	1.8	1.8	1.8	1.9	2.0	2.0	2.0	1.8	2.0
Effective interest rate (percent) 4/	1.1	1.8	0.9	1.1	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.1	1.4
Growth of exports of G&S (US dollar terms, in percent)	66.9	-3.0	5.3	14.3	8.8	6.0	10.7	7.9	3.5	7.6	7.6	14.5	7.8
Growth of imports of G&S (US dollar terms, in percent)	-4.8	16.4	-4.6	33.6	-5.8	2.2	4.6	4.5	5.1	5.6	5.6	17.8	6.2
Grant element of new public sector borrowing (in percent)	...	...	...	31.7	36.8	41.8	39.1	40.2	39.8	38.2	21.8	...	38.5
Government revenues (excluding grants, in percent of GDP)	13.7	13.1	13.7	14.1	14.7	15.2	15.7	16.3	16.4	17.2	17.1	13.5	16.1
Aid flows (in Billion of US dollars) 5/	0.1	0.1	0.0	0.5	0.8	0.9	0.7	0.7	0.7	0.9	0.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.4	3.4	2.7	2.4	2.1	2.1	1.9	1.5	...	2.5
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	37.0	44.0	50.7	51.6	54.2	53.9	54.1	41.8	...	51.0
Nominal GDP (Billion of US dollars)	10	12	14	15	16	17	19	20	21	30	59		
Nominal dollar GDP growth	20.1	17.8	13.3	8.4	8.1	7.5	7.0	7.0	7.0	7.0	7.0	7.9	7.3
Memorandum items:													
PV of external debt 7/	...	...	14.6	20.5	22.8	23.3	23.5	23.3	23.4	22.0	17.4		
In percent of exports	...	...	47.6	63.5	70.4	72.9	71.1	69.9	72.6	68.4	51.7		
Total external debt service-to-exports ratio	1.4	1.7	1.6	2.7	3.6	4.6	4.2	4.2	4.0	5.2	4.7		
PV of PPG external debt (in Billion of US dollars)			2.0	3.1	3.7	4.1	4.4	4.6	5.0	6.6	10.3		
(PVt-PVt-1)/GDPt-1 (in percent)				7.6	4.2	2.2	1.9	1.4	1.7	1.1	1.4		
Non-interest current account deficit that stabilizes debt ratio	9.3	19.1	13.2	12.8	11.0	11.6	10.0	9.8	9.3	6.9	-1.1		

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.

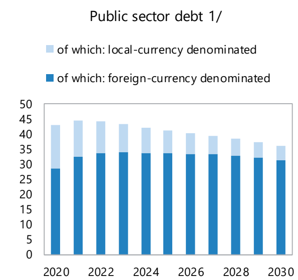
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 6. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	39.5	37.4	34.2	43.1	44.4	44.3	43.3	42.0	41.2	36.2	26.0	41.7	40.9
of which: external debt	19.3	18.9	19.5	28.5	32.4	33.6	33.9	33.7	33.7	31.4	24.2	25.2	32.6
Change in public sector debt	-3.0	-2.1	-3.2	8.9	1.3	-0.1	-1.0	-1.3	-0.8	-1.2	-1.0		
Identified debt-creating flows	-6.0	-4.5	-4.0	-0.1	0.2	-0.2	-0.7	-1.1	-0.9	-0.9	-1.0	-3.5	-0.6
Primary deficit	1.1	0.3	0.0	2.4	3.1	2.4	1.6	1.1	1.1	0.7	-0.1	2.1	1.5
Revenue and grants	15.2	14.3	14.0	15.1	15.6	16.0	16.6	17.2	17.3	18.2	18.0	14.8	17.0
of which: grants	1.4	1.1	0.3	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9		
Primary (noninterest) expenditure	16.3	14.5	14.0	17.4	18.6	18.4	18.2	18.3	18.4	18.8	17.9	16.9	18.5
Automatic debt dynamics	-7.1	-4.7	-4.0	-2.4	-2.8	-2.5	-2.3	-2.1	-2.0	-1.6	-0.9		
Contribution from interest rate/growth differential	-5.2	-3.6	-3.3	-2.4	-2.9	-2.6	-2.3	-2.1	-2.0	-1.6	-0.9		
of which: contribution from average real interest rate	-1.2	-1.3	-1.3	-0.6	-0.3	-0.2	-0.2	-0.1	0.0	0.2	0.4		
of which: contribution from real GDP growth	-4.0	-2.3	-2.0	-1.9	-2.5	-2.3	-2.2	-2.1	-2.0	-1.8	-1.3		
Contribution from real exchange rate depreciation	-2.0	-1.1	-0.6	...	...	...	...	...	...	...	...		
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	3.0	2.4	0.7	9.0	1.1	0.1	-0.3	-0.3	0.1	-0.3	-0.1	0.7	0.8
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	29.6	35.7	35.5	34.7	33.5	32.2	31.5	27.4	19.7		
PV of public debt-to-revenue and grants ratio	...	...	212.0	237.1	228.2	216.3	201.7	187.4	182.4	151.0	109.4		
Debt service-to-revenue and grants ratio 3/	8.5	5.4	9.9	21.7	18.6	18.2	15.2	14.4	13.2	13.6	12.9		
Gross financing need 4/	1.5	0.2	1.4	5.8	6.1	5.4	4.1	3.6	3.4	3.1	2.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	10.3	6.2	5.6	5.8	6.2	5.6	5.1	5.0	5.0	5.0	5.0	6.0	5.2
Average nominal interest rate on external debt (in percent)	1.1	1.8	0.9	1.2	1.4	1.5	1.4	1.4	1.5	1.4	1.4	1.2	1.4
Average real interest rate on domestic debt (in percent)	-5.7	-6.4	-6.7	-3.3	-1.5	-0.7	0.2	0.9	1.9	7.3	21.6	-2.2	2.1
Real exchange rate depreciation (in percent, + indicates depreciation)	-9.9	-6.1	-3.6	...	...	...	...	...	...	...	...	0.5	...
Inflation rate (GDP deflator, in percent)	10.4	10.0	9.3	8.2	8.1	8.0	7.8	7.8	7.8	7.8	7.8	8.3	7.9
Growth of real primary spending (deflated by GDP deflator, in percent)	22.0	-5.6	1.6	31.9	13.6	4.3	3.9	5.5	5.6	5.9	3.6	7.0	8.4
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.2	2.4	3.2	-6.6	1.7	2.5	2.6	2.4	1.9	1.8	0.9	3.3	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**



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.

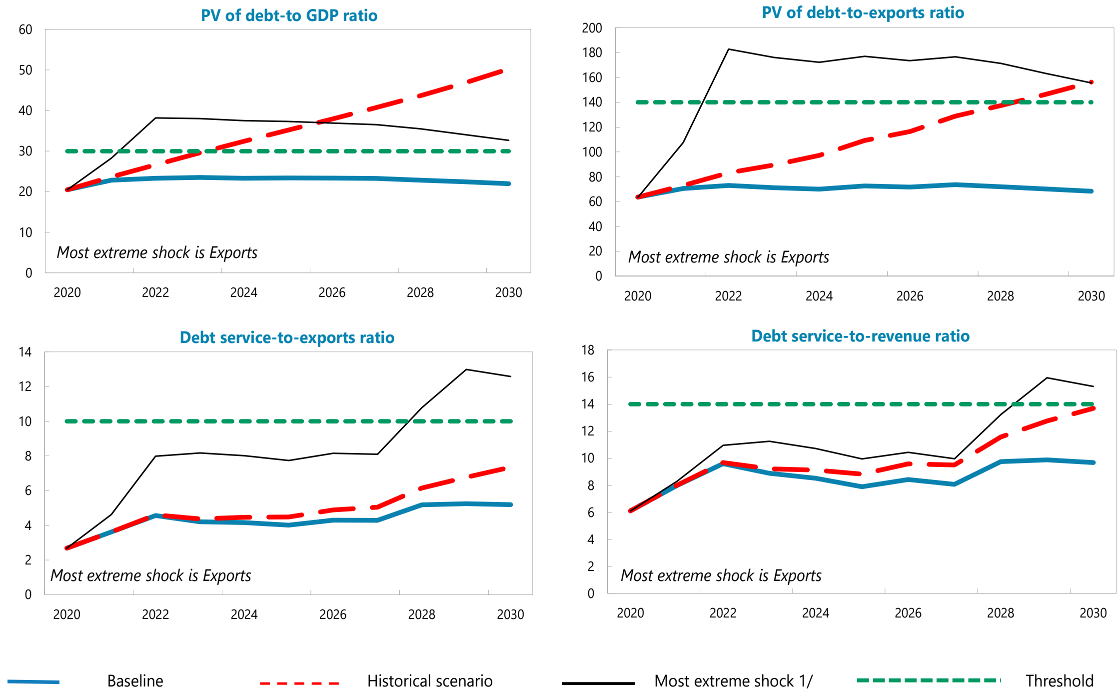
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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 1. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–30



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	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	6	6

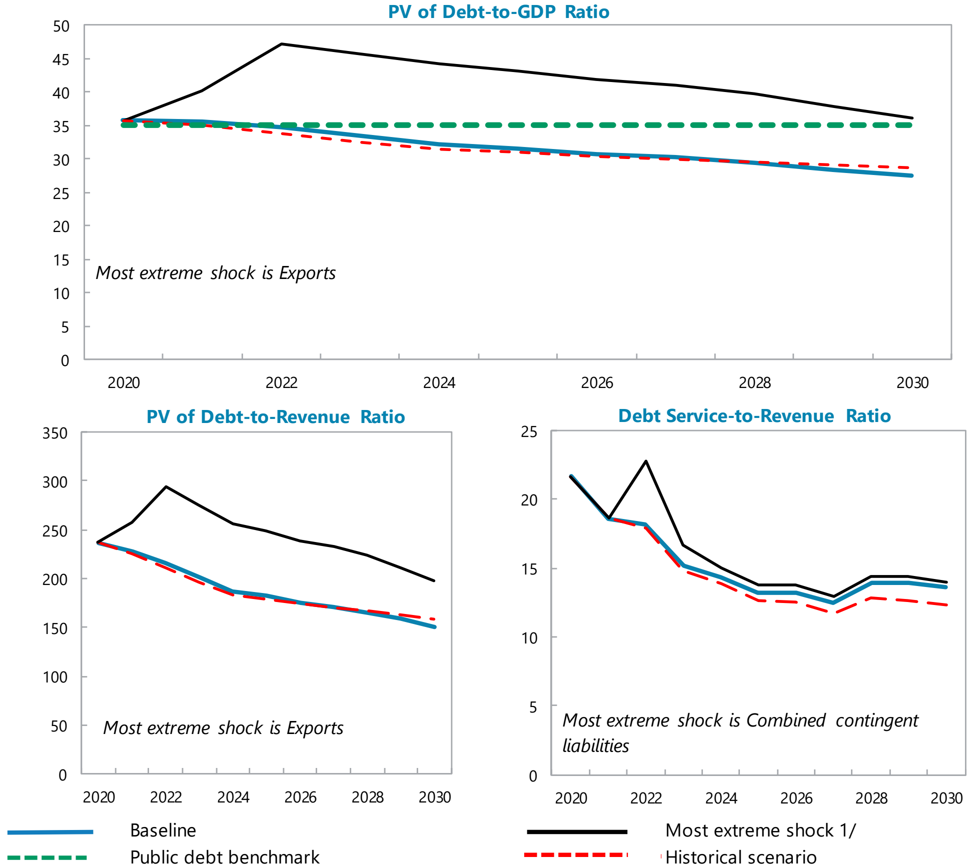
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2030. 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 2. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2020–30



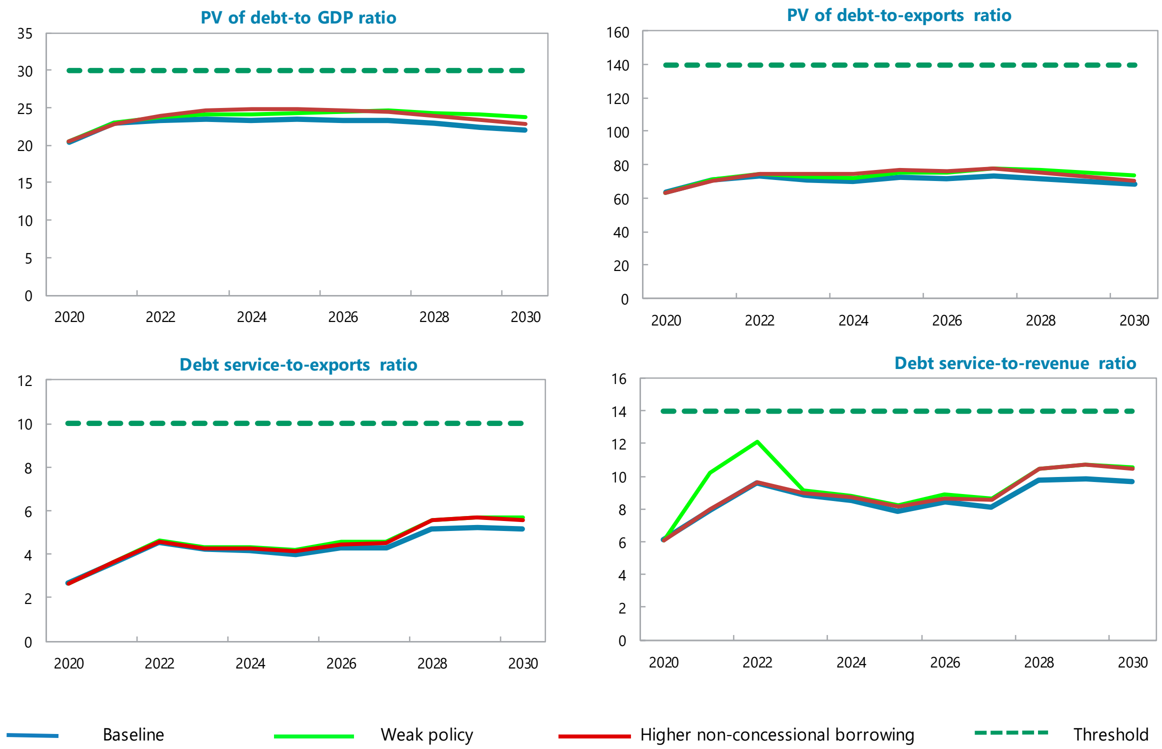
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	90%	90%
Domestic medium and long-term	1%	1%
Domestic short-term	8%	8%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.8%	2.8%
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 2030. 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 3. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Country Specific Alternative Scenarios, 2020–30[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 US$350 million to be disbursed during 2021-23, on top of the non-concessional loan envelope included in the baseline.

Table 7. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30 (Percent)

	Projections 1/										
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
PV of debt-to GDP ratio											
Baseline	20	23	23	24	23	23	23	23	23	22	22
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	20	24	27	30	**32**	**35**	**38**	**41**	**44**	**47**	**50**
A2. Weak Policy	20	23	24	24	24	24	24	25	24	24	24
A3. Higher non-concessional borrowing	20	23	24	25	25	25	25	24	24	23	23
B. Bound Tests											
B1. Real GDP growth	20	24	25	25	25	25	25	25	25	24	24
B2. Primary balance	20	24	27	27	27	27	26	26	26	25	25
B3. Exports	20	28	**38**	**38**	**38**	**37**	**37**	**36**	**36**	**34**	**33**
B4. Other flows 3/	20	29	**35**	**35**	**35**	**35**	**34**	**34**	**33**	**32**	**30**
B5. Depreciation	20	29	27	27	27	27	27	27	27	26	26
B6. Combination of B1-B5	20	30	**34**	**34**	**33**	**33**	**33**	**33**	**32**	**31**	30
C. Tailored Tests											
C1. Combined contingent liabilities	20	27	28	28	28	28	28	27	27	26	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	20	24	26	27	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	63	70	73	71	70	73	72	74	72	70	68
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	63	73	83	89	97	109	117	129	137	**146**	**156**
A2. Weak Policy	63	71	74	73	72	75	75	78	77	75	74
A3. Higher non-concessional borrowing	63	70	75	74	74	77	76	77	75	73	71
B. Bound Tests											
B1. Real GDP growth	63	70	73	71	70	73	72	74	72	70	68
B2. Primary balance	63	75	83	81	80	82	81	83	81	79	77
B3. Exports	63	108	**183**	**176**	**172**	**177**	**173**	**177**	**171**	**163**	**156**
B4. Other flows 3/	63	89	111	107	104	107	105	107	103	99	94
B5. Depreciation	63	70	67	65	64	67	66	68	67	65	64
B6. Combination of B1-B5	63	98	100	122	119	123	120	123	119	114	109
C. Tailored Tests											
C1. Combined contingent liabilities	63	84	88	85	84	86	85	87	85	83	81
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	63	80	87	84	82	84	82	83	81	78	76
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	3	4	5	4	4	4	4	4	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	3	4	5	4	4	4	5	5	6	7	7
A2. Weak Policy	3	4	5	4	4	4	5	5	6	6	6
A3. Higher non-concessional borrowing	3	4	5	4	4	4	4	5	6	6	6
B. Bound Tests											
B1. Real GDP growth	3	4	5	4	4	4	4	4	5	5	5
B2. Primary balance	3	4	5	4	4	4	4	4	6	6	6
B3. Exports	3	5	8	8	8	8	8	8	**11**	**13**	**13**
B4. Other flows 3/	3	4	5	5	5	5	5	5	7	8	8
B5. Depreciation	3	4	5	4	4	4	4	4	5	5	5
B6. Combination of B1-B5	3	4	6	6	6	6	6	6	8	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	3	4	5	4	4	4	5	5	5	5	5
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	3	4	5	5	5	4	5	5	6	6	6
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	6	8	10	9	9	8	8	8	10	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	6	8	10	9	9	9	10	9	12	13	14
A2. Weak Policy	6	10	12	9	9	8	9	9	10	11	11
A3. Higher non-concessional borrowing	6	8	10	9	9	8	9	9	10	11	10
B. Bound Tests	6	10	12	9	9	8	9	9	10	11	11
B1. Real GDP growth	6	8	10	10	9	9	9	9	11	11	10
B2. Primary balance	6	8	10	9	9	8	9	8	11	11	11
B3. Exports	6	8	11	11	11	10	10	10	13	**16**	**15**
B4. Other flows 3/	6	8	10	10	10	9	10	9	13	**15**	**14**
B5. Depreciation	6	10	12	11	10	10	10	10	12	11	11
B6. Combination of B1-B5	6	8	11	11	10	9	10	9	13	**14**	14
C. Tailored Tests											
C1. Combined contingent liabilities	6	8	10	9	9	8	9	9	10	10	10
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	6	9	11	10	10	9	9	9	11	11	11
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.

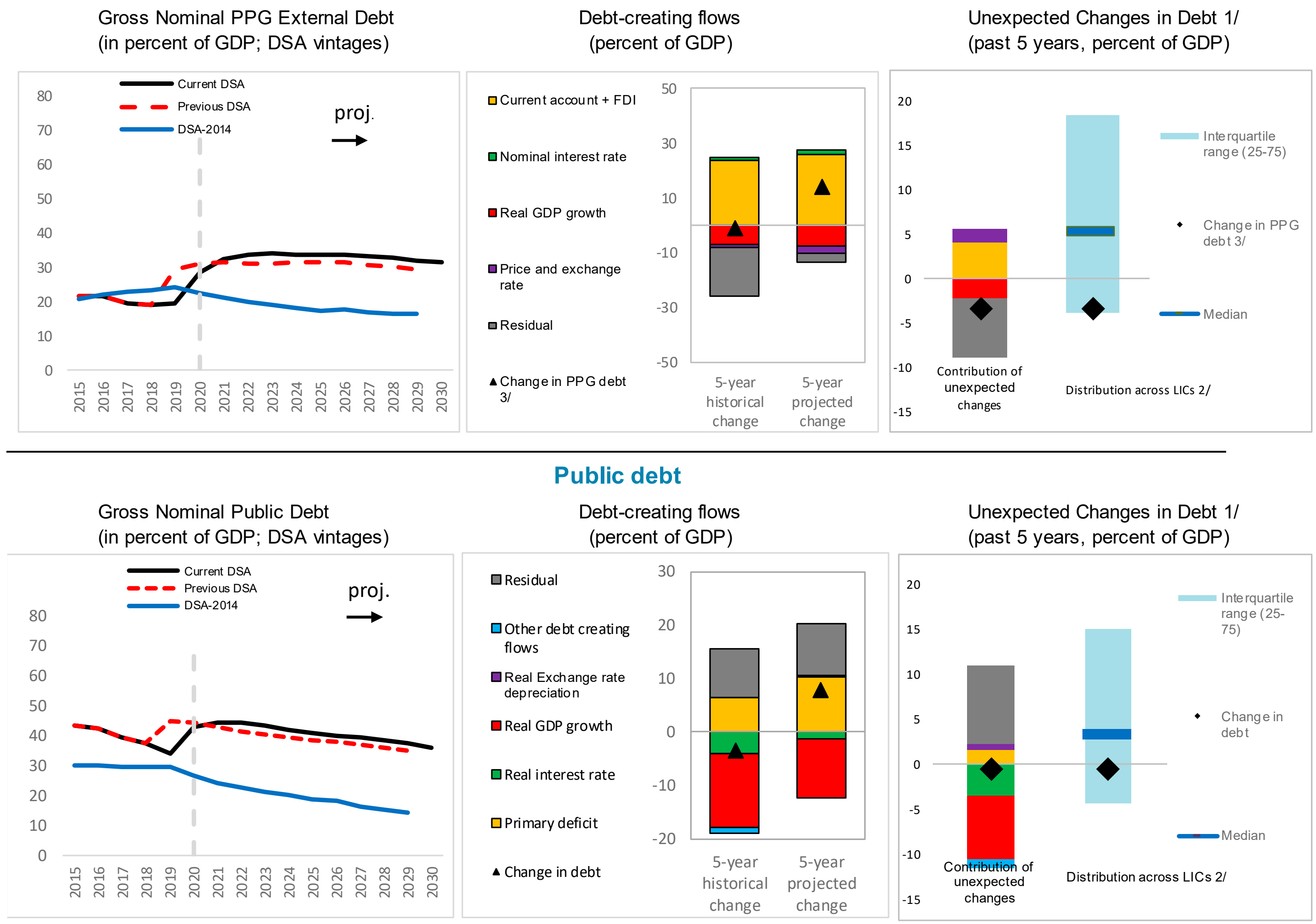
3/ Includes official and private transfers and FDI.

Table 8. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30
(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**36**	**36**	35	34	32	32	31	30	29	28	27
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	**36**	**35**	34	33	32	31	30	30	30	29	29
B. Bound Tests											
B1. Real GDP growth	**36**	**38**	**39**	**38**	**37**	**37**	**37**	**37**	**37**	**37**	**36**
B2. Primary balance	**36**	**38**	**39**	**37**	**36**	35	34	33	32	31	30
B3. Exports	**36**	**40**	**47**	**46**	**44**	**43**	**42**	**41**	**40**	**38**	**36**
B4. Other flows 3/	**36**	**42**	**47**	**46**	**44**	**43**	**42**	**41**	**40**	**38**	**36**
B5. Depreciation	**36**	**38**	**36**	34	32	30	28	27	25	24	22
B6. Combination of B1-B5	**36**	**36**	**36**	33	32	31	30	29	29	28	27
C. Tailored Tests											
C1. Combined contingent liabilities	**36**	**41**	**40**	**38**	**37**	**36**	**35**	35	34	33	31
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	**36**	**37**	**38**	**39**	**39**	**40**	**40**	**40**	**39**	**39**	**39**
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	237	228	216	202	187	182	175	170	165	159	151
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	237	225	211	196	183	180	174	170	167	163	159
B. Bound Tests											
B1. Real GDP growth	237	241	240	228	216	215	211	209	207	204	199
B2. Primary balance	237	241	241	224	208	202	194	188	182	175	166
B3. Exports	237	258	294	275	256	249	239	232	223	211	198
B4. Other flows 3/	237	267	294	274	256	249	239	232	222	211	198
B5. Depreciation	237	245	225	204	184	174	162	153	143	133	122
B6. Combination of B1-B5	237	233	223	198	184	179	171	167	162	156	148
C. Tailored Tests											
C1. Combined contingent liabilities	237	264	249	232	215	209	201	195	189	182	173
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	237	259	259	253	240	237	230	224	221	218	212
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	22	19	18	15	14	13	13	12	14	14	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	22	19	18	15	14	13	13	12	13	13	12
B. Bound Tests											
B1. Real GDP growth	22	19	20	17	16	15	15	15	16	17	16
B2. Primary balance	22	19	20	17	15	14	14	13	15	15	15
B3. Exports	22	19	19	17	16	14	14	14	16	19	18
B4. Other flows 3/	22	19	19	17	16	14	14	14	17	19	18
B5. Depreciation	22	18	20	16	16	14	14	14	15	15	14
B6. Combination of B1-B5	22	18	18	15	14	13	13	12	15	15	14
C. Tailored Tests											
C1. Combined contingent liabilities	22	19	23	17	15	14	14	13	14	14	14
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	22	20	20	18	18	16	16	15	17	17	17
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 4. Guinea: Drivers of Debt Dynamics—Baseline Scenario External Debt



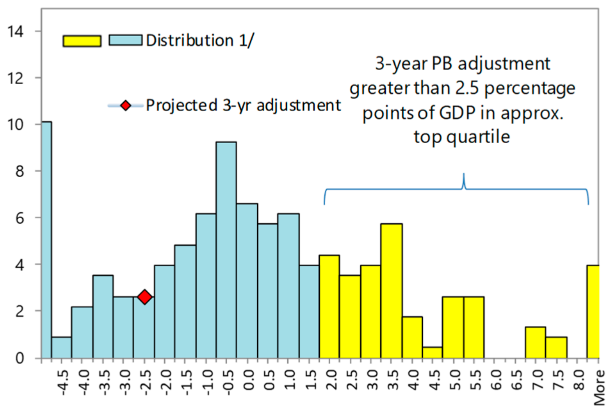
1/ Difference between anticipated and actual contributions on debt ratios.

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.

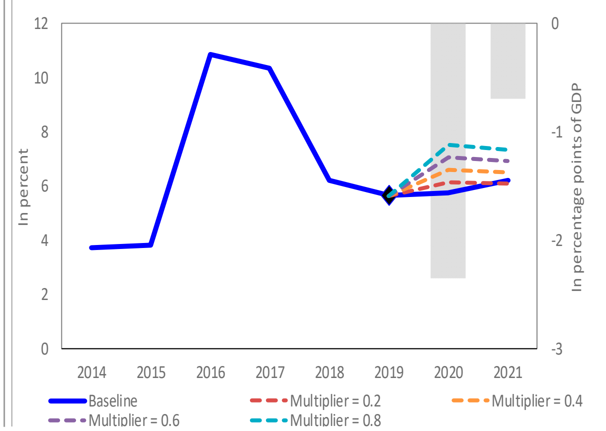
Figure 5. Guinea: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



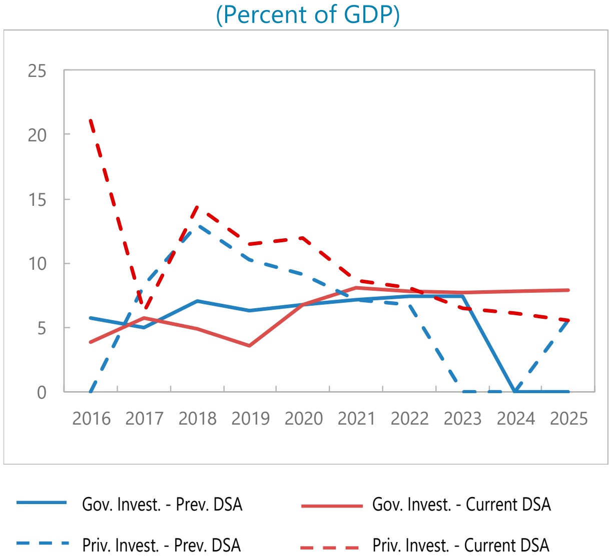
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

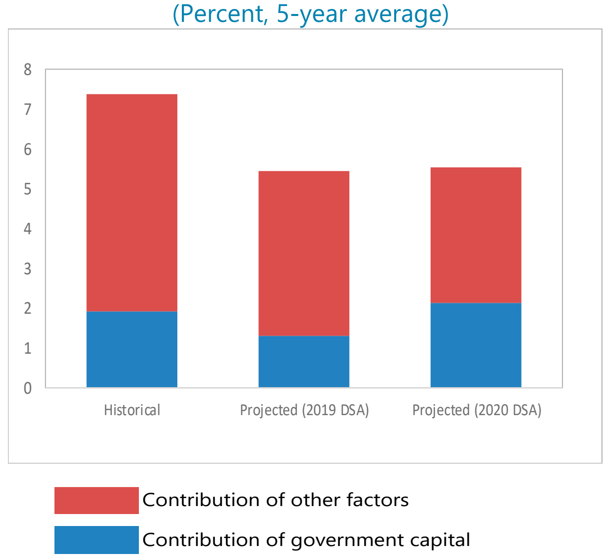
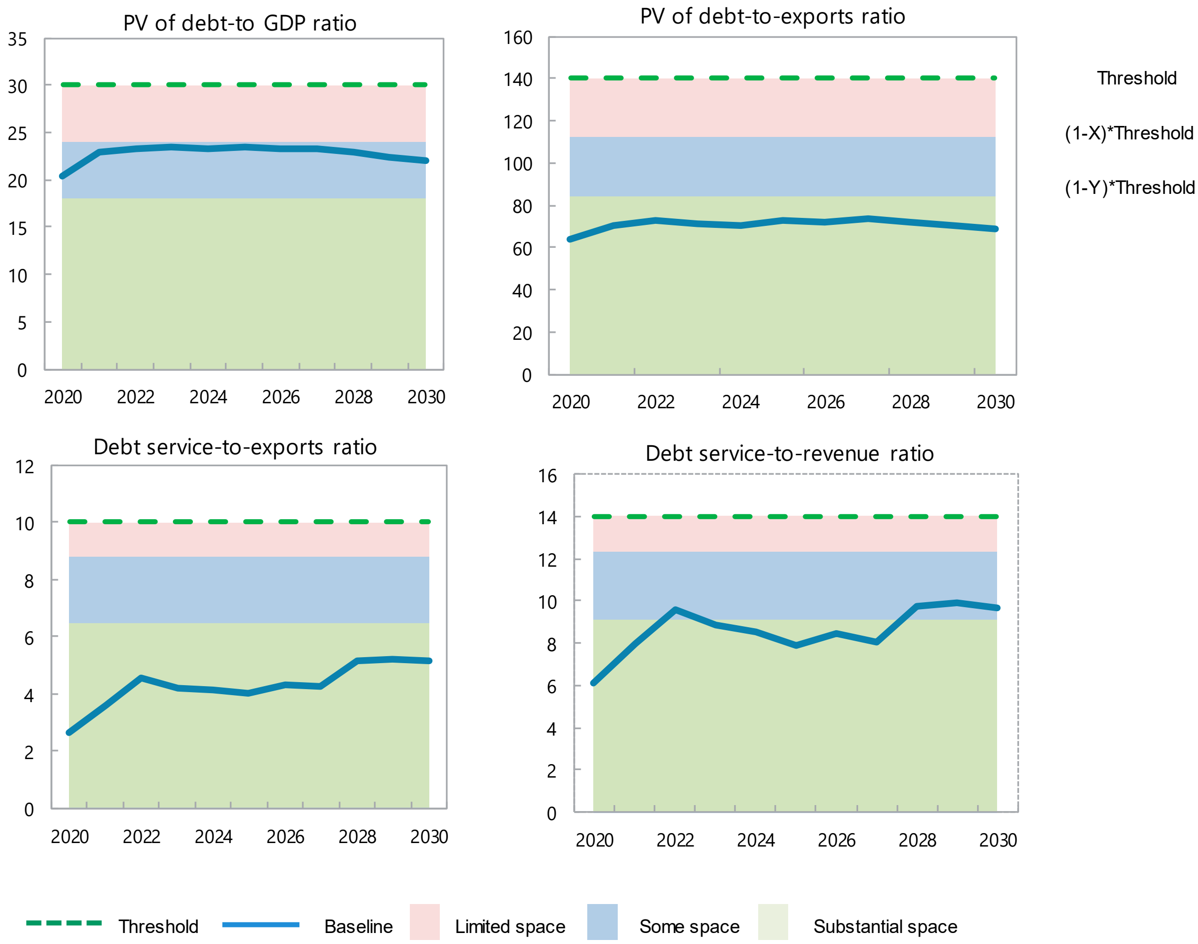


Figure 6. Guinea: Qualification of the Moderate Category, 2020–30[1]



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.

GUINEA

March 26, 2020

FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Approved By
Dominique Desruelle (AFR) and Chad Steinberg (SPR)

Prepared by the African Department in consultation with other Departments

1. **This supplement provides an update on political and COVID-19 related developments in Guinea.** This is based on developments and additional information received from the authorities since the issuance of the staff report on March 18, 2020. This does not change the thrust of the staff appraisal.

2. **Legislative elections and a constitutional referendum were held on March 22, 2020.** Large scale protests against the referendum and episodes of social unrest marked the elections, with several casualties reported. Preliminary results are not yet available. The ruling party is expected to maintain a majority of seats at the National Assembly, as opposition parties decided not to participate in the legislative elections.

3. **The authorities have finalized a National Emergency Preparedness and Response Plan for a COVID-19 outbreak.** Since the issuance of the staff report, four cases of coronavirus have been confirmed in Guinea. Furthermore, a COVID-19 Emergency Plan was finalized, with the technical support of the World Health Organization (WHO), the World Bank, and other development partners. Key measures focus on strengthening surveillance at ports of entry; reinforcing capacity for COVID-19 detection; increasing the number of quarantine centers; expanding treatment facilities and acquiring medical equipment; and conducting a communication campaign. In parallel, large public gatherings have been banned and the international airport has been closed to non-essential flights.

4. The authorities have started discussions with donors to mobilize additional financing to implement the COVID-19 Emergency Plan. The implementation cost of the COVID-19 is currently estimated at US$47 million (0.4 percent of GDP). The World Bank is expected to provide additional US$13 million through the ongoing regional heath project (IPF – REDISSE Project). The WHO is expected to provide technical assistance. Discussions are ongoing with other multilateral and bilateral partners, which could lead to additional financing. Re-allocating non-priority budgeted spending towards health-related expenditures could also support the implementation of the Emergency Plan.

5. In view of the satisfactory program performance and progress in reforms, staff supports the completion of the fourth review under the ECF arrangement. Concluding the fourth review will provide needed financing support to Guinea speedily. Staff fully supports the adoption and the implementation of the COVID-19 Emergency Plan, which is not yet included in the baseline scenario. Staff considers that including this plan and the program targets presented in this review remain achievable, with Guinea's debt remaining at a moderate risk of external and overall public debt distress. Firm financing assurances are in place until the end of the arrangement, in view of external financing to be catalyzed by the program —budget support from the World Bank (US$40 million) and the European Union (EUR18 million).

6. As global and local conditions rapidly evolve, staff will continue to engage with the authorities to identify appropriate policy responses and re-assess financing needs. Deteriorating global conditions, political and social instability, and a local COVID-19 outbreak would negatively affect Guinea's growth outlook and weaken export and tax revenues. Meanwhile, the recent decline in international oil prices would improve Guinea's external position. Staff will support adjusting program targets to accommodate needed policy responses to a COVID-19 outbreak, as they evolve, including a rapid scaling-up of health spending, stepping-up social safety nets to protect the most vulnerable, and implementing measures to support the economy. Should the need arise; an augmentation of access can be considered by the next review. In the case of urgent balance of payments need that cannot be met under the program due to the review schedule, the authorities could consider requesting Rapid Credit Facility.

Statement by Mr. Mohamed-Lemine Raghani, Executive Director for Guinea, Mr. Facinet Sylla, Alternate Executive Director and Mr. Regis N'Sonde, Senior Advisor to the Executive Director on Guinea

April 1, 2020

I. Introduction

On behalf of the Guinean authorities, we would like to thank Staff, Management and the Executive Board for their continued support to their ECF-supported program. They are grateful to Management for the fruitful discussions the Head of State, H.E. Prof. Alpha Conde, had last September in Washington D.C. with Ms. Kristalina Georgieva incoming Managing Director and Mr. David Lipton, acting Managing Director. They are also grateful to staff for the candid discussions held in Conakry and Washington DC as well as for the policy recommendations in the context of the Fourth Review under the Extended Credit Facility (ECF) arrangement.

Amid a challenging external and domestic environment, notably stemming from uncertainties related to global trade tensions, volatile commodity prices, social and political tensions in an electoral period, and now the coronavirus outbreak, the Guinean authorities remain committed to the program's objectives including strengthening the macroeconomic framework and lifting the country's growth potential to reduce poverty.

The successful implementation of the ECF arrangement has helped the authorities create a conducive environment for the National Social and Development Plan, with enhanced institutions and capacities. However, they are mindful that further progress is needed in strengthening policy implementation, improving governance, attracting private investment and raising socio-economic indicators.

II. Recent Economic Developments and Program Performance

The growth momentum, supported by buoyant mining and construction activities, has continued in 2019 albeit at a slower pace (5.6 percent) than in 2018 (6.2 percent) due to severe weather conditions in the second quarter of 2019, characterized by heavy rainfalls and floods, which in turn caused disruptions in the production of bauxite and in the agriculture sector. Basic fiscal balance registered a surplus of 0.6 percent of GDP although overall tax revenues at end-2019 fell below projections. Headline inflation declined slightly to 9.1 percent in December 2019 from 9.9 percent a year before while core inflation also decreased to 3.7 percent over the same period. Largely financed by FDI inflows and project loans, the current account deficit narrowed in 2019 compared with 2018 and this trend is expected to continue over the medium-term. As for international reserves, these stood at USD 1.3 billion at year-end to cover 4.2 months of imports. The banking system remains stable and credit to the private sector grew by 22.2 percent in the first three quarters in 2019 while net lending to the government by banks increased by 31.2 percent.

In this context, the program performance in the period under review is satisfactory thanks to the authorities' continued commitment to its objectives. Their efforts resulted in the realization of all end- June 2019 performance criteria, notably on basic fiscal balance, net government borrowing from the central bank, net domestic assets and international reserves. It is also worth noting that the indicative targets on domestically- financed social safety nets and new domestic arrears were also met. In addition, the authorities implemented measures to correct the fiscal slippages that led notably to the target on tax revenues being missed by a small margin. In this respect, program' s performance at end-December 2019 based seems to be broadly satisfactory according to preliminary data. The authorities have also made good progress in implementing reforms designed to further enhance macroeconomic stability, reduce energy subsidies, improve public financial and debt management, reinforce the anti-corruption framework and ameliorate the business environment.

III. Economic Outlook

Guinea's economic outlook remains broadly favorable but subject to uncertainties, the last of which is the impact of the coronavirus pandemic. The authorities have closed borders, suspended traffic and shutdown schools to stop the spreading of the virus. As part of their broader response plan adopted in early March and estimated to cost USD 13 million, they will enhance public health measures and expenditure, minimize the reduction of domestic revenues and contain the losses in economic activities. Building on their experience in managing the Ebola health crisis, the authorities expect that an effective implementation of their COVID-19 response program, supported by an adequate external support, will help them stern the spread of the virus and strengthen the country's public health system. Furthermore, an increase in the mining activity, continued investments in infrastructure and construction sector as well as a scaled-up electricity production will drive growth to reach 5.8 percent in 2020 and 6.2 percent in 2021. However, it is expected that growth figures will weaken significantly and lead to elevated budgetary, inflationary and external pressures once an assessment of the full effects of the coronavirus crisis is completed.

IV. Policies and Reforms for 2020

The Guinean authorities remain steadfast in implementing sound policies to strengthen macroeconomic stability and advancing structural reforms to achieve higher, more broad-based and inclusive growth. However, in the near term, resources will be directed primarily towards containing the COVID-19-related health crisis, which could complicate implementation of measures contemplated in the program.

Fiscal policy

The authorities' objective in this area is to preserve fiscal and debt sustainability. In this respect, they intend to continue building the needed fiscal space for greater public investments in infrastructure and adequate social spending. The 2020 draft budget law submitted to the Parliament targets a basic fiscal surplus of 0.6 percent of GDP while making room for priority expenditure in infrastructure and social sectors. The authorities' efforts will focus on putting in place tax policy and administrative measures to support domestic revenue mobilization. Specifically, they will: (i) continue rationalizing tax exemptions and streamlining excises; (ii) review the property tax regime; and (iii) develop a strategy to reduce the stock of VAT credit arrears. In addition, measures to strengthen tax payment and collection, with the operationalization of the new structure of Direction Nationale des Impôts (DNI) and the digitalization of customs, will be enforced. In their efforts to increase mining revenues, the authorities will strengthen compliance with tax provisions stated in the new mining code.

The authorities are committed to implement the automatic petroleum price adjustment mechanism while putting in place mitigating measures to protect vulnerable segments of the population. Moreover, their fiscal strategy will be supported by the strengthening of public financial management notably through the implementation of an action plan covering 2019-22 in addition to measures to enhance the treasury single account, improve transparency in budget execution and monitoring, and reinforce cash management to contain the central bank budgetary financing. On the other hand, provisions of the new procurement code will be enforced while finalizing the public-private partnership framework in line with best practices. The authorities also are eager to advance the SOEs reform meant to strengthen their governance and reduce fiscal risks.

Social Safety Nets

Good progress has been made in strengthening the social safety nets. By September 2019, spending of domestically financed programs exceeded the target set for 2019. Efforts to continue financing social programs, including cash transfers to poor households and labor-intensive public works, will be pursued, with the aim to reducing poverty significantly and fostering social inclusion. The authorities will finance social programs through the reduction of electricity subsidies under their multi-year tariff reform.

Debt Management and Policy

The authorities welcome the updated debt sustainability analysis and reiterate their commitment to preserve medium-term debt sustainability. To this end, they will manage external borrowing in a cautious manner, with a view to not jeopardizing the moderate level of risk of external and overall public debt distress. They will implement a prudent domestic borrowing strategy and plan to reduce gradually the stock of domestic arrears accumulated over the past years. In parallel, steps are underway to strengthen debt management framework and capacities with the support of external assistance. A National Committee and a Technical working group for debt management recently established have been operationalized.

Monetary and Exchange Rate Policies.

Monetary policy will continue to be geared at containing inflation within single digit. Therefore, the central bank (BCRG) will target base money in line with program's objectives. Moreover, the central bank stands ready to tighten its policy stance in order to maintain positive real interest rates. It will also pursue a more active liquidity management to achieve the program's monetary targets. Efforts to further increase external reserves will continue, as well as the finalization of the foreign exchange market reform. The latter will promote more competition, foster transparency and support greater flexibility in the daily determination of the exchange rate. The authorities remain committed to strengthening the autonomy of the central bank and limiting the monetary financing of fiscal deficit within the provisions of the BCRG's Law. To this end, they will move forward with the implementation of the remaining recommendations of the 2018 safeguard assessment.

Financial Sector Stability

The authorities will pursue efforts to maintain Guinea's financial sector stability and strengthen banking supervision. They are implementing the recommendations made by the June 2019 Financial Sector Stability Review. Instructions to adopt the updated accounting and financial reporting and a new risk-based methodology for banks were issued. Moreover, the bulk of Basle II/III provisions will be implemented in 2020.The authorities also envision to increase financial inclusion through the promotion of digital banking to foster greater access to financial services by the unbanked population. They will operationalize the liquidity assistance framework, the deposit guarantee and establish a banking resolution framework with technical assistance from the Fund.

Structural Reforms

To unleash Guinea's potential growth, the authorities will step up their efforts to further advance structural reforms meant to improve the business climate, promote private sector development and achieve higher, broad-based and more inclusive growth. In this regard, the implementation of the action plan adopted in March 2018 will be accelerated. The public-private dialogue under the Guinean Business Forum will be revamped to swiftly address identified bottlenecks in the development of the private sector. The second stage of the operationalization of the one-stop shop will be implemented starting in April 2020 following the recent inauguration of the Commerce Court and selection of its consular judges.

Governance

Strengthening governance is a central pillar of the authorities' growth enhancing-strategy. They will steadfastly purse the reinforcing of the legal and institutional anti-corruption framework. They also plan to submit by end-June 2020 a report of Guinea self-assessment under the United Nations Convention against Corruption (UNCC). Furthermore, the decree executing the asset declaration regime will be adopted as soon as possible. The strengthening of the AML-CFT framework also ranks high in the authorities' agenda.

V. Conclusion

Our Guinean authorities are facing dauting development challenges compounded by the spread of the COVID-19 which will likely hamper the country's growth prospects. Despite these exceptionally challenging circumstances, they are determined to successfully implement their ECF-supported program all the way. Against this backdrop and based on the satisfactory program performance achieved over the course of 2019, our authorities are requesting the Executive Board's approval of the completion of the Fourth Review under the ECF arrangement.