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GUINEA

August 2014

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

In the context of the fourth review under the three-year arrangement under the Extended Credit Facility, and financing assurances review, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 1, 2014, following discussions that ended on June 9, 2014, with the officials of Guinea on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on July 18, 2014
- An **Informational Annex** prepared by the IMF.
- A **Staff Statement** of August 1, 2014 updating information on recent developments.
- A **Press Release** including a statement by the Chair of the Executive Board.
- A **Statement by the Executive Director** for Guinea.

The following documents 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 publication policy for staff reports and other documents allows for the deletion of market-sensitive information.

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GUINEA

July 18, 2014

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

EXECUTIVE SUMMARY

Economic activity remained weak in early 2014. Activity was impacted by an outbreak of the Ebola virus since late 2013, but lagging structural reforms, energy shortages, and political uncertainty may also be at play. Economic growth is estimated to have been 2.3 percent in 2013, and is projected at 3.5 percent in 2014, supported by higher public investment and assuming a gradual start-up of new mining sector investment. Inflation fell to below 10 percent year-on-year in May 2014, international reserves covered 3.6 months of imports by end-2013, and the exchange rate has remained stable.

Performance under the ECF-supported program remains broadly satisfactory, although progress with structural reform has been slow. All performance criteria for end-2013 were met as were all but one (the floor on priority sector spending) of the program's indicative targets for March 2014. However, the structural benchmarks for the second half of 2013 and early-2014 could not be completed as planned.

The policy discussions focused on (i) the growth outlook for 2014; (ii) a supplementary budget for 2014 in light of a shortfall in revenues and new spending needs; (iii) progress in implementing structural reforms; and (iv) debt management.

Risks to the program largely stem from domestic factors. New cases of Ebola have surged and spread more widely in recent months, which could affect growth in the second half of the year. The recent approval of the investment framework for the large Simandou iron ore project augurs well for a gradual pick-up in mining activity. However, renewed political tensions and uncertainty in the run-up to presidential elections, due in the second half of 2015, could risk delaying new investment.

Staff supports completing the fourth review under the ECF arrangement and the financing assurances review. Completion of the review will result in a disbursement of an amount equivalent to SDR 18.36 million under the ECF arrangement.

Approved By
Abebe Aemro Selassie and Masato Miyazaki

An IMF team consisting of Messrs. Snoek (head), Benicio, Bua, Zhdankin (all AFR), Dicks-Mireaux (SPR), Mooney (FIN), and Wane (Resident Representative) held discussions with the authorities in Conakry during May 22–June 9, 2014. It met with President Condé; Prime Minister Fofana; the Minister of State for Economy and Finance Diaré; and other Ministers; Governor of the Central Bank of the Republic of Guinea Nabé; the Finance Committee of Parliament; other senior officials; and representatives of civil society and development partners. Mr. Bah (OED) participated in the discussions.

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APPENDICES

UPDATE ON 2013 OUTTURN AND PROGRAM PERFORMANCE

1. Economic activity experienced a marked slowdown in 2013 (MEFP ¶1; Tables 1–4; Figure 1). The most recent data indicate that real GDP growth in 2013 was at 2.3 percent slightly lower than reported at the time of the 3rd review of the ECF arrangement, reflecting lower-than-expected mining and electricity production in the final quarter of the year.[1] Year-on-year inflation at end-2013 was 10.5 percent, international reserves were equivalent to 3.6 months of imports compared to a program target of 2.9 months of imports, and the exchange rate remained stable.

2. Program performance with respect to the quantitative targets was satisfactory (MEFP ¶3). Fiscal performance was broadly in line with the provisional estimates at the time of the 3rd review (MEFP ¶4). All end-2013 performance criteria (PCs) under the ECF-supported program were met (Table 5); however, priority sector spending fell short of the indicative target (IT), reflecting the sizeable cutback in capital expenditures relative to the program target to adjust for a revenue shortfall. The program's ITs for March 2014 were also met, with the exception of the target for priority expenditures due to a slow start of investment spending.

3. Guinea continued to make progress with structural reform, although the actions constituting structural benchmarks (SBs) under the program encountered delays (MEFP ¶9–17 and MEFP Tables 2–3). Some actions scheduled for the second half of 2013 were (partially) completed in early 2014, while preparations for others made good progress. Some measures planned to be completed during the first half of 2014 were completed during July, while others have been reprogrammed until later in 2014 (MEFP Table 4). The delays reflect several factors: the uncertain political situation in 2013, severe capacity constraints, a lack of coordination and monitoring, and in some areas the need for extensive consultation with stakeholders. Nevertheless, in other important areas progress continued, including the implementation of the 2012 organic budget law and accounting regulations; adoption of a master plan for infrastructure in the mining sector; and review of the existing mining contracts.

RECENT DEVELOPMENTS AND OUTLOOK AND POLICY DISCUSSIONS FOR 2014

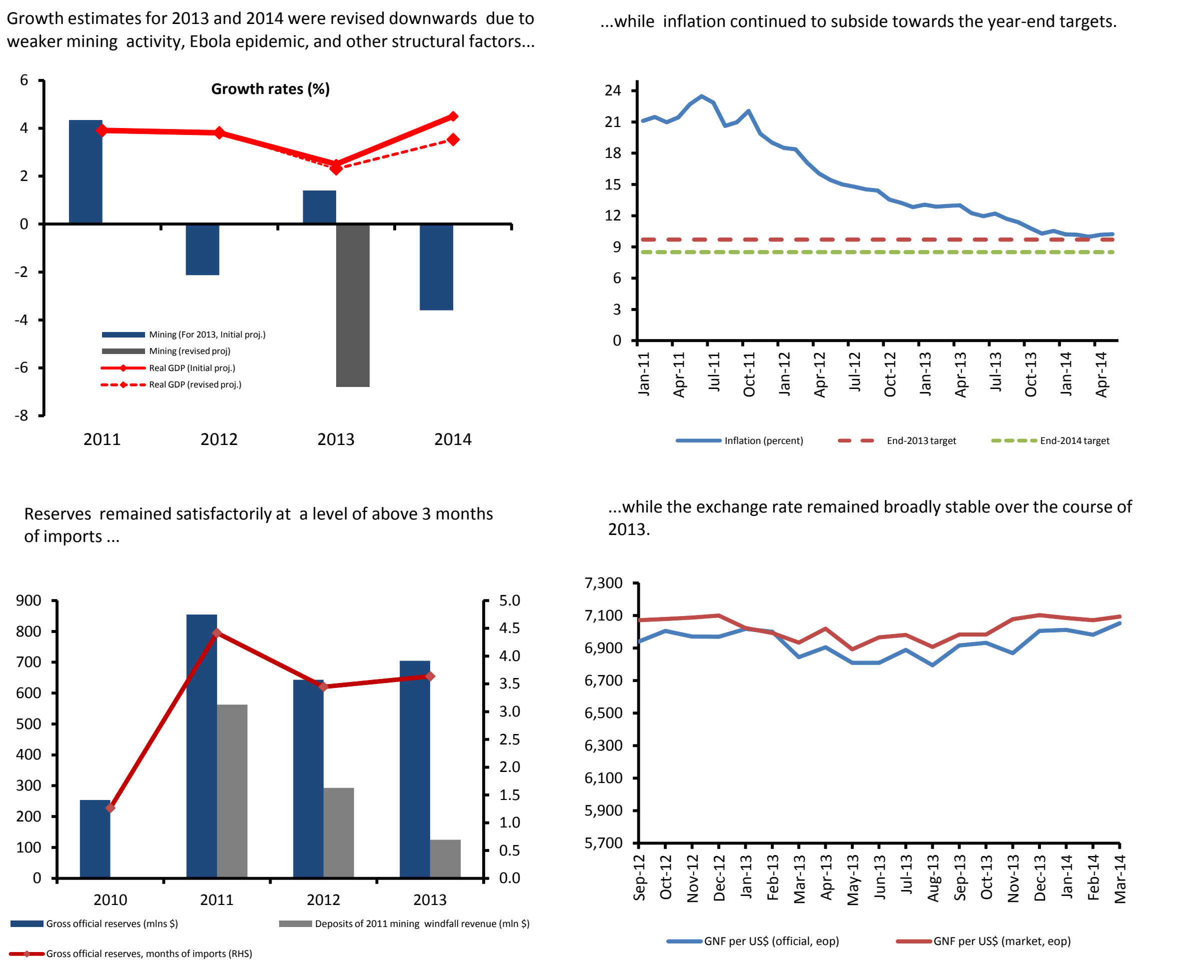
A. Recent Developments, Economic Outlook, and Risks

4. Guinea has been badly affected by an outbreak of the Ebola virus that began in late 2013. Initially, the outbreak was centered on the south-east of the country, although cases have

[1] See IMF Country Report No. 14/63.

arisen in the capital Conakry. In May, the number of new cases surged across a much wider area than before, including in Sierra Leone and Liberia. By mid-July, the World Health Organization had recorded over 300 deaths in Guinea. The epidemic, which is the largest on record, affected border trade, international travel, and projects and services involving expatriate workers and business travelers.

Figure 1. Guinea: Recent Economic Developments



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

5. The socio-political situation has improved following the end-September 2013 legislative elections, but tensions remain. The inauguration of an elected Parliament in January 2014—the first since 2002—completed the transition period from the 2009–10 military regime. However, against the background of Presidential elections, due during the second half of 2015, political tensions remain high. In addition, frequent public protests against electricity and water shortages have continued.

6. Economic growth in early 2014 appears not to have picked up as expected. In addition to the impact of the Ebola epidemic, growth continues to be held back by structural factors—including continued electricity shortages and delays in structural reforms—and political uncertainty. The lackluster economic environment affected government revenue, which was also impacted by lower-than-projected revenue from fuel taxes and the slow implementation of administrative measures to strengthen tax collection.[2] However, the budget's basic balance deficit was nearly zero by end-March (compared to a programmed deficit of 0.7 percent of GDP), as investment spending was also considerably below target during the first quarter, before picking up in April-May. Despite an increase in fuel prices in February, inflation continued to decline, falling to just below 10 percent year-on-year in May.

7. Growth is expected to recover during the second half of 2014 (MEFP ¶18). The 2014 projected growth rate has been revised down from 4.5 percent to 3.5 percent, reflecting the weak performance during the first half of the year. Activity is expected to pick up in the second half of 2014, supported by higher public investment and assuming a gradual start-up of mining sector activity following the recent ratification of the investment framework for the Simandou iron ore project and an increase in electricity supply. The program target for end-2014 inflation (8.5 percent) remains unchanged whereas international reserves are projected to be somewhat higher than initially programmed (equivalent to 3.7 instead of 3.2 months of imports), reflecting the higher-than-estimated outturn at end-2013 and lower projected import growth, mainly due to lower projected international prices, especially for rice.

8. Guinea's medium-term outlook remains positive but there are considerable risks to the near-term outlook stemming from domestic factors. In addition to the expected resumption in investment in the Simandou iron ore project, several other large mining projects—with planned investment amounting to several times Guinea's GDP—are nearing the stage where investment could start.[3] However, there are serious short-term risks, including from the ongoing Ebola epidemic, further delays in resolving structural growth bottlenecks and in improving revenue collection, and from political uncertainty. The authorities expressed their commitment to complete the 2014 structural reform agenda by year-end and their readiness to address downside risks if they were to materialize.

B. Fiscal Policy

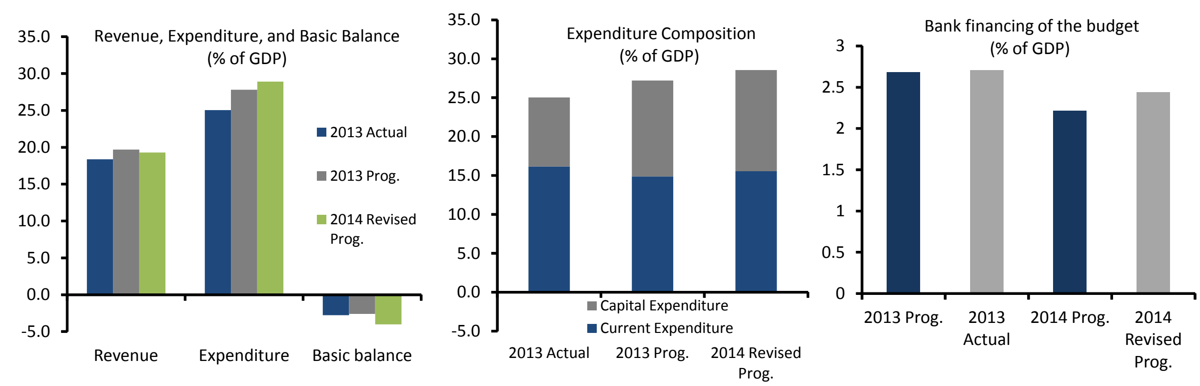
9. The authorities plan to submit a supplementary budget law in mid-2014 that incorporates lower projected revenues and additional spending needs (MEFP ¶19–22;

[2] The authorities introduced a new automatic fuel price mechanism (raising prices by 5 percent) in February 2014, a month later than planned. Developments in import costs required (relatively small) further increases in fuel prices under the mechanism in subsequent months, which were, however, not applied, causing additional revenue losses. The authorities plan to amend the mechanism to avoid the need for frequent small changes (less than 5 percent) in July.

[3] IMF Country Report No. 14/63.

Figure 2). Revenue projections have been revised downwards by 0.4 percent of GDP. A shortfall in non-mining tax revenue of 0.9 percent of GDP reflects the lower level of economic activity, delays in implementing planned administrative measures, and a shortfall in petroleum product tax revenues. This shortfall was partly offset by higher estimates for mining sector and non-tax revenues based on agreements with some large taxpayers.

Figure 2. Guinea: Recent Fiscal Developments



Sources: Guinean authorities and Fund staff estimates and projections.

10. Expenditures have been revised upwards by 1.0 percent of GDP (MEFP ¶20). New current spending needs stem from outlays for the new National Assembly and higher scholarship payments to students; higher domestically-financed capital spending largely reflects the renovation costs of the government conference center in anticipation of a visit by a foreign head of state; the government's contributions to a regional power grid interconnection project; and additional outlays for completing an expansion of the thermal electricity generating capacity. It also includes provisions for the payment of arrears (amounting to 0.6 percent of GDP) from 2013 (MEFP Box 2).[4] The wage bill was reduced to reflect savings from delays in the introduction of special charters for certain civil servant categories, and a provision for a second capital contribution to the central bank was further delayed, pending IMF advice on its capital needs.

[4] Under the program, expenditure is recorded at the time a payment order is accepted by the Treasury (Technical Memorandum of Understanding, paragraph 25). In 2013, however, while the commitment plan by the Treasury had not been updated, some spending commitments were contracted by mistake. Accepting the payment orders for these commitments would imply missing the program target (the (adjusted) PC on the basic balance deficit would have been exceeded by a margin of 0.2 percent of GDP), and therefore the Treasury did not accept the payment orders and this expenditure was not recorded. The resulting arrears are therefore not reflected in the government's accounting system and in the fiscal data. To prevent such problems from recurring, the authorities will ensure that the commitment plans, the basis for the cash-based expenditure management system, are regularly updated.

11. **The draft budget revision includes a basic balance deficit of 4.0 percent of GDP compared to the initial target of 2.6 percent of GDP**. This larger deficit would be financed by higher net external financing plus the carry-over of unused resources at end-2013 in accounts related to the 2011 exceptional mining revenue (0.4 percent of GDP), and new exceptional mining revenue (0.9 percent of GDP).[5] In line with the initial program, net domestic bank financing of the budget would be avoided, other than from the use of the deposits stemming from the 2011 exceptional mining revenue.

12. **The authorities considered that the supplementary budget was realistic and strikes an appropriate balance between adjustment measures and additional financing to accommodate new spending needs**. They also affirmed that cash-based expenditure management would remain the cornerstone of budget execution to ensure the deficit remained in line with available financing. Staff agreed with the authorities' assessment and recognized that part of the revenue shortfall (from

Text Table 1. Guinea: 2014 Program and Revised Budgets
(Percent of GDP)

	Program	Revised Budget
Revenue	19.7	19.3
Mining	2.8	3.0
Non-mining tax revenue	16.2	15.3
Non-tax revenue	0.7	1.0
Expenditure	22.3	23.3
Current expenditure	14.6	15.3
Wages	5.1	4.9
Goods and services	4.9	5.3
Subsidies	3.8	4.2
Domestic interest	0.9	0.9
Domestically-financed investment	7.0	7.6
Capital transfers	0.1	0.1
Net lending	0.6	0.3
Basic balance deficit	-2.6	-4.0
Financing:		
Budget support	2.3	2.4
Net domestic bank financing 1/	2.2	2.4
New exceptional mining revenue	0.0	0.9
Domestic non-bank financing	-0.6	-0.6
Net external debt and debt relief	-1.3	-1.2
Memorandum item:		
GDP	48,450	47,669

Source: Table 2b.
1/ Draw-down of deposits stemming from the 2011 exceptional revenue.

[5] The new exceptional financing is expected to be received from the pending sale of mining licenses on three bauxite blocs; the minimum bid for each bloc is $200 million or 2.9 percent of GDP (MEFP ¶22). Under the program, 20 percent of any exceptional mining revenues above the budgeted amount and up to $125 million could be used for additional expenditures, and the remainder would be deposited in the Special Investment Fund (SIF) to ensure sustained development spending over the medium term (Technical Memorandum of Understanding ¶22).

the impact of the Ebola outbreak and lower growth) was beyond the authorities' control. The higher spending under the revised budget would provide support to the weaker-than-expected economy, without jeopardizing the inflation and international reserve targets. However, a significant contributory factor to the shortfall was the delayed implementation of tax administration reforms and staff urged the authorities to strengthen the implementation of these reforms and the monitoring of revenues. Some of the sharp restraint in current spending in the initial 2014 budget—allocations for goods and services and subsidies were kept at about the same nominal level as the then-estimated 2013 outcome—proved too ambitious and will be reversed in the revised budget. However, in line with the program objectives, current expenditures would still fall by 0.6 percent of GDP relative to their 2013 level, while the new exceptional financing would avoid a cut in much needed investment.

C. Monetary, Exchange Rate, and Financial Sector Policies

13. The central bank (BCRG) intends to continue a cautious easing of its monetary policy stance in line with the inflation and international reserves objectives (MEFP ¶23). The reduction in the reserve requirement from 22 percent to 20 percent in the last quarter of 2013 contributed to an easing of domestic liquidity conditions and a reduction in (treasury bill) interest rates (Figure 3). Private sector credit grew by 28 percent (from a very low base) during the second half of 2013, mainly to the commerce and trade sectors, but this pace slowed to 6 percent over the first four months of 2014. As developments in inflation and international reserves have remained in line with the program targets and the exchange rate has remained stable, the BCRG sees scope for a further relaxation of monetary policy. As a first step, it intends to reduce its policy rate from 16 to 13 percent. After an assessment of the impact of this change, it may consider a further reduction in the reserve requirement ratio later in the year. Together with the reduction in the policy rate, the BCRG will remove the policy-rate linked cap on treasury bill auction yields to help liberalize the market. The BCRG will continue to develop analytical capacity and work with the Fund towards the introduction of new and more efficient instruments of monetary policy, and the creation of a local currency interbank market.

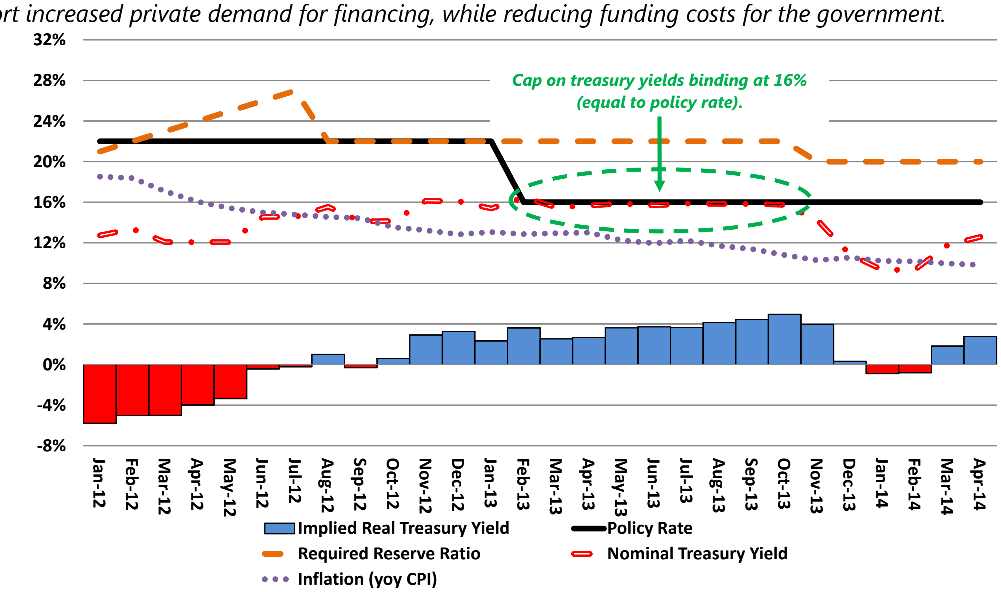
14. The authorities have continued to make progress in strengthening the financial sector (MEFP ¶7). Some core indicators of financial sector soundness deteriorated, partly reflecting the impact of the closure of an alumina refinery (Table 6). However, four out of fifteen commercial banks have already met the BCRG's target for minimum capital of GNF 100 billion ($14 million) by 2016.[6] The financial intelligence unit (National Financial Information Processing Unit—CENTIF) to counter money laundering and combat the financing of terrorism is expected to become fully operational by end-2014. In the second half of 2014, the BCRG intends to introduce guidance for the introduction of mobile financial services, a revised insurance code, and regulations on insurance products by banks and microfinance institutions.

[6] The mandated doubling in bank core capital requirements is phased over 3 years: (i) June 30, 2014: GNF 65 billion; (ii) June 30, 2015: GNF 80 billion; and (iii) June 30, 2016: GNF 100 billion.

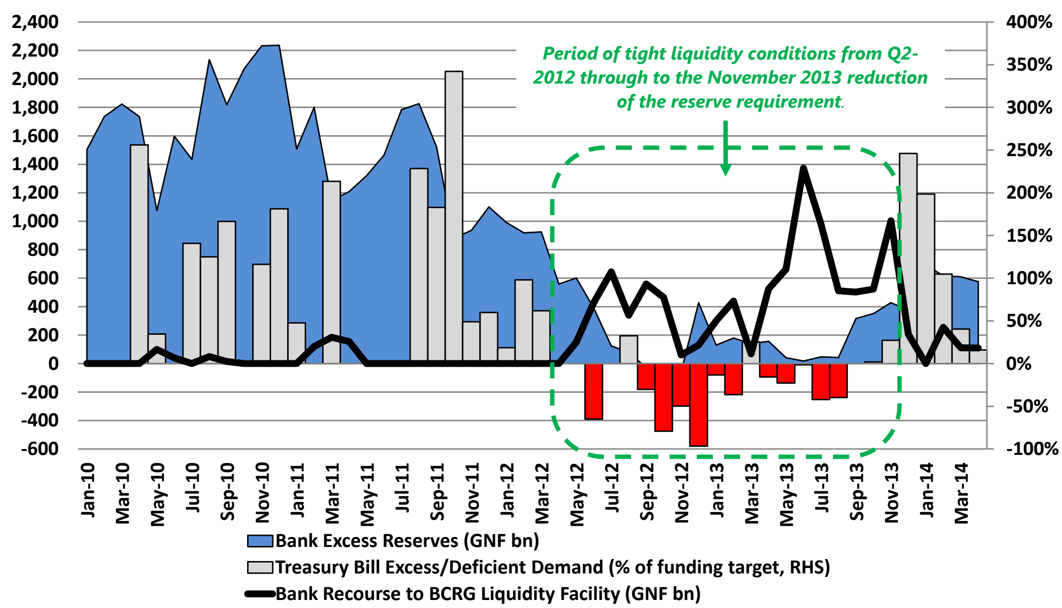
15. The BCRG is making further progress with implementing reforms recommended by the Fund's safeguards assessments (MEFP Box 3). On June 13, the BCRG Board of Directors approved a new investment policy for international reserves that is in line with IMF recommendations and international norms (**prior action**) to ensure the safety and liquidity of reserves—a recommendation of the 2012 safeguards assessment by the IMF's Finance Department. In addition, Parliament ratified the revised statutes of the BCRG in June.

Figure 3. Guinea: Recent Monetary Developments

In line with declining inflation, the BCRG's accommodative policy stance has provided banks with the scope to support increased private demand for financing, while reducing funding costs for the government.



Note: Treasury yields reflect average auction yields across maturities (91 to 364 days).
Implied real Treasury yield equal to difference between average nominal auction yield and inflation (CPI yoy).



Note: Treasury bill demand defined as the percentage difference between auction funding targets and actual demand.
Source: BCRG, Treasury, and staff's calculations.

D. Structural Reform

16. The authorities continue to attach high priority to structural reform and have taken measures to improve coordination and monitoring of progress (MEFP ¶9 and 25). These measures include: (i) ministers signed "mission letters" and report monthly on progress; (ii) a ministerial level committee for coordination on economic policy and structural reform (CCER) began monthly meetings in May 2014; and (iii) the technical program monitoring committee (CTSP) is being strengthened. Nevertheless, the authorities agreed with staff on the need for greater prioritization in the implementation of their broad-ranging structural reform agenda, and for monitoring committees to be adequately resourced. During June-July, they took some important measures; some of the remaining outstanding structural benchmarks were reprogrammed for the second half of 2014 and/or reformulated (**MEFP, Table 4**).

17. Key elements of the structural reform agenda are strengthening public financial management, civil service reform to enhance administrative efficiency and contain the wage bill, improving the business climate, and strengthening governance in the mining and energy sectors (MEFP ¶26–42 and Table 4).

- ***Public financial management (MEFP ¶26–32)***. In May, the government adopted a new medium-term Public Finance Reform Plan (PREFIP, MEFP Box 4), supported by the EU, which will guide reform and donor assistance in the coming years. In the short term, the government recently adopted the remaining regulations needed for the implementation of the new public procurement code (**prior action**). A draft law on public enterprises bringing it in line with the 2012 budget framework law and its implementing regulations is expected to be adopted by end-September (**reprogrammed SB)**, at which time the authorities also expected to complete the process of transferring resources from autonomous agencies to the Treasury Single Account (**reformulated and reprogrammed SB**). A new draft budget nomenclature was prepared with IMF technical assistance in June, which the authorities aim to adopt, following discussion with donors, by end-September (**reprogrammed SB**). The government has decided to regularize the suspense accounts for the period 2005–10, which was characterized by political instability and very weak administration, together in one consolidated exercise. The regularization of the suspense accounts for the period 2011–12 is expected to be completed by end-2014 (**reprogrammed SB**). The recruitment of a consultant to audit domestic payment arrears was delayed but is now under way and the government plans to adopt a timetable for the clearance of these arrears by end-2014 (**SB**).
- ***Civil service reform (MEFP ¶33)***. Considerable progress has been made with the biometric census, which could result in substantial savings on the wage bill. Preparations are on track to allow adoption of a civil service reform plan by end-2014 (**SB**).
- ***Business climate (MEFP ¶34 and Box 5)***. The government recently adopted the draft revised Investment Code (**prior action**) and a reform program for the judiciary was validated by the President on July 16.

- ***Mining sector (MEFP ¶35–39)***. The authorities have decided that the role of the parastatal mining company SOGUIPAMI will be restricted to managing the government's participations in mining companies, with all revenue flowing directly into the government budget; SOGUIPAMI will also not be allowed to incur debt (MEFP ¶38). Four of the ten implementing regulations of the new mining code were completed in January 2014 but a review identified serious shortcomings. The authorities have requested additional technical assistance, including from the IMF, with the aim of finalizing all regulations by the end of the year. By that time, the authorities also plan to complete the review of the mining contracts.
- ***Energy sector (MEFP ¶40)***. The process to recruit a management partner for the parastatal electricity utility company (EDG) by end-December 2014 is under way, with the support of the World Bank and the IFC. Since a new performance contract, to be based on consultant's recommendations, will be needed at that time, the authorities have decided not to prepare a detailed performance contract for EDG—a **SB** for end-April 2014—before then; instead, they will provide written instructions, ordering EDG to manage its operations in such a way that there is no need for government financial support over and above the amount included in the revised budget and to avoid supplier arrears (**prior action**).

E. External Debt Management

18. The government is committed to giving priority to concessional loans and grants to finance its investment plan (MEFP ¶44). However, it has encountered difficulty in obtaining financing on concessional terms, especially for some large-scale projects. This constraint has emerged for a key project to build a transmission line between the Kaleta hydroelectric dam and Conakry, for which potential financing is likely to be available only on nonconcessional terms. The government has given this project high priority and thus requests that the performance criterion (ceiling) on new nonconcessional medium and long-term external debt for the remainder of 2014 be set at $80 million to accommodate the financing for this project. Staff supports the authorities request (Box 1).

19. The authorities are strengthening external debt management to ensure the sustainability of public debt while meeting the funding needs of their investment plans (MEFP ¶45). In March 2014, a ministerial level National Public Debt Committee was created to monitor proposed new loans and ensure prudent debt management. In parallel, a 3-year action plan was adopted in March 2014 with the aim of strengthening capacity at the National Debt Directorate with support from technical and financial partners. In late 2014, a National Public Debt Policy statement is expected to be adopted and, with technical assistance from the World Bank and the IMF, preparation of a medium-term debt strategy will begin.

Box 1. Guinea: Kaleta-Conakry Electricity Transmission Line

Guinea faces a significant energy shortfall which the Kaleta hydroelectric dam would help to reduce when it gradually begins production, planned for mid-2015 onwards. The Kaleta-Conakry transmission line is critical for bringing Kaleta's electricity production to the main market Conakry; to ensure the line is operational by late 2015–early 2016, work on the renovation and extension of the line would need to start soon. World Bank staff considers the dam and transmission line project to have a high economic rate of return: it would lower the cost of electricity production and improve the competitiveness of the economy while the internal rate of return is estimated to be 12 percent. It would also complement the World Bank's sizeable investments and energy policy for Guinea.

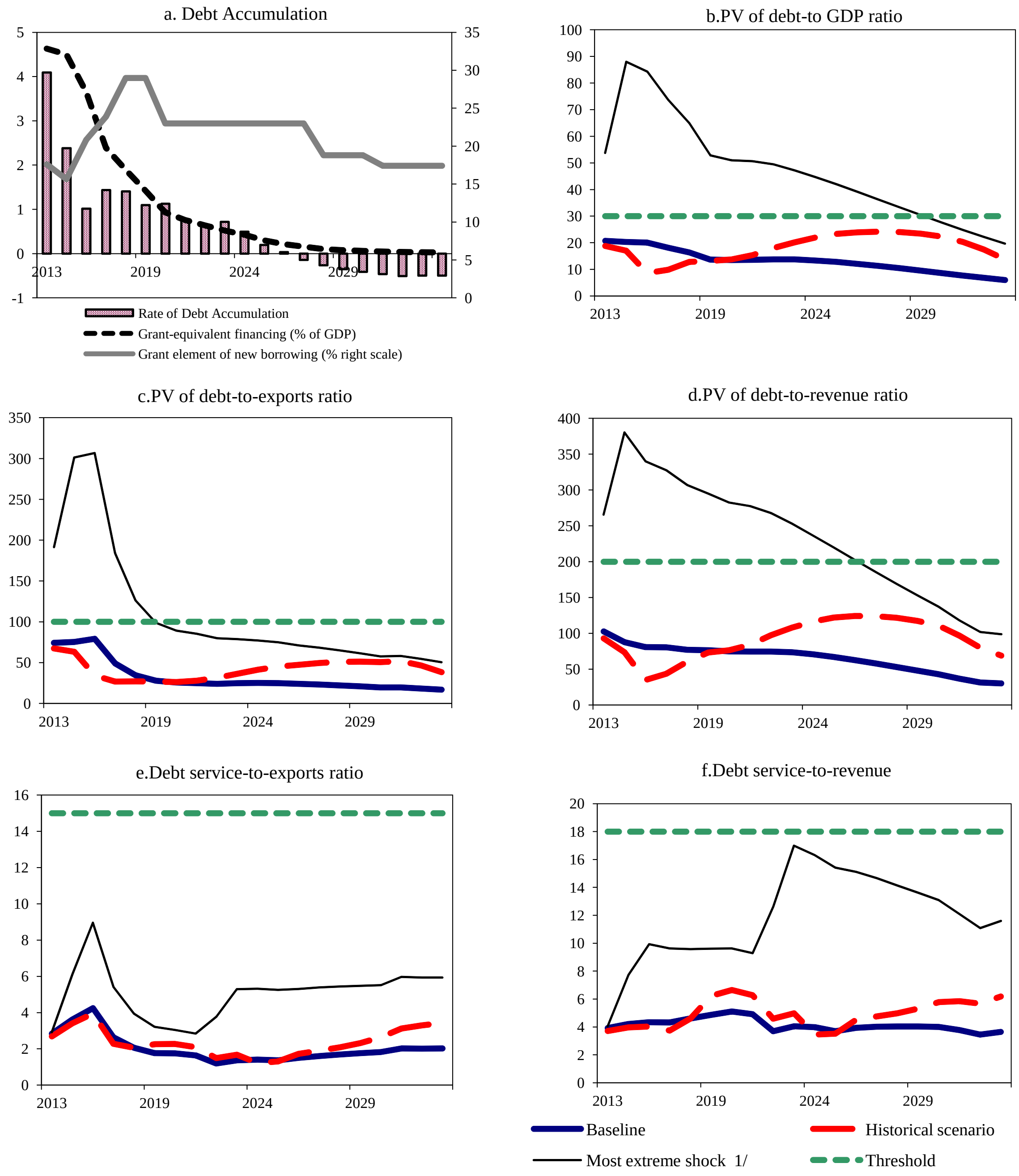
The project is to be financed by an external loan of close to $80 million (1.2 percent of GDP). Under terms currently under discussion, the loan would be long term and have a grant element of about 28 percent compared to the minimum of 35 percent required under the ECF-supported program. The proposed loan is equivalent to 1.2 percent of projected 2014 GDP and 4.8 percent of the end-2013 debt stock. The findings of the last Low-Income Country Debt Sustainability Analysis (LIC-DSA) at the time of the 2nd review under the ECF arrangement (see IMF Country Report No. 13/192) indicate that the inclusion of the proposed loan would not significantly change the findings of the DSA (Figure 4), and the debt distress rating would remain moderate. In this regard, the outstanding debt stock at end-2013 is somewhat less than projected in the second review LIC-DSA—$1,577 million compared to $1,637—and projected nominal GDP in 2014 is higher—$6,804 million compared to $6,347 million. However, a delay in the onset of production and exports of iron ore to 2019, which was assumed to be in 2017 in the last LIC-DSA, would shift by about two years the peaks in the indicators of debt and debt service; these peaks are highlighted in the extreme shock stress test. This shift would in part be offset by the earlier onset of production and exports from a number of bauxite projects that have emerged since the 2nd review under the ECF arrangement, which would lead to lower peaks and an earlier downturn.

A full update of the LIC-DSA for Guinea will be prepared in the context of the 5th review under the ECF arrangement and Article IV consultation which is expected to take place later this year.

PROGRAM MONITORING, FINANCING, AND RISKS

20. The PCs and indicative targets for end-June 2014 are unchanged. The staff proposes PCs for end-December 2014 and revised ITs for end-September and end-December 2014 which incorporate the revisions to the fiscal framework for 2014 and a non-zero ceiling for new nonconcessional medium and long-term external debt (Table 5). Proposed structural benchmarks for 2014 appear in Table 4 of the MEFP.

Figure 4. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2013–33[1/]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Combination shock and in figure f. to a Combination shock. The combination shock combines a shock equal to the historical average minus one standard deviation in 2014-15 to the following: real GDP growth, export value growth, US dollar deflator, and net non-debt creating flows.

21. The program is fully financed (Table 8; MEFP ¶43). The financing need is expected to be filled almost entirely by support from official bilateral and multilateral partners. As regards debt relief under the HIPC and related relief initiatives, most bilateral agreements with official creditors have been signed except for non-Paris Club members, most of which have yet to respond to the government's invitation to discuss debt relief.[7] In the case of private creditors, staff assess that the authorities are making good faith efforts to reach a collaborative agreement to resolve outstanding arrears consistent with the Fund's lending into arrears policy.[8] The residual financing need is expected to be fully covered by disbursements under the ECF arrangement.

22. Risks to the program are primarily domestic for the near term (Table 7). A prolonged presence of the Ebola epidemic may further curtail economic activity. The renewal of political tensions and political uncertainty in the run-up to the presidential elections in 2015 could discourage investors and affect growth prospects. Also, growth and the investment environment could be adversely affected by continued delays in structural reforms. Pressures to increase electricity supply could force higher-than-budgeted subsidies, while delays in increasing electricity supply could dampen growth prospects. Continued weakness in international markets for iron ore and aluminum could delay new investment in the mining sector and affect medium-term growth prospects. On the upside, the government is committed to accelerating the pace of structural reform, which is key for unlocking Guinea's considerable growth potential.

STAFF APPRAISAL

23. Guinea's economy was affected by a number of adverse shocks in 2013 and final data confirm the marked slowdown in growth. Thanks to the authorities' readiness to implement strong fiscal adjustment measures in the face of a sharp revenue shortfall, fiscal and monetary policy continued to support a decline in inflation, a stable exchange rate, and a satisfactory level of international reserves. All PCs for end-December 2013 were met; however the implementation of structural reforms experienced delays.

24. Economic growth is projected to recover in 2014, but the absence of indications of a rebound in the beginning of 2014 is worrisome. The projection for economic growth for 2014 has been revised downward from 4.5 percent to 3.5 percent. While the Ebola epidemic contributed to slow growth in the beginning of the year, structural factors may also be at play. In this regard, the staff welcomes the authorities' measures to increase coordination and monitoring of the extensive reform agenda. The recent approval of the investment framework for the Simandou project augurs well for resumption in investment in the mining sector. However, it will be important for Guinea to provide assurances of political stability at an early stage in the run-up to presidential elections in 2015 to avoid a delay in new investment until after the elections.

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[7] The remaining bilateral agreements with Paris Club creditors are expected to be signed in the near future. Non-Paris Club official creditors under the HIPC initiative that have not yet delivered HIPC relief account for $88.5 million of end-2013 debt (5.6 percent), all of which is in arrears.

[8] Private creditors that have not yet delivered HIPC relief account for $65.6 million of end-2013 debt (4.2 percent), all of which is in arrears.

25. The authorities intend to introduce a supplementary budget for 2014 to address a revenue shortfall and new spending needs. Staff welcomes the authorities' adjustment measures which keep the budget deficit in line with available financing without recourse to bank financing other than the use of the 2011 exceptional mining sector revenues. The larger fiscal deficit is not expected to jeopardize the inflation and international reserves targets, and would make it possible to maintain a high level of much needed public investment.

26. Strengthening public financial management is rightly a key element of the government's reform efforts. The new Public Finance Reform Plan provides a comprehensive medium-term agenda and facilitates donor coordination. In the short term, staff urges the authorities to ensure that administrative capacity remains adequate for a rapidly increasing investment program; the adoption of the new procurement code is a very good step in that regard. Staff also calls for stronger implementation of tax administration reforms and closer monitoring of revenue developments to avoid revenue shortfalls and allow timely adjustment, including if new exceptional mining revenue does not arrive as expected during 2014. Expenditure commitment management should be improved to ensure that the commitment plan is in line with the overall budget targets and available resources and that arrears are avoided.

27. The Central Bank intends to continue to gradually relax monetary policy from the tight stance maintained during 2011–12. An initial reduction in the Bank's policy rate is expected to have mainly a signaling role. This could be followed by a further reduction in the still high reserve requirement, provided macroeconomic developments indicate that inflation and international reserves remain in line with the program targets. Staff considers the Bank's cautious approach to be appropriate. In line with the recently-adopted financial sector development plan, the Central Bank should encourage the development of an interbank market and set up indirect instruments to enhance the flexibility of monetary policy.

28. Establishing a sound governance structure and transparency in the mining sector is essential to unlocking the sector's potential to the benefit of Guinea. Staff welcomes the authorities' intention to seek further technical assistance to ensure that the often-delayed implementing regulations of the 2011 mining code are completed quickly as the intention to complete the review of all mining contracts by end-2014. These actions will bring much needed clarity to the legal framework for new and ongoing mining projects and reduce uncertainty for potential investors.

29. The authorities should continue to seek concessional resources to finance their investment plans. Nevertheless, in the absence of an alternative, staff supports the authorities' request for a non-zero ceiling on new nonconcessional medium and long-term external debt to finance a high priority electricity-sector project. The project would help reduce the sizeable electricity shortfall and support higher growth. It is estimated to have a high economic rate of return and is not expected to significantly worsen Guinea's debt sustainability. Staff welcomes the government's ongoing efforts to strengthen debt management.

30. Staff recommends completion of the fourth review under the ECF arrangement and of the financing assurances review. It recommends the setting of the proposed PCs for December 2014, and indicative targets for September and December 2014, and supports the authorities' request for the fifth disbursement under the ECF arrangement of an amount equivalent to SDR 18.36 million.

Table 1. Guinea: Key Economic and Financial Indicators, 2008–17

	2008	2009	2010	2011	2012	2013		2014		2015	2016 5/	2017
						Prog.	Act.	Prog. 1/	Rev. Prog. 2/	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)											
National accounts and prices												
GDP at constant prices	4.9	-0.3	1.9	3.9	3.8	4.5	2.3	4.5	3.5	4.3	5.0	6.4
GDP deflator	14.1	6.8	20.2	19.7	13.0	9.9	6.3	6.9	7.0	5.4	6.5	5.7
GDP at market prices	19.7	6.5	22.5	24.4	17.3	14.9	8.7	11.7	10.7	9.9	11.8	12.5
Consumer prices												
Average	18.4	4.7	15.5	21.4	15.2	11.2	11.9	10.2	9.7	6.5	5.9	5.9
End of period	13.5	7.9	20.8	19.0	12.8	9.7	10.5	8.5	8.5	5.9	5.9	5.9
External sector												
Exports, f.o.b. (US$ terms)	27.2	-16.7	12.9	12.4	-3.0	0.9	-4.3	-2.8	-2.2	2.6	0.8	14.8
Imports, f.o.b. (US$ terms)	12.2	-19.8	22.7	50.1	6.7	2.0	-6.7	0.6	-4.6	14.5	48.6	50.8
Average effective exchange rate (depreciation -)												
Nominal index	-14.0	0.2	-17.3	-17.7	-0.9	…	3.1	…	…	…	…	…
Real index	-3.0	3.6	-7.3	-3.5	11.3	…	12.7	…	…	…	…	…
Money and credit												
Net foreign assets 3/	14.3	4.7	-5.5	40.1	-3.5	-4.1	-0.1	-1.8	-4.9	…	…	…
Net domestic assets 3/	24.7	21.2	79.9	-30.7	4.5	11.9	14.2	10.3	15.7	…	…	…
Net claims on government 3/	20.8	28.7	70.2	-44.8	12.9	10.7	10.2	7.1	8.9	…	…	…
Credit to nongovernment sector 3/	1.9	3.1	8.9	15.0	-1.1	4.1	9.7	5.4	9.7	…	…	…
Reserve money	13.8	81.7	73.0	-4.9	-3.1	6.1	8.5	3.4	12.6	…	…	…
Broad money (M2)	39.0	25.9	74.4	9.4	1.0	7.8	14.1	8.5	10.7	…	…	…
Interest rate (short term T-bill)	21.0	14.8	4.6	13.0	16.1	...	10.9	...	…	…	…	…
	(Percent of GDP)											
Central government finances												
Total revenue and grants	16.1	16.5	15.7	20.2	22.9	22.7	19.8	24.9	24.9	23.1	23.0	22.7
Revenue	15.6	16.2	15.3	16.8	20.1	19.6	18.4	19.7	19.3	19.9	20.3	20.6
Of which : nonmining revenue	12.1	12.9	11.5	12.9	16.1	15.7	14.9	16.9	16.2	16.7	17.0	17.0
Grants	0.5	0.4	0.4	3.4	2.7	3.1	1.5	5.3	5.6	3.2	2.7	2.1
Total expenditure and net lending	17.5	23.7	29.7	21.5	26.1	27.8	25.1	27.5	28.9	23.2	23.2	24.4
Current expenditure	13.4	16.5	20.5	16.3	15.9	15.6	16.2	14.9	15.6	15.6	15.3	15.1
Of which : interest payments	2.6	2.1	2.0	2.0	1.7	1.0	1.1	1.1	1.1	1.3	1.3	1.1
Capital expenditure and net lending	4.0	7.2	9.1	5.2	10.2	12.1	8.9	12.4	13.2	7.6	7.8	9.2
Overall budget balance												
Including grants (commitment)	-1.3	-7.1	-14.0	-1.3	-3.3	-5.1	-5.2	-2.5	-4.0	-0.2	-0.2	-1.6
Excluding grants (commitment)	-1.8	-7.5	-14.4	-4.7	-6.0	-8.2	-6.7	-7.8	-9.6	-3.4	-2.9	-3.7
Basic fiscal balance	1.6	-5.6	-12.6	-1.6	-2.5	-3.3	-2.8	-2.6	-4.0	1.3	1.3	1.2
National accounts												
Gross capital formation	17.5	11.4	10.6	14.6	26.9	28.7	23.0	15.1	15.4	22.2	45.7	69.4
Savings	7.0	2.9	0.3	-4.5	0.7	3.6	1.9	-3.0	-1.6	1.4	7.2	8.8
Current account balance												
Including official transfers	-10.5	-8.6	-10.3	-19.1	-26.1	-25.2	-21.1	-18.0	-16.9	-20.8	-38.4	-61.6
Excluding official transfers	-11.0	-8.6	-10.3	-21.4	-27.1	-26.8	-21.5	-19.8	-18.8	-21.1	-38.8	-61.9
Overall balance of payments	-0.9	5.3	-3.6	10.2	-5.8	-1.6	0.5	-1.0	-0.3	1.4	-0.2	-0.5
	(US$ millions, unless otherwise indicated)											
Memorandum items:												
Exports, goods and services	1,566.8	1,287.9	1,434.5	1,620.2	1,665.5	1,689.7	1,542.8	1,479.3	1,532.1	1,572.0	1,602.1	1,662.4
Imports, goods and services	1,810.4	1,427.2	1,740.7	2,590.8	3,045.7	3,242.4	2,705.1	2,731.9	2,660.9	2,991.1	4,530.6	4,927.0
Overall balance of payments	-42.4	245.9	-177.7	524.6	-325.3	-98.6	28.6	-70.1	-19.6	97.5	-17.8	-44.6
Net foreign assets (central bank)	-14.1	97.9	39.6	640.1	419.4	307.5	451.5	280.8	403.9	518.4	533.0	554.4
Gross available reserves (months of imports) 4/	0.6	0.8	0.6	4.4	3.4	2.9	3.6	2.9	3.7	3.4	3.3	3.3
Public external debt stock (as of end-2013; outstanding)	3,129.8	3,224.2	3,154.7	3,213.5	1,306.5	1,577.3	1,577.3	1,163.9	1,463.3	1,391.9	1,309.4	1,225.9
of which: Arrears	85.6	208.1	326.1	391.2	177.0	...	186.1	...	35.0	0.0	0.0	0.0
Nominal GDP (GNF billions)	20,780	22,133	27,118	33,739	39,591	45,479	43,048	48,451	47,669	52,386	58,574	65,867

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

1/ Program as established under the third review under the ECF arrangement (EBS/14/9, February 3, 2014).

2/ Program as revised for the 4th review under the ECF arrangement.

3/ In percent of the broad money stock at the beginning of the period.

4/ In months of the following year's imports excluding imports for large foreign-financed mining projects.

5/ Assumes a rapid increase in investments in the mining sector in 2016.

Table 2a. Guinea: Fiscal Operations of the Central Government, 2012–17

(Billions of Guinean francs; unless otherwise indicated)

	2012	2013		2014						2015	2016	2017
		Dec.			Mar.		Jun.	Sept.	Dec.			
	Act.	Prog.	Est.	Prog. 1/	Prog.	Prel.	Prog.	Rev. Prog. 2/	Rev. Prog. 2/	Proj.	Proj.	Proj.
Revenue and grants	9,047	10,328	8,544	12,142	2,395	2,004	5,337	8,291	11,850	12,079	13,476	14,983
Revenue	7,976	8,919	7,905	9,539	2,095	1,903	4,419	6,807	9,193	10,404	11,887	13,590
Mining sector	1,607	1,798	1,489	1,360	291	285	616	1,121	1,451	1,681	1,905	2,365
Non-mining sector	5,993	6,727	6,130	7,833	1,718	1,536	3,669	5,375	7,281	8,199	9,395	10,565
Direct taxes	1,776	1,718	1,484	1,894	328	251	920	1,150	1,600	1,820	2,106	2,369
Indirect taxes	4,217	5,009	4,646	5,939	1,390	1,286	2,749	4,225	5,681	6,378	7,289	8,197
Taxes on goods and services	2,765	3,275	2,943	3,794	866	810	1,771	2,578	3,530	4,016	4,647	5,226
Taxes on international trade	1,452	1,734	1,703	2,144	524	475	978	1,648	2,150	2,363	2,642	2,971
Non-tax revenue	375	394	286	346	86	81	134	311	461	524	586	659
Grants	1,071	1,409	639	2,603	300	102	918	1,484	2,657	1,675	1,589	1,393
Project grants	677	641	462	1,765	300	102	773	890	1,765	1,474	1,381	1,149
Budget support	394	768	177	838	0	0	145	594	892	201	207	245
Total expenditures and net lending	10,342	12,640	10,785	13,481	2,936	2,152	6,277	9,686	13,776	12,166	13,579	16,057
Current expenditures	6,291	7,106	6,954	7,212	1,329	1,463	3,230	5,635	7,416	8,170	8,979	9,948
Primary current expenditures	5,617	6,657	6,461	6,663	1,240	1,308	2,998	5,250	6,871	7,485	8,244	9,243
Wages and salaries	1,757	2,366	2,102	2,455	585	539	1,086	1,751	2,355	2,588	2,893	3,253
Goods and services	2,356	2,719	2,499	2,386	418	377	1,004	1,879	2,534	2,784	3,113	3,501
Subsidies and transfers	1,505	1,572	1,860	1,822	237	392	908	1,620	1,983	2,113	2,238	2,489
Interest on debt	674	449	493	549	89	155	232	385	545	686	735	705
Domestic debt 3/	402	373	421	434	52	128	178	291	434	536	522	510
External debt	271	76	72	115	37	27	54	94	111	149	213	195
Capital expenditures	3,801	5,165	3,822	5,971	1,508	689	2,842	3,957	6,196	4,030	4,637	6,152
Domestically financed	2,674	2,991	2,184	3,384	1,049	462	1,663	2,560	3,609	1,696	2,358	3,049
of which from the SIF		1,221	1,072	1,024	…	218	…	565	875	0	0	0
Capital transfers	14	16	17	30	9	6	10	12	30	33	37	41
Externally financed	1,113	2,158	1,620	2,558	450	221	1,169	1,386	2,557	2,301	2,243	3,061
Net lending & restructuring expenditure	251	369	9	297	99	0	205	94	164	-34	-38	-43
Basic fiscal balance 4/	-982	-1,486	-1,188	-1,268	-354	-1	-635	-1,399	-1,915	688	764	789
Percent of GDP	-2.5	-3.3	-2.8	-2.6	-0.7	0.0	-1.3	-2.9	-4.0	1.3	1.3	1.2
Overall balance, commitment basis												
Excluding grants	-2,367	-3,721	-2,880	-3,941	-841	-250	-1,858	-2,879	-4,583	-1,762	-1,692	-2,467
Including grants	-1,296	-2,312	-2,241	-1,338	-541	-148	-940	-1,395	-1,926	-87	-103	-1,074
Financing	1,422	1,349	2,241	1,338	541	148	939	1,395	1,926	87	103	1,074
Domestic financing	1,314	798	1,042	797	494	65	704	1,162	1,321	-218	-130	-179
Bank financing	1,470	1,221	1,011	1,074	639	166	879	1,077	1,162	0	0	0
Central bank	1,865	1,221	901	1,074	639	102	879	890	1,162	0	0	0
Commercial banks	-395	0	110	0	0	64	0	187	0	0	0	0
Nonbank financing	-155	-423	31	-277	-145	-101	-175	86	159	-218	-130	-179
Privatization revenue	0	0	0	1	0	0	0	0	0	0	0	0
Borrowing/Amortization of domestic debt (net)	-3	-179	200	-285	-45	0	-103	-158	-284	-218	-130	-179
Change in arrears	-152	-244	-178	5	0	0	-72	0	5	0	0	0
Previous years	-450	-339	-339	-140	0	-200	-140	-200	-140	-247	0	0
Current year	339	140	200	247	0	200	95	200	247	292	45	45
VAT credit	-41	-45	-27	-102	-27	0	-27	0	-102	-45	-45	-45
Exceptional revenue	0	0	0	0	0	0	0	0	438	0	0	0
Other	0	0	9	2	0	3	0	4	1	0	0	0
External financing	108	551	1,200	541	47	83	235	232	605	305	233	1,252
Drawings	939	1,800	1,509	1,065	150	120	533	495	1,065	827	861	1,912
Project	436	1,517	1,268	792	150	120	396	495	792	827	861	1,912
Program	503	283	242	273	0	0	137	0	273	0	0	0
Amortization due	-1,522	-238	-341	-524	-103	-43	-298	-289	-490	-522	-628	-660
Debt relief 5/	2,446	0	0	1,043	350	0	720	57	1,083	0	0	0
Change in arrears (- = reduction) 5/	-1,755	-1,011	26	-1,043	-350	7	-720	-31	-1,053	0	0	0
Errors and omissions 6/	-127	0	28	0	0	0	0	0	0	0	0	0
Financing gap	0	963	0	0	0	0	0	0	0	0	0	0
Possible financing (incl. debt relief) 5/		963	0	0	0	0	0	0	0	0	0	0
Debt relief 5/		963	0	0	0	0	0	0	0	0	0	0
HIPC completion point debt relief 5/	13,406											
HIPC completion point debt cancellation 5/	-13,406											
Residual financing gap	0	0	0	0	0	0	0	0	0	0	0	0
Of which: forbearance on external debt												
Memorandum items:												
Nominal GDP	39,590	45,479	43,048	48,451	48,451	47,669	48,451	47,669	47,669	52,386	58,574	65,867

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

1/ Program as established under the third review under the ECF arrangement (EBS/14/9, February 3, 2014).

2/ Program as revised for the 4th review under the ECF arrangement.

3/ Includes interest due in 2012 on the central bank's debt (GNF 196 billion) recorded under the float in 2012 to be paid in 2013.

4/ Revenue minus expenditure excluding interest on external debt and foreign-financed investment.

5/ For 2012, debt relief on arrears and maturities falling due under October 2012 Paris Club agreement; HIPC/MDRI relief is assumed to be delivered effective October 2012. For 2013 and 2014 (projected), debt relief is on outstanding loans fully in arrears owed to non-Paris club official and commercial creditors.

6/ The errors and omissions in 2012 reflect to a large extent exchange rate losses on the 2011 exceptional mining revenue held in dollar accounts. For 2013, they are the result of the delay between the date of C2D debt service payments and the date of C2D grants disbursement.

Table 2b. Guinea: Fiscal Operations of the Central Government, 2012–17

(Percent of GDP; unless otherwise indicated)

	2012	2013		2014						2015	2016	2017
		Dec.			Mar.		Jun.	Sept.	Dec.			
	Act.	Prog.	Est.	Prog. 1/	Prog.	Prel.	Prog.	Rev. Prog. 2/	Rev. Prog. 2/	Proj.	Proj.	Proj.
Revenue and grants	22.9	22.7	19.8	25.1	4.9	4.2	11.0	17.4	24.9	23.1	23.0	22.7
Revenue	20.1	19.6	18.4	19.7	4.3	4.0	9.1	14.3	19.3	19.9	20.3	20.6
Mining sector	4.1	4.0	3.5	2.8	0.6	0.6	1.3	2.4	3.0	3.2	3.3	3.6
Non-mining sector	15.1	14.8	14.2	16.2	3.5	3.2	7.6	11.3	15.3	15.7	16.0	16.0
Direct taxes	4.5	3.8	3.4	3.9	0.7	0.5	1.9	2.4	3.4	3.5	3.6	3.6
Indirect taxes	10.7	11.0	10.8	12.3	2.9	2.7	5.7	8.9	11.9	12.2	12.4	12.4
Taxes on goods and services	7.0	7.2	6.8	7.8	1.8	1.7	3.7	5.4	7.4	7.7	7.9	7.9
Taxes on international trade	3.7	3.8	4.0	4.4	1.1	1.0	2.0	3.5	4.5	4.5	4.5	4.5
Non-tax revenue	0.9	0.9	0.7	0.7	0.2	0.2	0.3	0.7	1.0	1.0	1.0	1.0
Grants	2.7	3.1	1.5	5.4	0.6	0.2	1.9	3.1	5.6	3.2	2.7	2.1
Project grants	1.7	1.4	1.1	3.6	0.6	0.2	1.6	1.9	3.7	2.8	2.4	1.7
Budget support	1.0	1.7	0.4	1.7	0.0	0.0	0.3	1.2	1.9	0.4	0.4	0.4
Total expenditure and net lending	26.1	27.8	25.1	27.8	6.1	4.5	13.0	20.3	28.9	23.2	23.2	24.4
Current expenditure	15.9	15.6	16.2	14.9	2.7	3.1	6.7	11.8	15.6	15.6	15.3	15.1
Primary current expenditure	14.2	14.6	15.0	13.7	2.6	2.7	6.2	11.0	14.4	14.3	14.1	14.0
Wages and salaries	4.4	5.2	4.9	5.1	1.2	1.1	2.2	3.7	4.9	4.9	4.9	4.9
Goods and services	5.9	6.0	5.8	4.9	0.9	0.8	2.1	3.9	5.3	5.3	5.3	5.3
Subsidies and transfers	3.8	3.5	4.3	3.8	0.5	0.8	1.9	3.4	4.2	4.0	3.8	3.8
Interest on debt	1.7	1.0	1.1	1.1	0.2	0.3	0.5	0.8	1.1	1.3	1.3	1.1
Domestic debt	1.0	0.8	1.0	0.9	0.1	0.3	0.4	0.6	0.9	1.0	0.9	0.8
External debt	0.7	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.3
Capital expenditure	9.6	11.4	8.9	12.3	3.1	1.4	5.9	8.3	13.0	7.7	7.9	9.3
Domestically financed	6.8	6.6	5.1	7.0	2.2	1.0	3.4	5.4	7.6	3.2	4.0	4.6
of which from the SIF	…	2.7	2.5	2.1	…	0.5	…	1.2	1.8	0.0	0.0	
Capital transfers	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Externally financed	2.8	4.7	3.8	5.3	0.9	0.5	2.4	2.9	5.4	4.4	3.8	4.6
Net lending & restructuring expenditure	0.6	0.8	0.0	0.6	0.2	0.0	0.4	0.2	0.3	-0.1	-0.1	-0.1
Basic fiscal balance 3/	-2.5	-3.3	-2.8	-2.6	-0.7	0.0	-1.3	-2.9	-4.0	1.3	1.3	1.1
Overall balance, commitment basis												
Excluding grants	-6.0	-8.2	-6.7	-8.1	-1.7	-0.5	-3.8	-6.0	-9.6	-3.4	-2.9	-3.7
Including grants	-3.3	-5.1	-5.2	-2.8	-1.1	-0.3	-1.9	-2.9	-4.0	-0.2	-0.2	-1.6
Financing	3.6	3.0	5.2	2.8	1.1	0.3	1.9	2.9	4.0	0.2	0.2	1.6
Domestic financing (net)	3.3	1.8	2.4	1.6	1.0	0.1	1.5	2.4	2.8	-0.4	-0.2	-0.3
Bank financing	3.7	2.7	2.3	2.2	1.3	0.3	1.8	2.3	2.4	0.0	0.0	0.0
Central bank	4.7	2.7	2.1	2.2	1.3	0.2	1.8	1.9	2.4	0.0	0.0	0.0
Commercial banks	-1.0	0.0	0.3	0.0	0.0	0.1	0.0	0.4	0.0	0.0	0.0	0.0
Nonbank financing	-0.4	-0.9	0.1	-0.6	-0.3	-0.2	-0.4	0.2	0.3	-0.4	-0.2	-0.3
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
Borrowing/Amortization of domestic debt (net)	0.0	-0.4	0.5	-0.6	-0.1	0.0	-0.2	-0.3	-0.6	-0.4	-0.2	-0.3
Change in arrears	0.0	0.0	0.0	0.0	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Change in float	-0.4	-0.5	-0.4	0.0	0.0	-0.2	0.0	0.5	0.0	0.0	0.0	0.0
Exceptional revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External financing	0.3	1.2	2.8	1.2	0.1	0.2	0.5	0.5	1.3	0.6	0.4	1.9
Drawings	2.4	4.0	3.5	2.2	0.3	0.3	1.1	1.0	2.2	1.6	1.5	2.9
Amortization due	-3.8	-0.5	-0.8	-1.1	-0.2	-0.1	-0.6	-0.6	-1.0	-1.0	-1.1	-1.0
Debt relief and interim HIPC assistance 4/	0.0	0.0	0.0	2.4	0.8	0.0	1.7	0.1	2.5	0.0	0.0	0.0
Change in arrears (- = reduction) 4/	-4.4	-2.2	0.1	-2.4	-0.8	0.0	-1.7	-0.1	-2.4	0.0	0.0	0.0
Errors and omissions	-0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Possible financing		2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief 4/		2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC completion point debt relief 4/	33.9											
HIPC completion point debt cancellation 4/	-33.9											
Residual 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
Memorandum items:												
Nominal GDP (GNF billions)	39,591	45,479	43,048	48,451	48,451	47,669	48,451	47,669	47,669	52,386	58,574	65,867

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

1/ Program as established under the third review under the ECF arrangement (EBS/14/9, February 3, 2014).

2/ Program as revised for the 4th review under the ECF arrangement.

3/ Revenue minus expenditure excluding interest on external debt and foreign-financed investment.

4/ For 2012, debt relief on arrears and maturities falling due under October 2012 Paris Club agreement; HIPC/MDRI relief is assumed to be delivered effective October 2012. For 2013 and 2014 (projected), debt relief is on outstanding loans fully in arrears owed to non-Paris club official and commercial creditors.

Table 3a. Guinea: Central Bank and Deposit Money Banks Accounts, 2009–14[1/]

(Billions of Guinean francs; unless otherwise indicated)

	2009	2010	2011	2012	2013		2014				
					Prog.	Act.	Mar. Prog. 2/	Mar. Act.	Jun. Prog. 2/	Sept. Rev. Prog. 3/	Dec. Rev. Prog. 3/
Central bank											
Net foreign assets	482	241	4,538	2,923	2,230	3,163	2,574	3,041	2,423	2,811	2,827
Net domestic assets	3,553	6,739	2,105	3,507	4,540	3,815	4,785	4,372	5,018	4,495	5,028
Domestic credit	3,505	6,491	1,516	3,532	4,645	4,462	4,977	4,588	5,217	4,962	5,620
Claims on central government (net)	3,450	6,456	1,467	3,467	4,573	4,397	4,918	4,541	5,158	4,901	5,559
Claims on private sector	10	6	9	43	48	50	45	45	45	46	46
Liabilities to deposit money banks (-)	2	0	1	0	0	0	0	0	0	0	0
Claims on other public sector	42	29	39	22	24	15	14	1	14	15	15
Other items, net (assets +)	48	248	589	-25	-105	-647	-192	-215	-199	-467	-592
Reserve money	4,035	6,980	6,638	6,431	6,770	6,978	7,360	7,413	7,441	7,306	7,855
Currency outside banks	2,120	3,988	3,262	3,706	3,984	4,052	3,951	4,169	3,997	4,086	4,341
Bank reserves	1,885	2,961	3,276	2,471	2,509	2,508	2,991	2,760	3,026	2,736	3,096
Deposits	1,720	2,839	2,856	2,076	2,076	2,095	2,643	2,356	2,679	2,328	2,648
Required reserves	360	603	1,755	1,648	1,775	1,720	1,408	1,746	1,425	1,629	1,748
Excess reserves	1,360	2,236	1,101	428	300	376	1,236	610	1,254	699	900
Of which : in foreign exchange	111	136	200	230	240	291	…	317	…	…	…
Cash in vaults of deposit banks	164	122	420	395	433	413	347	405	347	408	448
Private sector deposits	30	32	100	255	277	418	418	484	418	484	418
Deposit money banks											
Net foreign assets	609	524	379	1,599	1,766	1,345	1,633	1,058	1,546	1,022	1,035
Bank reserves	1,885	2,961	3,276	2,471	2,509	2,508	2,991	2,760	3,026	2,736	3,096
Deposits at the central bank	1,720	2,839	2,856	2,076	2,076	2,095	2,643	2,356	2,679	2,328	2,648
Cash in vaults of deposits banks	164	122	420	395	433	413	347	405	347	408	448
Claims on central bank	-2	0	-1	0	0	0	0	0	0	0	0
Domestic credit	1,829	3,541	5,425	4,747	5,206	6,093	5,828	6,518	6,148	7,065	7,366
Credit to the government (net)	699	1,865	2,206	1,673	1,673	1,908	1,637	1,973	1,637	1,973	1,908
Claims on public enterprises	0	43	58	48	48	90	93	110	93	110	90
Claims on the private sector	1,129	1,633	3,161	3,025	3,484	4,096	4,098	4,435	4,419	4,983	5,368
Other items, net (assets +)	-525	-678	-1,104	-1,326	-1,411	-1,349	-1,652	-1,608	-1,812	-1,773	-1,785
Liabilities to the private sector (deposits)	3,795	6,347	7,976	7,490	8,070	8,598	8,800	8,728	8,908	9,050	9,711
Memorandum items:											
Net foreign assets of the central bank (US$ millions)	98	40	640	419	308	451	368	431	346	402	404
Net international reserves (GNF billion)	1,248	1,353	5,281	3,784	3,095	3,950	3,365	3,824	3,213	3,594	3,610
US $ millions	253	222	759	543	427	564	481	542	459	513	516

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

1/ End of period.

2/ Program as established under the third review under the ECF arrangement (EBS/14/9, February 3, 2014).

3/ Program as revised for the 4th review under the ECF arrangement.

Table 3b. Guinea: Monetary Survey, 2009–14[1/]

(Billions of Guinean francs; unless otherwise indicated)

	2009	2010	2011	2012	2013		2014				
							Mar.		Jun.	Sept.	Dec.
					Prog.	Act.	Prog. 2/	Act.	Prog. 2/	Rev. Prog. 3/	Rev. Prog. 3/
Net foreign assets	1,091	765	4,917	4,522	3,996	4,508	4,207	4,099	3,969	3,833	3,862
Net domestic assets	4,854	9,601	6,421	6,928	8,335	8,560	8,962	9,282	9,355	9,787	10,608
Domestic credit	5,331	10,031	6,940	8,279	9,851	10,555	10,805	11,106	11,366	12,027	12,985
Claims on central government	4,149	8,320	3,673	5,140	6,246	6,305	6,555	6,514	6,795	6,874	7,466
Claims on public enterprises	43	72	98	70	72	105	107	111	107	125	105
Claims on private sector	1,140	1,639	3,170	3,069	3,533	4,146	4,144	4,481	4,464	5,028	5,414
Other items, net (assets +)	-477	-430	-520	-1,350	-1,516	-1,996	-1,844	-1,824	-2,011	-2,240	-2,377
Broad money (M2)	5,945	10,366	11,338	11,450	12,331	13,067	13,168	13,381	13,324	13,620	14,470
Currency	2,120	3,988	3,262	3,706	3,984	4,052	3,951	4,169	3,997	4,086	4,341
Deposits	3,825	6,379	8,076	7,745	8,347	9,015	9,218	9,212	9,326	9,534	10,129
Of which: in foreign currency	1,065	1,371	2,278	2,700	2,908	2,940	…	3,064	…	…	…
	(Year-on-year change in percent of beginning-of-period M2)										
Memorandum items:											
Net foreign assets	4.7	-5.5	40.1	-3.5	-4.1	-0.1	-3.6	-3.8	-5.5	-5.2	-4.9
Of which: central bank	11.7	-4.1	41.5	-14.2	-5.6	2.1	-4.6	2.3	-5.7	-2.7	-2.6
Net domestic assets	21.2	79.9	-30.7	4.5	11.9	14.2	5.2	16.6	8.3	9.4	15.7
Of which: central bank	26.7	53.6	-44.7	12.4	9.0	2.7	4.8	6.0	6.6	5.2	9.3
Domestic credit	31.9	79.1	-29.8	11.8	14.7	19.9	5.6	21.2	9.9	11.3	18.6
Net claims on government	28.7	70.2	-44.8	12.9	10.7	10.2	4.9	9.6	6.8	4.4	8.9
Credit to the private sector	3.1	8.9	15.0	-1.1	4.1	9.7	0.7	11.6	3.1	6.8	9.7
Broad money (M2)	25.9	74.4	9.4	1.0	7.8	14.1	1.6	12.8	2.8	4.2	10.7
Reserve money (annual percentage change)	81.7	73.0	-4.9	-3.1	6.1	8.5	0.5	15.2	1.6	4.7	12.6
Commercial bank credit to the private sector (annual percentage change)	15.8	44.6	93.5	-4.3	15.2	35.4	2.3	47.3	10.3	21.6	31.1
Money multiplier (M2/reserve money)	1.5	1.5	1.7	1.8	1.8	1.9	1.8	1.8	1.8	1.9	1.8
Velocity (GDP/average M2)	4.1	3.3	3.1	3.5	3.8	3.5	3.6	3.8	3.6	3.5	3.5
Velocity eop (GDP/M2 eop)	3.7	2.6	3.0	3.5	3.7	3.3	3.7	3.6	3.6	3.5	3.3
Deposit dollarization	27.8	21.5	28.2	34.9	34.8	32.6	…	…	…	…	…
Exchange rate, GNF per US$ (eop)	4,924	6,079	7,090	6,970	6,946	7,006	…	7,052	…	…	…
Nominal GDP (billions GNF)	22,133	27,118	33,739	39,591	45,479	43,048	…	…	…	…	47,669
GDP at constant prices (percentage change)	-0.3	1.9	3.9	3.8	4.5	2.3	…	…	…	…	3.5
Consumer prices (percentage change,eop)	7.9	20.8	19.0	12.8	9.7	10.5	…	10.0	…	…	8.5
Nominal GDP (percentage change)	6.5	22.5	24.4	17.3	14.9	8.7	…	…	…	…	10.7

Sources: Guinean authorities; and IMF staff estimates and projections.
1/ End of period.
2/ Program as established under the third review under the ECF arrangement (EBS/14/9, February 3, 2014).
3/ Program as revised for the 4th review under the ECF arrangement.

Table 4. Guinea: Balance of Payments, 2008–17
(Millions of U.S. dollars; unless otherwise indicated)

	2008	2009	2010	2011	2012	2013		2014	2015	2016	2017
						Prog.	Est.	Prog.	Proj.	Proj.	Proj.
Merchandise trade balance	93	119	27	-476	-657	-1,070	-578	-519	-762	-1,818	-3,265
Exports, f.o.b.	1,460	1,215	1,372	1,543	1,497	1,524	1,433	1,400	1,437	1,448	1,662
Mining products	1,380	1,097	1,261	1,409	1,366	1,391	1,295	1,260	1,297	1,300	1,553
Other	79	119	111	134	131	132	137	141	140	148	110
Imports, f.o.b.	-1,366	-1,096	-1,345	-2,019	-2,154	-2,594	-2,011	-1,919	-2,198	-3,267	-4,927
Food products	-227	-204	-174	-247	-275	-303	-262	-240	-226	-237	-257
Other consumption goods	-205	-191	-217	-270	-308	-366	-284	-303	-321	-347	-378
Petroleum products	-356	-296	-286	-414	-448	-522	-435	-457	-455	-461	-480
Intermediate and capital goods	-579	-405	-669	-1,088	-1,123	-1,403	-1,029	-920	-1,196	-2,221	-3,812
Of which : imports for large mining projects	-239	-83	-74	-99	-395	-581	-207	-125	-380	-978	-2,447
Services trade balance	-337	-259	-333	-495	-723	-482	-584	-610	-657	-1,110	-1,777
Services exports	107	73	62	77	169	166	110	132	135	154	160
Services imports	-444	-331	-396	-572	-891	-648	-694	-742	-793	-1,264	-1,937
Of which : imports for large mining projects	-39	-14	-12	-31	-266	-96	-75	-148	-156	-498	-1,063
Income balance	-523	-505	-451	-447	-439	-420	-421	-418	-396	-411	-475
Of which: interest on public debt	-60	-29	-35	-45	-39	-11	-10	-16	-21	-29	-25
Transfers	291	248	252	437	346	394	268	394	328	382	389
Of which:											
Net private transfers	272	248	252	323	290	289	243	266	300	355	358
Official transfers	19	0	0	114	56	106	26	127	27	27	31
Current account											
Including official transfers	-476	-396	-505	-981	-1,473	-1,578	-1,315	-1,153	-1,488	-2,958	-5,128
Excluding imports for large mining projects	-198	-300	-419	-850	-812	-902	-1,033	-880	-951	-1,482	-1,617
Excluding official transfers	-495	-396	-505	-1,095	-1,529	-1,684	-1,341	-1,280	-1,515	-2,985	-5,158
Capital account	27	29	33	778	137	100	79	272	222	202	166
Financial account	-210	59	-163	162	528	1,379	917	861	1,363	2,739	4,917
Public (medium and long-term)	-66	-50	-78	-49	-83	215	169	82	42	31	158
Project-related loans	72	43	32	52	62	209	184	113	113	113	242
Program financing	0	0	0	76	72	39	35	39	0	0	0
Amortization due	-138	-93	-110	-177	-217	-33	-49	-70	-71	-83	-83
Public (short-term)	0	0	0	0	0	0	0	0	0	0	0
Direct and other private investment (net)	-162	-193	-277	51	344	611	-80	141	643	1,911	4,098
Of which : large mining projects	379	138	108	282	607	878	524	364	806	2,035	4,177
Private short-term	18	302	192	160	267	553	828	638	679	797	661
Errors and omissions	617	555	458	565	482	0	348	0	0	0	0
Overall balance	-42	246	-178	525	-325	-99	29	-20	97	-18	-45
Financing	42	-246	178	-525	325	41	-29	-9	-155	18	45
Change in net official reserves	-20	-287	90	-601	227	47	-33	-13	-155	18	45
Of which:											
Fund repayments [1]	9	-13	0	0	16	0	0	0	0	0	3
Change in gross official reserves	-24	-274	90	-601	211	47	-61	-13	-155	18	48
Change in arrears [1]	54	40	65	-74	-250	-139	4	-150	0	0	0
Debt relief [1]	8	1	25	150	348	133	1	155	0	0	0
HIPC completion point debt relief [1]					1,902						
HIPC completion point debt cancellation [1]					-1,902						
Financing gap	0	0	0	0	0	58	0	28	57	0	0
Expected Fund disbursement				0	0	58	0	28	57	0	0
Memorandum items:											
Current account balance (percent of GDP)											
Including official transfers	-10.5	-8.6	-10.3	-19.1	-26.1	-25.2	-21.1	-16.9	-20.8	-38.4	-62
Excluding imports for large mining projects	-4.4	-6.5	-8.5	-16.6	-14.4	-14.4	-16.6	-12.9	-13.3	-19.2	-19
Excluding official transfers	-11.0	-8.6	-10.3	-21.4	-27.1	-26.8	-21.5	-18.8	-21.1	-38.8	-62
Overall balance (percent of GDP)	-1	5.3	-3.6	10.2	-5.8	-1.6	0.5	-0.3	1.4	-0.2	-1
Exports-GDP ratio (percent)	34.7	27.8	29.1	31.6	29.6	26.9	24.8	22.5	21.9	20.8	22
Imports-GDP ratio (percent)	-40.1	-30.8	-35.3	-50.6	-54.1	-51.7	-43.4	-39.1	-41.7	-58.9	-82
Gross available reserves *(US$ millions)*	70	114	124	855	643	590	704	717	872	854	807
Gross available reserves (months of imports)	0.6	0.8	0.6	4.4	3.4	2.9	3.6	3.7	3.4	3.3	3.3
Nominal GDP (US$ millions)	4,517	4,635	4,929	5,124	5,632	6,273	6,232	6,810	7,169	7,697	8,327
National currency per US dollar (avg.)	4,600	4,775	5,502	6,584	7,030	6,958	6,907	…	…	…	…

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

[1] For 2012, debt relief on arrears and maturities falling due under October 2012 Paris Club agreement; HIPC/MDRI relief is assumed to be delivered effective October 2012. For 2013 and 2014 (projected), debt relief is on outstanding loans fully in arrears owed to non-Paris club official and commercial creditors.

Table 5. Guinea: Performance Criteria (PC) and Indicative Targets, ECF 2013–14[1/]

(Billions of Guinean francs, unless otherwise indicated)

	2013							2014						
	Sep.			Dec.				Mar.				Jun.	Sep.	Dec.
	Indicative Targets	Act.	Status	PC	PC Adjusted [1]	Act.	Status	Indicative Targets	Adj. Targets [1]	Act.	Status	PC	Indicative Targets	PC
Quantitative performance criteria														
Basic fiscal balance (floor; cumulative change for the year)	-1,115	-196	Met	-1,486	-1,355	-1,188	Met	-354	-429	-2	Met	-635	-1,399	-1,915
Net domestic assets of the central bank (ceiling; stock)	4,596	3,819	Met	4,540	4,757	3,815	Met	4,785	4782	4372	Met	5,018	4,789	5,028
Net domestic bank financing of the government (ceiling; cumulative change for the year)	1,069	201	Met	1,221	1,438	1,165	Met	639	636	209	Met	879	1,077	1,162
Net international reserves of the central bank (floor; stock); US$ millions [2]	458	541	Met	427	352	567	Met	481	481	542	Met	459	513	516
New nonconcessional medium- or long-term external debt contracted or guaranteed by the government or central bank (ceiling); US$ millions [3,4,6]	363	363	Met	363	--	363	Met	0	0	0	Met	0	80	80
Stock of outstanding short-term external debt contracted or guaranteed by the government or the central bank (ceiling); US$ millions [4]	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0
New external arrears (ceiling) [4]	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0
Indicative targets														
Expenditure in priority sectors (floor) [5]	3,077	2,579	Not Met	4,200		3,321	Not Met	1,060	--	743	Not Met	2,167	2,633	4,706
Memorandum items:														
Reserve money (ceiling)	7,028	6,722	--	6,770	--	6,978	--	7,360	--	7,413	--	7,441	7,306	7,855

Sources: Guinean authorities; and IMF staff projections.

[1] Definitions and adjustors are included in the technical memorandum of understanding (TMU).

[2] Calculated using the program exchange rates.

[3] External debt contracted or guaranteed other than with a grant element equivalent to 35 percent or more, calculated using a discount rate based on the OECD commercial interest rates. Excludes borrowing from the IMF.

[4] Continuous performance criterion.

[5] Priority sectors include education, health, agriculture, energy, justice, social affairs, and public works (as defined in the TMU).

[6] For 2013 the ceiling is for loans contracted with China's EXIMBANK (US$334.65 million), ECOWAS (US$10.53 million), and the OFID (US$17 million). These loans were contracted in 2012-13; they became effective starting from late 2012. The $80 million ceiling for 2014 is tied to new debt to finance the Kaleta hydroelectric dam-Conakry transmission line project.

Table 6. Guinea: Banking Sector Financial Soundness Indicators, 2010–13

(Percent or as indicated)

Indicator	End Dec. 2010	End Dec. 2011	End Dec. 2012	End Dec. 2013
Capital Adequacy				
Total capital to assets	7.8	8.2	11.6	11.8
Regulatory capital to risk-weighted assets (RWA)	17.0	14.6	18.2	15.6
Percentage of banks with ≥ 10% regulatory capital to RWA	100.0	83.3	92.3	93.0
Share of these banks/total banking system assets	100.0	58.8	98.5	94.5
Percentage of banks ≥ 6% ≤ 10% total capital to RWA	0.0	16.7	7.7	7.0
Share of these banks/total banking system assets	0.0	41.2	1.5	5.0
Asset Quality				
Nonperforming loans (NPLs) to total loans (incl. off-balance sheet)	5.9	3.2	4.8	6.5
NPLs net of provisions to capital	2.5	3.5	3.5	11.2
Earnings and Profitability				
Net income to average assets (ROA)	2.0	2.5	2.2	2.2
Net income to average capital (ROE)	35.1	41.3	28.8	27.8
Non-interest expenses to gross income	14.0	24.5	57.9	93.1
Personnel expenses to gross income	22.0	18.5	20.7	21.1
Expenses to income	29.6	26.5	29.1	31.5
Liquidity				
Liquid assets to total assets (liq. asset ratio)	75.9	69.0	67.3	62.3
Liquid assets to short-term liabilities	86.1	74.1	77.4	72.5
Loans to deposits	24.6	38.1	38.0	45.7
Liquid assets to total deposits	91.4	91.1	85.5	80.6
Sensitivity to Market/FX Risk				
Foreign exchange liabilities to total liabilities	22.0	28.0	33.0	26.5
Foreign currency loans to total loans	36.0	48.1	22.6	23.1

Source: BCRG.

Table 7. Guinea: Risk Assessment Matrix (RAM) [1/]

Sources of Risks	Relative Likelihood	Impact If Realized	Policy Response if Materialized
Growth slowdown in China Substantial decline in commodity prices Protracted period of slower growth in advanced and emerging economies	**Medium** **Medium** **High** (Advanced economies) **High** (Elsewhere)	**Medium** Investment in large new (iron ore) mining projects would likely be delayed, lowering medium-term growth and government revenue.	Intensify structural reform and efforts to improve the overall business climate to promote investment in non-mining sectors. Allow moderate monetary easing to limit the impact on growth.
Regional geopolitical risks in the Middle East and Eastern Europe	**Medium to Low**	**Medium** Increased oil prices could pose a risk to the fiscal position through demands for higher fuel subsidies and delays in implementation of the automatic fuel price adjustment mechanism.	Seek to maintain fiscal discipline. Redirect priority spending to the social sector.
A deterioration in the domestic socio-political and security situation	**Low to Medium**	**High** Investment and growth would be negatively affected, and poverty would risk increasing; development of natural resources would be delayed. Program implementation would risk weakening and key structural reforms being postponed. Macroeconomic stability would be at risk.	Refocus reform on areas less sensitive to socio-political environment. Aim at maintaining fiscal control.
A prolonged and uncontained outbreak of Ebola	**Low to Medium**	**High** Additionally to the loss of lives, investment and growth would be negatively affected. Business and consumer confidence could deteriorate markedly.	Deploy countercyclical fiscal and monetary policies. The deterioration of the fiscal position should remain within the limits of available financing.

[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 of risks listed 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 of 30 percent or more). 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.

Table 8. Guinea: External Financing Requirements and Sources, 2012–16
(Millions of U.S. dollars)

	2012	2013		2014	2015	2016
	Est.	Prog.	Act.	Proj.	Proj.	Proj.
1. Gross financing requirements	1,727	1,797	1,436	1,494	1,721	3030
External current account deficit	1,529	1,684	1,341	1,280	1,515	2985
Capital account balance	-41	-12	-12	-20	-20	-20
Debt amortization	217	33	49	70	71	83
Change in arrears, net [1]	250	139	-4	150	0	0
Gross reserves accumulation	-211	-47	61	13	155	-18
IMF repayments [1]	-16	0	0	0	0	0
2. Available financing	1,727	1,739	1,408	1,465	1,664	3030
Foreign direct investment, net	612	1,164	748	779	1,322	2708
Identified disbursements	286	443	311	532	342	322
Grants	152	194	92	380	229	209
Project	96	88	67	252	202	182
Program	56	106	26	127	27	27
Loans	134	248	218	152	113	113
Project	62	209	184	113	113	113
Program	72	39	35	39	0	0
Other flows	482	0	348	0	0	0
Debt relief [1]	348	133	1	155	0	0
HIPC completion point debt relief [1]	1,902					
HIPC completion point debt cancellation [1]	-1,902					
3. Residual financing	0	58	0	28	57	0
Of which: ECF disbursement		58	0	28	57	0

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

[1] For 2012, Paris Club debt relief for end-2011 arrears and maturities falling due agreed under April 2012 Paris Club agreement. HIPC/MDRI relief is assumed to be delivered effective October 2012. In 2014, projected debt relief on outstanding debt (all in arrears) to non-Paris Club official and commercial creditors.

Table 9. Guinea: Indicators of Capacity to Repay the IMF, 2013–25

(SDR millions, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Projections						
Fund obligations based on existing credit													
Credit outstanding	55.58	73.94	73.94	73.94	72.11	62.42	49.57	34.88	20.2	7.34	1.84	0	0
Percent of quota	51.9	69.04	69.04	69.04	67.33	58.29	46.29	32.57	18.86	6.86	1.71	0	0
Repayment of principal	0	0	0	0	1.84	9.68	12.85	14.69	14.69	12.85	5.51	1.84	0
Charges and interest	0.01	0.01	0.18	0.18	0.18	0.17	0.14	0.11	0.07	0.03	0.01	0	0
Fund obligations from prospective drawings under the new ECF													
Credit outstanding	0.00	18.36	55.08	55.08	55.08	55.08	55.08	47.74	36.72	25.71	14.68	3.67	0.00
Percent of quota	0.00	17.15	51.43	51.43	51.43	51.42	51.42	44.57	34.28	24.00	13.72	3.43	0.00
Repayment of principal	0	0	0	0	0	0	0	7.34	11.02	11.02	11.02	11.02	3.67
Charges and interest	0	0	0.12	0.14	0.14	0.14	0.14	0.13	0.1	0.08	0.05	0.02	0
Total obligations based on existing and prospective credit													
Credit outstanding	55.58	92.3	129.02	129.02	127.19	117.5	104.65	82.62	56.92	33.05	16.52	3.67	0
Percent of quota	51.9	86.19	120.47	120.47	118.76	109.71	97.71	77.14	53.14	30.86	15.43	3.43	0
Percent of gross foreign available reserves	11.87	19.36	22.22	22.39	23.66	19.82	14.72	10.48	6.93	3.90	1.87	0.40	0.00
Repayment of principal	0	0	0	0	1.84	9.68	12.85	22.03	25.7	23.87	16.52	12.85	3.67
Charges and interest	0.01	0.01	0.31	0.32	0.32	0.31	0.28	0.24	0.17	0.11	0.06	0.02	0
Total payments to the IMF	0.01	0.01	0.31	0.32	2.16	9.99	13.13	22.27	25.88	23.98	16.58	12.87	3.67
Percent of exports of goods and services	0.00	0.00	0.03	0.03	0.18	0.81	1.03	0.92	0.66	0.46	0.27	0.18	0.05
Percent of external public debt service	0.03	0.02	0.53	0.54	3.56	13.82	17.36	29.78	51.30	50.19	35.87	29.96	8.47
Memorandum items:													
Prospective purchases	18.36	36.72	36.72										
Exports of goods and services, US$ millions	1,542.75	1,524.81	1,565.43	1,594.17	1,813.00	1,861.52	1,912.49	3,636.86	5,856.04	7,867.99	9,197.99	10,490.66	11,650.55

Sources: Guinean authorities; and IMF staff projections.

Table 10. Guinea: Proposed Schedule of Disbursements and Timing of Reviews Under the ECF Arrangement, 2012–15

Percent of quota	Millions of SDRs	Date of Availability	Condition for Disbursement
17.1	18.36	March 5, 2012 [1]	Disbursed following Executive Board approval of the three-year arrangement under the ECF.
17.1	18.36	October 5, 2012 [1]	Disbursed following Executive Board completion of the first review under the ECF arrangement.
17.1	18.36	May 20, 2013 [1]	Disbursed following Executive Board completion of the second review under the ECF arrangement.
17.1	18.36	February 26, 2014 [1]	Disbursed following Executive Board completion of the third review under the ECF arrangement.
17.1	18.36	February 15, 2014	Observance of all relevant performance criteria, including the performance criteria for December 2013 and completion of the fourth review under the ECF arrangement.
17.1	18.36	August 15, 2014	Observance of all relevant performance criteria, including the performance criteria for June 2014 and completion of the fifth review under the ECF arrangement.
17.1	18.36	February 15, 2015	Observance of all relevant performance criteria, including the performance criteria for December 2014 and completion of the sixth review under the ECF arrangement.
120.0	128.52	Total	

Source: IMF staff.

[1] Actual disbursement date.

Appendix I. Letter of Intent

Republic of Guinea

Conakry, July 18, 2014

MINISTRY OF ECONOMY
AND FINANCE

CENTRAL BANK OF
THE REPUBLIC OF GUINEA

To:
Madame Christine Lagarde
Managing Director, IMF
Washington, D.C., 20431
U.S.A.

Subject: Letter of Intent on Economic and Financial Policies

Dear Madame Managing Director:

1. This fourth supplement to the February 11, 2012 Memorandum of Economic and Financial Policy reviews the implementation of the program supported by the IMF Extended Credit Facility (ECF) since July 2013, and describes our policies for the remainder of 2014.

2. Despite a difficult social and political environment in 2013 and during the early months of 2014, the government has maintained a cautious macroeconomic policy which has kept inflation on a downward trend. The exchange rate remains stable and the coverage of imports by the reserves of the Central Bank of the Republic of Guinea (BCRG) is satisfactory. However, our economy grew only 2.3 percent in 2013, reflecting the combined effects of the social and political troubles, insufficient electricity production, as well as the freezing of a number of investments in the mining sector. In 2014, despite the adverse impact of the Ebola virus, growth is expected to improve thanks to a more stable political environment and the gradual resumption of mining activities following the ratification of the investment framework for the Simandou project.

3. The implementation of the program supported under the ECF arrangement remains satisfactory. All the quantitative performance criteria for end-December 2013 have been

observed. Available data indicate that all but one of the indicative targets for end-March 2014 also have been met. In order to catch up on delays in implementing our ambitious structural reform agenda, we have enhanced our coordination of the monitoring of government policies through the establishment of the Council for Economic Coordination and Reform (CCER) and the strengthening of the Technical Support Committee and the Technical Program Monitoring Unit (CTSP).

4. The government is determined to pursue the implementation of the ECF-supported program and is maintaining its medium-term objective of promoting sustained and inclusive growth. As set out in our PRSP, we intend to harness from our country's natural resources the means needed to expedite the development of our infrastructure and our human capital. In 2014, we intend to reduce inflation to 8.5 percent and to maintain the rate of coverage of imports by the BCRG's gross reserves above three months. We will gradually relax monetary policy to increase credit to the private sector and strengthen growth. The government budget will continue to be executed on a cash basis. We intend to submit a supplementary budget law to the National Assembly shortly to reflect changes in budget forecasts with respect to revenue, expenditure, and financing. We are counting on the CCER to accelerate structural reforms, particularly in the field of public financial management, the business climate and environment, and the electricity sector.

5. The government is seeking the IMF's approval to have the continuous performance criterion for new nonconcessional medium-term or long-term external debt include a provision for a medium-term or long-term nonconcessional external debt in the amount of $80 million effective through end-2014. This provision pertains exclusively to financing for the project for the extension, rehabilitation, and modernization of the electricity grid between the Kaleta hydroelectric dam and the city of Conakry. The government maintains its commitment to mobilize only grants and concessional borrowing for financing its program. The performance criteria for end-December 2014 are included in Table 1 of the fourth supplement to the Memorandum of Economic and Financial Policies (Attachment I).

6. Given the progress recorded in program implementation, we are requesting the completion of the fourth review of the ECF-supported program as well as the fifth disbursement in the amount of SDR 18.36 million (17.1 percent of quota) under the ECF arrangement.

7. The government remains convinced that the policies and measures set forth in the attached supplement to the Memorandum of Economic and Financial Policies are adequate to achieve the program objectives. However, the government will take any additional measures that prove necessary to that end. The government will consult IMF staff with respect to the adoption of such measures, either on its own initiative or at the request of the IMF Managing Director, before adopting such measures or before modifying the policies set out in the Memorandum of Economic and Financial Policies, in accordance with IMF policy regarding such consultations. The government undertakes to provide the IMF with any information required to monitor the implementation of measures and the achievement of program objectives.

8. The government authorizes the IMF to publish this letter, the attached supplement to the Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding, as well as the IMF Staff Report for the fourth review of the program supported with an arrangement with the IMF under the ECF.

Very truly yours,

________/s/_______________
Minister Ansoumane Condé
Deputy Minister for Budget
for
Mohamed Diaré
Minister of State for
Economy and Finance

___________/s/____________________
Lounceny Nabé
Governor of the Central Bank of the
Republic of Guinea

Attachments:

- ✓ Fourth Supplement to the Memorandum of Economic and Financial Policies
- ✓ Technical Memorandum of Understanding

Attachment I. Fourth Supplement to the Memorandum of Economic and Financial Policies

July 18, 2014

This fourth supplement to the February 11, 2012, Memorandum of Economic and Financial Policies (MEFP) describes the implementation of the program supported by the IMF's Extended Credit Facility (ECF) since the third program review in February 2014, and sets forth the key program policies and measures for the remainder of 2014.

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Macroeconomic Developments

1. As described in the supplement to the third review dated February 1, 2014, the Guinean economy went through a difficult time in 2013 as a result of the sharp slowdown in mining sector activity and socio-political turmoil. The most recent data indicate 2.3 percent growth in real GDP compared to the 2.5 percent estimated at the time of the third review. This slight drop is due to weaker diamond production and lower-than-expected bauxite production. In addition, economic activity was slowed by difficulties in electricity supply in the last quarter of 2013. Nonetheless, prudent fiscal and monetary policies contributed to a continued downward trend in inflation to 10.5 percent over the period December 2012–December 2013. International reserves of the Central Bank of the Republic of Guinea (BCRG) also remained at a satisfactory level, covering 3.6 months of imports at year-end.

2. Economic performance in the early months of 2014 continues to be affected by the difficulties experienced in 2013, which have been exacerbated by the impact of the Ebola epidemic. The installation of the National Assembly on January 13, 2014 marked the end of the transition period from the 2009–10 military regime and the resumption of political stability. Nevertheless, preliminary estimates indicate that the rebound in economic activity fell short of expectations. Moreover, in addition to causing loss of human life, the Ebola epidemic affected trade with neighboring countries, international air transport, the hotel industry, and the execution of certain public projects and private investments. Year-on-year inflation continued its downward trend, reaching 9.9 percent at end-May 2014 in spite of the 5 percent increase in petroleum product prices in February 2014.

3. Performance under the ECF-supported program remained satisfactory despite the difficult environment in 2013. All end-December 2013 quantitative performance criteria under the ECF-supported program were met (Table 1). Available data also indicate that all but one of the indicative targets for end-March 2014 were achieved. The implementation of structural reforms in 2013 was delayed due to socio-political disturbances aggravated by the difficulties in providing basic social services, delays in mobilizing external assistance, and weaknesses in the coordination of the reform effort. Delays occurred also in the implementation of the structural benchmarks scheduled for the first half of 2014.

B. Fiscal Developments

4. The final outcome of the 2013 budget was almost the same as the preliminary estimates. The basic balance deficit was GNF 48 billion (0.15 percent of GDP) larger than estimated at the time of the third review under the ECF arrangement, reflecting a shortfall in projected nontax revenues that was largely offset by a better control of expenditures. The budget deficit was financed as planned at the time of the third review under the ECF arrangement, mainly from external resources and by drawing on exceptional resources (Special Investment Fund).

5. Budget implementation during the early months of 2014 was marked by lower-than-expected revenues, but also by lower-than-projected investment spending, especially during the first quarter. Reflecting the state of the economy and delays in implementing the fiscal and administrative measures under the program, non-mining revenue incurred a shortfall of about 0.56 percent of GDP at end-May 2014. The delay in adjusting pump prices for petroleum products at the beginning of the year led to a shortfall in petroleum taxes of 0.24 percent of GDP. In addition, the non-application of the automatic pump price adjustment mechanism resulted in further losses, which were mitigated by the 5 percent price increase in February 2014. Furthermore, there were delays in establishing the medium-sized taxpayer unit (MTU) within the National Tax Directorate (DNI)—which only became effective in March 2014 with the adoption of the organizational chart—and in collecting tax arrears. Current expenditure remained within target during January-May. Investment expenditures, particularly those financed from own resources, remained well below the target for the first quarter. However, the regular review of the portfolio of investment projects and programs as well as the measures taken to expedite the processing of procurement files helped raise the execution of domestically-financed investment expenditure, which increased from GNF 462 billion in March 2014 to GNF 1,140 billion in May 2014. Thus, the basic fiscal balance at end-March 2014 was nearly zero, compared to a target of GNF -354 billion, and reached a deficit of GNF 321 billion (0.7 percent of GDP) at end-May 2014.

C. Monetary and Exchange Rate Developments

6. Developments in the monetary sector were marked by an improvement in bank liquidity. Credit to the private sector rose by 35 percent in 2013, mostly in the second half of the year and especially to the trade sector. Between end-2013 and April 2014, credit increased by 6 percent. The BCRG lowered the policy rate from 22 percent to 16 percent in February 2013 and the reserve requirement ratio from 22 percent to 20 percent in November 2013. Interest rates on banks' subscriptions to treasury bills declined from 16 percent on average during most of 2013 to less than 11 percent in December. The exchange rate between the Guinean franc and the U.S. dollar remained stable around GNF 7,000 per dollar in 2013 and in early 2014.

7. The health of the financial system remains satisfactory. Although financial stability indicators deteriorated slightly between end-2012 and end-2013, significant progress was made in financial sector governance. Four (4) banks have already reached or exceeded the minimum capital requirement of GNF 100 billion which will be mandatory by June 30, 2016. The draft new Central Bank Charter was approved by the National Assembly on June 25, 2014, and the BCRG approved the financial sector development plan in April 2014.

D. Developments in External Debt

8. To strengthen prudent external debt management, the government approved in March 2014 a medium-term action plan prepared with technical assistance from the European Union. The aim of this plan is to strengthen capacity of the Debt and Public Development Aid Directorate. It provides for the implementation of the new procedures manual for public debt and the strengthening of the proficiency of staff in the use of debt management tools. The government will seek assistance from technical and financial partners (TFPs) to implement the action plan. Additional technical assistance from the European Union is being mobilized to support the Directorate in implementing the action plan during the second half of 2014. In particular, it will assist the National Public Debt Committee (CNDP), which was established by decree in March 2014. As regards the draft statement of public debt policy, extensive consultations have been held with the directorates of the Ministry of the Economy and Finance (MEF) and with sectoral departments. These consultations took longer than expected but were necessary to ensure better appropriation by all parties. The document will be finalized and approved by November 2014 under the supervision of the CNDP.

E. Implementation of Structural Reforms

9. Following the slowdown in the implementation of structural reforms in 2013, the government took measures in early 2014 to accelerate the pace of reform. As described in the MEFP for the third review under the ECF arrangement, most of the structural reforms planned for 2013 were delayed (Table 2). Members of the government that took office in January 2014 received mission letters aimed at improving the monitoring and coordination of reforms. A Council for Economic and Reform Coordination (CCER) was set up, and its enabling legislation was passed in February 2014. The CCER, which is under the authority of the Prime Minister, is responsible for ensuring the monitoring and coordination of economic, financial, and sectoral policies and reform programs. It began its work in late May 2014 and receives assistance from a technical support committee in organizing its work.

10. Most of the 2013 structural benchmarks carried forward to 2014 were implemented more actively in the first half of 2014, indicative of the government's willingness to make up for the delays in 2013. The decree restructuring the CTSP was signed in March 2014, and the government prepared the terms of reference for consultants to be recruited with donor support. The technical committee responsible for finalizing the Investment Code completed its work and the draft was validated in a workshop which included the private sector; the draft law revising the investment code will be approved by the government before July 25, 2014 (**prior action**). With regard to the implementing regulations (*textes d'application)* of the law and the Public Procurement Code, the implementing regulations particularly those relating to (i) the Public Procurement Regulatory Authority (ARMP); (ii) the Administration and Control of Large Projects and Public Procurement (ACGP); (iii) the National Directorate of Public Procurement (DNMP); and the thresholds for awarding public contracts were also validated and will be adopted by the government before July 25 (**prior action**). The ARMP acquired a building for its offices in April 2014 in anticipation of the recruitment of its staff. The draft decree defining the role of SOGUIPAMI and its relations with the public administration will be adopted by the government shortly.

11. The government also made progress in bringing the existing legal texts on public entities into compliance with the provisions of the 2012 Budget Framework Law (LORF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP). The government prepared, with IMF technical assistance, a preliminary draft law on the financial governance of public institutions and publicly-owned companies to bring it into compliance with the provisions of the LORF and the RGGBCP. The government intends to adopt the draft law before end-September 2014 (**reprogrammed structural benchmark**).

12. The government continues to make efforts to improve public financial management (Box 1).

- With IMF technical assistance, a new draft budget nomenclature was prepared in June 2014.
- Progress has been made in the issuance of regularization orders (*titres de régularisation*) for previous years, and the stock of expenditures to be regularized declined significantly over the past three years.
- The government continued to implement administrative measures to increase budget revenue. The medium-sized taxpayer unit had registered 1,047 companies at end-April 2014. The Committee on Property Tax Reform and Evaluation was created by an order on March 19, 2014.
- The project to interconnect revenue agencies (National Directorate of the Treasury, National Tax Directorate, and General Directorate of Customs) with the BCRG is underway and a study on this was finalized in January 2014 with technical assistance from USAID and the U.S. Treasury.

13. The government began to implement the new VAT credit reimbursement mechanism, developed with IMF technical assistance. In this context, a first deposit of GNF 37 billion in the special account for VAT reimbursements opened at the BCRG was made in April. However, further deposits to the account were suspended in light of the slow pace of reimbursements. At end-April 2014, requests for the reimbursement of VAT credits totaled GNF 5.9 billion but only GNF 178 million had been reimbursed. The low level of reimbursement is mainly explained by the large amount of VAT credits (GNF 3 billion) of the *Société Minière de Dinguiraye* (SMD), for which an audit is needed. Another factor was the time needed to complete the processing of the reimbursement requests; the Tax Department will organize a meeting with the most important companies in order to improve the submission process, especially with regard to the treatment of fuel expenses. At the same time, the process of reconciling VAT credit arrears is ongoing. Out of a total of GNF 674 billion in requests for reimbursement at end-2013, GNF 434 billion has already been validated. A multi-year program has been established to settle these arrears over four years (2014-2017) based on a monthly repayment schedule. The provisional amount of repayments in 2014 is GNF 102 billion.

Box 1. Guinea: Main Objectives of the Guinean Authorities to Modernize and Strengthen Revenue Administrations in 2014

Tax administration

- Develop a strategic approach to modernize the National Tax Directorate (DNI)
- Adopt a functional organizational chart and streamline DNI's organization, management, and oversight
- Put in place reform management structures
- Simplify and harmonize tax legislation; broaden the tax base
- Universalize the tax return filing system
- Confirm and apply the principle of segmentation of the tax population
- Put in place an integrated unit for the taxation of medium-sized enterprises
- Systematize taxpayer registration (taxpayer identification number (NIF))
- Put in place a standardized VAT credit reimbursement procedure
- Improve the programming, monitoring, and effectiveness of tax audits
- Ensure tax collection continuity and step up tax recovery efforts
- Improve the quality of user services to promote tax compliance
- Strengthen modern resource allocation and management
- Put in place an appropriate training policy
- Finalize the IT system overhaul project

Customs administration

- Pursue a strategic approach to conducting reforms
- Put in place a risk analysis and management policy
- Use the valuation file (*fichier valeur*) for certain sensitive products
- Enhance controls, particularly over exemptions
- Strengthen anti-fraud efforts
- Improve the management of disputed cases
- Develop a communications and public relations strategy as well as an integrated program for enhancing ethics and good governance
- Continue initial and permanent training to upgrade staff skills
- Strengthen human resource management
- Provide greater budget autonomy and means adapted to the needs of the General Directorate of Customs (DGD), and seek financing for the three-year equipment plan
- Continue to implement the IT action plan, overhaul the computer and electricity distribution network, and increase server security
- Finalize the transition to ASYCUDA World.

14. Headway was made on the civil service reform agenda. The biometric survey of the civil service began in December 2013 and continues with assistance from the World Bank. The implementation of the measures to reform the General Inspectorate of the Public Administration (IGAP) has begun. The decree on the organization and operation of the IGAP was recently signed. The evaluation of skills and positions' shortages to guide future IGAP recruitment was completed through an organizational audit of the Inspectorate in 2013.

15. Reforms in the business climate enabled Guinea to rise four positions in the 2014 Doing Business rankings. Clear-cut gains were made on business creation and property transfers. The time for establishing an enterprise was shortened to about 3 days in 2014 as against 16 days in 2013, and the number of procedures was reduced to 5 in 2014 compared to 12 in 2012. A decree was issued in May 2014 to eliminate completely the obligatory minimum level of share capital for the establishment of a limited liability company. The OHADA National Commission was also created within the Ministry of Justice in March 2014 to raise national business law standards up to those of OHADA. A decree ratifying the revised OHADA Treaty was issued in May 2014. The judiciary oversight body (*Conseil Supérieur de la Magistrature*) was installed in June 2014.

16. Reforms in the mining sector were accelerated, even though all the measures expected in 2013 have yet to be fully implemented. The government approved four implementing texts of the Mining Code in January 2014, but a review of these texts suggests that there is room for improvement. With technical assistance from partners, including the IMF, work continues on finalizing the 6 regulations that still require approval. In March 2014, the government approved a new master plan for the development of ancillary transport infrastructure. It also signed an investment framework with its partners for iron ore extraction in Simandou and the construction of relevant infrastructure, which was ratified by the National Assembly on June 14, 2014. In accordance with the Mining Code, the government launched a call for tenders for the assignment of operating rights for three (3) bauxite blocks in the Boffa Prefecture. Four (4) companies submitted bids with a minimum opening bid of $200 million per block; the bids were opened on May 21, 2014 and the process of awarding the contracts, which is being handled by a private consultant agency, is under way. As regards the review of mining permits, three mining contracts have already been fully reviewed, of which the rights under one contract concerning blocks 1 and 2 in Simandou, were withdrawn.

17. Measures to restructure the electricity sector are ongoing. In the context of the project to increase thermal capacity by 100 MW, the technical audit of the purchase of generators from the company Asperbras was completed, resulting in the cancellation of the contract. Tender documents (*dossier de consultation des enterprises* (DCE)) for completing the 100 MW project were prepared and a restricted call for tenders will be launched with assistance from the Abu Dhabi Fund for Development. The contract for the rehabilitation of the power station Tombo V in Conakry, financed by the Islamic Development Bank (IDB), is being negotiated. Pending completion of the project, the Aggreko lease agreement will continue to be in effect as planned until September. A due diligence mission for the establishment of a public–private partnership (PPP) with the public electricity utility *Electricité de Guinée* (EDG) was carried out, and a tendering process for bids is underway to recruit a management partner for EDG, with assistance from the World Bank and the International Finance Corporation. Lastly, a structure for coordinating and mobilizing donor financing to support priority projects under the electricity sector restructuring plan was put in place and held its first meeting in mid-February 2014.

ECONOMIC AND FINANCIAL POLICIES AND STRUCTURAL REFORMS FOR THE REMAINDER OF 2014

A. Macroeconomic Outlook for 2014

18. The government is continuing its policy of ensuring macroeconomic stability in 2014. In light of developments in the first half of the year, including the delays in the resumption of mining investments, energy shortages, and the Ebola epidemic, the growth forecast for 2014 has been revised to 3.5 percent, below the 4.5 percent initially projected. Nonetheless, compared to 2013, the economy should be boosted by good performance in the agricultural sector and in construction and public works. The signing in May 2014 of the investment framework with Rio Tinto for mining operations in Simandou should lead to a gradual resumption of work relating to the completion of the feasibility study, starting in the last quarter of 2014. Furthermore, in the second half of 2014, the economy will benefit from a improvement in the supply of electricity. Based on developments in the first half of the year, the government is maintaining its objectives of lowering inflation to 8.5 percent and of keeping the rate of coverage of imports by the BCRG's gross official reserves well above three months of imports.

B. Fiscal Policy

19. In light of developments in the first half of the year, additional expenditure needs, and new financing resources, the government intends to submit a draft supplementary budget. Government revenue was revised to 19.3 percent of GDP, 0.4 percent of GDP lower than the projected 19.7 percent at the time of the 3rd review under the ECF arrangement. The revenue shortfall reflects the downward revision of the rate of economic growth, delays in implementing administrative revenue measures, and a shortfall in fuel revenue, partly offset by additional exceptional non-tax revenue from the Guinean Petrol Company (SGP) as well as additional measures to collect tax arrears. The government will amend the regulation on the automatic petroleum product price adjustment mechanism before end-July 2014 to take into account the difficulty of making frequent small adjustments, and will apply the mechanism starting in August.

20. The revised budget will also accommodate new spending needs. Current spending will increase by 0.7 percent of GDP. This reflects savings on the wage bill (0.2 percent of GDP), which were more than offset by additional allocations for the functioning of the new National Assembly (0.2 percent of GDP) and for higher-than-expected transfers for university scholarships (0.3 percent of GDP). Moreover, the revised budget includes (current and capital) expenditures amounting to 0.6 percent of GDP corresponding to expenditures budgeted in 2013 but which were de-committed in order to close the budget exercise as initially planned (Box 2). The allocation for domestically-financed investment spending was raised by 0.6 percent of GDP, including to fund the rehabilitation of the government conference center *Palais des Nations* (0.8 percent of GDP), new road projects, the government's share of financing for the regional power grid interconnection project and the addition of 100 MW to generating *capacity*. However, the recapitalization of the BCRG (0.3 percent of GDP) was postponed, pending IMF advice.

Box 2. Guinea: Expenditures De-committed in 2013 and Re-budgeted in 2014

To ensure better control of domestic arrears, the government took steps in 2011 to limit the duration of the complementary period and the amount of expenditures underway. Given the cash flow constraints at end-2013 and to comply with the provisions outlined above, the government had to proceed with de-commitments amounting to GNF 243 billion in expenditures already committed. These expenditures needed to be re-budgeted so that payment for them could be provided for in the 2014 supplementary budget. The source of the problems in 2013 was a lack of coordination in the preparation and the monitoring of the commitments and treasury plans. In its determination to prevent this kind of problem in the future, and consistent with the expenditure management policy it intends to conduct, the government has taken a firm stand to ensure that expenditure commitments made during the year are strictly within its capacity to make payments on them by monitoring cash flow plans and rolling and matching commitments. Moreover, the Ministry of Budget will make sure that the limits imposed by the treasury plan will be set before finalizing the commitment plan.

21. The government intends to contain subsidies to EDG within budget limits. In light of the progress made in the process of recruiting a management partner for EDG and to avoid the extra costs of a preparatory study for a detailed performance contract, the government will instruct EDG (before July 25, 2014), through a joint letter from the Ministers of State for the Economy and Finance and the Ministry of Energy and Hydrology to manage its operations in such a way that there is no need for government financial support over and above the amount included in the revised budget and to avoid supplier arrears (**prior action**).

22. The government maintains its objective to finance the budget without recourse to net domestic bank financing other than from drawing down balances stemming from the 2011 exceptional mining revenue, and intends to continue to manage expenditure on a cash basis. The draft revised budget has a basic balance deficit of 4 percent of GDP compared to a target of 2.6 percent of GDP in the initial budget. The additional deficit is financed in part from the unspent amounts ($7 million) from 2012 budget support of the African Development Bank, the remaining balance of $140 million in the Special Investment Fund (SIF), and the remaining available balance at end-2013 from the exceptional mining revenue from Rio Tinto. The government expects to finance the remaining financing needs (0.9 percent of GDP) from new exceptional revenue: it expects to receive at least $600 million from the sale of the three (3) bauxite blocks in Boffa; an external consultant is evaluating the bids, which were opened on May 21 2014. Up to a maximum of $62.5 million (GNF 437.8 billion) of these new resources will be used to maintain investment expenditure financed from domestic resources. As a result, the program adjustor for exceptional mining revenues for the performance criteria has been revised (TMU ¶22). The remainder will be used in an effective and sustainable manner for medium-term investment expenditure under the SIF.

C. Monetary and Foreign Exchange Policy for 2014

23. The BCRG will continue the gradual prudent easing of its monetary policy, taking into account developments in inflation and international reserves. This is expected to be achieved through a cut in the policy rate from 16 percent to 13 percent, together with the removal of interest rate ceilings on Treasury bills. The BCRG will continue to assess developments in domestic credit conditions and the impact of policy changes on financing conditions in the economy before considering a cut in the reserve requirement ratio. In the meantime, the BCRG will continue, with

IMF technical assistance, to develop tools to better assess liquidity conditions in the economy and for the creation of a second refinancing window, through which resources would be allocated through market mechanisms (auction procedures). It will also deepen the money market through efforts to promote the creation of a domestic currency interbank market. A new credit rating system will provide better information on risk. Lastly, the BCRG will make it easier for the public to participate in financing the government's needs through the issuance of Treasury bills in book-entry form and in certificate form and bonds.

24. As regards foreign exchange, the exchange rate will remain market-determined. To further improve the role of market mechanisms, the BCRG will, if conditions are favorable, widen the exchange rate band around the auction rate for banks from 3 percent to 5 percent. The BCRG Board of Directors approved in June 2014 its investment policy for international reserves in accordance with IMF recommendations and international standards, which stipulates that deposits must be placed with banks that have a minimum rating threshold of "A" set by two credit rating agencies (**prior action**). The BCRG published the external auditor's opinion report dated December 31, 2013 on its website. Principal structural reforms include the development of an instruction on mobile financial services in the third quarter of 2014, the revision of the Insurance Code—a draft of which will be transmitted to the government in November 2014 before being submitted to the National Assembly—, and the adoption of new regulations on insurance products offered by banks (*bancassurance*) and
micro-finance institutions (*micro-assurance*) and their subsequent publication by end-December 2014.

Box 3. Guinea: Safeguards Assessment: Priority Reforms

The last safeguards assessment was completed in April 2012. Among the recommendations made in this assessment, the BCRG's priorities in the short term are the following:

- **Finalization of the BCRG investment policy**: Following the adoption of the BCRG Act by the National Assembly, the monetary policy committee will confirm the bank's investment policy, which was approved by the BCRG's Board of Directors in June 2014.
- **Central bank recapitalization and reform of BCRG operations** to strengthen its financial viability. The BCRG is awaiting recommendations from the IMF technical assistance missions scheduled in 2014–2015. The BCRG is waiting for the second tranche of its recapitalization, pending an assessment of its actual needs to be undertaken through technical assistance from the IMF.
- **Compliance with international accounting standards**, with the assistance of a similar institution and/or other technical assistance providers after the implementation of these standards by a similar institution.

D. Structural Reforms

25. Structural reform remains a priority for the government and is a prerequisite for higher growth, poverty reduction, and for Guinea to benefit from its natural resource wealth. The CCER will meet once a month and as often as needed, and it's technical committee will meet twice per month. The executive secretary of the CTSP was recently nominated by an order issued by the Prime

Minister and the CTSP is expected to move into its new offices by August. Recruitment is underway with assistance from the World Bank and the African Development Bank to strengthen the CTSP's capacity; this is expected to be completed by November. The European Union will continue to provide technical assistance to the CTSP and will mobilize additional short-term expertise as part of a new program which is slated to begin in early 2015. These councils/committees will help ensure a regular review (i) of the priority action plan prepared by the government, (ii) the economic and financial reform program, and (iii) the implementation status of the departments' mission letters. Key structural reforms aim at strengthening public financial management, civil service reform, further improvements in the business climate, mining sector reform, as well as restoring the financial viability of the electricity sector while increasing power supply.

Public financial management

26. The government will continue to implement priority actions under the Public Finance Reform Plan (PREFIP) adopted in May 2014 (Box 4). Accordingly, implementation of the provisions of the new legal texts (LORF and RGGBCP) is to be expedited and the second implementing regulation of the LORF, namely the decree providing for the governance of public finances, is to be adopted by end-September 2014.

Box 4. Guinea: Public Finance Reform Plan (PREFIP)

The PREFIP, approved by the Council of Ministers in May 2014, was prepared with the help of technical assistance from the European Union. It builds on a comprehensive evaluation of Guinea's current public financial management system through a Public Expenditure and Financial Accountability (PEFA) assessment conducted by the Guinean authorities with support from the IMF in April–June 2013. The PREFIP comprises a total of 13 programs, 9 of which are reform programs covering all public financial management components and 4 are reform support programs. The 9 reform programs are as follows: (1) budget programming and preparation, (2) domestic revenue mobilization and management, (3) external resource mobilization and debt management, (4) public expenditure management, (5) management of government assets, (6) cash flow management, (7) accounting reform and financial information system, (8) local finances, and (9) internal and external control systems. The 4 reform support programs are: (10) training and human resources, (11) computer system, (12) infrastructure rehabilitation and (13) communication. The aim is to first lay the groundwork before undertaking more complex reforms.

The steering body responsible for monitoring, coordinating, and implementing the PREFIP is aligned with existing institutional frameworks. At the policy level it will comprise the expanded Public Finance Steering Committee (*Comité de pilotage des finances publiques élargi*—COFIP élargi) and will be based on technical coordination structured around the CTSP and technical reform committees in the directorates (focal points). The reform is a nationwide initiative that, in addition to the Ministry of Economy and Finance, includes sectoral ministries, public entities (public institutions and publicly owned companies, local authorities), national institutions (Court of Accounts, parliament), the private sector, and civil society.

27. The government will, in consultation with donors, adopt a new budget nomenclature before end-September 2014, including a functional classification (reprogrammed structural benchmark). This nomenclature, developed in consultation with development partners and with IMF technical assistance, will include a functional classification to better target poverty reduction expenditures while taking account of issues associated with the treatment of revenue from natural resources. The delay in implementing this structural benchmark, set for June 2014, is due to a delay in mobilizing technical assistance to finalize the nomenclature and incorporating issues associated with natural resources.

28. The government will deepen the reforms to modernize the revenue authorities and will implement the following structural reforms:

- Further strengthen the medium-sized taxpayer unit (SME) through support to management, for enhancing tax collection, and for tax audit programming by end-December 2014;
- Finalize the revision of the General Tax Code, the Customs Code, and the Customs Tariff, expected by end-December 2014;
- Continue the property tax reform with the production of an action plan to increase property tax revenue in the medium term;
- Revise customs clearance procedures by end-September 2014; the application of risk-based customs inspections through the selective use of first ASYCUDA ++ and then ASYCUDA World declarations by end-December 2014 and the computerization of domestic customs offices by end-December 2014;
- Continue with the improvements introduced in customs clearance procedures by facilitating partnerships with the private sector through agreements on installment plans for payments of customs duties.

29. The SIF will continue its activities with the finalization of eligibility criteria for investments accepted by the SIF and the process for selecting investment projects. The draft eligibility criteria for public investment financed by the SIF will be submitted to the management committee of the SIF before end-September 2014.

30. The audit on domestic arrears is underway with the assistance of the French Development Agency (AFD). The process to appoint a consultant tasked with the study has been launched. Based on the audit results, the government will approve a timetable for clearing domestic payment arrears by December 2014, distinguishing between arrears from the budget years 2011–13 and those from 2005–10 (**structural benchmark**).

31. The Treasury will make further progress with the implementation of the Treasury Single Account (TSA)**.** The TSA architecture has been finalized, as has the account management agreement and the agreement on the securitization of advances from the BCRG to the Treasury. In this context, the following are expected to be completed by end-2014: the creation of a master account at the BCRG, the transfer of accounts from autonomous public entities (EPA) and local governments (*collectivités*) (**reprogrammed and reformulated structural benchmark**), the clearance of debit balances in public accounts held with primary banks, and the amendment of the Law of March 29, 2011, on the general principles for the management by the Treasury of funds belonging to public bodies other than the government, in order to align it with the LORF and the RGGBCP.

32. The government decided in June 2014 on the treatment of suspense accounts for the exceptional years 2005–10. This treatment will be to settle these accounts in one consolidated exercise and without providing the relevant supporting documentation. The government will carry out this treatment after consulting with the Court of Auditors and the prior approval of the National Assembly. Work on the regularization of the suspense accounts for 2011–12 is well underway. The balances in the suspense accounts for these years have been reduced by 75 percent and the corresponding adjustment entries have been entered. On this basis, the government will produce the management and administrative government accounts for 2011–12 by December 2014 (**structural benchmark**).

Civil service

33. The government has made progress on the civil service reform agenda, the aim of which is to improve productivity in the public administration and in the management of recruitment, careers, and the wage bill. The biometric survey is expected to be finalized before end-September 2014 so that it can be used as a basis for the civil service reform plan and the action plan for the State Reform and Modernization Program (PREMA). The government will adopt a civil service reform plan, based on the biometric survey and the PREMA action plan by end-December 2014 (**structural benchmark**). The preliminary results of the first phase of the biometric survey indicate that about 10 percent of civil servants did not fill out identification forms. The recent signing of the decree on the organization and operation of the IGAP will make it possible to: (i) strengthen the management capacities of the IGAP (recruitment, training, procedures manual) (by January 2015); (ii) prepare and computerize organizational charts and job descriptions (by December 2014); (iii) assess the shortage of skills and positions for future recruitment (after the biometric survey); and (iv) program the redeployment of personnel who are paid but are unassigned or surplus, and early retirements (December 2014). These measures continue to be implemented with assistance from the World Bank.

Business climate

34. Reforms to improve the business climate aim to boost investment and growth, reduce poverty, and transform Guinea into an emerging economy. The delay in approving the Investment Code—initially planned to be submitted to Parliament before end-June 2014 but now expected to be approved by the government before July 25, 2014—was due to a change in management at the head of the Ministry of Industry and Small and Medium-Sized Enterprises. With respect to the coordination of Private Sector Reform, the government decided to put in place a Thematic Group for Private Sector Development (GTDSP) as well as a Public–Private Dialogue (PPD) framework by end-2014 to coordinate reforms in the sector. The program for the reform of the judiciary is being finalized and should be approved by the government in late September 2014 (Box 5). This program will include a component aimed at strengthening the respect of property titles and commercial contracts, as well as a timetable for the creation of an Economic Chamber. A project to create a Commercial Court is also being considered and includes a training program for judges. As for the Private Investment Promotion Agency (APIP), an international consultant will be recruited with support from the World Bank Group to assist the APIP in preparing an enterprise promotion strategy and a business plan, to be completed by end-December 2014.

Box 5. Guinea: Justice Sector: Reform Program

The forum on justice (*États généraux de la Justice*), held from March 28 to 30, 2011, revealed many shortcomings in judicial and penal institutions. At the institutional and legislative level, neither the OHADA National Commission nor the judiciary oversight body (*Conseil supérieur de la Magistrature*) were operational, the Constitutional Court and the Court of Accounts had yet to be put in place, and most legislative texts were not aligned with Guinea's international commitments. Other elements that came to light were the existence of very widespread corruption, the abuse of power by judicial, penitentiary, and defense and security forces personnel in dealings with the public, and noncompliance with laws regarding notices to appear, custody, and detention procedures. The control and penalty mechanisms were insufficient, particularly as applied by the public prosecutor's office (*Parquet*), and did not protect against abuse. Lastly, there was under-servicing, insufficient budget allocation, obsolete infrastructure, an aging staff, and a lack of appropriate training.

The draft judiciary reform program was prepared in 2012 with the help of technical assistance from the European Union. The overall objective of the reform is to improve the rule of law and governance in the field of justice in the Republic of Guinea. The specific aim is to improve the independence of, and enhance access to, an impartial, more humane judiciary. The strategic pillars are: (i) strengthening of the rule of law; (ii) access to impartial, effective justice; (iii) overhaul of the penitentiary system; and (iv) reform implementation. A decree was issued in March 2013 for the creation of the National Steering Committee for Justice Reform, which should undertake the adoption of the reform program shortly.

Mining sector

35. The objectives of mining policy include the promotion of mining investment, support for projects currently under development, and monitoring compliance with legal and contractual commitments to help these projects move into the production stage consistent with the expected timetable. A mining policy statement is being prepared and will be finalized by December 2014. With respect to artisanal mining operations, artisanal areas are expected to be parceled out in 2014. The government also plans to complete a study on the organization of artisanal gold prospecting by end-2014, for which it has requested technical assistance. In order to reassure investors and to maximize its own revenues from the sector, the government stepped up efforts to complete the reintegration into the Extractive Industries Transparency Initiative (EITI), and it was accepted as EITI compliant on July 2, 2014. To ensure transparency in the management of mining permits, an update of the mining cadastre is underway with the assistance of the World Bank. In this respect an audit of the geological and mining information system has already begun and will be completed by end-December 2014. In order to put investors on an equal footing, the government will continue to strictly enforce the regulations under the new Mining Code for granting new mining permits and concessions.

36. The implementing regulations of the Mining Code are being finalized. Four decrees were signed on January 17, 2014. However, experts assisting the government indicated that amendments are required to the decree supplementing the tax provisions of the Mining Code, the decree on permit management, as well as the standard contract. Work continues on finalizing the six remaining decrees and their orders. The Ministry of Mines and Geology created internal committees that have begun to work on the available draft texts. The issues concerning the compensation for individuals who could potentially be affected by mining activities are sensitive

and require a participatory approach that makes completion of the relevant decrees dependent on financing so that public consultations may be conducted. The government has requested financial assistance from the World Bank and other technical and financial partners, and sought the support of experts. It will also request technical assistance from the IMF to revise the decrees on the taxation of mining companies. Despite uncertainties about receiving the assistance requested, the government intends to finalize these implementing regulations by end-2014.

37. The government intends to finalize the review of all mining contracts by end-December 2014. Of the 18 contracts, the review of 3 contracts has been completed and work on the 15 remaining contracts is well-advanced. The Mining Contract Review Technical Committee (CTRCM) made recommendations on the first three mining contracts (Rio Tinto, BSGR, AMC), one of which was terminated by the Strategic Committee and the government. The recommendations on the second contract, approved by the CTRCM, should lead to an addendum to be submitted to the Council of Ministers. The CTRCM will finalize the various audit reports underway with the help of audit firms. A recruitment process for a financial analyst is underway to support the review process through the use, improvement, and analysis of financial models.

38. The government has decided to limit SOGUIPAMI's role in managing the government's holdings in the mining sector. A recent report financed by the World Bank proposed several options for the role to be played by SOGUIPAMI, the private company created by the government to manage its shareholdings in the mining sector. In keeping with the government's objectives, supported by the ECF arrangement, as described in the statement in the MEFP of the first review dated September 11, 2012, and based on the recommendations of the study, the government plans to issue by end-September 2014 a decree , defining SOGUIPAMI's role and relationship with the public administration (**reprogrammed structural benchmark**), limiting SOGUIPAMI's activities to managing the government's stake in the mining sector, as described in option 1 in the consultant's report. All revenues from this holdings will be transferred directly to the Treasury and its operating expenses will be covered by the national budget. SOGUIPAMI will not be involved in any financial activities, including any type of indebtedness. SOGUIPAMI will not hold participations in mining companies active in production or in infrastructure. This will enable SOGUIPAMI to focus on the important task of guaranteeing that the government shareholdings in the mining sector are managed in the national interest.

39. The recently signed investment framework for the Simandou iron ore project and the potential start-up of a number of other major projects in the bauxite sector will pose considerable challenges to the government's limited capacity. The government has begun discussions with its external partners and affected companies to strengthen its capacity in order to ensure that projects are not delayed due to the government's weak capacity to provide the necessary administrative services. The Ministry of Mines and Geology will be organizing a conference in September 2014 with all the parties and partners in order to obtain the required support and to develop an action plan for building capacity in a broad range of government sectors. Moreover, by end-2014 the government will prepare an action plan to strengthen the Ministry of Mines and Geology, including by establishing a "one stop" unit to assist mining companies in obtaining the necessary government services and permits.

Energy sector

40. An increase in electricity supply, the rehabilitation of transmission and distribution networks, and an improvement in EDG's governance are a priority for the government. The government will continue to implement the seven priority projects in the electricity sector reform plan: (1) rehabilitation and strengthening of hydroelectric production; (2) rehabilitation of the thermal power plants Tombo III and Tombo V; (3) support for the reform of EDG; (4) restructuring and strengthening of the electricity sector; (5) rehabilitation and strengthening of the electricity transmission network; (6) a 100 MW increase in thermal power production; and (7) rehabilitation of the Conakry distribution network. With respect to the reform of the sector, a consultant is currently being recruited with assistance from the World Bank and the AFD to assist the Ministry of Energy and Water Resources in drafting a new law on electricity and a law on public–private partnerships. The draft laws will be available at end-December 2014. The government will adopt the drafts and the implementing regulations for these laws by March 2015. The recruitment of a management partner for EDG is underway with the assistance of the World Bank and the IFC and will be completed by end-December 2014 (**structural benchmark**).

Agricultural sector

41. Food self-sufficiency in 2017 remains the primary objective of agricultural policy. However, the sector is already committed to the medium-term goal of transforming Guinea into an emerging agricultural power by 2025, which will be based on the implementation of development centers, taking into account production possibilities and production sectors. For the time being, the government will continue to facilitate farmers' access to high quality seeds and fertilizers, and to improve farmers equipment, and will strengthen the capacity of public agencies responsible for agronomic research, extension services, and statistics. These efforts will help to sustain high growth in rice production and to prepare the ground for additional investment in the processing, warehousing, and marketing of agricultural products beginning in 2015. Efforts will also be made to resume exports of coffee, with completion of the authorization process for "Ziama" coffee, as well as of fruits, vegetables, and cotton.

42. The government intends to undertake key actions in the reform of the agricultural sector in 2014. Following the actions already undertaken since 2011, it plans to accelerate the preparation of irrigation and water management projects, and overcome the segmentation of watersheds, with support from the country's technical and financial partners. The market information system and monitoring of food imports will be strengthened and incorporated into the Strategy and Development Office to sustain this function. The bodies of the National Chamber of Agriculture will be renewed through elections of officers to be held by end-2014 once the legislation governing this institution has been amended. The draft agricultural framework law will be shared with the various ministerial bodies before regional workshops are organized. The validation of this draft and the promulgation of the law is expected by end-2014, which will create the legal basis for the transformation of traditional agriculture and ensure the protection of property rights for private investments. With assistance from its technical and financial partners, the government will identify, by end-2014, possible ways to strengthen the revolving fund it finances primarily by reviewing the level of subsidies for agricultural inputs and equipment. The results of past crop years show a satisfactory rate of recovery of the revolving

fund, with an increase from 59.54 percent in 2011–12 to 89 percent for the 2012–13 crop year and then to 92 percent for 2013–14. Measures will be taken to strengthen the system for collecting on loans from the revolving fund through (i) cash sales and (ii) joint surety (*caution solidaire*) of credible Agricultural Farming Organizations (OPA).

E. Program Financing

43. The government considers that the financing needs of the 2014 program are fully covered. The bulk of the financing will come from external resources. The budget is benefitting from savings in debt service following attainment of the completion point under the HIPC initiative in 2012. Nearly all creditors in the Paris Club have signed, or are expected to sign in the near future, bilateral agreements for debt relief. Multilateral creditors have already delivered HIPC- and MDRI-related debt relief, except for two institutions with which discussions are ongoing. In addition, the government has sought discussions with non-Paris Club official bilateral creditors on debt relief. However, most have not responded to the government's invitation to engage in discussions. The government has also invited commercial creditors to open discussions to clear arrears in line with the IMF's policy on lending into arrears, including by the provision of debt relief, but most have not yet responded. Disbursements from the IMF under the ECF arrangement are expected to cover the residual balance of payments needs.

44. The authorities will continue to give priority to concessional loans and grants in mobilizing external financing. However, this may prove difficult in financing certain projects, especially large-scale infrastructure and energy projects, because of the limited availability of concessional funds from donors. The government intends to ensure that all public loans, including nonconcessional borrowing, are contracted in accordance with a debt policy aimed at preserving the sustainability of public debt. The government is holding discussions on an external loan to finance a project to expand, rehabilitate, and modernize the electricity network between the Kaleta hydroelectric dam and Conakry. The financing conditions proposed are nonconcessional. This project is urgent because the network should be ready to connect Conakry to the dam, currently under construction, when it begins electricity generation in 2015. Moreover, the project has a high rate of return and is very important for supporting economic growth and poverty reduction, and also to reduce the electricity sector deficit. In this context, the government plans to seek the IMF's approval to create a window for a new nonconcessional debt of $80 million for this project by end-2014, in order to incorporate this debt in the financing allowed under the program. The government will continue to seek concessional terms on loans, particularly to carry out its structural investment policy.

45. The government will deepen reforms to strengthen debt management. Debt management will be strengthened, notably by making the CNDP, which was created in March 2014, fully operational and by implementing its action plan. The CNDP will adopt by November 2014 the National Public Debt Policy Statement and will subsequently submit one to the Council of Ministers for approval before informing the National Assembly. The goal of this policy is to ensure that public financing needs are met and to guarantee debt sustainability while securing Guinea's sustainable development. The work on developing a medium-term debt strategy as set out in the action plan of the Debt and Public Development Aid Directorate will also begin with technical assistance from the World Bank and the IMF in September 2014. A

team responsible for debt sustainability analysis will also be created and be made operational. Other important measures under this action plan include organizing training sessions to strengthen staff proficiency in using the procedures manual and debt management tools, drafting an annual report, conducting internal audits, and building up the IT system and database on internal and external debt.

PROGRAM MONITORING

46. The government will persevere in its efforts to upgrade the statistics system to ensure the regular production and supply of quality statistical data. The national accounts for 2006–11 have been adopted and are being issued. The production of national accounts for 2012 and 2013 is planned in 2014 using 2012 as the base year.

47. The government will implement measures to enhance program monitoring by making all the relevant new entities operational (CCER, Technical Support Committee). The CTSP will also play its full part, in accordance with its new structure. The program will be reviewed semiannually by the IMF Executive Board on the basis of quantitative monitoring indicators and structural benchmarks (Tables 1–4). These indicators are defined in the attached Technical Memorandum of Understanding (TMU, Attachment II). The third year of the program will finish in February 2015. The fifth (sixth) program review, based on the performance criteria at end-June 2014 (December 2014) should be completed no later than October 2014 (February 2015).

48. During the program period, the government undertakes to (i) not to introduce or intensify exchange restrictions on the making of payments or transfers pertaining to current international transactions; (ii) not to introduce or modify multiple currency practices; (iii) not to enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement; and (iv) not to impose or intensify import restrictions for balance of payments purposes. Moreover, the authorities undertake to adopt, in consultation with IMF staff, any new financial or structural measures that may prove necessary for the program’s success. The government undertakes to provide to the IMF all the information necessary for monitoring implementation of program measures and achieving program objectives.

Table 1. Guinea: Performance Criteria (PC) and Indicative Targets, ECF 2013–14 1/

(Billions of Guinean francs, unless otherwise indicated)

	2013							2014						
	Sep.			Dec.				Mar.				Jun.	Sep.	Dec.
	Indicative Targets	Act.	Status	PC	PC Adjusted [1]	Act.	Status	Indicative Targets	Adj. Targets [1]	Act.	Status	PC	Indicative Targets	PC
Quantitative performance criteria														
Basic fiscal balance (floor; cumulative change for the year)	-1,115	-196	Met	-1,486	-1,355	-1,188	Met	-354	-429	-2	Met	-635	-1,399	-1,915
Net domestic assets of the central bank (ceiling; stock)	4,596	3,819	Met	4,540	4,757	3,815	Met	4,785	4782	4372	Met	5,018	4,789	5,028
Net domestic bank financing of the government (ceiling; cumulative change for the year)	1,069	201	Met	1,221	1,438	1,165	Met	639	636	209	Met	879	1,077	1,162
Net international reserves of the central bank (floor; stock); US$ millions [2]	458	541	Met	427	352	567	Met	481	481	542	Met	459	513	516
New nonconcessional medium- or long-term external debt contracted or guaranteed by the government or central bank (ceiling); US$ millions [3,4,6]	363	363	Met	363	--	363	Met	0	0	0	Met	0	80	80
Stock of outstanding short-term external debt contracted or guaranteed by the government or the central bank (ceiling); US$ millions [4]	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0
New external arrears (ceiling) [4]	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0
Indicative targets														
Expenditure in priority sectors (floor) [5]	3,077	2,579	Not Met	4,200		3,321	Not Met	1,060	--	743	Not Met	2,167	2,633	4,706
Memorandum items:														
Reserve money (ceiling)	7,028	6,722	--	6,770	--	6,978	--	7,360	--	7,413	--	7,441	7,306	7,855

Sources: Guinean authorities; and IMF staff projections.

[1] Definitions and adjustors are included in the technical memorandum of understanding (TMU).

[2] Calculated using the program exchange rates.

[3] External debt contracted or guaranteed other than with a grant element equivalent to 35 percent or more, calculated using a discount rate based on the OECD commercial interest rates. Excludes borrowing from the IMF.

[4] Continuous performance criterion.

[5] Priority sectors include education, health, agriculture, energy, justice, social affairs, and public works (as defined in the TMU).

[6] For 2013 the ceiling is for loans contracted with China's EXIMBANK (US$334.65 million), ECOWAS (US$10.53 million), and the OFID (US$17 million). These loans were contracted in 2012-13; they became effective starting from late 2012. The $80 million ceiling for 2014 is tied to new debt to finance the Kaleta hydroelectric dam-Conakry transmission line project.

Table 2. Guinea: Structural Benchmarks Under the ECF-Supported Program, July–December, 2013

Measures	Date	Implementation Status	Macroeconomic Rationale
Apply a monthly adjustment system to the price of petroleum products based on fluctuations in the international market price and the exchange rate	Ongoing, starting August 1, 2013	Not met. Pump prices were increased by 5 percent in February 2014.	Protect fiscal revenues
Adopt a civil service reform plan, based on the results of the biometric survey and the HCREMA action plan	End-September 2013	Not met. Rescheduled. The recruitment of a consultant to conduct the biometric survey was delayed.	Restrain the wage bill and improve government productivity
Prepare a medium-term action plan to strengthen external debt management with technical assistance from the European Union	End-October 2013	Not met. Implemented with delay in March 2014	Strengthen external debt management
Adopt and implement the recommendations of the study on the role of SOGUIPAMI and its relationship with public administrations	End-December 2013	Not met. The consultant submitted his final report in April 2014.	Maintain the government's assets in the mining sector under government control, protect government revenues, and limit fiscal risks
Regularize suspense accounts and produce administrative government accounts for 2005–12	End-December 2013	Not met. The initial approach could not be implemented due to lack of data on earlier years of the period, reflecting the turbulent social and political situation at that time. Benchmark reformulated and rescheduled.	Improve public financial management and transparency
Adopt revisions of legal texts on public entities to make them consistent with the new Budget Framework Law (LORF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP)	End-December 2013	Not met. Rescheduled.	Limit the risks for the government budget and strengthen central control over external public debt

Table 3. Guinea: Structural Benchmarks Under the ECF-Supported Program for 2014[1]

Measures	Date	Implementation Status/Remarks	Macroeconomic Rationale
Strengthen the institutional and financial resources of the CTSP and start the process of recruiting national experts in line with the recommendations of the study financed by the EU	End-March 2014	Not met. However, substantial progress was made: the decree restructuring the CTSP was signed in March 2014. The terms of reference for consultants have been submitted to donors in June 2014 (MEFP¶10,¶25); the executive secretary was nominated in July and offices will be available by August.	Improve program monitoring
Sign a performance contract with EDG's management, requiring EDG to ensure that its need for financial assistance will be limited to the amount in the budget and that new supplier arrears will be avoided	End-April 2014	Not met. Pending the selection of a private-sector management company for EDG by end-2014, the government has decided to provide written instructions to EDG instead of a more expensive performance contract (MEFP ¶21)	Reduce budgetary risks
Submit to parliament a draft law revising the investment code	End-June 2014	Not met. Projected to be adopted by the government by end-July 2014 (MEFP ¶10, 34)	Reduce tax expenditures and improve the business environment
Adopt the regulations governing the power of the main participants (ACGP, ARMP, DNMP) and the implementing regulations of the new procurement code	End-June 2014	Not met (MEFP ¶10) ; adoption expected before end-July 2014	Bring the public procurement framework in line with international standards
The government to decide on the treatment of the suspense accounts for the exceptional years (2005–10) based on the recommendations of IMF technical assistance and will produce the general management and the administrative accounts of the State for 2011–12	End-June 2014	Not met. The government has decided to settle the accounts for the years 2005–10 as one year; the completion of accounts for 2011–12 has been rescheduled for end-December 2014 (Table 4), (MEFP¶32).	Strengthen fiscal management and transparency

[1]As set in the context of the 3rd review under the ECF arrangement (IMF Country Report No. 14/63).

Table 3. Guinea: Structural Benchmarks Under the ECF-Supported Program for 2014 (concluded)

Measures	Date	Implementation Status/Remarks	Macroeconomic Rationale
Adopt revisions of legal texts on public entities to make them consistent with the new Budget Framework Law (LORLF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP)	End-June 2014	Not met. Reprogrammed for September 2014 (see Table 4) (MEFP ¶11)	Limit the risks for the government budget and strengthen central control over external public debt
Revise relations between autonomous entities in receipt of public resources and the Treasury to transfer these resources to the Treasury Single Account	End-June 2014	Not met. Reformlated and reprogrammed (Table 4). A committee has been set up to review the legal texts creating these entities and suggest options to make them consistent with the public finance organic law (MEFP ¶31)	Ensure the integrity of the government's budget and improve its cash management
Adopt and implement the recommendation of the study on the role of SOGUIPAMI and its relationship with the public administrations	End-June 2014	Not met. A decree implementing the recommendations is expected to be adopted early in the third quarter of 2014. (MEFP ¶10, 38).	Maintain the government's assets in the mining sector under government control, protect government revenues, and limit financial risks
Adopt, in consultation with donors, a new budget nomenclature, including a functional classification	End-June 2014	Not met. Reprogrammed (see Table 4). IMF TA provided final recommendations in June (MEFP ¶27).	Improve the monitoring of poverty reduction efforts
Adopt a civil service reform plan, based on the results of the ongoing biometric survey and the action plan for the program for reform of the State and modernization of government (HCREMA)	End-December 2014	Under way (MEFP ¶33)	Restrain the wage bill and improve the productivity of the public administration
Recruit a management partner for EDG with the assistance of the World Bank and the IFC	End-December 2014	Under way (MEFP ¶ 40)	Improve power supply and reduce fiscal risk
The government will approve a timetable for clearing domestic payment arrears, distinguishing between arrears from the budget years 2011–13 and those from 2005–10.	End-December 2014	Under way (MEFP¶30)	Support private sector growth and enhance government credibility

Table 4. Guinea: Prior Actions for the Completion of the Fourth Review and Revised Structural Benchmarks Under the ECF-Supported Program for 2014

Measures	Date	Implementation Status	Macroeconomic Rationale
Prior Actions			
Adoption by the Board of Directors of the Central Bank of the investment policy for international reserves in accordance with IMF recommendations and international standards (MEFP ¶24)	June 25, 2014	Implemented	Minimize risk of losses and ensure the liquidity of Central Bank reserves
Approval by the government of a draft law revising the investment code (MEFP¶10)	Before July 25, 2014		Reduce tax expenditures and improve the environment for the private sector
Adoption by the government of the implementing regulations of the law and Public Procurement Code particularly those relating to (i) the Public Procurement Regulatory Authority (ARMP); (ii) the Administration and Control of Large Projects and Public Procurement (ACGP); (iii) the National Directorate of Public Procurement (DNMP); and the thresholds for awarding public contracts (MEFP ¶10)	Before July 25, 2014		Bring the procurement framework in line with international standards
Joint instructions by the Minister of State for the Economy and Finance and the Ministry of Energy and Hydrology to EDG, ordering EDG to manage its operations in such a way that there is no need for government's financial support over and above the amount included in the revised budget and to avoid supplier arrears (MEFP¶21)	Before July 25, 2014		Reduce fiscal risks
Structural Benchmarks			
Adopt the draft law on public entities to make it consistent with the new Budget Framework Law (LORF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP) (MEFP ¶11)	End-September, 2014		Limit the risks for the government budget and strengthen central control over external public debt

Table 4. Guinea: Prior Actions for the Completion of the Fourth Review and Revised Structural Benchmarks Under the ECF-Supported Program for 2014 (concluded)			
Measures	**Date**	**Implementation Status**	**Macroeconomic Rationale**
Transfer the accounts from autonomous public entities (EPAs) and local governments to the Treasury master account at the BCRG (MEFP ¶31)	End-September, 2014		Ensure the integrity of the government's budget and improve its cash management
Adopt and implement the recommendation of the study on the role of SOGUIPAMI and its relationship with the public administration (MEFP ¶38)	End September 2014		Maintain the government's assets in the mining sector under government control, protect government revenues, and limit financial risks
Adopt, in consultation with donors, a new budget nomenclature, including a functional classification (MEFP ¶27)	End-September 2014		Improve the monitoring of poverty reduction efforts
Produce management and administrative government accounts for 2011–12 (MEFP ¶32)	End-December 2014	Under way.	Improve public financial management and transparency
Adopt a civil service reform plan, based on the results of the ongoing biometric survey and the PREMA action plan (MEFP ¶33)	End-December 2014		Restrain the wage bill and improve the productivity of the public administration
Recruit a management partner for EDG with the assistance of the World Bank and the IFC (MEFP¶40)	End-December 2014		Improve power supply and reduce fiscal risk
Approve a timetable for clearing domestic payment arrears, distinguishing between arrears from the budget years 2011–13 and those from 2005–10 (MEFP ¶30)	End-December 2014		Support private sector growth and enhance government credibility

Attachment II. Technical Memorandum of Understanding

July 18, 2014

INTRODUCTION

1. This memorandum sets out the understandings between the Guinean authorities and staff of the International Monetary Fund (IMF) regarding the definitions of the quantitative performance criteria and indicative targets for the program supported under the ECF, as well as the related reporting requirements.

2. The quantitative performance criteria, indicative targets, and cut-off dates are detailed in Table 1 of the Fourth Supplement to the Memorandum of Economic and Financial Policies.

KEY DEFINITIONS

3. Unless otherwise indicated, the government is defined as the central government of the Republic of Guinea and does not include local governments, the Central Bank of the Republic of Guinea (BCRG), or any other public entity with autonomous legal personality, notably administrative public entities (*établissements publics administratifs*).

A. Quantitative Performance Criteria

4. **The basic fiscal balance** is calculated as the difference between government **revenue**, excluding **grants**, and **basic government expenditure**. Definitions of bolded terms above are consistent with the definitions in the government flow of funds table (TOFE), for which the calculation method is described in Section IV below.

5. **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. 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 (i.e., NDA = Reserve Money - NFA, based on the BCRG balance sheet).

6. **Domestic bank financing of the government**, or net domestic bank credit to the government from banks, comprises: (i) central bank financing of the Treasury, i.e., the change in the net position of the Treasury with the central bank (NTP1), including the HIPC account and accounts for exceptional resources, such as the Special Investment Fund (SIF), but excluding changes in the net position of "satellite" government accounts with the central bank (PNT2); and (ii) commercial bank financing of the Treasury, which includes changes in the stock of Treasury bills held by banks, but excludes changes in the net position of "satellite" government accounts held in commercial banks.

7. **Net international reserves** (NIR) of the BCRG are, by definition, equal to the difference between the reserve assets of the BCRG (i.e., the external assets readily available to and controlled by the BCRG as per the sixth edition of the IMF's Balance of Payments Manual) and

the foreign exchange liabilities of the BCRG to residents and nonresidents (including the foreign exchange deposits of the local banks with the BCRG and off-balance sheet liabilities). These foreign exchange liabilities, which are used to calculate the NIR, do not include long-term liabilities, such as SDR allocations. In the context of the program, the gold holdings of the BCRG will be valued at the price of gold in effect on June 28, 2013 for the second half of 2013, on December 31, 2013 (US$1,205.9 per oz.) for the first half of 2014 and at the price in effect on June 30, 2014, for the second half of 2014. For the test dates, the U.S. dollar value of the reserve assets (other than gold) and foreign exchange liabilities will be calculated using the program exchange rates in effect, namely: on June 28, 2013, for the second half of 2013, the exchange rates between the U.S. dollar and the Guinean franc (6808.8444 GNF/US$), SDR (1.5039 US$/SDR), Euro (1.3080 US$/EUR), and other currencies as published in International Financial Statistics; on December 31, 2013, for the first half of 2014, the exchange rates between the U.S. dollar and the Guinean franc (7005.8314 GNF/US$), SDR (1.5400 US$/SDR), Euro (1.3783 US$/EUR), and other currencies as published in International Financial Statistics; and for the second half of 2014, the exchange rates in effect on June 30, 2014.

8. **Medium- and long-term external debt** contracted or guaranteed by the government or the central bank is defined as the amount of external debt (see subsection C below) contracted by the government or the central bank for a period of one year or more during the period under review. A debt is considered concessional if its grant element is at least 35 percent, the net present value (NPV) of the debt being calculated with a discount rate of 5 percent.[1] This definition does not apply to financing granted by the IMF.

9. **Short-term external debt** contracted or guaranteed by the government or the central bank is defined as the stock as of a specific date of external debt contracted or guaranteed by the government or the central bank with an initial contractual maturity of less than one year. Excluded from this definition for the purposes of the program are normal import-related suppliers' credits and foreign currency deposits at the central bank.

10. **New external arrears** include all external debt-service obligations (principal and interest) arising from loans contracted or guaranteed by the government or the BCRG that are due but not paid on the due date, and unpaid penalties or interest charges associated with these loans. For the purposes of this performance criterion, an obligation which has not been paid within 30 days after falling due will be considered a "program" arrear. Arrears not to be considered as arrears for the performance criteria, or "non-program" arrears, are defined as: (i) arrears accumulated on the service of an external debt for which there is a request for rescheduling or restructuring; and/or (ii) litigious amounts.

11. **The float** is the flow of expenditures accepted by the Treasury that is not yet paid. **The net change in the float** is the difference between the accumulation and the payments.

[1] A more detailed discussion of the concessionality concept and a calculator to estimate the grant element of a financing package are available at the IMF website at http://www.imf.org/external/np/pdr/conc/index.htm.

B. Indicative Target and Memorandum Item

12. **Expenditure in priority sectors**, an indicative target for the program, includes spending under Title 2 (wages and salaries), Title 3 (goods and services), Title 4 (transfers and subsidies), and Title 5 (domestically financed investment) by the Ministries of (i) Justice; (ii) Agriculture; (iii) Fisheries and Aquaculture; (iv) Livestock; (v) Public Works and Transport; (vi) Urban Planning, Housing, and Construction; (vii) Health and Public Hygiene; (viii) Social Affairs, Advancement of Women, and Children; (ix) Pre-University Instruction and Civic Education; (x) Labor, Technical Education, and Professional Training; (xi) Higher Education and Scientific Research; (xii) Literacy and Promotion of National Languages; and (xiii) Energy and Environment. This expenditure also includes spending under Title 6 (financial investment and capital transfers) by the Ministry of Health and Public Hygiene as well as utility charges for water, electricity, and telephone (Title 3) of the ministries listed above. However, they exclude spending under Title 4 (transfers and subsidies) of the Ministry of Higher Education and Scientific Research.

13. **Reserve money**, a memorandum item, comprises deposits from local banks and the private sector to the BCRG (including bank reserve requirements) denominated both in Guinean francs and in foreign currencies, 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 the paragraph on net international reserves).

C. External Debt

14. The term "external debt" is understood as specified in point 9 of the Guidelines on Performance Criteria with Respect to External Debt in Fund arrangements.[2] External debt is defined with respect to the residency of the creditor. For purposes of the program, "debt" will be understood to mean current, i.e., not contingent, liabilities, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. External debt can take a number of forms, the primary ones being the following:

- loans , i.e., advances of money to the obligor by the lender on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' or suppliers' 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, official swap arrangements, swaps, or leases);

[2] See "Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements" approved by the Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009.

- suppliers' credits, i.e., 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
- leases, i.e., arrangements under which property is provided that the lessee has the right to use for periods of time which are usually shorter than the total expected service life of the property, without transfer of ownership, while the lessor retains the title to the property. For the purpose of this memorandum, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property.

15. Under this definition of debt, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are also debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

16. The government and the central bank agree not to contract or guarantee any nonconcessional external debt on the terms defined in paragraphs 8 and 9 above, with the exception of debt in the form of reschedulings and those specified in paragraph 17 below. To this end, the government undertakes to consult with IMF staff on the terms and concessionality of all proposed new loan agreements before contracting or guaranteeing any external debt.

17. The performance criterion for new nonconcessional medium-term external debt includes a provision in 2014 relating to financing for a project to expand, rehabilitate, and modernize the electricity network between the Kaleta hydroelectric dam and Conakry. The amount stipulated under this provision is US$80 million. The government will inform Fund staff before contracting a loan to finance this project and will provide details on the loan terms as well as a summary of the project to be financed and its profitability, including an independent evaluation.

D. Adjustment to Program Performance Criteria

18. The quantitative performance targets are calculated on the basis of projected amounts of (1) net external assistance; (2) exceptional revenues from the mining sector (see table below); (3) the net change in "program" arrears; and (4) the net change in the float. For program purposes, net external assistance is defined as the difference between: (a) cumulative budgetary assistance (grants and loans), the impact of debt relief granted by external creditors, and the net change in "non-program" arrears; and (b) cumulative payments of external debt service due after relief, for loans on which debt relief is secured. The net change in "program" arrears represents the cumulative "program arrears" in respect of the current debt maturity dates, less the cumulative cash payments to pay down these arrears.

Guinea: External Assistance, Program Arrears, Exceptional Mining Revenue and Float, 2013–14

(Billions of Guinean francs, cumulative from the beginning of the fiscal year)

	2013						2014					
	Sept.			Dec			Mar			Jun	Sept	Dec
	Prog.	Act.	Diff.	Prog.	Act.	Diff.	Prog.	Act.	Diff.	Prog.	Prog.	Prog.
Net external assistance	365	-127	-492	689	32	-657	-140	-65	75	-29	46	594
Budget support	626	174	-452	1,051	419	-632	0	0	0	309	403	1,165
Grants				768	177	-591	0	0	0	309	403	892
Loans				283	242	-41	0	0	0	0	0	273
External debt service	-242	-280	-38	-314	-413	-99	-140	-72	68	-338	-382	-601
Interest	-56	-57	-1	-76	-72	4	-37	-28	9	-56	-94	-111
Principal	-186	-223	-37	-238	-341	-103	-103	-44	59	-282	-289	-490
Net change in non-program arrears and debt relief	-19	-21	-2	-48	26	74	0	7	7	0	26	30
Net change in non-program arrears	-340	-21	319	-1,011			-218	7	225	-720	-31	-1,053
Debt relief	321	0	-321	963			218	0	-218	720	57	1,083
Program arrears				0	0	0	0	0	0	0	0	0
Exceptional mining revenue	0	0	0	0	0	0	0	0	0	0	0	438
Change in the float	-185	42	227	-244	-178	66	-101	-104	-3	-72	5	5

Sources: Guinean authorities and IMF staff calculations.

19. The floor for NIR, the ceilings on NDA of the BCRG and bank financing of the government, and the floor for the basic fiscal balance will be adjusted if net external assistance, the net change in "program" arrears, exceptional mining revenues, and/or the net change in the float differ from the projected amounts.[3]

20. **Adjustments for net external assistance**:

- *If net external assistance exceeds program forecasts*, the floor for the basic fiscal balance will be adjusted downward by an amount equal to the surplus external assistance (allowing the entire surplus to be used for supplementary expenditures). The floor for NIR and the ceilings on NDA of the BCRG and bank financing of the government will not be adjusted.

- *If net external assistance is below program forecasts*, the floor on NIR will be adjusted downward by 80 percent of the shortfall, and the ceilings for NDA of the BCRG and bank financing of the government will be adjusted upward by 80 percent of the shortfall. The floor for the basic fiscal balance will be adjusted upward by 20 percent of the shortfall (requiring a fiscal adjustment equivalent to 20 percent of the shortfall).

21. **Adjustment related to the net change in "program" arrears:**

- *If the net change in "program" arrears exceeds program projections,* the floor for NIR will be adjusted upward by an amount equal to the surplus net change in arrears. The ceilings on NDA of the BCRG and bank financing of the government will be adjusted downward by an amount equal to the surplus net change in arrears. The floor for the basic fiscal balance will not be adjusted.

[3] Any surpluses or shortfalls will be calculated using the program exchange rate.

- *If the net change in "program" arrears is below program projections,* the floor on NIR will be adjusted downward by 80 percent of the difference, and the ceilings for NDA of the BCRG and bank financing of the government will be adjusted upward by 80 percent of the difference. The floor for the basic fiscal balance will be adjusted upward by 20 percent of the difference (requiring a fiscal adjustment equivalent to 20 percent of the difference).

22. **Adjustments for exceptional mining revenues:**

- *The 2014 supplementary budget includes US$62.5 million in exceptional mining revenues for investment financing*.
- *In the case of exceptional mining revenues in excess of US$62.5 million and up to US$125 million, the floor for NIR will be adjusted upward and the ceilings on NDA of the BCRG and bank financing of the government will be adjusted downward by 80 percent of the surplus, while the floor for the basic fiscal balance will be adjusted downward by 20 percent of the surplus (allowing use of up to US$11 million of the surplus for investment expenditures*).
- *For surplus exceptional mining revenues in excess of US$125 million, the floor for NIR will be adjusted upward and the ceilings on NDA of the BCRG and bank financing of the government will be adjusted downward by an amount equal to 100 percent of the surplus beyond US$125 million, while the floor for the basic fiscal balance will not be adjusted (resulting in the saving of the surplus beyond US$125 million in the SIF, pending a review of the budget outlook and a cost-benefit and sustainability analysis before these excess revenues are committed over a medium-term timeframe for investment spending identified in the public investment program*).

23. **Adjustment related to the net change in the float:**

- *In case the net change in the float exceeds the projected amounts under the program, the ceilings on NDA of the BCRG and bank financing of the government will be adjusted downward by an amount equal to the excess*.

E. Definitions for Purpose of the TOFE

24. Government **revenue** includes tax and nontax revenue. It does not include external grants, the proceeds of privatizations, or exceptional mining revenues (the latter two being recorded as financing by agreement of the parties). Tax and nontax revenue are defined in accordance with Section IV.A.1 of the 1986 edition of the IMF's Government Finance Statistics Manual (GFS), using the following categories. For tax revenue, the main categories are taxes on income, profit, and dividends (Title 1); taxes on property (Title 2); taxes on international trade (Title 3), including import duties, export duties (*droit fiscal de sortie*), the surtax on consumption, the liquidation levy (*redevance de liquidation*), and penalties related to international trade; taxes on goods and services (Title 4), including general sales taxes, value-added taxes on domestic sales and on imports, the single tax on vehicles (TUV), the business tax (TAF), taxes on petroleum products, and export taxes on mining products, including taxes on mining products, taxes on diamonds, and the tax on precious metals. Other tax revenues (Title 5) include stamp taxes and

registration fees. Tax receipts also include the taxes borne by the government for the purchase of externally financed capital goods. Nontax revenue consists of royalties and dividends (excluding revenue from the sale of telephone licenses), administrative duties and fees, and fines and forfeitures (Title 6), other nontax revenue (Title 7), including incidental revenues, and capital revenues (Title 8). Capital revenues include the proceeds from the sale of government assets, but exclude privatization proceeds.

25. Government **expenditure** is measured at the stage of acceptance by the Treasury, regardless of the execution procedure followed. In the case of both the regular procedure and the simplified delegated spending authority procedure, expenditures are accepted by the Treasury immediately after the payment order is issued. In the case of simplified procedures and delegated spending authority or payments without prior issuance of a payment authorization, the Treasury accepts the expenditure at the time that payment is ordered and in such cases no expenditure is measured on the basis of the adjusting payment orders (*mandatements de régularisation*) when the adjustment to a payment order basis is done. Government expenditure includes all expenditure of the central government, including subsidies and transfers to autonomous public entities, and loans granted or on-lent by the government to public enterprises and other sectors of the economy, net of repayments on such loans.

26. **Basic expenditure** is defined as total fiscal expenditure, less expenditure on interest on the external debt and expenditure financed by external grants or loans or by counterpart funds.

27. **External financing** comprises: (i) disbursements of external loans; (ii) principal owed on government external debt; (iii) relief and rescheduling of government external debt, net of HIPC assistance obtained from multilateral institutions, which is considered part of grants; and (iv) the net change in external arrears (interest and principal, to be shown separately).

F. Data Reporting for Program Monitoring Purposes

28. The information on implementation and/or execution of the structural benchmarks under the program (as specified in Table 5 of the Supplement) will be reported to the IMF's African Department within two weeks of the planned date of implementation. The status of the implementation of other structural measures included in the program will be transmitted within 30 days of the end of each month.

29. The authorities will report the information summarized in Table 1 below to the IMF's African Department by the deadlines set in this table. Barring any indication to the contrary, the data will take the form as discussed between the authorities and the IMF. The authorities will supply the Fund with any additional information that its staff may request for program monitoring purposes.

Table 1. Guinea: Data Reporting Requirements 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
Fiscal data	Status report, including a detailed statement of revenue, expenditure, and cash-flow operations	Monthly	30th of the month for the previous month
	Monthly report of the high-level technical committee on revenue monitoring	Monthly	15th of the month for the previous month
	General Treasury balances	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
	Use of exceptional mining revenues	Quarterly	30th of the month after the end of the quarter
	Execution of budgetary expenditures from HIPC resources and other priority expenditures	Monthly	30th of the month for the previous month
	Balance of current expenditures, VAT credits to be refunded, and domestic debt arrears	Monthly	30th of the month for the previous month
	Nonbank financing, indicating operations in Guinean francs and those in foreign currencies	Monthly	30th of the month for the previous month

Table 1. Guinea: Data Reporting Requirements 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 the previous month
	National accounts	Annually	Summary estimates three months after the end of the year
Balance of payments data	Imports by use and exports by major product, trade balance	Quarterly	Three months after the end of the quarter
	Price and volume indices of imports and of exports	Quarterly	Three months after end of quarter
	Consolidated balance of payments estimates	Annually	Summary estimates: six months after the end of year
External debt	Debt service due before and after debt relief	Monthly	30th of the month for the previous month
	Debt service paid	Monthly	30th of the month for the previous month
	Debt service reconciliation table	Monthly	30th of the month for the previous month
	End-of-month outstanding debt and stock of daily debt service outstanding (after relief) and unpaid, stock of daily arrears according to the program definition	Monthly	30th of the month for the previous month
	Drawings on new loans	Monthly	30th of the month for the previous month
External grants and loans	Disbursements	Quarterly	30th of the last month of the quarter for the previous quarter
	Monthly transfers of debt relief amounts under the HIPC Initiative, by creditor	Monthly	30th of the month for the previous month

INTERNATIONAL MONETARY FUND

GUINEA

July 18, 2014

FOURTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

Prepared By

African Department
(In Consultation with Other Departments)

CONTENTS

RELATIONS WITH THE FUND

As of May, 2014

Membership Status: Joined: September 28, 1963 Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	107.10	100.00
Fund holdings of currency	107.03	99.93
Reserve Tranche Position	0.08	0.07

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	102.47	100.00
Holdings	115.18	112.41

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	73.94	69.04

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Feb 24, 2012	Feb 23, 2015	128.52	73.44
ECF [1/]	Dec 21, 2007	Dec 20, 2010	69.62	24.48
ECF [1/]	May 02, 2001	May 01, 2004	64.26	25.70

Projected Payments to Fund [2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2014	2015	2016	2017	2018
Principal				1.84	9.68
Charges/Interest	0.01	0.19	0.19	0.18	0.17
Total	0.01	0.19	0.19	2.02	9.85

Implementation of HIPC Initiative:

	Enhanced
I. Commitment of HIPC assistance	Framework
Decision point date	Dec 2000
Assistance committed	
by all creditors (US$ Million)[3/]	639.00
Of which: IMF assistance (US$ million)	36.01
(SDR equivalent in millions)	27.80
Completion point date	Sep 2012
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	27.80
Interim assistance	11.30
Completion point balance	16.49
Additional disbursement of interest income[4/]	7.45
Total disbursements	35.25

[1/] Formerly PRGF.
[2/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.
[3/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.
[4/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

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

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

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

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

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

Safeguards Assessment

An update of the 2007 Safeguards Assessment of the Central Bank of the Republic of Guinea (BCRG) was completed in April 2012. It found that risks of misuse and misreporting remain high, but are somewhat improved since the 2007 assessment. To mitigate risks to the prospective program, staff proposed, inter alia, that: (i) the Board of the BCRG approve an investment policy and guidelines for the management of international reserves (approved on June 13, 2014 as a Prior Action for the 4th Review of the ECF); (ii) external auditors continue to verify monetary data; (iii) the BCRG publish audited annual financial statements within statutory deadlines; and, (iv) the BCRG adopt and implement internationally-recognized financial reporting standards. These measures are needed in the short run, but equally important are steps to exercise better oversight on controls and to strengthen the autonomy of the central bank. The BCRG is working towards the implementation of these and other Safeguards Assessment recommendations.

Exchange Rate Arrangement

Guinea's exchange rate arrangement is classified as a managed float system with no predetermined path, after an interruption of the system during 2009–10; the de facto arrangement is classified as "other managed arrangement". The system includes a multiple currency practice as the value of the official rate lags the weighted average commercial bank rate on which it is based by one day. A technical assistance mission from the Fund (MCM) visited Conakry in 2011 and made suggestions on the exchange rate system, including on the lag between the official and commercial banks rate. A resident advisor financed by the IMF is assisting the BCRG in implementing the recommendations. Guinea has accepted the obligations under Article VIII, sections 2, 3 and 4 of the IMF's Articles of Agreement.

Article IV Consultation

The last Article IV consultation was concluded by the Executive Board on February 24, 2012.

Technical Assistance 2011–14

Calendar Year 2011

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

Source: IMF staff.

Calendar Year 2012

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

Source: IMF staff.

Calendar Year 2013

Provider	Main topic	Dates
Fiscal Affairs		
FAD	Manual on budget execution (1/2)	January 28-February 15, 2013
FAD	Budget preparation framework (1/2)	January 29-February 1, 2013
FAD	TSA implementation (follow up)	February 6-15, 2013
FAD	Budget preparation framework (2/2)	March 4-8, 2013
FAD	PEFA assessment	March 20-April 3, 2013
FAD	Extrabudgetary entities framework	April 29-May 3, 2013
FAD	Manual on budget execution (2/2)	April 15-26, 2013
FAD	Public financial management	April 8-19
FAD	PEFA dissemination and reform strategy	May 15-22, 2013
FAD	Tax administration	June 17- 28, 203
FAD	Public financial management	September 2-13, 2013
FAD	VAT credit refund in the mining sector	November 18-22, 2013
FAD	Customs Administration	December 9-13, 2013
FAD	Public financial management	December 9-20, 2014
FAD	Public financial management (Resident advisor)	2013
Money and Capital Markets		
AFW	Bank Supervision and Regulation in Guinea	February 4-22, 2013
AFW	Analysis of Debt Portfolio	April 8-19, 2013
AFW	Bank Supervision	May 13-24, 2013
AFW	Bank Supervision	December 1-13, 2013
AFW	Bank Supervision and Regulation in Guinea	December 2-13, 2013
MCM	Central Banking (Resident advisor)	2013
Legal		
LEG	Central Banking Legislation	March, 2013
Statistics		
AFW	Migration to GFSM 2001	April 8-19, 2013
AFW	National accounts	May 13-24, 2013
AFW	Government finance statistics	May 22-31, 2013

Source: IMF staff.

Calendar Year 2014

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	Fiscal forecasting and budgeting	February 10-24, 2014
FAD	VAT refund mechanisms for the mining sector and PFM governance	January 29 - February 6, 2014
FAD	Budget classification	June 2-13, 2014
AFW	Public financial management	June 9-20, 2014 [1]
FAD	Natural resources	September 1-10, 2014 [1]
AFW	Tax administration	September 15-19, 2014 [1]
FAD	Public financial management strategy and medium term framework	September 15-29, 2014 [1]
FAD	Public financial management (Resident Advisor)	2014 - 2015 [1]
Monetary and Capital Markets		
MCM	Reserve management	January 30 - February 7, 2014
AFW	Bank supervision	March 3-14, 2014
MCM	Monetary and FX operations and policies	September 1-12, 2014 [1]
AFW	Public debt management	September 1-12, 2014 [1]
MCM	Medium-term debt strategy	September 8-12, 2014 [1]
MCM	Central banking (Resident Advisor)	2013 - 2014
Statistics		
AFW	National accounts	January 6-17, 2014
STA	Financial soundness indicators	April 14-18, 2014
STA	Government finance statistics	October 1-10, 2014 [1]

Source: IMF Staff
[1] Planned.

JOINT WORLD BANK-FUND MATRIX

(As of June 2014)

Title	Products	Expected delivery date
World Bank work program in the next 12 months	**Operations**:	
	Development Growth Corridor Project	Q2 2016
	Mineral Sector Governance Project	Ongoing
	Results-Based Lending (DPO)	Q2 2015
	Economic and Sector Work:	
	Public Expenditure Review (agriculture, education and health)	Q4 2013
	Public Expenditure Review (investment budget execution, state-owned enterprises and public establishments, internal debt, procurement)	Q12015
	Technical assistance/other analytical:	
	Support to MOP on the Core Welfare Indicators Questionnaire survey (CWIQ) and PRS III	Ongoing
	Social Protection Strategy	Q4 2013
	Public Private Partnership project	Q4 2013
	Policy Dialogue for National Backbone (Telecom)	Q4 2013
	Economic and Poverty Monitoring	Ongoing
	Support on EITI implementation	Ongoing
IMF work program in the next 12 months	**Program**:	
	Second review under the ECF	May 2013
	Third review under ECF	October 2013
	Technical Assistance:	
	Mining and general tax policy	Ongoing
	Public financial management	Ongoing
	Monetary and exchange rate policy	Ongoing
	Banking supervision	Ongoing
	National, balance of payments and fiscal accounts	Ongoing
Fund requests to the Bank	Assessment of the investment projects financed with the exceptional mining resources Assessment of the electricity reform plan and the budgetary implication Assessment of reforms in agriculture and the budget implication Assessment of the next steps on the new mining code and renegotiation of mining contracts Information sharing on the financing of the large iron ore project Information sharing on the PRSP III	Ongoing Ongoing Ongoing Ongoing Ongoing
	Joint Bank-Fund Support for Medium-Term Debt Strategy	Q4 2014
Bank requests to Fund	Regular updates on macro-economic and fiscal projections Consultations on program structural benchmarks Surveillance of fiscal impact of mining sector reforms	Ongoing Ongoing Ongoing
Joint Bank-Fund products	Joint Staff Assessment Note on the PRSP III	May 2013

RELATIONS WITH THE AFRICAN DEVELOPMENT BANK, 2011–14

(As of June 2014)

1. The Bank's Country Strategy Paper (CSP) 2012–2016, approved by the Board on st March 1, 2012, focuses on two pillars: (i) economic and financial governance, and (ii) infrastructure for development. Under the first pillar, the Bank will assist in building public financial management capacity, improving governance in the extractive sector and strengthening the central government's budget. Under the second pillar, the Bank will contribute to reducing the power generation gap and further developing transport infrastructure. The mid-term review of the CSP will be undertaken during the second semester of 2014. This will provide an opportunity for dialogue on the Bank's support to Guinea through the implementation of the PRSP and outcomes of the Abu Dhabi Conference for the period 2014 to 2016.

2. Lending Operations: During the donor and investment conference in Abu Dhabi, AfDB announced UA 163 million ($250 million) in targeted support to the country's development program during the 2014–16 period.

3. In the governance sector, the Bank has already approved a budget support allocation of UA20 million in 2011 and support of UA 2.5 million through the Fragile State Facility (FSF). In addition, the Bank restructured some non-performing projects and reallocated UA 7.5 million to an economic governance project in 2011. This was to improve the country's public finance management while supporting the reforms aimed at enhancing governance, especially in the extractive sector. The FSF support also covers public administration capacity building, particularly in statistics and strategic planning. At the end of 2013 the Bank approved an institutional support project of UA 11.4 million focused on improving governance in mining contract management and on enhancing public investment and project management. A budget support operation targeting the private sector environment and PPPs frameworks, governance (mining, PFM, and public investment management) will be submitted for board approval by end-June 2014.

4. In the energy sub-sector, two projects were signed at the end of 2013 and will begin implementation in 2014. The first project is the second Conakry Electrical Networks Rehabilitation and Extension Project (PREREC.2) for UA 11 million. The second project is the Côte d'Ivoire-Liberia-Sierra Leone-Guinea power regional interconnection project for UA 40.2 million that will see the construction of 1,360 km of 225 kV transmission lines and 12 sub-stations. In 2014, the Bank will contribute to financing the interconnection project of the Gambia River Basin Development Organization (OMVG) involving the construction of a dam and a 240 MW hydro-power plant at Kaleta already financed by the government with a loan from China. Implementation of these three projects will result in: (i) an increase in the average electricity access rate; (ii) a reduction in the kWh generating cost; (iii) a reduction in the number of power outages; (iv) the creation of temporary and permanent jobs; and (v) a reduction in greenhouse gas emissions.

5. In the transport sub-sector, the Bank intends to finance the road Danané (Côte d'Ivoire)-Frontier of Guinea and from the frontier to N'zoo-Lola (Guinea). This road is part of a regional project including these key roads: Zantiébougou-Kolondiéba-Kadiana-Frontier of Côte d'Ivoire (140 km) linking Bamako to Abidjan and San-Pédro through the axe Tengréla-Boundiali-Séguéla-Daloa; and Duekoué-Guiglo-Bloléquin-Toulepleu-Frontier of Liberia. These roads are part of the Transafrican Dakar-Abidjan-Lagos road. The Bank intends also to finance Boké (Guinea)-Quebo (Guinea-Bissau) Road, which is part of the ECOWAS Regional Transport Programme. Because of their integrative role, construction of these roads is in line with the New Partnership for Africa's Development (NEPAD) Short-Term Action Plan, whose core objective is to have interstate roads without any impediment to the free movement of goods and persons. The Bank has begun discussion to support the restructuring and extension of the Port of Conakry activities.

6. Non-Lending Operations: To deepen the analysis and understanding of the country's main challenges and fuel strategic reflexion, the Bank will finalize in 2014 in collaboration with UNDP, and under the first FSF programme, an economic and sector works (ESWs on the following themes: (i) study on financial sector reforms; (ii) private sector profile; (iii) studies relating to the management of the Port of Conakry. The Bank will enhance its dialogue and provide specific technical assistance on PPP (PPP law and PPP Unit) and on mining sector governance. The Bank will also continue to support implementation of PRSP (direct support to CTSP and SP-SRP in charge of coordinating the monitoring of the implementation of economic reforms programs and the PRSP), post-Abu Dhabi commitments implementation, and the link between macroeconomic/budget framework sector policies and the public investment plan. The Bank will continue its support trough the FSF programme to the National Statistics Development Strategy (NSDS) and the conduct of the Third General Population and Housing Census (RGPH-III).

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

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

Table 1. ADF 13 (2011–16) and FSF Operations Programming
(UA million)

Lending Operations					
	Year	**ADF 12/13**	**FSF (Pillar III)**	**Regional Funds**	**Total**
Pillar I –Economic and Financial Governance Support					
Budget support	2011	20.0			20.0
Targeted support	2011		2.5		2.5
Budget support	2014/15	12.0			12.0
Targeted support for capacity building	2015		TBD		
Sub-Total		**32.0**	**2.5**		**34.5**
Pillar II –Infrastructure Support (Energy, Transport, etc.)					
CLSG Interconnection (electricity)	2013	16.0		24.2	40.2
Rehabilitation of electric power networks	2013	11.0			11.0
Institutional support project - Public investment management and mining	2013	11.4			11.4
Mano River Union road (CI-Liberia, linked to Mali)	2014				
OMVG	2015	20.0		30.0	50.0
Rural water supply infrastructure	2016				
Boké-Quebo road (postponed)	2016				
Sub-Total		58.4		54.2	112.6
Total		**90.4**	**2.5**	**54.2**	**147.1**
Economic and Sector Work					
Study on financial sector reforms,	2013		x		
Private sector profile	2014		x		
Guinea Vision 2035	2014		x		

MILLENNIUM DEVELOPMENT GOALS[1]

	1990	1995	2000	2005	2012 Sub-Saharan Africa	2012	2015 MDG Target
Goal 1: Eradicate extreme poverty and hunger							Halve
Employment to population ratio, 15+, total (%)	69	69	69	69	65	70	
Employment to population ratio, ages 15-24, total (%)	51	51	51	51	47	52	
GDP per person employed (constant 1990 PPP $)	...	...	...	...	4035	...	
Income share held by lowest 20%	3	5	...	6	...	...	
Malnutrition prevalence, weight for age (% of children under 5)	...	...	29	23	...	16	13
Poverty gap at $1.25 a day (PPP) (%)	63	30	...	15	*21*	...	...
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	93	64	...	43	*48*	...	...
Vulnerable employment, total (% of total employment)	...	...	...	...	...	...	...
Goal 2: Achieve universal primary education							100
Literacy rate, youth female (% of female ages 15-24)	...	...	...	...	*60*	*22*	100
Literacy rate, youth male (% of males ages 15-24)	...	...	...	...	*76*	*38*	
Persistence to last grade of primary, total (% of cohort)	32	...	...	70	*58*	*54*	100
Primary completion rate, total (% of relevant age group)	20	19	31	55	*69*	61	100
Total enrolllment, primary (% net)	26	...	45	65	...	76	100
Goal 3: Promote gender equality and empower women							100
Proportion of seats held by women in national parliament (%)	...	...	9	19	*69*	*19*	100
Ratio of female to male primary enrollment (%)	45	51	67	80	*93*	84	100
Ratio of female to male secondary enrollment (%)	32	...	...	50	*83*	*63*	
Ratio of female to male tertiary enrollment (%)	9	...	...	23	*61*	37	
Share of women employed in the non-agricultural sector (% of total non-agr. emp.)	...	...	...	...	...	...	
Goal 4: Reduce child mortality							>75% reduction
Immunization, measles (% of children ages 12-23 months)	35	61	42	51	72	58	
Mortality rate, infant (per 1,000 births)	142	124	104	84	59	65	
Mortality rate, under 5 (per 1,000)	241	209	171	135	64	101	78
Goal 5: Improve maternal health							
Births attended by skilled health staff (% of total)	...	...	...	38	*50*	45	
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,100	1,000	950	800	*560*	*690*	>75% reduction
Contraceptive prevalence (% of women ages 15-49)	...	...	...	9	*24*	6	
Goal 6: Combat HIV/AIDS, malaria and other diseases							Halt/reverse
Incidence of tuberculosis (per 100,000 people)	248	249	234	211	255	178	Halt/reverse
Prevalence of HIV, female (% ages 15-24)	...	...	...	...	3	1	Halt/reverse
Prevalence of HIV, male (% ages 15-24)	...	...	...	...	1	0	Halt/reverse
Prevalence of HIV, total (% ages 15-24)	0	1	1	2	1	2	Halt/reverse
Tuberculosis case detection rate (%, all forms)	13	18	27	34	58	56	Halt/reverse
Goal 7: Ensure environmental sustainability							
CO2 emissions (kg per PPP $b of GDP)	0	0	0	0	*0*	*0*	
CO2 emissions (metric tons per capita)	0	0	0	0	*1*	*0*	
Forest area (% of land area)	30	29	28	27	5	*27*	
Improved sanitation facilities (% of population with access)	8	11	13	15	30	19	57
Improved water source (% of population with access)	52	58	63	68	64	75	72
Marine protected areas (% of total surface area)	3	...	46	46	12	46	
Net ODA received percapita (current US$)	48	53	17	21	51	30	
Goal 8: Develop a global partnership for development							
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	20	24	15	13	3	9	
Internet users (per 100 people)	0	0	0	1	15	1	
Telephone lines (per 100 people)	0	0	0	0	1	0	
Fertility rate, total (births per woman)	7	6	6	6	5	5	
Other goals and indicators							
GNI per capita, Atlas method (current US$)	430	470	380	340	1557	440	
GNI, Atlas method (current US$ billions)	3	4	3	3	1557	5	
Gross capital formation (% of GDP)	25	21	20	20	21	*18*	
Life expectancy at birth, total (years)	50	52	51	53	56	56	
Literacy rate, adult total (% of people, ages 15 and above)	...	...	...	...	*60*	*25*	
Population, total (millions)	6	8	9	10	912	11	
Trade (% of GDP)	65	46	53	70	65	92	

Sources: World Development Indicators database, June 2014, and Guinean authorities (Third Poverty Reduction Strategy Paper, March 2013).

1/ Figures in italics refer to periods other than those specified.

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance
General: Guinea's data provision has some shortcomings, but is broadly adequate for surveillance. Official data provision was suspended during 2009–10 when the ability of the government agencies in charge of statistics to collect data on government operations and private sector activities was seriously hindered. Following the return to a normal functioning of the Guinean administration, the mechanism of data collection is being gradually restored and the authorities are making efforts to resume data provision to allow Fund staff to restart surveillance.
National Accounts: Real sector statistics are incomplete, and published with insufficient timeliness to support economic policymaking. Statistics on economic activities are published less frequently and less regularly; the monthly bulletin of the Guinean economy is trying to include the limited available macroeconomic variables. Monthly surveys of mining, industrial and agricultural production are produced with delays. Employment and population statistics are only published annually. A program supported by international partners, expected to lead to the production of annual input-output matrices, was interrupted in 2009. The regional technical assistance center (West AFRITAC) has sent several missions to Conakry to work with the authorities on revised national accounts for 2003-08 and provisional estimates for 2009–10, with 2006 as the new base year; the work is completed, but data are still to be validated before publication.
Price statistics: The monthly consumer price index (CPI) is being published in a timely manner.
Government finance statistics: The Ministry of Economy and Finance compiles comprehensive monthly budgetary central government data on a cash basis for revenue and on commitment and cash bases for expenditure. During 2009–10, many operations executed on behalf of the government were not recorded under the government financial operations tables (TOFE). The new government took corrective measures to produce an accurate presentation of the situation. Provision of monthly data to AFR has resumed, and within a short period in recent months. AFR also receives treasury plans. The budget includes the bulk of all government operations, although it excludes a number of "satellite" accounts that are not directly incorporated into the budget. Following the adoption of the law on Treasury Single Account in 2011, efforts are now underway to incorporate those satellite accounts, including autonomous government agencies, into the budget and the government finance statistics.
Monetary statistics: During 2009–10, many government accounts were created at the central bank and commercial banks outside the control of the treasury, creating large inconsistencies between the government finance statistics and monetary accounts statistics. The new government is closing these accounts and bringing all government operations under the net position of the treasury. Central bank and deposit money bank accounts as well as the monetary survey are compiled and shared with AFR on a monthly basis. Some delays have been experienced with regard to data from the commercial banks, which still needs to be improved. Coordination between the central bank and the ministry of finance is improving, reducing discrepancies between monetary and fiscal data. However, the ongoing migration to a new central bank's accounting system has led to frequent data changes and to delays in the provision of monetary statistics. Monetary data used to assess program performance are certified by an independent external auditor on a regular basis. In January 2014, STA provided technical assistance (TA) to the BCRG to start reporting monetary data using the recommended standardized report forms (SRFs). Another TA mission is scheduled for the 2015 fiscal year.
Balance of payments: A technical assistance mission from the IMF statistical department visited Conakry in April 2012 to assist in improving balance of payments statistics. The National Committee for the Harmonization of Balance of Payments Statistics has been reactivated since 2008, and the balance of payments survey has been implemented with a response rate of over 75 percent. Exchange rates are published daily. The central bank has compiled balance of payments and international investment position statistics in line with the fifth edition of the *Balance of Payments Manual*. The Balance of Payments section has not taken advantage of all the data sources within the central bank to compile the balance of payments and international investment position statistics.

II. Data Standards and Quality	
Guinea participates in the General Data Dissemination System since 2003, but the metadata have not been updated since then.	No data ROSC is available.

Statement by the Staff Representative on Guinea
August 1, 2014

This statement reports on the implementation of the remaining prior actions for the completion of the fourth review under the ECF arrangement and on the information that has become available since the Staff Report was issued on July 21, 2014. The information does not alter the thrust of the Staff Appraisal.

1. In the council of Ministers meeting of July 21, the government approved the draft law revising the investment code. It also adopted the implementing regulations of the law and public procurement code, particularly those relating to (i) the Public Procurement Regulatory Authority (ARMP); (ii) the Administration and Control of Large Projects and Public Procurement (ACGP); (iii) the National Directorate of Public Procurement (DNMP); and the thresholds for awarding public contracts.

2. On July 23, the Minister of State for the Economy and Finance and the Minister of Energy and Hydrology issued a joint letter to the electricity company EDG, instructing EDG to manage its operations in such a way that there is no need for government financial support over and above the amount included in the revised budget and to avoid supplier arrears.

3. The actions under 1 and 2 satisfied the prior actions for the fourth review under the ECF-supported program.

4. Provisional data indicate that the end-June performance criteria under the ECF-supported program are likely to have been met. As was the case in March, compared to the initial 2014 budget revenue is estimated to have been lower than projected though the shortfall is estimated to have been more than offset by lower investment spending. As a result, the budget's basic balance deficit for the period January–June 2014 would amount to about 0.5 percent of GDP compared to a program floor of a deficit of 1.3 percent of GDP.

5. Inflation continued its downward trend, falling to 9.6 percent (year-on-year) at end-June 2014.

6. Although the Ebola epidemic is now spreading much more rapidly in the neighboring countries Sierra Leone and Liberia, Guinea continues to suffer from the outbreak. By July 23, the illness had claimed more than 340 lives in Guinea. Although the number of new cases is rising less rapidly than in the period May-June—in some regions no new cases have been registered for about one month—in the capital Conakry 22 new cases were reported over the period July 20–28 and 6 cases were also reported from the previously disease-free Siguiri region in the country's north-east. The costs of the crisis team addressing the epidemic—led by the government and including representatives of the World Health Organization and other

multilateral and bilateral partners—amounted to about $13.5 million for the first six months of 2014; the government made available GNF 10 billion ($1.4 million; 0.02 percent of GDP) and donors financed the remainder. The crisis team has requested a further GNF 5 billion from the budget to cover the costs for the second half of the year, estimated at about $13.3 million.

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth Review Under ECF Arrangement for Guinea and Approves US$28.1 Million Disbursement Guinea

The Executive Board of the International Monetary Fund (IMF) today completed the fourth review of Guinea's economic performance under the program supported by an Extended Credit Facility arrangement (ECF). The Board's decision enables the immediate disbursement of an amount equivalent to SDR 18.36 million (about US$28.1 million), bringing total disbursements under the arrangement to SDR 91.8 million (about US$140.6 million).

The Executive Board approved the three-year ECF arrangement for Guinea on February 24, 2012, for an amount equivalent to SDR 128.52 million (120 percent of the country's quota in the IMF, see Press Release No. 12/57).

At the conclusion of the Executive Board's discussion of Guinea, Mr. Naoyuki Shinohara, Chair and Deputy Managing Director issued the following statement:

"Guinea's economy was affected by a number of adverse shocks in 2013—including the suspension of investment in some large mining projects and election-related political unrest. However, with strong adjustment policies, the 2013 fiscal deficit was contained, despite a sharp revenue shortfall, which supported a further decline in inflation, a stable exchange rate, and a satisfactory level of international reserves. The onset of the Ebola epidemic in early 2014 constitutes an additional near-term challenge.

"Growth was also held back by slow progress with structural reforms, including in the electricity and mining sectors. Structural reform remains a priority and the authorities have taken steps to improve the coordination and monitoring of the reform agenda. However, political stability in the run-up to the 2015 presidential elections will also be important.

"The authorities' revised budgetary projections for 2014 remain in line with available financing and maintain macroeconomic stability. The revised projections address a revenue shortfall, while safeguarding critical social and public investment spending. The authorities also intend to continue the comprehensive reform of public financial management. In this context, the finalization of the new procurement framework is a positive step, particularly given rising public investment. Other important measures include strengthening tax administration and improving expenditure and commitment management, to avoid a recurrence of arrears.

“The Central Bank’s gradual relaxation of monetary policy is appropriate, given developments in inflation and international reserves. The intended development of an interbank market will allow the introduction of indirect policy instruments to help deepen the money market and promote monetary policy flexibility.

“The authorities continue to strengthen debt management in order to preserve debt sustainability. To this end, it will be important to give priority to grants and concessional resources. Usage of the new exceptional mining revenue for medium-term investment spending under the Special Investment Fund will help ensure that such resources are used effectively and sustainably.

“The pace of other growth-enhancing structural reforms should be accelerated. In this regard, Guinea’s attainment of EITI compliant status is commendable. However, prompt completion of the implementing regulations of the 2011 mining code and review of mining contracts will help reduce investor uncertainty. Rapid progress is also needed with other measures designed to enhance the business climate, including key legislative reforms concerning electricity, public-private partnerships, and the judicial system.”

Statement by Kossi Assimaidou, Executive Director for Guinea and Siradiou Bah, Senior Advisor to Executive Director
August 1, 2014

I - Introduction

Our Guinean authorities express their deep appreciation to the Executive Board, Management and Staff for the continued support and policy dialogue they are benefiting in implementing their three-year ECF-supported program. Our authorities remain firmly committed to the program and are implementing the policies aimed at achieving the program's objectives. All performance criteria set for end-December 2013 and all the program's indicative targets for March 2014 were met with the exception of the target for priority sector expenditures due to a slow start of investment spending. With regard to structural reforms, progress has been made in a context of capacity constraints and the need to reach a large consensus with stakeholders.

Based on the overall satisfactory program performance, our Guinean authorities request the Board's support for the completion of the fourth ECF-arrangement review.

The resolute implementation of the ECF program has helped the authorities to strengthen macroeconomic stability through the pursuit of prudent fiscal and monetary policies. Indeed, inflation has been kept on a downward trend to reach a single digit, international reserves have increased to cover more than 3 months of imports and the exchange rate has remained stable. The economy, however, grew by 2.3 percent only, due to the lower than expected production in the mining and electricity sectors, the Ebola epidemic and socio-political turmoil.

To address the socio-political turmoil which was adversely affecting the economy, the Guinean authorities in July 2013 started a dialogue with all the main stakeholders. This led to the holding of peaceful and transparent legislative elections in September 2013. The results were accepted by all parties. A newly elected National Assembly was inaugurated in January 2014 followed by the appointment of a new government.

The domestic environment was also marked by the eruption in early 2014 of the Ebola epidemic virus in the south-east of the country. This epidemic virus has claimed hundreds of lives and placed a severe toll on economic activity and trans-border trade. The Guinean authorities are grateful to the international community for the assistance they have benefited in their efforts to fight this unprecedented epidemic. They are working in a well coordinated manner with the whole sub-region in order to find a solution to this epidemic.

Our authorities are cognizant of the challenges ahead and the crucial need to preserve macroeconomic stability, accelerate structural reforms in order to boost growth, enhance competitiveness and improve the living standard of the population. In this regard, they have enhanced the coordination and monitoring of their reform program with the establishment at the ministerial level of the Council for Economic Coordination and Reform (CCER) and the strengthening of the Technical Support Committee and the Technical Program Monitoring (CTSP).

II - Recent Economic Developments

In 2013, the Guinean economy grew by 2.3 percent against 3.8 percent in 2012, as explained above. The difficult situation experienced in 2013 has continued in early 2014 in addition to the spread of the Ebola epidemic.

In the fiscal area, the authorities maintained a prudent policy stance which has resulted in a basic fiscal balance of -2.8 percent of GDP less than the program's objective. The budget implementation in the early months of 2014 was affected by lower-than-expected revenues notably from the non-mining sector. Expenditures were kept under control and remained within target. Petroleum prices were increased by 5 percent in February under the implementation of the automatic petroleum price adjustment, and the newly established medium-sized tax payer unit (MTU) within the National Tax Directory became effective in March in collecting tax arrears.

With regard to the monetary sector, good progress has been made in implementing policies to reduce inflation and stabilize the exchange rate. Inflation downtrend has continued and was at 9.6 percent in June 2014. In 2013, the central bank lowered its policy rate and the reserve requirement to boost the credit to the private sector. As a result, the credit to the economy rose by 35 percent but mainly to the trade activities. In addition, significant progress was also made in the financial sector's governance and in implementing reforms recommended by the Fund's safeguards assessments. The Central Bank approved the financial sector development plan in April 2014 and four banks have met the minimum capital requirement which will be mandatory in 2016. The new Charter of the central Bank was also approved by the National Assembly in June 2014.

As regards structural reforms, the authorities took bold measures which have led to significant progress in this area. The framework for a better coordination and monitoring of reforms was revitalized with the creation under the authority of the Prime Minister of a Council for Economic and Reform Coordination (CCER) made up of ministers in charge of economic portfolios and the Central Bank Governor. Most of the 2013 measures postponed to 2014 were implemented in the first half of 2014. This reflects the authorities' determination to steadfastly implement their reform agenda. In this context, the draft law revising the investment code and implementing regulations *(textes d' application)* of the law and public procurement code were approved. In addition, the authorities approved in March 2014 a medium-term action plan and established a National Debt committee to further strengthen the external debt management in terms of policy and capacity. After resuming its participation in the Extractive Industries Transparency Initiative (EITI), Guinea became in July 2014, the 28th country to achieve "compliant" status for the EITI.

III - Policies and Reforms for 2014

The Guinean authorities are fully committed to the implementation of the ECF-supported program to sustain macroeconomic stability and pursue their reform agenda. Given the challenges they face, the authorities aim at increasing fiscal revenue, further reducing inflation, achieving a real growth rate of at least 3.5 percent and keeping the coverage of imports by gross reserves well above three months of imports.

Fiscal Policy

The authorities will focus their efforts on mobilizing revenue and enhancing public expenditure management. Based on the fiscal developments in the first half of 2014, additional expenditure needs and new financing resources, the authorities intend to submit to the parliament a draft supplementary budget for 2014 with a basic balance deficit of 4 percent. In this context, the objective to finance the budget without recourse to net domestic bank financing will be maintained as well as the management of expenditure on a cash basis. The authorities will also strengthen the implementation of tax administration reform and closely monitor revenue developments to avoid shortfalls and facilitate timely adjustment. The revision of the General Tax Code, the Customs Code and the Customs Tariff will be finalized as well as the reform of the property tax. Further efforts will be focused on implementing the Public Finance Reform Plan (PREFIP) adopted in May 2014.

Monetary and Exchange Rate Policy

Based on developments in inflation and international reserves, the authorities will prudently continue easing their monetary policy. They intend to reduce the policy rate in order to foster banks' lending to the private sector. The ceilings of interest rate on Treasury bills will be removed. With the IMF technical assistance, the central bank will develop appropriate instruments to better assess liquidity conditions in the economy and establish a second refinancing window. The creation of a domestic currency interbank market is also envisaged to deepen the money market. The issuance of Treasury bills and bonds is under consideration with a view to encourage the public financing of government expenditures and investments. The exchange rate will remain market-determined. Moreover, to improve the role of market mechanisms, the authorities intend, if conditions are favorable, to widen the exchange rate band.

Structural Reforms and Competitiveness

The Guinean authorities are mindful that the implementation of structural reforms is a prerequisite for higher growth and poverty reduction. They will further intensify their efforts to make substantial progress in improving the business climate, encouraging investments in the mining, agricultural and energy sectors.

To improve the business climate, ongoing efforts will be maintained. In addition to the approval in July of a new investment code, the authorities will create by end-2014 a framework for Private Sector Development and Public-Private Dialogue to coordinate reforms in the sector. The draft judiciary reform prepared with technical assistance from the European Union has been finalized. This program enhances the respect of property titles and commercial contracts. It also includes a timetable for the creation of an Economic Chamber. A project to establish a Commercial Court is also under consideration.

In order to improve productivity in the public administration and contain the wage bill, the authorities intend to finalize the biometric survey by end-September 2014. They will adopt a civil service reform plan, based on the results of the biometric survey as well as the State Reform and Modernization Program (PREMA) by end-December 2014.

The authorities are determined to develop a dynamic mining sector. In this regard, their efforts will be focused on strictly enforcing the regulations under the new Mining Code adopted in 2012 to increase investment and transparency in the sector. The authorities intend also to finalize by December 2014 their mining policy declaration. The recently signed investment framework for the Simandou iron ore project augurs well for the economy with the resumption of investment in the mining sector. In order to address capacity issues which this project as well as others could pose, the authorities have initiated discussions with development partners to strengthen human and institutional capacity.

To address the difficulties experienced in the electricity production and boost growth, the authorities will pursue the needed investments and improve the governance and financial situation of *Electricité de Guineé* (EDG). With the support of the World Bank and AFD *(Agence Française de Developpement),* the authorities are drafting a new law on electricity and a law on public-private partnerships which will be available at end-December 2014. In their efforts to rehabilitate and modernize the electric grid of the EDG, the authorities are seeking Fund's approval for a nonconcessional loan to finance this project, for which they have not been able to secure a loan at concessional terms. This project will help to reduce the large electricity shortfall and support higher growth. It will have a high economic return and is not expected to worsen Guinea's debt sustainability.

Achieving food self-sufficiency in 2017 remains the primary objective of the authorities' policy in the agricultural sector. In this regard, key actions in the reform of the sector will be undertaken in 2014 by accelerating the preparation of irrigation and water management projects, strengthening the market information system and monitoring of food imports. A draft agricultural framework law is expected by end-2014 with a view to ensure notably the protection of property rights for private investors.

IV - Conclusion

Under the ECF-supported program Guinea has made significant progress in establishing the conditions that will lead to higher growth and poverty reduction. They remain fully committed to the objectives of the program. On their behalf, we would appreciate the Board’s support for the completion of the fourth review under the ECF-supported program and the financing assurances review.