



GUINEA

September 2014

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND FOR MODIFICATION OF PERFORMANCE CRITERIA UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

In the context of the Requests for Disbursement under the Rapid Credit Facility and for Modification of Performance Criteria under the Extended Credit Facility Arrangement—Staff Report; Press Release; and Statement by the Executive Director for Guinea, 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 September 26, 2014, following discussions that ended on September 6, 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 September 19, 2014
- An **Informational Annex** prepared by the IMF.
- 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*
Supplement to the 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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REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND FOR MODIFICATION OF PERFORMANCE CRITERIA UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

September 19, 2014

EXECUTIVE SUMMARY

Guinea is suffering from an outbreak of Ebola, which has become a humanitarian crisis with a significant economic impact. Preliminary estimates suggest a negative impact on 2014 growth, which will be markedly lower. Government revenue is showing a substantial shortfall and the response to the Ebola outbreak entails additional critical spending needs. The exchange rate has started to depreciate. The authorities intend to adopt a tighter monetary policy to address the transitory balance of payments shock.

Performance under the ECF-supported program has remained satisfactory. Preliminary data indicate that all performance criteria (PCs) under the program for end-June 2014 were met. There has also been further progress with structural reform.

The authorities have requested additional IMF financial assistance to meet urgent fiscal and balance of payments needs not anticipated at the time of the recent program review. Such assistance cannot be provided in the form of an augmentation of access under the ECF arrangement at this time since a review associated with the most recent availability date has not yet been completed because of delays in program implementation associated with the 2013 parliamentary elections. The authorities have requested a disbursement under the Rapid Credit Facility (RCF) because the urgent balance of payments need is characterized by a financing gap that, if not addressed, would result in an immediate and severe economic disruption. Moreover, Guinea's balance of payments difficulties are caused primarily by a sudden exogenous shock and not by a withdrawal of financial support by donors, and its balance of payments need is expected to be resolved within one year with no major policy adjustments being necessary. As such policies remain guided by the objectives of the ECF-supported program.

Staff supports the authorities' request for a disbursement under the RCF of 25 percent of quota (SDR 26.775 million). It also supports the authorities' request for a modification of the end-September indicative targets and end-December 2014 PCs under the ECF arrangement, including program adjustors.

Approved By
Abebe Aemro Selassie
and Masato Miyazaki

An IMF team consisting of Messrs. Snoek (head), Bouis, Sulemane, Wane, Zhdankin, Ms. Charry Velasquez (all AFR), Dicks-Mireaux (SPR), and Mooney (FIN), held discussions with a Guinean delegation led by Mr. Dicko, Secretary General of the Ministry of Economy and Finance in Washington during August 27–September 6, 2014. These discussions were complemented by video conferences with Minister of Economy and Finance Diaré, Minister of Energy and Hydrology Thiam, Minister of Planning Traoré, Deputy Minister for the Budget Condé, Central Bank Governor Nabé, and other senior government officials on September 2 and September 5.

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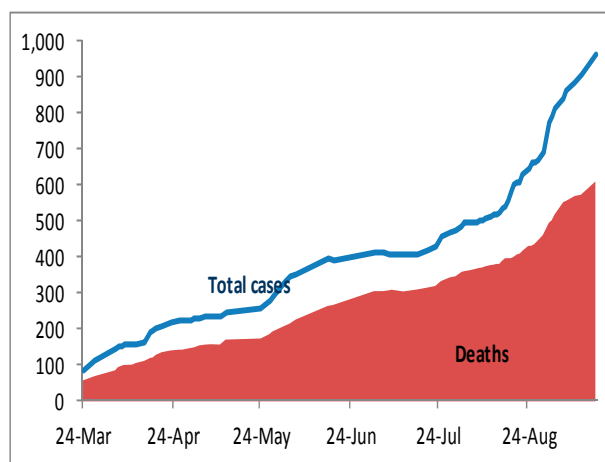
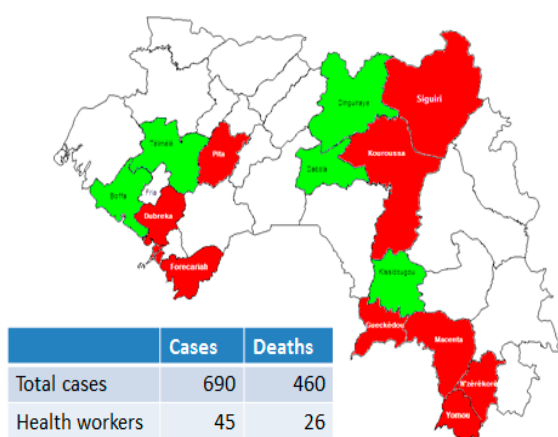
BACKGROUND AND RECENT DEVELOPMENTS

- 1. The Ebola outbreak in Guinea has intensified sharply since July.** The epidemic appeared to be stabilizing by May/June, but the number of new cases surged again thereafter, especially since end-July (Box 1). At the same time, the disease also emerged in Sierra Leone and Liberia, which have suffered an even steeper increase in cases. The core area of the outbreak remains the border region of south-east Guinea, north-east Sierra-Leone, and north-west Liberia, but the disease has spread to the capitals of the three countries and to other provinces. According to the World Health Organization (WHO), it may take 6–9 months before the outbreak is under control, provided strong international action is taken immediately.
- 2. Guinea's short-term economic outlook has deteriorated substantially because of the unexpected surge in the Ebola outbreak (Box 1 and Figure 1).** The main impact has been on commerce and services, which have been seriously affected by the suspension of international flights, the closure of borders, and delays in projects involving foreign workers and business travelers. In addition, agricultural production in the main areas of the epidemic and artisanal gold production have been affected, which will have an impact on exports. However, mining production so far continues normally although preparations for new mining projects may be delayed. Inflation was 9.7 percent (year-on-year) at end-July, about the same as in June. International reserves have remained at a satisfactory level, but the market exchange rate depreciated by over 2 percent during August, reportedly reflecting a decline in the supply of foreign exchange from artisanal gold exporters, and increasing demand, possibly reflecting a shift into foreign currency as a hedge against higher uncertainty.
- 3. Performance under the ECF-supported program has remained satisfactory.** Preliminary data indicate that all performance criteria (PCs) for end-June 2014 were met. Measures to improve the implementation of structural reforms appear to be bearing results: the high-level committee charged with monitoring the implementation of reforms recently reviewed the draft law on public enterprises and submitted it to the government for approval (a structural benchmark under the program for end-September).

Box 1. Guinea: The Ebola Epidemic: Its Spread and Impact

The Ebola Virus Disease (EVD) outbreak continues to spread geographically, in both cities with high population density and rural zones where people resort first to traditional healers. After a steady rise in new infections, a much stronger wave of new cases started in end-August. As of September 11, 909 cases and 571 deaths were reported, compared with 690 cases and 460 deaths on August 29 (see map below). The disease affects predominantly working age people and women (55 percent).

Guinea—Geographic Distribution and Number of Cases and Deaths from Ebola, March–September 2014



The Ebola epidemic is having a major socio-economic impact on Guinea and its population through the following channels:

- Health services are under tremendous strain challenging their capacity to treat and prevent infections.
- Food shortages are surfacing in the areas most severely affected.
- Travel restrictions are disrupting some border trade and the movement of goods; maritime imports may also be affected.
- Fear of infection and heightened uncertainties are leading to a pull back by foreign investors.
- Poverty is expected to increase, especially amongst vulnerable groups who rely on the informal sector for employment, such as rural inhabitants that abandon affected areas and farmland, and casual workers in the service industry.

However the most productive regions so far are affected relatively mildly. The northern part of the country, which produces 47 percent of agricultural production and 37 percent of bauxite and gold exports are marginally impacted by the epidemic, with only 4 percent of cases. The forest region, epicenter of the outbreak, bordering Liberia and Sierra Leone, accounts for less than 22 percent of agricultural output and there is no mining production in that region.

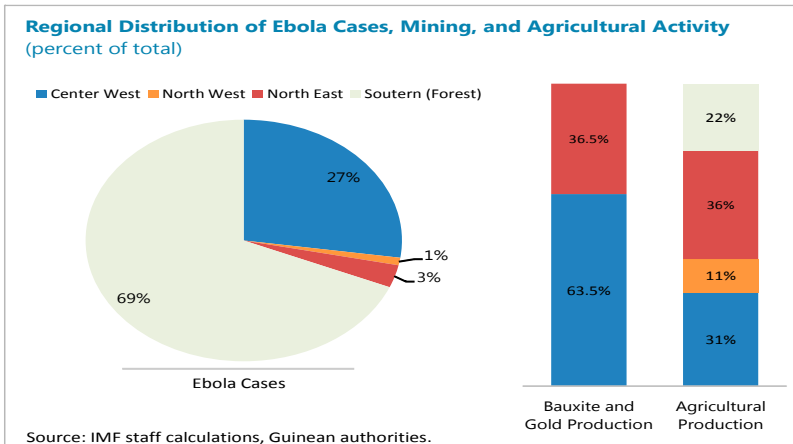
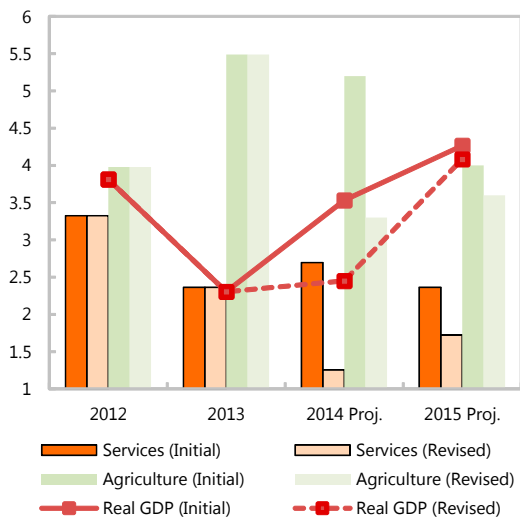


Figure 1. Guinea: Recent Developments, 2012–14

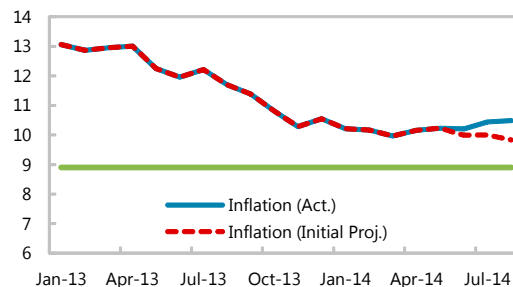
Growth, especially in services and agriculture, has been hampered by the Ebola outbreak.

GDP and Services Growth
(percent change)



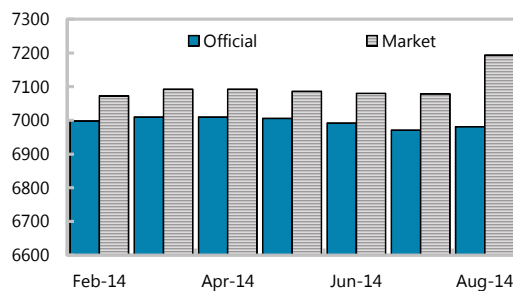
Recent observations suggest inflation is trending away from the year-end targets.

Inflation, End of Period
(year-on-year percent change)



The market exchange rate depreciated reflecting heightened uncertainty and outflows of foreign currency.

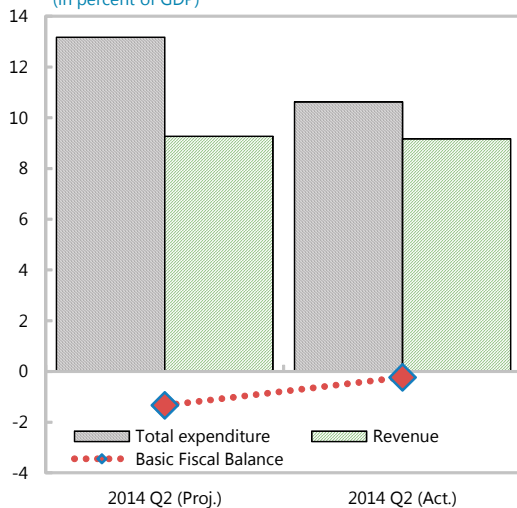
Official and Market Exchange Rate
(GNF/USD)



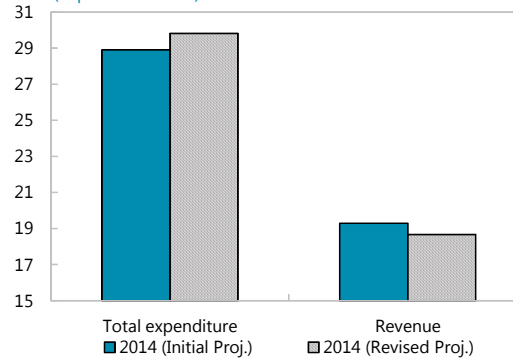
Spending is projected to be higher and revenue to be lower due to the Ebola outbreak.

Budget execution remained disciplined despite lower revenues.

Fiscal Performance
(in percent of GDP)



Fiscal Performance
(in percent of GDP)



Source: Authorities data; and IMF staff projections.

IMPACT OF THE EBOLA OUTBREAK FOR 2014 AND THE MEDIUM-TERM OUTLOOK

4. **The impact of the Ebola outbreak on growth is projected to be significant but temporary (Tables 1–4).** The assessment of the economic impact of the epidemic is complicated by a lack of comprehensive recent economic indicators and uncertainties about the duration and potential spread of the epidemic. Available data show a decline in production and activity in many areas during 2014 compared to the same period in 2013. The UN’s Food and Agricultural Organization is assisting the authorities with a study on the possible impact on agriculture, but it is expected that at least production in the core areas of the epidemic will be negatively affected; however, mining production is assumed to continue normally. On this basis, 2014 real GDP growth is projected at 2.4 percent compared to 4.5 percent projected in the beginning of the year.¹ Assuming that the outbreak will be under control during the first quarter of 2015, growth is projected to rebound to 4.1 percent next year (0.2 percentage point below the projections at the time of the 4th review under the ECF arrangement). Reflecting the disruptions to international trade and lower agricultural production, end-2014 inflation is projected to reach 9.4 percent, about 1 percentage point above the program target, but to resume its declining trend in 2015. Poverty indicators are expected to worsen in 2014–15 as the Ebola outbreak affects the poor most severely.

5. **The external current account deficit is expected to widen and private capital outflows to increase.** The current account is projected to deteriorate by 1.2 percent of GDP as a result of a decline in agricultural exports due to restrictions on border trade and lower production, and higher food imports. Moreover, artisanal gold exports and inflows related to expatriate workers are projected to be lower while indications are that capital outflows are increasing. Consequently, maintaining the initial target for international reserves under the ECF-supported program would result in an external financing gap of US\$129 million.

6. **Despite the serious impact of the Ebola outbreak, Guinea’s medium-term economic prospects remain good.** Although the size and spread of the current outbreak is unprecedented, a strong international effort to assist the three main affected countries is being mobilized and should allow the epidemic in Guinea to be under control early in 2015. However, two elections—municipal and presidential—and potential related turmoil could entail some downward risk for prospects in 2015. On the upside, following the recent approval of the investment framework, work on the large Simandou iron ore project and its infrastructure is scheduled to start in the second half of 2015, while several other new mining projects under preparation could also start to have an impact.

¹ Growth was revised downward to 3.5 percent in mid-2014 because of continued electricity shortages and delays in structural reforms, which added to the adverse impact of the Ebola outbreak estimated then at 0.3 percent (see IMF Country Report n°14/244, August 7, 2014).

RESPONSE TO THE EBOLA OUTBREAK

7. **Guinea is stepping up its efforts to stem the Ebola outbreak in close cooperation with external partners (LOI 115).** The authorities declared a state of health emergency on August 13 and reinforced controls on movements in and out of the worst-affected districts. The authorities' coordination with the external partners engaged in addressing the epidemic—UN agencies and specialized NGOs such as Doctors without Borders and the International Red Cross—has been revamped under the presidency of the Prime Minister, and the emergency response plan is being scaled up significantly; the costs of this plan are provisionally estimated at \$85 million (1.3 percent of GDP). The authorities are also adjusting macroeconomic policies, delaying a planned easing of monetary policy and relaxing fiscal targets to protect the public investment budget.² In the event external financing falls short of the authorities' projections, they plan to reduce their international reserves targets and intervene temporarily in the foreign exchange market, in line with the revised reserves target, to support the exchange rate to avoid pressure on domestic prices of imported goods.

Fiscal policy

8. **The authorities intend to allow the fiscal deficit to increase to accommodate the impact of the Ebola crisis while maintaining a strong public investment effort.**³ Compared to the revised 2014 budget discussed at the time of the 4th review under the ECF arrangement, revenue is projected to be lower by 0.7 percent of (revised) GDP, which is mainly attributable to the Ebola epidemic. The costs of the government's response plan are estimated at 1.3 percent of GDP. Additional current spending for the electricity sector, as well as a small shortfall in budget support grants, will be offset by lower investment spending. As a result, the basic balance deficit will increase to 5.5 percent of GDP compared with 4 percent of (unrevised) GDP under the ECF-supported program.

² The projections assume that the emergency response plan will be fully disbursed during the last quarter of 2014 and will have no noticeable impact on the 2015 budget. This assumption will be reviewed at the time of the mission for the 5th review under the ECF-supported program tentatively scheduled for late 2014/early 2015.

³ The authorities are planning to submit a revised budget to the National Assembly in September that will reflect the discussions in the context of the 4th review under the ECF-supported program and the impact of the Ebola crisis.

Text Table 1. Guinea: Changes to Fiscal Projections, 2014

	GNF Billions	USD Millions	Percent of GDP
Revenue (- Lower)	-522	-74.6	-1.1
Tax Revenue	-350	-50.0	-0.7
Grants	-172	-24.6	-0.4
Spending (+ Higher)	359	51.2	0.8
<i>Of which</i> : Ebola-related	595	85.0	1.3
Total Impact (+ = Higher Deficit)	881	125.8	1.9
Updates to below the line items ^{1/}	21	3.0	0.0
Financing Gap	902	128.8	1.9
Possible Financing	902	128.8	1.9
World Bank	175	25.0	0.4
African Development Bank	42	6.0	0.1
IMF	290	41.4	0.6
Additional financing/Adjustment measures	395	56.5	0.8

Sources: Guinean authorities; and IMF staff estimates.

^{1/} Includes revisions to external financing amortization and debt relief items.

9. **The revised budget estimates show a financing gap of 1.9 percent of GDP (US\$129 million) in 2014, for which the government intends to seek donor financing.** Possible financing could come from the World Bank (US\$25 million) and the African Development Bank (US\$6 million). The authorities also request that the disbursement under the RCF be made for budget support (US\$41.4 million). Further donor contributions are possible, including from the European Union. However, if there is a remaining financing gap, the authorities request that the ECF-supported program include an adjustor that would allow additional domestic financing to ensure that the emergency response plan can be fully executed without undue compression of the public investment program.

Monetary and exchange policy

10. **In light of heightened uncertainty and pressure on the exchange rate, the authorities plan to delay the monetary easing they had planned.** Initially, the authorities planned a further gradual relaxation in monetary policy by reducing the reserve requirement, given the positive developments in inflation and international reserves. However, the Ebola outbreak has driven increased volatility and speculative pressure on the exchange rate, and the authorities have decided to maintain a tighter stance with respect to bank liquidity in an effort to reduce capital flight and external financing needs. They consider these to be transitory influences on the exchange rate, and that the recent widening of spread between the market and official exchange rates should dissipate as the situation normalizes. The central bank has also decided to temporarily increase its sales in the weekly foreign exchange auction to bolster confidence in the local currency and contain upward pressure on inflation.

11. **A sizable external financing gap has emerged for 2014.** The projections include an external financing gap of US\$129 million for 2014, which reflects a widening of the current account deficit and larger private sector capital outflows. In the absence of domestic adjustment or external financing, gross official reserves would decline from 3.7 months of imports targeted under the current program to 3.2 months of imports.

FUND SUPPORT

12. **The authorities are requesting a disbursement under the RCF equivalent to 25 percent of quota (SDR 26.775 million or about US\$41.4 million).**⁴ The authorities are also requesting that this financing be made available in its entirety as budget support. The disbursement would provide timely support to address the urgent fiscal needs and also provide additional foreign exchange to avoid a sharp drop in international reserves. The criteria for concurrence of an RCF and an ECF arrangement are in place, since disbursements under Guinea's ECF arrangement are delayed due to delays in program implementation associated with the 2013 parliamentary elections, and given that the balance of payments need to be addressed by the RCF is caused primarily by a sudden exogenous shock which does not necessitate major policy adjustments.

13. **Guinea's capacity to repay its obligations to the Fund is adequate** (Table 7). The total amount of outstanding credit from the Fund, once the RCF is disbursed, will amount to 111 percent of quota. While repayments to the Fund are projected to rise over the medium-term, they would still be at a low level relative to exports of goods and services and fiscal revenue. Given that the financing under the RCF will be used in its entirety to provide budget support, the authorities are preparing a framework agreement between the government of Guinea and the central bank (BCRG) on their respective roles and responsibilities for servicing financial obligations to the Fund. While the country remains vulnerable to exogenous shocks overall external debt service ratios to exports of goods and services and fiscal revenue remain low. The authorities' commitment to fiscal consolidation (Appendix I) and fiscal structural reforms (as evidenced by progress made under the current ECF arrangement), suggest that Guinea will have the capacity to repay the Fund as debt service falls due.

14. **The attached Debt Sustainability Analysis (Appendix II) shows that the new IMF financing and additional donor support would not change Guinea's debt distress rating.** The RCF could also help trigger additional donor support to fully close the fiscal and external gaps.

15. **Under the IMF's safeguards policy, the RCF disbursement triggers the need for an update of the previous assessment, which was completed in April 2012.** The latter concluded that the risks of misuse and misreporting were somewhat improved since the 2007 assessment. The BCRG has made progress in implementing some recommendations from the previous assessment, including the verification of monetary data at test dates, the publication of audited annual financial statements, the formalization of an investment policy and guidelines, and the adoption of a new central bank law strengthening its autonomy. However, the BCRG needs to take further steps to exercise better oversight on controls and improve financial reporting practices.

⁴ The requested IMF support could not be provided as an augmentation of the existing ECF arrangement as in the case of Liberia and Sierra Leone, since the fifth review associated with the most recent availability date (August 2014) has yet not been completed.

PROGRAM ISSUES UNDER THE CONCURRENT ECF ARRANGEMENT

16. **The authorities' macroeconomic policies remain guided by the objectives of the ECF-supported program.** However, staff proposes that the program's indicative targets for end-September and PCs for end-December 2014 be modified to reflect the need to accommodate the projected higher fiscal deficit and net domestic assets of the central bank (Table 5). The modifications include the introduction of an adjustor to allow the authorities to offset a shortfall in external financing of the government's Ebola response plan with additional domestic financing and lower net international reserves (Attachment I, ¶13–¶15).

STAFF APPRAISAL

17. **The Ebola epidemic is having a significant impact on Guinea's economy.** In addition to substantial loss of life, economic growth and government revenue are falling short of program targets and the exchange rate has come under pressure. Per capita growth is expected to be negative for a third consecutive year, and the outbreak is further straining weak technical capacity and institutions.

18. **Performance under the ECF-supported program has been satisfactory despite the difficult environment.** Staff welcomes the authorities' continuing commitment to the objectives of the program and supports a temporary widening of the 2014 fiscal deficit to accommodate the impact of the epidemic, including the costs of the emergency response plan that is under preparation. It recommends that the authorities continue a close dialogue with its external partners to ensure that the response plan is fully financed.

19. **The delay in a further relaxation of monetary policy is warranted given the indications of increasing capital outflows.** Staff also supports the central bank's stepped-up intervention in the foreign exchange auction, given the temporary nature of the shock.

20. **Staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR 26.775 million (25 percent of quota).** Given the large financing needs for the response plan, which is critical for bringing the epidemic under control, staff also supports the request that the disbursement be made directly in the form of budget support. Staff also supports the authorities' request for modifications of the end-September indicative targets and the end-December 2014 performance criteria under the ECF arrangement, including revisions to the program adjustors.

Table 1. Guinea: Key Economic and Financial Indicators, 2008–15

	2008	2009	2010	2011	2012	2013	2014		2015	
							Prog. ^{1/}	Rev. Prog. ^{2/}	Proj. ^{1/}	Rev. Proj. ^{2/}
(Annual percentage change, unless otherwise indicated)										
National accounts and prices										
GDP at constant prices	4.9	-0.3	1.9	3.9	3.8	2.3	3.5	2.4	4.3	4.1
GDP deflator	14.1	6.8	20.2	19.7	13.0	6.3	7.0	7.4	5.4	5.8
GDP at market prices	19.7	6.5	22.5	24.4	17.3	8.7	10.7	10.1	9.9	10.1
Consumer prices										
Average	18.4	4.7	15.5	21.4	15.2	11.9	9.7	10.1	6.5	7.8
End of period	13.5	7.9	20.8	19.0	12.8	10.5	8.5	9.4	5.9	7.1
External sector										
Exports, f.o.b. (US\$ terms)	27.2	-16.7	12.9	11.8	-1.4	-5.4	-2.2	-6.5	2.6	4.9
Imports, f.o.b. (US\$ terms)	12.2	-19.8	22.7	50.1	6.7	-6.7	-4.6	-1.9	14.5	9.4
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	-0.3	-4.9	-8.8	...	...
Net domestic assets ^{3/}	24.7	21.2	79.9	-30.7	4.5	14.4	15.7	14.9	...	...
Net claims on government ^{3/}	20.8	28.7	70.2	-44.8	12.9	10.2	8.9	11.1	...	...
Credit to nongovernment sector ^{3/}	1.9	3.1	8.9	15.0	-1.1	9.7	9.7	10.4	...	...
Reserve money	13.8	81.7	73.0	-4.9	-3.1	15.7	12.6	5.2	...	...
Broad money (M2)	39.0	25.9	74.4	9.4	1.0	14.1	10.7	6.1	...	...
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	19.8	24.9	23.9	23.1	21.3
Revenue	15.6	16.2	15.3	16.8	20.1	18.4	19.3	18.7	19.9	19.2
Of which: nonmining revenue	12.1	12.9	11.5	12.9	16.1	14.9	16.2	15.6	16.7	16.5
Grants	0.5	0.4	0.4	3.4	2.7	1.5	5.6	5.2	3.2	2.1
Total expenditure and net lending	15.6	23.7	29.7	21.5	26.1	25.1	28.9	29.8	23.2	24.0
Current expenditure	13.4	16.5	20.5	16.3	15.9	16.2	15.6	17.2	15.6	16.6
Of which: interest payments	2.6	2.1	2.0	2.0	1.7	1.1	1.1	1.1	1.3	1.1
Capital expenditure and net lending	2.1	7.2	9.1	5.2	10.2	8.9	13.2	12.4	7.6	7.2
Overall budget balance										
Including grants (commitment)	0.6	-7.1	-14.0	-1.3	-3.3	-5.2	-4.0	-5.9	-0.2	-2.7
Excluding grants (commitment)	0.1	-7.5	-14.4	-4.7	-6.0	-6.7	-9.6	-11.2	-3.4	-4.7
Basic fiscal balance	3.5	-5.6	-12.6	-1.6	-2.5	-2.8	-4.0	-5.5	1.3	-2.3
National accounts										
Gross capital formation	16.3	10.3	9.4	13.4	24.7	21.0	15.4	13.5	22.2	18.9
Savings	5.7	1.7	-0.8	-5.9	-1.2	-0.1	-1.6	-4.7	1.4	0.8
Current account balance										
Including official transfers	-10.5	-8.5	-10.2	-19.3	-25.9	-21.1	-16.9	-18.1	-20.8	-18.0
Excluding official transfers	-11.0	-8.5	-10.2	-21.5	-26.9	-21.5	-18.8	-19.7	-21.1	-19.2
Overall balance of payments	0.4	5.3	-3.6	10.2	-5.8	0.5	-0.3	-1.7	1.4	1.6
(US\$ millions, unless otherwise indicated)										
<i>Memorandum items:</i>										
Exports, goods and services	1,566.8	1,287.9	1,434.5	1,611.6	1,681.1	1,541.1	1,532.1	1,468.1	1,572.0	1,537.4
Imports, goods and services	1,810.4	1,427.2	1,740.7	2,590.8	3,045.7	2,705.1	2,660.9	2,701.7	2,991.1	2,953.6
Overall balance of payments	16.8	245.9	-177.7	524.6	-325.3	29.0	-19.6	-117.8	97.5	122.1
Net foreign assets (central bank)	-14.1	97.9	39.6	640.1	419.4	448.9	403.9	358.9	518.4	495.9
Gross available reserves (months of imports) ^{4/}	0.6	0.8	0.6	4.4	3.4	3.5	3.7	3.7	3.4	3.5
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	1,463.3	1,464.1	1,391.9	1,390.8
of which: Arrears	85.6	208.1	326.1	391.2	177.0	186.1	35.0	35.0	0.0	0.0
Nominal GDP (GNF billions)	20,780	22,133	27,118	33,739	39,591	43,048	47,669	47,388	52,386	52,187

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

^{1/} Program as established for the 4th review under the ECF arrangement.^{2/} Program as revised for the RCF purchase request.^{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, 2012–14
(Billions of Guinean francs; unless otherwise indicated)

	2012	2013	2014							
			Mar.		Jun.		Sept.		Dec.	
			Prel.	Prog. ^{1/}	Prel.	Prog. ^{1/}	Prog. ^{1/}	Rev. Prog. ^{2/}	Prog. ^{1/}	Rev. Prog. ^{2/}
Revenue and grants	9,047	8,544	2,004	5,337	4,912	8,291	8,117	11,850	11,328	
Revenue	7,976	7,905	1,903	4,419	4,343	6,807	6,633	9,193	8,843	
Mining sector	1,607	1,489	285	616	686	1,121	1,121	1,451	1,451	
Non-mining sector	5,993	6,130	1,536	3,669	3,658	5,375	5,201	7,281	6,931	
Direct taxes	1,776	1,484	251	920	797	1,150	1,115	1,600	1,530	
Indirect taxes	4,217	4,646	1,286	2,749	2,676	4,225	4,086	5,681	5,401	
Taxes on goods and services	2,765	2,943	810	1,771	1,671	2,578	2,547	3,530	3,468	
Taxes on international trade	1,452	1,703	475	978	1,005	1,648	1,539	2,150	1,932	
Non-tax revenue	375	286	81	134	185	311	311	461	461	
Grants	1,071	639	102	918	569	1,484	1,484	2,657	2,485	
Project grants	677	462	102	773	200	890	890	1,765	1,765	
Budget support	394	177	0	145	369	594	594	892	720	
Total expenditures and net lending	10,342	10,785	2,152	6,277	5,035	9,686	9,687	13,776	14,132	
Current expenditures	6,291	6,954	1,463	3,230	3,256	5,635	5,635	7,416	8,168	
Primary current expenditures	5,617	6,461	1,308	2,998	3,026	5,250	5,250	6,871	7,630	
Wages and salaries	1,757	2,102	539	1,086	1,136	1,751	1,751	2,355	2,355	
Goods and services	2,356	2,499	377	1,004	1,001	1,879	1,879	2,534	2,599	
Subsidies and transfers	1,505	1,860	392	908	888	1,620	1,620	1,983	2,081	
Ebola related	...	...	...	...	...	...	...	...	595
Interest on debt	674	493	155	232	230	385	385	545	538	
Domestic debt ^{3/}	402	421	128	178	46	291	291	434	434	
External debt	271	72	27	54	185	94	94	111	104	
Capital expenditures	3,801	3,822	689	2,842	1,745	3,957	3,958	6,196	5,800	
Domestically financed	2,674	2,184	462	1,663	1,334	2,560	2,560	3,609	3,213	
Capital transfers	14	17	6	10	13	12	12	30	30	
Externally financed	1,113	1,620	221	1,169	399	1,386	1,386	2,557	2,557	
Net lending & restructuring expenditure	251	9	0	205	34	94	94	164	164	
Basic fiscal balance ^{4/}	-982	-1,188	-1	-635	-109	-1,399	-1,574	-1,915	-2,628	
Percent of GDP	-2.5	-2.8	0.0	-1.3	-0.2	-2.9	-3.3	-4.0	-5.5	
Overall balance, commitment basis										
Excluding grants	-2,367	-2,880	-250	-1,858	-692	-2,879	-3,054	-4,583	-5,289	
Including grants	-1,296	-2,241	-148	-940	-123	-1,395	-1,570	-1,926	-2,804	
Financing	1,422	2,241	148	939	123	1,395	1,395	1,926	1,902	
Domestic financing (net)	1,314	1,042	65	704	115	1,162	1,163	1,321	1,318	
Bank financing	1,470	1,011	166	879	43	1,077	1,077	1,162	1,162	
Central bank	1,865	901	102	879	-28	890	890	1,162	1,162	
Commercial banks	-395	110	64	0	71	187	187	0	0	
Nonbank financing	-155	31	-101	-175	71	86	86	159	156	
Privatization revenue	0	0	0	0	0	0	0	0	0	
Borrowing/Amortization of domestic debt (net)	-3	200	0	-103	0	-158	-158	-284	-284	
Change in arrears	-152	-178	0	-72	36	0	240	5	5	
Exceptional revenue	0	0	0	0	0	0	0	438	435	
Other	0	9	3	0	3	4	4	1	1	
External financing	108	1,200	83	235	9	232	232	605	584	
Drawings	939	1,509	120	533	198	495	495	1,065	1,065	
Project	436	1,268	120	396	198	495	495	792	792	
Program	503	242	0	137	0	0	0	273	273	
Amortization due	-1,522	-341	-43	-298	-212	-289	-289	-490	-492	
Debt relief ^{5/}	2,446	0	0	720	0	57	57	1,083	889	
Change in arrears ^{5/}	-1,755	26	7	-720	22	-31	-31	-1,053	-878	
Errors and omissions ^{6/}	-127	28	0	0	0	0	0	0	0	
Financing gap	0	0	0	0	0	0	175	0	902	
Possible financing	0	0	0	0	0	0	175	0	902	
Of which: World Bank	0	0							175	
African Development Bank									42	
IMF RCF									290	
Additional financing/Adjustment measures							175		395	
HIPC completion point debt relief ^{5/}	13,406									
HIPC completion point debt cancellation ^{5/}	-13,406									
Memorandum items:										
Nominal GDP	39,590	43,048	47,388	47,669	47,388	47,669	47,388	47,669	47,388	

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

^{1/} Program as established for the 4th review under the ECF arrangement.

^{2/} Program as revised for the RCF purchase request.

^{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 2014 and 2015 (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, 2012–14
(Percent of GDP; unless otherwise indicated)

	2012	2013	2014							
			Mar.		Jun.		Sept.		Dec.	
			Prel.	Prog. ^{1/}	Prel.	Prog. ^{1/}	Rev. Prog. ^{2/}	Prog. ^{1/}	Rev. Prog. ^{2/}	
Revenue and grants	22.9	19.8	4.2	11.2	10.4	17.8	17.1	24.9	23.9	
Revenue	20.1	18.4	4.0	9.3	9.2	14.7	14.0	19.3	18.7	
Mining sector	4.1	3.5	0.6	1.3	1.4	2.1	2.4	3.0	3.1	
Non-mining sector	15.1	14.2	3.2	7.7	7.3	12.1	11.0	15.3	14.6	
Direct taxes	4.5	3.4	0.5	1.9	1.7	3.1	2.4	3.4	3.2	
Indirect taxes	10.7	10.8	2.7	5.8	5.6	9.0	8.6	11.9	11.4	
Taxes on goods and services	7.0	6.8	1.7	3.7	3.5	5.8	5.4	7.4	7.3	
Taxes on international trade	3.7	4.0	1.0	2.1	2.1	3.2	3.2	4.5	4.1	
Non-tax revenue	0.9	0.7	0.2	0.3	0.4	0.5	0.7	1.0	1.0	
Grants	2.7	1.5	0.2	1.9	1.2	3.1	3.1	5.6	5.2	
Project grants	1.7	1.1	0.2	1.6	0.4	2.4	1.9	3.7	3.7	
Budget support	1.0	0.4	0.0	0.3	0.8	0.7	1.3	1.9	1.5	
Total expenditure and net lending	26.1	25.1	4.5	13.2	10.6	20.4	20.4	28.9	29.8	
Current expenditure	15.9	16.2	3.1	6.8	6.9	10.9	11.9	15.6	17.2	
Primary current expenditure	14.2	15.0	2.8	6.3	6.4	10.1	11.1	14.4	16.1	
Wages and salaries	4.4	4.9	1.1	2.3	2.4	3.7	3.7	4.9	5.0	
Goods and services	5.9	5.8	0.8	2.1	2.1	3.6	4.0	5.3	5.5	
Subsidies and transfers	3.8	4.3	0.8	1.9	1.9	2.8	3.4	4.2	4.4	
Ebola related	...	...	...	...	...	...	...	...	1.3
Interest on debt	1.7	1.1	0.3	0.5	0.5	0.8	0.8	1.1	1.1	
Domestic debt	1.0	1.0	0.3	0.4	0.1	0.6	0.6	0.9	0.9	
External debt	0.7	0.2	0.1	0.1	0.4	0.2	0.2	0.2	0.2	
Capital expenditure	9.6	8.9	1.5	6.0	3.7	8.9	8.4	13.0	12.2	
Domestically financed	6.8	5.1	1.0	3.5	2.8	5.3	5.4	7.6	6.8	
Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	
Externally financed	2.8	3.8	0.5	2.5	0.8	3.6	2.9	5.4	5.4	
Net lending & restructuring expenditure	0.6	0.0	0.0	0.4	0.1	0.6	0.2	0.3	0.3	
Basic fiscal balance ^{3/}	-2.5	-2.8	0.0	-1.3	-0.2	-2.0	-3.3	-4.0	-5.5	
Overall balance, commitment basis										
Excluding grants	-6.0	-6.7	-0.5	-3.9	-1.5	-5.8	-6.4	-9.6	-11.2	
Including grants	-3.3	-5.2	-0.3	-2.0	-0.3	-2.7	-3.3	-4.0	-5.9	
Financing	3.6	5.2	0.3	2.0	0.3	2.9	2.9	4.0	4.0	
Domestic financing (net)	3.3	2.4	0.3	1.5	0.2	1.7	2.5	2.8	2.8	
Bank financing	3.7	2.3	0.2	1.8	0.1	2.1	2.3	2.4	2.5	
Central bank	4.7	2.1	0.2	1.8	-0.1	2.1	1.9	2.4	2.5	
Commercial banks	-1.0	0.3	0.2	0.0	0.2	0.0	0.4	0.0	0.0	
Nonbank financing	-0.4	0.1	-0.2	-0.4	0.2	-0.4	0.2	0.3	0.3	
Privatization revenue	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	0.5	0.0	-0.2	0.0	-0.3	-0.3	-0.6	-0.6	
Change in arrears	0.0	0.0	0.0	-0.1	0.1	-0.1	0.5	0.0	0.0	
Exceptional revenue	0.0	0.0	0.0	0.0	3.0	0.0	0.0	0.9	0.9	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
External financing	0.3	2.8	0.1	0.5	0.0	0.9	0.5	1.3	1.2	
Drawings	2.4	3.5	0.2	1.1	0.4	1.7	1.0	2.2	2.2	
Project										
Program										
Amortization due	-3.8	-0.8	-0.1	-0.6	-0.4	-0.8	-0.6	-1.0	-1.0	
Debt relief ^{4/}	0.0	0.0	0.0	1.5	0.0	0.1	0.1	2.3	1.9	
Change in arrears ^{4/}	-4.4	0.1	0.0	-1.5	0.0	-0.1	-0.1	-2.2	-1.9	
Errors and omissions	-0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	1.9	
Possible financing		0.0	0.0	0.0	0.0	0.0	0.4	0.0	1.9	
Of which: World Bank						0.0	0.0		0.4	
African Development Bank						0.0	0.0		0.1	
IMF RCF						0.0	0.0		0.6	
Additional financing/Adjustment measures						0.0	0.4		0.9	
HIPC completion point debt relief ^{4/}	33.9									
HIPC completion point debt cancellation ^{4/}	-33.9									
Memorandum items:										
Nominal GDP (GNF billions)	39,591	43,048	47,388	47,669	47,388	47,669	47,388	47,669	47,388	

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

^{1/} Program as established for the 4th review under the ECF arrangement.

^{2/} Program as revised for the RCF purchase request.

^{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 2014 and 2015 (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							
						Mar.		Jun.		Sept.		Dec.	
						Act.	Prog. ^{2/}	Prel.	Prog. ^{2/}	Rev. Prog. ^{3/}	Prog. ^{2/}	Rev. Prog. ^{3/}	
Central bank													
Net foreign assets	482	241	4,538	2,923	3,163	3,041	2,838	3,012	2,811	2,546	2,827	2,513	
Net domestic assets	3,553	6,739	2,105	3,507	3,815	4,372	4,501	4,171	4,495	4,174	5,028	5,318	
Domestic credit	3,505	6,491	1,516	3,532	4,462	4,588	4,842	4,325	4,962	4,461	5,620	5,910	
Claims on central government (net)	3,450	6,456	1,467	3,467	4,397	4,541	4,781	4,280	4,901	4,400	5,559	5,849	
Claims on private sector	10	6	9	43	50	45	46	43	46	46	46	46	
Liabilities to deposit money banks (-)	2	0	1	0	0	0	0	0	0	0	0	0	
Claims on other public sector	42	29	39	22	15	1	15	2	15	15	15	15	
Other items, net (assets +)	48	248	589	-25	-647	-215	-341	-154	-467	-287	-592	-592	
Reserve money	4,035	6,980	6,638	6,431	6,978	7,413	7,338	7,183	7,306	6,720	7,855	7,830	
Currency outside banks	2,120	3,988	3,262	3,706	4,052	4,169	4,073	4,234	4,086	4,025	4,341	4,159	
Bank reserves	1,885	2,961	3,276	2,471	2,508	2,760	2,781	2,557	2,736	2,302	3,096	3,254	
Deposits	1,720	2,839	2,856	2,076	2,095	2,356	2,378	2,129	2,328	1,869	2,648	2,802	
Required reserves	360	603	1,755	1,648	1,720	1,746	1,804	1,753	1,629	1,620	1,748	1,857	
Excess reserves	1,360	2,236	1,101	428	376	610	574	376	699	250	900	945	
Of which: in foreign exchange	111	136	200	230	291	317	...	...	...	...	...	...
Cash in vaults of deposit banks	164	122	420	395	413	405	404	428	408	433	448	452	
Private sector deposits	30	32	100	255	418	484	484	392	484	392	418	418	
Deposit money banks													
Net foreign assets	609	524	379	1,599	1,345	1,058	1,115	826	1,022	802	1,035	823	
Bank reserves	1,885	2,961	3,276	2,471	2,508	2,760	2,781	2,557	2,736	2,302	3,096	3,254	
Deposits at the central bank	1,720	2,839	2,856	2,076	2,095	2,356	2,378	2,129	2,328	1,869	2,648	2,802	
Cash in vaults of deposits banks	164	122	420	395	413	405	404	428	408	433	448	452	
Claims on central bank	-2	0	-1	0	0	0	0	0	0	0	0	0	
Domestic credit	1,829	3,541	5,425	4,747	6,093	6,518	6,891	6,386	7,065	6,904	7,366	7,457	
Credit to the government (net)	699	1,865	2,206	1,673	1,908	1,973	1,973	1,935	1,973	1,935	1,908	1,908	
Claims on public enterprises	0	43	58	48	90	110	110	65	110	65	90	90	
Claims on the private sector	1,129	1,633	3,161	3,025	4,096	4,435	4,809	4,386	4,983	4,903	5,368	5,459	
Other items, net (assets +)	-525	-678	-1,104	-1,326	-1,349	-1,608	-1,768	-1,004	-1,773	-1,009	-1,785	-2,248	
Liabilities to the private sector (deposits)	3,795	6,347	7,976	7,490	8,598	8,728	9,020	8,766	9,050	9,000	9,711	9,286	
Memorandum items:													
Net foreign assets of the central bank (US\$ millions)	98	40	640	419	451	431	405	429	402	364	404	359	
Net international reserves (GNF billion)	1,248	1,353	5,281	3,784	3,950	3,824	3,621	3,873	3,594	3,645	3,610	3,612	
US \$ millions	253	222	745	543	564	542	517	552	513	521	516	516	

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

^{1/} End of period.

^{2/} Program as established for the 4th review under the ECF arrangement.

^{3/} Program as revised for the RCF purchase request.

Table 4. Guinea: Balance of Payments, 2008–14
(Millions of U.S. dollars; unless otherwise indicated)

	2008	2009	2010	2011	2012	2013	2014	
							Prog. ^{1/}	Rev. Prog. ^{2/}
Merchandise trade balance	93	119	27	-485	-642	-580	-519	-634
Exports, f.o.b.	1,460	1,215	1,372	1,534	1,512	1,431	1,400	1,338
Mining products	1,380	1,097	1,261	1,401	1,381	1,294	1,260	1,215
Other	79	119	111	134	131	137	141	123
Imports, f.o.b.	-1,366	-1,096	-1,345	-2,019	-2,154	-2,011	-1,919	-1,972
Food products	-227	-204	-174	-247	-275	-262	-240	-305
Other consumption goods	-205	-191	-217	-270	-308	-284	-303	-315
Petroleum products	-356	-296	-286	-414	-448	-435	-457	-460
Intermediate and capital goods	-579	-405	-669	-1,088	-1,123	-1,029	-920	-892
Of which: imports for large mining projects	-239	-83	-74	-99	-395	-207	-125	-113
Services trade balance	-337	-259	-333	-495	-723	-584	-610	-600
Services exports	107	73	62	77	169	110	132	131
Services imports	-444	-331	-396	-572	-891	-694	-742	-730
Of which: imports for large mining projects	-39	-14	-12	-31	-266	-75	-148	-133
Income balance	-523	-505	-451	-446	-441	-421	-418	-397
Of which: interest on public debt	-60	-29	-35	-45	-39	-10	-16	-15
Transfers	291	248	253	438	347	269	394	402
Of which:								
Net private transfers	272	248	253	324	291	243	266	299
Official transfers	19	0	0	114	56	26	127	103
Current account	-476	-396	-505	-988	-1,459	-1,316	-1,153	-1,228
Including official transfers	-198	-300	-419	-857	-798	-1,034	-880	-983
Excluding imports for large mining projects	-495	-396	-505	-1,102	-1,515	-1,342	-1,280	-1,331
Excluding official transfers	272	248	253	324	291	243	266	299
Capital account	27	29	33	778	137	79	272	267
Financial account	-210	192	-163	163	526	917	861	843
Public (medium and long-term)	-66	-50	-78	-49	-83	169	82	82
Project-related loans	72	43	32	52	62	183	113	113
Program financing	0	0	0	76	72	35	39	39
Amortization due	-138	-93	-110	-177	-217	-49	-70	-70
Public (short-term)	0	0	0	0	0	0	0	0
Direct and other private investment (net)	-162	-193	-277	52	342	-80	141	111
Of which: large mining projects	379	138	108	282	607	524	364	328
Private short-term	18	302	192	160	267	828	638	651
Errors and omissions	676	422	457	572	471	350	0	0
Overall balance	17	246	-178	525	-325	29	-20	-118
Financing	-17	-246	178	-525	325	-29	-9	-11
Change in net official reserves	-20	-287	90	-601	227	-34	-13	-13
Of which:								
Fund repayments ^{3/}	9	-13	0	0	16	0	0	0
Change in gross official reserves	-24	-274	90	-601	211	-61	-13	-13
Of which: SDR Allocation								
Change in arrears ^{3/}	0	40	65	-74	-250	4	-150	-125
Debt relief ^{3/}	4	1	25	150	348	1	155	127
HIPC interim assistance	4	0	1	0	0	0	0	0
HIPC completion point debt relief ^{3/}					1,902			
HIPC completion point debt cancellation ^{3/}					-1,902			
Financing gap	0	0	0	0	0	0	28	129
Possible financing	0	0	0	0	0	0	0	129
Of which: World Bank								25
African Development Bank								6
IMF RCF								41
Additional financing/Adjustment measures								56
Memorandum items:								
Current account balance (percent of GDP)								
Including official transfers	-10.5	-8.5	-10.2	-19.3	-25.9	-21.1	-16.9	-18.1
Excluding imports for large mining projects	-4.4	-6.5	-8.5	-16.7	-14.2	-16.6	-12.9	-14.5
Excluding official transfers	-11.0	-8.5	-10.2	-21.5	-26.9	-21.5	-18.8	-19.7
Overall balance (percent of GDP)	0	5.3	-3.6	10.2	-5.8	0.5	-0.3	-1.7
Exports-GDP ratio (percent)	34.7	27.8	29.1	31.5	29.8	24.7	22.5	21.7
Imports-GDP ratio (percent)	-40.1	-30.8	-35.3	-50.6	-54.1	-43.4	-39.1	-39.9
Gross available reserves (US\$ millions)	70	114	124	855	643	705	717	717
Gross available reserves (months of imports)	0.6	0.8	0.6	4.4	3.4	3.5	3.7	3.7
Nominal GDP (US\$ millions)	4,517	4,635	4,929	5,124	5,632	6,230	6,810	6,770
National currency per US dollar (avg.)	4,600	4,775	5,502	6,584	7,030	6,910	7,000	7,000

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

^{1/} Program as established for the 4th review under the ECF arrangement.

^{2/} Program as revised for the RCF purchase request.

^{3/} 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 2014 and 2015 (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
(Billions of Guinean francs; unless otherwise indicated)

	2013				2014										
	Dec.			Status	Mar.				Jun.			Sep.		Dec.	
	PC	PC Adjusted ¹	Act.		Indicative Targets	Adj. Targets ¹	Act.	Status	PC	Prel.	Status	Indicative Targets ⁷	Indicative Targets ⁸	PC ⁹	PC ¹⁰
Quantitative performance criteria															
Basic fiscal balance (floor; cumulative change for the year)	-1,486	-1,355	-1,188	Met	-354	-429	-2	Met	-635	-109	Met	-1,399	-1,570	-1,915	-2,628
Net domestic assets of the central bank (ceiling; stock)	4,540	4,757	3,815	Met	4,785	4782	4,372	Met	5,018	4,117	Met	4,789	4,789	5,028	5,318
Net domestic bank financing of the government (ceiling; cumulative change for the year)	1,221	1,438	1,165	Met	639	636	209	Met	879	43	Met	1,077	1,077	1,162	1,452
Net international reserves of the central bank (floor; stock); US\$ millions ²	427	352	567	Met	481	481	542	Met	459	552	Met	513	513	516	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	0	0	0	Met	0	0	Met	80	80	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	0	Met	0	0	0	Met	0	0	Met	0	0	0	0
New external arrears (ceiling) ⁴	0	0	0	Met	0	0	0	Met	0	0	Met	0	0	0	0
Indicative targets															
Expenditure in priority sectors (floor) ⁵	4,200	...	3,321	Not Met	1,060	...	743	Not Met	2,167	...	...	2,633	2,633	4,706	4,706
Memorandum items:															
Reserve money (ceiling)	6,770	...	6,978	...	7,360	...	7,413	...	7,441	7,129	...	7,306	7,306	7,855	7,830

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.

⁷ Indicative targets for the 4th Review under the ECF arrangement.

⁸ Proposed revised indicative targets.

⁹ PCs for the 4th Review under the ECF arrangement.

¹⁰ Proposed revised PCs.

Table 6. Guinea: External Financing Requirements and Sources, 2012–15
(Millions of U.S. dollars)

	2012	2013		2014
	Est.	Prog.	Act.	Proj.
1. Gross financing requirements	1,714	1,797	1,437	1,525
External current account deficit	1,515	1,684	1,342	1,331
Capital account balance ^{1/}	-41	-12	-12	-15
Debt amortization	217	33	49	70
Change in arrears, net ^{2/}	250	139	-4	125
Gross reserves accumulation	-211	-47	61	13
IMF repayments ^{2/}	-16	0	0	0
2. Available financing	1,714	1,739	1,409	1,396
Foreign direct investment, net ^{3/}	609	1,164	748	762
Identified disbursements	286	443	311	507
Grants	152	194	92	355
Project	96	88	67	252
Program	56	106	26	103
Loans	134	248	218	152
Project	62	209	183	113
Program	72	39	35	39
Other flows	471	0	350	0
Debt relief ^{2/}	348	133	1	127
HIPC completion point debt relief ^{2/}	1,902			
HIPC completion point debt cancellation ^{2/}	-1,902			
3. Residual financing	0	58	0	129
ECF and RCF disbursement		58	0	41
World Bank				25
African Development Bank				6
Additional financing/Adjustment measures				56

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

^{1/} Excludes public transfers.

^{2/} 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.

^{3/} Includes private short term financial flows.

Table 7. Guinea: Indicators of Capacity to Repay the IMF, 2014–25
(As of July 31, 2014; SDR millions, unless otherwise indicated)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Projections											
Fund obligations based on existing credit												
Credit outstanding	73.94	73.94	73.94	72.11	62.42	49.57	34.88	20.20	7.34	1.84	0.00	0.00
Percent of quota	69.04	69.04	69.04	67.33	58.29	46.29	32.57	18.86	6.86	1.71	0.00	0.00
Repayment of principal	0.00	0.00	0.00	1.84	9.68	12.85	14.69	14.69	12.85	5.51	1.84	0.00
Charges and interest	0.00	0.19	0.19	0.18	0.17	0.14	0.11	0.07	0.03	0.01	0.00	0.00
Fund obligations from prospective drawings under the ECF and new RCF 1/												
Credit outstanding	45.14	81.86	81.86	81.86	81.86	81.86	69.16	52.79	36.42	20.04	3.67	0.00
Percent of quota	42.15	76.43	76.43	76.43	76.42	76.42	64.57	49.28	34.00	18.72	3.43	0.00
Repayment of principal	0.00	0.00	0.00	0.00	0.00	0.00	12.70	16.37	16.37	16.37	16.37	3.67
Charges and interest	0.00	0.19	0.20	0.20	0.20	0.20	0.19	0.15	0.11	0.07	0.03	0.00
Total obligations based on existing and prospective credit												
Credit outstanding	119.08	155.80	155.80	153.97	144.28	131.43	104.04	72.99	43.76	21.88	3.67	0.00
Percent of quota	111.19	145.47	145.47	143.76	134.71	122.71	97.14	68.14	40.86	20.43	3.43	0.00
Percent of gross foreign available reserves	24.97	26.13	27.69	27.60	24.30	18.25	12.67	7.18	4.05	1.91	0.29	0.00
Repayment of principal	0.00	0.00	0.00	1.84	9.68	12.85	27.39	31.06	29.22	21.88	18.21	3.67
Charges and interest	0.00	0.37	0.39	0.39	0.37	0.35	0.29	0.22	0.14	0.08	0.03	0.00
Total payments to the IMF	0.00	0.37	0.39	2.22	10.06	13.20	27.68	31.28	29.37	21.96	18.23	3.67
Percent of exports of goods and services	0.00	0.04	0.04	0.19	0.83	1.06	1.15	0.81	0.56	0.36	0.26	0.05
Percent of external public debt service	0.00	0.63	0.66	3.66	13.91	17.45	37.02	62.00	61.47	47.51	42.44	8.47
<i>Memorandum items:</i>												
Disbursements	63.5	36.7										
Exports of goods and services, US\$ millions	1,468.1	1,537.4	1,567.8	1,783.9	1,831.9	1,881.6	3,606.3	5,826.0	7,838.9	9,170.1	10,464.5	11,626.7

Sources: Guinean authorities; and IMF staff projections.

1/ Includes disbursement of 25% of Quota under the proposed RCF in 2014.

Table 8. Guinea: Risk Assessment Matrix (RAM)

Sources of Risks	Relative Likelihood	Impact If Realized	Policy Response if Materialized
Growth slowdown in China	Low	Medium	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.
Protracted period of slower growth in advanced and emerging economies	High (Advanced economies) High (Elsewhere)	Investment in large new (iron ore) mining projects would likely be delayed, lowering medium-term growth and government revenue.	
Regional political risks in the Middle East and Eastern Europe	Medium to High	Medium	Seek to maintain fiscal discipline. Redirect priority spending to the social sector.
A prolonged and uncontained outbreak of Ebola	Low to Medium	High	Deploy countercyclical fiscal and monetary policies. The deterioration of the fiscal position should remain within the limits of available financing. Intensify structural reform.
A deterioration in the domestic socio-political and security situation	Low to Medium	High	Refocus reform on areas less sensitive to socio-political environment. Aim at maintaining fiscal control.

Appendix I. Letter of Intent

Conakry, September 18, 2014

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
USA

Subject: Letter of Intent on Economic and Financial Policies

Dear Madame Managing Director:

1. We hereby request additional financial support from the IMF for an amount of 25 percent of quota (SDR 26.775 million) under the Rapid Credit Facility (RCF) to help Guinea mitigate the adverse impacts of the Ebola epidemic. We also request that the full amount of this disbursement be made available immediately upon approval of this request by the IMF Executive Board, and that the disbursement be made to the Treasury account at the Central Bank of the Republic of Guinea to provide immediate budget support.
2. Guinea continues to implement the program supported under the Extended Credit Facility (ECF) satisfactorily. Preliminary data suggest that the end-June 2014 performance criteria under the program have been met. This good performance was achieved despite the Ebola epidemic, the impact of which was already felt in the first half of the year. The government is also continuing to make progress with structural reform.
3. The Ebola epidemic is causing large loss of life and is having a significant impact on the economy, risking social unrest and undoing hard-won macroeconomic stabilization gains. Our preliminary assessment suggests that GDP growth would be lower by 1½ percentage points compared to the estimates of only some months ago, and the projection for 2014 inflation has been raised by about one percentage point. Gross reserves coverage also risks missing the program target.
4. The government of Guinea remains fully committed to meeting the objectives of the ECF-supported program. This was confirmed by a recent government retreat to reassess the policy priorities, which also addressed the impact of the Ebola crisis. In consultation with IMF staff, the government has formulated a revised budget for 2014, focused on rapidly stemming the EVD crisis. This revised budget was submitted to the National Assembly in September for its consideration and approval. In addition to maintaining macroeconomic stability, the government will continue to press for progress on structural reform.

5. The EVD crisis is having a substantial impact on the budget. Lower growth, reflecting especially the impact of the EVD epidemic on the commerce and services sectors, is causing a drop in tax revenue, which is projected to fall short of the target by 0.6 percent of GDP. The estimated total cost of our emergency response plan, including social spending, is estimated at US\$85 million (1.3 percent of GDP) in 2014 (Text Table 1). During the first half of the year, modest efforts to contain the outbreak were financed by donors, with a small contribution from our budget.¹ Additional financing during the second half of the year is expected to come from international donors, including the World Bank and the African Development Bank, although some contribution from the budget may be needed.^{2, 3}

Text Table 1. Guinea: Changes to Fiscal Projections, 2014

	GNF Billions	USD Millions	Percent of GDP
	2014	2014	2014
Revenue (- Lower)	-522	-74.6	-1.1
Tax Revenue	-350	-50.0	-0.7
Grants	-172	-24.6	-0.4
Spending (+ Higher)	359	51.2	0.8
Current spending	753	107.5	1.6
Salary and Wages	0	0.0	0.0
Goods and services	66	9.4	0.1
Transfers and subsidies	98	14.1	0.2
Ebola-related	595	85.0	1.3
Capital spending	-394	-56.3	-0.8
Domestically financed	-394	-56.3	-0.8
<i>Of which: Measures of offset non-Ebola related revenue shortfalls and higher spending</i>	-222	-31.7	-0.5
Externally financed	0	0.0	0.0
Total Impact (+ = Higher Deficit)	881	125.8	1.9
<i>Memorandum items:</i>			
Fund Contribution ^{1/}	287	41	0.6

^{1/} Additional financing.

Sources: Guinean authorities and IMF staff estimates.

6. The Ebola outbreak is expected to worsen our external accounts. The current account deficit is projected to widen by US\$75 million, reflecting lower exports of agricultural products and from artisanal gold production, and higher food imports. Inflows related to expatriate workers and business travelers are also projected to be lower. Moreover, indications are that private capital outflows are increasing. Pressure on the exchange rate has increased and the projections show an external financing gap of US\$129 million.

7. The government remains fully committed to structural reform, but the agenda risks being delayed because of difficulties in mobilizing technical assistance. Several missions have been postponed because of the Ebola outbreak, and it has also hindered our capacity building efforts, as

¹ Only US\$8.5 million was spent on combating the outbreak in the first half of the year, of which the government contributed US\$1.4 million.

² The plan focuses on breaking the transmission chain of the Ebola epidemic and providing food support to those affected. It would be supported by the UN Joint Ebola Support Plan, which provides humanitarian life-saving support, as well as support to strengthen the resilience and recovery of affected households, and social services.

³ Several donors, including the World Bank (US\$200 million), the African Development Bank (US\$60 million), and the African Union (US\$25 million), pledged new support for the region, to be split between Guinea, Sierra Leone, and Liberia.

many of our staff could not attend planned external workshops. While the government will seek alternative solutions to receive the assistance needed, including through desk review of our draft laws and videoconferencing, some delays in structural reform implementation appear unavoidable.

8. The impact of the Ebola outbreak on the financial sector should be limited. Given banks' limited exposure to people and districts affected by the Ebola outbreak we do not anticipate significant impact on our banking system. However, the anticipated lower economic activity will reduce demand for bank credit. Higher expected inflation could also reduce banks' profitability, which should however remain solid.

9. The basic balance deficit of the 2014 budget is estimated at 5.5 percent of GDP compared to the program target of 4.0 percent of GDP, reflecting the impact of the Ebola epidemic. Expenditure will increase by 1.3 percent of GDP, reflecting the cost of our revised emergency plan to stem the EVD crisis. Additional expenditure (0.3 percent of GDP) relating to the need to further extend the lease of emergency power generating capacity and a delay in part of the planned budget support from Abu-Dhabi, will be financed or offset by cuts in investment spending. In the event donors do not fully finance our emergency response plan, and to avoid scaling down further the investment budget as much as possible, the government intends to seek additional domestic (bank) financing.

10. The Central Bank of the Republic of Guinea (BCRG) intends to maintain a more conservative policy stance than envisioned under the ECF. Given the indications of increasing capital outflows, the BCRG will delay considering a further relaxation of monetary policy. Also, it intends to temporarily increase sales in the weekly foreign exchange auctions to bolster confidence in the currency, avoid depreciation, and thus contain upward pressures on inflation.

11. We request modifications to the end-September 2014 indicative targets and the end-December 2014 performance criteria under the ECF arrangement to reflect the changes in policies described above. The requested modifications include modifications of the ECF-supported program adjustors, to allow for the use of domestic financing for the emergency response plan if external contributions fall short.

12. The requested disbursement under the Rapid Credit Facility arrangement will help close the immediate balance of payments and fiscal financing need resulting from the Ebola outbreak. With the assistance of the international community we have put in place a coordinated response plan, in consultation with other countries affected by the Ebola outbreak and our neighbors. The plan is estimated to cost US\$85 million, of which assurances of only US\$31 million have been mobilized so far from the World Bank (US\$25 million) and the African Development Bank (US\$6 million). The Fund disbursement under the RCF will provide a signal that will help catalyze support from others.

13. Our capacity to repay the Fund remains strong. Taking into account the disbursement under the RCF, while our repayments to the Fund will increase over the medium-term, repayment ratios to fiscal revenue and exports of goods and services will remain manageable, peaking at 1.5 percent in 2020 and 1.1 percent in 2020, respectively. We will continue to meeting on a timely basis our financial obligations to the IMF. Furthermore, our external debt distress indicators will not change significantly because of the additional financing to cope with the Ebola crisis.

14. The government remains convinced that the policies and measures set forth herein are adequate to address the immediate needs resulting from the Ebola outbreak while achieving the program objectives, including the advancement of our poverty reduction and growth 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 herein, in accordance with IMF policy regarding such consultations. The government undertakes not to introduce measures or policies that would compound Guinea's balance of payments difficulties, and to provide the IMF with any information required to monitor the implementation of measures and the achievement of program objectives. Moreover, the Central Bank of the Republic of Guinea (BCRG) is committed to undergo a safeguards assessment update by the IMF in the context of the proposed new arrangement. It will continue to provide IMF staff with access to its most recently completed external audit reports and to authorize the BCRG's external auditors to hold discussions with IMF staff.

15. In line with our commitment to transparency in government operations, we agree to the publication of all the documents submitted to the Executive Board in relation to this request.

Sincerely yours,

_____/s/_____
 Mohamed Diaré
 State Minister of Economy and Finance
 Republic of Guinea

_____/s/_____
 Lounceny Nabé
 Governor
 Central Bank of the Republic of Guinea

Attachment:

- Supplement to the Technical Memorandum of Understanding under the ECF-Supported Program

Table 1. Guinea: Performance Criteria (PC) and Indicative Targets, ECF 2013–14
(Billions of Guinean francs; unless otherwise indicated)

	2013				2014										
	Dec.				Mar.				Jun.			Sep.		Dec.	
	PC	PC Adjusted ¹	Act.	Status	Indicative Targets	Adj. Targets ¹	Act.	Status	PC	Prel.	Status	Indicative Targets ⁷	Indicative Targets ⁸	PC ⁹	PC ¹⁰
Quantitative performance criteria															
Basic fiscal balance (floor; cumulative change for the year)	-1,486	-1,355	-1,188	Met	-354	-429	-2	Met	-635	-109	Met	-1,399	-1,570	-1,915	-2,628
Net domestic assets of the central bank (ceiling; stock)	4,540	4,757	3,815	Met	4,785	4,782	4,372	Met	5,018	4,117	Met	4,789	4,789	5,028	5,318
Net domestic bank financing of the government (ceiling; cumulative change for the year)	1,221	1,438	1,165	Met	639	636	209	Met	879	43	Met	1,077	1,077	1,162	1,452
Net international reserves of the central bank (floor; stock); US\$ millions ²	427	352	567	Met	481	481	542	Met	459	552	Met	513	513	516	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	0	0	0	Met	0	0	Met	80	80	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	0	Met	0	0	0	Met	0	0	Met	0	0	0	0
New external arrears (ceiling) ⁴	0	0	0	Met	0	0	0	Met	0	0	Met	0	0	0	0
Indicative targets															
Expenditure in priority sectors (floor) ⁵	4,200	...	3,321	Not Met	1,060	...	743	Not Met	2,167	...	...	2,633	2,633	4,706	4,706
Memorandum items:															
Reserve money (ceiling)	6,770	...	6,978	...	7,360	...	7,413	...	7,441	7,129	...	7,306	7,306	7,855	7,830

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.

⁷ Indicative targets for the 4th Review under the ECF arrangement.

⁸ Proposed revised indicative targets.

⁹ PCs for the 4th Review under the ECF arrangement.

¹⁰ Proposed revised PCs.

Table 2. 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	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	Before July 25, 2014.	Implemented	Reduce tax expenditures and improve the environment for the private sector
Adoption by the government of 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	Before July 25, 2014.	Implemented	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	Before July 25, 2014.	Implemented	Reduce fiscal risks
Structural Benchmarks			
Adopt the draft law 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-September 2014	A draft law was reviewed by the reform coordination committee and submitted to the Government for its approval on August 21 st 2014.	Limit the risks for the government budget and strengthen central control over external public debt

Table 2. 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
Revise the relations between autonomous agencies collection public revenue with a view to transferring the accounts from autonomous public entities (EPAs) and local governments to the Treasury master account at the BCRG	End-September 2014	Discussions have started with the autonomous agencies to clarify their relations with the Treasury.	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	End September 2014	The consultant's final report has been approved by the surveillance committee and will be sent to the government for its approval.	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-September 2014	A draft budget nomenclature developed with IMF TA has been reviewed in two validation workshops in mid-June and mid-July.	Improve the monitoring of poverty reduction efforts
Produce management and administrative government accounts for 2011–12	End-December 2014	A large proportion of the accounts of the main accounting posts have been deposited and are being reviewed before they are sent to accounts chamber of the supreme court.	Improve public financial management and transparency
Adopt a civil service reform plan, based on the results of the ongoing biometric survey and the action plan for the program to reform the State and modernize the government administration (HCREMA)	End-December 2014	Work is ongoing with the assistance of a cabinet recruited with WB support.	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	The call for bids was launched in mid-August.	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	End-December 2014	The call for bids was launched by the AFD on April 30 2014. Three bids were received and opened at the AFD on July 1. The review of the bids is ongoing.	Support private sector growth and enhance government credibility.

Attachment I. Supplement to the Technical Memorandum of Understanding Under the ECF-Supported Program

September 19, 2014

1. This memorandum updates the understandings between the Guinean authorities and staff of the International Monetary Fund (IMF) set out in the Technical Memorandum of Understandings (TMU) attached to the staff report for the 4th review under the ECF arrangement and dated July 18 2014 regarding the baseline projections for foreign assistance and (ii) the methodology for calculating the program's adjusted performance criteria and indicative targets.

2. The quantitative performance criteria and indicative targets have been modified as specified in Table 1 attached to the authorities Letter of Intent dated September 18 2014. 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. The definitions for net external assistance and net change in program arrears remain as specified in the TMU dated July 18 2014.

Guinea: External Assistance, Program Arrears, Exceptional Mining Revenue and Float, 2013–15											
(Billions of Guinean francs, cumulative from the beginning of the fiscal year)											
	2013				2014				2015		
	Sept.		Dec.		Mar.		Jun.		Sept.	Dec.	Proj.
	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Prel.	Prog.	Prog.	
Net external assistance	365	-127	689	32	-140	-7	94	364	425	1,210	230
Net external assistance, excluding Ebola	365	-127	689	32	-140	-7	94	364	425	615	230
Budget support	626	174	1,051	419	0	0	446	369	594	993	590
Grants			768	177	0	0	309	369	594	720	590
Loans			283	242	0	0	137	0	0	273	0
External debt service	-242	-280	-314	-413	-140	-16	-352	-27	-195	-389	-361
Interest	-56	-57	-76	-72	-37	28	-54	185	94	104	153
Principal	-186	-223	-238	-341	-103	-43	-298	-212	-289	-492	-513
Net change in non-program arrears and debt relief	-19	-21	-48	26	0	8	0	22	26	11	0
Net change in non-program arrears	-340	-21	-1,011	26	-218	8	-720	22	-31	-878	-214
Debt relief	321	0	963	0	218	0	720	0	57	889	214
External assistance for Ebola response plan ^{1/}	...	...	...	...	...	...	...	...	...	595	...
Program arrears			0	0	0	0	0	0	0	0	0
Exceptional mining revenue	0	0	0	0	0	0	0	0	0	435	1,750
Change in the float	-185	42	-244	-178	-101	-104	-72	0	5	5	0

Sources: Guinean authorities and IMF staff calculations.

^{1/} The distribution between grants and loans, except for the IMF contribution, is undetermined at this time.

3. The floor for net international reserves (NIR), the ceilings on net domestic assets (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.¹

4. **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).

5. Adjustments for other deviations from program parameters, including those related to the net change in “program” arrears, the exceptional mining revenues, and the net change in the float remain as specified in the TMU dated July 18 2014.

¹ Any surpluses or shortfalls will be calculated using the program exchange rate.

Appendix II. Update to the Low-Income Country Debt Sustainability Analysis

This appendix provides an update to the joint IMF-World Bank LIC-DSA for the 2nd review under the concurrent ECF arrangement (IMF Country Report No. 13/192), in the context of the Guinean authorities' request for a disbursement under the Rapid Credit Facility to help meet a financing shortfall as a result of the Ebola outbreak. It includes updated projections for the macroeconomic framework and the Simandou mining and related infrastructure projects, and new information on borrowing. Guinea's risk of debt distress remains moderate.

- 1. Guinea continues to be assessed at a moderate risk of debt distress.**^{1,2} This debt sustainability analysis (DSA) updates the LIC-DSA presented to the Board in May 2013, and uses a higher and unified discount rate of 5 percent (previously 3 percent) which was introduced in October 2013. A full update of the LIC-DSA will be prepared in the context of the next review (5th) under the ECF arrangement and Article IV consultation. As in the previous assessment, the moderate rating is primarily due to Guinea's vulnerability to adverse shocks to growth, exports, foreign direct investment flows, fiscal performance, and delays in mining projects coming on stream. The LIC-DSA underscores the importance of implementing a prudent debt policy and relying primarily on concessional loans and grant and avoid an excessive ramping up of external debt, especially in the short term, until the projected increase in economic growth on the back of mining sector output and of exports comes to fruition. In addition, the authorities' ongoing efforts to maintain macroeconomic stability, improve project implementation capacity and the business climate, establish a sound governance structure in the mining sector, and strengthen debt management should be continued. In addition, structural reforms aimed at removing bottlenecks, improving productivity, and supporting economic diversification are important to minimize the adverse effects of Dutch disease that could arise from the significant expansion of the mining sector.
- 2. Following the attainment of the HIPC initiative completion point, at end-2012 Guinea's external public debt amounted to \$1.3 billion (23 percent of GDP).** Since then, the accumulation of new debt (disbursed and outstanding) has been modest and at end-2013 external public debt had increased to \$1.6 billion (25.3 percent of GDP). The increase is primarily accounted for by disbursements for the construction of the Kaleta hydroelectric dam. Guinea also has outstanding external debt arrears of \$186 million (11 percent of total debt) which are virtually all to non-Paris club official bilateral creditors. These arrears have increased slightly since end-2012 because of arrears accrued on debt service falling due to a creditor, and discussions between the creditor and authorities are ongoing so that these can be resolved. The LIC-DSA, in line with the authorities objectives, incorporates a phased clearance of arrears through partial cancellation and rescheduling (in the context of the HIPC completion point) which is different from that assumed in the last LIC-DSA, reflecting progress thus far and expected.³

¹ This Debt Sustainability Analysis (DSA) is based on the Debt Sustainability Framework (DSF) for low-income countries (LICs), approved by the Executive Boards of the IMF and World Bank.

² Guinea's three-year average CPIA score is 2.93 and its quality of policy and institutions rating is weak.

³ The status of these arrears under the IMF's lending into arrears (LIA) and arrears to official creditors has not changed since the (last) 4th review under the ECF arrangement

3. There are several significant changes in the baseline macroeconomic assumptions compared to the last LIC DSA (Table 1). As regards the mining sector, a new model based estimation of the financial flows, in particular foreign direct investment, mining tax revenues, mining imports and exports, associated with two major mining projects (the Simandou iron ore mine and an expansion of the capacity of an existing bauxite mine) have been incorporated. In addition, a delay in the onset of construction of the Simandou mining and related infrastructure project has pushed out a sharp rise in the related FDI inflows and imports, as well as the onset of production and exports. The delay in the Simandou project stemmed from protracted negotiations on an overarching investment framework which were concluded successfully in mid-2014. Production and exports are now expected to begin in late 2019 and 2020 compared to 2017 in the last LIC-DSA; also the projected volume of iron ore exports is somewhat higher. The expansion of the bauxite mining project is now included as the timing and details have become available only recently; the scale of the expansion is modest and would result in a two-step increase in bauxite exports in 2017 and 2022. The LIC-DSA incorporates the economic consequences of the Ebola outbreak. While there are uncertainties about the duration and spread of the epidemic, at this point in time according to the World Health Organization (WHO) it may take 6-9 months before the outbreak is under control provided strong international action is taken immediately. On this basis, the epidemic is projected to have only a short-term temporary impact, with GDP growth lower and the basic primary fiscal deficit higher in 2014–15. Medium and long term growth is projected to be higher than in the last DSA. This reflects the higher iron ore output from the Simandou mining project, the impact of the new bauxite mine expansion project, higher electricity supply (based on recent progress in raising supply capacity and future developments), and a stronger structural reform impact.

4. There are also changes in a number of the baseline assumptions concerning debt. One new projected nonconcessional loan has been incorporated.⁴ The loan, which has yet to be signed, is for the renovation and extension of the electricity transmission line between the Kaleta hydro-electric dam and Conakry. The loan is long-term and is expected to have a grant element of slightly less than 30 percent and amount to about \$80 million (4.8 percent of end-2013 external debt stock and 1.2 percent of projected 2014 GDP). As regards to the large China Eximbank loan (\$335 million) for the construction of the Kaleta dam that was signed in early 2013 and incorporated in the last LIC-DSA, progress in construction, and disbursements to date and projected based on an updated disbursement schedule, are broadly as initially assumed.⁵ The LIC-DSA also includes the disbursement under the Rapid Credit Facility that the Guinean authorities have requested. The government's emergency response plan to the Ebola outbreak is not fully financed as yet and the authorities are seeking additional donor assistance in the form of grants to cover this financing need. In line with this the LIC-DSA incorporates the sought after financing as grants. As compared to the last LIC-DSA, the rate of debt accumulation in the outer years of the projection period is somewhat higher than before, reflecting a lower primary fiscal balance than in the last LIC-DSA. This reflects a more stable ratio of current expenditure to GDP, following a lengthy period of gradual downward adjustment, to avoid too great a compression of current expenditures, while maintaining the investment effort. The net combination of a higher discount rate,

⁴ At the time of the 4th review under the ECF arrangement, the performance criterion on new nonconcessional borrowing was adjusted to permit the loan under the ECF-supported program.

⁵ The disbursement schedule assumed in the last LIC-DSA was \$160 million in 2013, \$102 million in 2014, \$23 million in 2015, and \$48 million in 2016. In the current LIC-DSA the disbursement schedule is \$178 million in 2013, \$98 million in 2014, \$12 million in 2015, and \$48 million in 2016.

higher external borrowing and slightly higher level of nominal GDP, results in slightly higher debt indicators in terms of GDP in the later years of the projection period. By contrast the PV of external debt is considerably lower in the near term reflecting the higher discount rate and a slightly lower initial external debt stock.⁶

5. The results of the external LIC-DSA confirm that Guinea's debt dynamics are sustainable.

Under the baseline all debt indicators remain below the policy-dependent thresholds.⁷ However, the stress tests and alternative scenarios show some breaches of the thresholds, and are indicative of Guinea's vulnerability to adverse shocks to growth, exports, foreign direct investment flows and fiscal performance. The inclusion of domestic debt does not significantly change the conclusions of the external LIC-DSA, as no major recourse to the domestic financial market is assumed given the shallow undeveloped nature of the this market. As regards to the planned recapitalization of the central bank by the government, following a first injection further planning recapitalization has been put on hold pending an evaluation of the central bank's capital need.

6. The authorities broadly agreed with the assumptions and conclusions of this update of the LIC-DSA.

⁶ The outstanding external public debt stock at end-2013 is somewhat less than projected in the last LIC-DSA—\$1.577 billion compared to \$1.637 billion.

⁷ In Table 3, the relatively large external debt dynamic residuals, after taking into account exceptional financing, reflect weaknesses in the coverage of balance of payments data.

Table 1. Guinea: Structure of External Public Debt

	end-2013	end-2013	end-2013
	US Dollars (millions)	Percent of Total	Percent of GDP
Total	1,577.3	100.0	25.3
Multilateral Creditors	588.3	37.3	9.4
IMF	85.6	5.4	1.4
World Bank	168.1	10.7	2.7
AfDB Group	95.1	6.0	1.5
IsDB	122.2	7.7	2.0
EU	0.0	0.0	0.0
Other Multilateral Creditors	117.3	7.4	1.9
Official Bilateral Creditors	923.5	58.5	14.8
Paris Club	288.8	18.3	4.6
Non-Paris Club	498.0	31.6	8.0
Arab Funds	136.6	8.7	2.2
Commercial Creditors	65.6	4.2	1.1
Memo			
Arrears ^{1/}	186.1	...	3.0

Sources: Guinean authorities and IMF and World Bank estimates.

1/ The arrears are primarily to some non-Paris Club official bilateral creditors (\$88.5 million) and commercial creditors (\$65.6 million) and concern debt outstanding on which there is no remaining debt service obligations falling due. The Guinean authorities have invited these creditors for discussions on debt relief and a normalization of the arrears. In addition, there are some arrears to a Paris Club creditor for which a resolution is under discussion with the Guinean authorities.

Table 2. Guinea: LIC DSA Macroeconomic Assumptions, 2014–32
(Percent of GDP, unless otherwise indicated)

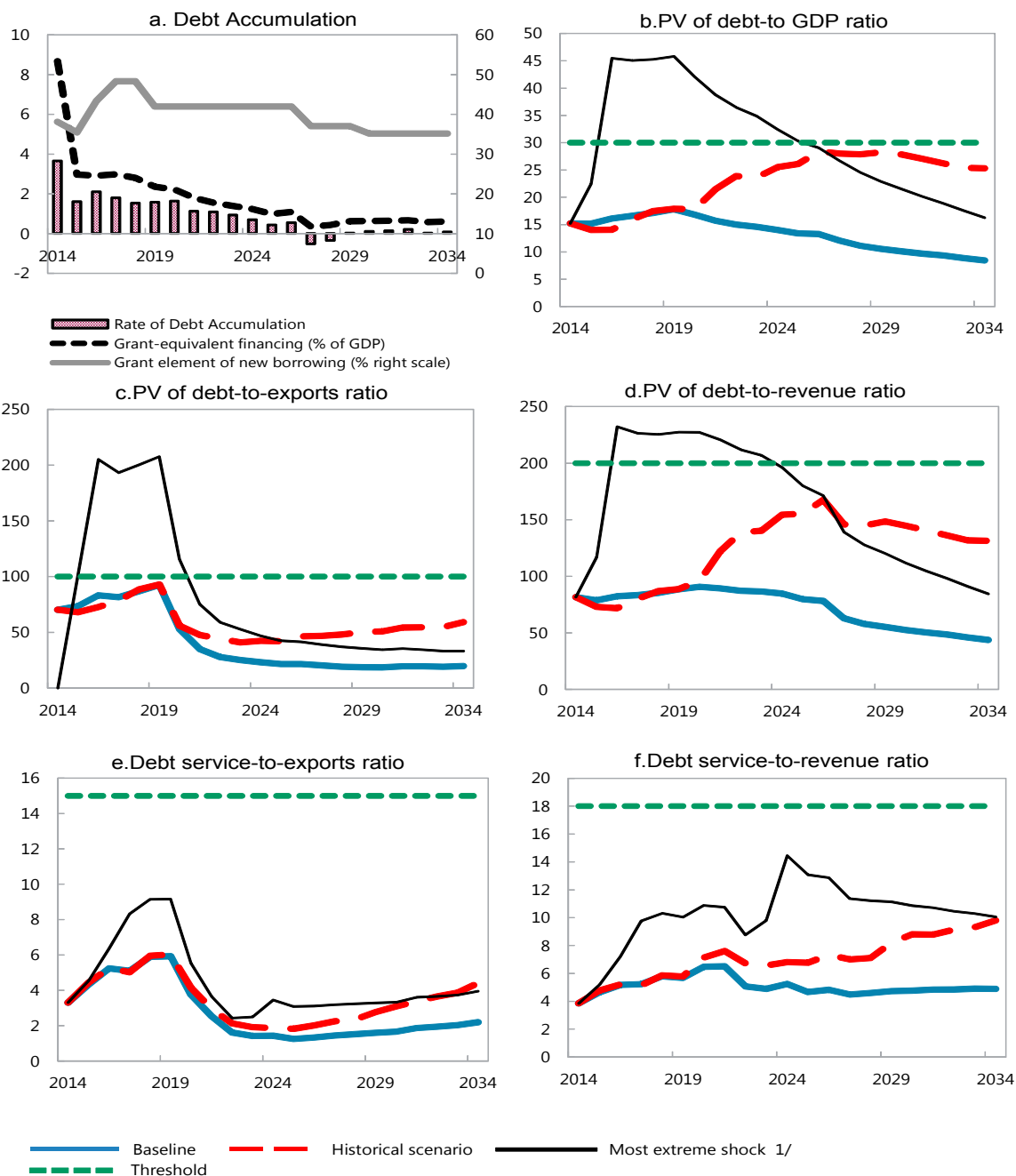
	Previous LIC DSA					Current LIC DSA				
	2014	2015	2020	2025	2032	2014	2015	2020	2025	2032
Nominal GDP (\$ Million)	6,347.9	6,797.7	14,092.3	17,314.9	24,296.4	6,769.7	7,455.3	11,313.2	18,683.2	27,323.2
Real GDP (Percentage change)	5.2	5.4	6.4	3.2	3.6	2.4	4.1	7.4	5.0	4.4
Nominal GDP, excl. megaprojects (\$ Million)	6,347.9	6,797.7	9,447.5	12,746.7	19,905.9	6,769.7	7,455.3	10,270.1	14,043.6	21,966.4
Real GDP, excl. megaprojects (Percentage change)	5.2	5.4	4.2	4.4	4.8	2.4	4.1	4.2	4.4	4.8
Fiscal Accounts										
Revenue and Grants	24.0	23.6	25.9	26.5	26.9	23.9	21.3	21.4	23.2	24.4
Primary Expenditure	25.5	24.1	26.6	26.0	26.1	28.7	22.9	22.8	23.1	24.8
<i>Of which</i> : Capital expenditure and net lending	10.8	9.4	13.0	13.9	17.4	12.6	7.3	9.7	10.2	12.2
Primary Fiscal Balance	-1.5	-0.6	-0.7	0.5	0.8	-4.8	-1.6	-1.4	0.0	-0.4
New external borrowing ^{2/}	3.1	1.7	1.6	0.5	0.1	5.6	2.6	3.5	1.3	1.3
Grant element of new external borrowing (%)	15.5	20.3	23.0	23.0	17.4	38.1	35.5	42.0	42.0	35.2
Balance of Payments										
Exports of goods and services	28.0	26.9	52.6	51.5	37.5	21.7	20.6	35.1	82.8	59.8
Imports of goods and services	-73.1	-67.8	-49.0	-46.8	-40.3	-39.9	-39.6	-52.1	-72.6	-55.8
Current account (including official transfers)	-46.9	-42.1	-7.0	-5.8	-10.5	-18.1	-18.0	-18.8	-11.5	-10.5
Foreign direct investment	41.8	35.8	3.6	3.9	4.6	5.6	10.1	12.1	7.0	4.6

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

^{1/} The LIC-DSA and Figures 1-2 and Tables 3-6 use total GDP in the calculations and the ratios expressed in terms of GDP. The ratios to GDP in this Table 2 are expressed in terms of GDP excluding Simandou and are consistent with tables in the main text, figures, and tables in the Staff Report.

^{2/} Includes publicly guaranteed external borrowing.

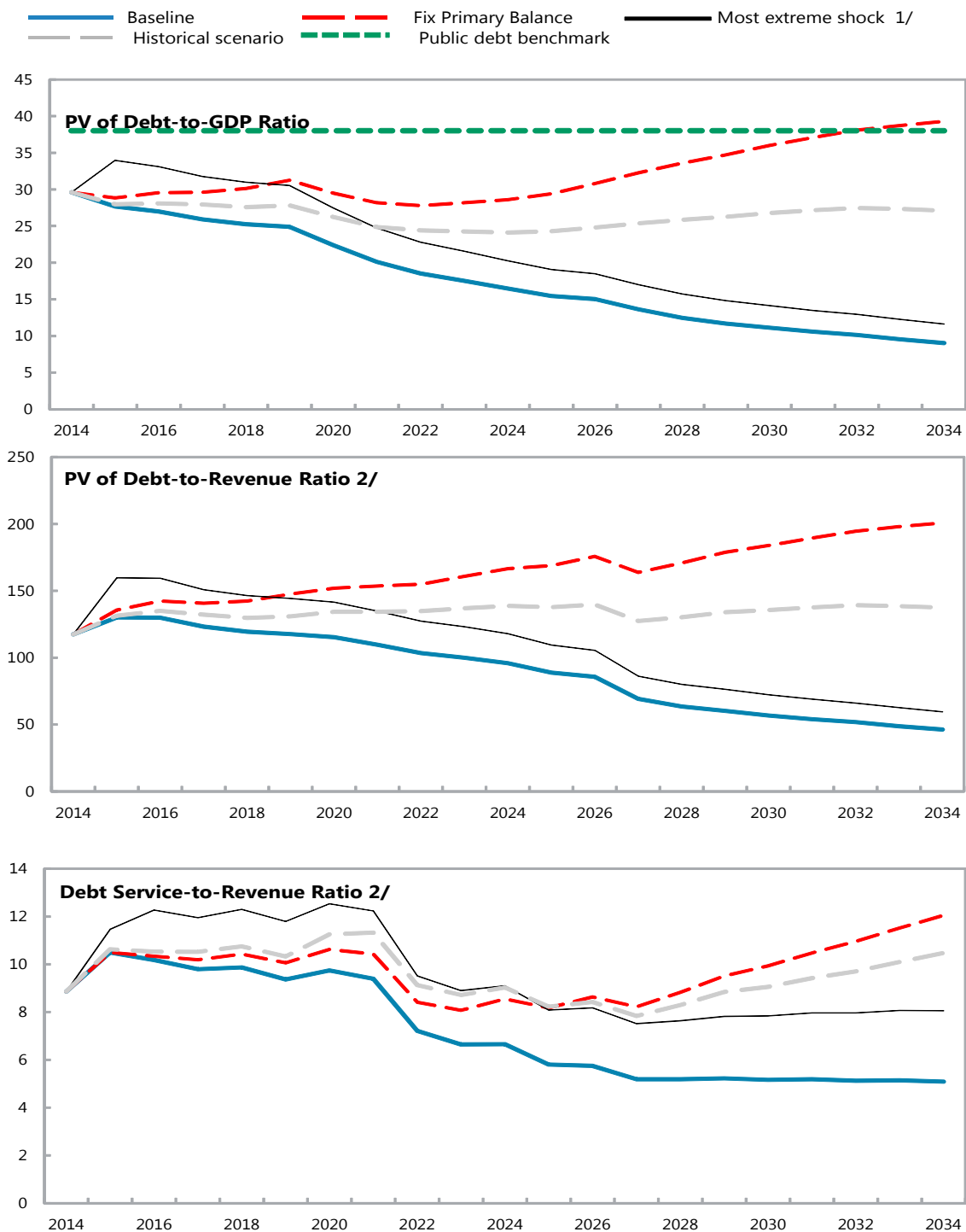
Figure 1. Guinea: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2014–34^{1/}



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024. 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

Figure 2. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2014–34^{1/}



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.

2/ Revenues are defined inclusive of grants.

Table 3. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2011–34^{1/}

(Percent of GDP, unless otherwise indicated)

	Actual			Historical Average	Standard Deviation	Projections						2014-2019 Average	2024	2034	2020-2034 Average
	2011	2012	2013			2014	2015	2016	2017	2018	2019				
External debt (nominal) 1/	67.5	23.0	25.7			29.1	28.1	29.6	30.5	31.7	32.6		24.6	14.5	
<i>of which: public and publicly guaranteed (PPG)</i>	67.5	23.0	25.7			29.1	28.1	29.6	30.5	31.7	32.6		24.6	14.5	
Change in external debt	-3.2	-44.5	2.7			3.4	-0.9	1.5	1.0	1.1	0.9		-1.2	-0.6	
Identified net debt-creating flows	10.2	8.2	15.5			10.7	6.8	5.9	1.9	2.7	4.3		0.6	2.6	
Non-interest current account deficit	18.4	25.2	21.0	10.5	8.6	16.6	17.8	33.9	52.4	52.7	57.4		7.5	6.3	8.4
Deficit in balance of goods and services	19.1	24.2	18.7			18.2	19.0	35.0	52.6	52.4	55.9		-7.1	-3.8	
Exports	31.5	29.8	24.7			21.7	20.6	19.4	20.4	19.8	19.3		60.4	42.8	
Imports	50.6	54.1	43.4			39.9	39.6	54.3	72.9	72.1	75.1		53.3	39.1	
Net current transfers (negative = inflow)	-8.5	-6.2	-4.3	-6.5	1.7	-7.2	-5.2	-4.8	-3.9	-3.8	-3.6		-2.2	-1.4	-2.0
<i>of which: official</i>	-2.2	-1.0	-0.4			-2.8	-1.1	-0.3	-0.4	-0.3	-0.3		-0.2	-0.2	
Other current account flows (negative = net inflow)	7.8	7.1	6.6			5.6	4.0	3.6	3.8	4.1	5.1		16.8	11.6	
Net FDI (negative = inflow)	-6.5	-11.7	-3.4	-5.3	3.1	-5.6	-10.1	-27.0	-49.1	-49.2	-52.2		-5.9	-3.3	-5.4
Endogenous debt dynamics 2/	-1.7	-5.4	-2.0			-0.4	-0.8	-1.0	-1.4	-0.8	-0.9		-0.9	-0.4	
Contribution from nominal interest rate	1.0	0.7	0.2			0.2	0.3	0.3	0.4	0.4	0.4		0.3	0.2	
Contribution from real GDP growth	-2.7	-2.3	-0.5			-0.6	-1.1	-1.3	-1.8	-1.2	-1.3		-1.3	-0.6	
Contribution from price and exchange rate changes	0.0	-3.7	-1.7			...	...	...	...	...	...		...	...
Residual (3-4) 3/	-13.4	-52.7	-12.8			-7.3	-7.7	-4.5	-0.9	-1.6	-3.4		-1.8	-3.2	
<i>of which: exceptional financing</i>	-1.6	-39.9	0.0			-1.9	-0.4	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	12.7			15.2	15.2	16.1	16.6	17.1	17.8		14.0	8.4	
In percent of exports	...	...	51.3			70.2	73.5	83.2	81.5	86.8	92.5		23.2	19.7	
PV of PPG external debt	...	...	12.7			15.2	15.2	16.1	16.6	17.1	17.8		14.0	8.4	
In percent of exports	...	...	51.3			70.2	73.5	83.2	81.5	86.8	92.5		23.2	19.7	
In percent of government revenues	...	...	69.1			81.6	78.9	82.3	83.4	85.4	88.5		84.8	43.8	
Debt service-to-exports ratio (in percent)	13.7	15.2	3.9			3.3	4.3	5.2	5.1	5.9	5.9		1.4	2.2	
PPG debt service-to-exports ratio (in percent)	13.7	15.2	3.9			3.3	4.3	5.2	5.1	5.9	5.9		1.4	2.2	
PPG debt service-to-revenue ratio (in percent)	25.8	22.5	5.2			3.9	4.6	5.2	5.2	5.8	5.7		5.2	4.9	
Total gross financing need (Billions of U.S. dollars)	0.8	1.0	1.2			0.8	0.6	0.6	0.4	0.4	0.6		0.4	1.2	
Non-interest current account deficit that stabilizes debt ratio	21.6	69.7	18.3			13.2	18.7	32.4	51.4	51.6	56.5		8.7	7.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.9	3.8	2.3	2.6	1.4	2.4	4.1	5.0	6.5	4.1	4.2	4.4	5.4	4.5	5.1
0.0	5.9	8.1	4.4	15.4	6.1	5.8	3.4	1.5	1.8	1.0	3.3	3.3	3.5	1.4	2.7
Effective interest rate (percent) 5/	1.4	1.2	0.8	1.4	0.4	1.0	1.0	1.2	1.3	1.3	1.3	1.2	1.4	1.5	1.4
Growth of exports of G&S (US dollar terms, in percent)	12.3	4.3	-8.3	6.4	13.6	-4.7	4.7	2.0	13.8	2.7	2.7	3.5	14.1	-2.1	16.2
Growth of imports of G&S (US dollar terms, in percent)	48.8	17.6	-11.2	13.6	19.3	-0.1	9.3	49.0	45.1	4.8	9.6	19.6	7.3	-4.7	3.9
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	38.1	35.5	43.4	48.4	48.4	42.0	42.6	42.0	35.2	38.7
Government revenues (excluding grants, in percent of GDP)	16.8	20.1	18.4	...	...	18.7	19.2	19.6	19.9	20.1	20.1	...	16.5	19.3	18.3
Aid flows (in Billions of US dollars) 7/	0.2	0.2	0.1			0.6	0.2	0.3	0.4	0.4	0.3		0.3	0.3	
<i>of which: Grants</i>	0.2	0.2	0.1			0.4	0.2	0.1	0.1	0.1	0.1		0.1	0.1	
<i>of which: Concessional loans</i>	0.0	0.0	0.0			0.1	0.1	0.2	0.3	0.3	0.2		0.2	0.2	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			8.7	3.0	2.9	3.0	2.8	2.4		1.2	0.6	1.0
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			71.4	64.0	56.4	60.2	60.3	56.1		59.3	50.1	77.1
Memorandum items:															
Nominal GDP (Billions of US dollars)	5.1	5.6	6.2			6.8	7.5	8.1	8.8	9.3	9.8		17.3	30.7	
Nominal dollar GDP growth	4.0	9.9	10.6			8.7	10.1	8.6	8.1	6.0	5.2	7.8	9.0	6.0	8.0
PV of PPG external debt (in Billions of US dollars)	...	...	0.8			1.0	1.1	1.3	1.4	1.6	1.7		2.4	2.5	
(Pvt-Pvt-1)/GDPt-1 (in percent)	...	...	...			3.7	1.6	2.1	1.8	1.5	1.6	2.0	0.7	0.1	0.4
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	12.7			15.2	15.2	16.1	16.6	17.1	17.8		14.0	8.4	
PV of PPG external debt (in percent of exports + remittances)	...	...	51.3			70.2	73.5	83.2	81.5	86.8	92.5		23.2	19.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	3.9			3.3	4.3	5.2	5.1	5.9	5.9		1.4	2.2	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Table 4. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–34
(Percent)

	Projections							2034
	2014	2015	2016	2017	2018	2019	2024	
PV of debt-to GDP ratio								
Baseline	15	15	16	17	17	18	14	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	15	14	14	16	17	18	26	25
A2. New public sector loans on less favorable terms in 2014-2034 2	15	16	17	19	20	22	19	15
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	15	15	17	17	18	19	15	9
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	15	16	20	20	20	21	16	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	15	18	22	22	23	24	19	11
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	15	20	37	36	37	37	26	13
B5. Combination of B1-B4 using one-half standard deviation shocks	15	22	45	45	45	46	32	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	15	21	22	23	23	24	19	11
PV of debt-to-exports ratio								
Baseline	70	74	83	81	87	92	23	20
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	70	68	73	78	88	93	42	59
A2. New public sector loans on less favorable terms in 2014-2034 2	70	75	89	92	103	113	32	35
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	70	73	81	79	85	90	23	19
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	70	90	125	121	128	135	33	26
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	70	73	81	79	85	90	23	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	70	99	189	178	185	192	43	31
B5. Combination of B1-B4 using one-half standard deviation shocks		102	205	193	200	208	47	33
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	70	73	81	79	85	90	23	19
PV of debt-to-revenue ratio								
Baseline	82	79	82	83	85	89	85	44
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	82	73	72	80	87	89	154	131
A2. New public sector loans on less favorable terms in 2014-2034 2	82	81	88	94	101	108	117	78
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	82	80	86	87	89	92	88	45
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	82	86	100	100	101	104	96	47
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	82	93	111	112	115	119	114	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	82	106	187	183	182	184	158	68
B5. Combination of B1-B4 using one-half standard deviation shocks	82	117	232	226	225	227	196	84
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	82	109	112	114	116	120	115	59

Table 4. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–34 (concluded)
(Percent)

Debt service-to-exports ratio								
Baseline	3	4	5	5	6	6	1	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	3	4	5	5	6	6	2	4
A2. New public sector loans on less favorable terms in 2014-2034 2	3	4	5	5	6	7	2	3
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	3	4	5	5	6	6	1	2
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	3	5	7	7	8	8	2	3
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	3	4	5	5	6	6	1	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	3	4	6	8	8	8	3	4
B5. Combination of B1-B4 using one-half standard deviation shocks	3	5	6	8	9	9	3	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	3	4	5	5	6	6	1	2
Debt service-to-revenue ratio								
Baseline	4	5	5	5	6	6	5	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	4	5	5	5	6	6	7	10
A2. New public sector loans on less favorable terms in 2014-2034 2	4	5	5	5	6	7	6	6
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	4	5	6	6	6	6	6	5
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	4	5	5	6	6	6	6	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	4	6	7	7	8	8	7	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	4	5	6	8	8	8	12	8
B5. Combination of B1-B4 using one-half standard deviation shocks	4	5	7	10	10	10	14	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	4	6	7	7	8	8	7	7
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	36	36	36	36	36	36	36	36

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming

an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 5. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011–34
(Percent of GDP, unless otherwise indicated)

	Actual			Average ^{5/}	Standard Deviation ^{5/}	Estimate						Projections		
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	77.8	35.4	39.5			43.4	40.6	40.4	39.8	39.8	39.6		27.0	15.1
<i>of which: foreign-currency denominated</i>	67.5	23.0	25.7			29.1	28.1	29.6	30.5	31.7	32.6		24.6	14.5
Change in public sector debt	-21.9	-42.3	4.0			4.0	-2.8	-0.2	-0.6	-0.1	-0.1		-1.7	-0.7
Identified debt-creating flows	-10.4	-42.4	2.5			2.8	-1.6	-0.9	-0.9	-0.2	-0.4		-1.7	-0.1
Primary deficit	-0.7	1.6	4.1	1.5	4.7	4.8	1.6	1.2	1.5	1.5	1.0	1.9	0.3	0.6
Revenue and grants	20.2	22.9	19.8			23.9	21.3	20.8	21.0	21.2	21.2		17.2	19.6
<i>of which: grants</i>	3.4	2.7	1.5			5.2	2.1	1.2	1.1	1.1	1.0		0.6	0.3
Primary (noninterest) expenditure	19.5	24.4	23.9			28.7	22.9	22.0	22.5	22.6	22.2		17.5	20.2
Automatic debt dynamics	-8.1	-10.8	-1.6			-2.0	-3.2	-2.1	-2.4	-1.6	-1.4		-2.0	-0.7
Contribution from interest rate/growth differential	-7.7	-3.4	-0.7			-1.1	-1.9	-2.0	-2.5	-1.7	-1.7		-1.7	-0.8
<i>of which: contribution from average real interest rate</i>	-4.0	-0.5	0.1			-0.2	-0.2	-0.1	-0.1	-0.2	-0.1		-0.2	-0.1
<i>of which: contribution from real GDP growth</i>	-3.7	-2.9	-0.8			-0.9	-1.7	-1.9	-2.5	-1.6	-1.6		-1.5	-0.7
Contribution from real exchange rate depreciation	-0.4	-7.4	-0.9			-0.8	-1.3	-0.1	0.1	0.1	0.3		...	...
Other identified debt-creating flows	-1.6	-33.2	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Debt relief (HIPC and other)	-1.6	-33.2	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Residual, including asset changes	-11.4	0.0	1.5			1.2	-1.2	0.8	0.3	0.1	0.2		0.0	-0.7
Other Sustainability Indicators														
PV of public sector debt	...	...	26.5			29.6	27.7	27.0	25.9	25.2	24.9		16.5	9.0
<i>of which: foreign-currency denominated</i>	...	...	12.7			15.2	15.2	16.1	16.6	17.1	17.8		14.0	8.4
<i>of which: external</i>	...	...	12.7			15.2	15.2	16.1	16.6	17.1	17.8		14.0	8.4
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	4.7	7.1	6.0			7.0	3.9	3.3	3.6	3.6	3.0		1.5	1.6
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	133.4			123.8	130.0	129.9	123.1	119.4	117.6		95.9	46.2
PV of public sector debt-to-revenue ratio (in percent)	...	...	144.2			158.6	143.9	137.8	130.2	125.7	123.6		99.5	46.9
<i>of which: external 3/</i>	...	...	69.1			81.6	78.9	82.3	83.4	85.4	88.5		84.8	43.8
Debt service-to-revenue and grants ratio (in percent) 4/	26.9	24.3	9.8			9.3	10.5	10.2	9.8	9.9	9.4		6.7	5.1
Debt service-to-revenue ratio (in percent) 4/	32.4	27.6	10.6			12.0	11.6	10.8	10.4	10.4	9.8		6.9	5.2
Primary deficit that stabilizes the debt-to-GDP ratio	21.2	43.9	0.0			0.8	4.4	1.4	2.1	1.6	1.1		2.0	1.3
Key macroeconomic and fiscal assumptions														
Real GDP growth (in percent)	3.9	3.8	2.3	2.6	1.4	2.4	4.1	5.0	6.5	4.1	4.2	4.4	5.4	4.5
Average nominal interest rate on forex debt (in percent)	1.4	1.2	0.8	1.4	0.3	1.0	1.0	1.2	1.3	1.3	1.3	1.2	1.4	1.5
Average real interest rate on domestic debt (in percent)	-12.5	-1.2	2.1	-5.5	6.7	-0.1	0.3	0.5	1.2	0.9	1.7	0.7	-2.5	-0.4
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.5	-11.5	-4.1	0.6	19.7	-3.4	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	19.7	13.0	6.3	17.5	9.5	7.4	5.8	7.3	6.6	6.9	6.1	6.7	8.6	6.4
Growth of real primary spending (deflated by GDP deflator, in percent)	-26.7	29.9	0.2	0.4	13.4	22.9	-16.9	0.7	9.4	4.4	2.1	3.8	2.5	5.5
Grant element of new external borrowing (in percent)	...	...	...	...	...	38.1	35.5	43.4	48.4	48.4	42.0	42.6	42.0	35.2

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

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

3/ Revenues excluding grants.

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

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

Table 6. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2014–34
(Percent)

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	30	28	27	26	25	25	16	9
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	30	28	28	28	28	28	24	27
A2. Primary balance is unchanged from 2014	30	29	30	30	30	31	29	39
A3. Permanently lower GDP growth 1/	30	28	27	26	26	26	19	16
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	30	29	30	30	30	30	23	21
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	30	31	33	32	31	30	20	12
B3. Combination of B1-B2 using one half standard deviation shocks	30	30	31	31	31	31	23	19
B4. One-time 30 percent real depreciation in 2015	30	33	32	30	28	28	18	12
B5. 10 percent of GDP increase in other debt-creating flows in 2015	30	34	33	32	31	31	20	12
PV of Debt-to-Revenue Ratio 2/								
Baseline	117	130	130	123	119	118	96	46
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	117	131	135	132	130	131	139	137
A2. Primary balance is unchanged from 2014	117	136	142	141	142	148	167	201
A3. Permanently lower GDP growth 1/	117	131	131	125	122	122	108	82
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	117	135	144	140	140	142	135	108
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	117	144	159	150	146	144	118	60
B3. Combination of B1-B2 using one half standard deviation shocks	117	139	151	146	145	146	134	99
	117	157	153	141	135	131	107	62
B5. 10 percent of GDP increase in other debt-creating flows in 2015	117	160	159	151	146	144	118	59
Debt Service-to-Revenue Ratio 2/								
Baseline	9	10	10	10	10	9	7	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9	11	11	11	11	10	9	10
A2. Primary balance is unchanged from 2014	9	10	10	10	10	10	9	12
A3. Permanently lower GDP growth 1/	9	11	10	10	10	10	7	7
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	9	11	11	11	11	10	8	8
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	9	10	11	11	11	10	8	6
B3. Combination of B1-B2 using one half standard deviation shocks	9	11	11	11	11	10	8	8
	0	9	11	12	12	12	9	8
B5. 10 percent of GDP increase in other debt-creating flows in 2015	9	10	11	11	11	10	8	6

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.



GUINEA

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND FOR MODIFICATION OF PERFORMANCE CRITERIA UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

September 19, 2014

Prepared By

African Department
(In Consultation with Other Departments)

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RELATIONS WITH THE FUND

As of August 31, 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	133.54	130.33

Outstanding Purchases and Loans:	SDR Million	%Quota
ECF Arrangements	92.30	86.19

Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
ECF	Feb 24, 2012	Feb 23, 2015	128.52	91.80
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):

	<u>2014</u>	<u>2015</u>	<u>Forthcoming</u> <u>2016</u>	<u>2017</u>	<u>2018</u>
Principal				1.84	9.68
Charges/Interest		<u>0.23</u>	<u>0.23</u>	<u>0.23</u>	<u>0.22</u>
Total		<u>0.23</u>	<u>0.23</u>	<u>2.07</u>	<u>9.90</u>

Implementation of HIPC Initiative:

	Enhanced <u>Framework</u>
I. Commitment of HIPC assistance	
Decision point date	Dec 2000
Assistance committed by all creditors (US\$ Million) ^{3/}	639.00
Of which: IMF assistance (US\$ million) (SDR equivalent in millions)	36.01 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 some recommendations, including: (i) the verification of monetary data at test dates (ii) the BCRG publish audited annual financial statements within statutory deadlines; and (iii) the BCRG adopt and implement internationally-recognized financial reporting standards. Equally important are steps to exercise better oversight on controls. 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, 2013
FAD	Public financial management	September 2-13, 2013
FAD	VAT credit refund in the mining sector	November 18-22, 2013
FAD	Customs Administration	December 9-13, 2013
FAD	Public financial management	December 9-20, 2014
FAD	Public financial management (Resident advisor)	2013
Money and Capital Markets		
AFW	Bank Supervision and Regulation in Guinea	February 4-22, 2013
AFW	Analysis of Debt Portfolio	April 8-19, 2013
AFW	Bank Supervision	May 13-24, 2013
AFW	Bank Supervision	December 1-13, 2013
AFW	Bank Supervision and Regulation in Guinea	December 2-13, 2013
MCM	Central Banking (Resident advisor)	2013
Legal		
LEG	Central Banking Legislation	March, 2013
Statistics		
AFW	Migration to GFSM 2001	April 8-19, 2013
AFW	National accounts	May 13-24, 2013
AFW	Government finance statistics	May 22-31, 2013

Source: IMF staff.

Calendar Year 2014

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	Fiscal forecasting and budgeting	February 10-24, 2014
FAD	VAT refund mechanisms for the mining sector and PFM governance	January 29 - February 6, 2014
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 September 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:	
	RCF Program request	October 2014
	ECF Fifth review under the ECF	December 2014
	ECF Sixth review under the ECF	May 2015
	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	Ongoing
	Assessment of the electricity reform plan and the budgetary implication	Ongoing
	Assessment of reforms in agriculture and the budget implication	Ongoing
	Assessment of the next steps on the new mining code and renegotiation of mining contracts	Ongoing
	Information sharing on the financing of the large iron ore project	Ongoing
	Information sharing on the PRSP III	Ongoing
	Joint Bank-Fund Support for Medium-Term Debt Strategy	Q4 2014
Bank requests to Fund	Regular updates on macro-economic and fiscal projections	Ongoing
	Consultations on program structural benchmarks	Ongoing
	Surveillance of fiscal impact of mining sector reforms	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 September 2014)

1. **The Bank's Country Strategy Paper (CSP) 2012–16, approved by the Board on 31 March 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. The mid-term review of the strategy planned in 2014 will most likely be delayed due to the Ebola crisis.
2. **Lending Operations:** During the donor and investment conference in Abu Dhabi, AfDB announced UA 163 million (\$250 million) additional resources in targeted support to the country's development program during the 2014–16 period through the mobilisation of all its financial and technical assistance instruments/vehicles.
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) was approved at the end of 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. In 2015, the Bank intends to approve a project aimed at enhancing the capacity of the government

(Ministry and EDG) to manage the power sector and contributing to closing the gap of energy distribution in Conakry. 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. **Support to Private sector operations.** During the 2014-2016 period, the Bank will support specific private sector operations with high and transformative impact. At the request of the government, AfDB envisages to lead efforts to mobilise resources for financing the infrastructure part of the Simandou mining project. In this regard, AfDB intends to provide an A loan of about UA 200 million equivalent to USD 300 million which will leverage at least a USD 900 million B loan. Africa50 will also contribute to the financing of this project at a later stage. AfDB will also support capacity building and provide technical assistance in order to allow the government to fulfill its commitment pertaining to the implementation of the Simandou project.

7. **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 through the FSF programme to the National Statistics Development Strategy (NSDS) and the conduct of the Third General Population and Housing Census (RGPH-III).

8. **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.

9. **Response to the Ebola crisis.** The AfDB has adopted a regional approach to address the Ebola crisis. In April 2014, the Bank provided an emergency support of USD 2 million UA equivalent to USD 3 million grant to support the Mano River Union (MRU) countries affected, namely Guinea, Liberia and Sierra Leone. In July 2014, the AfDB approved a UA 40 million equivalent to USD 60 million grant for countries fighting against Ebola and to specifically support the work of the newly established Regional Coordinating Center for Ebola in Guinea. AfDB is working to finalize a combined Sector Budget Support and Technical Assistance Capacity Building Programme which is expected to be approved shortly. The Bank's support aims to help the government enhance the immediate response but also structure a medium to long term plan.

10. **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	ADB	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
Sector Budget Support	2014	TBD	TBD			
Targeted support for capacity building	2015		TBD			
Sub-Total		32.0	2.5			34.5
Pillar II –Infrastructure Support (Energy, Transport, Mining, 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
Simandou - Infrastructure component	2015				200.0	200.0
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	200.0	347.1
Economic and Sector Work						
Study on financial sector reforms	2013		x			
Private sector profile	2014		x			
Guinea Vision 2035	2014		x			

MILLENNIUM DEVELOPMENT GOALS¹

	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 enrollment, 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							>75% reduction
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	
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 (% of 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	
<p>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.</p>	
<p>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.</p>	
<p>Price statistics: The monthly consumer price index (CPI) is being published in a timely manner.</p>	
<p>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.</p>	
<p>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.</p>	
<p>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 <i>Balance of Payments Manual</i>. 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.</p>	
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.



INTERNATIONAL MONETARY FUND



Press Release No. 14/441
FOR IMMEDIATE RELEASE
September 26, 2014

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US\$130 Million in Immediate Assistance to Guinea, Liberia, and Sierra Leone in Response to the Ebola Outbreak

The Executive Board of the International Monetary Fund (IMF) today approved—in an expedited decision supported by a joint statement of all Directors—emergency financial assistance to Guinea, Liberia, and Sierra Leone totaling US\$130 million to help respond to the Ebola outbreak. The IMF financing will be made available to the three countries immediately, in the amounts of US\$41 million for Guinea, US\$49 million for Liberia and US\$40 million for Sierra Leone. This emergency financing comes in addition to the assistance provided under existing programs for these countries. It will help cover part of the immediate balance of payments and fiscal needs currently estimated at about US\$100 million for each country.

“The Ebola outbreak in Guinea, Liberia, and Sierra Leone has already cost too many lives,” said IMF Managing Director Christine Lagarde. “This humanitarian crisis could also have deep economic consequences. The governments of Guinea, Liberia and Sierra Leone requested IMF support to enhance their efforts to contain this unprecedented epidemic that is disproportionately affecting the most vulnerable in their populations. The IMF is working hard with the authorities of the affected countries and their development partners to ensure that the outbreak is quickly brought under control and to assist the economic rebuilding effort that must follow.”

The Ebola Outbreak affecting the three countries has created a significant social and humanitarian crisis, and has so far proven difficult to contain despite efforts by the respective governments and their development partners. It is also having an acute macroeconomic and social impact on the three already-fragile countries. The crisis is still unfolding, but preliminary IMF estimates indicate that growth could decline by at least 3-3½ percent in Liberia and Sierra Leone and by about 1½ percent in Guinea in 2014. Inflationary pressures have flared up in the affected countries, and significant fiscal financing needs have emerged as the outbreak has caused sharp declines in tax revenues and Ebola-related spending had to be increased substantially. Additional and sizeable budget support from bilateral and multilateral development partners is urgently needed to avoid painful domestic adjustment measures and help eradicate the disease.

The Executive Board of the IMF today approved an augmentation of access of 25 percent of quota under the current Extended Credit Facility¹ (ECF) arrangements for Liberia and for Sierra Leone, resulting in an increase of almost 50 percent in financing under their existing arrangements; and a 25 percent of quota financing under the Rapid Credit Facility² (RCF) arrangement for Guinea.

Following the Executive Board's discussion, Ms. Christine Lagarde, Managing Director and Chair, made the following statement:

“The Ebola outbreak is taking a very high human toll in Guinea, Liberia, and Sierra Leone. Unless brought under control, the epidemic will reverse the advances that these countries have made in recent years under Fund-supported programs toward mending their still fragile economies. Large-scale and well-coordinated assistance by the international community is urgently needed to support the national authorities' efforts to contain the devastating impact of the disease. Against this background, the Fund's Executive Board strongly and expeditiously supported the authorities' request for financial assistance.

“The outbreak is affecting Guinea, Liberia, and Sierra Leone in different ways, but in all cases it is expected to reduce economic growth significantly and fuel inflationary pressures. The poorest and most vulnerable segments of the population are being disproportionately affected by disruptions in commerce and the higher prices of food and basic commodities. Fiscal deficits are projected to widen due to lower revenues as economic activity slows as well as higher additional outlays on emergency programs. Current account balances are also projected to worsen owing to the decline in exports and the increase in food and other critical imports. Preliminary staff estimates put the combined financing gap at about US\$300 million, provided that contagion is stopped early next year.

“The Fund resources made available today will cover almost half of this financing need. Additional balance of payments and budget support from multilateral and bilateral donors is needed to avoid painful adjustment measures and safeguard macroeconomic stability. The rapidly deteriorating health situation underscores the urgency of this support.

“The Fund is closely monitoring the situation and stands ready to provide further assistance through this challenging period.”

¹ The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

² The RCF is a lending arrangement that provides rapid financial support in a single, up-front payout for low-income countries facing urgent financing needs.

Background:

Liberia: The ECF arrangement for Liberia of about US\$79.9 million was approved by the IMF's Executive Board on November 19, 2012 (see [Press Release No. 12/449](#)). The additional and immediate financing of US\$49 million increases the funds available under the ECF to US\$130 million.

Sierra Leone: The ECF arrangement for Sierra Leone of about US\$ 95.84 million was approved by the IMF Executive Board on October 21, 2013 (see [Press Release No. 13/410](#)). The additional and immediate financing of US\$40 million brings the funds available under the ECF to US\$136 million.

Guinea: The ECF arrangement for Guinea of about US\$198.9 million was approved by the IMF's Executive Board on February 24, 2012 (see [Press Release No. 12/57](#)). Guinea is making satisfactory progress under this existing ECF arrangement, but will receive emergency funding of US\$41 million under the RCF due to a pending ECF review.

**Statement by Kossi Assimaidou, Executive Director for Guinea and
Siradiou Bah, Senior Advisor to Executive Director
September 29, 2014**

I. INTRODUCTION

On behalf of our Guinean authorities, we would like to thank Staff, Management and the Executive Board for their support in the current challenging situation facing Guinea with the spread of the Ebola Virus Disease. The Fund support will help the authorities to address the impact of this unprecedented epidemic on the balance of payments and the economy while continuing implementing the ECF-supported program.

The Guinean authorities would like to take this opportunity to express their appreciation to France and the United States for their strong support and assistance to deal with this epidemic. They would also like to express their appreciation to the timely assistance provided by the World Health Organization, the international Red Cross and Doctors without Borders for their quick response to the disease by providing financial and technical assistance as well as policy advice.

The Ebola Virus Disease (EVD) erupted in the south-east area of the country in March 2014 and spread out to neighboring countries, Liberia and Sierra Leone, given the close socio and economic relations shared by the populations in this zone. In a context of limited institutional and human capacities notably in the health sector, the Guinean authorities establish a health and security plan to contain the epidemic's expansion and take care of the patients and develop a widely disseminated campaign of awareness and protection about the EVD. This response-plan which includes the launch of state of health emergency is implemented in coordination with external partners engaged in addressing the epidemic. The initial cost of this plan is estimated at USD 85 million or 1.3 percent of GDP.

However, the financing of this plan requires additional budgetary resources, and, our Guinean authorities are requesting the support of the IMF under the Rapid Credit Facility to help mitigate the severe economic and financial impact of the Ebola epidemic. The disbursement of the Fund's support under the RCF will be made to the Treasury account at the Central Bank to provide immediate budget support. The authorities are hopeful that the

Fund's support will lead to an increase in donors' assistance as this epidemic is a global threat besides the dire impact it is having on population and economies of countries that have already been touched by it.

II. IMPACT OF EBOLA VIRUS EPIDEMIC

The outbreak of the deadly Ebola virus is having a heavy human, economic and fiscal toll on Guinea. Over the past months, thousands people have been infected and more than five hundred have lost their lives including tens of health workers. With the wide spread of the epidemic, economic activities have been disrupted with a heavy toll on agriculture, artisanal diamond and gold mining, trade and transportation. With the departure of foreign workers, mining projects have been halted. In addition, the closing of borders with five out of six neighboring countries has also adversely impacted on cross border trade and transportation. Presently only three international airline companies are serving the country and mostly for the shipment of international aid.

With the heavy toll on agriculture, trade, transportation and artisanal diamond and gold extraction, the 2014 real GDP growth is estimated at 2.4 percent, against a projected growth rate of 4.5 percent at the beginning of the year. Poverty indicators are expected to worsen as the Ebola epidemic affects mostly rural areas and vulnerable groups. In addition, inflation is projected to be higher than projected under the ECF-program due to the disruptions in agricultural and transportation activities.

In the fiscal sector, the effects of the Ebola disease are resulting in lower revenue collections by 0.7 percent of GDP and higher and unforeseen expenditure to contain the epidemic under the implementation of the emergency response plan. Therefore, the fiscal deficit is set to widen to 5.5 percent of GDP against a target of 4 percent of GDP under the ECF-supported program. The 2014 budget has been revised accordingly and submitted to the parliament for adoption with a financing gap of 1.9 percent of GDP. The World Bank, the African Development Bank and the European Union have indicated their contribution to the financing of this gap.

Monetary policy and the exchange rate have also been adversely affected by the Ebola outbreak. The spread between the official and market exchange rates has widened to reach more than 3 percent. Projections reflecting the widening of the external current account due to large private sector capital out flows, lower export receipts and increase in demand for food and other imports indicate that the gross official reserves would likely decline from the

equivalent of 3.7 months of imports targeted under the program to 3.2 months in the absence of adjustment or external financing. To address this situation, the authorities are committed to maintain a tighter monetary stance and liquidity management to reduce capital outflows and external financial needs. In the same vein, they will increase the sales in the weekly foreign exchange auctions to contain pressures on the exchange rate and upward pressure on inflation.

In addition to its adverse impact on economic activities, the Ebola epidemic will also have heavy social effects. The disruptions of trade and transportation have significantly restrained the labor mobility and movements of goods and services. The opening of the new school year has been postponed and the rapid expansion of the epidemic in a context of limited capacities has led to an overwhelming demand for health services.

III. IMPLEMENTATION OF THE ECF-SUPPORTED PROGRAM

In spite of the difficult situation due to the Ebola crisis, our Guinean authorities remain fully committed to the implementation of their reform agenda and meet the objectives of the ECF-supported program. The end-June 2014 performance criteria under the program have been met and good progress has been made with regard to the structural reform and policies coordination. In August, the government held a retreat to monitor the program's implementation and reassess the policy priorities. In early September, a 2014 revised budget taking into account the impact of the Ebola crisis was submitted to the National Assembly for consideration and approval.

Taking into account the fiscal and monetary implications of the Ebola crisis and mindful of a successful implementation of the ECF-supported program, our Guinean authorities are requesting modifications of indicative targets for end-September and performance criteria set for end-December 2014. These modifications include in addition, modifications of the ECF-program adjusters to allow the use of domestic financing for the authorities' emergency plan in the event external financing falls short.

IV. CONCLUSION

Our Guinean authorities are determined to pursue their efforts to meet the objectives of the ECF-supported program despite the challenging situation created by the EVD. The request for additional financial support from the IMF under the RCF will help them to mitigate the adverse impacts of the epidemic. We would, therefore, greatly appreciate Directors' support for the RCF request by Guinea.