INTERNATIONAL MONETARY FUND

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GUINEA

December 2020

FIFTH AND SIXTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

In the context of the Fifth and Sixth Reviews Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 9, 2020, following discussions that ended on October 23, 2020, 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 November 23, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Guinea.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Board Completes Fifth and Sixth Reviews Under the Extended Credit Facility Arrangement and Approves US$49 Million Disbursement for Guinea

FOR IMMEDIATE RELEASE

- IMF Completes Fifth and Sixth Reviews Under the Extended Credit Facility (ECF).
- IMF Board approves an US$49.47 million (SDR 34.43 million) disbursement for Guinea.
- The ECF arrangement aims at fostering high and broad-based inclusive growth and reducing poverty while preserving macroeconomic stability.

Washington, DC – December 9, 2020: On December 9, 2020, the Executive Board of the International Monetary Fund (IMF) completed the Fifth and Sixth reviews of Guinea's economic performance under the program supported by an Extended Credit Facility (ECF). Completion of these last two reviews of the ECF-supported program enables the immediate disbursement of the equivalent of SDR 34.43 million (about US$49.47 million), bringing total disbursements under the arrangement to the equivalent of SDR 120.49 million (about US$166.60 million).

Guinea's three-year ECF arrangement was approved by the Executive Board of the IMF on December 11, 2017 (see Press Release No. 17/484) for the equivalent of SDR 120.49 million (56.25 percent of Guinea's quota). The ECF arrangement aims at strengthening resilience, scaling-up public investment in infrastructure while preserving stability, strengthening social safety nets, and promoting private sector development.

While performance under the Fund-supported program remains broadly satisfactory, Guinea faces significant downside risks related to COVID-19 pandemic.

Following the Executive Board's discussions on Guinea, Mr. Mitsuhiro Furusawa, Acting Chair and Deputy Managing Director, issued the following statement:

"Guinea's performance under the ECF-supported program against end-December 2019 was satisfactory, with all but one end-December performance criteria (PC) met; the PC on the basic fiscal balance was narrowly missed reflecting higher-than-expected recurrent expenditures. Performance at end-June 2020 reflects the impact and the authorities' appropriate response to the COVID-19 pandemic, with two PCs missed—on net domestic assets and net government borrowing from the central bank–as the authorities resorted to central bank financing to promptly respond to the health crisis ahead of expected COVID-19 related external disbursements. The authorities have thereafter taken corrective action and the Executive Board approved the authorities' requests for waivers.

"Although overall growth has been buttressed by a buoyant mining sector, the COVID-19 pandemic significantly affected the non-mining economy. Real growth is projected to reach 5.2 percent this year, but non-mining activity is only expected to grow by 2.4 percent, about half of the pre-pandemic projection. The improved mining production has not translated into higher fiscal revenue. The situation for the most vulnerable and households and informal sector workers has also worsened.

“The 2020 fiscal relaxation to support the authorities’ COVID-19 response plan was adequate. The authorities made progress with their transparency commitments undertaken at the time of the RCF and are advised to continue implementing their budget transparently. The 2021 draft budget properly supports the post-pandemic recovery while ensuring debt sustainability. A return to the electricity tariff reform as the crisis subsides will be important to reduce untargeted electricity subsidies and create fiscal space for priority spending. In parallel, efforts to strengthen social safety nets should continue.

“Revenue mobilization remains critical over the medium term. The authorities are encouraged to step up implementation of their revenue mobilization strategy, agreed at the time of the Fourth ECF review. In particular, it is essential to apply the provisions of the mining code, to ensure Guinea can duly benefit from its mineral resource wealth.

“Guinea’s debt remains sustainable, at moderate risk of external debt distress, on the basis of a rightly reduced and rephased ambitious but realistic investment plans over the medium term. Going forward, it is essential to maintain prudent external borrowing policies, maximizing recourse to concessional borrowing. Progress should also continue on enhancing public investment management, strengthening budget execution, and improving cash and debt management.

“While turning to temporary central bank advances to swiftly pre-finance some COVID-19-related spending as the crisis unfolded was a short-term solution, the advances should be fully repaid once the external financing is disbursed to avoid inflationary pressures.

“Commendable progress has been made in enhancing foreign exchange flexibility. With foreign exchange reserves broadly adequate—supported by the authorities’ active accumulation during the ECF arrangement—recent steps to enhance flexibility and introduce a rule-based foreign exchange intervention strategy to reduce discretion are welcome.

“Improvements to the anti-corruption framework are an encouraging development and the authorities should continue to implement reforms. The recent publication of the asset declaration form is a welcome critical step to allow for the operationalization of the new system, expected to start in 2021, and increase transparency and accountability.”

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)

https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar

https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

GUINEA

November 23, 2020

FIFTH AND SIXTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. Real growth is expected to reach 5.2 percent in 2020 as the severe impact of the pandemic in the country was partially mitigated by a resilient mining sector. Presidential elections were held on October 18, giving President Condé an outright victory. Such results were contested by the opposition and followed by violent demonstrations and unrest. Since the Constitutional Court validated the electoral results on November 7, the situation has remained calm.

Program performance. Program performance was satisfactory for end-December 2019, with all ITs and all but one PCs met. The PC on the basic fiscal balance was missed by a minor amount. However, in June 2020 the impact of the COVID-19 pandemic and ensuing policy response led to misses on the PCs on net domestic assets and net government borrowing from the central bank, and the tax revenue IT. The authorities have requested waivers on the basis that underperformance is being met with corrective actions to contain non-priority spending, mobilize external resources, repay the central bank advances to bring net credit to government to the statutory limits by end-December and use active liquidity management to contain the growth of the monetary base. Furthermore, the authorities have submitted to Parliament a 2020 supplementary budget and are expected to submit a 2021 budget before the Board meeting in line with program objectives (prior actions).

Policy recommendations. The authorities have rightly implemented a response plan to increase health spending, support the most vulnerable and protect the private sector. Reducing and rephasing non-priority spending and mobilizing additional tax revenues, including from the mining sector, will buttress debt sustainability going forward while creating fiscal space to support the post-pandemic recovery and strengthen social safety nets. In this context, as the pandemic subsides, implementing programmed tax revenue measures, advancing the electricity tariff reform, and prudent public investment planning and management are critical. Commitment to the recently-adopted rule-based FX intervention policy (prior action) will allow greater exchange rate flexibility and help preserve external buffers. Reimbursement of central bank lending to the government will be essential in keeping inflation at moderate levels. Strengthening the anti-corruption framework and promoting access to credit will foster governance and private sector development.

Staff views. In view of the satisfactory program performance and supplementary actions, staff supports the authorities' request for completion of the fifth and sixth (and last) reviews under the ECF arrangement and for waivers of nonobservance. This would result in the disbursement of SDR 34.426 million and catalyze donor support.

Approved By
Celine Allard (AFR) and Chad Steinberg (SPR)

An IMF team consisting of Ms. Mira (Head), Mr. O'Sullivan, Mr. Koumtingué, Mr. Massara, Ms. Kaze (all AFR), Mr. Carrière-Swallow (SPR), Ms. Mogues (FAD), Mr. Issoufou (Resident Representative) and Mr. Diallo (local economist), held virtual discussions with the authorities during September 23-October 23, 2020. Mr. Sylla (Alternate ED) joined the mission discussions. The team met with Prime Minister Ibrahima Kassory Fofana, Minister of Economy and Finance Mamadi Camara, Central Bank Governor Lounceny Nabé, Minister of Budget Ismaël Dioubaté, Minister of Plan and Economic Development Kanny Diallo and other members of the government, the Ministers Counselors to the President and other senior government officials. The IMF team also met with representatives of the donor community, civil society, and private sector. Ms. Delcambre provided assistance in the preparation of this report.

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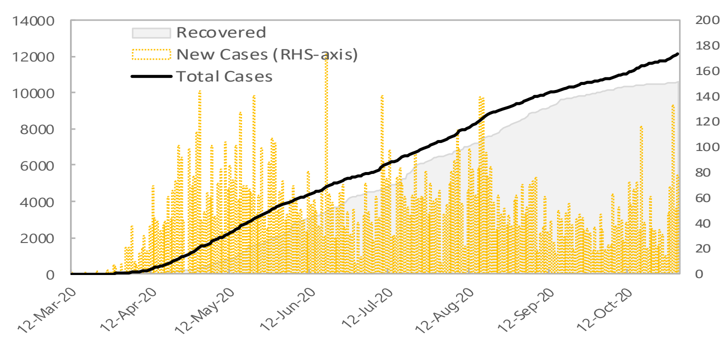
CONTEXT AND BACKGROUND

1. **The 2017-20 Extended Credit Facility (ECF) arrangement has provided Guinea with an important policy anchor**. Although the country has been affected by social unrest—with protests against the lack of jobs and public services, and the modification of the constitution that allowed President Conde to run for a third term—progress has been achieved in key program objectives[1], with growth averaging over 5 percent and inflation below 10 percent over the program period, and the incidence of multidimensional poverty declining from 36.3 percent in 2012 to nearly 31 percent in 2018-19. The fourth ECF review was completed by the IMF Executive Board on April 1, 2020. The fifth review was postponed due to the pandemic, and emergency financing under the Rapid Credit Facility (RCF) was approved in June 2020 (50 percent of quota, 1 percent of GDP) to support the authorities' response to the pandemic.

2. **To contain the pandemic, the authorities are implementing a comprehensive Response Plan (Annex 1)**. Since March 2020, the outbreak spread throughout the country, with cases exceeding 12,000 at end-October (Figure 1). The authorities closed land and aerial borders, restricted movements within the country, suspended public events, and established a night curfew in Conakry. The Response Plan, worth 1.8 percent of GDP, aims at strengthening infrastructure in the health sector, protecting the most vulnerable, and supporting the private sector, with international financial support, including from the World Bank, African Development Bank, European Union, and the IMF. Guinea also joined the G20 Debt Service Suspension Initiative and is one of the largest beneficiaries of the Catastrophe and Containment Relief Trust (CCRT) debt relief. Meanwhile, the central bank (BCRG) appropriately lowered its policy rate, reduced reserve requirements to support liquidity in the banking sector and introduced other regulatory measures to support the financial sector.

Figure 1. Guinea: Evolution of the COVID-19 Outbreak



Sources: Guinean authorities; and IMF staff estimates.

3. **President Condé won a third term in the presidential elections held on October 18.** The elections were marked by heightened tensions, as the opposition had rejected the March 2020 constitutional amendments that entitled the president to run for a third term. After the electoral commission announced the provisional results, there were episodes of violence and casualties. However, the situation has improved as the Constitutional Court validated the results, following complaints against the results filed by the opposition parties' candidates.

[1] Main program objectives include strengthening macroeconomic resilience; scaling-up growth-supporting public investment in infrastructure while preserving debt sustainability; strengthening social safety nets; and promoting private sector development.

RECENT ECONOMIC DEVELOPMENTS

4. **The COVID-19 pandemic has hit non-mining economic activity.** With the rapid spread of the virus, measures imposed by the government to curb the spread of the disease are adversely impacting activities such as retail trade, transport, and tourism. Despite the resilience of the agricultural sector, delays and disruption to transport logistics hinder the domestic movement of perishable goods and export of agricultural products (Figure 2).

5. **Mining activity was nonetheless resilient (Annex 2).** Bauxite production—Guinea's top export product—was boosted by the earlier-than-expected start of production by new companies and faster recovery in demand from China. Artisanal gold mining activity was also buoyant, reflecting higher international gold prices, which drew more workers into the sector. The COVID-19-related closure of the borders forced producers to centralize exports through Conakry through more formal channels.

6. **After spiking with the onset of the pandemic, headline inflation is slowly decelerating.** It peaked at 11.6 percent in April, when transportation and food inflation spiked at 27.6 percent and 13. 4 percent (y-o-y) respectively, reflecting the impact of border closure and movement restrictions within the country. With the easing of the restrictions and the introduction of import duty exemptions to stabilize basic food prices, inflation moderated to 10.6 percent, and core inflation (excluding energy and transportation prices) to 3.1 percent at end-September.

7. **The 2020 current account deficit is projected to narrow supported by higher mining exports and lower imports (Figure 4).** At 12.3 percent of GDP (against 13.7 percent in 2019 and a pre-crisis projection of 21.9 percent), this projected improvement however is not expected to translate into a stronger overall balance of payments position, as large outflows have been observed, reportedly from artisanal gold exporters' acquisition of foreign assets. Despite a gradual depreciation of the nominal exchange rate, the real effective exchange rate—estimated to be overvalued by between 13 and 28 percent at end-2017—has continued appreciating due to inflation differentials vis-a-vis trading partners. Gross international reserves remained at $1.3 billion at end-September (3.6 months of import coverage), supported by export receipts and external disbursements.

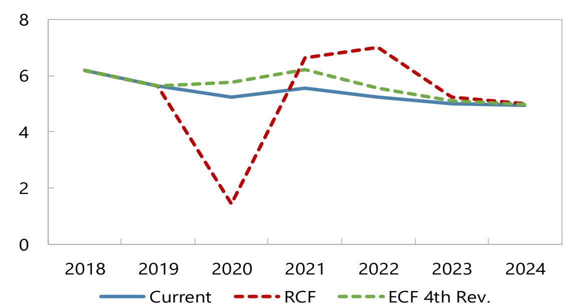
8. **Despite the pandemic, the banking sector remains so far liquid and solvent with ample credit to the private sector.** Excess reserves in local currency increased by 51 percent (average, y-o-y) at end-September, fueled in particular by strong deposit growth (21 percent) and the reduction in the reserve requirement ratio in response to the COVID-19 crisis. Private sector credit grew by 17 percent (average, y-o-y) at end-September, despite a slowdown in short-term credit (Figure 5).

Figure 2. Guinea: Real Sector Indicators

Real GDP Growth

(Percent)

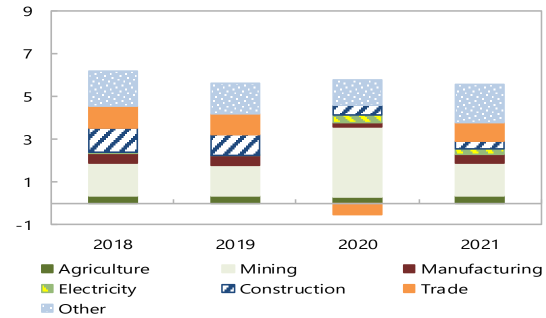
GDP growth has rebounded compared to the RCF projections…



Contribution to Real GDP Growth

(Percent)

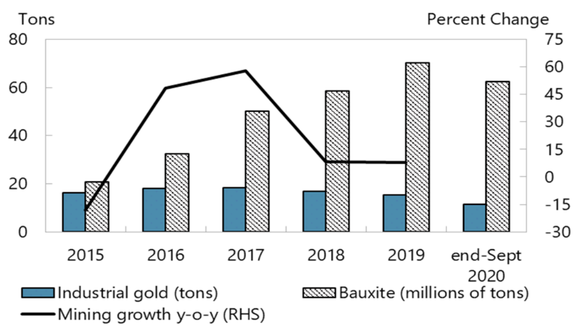
…because the impact of COVID-19 is lower than projected in the mining sector…



Mining Growth and Production

(Tons; Millions of tons; percent change)

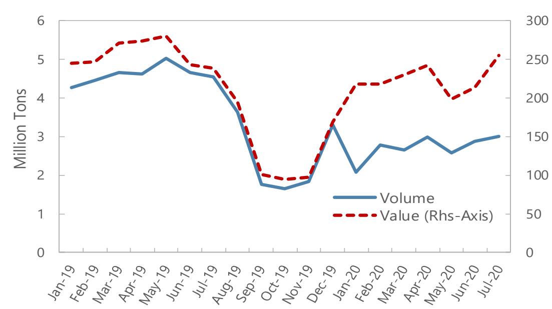
…particularly in the bauxite sector…



Bauxite Exports to China

(Millions of tons; Millions of US$)

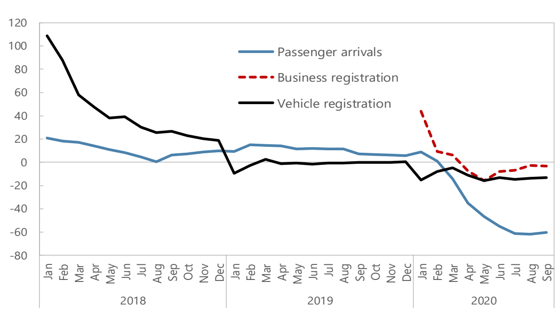
…on the strength of Chinese demand.



Selected Indicators of Non-Mining Activity

(Cumulative Percent, Year-on-year)

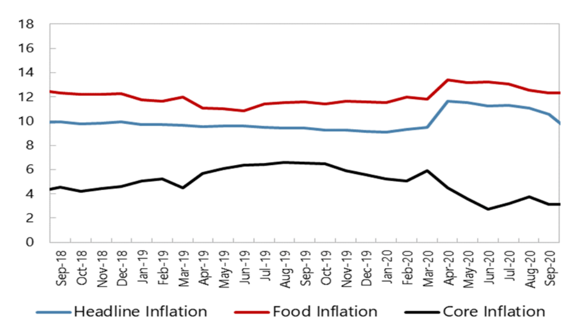
However non-mining remains heavily impacted by COVID-19.



Inflation

(Percent, Year-on-year)

Headline inflation rose with the pandemic, with food prices rising faster than other consumer goods.

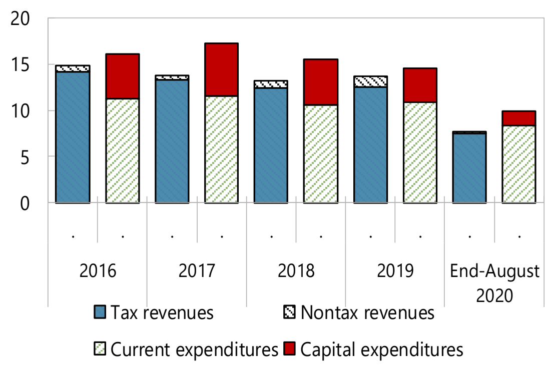


Sources: Guinean authorities; IMF staff estimates, and General Administration of Customs, China.

Figure 3. Guinea: Fiscal and Debt Indicators

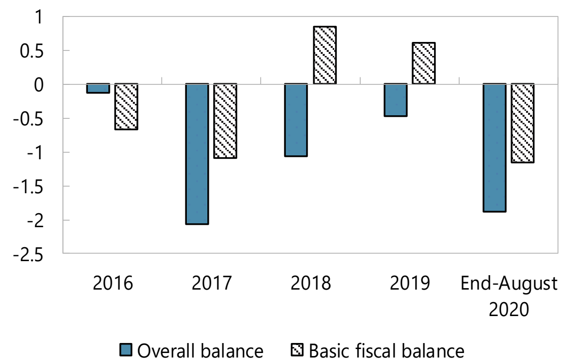
Revenue and Expenditures
(Percent of GDP)

Revenues remained broadly flat over the last five years, while expenditures declined steadily, mainly driven by reductions in capital spending.



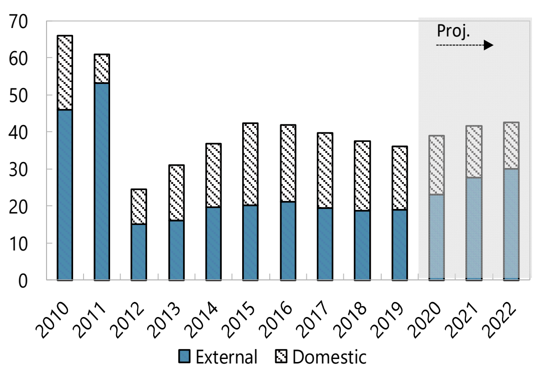
Overall and Fiscal Balances
(Percent of GDP)

The overall and basic fiscal balances saw a steady improvement, with the latter in surplus in recent years.



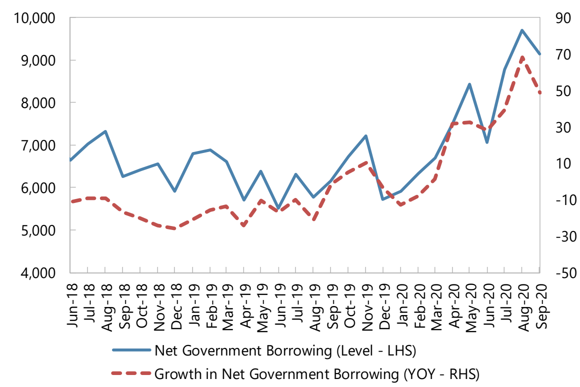
Public and Publicly Guaranteed Debt
(Percent of GDP)

While the debt/GDP ratio has declined in recent years, an increase is expected as the authorities implement an ambitious public investment agenda.



Net Government Borrowing from the CB (Excl. Recapitalization)
(GNF Billions, Percent)

Government borrowing from the central bank has expanded sharply, in part to pre-finance the COVID-19 response package.



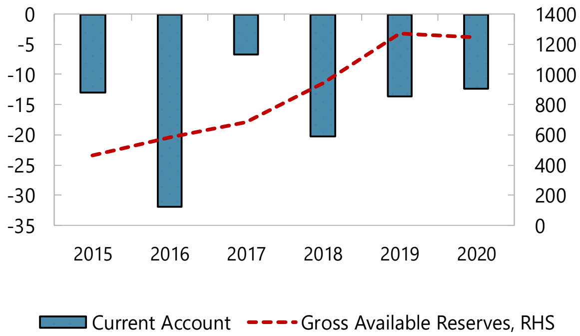
Sources: Guinean authorities; and IMF staff estimates.

Figure 4. Guinea: External Sector Indicators

Current Account and Reserves

(Percent of GDP; millions USD)

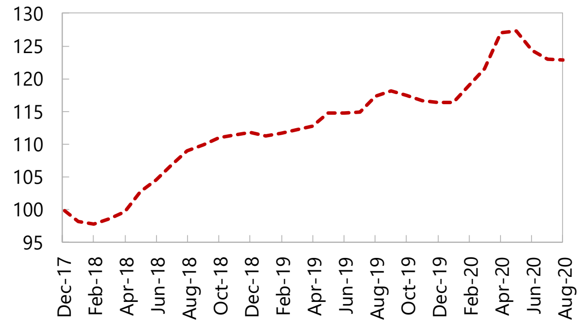
Despite large CA deficits, ample financing allowed for steady reserve accumulation.



Real Effective Exchange Rate

(Index, 2017 = 100)

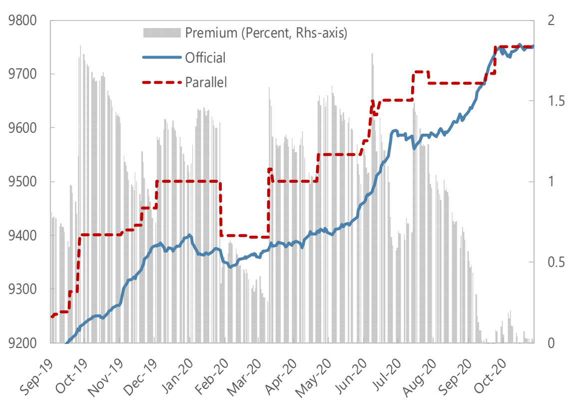
While the exchange rate has continued to appreciate in real effective terms…



Nominal Exchange Rate

(GNF/USD; percent)

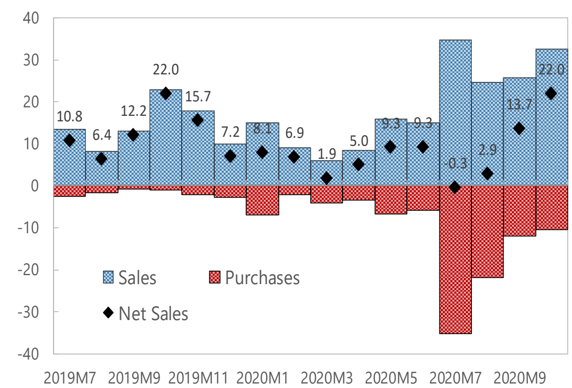
…the gap between the official and parallel exchange rates has closed in recent months.



BCRG Activity on the Foreign Exchange Market[1]

(Millions USD)

The central bank has been active on the FX market, but net sales have been modest despite COVID-19.



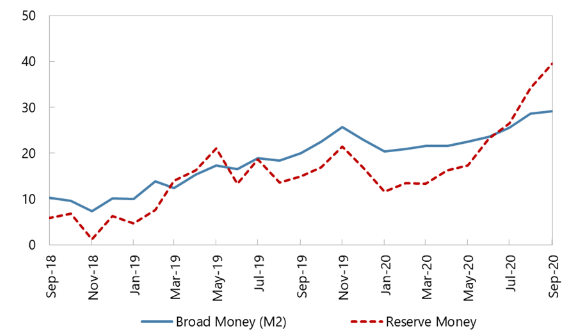
Sources: Guinean authorities; and IMF staff estimates.

[1] Aggregated to monthly frequency.

Figure 5. Guinea: Monetary Indicators

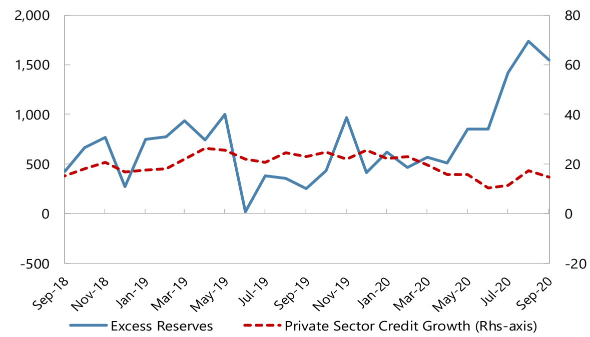
Broad Money and Reserve Money
(Year-on-year growth, percent)

Reserve money and broad money have been growing in line but reserve money has accelerated in recent months.



Excess Reserves and Credit Growth
(GNF billions; Percent, Year-on-year)

Despite the pandemic, private sector credit growth remained strong while banks' excess reserves have increased.



Sources: Guinean authorities; and IMF staff estimates.

OUTLOOK AND RISKS

9. Growth is projected at 5.2 percent in 2020, thanks to a resilient mining sector. The non-mining sector, though, is expected to grow at only 2.4 percent—about half of the pre-pandemic projections. Under the assumption that prices and demand for Guinea's commodity exports remain strong and global conditions gradually adjust to a new normal, growth is projected at 5½ percent in 2021 and 5¼ percent in 2022, supported by the production ramp-up of bauxite and iron ore. Headline inflation is expected to reach 10.2 percent (average, y-o-y) in 2020 and return to 8 percent in 2021 (Text Table 1).

10. Risks to the economic outlook remain skewed to the downside (Annex 3). Domestically, risks of further social and political instability following the October presidential elections and ensuing delays in reform implementation remain significant. The health situation could deteriorate depending on the evolution of the pandemic. Furthermore, the pandemic is likely to exacerbate preexsiting socioeonomic inequities and instability. Externally, risks include a second COVID-19 wave—which would delay the global recovery, depress aluminum prices, and affect demand for Guinea's exports; a deterioration of the terms of trade; and less availability of donor financing. There is however some upside potential, as mining companies could continue frontloading their production.

Text Table 1. Guinea: Selected Economic Indicators, 2017-25
(Percent of GDP, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
			Est.			Projection			
	(Annual percentage changes)								
Output and Inflation									
Real GDP growth	10.3	6.2	5.6	5.2	5.5	5.2	5.0	5.0	5.0
Mining	55.5	8.7	8.0	18.4	7.6	6.0	5.3	5.1	5.0
Non-mining	4.1	5.7	5.1	2.4	5.0	5.0	4.9	4.9	4.9
Inflation (average)	8.9	9.8	9.5	10.2	8.0	7.9	7.8	7.8	7.8
	(Percent of GDP)								
Central government finances									
Overall balance, incl. grants	-2.1	-1.1	-0.5	-3.6	-2.4	-2.2	-2.3	-2.1	-2.2
Primary basic fiscal balance	-1.1	-0.3	0.0	-2.7	-1.5	-1.3	-1.3	-1.1	-1.3
External sector									
Current account balance (including official transfers)	-6.7	-20.3	-13.7	-12.3	-14.2	-12.1	-11.1	-9.9	-10.4
Current account balance (excluding official transfers)	-7.2	-20.7	-13.9	-13.6	-14.7	-12.5	-11.6	-10.3	-10.8
Overall balance	0.7	1.7	2.2	-1.8	0.4	1.3	1.0	1.0	0.5
Gross public debt	39.5	37.7	36.5	40.4	43.2	43.5	42.3	41.2	40.4

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

PROGRAM PERFORMANCE

11. Program performance at end-December 2019 was satisfactory, while deviations in 2020 reflect the impact and the authorities' appropriate response to the COVID-19 pandemic:

- **All end-December indicative targets (IT) and all but one quantitative performance criteria (PCs) were met**. The PC on the basic fiscal balance was narrowly missed (0.04 percent of GDP), reflecting higher-than-expected recurrent expenditures.

- **Two end-June 2020 PCs and one IT, set ahead of the COVID-19 pandemic, were missed**. Tax revenues declined by 0.9 percent of GDP at end-June y-o-y, as the rebound in mining was mostly driven by new companies that benefit from tax exemptions, leading to a miss in the tax revenue IT. The PCs on net domestic assets and net government borrowing from the central bank were missed as the authorities resorted to central bank financing to promptly respond to the health crisis ahead of expected COVID-19 related external disbursements.

- **Preliminary data points to most end-September ITs being missed**. The ITs on the net domestic assets of the central bank and government budgetary borrowing were missed by large margins reflecting continued central bank financing. The IT on net international reserves was missed despite the disbursement of some external financing. The targets on basic balance and tax revenues were also missed, affected by the crisis-related revenue shortfalls and increased expenditures.

12. Staff supports the authorities' request for waivers for the missed PC on the basis of the corrective actions following their response to the exogenous shock. The authorities rightly reached out to development partners to help finance their response plan and thus reduce recourse to central bank advances; they also reallocated spending towards health and mitigation measures; and committed to bring back net credit to government from the BCRG to the statutory limits by end-December. They submitted to Parliament a 2020 supplementary budget and are expected to submit a 2021 budget before the Board meeting in line with program objectives. The BCRG also committed to issuing sterilization instruments to bring reserve money growth rate to about 15 percent by end-December, in line with program objectives.

13. The focus on the emergency response derailed the structural agenda, with most structural benchmarks (SBs) missed (Table 11). Electricity tariffs could not be raised in June 2020 as planned due to the pandemic. The missed SB on the publication of the asset declaration form was completed with delay in November 2020 (prior action). The delayed finalization of the PIM manual is now expected for December 2020. The continuous SB on new or renewed mining agreements was met.

PRESERVING MACROECONOMIC STABILITY

The discussions focused on ensuring an appropriate policy response to the pandemic in 2020, securing commitments to fiscal adjustment over the medium term, preserving external buffers by allowing greater exchange rate flexibility, and progressing on outstanding structural reforms.

A. Fiscal Policy

Responding to the Crisis in 2020

14. The basic fiscal balance was relaxed by close to 3 percentage points of GDP to accommodate the response to the COVID-19 pandemic (Text Table 2). From a projected 0.6 percent of GDP surplus at the time of the 4th review the basic fiscal balance is now projected at -2.3 percent of GDP. The widening reflects additional crisis spending and revenue measures worth 1.8 percent of GDP, together with a 1.2 percent of GDP revenue shortfall resulting from weaker growth and constrained tax collection capacity. Spending reallocations from capital

Text Table 2. Guinea: 2020 Fiscal Stance

(Percent of GDP)

	4th review (Pre-crisis)	RCF	Current
Revenues and grants	**15.2**	**13.7**	**14.7**
Revenues	14.1	12.3	12.7
of which covid-response		*0.20*	*0.24*
Expenditures & net lending	**18.2**	**17.3**	**18.3**
Current expenditure	11.3	12.4	13.5
of which covid-response		*0.72*	*0.93*
Personnel	3.6	3.8	3.8
Goods and services	3.4	3.6	3.5
Subsidies and transfers	3.7	4.3	5.3
Capital expenditure	**6.8**	**4.9**	**4.7**
of which covid-response		*0.57*	*0.54*
Other covid measures (arrears repayments)		*0.02*	*0.05*
Total Covid measures		*1.5*	*1.8*
Overall balance	-3.0	-3.7	-3.6
Basic balance	**0.6**	**-2.0**	**-2.3**

Sources: Guinean authorities and IMF staff calculations.

to current expenditure—with ½ and 1½ ppt of GDP respectively of lower domestically- and externally-financed capital investment compared to pre-COVID projections— also made room for higher electricity sector expenditure. The authorities have adopted a supplementary budget law in line with these program commitments and submitted it to Parliament (prior action).

15. The revenue shortfall originated by the pandemic is not expected to be mitigated by the significant improvement in mining production. Despite an expected doubling in the mining output growth, mining tax revenue would only inch up by 0.1 ppt of GDP compared to pre-crisis projections, as many new companies benefit from exonerations and exemptions (Annex 2). Furthermore, the pandemic has slowed down the implementation of the revenue measures discussed at the time of the 4th review (Text Table 3). The e-tax system has just started functioning. Conversely, the lower international fuel prices supported stronger-than-expected revenues from the special tax on petroleum products.

Text Table 3. Guinea: Tax Revenue Mobilization Measures, 2020 [1]

(Percent of GDP)

	Planned Additional Revenue Mobilization in 2020		Execution (End Aug 2020)		
	% of GDP	GNF billions	% of GDP	GNF billions	% of target
Tax revenue mobilization	**0.42**	**613**	**0.09**	**136**	**22**
Tax policy measures	**0.24**	**359**	**0.01**	**14**	**4**
Rationalize ad-hoc exonerations	0.09	130	0.01	14	11
Broadening the base for the insurance tax	0.16	229	-		-
Tax administration measures	**0.17**	**254**	**0.08**	**122**	**48**
Tax recovery from general audits of large enterprises	0.06	91	0.02	34	38
Tax recovery from desk audits of enterprises	0.01	18	0.01	15	81
Collection of recoverable tax arrears	0.03	48	0.01	21	43
Tax recovery from matching of customs and tax databases	0.01	20	0.01	9	43
Operationalization of the one-stop shop for international trade	0.02	30	-		-
Strengthen collection of Single Land Contribution	0.02	23	0.03	44	196
Operationalization of the DNI's new organizational structure[2]	0.02	25	-		-

Sources: Guinean authorities; IMF staff estimates.
[1] This is total additional revenue in 2019 and 2020 relative to a baseline in which no measures were undertaken.
[2] The National Directorate of Taxes (DNI).

16. Because of inefficient and untargeted subsidies, the pandemic is leading to higher-than-expected electricity spending. As part of the COVID-19 response plan, the authorities decided to provide free electricity to vulnerable households, postpone the electricity payments for residential users and the hospitality sector. The measure was extended until the end of 2020 and turned de facto into a full waiver. The free supply together with the stay-at-home and related crisis containment measures led to an increase in electricity demand[2]. Furthermore, the coming into operations of the Souapiti dam was delayed because of the pandemic, depriving the authorities of the expected free supply during the dam's trial period and forcing EDG to turn to more expensive thermal technology. Since electricity subsidies are not targeted, such increased expenses are unfortunate. The authorities remain committed to continue the reform to gradually bring tariffs to cost-recovery levels while keeping the social tariff to protect the most vulnerable, supported by the World Bank. Prompt action in this area is essential to provide fiscal space for needed social and infrastructure expenditure.

[2] This was compounded by the fact that the consumption limits for free access were high, at 330 kWh per month. The authorities recently decided to reduce the limit to 250 kWh/month during the last quarter of the year.

17. Guinea has succeeded in mobilizing external support to finance the COVID response. Multilateral institutions provided program grants and loans, including the IMF through the RCF. Furthermore, debt relief and suspension in the form of the Fund's CCRT and the Debt Service Suspension Initiative supported by the G20 and the Paris Club are providing additional fiscal space for the authorities to carry out their measures to mitigate the crisis' impact (text table 4). Altogether, the external support for the pandemic response is projected to reach 2.5 percent of GDP.

Text Table 4. Guinea: Pandemic Financing for 2020

	USD Millions	% of GDP
External budget support (grants & loans)	**381**	**2.5**
Grants	**110**	**0.7**
World Bank (Covid Emergency DPO)	41	0.3
World Bank (Social Protection COVID)	39	0.3
African Development Bank	4	0.0
IMF CCRT	25	0.2
Loans	**271**	**1.8**
World Bank (Covid Emergency DPO)	41	0.3
IMF (Rapid Credit Facility)	149	1.0
Islamic Development Bank	20	0.1
African Development Bank	29	0.2
G20 DSSI /1	32	0.2

Source: Guinean authorities and IMF staff calculations.
1/ DSSI provides rescheduling of debt service payments due in 2020.

18. Short-term central bank advances were used to pre-finance the immediate pandemic response but should be repaid by year-end. As some of the external funds were still pending in the course of 2020 while the resources were needed, the central bank advanced loans to the Treasury, resulting in elevated net borrowing, well above statutory limits (by about 1.3 percent of GDP at end-September). The authorities have committed to repay the central bank advances by the end of the year.

19. The authorities are complying with their transparency and accountability commitments agreed at the time of the RCF. The COVID-19 spending reports through October 2020 have been posted on the Ministry of Finance website. They have created a budgetary fund that earmarks external and domestic resources to address the pandemic. Furthermore, they established a dedicated account, as part of the Treasury Single Account (TSA), to receive and disburse COVID-19 funds. Prior to July 2020, the COVID-19 response plan was implemented through exceptional budgetary processes. In July, a decree was adopted authorizing additional budgetary resources and additional expenditures, especially COVID-19 expenditures. In response, the authorities plan to undertake a regularization of all COVID-19-related expenditures executed before the decree and have discontinued the practice of using exceptional procedures. The authorities are also publishing procurement contracts for COVID-19 related projects.[3] The Inspectorate General for Finance is currently conducting a verification exercise of high-risk expenditure, with the involvement of civil society organizations. In addition, the Court of Audit is expected to finalize the ex post audit of COVID spending in June 2021.

Re-anchoring the Medium-Term Fiscal Path

Medium-Term Fiscal Policies to Preserve Debt Sustainability.

[3]Procurement contracts and monthly execution reports can be found on the MEF website (https://mef.gov.gn/).

20. The authorities' fiscal strategy for 2021 aims to support the post-pandemic recovery, while ensuring a gradual consolidation to support debt sustainability. To that effect, they are targeting a basic balance of 0.5 percent, and an overall balance at about -2.4 percent of GDP, corresponding to an overall consolidation of 1.2 percent of GDP. Revenues are expected to recover as the pandemic tax relief measures are phased out and the non-mining economy rebounds. Expenditure is also expected to decline as the pandemic relief spending will have been terminated. Electricity sector expenditure is also expected to be reduced to pre-crisis levels as consumption levels normalize with the end of the crisis-related subsidies and the Souapiti dam coming on stream, allowing the authorities to benefit from the free trial period electricity. Subsidies and transfers should also normalize as the 2020 costs for the installation of the new assembly was a one-off expenditure. The authorities are expected to present a draft budget for 2021 to Parliament in line with those commitments before the Board meeting (prior action).

21. Improving revenue mobilization, including from the mining sector, is pivotal to ensure the consolidation is successful and create fiscal space for priority spending. The authorities have reiterated their commitment to continuing work to implement the tax policy and revenue administration measures agreed during the 4th ECF review. In the application of the plan, it is essential to explore ways to mobilize revenues from artisanal gold production and keep tax exemptions to the minimum. To that effect, the General Tax Code is being revised, with IMF support. Work is ongoing to adopt a new automatic petroleum price adjustment mechanism, better tailored to Guinea's fragile social context, following IMF TA support. Furthermore, applying the tax provisions of the 2013 Mining Code to new mining contracts remains fundamental to ensure Guinea benefits from its mineral wealth, minimizing exonerations, exemptions and grandfathering. Work also needs to continue to minimize profit shifting from transfer pricing (Annex 2). On the revenue administration front, Guinea should continue to invest in digitalization, business continuity planning, and risk-based compliance management processes.

22. To preserve a moderate risk of debt distress, the authorities have committed to reducing and rephasing their externally financed investment plans in 2021 and in the medium term compared to before the crisis. The revised investments still constitute a significant expansion from the past (a one-third increase from 2020 and 2021, with further increases in the subsequent years), but are more realistic given existing capacity constraints. These commitments anchor the results of the DSA, that confirm that Guinea remains at moderate risk of external debt distress, with limited space to absorb shocks (Debt Sustainability Analysis, December 2020). Prudent external borrowing policies, including maximizing the recourse to concessional borrowing, strengthening debt management and enhancing public investment management will be key to preserving medium-term debt sustainability.

Completing the Fiscal Structural Reform Agenda

23. The key areas include:

- ***Improving public finance management (PFM).*** Progress has been made in some areas. Most central budgetary units' bank accounts are now included in the TSA. In addition, the authorities have implemented enhancements to the public procurement process, and a new procurement code was instated in September. The authorities have also recently improved the recording of in-year expenditure payment arrears by adding a new functionality to the existing budget execution system. However, there are a number of areas where further work is needed, including on strengthening financial reporting and improving cash management to support transparency and accountability. The planned migration to GFS 2014 with IMF TA will support these efforts. Additional efforts are also necessary regarding debt management.

- ***Improving public investment management*** **(PIM).** The authorities have launched an electronic platform for integrated investment management, with the support of the AfDB and the UNDP. They are finalizing the preparation to adopt the manual for the preparation, appraisal and selection of public investment projects.

B. Monetary and Exchange Rate Policies

24. The authorities are committed to bringing down their advances from the central bank to its statutory limit by end-year. Such repayment is critical to ensure reserve money growth, at 40 percent (y-o-y) at end-September, comes closer to program projections of around 16 percent. Furthermore, BCRG is determined to actively manage liquidity to contribute to contain the expansion of the monetary base, issuing sterilization bonds (*Titres de Régulation Monétaire*) as needed, notwithstanding the related costs for the central bank. In the current situation, the monetary base needs to be reduced by about 1.8 percent of GDP; the BCRG and the Ministry of Economy are advised to work closely to ensure that the repayment of advances and the sterilization interventions succeed in reducing the pace of reserve money growth. The excess liquidity situation in the banking sector is likely to avail the necessary financing. Going forward, the authorities remain committed to containing central bank financing, which is essential to ensure single digit-inflation.

25. Staff welcomes progress in implementing the rule-based intervention strategy for the central bank in foreign exchange markets (Annex 4). The completion of this prior action caps a gradual process of increased exchange rate flexibility over the course of the ECF arrangement. The rule-based policy will limit the BCRG's discretion by conditioning its interventions on exchange rate developments in the interbank market. This mechanism was enabled by the installation of an electronic trading platform, with the financial support of the African Development Bank. By limiting the BCRG's FX sales, the new policy will also preserve the central bank's strengthened international reserves position, which has improved substantially over the course of the ECF arrangement (from US$686 million at end-2017 to US$1,245 million projected at end-2020).

26. A safeguards assessment has been initiated in the context of the recent disbursement under the RCF. Progress in addressing the recommendations from the 2018 assessment has been mixed and steps are needed to address the outstanding issues. These include finalizing the external audit of foreign exchange reserves at end-June 2020, conducting a review of currency operations, strengthening internal audit capacity, and improving Audit Committee oversight. Separately, the revision of the BCRG law has been initiated and is expected to be completed by April 2021.

C. Financial Stability and Inclusion

27. The measures on the financial sector side to protect the private sector have been adequate, but some are taking time to become effective. The establishment of a guarantee fund for SMEs' loans and the fund to support firms in the informal sector are appropriately expected to support activity in the context of the crisis. However, there has been a delay in operationalizing the SME fund. Work on the governance and accountability frameworks of the funds urgently need to be finalized. The authorities should also focus on developing and implementing the financial inclusion strategy, with World Bank support, to strengthen credit access for SMEs, women and the youth.

28. Work to strengthen banking supervision is ongoing, though progress in implementing the recommendations of the 2019 Financial Sector Stability Review was slowed down by the pandemic. The framework for a risk-based AML/CFT supervision of banks was operationalized in October 2019. Its effective implementation will strengthen BCRG's regulatory framework. Going forward, it is important to increase human resources in banking supervision, strengthen the BCRG's early intervention policy, operationalize the emergency liquidity assistance and the banking resolution frameworks, and finalize the legal framework of the deposit guarantee fund, with the support of IMF TA.

STRENGTHENING SOCIAL SAFETY NETS

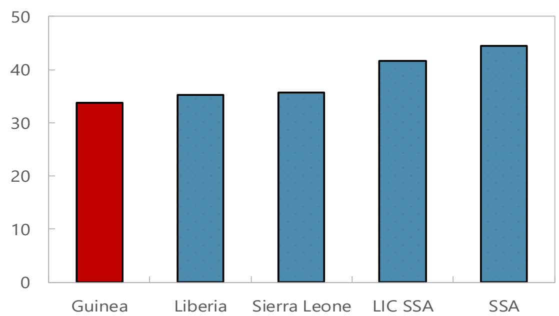
29. The COVID-19 pandemic has exacerbated already high levels of poverty. The most recent official poverty survey took place in 2018 and showed that despite some improvement, nearly 45 percent of the population lived below the national poverty line. Furthermore, according to recent official publications, the pandemic has worsened the situation for the most vulnerable households and for the large number of workers in the informal sector (Figure 6).

30. The implementation of the cash and food transfers plan to mitigate the impact of the crisis is welcome, though its implementation has been delayed. The program aims at providing digital cash transfers to 240,000 households included in the social registry, with World Bank financing covering 150,000 households. Unfortunately, however the delays on the part of government in meeting the conditions for effectiveness of the external financing resulted in a late expansion of the transfers expected in late November. The agency for economic and social inclusion, ANIES, has provided digital cash transfers to 17,000 households that reside in Conakry and meet the proxy means testing (PMT) threshold. The 7,000 Conakry households captured in the social register that do not meet the PMT threshold will receive food transfers, with the assistance of the World Food Program. All in all, by September only one-tenth of the intended recipients had received transfers.

Figure 6. Guinea: Poverty and COVID-19 Impact

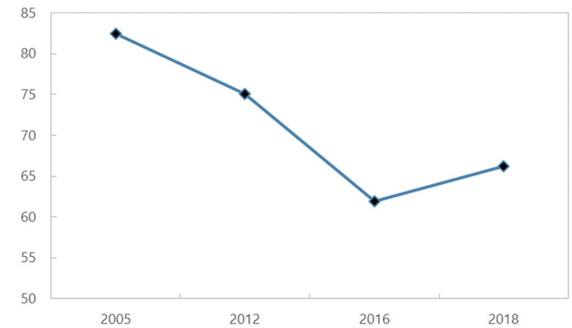
GINI index[1]

While Guinea has relatively lower levels of inequality compared to peers...



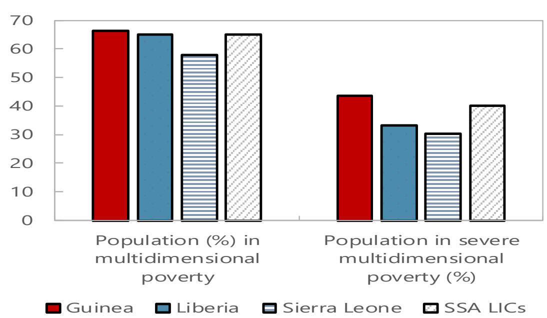
Poverty Headcount Ratio
(Percent of population in Multidimensional Poverty)

...and has seen a significant reduction in poverty...



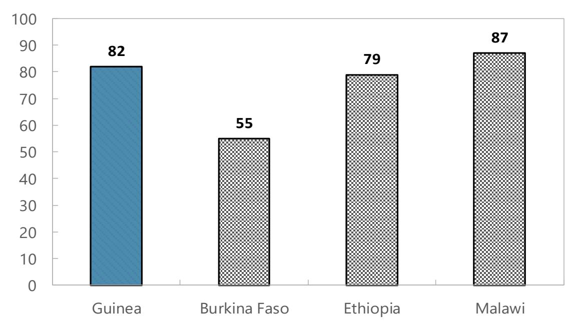
Multidimensional Poverty Rates[1]
(Percent of population)

...poverty rates are still higher than the comparators.



COVID-19 Impact on Income
(Percent of Survey Respondents)

The pandemic has led to a significant decrease in household income.



Sources: World Development Indicators; Oxford Poverty & Human Development Initiative; and the World Bank Living Standards Measurement Study.

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

ENHANCING GOVERNANCE AND ACCOUNTABILITY

31. Strengthening the anti-corruption framework will improve governance. The authorities adopted in March 2020 the implementing decree of the asset declaration regime (missed end-September SB) and are working on the finalization of the asset declaration regime in line with international best practices. In that context, an asset declaration form was finalized, with the support of World Bank TA, and published on the website of the court of audit (missed end-June SB, Prior action). The first submissions to start implementing the regime are expected in early 2021, and the authorities have allocated resources in the draft 2021 budget for the Court of Audit to put in place the necessary institutional structure. A draft AML/CFT law was finalized in April 2020, with the support of IMF TA, and is expected to be adopted by the Council of Ministers in November. Moving ahead, implementing the asset declaration regime and adopting the AML/CFT law will support anti-corruption efforts and improve governance.

PROGRAM MODALITIES

32. The program is fully financed. Guinea's external financing needs in 2020 are expected to be covered by multilateral and bilateral financing, including Fund disbursements under the RCF and the ECF. While the authorities' planned policies are expected to be fully financed through 2021, a more protracted outbreak or the materialization of downside global risks could prompt the emergence of new financing needs in the medium term. These include a deterioration of the terms of trade due to increased global oil prices or lower metals prices, decreased demand for bauxite from trade partners, and less availability of donor financing.

33. The capacity to repay the Fund is good and supported by Guinea's solid track record of meeting its obligations (Table 7). Outstanding obligations to the Fund stand at SDR 327 million (about 3 percent of GDP). The significant recent financing of other development partners shows the continued support of the international community for Guinea's macroeconomic policies.

34. Modification to the program and monitoring. The authorities request waivers for the nonobservance of the end-December 2019 PC on the basic fiscal balance, and the end-June PCs on the net domestic assets of the central bank and net government borrowing from the central bank. To support their request, the authorities have completed 3 prior actions and are expected to complete the remaining one before the Board meeting (MEFP Table 2). The authorities are also taking corrective actions to bring government borrowing from the central bank within its statutory limit by end-December, and to reduce the rate of growth of reserve money through increased sterilization.

35. Capacity development. TA priorities have been aligned with the program objectives, with a focus on revenue administration, public financial management, debt management, tax policy and real sector statistics. After some slowdown following the COVID-19 outbreak, TA delivery is gradually restarting under virtual mode.

STAFF APPRAISAL

36. Although overall growth has been buttressed by a buoyant mining sector, the non-mining economy has been significantly affected by the pandemic. Real growth is projected to reach 5.2 percent, but the non-mining economy would only grow by 2.4 percent. Furthermore, the improved mining production has not translated into higher fiscal revenue or more reserves. Therefore, the authorities have relied on spending reallocation and external finance to support their pandemic response plan. Barring a second wave of infection, non-mining activity is expected to recover in 2021. Risks to the outlook are tilted to the downside.

37. The 2020 fiscal relaxation to support the authorities' crisis response plan is adequate. The widening of the basic fiscal balance by 3 percent reflects the revenue shortfalls triggered by the crisis and the necessary expenditure to increase health spending and transfers to protect the most vulnerable and the private sector. The authorities have also made progress with their transparency commitments undertaken at the time of the RCF and are advised to continue implementing their budget transparently and minimize recourse to exceptional spending procedures. The increases in electricity spending are however unfortunate, as electricity subsides are untargeted. Once the crisis is over, it is essential that the electricity subsidy reform continues, to ensure that tariffs reflect cost recovery and generate fiscal space for needed capital and social investment. The 2021 draft budget properly supports the post-pandemic recovery while ensuring debt sustainability.

38. Progress to strengthen social safety nets should continue. The pandemic is expected to exacerbate poverty and inequality. The execution of the response plan in this sector needs to be accelerated to ensure the most vulnerable receive support on a timely basis.

39. Revenue mobilization remains critical over the medium term. The authorities are encouraged to step up their plan to implement their revenue mobilization strategy, agreed at the time of the Fourth ECF review. In particular, it is essential to apply the provisions of the mining code, limiting exonerations and exemptions and being mindful of transfer pricing issues, to ensure Guinea can duly benefit from its mineral resource wealth.

40. The authorities should continue to be mindful of absorption capacity and debt sustainably considerations when implementing their investment plans. Guinea's debt remains sustainable, at moderate risk of external debt distress, on the basis of an ambitious but also realistic investment plan over the medium term. Going forward, it is essential to maintain prudent external borrowing policies, maximizing the recourse to concessional borrowing. Progress should also continue on enhancing public investment management, to ensure Guinea maximizes investment returns and improves transparency and efficiency. Staff welcomes the authorities' intention to adopt the public investment manual by the end of 2020. PFM reforms to strengthen budget execution and improve cash and debt management are essential to support transparency and accountability and should continue.

41. The reimbursement of the central bank advances is critical to maintain inflation under control. While turning to temporary central bank advances to pre-finance some COVID-19-related spending was a short-term solution to swiftly finance the emergency plan, they should be fully repaid once the external financing is disbursed to avoid the inflationary consequences of the liquidity creation. Staff welcomes the authorities' actions and commitments to reduce the advances to their statutory limit by end-year, and the BCRG's plans to use active liquidity management to reduce the rate of growth of reserve money.

42. Staff commends the authorities' progress in enhancing foreign exchange flexibility, while building external buffers against shocks. With foreign exchange reserves broadly adequate—supported by the authorities' active accumulation during the ECF arrangement—recent steps to enhance exchange rate flexibility and introduce a rule-based intervention strategy to reduce discretion are welcome. Commitment to the policy framework will now be needed to ensure continued implementation, avoiding further real appreciation of the currency and preserving international reserves.

43. Staff welcomes progress achieved in the process of strengthening the anti-corruption framework and encourages the authorities to continue the reforms. The adoption of the asset declaration form is a critical step to allow for the operationalization of the new system, expected to start in 2021, and increase transparency and accountability.

44. In view of the satisfactory program performance at end-December 2019, corrective actions taken in response to the missed criteria associated with the COVID-19 exogenous shock and progress in reforms, staff supports the authorities' request for completion of the fifth and sixth (and final) reviews under the ECF arrangement, for waivers for nonobservance of performance criteria, and the completion of the financing assurances review. The authorities' Letter of Intent and MEFP spell out measures necessary to ensure that the objectives of the program remain achievable. The capacity to repay the Fund remain adequate and risks to the program are manageable.

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

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	Annual percentage change, unless otherwise indicated										
National accounts and prices											
GDP at constant prices	10.3	6.2	5.6	5.8	1.4	5.2	5.5	5.2	5.0	5.0	5.0
Mining	55.5	8.7	8.0	8.6	-3.5	18.4	7.6	6.0	5.3	5.1	5.0
Non-mining	4.1	5.7	5.1	5.1	2.5	2.4	5.0	5.0	4.9	4.9	4.9
GDP deflator	10.4	10.0	9.3	8.2	8.5	9.9	8.0	7.9	8.1	7.8	7.8
GDP at market prices	21.9	16.8	15.4	14.4	10.1	15.7	14.0	13.5	13.5	13.1	13.1
Consumer prices (average)											
Average	8.9	9.8	9.5	8.5	9.1	10.2	8.0	7.9	7.8	7.8	7.8
End of period	9.5	9.9	9.1	8.1	8.7	9.6	8.0	7.9	7.8	7.8	7.8
External sector											
Exports, f.o.b. (US$ terms)	68.7	-2.3	-0.8	17.2	-3.6	22.1	5.9	6.8	9.7	11.1	6.3
Imports, f.o.b. (US$ terms)	-6.6	21.8	-8.0	33.4	12.6	9.7	8.1	3.2	7.6	5.8	5.6
Average effective exchange rate (depreciation -)											
Nominal index	-1.4	0.2	2.4	...	...	...	...	...	...	...	...
Real index	4.9	7.2	9.3	...	...	...	...	...	...	...	...
Money and credit											
Net foreign assets[1]	9.6	8.3	12.1	1.8	0.4	-2.2	2.4	6.1	3.6	3.1	1.9
Net domestic assets[1]	6.2	1.9	10.8	3.6	6.1	15.8	12.6	11.8	9.9	9.2	9.3
Net claims on government[1]	5.0	10.0	6.1	1.6	2.4	9.5	8.0	5.7	4.3	4.1	4.8
Net claims on government[1], excl. recapitalization	5.0	-4.2	3.9	0.7	1.4	8.5	7.1	4.8	3.5	3.3	4.0
Credit to non-government sector[1]	0.9	6.2	9.9	2.3	0.7	6.6	5.5	7.0	6.4	5.9	5.3
Reserve money	10.3	6.3	16.8	3.0	1.8	9.6	10.3	17.5	13.6	12.6	11.6
Broad money (M2)	15.8	10.2	23.0	21.7	10.4	13.6	15.0	17.9	13.5	12.3	11.2
	Percent of GDP, unless otherwise indicated										
Central government finances											
Total revenue and grants	15.3	14.5	14.1	15.2	13.6	14.7	14.4	15.1	15.6	16.1	16.4
Revenue	13.7	13.1	13.7	14.1	12.3	12.7	13.4	14.2	14.7	15.2	15.5
Of which: Non-mining revenue	11.4	10.6	11.8	11.7	10.9	11.2	11.8	12.3	12.7	13.1	13.4
Grants	1.5	1.4	0.5	1.1	1.3	2.1	1.0	0.9	0.9	0.9	0.9
Total expenditure and net lending	17.3	15.6	14.6	18.2	17.3	18.3	16.8	17.3	17.9	18.2	18.6
Current expenditure	11.5	10.6	10.9	11.3	12.4	13.5	11.4	11.3	11.2	11.4	11.4
Of which: Interest payments	0.9	0.8	0.5	0.7	0.7	0.9	0.9	0.9	1.0	1.0	1.0
Capital expenditure and net lending	5.7	4.9	3.6	6.8	4.9	4.7	5.3	6.0	6.6	6.7	7.2
Overall budget balance											
Including grants	-2.1	-1.1	-0.5	-3.0	-3.7	-3.6	-2.4	-2.2	-2.3	-2.1	-2.2
Excluding grants	-3.6	-2.5	-0.9	-4.1	-5.0	-5.6	-3.4	-3.1	-3.2	-3.0	-3.1
Basic fiscal balance	-1.1	0.8	0.6	0.6	-2.0	-2.3	0.5	0.8	1.0	0.7	0.5
Current account balance											
Including official transfers	-6.7	-20.3	-13.7	-21.9	-20.9	-12.3	-14.2	-12.1	-11.1	-9.9	-10.4
Excluding official transfers	-7.2	-20.7	-13.9	-22.3	-21.6	-13.6	-14.7	-12.5	-11.6	-10.3	-10.8
Overall balance of payments	0.7	1.7	2.2	-0.4	-3.1	-1.8	0.4	1.3	1.0	1.0	0.5
Memorandum items:											
Exports, goods and services (US$ millions)	4,125.0	4,082.0	4,140.3	4,818.5	3,953.5	4,897.9	5,183.9	5,535.1	6,068.2	6,734.1	7,156.1
Imports, goods and services (US$ millions)	4,894.2	5,847.5	5,427.6	7,254.3	6,128.1	6,022.6	6,481.4	6,667.4	7,170.8	7,585.6	8,062.3
Overall balance of payments (US$ millions)	72.0	210.7	303.5	-62.7	-446.8	-265.8	64.2	231.7	189.5	191.5	98.9
Net foreign assets of the central bank (US$ millions)	322.1	547.0	868.5	918.8	882.1	789.2	865.3	1,062.6	1,207.8	1,342.6	1,418.7
Gross available reserves (months of imports)[2]	2.6	3.3	4.7	3.8	3.8	3.8	4.1	4.1	4.1	4.1	4.1
External public debt, incl. IMF (percent of GDP)	19.3	18.9	19.5	28.5	30.7	23.8	28.4	30.6	31.1	31.1	31.1
Total public debt, incl. IMF (percent of GDP)	39.5	37.7	36.5	43.1	44.9	40.4	43.2	43.5	42.3	41.2	40.4
Nominal GDP (GNF billions)	93,942	109,761	126,707	144,980	139,446	146,582	167,155	189,752	215,322	243,617	275,621

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

[1] In percent of the broad money stock at the beginning of the period.

[2] In months of the following year's imports excluding imports for large foreign-financed mining projects.

Table 2. Guinea: Balance of Payments, 2017–25
(Millions of U.S. Dollars, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Proj.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Exports, f.o.b.	4,073	3,978	3,945	4,709	3,876	4,817	5,099	5,447	5,978	6,641	7,060
Mining products	3,644	3,134	3,519	4,130	3,431	4,383	4,449	4,713	5,150	5,711	6,054
Other	429	844	426	579	445	435	651	734	827	930	1,006
Imports, f.o.b.	-4,138	-5,041	-4,636	-6,176	-5,215	-5,086	-5,499	-5,677	-6,106	-6,459	-6,822
Food products	-425	-449	-390	-567	-515	-428	-580	-619	-662	-707	-756
Other consumption goods	-386	-440	-547	-591	-576	-612	-712	-760	-813	-869	-929
Petroleum products	-548	-669	-743	-796	-513	-543	-796	-866	-931	-993	-1,056
Intermediate and capital goods	-2,778	-3,483	-2,957	-4,222	-3,612	-3,503	-3,411	-3,432	-3,700	-3,890	-4,081
Services trade balance	-704	-703	-596	-970	-835	-856	-898	-903	-975	-1,033	-1,144
Services exports	52	104	195	109	78	81	85	88	91	93	96
Services imports	-756	-806	-792	-1,079	-913	-936	-982	-990	-1,065	-1,127	-1,240
Income balance	-51	-806	-703	-928	-881	-989	-1,110	-1,047	-1,086	-1,235	-1,430
Of which: Interest on public debt	-21	-36	-20	-11	-11	-30	-35	-43	-49	-56	-62
Transfers	125	98	99	96	79	247	91	83	122	127	136
Of which:											
Net private transfers	75	48	76	32	-14	60	10	6	40	38	44
Official transfers	49	50	24	64	94	187	81	77	82	89	93
Current account											
Including official transfers	-695	-2,473	-1,891	-3,268	-2,976	-1,867	-2,316	-2,095	-2,066	-1,959	-2,200
Excluding official transfers	-744	-2,523	-1,915	-3,332	-3,070	-2,054	-2,398	-2,173	-2,148	-2,049	-2,292
Capital account	146	140	64	121	120	148	109	104	108	115	119
Public transfers	143	118	41	97	96	124	84	78	82	88	91
Financial account	1,472	2,104	2,130	3,085	2,409	1,453	2,272	2,224	2,148	2,036	2,180
Public (medium and long-term)	86	243	235	1,481	1,195	669	1,010	762	535	495	519
Project-related loans	132	250	153	1,525	1,246	643	1,093	856	638	589	618
Program financing	0	60	152	40	40	105	40	40	42	44	46
Public (short-term)	0	0	0	0	0	0	0	0	0	0	0
Amortization due	-46	-67	-70	-84	-91	-79	-123	-134	-144	-138	-145
Direct and other private investment (net)	1,306	1,835	1,781	1,514	1,184	1,614	1,191	1,402	1,564	1,500	1,603
Private short-term	80	26	114	90	30	-830	71	60	48	41	57
Errors and omissions	-851	440	0	0	0	0	0	0	0	0	0
Overall balance	72	211	303	-63	-447	-266	64	232	190	191	99
Financing	-72	-211	-303	63	98	208	-112	-254	-190	-191	-99
Use of Fund resources (net)	24	49	24	32	33	182	-49	-55	-50	-54	-40
Disbursements	24	49	24	71	71	221	0	0	0	0	0
Change in gross official reserves (- = increase)	-102	-259	-327	31	65	27	-63	-189	-129	-126	-59
Of which: SDR Allocation											
Change in arrears (- = reduction)	0	0	-1	0	0	0	0	0	0	0	0
Financing gap	-6	0	0	0	-349	-57	-48	-23	0	0	0
CCRT grants	0	0	0	0	22	23	0	0			
Prospective CCRT grants [1]					3	2	48	23			
G-20 Debt Service Suspension Initiative					25	32					
RCF	0	0	0	0	146	0					
World Bank					40	0					
African Development Bank					20	0					
Residual financing gap	0	0	0	0	-93	0	0	0	0	0	0
Memorandum items:											
Current account balance (percent of GDP)											
Including official transfers	-6.7	-20.3	-13.7	-21.9	-20.9	-12.3	-14.2	-12.1	-11.1	-9.9	-10.4
Excluding official transfers	-7.2	-20.7	-13.9	-22.3	-21.6	-13.6	-14.7	-12.5	-11.6	-10.3	-10.8
Overall balance (percent of GDP)	0.7	1.7	2.2	-0.4	-3.1	-1.8	0.4	1.3	1.0	1.0	0.5
Exports-GDP ratio (percent)	39.9	33.5	30.0	32.2	27.8	32.3	31.9	31.9	32.6	33.9	33.7
Imports-GDP ratio (percent)	-47.3	-48.0	-39.3	-48.5	-43.0	-39.8	-39.8	-38.4	-38.6	-38.2	-38.0
FDI-GDP ratio (percent)	12.6	15.1	12.9	10.1	8.3	10.7	7.3	8.1	8.4	7.6	7.6
Gross available reserves (US$ millions)	686	945	1,272	1,241	1,206	1,245	1,307	1,496	1,625	1,751	1,811
Gross available reserves (months of imports)	2.6	3.3	4.7	3.8	3.8	3.8	4.1	4.1	4.1	4.1	4.1
Nominal GDP (US$ millions)	10,337	12,181	13,797	14,951	14,244	15,151	16,270	17,370	18,587	19,857	21,227
National currency per US dollar (avg.)	9,088	9,011	9,184	…	…	…	…	…	…	…	…

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

[1] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

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

(Billions of Guinean Francs, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**14,342**	**15,965**	**17,902**	**22,067**	**18,977**	**21,588**	**24,033**	**28,644**	**33,638**	**39,193**	**45,200**
Revenue	12,902	14,423	17,305	20,504	17,122	18,576	22,335	26,945	31,739	37,023	42,818
Tax revenue	12,443	13,609	15,868	19,537	16,167	17,599	21,091	25,427	29,835	34,587	39,675
Mining sector	2,153	2,836	2,373	3,558	1,899	2,149	2,689	3,605	4,306	5,200	6,001
Local Development Fund	…	…	356	534	285	283	352	541	646	780	900
Non-mining sector	10,290	10,773	13,495	15,979	14,268	15,450	18,403	21,821	25,529	29,387	33,675
Direct taxes	2,226	2,346	2,563	3,255	2,870	3,155	3,954	4,554	5,168	5,847	6,477
Indirect taxes	8,064	8,428	10,932	12,724	11,398	12,294	14,449	17,267	20,361	23,540	27,198
Taxes on goods and services	5,434	5,861	7,583	8,927	7,953	9,113	10,359	12,144	14,007	16,103	18,363
Taxes on international trade	2,630	2,566	3,349	3,798	3,445	3,182	4,090	5,123	6,354	7,437	8,835
Non-tax revenue	459	814	1,437	966	955	977	1,243	1,518	1,904	2,436	3,142
Grants	1,440	1,542	597	1,563	1,855	3,012	1,698	1,699	1,899	2,171	2,382
Project grants	960	1,061	377	942	938	1,204	864	854	950	1,074	1,179
Budget support	449	449	216	621	917	1,808	834	845	950	1,096	1,203
Other earmarked grants	32	32	…	…	…	…	…	…	…	…	…
Expenditures and net lending	**16,276**	**17,132**	**18,498**	**26,450**	**24,125**	**26,829**	**28,005**	**32,873**	**38,568**	**44,319**	**51,396**
Current expenditures	10,809	11,589	13,830	16,451	17,232	19,748	18,987	21,352	24,050	27,745	31,411
Primary current expenditures	9,955	10,710	13,253	15,484	16,248	18,470	17,452	19,554	21,973	25,349	28,679
Wages and salaries	3,400	4,122	4,430	5,159	5,249	5,599	6,080	6,831	7,536	8,770	9,922
Goods and services	3,393	3,445	4,253	4,959	4,975	5,135	5,357	6,081	6,901	8,052	9,110
Subsides and transfers	3,114	3,142	4,570	5,366	6,024	7,736	6,014	6,641	7,536	8,527	9,647
EDG	1,168	905	2,157	2,401	2,527	3,308	2,390	2,151	1,936	1,742	1,568
Subsidies			2,057	2,014	2,140	2,921	2,390	2,151	1,936	1,742	1,568
Gurantee Fund			100	387	387	387					
other subsidies and transfers	1,946	2,237	2,413	2,965	3,497	4,429	3,624	4,490	5,600	6,784	8,079
Interest on debt	854	879	577	966	984	1,278	1,535	1,798	2,077	2,397	2,733
Domestic debt	665	557	391	856	876	985	1,168	1,328	1,507	1,705	1,929
External debt	190	322	186	111	108	293	366	470	570	691	803
Capital expenditure	5,395	5,417	4,545	9,873	6,771	6,880	8,835	11,323	14,304	16,344	19,738
Domestically financed	3,240	2,105	2,766	3,118	2,695	2,350	2,664	4,392	5,968	8,040	10,529
Investment (central budget exec.)	3,172	2,105	2,766	3,087	2,664	2,314	2,664	4,392	5,968	8,040	10,529
Local Development Fund	…	…	356	534	285	283	352	541	646	780	900
Capital transfers	68	0	0	31	31	36	0	0	0	0	0
Externally financed	2,155	3,312	1,779	6,754	4,077	4,530	6,171	6,932	8,335	8,304	9,209
Net lending	72	127	117	126	121	202	184	198	213	229	247
Basic fiscal balance[2]	**-1,030**	**924**	**772**	**919**	**-2,818**	**-3,431**	**867**	**1,473**	**2,076**	**1,699**	**1,434**
Overall balance											
Excluding grants	-3,374	-2,709	-1,193	-5,946	-7,003	-8,253	-5,671	-5,928	-6,829	-7,296	-8,578
Including grants	-1,935	-1,167	-596	-4,383	-5,148	-5,242	-3,973	-4,229	-4,930	-5,126	-6,196
Float		695	625		0	0	0	0	0	0	0
Financing	**1,935**	**472**	**736**	**4,383**	**1,833**	**4,858**	**3,973**	**4,229**	**4,930**	**5,126**	**6,196**
Domestic financing	**1,100**	**-1,700**	**-1,412**	**-1,005**	**-806**	**-153**	**-486**	**-699**	**-1,146**	**-815**	**-549**
Bank financing	1,300	-999	1,165	200	429	1,219	1,216	515	13	-78	-88
Net position at central bank	453	-2,063	-208	-287	-107	460	-287	-287	-287	-287	-287
Commercial banks	847	1,064	1,373	487	536	759	1,503	802	300	209	199
Nonbank financing	-1,140	-945	-1,129	-1,140	-1,140	-1,241	-1,598	-1,115	-1,048	-595	-313
Privatization revenue	0	0	0	0	0	0	0	0	0	0	0
Borrowing/Amortization of domestic debt (net)	-1,189	-985	-1,175	-1,140	-1,140	-1,241	-1,598	-1,115	-1,048	-595	-313
Other / Exceptional revenue	50	40	46	0	0	0	0	0	0	0	0
Change in arrears	939	244	-1,448	-65	-95	-132	-103	-100	-110	-142	-148
External financing (net)	**835**	**2,172**	**2,148**	**5,389**	**2,639**	**5,011**	**4,458**	**4,928**	**6,076**	**5,941**	**6,745**
Drawings	1,196	2,781	2,799	6,200	3,530	4,336	5,718	6,515	7,872	7,770	8,631
Project[4]	1,196	2,250	1,402	5,812	3,138	3,325	5,307	6,078	7,386	7,230	8,030
Program	0	530	1,397	388	392	1,011	411	437	487	541	601
Amortization due	-414	-605	-644	-811	-891	-766	-1,260	-1,469	-1,672	-1,698	-1,886
Debt relief	0	0	0	0	0	0	0	-117	-124	-132	0
Change in cap. arrears (- = reduction)	-2	0	-7	0	0	0	0	0	0	0	0
Change in int. arrears (- = reduction)	0	-4	0	0	0	0	0	0	0	0	0
Non Paris Clus bilateral rescheduling	55	0	0	0	0	0	0	0	0	0	0
HIPC-related financing	0	0	0	0	0	0	0	0	0	0	0
RCF Disbursement[5]	0	0	0	0	0	1,441	0	0	0	0	0
Financing gap	0	0	0	0	3,315	384	0	0	0	0	0
Anticipated financing	0	0	0	0	2,332	383	0	0	0	0	0
IMF	0	0	0	0	1,505	72	0	0	0	0	0
CCRT Debt Relief[3]	0	0	0	0	72	72	0	0	0	0	0
RCF Disbursement[5]	0	0	0		1,433	0	0	0	0	0	0
G-20 Debt Service Suspension Initiative	0	0	0	0	240	311	0	0	0	0	0
World Bank	0	0	0	0	392	0	0	0	0	0	0
African Development Bank	0	0	0	0	196	0	0	0	0	0	0
Residual financing gap	0	0	0	0	983	0	0	0	0	0	0
Memorandum items:											
Primary fiscal balance	-1,080	-288	-19	-3,417	-4,164	-3,963	-2,438	-2,431	-2,853	-2,729	-3,464
Nominal GDP (GNF billion)	93,942	109,761	126,707	144,980	139,446	146,582	167,155	189,752	215,322	243,617	275,621

Sources: Guinean authorities; Fund staff estimates and projections.

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

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

[3] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

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

[5] In accordance with standard practice, RCF projected disbursements, reported at the time of the RCF staff report as anticipated financing, have been reclassed as external financing.

Table 3b. Guinea: Fiscal Operations of the Central Government,[1] 2017–25
(Percent of GDP, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**15.3**	**14.5**	**14.1**	**15.2**	**13.6**	**14.7**	**14.4**	**15.1**	**15.6**	**16.1**	**16.4**
Revenue	13.7	13.1	13.7	14.1	12.3	12.7	13.4	14.2	14.7	15.2	15.5
Tax revenue	13.2	12.4	12.5	13.5	11.6	12.0	12.6	13.4	13.9	14.2	14.4
Mining sector	2.3	2.6	1.9	2.5	1.4	1.5	1.6	1.9	2.0	2.1	2.2
Non-mining sector	11.0	9.8	10.7	11.0	10.2	10.5	11.0	11.5	11.9	12.1	12.2
Direct taxes	2.4	2.1	2.0	2.2	2.1	2.2	2.4	2.4	2.4	2.4	2.4
Indirect taxes	8.6	7.7	8.6	8.8	8.2	8.4	8.6	9.1	9.5	9.7	9.9
Taxes on goods and services	5.8	5.3	6.0	6.2	5.7	6.2	6.2	6.4	6.5	6.6	6.7
Taxes on international trade	2.8	2.3	2.6	2.6	2.5	2.2	2.4	2.7	3.0	3.1	3.2
Non-tax revenue	0.5	0.7	1.1	0.7	0.7	0.7	0.7	0.8	0.9	1.0	1.1
Grants	1.5	1.4	0.5	1.1	1.3	2.1	1.0	0.9	0.9	0.9	0.9
Project grants	1.0	1.0	0.3	0.6	0.7	0.8	0.5	0.5	0.4	0.4	0.4
Budget support	0.5	0.4	0.2	0.4	0.7	1.2	0.5	0.4	0.4	0.5	0.4
Other earmarked grants	0.0	0.0	...	...	...	...	...	...	...	...	...
Expenditures and net lending	**17.3**	**15.6**	**14.6**	**18.2**	**17.3**	**18.3**	**16.8**	**17.3**	**17.9**	**18.2**	**18.6**
Current expenditures	11.5	10.6	10.9	11.3	12.4	13.5	11.4	11.3	11.2	11.4	11.4
Primary current expenditures	10.6	9.8	10.5	10.7	11.7	12.6	10.4	10.3	10.2	10.4	10.4
Wages and salaries	3.6	3.8	3.5	3.6	3.8	3.8	3.6	3.6	3.5	3.6	3.6
Goods and services	3.6	3.1	3.4	3.4	3.6	3.5	3.2	3.2	3.2	3.3	3.3
Subsides and transfers	3.3	2.9	3.6	3.7	4.3	5.3	3.6	3.5	3.5	3.5	3.5
EDG	1.2	0.8	1.7	1.7	1.8	2.3	1.4	1.1	0.9	0.7	0.6
Subsidies	...	...	1.6	1.4	1.5	2.0	1.4	1.1	0.9	0.7	
Gurantee Fund	...	...	0.1	0.3	0.3	0.3	...	...	...	...	
other subsidies and transfers	2.1	2.0	1.9	2.0	2.5	3.0	2.2	2.4	2.6	2.8	2.9
Interest on debt	0.9	0.8	0.5	0.7	0.7	0.9	0.9	0.9	1.0	1.0	1.0
Domestic debt	0.7	0.5	0.3	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
External debt	0.2	0.3	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.3
Capital expenditure	5.7	4.9	3.6	6.8	4.9	4.7	5.3	6.0	6.6	6.7	7.2
Domestically financed	3.4	1.9	2.2	2.2	1.9	1.6	1.6	2.3	2.8	3.3	3.8
Investment (central budget exec.)	3.4	1.9	2.2	2.1	1.9	1.6	1.6	2.3	2.8	3.3	3.8
Local Development Fund	...	...	0.3	0.4	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Capital transfers	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Externally financed	2.3	3.0	1.4	4.7	2.9	3.1	3.7	3.7	3.9	3.4	3.3
Net lending	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Basic fiscal balance[2]	**-1.1**	**0.8**	**0.6**	**0.6**	**-2.0**	**-2.3**	**0.5**	**0.8**	**1.0**	**0.7**	**0.5**
Overall balance											
Excluding grants	-3.6	-2.5	-0.9	-4.1	-5.0	-5.6	-3.4	-3.1	-3.2	-3.0	-3.1
Including grants	-2.1	-1.1	-0.5	-3.0	-3.7	-3.6	-2.4	-2.2	-2.3	-2.1	-2.2
Float		0.6	0.5		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing	**2.1**	**0.4**	**0.6**	**3.0**	**1.3**	**3.3**	**2.4**	**2.2**	**2.3**	**2.1**	**2.2**
Domestic financing	**1.2**	**-1.5**	**-1.1**	**-0.7**	**-0.6**	**-0.1**	**-0.3**	**-0.4**	**-0.5**	**-0.3**	**-0.2**
Bank financing	1.4	-0.9	0.9	0.1	0.3	0.8	0.7	0.3	0.0	-0.0	-0.0
Net position at central bank	0.5	-1.9	-0.2	-0.2	-0.1	0.3	-0.2	-0.2	-0.1	-0.1	-0.1
Commercial banks	0.9	1.0	1.1	0.3	0.4	0.5	0.9	0.4	0.1	0.1	0.1
Nonbank financing	-1.2	-0.9	-0.9	-0.8	-0.8	-0.8	-1.0	-0.6	-0.5	-0.2	-0.1
Privatization revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowing/Amortization of domestic debt (net)	-1.3	-0.9	-0.9	-0.8	-0.8	-0.8	-1.0	-0.6	-0.5	-0.2	-0.1
Other / Exceptional revenue	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.9	0.2	-1.1	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
External financing (net)	**0.9**	**2.0**	**1.7**	**3.7**	**1.9**	**3.4**	**2.7**	**2.6**	**2.8**	**2.4**	**2.4**
Drawings	1.3	2.5	2.2	4.3	2.5	3.0	3.4	3.4	3.7	3.2	3.1
Project [4]	1.3	2.1	1.1	4.0	2.3	2.3	3.2	3.2	3.4	3.0	2.9
Program	0.0	0.5	1.1	0.3	0.3	0.7	0.2	0.2	0.2	0.2	0.2
Amortization due	-0.4	-0.6	-0.5	-0.6	-0.6	-0.5	-0.8	-0.8	-0.8	-0.7	-0.7
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0
Change in cap. arrears (- = reduction)	-0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in int. arrears (- = reduction)	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non Paris Clus bilateral rescheduling	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC-related financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RCF Disbursement [5]	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**2.4**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Anticipated financing	0.0	0.0	0.0	0.0	1.7	0.3	0.0	0.0	0.0	0.0	0.0
IMF	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0
CCRT Debt Relief [3]	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
RCF Disbursement [5]	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
G-20 Debt Service Suspension Initiative	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
African Development Bank	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Primary fiscal balance	-1.1	-0.3	-0.0	-2.4	-3.0	-2.7	-1.5	-1.3	-1.3	-1.1	-1.3
Nominal GDP (GNF billion)	93,942	109,761	126,707	144,980	139,446	146,582	167,155	189,752	215,322	243,617	275,621

Sources: Guinean authorities; Fund staff estimates and projections.
[1] Based on GFSM 1986 due to data availability limitations.
[2] Total revenue excluding grants minus expenditures excluding interest on external debt and foreign-financed capital expenditures.
[3] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.
[4] The Souapiti dam loan is not included in the public investment of the central government as it will be carried out by an SPV that is not considered as part of the central
[5] In accordance with standard practice, RCF projected disbursements, reported at the time of the RCF staff report as anticipated financing, have been reclassed as external

Table 4. Guinea: Central Bank and Deposit Money Accounts, 2017–25[1]

(Billions of Guinean Francs, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Central bank											
Net foreign assets	2,901	4,969	8,012	8,476	8,138	7,281	7,983	9,803	11,142	12,386	13,088
Net domestic assets	8,236	6,869	5,810	5,755	5,935	7,868	8,720	9,817	11,156	12,721	14,936
Domestic credit	8,014	9,284	9,543	9,579	9,759	11,692	12,866	14,322	16,025	17,996	20,648
Claims on central government (net)	7,983	9,114	9,438	9,449	9,629	11,562	12,826	14,279	15,978	17,946	20,597
Claims on central government (net), excl. recapitalization[4]	7,983	5,920	5,712	5,425	5,605	7,538	8,480	9,586	10,909	12,472	14,684
Of which: to the Treasury (PNT1)	8,088	9,239	9,755	9,468	9,648	10,216	9,928	9,641	9,354	9,067	8,781
Recapitalization	...	3,194	4,024	4,346	4,346	4,346	4,694	5,069	5,475	5,913	6,386
Claims on private sector	31	170	105	130	130	130	40	42	47	49	51
Liabilities to deposit money banks (-)	0	0	0	0	0	0	0	0	0	0	0
Claims on other public sector	0	0	0	0	0	0	0	0	0	0	0
Other items, net (assets +)	222	-2,416	-3,733	-3,824	-3,824	-3,824	-4,146	-4,505	-4,869	-5,275	-5,713
Reserve money	11,138	11,838	13,822	14,231	14,073	15,149	16,703	19,620	22,298	25,107	28,024
Currency outside banks	6,732	7,245	8,816	9,110	8,266	8,505	9,134	11,494	13,443	15,313	17,266
Bank reserves	3,621	4,156	4,656	4,760	5,446	6,283	7,204	7,758	8,484	9,419	10,359
Deposits	3,004	3,304	3,876	4,010	4,696	5,533	6,554	7,243	7,997	8,955	9,949
Required reserves	2,391	2,730	3,402	3,471	3,469	3,856	4,691	5,598	6,296	7,043	7,800
Required reserves on GNF deposits	1,670	1,986	2,428	2,483	2,481	2,763	3,328	4,042	4,566	5,134	5,719
Required reserves on FX deposits	720	745	974	989	988	1,092	1,363	1,556	1,731	1,910	2,081
Excess reserves	613	574	474	539	1,227	1,677	1,864	1,645	1,701	1,911	2,149
Excess reserves on GNF deposits	508	268	414	472	1,160	1,610	1,805	1,583	1,634	1,841	2,079
Excess reserves on FX deposits	105	306	60	67	67	67	59	62	67	70	70
Cash in vaults of deposit banks	618	852	779	750	750	750	650	515	487	464	410
Private sector deposits	785	437	350	361	361	361	364	368	372	375	398
Deposit money banks											
Net foreign assets	2,034	1,825	1,783	1,882	1,787	1,852	1,981	2,585	2,926	3,311	3,746
Bank reserves	3,621	4,156	4,656	4,760	5,446	6,283	7,204	7,758	8,484	9,419	10,359
Deposits at the central bank	3,004	3,304	3,876	4,010	4,696	5,533	6,554	7,243	7,997	8,955	9,949
Cash in vaults of deposits banks	618	852	779	750	750	750	650	515	487	464	410
Claims on central bank	0	0	0	0	0	0	0	0	0	0	0
Domestic credit	11,319	13,675	17,365	18,530	17,786	20,110	23,607	27,187	30,481	33,832	37,185
Credit to the government (net)	3,127	4,236	5,411	5,898	5,947	6,170	7,672	8,475	8,775	8,984	9,183
Claims on public enterprises	3	4	0	0	0	0	0	0	0	0	0
Claims on the private sector	8,189	9,435	11,955	12,632	12,140	13,940	15,934	18,712	21,706	24,848	28,002
Other items, net (assets +)	-2,033	-2,592	-2,539	-2,539	-2,539	-2,539	-2,539	-2,539	-2,539	-2,539	-2,539
Liabilities to the private sector (deposits)	14,942	17,065	21,265	21,697	21,681	25,705	30,253	34,990	39,352	44,022	48,750
Memorandum items:											
Net foreign assets of the central bank (US$ million)[3]	322	547	869	919	882	789	865	1,063	1,208	1,343	1,419
Net international reserves (GNF billion)[3]	3,298	5,121	8,208	7,901	7,563	6,602	7,742	9,365	10,525	11,589	12,117
Net international reserves (US$ million)[2,3]	357	555	890	856	766	716	839	1,015	1,141	1,256	1,313

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

[1] End of period.

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

[3] Using Program exchange rate from 2017 onwards.

[4] Recapitalization became effective in October, 2018.

Table 5. Guinea: Monetary Survey, 2017–25[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	4,936	6,795	9,795	10,358	9,924	9,132	9,964	12,388	14,068	15,696	16,834
Net domestic assets	17,523	17,952	20,636	21,746	22,482	25,439	29,788	34,464	39,098	44,014	49,581
Domestic credit	19,333	22,960	26,908	28,109	27,846	31,802	36,473	41,508	46,506	51,827	57,833
Claims on central government	11,110	13,351	14,849	15,347	15,576	17,732	20,498	22,754	24,753	26,930	29,779
Central Bank (net)	7,983	9,114	9,438	9,449	9,629	11,562	12,826	14,279	15,978	17,946	20,597
Central Bank (net), excl. recapitalization	7,983	5,920	5,712	5,425	5,605	7,538	8,480	9,586	10,909	12,472	14,684
Commercial Banks	3,127	4,236	5,411	5,898	5,947	6,170	7,672	8,475	8,775	8,984	9,183
Claims on public enterprises	4	4	0	0	0	0	0	0	0	0	0
Claims on private sector	8,220	9,605	12,060	12,762	12,270	14,070	15,974	18,754	21,753	24,897	28,053
Other items, net (assets +)	-1,810	-5,008	-6,272	-6,363	-5,363	-6,363	-6,685	-7,044	-7,408	-7,814	-8,252
Broad money (M2)	22,458	24,746	30,432	32,103	32,407	34,571	39,752	46,852	53,166	59,710	66,415
Currency	6,732	7,245	8,816	9,110	8,266	8,505	9,134	11,494	13,443	15,313	17,266
Deposits	15,727	17,502	21,615	22,993	24,140	26,066	30,618	35,358	39,723	44,397	49,148
	(Year-on-year percent change of beginning-of-period M2, unless otherwise indicated)										
Memorandum items:											
Net foreign assets	9.6	8.3	12.1	1.8	0.4	-2.2	2.4	6.1	3.6	3.1	1.9
Of which: central bank	2.2	9.2	12.3	1.5	0.4	-2.4	2.0	4.6	2.9	2.3	1.2
Net domestic assets	6.2	1.9	10.8	3.6	6.1	15.8	12.6	11.8	9.9	9.2	9.3
Of which: central bank	3.2	-6.1	-4.3	-0.2	0.4	6.8	2.5	2.8	2.9	2.9	3.7
Domestic credit	5.9	16.1	16.0	3.9	3.1	16.1	13.5	12.7	10.7	10.0	10.1
Net claims on government	5.0	10.0	6.1	1.6	2.4	9.5	8.0	5.7	4.3	4.1	4.8
Credit to the private sector	0.9	6.2	9.9	2.3	0.7	6.6	5.5	7.0	6.4	5.9	5.3
Broad money (M2)	15.8	10.2	23.0	21.7	10.4	13.6	15.0	17.9	13.5	12.3	11.2
Reserve money (Annual percentage change)	10.3	6.3	16.8	3.0	1.8	9.6	10.3	17.5	13.6	12.6	11.6
Commercial bank credit to the private sector (Annual percentage change)	2.3	15.2	26.7	5.7	1.5	16.6	14.3	17.4	16.0	14.5	12.7
Money multiplier (M2/reserve money)	2.0	2.1	2.2	2.6	2.4	2.3	2.4	2.4	2.4	2.4	2.4
Velocity (GDP/average M2)	4.5	4.7	4.2	4.2	4.2	4.2	4.2	4.1	4.1	4.1	4.2
Velocity (GDP/M2, EOP)	4.2	4.4	4.2	3.9	4.2	4.2	4.2	4.1	4.1	4.1	4.2
Consumer prices (Annual percentage change, EOP)	9.5	9.9	9.1	8.1	8.7	9.6	8.0	7.9	7.8	7.8	7.8
Real GDP (Annual percentage change)	10.3	6.2	5.6	5.8	1.4	5.2	5.5	5.2	5.0	5.0	5.0
Nominal GDP (Annual percentage change)	21.9	16.8	15.4	14.4	10.1	15.7	14.0	13.5	13.5	13.1	13.1

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

[1] End of period.

Table 6. Guinea: Financial Soundness Indicators, 2016–20

(End of period, except otherwise indicated)

	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2
Regulatory Capital to Risk-Weighted Assets	17.25	21.97	18.23	17.89	18.65	17.91	18.38	16.83	16.07	16.97	17.16	15.24	18.27	16.12	14.65	15.41	15.68	15.91
Regulatory Tier 1 Capital to Risk-Weighted Assets	16.63	21.98	18.30	18.00	19.07	18.21	18.77	17.43	16.43	17.65	17.90	15.58	18.51	16.79	15.18	16.28	16.33	16.55
Non-performing Loans Net of Provisions to Capital	8.62	17.68	14.05	14.66	12.91	14.43	13.06	11.30	12.34	13.52	13.54	24.63	18.80	19.59	21.17	16.24	13.06	13.57
Non-performing Loans to Total Gross Loans	6.66	10.08	9.36	9.44	10.00	11.42	11.14	10.68	11.05	8.66	11.89	11.81	12.56	12.50	12.48	10.39	10.46	10.75
Return on Assets	2.58	2.15	2.20	2.18	2.41	2.32	1.99	1.96	2.10	1.98	1.84	2.07	1.77	2.09	2.29	2.40	2.61	2.79
Return on Equity	23.41	18.25	18.35	19.12	19.84	17.74	15.61	15.99	18.25	16.75	14.87	19.61	16.79	17.55	20.00	22.45	24.62	26.18
Interest Margin to Gross Income	33.45	37.40	37.75	38.93	40.68	40.82	41.27	41.76	37.84	38.38	39.39	38.56	43.83	42.23	42.08	41.85	39.54	37.16
Non-interest Expenses to Gross Income	80.92	80.05	79.27	79.22	76.50	76.41	78.45	78.13	78.21	79.02	79.18	77.98	78.24	74.63	73.47	72.55	71.69	72.67
Liquid Assets to Total Assets (Liquid Asset Ratio)	24.35	26.56	28.18	28.89	26.23	30.39	28.91	26.83	29.57	30.63	30.87	26.16	28.36	26.32	24.86	23.20	25.14	23.83
Liquid Assets to Short Term Liabilities	40.45	43.41	45.62	45.80	42.74	48.62	46.25	43.11	48.54	50.11	51.05	42.62	45.38	42.64	40.38	36.27	40.99	37.91
Net Open Position in Foreign Exchange to Capital	-47.17	-26.13	26.03	25.11	56.89	68.26	51.13	79.16	109.54	115.34	116.07	105.71	78.59	108.18	112.08	131.10	150.24	138.93

Source: Guinean authorities.

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

(As of November 6, 2020; SDR millions, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	0.0	20.0	38.3	34.4	37.6	38.1	44.1	38.6	35.2
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit									
(In millions of SDRs)									
Principal	-	20.0	38.3	34.4	37.6	38.1	51.0	45.5	42.1
Charges and interest	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding credit based on existing and prospective drawings 1/ 2/									
In millions of SDRs	361.4	341.3	303.1	268.8	231.2	193.1	142.1	96.6	54.5
In percent of exports of goods and services	10.3	9.4	7.9	6.4	5.0	3.9	2.7	1.7	0.9
In percent of debt service 3/	354.9	228.9	157.7	128.0	100.8	79.4	43.4	27.4	13.1
In percent of GDP	3.3	3.0	2.5	2.1	1.7	1.3	0.9	0.6	0.3
In percent of Gross International Reserves	40.4	37.3	29.1	23.9	19.1	15.5	10.8	6.9	3.7
In percent of quota	168.7	159.3	141.5	125.5	107.9	90.1	66.3	45.1	25.4
Outstanding credit based on existing drawings 1/ 2/									
In millions of SDRs	327.0	326.9	307.0	268.7	234.4	196.8	158.7	114.5	75.9
In millions of US$	454.8	467.4	441.4	388.4	339.9	285.4	230.2	166.1	110.1
In percent of exports of goods and services	9.3	9.0	8.0	6.4	5.0	4.0	3.0	2.0	1.2
In percent of debt service	321.1	219.3	159.7	127.9	102.2	80.9	48.5	32.5	18.2
In percent of GDP	3.0	2.9	2.5	2.1	1.7	1.3	1.0	0.7	0.4
In percent of Gross International Reserves	36.5	35.8	29.5	23.9	19.4	15.8	12.0	8.2	5.1
In percent of quota	152.7	152.6	143.3	125.4	109.4	91.9	74.1	53.5	35.4
Net use of Fund credit (millions of SDRs)	34.4	-20.0	-38.3	-34.4	-37.6	-38.1	-51.0	-45.5	-42.1
Disbursements	34.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	20.0	38.3	34.4	37.6	38.1	51.0	45.5	42.1
Memorandum items:									
Exports of goods and services (millions of US$)	4,898	5,184	5,535	6,068	6,734	7,156	7,699	8,275	8,892
External Debt service (millions of US$)	142	213	276	304	333	353	475	511	605
Nominal GDP (millions of US$)	15,151	16,270	17,370	18,587	19,857	21,227	22,712	24,313	26,026
Gross International Reserves (millions of US$)	1,245	1,307	1,496	1,625	1,751	1,811	1,916	2,025	2,141
Quota (millions of SDR)	214.2	214.2	214.2	214.2	214.2	214.2	214.2	214.2	214.2

Source: IMF staff estimates and projections.

1/ Including the proposed disbursements under the current ECF.

2/ On May 24, 2019 the IMF Executive Board approved an interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 30, 2021 and possibly longer. The Board also decided to set a zero interest rate on ESF until end-June 2021 while the interest rate on RCF was set to zero in July 2015.

3/ External debt service includes IMF repurchases and repayments.

Table 8. Guinea: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2019–20

(Billions of Guinean Francs; unless otherwise indicated)

	2019								2020											
	Sept.				Dec				March				June				Sept.			
	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status
Quantitative performance criteria																				
Basic fiscal balance (floor; cumulative change for the year)	548	592	497	Not Met	691	829	772	Not Met	265	265	429	Met	254	-296	388	Met	622	474	-2,340	Not Met
Net domestic assets of the central bank (ceiling; stock)	5,518	5,585	6,871	Not Met	5,856	6,064	5,810	Met	5,722	5,722	7,570	Not Met	5,688	4,863	6,963	Not Met	5,579	4,533	10,160	Not Met
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	5,794	5,861	6,148	Not Met	5,626	5,834	5,712	Met	5,641	5,641	6,699	Not Met	5,623	4,798	7,063	Not Met	5,531	4,485	9,037	Not Met
Net international reserves of the central bank (floor; stock); US$ million[1]	679	672	679	Met	739	716	890	Met	795	795	776	Not Met	808	898	942	Met	824	938	841	Not Met
Continuous performance criteria																				
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
Indicative targets																				
Tax revenues collected (floor)	12,939	12,939	12,186	Not Met	16,960	15,868	15,868	Met	4,895	4,895	4,059	Not Met	9,889	9,889	8,368	Not Met	14,706	14,706	12,412	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	98	98	272	Met	130	240	371	Met	78	78	39	Not Met	154	154	177	Met	232	232	398	Met
New domestic arrears accumulated by the central government (net)	-857	-857	-556	Not Met	-812	-812	-1448	Met	-37	-37	-1132	Met	-49	-49	-2261	Met	-59	-59	-1128	Met
Memorandum items:																				
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[5]	1052	...	1046	...	1142	...	1621	...	1475	...	1658	...	1613	...	1684	...	1667	1667	1806	...

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

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

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

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

[3] Continuous performance criterion.

[4] Cumulative from the beginning of each year.

[5] To be monitored continuously. Shows accumulated face value of new concessional loans on a signature basis. Until the Third Review, this memo item had been defined on a disbursement basis.

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

[7] Excluding recapitalization of the central bank

Table 9. Guinea: Schedule of Disbursements and Timing of Reviews Under the ECF Arrangement, 2017–20

Percent of quota	Millions of SDRs	Date of Availability	Condition for Disbursement
8.035	17.210	December 11, 2017	Executive Board approval of the three-year arrangement under the ECF arrangement.
8.036	17.213	June 11, 2018	Observance of all relevant performance criteria, including the performance criteria for December 2017 and completion of the first review under the ECF arrangement.
8.036	17.213	December 11, 2018	Observance of all relevant performance criteria, including the performance criteria for June 2018 and completion of the second review under the ECF arrangement.
8.036	17.213	June 11, 2019	Observance of all relevant performance criteria, including the performance criteria for December 2018 and completion of the third review under the ECF arrangement.
8.036	17.213	December 11, 2019	Observance of all relevant performance criteria, including the performance criteria for June 2019 and completion of the fourth review under the ECF arrangement.
8.036	17.213	June 11, 2020	Observance of all relevant performance criteria, including the performance criteria for December 2019 and completion of the fifth review under the ECF arrangement.
8.036	17.213	November 26, 2020	Observance of all relevant performance criteria, including the performance criteria for June 2020 and completion of the sixth review under the ECF arrangement.
56.250	120.488	Total	

Source: IMF staff.

Note: All quota percentages are presented to reflect the new Guinea's quota under the 14th General Quota Review.

Table 10. Guinea: External Financing Requirements and Sources, 2017–25
(Millions of U.S. Dollars)

	2017	2018				2019					2020					2021	2022	2023	2024	2025
	Prel.	Prog. Req.	1st Rev.	2nd Rev.	Prel.	1st Rev.	2nd Rev.	3rd Rev.	4th Rev.	Prel.	2nd Rev.	3rd Rev.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
1. Gross financing requirements	889	2,507	2,770	2,263	2,827	2,317	2,887	3,067	2,355	2,293	2,695	2,796	3,400	3,110	2,121	2,608	2,526	2,445	2,341	2,511
External current account deficit	744	2,212	2,460	1,946	2,523	2,037	2,600	2,821	2,142	1,915	2,380	2,595	3,332	3,070	2,054	2,398	2,173	2,148	2,049	2,292
Capital account balance [1]	-3	-17	-3	-3	-23	-3	-3	-23	-23	-23	-3	-24	-24	-24	-24	-25	-25	-26	-27	-28
Debt amortization	46	77	77	84	67	67	74	70	70	70	86	84	84	91	79	123	134	144	138	145
Change in arrears, net [2]	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0
Gross reserves accumulation	102	235	236	236	259	212	212	195	162	327	192	101	-31	-65	-27	63	189	129	126	59
IMF Repayments [3]	0	0	0	0	0	4	4	4	4	4	40	40	39	39	39	49	55	50	54	42
2. Available financing	849	2,396	2,641	2,136	2,701	2,193	2,774	2,896	2,221	2,177	2,581	2,685	3,247	2,608	1,762	2,608	2,526	2,445	2,341	2,511
Foreign direct investment, net [4]	1,386	1,314	1,586	1,593	1,861	1,216	1,259	1,283	1,294	1,895	1,901	1,940	1,603	1,214	784	1,262	1,462	1,612	1,541	1,660
Identified disbursements	307	1,082	1,057	543	399	977	1,484	1,509	833	186	660	730	1,644	1,393	917	1,298	1,052	844	810	848
Grants	175	150	125	188	150	132	118	126	126	65	125	131	119	147	259	165	156	164	177	183
Project	143	99	92	155	118	92	93	97	97	41	101	107	97	96	124	84	78	82	88	91
Program	33	51	33	32	32	40	25	30	29	24	24	24	22	22	134	81	77	82	89	93
Loans	132	932	932	356	250	845	1,366	1,383	707	122	535	599	1,525	1,525	658	1,133	896	680	633	665
Project	132	922	921	356	250	834	1,366	1,323	647	61	535	599	1,525	1,525	643	1,093	856	638	589	618
Program	0	10	11	0	0	10	0	60	60	61	0	0	0	0	15	40	40	42	44	46
Other flows	-851	0	-3	0	440	0	30	104	94	96	21	15	0	0	4	0	-11	-11	-11	2
Debt relief [1,2]	6	0	0	0	0	0	0	0	0	0	0	0	0	50	57	48	23	0	0	0
G-20 Debt Service Suspension Initiative														25	32	0	0	0	0	0
CCRT grants														25	25	48	23	0	0	0
3. Residual financing [5]	-40	-111	-129	-127	-127	-124	-113	-171	-134	-115	-114	-112	-153	-453	-360	0	0	0	0	0
ECF and RCF disbursement	24	48	49	49	49	50	48	48	24	24	49	48	71	217	217	0	0	0	0	0
World Bank budget support	...	40	60	60	60	50	40	100	90	91	40	40	40	80	80	...	...	...	...	...
EU budget support	16	22	20	18	18	24	25	23	20	0	25	23	42	42	42	...	...	...	...	...
African Development Bank														20	20	...	...	...	...	...
Residual financing gap														-93	0	0	0	0	0	0

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

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

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

[3] Excludes debt relief provided under the IMF's CCR Trust.

[4] Includes private short-term capital flows.

[5] For 2019, this reflects actual disbursments.

Table 11. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20

Prior Actions			
Submit to Parliament a 2020 Supplementary Budget Law aligned with program commitments.	Prior Action	Met.	Ensure consistency of fiscal policy with program advice
Implementation of the rules-based FX intervention policy.	Prior Action	Met. The electronic trading platform is operational, and the central bank has published the instruction on the rules-based policy in its website[1].	Strengthen foreign exchange management
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	Prior Action	Met[2].	Strengthen governance
Submit to Parliament a 2021 Budget Law aligned with program commitments.	Prior Action		Ensure consistency of fiscal policy with program advice
Structural Benchmarks			
Fifth Review			
Prepare and adopt a manual for the preparation, appraisal and selection of investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes.	End May-2020	Not met. A draft decree on the regulatory framework for public investment projects was developed with AFW TA.	Strengthen public investment management
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 9 percent electricity tariffs for households and by 10 percent electricity tariffs for professionals and industrials in 2020, in line with the electricity tariff reform strategy 2019-25.	June 1, 2020	Not met. A draft decree setting the increase in electricity tariffs in line with the tariff reform strategy was prepared. The signature of the decree was postponed due to COVID.	Reduce electricity subsidies
All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	Continuous	Met. A new agreement for iron ore extraction was ratified in July 2020. The contract entailed new investments in infrastructure and local transformation. It was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
Sixth Review			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 2020	Not met. The draft decree on the content of an asset declaration form is being finalized with the support of the World Bank.	Strengthen governance

[1] https://www.bcrg-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/

[2] The asset declaration form is available at http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/.

Annex I. Guinea's COVID-19 Response Plan

1. To stem the impact of the COVID-19 pandemic, the authorities adopted the "Plan de Riposte" in early April. The National Emergency Preparedness and Response Plan builds on the country's experience from the Ebola virus pandemic of 2014-2015. The initial cost of the plan at the time of the RCF was estimated at 1.5 percent of GDP, with the bulk of the expenditures frontloaded into a first phase. A smaller second phase began in September, extending some measures throughout end-year and adding new ones, so the current total cost of the plan is of 1.8 percent of GDP. [1] The plan supports the additional health costs and social and private sector support:

Guinea COVID-19 Response Plan
(Percent of GDP)

	Covid-19 Response Plan	Execution Rate
I. Health	0.8	86.8
o/w tax measures	0.2	88.9
II. Social Inclusion	0.6	43.9
III. Private Sector	0.4	66.4
Total	**1.8**	**67.8**

Source: Guinean authorities and IMF staff estimates.

- **Bolstering the health system.** The largest share of the plan went toward the health component, with a focus on improving surveillance systems and the health infrastructure, as well as purchases of medical services and equipment. The limited hospital bed capacity was soon fully utilized (530 bed units in the country) so ramping up health spending was critical.

- **Increasing social support.** On the social side, the authorities channeled spending toward increased cash transfers, building food stocks, and providing subsidies to households for electricity and water expenses.

- **Supporting the private sector.** The plan included tax exemptions for health equipment, support to the hospitality sector, and support for farmers. About 15 percent of the private sector support went toward the creation of a special fund to provide financing and loan guarantees to firms, with a focus on SMEs. The support was available to a wide range of firms, including those in the tourism, transport, and agricultural sectors.

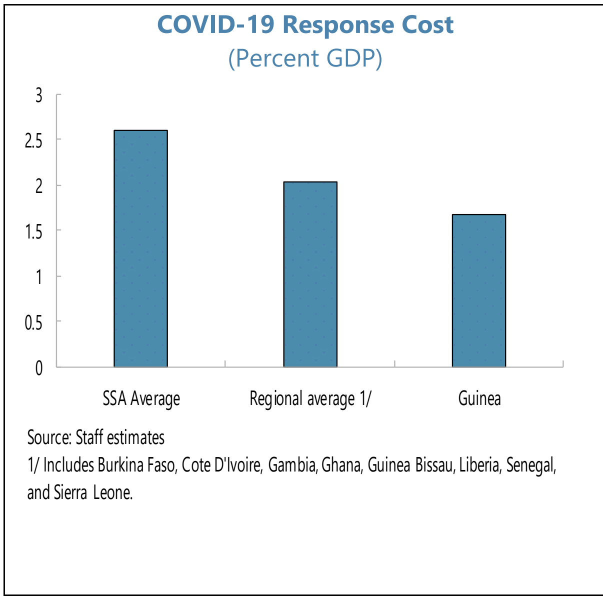
2. Through September, the authorities have executed about 70 percent of the planned expenditure. Most of the planned health spending has materialized, while execution rates for social spending and private sector support have fallen short. To finance the plan, the authorities used a mix of expenditures reallocation, particularly on capital spending, and foreign-financed emergency support. In comparison to regional peers and other countries on the continent, Guinea has spent less thus far on its response plan but has also seen fewer cases than peer countries (text charts 1 and 2).

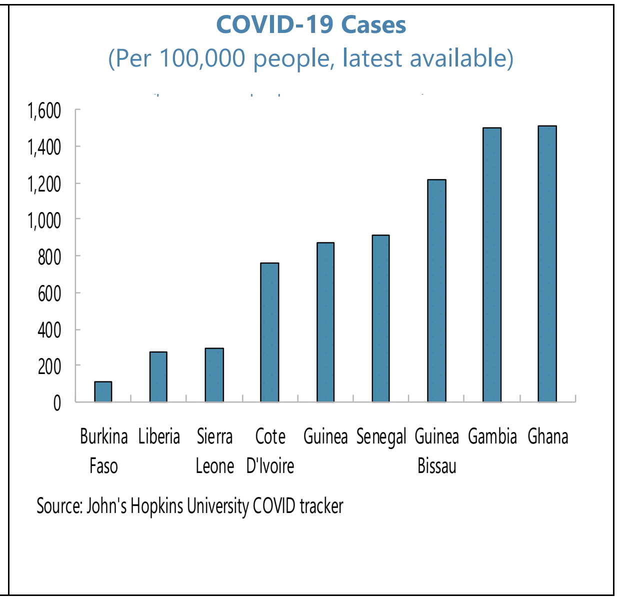
3. The BCRG complemented the response by implementing an accommodative

[1] The cost of the response plan does not include the broader economic impact of COVID-19, such as lower tax receipts as a result of weaker economic activity, nor does it include disruptions in government operations as a result of COVID-19 that further weakened revenues or resulted in delayed expenditure. In particular, the authorities believe that the high incidence of COVID and related closure of activities of the Direction National des Impots resulted in a productivity decline in tax collections, justifying a revenue shortfall of at least 300 billion GNF.

monetary policy stance. The BCRG lowered its policy rate in April from 12.5 to 11 percent, and reduced reserve requirements to support liquidity in the banking sector by 100 basis points.

4. The central bank also announced some prudential regulatory measures to support the financial sector facing COVID-19-related challenges. These include lowering the liquidity coverage ratio from 100 to 80 percent; suspending the NPL classification for businesses and individuals impacted by the pandemic and the provisioning of such loans; and relaxing the limits on foreign exchange positions (from 20 to 25 percent of capital for the net position, and 10 to 12.5 percent for the position in each currency). Dividend payments were suspended, and financial institutions were required to curb technical assistance fees paid to their parent companies. Payment of supervision-related fees and contributions to the deposit insurance scheme were postponed. Insurance companies were required to postpone the payment of premia falling due during the pandemic and to allow for policies suspension if customers requested so.





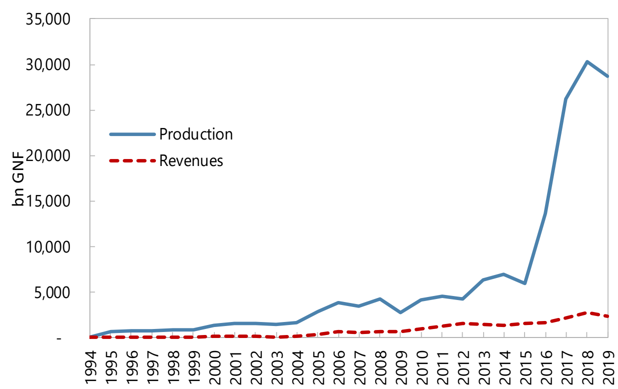
Annex II. Mining Sector: Recent Developments and Revenue Considerations

1. **The mining sector exhibited resilience amid the pandemic with real mining GDP projected to expand by 18 percent y-o-y by end-2020**. Bauxite production increased by 21 percent (y-o-y) at end-September 2020, supported by strong demand from China and the entering into production of two new mining companies, GAC and Chalco. By end-September 2020, these companies added about 7 million tons to overall production (equivalent to 11 percent of 2019 production). Furthermore, alumina production increased by 42 percent y-o-y at end-September, and inaugural exports from the Forecariah iron ore deposits is expected in the last quarter of 2020.

2. **Artisanal gold mining was also buoyant, boosted by high world gold prices.** Artisanal gold exports recorded through official channels were at a record 54 tons at end-August 2020. By comparison, 2019 official artisanal gold exports amounted to 14 tons. Some of this year's increase only reflects already existing production that is better captured in official statistics: with the closure of land borders due to the pandemic, some of the production that used to be smuggled to neighboring countries was forced through the official channel at the central bank.[1] Nevertheless, artisanal gold activity was buoyant sustained by high international prices and the availability of workforce (freed by limited agricultural activities during the dry season).

3. **Mining activity is expected to remain strong in the medium-term** supported by new projects, including alumina refineries and iron ore extraction (from the Mount Nimba and Simandou deposits).

Mining Production and Revenues, 1994-2019
(nominal values)



4. **The buoyant mining activity has nonetheless failed to translate into increased tax revenue.** While total mining production (+18 percent) and exports (+25 percent) will increase strongly in 2020. mining revenues are in fact projected to decline by 9.4 percent. This divergence between revenues and production values is not new and has steadily expanded over time, reaching staggering dimensions after the mid-2010s.

5. **The key legal framework governing mining taxes which is sound, is not the cause of discrepancies between revenues and output.** The 2013 amendments to the Mining Code introduced tax provisions that are well-aligned with international standards. Mining companies are subject to corporate taxes under the General Tax Code, notably a 30 percent corporate income tax on profits, a 10 percent tax on income derived from investment, and a 1.5 percent minimum tax on

[1] It is estimated that about 60 percent of artisanal gold production in Guinea was being exported through the official channel ("comptoirs"), the rest being smuggled to neighboring countries for export (Diagnostic de l'exploitation artisanale de l'or en Republique de Guinee. Ministère des Mines et Géologie, Septembre 2017).

turnovers. In addition, there are royalties of 0.15 percent of the LME aluminum price on bauxite, 5 percent of the LME price for iron ore, and 5 percent of the London PM fix for precious metals. However, many mining conventions signed before 2013 still diverge from these provisions and there are reduced royalties for local transformation.

6. There are, nonetheless, several causes of the inconsistency between production/exports and revenues from the mining sector. These include, in the order of importance:

- *Tax base erosion through transfer pricing.* Transfer pricing occurs when two affiliated companies trade or finance each other and choose to distort the price at which these transactions are recorded so as to decrease tax liabilities, for example by setting input or output prices to increase the profit in the location with lower tax rates. In order to counter this, the 2013 Mining Code notably provides that the base for bauxite royalties is to be derived from the LME aluminum price (there is no open market for bauxite), and the General Tax Code empowers the government to make transfer pricing adjustments. Additional international taxation provisions to address profit shifting were adopted in 2019, and more are included in a Fund-supported revision of the General Tax Code in preparation. Nonetheless, implementing these provisions remains a significant challenge.

- *Extensive exonerations to the provisions of the Mining Code.* The 2013 Mining Code lays out a sound regime for tax exemptions, and in theory, individual company-level conventions are not supposed to deviate from the Mining Code. However, most of the conventions signed after the Mining Code came into force do not comply with the tax and customs provisions of the Code to a varying degree.

- *Grandfathering from the application of the Mining Code.* Mining companies that had already signed a convention before the Mining Code was amended were grandfathered from the application of the new tax provisions, despite some efforts to bring existing conventions closer to the 2013 Mining Code.

- *Investments in infrastructure justifying tax exemptions.* The number of projects that have benefitted from tax exemptions on the basis that they include infrastructure investments at or around the mining sites (e.g., roads, bridges) has been growing.

- There is a time lag between production start and income tax payments in capital-intensive industries.

- *Artisanal gold production and exports are untaxed*, ever since these taxes were suspended in 2017 in an effort to encourage the formalization of the sector. This has become particularly important in 2020 with a drastic spike in artisanal gold production.

Annex III. Guinea: Risk Assessment Matrix[1]

Sources of Risks	Likelihood	Impact if Realized	Policy Response if Materialized
Global risks: Conjunctural			
Unexpected shift in the COVID-19 pandemic (downside). The disease proves harder to eradicate (e.g., due to difficulties in finding/distributing a vaccine), requiring more containment efforts and impacting economic activity directly and through persistent behavioral changes (prompting costly reallocations of resources). Monetary and fiscal policy response is insufficient amid dwindling policy space and concerns about debt sustainability. Financial markets reassess real economy risks leading to a repricing of risk assets, unmasking of debt-related vulnerabilities, and weakening banks and nonbank financial intermediaries–forcing them to reduce credit (further weighing on growth). Financing difficulties extend to vulnerable sovereigns, leading to cascading debt defaults, capital outflows, depreciation pressures, and in	**High**	**High**. Tighter financing conditions and reduced growth could worsen external and fiscal positions leading to higher debt vulnerabilities	Create fiscal space for scaling-up health spending and mitigation measures. Protect the most vulnerable through targeted measures.
Intensified geopolitical tensions and security risks (e.g., in response to pandemic) cause socio-economic and political disruption, disorderly migration, higher commodity prices (if supply is disrupted), and lower confidence.	**High**	**Medium**. Large-scale investment projects would likely be postponed, weakening medium-term	Intensify structural reform to remove bottlenecks to growth and support economic diversification. Create fiscal space to scale-up priority spending and advance

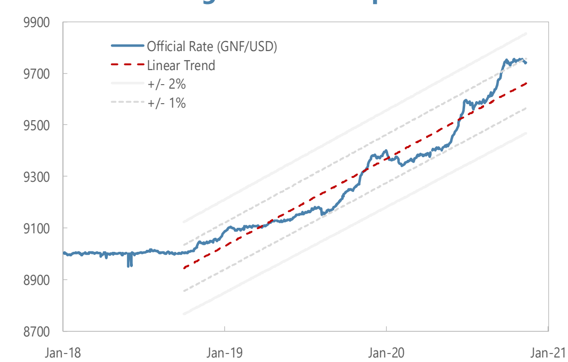
[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT) are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Sources of Risks	Likelihood	Impact if Realized	Policy Response if Materialized
Oversupply and volatility in the oil market. Supply increases following OPEC+ disagreements and lower demand keep energy prices close to historical lows, but uncertainty about possible production cuts and the pace of demand recovery lead to bouts of volatility.	**Medium**	**Medium**. Lower energy prices could increase tax revenue and reduce external balances.	Implement the automatic price adjustment mechanism for petroleum products to allow pass-through to domestic prices. Build external buffers and allow greater exchange rate flexibility.
Domestic Risks			
High risks of political and social instability surrounding the Presidential elections. Domestic non-mining activity could be disturbed by widespread protests.	**High**	**High**. Investment and growth could be affected; program implementation could weaken; macroeconomic stability could deteriorate.	Ensure a transparent, fair and inclusive post-electoral process. Focus reforms on areas less sensitive to socio-political environment. Ensure transparency in the implementation of the COVID-19 response plan. Improve inclusiveness of government policies.

Annex IV. The BCRG's Evolving Foreign Exchange Policy Under the ECF Arrangement

1. In the context of the ECF-supported program, the BCRG has gradually moved towards greater exchange rate flexibility. After managing the official rate tightly around 9,000 GNF/USD since mid-2017, in October 2018 the BCRG moved to allow gradual depreciation through a crawl-like arrangement, with the exchange rate fluctuating within a narrow range with respect to a linear trend. While this policy moderated the pace of real effective appreciation, it did not fully keep up with the inflation differential with respect to Guinea's trade partners. The gap between the official and parallel exchange rates has remained below 2 percent since early 2017 and has been virtually eliminated in recent months (Figure 4, 3rd Panel).[1]

Exchange rate developments



Notes: Daily frequency. Last observation 11/11/2020.

2. The central bank's operations in the foreign exchange market have grown during the pandemic (Figure 4, 4th panel). Through October 2020, the BCRG held competitive auctions for FX sales and purchases on Tuesdays and Fridays,[2] as well as a daily purchase facility that has supported gradual reserve accumulation. The BCRG's gross FX sales totaled US$130 million in 2019 (1 percent of GDP). While full data is unavailable, the authorities believe the BCRG's operations represent a small share of overall FX market volume, with about 85 percent accounted for by transactions between banks and foreign exchange bureaus.

3. Following improvements to market infrastructure—including the installation of a digital trading platform—the BCRG adopted a rule-based FX intervention policy in November 2020. Under the rule, developed with IMF TA support, the BCRG does not hold an auction to purchase (sell) foreign exchange unless the exchange rate has appreciated (depreciated) by more than 0.25 percent with respect to its 5-day moving average, with the amount not to exceed US$8 million.[3] To ensure transparency in the BCRG's FX policy, the rule is public knowledge and is replicable by market participants. Considering data since January 2018, the rule's trigger would only have been activated in about 2 percent of trading days, as opposed to actual FX sales over that period in 20 percent of trading days. The new policy is thus expected to lead to significant changes in the functioning of the foreign exchange market, with the central bank assuming a more passive role while allowing greater flexibility for the exchange rate to respond to market forces. Notably, the BCRG will no longer be able to simultaneously participate on both sides of the market, as both buyer and seller of foreign exchange.

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[1] The foreign exchange system gives rise to a multiple currency practice because the reference rate can potentially deviate by more than 2 percent from the commercial banks' purchase and sales rates on a given day.

[2] Auctions stopped being held on Tuesdays in March 2019.

[3] The daily purchase facility will be maintained and will not be subject to the rule-based policy. The amounts purchased through this facility are small and calibrated based on medium-term reserve accumulation objectives rather than the management of short-term market dynamics.

MINISTERE DE L'ECONOMIE ET DES FINANCES (MEF)	BANQUE CENTRALE DE LA REPUBLIQUE DE GUINEE (BCRG)

Appendix I. Letter of Intent

Conakry, November 23, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund

Washington, D.C. 20431
U.S.A.

Madam Managing Director :

1. **We have made significant progress in implementing our three-year program supported by the Extended Credit Facility (ECF).** Over the 2017-2020 period, we were able to achieve strong and sustained growth, contain inflation, bring the fiscal deficit under control, increase investments in infrastructure, and strengthen our social safety nets. The program also served as a catalyst for the mobilization of the external resources needed to implement our National Social and Economic Development Plan (PNDES 2016-2020).

2. **We had to re-orient our strategy in order to face the economic, social and health shocks caused by the COVID-19 pandemic.** Like many countries, the COVID-19 crisis threatens to undermine hard-won progress in macroeconomic stability and poverty reduction. The implementation of our response plan has contributed to strengthening the health system and mitigating the consequences of the crisis, especially on vulnerable populations and businesses in the most affected sectors. To this end, we have benefited from the support of our development partners. We are grateful to the IMF for the timely budget support under the Rapid Credit Facility (RCF) and debt relief under the Catastrophe Containment and Relief Trust (CCRT).

3. **Despite the challenging context related to the pandemic, we have maintained our efforts in implementing policies and reforms supported by our ECF arrangement.** For end-December 2019, we met all performance criteria (PCs) except the one on the basic fiscal balance. Due to the crisis and the ensuing response, we were unable to meet end-June 2020 indicative target on tax revenues and PCs on net domestic assets and net government borrowing from the central bank. We met the PCs on the basic fiscal balance and net international reserves

and implemented important reforms to strengthen public financial management, governance and the business climate, enhance our foreign exchange market, and improve the targeting of our social safety programs. We have published the asset declaration form[1] that paves the way for the asset declaration regime to become operational (prior action). We have also started implementing the foreign exchange rules-based intervention system (prior action). The under-performance is justified by the exceptional situation created by the pandemic. We have adopted corrective actions and for this reason we are requesting waivers. Indeed, in order to create fiscal space to increase health spending and mitigation measures by about 1.8 percent of GDP, we have limited non-priority spending and mobilized additional external resources to finance the budget deficit. We have submitted to Parliament the draft supplementary budget law for 2020 and will submit the draft 2021 budget law before the Board meeting, in line with the objectives of our ECF arrangement (prior actions). We are in the process of repaying BCRG advances backed by these external loans to stay in line with the statutory limit in 2020, and we are committed to limiting advances to the government and staying within the statutory limit also in 2021 and over the medium term. The BCRG will continue issuing sterilization bonds to absorb the excess liquidity in the banking sector.

4. **We are firmly committed to implementing sound policies to ensure macroeconomic stability and to pursue our reform agenda to generate stronger and more inclusive growth.** We are committed to orienting macroeconomic policy towards preserving stability. Close cooperation with the IMF will continue to provide an appropriate framework for the continued implementation of sound macroeconomic policies in pursuit of our goal of fostering stronger and more inclusive growth. The national strategy for the fight against COVID-19 constitutes our medium-term response and will serve as a basis for consolidating our efforts for macroeconomic stability and preparing the new development plan.

5. **In view of progress achieved and ongoing corrective actions to meet our program targets, we request waivers for the missed end-December 2019 PC and two end-June 2020 PCs, the completion of the fifth and sixth reviews and the disbursement of SDR 34.426 million.** The attached Memorandum of Economic and Financial Policies (MEFP) lays out the medium-term economic policies and reform program of the government of Guinea and the policies of the Central Bank of the Republic of Guinea that we plan to implement during 2020–21.

6. **We are confident the policies outlined in the attached MEFP are adequate to achieve the objectives of our economic program.** However, we will take any further measures that may be needed. We will consult with IMF staff on the adoption of these measures, and in advance of revisions to the macroeconomic policies contained in the MEFP, in accordance with the IMF's policies. We will provide IMF staff with all information necessary for monitoring the implementation and achievement of our program objectives.

[1] http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/

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

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

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

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

Attachment I. Memorandum of Economic and Financial Policies

November 2020

I. CONTEXT

1. Our economic and financial program supported by the IMF's Extended Credit Facility (ECF) provided Guinea with an important anchor. Over the period 2017-2020, economic growth averaged over 5 percent and inflation also averaged less than 10 percent. Our foreign exchange reserves grew from 2.6 months of import coverage in 2017 to 3.9 months at the end of September 2020. The basic budget balance improved from a deficit of 1.1 percent of GDP in 2017 to a surplus of 0.6 percent in 2019. Given the significant need for infrastructure spending, we have invested an average of 4 1/3 percent of GDP over the last three years with the financing of road projects (Conakry urban road network, Kissidougou-Kondebadou and Route Nationale n°1), as well as the Souapiti dam.

2. Guinea has been hit hard by the COVID-19 pandemic. Like almost all countries, we have been affected since March 2020 by the pandemic, the rapid spread of which constitutes a major health challenge and a threat to the country's development. Containment measures imposed by the Government to curb the spread of the disease have had adverse effects on the Guinean economy, as well as on the well-being of the population. The mining sector, on the other hand, has shown its resilience, with a 18.4 percent growth rate expected for 2020, contributing to a total GDP growth rate of 5.2 percent. Inflation broke the double-digit mark in April 2020, driven by rising costs of transportation and food. The current account deficit is expected to widen to 12.3 percent of GDP in 2020, compared to 13.7 percent of GDP in 2019.

3. Faced with this situation, we developed and implemented a response plan. The COVID-19 Economic Response Plan was launched by the Prime Minister in April 2020, and a state of health emergency was declared by the President of the Republic. In line with the plan, we have provided support to the health sector with spending to strengthen surveillance and containment measures, while purchasing essential goods and services. To help the most vulnerable, we have increased cash transfers and covered utility payments for water and electricity, while suspending public transportation costs. We have also provided much-needed support to the private sector through domestic arrears repayment and tax breaks. The second phase of the response plan began in July 2020 and focused on strengthening the actions carried out in the first phase, by introducing new economic support measures such as disinfection operations in schools and markets, imports of food products, reduction of the single land tax in favor of companies that retain the workforce, and support measures for the agricultural sector. The estimated cost of this phase is GNF 488 billion (0.33 percent of GDP). In the fourth quarter, we will maintain the social protection measures of the response plan by focusing only on cash transfers. We will also continue to subsidize the social portion of electricity, through a tax of 500 GNF francs per liter of petroleum products and the resources freed up thanks to the Debt Service Suspension Initiative (DSSI) supported by the G-20 and Paris Club. In addition, we have developed a National Strategy to Combat the Covid-19 Pandemic (SNLC), which covers the period 2020-2022 and constitutes our medium-term response and the continuation of the efforts already indicated in the response plan.

4. Due to the COVID-19 shock, we had to temporarily revise the trajectory of fiscal consolidation. For 2020, we have agreed that the basic fiscal balance will be GNF -3428 billion, equivalent to -2.3 percent of GDP, while for 2021, this balance will be GNF 867 billion, or 0.5 percent of GDP. The fiscal position will be strengthened in the medium term, after the end of the pandemic, thanks to the continued efforts to consolidate public finances and to the structural transformation of the economy.

5. We have also eased monetary conditions to support the financial sector in the context of our COVID-19 response plan. We lowered the policy rate (to 11.5 percent) and the reserve requirement ratio by 100 basis points (to 15 percent) in order to support the liquidity of the banking system. We have also set up two funds to help businesses in sectors hard hit by the crisis, the Support Fund for Economic Interest Groups and Businesses (FAGIEE) and the Business Loan Guarantee Fund (FGPE SA).

6. We have mobilized support from our development partners in the fight against the pandemic. This includes budget support from the IMF under the Rapid Credit Facility (SDR 107.1 million or $148 million), the World Bank (in total approximately $140 million) and the African Development Fund (approximately $13 million). We also obtained debt relief under the IMF's Catastrophe Containment and Relief Trust (CCRT) (SDR 69.2 million expected over 24 months, or approximately $ 97.8 million), and a debt suspension of approximately $32 million under the DSSI. We are grateful for the support and are determined to continue to comply with the requirements of these initiatives, including the transparent management of resources received, allocating them to the financing of health expenditure related to COVID-19 and economic mitigation measures, and to report all loans.

7. This memorandum describes the progress made under the Economic and Financial Program at the end of December 2019 and the end of June 2020 and presents the main objectives for 2020 and 2021 as well as the medium-term prospects.

II. RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION IN 2019 AND 2020

A. Macroeconomic and Financial Framework

8. The non-mining sector was severely affected by the pandemic, but mining activity remained resilient in 2020. In 2019, mining activity remained strong despite a weather-related shock, and real GDP growth was strong at 5.6 percent. After declining (year-on-year) in the first quarter of 2020, mining production rebounded in the second quarter, as the new bauxite companies entered production early. Coupled with the strong dynamism of artisanal gold activity linked to the soaring gold price, mining GDP growth is expected to stand at 18.4 percent in 2020. Nonetheless, growth in the non-mining sector is expected to slow to 2.4 percent, reflecting the impact of COVID-19 and related measures on retail, transport and tourism activities. Overall, real GDP is expected to grow at 5.2 percent in 2020.

9. After falling to 9.1 percent at the end of December 2019, headline inflation increased during the pandemic to reach 11.6 percent in April 2020 before slowly declining to 10.6

percent at end-September. This inflationary surge is mainly linked to the surge in local transport prices following the measures to restrict transport introduced to limit the spread of COVID-19. Food prices also rose to 13.4 percent (year-on-year) in April 2020 before gradually declining to 12.3 percent by the end of September thanks to measures implemented to stabilize basic food prices. Core inflation, excluding food and energy, fell to 3.1 percent (year-on-year) at the end of September 2020. With the lifting of restrictive transport measures, headline inflation should fall back to 9.6 percent (year-on-year) at the end of 2020 and remain in single digits thanks to our monetary policy which actively manages the growth of the monetary base and the liquidity of our banking system.

10. Guinea's short and medium-term growth prospects are strong despite the impact of COVID-19 on the non-mining sector. Real GDP growth is expected to be 5.5 percent (year-on-year) in 2021 and around 5 percent over 2021-24. Growth in non-mining activity is expected to accelerate to 5 percent in 2021 and stabilize there over the medium term. The continuation of ongoing investments in the mining and energy sectors will continue to increase production capacity, while the implementation of infrastructure projects will boost construction. The implementation of reforms to strengthen governance and the business climate, coupled with the improvements to the supply of electricity driven by the completion of the Souapiti dam and several transmission lines, will support private sector development in the medium term.

11. Our investments in major infrastructure projects and the impact of the pandemic will lead to a current account deficit of around 12.3 percent in 2020 and 14.2 percent in 2021, which will gradually narrow over the medium term. Mining exports are expected to increase from 5 percent in 2019 to 17 percent in 2020, supported by strong mining production. Imports remained strong in 2019, albeit down 5 percent from 2018 levels, and are expected to increase sharply in 2020 as a result of major investment projects related to the development of infrastructure and mining capacity. We have continued to build up international reserves, reaching 4.7 months of import coverage in 2019 and targeting 3.8 months of coverage in 2020. External imbalances are expected to narrow in the medium term, indicating an improving trade balance. Export growth is expected to average 8 percent over the 2021-2025 period, reflecting higher mining production capacity. Import growth should average 7 percent in the medium term, particularly in the mining sector (4 percent of GDP on average over the period 2021–2025).

12. Our banking system has remained stable and liquid despite the uncertain environment related to COVID-19. Credit to the private sector increased by 16.7 percent (average, year-on-year) at end-September 2020 from 23.8 percent at end-2019. Net commercial bank lending to the government increased by 44.6 percent (average, year-on-year) at end-September 2020, reflecting increased use of treasury bills to help finance the COVID-19 response plan. The increase in deposits with banks remained stable at 23 percent (average, year-on-year) at end-September, thus supporting the liquidity of the banking system and economic activity. Foreign currency deposits strengthened, from an increase of 13.5 percent (average, year-on-year) at the end of 2019 to 25.3 percent at the end-September 2020. After having declined sharply at the end of 2019 following the subscription by banks to the tune of GNF 1,302 billion in three-year bond issuances, excess reserves in local currency were gradually replenished to reach GNF 1,949 billion at the end of September 2020.

B. Program Implementation

13. The results obtained in relation to the program objectives for the end of December 2019 are satisfactory (Table 1). All the performance criteria (PCs) and indicative targets (ITs) at end-December 2019, except one, have been met. We achieved a basic fiscal balance of 0.6 percent of GDP at the end of 2019, 0.04 percent of GDP below the program target.

14. Preliminary data at the end of June reflects the impact of the pandemic on the Guinean economy. The PC for net international reserves has been met, supported by disbursements related to COVID-19. The PC for the basic fiscal balance was reached, in part due to the weak execution of public investments. We have met the continuous PCs on contracting or guaranteeing of non-concessional external debt and the non-accumulation of new external arrears. The ITs relating to domestically financed social safety nets programs and domestic arrears were also met. However, the impact of the crisis and the resulting response led to shortfalls in tax revenue, leading to the IT on revenue not being met. The PCs relating to net domestic assets and net government budgetary borrowing from the central bank were not met due to higher-than-expected budget financing needs. Indeed, the central bank had to provide advances to the Government in order to allow a faster response to the health crisis. These advances also reflect the counterpart of the external support expected from development partners. We are requesting waivers on the grounds that the underperformance is justified by the exceptional situation and that we have adopted corrective measures. Indeed, in order to create fiscal space to increase health spending and mitigation measures by around 1.8 percent of GDP, we have limited non-priority spending, and mobilized additional external resources to finance the deficit. We have presented to Parliament the draft 2020 supplementary budget law for 2020 and will present the draft 2021 budget law by the time of the Board meeting in line with the objectives of the ECF arrangement (prior actions). We are also continuing the implementation of the Treasury bond issuance program and will launch in 2021 new 2-year bonds to reduce recourse to central bank financing.

15. We have made progress in meeting the structural benchmarks of the program (Table 2). Among other things, we adopted a multi-year electricity tariffs reform strategy for 2020-25, and the implementation decree of the 2017 corruption law on the asset declaration regime and whistle blowers and victims' protection. We have also established a prototype of the unified social register of vulnerable populations. With the pandemic, we have not made any further progress in reforming electricity tariffs, although a draft decree has been prepared and submitted to the relevant authorities for signature. In this context, the Government took charge of the water and electricity bills for the population subscribed to the social block. We are working for the adoption of a manual for the preparation, appraisal, and selection of priority investment projects, which we expect to adopt by December 2020. We met the benchmark on preparing the tax expenditure assessment to accompany the new mining convention for iron ore extraction (Simandou I and II), ratified in July 2020.

16. We have finalized and published the asset declaration form on the website of the Court of Audit in line with the decree (prior action)[1], prepared through collaboration between the National Agency for the Fight against Corruption (ANLC), the Ministry of Justice, the Constitutional Court, the Court of Audit and the Ministry of Investments and

[1] Available at http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/

Public-Private Partnerships. We also implemented the BCRG's rule-based foreign exchange intervention strategy (prior action).

III. REFORM OBJECTIVES

A. Fiscal Policy

17. We commit to orienting our fiscal policy towards preserving macroeconomic stability and achieving fiscal targets aligned with our ECF-supported program. In particular, our overarching goals remain – creating fiscal space needed to continue prioritizing social spending to strengthen our health systems and protect vulnerable people and increase priority spending to support growth while preserving macroeconomic stability.

18. To ensure fiscal space and implement the necessary support to the economy while preserving macroeconomic stability, we commit to taking the following measures:

- Continue the work of mobilizing tax revenues, including in the mining sector;

- Implement essential public investments, especially in infrastructure, with careful prioritization to focus on investments with the highest economic and social returns and adhere to good management of public investments to maximize the efficiency of these expenses.

- We contracted significant concessional external borrowing in 2020 to finance exceptional fiscal needs related to crisis response, including strengthening health infrastructure and implementing crisis mitigation measures. To preserve medium-term debt sustainability and maintain a moderate risk of debt distress:

    - We rephased public investments in 2020 deemed non-priority in order to create the fiscal space necessary to carry out our response plan.

    - We are committed to not signing any non-concessional external loans, because we have fully utilized the US $650 million envelope of non-concessional loans authorized under the program. This is a requirement of the ECF arrangement and of our participation in the DSSI.

    - We commit to increasing public investments at a more moderate pace in 2021-2022 compared to forecasts before the pandemic.

    - In the event that external program loans and grants are higher than expected, we will direct any additional public spending to priority sectors, including strengthening health systems, social spending, and social safety nets, in consultation with IMF staff, to also support resilience to the crisis and higher and more inclusive growth.

    - In executing our investment plan and planning new project loans in the future, we will take debt sustainability into account and only implement projects that are consistent with a moderate risk of debt distress.

Fiscal Strategy for 2020

19. Our fiscal strategy for 2020 aims to preserve macroeconomic stability while ensuring that the Guinean economy is on track to recover from the COVID-19 crisis. We commit to achieving a basic fiscal balance of -2.3 percent of GDP in 2020 in order to provide the necessary support to public health and to the businesses and households most affected by the shock. We have submitted to the National Assembly a draft supplementary budget law for 2020 which reflects the understandings with IMF staff in line with the ECF arrangement (prior action) and which includes both the first and the second phase of expenditure and tax relief measures developed in our COVID response plan. In this perspective, the Council of Ministers has adopted an expenditure commitment plan which will guarantee the achievement of the budgetary objective of the end-of-year program. This expenditure commitment plan will reflect revenue (fiscal and non-fiscal), recurrent expenditure and public investment compatible with the basic budget balance of -2.3 percent of GDP.

20. We commit to continuing our revenue mobilization efforts. We forecast mining tax revenues at 1.5 percent of GDP. Non-mining tax revenues are expected to reach 10.5 percent of GDP. Direct taxes should strengthen slightly to 2.1 percent of GDP. Indirect taxes will see a drop to 8.4 percent of GDP, reflecting VAT exemptions for the hotel sector hit by the pandemic. In particular, taxes on goods and services will be 6.2 percent of GDP in 2020. Taxes on international trade will be 2.2 percent. Non-tax revenues are expected to fall after the payment of the last tranche for the 4G license at the end of 2019.

21. On the spending side, we have decided to contain non-priority spending and prioritize the COVID response. We will allow a 0.4 percent of GDP (year-over-year) increase in our payroll to 3.8 percent of GDP, to reflect additional staffing costs needed to tackle the pandemic and as a result of recent discussions with workers in the education sector. Spending on goods and services will be 3.5 percent of GDP. The bulk of COVID response spending will be in the form of increased transfers and subsidies, and as such, we will allow this spending to grow to 5.3 percent of GDP.

22. One of the key measures in our COVID-19 response plan, free electricity, has turned out to be more expensive than expected, and as a result, EDG's financing needs are higher than anticipated. The reasons for this trend include increased demand and greater reliance on thermal generation, a much more expensive technology. Indeed, with the health restriction measures and free electricity for all households subscribed to the social block (up to the limit of 330 kWh), the demand for electricity was higher than initially anticipated. On the other hand, our efforts to improve the supply of electricity have exacerbated inequalities of access, with areas supplied through independent grids subject to frequent power cuts which have been the source of riots and demonstrations. We therefore had to acquire additional generators in order to increase production capacity in these areas and to ease social tension. Finally, our initial production plan was for the Souapiti dam to come on stream in September 2020, which would provide us with free electricity during the three months of the testing phase. The start of production was delayed due to the pandemic, and we had to resort to thermal generation, including by renting a boat, in order to fill a shortfall of around 370GWh. Since October we have decided to ensure that in the response plan to COVID-19, the subsidies are targeted towards households that need it most, with a lower consumption threshold (250 KwH per month). Once the crisis subsides, we will also pursue the reform of electricity subsidies, with the help of the World Bank, which will allow us to achieve an electricity tariff that allows full cost recovery (paragraph 26).

23. We will increase total investment spending to 4.7 percent of GDP. Public investments financed from domestic resources are projected at 1.6 percent of GDP in 2020, which reflects the efforts we have made to create fiscal space for the response to the pandemic, and also implementation constraints on the execution of public works. Capital expenditure financed by external resources, on the other hand, will increase to 3.1 percent of GDP in 2020, thanks to disbursements of project loans and project grants and associated technical support from international development partners.

24. On the financing side, program grants have increased significantly to 1.2 percent of GDP, notably reflecting the budget support provided by the World Bank and the African Development Bank in support of our COVID response plan. We also benefited from IMF budget support under the Rapid Credit Facility (SDR 107.1 million, or about $ 148 million) and obtained debt relief under the CCRT (69.2 million SDR expected over the 24 months, or about $97.8 million), and a suspension of debt service for an amount of about $32 million under the DSSI. Pending the disbursement of these resources, the BCRG advanced the resources to the Treasury. In the last quarter of the year we received the last disbursements and we repaid the BCRG the advances backed by these external loans, to remain in line with the statutory limit. We will limit public borrowing from commercial banks to a level compatible with the provision of credit by banks to the private sector. We will reduce domestic arrears (on a net basis) by 0.1 percent of GDP.

Fiscal Strategy for 2021

25. Our fiscal strategy in 2021 will aim to preserve macroeconomic stability, as well as to implement an exit strategy to move from a phase of crisis to one of support for recovery. The Government will submit to the National Assembly a draft 2021 budget law before the Executive Board meeting which reflects the understandings with IMF staff in line with the ECF arrangement (prior action) and which targets an overall deficit of 2.4 percent of GDP, while creating fiscal space to step up priority spending that will keep the economy on the recovery path, in line with program objectives. To this end, we will continue our efforts to mobilize tax revenue and phase out tax exemptions. We will ensure that the capital expenditure envelope remains at a level below our pre-crisis projections, in order to begin to return to the path of fiscal sustainability and to align well with the capacity to execute investment spending. We will limit public borrowing from the Central Bank and government financing by commercial banks to a level compatible with a sound provision of credit to the private sector, and continue to repay domestic arrears, which will also support the private sector. It the process of exiting the crisis:

- Overall *tax revenues* are expected to rebound to 12.6 percent of GDP in 2021, supported by the implementation of measures programmed to mobilize additional tax revenues and the phasing out of tax exemptions linked to the pandemic.
- On the *expenditure* side,
    - The wage bill will be 3.6 percent of GDP, as the need to hire staff to provide pandemic-related services decreases;

- o The recovery will reduce the need for shock mitigation expenditures, allowing spending on goods and services to fall to 3.2 percent of GDP in 2021;

- o We will limit electricity subsidies and transfers to EDG to 1.4 percent of GDP, thanks to the resumption of the strategy of reforming electricity tariffs and the retraction of general exemptions to utility services for households;

- o Investment spending should be contained at 5.3 percent of GDP. Public investments financed with domestic resources are projected at 1.6 percent of GDP, in order to begin to return to the path of fiscal sustainability and to align well with the capacity to execute investments. Capital expenditure financed from external resources is projected at 3.7 percent of GDP, supported by loan disbursements from major projects, including road projects related to the RN n ° 1 and urban roads in Conakry.

- We will repay the BCRG on a net basis for an amount equivalent to 0.2 percent of GDP and limit public borrowing from commercial banks to a level compatible with the provision of loans by banks to the private sector. We will reduce domestic arrears (on a net basis) by 0.1 percent of GDP.

- We will continue to work on the second phase of the audit of domestic arrears, with the support of the French Development Agency (AFD).

- Furthermore, we will gradually strengthen the implementation of the joint instruction on the management of outstanding payments on expenditure in order to identify all the categories affected by domestic arrears, with the support of IMF TA. We will begin to integrate domestic arrears related to overdue VAT refunds that are not currently included in the stock. Once the stock of arrears is clearly identified, we plan to reconcile the discrepancies between the stock of arrears and the flow of arrears in the TOFE. This will involve including both repayments and newly created arrears in the TOFE in the relevant financing lines of the TOFE. The reconciled arrears will be included in our domestic debt stock and repaid over the medium term on the basis of prudent fiscal policy and available financing. We commit, with the support of the IMF, to migrate our TOFE to a format that is in line with the GFSM 2014, in particular with regard to the recording of arrears. In the medium term, we plan to feed the TOFE from consolidated Treasury balances once these are produced regularly and their quality improved.

26. We are committed to continuing efforts to implement the automatic price adjustment mechanism for petroleum products, to conduct a communication campaign with the public and to put in place, before its implementation, accompanying measures to protect the most vulnerable. In view of the drop in international oil prices in 2020, we have reduced prices at the pump from 10,000 GNF to 9,500 GNF per liter in April, then to 9,000 GNF per liter in June. We are committed to adjusting pump prices upwards in order to protect fiscal revenues, in the event that international oil prices rise and/or the exchange rate depreciates. At the same time, we are committed to reviewing the automatic price adjustment mechanism to ensure that it is suited to

Guinea's needs, including assessing the need for greater smoothing and longer lags of implementation, based on IMF TA recommendations from 2019.

27. We remain committed to reducing untargeted electricity subsidies by continuing our reform of the electricity tariff, improving EDG's efficiency, and optimizing the use of thermal generation to limit production costs. We are committed to advancing our multi-year tariff reform strategy over the period 2020-2025 to gradually bring electricity tariffs to cost recovery levels. We have already increased electricity tariffs in 2019, but bill payments from April to September 2020 for social block subscribers have been covered by the government because of the pandemic. The tariff increases initially scheduled for June 2020 has also been postponed to June 2021, due to the health crisis.

Strengthening Social Safety Nets

28. We commit to strengthening domestically-financed social protection programs in order to protect the most vulnerable, reduce poverty and promote inclusion. The National Agency for Economic and Social Inclusion (ANIES) implements our strategy to promote inclusion. Since November 2019, we have been collecting data from households using the proxy means testing (PMT) approach, in order to better target social protection programs. We use part of the budgetary savings resulting from the implementation of the 2019 electricity tariff reform to increase the resources allocated to non-contributory and domestically financed social protection programs (as defined in the TMU) in 2020. We raised our program indicative target on domestically financed social safety nets program, including social programs executed under the Social Development and Solidarity Fund (FDSS) and the Productive Social Net Program (PFSP) to GNF 371 billion at the end of 2019.

29. With the onset of the pandemic, activities intensified rapidly, resulting in domestically financed social protection expenditure of GNF 177 billion at end-June 2020 (from GNF 39 billion at end-March 2020). Based on PMT data, we identified and supported 17,000 vulnerable households in Conakry with electronic cash transfers. In addition, with technical advice from the WFP, we are providing food to 7,000 additional households that are above the PMT threshold and that are therefore not eligible for cash transfers. In addition to social safety net activities with domestic resources, the World Bank is expected to provide cash transfers support to around 150,000 households registered in the ANIES social register.

B. Monetary and Exchange Rate Policies

30. We eased monetary conditions to support the financial sector in the context of our COVID-19 response plan. We have lowered the policy rate to 11.5 percent and the reserve requirement ratio by 100 basis points to 15 percent to support the liquidity of the banking system and intend to keep them at these levels for the rest of the year. In addition, the Central Bank is including in the calculation of required reserves the amount of loans granted to companies in the services sector seriously affected by the pandemic (hotels, restaurants and transport), other SMEs, and to major importers of food and pharmaceutical products. We have also set up a liquidity injection program to maintain the economy's financing capacity and activated a long-term liquidity injection window to support medium and long-term credit. We have instructed banks, inclusive finance institutions and insurance companies to suspend the distribution of dividends for fiscal year

2020 and to keep technical support costs provided by parent companies to an absolute minimum. We also decided to postpone payment for three months of supervision and control fees and contributions to the deposit guarantee fund for banks. For the duration of the epidemic, we have relaxed prudential standards, in particular: i) freezing the classification and provisioning of non-performing loans to businesses and individuals affected by COVID-19; (ii) reducing the liquidity ratio of banks from 100 percent to 80 percent; and, iii) an increase in banks' net open position in foreign exchange to capital from 10 percent to 12.5 percent by currency, and the overall net position from 20 percent to 25 percent.

31. We have also encouraged the financial sector to facilitate access to certain financial services. We have encouraged insurance companies to defer the collection of maturing insurance premiums during the period of the outbreak, and to suspend insurance policies, at the request of customers. We have also encouraged electronic money establishments to lower transfer fees, and to set up a system allowing remote opening of accounts solely on the basis of the identification by mobile companies (subject to regularization as soon as possible).

32. Going forward, our monetary policy will be active and prudent to keep inflation low. To this end, the BCRG will target the monetary base in accordance with the program objectives of a moderate level of inflation. The monetary base increased by 38.5 percent at end-September 2020, reflecting an increase in external assets and greater recourse to borrowing from the Central Bank. In view of the high inflation, the BCRG will maintain prudent monetary policy and stands ready to take the necessary measures to maintain a positive real interest rate. For 2020, we are aiming for an expansion of the monetary base of 15-16 percent (year-on-year), which corresponds to an average inflation rate of around 10.2 percent (average, year-on-year) and growth in the credit to the private sector of about 6.6 percent (as a percentage of broad money supply).

33. We started to reverse the advances to the treasury which exceeded the statutory level in September. The public treasury will also bring its indebtedness back to statutory limits at the end of the year through efforts to mobilize revenues and use disbursements from external support, which will help us reduce the money supply. In addition, depending on the decisions of the liquidity committee, we will use more active liquidity management to achieve our monetary targets, in particular through the issuance of monetary regulation instruments (TRMs) to manage liquidity and slowdown the increase of the monetary base. To this end, we proceeded with a TRM issuance of GNF 808 billion in July 2020.

34. We will continue to strengthen our monetary policy framework by improving liquidity management. The Monetary Policy Committee (MPC) has been operational since October 2020. It is supported by the Monetary and Financial Programming Committee. For 2021, the BCRG will focus on: i) strengthening the liquidity forecasting system; ii) operationalization of the emergency liquidity mechanism; iii) reform of the collateral management system, in particular by expanding the range of financial assets eligible as collateral, and setting new discounts applicable to public instruments eligible as collateral for the BCRG's monetary policy operations; and iv) active liquidity management.

35. We plan to maintain a reserve import coverage of 3.8 months, in line with the ARA-CC metric reserve adequacy estimate. We have made good progress in gradually building up foreign exchange reserves, which reached $1,330 billion at the end of June 2020, corresponding to 4.1 months of import coverage. They declined to $1,249 billion at end-September 2020 (3.9 months of import coverage) when we utilized the reserves to cope with pressures linked to the COVID-19 pandemic. We will continue our efforts to accumulate international reserves to further strengthen the external shock-absorbing system, and we aim to maintain a level of 3.8 months of imports cover by the end of 2020, which corresponds to the adequacy estimate of the ARA-CC metric.

36. We have adopted and implemented a rules-based intervention strategy (Prior Action). The strategy aims to reduce the discretionary power of the BCRG and the frequency of its interventions and to promote transparency, which will further support the development of the interbank market. The rule has been applied since November, following the installation of an electronic platform which allows the BCRG to monitor interbank foreign exchange transactions in real time.

37. We will continue to implement the remaining recommendations of the 2018 Safeguards Assessment Update, and we are ready to begin an assessment update. Work on the revision of the law on the BCRG statute has started, and our objective is to have it adopted in April 2021. The revision aims in particular to clarify the role of the MPC and the Board of Directors with regard to foreign exchange transactions, and to explicitly assign the supervisory role to the Board of Directors. We have created an IT audit entity to better control the risks arising from the automation of operations. We are continuing to implement our plan to build audit capacity within the Internal Audit Department (DAI). A draft DAI quality review program was submitted to the audit committee. We intend to carry out the quality review of DAI activities by the end of April 2021 at the latest. In April 2020, we reorganized the foreign exchange operations department of the BCRG with a Treasury department which plays the role of middle office function. We will make it operational once the trading room is effective. We will continue to operationalize the emergency liquidity assistance framework, with technical assistance from the IMF. The technical assistance mission scheduled for June 2020 did not take place due to the pandemic. We carried out an internal review of cash operations including in particular the adequacy of the vault security system. We initiated a request with a central bank for a peer review of our cash operations. The program of the review is being finalized. We carried out a risk mapping of the Central Bank. The action plan to cover the risks identified as important was not drawn up due to the time spent on training operational staff. However, the internal audit department's intervention program has been developed on the basis of the most important risks with a view to contributing to their control. In addition, we planned to carry out an update of the risk mapping between March and November 2020, but the program could not be carried out for reasons of containment. At the end of June 2020, we completed the external audit of the monetary data of the end of December 2019. We will complete the external audit of the end-June 2020 monetary data by mid-December 2020.

38. We are determined to maintain the stability of the banking sector and to continue strengthening banking supervision. We have made progress in the gradual implementation of the new chart of accounts and the banking framework, in particular through the development of work to codify accounting situations and appendices and to prepare the concordance table. We organized an outreach workshop in February 2020, to assist banks. Banks have until November 1, 2021 to perform all the necessary due diligence for the effective implementation of the new chart of accounts. We will strengthen banking supervision by implementing most of the Basel II / III provisions by the end of 2021, with technical assistance from the IMF. We also plan to adopt IFRS for banks with technical assistance from the IMF and other partners. We will put in place a bank resolution framework by

September 2021, with technical assistance from the IMF. Our deposit guarantee system is operational. The Board of Directors of this fund has set the depositors' compensation ceiling and the annual contribution rates. The first contributions for the fund were made in 2019. We will complete the fund's regulatory framework with the support of IMF technical assistance. At the end of June, two small banks were in breach of the minimum capital adequacy requirement (net equity). These two banks have a combined market share of less than 3 percent. One of the banks is not authorized to take deposits from the public and is not source of major concern. The BCRG invited the second bank to raise its capital to the regulatory level by the end of 2020. The BCRG is examining the possibility of putting the bank under close surveillance if its situation does not improve and could initiate an on-site control mission after the state of health emergency ends. In addition, the BCRG will ensure that all banks comply with the minimum capital requirement.

C. Structural Reforms

39. We remain committed to pursuing the implementation of key structural reforms aimed at supporting stronger and more inclusive growth. Reforms in the area of public financial management will be continued and accompanied by efforts to support private sector development, improve the business climate, and strengthen governance.

Revenue Mobilization

40. We continue to implement our reforms with a view to mobilizing tax revenue. We have made progress in operationalizing the new organizational structure of the DNI. We set up the online tax declaration and payment system (E-tax) in September 2020 and will operationalize it for all taxpayers at the end of March 2021. We are in the process of revising the General Tax Code (CGI), with technical assistance from the IMF. In addition, the Ministry of Mines has developed a model for forecasting mining revenues with the support of external experts. This model will be finalized with the support of the IMF and other technical and financial partners, but also with the assistance of firms specializing in the extractive sector.

41. To mobilize additional revenues in the medium term, we remain committed to continuing to implement the package of measures discussed in April 2020 and reflected in our MEFP of the fourth review under the ECF. Specifically, the strategy is based on the implementation of fiscal policy and administrative measures that would raise additional revenue while making our tax system fairer and more transparent. The measures include, among others, the rationalization of ad-hoc exonerations; broadening the base for the insurance tax ; increasing tax collection through general and desk audits; collection of recoverable tax arrears; tax recovery from matching of tax and customs databases, operationalization of the one-stop shop; strengthening of the collection of the single land contribution; and operationalization of the new organizational structure of the DNI.

42. We remain committed to applying the fiscal provisions of the 2013 mining code and other applicable laws, in particular conventions relating to mining activities, to ensure the mobilization of additional mining revenues in a context of very significant mining activity. In view of the significant new investments made in the mining sector, we aim to take advantage of the dynamism of this sector to mobilize additional revenue, within the framework of the law, in order to finance the programmed increase in infrastructure investments to promote diversification of the economy and priority social spending. To this end, we will continue to ensure that all new mining agreements and those to be renewed are brought into compliance with the provisions of the 2013 Mining Code and that all new agreements providing for new investments in mine-related infrastructure and / or local transformation of mining products be submitted to the National Assembly with an assessment of tax expenditures. To date, mining agreements with new infrastructure investments for multiple users and / or local transformation have been excluded from the requirement to be aligned with the Mining Code on condition that they are subject to the National Assembly for adoption with an assessment of tax expenditures. Along with other sectors exposed to the risk of tax evasion, we will strengthen tax audits to increase the mining sector's contribution to tax revenues. In this context, the DNI will benefit from technical assistance from GIZ and the OECD (transfer pricing and others).

Public Finances

43. We continue to make progress in implementing our commitments in the area of public financial management related to COVID made during the RCF:

- We have increased our transparency with the publication of monthly reports on the execution of COVID expenses. The MEF has published reports on COVID spending through October 2020, with breakdowns provided for COVID-related revenue by source and spending by target. This is in addition to the quarterly reports on budget execution;

- With the support of the IMF, we have put in place a system on the modalities of resource and expenditure management which centralizes both external and national resources according to the provisions of joint decrees A / 2020/1635 / MEF / MB / CAB of May 26, 2020 on the modalities for the management of resources and expenditure of the special fund for the response to COVID-19 and economic stabilization and A / 2020/1636 / MEF / MB / CAB / DNTCP of May 26, 2020 on the creation, organization and operation of the Facilitation and Monitoring Committee for operations carried out on the "Special fund for the response to COVID-19 and for economic stabilization". In this context, we have created a dedicated account, through the treasury single account at the BCRG, to receive and disburse COVID-19 funds. On the budgetary level, an advance decree opening up expenditure credits for the response plan was signed in July 2020. Before the publication of this decree, the response plan was implemented through budgetary procedures in accordance with the mechanism mentioned above and agreed with the technical and financial partners. On this basis, we plan to regularize all expenses executed within the framework of the economic response plan and to report regularly on the progress of the regularization of expenses. We will continue, with the support of IMF technical assistance, to apply strict measures to ensure (i) the application of the agreed mechanism for executing COVID-related operations; and (ii) the regularization of all the expenses that have been executed under this mechanism.

- The General Inspectorate of Finance will carry out an ex post verification of high-risk expenditure in due course, with the participation of civil society. The first exercise began on August 17 and will cover operations from April to July 2020. The draft report was sent at the end of October for the adversarial procedure and the final report will be sent to the ministers in charge of the economy and finance, budget and health in mid-December. This report will be published on the website of the Ministry of Economy and Finance.

  - We publish on the websites of the Ministry of Economy and Finance and the Ministry of Budget all contracts awarded for projects related to COVID-19, including the names of the entities and are finalizing work to include the beneficial owners. To date, 9 public contracts for the Ministry of Health have been published.

  - The Court of Audit will perform a full audit of COVID-19 spending (including ex post validation of goods and services purchased), which will be published online by June 2021.

- **We also build on recent advances in public investment management.** We have installed the electronic platform for integrated investment management, with the support of the African Development Bank (AfDB) and the United Nations Development Program (UNDP). The portal, Integrated Project and Results Management System, can be found here: https://www.sigpipgn.org/. We have not yet adopted the manual for the preparation, appraisal and selection of investment projects due to delays related to COVID. However, we expect to adopt the manual by the end of December 2020, after consideration by the Cabinet. This new manual will establish the regulatory framework and clarify the roles and responsibilities of each of the main actors in the different stages of public investment. It will also require, among other things, that major public investment projects be accompanied by rigorous feasibility studies. The Ministry of Planning should oversee the project.

- **We have also made progress at the level of the treasury single account (TSA),** having finalized in May 2020 the agreement that governs relations in the TSA, and extended the coverage to 89 percent of all public accounts other than those relating to regional government, local communities, and development projects financed from external resources.

- **We have just published a new public procurement code, prepared with the support of the World Bank.** The new revised public procurement code, with all the application texts, as well as most of the public procurement management tools have been validated and entered into force since September 1, 2020. The staff of the procurement units of the contracting authorities has been strengthened and the MEF has installed public procurement controllers with contracting authorities. A vast capacity building program for actors involved in the public procurement system is planned. The manual of procedures relating to the control, award and regulation of public contracts will be adopted at the end of December 2020.

- **We remain committed to strengthening our debt management capacity, which will help us preserve medium-term debt sustainability and ensure that Guinea's current level of moderate risk of external debt distress is not exceeded.** We will also strengthen our public debt recording system by operationalizing by the end of June 2021 our Debt Management and Financial Analysis System (DMFAS), currently being acquired, which was financed by the Agence Française de Development. In addition, we will conduct a diagnostic of our institutional framework and adopt a functional reorganization mechanism by December 2020 in order to reduce the number of entities involved in debt management and to strengthen efficiency, effectiveness, and coordination.

44. On the domestic borrowing strategy, our plans to complete a two-year Treasury Bond issuance on a regular basis have been postponed due to the turbulence of the pandemic. Even so, we will start cautiously before March 2021 with an issuance of modest amounts of GNF 150 to 200 billion in order to create the market and gradually develop the yield curve, which will allow the Treasury to better manage its borrowing strategy.

Governance and Business Climate

45. We are determined to strengthen our legislative and institutional anti-corruption framework. We are committed to improving the capacity and strengthening the independence and financial autonomy of the ANLC. We are reviewing the coherence of our legal framework for criminalizing acts of corruption to ensure that it is in line with the United Nations Convention against Corruption (UNCAC). We launched the second round of the UNCAC with the assistance of the United Nations Office on Drugs and Crimes (UNODC). The process could not be finalized as planned due to restrictions related to the pandemic.

46. We are committed to implementing the asset declaration regime. The decree implementing the asset declaration regime for senior officials was adopted in March 2020 (end September 2019 SB). We adopted a draft asset declaration form reflecting the provisions of the decree and published it on the website of the court of audit (prior action), with the support of technical assistance from the World Bank. In the 2021 budget law, we will allocate resources for the Court of Audit in order to set up the logistical structure necessary for the management and control of declarations and the application of sanctions. We expect the first declarations to be made in early 2021 and subsequently published in the Official Gazette, as required by the Constitution.

47. We are committed to continuing to strengthen our AML / CFT regime in order to support anti-corruption efforts. We adopted the law on the prevention and repression of terrorism in July 2019. In October 2019, we appointed the magistrates responsible for investigating cases of financial crimes and money laundering, and for the application of related penalties. We finalized the draft of the new AML / CFT law in April 2020, with technical assistance from the IMF. The bill is being reviewed to ensure its consistency with national legislation. We intend to submit it to the Council of Ministers in November 2020 and present it to the National Assembly thereafter. Our risk-based AML / CFT supervision framework for the banking sector has been operational since October 2019. To this end, we have put in place an AML / CFT rating system for banks, with technical assistance from the IMF. The execution of this program was slowed down with the suspension of IMF missions due to the health crisis.

48. We are determined to continue strengthening the business climate in order to promote private sector development. In April 2020, we proceeded with the operationalization of the second phase of the one-stop shop for international trade (GUCEG) with its extension to the Port of Conakry, the Gbessia International Airport, and gradually to the land borders.

49. We will strengthen financial inclusion to support private sector development. We carried out a financial inclusion diagnostic in November 2018, with support from the World Bank. On the basis of this work, we are in the process of finalizing a national strategy for inclusive finance with the support of the World Bank and we will adopt the strategy in 2020. We have set up two funds to help companies in the sectors hit hard by the crisis. The Support Fund for Economic Interest Groups and Enterprises (FAGIEE) aims to provide loans at a subsidized rate (5 percent) to enterprises and operators in the informal sector particularly affected by the consequences of COVID-19. The fund is placed under the supervision of the Ministry of Economy and Finance. A steering committee decides on loan applications examined by the banks. At the end of September 2020, requests for assistance for a cumulative amount of GNF 50 billion were submitted to the steering committee for decision. The Business Loan Guarantee Fund (FGPE SA) aims to provide guarantees and other financial products to financial institutions in order to facilitate SMEs' access to financing. FGPE SA has a capital of GNF 50 billion and is subject to BCRG supervision. Its operationalization is underway with technical and financial assistance from the IFC/World Bank. The government is expected to release the subscribed capital by the end of November 2020.

50. We are determined to provide adequate resources to the National Statistical Institute (INS) to strengthen our statistical system. We will continue our efforts to strengthen our methodology for compiling national accounts, moving from the SNA 1993 to SNA 1998 by June 2021. We will ensure the operationalization of the macroeconomic framework committee to facilitate the harmonization of statistical data. We will strengthen our methodology for calculating the Harmonized Consumer Price Index and publish the new index by the end of 2021. In view of the sharp increase in artisanal gold shipments observed in mid-2020, we will take the necessary measures to reconcile the treatment of artisanal mining activity (gold and diamonds) in our national accounts with the data on reported exports in the balance of payments, with the support of IMF technical assistance.

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

(Billions of Guinean Francs; unless otherwise indicated)

	2019								2020											
	Sept.				Dec				March				June				Sept.			
	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status
Quantitative performance criteria																				
Basic fiscal balance (floor; cumulative change for the year)	548	592	497	Not Met	691	829	772	Not Met	265	265	429	Met	254	-296	388	Met	622	474	-2,340	Not Met
Net domestic assets of the central bank (ceiling; stock)	5,518	5,585	6,871	Not Met	5,856	6,064	5,810	Met	5,722	5,722	7,570	Not Met	5,688	4,863	6,963	Not Met	5,579	4,533	10,160	Not Met
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	5,794	5,861	6,148	Not Met	5,626	5,834	5,712	Met	5,641	5,641	6,699	Not Met	5,623	4,798	7,063	Not Met	5,531	4,485	9,037	Not Met
Net international reserves of the central bank (floor; stock); US$ million[1]	679	672	679	Met	739	716	890	Met	795	795	776	Not Met	808	898	942	Met	824	938	841	Not Met
Continuous performance criteria																				
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$ million[2,6]	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
Indicative targets																				
Tax revenues collected (floor)	12,939	12,939	12,186	Not Met	16,960	15,868	15,868	Met	4,895	4,895	4,059	Not Met	9,889	9,889	8,368	Not Met	14,706	14,706	12,412	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	98	98	272	Met	130	240	371	Met	78	78	39	Not Met	154	154	177	Met	232	232	398	Met
New domestic arrears accumulated by the central government (net)[*]	-857	-857	-556	Not Met	-812	-812	-1448	Met	-37	-37	-1132	Met	-49	-49	-2261	Met	-59	-59	-1128	Met
Memorandum items:																				
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[5]	1052	...	1046	...	1142	...	1621	...	1475	...	1658	...	1613	...	1684	...	1667	1667	1806	...

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

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

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

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

[3] Continuous performance criterion.

[4] Cumulative from the beginning of each year.

[5] To be monitored continuously. Shows accumulated face value of new concessional loans on a signature basis. Until the Third Review, this memo item had been defined on a disbursement basis.

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

[7] Excluding recapitalization of the central bank

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20			
Prior Actions			
Submit to Parliament a 2020 Supplementary Budget Law aligned with program commitments.	Prior Action	Met.	Ensure consistency of fiscal policy with program advice
Implementation of the rules-based FX intervention policy.	Prior Action	Met. The electronic trading platform is operational, and the central bank has published the instruction on the rules-based policy in its website[1].	Strengthen foreign exchange management
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	Prior Action	Met[2].	Strengthen governance
Submit to Parliament a 2021 Budget Law aligned with program commitments.	Prior Action		Ensure consistency of fiscal policy with program advice
Structural Benchmarks			
Fifth Review			
Prepare and adopt a manual for the preparation, appraisal and selection of investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes.	End May-2020	Not met. A draft decree on the regulatory framework for public investment projects was developed with AFW TA.	Strengthen public investment management
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 9 percent electricity tariffs for households and by 10 percent electricity tariffs for professionals and industrials in 2020, in line with the electricity tariff reform strategy 2019-25.	June 1, 2020	Not met. A draft decree setting the increase in electricity tariffs in line with the tariff reform strategy was prepared. The signature of the decree was postponed due to COVID.	Reduce electricity subsidies
All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	Continuous	Met. A new agreement for iron ore extraction was ratified in July 2020. The contract entailed new investments in infrastructure and local transformation. It was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
Sixth Review			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 2020	Not met. The draft decree on the content of an asset declaration form is being finalized with the support of the World Bank.	Strengthen governance

1/ https://www.bcrg-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/
2/ The asset declaration form is available at http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/.

Attachment II. Technical Memorandum of Understanding

November 23, 2020

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

2. **The quantitative performance criteria, indicative targets, and test dates are detailed in Table 1 of the Memorandum of Economic and Financial Policies (MEFP), attached to the Letter of Intent dated November 23, 2020**. For data reporting purposes, the Guinean authorities will follow the rules and the format considered appropriate for data reporting as covered by this technical memorandum of understanding, unless otherwise agreed with IMF staff.

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

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

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

DEFINITIONS OF PERFORMANCE CRITERIA, INDICATIVE TARGETS, AND MEMORANDUM ITEM

A. Performance Criteria and Indicative Benchmarks

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

Performance Criteria

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

Continuous Performance Criteria

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

Indicative Targets

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

Memorandum Item

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

B. Central Government Definition

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

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

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

D. Ceiling on Net Domestic Assets of the Central Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 percent, as indicated in the IMF Executive Board Decision No. 11248–(96/38), April 15, 1996. The grant element is the difference between the nominal value of the loan and its present value, expressed as a percentage of its nominal value. The present value of the debt is calculated on the date on which it is contracted by discounting the future stream of payments of debt service due on this debt. The grant element is calculated using a discount rate of 5 percent.[2] The total amount of non-concessional debt allowed to be contracted or guaranteed during the arrangement is limited to a ceiling of US$650 million on a cumulative basis from the start of the arrangement, to be used to finance the following priority infrastructure projects, as specified in the relevant loan documents: the Rehabilitation of the RN1 national road; the rehabilitation of the road system in Conakry; the construction of the
Linsan-Fomi-Kankan electricity transmission line; and university rehabilitation. The ceiling on non-concessional debt applies to the contracting and guaranteeing of debt with nonresidents by the central government and the BCRG. This performance criterion is monitored on a continuous basis. The ceiling is measured from the start of the arrangement. For program monitoring purposes, non-concessional external debt is deemed to be contracted or guaranteed at the date of its signature.

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

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

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

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

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

I. Floor on Tax Revenues Collected

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

J. Domestically-Financed Social Safety Nets Programs

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

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

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

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

20. Definition of concessional external debt. The definition of debt, for program purposes, is set out in paragraph 8a of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014 (¶14). For program purposes a debt is considered to be concessional if it includes a grant element of at least 35 percent (paragraph 14 for definition of grant element). The memorandum item on new concessional external debt is defined as new concessional loans contracted or guaranteed by the central government or the central bank from the start of the arrangement, recorded on a cumulative basis. For program monitoring purposes, concessional external debt is deemed to be contracted or guaranteed at the date of its signature.

ADJUSTMENT FACTORS FOR THE PROGRAM PERFORMANCE CRITERIA

A. Adjustor for Basic Fiscal Balance

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

- upward by an amount equal to 40 percent of the shortfall of external program loans and external program grants compared to programmed amounts, as specified in Table 1 (requiring a fiscal adjustment equivalent of 40 percent of the shortfall in program loans and program grants);
- downward by an amount equal to 40 percent of the surplus of external program loans and external program grants compared to programmed amounts, as specified in Table 1 (allowing 40 percent of the surplus in program loans and program grants to be used for supplementary expenditures.

Table 1. Guinea: External Financing Assumptions (Non-cumulative)

(Millions of U.S. Dollars)

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

B. Adjustor for Net International Reserves

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

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

C. Adjustor for Net Domestic Assets of the Central Bank

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

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

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

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

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

MONITORING AND REPORTING REQUIREMENTS

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

Table 2. Guinea: Data Reporting to IMF Staff for Program Monitoring

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

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

GUINEA

November 23, 2020

FIFTH AND SIXTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

Approved by
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Prepared by the International Monetary Fund and the International Development Association.

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

***Guinea is at moderate risk of external debt distress, with limited space to absorb shocks**. All external debt burden indicators under the baseline scenario, which accounts for the negative impact of the COVID-19 pandemic, lie below their policy-dependent thresholds. Stress tests suggest that debt vulnerabilities will increase if adverse shocks materialize. Under the most extreme stress tests, all solvency and liquidity indicators breach their thresholds for prolonged periods. The overall risk of public debt distress is also assessed to be moderate, with the application of judgement regarding a brief and marginal breach for the PV of total-public-debt-to-GDP ratio over 2021–22, reflecting additional borrowing in 2020 to meet urgent balance of payments and fiscal needs due to the COVID-19 pandemic, and the one-off impact of the recapitalization of the central bank. This assessment hinges on commitments to moderate the increase in the envelope of public investment projects over 2020-23 with respect to the plans included in the March 2020 DSA at the time of the Fourth Review under the ECF arrangement. A prudent external borrowing strategy aimed at maximizing the concessionality of new debt, strengthening debt management and enhancing public investment management will be key to preserving medium-term debt sustainability.*

[1]The Debt Sustainability Analysis (DSA) was prepared with the World Bank and in collaboration with the Guinean authorities. This DSA has been prepared following the revised Debt Sustainability Framework (DSF) for LICs and Guidance Note (2017) in effect as of July 1, 2018. Guinea's debt carrying capacity is classified as weak based on the Composite Indicator (CI) under the revised LIC DSF. Thresholds for debt burden indicators are also those established in the revised 2017 DSF.

COVERAGE OF PUBLIC DEBT

1. The definition of public debt used in this DSA covers central government debt, central government-guaranteed debt, and central bank debt contracted on behalf of the government (Table 1).[2] Audited and validated arrears to suppliers over the period 1982–2013 as well as domestic arrears accumulated in 2017-18 and decumulated in 2019 have been included in the baseline, corresponding to a domestic arrears stock of about 1.5 percent of GDP at end-2019. While other elements of public sector debt, such as non-guaranteed debt of state-owned enterprises and social security funds, are not included due to data constraints, they are assessed as not relevant.[3] A contingent liability stress test is performed to enhance the robustness of the DSA. Staff continues to work with the authorities to broaden the coverage of public debt and improve capacity to address debt data weaknesses. The definition of public and publicly guaranteed debt (PPG) used in the DSA includes the loan for the Souapiti dam (US$1.2 billion, about 10 percent of 2018 GDP) signed on September 4, 2018.[4] To depict its potential full impact on the debt profile, the government is assumed to be responsible for servicing the loan in the DSA.[5]

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

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

		Default		Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt			
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	1.3	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			8.3	

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

[2] The definition of PPG external debt excludes French claims under C2D debt-for-development swaps, which were cancelled in the context of the HIPC debt relief. The C2D mechanism implies a payment of the debt service to the creditor from Guinea, which is later returned to the government in the form of grants to finance development projects. The payments with respect to C2D are included in debt service of the fiscal baseline (See Country Report No.15/39 for a detailed discussion). Information on non-residents' holding of local currency debt is not available. This could give rise to an underestimation of external debt on a residency basis.

[3] Local governments in Guinea have limited debt exposure and the stock of non-guaranteed SOE debt is also likely to be small. The World Bank's Sustainable Development Finance Policy supports the Guinea government's effort to strengthen the governance and oversight of SOEs, including through the auditing of SOEs' financial statements and reporting of debt.

[4] The grant element of the Souapiti loan is estimated to be 29 percent.

[5] The Souapiti dam loan is not included in the public investment of the central government as it will be carried out by a Special Purpose Vehicle (SPV) jointly owned by the Guinean government (51 percent) and China International Water & Electricity Corporation (49 percent) that is not considered as part of the central government. The SPV will manage and operate the dam on a commercial basis and will be responsible for servicing the loan.

RECENT DEBT DEVELOPMENTS

2. The stock of Guinea's overall public debt grew more slowly than output in 2019, resulting in a reduction in the debt-to-GDP ratio. Total public debt stood at US$4.9 billion (36.5 percent of GDP) at end-2019 compared with US$4.6 billion (37.7 percent of GDP) in 2018. External public debt increased to US$2.6 billion (19.5 percent of GDP) at end-2019 from US$2.3 billion (18.9 percent of GDP) at end-2018. Domestic debt remained at US $2.3 billion at end-2019, with a large net decumulation of domestic arrears offset by strong net issuance of Treasury instruments, with the constant stock corresponding to a decline from 18.8 percent of GDP at end-2018 to 17.0 percent of GDP at end-2019.

UNDERLYING MACROECONOMIC ASSUMPTIONS

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

- **Real GDP growth** is estimated at 5.2 percent in 2020. This projection reflects the impact of the COVID-19 pandemic on the domestic economy and—despite the global recession—the relative buoyancy of external demand for bauxite and gold, which has been stronger than assumed at the time of the June 2020 DSA update. Growth is expected to strengthen further following the pandemic to 5.5 percent in 2021 before converging to its long-run rate of 5 percent by 2023. Risks to the outlook are tilted to the downside, stemming from socio-political tensions following the Presidential election, delays in reform implementation and the potential deterioration of the sanitary situation depending on the evolution of the pandemic. Upside risks include mining production capacity coming on stream faster than currently expected.

- **Inflation** is expected to rise to 10.2 percent (y-o-y) in 2020, affected by transport and food prices that reflect COVID-related border closures and other pandemic response measures, and gradually decrease to below 8 percent over the medium term, reflecting a prudent monetary policy stance.

- **Fiscal balance**.[6] The primary fiscal balance recorded a deficit of 0.3 percent of GDP in 2018 that was virtually eliminated in 2019. The impact of the pandemic deteriorated the fiscal position in 2020, with revenues lower and the authorities deploying expenditure measures to scale up health capacity and support the vulnerable and the private sector. The primary deficit is expected to reach 2.7 percent of GDP in 2020. This modest deterioration with respect to the March 2020 DSA reflects the exceptional budgetary needs imposed by the pandemic and the authorities' Response Plan, which has deteriorated the basic balance by

[6] While it is the primary fiscal balance that drives public debt, the basic fiscal balance is the main fiscal anchor under the ECF program. The basic fiscal balance is defined as government revenue excluding grants minus expenditures, excluding interest payments on external debt and externally financed capital expenditure. This measure of fiscal balance aims to capture actual fiscal efforts. The basic fiscal balance is projected to improve from a deficit of 2.3 percent of GDP in 2020 to an average surplus of 0.7 percent of GDP during 2021–25.

nearly 3 percent of GDP. The impact of the pandemic on the primary balance has been substantially mitigated by the authorities' commitment to rephase non-priority externally financed public investments, reducing them by about 2 percent of GDP in 2020. The primary deficit is expected to average 1.3 percent of GDP over 2021–25, reflecting the authorities' commitment to scale-up public investment at a more moderate pace than had been planned before the pandemic. To preserve debt sustainability, only a limited share of planned, but not-yet-contracted external project financing in 2021-23 will be undertaken.[7] This constitutes a significant moderation with respect to the ambitious public infrastructure investment plans presented in the authorities' National Economic and Social Development Plan (PDNES), and which formed the basis for the March 2020 DSA, prepared at the time of the Fourth Review under the ECF arrangement. Continued revenue mobilization effort is expected to gradually increase tax revenue by 2.9 percent of GDP over 2021–30. Grants have risen sharply to 2.1 percent of GDP in 2020 as donors have offered Guinea substantial assistance in the context of the pandemic, but are expected to return to normal levels of about 1.0 percent of GDP on average over the period 2021–23.

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

(Nominal Values)

	end-2018			end-2019		
	USD (millions)	Percent of Total	Percent of GDP	USD (millions)	Percent of Total	Percent of GDP
Total	**2288.9**	**100.0**	**18.9**	**2625.8**	**100.0**	**19.5**
Total incl. C2D [1/]	2355.4	102.9	19.5	2668.7	101.6	19.8
Multilateral creditors	**1116.1**	**48.8**	**9.2**	**1336.8**	**50.9**	**9.9**
IMF	322.3	14.1	2.7	338.5	12.9	2.5
World Bank	341.4	14.9	2.8	466.8	17.8	3.5
Other Multilateral creditors	452.4	19.8	3.7	531.5	20.2	3.9
Official Bilateral Creditors	**1112.0**	**48.6**	**9.2**	**1184.6**	**45.1**	**8.8**
Paris Club (excl. C2D)	39.4	1.7	0.3	37.2	1.4	0.3
Non-Paris Club	1072.7	46.9	8.9	1147.4	43.7	8.5
China	629.8	27.5	5.2	650.4	24.8	4.8
Angola	126.6	5.5	1.0	117.2	4.5	0.9
Saudi Arabia	101.1	4.4	0.8	105.8	4.0	0.8
Kuwait	76.7	3.3	0.6	77.7	3.0	0.6
Others	138.5	6.1	1.1	196.3	7.5	1.5
Commercial Creditors	**60.8**	**2.7**	**0.5**	**104.4**	**4.0**	**0.8**
Memo						
Arrears	149.3	6.5	1.2	148.8	5.7	1.1

Sources: Guinean authorities and IMF staff calculations.

[1/] C2D refers to Debt Reduction-Development Contract.

Notes: External arrears at end-2019 predate the 2012 HIPC completion point and are due to non-Paris Club official bilateral creditors (US$88 million) and commercial creditors (US$60.8 million). These arrears continue to be deemed away under the IMF Policy on Arrears as the underlying Paris Club agreement is adequately representative and the authorities are making best efforts to resolve the arrears. Regarding the external arrears owed by Guinea to private creditors, the authorities continue to make good faith efforts to reach a collaborative agreement. The IMF last concluded a financing assurances review on April 1, 2020, jointly with the Fourth Review under the ECF arrangement.

[7] To this end, the authorities have decided not to promulgate a EUR 230 million (1.8 percent of GDP) loan agreement with a private partnership to finance infrastructure development, which was signed in October 2019 and approved by the National Assembly in early June 2020.

- **The current account** (including transfers) recorded a deficit of 13.7 percent of GDP in 2019 and is expected to decrease slightly to 12.3 percent of GDP in 2020, financed by strong FDI and project loans. Imports of capital goods for mining and public infrastructure projects remain strong, including those related to the construction of the Souapiti dam. These investments will boost mining exports, resulting in a gradual narrowing of the current account deficit over the medium term, which is expected to average 11.5 percent of GDP over 2021–25.

- **External financing mix and terms**. The authorities plan to continue mobilizing external financing to scale-up public investments in infrastructure to support economic diversification and broad-based growth. New external borrowing is expected to pick up significantly in the near term, from 2.4 percent of GDP in 2019 to 6.4 percent in 2020—an increase justified by the impact of the pandemic response—and average 6.1 percent of GDP over 2021–22, reflecting the expected scale up of infrastructure spending and the disbursement of the Souapiti loan. Under the baseline scenario, external borrowing is assumed to continue to be strong in the medium and long run, averaging about 3.0 percent of GDP per year over 2023–29 and 2.5 percent of GDP per year over 2030–39. The average grant element of new borrowing is expected to be about 33.1 percent in 2020, weighed down by the disbursement of large non-concessional project loans, before gradually increasing to about 41 percent in 2024. Over the long term, the DSA assumes a gradual increase in the relative use of non-concessional financing, with the average grant element gradually decreasing to 25 percent by 2040.

    - *Non-concessional borrowing*. The pick-up in debt accumulation in 2020-22 reflects non-concessional borrowing to finance the construction of the Souapiti dam, signed in September 2018 and expected to be disbursed over 2020–22[8]. In addition, the DSA incorporates non-concessional borrowing of US$658 million to finance programmed priority infrastructure projects and for budget support, to be disbursed over 2019–23. Out of this envelope, US$598 million were signed in September 2018 to finance the rehabilitation of the RN1 national road and the Conakry urban road network, to be disbursed over 2019–23. Furthermore, a non-concessional loan of US$60 million for budget support from Qatar was signed in November 2018 and disbursed in April 2019. Additional non-concessional borrowing of about US$240 million is assumed to be disbursed during 2023–25 to finance infrastructure projects.

    - *Concessional borrowing*. The World Bank provided concessional budget support loans of US$91.5 million in 2019 and is expected to provide $70 million in 2020 and US$40 million per year over 2021–25. Concessional project loans—largely to finance

[8] The expected disbursement schedule for the Souapiti dam loan is US$300 million in 2020, US$576 million in 2021 and US$300 million in 2022. For the US$598 million envelope of non-concessional loans signed in September 2018, US$45 million was disbursed in 2019 and US$149 million is expected in 2020, with the remaining amount almost evenly spread over 2021-23.

infrastructure and agriculture development—are assumed to total US$2.5 billion over 2020–25, of which about US$550 million is expected to be provided by the World Bank.

- *Pandemic-related support*. Guinea has succeeded in mobilizing external funds to support the pandemic response plan. Program loans in support of the COVID-19 response plan are expected to reach 1.7 percent of GDP in 2020, including resources from the World Bank, the African Development Bank, and the IMF's RCF.

- *Pandemic-related debt service relief*. The authorities have received significant debt service relief provided by the IMF under the Catastrophe Containment and Relief Trust (CCRT) and the Debt Service Suspension Initiative (DSSI), supported by the G20 and the Paris Club (Table 3). This DSA assumes that Guinea will receive grants covering its debt service payments to the IMF falling due between the period of April 14, 2020 and April 13, 2022 (SDR 69.2 million), following approval of the qualification for up to two years of debt service relief in April 2020, subject to the availability of CCRT resources. The authorities have committed to adhere to requirements for participation in the DSSI, including maintaining non-concessional borrowing within the envelope allowed under the ECF program. This DSA includes an assumption that US $32.2 million in debt service payments falling due in 2020 will be rescheduled to 2022-24 under the DSSI but does not incorporate the extension of the DSSI until June 30, 2021 announced by the G20 in October 2020. A preliminary estimate of the amount of eligible debt service falling due in 2021 that could be rescheduled by the DSSI extension is US$20.1 million.

Table 3. Guinea—Debt Service Suspension Initiative & CCRT relief

(USD millions)

	2020 Debt Service			
Creditor	Originally Due	Rescheduled DSSI	CCRT relief	Remaining
AFD/Banque de France (C2D) /1	23.38	23.08	0.00	0.30
Eximbank China	15.39	4.09	0.00	11.30
Kuwait Fund for Arab Economic Dev.	3.75	1.92	0.00	1.83
IMF	39.61	0.00	25.15	14.46
Saudi Development Fund	4.21	3.10	0.00	1.11
All other creditors	67.04	0.00	0.00	67.04
Total	153.38	32.19	25.15	96.04

Source: Guinean authorities and IMF staff calculations.
Note: DSSI covers debt service payments to participating bilateral creditors falling due between May 1st 2020 and June 30th 2021.
1/ Upon request, creditor agreed to reschedule payments falling due in April 2020.

- **Domestic borrowing**. Net government domestic financing is expected to be negative throughout 2019–25 (-1.1 percent of GDP in 2019, -0.1 percent of GDP in 2020 and averaging -0.4 percent of GDP for 2021-25), as the government is expected to gradually repay past borrowings from the BCRG, domestic arrears accumulated during 2017–18, and the validated 1982–2013 arrears to the private sector, in line with the clearance strategy approved in December 2017. Amortization of securitized debt to domestic suppliers will average 0.5 percent of GDP over 2020-22, while repayment of domestic arrears accumulated during 2017-18 is expected to average 0.1 percent over 2020-22. This will be supported by revenue mobilization and containment of current non-priority spending. Net domestic borrowing is expected to turn positive in the long term. In 2019, issuance of domestic debt to commercial banks included 1 percent of GDP in 3-year debenture loans (12% interest rate) and 0.5 percent of GDP in Treasury bills of less than 12-month maturity (effective interest rate of 9.7%).

- **Realism of assumptions**. Growth of 5.2 percent would make Guinea one of the world's fastest-growing economies in 2020. This projection reflects idiosyncratic elements, though, as it is based on the strong performance of the mining sector, which has benefitted from strong demand for bauxite from China and artisanal gold production. The growth projection of 5.5 percent in 2021 assumes a further recovery of external demand consistent with the October 2020 WEO. While the execution of public investment plans is assumed to be heavily curtailed by the pandemic in 2020, these are assumed to rise gradually in 2021 and 2022, though remaining on a path that is below the pre-pandemic one. While the scaling-up of public investment is expected to support growth, the framework conservatively assumes the investment-growth nexus is relatively low. This is based on the weak historical growth outturns in Guinea, which has suffered from adverse conditions including the Ebola crisis, commodity price shocks and earlier periods of social unrest. While higher-than-projected primary fiscal deficits were historically the largest contributor to unexpected debt accumulation for the past five years (Figure 4), the envisaged post-pandemic fiscal adjustment is feasible for Guinea, taking into account the country's fragility and capacity constraints (Figure 5, top panel).

Table 4. Guinea: LIC DSA Macroeconomic Assumptions

(Percent of GDP, unless otherwise indicated)

	Previous DSA					Current DSA				
	2018	2019	2020	2025	2030	2018	2019	2020	2025	2030
Nominal GDP ($ Million)	12181	13797	14244	20343	28580	12181	13797	15151	21227	29824
Real GDP (percentage change)	6.2	5.6	1.4	5.0	5.0	6.2	5.6	5.2	5.0	5.0
Fiscal Accounts										
Revenues	13.1	13.7	12.3	16.0	16.9	13.1	13.7	12.7	15.9	15.8
Grants	1.1	0.3	1.2	0.9	0.9	1.1	0.3	1.9	0.9	0.8
Public Sector Expenditure	15.6	14.6	17.3	19.0	19.7	15.6	14.6	18.3	19.0	19.1
of which: Capital expenditure and net lending	5.1	3.7	4.9	7.6	8.2	5.1	3.7	4.8	7.5	6.2
Primary Fiscal Balance	-0.3	0.0	-3.0	-1.1	-0.9	-0.3	0.0	-2.7	-1.2	-1.4
New external borrowing	13.4	4.9	11.9	3.0	2.7	13.4	4.9	6.4	3.1	2.9
Grant elements of new external borrowing	31.2	31.7	32.1	39.9	38.2	31.2	31.7	33.1	42.5	40.6
Balance of Payments										
Exports of goods and services	32.9	30.5	27.8	32.1	32.8	33.5	30.0	32.3	33.7	34.4
Imports of goods and services	46.8	39.4	43.0	38.1	35.1	48.0	39.3	39.8	38.0	33.1
Current account (including transfers)	-19.0	-13.9	-21.1	-10.0	-7.0	-20.5	-13.9	-12.5	-10.4	-4.9
Foreign direct investment	12.9	12.9	8.3	7.4	7.4	15.1	12.9	10.7	7.6	7.6

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

COUNTRY CLASSIFICATION

4. **The Composite Indicator for Guinea is 2.44 based on the October 2020 WEO vintage and the 2019 update for the CPIA index, which classifies Guinea at weak debt-carrying capacity (Table 5)**. Two tailored stress tests are triggered to account for Guinea's specific economic features. A contingent liabilities stress test captures a combined shock from SOEs' external debt default, PPPs' distress and/or cancellations, and financial market vulnerabilities, all of which amount to 8.3 percent of GDP (Table 1).[9] A commodity prices stress test is also applied since mining exports constitute more than 80 percent of total exports for Guinea. Furthermore, two fully customized scenarios—a weak policy scenario, and higher non-concessional borrowing—have also been performed to assess Guinea's country-specific risks and capacity to absorb shocks.

Table 5. Guinea: Calculation of CI index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.174	1.22	50%
Real growth rate (in percent)	2.719	6.214	0.17	7%
Import coverage of reserves (in percent)	4.052	20.053	0.81	33%
Import coverage of reserves^2 (in percent)	-3.990	4.021	-0.16	-7%
Remittances (in percent)	2.022	0.244	0.00	0%
World economic growth (in percent)	13.520	2.928	0.40	16%
CI Score			2.44	100%
CI rating			Weak	

MODEL SIGNALS AND RISK RATING

A. External Debt

5. **Guinea stands at moderate risk of external debt distress, with limited space to absorb shocks** (Table 6, Table 7, Figure 1, and Figure 6). Under the baseline scenario, all external debt ratios remain below their policy dependent thresholds. While the indicators of external debt in the moderate risk tool do not breach their respective thresholds, Guinea is nonetheless assessed to have limited space to absorb shocks because total public debt is assessed to be very close to the high-risk zone. Medium-term external debt dynamics are broadly unchanged from the June 2020 DSA update. The PV of external debt-to-GDP is

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

expected to peak at 21.8 percent of GDP in 2023, slightly below the peak in the June 2020 DSA update, and then to decline. Liquidity ratios are expected to remain well below policy dependent thresholds (in line with the June 2020 DSA update). Under the most extreme stress tests, all indicators breach their thresholds (Figure 1).[10] These tests are based on historical growth and export averages, which reflect exceptionally adverse economic conditions for Guinea, including the Ebola crisis and commodity price shocks during 2014–15 and earlier periods of civil unrest. Under the historical scenario the debt service to exports and revenue ratios remain within their thresholds, while the present value of debt-to-GDP and debt-to-exports breach their thresholds. Under two more plausible country-specific scenarios—(i) a weak policy implementation scenario; and (ii) higher non-concessional loans—all indicators remain within their thresholds (Figure 3).[11]

B. Total Public Debt

6. Guinea's overall risk of debt distress is assessed to be moderate, with the application of staff judgement. As in the June 2020 DSA update, under the baseline scenario, the PV of total public debt-to-GDP breaches the benchmark for two years (Table 7 and Figure 2). The PV of total public debt-to-GDP ratio peaks in 2021 at 35.4 percent of GDP (vis-à-vis the benchmark of 35 percent of GDP), somewhat below the June 2020 DSA update. The peak reflects additional borrowing in 2020 to meet urgent balance of payments and fiscal needs due to the COVID-19 pandemic, and the one-off impact of the recapitalization of the central bank in 2018, a key reform to enhance central bank independence.[12] Staff applied judgement to assign a moderate risk rating as: (i) the magnitude of the breach is marginal, and the length is temporary (two years); and (ii) the recapitalization affects only one debt burden indicator (the PV of overall public debt to GDP). Notably, the recapitalization will not add to the debt service burden in the near term as it was conducted by issuing 30-year bonds for the overall recapitalization needs, additional securities are expected to be issued in lieu of interest payments, and no payment is expected to be made until 2046. The PV of the total debt-to-GDP ratio exceeds the benchmark in the medium term under the most extreme shock. Space for additional borrowing, in addition to what is already included in the baseline scenario, is limited, particularly in the near term. A more protracted global pandemic, delays in repaying domestic arrears or debt owed to the BCRG, higher-than-anticipated government domestic and external borrowing, or new audits that confirm a higher stock of domestic arrears could worsen the dynamics of total public debt.[13]

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

[11] The weak policy scenario assumes real GDP growth is 1 percentage point below the baseline over 2021–40, reflecting slower reform implementation, and the fiscal balance is 0.5 percent of GDP looser than the baseline in 2021–23, reflecting slower revenue collection. The higher non-concessional loans scenario assumes an additional non-concessional borrowing of US$350 million, to be disbursed during 2021–23, on top of the non-concessional loan envelope included in the baseline.

[12] In Table 7, the large residuals for 2020, 2021 and 2022 reflect the fact that the loan for the Souapiti dam is not included in the primary balance.

[13] An audit of domestic arrears covering the period of 2014-18 is being planned, with an auditing firm having been selected but work being delayed by the pandemic.

AUTHORITIES' VIEWS

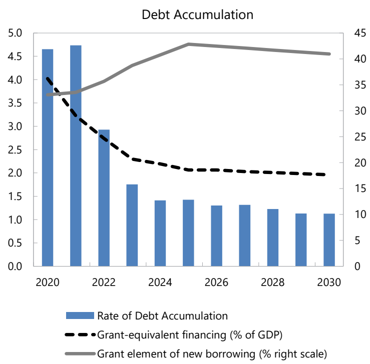
7. The authorities broadly agreed with the conclusions of the DSA. They underscored their commitment to maintaining a sustainable level of debt that does not exceed a moderate risk of debt distress. They also concurred with the importance of maximizing concessional borrowing where possible but noted that financing under these terms is not available in the scale needed to finance their large infrastructure needs. The authorities are committed to continuing to implement their strategy to gradually clear domestic arrears to the private sector, strengthening debt management and enhancing their public investment management.

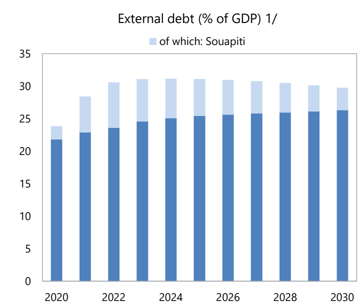
Table 6. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	19.3	18.9	19.5	23.8	28.4	30.6	31.1	31.1	31.1	29.7	26.1	25.2	29.8
of which: public and publicly guaranteed (PPG)	19.3	18.9	19.5	23.8	28.4	30.6	31.1	31.1	31.1	29.7	26.1	25.2	29.8
Change in external debt	-2.5	-0.4	0.5	4.4	4.6	2.2	0.5	0.1	0.0	-0.4	-0.1		
Identified net debt-creating flows	-9.3	2.5	-1.2	0.9	5.7	2.6	1.3	0.9	1.4	-4.0	-6.6	6.3	-0.5
Non-interest current account deficit	6.8	20.2	13.8	12.3	14.0	11.7	10.7	9.5	10.0	4.6	1.9	15.4	8.4
Deficit in balance of goods and services	7.4	14.5	9.3	7.4	8.0	6.5	5.9	4.3	4.3	-1.3	-6.7	12.8	3.2
Exports	39.9	33.5	30.0	32.3	31.9	31.9	32.6	33.9	33.7	34.4	35.6		
Imports	47.3	48.0	39.3	39.8	39.8	38.4	38.6	38.2	38.0	33.1	28.9		
Net current transfers (negative = inflow)	-0.9	-0.6	-0.5	-1.4	-0.5	-0.5	-0.7	-0.6	-0.6	-0.2	0.1	-2.3	-0.5
of which: official	-0.2	-0.2	0.0	-1.0	-0.5	-0.4	-0.4	-0.5	-0.4	-0.4	-0.4		
Other current account flows (negative = net inflow)	0.3	6.3	4.9	6.3	6.6	5.7	5.5	5.8	6.3	6.1	8.5	4.9	5.7
Net FDI (negative = inflow)	-12.6	-15.1	-12.9	-10.7	-7.3	-8.1	-8.4	-7.6	-7.6	-7.6	-7.6	-8.1	-7.9
Endogenous debt dynamics 2/	-3.5	-2.6	-2.1	-0.7	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-0.9		
Contribution from nominal interest rate	0.2	0.3	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3		
Contribution from real GDP growth	-1.9	-1.0	-0.9	-0.9	-1.2	-1.4	-1.4	-1.4	-1.4	-1.4	-1.2		
Contribution from price and exchange rate changes	-1.8	-1.9	-1.3	...	...	...	...	...	...	...	...		
Residual 3/	6.8	-2.9	1.8	3.4	-1.1	-0.4	-0.8	-0.8	-1.4	3.6	6.5	-9.3	1.5
of which: exceptional financing	-0.1	0.0	0.0	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	13.8	16.8	20.1	21.5	21.8	21.7	21.6	20.4	18.6		
PV of PPG external debt-to-exports ratio	...	...	46.0	52.0	63.0	67.6	66.7	64.0	64.2	59.2	52.1		
PPG debt service-to-exports ratio	1.4	1.7	1.6	1.4	2.5	4.2	4.4	4.2	3.8	4.4	4.0		
PPG debt service-to-revenue ratio	4.1	4.2	3.5	3.5	5.9	9.1	9.5	9.2	8.1	9.7	8.4		
Gross external financing need (Billion of U.S. dollars)	-0.5	0.7	0.2	0.3	1.2	0.9	0.7	0.7	0.8	-0.4	-2.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	10.3	6.2	5.6	5.2	5.5	5.2	5.0	5.0	5.0	5.0	5.0	6.0	5.1
GDP deflator in US dollar terms (change in percent)	8.9	11.0	7.2	4.3	1.7	1.4	1.9	1.8	1.9	2.0	2.0	1.8	2.1
Effective interest rate (percent) 4/	1.1	1.8	0.9	1.4	1.2	1.3	1.4	1.4	1.4	1.3	1.2	1.1	1.3
Growth of exports of G&S (US dollar terms, in percent)	66.9	-1.0	1.4	18.3	5.8	6.8	9.6	11.0	6.3	7.4	7.5	14.3	8.7
Growth of imports of G&S (US dollar terms, in percent)	-4.8	19.5	-7.2	11.0	7.6	2.9	7.6	5.8	6.3	5.7	5.6	17.9	5.6
Grant element of new public sector borrowing (in percent)	...	...	...	33.1	33.5	35.7	38.7	40.8	42.8	40.9	24.5	...	39.4
Government revenues (excluding grants, in percent of GDP)	13.7	13.1	13.7	12.7	13.4	14.5	15.1	15.6	15.9	15.8	16.9	13.5	15.0
Aid flows (in Billion of US dollars) 5/	0.1	0.1	0.0	0.6	0.5	0.6	0.7	0.7	0.8	1.0	0.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.0	3.2	2.7	2.3	2.2	2.1	2.0	1.5	...	2.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	48.4	41.1	45.2	50.6	53.7	56.3	54.8	41.9	...	51.9
Nominal GDP (Billion of US dollars)	10	12	14	15	16	17	19	20	21	30	59		
Nominal dollar GDP growth	20.1	17.8	13.3	9.8	7.4	6.8	7.0	6.8	6.9	7.0	7.0	7.9	7.3
Memorandum items:													
PV of external debt 7/	...	...	13.8	16.8	20.1	21.5	21.8	21.7	21.6	20.4	18.6		
In percent of exports	...	...	46.0	52.0	63.0	67.6	66.7	64.0	64.2	59.2	52.1		
Total external debt service-to-exports ratio	1.4	1.7	1.6	1.4	2.5	4.2	4.4	4.2	3.8	4.4	4.0		
PV of PPG external debt (in Billion of US dollars)			1.9	2.5	3.3	3.7	4.0	4.3	4.6	6.1	10.9		
(PVt-PVt-1)/GDPt-1 (in percent)				4.7	4.7	2.9	1.8	1.4	1.4	1.1	1.6		
Non-interest current account deficit that stabilizes debt ratio	9.3	20.6	13.2	7.9	9.4	9.6	10.3	9.4	10.0	4.9	2.0		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

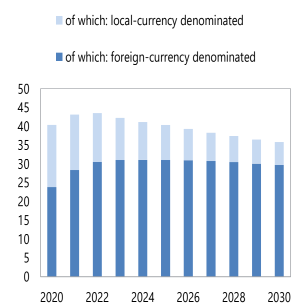
Table 7. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	39.5	37.7	36.5	40.4	43.2	43.5	42.3	41.1	40.4	35.8	28.9	42.0	39.8
of which: external debt	19.3	18.9	19.5	23.8	28.4	30.6	31.1	31.1	31.1	29.7	26.1	25.2	29.8
	20.2	18.8	17.0	16.6	14.8	12.9	11.2	10.0	9.3	6.0	2.9		
Change in public sector debt	-3.0	-1.8	-1.3	4.0	2.7	0.3	-1.2	-1.2	-0.8	-0.8	-0.7		
Identified debt-creating flows	-6.0	-4.5	-4.0	-0.5	-1.4	-1.3	-1.1	-1.1	-0.8	-0.2	-0.4	-3.5	-0.8
Primary deficit	1.1	0.3	0.0	2.7	1.5	1.3	1.3	1.1	1.2	1.4	0.7	2.1	1.4
Revenue and grants	15.2	14.3	14.0	14.6	14.3	15.4	16.0	16.5	16.8	16.7	17.7	14.8	16.0
of which: grants	1.4	1.1	0.3	1.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8		
Primary (noninterest) expenditure	16.3	14.5	14.0	17.3	15.7	16.6	17.3	17.6	18.0	18.1	18.3	16.9	17.4
Automatic debt dynamics	-7.1	-4.7	-4.0	-3.0	-2.5	-2.5	-2.4	-2.2	-2.0	-1.6	-1.1		
Contribution from interest rate/growth differential	-5.2	-3.6	-3.4	-2.6	-2.7	-2.6	-2.4	-2.2	-2.1	-1.6	-1.1		
of which: contribution from average real interest rate	-1.2	-1.3	-1.4	-0.8	-0.6	-0.4	-0.3	-0.2	-0.1	0.1	0.3		
of which: contribution from real GDP growth	-4.0	-2.3	-2.0	-1.8	-2.1	-2.2	-2.1	-2.0	-1.9	-1.7	-1.4		
Contribution from real exchange rate depreciation	-2.0	-1.1	-0.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	-2.8	-0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.0	2.7	2.7	4.0	4.2	1.7	-0.1	-0.1	0.1	-0.6	-0.3	1.0	0.7
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	31.1	33.9	35.5	35.1	33.6	32.3	31.5	27.0	22.0		
PV of public debt-to-revenue and grants ratio	...	...	223.0	232.7	248.8	228.4	210.8	195.9	187.9	161.7	124.3		
Debt service-to-revenue and grants ratio 3/	6.1	12.2	20.5	15.4	19.5	18.1	17.3	15.4	13.3	14.0	12.4		
Gross financing need 4/	1.2	1.2	2.9	4.9	4.1	3.9	4.1	3.6	3.5	3.7	2.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	10.3	6.2	5.6	5.2	5.5	5.2	5.0	5.0	5.0	5.0	5.0	6.0	5.1
Average nominal interest rate on external debt (in percent)	1.1	1.8	0.9	1.4	1.2	1.3	1.4	1.4	1.4	1.3	1.2	1.2	1.4
Average real interest rate on domestic debt (in percent)	-5.7	-6.4	-6.8	-4.9	-2.4	-1.7	-1.5	-0.5	0.3	5.1	15.3	-2.2	0.4
Real exchange rate depreciation (in percent, + indicates depreciation)	-9.9	-6.1	-3.7	...	...	...	...	...	...	...	...	0.5	...
Inflation rate (GDP deflator, in percent)	10.4	10.0	9.3	9.9	8.0	7.9	8.1	7.8	7.8	7.8	7.8	8.3	8.0
Growth of real primary spending (deflated by GDP deflator, in percent)	22.0	-5.6	1.6	30.2	-4.0	11.5	9.0	7.0	7.4	5.6	5.3	7.0	7.8
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.2	2.0	1.3	-1.3	-1.3	0.9	2.5	2.3	2.0	2.2	1.4	2.5	1.5
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

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

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

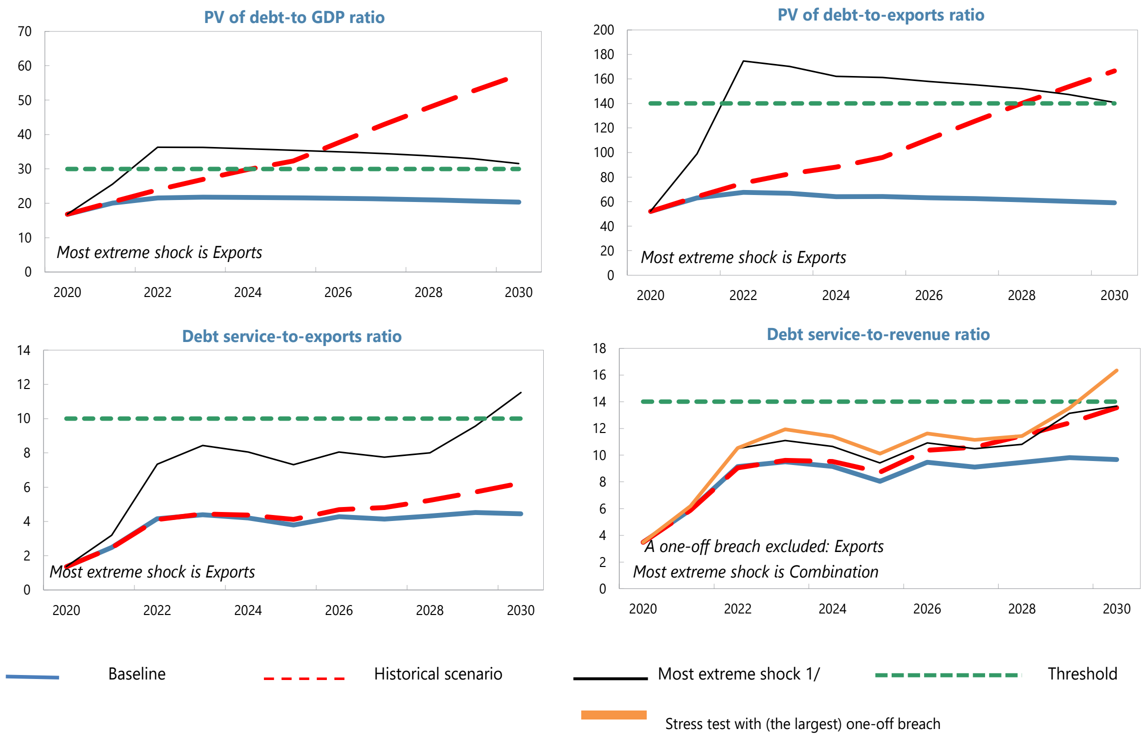
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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

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

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



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

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

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.3%	1.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	7	7

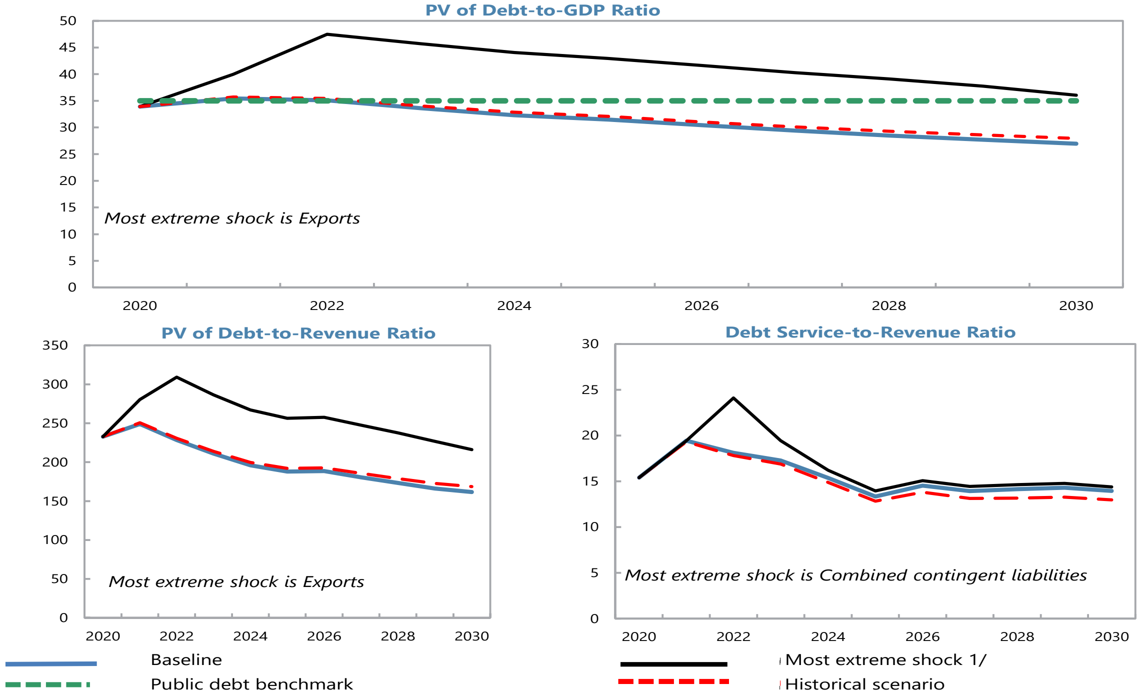
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

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



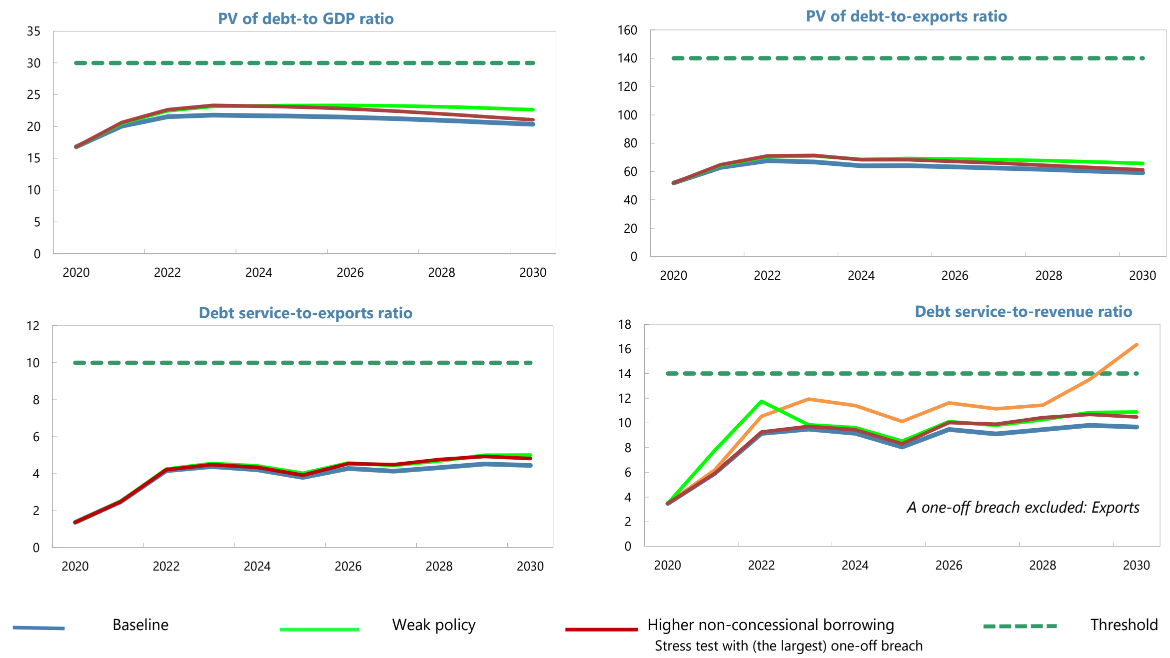
Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	87%	87%
Domestic medium and long-term	2%	2%
Domestic short-term	11%	11%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.3%	1.3%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.6%	2.6%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	0%	0.0%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Country Specific Alternative Scenarios, 2020–30[1/]



Sources: Country authorities; and staff estimates and projections.

1/ The weak policy scenario assumes real GDP growth is 1 percentage point below the baseline over 2021-40, reflecting slower reform implementation, and the fiscal balance is 0.5 percent of GDP looser in 2021-23, reflecting slower revenue collection. The higher non-concessional loans scenario assumes an additional non-concessional borrowing of US$350 million to be disbursed during 2021-23, on top of the non-concessional loan envelope included in the baseline.

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

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	17	20	22	22	22	22	21	21	21	21	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	17	20	24	27	30	**32**	**38**	**43**	**48**	**53**	**57**
A2. Weak Policy	17	21	22	23	23	23	23	23	23	23	23
A3. Higher non-concessional borrowing	17	21	23	23	23	23	23	22	22	21	21
B. Bound Tests											
B1. Real GDP growth	17	21	23	24	24	23	23	23	23	22	22
B2. Primary balance	17	22	25	26	26	26	25	25	25	24	24
B3. Exports	17	26	**36**	**36**	**36**	**35**	**35**	**34**	**34**	**33**	**32**
B4. Other flows 3/	17	25	**32**	**32**	**32**	**31**	**31**	**31**	**30**	29	28
B5. Depreciation	17	25	25	25	25	25	25	25	25	24	24
B6. Combination of B1-B5	17	26	**31**	**31**	**30**	**30**	30	29	29	28	27
C. Tailored Tests											
C1. Combined contingent liabilities	17	24	26	26	26	26	26	25	25	25	24
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	22	26	26	26	26	26	25	25	25	24
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	52	63	68	67	64	64	63	62	61	60	59
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	52	64	75	83	88	96	111	126	**140**	**154**	**167**
A2. Weak Policy	52	64	71	71	69	69	69	68	68	67	66
A3. Higher non-concessional borrowing	52	65	71	71	68	68	67	66	64	63	61
B. Bound Tests											
B1. Real GDP growth	52	63	68	67	64	64	63	62	61	60	59
B2. Primary balance	52	69	80	79	76	76	75	74	72	71	69
B3. Exports	52	99	**175**	**170**	**162**	**161**	**158**	**155**	**152**	**147**	**141**
B4. Other flows 3/	52	80	101	98	94	93	91	90	88	85	81
B5. Depreciation	52	63	62	61	59	59	58	58	57	56	55
B6. Combination of B1-B5	52	88	90	111	106	106	104	102	100	97	93
C. Tailored Tests											
C1. Combined contingent liabilities	52	76	82	81	77	77	76	75	73	72	71
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	52	76	87	85	80	79	77	76	74	73	71
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio											
Baseline	1	2	4	4	4	4	4	4	4	5	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	1	2	4	4	4	4	5	5	5	6	6
A2. Weak Policy	1	3	4	5	4	4	5	4	5	5	5
A3. Higher non-concessional borrowing	1	2	4	4	4	4	5	4	5	5	5
B. Bound Tests											
B1. Real GDP growth	1	2	4	4	4	4	4	4	4	5	4
B2. Primary balance	1	2	4	5	4	4	4	4	4	5	5
B3. Exports	1	3	7	8	8	7	8	8	8	10	**12**
B4. Other flows 3/	1	2	4	5	5	4	5	5	5	6	7
B5. Depreciation	1	2	4	4	4	4	4	4	4	4	4
B6. Combination of B1-B5	1	3	6	6	6	5	6	6	6	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	1	2	4	5	4	4	5	4	5	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	1	3	5	5	5	4	5	5	5	5	6
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	3	6	9	10	9	8	9	9	9	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	3	6	9	10	10	9	10	11	11	12	14
A2. Weak Policy	3	8	12	10	10	9	10	10	10	11	11
A3. Higher non-concessional borrowing	3	6	9	10	9	8	10	10	10	11	10
B. Bound Tests	3	8	12	10	10	9	10	10	10	11	11
B1. Real GDP growth	3	6	10	10	10	9	10	10	10	11	10
B2. Primary balance	3	6	9	10	10	9	10	10	10	11	11
B3. Exports	3	6	11	12	11	10	12	11	11	14	**16**
B4. Other flows 3/	3	6	10	11	10	9	11	10	10	13	**14**
B5. Depreciation	3	7	12	12	11	10	12	11	12	12	11
B6. Combination of B1-B5	3	6	10	11	11	9	11	10	11	13	14
C. Tailored Tests											
C1. Combined contingent liabilities	3	6	10	10	10	9	10	10	10	10	10
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	3	7	11	12	11	9	11	10	10	11	12
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

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

3/ Includes official and private transfers and FDI.

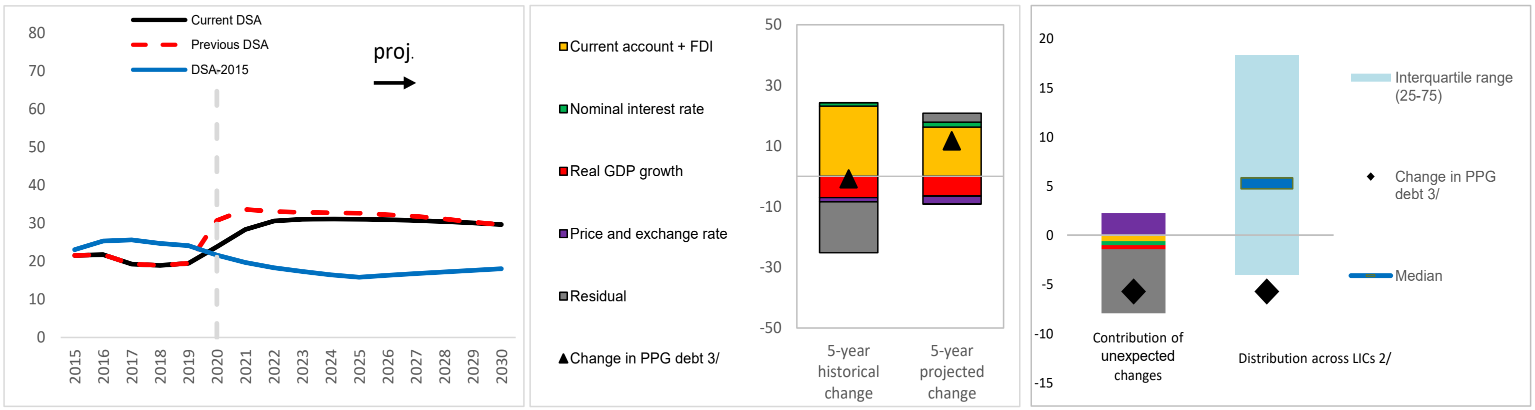
Table 9. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30
(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	PV of Debt-to-GDP Ratio										
Baseline	34	**35**	**35**	34	32	32	30	29	28	28	27
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	34	**36**	**35**	34	33	32	31	30	29	29	28
B. Bound Tests											
B1. Real GDP growth	34	**37**	**39**	**38**	**38**	**37**	**37**	**36**	**36**	**36**	**36**
B2. Primary balance	34	**38**	**40**	**38**	**37**	**36**	34	33	32	31	30
B3. Exports	34	**40**	**47**	**46**	**44**	**43**	**42**	**40**	**39**	**38**	**36**
B4. Other flows 3/	34	**41**	**46**	**44**	**43**	**42**	**40**	**39**	**38**	**36**	35
B5. Depreciation	34	**37**	**35**	33	31	29	28	26	24	23	21
B6. Combination of B1-B5	34	**37**	**37**	33	32	31	30	29	28	27	27
C. Tailored Tests											
C1. Combined contingent liabilities	34	**41**	**40**	**38**	**37**	**36**	35	34	33	32	31
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	34	**38**	**40**	**41**	**41**	**42**	**41**	**41**	**40**	**40**	**40**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	233	249	228	211	196	188	188	181	173	166	162
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	233	251	231	214	200	192	193	186	179	173	169
B. Bound Tests											
B1. Real GDP growth	233	261	254	239	227	222	227	223	219	215	213
B2. Primary balance	233	266	259	238	222	213	213	205	196	188	183
B3. Exports	233	281	309	286	267	256	257	247	238	227	216
B4. Other flows 3/	233	287	299	277	258	248	249	239	230	219	209
B5. Depreciation	233	261	232	208	188	175	171	159	148	137	129
B6. Combination of B1-B5	233	258	241	207	192	184	185	177	170	164	159
C. Tailored Tests											
C1. Combined contingent liabilities	233	288	261	241	224	215	216	207	199	191	186
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	233	303	292	286	271	262	263	250	245	240	238
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	15	19	18	17	15	13	15	14	14	14	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	15	19	18	17	15	13	14	13	13	13	13
B. Bound Tests											
B1. Real GDP growth	15	20	20	20	18	16	17	17	17	17	17
B2. Primary balance	15	19	21	21	17	14	15	14	15	15	16
B3. Exports	15	19	19	19	17	15	16	15	15	17	19
B4. Other flows 3/	15	19	19	19	17	14	16	15	15	17	18
B5. Depreciation	15	19	19	18	17	14	16	15	15	15	15
B6. Combination of B1-B5	15	19	18	17	15	13	14	14	14	15	15
C. Tailored Tests											
C1. Combined contingent liabilities	15	19	24	19	16	14	15	14	15	15	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	15	23	21	21	21	18	19	17	17	18	18
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

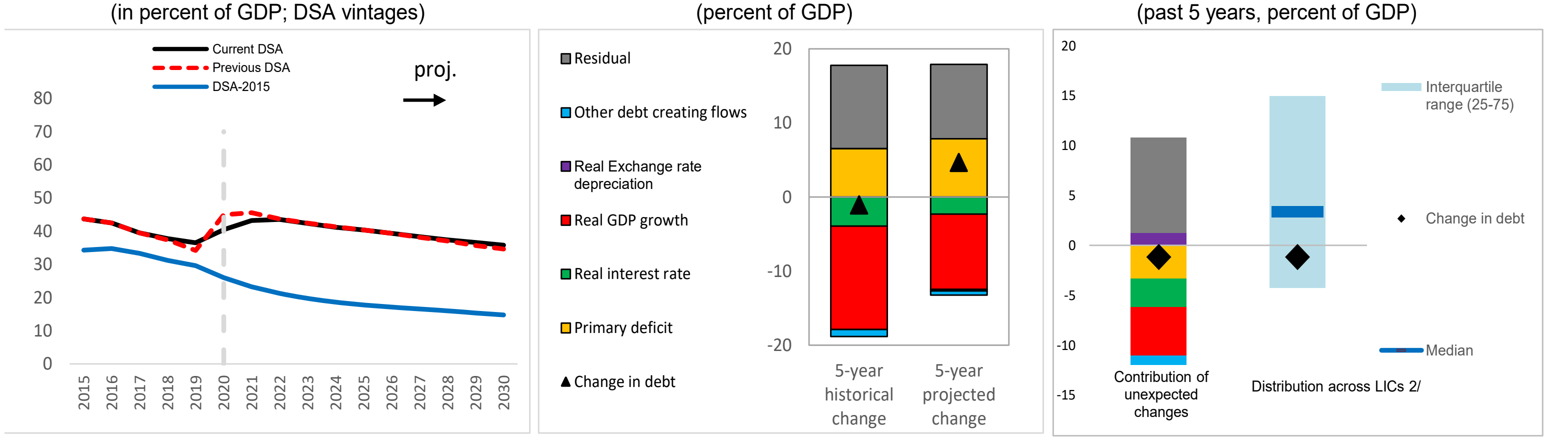
Figure 4. Guinea: Drivers of Debt Dynamics—Baseline Scenario External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



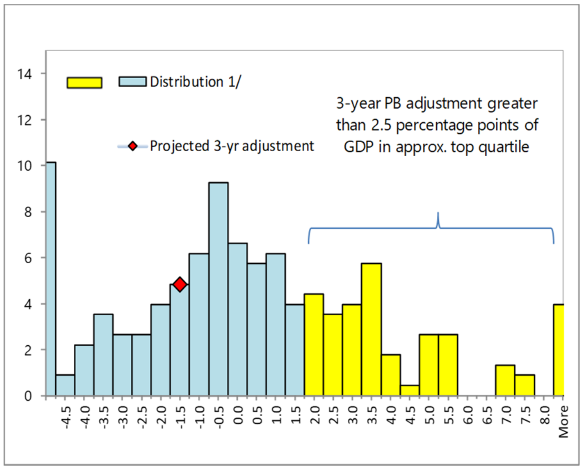
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

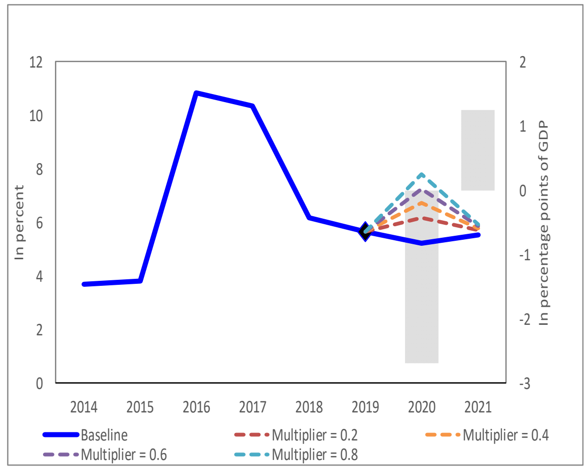
Figure 5. Guinea: Realism Tools

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



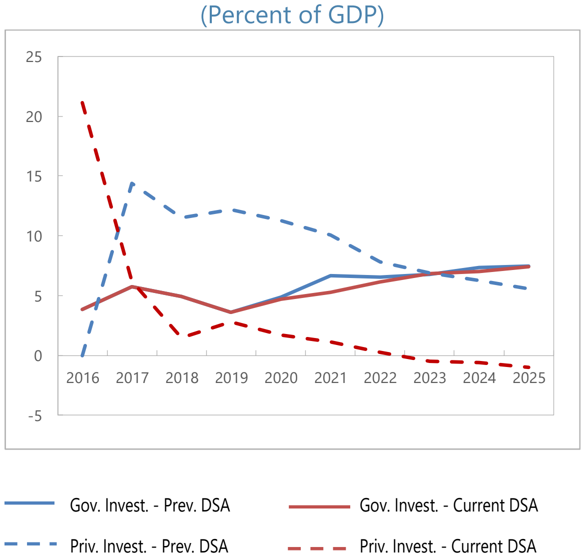
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths [1/]



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

Public and Private Investment Rates
(Percent of GDP)



Contribution to Real GDP growth
(Percent, 5-year average)

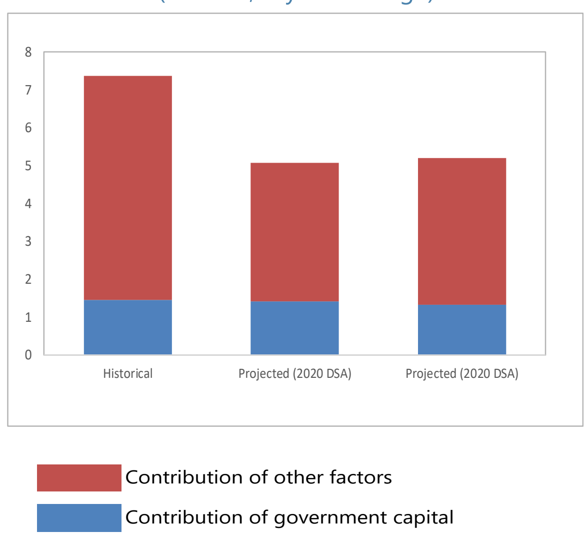


Figure 6. Guinea: Qualification of the Moderate Category, 2020–30[1]

Sources: Country authorities; and staff estimates and projections.

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

GUINEA

December 4, 2020

FIFTH AND SIXTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY LETTER OF INTENT

Approved By
Celine Allard (AFR) and Chad Steinberg (SPR)

Prepared by the African Department in consultation with the Legal and the Strategy, Policy, and Review Departments.

1. **This supplement provides an update to reflect revisions to monetary data since the issuance of the staff report on November 24, 2020.** The revisions reflect the incorporation of findings from an external audit of end-2019 BCRG data and a methodological adjustment prepared by the authorities to ensure that monetary aggregates fully comply with the TMU requirements, identified in the context of the preparation of a safeguard's assessment mission.

2. **The net impact of these adjustments is marginal and does not change the thrust of the staff appraisal**. These revisions result in updated values for the performance criterion on government borrowing from the central bank at end-December 2019 and for the performance criteria on NDA and NIR for the reviews' test dates (end-December 2019 and end-June 2020). The attachment to this Supplement updates Table 8 of the staff report relative to Quantitative Performance Criteria and Indicative Targets.

3. **The remaining prior action has now been met.** Since the issuance of the staff report, the authorities submitted to Parliament a 2021 budget law aligned with program commitments. With this measure, all prior actions for the fifth and sixth reviews have been met (as shown in the updated Structural Benchmark table below).

Table 8. Guinea: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2019–20 (Updated)

(Billions of Guinean Francs; unless otherwise indicated)

	2019								2020											
	Sept.				Dec				March				June				Sept.			
	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status
Quantitative performance criteria																				
Basic fiscal balance (floor; cumulative change for the year)	548	592	497	Not Met	691	829	772	Not Met	265	265	429	Met	254	-296	388	Met	622	474	-2,340	Not Met
Net domestic assets of the central bank (ceiling; stock)	5,518	5,585	6,539	Not Met	5,856	6,064	6,025	Met	5,722	5,722	7,238	Not Met	5,688	4,863	6,631	Not Met	5,579	4,533	9,828	Not Met
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	5,794	5,861	6,148	Not Met	5,626	5,834	5,753	Met	5,641	5,641	6,699	Not Met	5,623	4,798	7,063	Not Met	5,531	4,485	9,037	Not Met
Net international reserves of the central bank (floor; stock); US$ million[1]	679	672	715	Met	739	716	875	Met	795	795	822	Met	808	898	988	Met	824	938	924	Not Met
Continuous performance criteria																				
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
Indicative targets																				
Tax revenues collected (floor)	12,939	12,939	12,186	Not Met	16,960	15,868	15,868	Met	4,895	4,895	4,059	Not Met	9,889	9,889	8,368	Not Met	14,706	14,706	12,412	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	98	98	272	Met	130	240	371	Met	78	78	39	Not Met	154	154	177	Met	232	232	398	Met
New domestic arrears accumulated by the central government (net)[4]	-857	-857	-556	Not Met	-812	-812	-1448	Met	-37	-37	-1132	Met	-49	-49	-2261	Met	-59	-59	-1128	Met
Memorandum items:																				
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US$ million[5]	1052	...	1046	...	1142	...	1621	...	1475	...	1658	...	1613	...	1684	...	1667	1667	1806	...

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

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

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

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

[3] Continuous performance criterion.

[4] Cumulative from the beginning of each year.

[5] To be monitored continuously. Shows accumulated face value of new concessional loans on a signature basis. Until the Third Review, this memo item had been defined on a disbursement basis.

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

[7] Excluding recapitalization of the central bank

Table 11. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (Updated)

Prior Actions			
Submit to Parliament a 2020 Supplementary Budget Law aligned with program commitments.	Prior Action	Met.	Ensure consistency of fiscal policy with program advice
Implementation of the rules-based FX intervention policy.	Prior Action	Met. The electronic trading platform is operational, and the central bank has published the instruction on the rules-based policy in its website.[1]	Strengthen foreign exchange management
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	Prior Action	Met.[2]	Strengthen governance
Submit to Parliament a 2021 Budget Law aligned with program commitments.	Prior Action	**Met.**	Ensure consistency of fiscal policy with program advice
Structural Benchmarks			
Fifth Review			
Prepare and adopt a manual for the preparation, appraisal and selection of investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes.	End May-2020	Not met. A draft decree on the regulatory framework for public investment projects was developed with AFW TA.	Strengthen public investment management
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 9 percent electricity tariffs for households and by 10 percent electricity tariffs for professionals and industrials in 2020, in line with the electricity tariff reform strategy 2019-25.	June 1, 2020	Not met. A draft decree setting the increase in electricity tariffs in line with the tariff reform strategy was prepared. The signature of the decree was postponed due to COVID.	Reduce electricity subsidies

[1]https://www.bcrg-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/

[2]The asset declaration form is available at http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/.

Table 11. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (concluded)

All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	Continuous	Met. A new agreement for iron ore extraction was ratified in July 2020. The contract entailed new investments in infrastructure and local transformation. It was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
Sixth Review			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 2020	Not met. The draft decree on the content of an asset declaration form is being finalized with the support of the World Bank.	Strengthen governance

MINISTERE DE L'ECONOMIE ET DES FINANCES (MEF)	BANQUE CENTRALE DE LA REPUBLIQUE DE GUINEE (BCRG)

Supplementary Letter of Intent

Conakry, December 4, 2020

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

Madam Managing Director:

Since we signed the Letter of Intent on November 23, 2020 requesting the conclusion of the 5th and 6th review of the economic and financial program supported by the International Monetary Fund under the Extended Credit Facility, I wish to inform you that we have made some adjustments to our monetary data.

These adjustments reflect the impact of the incorporation of the results of an end-2019 external audit of BCRG monetary data, and also a methodological adjustment necessary to fully align our reporting under the program's Technical Memorandum of Understanding (TMU). In particular, we have reclassified the reserve tranche position at the IMF from Net Domestic Assets (NDA) to Net Foreign Assets (NFA). The methodological adjustment has therefore led to a decrease in NDA and an increase in NFA, improving program performance against the respective Performance Criteria.

We are therefore writing to submit the updated table of performance criteria reflecting these adjustments. We support the correction and update of the outturns for these variables, as indicated in the attached table 1.

Furthermore, we have now submitted to Parliament the 2021 budget, aligned with the ECF program commitments, therefore completing all the prior actions for the last combined 5th and 6th reviews (table 2).

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

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

Attachments: Table 1. Guinea: Performance Criteria (PC) and Indicative Targets, ECF 2019–20

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20

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

(Billions of Guinean Francs; unless otherwise indicated)

	2019								2020											
	Sept.				Dec				March				June				Sept.			
	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status
Quantitative performance criteria																				
Basic fiscal balance (floor; cumulative change for the year)	548	592	497	Not Met	691	829	772	Not Met	265	265	429	Met	254	-296	388	Met	622	474	-2,340	Not Met
Net domestic assets of the central bank (ceiling; stock)	5,518	5,585	6,539	Not Met	5,856	6,064	6,025	Met	5,722	5,722	7,238	Not Met	5,688	4,863	6,631	Not Met	5,579	4,533	9,828	Not Met
Net government budgetary borrowing from the central bank (ceiling; stock)[7]	5,794	5,861	6,148	Not Met	5,626	5,834	5,753	Met	5,641	5,641	6,699	Not Met	5,623	4,798	7,063	Not Met	5,531	4,485	9,037	Not Met
Net international reserves of the central bank (floor; stock); US$ million[1]	679	672	715	Met	739	716	875	Met	795	795	822	Met	808	898	988	Met	824	938	924	Not Met
Continuous performance criteria																				
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US$	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met
New external arrears of the central government and central bank (ceiling)[3]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
Indicative targets																				
Tax revenues collected (floor)	12,939	12,939	12,186	Not Met	16,960	15,868	15,868	Met	4,895	4,895	4,059	Not Met	9,889	9,889	8,368	Not Met	14,706	14,706	12,412	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor)[4]	98	98	272	Met	130	240	371	Met	78	78	39	Not Met	154	154	177	Met	232	232	398	Met
New domestic arrears accumulated by the central government (net)[4]	-857	-857	-556	Not Met	-812	-812	-1448	Met	-37	-37	-1132	Met	-49	-49	-2261	Met	-59	-59	-1128	Met
Memorandum items:																				
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Sources: Guinean authorities; and IMF staff estimates and projections.

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

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

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

[7] Excluding recapitalization of the central bank

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20

Prior Actions			
Submit to Parliament a 2020 Supplementary Budget Law aligned with program commitments.	Prior Action	Met.	Ensure consistency of fiscal policy with program advice
Implementation of the rules-based FX intervention policy.	Prior Action	Met. The electronic trading platform is operational, and the central bank has published the instruction on the rules-based policy in its website[3].	Strengthen foreign exchange management
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	Prior Action	Met[4].	Strengthen governance
Submit to Parliament a 2021 Budget Law aligned with program commitments.	Prior Action	Met.	Ensure consistency of fiscal policy with program advice
Structural Benchmarks			
Fifth Review			
Prepare and adopt a manual for the preparation, appraisal and selection of investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes.	End May-2020	Not met. A draft decree on the regulatory framework for public investment projects was developed with AFW TA.	Strengthen public investment management
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 9 percent electricity tariffs for households and by 10 percent electricity tariffs for professionals and industrials in 2020, in line with the electricity tariff reform strategy 2019-25.	June 1, 2020	Not met. A draft decree setting the increase in electricity tariffs in line with the tariff reform strategy was prepared. The signature of the decree was postponed due to COVID.	Reduce electricity subsidies

[3] https://www.bcrg-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/

[4] The asset declaration form is available at http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/.

Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (concluded)

All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	Continuous	Met. A new agreement for iron ore extraction was ratified in July 2020. The contract entailed new investments in infrastructure and local transformation. It was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
Sixth Review			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 2020	Not met. The draft decree on the content of an asset declaration form is being finalized with the support of the World Bank.	Strengthen governance

Statement by Mr. Aivo Andrianarivelo, Executive Director for Guinea, Mr. Facinet Sylla, Alternate Executive Director, Mrs. Esso Boukpessi, and Mr. Kelvio Carvalho da Silveira, Advisors to the Executive Director on Guinea

December 9, 2020

I. Introduction

Our Guinean authorities would like to thank staff for the candid and productive discussions held during the 5th and 6th reviews under the Extended Credit Facility (ECF) arrangement. They express their appreciation to the Fund for the continued support to Guinea's policy and reform agenda envisaged under the 2017-2020 ECF-supported program.

Significant inroads were being made in the implementation of the ECF program before the COVID-19 pandemic hit Guinea. Building on its experience in the management of the Ebola crisis 2014-2016, the government decisively redirected its priorities and adopted the National Emergency Preparedness and Response Plan to mitigate the health and socio-economic fallouts of the COVID-19 pandemic. In this regard, the Guinean authorities highly appreciate the Fund's timely disbursement under the Rapid Credit Facility (RCF) as well as the debt service relief under the Catastrophe Containment and Relief Trust (CCRT) and the G20 DSSI which were critical in helping financing their response to the crisis.

Despite the challenging environment posed by this crisis, the authorities have steadfastly implemented the reforms and made broadly satisfactory progress towards program objectives. Going forward, cognizant of the uncertainty surrounding the global economic outlook, the Guinean authorities intend to maintain close engagement with the Fund to discuss appropriate policy measures, particularly in the event downside risks materialized. They reiterate their commitment to implementing sound polices to address the existing economic and social challenges, ensure macro-economic stability and pave the ways for a robust and sustained recovery.

II. Recent Economic Developments and Program Performance

As of December 04, 2020, Guinea has confirmed more than 13,000 cases of COVID-19 with 76 hospital deaths (a mortality rate of 0.58%). However, the country has one of the highest recovery rates (92.7%) reflecting the efforts made by the government and the experience in handling health crises.

While the non-mining sector has been severely affected by the pandemic, notably by the restricting measures adopted by the government, dynamism in the mining sector –bauxite production and artisanal gold activity– has supported the growth momentum. Real GDP growth is projected at 5.2 percent in 2020 with the mining sector expected to expand by 18.4 percent. The fiscal stance in 2020 was loosened to accommodate the crisis response. From a surplus of 0.6 percent of GDP in 2019, the basic fiscal balance is expected to register a 2.3 percent deficit in 2020. End-of-period y-o-y inflation is expected to rise, mainly due to the disruptions in food supply and transportation but will remain at single-digit levels. As for international reserves, they stood at 3.8 months of imports. The banking system remains stable and credit to the private sector grew by 16.7 percent in average y-o-y at end-September 2020 while net commercial bank lending to the government increased by 44.6 percent as result of the increased use of Treasury bills to help finance the COVID-19 response plan.

The Guinean authorities have maintained a good track record of policy implementation since the inception of the program including in the period under these reviews. At end-December 2019, three out of four performance criteria (PCs) were met while the PC on the basic fiscal balance was missed by a very small margin of 0.04 percent of GDP. All three Indicative Targets (ITs) and the two continuous PCs were also observed. For the end-June 2020 program targets, while the ITs on domestically financed social safety nets programs and domestic arrears were met, two out of three PCs as well as the IT on the floor of tax revenues collection fell short of expectations due to the impact of the COVID-19 pandemic on the economy and the authorities' response to this exceptional crisis. The authorities took the required measures to remedy these shortfalls, notably by rationalizing non-priority spending and mobilizing additional external resources to finance the deficit.

On the structural front, although most of the benchmarks (SBs) set for 2020 were missed due to the virus outbreak, progress is being made on various fronts. The asset declaration form was published on the website of the audit court in November 2020 and forceful steps are also being taken to finalize the Public Investment Management manual during this month of December. The continuous SB on a new agreement for iron ore extraction was implemented and the agreement ratified in July 2020. All four prior actions have also been observed.

III. Outlook

The Guinean authorities are optimistic about the economic outlook. They are confident that after a strong recovery in 2021, sustained and high growth rates will be within reach in the medium-term on the back of continued buoyant activity in the mining sector and pick-up of the non-mining activity. Moreover, recent investments in the mining and energy sectors along with other large infrastructure projects are expected to enhance competitiveness and boost growth, notably by fostering stronger private sector activity. The favorable assumptions continue to rely on the end of the pandemic and a gradual global recovery. The authorities recognize the downside risks facing the outlook, stemming notably from the protracted COVID-19 pandemic and its second wave in West Africa, and weak external demand. Against this background, they will endeavor to reinforce the country's resilience to shocks. They will pursue policies aimed at preserving macroeconomic and external stability as well as advance bold reforms to achieve higher and more inclusive growth.

IV. Policies and Reforms in Support of a Sustained Post-COVID Recovery

Fiscal Policy and Reforms

The authorities remain committed to the objectives of ensuring fiscal and debt sustainability to safeguard macroeconomic stability while supporting the economic recovery. The draft Budget Law for 2021 envisages a basic fiscal surplus of 0.5 percent of GDP from a deficit of 2.3 of GDP in 2020. Over the medium-term, as the COVID-19 emergency subsides and the reconstruction needs are addressed, the authorities intend to resume their fiscal consolidation efforts. They will strive to enhance domestic revenue mobilization through the rationalization of tax exemptions, including the COVID-19 related tax relief provided; the expansion of the tax base; enhanced collection of customs and recoverable tax arrears. On the expenditure side, while making room for the needed social spending, both domestically and externally financed capital expenditure will increase moderately –albeit below pre-COVID levels– to support the recovery.

Important fiscal reforms in the areas of tax policy, revenue administration and public financial management (PFM) to support the revenue mobilization's efforts are being implemented. These include, (i) the operationalization of the organizational structure at the tax authority –*Direction Nationale des Impôts (DNI)* ; (ii) the roll out in September 2020 of the E- tax, an online tax declaration and payment system; (iv) the forthcoming review of the Tax Code– *Code Générale des Impôts (CGI),* with the support of IMF TA; as well as (v) the new model for forecasting mining revenues to be finalized with support of the Fund, others development partners and experts from the extractive sector. Keys reforms to strengthen the overall governance and public financial management include the centralization of units' bank accounts into the Treasury Single Account (TSA), a new procurement code, an improved public procurement process, and budget execution system. The information on public procurement contracts and monthly COVID-19 related expenses will also continue to be timely published, including the beneficial ownership information of companies receiving the contracts. The adoption of a manual of procedure for Public Investment Management is also underway.

The Guinean authorities are aware and concerned about the growing gap between the mining output and revenues collected from this sector. In this regard, all efforts will be made for an effective and adequate implementation of the current Mining Code. This code meets the best standards but has shortcomings in its implementation.

The authorities are committed to implement the automatic petroleum price adjustment mechanism while putting in place mitigating measures to protect the most vulnerable segments of the population. They also remain keen to moving ahead with the 2020-2025 multi-year tariff reform, in order to reduce untargeted electricity subsidies.

Debt Sustainability

The Guinean authorities take good note of staff assessment that the country's risks of external debt distress remain moderate. They reiterate their commitment to a prudent borrowing strategy and will continue to reinforce their debt management and improve public investment management to preserve medium-term debt sustainability.

Social Safety Nets

Enhancing social safety nets continue to rank high on the authorities' agenda. The national agency – *Agence Nationale d'Inclusion Economique et Sociale (ANIES)*, a first of this kind in West Africa in charge of implementing the authorities' strategy aimed at fostering social inclusion, has been created and very active on the ground with the support of the World Bank. The authorities have stepped up domestically-financing social safety nets programs and targeted social spending to protect the most vulnerable segments of the population and tackle the pervasive poverty levels. In this regard, ANIES will continue to make great use of digital cash and food transfers and count on support from other donors.

Monetary and Exchange Rate Policies

At the onset of the pandemic crisis, the central Bank –*Banque Centrale de la République de Guinée (BCRG)* has swiftly acted to provide liquidity support to the banking sector by implementing an accommodative policy stance and easing reserve requirements and the policy rate. The BCRG has also proceeded with the relaxation of some prudential requirements. As the crisis subsides, the authorities will pursue a prudent monetary policy geared towards keeping inflation low. They will target the monetary base in line with the program objectives and stand ready to take the necessary measures to maintain positive interest rates. The authorities recognize that limiting monetary financing of the fiscal deficit is key to reduce inflation and ensure macroeconomic stability. They remain committed to reduce such financing and have already started to reverse the advances to the Treasury. In addition, with the recently established Monetary Policy Committee, the authorities will make good use of liquidity instruments and forecasting tools to help achieve monetary policy targets, through notably the issuance of monetary regulation instruments – *Titres de Régulation Monétaire (TRMs).*

Regarding foreign exchange markets, the BCRG pressed ahead with the implementation of the rule-based intervention strategy with the aim to contain future interventions, preserve international reserves, support the expansion of the interbank market and improve transparency. Efforts will be also pursued to address the outstanding recommendations of the 2018 safeguard assessment including the revision of the BCRG's Law.

Financial Sector Stability and Inclusion

Several important steps to ensure Guinea's financial sector stability and strengthen banking supervision have been taken following the 2019 Financial Sector Stability Review. A new chart of accounts along with a new risk-based AML/CFT supervision for banks have been adopted. To improve the BCRG's regulatory framework, the authorities will push forward the implementation by the end 2021 of most provisions under Basel II & III. In addition, with support from the IMF and other partners, they plan to proceed with the adoption of the International Financial Reporting Standards (IFRS) and to establish a bank resolution framework.

Other issues of importance include the finalization of the legal framework of the deposit guarantee system, the operationalization of the emergency liquidity assistance and the banking resolution frameworks. Building on recommendations from the recent financial inclusion diagnostic carried out with the World Bank, the authorities plan to develop a national strategy for inclusive finance with the view to further broaden and deepen financial inclusion and support the private sector.

Business Climate and Governance

Accelerating the implementation of far-reaching structural reforms to promote a vibrant private sector, further ameliorate the business climate and enhance governance is key to foster Guinea's economic transformation. Good progress has been made in strengthening institutions, governance and the anti-corruption legal frameworks. The Guinean authorities have completed and made public on the Audit Court's website, the asset declaration form in line with the decree adopted in March 2020. They will allocate the necessary resources in the 2021 budget law for a proper monitoring of its execution. The revisions of legislations consistent with international best practices on criminalization of acts of corruption and in line with the United Nations Convention against Corruption (UNCAC) is also underway, albeit delayed in the context of the pandemic.

As for the AML/CFT regime, significant steps are also being undertaken. With the support of IMF TA, a new AML/CFT law has been drafted in April 2020 and the review of its consistency with national legislation is being finalized.

V. Conclusion

In a context marked by the COVID-19 unprecedented crisis, our Guinean authorities remain committed to prudent policies and reforms to strengthen macroeconomic stability and achieve a robust and sustained economic recovery. Considering the progress made in implementing the ECF- supported program, we would appreciate Executive Directors' support for the completion of the 5th and 6th (final) reviews under the ECF arrangement, and approval of request for waivers of nonobservance of performance criteria.