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Republic of Guinea: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

July 18, 2014

Letter of Intent

Republic of Guinea

Conakry, July 18, 2014

MINISTRY OF ECONOMY
AND FINANCE

CENTRAL BANK OF
THE REPUBLIC OF GUINEA

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

Subject: Letter of Intent on Economic and Financial Policies

Dear Madame Managing Director:

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

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

3. The implementation of the program supported under the ECF arrangement remains satisfactory. All the quantitative performance criteria for end-December 2013 have been observed. Available data indicate that all but one of the indicative targets for end-March 2014 also have been met. In order to catch up on delays in implementing our ambitious structural reform agenda, we have enhanced our coordination of the monitoring of government policies through the establishment of the Council for Economic Coordination and Reform (CCER) and the strengthening of the Technical Support Committee and the Technical Program Monitoring Unit (CTSP).

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

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

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

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

information required to monitor the implementation of measures and the achievement of program objectives.

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

Very truly yours,

________/s/________________	____________/s/_____________________
Minister Ansoumane Condé Deputy Minister for Budget for Mohamed Diaré Minister of State for Economy and Finance	Lounceny Nabé Governor of the Central Bank of the Republic of Guinea

Attachments:

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

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

July 18, 2014

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

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Macroeconomic Developments

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

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

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

B. Fiscal Developments

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

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

C. Monetary and Exchange Rate Developments

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

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

D. Developments in External Debt

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

E. Implementation of Structural Reforms

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

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

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

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

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

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

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

Tax administration

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

Customs administration

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

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

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

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

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

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

A. Macroeconomic Outlook for 2014

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

B. Fiscal Policy

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

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

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

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

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

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

C. Monetary and Foreign Exchange Policy for 2014

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

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

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

Box 3. Guinea: Safeguards Assessment: Priority Reforms

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

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

D. Structural Reforms

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

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

Public financial management

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

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

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

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

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

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

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

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

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

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

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

Civil service

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

Business climate

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

Box 5. Guinea: Justice Sector: Reform Program

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

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

Mining sector

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

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

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

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

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

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

Energy sector

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

Agricultural sector

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

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

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

E. Program Financing

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

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

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

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

PROGRAM MONITORING

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

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

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

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

(Billions of Guinean francs, unless otherwise indicated)

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

Sources: Guinean authorities; and IMF staff projections.

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

[2] Calculated using the program exchange rates.

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

[4] Continuous performance criterion.

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

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

Table 2. Guinea: Structural Benchmarks Under the ECF-Supported Program, July–December, 2013			
Measures	**Date**	**Implementation Status**	**Macroeconomic Rationale**
Apply a monthly adjustment system to the price of petroleum products based on fluctuations in the international market price and the exchange rate	Ongoing, starting August 1, 2013	Not met. Pump prices were increased by 5 percent in February 2014.	Protect fiscal revenues
Adopt a civil service reform plan, based on the results of the biometric survey and the HCREMA action plan	End-September 2013	Not met. Rescheduled. The recruitment of a consultant to conduct the biometric survey was delayed.	Restrain the wage bill and improve government productivity
Prepare a medium-term action plan to strengthen external debt management with technical assistance from the European Union	End-October 2013	Not met. Implemented with delay in March 2014	Strengthen external debt management
Adopt and implement the recommendations of the study on the role of SOGUIPAMI and its relationship with public administrations	End-December 2013	Not met. The consultant submitted his final report in April 2014.	Maintain the government's assets in the mining sector under government control, protect government revenues, and limit fiscal risks
Regularize suspense accounts and produce administrative government accounts for 2005–12	End-December 2013	Not met. The initial approach could not be implemented due to lack of data on earlier years of the period, reflecting the turbulent social and political situation at that time. Benchmark reformulated and rescheduled.	Improve public financial management and transparency
Adopt revisions of legal texts on public entities to make them consistent with the new Budget Framework Law (LORF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP)	End-December 2013	Not met. Rescheduled.	Limit the risks for the government budget and strengthen central control over external public debt

Table 3. Guinea: Structural Benchmarks Under the ECF-Supported Program for 2014[1]			
Measures	**Date**	**Implementation Status/Remarks**	**Macroeconomic Rationale**
Strengthen the institutional and financial resources of the CTSP and start the process of recruiting national experts in line with the recommendations of the study financed by the EU	End-March 2014	Not met. However, substantial progress was made: the decree restructuring the CTSP was signed in March 2014. The terms of reference for consultants have been submitted to donors in June 2014 (MEFP¶10,¶25); the executive secretary was nominated in July and offices will be available by August.	Improve program monitoring
Sign a performance contract with EDG's management, requiring EDG to ensure that its need for financial assistance will be limited to the amount in the budget and that new supplier arrears will be avoided	End-April 2014	Not met. Pending the selection of a private-sector management company for EDG by end-2014, the government has decided to provide written instructions to EDG instead of a more expensive performance contract (MEFP ¶21)	Reduce budgetary risks
Submit to parliament a draft law revising the investment code	End-June 2014	Not met. Projected to be adopted by the government by end-July 2014 (MEFP ¶10, 34)	Reduce tax expenditures and improve the business environment
Adopt the regulations governing the power of the main participants (ACGP, ARMP, DNMP) and the implementing regulations of the new procurement code	End-June 2014	Not met (MEFP ¶10) ; adoption expected before end-July 2014	Bring the public procurement framework in line with international standards
The government to decide on the treatment of the suspense accounts for the exceptional years (2005–10) based on the recommendations of IMF technical assistance and will produce the general management and the administrative accounts of the State for 2011–12	End-June 2014	Not met. The government has decided to settle the accounts for the years 2005–10 as one year; the completion of accounts for 2011–12 has been rescheduled for end-December 2014 (Table 4), (MEFP¶32).	Strengthen fiscal management and transparency

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

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

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

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

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

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

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

Attachment II. Technical Memorandum of Understanding

July 18, 2014

INTRODUCTION

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

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

KEY DEFINITIONS

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

A. Quantitative Performance Criteria

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

5. **Net domestic assets** (NDA) of the BCRG are, by definition, equal to the difference between reserve money (defined below) and net foreign assets (NFA) of the BCRG. NFA are equal to the difference between the gross foreign assets of the BCRG, including foreign assets that are not part of reserve assets, and foreign liabilities of the BCRG (i.e., NDA = Reserve Money - NFA, based on the BCRG balance sheet).

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

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

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

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

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

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

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

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

B. Indicative Target and Memorandum Item

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

13. **Reserve money**, a memorandum item, comprises deposits from local banks and the private sector to the BCRG (including bank reserve requirements) denominated both in Guinean francs and in foreign currencies, Guinean francs in circulation, and Guinean francs in the vaults of local banks. The amounts in foreign currencies will be converted to Guinean francs at the program exchange rate (as defined above in the paragraph on net international reserves).

C. External Debt

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

- loans , i.e., advances of money to the obligor by the lender on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' or suppliers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements, official swap arrangements, swaps, or leases);

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

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

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

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

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

D. Adjustment to Program Performance Criteria

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

Guinea: External Assistance, Program Arrears, Exceptional Mining Revenue and Float, 2013–14
(Billions of Guinean francs, cumulative from the beginning of the fiscal year)

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

Sources: Guinean authorities and IMF staff calculations.

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

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

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

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

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

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

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

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

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

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

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

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

E. Definitions for Purpose of the TOFE

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

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

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

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

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

F. Data Reporting for Program Monitoring Purposes

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

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

Table 1. Guinea: Data Reporting Requirements for Program Monitoring			
Category of Data	**Table/Report**	**Frequency**	**Deadline**
Financial and monetary data	Central bank balance sheet, consolidated commercial bank balance sheet, monetary survey (at the current exchange rate as well as at the program exchange rate)	Monthly	30th of the month for the previous month
	Detailed net treasury position (NTP) and net government position (NGP)	Monthly	30th of the month for the previous month
	Interest rates and stock of government and central bank securities (BDT and TRM)	Monthly	30th of the month for the previous month
	Prudential indicators for commercial banks	Quarterly	One month after the end of the quarter
	Foreign exchange budget	Monthly	30th of the month for the previous month
Fiscal data	Status report, including a detailed statement of revenue, expenditure, and cash-flow operations	Monthly	30th of the month for the previous month
	Monthly report of the high-level technical committee on revenue monitoring	Monthly	15th of the month for the previous month
	General Treasury balances	Monthly	30th of the month for the previous month
	Cash-flow plan	Monthly	30th of the month for the previous month
	Government fiscal reporting table (TOFE)	Monthly	30th of the month for the previous month
	Use of exceptional mining revenues	Quarterly	30th of the month after the end of the quarter
	Execution of budgetary expenditures from HIPC resources and other priority expenditures	Monthly	30th of the month for the previous month
	Balance of current expenditures, VAT credits to be refunded, and domestic debt arrears	Monthly	30th of the month for the previous month
	Nonbank financing, indicating operations in Guinean francs and those in foreign currencies	Monthly	30th of the month for the previous month

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