

## **Guinea: Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility—Staff Report and Press Release on the Executive Board Discussion**

In the context of the Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility, the following documents have been released and are included in this package:

- the staff report for the Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility, prepared by a staff team of the IMF, following discussions that ended on **March 23, 2001** with the officials of Guinea on economic developments and policies. **Based on information available at the time of these discussions, the staff report was completed on April 18, 2001.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF;
- a Press Release summarizing the **views of the Executive Board as expressed during its May 2, 2001 discussion** of the staff report that completed the review.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Guinea.\*

Memorandum of Economic and Financial Policies by the authorities of Guinea.\*

\*May also be included in Staff Report

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

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INTERNATIONAL MONETARY FUND

GUINEA

**Staff Report for the Request for a Three-Year Arrangement Under  
the Poverty Reduction and Growth Facility**

Prepared by African Department

(In consultation with the Legal, Monetary and Exchange Affairs,  
Policy Development and Review, Statistics, and Treasurer's Departments)

Approved by Amor Tahari and Masood Ahmed

April 18, 2001

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- A mission visited Conakry during February 20-March 6, 2001 to negotiate a new three-year PRGF arrangement. Discussions on the medium-term fiscal framework were completed in Washington during March 21-23, 2001.
- The staff team consisted of Mr. Harris (head), Mr. Lazar, Ms. Adenauer, Ms. Estevez (Administrative Assistant) (all AFR), Mr. Jones (PDR), Mr. Driessen (MAE), and Mr. Gudmundsson (SEC). Mr. Nascimento, the Fund's Resident Representative in Guinea, participated fully in the mission, as did Mr. Larbi of the World Bank. The Guinean representatives in these discussions included Mr. Sidimé, the Prime Minister; Mr. Camara, Minister of Economy and Finance; Mr. Bah, Governor of the Central Bank of the Republic of Guinea; and other senior officials. Members of the mission were also received by President Conté.
- A three-year arrangement under the PRGF, in an amount equivalent to SDR 70.8 million (90 percent of the total under Ninth General Review of Quotas), was approved on January 13, 1997. The third annual arrangement under the PRGF was approved on December 21, 1999, and the first loan thereunder, in an amount equivalent to SDR 7.9 million, was disbursed soon thereafter. The first review under the third annual arrangement was completed on December 20, 2000, and the second loan under the arrangement, in an amount equivalent to SDR 7.9 million, was disbursed soon thereafter. Disbursement of the third loan under the arrangement was not requested prior to expiration of the arrangement. Guinea has reached its decision point under the enhanced HIPC Initiative and was declared eligible for interim assistance by the Executive Boards of the Fund and the World Bank on December 20 and 22, 2000, respectively.
- The present staff report presents Guinea's request for a new three-year arrangement under the PRGF covering the period from April 2001-March 2004. If the loans under the new arrangement are disbursed as programmed, Guinea's outstanding use of Fund resources would rise from SDR 94.5 million (88.2 percent of the total under the Eleventh General Review Quotas) at end-February 2001 to SDR 113.84 million (106.3 percent of quota) at end-March 2004.
- In completing the 2000 Article IV consultation on December 20, 2000, Executive Directors welcomed the remedial actions taken to bring the program back on track after slippages in the first half of 2000, and stressed the need to establish a sound policy environment conducive to sustained economic growth. They underscored the importance of continued fiscal consolidation and a durable improvement in revenue mobilization. Directors commended the authorities for reestablishing the momentum of structural reforms and welcomed the establishment of a National Anticorruption Committee, urging the authorities to deal with cases of corruption in a swift and fully transparent manner. Directors noted the considerable progress made with respect to the poverty reduction strategy and took note of the planned completion of the full PRSP by end-2001.

## EXECUTIVE SUMMARY

### Background

- The first review of the third annual program supported by the PRGF was completed on December 20, 2000. The Executive Boards of the IMF and the World Bank also declared Guinea eligible for debt relief under the enhanced HIPC Initiative on December 20 and 22, 2000, respectively. In the attached letter of intent, the Guinea authorities request a new three-year arrangement under the PRGF in an amount equivalent to SDR 64.26 million (60 percent of quota).

### Recent economic and financial developments

- Output growth is projected at 1.8 percent in 2000, down from 3.9 percent in 1999, reflecting primarily the adverse impact of the border crisis. Average inflation rose from 4.6 percent in 1999 to 6.8 percent in 2000, reflecting higher oil prices and the continued depreciation of the Guinean franc. The external current account deficit improved from 4.2 percent of GDP to 2.9 percent.
- The primary surplus was 2.6 percent of GDP, instead of the 2.9 percent projected at the time of the 2000 Article IV consultation. The overall deficit was 3.2 percent of GDP, higher than anticipated, and the financing requirement was covered primarily by higher recourse to central bank credit, in the absence of external budgetary assistance. As a result, broad money expanded sharply in the last quarter (23.4 percent over the year as a whole), while credit to the private sector rose by only 5 percent of beginning-of-period money. The target for the net foreign assets of the central bank was missed.
- Progress was made on the structural front, but the public enterprise restructuring and privatization program continues to experience delays.

### The medium-term program for 2001-04

Selected Economic and Financial Indicators, 1999-2004

	1999	2000		2001	2002	2003	2004
		Est. EBS/ 00/257	Rev. Est.				
		(Annual percentage changes)					
Real GDP	3.9	4.5	1.8	3.3	5.4	5.7	6.5
CPI (average)	4.6	7.7	6.8	9.6	4.2	3.0	2.8
Broad money	8.8	20.9	23.4	8.5	...	...	...
		(In percent of GDP)					
Primary fiscal balance	2.4	3.1	2.6	0.8	1.3	1.6	1.2
Overall budget balance							
Including grants	-3.0	-2.6	-3.2	-3.2	-1.3	-0.8	-1.3
Excluding grants	-5.4	-4.8	-5.6	-8.6	-6.8	-6.3	-6.4
External current account balance							
(including official transfers)	-4.2	-3.4	-2.9	-2.6	-2.6	-1.9	-1.3

Sources: Guinean authorities; and staff estimates and projections.

- The new program focuses on maintaining macroeconomic stability and accelerating growth as prerequisites for poverty reduction, consistent with the Interim Poverty Reduction Strategy Paper (I-PRSP). Fiscal policy emphasizes revenue mobilization and the continued improvement in public expenditure management; monetary policy aims at maintaining single-digit inflation, and the completion of a comprehensive reform program. In the external sector, the authorities plan to meet most of the convergence criteria associated with the plans to introduce a second monetary zone in the Economic Community of West African States (ECOWAS), and to introduce over the medium term the more liberal Common External Tariff (CET) of the West African Economic and Monetary Union (WAEMU).
- The structural reform agenda emphasizes the acceleration of the public enterprise restructuring and reform program; continued improvements in budget management and execution; the process of administrative decentralization; the initiation of the process of civil service reform; and judicial reform and improvements in governance. Most of these areas are covered by the World Bank and other donors. Fund structural conditionality is therefore limited to the areas of public finances (specifically revenue mobilization and the strengthening of internal and external auditing of budget execution) and monetary reforms.

#### **The program for 2001/02**

- The program targets for 2001 are a growth rate of 3.3 percent; inflation of 9.6 percent (reflecting the effects of the monetary expansion in the last quarter of 2000) and a current account deficit of 2.6 percent of GDP. The primary fiscal surplus is projected to decline from 2.6 percent of GDP in 2000 to 0.8 percent in 2001, reflecting the substantial increase in poverty-reduction spending financed by HIPC resources, as well as higher defense outlays and emergency humanitarian assistance to internally displaced persons necessitated by the border conflict. Revenues are projected to increase by 3.2 percent of GDP, reflecting new tax measures, a partial reduction of exemptions, and improved administration. The financing gap (equivalent to 5.3 percent of GDP) is fully covered by identified disbursements.
- The stance of monetary policy will be tightened in 2001. Broad money is expected to expand by 8.5 percent (less than nominal GDP), while the government will repay GF 76 billion to the banking system.
- In the area of governance, the authorities will strengthen the Anticorruption Committee and implement a major program of judicial reform, with the support of the World Bank. They will also reinforce the internal and external auditing of budget execution and of government procurement procedures.
- The government will conduct a study, with technical assistance from the Fund, of the impact of introducing the WAEMU's CET in Guinea by September 2001.

#### **The PRSP process**

- The PRSP process is proceeding according to the timetable set out in the I-PRSP. The full PRSP should be ready by end-December as planned.

- A preliminary examination of the social impact of policies proposed in the new program indicates that the effect of most policies in the program on vulnerable groups should be largely positive. The system of monitoring the use of resources freed under the enhanced HIPC Initiative will also be strengthened.

#### **Issues raised in the staff appraisal**

- Sustain consistently the reform effort and avoid the policy slippages of past years.
- Maintain firm control over expenditures for emergency humanitarian assistance and defense spending; strengthen revenue mobilization, particularly gradually eliminating the pervasive exemptions.
- Implement fully and on a timely basis the structural reform agenda, particularly public enterprise restructuring and privatization, and maintain fiscal discipline in the process of administrative decentralization.
- The need to step up efforts to improve governance, including ensuring that the Anticorruption Committee can become fully effective and enforcing the provisions of the legal and regulatory frameworks impartially and consistently.
- Achieve further improvements in public accountability and governance, including through reform of the judiciary.
- Improve the statistical basis for the analysis of poverty and for monitoring the results of public action.

## I. INTRODUCTION

1. In a letter to the Managing Director, dated March 30, 2001, and in the accompanying memorandum of economic and financial policies (MEFP) (Appendix II, Attachment I), the government of Guinea describes the implementation of its economic and financial program for the period through end-2000, supported by the Poverty Reduction and Growth Facility (PRGF), and requests a new three-year PRGF arrangement in support of a new medium-term program covering the period April 2001-March 2004. Guinea's adjustment effort continues to receive support from the World Bank group and other donors. A new Structural Adjustment Credit (SAC IV) is expected to be approved by the Bank in May 2001.<sup>1</sup> Guinea's relations with the Fund and the World Bank Group are summarized in Appendices III and IV, respectively.

## II. BACKGROUND AND RECENT DEVELOPMENTS

2. The implementation of Guinea's PRGF-supported program in 2000 was hampered by adverse external events that contributed to program slippages in early 2000. These included a pronounced negative terms of trade shock, an increasingly severe border conflict, and a substantial shortfall in expected external assistance, reflecting to some extent delays in implementing agreed policy measures. The slippages experienced in early 2000 were reversed and the program brought back on track under an interim program designed with Fund staff in May 2000, and the first review of the third year of the PRGF arrangement was concluded in December 2000.

3. The security situation along Guinea's borders began deteriorating in late 1998, driving the government to reinforce the defense of its borders and host a large number of additional refugees. Since then, armed rebel incursions into Guinea from Liberia and Sierra Leone have intensified, leading to an outbreak of aggression against Guinea in September 2000. These armed attacks resulted in the destruction of the major regional trading center at Guékédou, as well as severe damage to the economic infrastructure in the affected areas, bringing economic activity in this zone to a virtual halt and displacing some 300,000 Guineans from their homes.<sup>2</sup>

4. The sharp deterioration of the security situation in September 2000 obliged the UN High Commission for Refugees (UNHCR) to suspend its provision of support for the refugee camps, and international development agencies interrupted projects under way in the border areas, especially in the most severely affected zone, which was a declared priority for development activities. The aggression has affected one of Guinea's most productive

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<sup>1</sup> The initially intended Poverty Reduction Support Credit is now expected to be introduced in 2002.

<sup>2</sup> This is in addition to the displacement of a majority of the estimated 600,000 refugees from Sierra Leone and Liberia, who had been housed for most of the past decade in border camps.



agricultural areas—yields for many crops were sharply reduced, and the rebels also destroyed existing stocks.<sup>3</sup> As the major road linking this area with the rest of the country was cut, both regional and national trade were also negatively affected. The social implications are massive, as social service infrastructure was destroyed.<sup>4</sup> The economic consequences of these developments are lower-than-expected economic activity; higher defense spending; and the need for substantial immediate humanitarian assistance.

### III. OUTTURN AT END-2000

5. **In 2000, output growth slowed to 1.8 percent, from 3.9 percent in 1999**, with only the fisheries sector showing some dynamism. Growth in the agriculture and mining sectors, the economy's key driving forces, had to be revised downward. Agriculture was negatively affected by the outbreak of hostilities along Guinea's borders as described above, whereas mining activity was slower than forecast as the benefits of past investments and management changes took longer to materialize than expected. Other adverse effects of the regional conflict included a sharp decline in regional trade and sluggish transport activity. Overall **investment** remained stable at about 22 percent of GDP, while the **domestic savings** rate rose to 18.6 percent of GDP from 17.5 percent in 1999. Average **inflation** picked up to 6.8 percent from 4.6 percent in 1999, primarily reflecting a 60 percent increase in retail petroleum prices at end-August 2000 and a depreciation of 10 percent in the **exchange rate** over the course of 2000.

6. **The fiscal outturn was somewhat worse than projected at the time of the Article IV consultation and midterm review.** Overall **revenue** reached 11.1 percent of GDP (which was 0.6 percent of GDP short of the earlier projections), primarily because of lower customs and value-added tax (VAT) receipts resulting from slower activity. Overall **expenditure**, at 16.7 percent of GDP, was somewhat lower than projected earlier, despite defense spending, that was considerably higher than originally budgeted.<sup>5</sup> Subsidies and transfers, as well as domestically financed investment spending were compressed, although current and capital spending in the priority social sectors was maintained at projected levels. The **primary surplus** thus reached the equivalent of 2.6 percent of GDP at end-2000, compared with an anticipated 2.9 percent.

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<sup>3</sup> For example, the 2000 rice harvest was completely lost because the attacks hit just at harvest time.

<sup>4</sup> Schools and hospitals in the directly affected areas have been severely damaged or destroyed, and equipment and supplies looted. Moreover, the growing number of internally displaced persons is overwhelming the capacity of towns and villages in the interior to provide basic health and education services.

<sup>5</sup> Total defense spending (excluding military wages) in 2000 was just under 1 percent of GDP.

7. The government repaid almost GF 11 billion more in domestic arrears to local suppliers than expected during 2000, in part through the issue of new treasury bills, most of which were immediately discounted at the commercial banks;<sup>6</sup> however, it missed a payment on nonreschedulable debts to Paris Club creditors at the end of the year (GF 5.4 billion), which was paid in February 2001. The **overall cash deficit** (including grants) was 3.7 percent of GDP, higher than anticipated earlier. In the absence of significant net external financing,<sup>7</sup> the financing gap was covered mainly by greater recourse to **net credit from the banking system**.

8. **Broad money expanded sharply in 2000** (by 23.4 percent), reflecting the increase in net bank credit to the government (22.3 percent of beginning-of-period money stock). Most of this increase was due to net borrowing from the Central Bank of the Republic of Guinea (BCRG), which rose particularly rapidly in the last four months of 2000 to finance the deficit in the absence of the expected external assistance. Credit to the nongovernment sector increased by only 5 percent of beginning-of-period broad money, as banking sector liquidity eased only in the final months of the year and banks continued to maintain a cautious stance in their lending policies: they preferred to hold any excess liquidity in the form of treasury bills and, since November 2000, central bank bills (see Box 2 below). The share of banking sector deposits in M2 remained relatively stable at just under 49 percent, although the proportion of deposits held in foreign currency deposits declined somewhat (from 33 percent at end-1999 to 28 percent at end-2000).

9. The central bank follows a reserve money program, in which it used treasury bill auctions as its main instrument. On November 10, 2000, in keeping with the recommendations of the June 2000 technical assistance mission from the Fund's Monetary and Exchange Affairs Department (MAE), the **BCRG introduced a new 7-day central bank bill** (*titre de regulation monétaire, TRM*), which replaced the use of treasury bills as an instrument of liquidity management, and converted the outstanding stock of T-bills issued for that purpose (GNF 25.3 billion) into TRMs. Since the introduction of the TRMs, the interest rate has stabilized at about 12.5 percent, down from 13.7 percent during the first auctions.

10. Moreover, the reserve ratio was halved to 5.5 percent of eligible deposits on December 1, releasing some GNF 17 billion of additional bank liquidity.<sup>8</sup> However, the banks were encouraged to use part of the additional liquidity to help finance the government

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<sup>6</sup> The bills were issued at maturities varying from six-months to one year and at interest rates ranging between 14.8 percent and 15.25 percent.

<sup>7</sup> For the most part, this reflected the policy slippages in 1999 and early 2000 that delayed completion of the first review under the third annual PRGF arrangement, as well as the then-planned fourth Structural Adjustment Credit (SAC IV) of the World Bank. This delayed disbursements from other donors.

<sup>8</sup> The MAE mission had also recommended a controlled release of liquidity to start the new central bank bill auction mechanism off.

deficit at the end of 2000. They thus purchased GNF 9.8 billion in new three-month treasury bills issued at an interest rate of 6 percent for deficit financing purposes, holding the remainder of the additional liquidity in TRMs or foreign currency deposits.

**11. The weekly official foreign exchange auction continued to function well during 2000:** as the BCRG ceased its interventions in the market in support of the exchange rate in May 2000. However, the shortage of available foreign exchange has persisted; as a result, the interval between the auctions has lengthened to two to three weeks since late December 2000. Gross official reserves fell to the equivalent of 1.8 months of imports (from 2.7 months at end-1999). The Guinean franc depreciated by over 10 percent in U.S. dollar terms over the year, although the downward trend slowed in the last quarter. The official exchange rate has fluctuated within a very narrow band of less than  $\pm 2$  percent relative to the parallel market rate over the past few months (see Figure 4).

**12. The Guinean banking system continued to consolidate its position during 2000.** The four largest banks, which together account for almost 85 percent of the loan portfolio of the banking sector, have provisioned most of their nonperforming loans (93 percent at end-December 2000) and are in broad compliance with the key prudential ratios required by the BCRG (see Box 1).<sup>9</sup>

**13. The external current account deficit (including official transfers) narrowed** from the equivalent of 4.2 percent of GDP in 1999 to 2.9 percent in 2000, despite a 10 percent deterioration in the terms of trade. Export receipts rose by 7.5 percent, but imports declined by 4.6 percent, reflecting primarily the negative effect of considerably higher domestic petroleum prices on demand. The capital account registered a deficit of US\$19 million, as private capital flows also turned negative. The overall deficit of US\$62.3 million was financed by an accumulation of reschedulable arrears to Paris Club creditors<sup>10</sup> and a drawdown of official reserves.

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<sup>9</sup> None of Guinea's seven commercial banks are in full compliance with all the prudential ratios. All of the four largest banks are in compliance with the own capital requirement, the minimum liquidity ratio, and the concentration of risk ratio (see Box 1). Two of the four are just below the solvency ratio of 8 percent, while only one respected the division of risk ratio. Two banks that have been under restructuring plans since 1998 continue to experience difficulty and need to be recapitalized; however, owing to their small size, they present no systemic risk to the banking sector as a whole.

<sup>10</sup> Guinea continued to pay its Paris Club creditors on the basis of the 1997 rescheduling agreement, which expired at end-1999. The arrears thus accumulated on reschedulable debts (US\$18.3 million) are expected to be settled in the context of a successor Paris Club arrangement.

**Box 1. Guinea: Key Indicators of Prudential Situation of the Banking Sector, 2000**

	Net own capital	Solvability	Liquidity Ratio	Concentration of Risk Ratio	Credit to Bank Management Ratio 1/	Division of Risk Ratio
	GNF 2 billions Min. (quarterly)	8 % Min. (quarterly)	70 % Max. (quarterly)	8 times net own capital Max. (quarterly)	5% Max. (quarterly)	30 % Max. (quarterly)
(Of seven banks in operation)						
Dec. 1999	5	6	7	4	2	1
Mar. 2000	4	3	7	4	2	1
June 2000	3	3	6	5	2	1
Sep. 2000	4	4	6	5	2	1
Dec. 2000	4	3	7	4	2	1

Source: BCRG.

1/ All of the loans concerned were contracted before the introduction of this limit, and are being repaid normally.

**Structure of Portfolio Credits of the Commercial Banks, 2000**  
(In billions of Guinean francs)

	Jan.	Mar.	June	Sep.	Dec.
1. Total credit outstanding	263.0	282.8	277.7	284.7	288.7
2. Performing credits	186.2	207.9	198.1	205.6	211.7
<i>Of which: non-imputed Values (NIV)</i>	5.3	5.2	4.6	4.5	5.2
3. Frozen credits	5.0	4.5	5.6	5.2	4.9
4. Doubtful and contentious loans	17.2	16.9	17.5	15.8	12.1
5. Provisions	54.6	53.6	56.4	58.2	60.0
6. Nonperforming claims (4+5)	71.8	70.5	73.9	74.0	72.1
7. Unpaid loans (NIV+3+4+5)	82.1	80.1	84.2	83.6	82.2

Ratios (in percent)

For all commercial banks

Ratio of unpaid loans to total loan portfolio (7/1)	31.2	28.3	30.3	29.4	28.5
Ratio of potential problem loans (6/1)	27.3	24.9	26.6	26.0	25.0
Ratio of coverage of potential problem loans (5/6)	76.0	76.1	76.3	78.6	83.2

For the four largest commercial banks

Ratio of unpaid loans to total loan portfolio (7/1)	26.3	23.5	25.6	24.8	23.7
Ratio of potential problem loans (6/1)	23.1	20.7	22.5	21.9	20.9
Ratio of coverage of potential problem loans (5/6)	82.8	83.9	83.7	86.9	93.3

Memorandum item:

Share of four largest banks in total loan portfolio	83.2	84.2	84.2	84.4	84.5
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Source: BCRG, Direction Générale de l'Inspection and Direction des Banques.

14. In the area of **structural** reform, a technical unit charged with preparing operations for privatizing and restructuring public enterprises will be created in the near future, and a review of the framework for private sector participation in the public utilities sector was conducted with the support of the World Bank, both in the second half of 2000. However, an energy sector strategy has still not been formulated, and disagreement with the private management partner of the water company has resulted in the suspension of the previous lease contract.<sup>11</sup> Moreover, the final decision on the parastatal mining company (ANAIM) is now not expected before the end of 2001. The financial situation of the social security fund (CNSS) has continued to improve under the new management. The stock of pension arrears was reduced from 24 months at end-1998 to 2-3 months at end-2000, and the final accounts for 2000 are expected to be presented by April 2001. The government has adopted two draft laws that eliminate the system of automatic advancement of civil servants and introduce merit-based elements into the remuneration system; it intends to present these laws to the National Assembly in the next weeks. The process of administrative and financial devolution has also continued. In preparation for the transfer of responsibility for expenditures to the next level of administration (the prefectures), a training program for budget officers at the prefectural level was carried out in the second half of the year.<sup>12</sup>

15. Finally, after having raised domestic retail petroleum prices by 60 percent at end-August 2000 in response to the rise in world oil prices, the authorities reduced them by some 20 percent at end-January 2001 to reflect the recent decline in international prices. A fully automatic adjustment mechanism was introduced at end-March 2001.

#### IV. THE NEW MEDIUM-TERM PROGRAM FOR 2001-04

16. The key macroeconomic objectives of the new medium-term program are the following: (i) output growth that increases from 1.8 percent in 2000 to an average of 6.1 percent during 2002-04; (ii) a decline in inflation from 6.8 percent in 2000 to under 3 percent by 2004; and (iii) an external current account deficit (excluding official transfers) of 5.5 percent of GDP on average during 2001-04 (Table 4). The overall fiscal deficit (on a commitment basis and including grants) is to decline from 3.2 percent of GDP in 2000 to 1.3 percent in 2004. Gross domestic investment is projected to rise from 22 percent in 2000 to 24 percent of GDP by 2004, reflecting primarily increased government spending on the social and economic infrastructure in the context of the poverty reduction strategy, including spending funded by the resources resulting from debt relief under the enhanced Initiative for

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<sup>11</sup> The government has appointed an interim team responsible for water sector management pending the resumption of private sector involvement.

<sup>12</sup> In this context, full responsibility for spending in health and education will be transferred to the prefectures of Conakry and Kindia in 2001 on a pilot basis. The 2001 budget also provides for the transfer to the local administrations of the product of two taxes previously collected at the central level.

Heavily Indebted Poor Countries (HIPC Initiative).<sup>13</sup> Gross domestic saving is projected to increase from 18.6 percent of GDP in 2000 to an average of 22.5 percent during 2002-04.

#### **A. Link to the Interim Poverty Reduction Strategy Paper**

17. **The new three-year program focuses on maintaining macroeconomic stability and accelerating economic growth as prerequisites for poverty reduction, consistent with the emphasis set in the authorities' interim poverty reduction strategy paper (I-PRSP).**<sup>14</sup> Specific sectoral policies have been designed, with the assistance of the World Bank and other donors, for agriculture, fisheries, mining, and transportation. These sectors have been identified as the principal sources of future growth based on (i) their growth potential, with exploitation of Guinea's abundant natural resources and its competitive advantages; (ii) their direct and indirect contributions to poverty reduction, through the generation of income and employment for the poor; (iii) their cross-sectoral effects; and (iv) their contribution to government revenue, which will thereby permit higher expenditures on the social and economic infrastructure (particularly in mining).

18. The development of these sectors is expected to contribute to the diversification of the structure of production and exports, thus reducing Guinea's vulnerability to exogenous shocks. The authorities expect that the integration of the economies of the members of the Economic Community of West African States (ECOWAS) will facilitate Guinea's link to the markets of the subregion and allow its products to enter more fully into regional trade in agriculture and services, particularly with its Sahelian neighbors.

19. The I-PRSP also underscores the importance of promoting the private sector as the engine of future growth by strengthening the economic infrastructure; enhancing the legal and regulatory frameworks; improving governance; and building institutional and administrative capacity;<sup>15</sup> as well as rehabilitating the financial sector. All these areas of structural reform are emphasized in the new medium-term program and will be supported by the World Bank, in the context of its SAC, and by other bilateral and multilateral donors, including the European Union (EU).<sup>16</sup>

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<sup>13</sup> Major private investments in the mining sector are expected over the next three to four years. These projects are expected to have significant effects on the investment ratio, growth, and the balance of payments. However, as they are still in the planning stage, they are not yet reflected in the medium-term projections.

<sup>14</sup> See "Guinea: Interim Poverty Reduction Strategy Paper" (I-PRSP), IDA/SecM2000-672, December 1, 2000 and EBD/00/104, November 30, 2000, Chapter IV. A.

<sup>15</sup> As such, although they are essential for the success of the poverty reduction strategy and the overall medium-term program, these reforms are not specifically covered by the PRGF-supported program (see Section VIII on program monitoring).

<sup>16</sup> See paragraphs 42-52 of the MEFP.

## **B. Objectives of the Medium-Term Program**

20. **Fiscal policy over the medium term will focus on continuing the consolidation of the public finances**, building on the progress made over the past two years in strengthening expenditure management and improving its composition. An increasing share of available resources will be allocated to the priority social sectors, including the full amount of the additional resources generated by interim and final debt relief under the enhanced HIPC Initiative,<sup>17</sup> with emphasis on monitoring the effective use of resources, enhancing the efficiency of public service delivery, and ensuring the equitable access of the poor to these services.

21. **The main challenge for the medium term, however, lies in improving revenue mobilization**, with a view to raising the revenue-to-GDP ratio from 11 percent in 2000 to over 15 percent by 2004, with a rising share of nonmining tax revenues. Key to this will be the reduction of the pervasive system of exemptions,<sup>18</sup> as well as the gradual extension of the tax base to cover previously untaxed activities, including informal activities. Greater administrative efficiency is also targeted, including for customs, where the ongoing reform program will be completed.

22. **External indebtedness will be reduced to sustainable levels in the context of the enhanced HIPC Initiative.**<sup>19</sup> The authorities intend to continue to limit new external borrowing to loans on highly concessional terms and to increase the share of grants in overall external financing, and will consult with the staff on new borrowing, so as to avoid any renewed buildup of unsustainable debt. The anticipated reduction of debt service, coupled with the active use of the monthly cash-flow plan, will help ensure timely payment of all external obligations and the avoidance of any arrears. Employees of the debt unit of the ministry of finance have participated in an external debt management training course, and the government is working to centralize the authority to contract external liabilities at the ministry of finance. Over the medium term, the approach to managing the public debt will be

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<sup>17</sup> The priority areas defined by the authorities are health, education, rural development, transportation, social affairs, urban housing and sanitation, and justice.

<sup>18</sup> The revenue lost to the government because of the various existing exemptions is estimated at 1.5 percent of GDP in 2000.

<sup>19</sup> On the basis of the projections presented in the HIPC decision point document (EBS/00/243, 12/1/00, and Correction 1, EBS/00/243, 12/14/00), the ratio of debt to a three-year average of exports of goods and services (in net present value terms) should decline from 210.7 percent in 2000 (before debt relief) to 154.1 percent in 2004, after (unconditional) enhanced HIPC Initiative relief, bringing Guinea significantly closer to sustainable external viability.

extended to include the domestic debt.<sup>20</sup> The stock of domestic arrears will be completely eliminated over the program period, including the cross debts between the government and the public enterprises. The improvement in revenue mobilization and careful management of budget execution should prevent any new accumulation of domestic payments arrears. The program also foresees the gradual reduction of the government's indebtedness to the central bank from the equivalent of 51.8 percent of the previous year's tax revenue at end-2000, to 10 percent by end-2003, consistent with the relevant convergence criterion of the ECOWAS monetary union (see below).

23. **Monetary policy will aim at maintaining low, single-digit inflation**, primarily through the use of the central bank's reserve money target, supported by a more rational management of bank liquidity (see paragraph 30). A comprehensive program to reform the instruments of monetary policy and to improve the compilation and dissemination of monetary statistics has been launched and is expected to be largely completed toward the end of 2001. In addition to the reforms indicated above, further steps include: (i) a revision of the structure of central bank interest rates, which will now be articulated around the BCRG's refinancing rate; (ii) the standardization of the BCRG's refinancing practices through a repurchase window accessible at the commercial bank's initiative on the basis of an established list of eligible guarantees; and (iii) the withdrawal of the BCRG's guarantee for interbank transactions and the introduction of a revised regulatory framework for their collateral. The authorities intend to make further progress toward compliance with the Basel Core Principles for Effective Banking Supervision over the medium term. To that end, banking supervision will be further strengthened and extended to microfinance institutions.

24. **Medium-term external sector developments** will be determined by: (i) the impact of the large mining sector investments that will be implemented during the course of the program; and (ii) the sectoral policies in agriculture, fisheries, and transportation. The major policy changes in the external sector are expected to result from the obligations imposed by Guinea's membership in the second monetary zone to be created in the ECOWAS. The preparations for the introduction of the common currency require the harmonization of the public finance framework among the member countries, amendments of the payments system, the harmonization of the legislative and regulatory texts governing the central bank, and the observance of convergence criteria. The integration plans foresee the gradual fusion with the West African Economic and Monetary Union (WAEMU) after 2004—the Guinean authorities will progressively rationalize and simplify their trade tariff regime, with a view to introducing the common external tariff of the WAEMU after 2004.

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<sup>20</sup> The ratio of the domestic debt to GDP is estimated at 2.3 percent at end-2000, including 1.4 percent of GDP in outstanding treasury bills. Interest payments on the domestic debt averaged 0.3 percent of GDP in 1998-2000.



## V. THE ECONOMIC AND FINANCIAL PROGRAM FOR 2001-02 <sup>21</sup>

25. The program for 2001 projects **output growth** of 3.3 percent, with a recovery expected in the agricultural sector, on the assumption of the return of the displaced persons in time for the autumn 2001 harvest. Prior management improvements and new investments in the mining sector are also expected to result in a substantial expansion of production.<sup>22</sup> **Consumer price inflation** is forecast to pick up to an average of 9.6 percent for 2001, compared with 6.8 percent in 2000, reflecting the substantial expansion of broad money accompanying the bank financing of the budget deficit in late 2000.<sup>23</sup> The **external current account deficit**, including grants, is projected to narrow from 2.9 percent of GDP in 2000 to 2.6 percent in 2001, owing to a sharp increase in export receipts, although increased spending in the priority sectors and the reconstruction effort in the areas affected by the border conflict are likely to raise imports. The **gross domestic saving rate** is expected to rise by ½ of 1 percentage point of GDP to 21.2 percent, while the **investment ratio** should jump to 24.2 percent, as a result of increased government capital outlays.

### A. Public Finances

26. The revised budget for 2001 projects a reduction in the primary surplus from 2.6 percent of GDP in 2000 to 0.8 percent in 2001, owing to a substantial increase in spending related to security outlays and additional HIPC Initiative-related poverty reduction expenditures (see para. 26 below). Capital spending is programmed to rise sharply in 2001 (from 7.3 percent of GDP to 9.8 percent), raising the deficit on a commitment basis (and excluding external grants) from 5.6 percent of GDP in 2000 to 8.6 percent in 2001.

27. The projected increase in revenues is based on higher mining and petroleum tax receipts, as well as improved performance in collecting customs duties and the value-added tax.<sup>24</sup> These improvements are expected to result from the continuation of the reform plan for

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<sup>21</sup> Details of the individual policies and measures envisaged for the first annual program under the PRGF are presented in Section IV of the MEFP (Appendix II, Attachment I).

<sup>22</sup> The mining sector is projected to grow by 6.4 percent in 2001, up from 3.3 percent in 2000 (see Table 5).

<sup>23</sup> End-of-period inflation is projected to rise from 7.2 percent at end-December 2000 to 9.4 percent at end-2001.

<sup>24</sup> The projections also include a sharp rise in nontax revenues, owing in part to the payments by public enterprises of external debt service transferred to the treasury. Of the total increase of 3.2 percent of GDP in 2001, (i) 1 percent is due to the rise in nontax revenue, with 0.3 percent due to debt-service payments by public enterprises; (ii) 1.2 percent is expected to come from the mining and petroleum receipts; (iii) 0.4 percent will come from the new tax measures envisaged; and (iv) the remainder is expected from the various measures to strengthen the tax and customs administrations.

the customs administration; steps to strengthen the administration of the tax directorate; the computerization of the administration of certain taxes; and a series of measures to broaden the tax base. The revenue projections also include the recovery of taxes owed by key public enterprises and importers based on the results of tax audits concluded late in 2000.<sup>25</sup>

28. The increase in overall expenditure in 2001 (5.2 percentage points of GDP) reflects, inter alia, additional defense spending (1 percent of GDP); outlays for emergency humanitarian assistance (1.3 percent of GDP); and additional poverty-related spending (2.1 percent of GDP) financed by the interim assistance under the enhanced HIPC Initiative (Table 8).<sup>26</sup> The program also foresees the continuation and extension of the expenditure management practices that allowed the authorities to bring the budget back on track after slippages in the first few months of 2000, including the active use of the forward-looking monthly cash-flow plan, the medium-term expenditure framework (MTEF), and the computerized expenditure tracking system. As part of the government's decentralization program, most of the revenues from three taxes will be transferred to the local governments,<sup>27</sup> and both the MTEF and the computerized tracking system will be extended to cover the budgets of the prefectures.<sup>28</sup>

#### **Box 2. Guinea: The Monitoring of the Use of HIPC Initiative Resources**

Guinea should receive an estimated US\$53 million (1.8 percent of GDP) in interim assistance under the enhanced HIPC Initiative in 2001. All of these resources will be used to finance additional expenditure in the priority sectors of health, education, rural development, road transport, justice, social affairs, and urban development and housing, with the appropriate budgetary appropriations included in the 2001 Finance Law.

To monitor these resources, a special account (*compte générique*) has been created at the central bank, into which will be paid all interim debt relief, including the counterpart of the debt service saved through bilateral debt relief. All expenditures from this account must be individually authorized by the Minister of Finance before they are committed by the individual line ministries. The HIPC Initiative-financed current and capital spending will be accounted for in two new lines added to the budget nomenclature. Detailed reports on payments into and out of this account will be produced and published on a monthly basis, and actual expenditures will be compared with the budgeted amounts by means of the computerized expenditure tracking system.

<sup>25</sup> See MEFP, paragraphs 12-16.

<sup>26</sup> Excluding this additional spending, the primary balance would show a surplus of 2.7 percent of GDP.

<sup>27</sup> Eighty percent of the proceeds of the single professional tax (*taxe professionnelle unique*—TPU) and the single property tax (*contribution foncière unique*—CFU), as well as 50 percent of the single tax on vehicles (*taxe unique sur les véhicules*—TUV).

<sup>28</sup> See MEFP, paragraphs 19 and 44.

29. The repayment of the exceptional central bank credit extended over the past few months to cover the budget financing requirement, as well the additional spending induced by the effects of the border conflict, will limit the repayment of domestic arrears during 2001 to GF 4.6 billion (0.08 percent of GDP).<sup>29</sup> Taking into account the repayment of the nonreschedulable external interest arrears accumulated at end-2000, the **cash deficit** is projected at 3.3 percent of GDP. Net external flows (excluding exceptional budgetary assistance) are projected to be negative,<sup>30</sup> and the planned net repayment of bank credit (1.3 percent of GDP) would generate a financing gap of GF 310 billion (5.3 percent of GDP). This gap is expected to be completely covered by new disbursements of budgetary assistance from the World Bank under the SAC, the African Development Bank, the European Union,<sup>31</sup> and bilateral donors, as well as through debt relief under the enhanced HIPC Initiative.<sup>32</sup>

## B. Monetary Policy

30. **Monetary policy in 2001 will aim to maintain the rate of inflation in the single digits.** The growth of money demand is likely to continue to increase in 2001, though at a slower pace than the year before, as inflation is reflected to pick up in the first half of the year. However, foreign disbursements begin in the second half of the year and the government reduces its indebtedness to the central bank; the BCRG will gradually reduce reserve money to partially sterilize these foreign inflows, and hold the overall growth of broad money (year on year) to 8.5 percent (below the expansion of nominal GDP). The net foreign assets of the banking system are projected to increase by over 25 percent of beginning-of period broad money as a result of these disbursements. The net domestic assets

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<sup>29</sup> A full inventory of these arrears is under way, and a repayment plan that foresees the complete elimination of the stock of these arrears before the end of the three-year Fund-supported program will be adopted later in the year. The plan will be discussed during the first program review and the repayments, expected to be primarily in the form of cash, will be integrated into the revised fiscal projections for the remainder of the program period. Cross arrears between the government and the public enterprises will be subject to compensation operations, and only the eventual balance owed by the government would be dealt with under the arrears repayment plan. No such operations have yet taken place.

<sup>30</sup> However, including the identified exceptional financing, net inflows in 2001 will be positive (equivalent to 2.3 percent of GDP).

<sup>31</sup> Resources from the European Union that have been blocked pending the conclusion of an audit of the use of previous assistance to Guinea could be released once the Guinean government has reimbursed ineligible expenditures and taken corrective measures to improve expenditure management. Half of the required reimbursement has already been made, and the second half is expected by end-April—the program of corrective measures is also already under way.

<sup>32</sup> Including a rescheduling by the Paris Club of eligible debt service on Cologne terms. The authorities also intend to seek comparable terms from non-Paris Club bilateral creditors.

of the central bank will contract sharply, owing to the repayment of outstanding government credit, starting in June with the beginning of disbursements of expected foreign assistance, as well as the issue of TRMs to sterilize partially the foreign resource inflows. Credit to the private sector is expected to expand by some 6½ percent.<sup>33</sup>

31. **A plan of action for reforming the instruments of monetary policy during the course of 2001 has been established** (see paragraphs 26-33 of the MEFP and Box 3). In the

<b>Box 3. Guinea: Key Elements of Monetary Reforms</b>	
<p>On the basis of the recommendations of technical assistance missions from the Fund's Monetary and Exchange Affairs Department in June 2000 and from the Statistics Department in November 2000, the central bank has begun implementation of a major program of monetary and statistical reforms designed to rationalize the interest rate structure; revitalize the interbank market; adjust the reserve requirement and strengthen the calculation of liquidity; revamp refinancing procedures; and improve the production and dissemination of monetary statistics for internal and external use.</p> <p>The key measures planned, in addition to those already implemented, include the following:</p>	
Measures	Date
<b>Instruments of monetary policy</b>	
Introduction of 14-day central bank bills.	September 2001
Adoption of a new interest rate structure defined around the central bank's refinancing rate as the main channel for signaling changes in monetary policy.	April 2001
Revision of the regulatory framework governing collateral used in interbank transactions ( <i>pensions livrées</i> ) and withdrawal of the BCRG guarantee.	April 2001
<b>Bank supervision and regulation</b>	
Submission to the Banking Committee of a proposal for increasing the minimum capital requirement of banks to GF 5 billion.	June 2001
Adoption of a regulatory framework providing for an adequate audit of banks.	End-September 2001
Deadline for updating the accounts of two banks in difficulty and deciding on their recapitalization.	June 2001
Announcement of liquidation of a major microfinance institution.	End-March 2001
Adoption of the institutional framework for BCRG supervision of microfinance institutions.	End-December 2001
<b>Statistical improvements</b>	
Publication of monthly information bulletins on the financial system.	July 2001

area of bank supervision and restructuring, a decision on the recapitalization and restructuring, or the liquidation, of the two small banks in difficulty will be taken by June 2001, and the liquidation of the largest microfinance institution was announced in late

<sup>33</sup> The commercial banks have pointed to the difficulty of identifying "loanable" projects in the present economic context and do not consider that a larger increase in credit would be fully consistent with the required prudence in lending decisions.

March. A bilateral donor will provide financing for 85 percent of the estimated cost of the operation.

### C. Structural Reforms and Governance

32. In addition to continued improvements in budget management and expenditure control, and the initial steps in fiscal decentralization described above, key elements of the structural reform agenda are the acceleration of the public enterprise strategy; the initiation of a process of civil service reform; judicial reform; and improvements in governance. In these areas of its primary responsibility, the World Bank is taking the lead in supporting the reform effort, particularly through its new SAC and ongoing sectoral programs. The areas of structural reform covered in the proposed Fund-supported program have been limited to the public finances (specifically, revenue mobilization and the strengthening of internal and external auditing of budget execution), and monetary reforms and banking supervision and restructuring. The choice of these areas of public finance reform for coverage in the Fund-supported program reflects the critical importance of strengthening revenue to the success of the overall program; and the need to enhance transparency and accountability in the use of public resources as part of the overall effort to improve governance in Guinea. Planned measures in public expenditure management and other governance-related measures have not been specifically covered by Fund conditionality, as they are an integral part of the World Bank's SAC. The choice of the monetary reforms covered reflects the importance of completing the measures designed to enable the central bank to pursue more effectively the objectives of its monetary and exchange rate policies without recourse to direct intervention,<sup>34</sup> while the measures in the area of banking supervision and restructuring and aim to further strengthen the banking system while minimizing the eventual cost to the budget of necessary restructuring operations.

33. With regard to civil service reform, a pilot program will be introduced in the agricultural sector—employees will be offered the option of joining a parallel system of contract-based employment with clearly defined performance objectives, which could lead to more attractive remuneration packages. An automatic adjustment mechanism for domestic retail petroleum prices was introduced at end-March 2001, as expected, and discussions on a full revision of the overall price structure are continuing. Finally, an actuarial study of the existing system will be launched during 2001.

34. In the area of **governance**, the National Anticorruption Committee has been active in examining specific issues brought to its attention, including several cases of fiscal

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<sup>34</sup> The conclusions of the study of the functioning of the foreign exchange auction will inform the BCRG's decisions on further improvements to the system, including extending liberalization of the conditions governing foreign exchange accounts to cover all such accounts, following the November 2000 liberalization of those of the foreign exchange bureaus, as well as further steps to encourage the development of an active interbank foreign exchange market which could eventually replace the weekly auction (see MEFP, paragraph 31).

mismanagement and fraud. However, its overall effectiveness is hampered by the absence of a specific legal status and of a detailed action plan—both of these are expected to be completed by the middle of 2001, with donor assistance. A major program of judicial reform will be implemented, with the support of the World Bank's SAC, aimed at improving access to the legal system, enhancing the quality and impartiality of judicial rulings, and ensuring that court decisions are effectively implemented.

35. To enhance **fiscal transparency**, the authorities intend to reinforce internal and external auditing procedures, including the Accounts Chamber of the Supreme Court,<sup>35</sup> and will resume in 2001 the ex post administrative and management accounting of the execution of the budget, as well as the preparation and submission to the National Assembly of the required accounting laws. Regular ex post audits of public procurement contracts will be conducted and investment projects also executed (financed in part by a National Audit Fund, to be created later in the year with financing from the World Bank). Finally, the authorities have stepped up their efforts to combat tax fraud and corrupt practices in fiscal administration (see Box 4).

#### **Box 4. Guinea: Recent Cases of Tax Fraud**

In late 2000, the audit of a major public utilities firm brought to light the use in isolated cases of forged checks in payment of the enterprise's tax obligations; the audit also identified a substantial amount of unpaid tax liabilities. A repayment plan for these amounts is soon to be established. In addition, in early 2001, the authorities uncovered a conspiracy involving employees of the tax directorate, the central bank, and some commercial banks to defraud the government of taxes paid by enterprises. Under the scheme, checks issued to the account of the treasury were diverted and deposited into the private accounts of the conspirators. Preliminary estimates of the revenue loss in the second case range as high as GF 3 billion (US\$1.5 million).

The government has initiated legal proceedings against those involved, and, as a prior action of the requested program, the Minister of Finance has publicly submitted the cases to the anticorruption committee for investigation. The Minister has also suspended the employees of the tax directorate involved in the affair. The committee is also to examine the tax collection procedures that made this fraud possible, and to make recommendations for correcting them.

#### **D. External Sector**

36. Mining sector receipts are projected to improve in 2001. The current account deficit is thus projected to narrow relative to 2000, despite a recovery in import demand. The capital account is expected to improve somewhat. The overall deficit is thus projected at US\$81 million. Identified external financing would fully cover the overall deficit and permit an increase in international reserves to the equivalent of 2.6 months of imports.

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<sup>35</sup> The Chamber is severely understaffed and underfunded. Technical and financial assistance to strengthen the Chamber have been requested from donors.

37. In preparation for the establishment of a second monetary zone in the ECOWAS, the authorities will carry out in 2001 studies of the amendments to the texts governing the central bank and of the amendments to the judicial, accounting, and statistical frameworks of the public finances, with a view to their harmonization within the zone. A study of the impact on revenue mobilization of the application of the common external tariff of the West African Monetary Union will also be completed during the year—the authorities have requested technical assistance from the Fund for this effort.

38. Guinea's trade restrictiveness is currently rated at 3 on a 10-points scale (1 indicating complete openness and 10 indicating complete restrictiveness). Its Most Favorite Nation (MFN) Tariff stands at 16.4 percent, as opposed to 13.2 percent for all Fund member countries. As Guinea does not apply nontariff barriers and the planned introduction of the common external tariff of the WAEMU is expected to bring about a further reduction of the average tariff by about 2 percent, Guinea's ranking on the scale of trade restrictiveness would therefore improve from 3 to 2, i.e., towards a high degree of openness, by the end of the program in 2004.

## VI. THE PRSP PROCESS

38. **The PRSP process is proceeding according to the timetable set out in the Interim PRSP.** The poverty reduction strategy is being discussed in a series of consultations throughout the country, and a first draft of the full PRSP is due to be prepared by end-August, based on the work of eight thematic groups in which the donors are actively participating. In addition to the programs already established in health, education, rural development, and transportation, poverty-reducing policies have been defined and costed, and intermediate outcome indicators established, in the areas of public housing and urban sanitation, justice, social affairs, and fisheries. The PRSP is expected to be completed by December 2001.

### **Social impact analysis<sup>36</sup>**

39. Consistent with the approach set out in the I-PRSP, the government's medium-term policies aim at improving production methods and access to markets in the key labor-intensive growth sectors (agriculture, fisheries, and the extension and maintenance of the road network), and are expected to expand employment- and income-generating opportunities, particularly among the rural poor. The fourth growth sector (mining) is also

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<sup>36</sup> The joint mission discussed with the authorities and representatives of trade unions, nongovernmental organizations, the parliament, and the private business community the likely social impact of the various policies proposed under the new medium-term program. This analysis remains highly qualitative at present, given the absence of the required social and economic database, but certain conclusions can already be drawn. The improvement of the socioeconomic database is a major objective of the ongoing work in preparing the full PRSP (see paragraphs 55-56 of the MEFP).

the source of considerable direct and indirect employment.<sup>37</sup> Other sectoral policies (for example, the improvement of the urban sanitation infrastructure through labor-intensive projects) can be expected to provide some additional urban employment over the next few years, in addition to the improvements in living standards they generate.

40. The anti-inflationary stance of financial policies will help to protect the purchasing power of the poor, particularly those working in the informal sector and rural cash crop producers. While the introduction of flexible retail petroleum prices could imply higher costs to consumers in the case of rising import prices, the automatic adjustment mechanism protects petroleum tax revenues and allows the government to implement its social expenditure program with more consistency. Moreover, import price declines are being passed through to the consumer, beginning in January 2001, which was not previously the case.

41. The expected efficiency gains from restructuring and privatization in the public enterprise and financial sectors should contribute to freeing government resources for poverty-reducing activities. The negative effect of the unavoidable downsizing and liquidations will be attenuated by the required implementation of social and reinsertion plans for the affected workers, for which provisions have been made in the 2001 budget. Similarly, the adverse impact of the liquidation of the largest microfinance institution on the availability of small-scale and rural credit will be at least partially absorbed through the support provided to another micro finance institution, which is intended to become the major source of micro credit. Moreover, the planned introduction of a supervisory responsibility of the central bank over microfinance activities should avoid further breakdowns in the system and facilitate cooperation between commercial banks and the microfinance institutions, thereby expanding the overall access of the poor to credit.

42. A major element of the program for 2001 is the allocation of budgetary resources for immediate humanitarian assistance to the populations displaced by the border conflict and for the reconstruction effort in the affected areas. While this allocation will lead to a larger overall deficit, these expenditures were considered by the authorities, and the joint Fund-Bank mission, to be essential to prevent the development of additional pockets of poverty, and facilitating the recovery of economic activity in these areas.

43. Finally, the emphasis on administrative and fiscal decentralization should improve the efficiency and targeting of public service delivery, particularly in rural areas, and deepen the participation of beneficiaries in the definition of public policy and the monitoring of results. The planned steps to enhance accountability, strengthen governance, rationalize the

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<sup>37</sup> Beyond the direct employment effects of the new mining projects envisaged for 2004-05, the government has required private investors to contribute to the social infrastructure in the areas of exploitation, and 1 percent of the project turnover will be transferred to local authorities for social infrastructure projects (see paragraph 51, MEFP).



regulatory framework, and pursue judicial reforms are part of an overall effort to raise the efficiency of public action.<sup>38</sup>

## VII. STATISTICAL ISSUES

44. Despite recent improvements, serious problems remain in the compilation and dissemination of statistics in Guinea, particularly with regard to the real sector and the balance of payments. A major program of statistical improvement over the medium term has been planned, with particular focus on implementing an action plan for strengthening real sector statistics drawn from the recommendations of a technical assistance mission from the Fund's Statistics Department (see MEFP, paragraphs 55-56). The authorities have also indicated their willingness to participate in the General Data Dissemination System (GDDS).

## VIII. PROGRAM MONITORING AND JUSTIFICATION OF PROPOSED ACCESS

45. Implementation of the first year program supported by the PRGF [of the first annual program under the PRGF arrangement] will be monitored according to quarterly quantitative and structural benchmarks and performance criteria, as set out in paragraphs 57-58 and Tables 1 and 2 of the MEFP. Two reviews of first year performance are scheduled, the first by end-December 2001 and the second by end-June 2002. The first will review the observance of the end-September performance criteria and focus on (i) the revenue effort—more particularly, the strengthening of customs revenue and the reduction of exemptions, as well as the implementation of the customs reform plan and the action plans resulting from the tax audits of the four major public enterprises; (ii) progress in extending the public expenditure management system to cover the prefectural level; (iii) the progress in the planned monetary reforms; and (iv) the efforts made to strengthen fiscal transparency, in particular, the preparation of the administrative and management accounts foreseen in 2001 and of the Accounting Law for submission to the National Assembly.

46. As indicated above, structural conditionality in the Fund-supported program has been limited to the areas of revenue mobilization and the internal audit of budget execution; monetary reforms; and banking supervision and restructuring. The other areas of the structural reform agenda are being covered by the World Bank (particularly through its new SAC and by other donors). Moreover, coordination of the activities of the donor community has already been considerably reinforced in the context of the ongoing PRSP process and should permit the avoidance of policy overlap in the future.

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<sup>38</sup> In the discussions with the joint mission, the representatives of the various civil society groups stressed the central importance of good governance and the impartial and consistent application of existing laws and regulations as key to the success of the poverty reduction effort.

## IX. CAPACITY TO REPAY THE FUND

47. Proposed access under the new three-year, PRGF arrangement is 60 percent of quota. The disbursements proposed for the first year, equivalent to 24 percent of quota, would be required to close the financing gap of the program, taking into account other identified sources of financing, all of which are conditional on an arrangement with the Fund. The disbursements would also contribute to strengthening the reserve position, which deteriorated markedly in 1999-2000 in the absence of external budgetary assistance. Present projections for the medium term indicate a substantial decline in the overall balance of payments deficit by 2004; however, given Guinea's continuing dependence on mining export receipts and imported petroleum products, the balance of payments position will remain vulnerable to terms of trade shocks for the foreseeable future. Assuming the full disbursement of all the loans under the proposed three-year arrangement, Guinea's debt service to the Fund would fall from 16.1 percent of exports of goods and nonfactor services in 2001 to 12.7 percent by 2004, while its overall debt-service ratio would decline from 21.2 percent in 2001 to 15.2 percent in 2004 in the context of the enhanced HIPC Initiative (Table 3).

48. Guinea's past track record in servicing its obligations to the Fund has been very strong. The authorities have submitted the required documentation in conjunction with a Stage One safeguards assessment. The final stages of the assessment are under way—its findings will be shared with the authorities and, in summary form, with the Executive Board before the first review of the program.

## X. STAFF APPRAISAL

49. Guinea's implementation of the last PRGF-supported program was characterized by slippages, owing in part to an adverse exogenous environment and the impact of the deepening crisis on its borders. Through the determined implementation of an interim program designed with Fund staff in May 2000, the PRGF-supported program was brought back on track. The authorities are to be commended for maintaining fiscal discipline in the second half the year, despite these difficult circumstances. However, as a result of the damage caused by the border conflict, the economic outlook for 2001 is less bright, and the country faces a potential humanitarian crisis that, if not dealt with promptly, could endanger economic and social progress and call into question the success of the poverty reduction strategy being finalized. Responding to this situation will require a concerted effort to ensure that the new economic and financial program is successfully implemented.

50. The focus of the new medium-term program is on maintaining macroeconomic stability and accelerating growth as the foundation of the poverty reduction strategy. This overall objective, and the policies intended to achieve it, are fully consistent with the strategy set out in the authorities' I-PRSP and, based on the results of the consultations with civil society undertaken thus far, enjoy the broad support of the population.

51. Progress has been made over the past four years in stabilizing the economy and consolidating finances. In the area of fiscal policy, the management of expenditure has been considerably strengthened, and its composition has been improved with increasing allocations to the priority social sectors. The authorities must maintain firm control over the outlays for emergency humanitarian assistance and the protection of the country's borders budgeted in 2001, and stand ready to reduce this exceptional spending as soon as circumstances permit.

52. Improving revenue mobilization is the main challenge for fiscal policy over the medium term, particularly through a reduction of the excessive exemptions and the completion of administrative reforms. However, recent experience has shown that there is considerable revenue seepage owing to corrupt practices. The authorities have responded firmly to recent cases of tax fraud—this approach must be generalized to send a clear signal that corruption will not be tolerated.

53. Progress in the reform of monetary policy and exchange rate management has been impressive over the past few years, and the monetary authorities have embarked upon an ambitious program of further reforms. The staff commends the authorities on their determined approach, and on their efficient use of technical assistance to formulate reform objectives. Moreover, it encourages them to complete promptly the restructuring of the two smaller banks still in difficulty, as well as of the microfinance sector, which is expected to play a critical role in the poverty reduction strategy.

54. Meeting the convergence criteria required for membership in the planned second monetary zone within the ECOWAS imposes certain constraints on the conduct of fiscal and monetary policy in Guinea over the medium term. The authorities are firmly committed to meeting these criteria, and to aligning not only their fiscal and monetary frameworks, but also their external tariff system with best practices in the region. The resulting access to regional markets should support the efforts to diversify Guinea's production and export structure, and the authorities are encouraged to pursue these efforts with determination. The authorities should complete the study of the impact of introducing the Common External Tariff of the WAEMU promptly, so as to be able to set a firm schedule for implementing this measure as soon as possible.

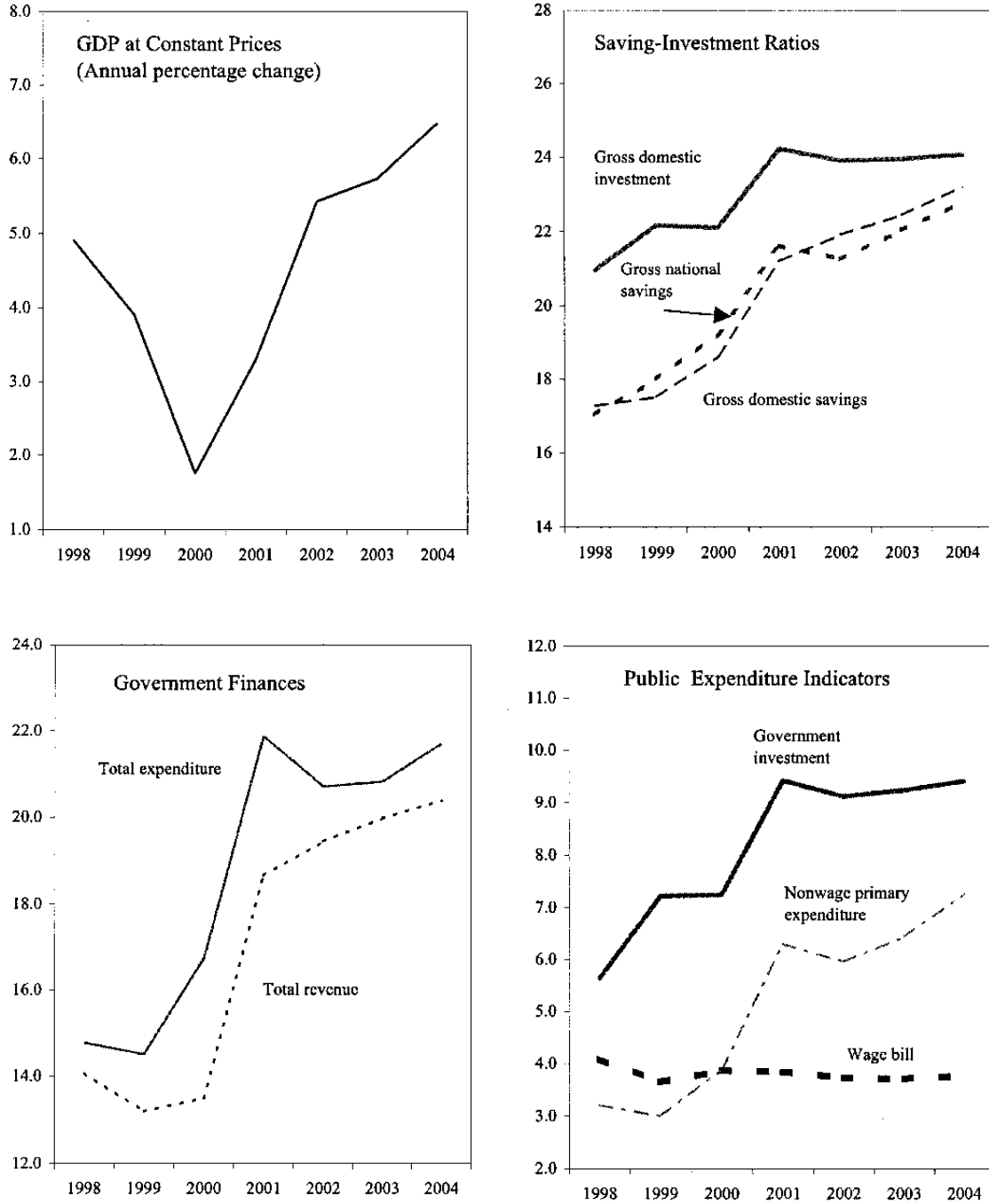
55. The full and timely implementation of the structural reform agenda is of critical importance for the efforts to accelerate growth and reduce poverty. In particular, the public enterprise restructuring and privatization program must be carried out expeditiously as an integral part of the strategy to strengthen Guinea's economic infrastructure and attract much-needed investment. Maintaining fiscal discipline in the context of the ongoing administrative decentralization is paramount, and the authorities are to be commended for their prudent approach to devolving fiscal responsibility to the local levels. The planned civil service reforms will eventually allow a more flexible management of the wage bill and the provision of incentives to high-quality service delivery. As a corollary to civil service reform, the staff encourages the authorities to proceed with the reform of the social security system, in view of the sharp increase in claims on the system expected over the next five to ten years.

56. The Guinean authorities have taken steps to enhance governance and step up the fight against corruption, including as prior actions for the proposed program, and have launched a program of judicial reform. These efforts are essential to mobilize the full support of civil society for the poverty reduction effort, and to create an environment conducive to private sector confidence and investment. The mission, therefore, urges the authorities to ensure that the legal status of the National Anticorruption Committee is promptly resolved, so that it can begin its public information campaign and publicize the results of its work. The authorities should also seek to ensure that the provisions of the legal and regulatory framework are enforced consistently and impartially. Finally, the measures foreseen to strengthen the internal and external ex post audit of budget execution and of public procurement are important for enhancing the transparency of public resource management and for establishing the credibility of government policy.

57. Guinea's emphasis on participation and consultation in the preparation of the full PRSP is commendable, and will help ensure that the poverty reduction strategy and the macroeconomic policies underpinning it enjoy broad support. The staff takes note of the government's efforts to engage civil society in a discussion of the overall policy framework, and to encourage the participation of donors at an early stage of the PRSP process. The authorities have also designed an effective system for monitoring the use of the resources generated by debt relief under the enhanced HIPC Initiative for poverty reduction, and have made substantial progress in defining and costing specific poverty-reduction measures. They must now redouble their efforts to improve the statistical basis for the analyzing poverty in Guinea and for monitoring the results of public action. In this context, the staff welcomes the authorities' declared intention to participate in the GDDS, which will guide their efforts to improve socio-demographic indicators and governance finance data.

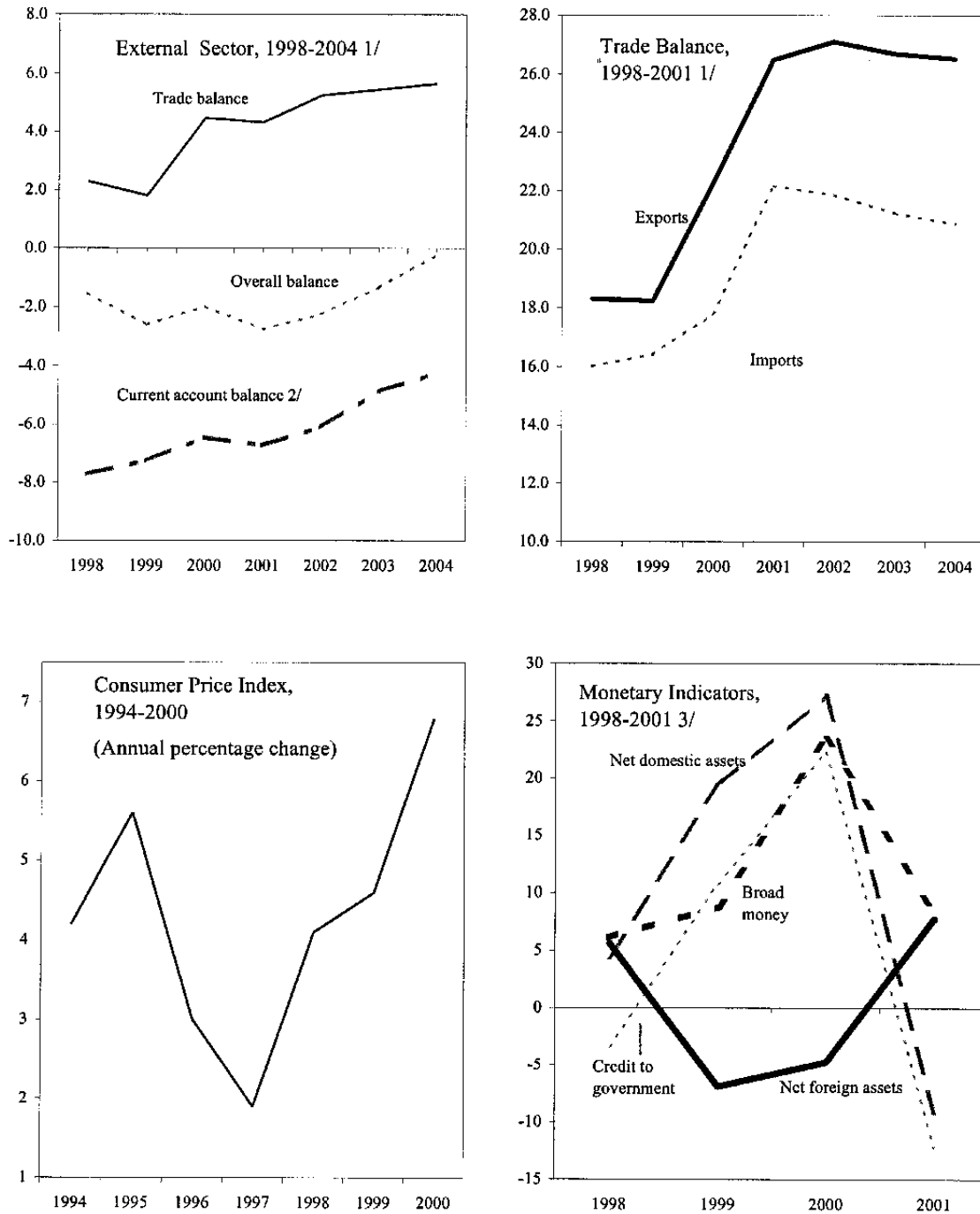
58. The proposed program faces certain risks, however. Primary among these is the possibility that the border conflict might persist for longer than expected, although recent developments indicate a further calming of the situation. The authorities will need to take steps to ensure that the displaced populations do not sink further into poverty and, upon returning to their homes, are provided with the necessary means to resume their normal lives. An additional challenge is to ensure that the considerable increase in spending made possible by the availability of additional resources under the enhanced HIPC Initiative is efficiently absorbed and translated into the expected improvement in social indicators. However, given the authorities' commitment to the poverty reduction strategy and their determination to strengthen the overall implementation of economic and social policies, as well as their consistent record in meeting their obligations to the Fund, the staff supports the authorities' request for a new three-year arrangement under the PRGF.

Figure 1. Guinea: Selected Economic and Financial Indicators, 1998-2004 1/  
(In percent of GDP, unless indicated otherwise)



Sources: Guinean authorities; and staff estimates and projections.  
1/ Data for 2001-04 are projections.

Figure 2. Guinea: Selected External and Monetary Indicators  
(In percent of GDP, unless indicated otherwise)



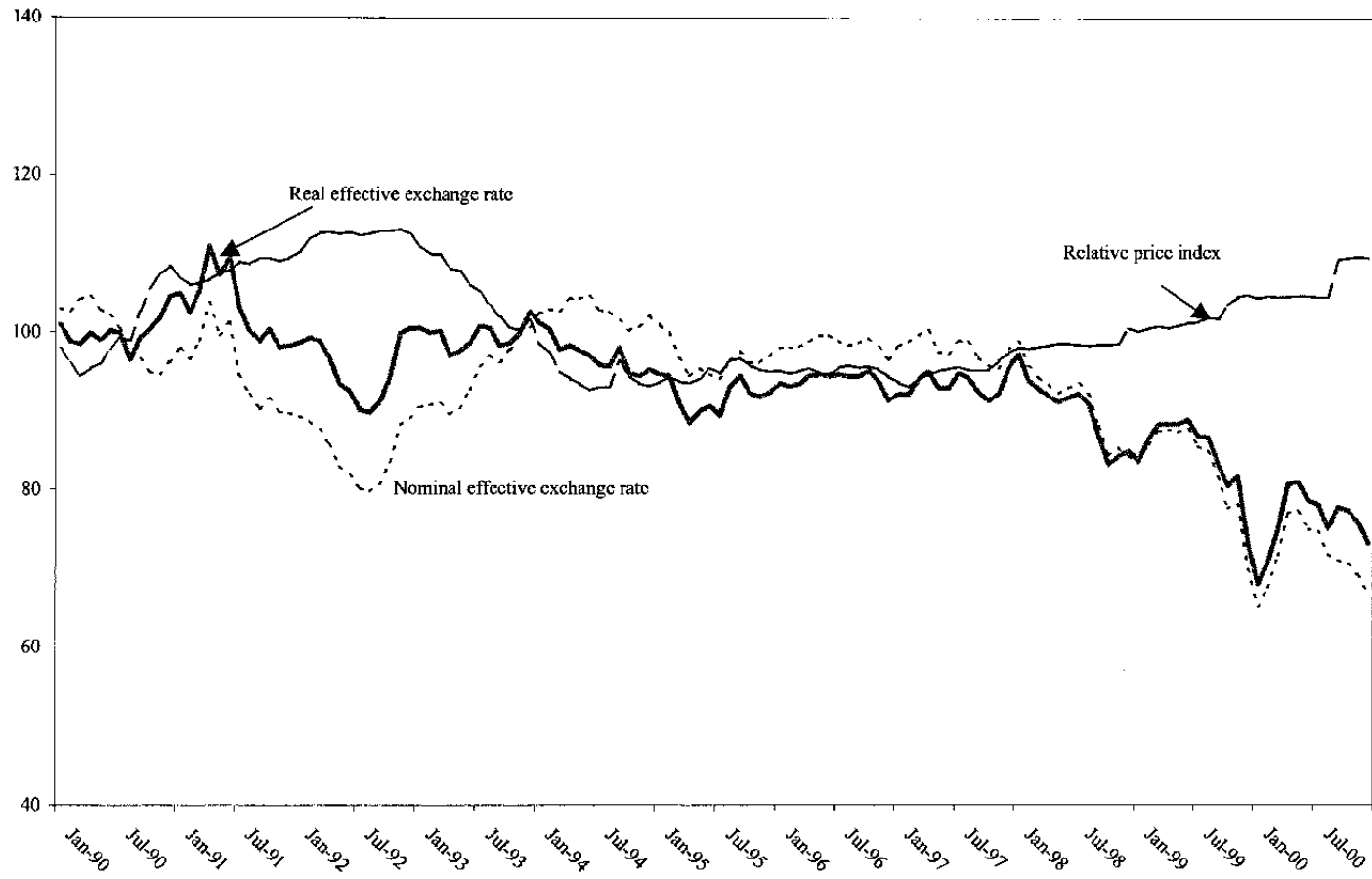
Sources: Guinean authorities; and staff estimates and projections.

1/ Data for 2001-04 are projections.

2/ Excluding public transfers.

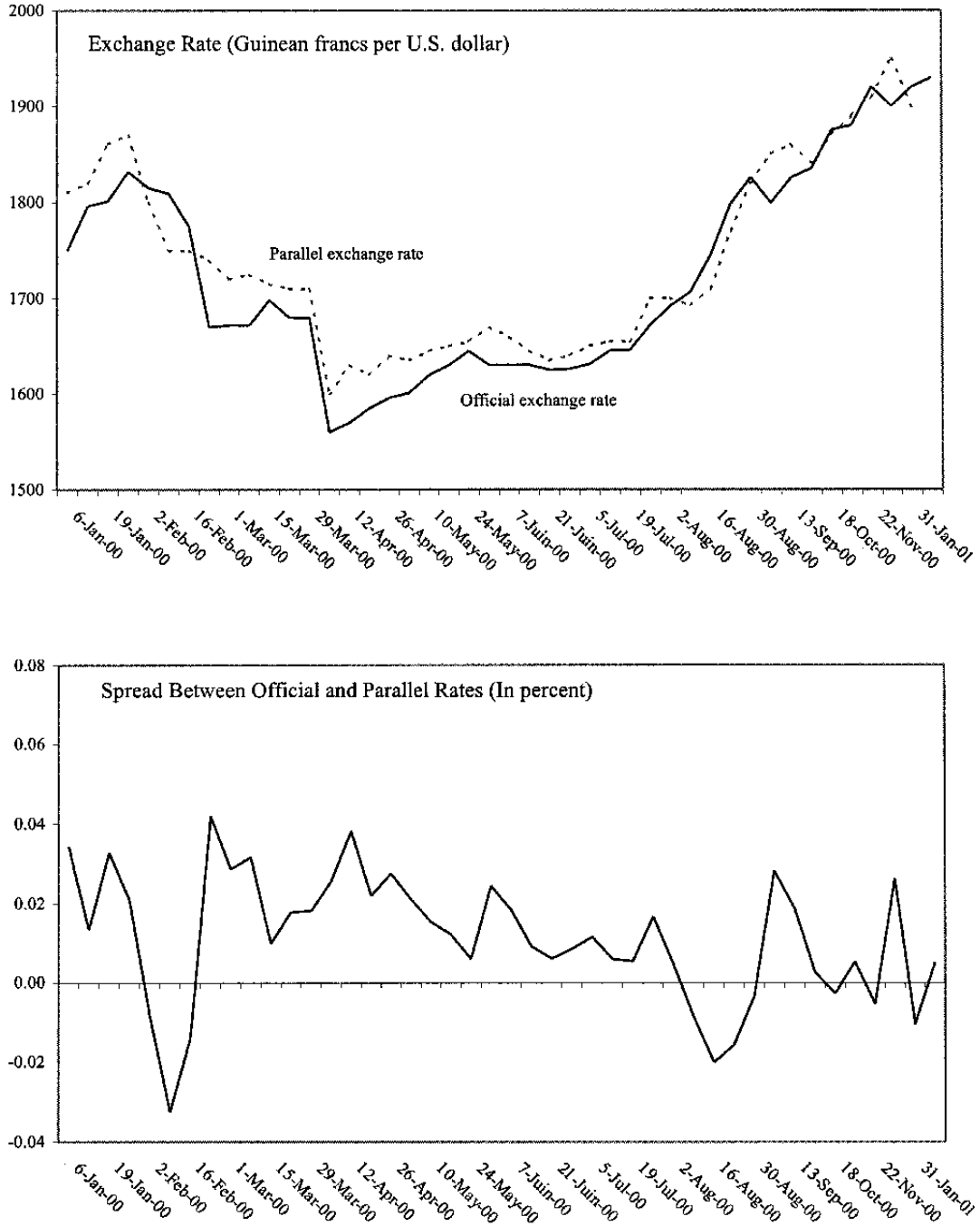
3/ In percent of beginning-of-period broad money; data for 2001 are projections.

Figure 3. Guinea: Effective Exchange Rates, January 1990-December 2000  
(Index, 1990 = 100)



Source: IMF, Information Notice System.

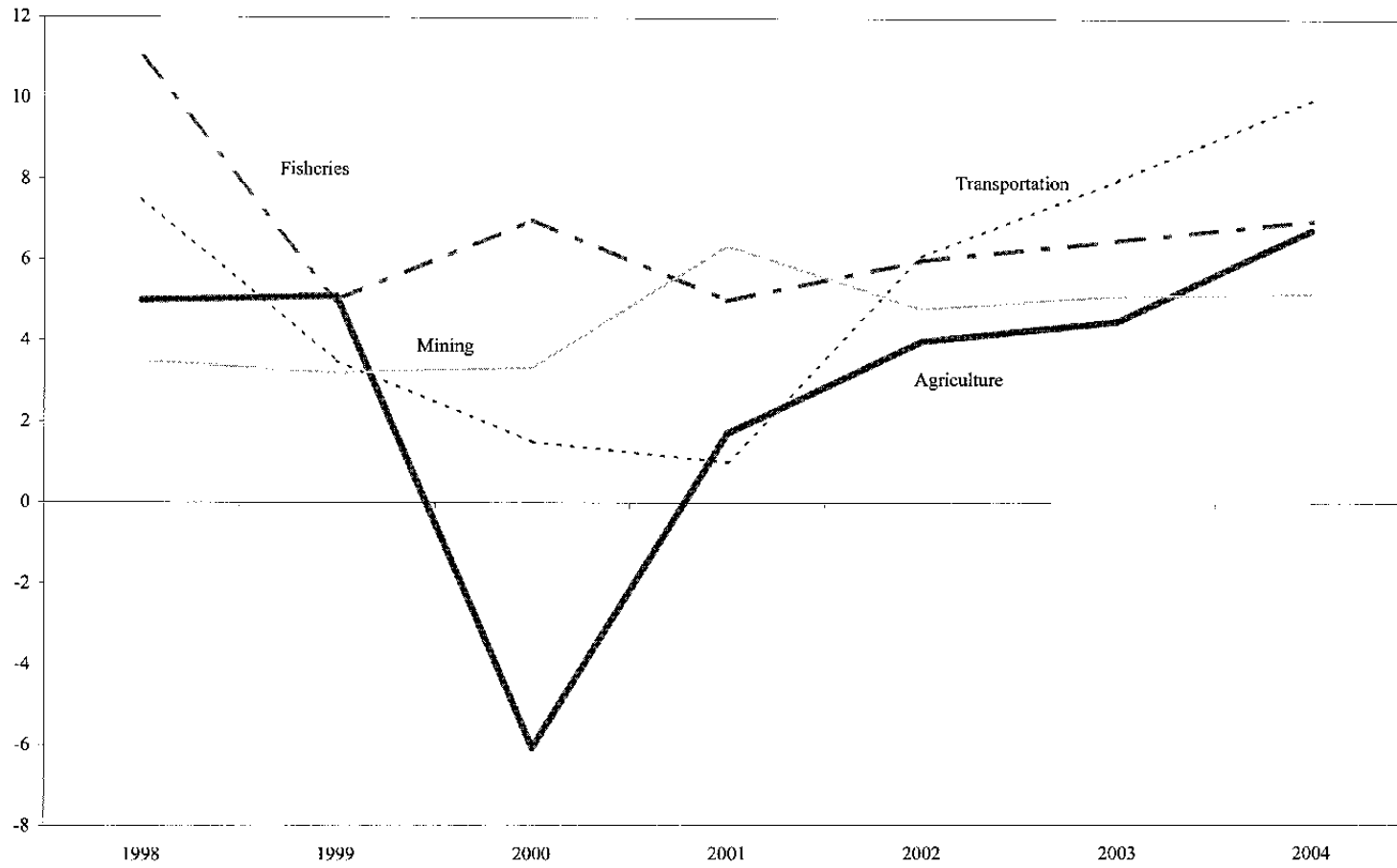
Figure 4. Guinea: Official and Parallel Exchange Rates, January 2000-February 2001 1/



Sources: Guinean authorities; and staff estimates.  
1/ Figures show mid-monthly data.

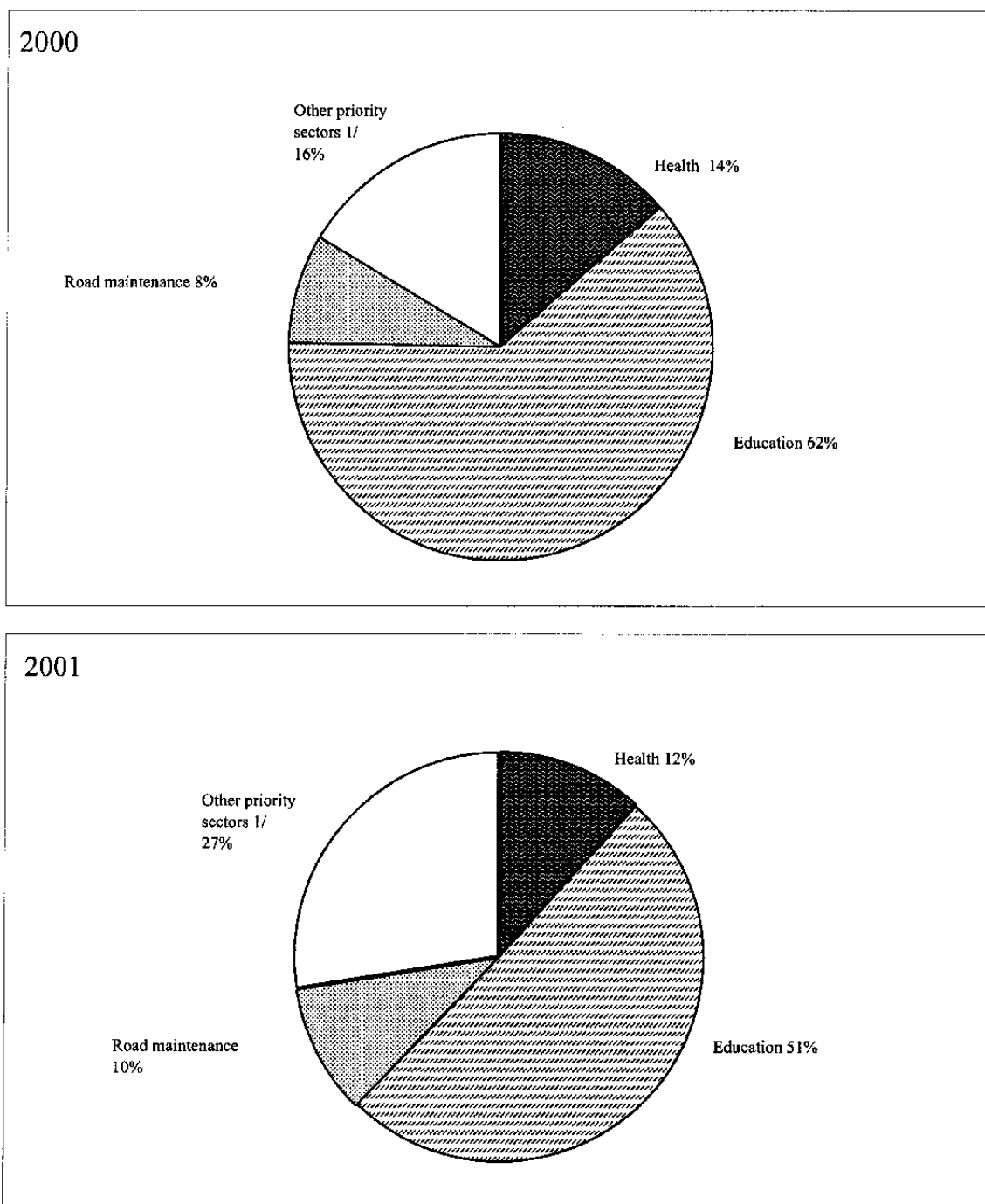


Figure 5. Guinea: Contribution of Selected Sectors to GDP Growth, 1998-2004  
(Annual changes in percent)



Sources: Guinean authorities; and staff estimates and projections.

Figure 6. Guinea: Public Spending on Priority Sectors, 2000-01  
(In percent of total)



Sources: Guinean authorities; and staff estimates.

1/ Justice, agriculture, livestock, and fisheries.

2/ The charts show current primary non military expenditure.

Table 1. Guinea: Proposed Schedule of Disbursements under the PRGF Arrangement, 2001-04

Amount	Available Date	Conditions Necessary for Disbursement 1/
SDR 12.852 million	May 2, 2001	Executive Board approval of the three-year annual arrangement.
SDR 12.852 million	December 15, 2001	Observance of the performance criteria for September 30, 2001 and completion of the first review under the arrangement.
SDR 9.639 million	May 2, 2002	Observance of the performance criteria for March 31, 2002 and completion of the second review under the arrangement.
SDR 9.639 million	December 15, 2002	Observance of the performance criteria for September 30, 2002 and completion of the third review under the arrangement.
SDR 6.426 million	May 2, 2003	Observance of the performance criteria for March 31, 2003 and completion of the fourth review under the arrangement.
SDR 6.426 million	December 15, 2003	Observance of the performance criteria for September 30, 2003 and completion of the fifth review under the arrangement.
SDR 6.426 million	May 2, 2004	Observance of the performance criteria for March 31, 2004 and completion of the sixth review under the arrangement.

Source: International Monetary Fund.

1/ Other than the generally applicable conditions under the Poverty Reduction and Growth Facility (PRGF) arrangement.

Table 2. Guinea: Fund Position During the Period of the Proposed PRGF Arrangement, 2001-04

	Outstanding at End-Feb. 2001	2001		2002		2003		2004	
		March-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.
(In millions of SDRs)									
Transactions under tranche policies (net)	...	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchases	...	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repurchases	...	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Enhanced Structural Adjustment Facility (ESAF) and Poverty Reduction and Growth Facility (PRGF)	...	8.22	8.22	5.88	4.70	1.17	-0.01	-1.19	-7.62
Loans	...	12.85	12.85	9.64	9.64	6.43	6.43	6.43	0.00
Repayments	...	4.63	4.63	3.76	4.94	5.26	6.44	7.62	7.62
Total Fund credit outstanding, end of period	94.50	102.72	110.94	116.82	121.52	122.69	122.67	121.48	113.86
Tranche policies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRGF	94.50	8.22	8.22	5.88	4.70	1.17	-0.01	-1.19	-7.62
(In percent of quota)									
Total Fund credit outstanding, end of period	88.24	95.91	103.59	109.08	113.47	114.55	114.54	113.43	106.31
Tranche policies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PRGF	88.24	7.68	7.68	5.49	4.39	1.09	-0.01	-1.11	-7.11

Source: IMF, Treasurer's Department.

Table 3. Guinea: Indicators of Fund Credit and Debt Servicing, 1997-2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
	(In percent)										
Outstanding Fund credit/quota 1/	93.3	114.4	86.6	80.9	103.6	113.5	114.5	106.3	93.1	79.6	62.4
Outstanding Fund credit/GDP 1/	2.7	3.4	3.6	3.7	5.0	5.0	4.6	3.9	3.1	2.2	1.6
Outstanding Fund credit/exports 1/ of goods and nonfactor services	13.1	15.8	16.7	14.1	16.1	16.0	15.0	12.7	10.6	7.9	5.8
Debt service to the Fund/total debt service on public and public-guaranteed debt	5.9	6.4	6.1	5.3	7.1	7.3	9.1	12.2	11.0	10.5	12.3
Debt service to the Fund/gross official reserves	5.4	4.3	4.1	6.4	6.0	5.8	6.8	7.7	6.6	5.1	5.9
Debt-service ratio on public and public-guaranteed debt 2/	27.1	22.0	18.2	22.3	21.2	18.2	17.6	15.2	15.0	13.9	13.9
Memorandum items:	(In millions of SDRs)										
Exports of goods and nonfactor services	560.1	568.0	555.2	612.9	688.2	759.2	815.6	894.6	939.9	1,076.7	1,152.1
Total Fund credit outstanding	73.4	90.0	92.7	86.6	110.9	121.5	122.7	113.9	99.7	85.3	66.8
Total debt service on public and public guaranteed debt	151.5	124.8	101.3	136.6	146.1	138.2	143.2	135.7	141.4	149.6	160.1
Of which: IMF	8.9	7.9	6.2	7.2	10.4	10.1	13.1	16.6	15.5	15.7	19.7
Gross official reserves	163.9	182.9	151.8	111.7	173.1	174.9	192.5	214.6	234.8	308.4	334.0
Nominal GDP	2,749	2,655	2,591	2,365	2,236	2,411	2,644	2,905	3,207	3,816	4,111

Sources: IMF, Treasurer's Department; and staff estimates and projections.

1/ Outstanding Fund credit includes Structural Adjustment Facility/Enhanced Structural Adjustment Facility loans and outstanding purchases at year-end. For 2001, a disbursement of 24 percent of quota is assumed. For 2002, a disbursement of 18 percent of quota is assumed. For 2003 and the first half of 2004, a disbursement of 18 percent of quota is assumed.

2/ Debt service in percent of exports of goods and nonfactor services.

Table 4. Guinea: Selected Economic and Financial Indicators, 1999-2004

	1999	2000		2001		2002	2003	2004
	Est.	Orig. Prog. 1/	Interim Prog.	Est.	Orig. Prog. 1/	Proj. 2/ Prog. 1/	Proj. 2/	Proj. 2/ Prog. 2/
(Annual changes in percent, unless otherwise indicated)								
Income								
GDP at constant prices	3.9	5.0	4.5	1.8	5.5	3.3	5.4	6.5
GDP at current prices	7.2	9.3	10.3	12.1	9.4	10.9	8.8	17.3
GDP deflator	3.2	4.1	5.6	10.1	3.7	7.4	5.3	4.7
Consumer prices								
Average	4.6	5.8	4.8	6.8	3.7	9.6	4.2	3.0
End of period	6.2	4.0	1.5	7.2	3.5	9.4	3.2	3.8
External sector								
Exports, f.o.b. (in U.S. dollar terms)	-2.1	9.1	17.4	7.5	8.1	11.5	10.6	8.1
Imports, f.o.b. (in U.S. dollar terms)	0.9	9.3	-6.9	-4.6	4.0	16.7	6.6	6.7
Terms of trade								
Percentage change	-7.1	-0.9	3.8	-10.3	1.0	-3.8	7.6	5.5
Average effective exchange rates (depreciation -)								
Nominal index	-17.1	...	...	-3.5	...	...	...	...
Real index	-13.7	...	...	0.8	...	...	...	...
Money and credit								
Net foreign assets 3/	-6.9	14.8	13.9	-4.8	...	25.4	...	...
Net domestic assets 3/	15.7	-4.8	3.3	28.2	...	-16.9	...	...
Public sector (net) 3/	10.8	-5.1	-0.6	22.3	...	-12.1	...	...
Private sector 3/	8.1	4.8	7.8	5.1	...	3.2	...	...
Broad money	8.8	10.0	17.2	23.4	...	8.5	...	...
Reserve money	15.0	8.7	14.5	16.0	...	5.3	...	...
Interest rate 4/	7.5	...	...	7.5	...	7.5	...	...
Velocity (GDP/year-end M2)	10.0	10.5	9.9	9.1	...	9.3	...	...
(In percent of GDP)								
Central government finances								
Total revenue and grants	13.2	13.6	13.8	13.5	14.1	18.7	19.4	20.4
Of which: nonmining revenue	8.4	9.2	8.9	8.4	9.2	10.1	10.6	11.4
Current expenditure	9.0	9.0	8.8	9.4	9.2	12.1	11.2	11.4
Capital expenditure and net lending 5/	7.2	7.8	7.5	7.3	7.9	9.8	9.5	9.4
Overall budget balance								
Including grants (commitment)	-3.0	-3.2	-2.6	-3.2	-2.9	-3.2	-1.3	-0.8
Excluding grants (commitment)	-5.4	-5.3	-4.8	-5.6	-5.1	-8.6	-6.8	-6.4
Primary balance	2.4	2.7	3.1	2.6	2.9	0.8	1.3	1.6
Gross investment	22.2	19.2	20.2	22.1	18.8	24.2	23.9	24.0
Government 6/	7.2	5.5	7.5	7.2	5.6	9.4	9.1	9.2
Nongovernment	14.9	13.7	12.8	14.9	13.1	14.8	14.8	14.7
Domestic savings	17.5	18.2	20.0	18.6	18.7	21.2	21.9	22.4
Government	3.1	1.7	4.0	3.0	4.0	2.8	4.0	4.3
Nongovernment	14.4	16.5	16.0	15.6	14.7	18.4	17.9	18.1
External current account balance								
Including official transfers	-4.2	-3.6	-3.4	-2.9	-3.1	-2.6	-2.6	-1.9
Excluding official transfers	-7.2	-6.3	-6.2	-6.5	-5.3	-6.7	-6.1	-4.9
Overall balance of payments	-2.6	-2.4	-2.0	-2.0	-1.6	-2.8	-2.5	-1.3
External public debt 7/	95.3	89.0	101.6	108.2	89.2	116.0	108.6	99.2
(In percent of export earnings)								
External debt-service ratio 8/	17.3	20.5	18.6	21.3	19.0	19.9	17.1	16.1
External public debt	444.6	335.2	319.3	417.5	325.0	376.9	344.7	321.5
(In millions of U.S. dollars, unless otherwise indicated)								
Exports 9/	645.8	823.4	795.8	694.5	889.8	774.5	856.2	925.7
Imports 9/	581.8	634.3	575.7	555.2	659.7	648.1	690.6	736.8
External current account (including official transfers)	-147.5	-126.4	-104.4	-89.6	-114.0	-76.0	-83.6	-66.3
Overall balance of payments	-92.3	-85.9	-60.8	-62.3	-60.7	-80.4	-79.4	-44.2
External arrears outstanding 10/	582.6	...	...	614.1	...	608.7	...	...
Net foreign assets (central bank)	71.8	109.7	95.5	27.9	...	98.4	...	...
Gross official reserves (in months of imports)	2.7	3.2	3.1	1.8	3.5	2.6	2.6	2.7
Gross reserves (in percent of broad money)	76.0	87.8	78.7	48.3	...	78.9	...	...
Nominal GDP	4,760	5,512	5,530	5,334	6,032	5,915	6,564	7,313

Sources: Guinean authorities; and staff estimates and projections.

1/ Program figures are the original figures (EBS/99/221; 12/8/99).

2/ Assuming debt relief under the Enhanced HIPC Initiative.

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

4/ Minimum annual rate on bank savings deposits, at end of period.

5/ Includes expenditure for restructuring.

6/ Fixed capital formation.

7/ Including debt owed to the Fund and to the Baltic countries, Russia, and other countries of the former Soviet Union.

8/ Scheduled public debt service, including IMF charges and repurchases.

9/ Merchandise trade figures only.

10/ End-of-period figures.

Table 5. Guinea: Gross Domestic Product at Constant 1996 Prices by Sectors, 1999-2004

	1999	2000	2001	2002	2003	2004
(In billions of 1996 Guinean francs)						
GDP at factor cost	4,209.9	4,294.3	4,410.8	4,636.8	4,904.4	5,231.5
Primary sector	914.4	890.4	911.4	950.2	994.1	1,055.3
Agriculture	622.5	584.6	594.6	618.4	646.3	690.0
Livestock	149.7	155.9	161.4	170.1	179.3	189.0
Fisheries	49.0	52.5	55.1	58.4	62.2	66.6
Forestry	93.2	97.4	100.3	103.3	106.4	109.8
Secondary sector	1,327.7	1,385.1	1,465.0	1,551.7	1,656.4	1,781.1
Mining	725.8	750.0	797.6	835.9	878.7	924.3
Manufacturing	168.0	179.7	189.6	201.0	213.0	226.7
Water, electricity	26.5	27.5	28.4	29.6	30.9	32.3
Construction	407.4	427.9	449.3	485.2	533.8	597.8
Tertiary sector	1,967.8	2,018.8	2,034.4	2,134.9	2,253.8	2,395.1
Trade	1,190.4	1,190.4	1,196.4	1,262.2	1,331.6	1,404.8
Transport	266.3	270.3	273.0	289.6	312.8	344.1
Administration	171.6	210.1	210.1	212.1	221.8	231.4
Other	339.6	348.1	355.0	371.0	387.7	414.8
Indirect taxes	227.4	220.7	253.2	280.4	294.7	304.7
GDP at market prices	4,437.3	4,515.0	4,664.0	4,917.2	5,199.1	5,536.2
(Annual percent change)						
GDP at factor cost	3.0	2.0	2.7	5.1	5.8	6.7
Primary sector	5.5	-2.6	2.4	4.3	4.6	6.2
Agriculture	5.1	-6.1	1.7	4.0	4.5	6.8
Livestock	6.2	4.2	3.5	5.4	5.4	5.4
Fisheries	5.0	7.0	5.0	6.0	6.5	7.0
Forestry	7.3	4.5	3.0	3.0	3.0	3.2
Secondary sector	5.3	4.3	5.8	5.9	6.8	7.5
Mining	3.2	3.3	6.4	4.8	5.1	5.2
Manufacturing	6.5	7.0	5.5	6.0	6.0	6.4
Water, electricity	6.3	3.5	3.5	4.0	4.5	4.5
Construction	8.6	5.0	5.0	8.0	10.0	12.0
Tertiary sector	0.4	2.6	0.8	4.9	5.6	6.3
Trade	3.6	0.0	0.5	5.5	5.5	5.5
Transport	3.5	1.5	1.0	6.1	8.0	10.0
Administration	-25.1	22.5	0.0	1.0	4.6	4.3
Other	4.9	2.5	2.0	4.5	4.5	7.0
Indirect taxes	23.8	-2.9	14.7	10.8	5.1	3.4
GDP at market prices	3.9	1.8	3.3	5.4	5.7	6.5

Sources: Guinean authorities; and staff estimates and projections.

Table 6. Guinea: Gross Domestic Product at Current Prices by Demand Components, 1999-2004

	1999	2000	2001	2002	2003	2004
(In billions of Guinean francs)						
GDP at market prices	4,759.9	5,334.1	5,915.4	6,564.4	7,313.5	8,151.1
Consumption	3,926.0	4,341.1	4,660.8	5,125.4	5,671.7	6,259.7
Public	284.3	316.7	387.9	452.2	538.4	671.9
Private	3,641.7	4,024.5	4,272.9	4,673.2	5,133.3	5,587.8
Investment	1,055.2	1,179.4	1,433.1	1,569.4	1,752.2	1,962.3
Fixed capital formation	1,010.2	1,133.4	1,386.1	1,518.4	1,700.2	1,909.3
Government	343.9	386.6	557.9	599.4	676.3	768.1
Other sectors	666.4	746.8	828.2	919.0	1,023.9	1,141.1
Change in stocks	45.0	46.0	47.0	51.0	52.0	53.0
Foreign balance	-221.3	-186.4	-178.5	-130.4	-110.4	-70.9
Exports of goods and nonfactor services	1,019.8	1,382.0	1,820.7	2,067.3	2,255.9	2,510.4
Imports of goods and nonfactor services	1,241.2	1,568.4	1,999.1	2,197.7	2,366.3	2,581.3
(In percent of GDP)						
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0
Consumption	82.5	81.4	78.8	78.1	77.6	76.8
Public	6.0	5.9	6.6	6.9	7.4	8.2
Private	76.5	75.4	72.2	71.2	70.2	68.6
Investment	22.2	22.1	24.2	23.9	24.0	24.1
Fixed capital formation	21.2	21.2	23.4	23.1	23.2	23.4
Government	7.2	7.2	9.4	9.1	9.2	9.4
Other sectors	14.0	14.0	14.0	14.0	14.0	14.0
Change in stocks	0.9	0.9	0.8	0.8	0.7	0.7
Foreign balance	-4.7	-3.5	-3.0	-2.0	-1.5	-0.9
Exports of goods and nonfactor services	21.4	25.9	30.8	31.5	30.8	30.8
Imports of goods and nonfactor services	26.1	29.4	33.8	33.5	32.4	31.7
Domestic savings	17.5	18.6	21.2	21.9	22.4	23.2
Gross national savings	18.0	19.2	21.6	21.3	22.0	22.8

Sources: Guinean authorities; and staff estimates and projections.



Table 7. Guinea: Financial Operations of the Central Government, 1999-2004

	1999	2000			2001		2002	2003	2004	
	Est.	Original Program	Interim. Prog.	Prog. Nov-00	Est.	Revised Baseline	Revised With HIPC	Proj. 1/	Proj. 1/	Proj. 1/
(In billions of Guinean francs)										
Revenue and grants	628.3	749.1	762.2	748.5	719.9	920.6	1103.8	1276.7	1461.4	1661.7
Revenue	517.2	634.1	638.3	623.2	594.6	761.0	782.9	912.8	1064.3	1248.1
Mining sector revenue	117.3	128.9	145.8	147.0	146.4	184.5	184.5	215.7	230.3	281.9
Nonmining sector revenue	399.9	505.2	492.6	476.2	448.2	576.5	598.4	697.1	834.0	966.3
Direct taxes	57.7	65.7	61.1	60.9	58.3	70.4	70.4	87.2	98.2	92.9
Indirect taxes	228.6	299.3	248.0	228.5	216.8	285.4	285.4	357.3	436.3	532.6
<i>Of which: petroleum taxes</i>	70.7	84.0	70.0	46.0	47.2	79.0	79.0	100.8	128.7	164.2
Taxes on international trade	80.8	100.8	126.9	127.5	119.1	130.6	130.6	154.7	179.7	193.8
Nontax revenue 2/	32.8	39.4	56.5	59.3	53.9	90.2	112.0	97.8	119.9	147.0
Grants	111.1	115.0	123.9	125.3	125.3	159.6	320.9	363.9	397.1	413.6
Project grants	111.1	115.0	123.9	125.3	125.3	159.6	159.6	174.7	205.1	229.8
HIPC assistance 3/	0.0	0.0	0.0	0.0	0.0	0.0	86.3	189.2	192.0	183.8
Humanitarian assistance	...	...	...	...	...	...	75.0	...	...	...
Expenditure	773.6	924.2	905.9	909.3	893.0	1,109.8	1,292.8	1,359.5	1,522.8	1,768.4
Current expenditure	429.5	495.6	488.0	513.5	504.0	642.2	713.1	737.6	833.3	987.1
Wages and salaries	194.7	203.3	204.0	207.5	206.2	220.5	227.5	244.9	271.9	307.8
Other goods and services	89.6	119.2	105.2	107.6	110.4	134.2	160.3	207.3	266.5	364.1
Subsidies and transfers	70.7	81.1	91.2	103.5	97.6	174.7	212.4	184.0	205.0	228.5
<i>Of which: contribution to national defense</i>	30.8	19.0	31.0	53.0	53.0	98.0	98.0	20.0	20.0	20.0
Interest on external debt 4/	59.5	77.0	75.1	78.7	73.9	96.4	96.4	90.4	83.5	78.2
Interest on domestic debt	15.0	15.0	18.0	16.2	15.9	16.4	16.4	11.0	6.4	8.5
Public investment program	343.9	415.0	408.0	393.8	386.6	445.1	557.3	599.4	676.3	768.1
Externally financed	295.0	345.0	345.0	345.0	345.0	388.7	442.0	431.4	486.2	535.2
Domestically financed	48.9	70.0	63.0	48.8	41.6	56.4	115.4	168.0	190.1	232.9
Net lending	0.2	1.7	1.3	1.3	2.4	2.0	2.0	2.5	3.2	3.2
Restructuring expenditure	0.0	12.0	4.0	0.7	0.0	20.4	20.4	20.0	10.0	10.0
Balance, commitment basis										
Including grants	-145.3	-175.1	-143.7	-160.8	-173.1	-189.1	-189.0	-82.8	-61.3	-106.7
Excluding grants	-256.4	-290.1	-267.6	-286.1	-298.4	-348.7	-509.9	-446.7	-458.4	-520.3
Change in payments arrears										
Domestic 5/	-3.4	-0.2	-50.5	-24.2	-38.0	-10.0	-10.0	-11.6	-8.4	0.0
External 6/	0.4	-0.2	-41.4	-32.5	-43.3	-4.6	-4.6	-11.6	-8.4	0.0
External 6/	-3.8	0.0	-9.1	8.3	5.4	-5.4	-5.4	0.0	0.0	0.0
Adjustment for cash balances in banks	0.3	...	...	...	10.9	...	...	...	...	...
Balance, cash basis	-148.4	-175.3	-194.3	-185.1	-200.2	-199.1	-199.0	-94.4	-69.7	-106.7
Financing	148.4	57.6	66.1	185.1	200.2	-111.8	-111.8	-52.7	-40.3	64.1
Net external financing	105.7	99.8	82.9	102.3	110.3	-37.1	-37.1	-0.7	3.7	52.1
Drawings	203.4	230.0	221.1	224.2	224.2	229.1	229.1	256.7	281.1	305.4
Project financing	200.9	230.0	221.1	221.1	221.1	229.1	229.1	256.7	281.1	305.4
Other	2.5	0	0.0	3.1	3.1	0.0	0.0	0.0	0.0	0.0
Amortization due 4/	-88.2	-130.2	-139.7	-148.0	-140.0	-262.7	-262.7	-259.4	-280.4	-257.3
Change in amortization arrears 6/	-9.5	0.0	1.4	26.1	26.1	0.0	0.0	0.0	0.0	0.0
Debt repurchase 7/	0.0	0.0	0.0	...	...	-3.5	-3.5	0.0	0.0	0.0
Net domestic financing	42.7	-42.2	-16.8	82.8	89.9	-74.7	-74.7	-52.0	-44.0	12.0
Banking system	47.0	-24.0	-2.5	91.6	103.5	-76.1	-76.1	-48.0	-48.0	0.0
<i>Of which: central bank</i>	44.1	-15.0	-2.5	85.7	118.6	-76.1	-76.1	...	...	...
Nonbank financing	-4.3	-18.2	-7.3	-8.8	-15.6	1.4	1.4	-4.0	4.0	12.0
<i>Of which: privatization revenue</i>	...	1.6	1.9	2.0	1.9	4.4	4.4	2.0	12.0	20.0
Financing gap 4/	0.0	117.7	128.2	0.0	0.0	310.9	310.9	147.1	110.0	42.6
(As a percentage of GDP; unless otherwise specified)										
Revenue and grants	13.2	13.6	14.3	14.0	13.5	15.6	18.7	19.4	20.0	20.4
<i>Of which: revenue</i>	10.9	11.5	12.0	11.7	11.1	12.9	13.2	13.9	14.6	15.3
Mining	2.5	2.3	2.7	2.8	2.7	3.1	3.1	3.3	3.1	3.5
Nonmining	8.4	9.2	9.2	8.9	8.4	9.7	10.1	10.6	11.4	11.9
Expenditure	16.3	16.8	17.0	17.0	16.7	18.8	21.9	20.7	20.8	21.7
Current expenditure	9.0	9.0	9.1	9.6	9.4	10.9	12.1	11.2	11.4	12.1
<i>Of which: wages and salaries</i>	4.1	3.7	3.8	3.9	3.9	3.7	3.8	3.7	3.7	3.8
<i>contribution to national defense</i>	0.6	0.6	0.8	1.2	1.0	1.8	1.8	0.3	0.3	0.2
Capital expenditure and net lending 8/	7.2	7.8	7.7	7.4	7.3	7.9	9.8	9.5	9.4	9.6
Balance, commitment basis										
Including grants	-3.1	-3.2	-2.7	-3.0	-3.2	-3.2	-3.2	-1.3	-0.8	-1.3
Excluding grants	-5.4	-5.3	-5.0	-5.4	-5.6	-5.9	-8.6	-6.8	-6.3	-6.4
Domestic primary balance 9/	2.4	2.7	3.2	2.9	2.6	2.6	0.8	1.3	1.6	1.2
(in billions of Guinean francs)	113.1	146.9	170.4	153.8	136.4	152.7	44.8	86.1	117.7	101.6
GDP (in billions of Guinean francs; current market prices)	4,760	5,512	5,334	5,334	5,334	5,915	5,915	6,564	7,313	8,151
Health expenditure/ non military domestic expenditure 10/	2.4	4.4	4.9	5.1	4.4	4.5	4.4	4.4	5.4	6.4
Education expenditure/ non military domestic expenditure 10/ 11/	18.3	19.0	21.1	22.1	19.4	19.5	15.4	18.5	20.3	22.7
Military expenditure/ non military domestic primary expenditure 10/	24.8	18.8	29.0	45.0	35.7	51.5	39.2	5.4	4.4	3.5
Expected debt relief under HIPC Initiative	...	...	...	...	...	...	107.6	189.2	192.0	183.8

Sources: Guinean authorities; and staff estimates and projections.

1/ Assuming delivery of the HIPC Initiative interim assistance in 2001.

2/ In 2001, including payment by public enterprises for debt service relieved under HIPC Initiative for the amount of GNF 21.8 billion.

3/ Excluding GNF 21.8 billion of repayment by public enterprises which are counted in nontax revenue.

4/ For 1999, the external debt service and change in external arrears refer to cash obligations only (after debt relief), excluding debt service to Russia. For 2000 and 2001, external debt service refers to debt service due.

5/ Changes in outstanding domestic arrears and in the float between expenditure commitments and cash payments.

6/ Payments to the Paris Club in 2000 were based on the terms of the 1997 rescheduling, which expired in 1999.

7/ Domestic contribution to the repurchase of the Italian debt.

8/ Includes expenditure for restructuring.

9/ Revenue minus noninterest expenditure (excluding foreign-financed capital expenditure).

10/ Nonwage current primary expenditure excluding humanitarian assistance.

11/ Including higher education.

Table 8. Guinea: Baseline Budget Scenario and Full Budget after HIPC Initiative Interim Debt Relief, 2001-04 1/  
(In billions of Guinean francs, unless otherwise indicated)

	Priority Expenditure in 2001								Total Expenditure			
	Public Health	Education 2/	Road Maintenance	Agriculture and Fisheries	Rural Water Supply	Other Priority Sectors	Total Priority Expenditure	Share of Total Expenditure (In percent)	2001	2002	2003	2004
Baseline												
Total primary nonmilitary	24.9	99.9	21.8	30.1	2.2	12.4	191.3	39.1	489.3	595.0	721.5	929.5
Current primary nonmilitary expenditure	22.2	95.6	14.4	23.8	0.0	8.1	164.1	37.9	432.9	497.9	592.8	744.8
Wages and salaries	13.0	71.7	0.0	19.9	0.0	3.7	108.2	49.1	220.5	241.2	267.2	302.2
Other goods and services	4.8	20.5	14.4	3.3	0.0	4.2	47.2	35.2	134.2	137.3	181.5	274.1
Subsidies and transfers	4.4	3.4	0.0	0.7	0.0	0.2	8.7	11.1	78.2	119.4	144.1	168.5
Domestically financed public investment program	2.7	4.3	7.4	6.4	2.2	4.2	27.2	48.2	56.4	97.1	128.7	184.7
Additional expenditure under HIPC Initiative												
Current primary nonmilitary expenditure	2.5	11.4	7.7	0.0	0.0	26.2	47.7	45.0	47.7	118.3	130.6	135.6
Wages and salaries	0.0	5.5	0.0	0.0	0.0	0.2	5.7	5.4	5.7	3.7	4.7	5.6
Other goods and services	1.5	4.9	7.7	0.0	0.0	12.0	26.0	24.5	26.0	70.0	85.0	90.0
Subsidies and transfers	1.0	1.0	0.0	0.0	0.0	14.0	16.0	15.1	16.0	44.6	40.9	40.0
Domestically financed public investment program	0.0	15.7	0.0	15.0	21.1	6.6	58.4	55.0	58.4	70.9	61.4	48.2
Total additional expenditure 4/	2.5	27.1	7.7	15.0	21.1	32.7	106.1	100.0	106.1	189.2	192.0	183.8
Total expenditure after HIPC Initiative												
Total primary non military	27.4	127.0	29.5	45.1	23.3	45.1	297.4	49.9	595.9	784.2	913.5	1113.3
Current primary non military expenditure	24.7	107.0	22.1	23.8	0.0	34.3	211.8	44.1	480.6	616.2	723.4	880.4
Wages and salaries	13.0	77.2	0.0	19.9	0.0	3.9	113.9	50.1	227.5	244.9	271.9	307.8
Other goods and services	6.3	25.4	22.1	3.3	0.0	16.2	73.2	45.7	160.3	207.3	266.5	364.1
Subsidies and transfers 5/	5.4	4.4	0.0	0.7	0.0	14.3	24.7	26.6	92.7	164.0	185.0	208.5
Domestically financed public investment program	2.7	20.0	7.4	21.4	23.3	10.8	85.6	74.2	115.4	168.0	190.1	232.9
Debt service due	...	...	...	...	...	...	...	...	359.2	349.8	363.9	335.5
Possible debt relief under HIPC Initiative 4/	...	...	...	...	...	...	...	...	107.6	189.2	192.0	183.8

Source: Guinean authorities; and staff estimates and projections.

1/ For 2001, reflects the authorities' allocation. The allocation of expenditure for the 2002-04 period is a staff projection.

2/ Excluding universities.

3/ Spending including HIPC resources in 2003-04.

4/ In 2001, the difference relative to the amounts spent reflects a small residual deposit in the banking system, to be spent in 2002.

5/ Excludes humanitarian assistance.

Table 9. Guinea: Monetary Survey, 1999-2001

	1999	2000					2001			
		Mar.	Jun.	Sep.	Dec.		Mar.	June	Sep.	Dec.
	Act.	Act.	Act.	Act.	Orig. Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
(In billions of Guinean francs, unless otherwise indicated)										
<b>Central bank</b>										
Net foreign assets	124.7	121.2	97.6	103.2	196.4	53.6	42.3	146.0	198.8	207.8
(in millions of U.S. dollars)	71.8	72.2	60.0	57.1	109.7	27.9	21.3	71.1	93.2	98.4
Net domestic assets	168.8	164.3	224.8	225.8	110.8	286.9	304.6	216.1	169.7	150.7
Domestic credit	153.5	152.4	197.8	195.7	107.9	245.3	272.6	184.1	137.8	130.8
Government (net)	137.4	128.1	173.2	177.8	94.8	256.1	265.4	201.4	192.6	180.0
Of which: gold revaluation claims	17.6	17.6	17.6	17.6	17.6	17.7	17.6	17.6	17.6	17.6
Public enterprises	6.6	7.2	6.7	6.9	6.0	5.8	5.7	5.5	5.4	5.2
Private sector	6.8	8.1	7.2	4.7	4.1	5.4	5.6	5.3	4.9	4.7
Claims on deposit money banks	2.6	9.0	10.7	6.4	3.0	-22.0	-4.1	-28.1	-65.1	-59.1
Of which: sterilization bills (-)	-2.8	0.0	0.0	0.0	0.0	-30.0	-12.1	-36.1	-73.1	-67.1
Other items, net (assets +)	15.4	11.9	27.1	30.1	2.9	41.6	32.0	32.0	31.9	19.9
Reserve money	293.5	285.5	322.5	329.0	307.2	340.5	346.9	362.1	368.5	358.4
Currency outside banks	225.6	236.3	257.8	268.4	257.3	285.2	293.3	318.9	318.5	292.5
Bank reserves	56.9	34.7	46.9	44.4	46.4	33.7	43.5	37.1	43.8	61.9
Deposits	49.8	29.0	40.6	39.1	40.4	27.4	35.9	29.1	35.6	53.6
Required reserves	26.1	27.2	28.8	30.5	29.5	15.3	15.7	15.9	16.8	18.6
Excess reserves	23.7	1.8	11.8	8.6	10.9	12.1	20.2	13.1	18.9	35.0
Cash in till	7.1	5.7	6.3	5.4	6.0	6.3	7.6	8.0	8.2	8.3
Private sector deposits	11.0	14.4	17.8	16.2	3.5	21.7	10.0	6.2	6.2	4.0
<b>Deposit money banks</b>										
Net foreign assets	25.7	39.2	59.8	56.6	35.0	74.2	75.5	73.3	71.1	69.0
Bank reserves	59.9	30.1	48.5	50.3	46.4	36.5	43.5	37.1	43.8	61.9
Deposits at the central bank	52.8	24.4	42.1	44.9	40.4	30.2	35.9	29.1	35.6	53.6
Cash in till	7.1	5.7	6.3	5.4	6.0	6.3	7.6	8.0	8.2	8.3
Liabilities to central bank (-)	-5.1	-10.3	-12.8	-7.7	-3.0	21.0	4.1	28.1	65.1	59.1
Of which: sterilization bills	2.8	0.0	0.0	0.0	0.0	30.0	29.3	29.3	29.3	29.3
Domestic credit	256.6	271.3	264.8	282.1	291.0	269.3	280.7	275.0	269.5	293.6
Credit to the government	8.0	2.5	4.1	13.9	21.3	-5.1	0.0	0.0	0.0	0.0
Claims	39.3	27.6	25.5	41.7	...	18.0	0.0	0.0	0.0	0.0
Deposits	31.3	25.1	21.4	27.8	...	23.1	0.0	0.0	0.0	0.0
Claims on public enterprises	0.0	0.0	0.0	0.0	0.3	0.2	0.2	0.2	0.2	0.2
Claims on the private sector	248.5	268.8	260.7	268.3	269.3	274.2	280.5	274.8	269.4	293.4
Other items, net (assets +)	-99.5	-83.1	-98.7	-103.7	-105.0	-122.4	-118.9	-123.9	-145.0	-145.0
Liabilities to the private sector	237.6	247.2	261.6	277.6	264.3	278.6	285.0	289.6	304.6	338.6
<b>Monetary survey</b>										
Net foreign assets	150.4	160.4	157.4	159.8	231.4	127.8	117.8	219.3	270.0	276.8
Net domestic assets	323.8	337.6	379.7	402.3	293.8	457.6	470.5	395.4	359.4	358.4
Domestic credit	407.4	414.7	451.9	471.5	395.9	536.6	557.3	487.2	472.4	483.5
Credit to the government	145.5	130.6	177.3	191.6	116.2	251.0	265.4	201.4	192.6	180.0
(excluding gold revaluation claims)	127.9	113.0	159.7	174.0	98.6	233.4	247.8	183.8	175.0	162.4
Claims on public enterprises	6.6	7.2	6.7	6.9	6.3	6.0	5.9	5.7	5.5	5.4
Claims on the private sector	255.3	276.9	268.0	273.0	273.4	279.6	286.1	280.1	274.3	298.1
Other items, net (assets +)	-83.6	-77.1	-72.2	-69.1	-102.1	-79.0	-86.8	-91.9	-113.1	-125.1
Broad money (M2)	474.2	498.0	537.1	562.2	525.1	585.4	588.3	614.7	629.3	635.2
Currency	225.6	236.3	257.8	268.4	257.3	285.2	293.3	318.9	318.5	292.5
Deposits	248.6	261.7	279.4	293.8	267.8	300.3	295.0	295.8	310.8	342.6
Of which: foreign currency deposits	82.5	93.4	95.0	91.4	69.6	84.1	85.6	94.7	90.1	95.9
<b>Memorandum items:</b>										
(In percent of beginning-of-period broad money, unless otherwise indicated)										
Net foreign assets	-6.9	2.1	1.5	2.0	17.1	-4.8	-7.3	10.6	18.8	25.4
Net domestic assets	15.7	2.9	11.8	16.6	-6.3	28.2	2.2	-10.6	-16.8	-16.9
Domestic credit	19.3	1.5	9.4	13.5	-2.4	27.2	3.5	-8.4	-11.0	-9.1
Net claims on government	10.8	-3.1	6.7	9.7	-6.2	22.3	2.5	-8.5	-10.0	-12.1
Credit to nongovernment sector	8.6	4.7	2.7	3.8	3.7	5.0	1.1	0.0	-1.0	3.1
Broad money	8.8	5.0	13.3	18.5	10.7	23.4	0.5	5.0	7.5	8.5
Velocity (GDP/average M2)	10.1	...	...	...	...	10.1	...	...	...	9.7
Credit to the nongovernment sector (annual change)	16.6	33.3	18.8	15.9	6.8	9.0	2.8	4.1	0.0	6.3
Reserve money (annual change)	15.0	4.8	14.9	23.1	4.7	16.0	21.5	12.3	12.0	5.3
Gross reserves (in months of imports)	2.7	2.5	2.3	2.2	3.2	1.8	1.7	2.3	2.5	2.6
Gross reserves (in percent of broad money)	76.0	68.6	56.7	58.5	87.8	48.3	49.4	67.8	74.7	78.9

Sources: Guinean authorities; and staff estimates and projections.

Table 10. Guinea: Balance of Payments, 1999-2004  
(In millions of U.S. dollars, unless otherwise indicated)

	1999		2000		2001		2002	2003	2004
	Orig. Prog.	Est.	Orig. Prog.	Proj.	Orig. Prog.	Proj.	Proj.	Proj.	Proj.
Merchandise trade balance	174.4	64.0	189.1	139.3	230.1	126.3	165.6	188.9	215.5
Exports, f.o.b.	754.5	645.8	823.4	694.5	889.8	774.5	856.2	925.7	1011.7
<i>Of which:</i> mining products	632.7	516.1	688.2	547.8	746.5	611.5	675.2	708.0	850.5
Imports, f.o.b.	-580.1	-581.8	-634.3	-555.2	-659.7	-648.1	-690.6	-736.8	-796.2
Food products	-82.7	-105.1	-86.8	-112.5	-91.4	-124.3	-134.5	-144.0	-145.7
Other consumption goods	-93.9	-92.9	-100.3	-92.2	-107.2	-100.2	-110.6	-123.9	-128.4
Petroleum goods	-90.5	-58.7	-101.4	-73.7	-91.5	-82.2	-90.5	-83.9	-90.7
Intermediate and capital goods	-313.1	-325.1	-345.9	-276.7	-369.6	-341.4	-355.0	-385.0	-431.4
Services trade balance	-207.4	-228.7	-224.4	-248.3	-234.5	-214.5	-228.4	-241.3	-248.7
Services exports	113.1	113.2	120.8	113.9	129.2	125.1	138.3	143.5	162.9
<i>Of which:</i> transport	49.7	19.4	53.7	31.2	58.1	52.8	57.9	62.3	69.7
Services imports	-320.4	-341.9	-345.2	-362.2	-363.7	-339.6	-366.6	-384.8	-411.6
<i>Of which:</i> transport	-150.3	-100.4	-164.3	-132.4	-170.9	-136.7	-145.3	-154.7	-167.2
Income balance	-152.6	-83.8	-158.9	-82.0	-163.8	-98.3	-94.8	-91.3	-88.8
<i>Of which:</i> dividend payments	-82.4	-32.3	-88.4	-7.3	-93.8	-7.7	-8.2	-8.7	-9.2
interest on public debt 1/	-55.3	-50.0	-55.6	-55.0	-55.1	-49.0	-45.0	-41.0	-38.0
Transfers	62.0	101.1	67.8	101.4	54.1	110.5	73.9	77.3	72.9
<i>Of which:</i> official transfers	93.1	109.4	98.7	111.8	81.7	120.4	108.8	102.2	112.8
Current account									
Including public transfers	-123.5	-147.5	-126.4	-89.6	-114.0	-76.0	-83.6	-66.3	-49.2
Excluding public transfers	-216.6	-256.8	-225.1	-201.4	-195.7	-196.4	-192.4	-168.6	-161.9
Capital movements	5.0	103.6	40.5	-19.4	53.3	-4.4	4.3	22.2	38.7
Public (medium and long term)	-12.3	69.9	10.8	14.0	15.9	-16.6	-1.1	1.8	22.6
Project-related loans	147.1	151.4	148.4	129.3	154.4	113.2	123.5	133.2	142.9
Program financing	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
Amortization due 1/	-159.5	-81.5	-137.6	-117.1	-138.5	-129.8	-124.6	-131.4	-120.3
<i>Of which:</i> Russia and China 1/	-63.8	-63.8	-42.3	-42.3	-36.2	-36.2	...	...	...
Public (short term)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct and other private investment (net)	17.3	33.7	29.7	-33.4	37.4	12.2	5.4	20.4	16.1
<i>Of which:</i> Direct investment and long-term loans	17.3	63.5	29.7	12.0	0.0	4.0	2.1	2.2	3.0
Errors and omissions	0.0	-48.5	0.0	46.7	0.0	0.0	0.0	0.0	0.0
Overall balance	-118.6	-92.3	-85.9	-62.3	-60.7	-80.4	-79.4	-44.2	-10.4
Financing	-418.0	92.3	-47.5	62.3	-37.4	-73.2	8.6	-8.0	-9.5
Change in net official reserves (increase -)	18.5	41.8	-47.5	43.9	-37.4	-70.5	8.6	-8.0	-9.5
IMF (net)	-7.3	3.6	-8.5	8.0	-12.9	12.1	11.4	15.3	20.0
Other reserves (net)	25.7	38.2	-39.0	35.9	-24.5	-82.6	-2.8	-23.3	-29.5
Changes in arrears and government assets (net) 2/	-478.7	8.3	0.0	18.4	0.0	-2.7	0.0	0.0	0.0
Change in arrears to Russia									
Debt relief	42.3	42.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	536.5	0.0	133.4	0.0	98.1	153.6	70.8	52.1	19.9
Memorandum items:									
Current account-GDP ratio (in percent)									
Including public transfers	-3.3	-4.2	-3.6	-2.9	-3.1	-2.6	-2.6	-1.9	-1.3
Excluding public transfers	-5.9	-7.2	-6.3	-6.5	-5.3	-6.7	-6.1	-4.9	-4.2
Exports of GNFS-GDP ratio (in percent) 3/	23.5	21.4	26.6	25.9	27.5	30.8	31.5	30.8	30.8
Imports of GNFS-GDP ratio (in percent) 3/	-24.4	-26.1	-27.5	-29.4	-27.6	-33.8	-33.5	-32.4	-31.7
External medium-and long-term public debt 4/	3,032	3,375	3,165	3,375	3,312	3,390	3,428	3,438	3,464
In percent of GDP	82.1	95.3	89.0	108.2	89.2	116.0	108.6	99.2	90.8
Debt-service ratio 5/	24.8	17.3	20.5	21.3	19.0	19.9	17.1	16.1	13.5
Gross reserves	220.1	207.5	257.6	147.3	298.5	226.2	229.1	252.4	281.8
In months of imports (GNFS) 3/	2.9	2.7	3.2	1.8	3.5	2.6	2.6	2.7	2.8

Sources: Guinean authorities; and staff estimates and projections.

1/ Including debt-service payments on public guaranteed debt.

2/ Technical arrears to the Paris Club; payments to the Paris Club in 2000 were based on the terms of the Paris Club rescheduling of 1997 that expired at the end of 1999.

3/ GNFS = goods and nonfactor services.

4/ Nominal debt stock before traditional debt relief (including new debt), as presented in the Enhanced HIPC Initiative decision point document (EBS/00/243;12/01/00).

5/ Before HIPC Initiative debt relief. In percent of exports of GNFS.

6/ The above balance of payments does not include the impact of major mining sector investments planned for 2003-05.

Table 11. Guinea: External Financing Requirements and Sources, 1998-2002  
(In millions of U.S. dollars)

	Actual			IMF Staff Projections	
	1998	1999	2000	2001	2002
<b>Gross financing requirements</b>	-493.9	-307.2	-274.6	-409.7	-308.5
External current account deficit (exc. official transfers)	-277.8	-256.8	-201.4	-196.4	-192.4
Debt amortization	-106.3	-81.5	-117.1	-129.8	-124.6
Medium-and long-term debt	-106.3	-81.5	-117.1	-129.8	-124.6
Public sector 1/	-106.3	-81.5	-117.1	-129.8	-124.6
Commercial banks	...	...	...	...	...
Corporate private sector	...	...	...	...	...
Short-term debt	0.0	0.0	0.0	0.0	0.0
Repayment of arrears 2/	-82.3	0.0	0.0	-2.7	0.0
Net foreign reserves without IMF	-36.9	24.0	35.9	-92.9	-2.8
IMF repurchases and repayments	9.4	7.1	8.0	12.1	11.4
<b>Available financing</b>	493.8	307.2	274.6	409.7	308.5
Foreign direct investment (net)	49.1	33.7	-33.4	12.2	5.4
Official creditors 3/	274.4	260.8	243.0	233.6	232.3
IMF 4/	32.0	10.8	0.0	10.3	0.0
Accumulation of arrears (exceptional) 2/	0.0	8.3	18.4	0.0	0.0
Financing gap	0.0	0.0	0.0	153.6	70.8
Other flows 5/	138.4	-6.3	46.7	0.0	0.0

Source: Guinean authorities; and staff estimates and projections.

1/ Including debt-service payments on public guaranteed debt.

2/ Technical arrears to the Paris Club; payments to the Paris Club in 2000 were based on the terms of the Paris Club rescheduling of 1997 that expired at the end of 1999.

3/ Includes both loans and grants.

4/ Excludes disbursements under the new PRGF arrangement.

5/ Includes all the other net financial flows, and errors and omissions.

Table 12. Guinea: Social Development Indicators, 1990 and 1999

	1990		1999 1/	
	Guinea	Average for Sub-Saharan Africa	Guinea	Average for Sub-Saharan Africa
GNP per capita (in current U.S. dollars)	440	540	540	480
Life expectancy (in years)	44	50	46	51
Infant mortality (per 1,000 births)	136	100	120	91
Urban population (in percent of total population)	26	28	31	33
Urban population with access to safe water (in percent)	55 2/	47 2/	65	...
Illiteracy (in percent of population aged 15 and higher)	76	50	64	42
Gross primary enrollment (in percent of school-age population)	29	76	56	77
Male	50	83	72	84
Female	19	68	40	69

Sources: Government of Guinea (enrollment data for 1998); and World Bank, *World Development Indicators*, 1999 (all other data, except illiteracy rates for Guinea, which are taken from various *World Development Reports*).

1/ 1999 or latest available statistics.

2/ 1993 data, as 1990 data are not available.

Conakry, March 30, 2001

Mr. Horst Köhler  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431  
U.S.A.

Dear Mr. Köhler:

1. The attached memorandum of economic and financial policies sets out the objectives and policies that the government of Guinea intends to pursue in the context of a new medium-term program covering the period April 2001-March 2004. To facilitate the achievement of these objectives and the implementation of these policies, the government hereby requests a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) in an amount equivalent to SDR 64.26 million (60 percent of quota).

2. The government of Guinea will provide the Fund with such information as the Fund requests in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program as set out in the attached memorandum.

3. The government of Guinea believes that the policies and measures set out in the attached memorandum are adequate to achieve the objectives of its program; it will take any further measures that may become appropriate for this purpose. During the course of the new PRGF-supported program, the government will consult with the Managing Director on the adoption of any measures that could be appropriate, at the initiative of the government or whenever the Managing Director requests such a consultation. Moreover, after the period of the new PRGF arrangement and for as long as Guinea has outstanding financial obligations to the Fund arising from loans under the arrangement, the government will consult with the Fund from time to time, at the initiative of the government or whenever the Managing Director requests consultation, on Guinea's economic and financial policies.

4. The government of Guinea will conduct with the Fund two reviews of the first annual program supported by the new arrangement, the first not later than end-December 2001, and the second before end-June, 2002.

Sincerely yours,

/s/

/s/

Ibrahima Chérif BAH  
Governor of the Central Bank of Guinea

Cheick Ahmadou CAMARA  
Minister of Economy and Finance

Attachment: Memorandum of Economic and Financial Policies

**Memorandum of Economic and Financial Policies  
of the Government of Guinea for 2001-04**

**I. INTRODUCTION**

1. Economic and financial developments in the latter half of 1999 and during 2000 were adversely affected by unfavorable exogenous factors, including a deterioration of the security situation along Guinea's borders, a serious terms of trade shock due to the sharp increase in international oil prices, and large shortfalls in external assistance. In this adverse external context, the implementation of the third annual program supported by the Poverty Reduction and Growth Facility (PRGF) during the period October 1999–December 2000 proved difficult for Guinea. After slippages in early 2000, the Guinean authorities brought the program back on track with the help of an interim program, established in consultation with IMF staff in May 2000. Accordingly, all but two of the revised targets for end-September 2000 were observed, and the first review under the third annual arrangement was completed in December 2000.

**II. THE POVERTY REDUCTION FRAMEWORK FOR THE ADJUSTMENT PROGRAM**

2. Between 1996 and 1998, the government formulated an overall vision of development set out in a document entitled "Guinea: Vision 2010," which was to be made operational through a National Human Development Program prepared in December 1998 on the basis of broad consultation with civil society. In this context, a variety of programs have been initiated in the priority sectors of health, education, water supply, agriculture, and transportation, but their effectiveness has been limited, owing to the absence of a coherent strategy supported by all participants and development partners. Moreover, the macroeconomic improvements have not resulted in a corresponding improvement in living conditions for the majority of the population, and Guinea continues to fall short of realizing the potential benefits of its human and natural resource endowments.

3. It is in this spirit that the government of Guinea has embraced the poverty reduction strategy paper (PRSP) as an overall framework for the coordination of its poverty reduction policies and the support of its external partners. In this context, the Guinean authorities have prepared, in consultation with key civil society groupings, an interim poverty reduction strategy paper (I-PRSP), in which is set out a preliminary analysis of poverty in Guinea, as well as the framework for the country's poverty reduction strategy. This strategy has three main axes: (i) increasing economic growth and creating income-earning and employment opportunities, particularly for the rural poor; (ii) developing equal access to basic services; and (iii) improving governance and strengthening institutional and human capacity. To this end, this memorandum presents the new medium-term program for the period April 2001–March 2004, for which IMF support is requested. It sets out the objectives that the government of Guinea intends to achieve during the next three years and describes the



accompanying policies, including those to be implemented during the first year of the program.

### III. MEDIUM-TERM MACROECONOMIC OBJECTIVES

4. Over the medium term, the government will focus on fostering economic stability and accelerating broad-based growth, to the benefit of the poor. The main sources of this growth will be the agriculture and animal production, fisheries, and mining sectors. Policies will concentrate on diversifying Guinea's production and export structure, and creating an enabling environment for private sector development.

5. The key macroeconomic objectives of the new medium-term program are: (i) average output growth of 5.2 percent over the period 2001–04; (ii) a decline in inflation from 6.8 percent in 2000 to 2.8 percent by 2004; and (iii) an external current account deficit (excluding official transfers) of 5.5 percent of GDP on average during 2001-04. The overall fiscal deficit (on a commitment basis and including grants) is expected to decline from 2.9 percent of GDP in 2000 to 1.3 percent in 2004. These projections include the impact of additional poverty-related spending funded in part by the resources resulting from the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative), for which Guinea was declared eligible by the Executive Boards of the IMF and the World Bank in December 2000.

6. The authorities have designed medium-term policies for the strategic sectors of agricultural and animal production, fisheries, transport, and mining that are intended to foster growth; create employment and income-earning opportunities for the poor; diversify exports; and conserve the natural environment. Moreover, several major private sector investment projects that are planned over the next five years in the mining sector, including a large aluminum smelter, are expected to contribute significantly to overall growth and are likely to have spillover effects into other sectors of the economy.

7. In the fiscal area, the government will continue the consolidation of the public finances and ensure that the budget benefits the poor. Priority will be given to improving revenue mobilization and expenditure management, with a significant increase in budgetary allocations to the priority sectors (education, health, rural development, etc.).

8. Monetary policy will focus on further improving the instruments of monetary policy and controlling inflation.

9. In the external sector, policies will aim to diversify the export structure and strengthen the foreign exchange reserves, thereby contributing to a more stable exchange rate and enhancing Guinea's international competitiveness. The authorities will also continue to strengthen the management of Guinea's external debt, so as to avoid any unsustainable accumulation of external indebtedness after the debt stock reduction at the completion point under the HIPC Initiative.

#### IV. THE ECONOMIC AND FINANCIAL PROGRAM FOR 2001

10. The program of the government of Guinea is based on output growth in 2001 of 3.3 percent, expected to stem primarily from the agricultural, fisheries, mining, and transport sectors. The program targets average consumer price inflation (as measured by the Conakry price index) of 9.6 percent for 2001. The external current account deficit, including grants, is projected to narrow from 2.9 percent of GDP in 2000 to 2.6 percent in 2001, despite import growth associated with the increased spending in the priority social sectors and the additional requirements for reconstruction and rehabilitation resulting from the border conflict. The gross domestic investment ratio is projected to rise from about 22 percent to 24 percent of GDP. The saving ratio is expected to increase from 18.6 percent to 19.3 percent of GDP, after use of the additional resources to be obtained under the Enhanced HIPC Initiative.

##### A. Public Finances

11. The amended 2001 budget submitted to the National Assembly at end-March 2001 is based on a significant revenue effort aimed at raising the revenue-to-GDP ratio from 11.1 percent in 2000 to 13.2 percent in 2001, despite the adverse effects of the border conflict on economic activity and imports, and, thus, on revenues, during the first months of the year. With the increase in budget appropriations in the social sectors financed by the interim debt relief under the enhanced HIPC Initiative, current expenditure is projected to rise by 2.7 percent of GDP to 12 percent in 2001, while the domestic contribution to investment expenditure would increase by 1¼ percent of GDP. Therefore, the primary surplus would decline from 2.6 percent of GDP in 2000 to 0.8 percent (2.5 percent, excluding the additional HIPC Initiative-financed spending). Capital expenditure and net lending is projected to increase from 7.3 percent of GDP in 2000 to 9.8 percent in 2001.

12. The revenue from taxes on international trade is projected to rise by 0.2 percent of GDP in 2001 to GF 131 billion in 2001, primarily as a result of the implementation of measures to strengthen customs administration and to fight fraud, as well as from the reduction of exemptions. With regard to the former set of measures, an action plan has been set up that will be implemented by end-June 2001. In addition to linking the computer systems of the national customs directorate and the preshipment inspection company (SGS), and setting up programs to train agents in the use of the computerized customs information system (SYDONIA) (done in January 2001), these actions include the following: making the database management system of the SGS operational (March 2001); computerizing the database on exemptions (March 2001), on temporary admissions (April 2001), and on diplomatic exemptions (May 2001); and providing specialized training for customs agents in the management of human resources (done in February 2001), and in control mechanisms and in the fight against fraud (June 2001).

13. The 2001 budget also includes a number of new measures to widen the tax base. In terms of tax policy, the rate of the fixed levy (*prélèvement forfaitaire*) will be increased from 3 percent to 5 percent, and all imports by mining companies that are not directly used in the production process have been taxed since May 2000 under an assessment processing fee

(*redevance de traitement et de liquidation*—RTL) at the rate of 2 percent. Public works equipment temporarily admitted to Guinea is now subject to normal taxation *pro rata temporis*. In addition, temporarily admitted vehicles are subject to an annual RTL payment on their residual value. Moreover, the government has started reexamining the system of tax exemptions under the Mining Code, the Investment Code, and the special tax agreements and letters of establishment that provide exemptions beyond those of the two codes. Several of these exemptions will expire or be phased out before end-2001. The government is committed to streamlining by the end of 2004 the exemptions still in force at end-2001, particularly those accorded to the mining companies, through the renegotiation of existing agreements and the nonrenewal of those that expire. No new agreements providing exemptions beyond the scope of the Mining Code and the Investment Code will be granted. The government intends, however, to introduce a levy for the remuneration of administrative services (*la rémunération des prestations administratives*—RPA) on all imports entering the production process, in addition to the preferential customs rate of 5.6 percent presently in effect. With a view to broadening the tax base by inducing a large number of enterprises to make profit tax declarations, the 2001 budget law includes provisions that widen the range of the fixed minimum tax (*impôt minimum forfaitaire*) from GF 2–20 million to GF 3–40 million. The withholding tax at the source on local purchases by enterprises not subject to the value-added tax (VAT) has also been expanded to cover more enterprises. Besides, a tax office has been established at the customs directorate to improve the monitoring of the application of the fixed levy and to minimize abuse of the fixed rate by importers not subject to the VAT. In this regard, a restricted list of imported products that could be of interest to the poor has been established, with a view to reducing to a strict minimum the tax advantages granted to the informal sector in the area of customs. A new audit section (*section enquêtes et recherches*) has been created to impose detailed controls and conduct verifications. Furthermore, a comprehensive survey of taxpayers will be carried out by end-December 2001, and the tax directorate will deepen its collaboration with professional organizations with a view to improving payments morale. The section charged with imposing tax controls a posteriori has been attached to the office of the Minister of Finance—the authorities are examining the possibility of creating a similar structure for the customs.

14. As part of the action plan adopted in January 2001 to correct the problems identified in the audit reports of three public enterprises—SEEG (water), SOGEL (electricity), and PAG (port)—the government concluded in December 2000 the reassessment of the VAT liabilities of these enterprises. It identified a total of GF 3.8 billion to be repaid to during 2001-03, with GF 3.6 billion due in 2001. Moreover, starting in 2001, the three enterprises are subject to VAT from the billing phase. With regard to the audit of the custom tax invoices (*bordereaux de taxation*—BDT), a listing of unpaid BDT balances by importer and type of tax was prepared at end-December 2000 and agreement was reached in December 2000, with the importers involved on the amount to be paid (about GF 2.6 billion) and on the schedule of repayment.

15. The audit of SOTELGUI (telecommunications) revealed repeated incidences of tax fraud, contributing to a revenue shortfall of an estimated GF 3.8 billion. In addition, another

major case of fraud, involving employees of the tax directorate, the central bank, and some commercial banks, was uncovered in late January 2001. Both cases have been publicly submitted to the National Anticorruption Committee (CNLC) for investigation, and the Ministry of Justice has already launched proceedings against the persons and companies as provided for under the law. The recommendation of the CNLC in both cases will be published, and a definitive plan for the reimbursement of the amounts concerned, and any related punitive fines, will be established by end-June 2001. The CNLC will also examine the weaknesses of the tax directorate's procedures that made this fraud possible and will make recommendations for strengthening them.

16. The government adopted at end-March 2001 an automatic adjustment mechanism for the retail prices of petroleum products, following extensive consultation with its partners in the petroleum distribution sector. Prior to the adoption of the new scheme, the price of gasoline at the pump was reduced at end-January 2001 from GF 1,600 per liter to GF 1,300 per liter to reflect the recent decline in oil prices on the world market. Petroleum tax (*taxe spéciale sur les produits pétroliers*—TSPP) revenues are projected to reach GF 79 billion in 2001, compared with GF 47 billion in 2000.

17. Total current expenditure is projected to increase to GF 713 billion in 2001 (12.1 percent of GDP), as against GF 504 billion in 2000 (9.4 percent of GDP), reflecting the use of the debt-service savings under the enhanced HIPC Initiative to increase budgetary allocations to the social sectors. The expenditure projection also takes into account the additional spending required to meet the urgent humanitarian needs and to protect the nation against the recent attacks. The wage bill would increase by 10 percent, reflecting the wage increase granted in November 2000, as well as the new recruitment in education and health required to meet the objectives set out in the I-PRSP for these two key sectors. An analysis of public expenditure will be initiated during 2001 that encompasses not only spending in the year 2001 but also expenditures planned over the medium term, with assistance from the World Bank, the European Union, and other donors.

18. To improve expenditure composition, the government has earmarked the entire amount of debt relief under the enhanced HIPC Initiative for expenditures in the priority sectors (health, education, rural development, road maintenance, and justice). Thus, the share of nonwage recurrent expenditures in 2001 in the priority sectors, relative to total spending, is projected to rise from 26 percent before HIPC Initiative relief to 39 percent after HIPC Initiative relief. All specific HIPC Initiative-financed spending will be appropriated at the time of approval of the budget law for 2001; in this connection, a subaccount of the treasury has been created at the central bank, into which will be paid the counterpart of the nominal debt-service savings resulting from the interim debt relief under the HIPC Initiative. The budget nomenclature has been expanded by two additional categories (lines 8 and 9), in which all HIPC-financed current and capital spending will be accounted for. Spending from this account requires the personal signature of the Minister of Finance or other persons that were explicitly authorized by the latter, consistent with the application of the financial legislation. Detailed reports on the projected and actual use of these resources will be produced and published on a monthly basis.

19. The government is committed to further improving public expenditure management. To enhance expenditure control and tracking in the short term, it has decided to close, by June 2001, its dormant accounts at the central bank; to forbid overdrafts on government accounts in the banking system without the authorization of the Minister of Finance; and to close all government accounts in commercial banks except for the accounts of projects financed by foreign resources. The objective is to have only one current account of the treasury at the Central Bank of the Republic of Guinea (BCRG) by the end of 2002. Similarly, all government entities will deposit their funds in the treasury. The authorities will work with their development partners to harmonize the procedures relating to counterpart funds. With the technical and financial support of the World Bank, the government will extend its medium-term expenditure framework (MTEF) gradually to cover capital outlays by 2003. By the time of presentation of the 2002 budget, the mechanism for tracking poverty-related spending, which presently covers current spending in health, education, justice, transport, and rural development, will be extended to include spending on urban development and housing, and social affairs. Both the MTEF and the computerized expenditure tracking system will be extended during 2001 to cover current spending by the local authorities.

20. The government will complete its inventory of the stock of domestic payments arrears by June 2001 and will establish by end-September 2001 a plan for the elimination of the verified arrears by the end of the program period. The monthly cash-flow plan and the computerized expenditure tracking system will be used actively to limit expenditure commitments to available resources and prevent any further accumulation of such arrears, and repayments totaling GF 4.6 billion will be made during 2001.

21. The overall deficit (on a cash basis, and including grants) is thus projected to reach GF 199 billion (3.3 percent of GDP) in 2001. Repayments to the banking system totaling GF 76 billion are programmed during the year—these include a reduction in net credit from the central bank, thereby lowering the ratio of central bank credit to the previous year's tax revenues from 51.8 percent at end-2000 to 32.7 percent at end-2001. This ratio will be further reduced to 10 percent over the remainder of the program period, consistent with the relevant convergence criterion of the Economic Community of West African States (ECOWAS) monetary zone (see below). Taking into account disbursements of project loans and the amortization due on the external public debt, there remains a financing gap of GF 311 billion. This gap will be covered by committed budgetary assistance from the World Bank, the African Development Bank, the European Union, and bilateral donors, as well as by the expected interim assistance under the enhanced HIPC Initiative. Moreover, the European Union envisages a new support program, the first tranche of which could be disbursed before the end of 2001.

22. With a view to increasing the transparency of the public finances and allowing the National Assembly to assume the function of ex post control over the execution of the budget provided for by law, the government will in 2001 begin again to produce the administrative and management accounts (*comptes administratif et de gestion*). It will present these accounts for the 1998 and 1999 financial years by end-September 2001, and for the 2000

financial year before end-June 2002. It will ensure that the draft accounting law (*loi de règlement*) for the 2001 financial year is submitted to the National Assembly within the time frame set out by law. The Accounts Chamber of the Supreme Court is supposed to submit to the National Assembly the consistency report after verifying the government's accounts. With the support of its development partners, the government will take the necessary steps to increase the human and financial resources of the Accounts Chamber so that it can carry out its function of verifying the financial accounts of the State.

### **B. Monetary Policy**

23. The stance of monetary policy will be considerably tightened in 2001 relative to 2000, when the need to finance the government deficit, in the absence of external financial assistance, led to a far greater expansion of net credit to the government and of broad money than was originally programmed. Net bank credit to the government will be significantly reduced and the growth of reserve money limited, with a view to containing inflation and strengthening the net foreign assets of the central bank.

24. The program therefore targets an increase in broad money of some 8.5 percent in 2001. This target will be achieved by a more active management of liquidity through the auction of central bank bills, as well as by adjustments of the BCRG's refinancing rate, on which the entire structure of interest rates depends (see below).

25. The net domestic assets of the banking system are projected to contract by 22 percent in 2001, reflecting the reduction in net bank credit to the government of GF 76 billion. Careful monitoring of the liquidity requirements of the treasury will help ensure that this ceiling is not exceeded thereafter. Net bank credit to the private sector, by contrast, is projected to expand moderately.

#### **The reform of monetary policy**

26. With a view to further modernizing and enhancing the efficiency of its framework for the conduct of monetary policy, improving its calculation and forecasting of bank liquidity, and diversifying the monetary instruments at its disposal, the BCRG has prepared a program of major reforms, based on the recommendations of a technical assistance mission from the Monetary and Exchange Affairs Department of the IMF in June 2000. As a complement to these reforms, a wide-ranging program of improvements in monetary and financial statistics has also been developed, in collaboration with a technical assistance mission from the Statistics Department of the IMF. The BCRG will also continue to implement its action plan for improving its internal organization and control procedures, based on the results of the August 2000 audit of its operations.

27. Two key steps have already been taken in reforming the framework of monetary policy. First, with a view to achieving a clear distinction between the BCRG's monetary policy objectives in the framework of its open market operations and the financing requirements of the treasury, the BCRG introduced, on November 10, 2000, central bank bills (*titres de régulation monétaire*, TRM) with a seven-day maturity. These TRMs replaced

the auction of treasury bills (*nouveaux bons de trésor*, NBT) for purposes of liquidity management, the existing stock of which (GF 25.3 billion) was transformed into TRMs. To further strengthen liquidity forecasting, by end-March 2001 a joint committee of the BCRG and the Guinean Treasury will be put in place to monitor liquidity developments; the bank inspection unit of the BCRG will begin spot checks of banks' liquidity declarations; and the adjudication procedures for the TRM auctions will be computerized. The BCRG intends to lengthen the maturity of the TRM from 7 to 14 days by end-September 2001.

28. Second, to ease the tight liquidity situation of the commercial banks, the reserve ratio was halved to 5.5 percent of eligible deposits on December 1, 2000, releasing an additional GF 17 billion in bank liquidity. Approximately half of this amount was invested in a special issue of treasury bills to finance the government deficit at the end of the year, while the remainder was held in foreign exchange. The range of deposits subject to the reserve requirement will be reexamined by end-June 2001.

29. Furthermore, the BCRG prepared at the start of January 2001 a structure of interest rates, based around a base rate (*taux directeur*) applicable to its refinancing window, which is intended to become the main channel for signaling changes in the stance of monetary policy, and around which other key central bank rates are defined. This system will take effect by end-March 2001 after consultation with the commercial banks, and will be reexamined by end-July.

30. The changes in the modalities of the TRM auctions contributed to the reactivation of the interbank market late in 2000. The average interest rate on these transactions has settled at about 13 percent. By end-April 2001, the BCRG will introduce, in consultation with the commercial banks, a revised regulatory framework governing the collateral to be used in these transactions (*pensions livrées*) and withdraw its guarantee.

31. The foreign exchange auctions (*marché aux enchères de devises*, MED) continue to function well, and the differential between the official and the parallel market rates has fluctuated within a very narrow band of less than  $\pm 2$  percent over the past few months. However, the supply of foreign exchange on the MED has been extremely tight, given the difficulties experienced by banks in accessing the needed amounts as required. The BCRG will, therefore, encourage the banks to begin interbank foreign exchange transactions up to a certain limit between official auctions—a practice that should help reduce the banks' reluctance to supply the MED with foreign exchange.

32. The BCRG adopted at end-November 2000 a new regulation governing the foreign exchange bureaus, that facilitated their posting of bonds and allows their participation in the MED through the commercial banks. Also, at end-November 2000, the conditions for foreign exchange accounts held by the exchange bureaus in commercial banks were relaxed to allow cash deposits and withdrawals, and the receipt of transfers from abroad. By end-June 2001, the BCRG will introduce a revised regulatory framework governing foreign exchange swap transactions with commercial banks; it will complete by June 2001 a joint study with

economic operators on the functioning of the MED and on the extension of the liberalization of foreign exchange accounts in the banking system to other private holders of such accounts.

33. Finally, to enhance the transparency of monetary policy, a wide-reaching program of improvements in the system of providing monetary information and statistics has been launched. A series of quarterly meetings between the BCRG and economic operators was initiated in January 2001 to discuss monetary policy, including the BCRG's inflation objectives and the dissemination of statistics. Beginning in July 2001, the BCRG will publish a monthly information bulletin on the financial system, with a report on the TRM adjudication sessions, as well as the resulting interest rates; and it will create, by end-September 2001, a BCRG website containing a database on monetary developments. During the fourth quarter of 2001, the BCRG will establish and publish a summary table of the principal economic indicators of Guinea, including statistical series on key monetary aggregates, which will be integrated into the monetary database. As part of this statistical program, the BCRG will regularly transmit to the Statistics Department of the IMF all relevant statistical series on the monetary aggregates and key interest rates for publication in the *International Financial Statistics*.

#### **Bank supervision and restructuring**

34. The authorities will continue to strengthen the supervision and prudential regulations of the banking system, with a view to achieving full conformity with the Basel Core Principles by 2004. To this end, by end-September 2001, the BCRG will adopt a regulatory framework providing for an adequate audit of banks, in consultation with the professional association of bank auditors (*commissaires aux comptes*). It will also follow up rigorously on the results of on-site inspections of banks. With respect to the solvency requirement, the BCRG will submit to the Banking Committee (*Comité des Agréments*) by June 2001 a proposal for increasing the minimum capital requirement from GF 2 billion to GF 5 billion. The banking law, along with several application measures, will be revised by end-June 2001 to ensure an even playing field among banks; in particular, all banks will be required to hold their capital in Guinean francs. The reform of the accounting framework for banks has been launched and is expected to be completed in the second half of 2002. The authorities will conduct an information campaign during the second quarter of 2001 aimed at members of the government and the parliament to explain the importance of the independence of the BCRG in the conduct of monetary policy and the supervision of the banking system.

35. Three of the smaller banks in the Guinean banking system continue to experience difficulty. Two of these have since 1998 been under restructuring plans that have not, however, been well executed. The BCRG has set a deadline of June 30, 2001 for the update of the accounts of these banks, and a decision on whether they will be recapitalized or placed under provisional administration. A strengthening of the regulations concerning the refinancing of banks under restructuring that are illiquid but solvent will be adopted by the BCRG by end-June 2001.



36. Finally, the government of Guinea assigns great importance to the development of the system of microfinance as a critical component of its strategy to reduce poverty by increasing income- and employment-generating opportunities in the rural sector and fostering the development of small-scale enterprises. However, the major microfinancial institution, the *Crédit Mutuel de la Guinée (CMG)*, is essentially bankrupt, owing to mismanagement, poor loan recovery, and fraud. The authorities have therefore decided to liquidate the CMG, with the financial and technical assistance of an external bilateral partner. An agreement with this partner on the terms of this assistance was reached at end-March, 2001], and the authorities will agree with this bilateral partner and the World Bank by end-July 2001 on the process for transforming the *Crédit Rural de Guinée (CRG)* into a specialized financial institution serving as one of the principal conduits of microfinance in Guinea. The BCRG will develop by end-September 2001 an action plan for helping the microfinance institutions meet the informational requirements for their supervision by the central bank. The institutional framework for this supervision will be adopted by end-December 2001 and introduced gradually over the course of 2002.

### C. External Sector

37. The balance of payments will be positively affected in 2001 by the growth of exports, driven mainly by the resumption of production by a recently privatized and restructured alumina refinery and higher gold production. The projected increase in the value of imports reflects increased petroleum imports and higher import demand caused by the disruption of production in regions affected by the border conflict, as well as the reconstruction and rehabilitation requirements. With relatively stable prices for its main exports and lower international oil prices, Guinea's terms of trade are expected to improve in 2001–02. The current account deficit (including official transfers) is expected to narrow from 2.9 percent in 2000 to 2.6 percent in 2001 and 2002. With the increase in project loans tied to the various sector programs, the capital account is expected to strengthen considerably. The overall deficit of the balance of payments is projected to an estimated US\$81 million in 2001, compared with US\$62 million in 2000. The projected financing gap of US\$154 million will be covered by the external financing identified in paragraph 21 above and debt relief under the enhanced HIPC Initiative, as well as by the disbursements under the first annual program under the PRGF arrangement. The stock of international reserves is projected to increase by US\$79 million to the equivalent of 2.6 months of imports.

38. Despite the expected strengthening and diversification of exports over the medium term, the current account is expected to deteriorate, reflecting the rising imports for the mining sector projects during 2002–04. However, the capital account will be strengthened significantly by the inflows of private financing for these projects, resulting in an overall deficit averaging US\$42 million per year over the same period. The expected mobilization of external financial assistance, as well as interim debt relief in 2002–03 and the debt reduction under the enhanced HIPC Initiative at the completion point in 2003, is expected to cover this deficit and permit the further accumulation of official international reserves.

39. The authorities intend to request from their Paris Club creditors a rescheduling of eligible debts on Cologne terms by May 2001, in addition to the interim relief already secured from multilateral creditors. Debt relief on comparable terms is expected to be received from Guinea's non-Paris Club bilateral creditors in the next few months. The interim assistance likely to be made available amounts to US\$53 million in 2001, US\$91 million in 2002, and US\$90 million in 2003. After reduction, the net present value of Guinea's stock of debt at the completion point in 2003 is projected at the equivalent of US\$545 million.

40. The creation of a second monetary zone within the Economic Community of West African States (ECOWAS) by 2003 and the observance of the convergence criteria established in this context present a challenge for the Guinean authorities. Reaching the criterion on the tax revenue-to-GDP ratio of 20 percent by 2003 will be extremely difficult in the present circumstances, but the government is confident that, with steady implementation of the new Fund-supported program, they can remain within the ceiling on net central bank financing of the government deficit (10 percent of the previous year's tax revenue), as well as achieve the targeted increase in foreign reserves to the equivalent of four months of imports. The BCRG will complete by December 2001 a study of the necessary amendments to the legislative and regulatory texts governing the central bank, with a view to completing their harmonization with those of ECOWAS during the course of 2002. It will also participate actively in efforts to improve the ECOWAS payments system during this period. Similarly, the authorities will begin by September 2001 preparations for the harmonization of the judicial, accounting, and statistical frameworks of the public finances of the ECOWAS countries.

41. Finally, with a view to aligning gradually the tariff systems of the non-CFA franc zone countries with the common external tariff (CET) of the West African Economic and Monetary Union (WAEMU), the Ministry of Finance will complete, by September 2001, a study of the impact of the introduction of the CET on Guinea, with the technical assistance of the Fund. Based on the results of this study, a strategy and timetable for implementing the CET in Guinea over the medium term will be established.

#### **D. Structural Reforms and Governance**

42. The authorities place great emphasis on continuing and deepening the structural reforms aimed at removing the remaining obstacles to private economic activity, and on improving the efficiency of, and access to, public service delivery. The focal points of this strategy are (i) further improvements in the quality of public expenditure; (ii) the public enterprise privatization and restructuring program; (iii) the continuation of the administrative and financial devolution/decentralization; (iv) civil service reform; (v) sectoral programs in the priority areas of health, education, rural development, public works and transportation, and judicial reform; and (vi) the determined implementation of the anticorruption program. Most of these measures and programs enjoy the active support of the World Bank and other multilateral and bilateral donors.

43. The government intends to build on the achievements in improving budget management and execution over the last two years. In addition to the expenditure control and tracking mechanisms described above, the accounting systems in use at both the central and the local levels of administration will be reinforced. The government further intends to carry out from 2001 onward systematic ex-post audits of all public procurement contracts in excess of GF 100 million financed by own resources, with emphasis on the procurement process and the management of contract procedures. Sanctions against corruption will be effectively applied, consistent with the public procurement code. Similarly, regular audits of investment projects will be carried out to identify bottlenecks in their implementation and enhance the overall efficiency of the public investment program. A National Audit Fund will be created with the financial support of the World Bank to finance these audits.

44. As part of the extension of the MTEF, a medium-term fiscal framework for projecting overall revenues and expenditures will be put in place by end-2001 in support of sectoral strategies governing medium-term intrasectoral and intersectoral budget allocations. These projections will be constantly refined and updated on the basis of ongoing sectoral reviews of public expenditure, which will begin in 2001 and take into account beneficiary surveys, as well as actual performance relative to preset indicators. The results of these reviews will form the basis of the preparation of the budget laws starting in 2002.

45. With the adoption in August 2000 of a revised framework for the public enterprise sector and the creation in October 2000 of a special technical unit charged with preparing and implementing the public enterprise restructuring and privatization program, the government has demonstrated its commitment to accelerate the reform of public enterprises. The institutional, regulatory, and judicial framework governing private sector participation in public utility companies will be revised by June 2001, and strategies for these sectors, particularly for energy, will be adopted by end-2001. A final decision on the future of the mining sector parastatal (ANAIM) will be made by December 2001. Moreover, an action plan with a precise timetable for determining the amounts of and eliminating cross debts between the state and the public enterprises will be adopted by end-September 2001. In all restructuring and privatization operations, due attention will be given to establishing adequate social and reinsertion plans for affected employees.

46. Administrative and financial devolution/decentralization is the centerpiece of the government's strategy for improving the efficiency and targeting of the delivery of public services and ensuring equitable access to these services for all, and particularly for meeting the needs of the poor. Building on the experience garnered in existing pilot programs supported by the World Bank and the European Union, the authorities intend to define the responsibilities of each level of administration, and the human and financial resources needed to fulfill these responsibilities. To ensure that financial and fiscal discipline is maintained, the budgetary structure of local administrations has been revised and a program put in place to provide training to local officials in budget management and execution, and to enhance the quality and coverage of the control and supervision of their financial activities by the central government.

47. The improvement of service delivery through local administrations and the implementation of the overall poverty reduction strategy require a flexible and modern strategy for managing the civil service that will allow the matching of required and available competencies and skills, the redeployment of employees to areas where they are needed, and the provision of appropriate incentives to high-quality service delivery. The government has thus launched a fundamental reform of the civil service, the key elements of which are the elimination of the system of automatic advancements and the introduction of merit-based remuneration. Draft laws to this effect have been approved by the Council of Ministers and will be submitted for parliamentary consideration by end-June 2001. The authorities are also considering the introduction of a parallel system of employment, under which employees will be offered the option of remaining within the traditional civil service with a base salary, or choosing a contractual relationship, whereby the base salary will be augmented by additional performance-based payments. The quality of performance will be judged by the recipients of the services on the basis of objective indicators. A pilot program could be launched in the Ministry of Agriculture before the end of the year. The existing statutes permit the redeployment of workers—both at the central level and the local levels of administration. Such redeployments will be based on the organizational charts (*cadre organique*) to be produced by each ministerial department by end-December 2001, containing a description of the required competencies needed to fulfill its role and an inventory of the available competencies. Finally, the files of the payroll unit of the Ministry of Economy and Finance and of the Ministry of the Civil Service will be verified against each other at least once every quarter.

48. The new management of the National Social Security Fund (CNSS) has slowed its financial deterioration and considerably reduced the stock of pension arrears. However, given the long-standing limitation on civil service recruitment, a large number of civil servants are expected to reach retirement age over the next five to ten years, underscoring the importance of prompt action to fundamentally restructure the social security system. The authorities therefore intend to launch in 2001 an actuarial study of the existing system, possibly with the assistance of external partners, as a preliminary step toward defining a full reform of the social security system over the medium term.

49. Comprehensive sectoral programs have been set out in the areas of education, health, rural development, rural water supply, and road transport, with the assistance of external donors, including the World Bank, the European Union, the African Development Bank, and bilateral partners. The quantified objectives of the I-PRSP in these areas, and the specific policies and expenditures required to achieve them, have been directly derived from these programs. Of particular note in the area of road transport is the planned creation of a new road fund, with independent sources of financing, to ensure the adequate maintenance of the existing and new road networks.

50. As indicated above, the government has identified the agricultural sector as a key potential source of future growth and diversification. The agricultural sector provides about 21 percent of overall GDP and is the primary source of employment and income for the rural population. Policies have thus been designed to remove the physical, human, and financial

constraints on the sector's development. These policies include the extension and maintenance of rural infrastructure, particularly of rural roads; a more rational management of natural resources; improvement of market access and marketing conditions for producers, particularly for exportable crops; the strengthening of agricultural cooperatives and producer organizations; the improvement of the legal and institutional framework, particularly as concerns rural land rights; the decentralized management of state support services; the creation of an efficient system for providing and distributing inputs; and the fostering of an efficient system of rural credit. The full implementation of these policies is expected to lead to sustainable growth rates of over 5.5 percent per annum by 2003-04.

51. In the mining sector, major private sector-led investment projects are planned in the area of bauxite and aluminum production, iron ore mining, and gold production over the next five years that could eventually lead to a doubling of nominal GDP, with a significant increase in employment and government revenue. The authorities have firmly resolved to ensure that this expansion is translated into a corresponding reduction of national poverty. They have thus required that all of the projects contain a major social infrastructure component and promote the participation of the local private sector, including through subcontracting arrangements. In addition, up to 1 percent of turnover of these new projects will be transferred directly to the local communities for the expansion of the social infrastructure. Moreover, the sharp increase in government mining revenue will facilitate higher social expenditures in other regions of the country that do not benefit directly from these new projects.

52. The government remains firmly committed to pursuing its efforts to fight corruption and promote good governance. The CNLC will soon present its work program for the year and will continue to enjoy the full support of the political authorities. The recent cases of tax fraud have been submitted to the CNLC for investigation—in these and other cases, the Ministry of Justice will follow up on the findings and recommendations of the committee to the full extent of the law. The ministry itself is being strengthened in the context of a major program of judicial reform, aimed at improving the quality and accessibility of justice, particularly in commercial matters. In this context, the ratification of the OHADA (Organization for the Harmonization of Business Law in Africa) Treaty by the Guinean government clears the way for the harmonization of Guinea's commercial legislation, bankruptcy procedures, and business reporting requirements with the best practices in the region. Guinean judicial personnel will also benefit from specialized training in commercial law. A focus of the reform program is on increasing the contribution of the justice system to the recovery of bank loans, and special attention will be paid to improving the access of the poor to the system through an increase in the number of justices of the peace.

## V. THE PRSP PROCESS

53. The main thrust of the national poverty reduction strategy has been set out in the I-PRSP, which was considered by the Executive Boards of the IMF and the World Bank in December 2000. This strategy is being discussed among the population through a series of

consultations held in all regions of the country, which is expected to be completed by end-April 2001. The first draft of the full PRSP, including the evaluation of the financial and human resource requirements of the identified policies, is expected to be completed by end-August 2001, on the basis of the work of eight thematic groups, in which the development partners actively participate. The recommendations of the joint staff assessment of the I-PRSP will be taken into account at this stage. In the course of this work, the coherency and financial sustainability of the various sectoral strategies will be determined, the institutional framework for their implementation defined, and appropriate performance indicators and monitoring procedures established. The financing of most of these activities has already been secured from key donors. The draft full PRSP will be discussed at a donor roundtable to be convened by the authorities in July 2001, and a revised draft will be submitted for the approval of the populations in the eight administrative regions before the end of December 2001.

54. The successful achievement of the strategic poverty reduction objectives will require integrating macroeconomic goals with structural policy reforms and poverty reduction policies. The new medium-term adjustment program supported by the IMF's PRGF, the World Bank's Structural Adjustment Credit (SAC), and the 9<sup>th</sup> European Development Fund of the European Union are, therefore, designed to reflect this. All policies implemented under the new program will accordingly be examined for their impact on poverty. Given the data limitations, this analysis will initially be primarily qualitative, but the authorities will be prepared to discuss with the Bretton Woods institutions the accompanying measures needed to attenuate any possible adverse effects of the adjustment program on the poor and vulnerable groups. The overall macroeconomic targets for the year 2001 that have been agreed on with the IMF may also differ somewhat from the preferences of the population with regard to the poverty reduction process, as these are revealed during the consultations with civil society on the full PRSP. In this case, and providing these preferences can be accommodated without endangering macroeconomic stability and the achievement of sustainable growth, the macroeconomic program will be adapted, in close consultation with the staffs of the IMF and the World Bank, and the program's targets will be adjusted during the review of the first annual program under the PRGF arrangement.

55. The authorities are aware that the successful implementation of the poverty reduction strategy will require continued efforts to improve the capacity to monitor poverty and measure the effects of the policies implemented. A major program of statistical improvement has thus been planned within the framework of an integrated System of Statistical Information on Poverty Reduction (SISIRP), culminating in the creation by mid-2002 of a National Poverty Observatory responsible for monitoring the performance indicators set out in the PRSP. A master plan for improving the statistical apparatus will be prepared by December 2001 and implemented over 2002-03. An integrated household consumption/budget survey will be launched by end-March 2001, with the assistance of the World Bank, and is expected to be completed by mid-2002. These efforts are expected to lead to the production of a social accounting matrix, which will allow a more precise modeling of household demand and a more exacting formulation of poverty reduction policies over the

medium term; in the meantime, however, participatory beneficiary surveys will be carried out, in order to contribute to the decision-making process in implementing the full PRSP.

56. The government has also prepared an action plan for implementing the recommendations of a technical assistance mission from the Fund's Statistics Department in March 2000 regarding the strengthening of the compilation, analysis, and dissemination of real sector statistics—including the update of a harmonized consumer price index; the introduction of an index of industrial production; improvements in the national accounts; and the conduct of regular household consumption surveys. To this end, the authorities intend to create by the end of the year an autonomous National Statistics Institute responsible for all statistical activities in Guinea.

## VI. PROGRAM MONITORING

57. Program implementation during the first annual program under the PRGF arrangement (covering the period April 1, 2001–March 31, 2002) will be monitored according to benchmarks and performance criteria (see attached Tables 1 and 2, respectively). The definitions of the variables monitored as quantitative and structural performance criteria and benchmarks are contained in the technical memorandum of understanding (Appendix II, Attachment II). Program implementation and the economic results recorded in connection with the program targets will be subject to two reviews per annum, the first by end-December 2001 and the second by end-June 2002. The updated benchmarks for end-December 2001 and end-March 2002 and the performance criteria for end-March 2002 will be set at the time of the first review.

58. As prior actions for consideration by the Fund's Executive Board of Guinea's request for a three-year PRGF arrangement, the government of Guinea has (i) introduced an automatic adjustment mechanism for domestic retail petroleum prices (as described in paragraph 16 above); (ii) submitted to the National Assembly a revised budget law for 2001 after its approval by the Council of Ministers (as described in paragraph 11); and (iii) transmitted to the CNLC for investigation all cases of tax fraud uncovered as of February 2001 at the SOTELGUI, and at the tax inspectorate, the central bank, and some commercial banks (as described in paragraph 15). The first disbursement under this arrangement will be available after Board approval, upon the request of the government. The second disbursement will be conditional upon observance of the quantitative and structural performance criteria for end-September 2001 and completion of the first review, which is expected to be done by end-December 2001. The third disbursement will be conditional upon observance of the performance criteria for end-March 2002 and completion of the second review, which is expected to be done by end-June 2002. The phasing, reviews, and other conditions applicable to disbursements during the second year will be established during the first and second reviews under the arrangement.

59. During the period of the first annual program under the PRGF arrangement, the Guinean government will not introduce new or intensify existing exchange restrictions,

introduce or modify any multiple currency practice, impose or intensify import restrictions for balance of payments reasons, or conclude bilateral payments agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement.



Table 1. Guinea: Quantitative Performance Criteria and Benchmarks  
Under the First Annual PRGF Arrangement, 2001–02

	2001	2001–02			
	March Est.	June 2001 Indicative Benchmark	Sep. 2001 Performance Criteria	Dec. 2001 Indicative Benchmark	March 2002 Indicative Benchmark
		(In billions of Guinean francs)			
Central government primary balance (floor) 1/	27.2	-9.0	-7.1	33.6	12.5
Net bank credit to the government (ceiling) 3/ 4/	14.4	-63.9	-8.9	-17.8	-12.0
Reserve money (ceiling) 5/	346.9	362.1	368.5	358.4	386.3
		(In millions of U.S. dollars, end of period)			
Net foreign assets of the central bank (floor) 6/ 7/	21.3	71.0	93.2	98.4	155.5
New nonconcessional medium- or long-term external debt contracted or guaranteed by the government or the central bank 2/	0.00	0.00	0.00	0.00	0.00
Outstanding stock of short-term external debt contracted or guaranteed by the government or the central bank 7/	0.00	0.00	0.00	0.00	0.00
Outstanding external payments arrears (ceiling) 8/	0.00	0.00	0.00	0.00	0.00
		(In billions of Guinean francs, unless otherwise specified, end of period)			
Central government nonmining revenue 2/ 9/	127.8	296.5	449.6	598.6	148.7
<i>Of which:</i> customs revenue 2/ 9/	82.7	171.8	260.6	358.7	96.3
Central government noninterest current expenditure 1/ 2/ 9/	136.5	285.5	449.6	600.0	101.2
Current public expenditure in priority sectors 9/ 10/	17.1	35.2	56.1	97.9	20.7
Repayment of domestic arrears 2/ 9/	6.8	0.5	-0.6	-4.5	-2.9
Memorandum item:					
Nonproject external financial assistance (in millions of U.S. dollars) 2/	2.2	57.8	74.9	84.9	44.0

1/ On a commitment basis; the domestic primary balance is defined as the difference between total revenue (excluding grants) and noninterest domestic expenditure (excluding foreign-financed capital expenditure).

2/ Cumulative from the beginning of the respective calendar year of the test date.

3/ Excluding government paper issued in counterpart of the revaluation of the stock of gold.

4/ To be adjusted downward/upward for any cash settlement of domestic arrears lower/higher than indicated.

5/ For purposes of the program, during 2001 gold will be valued at the U.S. dollar price agreed for end-December 2000.

6/ To be adjusted upward for any new accumulation of external payments arrears, or cash settlement of such arrears inferior to the program's projections.

7/ Excluding commercial credits.

8/ Excluding arrears under negotiation with creditors, on a continuous basis.

9/ Does not constitute a performance criterion for end-September 2001.

10/ Priority sectors are defined to include public health, education, road maintenance, justice, and rural development, town planning, and social affairs. The precise definition of these expenditures is contained in the annexed Technical Memorandum of Understanding.

Table 2. Guinea: Structural Measures

Measures	Test Date
<b>Public finances</b>	
• Implementation of the customs reform program.	Continuous
• Implementation of the recommendations of the tax audits of four key public enterprises.	2001-03
• Reduction of tax exemptions.	2001-03
• Production of administrative and management accounts ( <i>comptes administratif et de gestion</i> ) for the 1998 and 1999 fiscal years.*	September 2001
• Strengthening of internal control and audit of budget execution (financial inspectorate).	December 2001
• Strengthening of the Accounting Office of the Supreme Court.	2001-02
• Consolidation of public accounts.	September 2001
• Adoption by the Ministry of Economy and Finance of a repayment plan for domestic payments arrears.*	September 2001
<b>Monetary reforms</b>	
• Introduction of central bank bills with a 14-day maturity.	September 2001
• Elimination of the central bank guarantee for interbank transactions.	April 2001
• Liberalization of the conditions of foreign exchange accounts of residents in domestic commercial banks (other than foreign exchange bureaus).	December 2001
• Completion of study on the operation of the foreign exchange auction.**	June 2001
• Introduction of a revised regulatory framework governing foreign exchange swap transactions between the central bank and the commercial banks.	June 2001
• Initiation of monthly publication of a central bank information and statistical bulletin.	July 2001
• Creation of a central bank website containing the monetary database.	September 2001
<b>Banking supervision and restructuring</b>	
• Adoption of a regulatory framework providing for an adequate audit of banks.*	September 2001
• Submission to the Banking Committee ( <i>Comité des Agréments</i> ) of a proposal for increasing the minimum capital requirement from GF 2 billion to GF 5 billion.	June 2001
• Revision of the banking law, along with several application measures, to require all banks to hold their social capital in Guinean francs.	June 2001
• Adoption of strengthened regulations concerning the refinancing of banks under restructuring that are illiquid but solvent.	June 2001
• Decision on the provisional administration of banks under restructuring.**	June 2001
• Announcement by the Ministry of Economy and Finance of the liquidation of the <i>Crédit Mutuel de la Guinée</i> .	April 2001
• Adoption of an action plan for transforming the <i>Crédit Rural de la Guinée</i> into a specialized financial institution.	July 2001
• Adoption of the institutional and informational framework for microfinance institutions necessary for their prudential supervision by the central bank.	December 2001

Notes: \* = performance criterion for end-September 2001; \*\* = structural benchmarks.

## GUINEA

### **Technical Memorandum of Understanding on Definitions and Modalities of the Built-In Contingency Mechanism for the Adjustment of Quantitative Performance Criteria and Benchmarks Under the First Annual Program Under the PRGF Arrangement**

#### **I. INTRODUCTION**

1. This memorandum sets out the understandings between the Guinean authorities and staff of the International Monetary Fund regarding the definitions of the quantitative performance criteria and benchmarks for the program supported by the PRGF arrangement, the built-in contingency mechanism, and the related reporting requirements.

#### **II. DEFINITIONS**

##### **A. External Debt**

2. The size and rate of growth of external indebtedness are important factors in the design of a program for a country, especially one benefiting from HIPC Initiative assistance like Guinea. For purposes of the program, “debt” will be understood to mean current, i.e., not contingent, liability, 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. Debt can take a number of forms, the primary ones being the following:

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

3. 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 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.

#### **B. Concessional of External Debt**

4. Debt is considered concessional if it has a grant element equivalent to 35 percent or more using the available currency-specific commercial interest reference rate (CIRR) and following the methodology set out in staff paper SM/96/86 (4/8/96) and approved by the IMF Executive Board on April 15, 1996.

#### **C. External Debt Performance Criteria**

5. The performance criterion on the outstanding stock of short-term external debt contracted or guaranteed by the government or by the central bank covers outstanding external debt with original maturity of one year or less. The performance criteria on new nonconcessional medium- or long-term external debt contracted or guaranteed by the government or the central bank covers external debt with original maturity of more than one year; this performance criterion applies not only to "debt" as defined in this memorandum, but also to commitments contracted or guaranteed for which value has not been received.

#### **D. Cash Relief from External Debt Rescheduling**

6. For the purpose of the program, the only debt relief that will be subject to the contingency mechanism described below is one that leads to an effective reduction in programmed debt service. This excludes debt relief given on debt that has been in drawn-out rescheduling/restructuring negotiations with non-Paris Club creditors and for which no debt service has been paid in the past year, for example, debts to be considered under the debt-and debt-service-reduction operation with commercial creditors, and for which no provision in debt service has been explicitly made in the fiscal program (except for up-front costs).

#### **E. Domestic Arrears**

7. Domestic arrears are the unstructured domestic debt contracted by the government vis-à-vis the nonbank sector. Unstructured debt is defined as debt that has not yet been subject to an agreement, cash payment, or securitization. Its major components are wage and salary debt; commercial debt; rental debt; debt arising from indemnities and expropriations; tax or customs benefits, allowances, or overcollections payable to third parties; and debt under the social plans associated with public enterprise restructuring. For the purpose of the program, the change in domestic arrears is defined as the sum of (i) payments made for earlier fiscal years (technical lag) for which commitments or payment orders have already

been issued; (ii) the accumulation of obligations during the year as a result of the difference between actual obligations and payments; (iii) the change in checks outstanding/payables, or the reduction or accumulation attributable to payment orders covered by checks issued during the year; and (iv) the reduction in obligations through the issue of securities in respect of committed expenditure.

#### **F. Net Claims of the Banking System on the Government**

8. Net claims of the banking system on the government comprise the stock of all outstanding claims on the government (loans, advances, and all other government debt instruments, such as government securities with initial maturities of over 30 days) less all deposits held by the government with the banking system.

#### **G. Domestic Debt**

9. The domestic debt includes all current—and unconditional—obligations arising from a contractual agreement concluded or guaranteed by the Guinean government, with a resident partner, as the counterpart to an interest that may take the form of assets (including cash) or services and by virtue of which the obligor must subsequently make one or several payments in the form of assets (including cash) or services in repayment of the principal and/or interest arising from the contractual obligation.

#### **H. Primary Balance of the Budget**

10. The primary budget balance (commitment basis) is calculated as total government revenue, excluding foreign grants and privatization proceeds (counted as financing), less noninterest expenditure, excluding foreign-financed investment expenditure.

#### **I. Central Government Expenditure in Priority Sectors**

11. The priority sectors include public health, education, the road infrastructure, justice, rural development (agriculture, fisheries, livestock, and village-level water resources), town planning, and social affairs. For the purpose of the program, expenditure in priority sectors shall include spending under Title 3 (operations) and Title 4 (interventions and transfers), excluding universities.

#### **J. External Arrears**

12. External arrears of the government or the BCRG consist of all overdue debt-service obligations (i.e., payments of principal and interest) arising in respect of loans contracted or guaranteed by the government or the BCRG, unpaid penalties or interest charges associated with these arrears. Thus defined, external arrears amounted to US\$2.485 million at end-December 2000.

### **K. Government**

13. Unless otherwise noted, the government is meant to include the central government. Local governments are excluded from the definition of government.

### **L. Government Revenue**

14. Government revenue includes tax, nontax revenue, and capital revenue. Tax and nontax revenue are defined in accordance with *Government Finance Statistics (GFS)* 1986, section IV.A.1. The Ministry of Economy and Finance will report total revenue to the IMF on a monthly basis and within 10 days of the end of each month using the following categories. For tax revenue, the main categories are taxes on income, profit and capital gains (Title 1); taxes on property (Title 2); taxes on international trade (Title 3), including import duties, the export duty (*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 TAF, taxes on petroleum products, and (export) taxes on mining products, including the tax on mining products, taxes on diamonds, and taxes on precious metals. Other tax revenue include stamp taxes and revenue from recording taxes. Tax receipts also incorporate the taxes assumed by the State. Nontax revenue is defined as property income, including dividends, revenue from fishing licenses, revenue from the sale of telephone licenses, revenue from the rental of infrastructure, revenue for services rendered, administrative duties and fees and other receivables, including payments for the *Minusil*. For the purpose of the program, capital revenue includes revenue from the sale of fixed assets, excluding revenue from privatization, (which is presented as a separate item) and includes repayment of loans by public enterprises.

15. For the purpose of the program, nonmining revenue is defined as the sum of (i) taxes on revenue and profits (Title 1) minus the income tax paid by mining companies; (ii) taxes on property (Title 2); other tax receipts (Title 5); (iii) taxes on goods and services minus the proceeds from taxes on mining products (Title 4, Chapter 42); taxes on international trade (Title 3).

### **M. Public Accounts with the BCRG and Primary Banks**

16. The attached Table 2 defines the public accounts which determine the net treasury position (NTP) vis-à-vis the Central Bank of the Republic of Guinea (BCRG) and the primary banks. The NTP excludes all accounts of nongovernmental organizations (NGOs), public enterprises, and public establishments with the BCRG and the primary banks, with the exception of those of the National Social Security Fund (CNSS), as well as pilgrimage accounts. For the purpose of the program, the NTP covers all accounts of the central government, as well as certain operations against counterpart fund accounts with the BCRG, except project accounts denominated in foreign exchange. The list of accounts making up the NTP for the purpose of the program is provided in the attached Table 3.

17. In order to reflect the accounting lag between commitments and cash disbursements in the case of the imprest accounts of government administration (*comptes de régies*), of these of the republic institutions, and of decentralized accounting officers, the government flow of funds table (TOFE) includes an adjustment item. The list of accounts making up this adjustment item is provided in the attached Table 4.

#### **N. Privatization Receipts**

18. For the purpose of this memorandum, privatization receipts will be understood to mean all monies received by the government through the sale or concessioning of a public company, organization, or facility to a private company or companies, organization(s), or individual (s). To the extent possible, receipts should be presented on gross basis; if costs are incurred in the sale or concessioning, they should be recorded separately as expenditure.

#### **O. Net Foreign Assets**

19. Net foreign assets include the official reserves of the central bank net of external obligations valued at the following fixed exchange rates that prevailed on December 31, 2000, i.e., US\$1 = F 7.7498, and US\$1 = € 1.180. They comprise holdings of monetary gold, the reserve position in the International Monetary Fund, SDR holdings, and short- and long-term foreign assets, net of external obligations. They exclude the amounts pledged or otherwise incumbered.

#### **P. Central Bank Money**

20. Central bank money comprises bank reserves and deposits of the private sector with the central bank, as well as cash in circulation.

### **III. MODALITIES OF THE BUILT-IN CONTINGENCY MECHANISM FOR THE ADJUSTMENT OF QUANTITATIVE PERFORMANCE CRITERIA AND BENCHMARKS**

21. In view of uncertainties about program financing, the program contains built-in contingency mechanisms for the adjustment of the quantitative criteria and benchmarks relating to the ceilings on the increase in the net claims of the banking system on the central government (performance criterion).

#### **A. Deviations from Programmed External Assistance and Reductions in Domestic Arrears**

22. The quantitative performance criteria and benchmarks will be adjusted (i) upward for a shortfall in exceptional external financing (i.e., program financing and external debt relief) up to an amount equivalent to 75 percent of the shortfall, not to exceed US\$25 million); and (ii) downward for the full amount of any excess in external assistance (i.e., program financing and external debt relief).

23. For the purpose of the program, the criterion on net domestic credit to the government will be adjusted by the amount of any net accumulation of domestic arrears.

24. For the purpose of the program, the banking system's outstanding claims on the government will be adjusted downward by the amount of government securities held by the public prior to December 31, 2000 and discounted with the banking system during 2001.

#### **B. Program Exchange Rate**

25. Amounts denominated in SDRs will be converted to U.S. dollars at the fixed exchange rate of US\$1.279 per SDR, and converted into Guinean francs at exchange rates agreed with the authorities. IMF liabilities, which are included in the definition of net foreign assets, will be valued at projected exchange rates. Any deviations in those amounts will lead to a full upward or downward adjustment, as appropriate, in the valuation of the stock of IMF liabilities at the central bank.

#### **IV. REPORTING REQUIREMENTS**

26. The authorities will send the data in Table 1 to the Fund within the time limits set out in that table. Barring any indication to the contrary, the data will take the form mutually agreed by the authorities and the IMF. The authorities will supply the Fund with any additional information that the Fund requests in connection with monitoring performance under the program on a timely basis. In the event of any accumulation of external arrears, the government will so inform Fund staff immediately.



Table 1. Guinea: Data Reporting Requirements

Category of Data	Table/Report	Frequency	Deadline
Financial and monetary data	Central bank balance sheet, consolidated commercial bank, balance sheet, monetary survey.	Monthly	25th of the month for the previous month
	Interest rates.	Monthly	10 <sup>th</sup> of the month for the previous month
	HIPC Initiative Central Bank of Republic of Guinea account transactions.	Monthly	10 <sup>th</sup> of the month for the previous month
	Detailed NTP and NGP.	Monthly	10 <sup>th</sup> of the month for the previous month
Fiscal data	Table of indicators ( <i>tableau de bord</i> ), including details on revenues, expenditures, financing, and cash-flow operations, Treasury balances ( <i>balances générales du Trésor</i> ).	Monthly	10 <sup>th</sup> of the month for the previous month
	Cash-flow plans ( <i>bilan de trésorerie</i> ).	Monthly	10 <sup>th</sup> of the month for the previous month
	Monthly government flow of funds table (TOFE).	Monthly	10 <sup>th</sup> of the month for the previous month
	Monthly expenditure reports by ministries in expenditure circuit.	Monthly	10 <sup>th</sup> of the month for the previous month
	HIPC Initiative spending plans and budget execution.	Monthly	10 <sup>th</sup> of the month for the previous month
	Consumer price index, Conakry.	Monthly	10 <sup>th</sup> of the month for the previous month
	National accounts.	Annual	Summary estimates: six months after the end of year
Balance of payments data	Imports by use and exports by major product, trade balance.	Monthly	25th of the month for the previous month
	Price and volume indices of imports and of exports.	Quarterly	One month after end of quarter
	Consolidated estimates of the balance of payments.	Annual	Summary estimates: six months after the end of year
External debt	Debt service due before and after debt relief.	Quarterly basis	At beginning of fiscal year; updates as needed
	Cash debt service paid.	Monthly	25th of the month for the previous month
	Debt service reconciliation table ("access table").	Monthly	25th of the month for the previous month
	Stock of outstanding debt and arrears.	Monthly	25th of the month for the previous month
	Drawings on new loans.	Monthly	25th of the month for the previous month
External grants and loans	Disbursements.	Monthly	25th of the month for the previous month

Table 2. Guinea: Classification of Public Accounts with the BCRG/Commercial Banks

Category	Financing	Holder(s)	BCRG Classification		Analytical Code
			Heading(1)	Series No. (2)	
State Central government	Government budget	Individual and special accounting officers	Central government	41-11	0
	Government budget	Decentralized government accountants	Central government	41-11, 41-21 A	1
	Government budget	Administrations, ministries, and public agencies	Central government	41-11	2
	Government budget	Republican institutions	Central government	41-11	3
	Government budget	Projects/programs	Central government	41-11, 41-12, 41-13	4
	Government and other budgets	CAS, assistance funds (special operations with earmarked resources)	Central government	41-11	5
Decentralized governments	Local budgets	Accounting officers of decentralized governments	Local government	41-21, 41-21 A	6
Counterpart funds	Various external donors	Counterpart funds	Counterpart funds	41-24, 41-25, 49-18	7
Public agencies	Government subsidy and own resources	CNSS	Nonfinancial public enterprises	41-31 and 41-32	8

Guinea: Table 3. List of Accounts Defining the NGP for Program Purposes

Account	Name of Account	Date Opened	Purpose	Signing Authority
41-11-009	Institute for Linguistic Research (national languages)	12/05/1991	Institute operations	Minister of Education/Institute Director
41-11-010	"Monts Nimba" Scientific Research Station	03/02/1999	Scientific research	"Monts Nimba" Director
41-11-014	Applied Biology and Research Station Imprest Fund	03/02/1999	Institute operations	Director Chief DA
41-11-015	Labé Environmental Documentation Center	03/02/1999	Center operations	Center Director
41-11-016	Treasury/S. fin. Land Registry			
41-11-017	Bossou Environmental Research Institute	03/02/1999	Institute operations	Institute Director
41-11-069	National Director of the Treasury			
41-11-070	Paymaster General of the Treasury			
41-11-071	Receiver General of the Treasury			
41-11-095	Special Receiver for Customs			
41-11-098	<i>Journal Officiel</i> (Official Gazette) of the Republic	2/17/1989	Receipts and expenditure linked to the Official Gazette	Secretary General of the Government
41-11-100	Office of the President of the Republic/Palais des Nations	n.a.	Unit operations	n.a.
41-11-108	National Forestry Fund	7/12/1993	National Forestry Fund	Minister/ National Director
41-11-109	National Islamic League	1992	League operations	Secretary General/Chief of Staff /Director of Administrative and Financial Affairs (DAAF)
41-11-118	Dixinn Treasury Communal Receipts	4/26/1991	Government budget	Communal Mayor/Communal Receiver
41-11-120	Matoto Treasury Communal Receipts	4/26/1991	Government budget	Communal Mayor/Communal Receiver
41-11-126	National Literacy Service	10/13/1989	Service operations	Secretary of State
41-11-134	Special Receiver for Taxes			
41-11-154	National Geological Laboratory	04/17/1990	Laboratory Operations	Minister/Secretary General C/CAB National Director
41-11-155	Ministry of Hydraulic Energy	4/26/1999	Imprest fund	Minister/ Director of Administration
41-11-167	Friguia Collections			
41-11-178	Children's Health and Nutrition Project	8/31/1990	Project operations	Nutrition Institute Director/ Head DAAF
41-11-180	Permanent Agricultural Statistics System	9/14/1990	Program operations	Director/Manager
41-11-199	COUC/UC/FDC/CEE management capacity building	6/9/1994	Project operations	Rector/ Manager DAAF
41-11-201	Urbanization and Housing Ministry Imprest Fund	7/28/1994	Ministry operations	n.a.
41-11-204	Support for Village Actions	1/30/1991	Project operations	Manager
41-11-208	Ministry National Defense Imprest Fund	3/7/1991	Ministry operations	Minister/Manager
41-11-217	DAAF/MERS	4/8/1991	Imprest fund	Minister/DAAF
41-11-224	Donka Hospital Rehabilitation Project	5/29/1991	Project operations	Minister/Project Chief
41-11-225	Project and Technical Cooperation Service	6/6/1991	Service operations	Minister/Director

Guinea: Table 3. List of Accounts Defining the NGP for Program Purposes

Account No.	Name of Account	Date Opened	Purpose	Signing Authority
41-11-229	Administrative Development Center (CPA)	6/20/1991	Center operations	Director General/Manager
41-11-235	Ministry of Justice Imprest Fund	3/28/1991	Ministry operations	Secretary General/DAAF
41-11-237	Ministry of Employment/Civil Service Imprest Fund	12/7/1994	Ministry operations	Manager - Financial Service
41-11-242	Special Receiver for Customs/SGS (preshipment inspection company)			
41-11-245	Government Property - Rent Collection	n.a.	Revenue collection	n.a.
41-11-249	DAAF Ministry of Tourism and Hotels	4/28/1998	Ministry operations	n.a.
41-11-271	Lomé IV Health Program	11/26/1993	Subsidy to hospitals	DAAF/EEC Adviser
41-11-274	Sovereignty expenditures/PRG	n.a.	Sovereignty expenditures	n.a.
41-11-279	National Pedagogical Institute	5/8/1986	Institute operations	Minister/Director General
41-11-285	National Directorate of the Economy Support Project	09/15/1999	Project operations	National Director/Chief Summary Section
41-11-288	Government Procurement Board	09/15/1999	Board operations	National Director
41-11-289	Infant and Maternal Health	01/31/1987	Project operations	Minister/DAAF/WHO Official
41-11-294	Police	n.a.	n.a.	n.a.
41-11-302	Cité des Nations	09/07/1992	Imprest fund	Secretary General
41-11-303	National Fisheries Science Center	1992	Center operations	Director General/SAF
41-11-306	Guinean Topography and Cartography Institute		Institute operations	Minister/Director General
41-11-309	Customs Mobile Brigade	02/11/1993	Imprest fund	National Director of Customs
41-11-325	Administration and Control of Large Projects/Operations	04/19/1996	Operation of the administration	General Manager/DAAF
41-11-330	General Headquarters of the Armies	08/01/1996	HQ operations	Chief of Staff
41-11-331	Office of Prime Minister	08/08/1996	Office operations	Prime Minister/DAAF
41-11-332	Ministry of Finance Imprest Fund	10/10/1996	Ministry operations	DAAF
41-11-333	Office of the President of the Rep. Imprest Fund	10/07/1996	Ministry operations	Secretary General PRG/DAAF
41-11-334	Ministry of Energy and Natural Resources Imprest Fund	10/11/1996	Ministry operations	Manager
41-11-336	Ministry of National Education Imprest Fund	10/07/1996	Ministry operations	Manager
41-11-337	Ministry of Vocational and Technical Training	10/07/1996	Ministry operations	Minister/DAAF
41-11-339	Ministry of Transport Imprest Fund	10/07/1996	Ministry operations	Chief of Staff/DAAF
41-11-340	Private Sector and Industry Promotion Ministry Imprest/Ministry Imprest Fund	09/27/1996	Ministry operations	Secretary General DAAF
41-11-341	Ministry of Territorial Administration Imprest Fund	10/14/1996	Ministry operations	Chief of Staff/Manager
41-11-343	Ministry of Communications Imprest Fund	10/14/1996	Ministry operations	Manager
41-11-344	Ministry of Agriculture, Livestock and Forestry Imprest Fund	2/10/1996	Ministry operations	Minister/DA

Guinea: Table 3. List of Accounts Defining the NGP for Program Purposes

Account No.	Name of Account	Date Opened	Purpose	Signing Authority
41-11-345	Ministry of Social Affairs and the Promotion of Women Imprest Fund	10/16/1996	Ministry operations	Minister/DAAF
41-11-347	Ministry of Fisheries Imprest Fund	10/10/1996	Ministry operations	Secretary General/DAAF
41-11-349	Government Portfolio Operations	01/31/1997	Liquidation public enterprises	Minister/National Director of Portfolio
41-11-353	Receiver for Taxes/ Large Enterprises	03/10/1997	VAT credit refunds	National Director/Special Receiver for Taxes
41-11-355	High Chancellery of the Ordre National du Mérite	03/12/1997	Chancellery operations	High Chancellor/DAAF
41-11-356	Economic and Social Development Project (PADES)	06/10/1997	Project operations	National Coordinator
41-11-361	Social and Economic Council	07/10/1997	Operations of Council	Chairman
41-11-362	National Treasury Directorate Imprest Fund	07/21/1007	Operations	Manager
41-11-367	Reimbursement of Public Funds	10/23/1997	Recovery of Funds	National Directorate of the Treasury
41-11-369	Ministry of Security Imprest Fund	11/12/1997	Operations	Minister of Finance/Manager
41-11-371	Ministry of Tourism Imprest Fund	11/24/1997	Operations of Ministry	General Director/Manager
41-11-374	Road Improvement Directorate	12/31/1997	Imprest Fund	National Director of Road Investment
41-11-375	Diverse Remuneration-General Inspectorate of the Armed Forced	12/27/1998	Payment of remuneration	Ministry of Defense/General Intendant
41-11-376	National Portfolio Directorate Imprest Fund	01/28/1998	Operations of the Directorate	National Portfolio Director
41-11-382	Ministry of Pre-University Education - Billeteur	01/07/1998	Payment of salaries of the ministry by bills	DAAF Billeteur of the Ministry
41-11-385	Education Project III/AFD	09/10/1998	National Budget Counterpart	Director/Ministry of Pre-University Education
41-11-386	Education Project I & II/OPEC	09/10/1998	National Budget Counterpart	Director/Ministry of Pre-University Education
41-11-390	Construction of Hospital Center at Donka	1/5/1999	Subsidy	Ministry of Public Health
41-11-392	Directorate of the University Research and Scientific/Technical Documentation Center (CEDUST)	03/11/1999	Operations of the Center	Director of CEDUST
41-11-394	Treasury - Active Bonds	n.a.	Active Bonds	n.a.
41-11-395	Center for Military Provisioning	n.a.	Operations of the Center	n.a.
41-11-397	Public Lighting Imprest Fund	07/25/2000	Imprest Fund	National Directorate of the Treasury
41-11-398	Project for Renovation of Administrative Offices	10/19/2000	Renovation of the National Social Security Fund	National Director of the Treasury/ National Director of Investment
41-11-406	Reimbursement for MINUSIL			

**Guinea: Table 3. List of Accounts Defining the NGP for Program Purposes**

<b>Account No.</b>	<b>Name of Account</b>	<b>Date Opened</b>	<b>Purpose</b>	<b>Signing Authority</b>
41-11-450	Constructed Patrimony Imprest Fund	01/28/1999	Operations of the Directorate	Director of Public Constructed Patrimony
41-11-451	Framework Project for Export Promotion	03/14/2000	Operations of the Project	Director DAAF
41-11-456	Recovery of Disputed Amounts of SGS			
41-11-457	Battalion of Military Engineers Imprest Fund	03/29/2000	Imprest Fund	Commandant Treasurer
41-11-459	Program of Strengthening Institutional Capacity	05/05/2000	Operations of the Program	Administration of the CCAF Program
41-11-460	Communal and Legislative Elections	05/17/2000	Imprest Fund	Advisor Ministry of Territorial
41-11-461	Scholastic Examinations--Ministry of Pre-University and Civic Education 99/00	05/22/2000	Imprest Fund	DAAF Inspector of Financial and Accounting Services
41-11-462	Scholastic Examinations--Ministry of Technical Education and Training	05/22/2000	Imprest Fund	DAAF Accounting
41-11-464	Anti-Corruption Committee	06/13/2000	Imprest Fund	Coordinator
41-11-466	National Directorate of Financial Control Imprest Fund	07/06/2000	Imprest Fund	National Director of Financial Control
41-11-467	Framework Program Gender and Development	11/02/2000	Operations of the Program	Accounting Coordinator
41-11-696	State Secretariat for Cooperation Imprest Fund	11/22/2000	Operations of the Department	State Secretary, Chief of the DAAF
41-11-760	General Inspectorate of State	11/14/2000	Operations	General Inspector of State, Inspector of Services, Financial Accountant
41-11-763	Ministry of Youth and Sports Imprest Fund	05/21/1992	Operations of the Ministry	Ministry DAAF
41-11-764	External Missions Imprest Fund	01/01/1998	Advance payment of costs of transport and mission indemnities.	Director
41-11-766	Inspectorate General of State	n.a.	n.a.	n.a.
41-11-805	Road Engineers Imprest Fund	12/03/1999	Road maintenance	Minister Commandant BATA
41-11-815	Special Account of the Road Fund	09/06/1989	Road maintenance	National Director of Road Maintenance DAAF
41-11-817	Communal Revenue Ratoma	n.a.	Government Budget	Mayor/Central Receiver of the Treasury
41-11-822	Prefectoral Revenue Office Dubréka	05/17/1991	Government Budget	Treasurer
41-11-826	Second Urban Project	02/02/1994	Operations of the Project	Ministry of Territorial Administration/ Ministry of Economy and Finance
41-11-830	National Assembly	09/12/1995	Operations of the Assembly	President questeur
41-11-832	General Surveillance Company (SGS)	07/07/1996	Collection of customs duties	Ministry of Economy and Finance/ Director of SGS
41-11-833	Stock Exchange Project	06/02/1999	Operations of the Project	Head of Project

**Guinea: Table 3. List of Accounts Defining the NGP for Program Purposes**

Account No.	Name of Account	Date Opened	Purpose	Signing Authority
41-11-836	Works on Opening Transversal Roads	11/20/1989	Imprest Fund	National Director
41-11-838	Project "Plaidoyer"	10/13/1999	Operations of Project	Coordinator
41-11-857	National Extension Service	07/31/1990	Operations of Service	General Director DAAF
41-11-859	National Forestry Project	07/31/1990	Operations of Service	National Accounting Director
41-11-861	State Judicial Agency	10/27/1993	Operations of Agency	Judicial Agent of the State
41-11-866	National Communications Council	01/13/1993	Operations of Council	President DAAF
41-11-867	Supreme Court	01/26/1993	Operations of the Court	President DAAF
41-11-872	Treasury Bills			
41-11-876	State Judicial Agency Imprest Fund	11/18/1993	Operations of Agency	Judicial Agent of the State, Director
41-11-879	Ministry of Planning Imprest Fund	10/07/1996	Operations of Ministry	Director
41-11-910	Fund for ECOMOG Participation	16/02/1991	State Subsidies to West African Troops	Ministry of Economy and Finance/ Ministry of Security
41-11-913	Communal Revenue KALOUM	04/26/1991	Government Budget	Central Collector of the Treasury
41-11-915	Communal Revenue MATAM	04/26/1991	Government Budget	Central Collector of the Treasury
41-11-927	CRDI 100116 "MESRS" (Higher Education)	09/23/1999	Operations of the Program	Advisor/Accountant MESRS
41-11-934	Committee -- Monitoring of the Program	11/02/1999	Operations of the Committee	National Treasury Director/ Advisor of BCRG
41-11-935	S.E.N.A.R.E.C. (Capacity Building)	12/16/1999	Operations of the service	Advisor to the Prime Minister
41-11-938	Remainder of SAC III	12/27/1999	Remainder of SAC III	M.A.C. Advisor/ National Director of the Treasury
41-11-962	Architectural and Improvement Documentation Center Kindia	08/29/1991	Operations of the Center	Head of the Center
41-11-964	Interim Education Budget	08/29/1991	Operations of the Program	Project Director, National Director of Cooperation
41-11-969	Etat-Major Sea Army	10/14/1991	Operations of the structure	Chef Etat-Major
41-11-972	Ministry of Foreign Affairs Imprest Fund	11/14/1991	Operations of the Ministry	DAAF Accounting
41-11-989	Rural Development Project FOUTA DJALLON	07/09/1997	Operations of the Project	Coordinating Director
41-11-995	National Directorate of Public Investment Imprest Fund	07/17/1992	Operations of the Directorate	DAAF
41-12-055	National Center for Development Documentation and Information (CENDID)	05/29/1989	Operations of the Center	Director of the Center
41-12-923	National Directorate of Scientific and Technical Research	07/07/2000	Operations of the Directorate	National Director of Scientific Research
41-21-072	Main Treasury of Conakry	1985	Government Budget	Governor/Main Treasurer

Guinea: Table 3. List of Accounts Defining the NGP for Program Purposes

Account No.	Name of Account	Date Opened	Purpose	Signing Authority
41-21A-108	DPE Mandiana			
41-21A-110	Regional Education Inspectorate			
41-21A-113	Treasury of Prefecture Kouroussa			
41-21A-118	Treasury -- Customs Receipts			
41-21A-119	DPE Kankan			
41-21A-120	DPE Kouroussa			
41-21A-202	Treasury of Prefecture Labé			
41-21A-206	FD Customs Receipts			
41-21A-212	Main Treasury of Labé			
41-21A-215	DPE Labé			
41-21A-302	Treasury Koundara			
41-21A-303	Treasury of Prefecture Boke			
41-21A-304	Main Treasury of Boke			
41-21A-401	Treasury of Prefecture N'zérékoré			
41-21A-404	IRE N'zérékoré			
41-21A-405	Main Treasury of N'zérékoré			
41-21A-406	Treasury of Prefecture Yomou			
41-21A-411	Public Treasury / Active Bonds			
41-21A-501	Main Treasury of Mamou			
41-21A-502	Main Treasury of Faranah			
41-21A-601	Main Treasury of Kindia			
41-24-082	Treasury Special USAID	n.a.	n.a.	n.a.
41-24-871	Counterpart Fund PGI/CEE	06/28/1989	Budget assistance	Secretary of State Mission Chief -- Liquidation/Elimination
41-24-875	Counterpart Fund CAS II	n.a.		
41-24-876	Technical Unit for Management System of Counterpart Funds	n.a.	Budgetary Assistance -- Sale of products generated by the PL480 Program	Executive Director / Main Auditor
41-24-878	Counterpart CTP, SAS France	03/30/1993	Budgetary Assistance	National Director of the Treasury/ Head of Mission of the French Cooperation



Guinea: Table 3. List of Accounts Defining the NGP for Program Purposes

Account No.	Name of Account	Date Opened	Purpose	Signing Authority
41-24-880	Counterpart Funds PL-480 ex. 1993	10/18/1993	Budgetary Assistance	National Director of the Treasury/ Executive Director of Technical Unit
41-24-881	Counterpart Funds Canadian	10/25/1993	Budgetary Assistance	Ministry of Economy and Finance/ Chargé d'Affaires
41-24-882	Account Re-use of Subsidy CFD Friguia	11/26/1993	Transfer of Interest	Ministry of Economy and Finance
41-24-883	German Counterpart Funds	12/16/1993	Budgetary Assistance	
41-24-885	Development Fund of the Office of Ducroire Guinea-Belgian	03/29/1996	External debt relief	Minister, Regional Section Chief of Cooperation
41-24-886	Counterpart Fund Guinea-Pakistan	07/27/1996	Budgetary Assistance	
41-24-887	Counterpart Fund Guinea-Japan KRI	03/27/1997	Budgetary Assistance to Projects	
41-24-888	Counterpart Fund Guinea-Japan KRII	03/27/1997	Budgetary Assistance	
41-24-889	Counterpart Fund Guinea-Japan non Project grants	3/27/1997	Budgetary Aid	
41-24-890	Counterpart Fund SAS France 97	10/15/1997	Subsidy of structural measures	
41-24-891	PL 480 Title II	06/06/2000	Collection of customs duties	
41-27-002	Exchange rate differences			
41-27-889	Counterpart Fund Guinea-Japan non Project grants	3/27/1997	Budgetary Aid	
41-31-153	General Agency for the Execution of Public Works for Employment in Guinea	08/04/2000	Operations of the Agency	President of the company
41-91-885	Collections of Rents on Public Buildings			
48-91-006	PPC M.D.N.			
441	Taxes due			
443	RTS Public Treasury			
448	New Treasury Bills			

Table 4. List of Accounts Included in the TOFE Adjustment Item

Order No.	Account No.	Name of Account	Classification Codes		Date Opened	Purpose	Signing Authority
			Cat.	NTP			
4	41-11-010	"Monts Nimba" Scientific Research Station Imprest Fund	2	NTP & NGP	3/2/99	Scientific research	"Monts Nimba" Director
7	41-11-014	Applied Biology and Research Station Imprest Fund	2	NTP & NGP	3/2/99	Institute operations	Director Chief DA
8	41-11-015	Labé Environmental Documentation Center	2	NTP & NGP	3/2/99	Center operations	Center Director
10	41-11-017	Bossou Environmental Research Institute Imprest Fund	2	NTP & NGP	3/2/99	Institute operations	Institute Director
26	41-11-100	Office of the President of the Republic (PRG)/Palais des Nations	2	NTP & NGP	n/a	Unit operations	n/a
31	41-11-109	National Islamic League Imprest Fund	2	NTP & NGP	6/14/1905	League operations	Secretary General, Chief of Staff, Director of Administrative and
39	41-11-118	Dixinn Treasury Communal Receipts	1	NTP & NGP	4/26/1991	Government budget	Communal Mayor, Communal Receiver
41	41-11-120	Matoto Treasury Communal Receipts	1	NTP & NGP	4/26/1991	Government budget	Communal Mayor, Communal Receiver
45	41-11-126	National Literacy Service	2	NTP & NGP	10/13/1989	Service operations	Secretary of State
64	41-11-154	National Geology Laboratory	2	NTP & NGP	4/17/1990	Laboratory operations	Minister, Secretary General, C/CAB, National Director
65	41-11-155	Water Energy Ministry Imprest Fund	2	NTP & NGP	4/26/1999	Imprest fund	Minister, DA [Director of Administration?]
84	41-11-178	Children's Health and Nutrition Project	4	NTP & NGP	8/31/1990	Project operations	Nutrition Institute Director, Chief SAAF
100	41-11-199	COUC/UC/FDC/CEE management capacity building	4	NTP & NGP	6/9/1994	Project operations	Rector, Manager/DAAF
102	41-11-201	Urbanization and Housing Ministry Imprest Fund	2	NTP & NGP	7/28/1994	Ministry operations	n/a
108	41-11-208	Ministry of National Defense Imprest Fund		NTP & NGP	3/7/1991	Ministry operations	Minister, Manager
115	41-11-217	DAAF/MERS	2	NTP & NGP	4/8/1991	Imprest fund	Minister, DAAF
120	41-11-225	Project and Technical Cooperation Service	4	NTP & NGP	6/6/1991	Service operations	Minister, Director
126	41-11-235	Ministry of Justice Imprest Fund	2	NTP & NGP	3/28/1991	Ministry operations	Secretary General, DAAF
139	41-11-249	DAAF Min. Tourism and Hotels	2	NTP & NGP	4/28/1998	Ministry operations	n/a
151	41-11-288	Government Procurement Board	2	NTP & NGP	9/15/1999	Board operations	National Director
163	41-11-302	Cité des Nations	2	NTP & NGP	9/7/92	Imprest fund	Secretary General

Table 4. List of Accounts Included in the TOFE Adjustment Item

Order No.	Account No.	Name of Account	Classification Codes	Date Opened	Purpose	Signing Authority
			Cat. NTP			
170	41-11-309	Customs Mobile Brigade Imprest Fund	2 NTP & NGP	2/11/1993	Imprest fund	National Director Customs
179	41-11-325	Administration and Control of Large Projects/ Operations	NTP & NGP	4/19/96	Administration operations	General Manager, DAAF
186	41-11-332	Ministry of Finance Imprest Fund	2 NTP & NGP	10/10/1996	Ministry operations	DAAF
187	41-11-333	Office of the President of the Republic Imprest Fund	2 NTP & NGP	10/7/96	Ministry operations	Secretary General PRG, DAAF
188	41-11-334	Ministry of Energy and Natural Resources Imprest Fund	2 NTP & NGP	10/11/1996	Ministry operations	Manager
189	41-11-335	Ministry of National Education Imprest Fund	2 NTP & NGP	10/7/96	Ministry operations	Manager
191	41-11-337	Vocational Training and Technical Education Ministry Imprest Fund	2 NTP & NGP	10/7/96	Ministry operations	Minister, DAAF
193	41-11-339	Ministry of Transport Imprest Fund	2 NTP & NGP	10/7/96	Ministry operations	Chief of Staff, DAAF
194	41-11-340	Private Sector and Industry Promotion Ministry Imprest Fund	2 NTP & NGP	9/27/1996	Ministry operations	Secretary General, DAAF
195	41-11-341	Ministry of Territorial Administration Imprest Fund	2 NTP & NGP	10/14/1996	Ministry operations	Chief of Staff, Manager
197	41-11-343	Ministry of Communications Imprest Fund	2 NTP & NGP	10/14/1996	Ministry operations	Manager
198	41-11-344	Ministry of Agriculture, Livestock and Forestry Imprest Fund	2 NTP & NGP	10/3/1996	Ministry operations	Minister, DA
199	41-11-345	Ministry of Social Affairs and the Promotion of Women Imprest Fund	2 NTP & NGP	10/16/1996	Ministry operations	Minister, DAAF
201	41-11-347	Ministry of Fisheries Imprest Fund	2 NTP & NGP	10/10/1996	Ministry operations	Secretary General, DAAF
213	41-11-362	National Directorate of the Treasury Imprest Fund	2 NTP & NGP	7/21/1997	Directorate operations	Manager
219	41-11-369	Ministry of Security Imprest Fund	2 NTP & NGP	11/12/1997	Ministry operations	Minister, Manager
221	41-11-371	National Tourism Office Imprest Fund	2 NTP & NGP	11/24/1997	Office operations	Director General, Manager National Director, Roads Investment
223	41-11-374	Road Maintenance Imprest Fund	4 NTP & NGP	12/31/1997	Imprest Fund	
225	41-11-376	National Portfolio Directorate Imprest Fund	2 NTP & NGP	1/28/1998	Directorate operations	National Portfolio Director
257	41-11-457	Military Engineering Battalion Imprest Fund	2 NTP & NGP	3/29/2000	Imprest Fund	Commandant, Treasurer
262	41-11-463	Restoration Conakry Central Mosque	2 NTP & NGP	5/24/2000	Imprest Fund	Secretary General/MEF, Secretary General/Islamic League, DAAF
263	41-11-464	Anti-Corruption Committee	2 NTP & NGP	6/13/2000	Imprest Fund	Coordinator

**Table 4. List of Accounts Included in the TOFE Adjustment Item**

Order No.	Account No.	Name of Account	Classification Codes		Date Opened	Purpose	Signing Authority
			Cat.	NTP			
265	41-11-466	National Directorate of Financial Control Imprest Fund	2	NTP & NGP	7/6/2000	Imprest Fund	National Director of Financial Control, Manager
269	41-11-696	State Secretariat for Cooperation Imprest Fund	2	NTP & NGP	11/22/2000	Department operations	Secretary of State, Chief of DAAF
270	41-11-760	State Inspectorate General Imprest Fund	2	NTP & NGP	11/14/2000	IGF operations	State Inspector General, Accounting/Financial Unit Inspector
271	41-11-763	Ministry of Youth & Sports Imprest Fund	2	NTP & NGP	5/21/1992	Ministry operations	Minister, DAAF
274	41-11-766	State Inspectorate General Imprest Fund	2	NTP & NGP	n/a	n/a	n/a
279	41-11-805	Roads Engineering Imprest Fund	2	NTP & NGP	12/3/1999	Road maintenance	Minister, BATA Commandant
285	41-11-815	Roads Fund Special Account	2	NTP & NGP	9/6/1989	Road maintenance	National Director of Road Maintenance, DAAF
299	41-11-830	National Assembly	3	NTP & NGP	9/12/1995	Assembly operations	Speaker, Admin. and Financial Officer
302	41-11-833	Securities Exchange Project	4	NTP & NGP	6/2/1999	Project operations	Project Chief
305	41-11-836	Works for Opening of Cross-Country Roads	4	NTP & NGP	11/20/1989	Imprest Fund	National Director, Manager
307	41-11-838	"Plaidoyer" Project	4	NTP & NGP	10/13/1999	Project operations	Coordinator
317	41-11-866	National Communications Council	3	NTP & NGP	1/13/1993	Council operations	President, DAAF
318	41-11-867	Supreme Court	3	NTP & NGP	1/26/1993	Court operations	President, DAAF
325	41-11-876	State Judicial Agency Imprest Fund	2	NTP & NGP	11/18/1993	Fund operations	State Judicial Agent, Manager
328	41-11-879	Ministry of Planning Imprest Fund	2	NTP & NGP	10/7/1996	Ministry operations	Manager
357	41-11-962	Kindia Development & Architecture Documentation Center Imprest Fund	2	NTP & NGP	8/29/1991	Center operations	Chief of Center
365	41-11-972	Ministry Foreign Affairs Imprest Fund	2	NTP & NGP	11/14/1991	Ministry operations	DAAF, Accountant
377	41-11-995	National Directorate of Public Investment Imprest Fund	2	NTP & NGP	7/17/1992	Directorate operations	DAAF
428	41-21-A 106	DPE Mandiana	4	NTP & NGP			

**Table 4. List of Accounts Included in the TOFE Adjustment Item**

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			Cat.	NTP	Opened		
271	41-11-763	Ministry of Youth & Sports Imprest Fund	2	NTP & NGP	5/21/92	Ministry operations	Minister, DAAF
274	41-11-766	State Inspectorate General Imprest Fund	2	NTP & NGP	n/a	n/a	n/a
279	41-11-805	Roads Engineering Imprest Fund	2	NTP & NGP	12/3/99	Road maintenance	Minister, BATA Commandant
285	41-11-815	Roads Fund Special Account	2	NTP & NGP	9/6/89	Road maintenance	National Director of Road Maintenance, DAAF
299	41-11-830	National Assembly	3	NTP & NGP	9/12/95	Assembly operations	Speaker, Admin. and Financial Officer
302	41-11-833	Securities Exchange Project	4	NTP & NGP	6/2/99	Project operations	Project Chief
305	41-11-836	Works for Opening of Cross-Country Roads	4	NTP & NGP	11/20/89	Imprest Fund	National Director, Manager
307	41-11-838	"Plaidoyer" Project	4	NTP & NGP	10/13/99	Project operations	Coordinator
317	41-11-866	National Communications Council	3	NTP & NGP	1/13/93	Council operations	President, DAAF
318	41-11-867	Supreme Court	3	NTP & NGP	1/26/93	Court operations	President, DAAF
325	41-11-876	State Judicial Agency Imprest Fund	2	NTP & NGP	11/18/93	Fund operations	State Judicial Agent, Manager
328	41-11-879	Ministry of Planning Imprest Fund	2	NTP & NGP	10/7/96	Ministry operations	Manager
357	41-11-962	Kindia Development & Architecture Documentation Center Imprest Fund	2	NTP & NGP	8/29/91	Center operations	Chief of Center
365	41-11-972	Ministry Foreign Affairs Imprest Fund	2	NTP & NGP	11/14/91	Ministry operations	DAAF, Accountant
377	41-11-995	National Directorate of Public Investment Imprest Fund	2	NTP & NGP	7/17/92	Directorate operations	DAAF
428	41-21-A 106	DPE Mandiana	4	NTP & NGP			

### Guinea: Relations with the Fund

(As of February 28, 2001)

**I. Membership Status:** Joined September 28, 1963; Article VIII

<b>II. General Resources Account:</b>	SDR million	Percent of quota
Quota	107.10	100.0
Fund holdings of currency	107.03	99.9
Reserve position in the Fund	0.08	0.1

<b>III. SDR Department</b>	SDR million	Percent of quota
Net cumulative allocation	17.60	100.0
Holdings	0.09	0.5

<b>IV. Outstanding Purchases and Loans</b>	SDR million	Percent of quota
Poverty Reduction and Growth Facility (PRGF) arrangements	94.50	88.2

**V. Financial Arrangements**

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
PRGF	01/13/1997	01/12/2001	70.80	62.94
ESAF	11/06/1991	12/19/1996	57.90	46.32
SAF	07/29/1987	07/28/1990	40.53	28.95

**VI. Projected Obligations to the Fund:** (SDR million; based on existing use of resources and present holdings of SDRs)

	Overdue 02/28/2001	2001	2002	Forthcoming 2003	2004	2005
Principal	0.0	9.3	8.7	11.7	15.2	14.2
Charges/interest	0.0	1.0	1.2	1.1	1.0	1.0
<b>Total</b>	<b>0.0</b>	<b>10.3</b>	<b>9.9</b>	<b>12.8</b>	<b>16.2</b>	<b>15.2</b>

## **VII. Exchange Rate Arrangement**

Guinea has a floating exchange rate. The official exchange rate of the Guinean franc is determined weekly in the auction market for foreign exchange at the central bank. On February 28, 2001, the official rate of the Guinean franc was GF 1,930 per U.S. dollar. Commercial banks and foreign exchange bureaus are free to buy and sell foreign exchange at any rate.

## **VIII. Article IV Consultations**

Guinea is on the regular 12-month cycle; the last consultation was concluded by the Executive Board on December 20, 2000 (EBS/00/257; 12/6/00).

## **IX. Technical Assistance**

An STA technical assistance mission visited Conakry in early 1994 to review monetary and government finance statistics and the modalities for establishing the *International Financial Statistics* page for Guinea, which was published for the first time in June 1995. Another STA technical mission visited Conakry in May 1995 to help in the compilation of balance of payments statistics. In March 2000, a STA real sector statistics mission was conducted to examine the overall compilation of data in this area. A STA monetary and finance statistics mission took place in November 2000.

Three FAD technical assistance missions visited Conakry in recent years: in April-May 1994 to review the Guinean tax system and make recommendations on the tax reform needs, particularly in the areas of tax administration and indirect taxation; in January 1997 to review implementation of the value-added tax and make recommendations to improve revenue performance in view of the large shortfall experienced in 1996; and in March 1999 to advise on customs reform. An FAD advisor on tax administration was posted between April 1995 and September 1997 as advisor to the Minister of Finance. An FAD technical assistant on treasury management was posted in Conakry from January to June 1999. Another FAD technical advisor on customs reform was posted in Conakry from September 1999 to October 2000.

MAE provided the Central Bank of the Republic of Guinea with a principal advisor to the Governor from 1998 to 2000. A MAE mission took place during June 21-30, 2000 to advise on monetary operations, and another mission was conducted during October 10-24, 2000 to examine the foreign exchange auction system at the central bank.

## **X. Resident Representative**

The Resident Representative is Mr. Jean Claude Nascimento.

## **Guinea: Relations with the World Bank Group**

(As of March 21, 2001)

1. The main thrust of the World Bank's country assistance strategy for fiscal year (FY) 98-FY 2000 (July-June) is to improve governance and institutional capacity, to enhance service delivery for poverty reduction, and to promote broadly based and equitable growth with a focus on the rural sector. This strategy is designed to put Guinea back on track toward financial viability and sustainable economic growth by redressing imbalances in the government's finances, thus making it possible to redirect the country's resources to the priority sectors, and by furthering structural reforms that will progressively eliminate the obstacles currently hampering the development of the private sector.
2. As of March, 2001, total World Bank commitments to Guinea amounted to US\$1,134.6 million, of which US\$1,043 million had been disbursed. Since Guinea joined the World Bank Group in 1963, the Bank has financed 57 operations in Guinea, including 3 IBRD loans totaling US\$73.5 million and 54 IDA credits totaling US\$1,166.9 million. The Bank's active portfolio in Guinea comprises 12 projects, totaling US\$206.1 million, of which US\$101.8 million is undisbursed. The IFC's portfolio totals 4 projects, with total commitments of US\$9.2 million (fully disbursed). MIGA's portfolio comprises 7 contracts of guarantee in the agribusiness sector equivalent to US\$2.86 million in gross and net exposure. Total foreign direct investment facilitated to date is US\$10.3 million. The government has requested MIGA's assistance in developing national strategies for agribusiness and tourism sector promotion.
3. Recent and proposed Bank Group projects have a broad sectoral coverage. In recent years, the World Bank has been active in rural development, education, mining, the financial sector, and public expenditure management. The Bank's current assistance aims at improving service delivery for poverty reduction, with projects in health and nutrition, urban services, and rural development. An upcoming structural adjustment operation (SAC) will help to consolidate the progress achieved under the previous public expenditure management credit (PEMAC). In addition, the new operation will accompany the government's efforts in the areas of public enterprise reform and governance improvement and corruption control. The Bank is also providing support for institutional strengthening and capacity building, with a focus on enhancing the government's efficiency as a provider of basic public services.
4. In addition to its projects, the Bank is providing support through nonlending activities to assist planned lending operations, deepen the reforms in public expenditure management, define its approach to rural development, and strengthen the governance/capacity-building approach to civil service reform. Nonlending activities also play a greater role in helping to address specific strategic and capacity-building issues, ensure an active policy dialogue, and build consensus and partnership within the country and with key institutions and donors actively involved in Guinea.



Guinea: Status of Bank Group Operations  
IBRD Loans and IDA Credits in the Operations Portfolio  
(As of March 21, 2001; in millions of U.S. dollars)

Closed Projects: 44

**Active Projects**

Project Name	Fiscal Year	Original Amount				Difference Between Expected and Actual Disbursements		
		IBRD	IDA	GE	Cancl.	Undisb.	Orig.	Formally Revised
AGR EXPORT PROMOTION	1993	0.0	20.8	0.0	0.0	7.8	8.0	6.6
CAPACITY BUILDING SD	2000	0.0	19.0	0.0	0.0	16.6	16.5	0.0
EQUITY AND SCHOOL IM	1995	0.0	42.5	0.0	0.0	13.7	17.3	0.0
HEALTH/NUT.SCTR.	1994	0.0	24.6	0.0	0.0	5.1	6.0	1.8
HIGHER EDUCATION MAN	1996	0.0	6.6	0.0	0.0	1.5	2.0	2.0
MICROFINANCE	1998	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MIN SECT INV PROMOT	1996	0.0	12.2	0.0	0.0	0.4	1.3	0.9
POP & REPROD HEALTH	1999	0.0	11.3	0.0	0.0	6.7	-1.1	0.0
PRE-SRV TEACHER EDUC	1999	0.0	4.1	0.0	0.0	1.3	0.8	0.0
THIRD WATER SUPPLY	1997	0.0	25.0	0.0	0.0	15.5	8.2	0.0
URBAN III	1999	0.0	18.0	0.0	0.0	15.5	5.4	0.0
VILLAGE COMMUNITY SUPPORT PROGRAM	1999	0.0	22.0	0.0	0.0	17.9	-2.5	0.0
	Result	0.0	206.1	0.0	0.0	101.8	61.9	11.2
	Active Projects		Closed Projects			Total		
Total disbursed (IBRD and IDA)		91.7	1,043.0			1,134.7		
Of which: repaid		0.0	169.1			169.1		
Total now held by IBRD and IDA		246.1	994.3			1,240.4		
Amount sold		0.0	0.0			0.0		
Of which: repaid		0.0	0.0			0.0		
Total undisbursed		101.8	0.1			101.9		

## Guinea: Statement of IFC's

## Held and Disbursed Portfolio

As of 8/31/00

FY Approval	Company	Held				Disbursed			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1988	Aurifere	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1998	SEF Agro	0.11	0.00	0.00	0.00	0.11	0.00	0.00	0.00
1993/98	SGHI	0.00	0.00	0.38	0.00	0.00	0.00	0.38	0.00
	Total portfolio	1.11	0.00	0.38	0.00	1.11	0.00	0.38	0.00
Approvals Pending Commitment									
		Loan	Equity	Quasi	Partic				
	2000 SEF MATP	500	0	0	0				
	Total pending commitment	500	0	0	0				

### **Guinea: Statistical Issues**

1. Although improvements have been made in recent years in the availability of detailed government finance data, serious problems remain, in particular in the compilation of real sector statistics and in balance of payments statistics. Changes in the financial system in recent years have affected the quality of data for deposit money banks. A law on statistics that organizes the institutional setting for producing statistics at a decentralized level was approved in 1995. However, neither the National Council of Statistics, responsible for coordinating the production of statistics, nor a Technical Committee responsible for providing recommendations on the statistical program—both created under the new law—seem to have improved the quality of statistics.

2. Data are generally adequate for program monitoring, although frequent problems are encountered with the internal consistency of fiscal data and their consistency with monetary data.

#### **Real sector statistics**

3. Statistics on the real sector are quite weak and incomplete. Only the consumer price index (CPI) is published on a regular basis, with other statistics published on an irregular basis; in addition, they are not widely distributed and are often not reliable. There is no regular survey on mining and industrial production, nor are there statistics on employment and population.

4. After extensive work in 1990-93 to build a solid database for the national accounts, with technical assistance from the World Bank, the authorities produced final national accounts tables for the years 1986 to 1988 and provisional data for the years 1990 and 1991; an input-output table was produced for the year 1990. A comprehensive household survey was prepared for the year 1994. Provisional national accounts were produced for the years 1992-96, but they do not use fully the results of the household survey and have serious shortcomings. The Ministry of Planning and Cooperation prepared updates of macroeconomic data and projections on the basis of the 1994 national accounts before it was eliminated in June 2000 and some of its functions allocated to the Ministry of Finance. In October 2000, the authorities presented final national accounts data for the years 1995-96, and provisional ones for the years 1997-98. All national accounts data were significantly revised on that occasion.

5. The CPI for Conakry is available on a monthly basis, with a one-month lag. Export prices are estimated on the basis of information supplied directly by the mining companies, while import prices are based on a weighted average of partner countries' export prices. Exchange rates are reported weekly.

6. Data on the agriculture sector have been published only sporadically in the form of Food and Agriculture Organization/United Nations Development Program surveys. No data on employment or labor costs are available.

7. In March 2000, an STA mission presented detailed recommendations on how to improve real sector statistics. The mission identified the lack of a budget for the compilation of current statistics and poor professional training as the main causes of the statistical system's weakness. Guinea has developed an action plan to address these weaknesses, but financial resources for many of these measures still need to be identified.

#### **Balance of payments statistics**

8. The authorities have implemented some of the recommendations made by a balance of payments statistics mission in May 1995. Notably, coverage of trade in services, private transfers, and capital flows has been expanded by surveying service providers and large companies on an annual basis. However, the survey is not comprehensive, and there is no penalty for noncompliance. In view of the difficulties encountered with the compilation of annual statistics, the mission's recommendation to compile data on a quarterly basis has not yet been implemented.

9. Merchandise trade statistics are reported in the standard Harmonized System of Customs Classification, net of imports by diplomats and transit trade. In spite of the technically advanced method of presentation, the presented data are clearly inconsistent with actual developments in the country. Some of these inconsistencies may be due to smuggling, as exports of gold and diamonds are subject to modest export taxes and imports are subject to import duties. However, the trade statistics also report significant exports of aluminum products, which are, according to the Ministry of Mining and Energy, not produced in the country. Thus, the data are substantially adjusted prior to publication.

10. The balance of payments statistics also affect the national accounts data. The national accounts are based on trade data that include transit trade and imports by diplomats, and thus overestimate the openness of the economy. However, the national accounts use estimates of trade in services, which are well below those estimated on the basis of the surveys conducted by the central bank. The authorities have requested additional technical assistance from STA for balance of payments statistics.

#### **Government finance statistics**

11. Comprehensive monthly budgetary data are compiled by the Ministry of Finance on a cash basis for central government revenue and on a commitment and cash basis for central government expenditure; the AFR staff receives preliminary data within 15 days and main final data within one month. Estimates for consolidated central government operations are made on the basis of treasury data. Budgetary data are often not internally coherent.

12. The government budget includes the bulk of all government spending, although there are a number of well-identified "satellite" accounts that are not directly incorporated in the budget. There are also considerable differences between the government finance statistics' definition of general government and the general government sector. Moreover, autonomous funds, such as the Road Fund, are only partly incorporated in the budget. For the Road Fund,

the largest autonomous fund, 100 percent of funds are “committed” through the budget and transferred from the budget to the fund. Actual disbursements are made at the Road Fund’s discretion (monitored, however, through its account at the central bank). The fuel tax is not expressly earmarked at the Road Fund, but it is transferred to the general fund, and allocated to the Road Fund through the budget.

13. Guinea does not report government statistics for publication in IFS.

**Monetary accounts statistics**

14. Monthly data on monetary authorities and deposit money banks are available. However, data for publication in *International Financial Statistics* are usually submitted to STA in batches with a lag of 12 months. Developments and changes in the financial system during the last few years, including the liquidation and restructuring of some banks, are not fully reflected in the monetary statistics, owing to problems of data collection, the classification of instruments, and the sectorization of economic activities. A monetary and financial statistics mission visited Conakry in the second half of November 2000 to review the coverage of the monetary statistics, as well as data collection and compilation practices. The mission summarized its main findings and recommendations in a report and action plan left with the authorities. The authorities have made good progress in taking the measures the report proposed; in particular, efforts are being made to strengthen the commercial practices, especially the classification of nonperforming loans.

## Guinea: Core Statistical Indicators

(As of mid-March 2001)

	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/ GNP	External Debt
Date of latest observation	2/28/01	1/31/01	1/31/01	1/31/01	1/31/01	12/31/99	12/31/00	12/99	1999	2/01	2000	1999
Date received	2/28/01	2/15/01	2/15/01	2/15/01	2/15/01	11/2/00	1/31/01	6/00	6/00	3/01	2/01	10/00
Frequency of data 1/	W	M	M	M	M	M	M	A	A	M	A	Q
Frequency of reporting 1/	W	M	M	M	M	M	M	A	A	M	A	Q
Source of data 2/	BCRG	BCRG	BCRG	BCRG	BCRG	BCRG	MEF	Fund Mission	Fund Mission	MEF	MEF	MEF
Mode of reporting 3/	C/M	C/M	C/M	C/M	C/M	M	C/M	V	V	C/M	V	M
Confidentiality 4/	U	U	U	U	U	U	U	U	U	U	U	U
Frequency of publication 1/	D	M	M	M	M	M	M	M	A	M	A	Q

1/ D = daily; W = weekly; M = monthly; Q = quarterly; A = annual.

2/ BCRG = Central Bank of the Republic of Guinea; MEF = Ministry of Economy and Finance; MOP = Ministry of Planning.

3/ C = cable or facsimile; M = mail; V = staff visits/missions.

4/ U = unrestricted.



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International Monetary Fund  
Washington, D.C. 20431 USA

## **IMF Approves Three-Year, US\$82 Million PRGF Arrangement for Guinea**

The Executive Board of the International Monetary Fund (IMF) today approved a three-year arrangement for Guinea under the Poverty Reduction and Growth Facility (PRGF)<sup>1</sup> of SDR 64.26 million (about US\$81.3 million) to support Guinea's efforts to foster macroeconomic stability, promote accelerated growth, improve social services, and reduce poverty. The decision will enable Guinea to shortly draw up to SDR 12.85 million (about US\$16 million).

Following the Executive Board discussion on Guinea, Stanley Fischer, First Deputy Managing Director of the IMF and Acting Chairman, made the following statement:

"Guinea's new medium-term program focuses on maintaining macroeconomic stability and accelerating growth as the foundation of the government's poverty reduction strategy. It emphasizes the promotion of private sector activity by strengthening economic infrastructure, improving governance, and enhancing the legal and regulatory frameworks. These overall objectives and the policies intended to achieve them are fully consistent with the strategy set out in the authorities' interim poverty reduction strategy paper.

"Guinea has been adversely affected by an ongoing border conflict that has had severe humanitarian costs which the government has been helping to offset. This conflict could endanger economic and social progress and jeopardize implementation of Guinea's poverty reduction strategy. A concerted effort, involving assistance from the international community, will be needed to ensure that the new economic and financial program is successfully implemented under these adverse conditions.

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<sup>1</sup> On November 22, 1999, the IMF's concessional facility for low-income countries, the Enhanced Structural Adjustment Facility (ESAF), was replaced by the Poverty Reduction and Growth Facility (PRGF), and its purposes were redefined. It is intended that PRGF-supported programs will in time be based on country-owned poverty reduction strategies articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that each PRGF-supported program is consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. Pending the completion of a PRSP for Guinea, a preliminary framework has been set out in an interim PRSP, and a participatory process is under way. It is understood that all policy undertakings in the interim PRSP beyond the first year are subject to reexamination and modification in line with the strategy that is to be elaborated in the PRSP. Once completed and broadly endorsed by the Executive Boards of the IMF and World Bank, the PRSP will provide the policy framework for future reviews under this PRGF arrangement. PRGF loans carry an annual interest rate of 0.5 percent, and are repayable over 10 years with a 5 ½-year grace period on principal payments.

“Fiscal consolidation is the key to maintaining macroeconomic stability and achieving sustainable growth. Improving revenue mobilization is the main fiscal policy challenge over the medium term, and the authorities intend to intensify their efforts to reduce excessive exemptions and to complete administrative reforms, especially at customs. The authorities will need to maintain firm control over public expenditure, while increasing allocations to the priority social sectors. These efforts will need to be extended to the local administrations to ensure that the ongoing decentralization process does not lead to a loss of fiscal discipline.

“Monetary policy will aim to keep inflation in check and to improve bank liquidity management. The authorities should promptly restructure two smaller banks which are still in difficulty, and take the necessary steps to bring Guinea into compliance with the Basel Core Principles for bank supervision over the medium term.

“Full and timely implementation of the structural reform agenda is crucial. In particular, the public enterprise restructuring and privatization program should be carried out expeditiously to strengthen Guinea’s economic infrastructure and to attract investment. The authorities have begun to reform the civil service, and intend to proceed with the reform of the social security system. The fight against corruption, coupled with judicial reform, will strengthen private sector confidence and help mobilize the full support of civil society for the poverty reduction effort,” Mr. Fischer said.

## ANNEX

### Recent Economic Developments

The implementation of Guinea's PRGF-supported program in 2000 was hampered by adverse external events that contributed to program slippages in early 2000. These included a pronounced negative terms of trade shock, an increasingly severe border conflict, and a substantial shortfall in expected external assistance, reflecting to some extent delays in implementing agreed policy measures.

In 2000, output growth slowed to 1.8 percent, from 3.9 percent in 1999, with only the fisheries sector showing some dynamism, while growth slowed in the key sectors of agriculture and mining .

The fiscal outturn was somewhat worse than projected at the time of the Article IV consultation and midterm review in December 2000. Overall revenue reached 11.1 percent of GDP, primarily because of lower customs and value-added tax receipts resulting from slower activity. Overall expenditure, at 16.7 percent of GDP, was also lower than projected earlier, despite defense spending being considerably higher than originally budgeted.

### Program Summary

The new medium-term **economic program** aims at increasing growth to an average of 6.1 percent during 2002-04 from 1.8 percent in 2000; at lowering inflation to under 3 percent of the GDP by 2004; and at maintaining an external current account deficit of 5.5 percent of GDP on average during the same period. The main challenge, however, lies in improving revenue mobilization, with a view to raising the revenue-to-GDP ratio to over 15 percent by 2004, from 11 percent in 2000. Key to this will be reducing the pervasive system of exemptions, as well as the gradual extension of the tax base to cover previously untaxed activities, including in the informal sector. Greater administration efficiency is also targeted, particularly in the customs service, where an ongoing reform program will be completed.

**Fiscal policy** over the medium term will focus on continuing the consolidation of public finances, building on the progress made over the past two years in strengthening the management of public expenditure and improving its composition.

**Monetary policy** in 2001 will aim to maintain a single-digit rate of inflation. Money demand is expected to continue to increase in 2001, though at a slower pace than the year before, as inflation is reflected to pick up in the first half of the year. However, the government will begin to reduce its indebtedness to the central bank as foreign disbursements begin in the second half of the year.

Key elements of the **structural reform agenda** are accelerating the public enterprise strategy, starting civil service reforms; reforming the legal system; and improving governance. A technical unit in charge of preparing operations for privatizing and restructuring public



enterprises will be created in the near future, and a review of the framework for private sector participation in the public utilities sector has been conducted with the support of the World Bank. With regard to public service reform, a pilot program of contract-based employment will be introduced in the agricultural sector, which could lead to more attractive remuneration packages for farmers.

In the area of governance, the National Anticorruption Committee has been active in examining specific issues, including several cases of fiscal mismanagement and fraud. Its overall effectiveness is however hampered by the absence of a specific legal status and of a detailed action plan. Both of these are expected to be completed by the middle of 2001, with donor assistance.

**A poverty reduction strategy** is being discussed in a series of consultations throughout the country, and a first draft of the full Poverty Reduction Strategy Paper (PRSP) is due to be prepared by end-August. In addition to the programs already established in health, education, rural development, and transportation, poverty-reducing policies have been defined and costed, and intermediate outcome indicators established, in the areas of public housing and urban sanitation, justice, social affairs, and fisheries.

Moreover, the expected gains from restructuring and privatization in the public enterprise and financial sectors should contribute to freeing government resources for poverty-reducing activities. In addition, an increasing share of available resources will be allocated to the priority social sectors, including the full amount available under the enhanced HIPC Initiative. External indebtedness will be reduced to sustainable levels in the context of the enhanced HIPC Initiative, and the authorities intend to limiting new external borrowing to loans on highly concessional terms and to increasing the share of grants in overall external financing.

Guinea joined the IMF on September 28, 1963. Its quota<sup>2</sup> is SDR 107.10 million (about US\$136 million), and its outstanding use of IMF credit currently totals SDR 94.5 million (about US\$119 million).

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<sup>2</sup> A member's quota in the IMF determines, in particular, the amount of its subscription, its voting weight, its access to IMF financing, and its allocation of SDRs.

Table 4. Guinea: Selected Economic and Financial Indicators, 1999-2004

	1999	2000		2001		2002	2003	2004	
	Est.	Orig. Prog. 1/	Intérim Prog.	Est.	Orig. Prog. 1/	Proj. 2/	Proj. 2/	Proj. 2/	
(Annual changes in percent, unless otherwise indicated)									
<b>Income</b>									
GDP at constant prices	3.9	5.0	4.5	1.8	5.5	3.3	5.4	5.7	6.5
GDP at current prices	7.2	9.3	10.3	12.1	9.4	10.9	8.8	17.3	37.8
GDP deflator	3.2	4.1	5.6	10.1	3.7	7.4	5.3	5.4	4.7
<b>Consumer prices</b>									
Average	4.6	5.8	4.8	6.8	3.7	9.6	4.2	3.0	2.8
End of period	6.2	4.0	1.5	7.2	3.5	9.4	3.2	3.8	2.0
<b>External sector</b>									
Exports, f.o.b. (in U.S. dollar terms)	-2.1	9.1	17.4	7.5	8.1	11.5	10.6	8.1	9.3
Imports, f.o.b. (in U.S. dollars terms)	0.9	9.3	-6.9	-4.6	4.0	16.7	6.6	6.7	8.1
<b>Terms of trade</b>									
Percentage change	-7.1	-0.9	3.8	-10.3	1.0	-3.8	7.6	5.5	3.6
<b>Average effective exchange rates (depreciation -)</b>									
Nominal index	-17.1	...	...	-3.5	...	...	...	...	...
Real index	-13.7	...	...	0.8	...	...	...	...	...
<b>Money and credit</b>									
Net foreign assets 3/	-6.9	14.8	13.9	-4.8	...	25.4	...	...	...
Net domestic assets 3/	15.7	-4.8	3.3	28.2	...	-16.9	...	...	...
Public sector (net) 3/	10.8	-5.1	-0.6	22.3	...	-13.0	...	...	...
Private sector 3/	8.1	4.8	7.8	5.1	...	4.0	...	...	...
Broad money	8.8	10.0	17.2	23.4	...	8.5	...	...	...
Reserve money	15.0	8.7	14.5	16.0	...	5.3	...	...	...
Interest rate 4/	7.5	...	...	7.5	...	7.5	...	...	...
Velocity (GDP/year-end M2)	10.0	10.5	9.9	9.1	...	9.3	...	...	...
(In percent of GDP)									
<b>Central government finances</b>									
Total revenue and grants	13.2	13.6	13.8	13.5	14.1	18.7	19.4	20.0	20.4
Of which: nonmining revenue	8.4	9.2	8.9	8.4	9.2	10.1	10.6	11.4	11.9
Current expenditure	9.0	9.0	8.8	9.4	9.2	12.1	11.2	11.4	12.1
Capital expenditure and net lending 5/	7.2	7.8	7.5	7.3	7.9	9.8	9.5	9.4	9.6
Overall budget balance									
Including grants (commitment)	-3.0	-3.2	-2.6	-3.2	-2.9	-3.2	-1.3	-0.8	-1.3
Excluding grants (commitment)	-5.4	-5.3	-4.8	-5.6	-5.1	-8.6	-6.8	-6.3	-6.4
Primary balance	2.4	2.7	3.1	2.6	2.9	0.8	1.3	1.6	1.2
<b>Gross investment</b>									
Government 6/	7.2	5.5	7.5	7.2	5.6	9.4	9.1	9.2	9.4
Nongovernment	14.9	13.7	12.8	14.9	13.1	14.8	14.8	14.7	14.7
<b>Domestic savings</b>									
Government	3.1	1.7	4.0	3.0	4.0	2.8	4.0	4.3	4.2
Nongovernment	14.4	16.5	16.0	15.6	14.7	18.4	17.9	18.1	19.0
<b>External current account balance</b>									
Including official transfers	-4.2	-3.6	-3.4	-2.9	-3.1	-2.6	-2.6	-1.9	-1.3
Excluding official transfers	-7.2	-6.3	-6.2	-6.5	-5.3	-6.7	-6.1	-4.9	-4.2
<b>Overall balance of payments</b>									
	-2.6	-2.4	-2.0	-2.0	-1.6	-2.8	-2.5	-1.3	-0.3
<b>External public debt 7/</b>									
	95.3	89.0	101.6	108.2	89.2	116.0	108.6	99.2	90.8

Table 4 (concluded). Guinea: Selected Economic and Financial Indicators, 1999-2004

	1999		2000		2001		2002	2003	2004
	Est.	Orig. Prog. 1/	Interim Prog.	Est.	Orig. Prog. 1/	Proj. 2/	Proj. 2/	Proj. 2/	Proj. 2/
(In percent of export earnings)									
External debt-service ratio 8/	17.3	20.5	18.6	21.3	19.0	19.9	17.1	16.1	13.5
External public debt	444.6	335.2	319.3	417.5	325.0	376.9	344.7	321.5	294.9
(In millions of U.S. dollars, unless otherwise indicated)									
Exports 9/	645.8	823.4	795.8	694.5	889.8	774.5	856.2	925.7	1,011.7
Imports 9/	581.8	634.3	575.7	555.2	659.7	648.1	690.6	736.8	796.2
External current account (including official transfers)	-147.5	-126.4	-104.4	-89.6	-114.0	-76.0	-83.6	-66.3	-49.2
Overall balance of payments	-92.3	-85.9	-60.8	-62.3	-60.7	-80.4	-79.4	-44.2	-10.4
External arrears outstanding 10/	582.6	...	...	614.1	...	608.7	...	...	...
Net foreign assets (central bank)	71.8	109.7	95.5	27.9	...	98.4	...	...	...
Gross official reserves (in months of imports)	2.7	3.2	3.1	1.8	3.5	2.6	2.6	2.7	2.8
Gross reserves (in percent of broad money)	76.0	87.8	78.7	48.3	...	78.9	...	...	...
Nominal GDP	4,760	5,512	5,530	5,334	6,032	5,915	6,564	7,313	8,151

Sources: Guinean authorities; and staff estimates and projections.

1/ Program figures are the original figures (EBS/99/221; 12/8/99).

2/ Assuming debt relief under the Enhanced HIPC Initiative.

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

4/ Minimum annual rate on bank savings deposits, at end of period.

5/ Includes expenditure for restructuring.

6/ Fixed capital formation.

7/ Including debt owed to the Fund and to the Baltic countries, Russia, and other countries of the former Soviet Union.

8/ Scheduled public debt service, including IMF charges and repurchases.

9/ Merchandise trade figures only.

10/ End-of-period figures.