INTERNATIONAL MONETARY FUND

IMF Country Report No. 16/365

GUINEA

November 2016

EIGHTH AND FINAL REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW, AND REQUEST FOR EXTENSION OF THE CURRENT ARRANGEMENT

In the context of the Eighth Review and Final Review under the Extended Credit Facility Arrangement and Financing Assurances Review, and Request for Extension of the Current Arrangement, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis, following discussions that ended on September 7, 2016 with the officials of Guinea on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on October 14, 2016.
- A**n Informational Annex** prepared by the IMF staff.

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*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND
COMMUNICATIONS DEPARTMENT

Press Release No. 16/473
FOR IMMEDIATE RELEASE
October 31, 2016

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Eighth and Last Review Under the ECF Arrangement for Guinea and Approves US$ 25.2 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) completed on October 28, 2016 the eighth and last review of Guinea's economic program supported by an arrangement under the Extended Credit Facility (ECF). The Board's decision enables the immediate disbursement of SDR18.36 million (about US$ 25.2 million), bringing total disbursements under the arrangement to an amount equivalent to SDR173.7 million (about US$ 241.9 million). The decision was taken without a formal meeting.[1]

The three-year ECF arrangement for Guinea was approved on February 24, 2012, for an amount equivalent to SDR128.52 million (120 percent of the country's quota in the IMF, see Press Release No. 12/57). An augmentation of access under this arrangement by SDR45.135 million (about US$62.2 million or 42.1 percent of quota) was subsequently approved on February 11, 2015 (see Press Release No. 15/49).

After two difficult years marked by the Ebola epidemic, Guinea's economy is recovering. Economic growth is expected to reach 5.2 percent in 2016 and the outlook for 2017 is good, mainly driven by brighter prospects in the mining sector. Reflecting the depreciation of the exchange rate, inflation increased, but remains within single digits.

Guinea's medium-term economic prospects are good. Growth is projected to average 5 percent during 2017–20, on the back of higher investments in the mining sector, increases in food production, and better electricity services. The recovery in the agricultural sector will allow the growth rebound to be shared by larger segments of the population, but the sector remains vulnerable to weather-related supply shocks. Advancing the structural reform agenda with a view to creating a more enabling environment for higher value-added sectors, such as manufacturing and services, will foster the creation of good quality and good-paying jobs and support the structural transformation of the economy. These policies will be developed in the authorities' medium-term economic strategy under preparation.

[1] The Executive Board takes decisions under its lapse-of-time procedures when it is agreed by the Board that a proposal can be considered without convening formal discussions.

INTERNATIONAL MONETARY FUND

GUINEA

October 14, 2016

EIGHTH AND FINAL REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW, AND REQUEST FOR EXTENSION OF THE CURRENT ARRANGEMENT

EXECUTIVE SUMMARY

Background. The economy is recovering from the impacts of the Ebola outbreak. Reflecting the depreciation of the exchange rate, inflation increased, but remains within single digits, and international reserves have increased close to the end-year program objective. Program performance improved significantly. All performance criteria have been met, and structural reforms implementation strengthened. The sociopolitical situation is calm ahead of the communal elections slated for end-2016.

Policy discussions. Discussions focused on rebalancing the policy mix to support the economic recovery and make room for priority spending, while maintaining macroeconomic sustainability. These discussions are expected to feed into the authorities' medium-term economic strategy under preparation. The authorities have reiterated their interest in a successor arrangement and, in doing so, emphasized the importance attached to boosting infrastructure spending.

Outlook and risks. The macroeconomic outlook remains positive with growth rates projected to increase to 5.2 percent in 2016 and 5 percent on average during 2017–20, on the back of higher investments in the mining sector, increases in food production, and better electricity services. Short-term risks are tilted to the upside given the recent performance of the mining sector and prospects for additional expansion of production. For the medium term, the main risks are a sharper-than-expected global growth slowdown, which could delay mining projects, hinder the economic recovery, and reduce financing for the authorities' poverty reduction efforts.

Staff supports the completion of the 8th review under the ECF arrangement and financing assurances review. Completion of the review will result in the final disbursement of SDR18.36 million (8.6 percent of quota). Guinea will complete successfully a financial arrangement with the Fund for the first time since it became member in 1963.

Approved By
Roger Nord and Daria Zakharova

An IMF team consisting of Mr. Wane (head), Mss. Charry, Irankunda, and Wang, and Messrs. Bouis (all AFR), Petit (FAD), and Sulemane (resident representative) held discussions with the authorities in Conakry, Guinea during August 25–September 7, 2016. The team met with His Excellency President Condé, and the President of the National Assembly, Honorable Claude Kory Kondiano, the Minister of Planning and International Cooperation, Ms. Diallo, the Minister for Economy and Finance Ms. Kaba, the Minister for Budget, Mr. Doumbouya, the Governor of the Central Bank of Guinea Mr. Nabé, and other senior officials. The mission met also with representatives of civil society organizations, the business and donor communities, as well as the media.

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INTRODUCTION

1. This is the last review under Guinea's ECF arrangement approved in February 2012 by the Executive Board. Guinea has made significant strides during this program and would complete successfully a financial arrangement with the Fund for the first time.[1] Chief of these are the achievement of the HIPC Completion Point in 2012, the reduction in inflation from 21 percent in 2010 to below 10 percent, and the improvement in the central bank (BCRG) international reserves to 2.4 months of imports from 0.6 months in 2010. However, growth over 2012–15 averaged 1.5 percent, significantly below expectations and levels needed to reduce poverty. This underperformance reflects adverse shocks (Ebola epidemic, decline in commodity prices, political uncertainty, etc.), policy slippages in 2014–15, and weak structural reform implementation.

2. The resumption of the political dialogue has appeased the sociopolitical climate ahead of the local elections. On 22 September President Condé's ruling coalition and the opposition led by Cellou Dalein Diallo's Union of Democratic Forces for Guinea (UFDG) began talks on the local elections, slated for December 18, 2016.[2] President Condé's support is likely to facilitate concessions by the majority party and prevent large-scale opposition rallies and violence ahead of the local elections. The two leaders organized the dialogue following a one-on-one meeting in September, during which they recommended reducing the VAT rate back to 18 percent from 20 percent. However, the opposition continues to protest against the perceived poor governance, economic adjustments, and increasing prices.

RECENT ECONOMIC DEVELOPMENTS, PROGRAM PERFORMANCE, OUTLOOK, AND RISKS

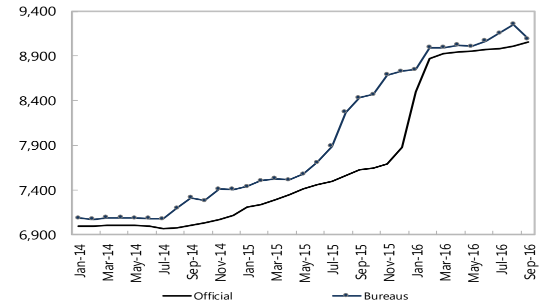
A. Recent Developments and Program Performance

3. The economy is recovering, led by sectors that were less affected by the Ebola epidemic (Figure 1). Positive supply shocks in the mining sector, a strong agricultural harvest, and higher electricity supply are supporting the recovery. Inflation increased to 8.4 percent in August, driven by higher imported food prices. Available data on imports suggests aggregate demand is also recovering, though the business cycle is still in its early stages. Imports of final and intermediate goods are growing at strong rates, but demand for durable, semi-durable, and investment goods appears to be softening. The latter points to still subdued household disposable incomes and tight firm cash flows, weighted down by relatively high inflation and tight credit conditions.

[1] Since Guinea joined the Fund in 1963, it benefited from nine Fund-supported financial arrangements but had never completed more than five reviews before the current ECF arrangement.

[2] The negotiations include conditions for free and fair local elections, the release of opposition figures arrested during rallies, and the establishment of a High Court of Justice. Recent press reports suggest preliminary agreements were reached on the latter two points.

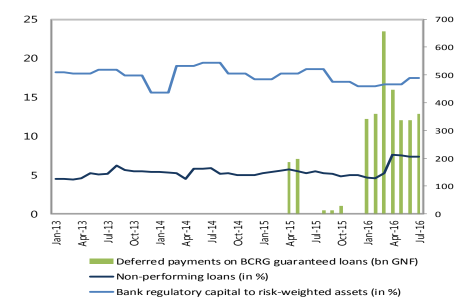
Text Figure 1. Official and Bureaus' Market Rates (GNF/USD)



Sources: BCRG; and IMF staff calculations.

4. The official exchange rate stabilized after March 2016 and the premium with the bureaus' rate remained contained (Text Figure 1)**.** After a sharp depreciation in January and February, the official rate stabilized around GNF/USD 9,000 and the premium fell to 1 percent. Tensions reappeared in mid-July with the sudden depreciation of the bureaus' rate to GNF/USD 9,280 that triggered an increase in the premium to above 3 percent. The tensions reflected the increase in FX demand linked to the pilgrimage to Mecca (after two years of travel ban imposed by Saudi Arabia in response to the Ebola outbreak)[3] as well as the announced reform of the modalities for the constitution of banks' required reserves that increased the pressure on banks' liquidity in FX. The official rate however adjusted in the following weeks and the premium declined to 2 percent in early September.[4] The rebound in international gold prices and higher inflows from artisanal gold diggers and higher mining sector FDI inflows helped contain FX pressures.

Text Figure 2. Non-Performing Loans, Capital Buffers, and deferred Payments of BCRG Guaranteed Loans



Sources: BCRG; and IMF staff calculations.

5. Despite some improvements, banks' capital buffers are being tested by higher nonperforming loans (NPLs). At end-June 2016, total bank regulatory capital to risk-weighted assets (17.5 percent) improved by 1 percentage point compared to end-December 2015. Moreover, five out of the six banks who still do not meet the norms on regulatory capital and net capital have communicated to the BCRG their plans to raise capital.[5] However, the rise in NPLs from 5.2 percent in March to 7.6 percent in April is weighing on these buffers. The increase in NPLs reflects the impact of the rescheduling of loans guaranteed by the central bank in 2014–15 and difficulties faced by importers to repay loans contracted in FX before the January 2016 depreciation (Text Figure 2).

[3] The central bank tried to contain pressures on the exchange rate by improving its communication with the FX bureaus and by selling USD 500 to each pilgrim, for a total of USD 3.5 million.

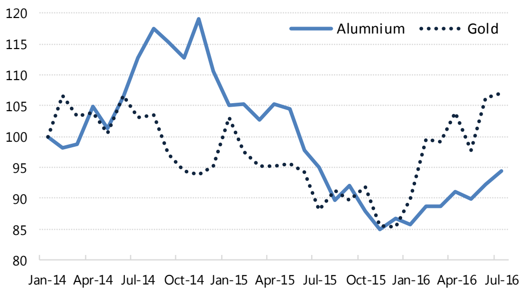
[4] The presence of forward agreements on FX transactions between banks and some of their clients may explain why the official rate adjusts to changes in bureaus' market rate with delays.

[5] A foreign Bank intends to increase capital in 2016 with cash injections from its parent company, while another is looking for new shareholders. Other plans include the incorporation of subordinated loans and divesture of shares to a new strategic partner who will provide the required capital.

Figure 1. Guinea: Recent Economic Developments

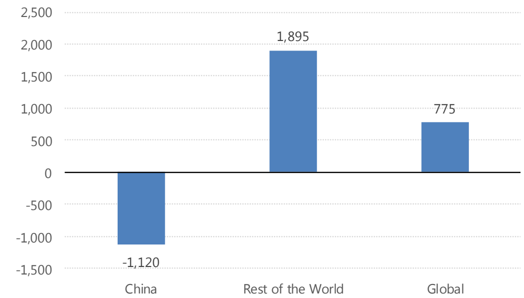
Export prices have increased…

Gold and Aluminium Prices
(Index, Jan. 2014 =100)



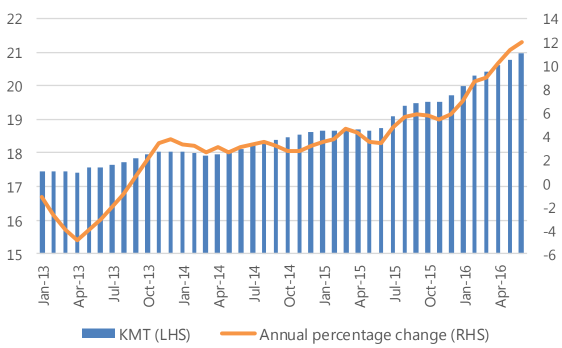
In line with tighter market conditions…

Aluminum Market: Excess Demand
(Kmt)



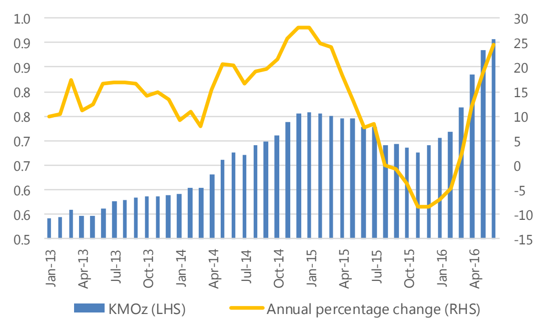
Supporting higher bauxite production…

Guinea: Baxite Production
(Million tons)



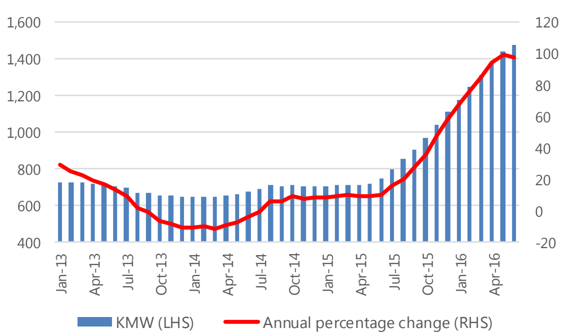
As well as a rebound in gold mining activity…

Guinea: Gold Exports
(Million oz)



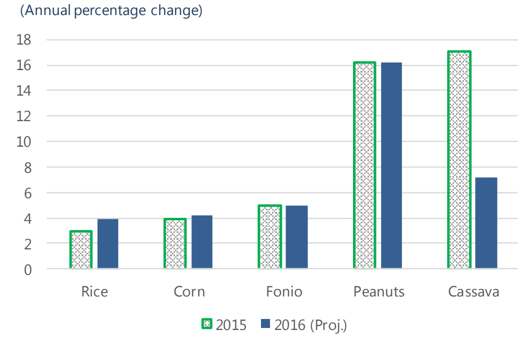
Increased electricity provision is also providing support…

Guinea: Electricity Production
(KMW)



Along with a strong expected harvest…

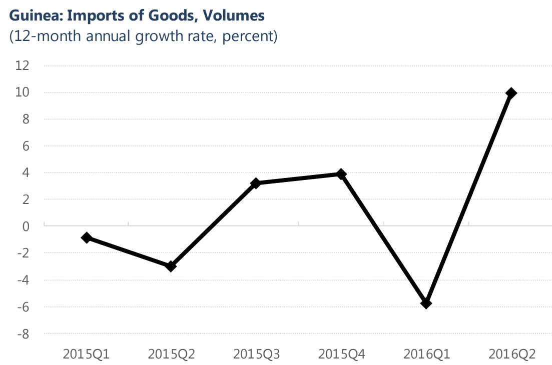
Guinea: Agricultural Production
(Annual percentage change)



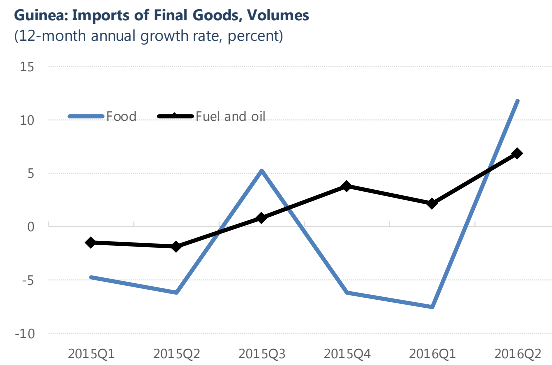
Sources: Guinean authorities; Bloomberg; Alcoa; and Fund staff estimates.

Figure 1. Guinea: Recent Economic Developments (concluded)

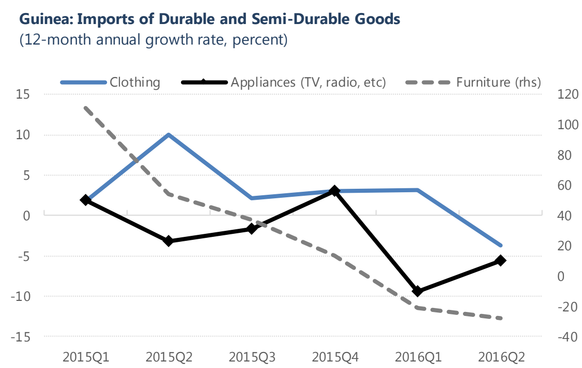
Imports are recovering, after a weak first quarter…



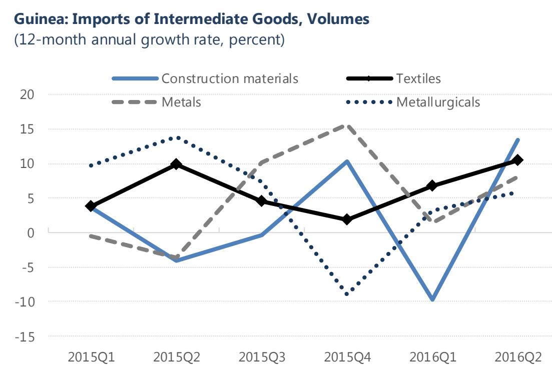
Food and oil demand is recovering…



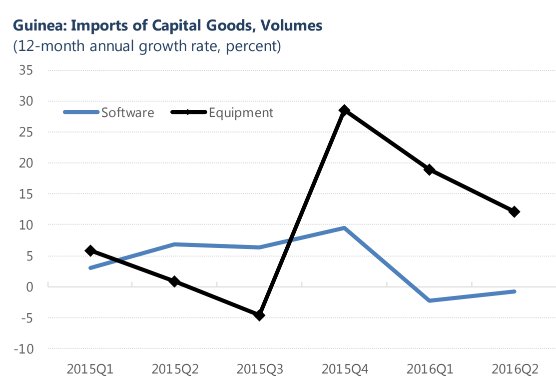
But demand for durable goods is still weak…



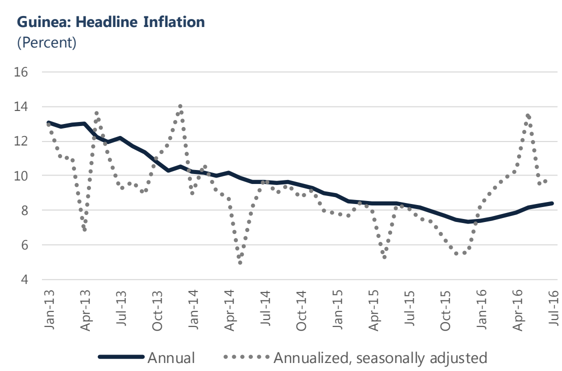
Demand for intermediate goods points to stabilizing production levels (range-bound)…



But demand for capital goods is not picking up…



As higher inflation and tight financial conditions put a brake on disposable incomes…



Sources: Guinean authorities; and Fund staff estimates.

6. The authorities have made significant efforts to bring the program back on track (Tables 1–5). All end-June performance criteria (PC) were met, as well as all but one[6] indicative targets (IT) for end-March and end-June. A key element has been tight fiscal policy: discretionary spending, including priority outlays (except subsidies) were kept below budget notwithstanding a good revenue performance (Box 1). As a result, the end-June basic fiscal balance improved to 0.7 percent of GDP compared to a fiscal deficit target of 1.2 percent of GDP. The tighter-than-programmed fiscal stance reflects bank financing constraints due to liquidity shortages and shortfalls in foreign assistance (MEFP ¶12). The contraction in bank credit to the government offset the increase in net foreign assets and helped maintain broad money growth within the program limits. However, these financing difficulties led to the accumulation of domestic arrears.

Box 1. Guinea: Impact of the 2016 Budget Revenue Measures as of End-June

Revenue measures included in the 2016 budget have contributed to the good fiscal performance. While the increase in the VAT rate and the new *Tax on phone communications* (TCT) should together bring 1.6 percent of GDP in additional revenue by end-2016, some measures were dropped entirely, such as the inclusion of flour and edible oil in the VAT base (Table 1). One of the key and most promising structuring administrative measures, the launch of tax audits for traders with significantly higher imports than declared turnovers, mutated into a string of very traditional tax audits on large companies, although the *Direction nationale des Impôts (tax department)* is currently attempting to redirect its efforts in that regard. Authorities plan to pursue their revenue mobilization efforts in 2017, notably regarding biometric passports and driving licenses, crossing imports data and turnovers, and VAT payments on guaranteed contracts.

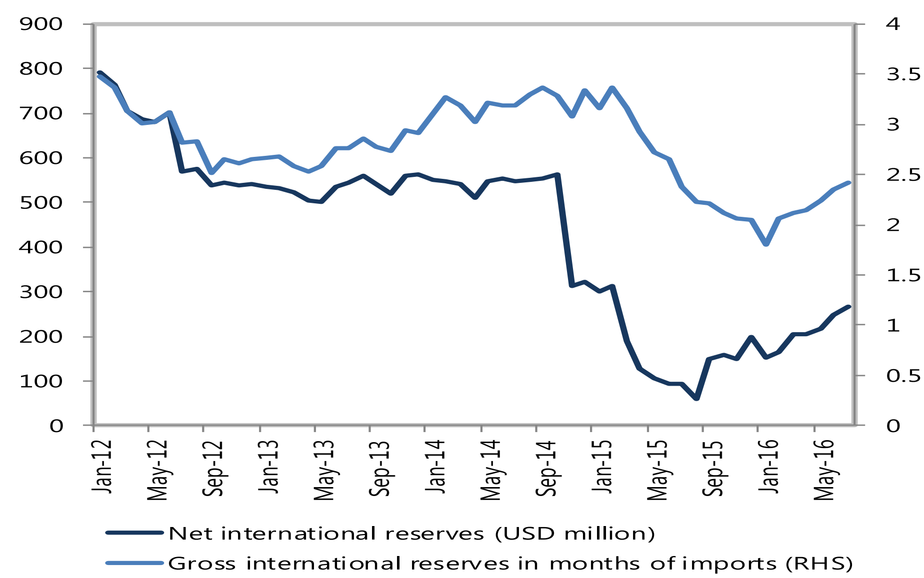
Box Table 1. Revenue Performance of the 2016 Budget Measures

Measure	Impact (in billion GNF)		Note
	Expected	Estimated	
Telecom taxes (TARTEL and TCT)	536	597	The SMS component of the tax will need to be redesigned.
Increase in VAT rate (18 % to 20 %)	296	334	Back to 18% from 2017.
Biometric passport	125	12	Slower process than expected.
VAT on flour and cooking oil	100	0	Not implemented.
Coordinated DNI/DGD controls	100	0	Deficient selection of taxpayers.
New driving licenses	75	0	Not implemented due to contractual issues with private supplier.
Impact of SMB on mining taxes	46	155	Stronger mining output than expected.
Higher excises (tobacco and alcohol)	42	42	Protocol signed with tobacco importers.
VAT on guaranteed contracts	40	45	Only 3 companies cooperating, but revenue could increase further.
Stamps on new vehicles	15	20	Easy implementation.
New real estate taxation unit	15	17	Slow start, but improving performance.
Stamp duty on imports of used vehicles	10	NA	NA
Higher deemed value for certain imports	62	NA	Impact technically difficult to calculate.
Total (in billion GNF)	1,462	1,222	
Total (% of GDP)	2.5	2.1	

[6] The authorities missed the end-March IT on priority spending due to the overall low budget execution level. In June, the IT was missed by a mere GNF 50 billion (0.1 percent of GDP).

7. Monetary policy played a supportive role to meet program targets and rebuild the BCRG's international reserves (Text Figure 3). Given the high required reserve rate of 18 percent, the central bank increased the refinancing rate to 13.6 percent in May to stem an increase in refinancing operations and keep liquidity[7] in line with the program. The policy stance triggered an increase in the T-bill rate, a contraction of bank financing of the government, and a slowdown in private sector credit growth to a more sustainable level after two years of large increases fueled by central bank guarantees.[8] To alleviate these tensions, the central bank issued an instruction on August 10, 2016 (with effect from August 11th) relaxing the rules for the constitution of required reserves. The instruction, which allows banks to constitute required reserves in FX on their FX deposits, freed up about GNF 600 billion in the banking system (an amount equivalent to a 4-percentage points cut in the reserve requirement rate) and liquidity improved from mid-August. However, banks still have to constitute reserves in FX and will need to use part of the freed liquidity in local currency to purchase FX.

Text Figure 3. International Reserves



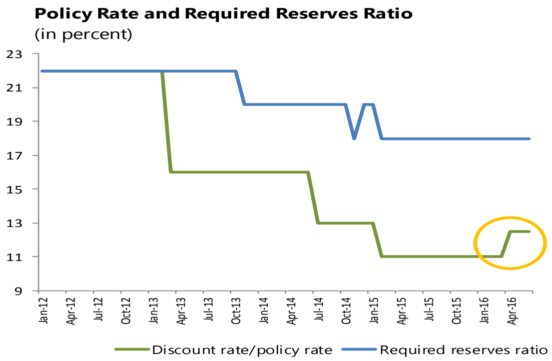
Sources: BCRG; and IMF staff calculations.

[7] Another factor weighing on liquidity has been the decline in the circulation of banknotes with low denomination. Banks hold large amounts of these banknotes which have to be sorted to be accepted by the central bank. Because this treatment is costly, it prevents banks from using those notes.

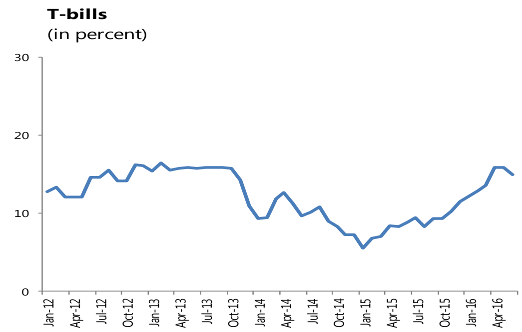
[8] Even after correcting the credit series for the guarantees (i.e. by subtracting net guaranteed credits), private sector credit increased in 2016.

Figure 2. Guinea: Monetary and Financial Sector Developments

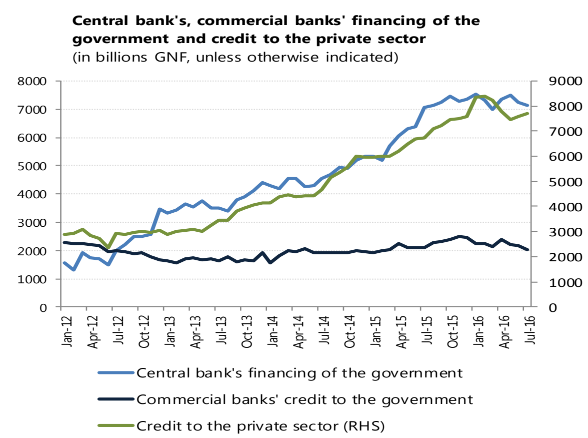
Monetary policy has been tightened somewhat...



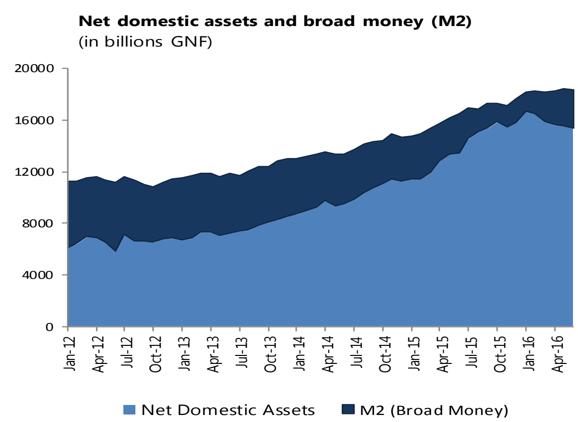
...triggering and increase in T-bills' rate...



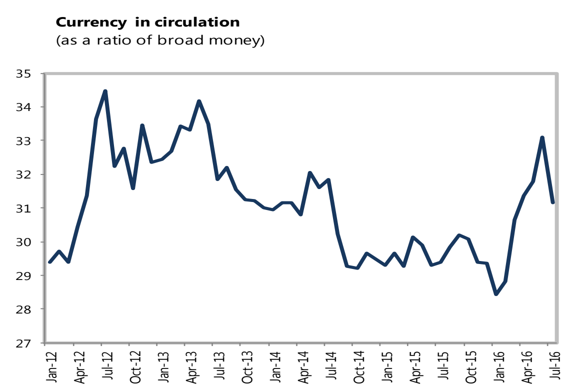
...a deceleration in credit...



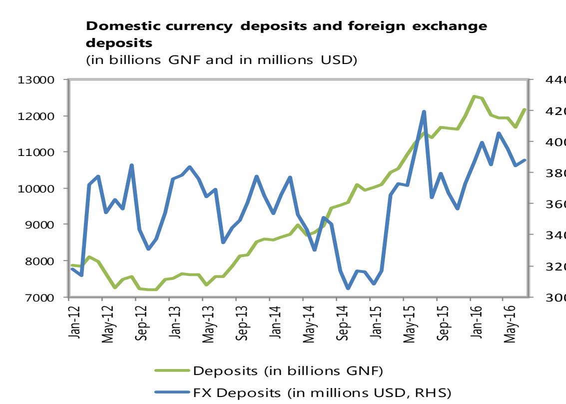
...and a decline in NDA and broad money growth.



These developments were helped by currency hoarding...



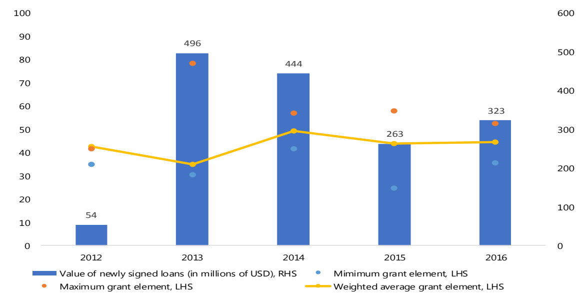
...that led to a decline in deposits.



Sources: Guinean authorities; and IMF Staff calculations.

8. External debt management is improving. Since the finalization of the manual of procedures for debt management in December 2015, external debt commitments have been made with the full involvement of the debt directorate, which has enhanced its capacity in debt sustainability analyses and the assessment of external loans' concessionality level. Against this backdrop, the authorities signed six new loans since the last review, with a weighted average grant element of 44.5 percent and a minimum grant element of 35.4 percent (Text Figure 4). All multilateral institutions have now delivered HIPC and MDRI relief, and most bilateral agreements with official creditors have been signed except for non-Paris Club creditors. Guinea's outstanding arrears to non-Paris Club creditors are estimated at US$ 86.6 million at August-2016. These arrears continue to be deemed away under the policy on arrears to official bilateral creditors, as underlying Paris Club agreement is adequately representative and the authorities are making best efforts to resolve the arrears. The authorities plan to conclude an agreement with NPC creditors before June 2017. Meanwhile, the authorities are making a good faith effort to resolve arrears with commercial creditors. One commercial creditor has responded positively to Guinea's debt relief request, with negotiations slated for December 2016.

Text Figure 4. Grant Element of New External Loans[1/]
(Percent)



Sources: Ministry of Finance, Department of Debt; and IMF staff calculation.
1/ Minimum grant element is below 35 percent in 2013 and 2015 due to the two loans signed in these years related to the Kaleta project.

9. Despite notable recent progress, structural reforms continued to lag (Table 6).

- The BCRG has adopted most structural reforms envisioned in the program. The authorities submitted to Parliament amendments to the central bank law to prohibit guarantees, a key measure supporting their request for a waiver under the misreporting on external debt. The BCRG implemented most of the MCM TA recommendations to improve the flexibility of the FX market, including (i) allowing banks to freely transact on FX with clients, (ii) the daily enforcement of net open position regulations, (iii) the reduction in BCRG's FX sales at the FX auction, and (iv) the abolishment of the 20 percent limit on allocation at the FX auction. Two recommendations are yet to be implemented: (i) the revision of the FX bureaus' regulation to limit their activity to retail transactions; and (ii) the interdiction of BCRG's transactions outside of the established exchange market (MEFP ¶13).
- The government adopted on August 25, 2016 the civil service reform plan based on the results of the ongoing biometric survey and the action plan for the program to reform the State and modernize the government (end-August 2016 structural benchmark). The authorities have developed a plan to finalize the pending two ECF structural benchmarks by end-December (MEFP ¶16), as well as the corrective measures linked to the misreporting, such as the acceleration of the adoption of IFRS standards to end-2017, and further debt management reinforcements.

B. Economic Outlook

10. Recent data on mining production suggest a stronger growth rebound. Staff's revised 2016 GDP growth projection of 5.2 percent is underpinned by higher bauxite and gold production, as well as a stronger agricultural harvest. Downside risks to the near-term outlook could arise mainly from renewed sociopolitical tensions, and lower agricultural yields. Medium-term growth is projected to increase to 5 percent and inflation to decline to 6 percent. These projections reflect CBG's (*Compagnie des Bauxites de Guinée*) ongoing expansion project.[9] New FDI-driven projects in the bauxite sector announced in the past weeks, with construction scheduled to start in 2016 for some of them,[10] could increase growth further. Downside risks include a sharper-than-expected global growth slowdown, which could derail the projected mining expansion and reduce financing opportunities for the authorities' development plans.

11. The current account deficit is projected to improve in 2016–17 to about 12 percent of GDP. This improvement reflects mainly strong bauxite export growth,[11] supported by the recovery in international gold prices and the full resumption of diamond exports facilitated by the end of the Ebola outbreak. The increase in import volumes, which reflects the higher economic growth, will be partly offset by lower international oil prices compared to 2015. Based on these developments, the overall balance for 2016 is projected to be in surplus and gross available reserves to grow from 2.2 months of imports to 3.0 months of imports. The surplus in overall balance would continue in 2017, as exports and project grants continue to growth at robust rates. Gross available reserves are expected to improve further to 3.2 months of imports.

POLICY DISCUSSIONS: ADJUST THE POLICY MIX

12. Policy discussions were anchored on the priority action plan of the Post Ebola Recovery Plan (2015–17). The plan, estimated to cost 40 percent of GDP, guides the authorities' policies for the remainder of 2016 and 2017, and will serve for the preparation of the new Economic Development Document (LOI ¶7; MEFP ¶28, Attachment III). It aims to repair the damage of the Ebola epidemic and prepare Guinea for withstanding health challenges by upgrading the health system, improving the business environment, and revamping Guinea's infrastructure (MEFP ¶19). Staff stressed that the plan is under-financed, and the need to step-up domestic revenue mobilization efforts and prioritize investments. Given the limited time available before the end of the plan, staff also underscored the challenges of fully implementing the plan and meeting its objectives by end-2017. The authorities are following up on financial pledges made in the context of the 2014–15 Ebola donor conferences.

[9] The company has secured financing ($752 million) from the IFC to increase capacity by 40 percent in 2018.

[10] SMB has started construction of a second port to double its production capacity in 2017, while Alufer Mining plans to begin infrastructure construction of the Bel Air bauxite mine in H2 2016, with the mine expected to come online in late 2017. Middle-Eastern and Chinese-based investors are discussing agreements to develop additional deposits in the Boffa prefecture, while authorities have signaled their intention to accelerate discussions on Rusal's Dian-Dian bauxite project and Fria's aluminum smelter after President Condé's recent visit to Russia.

[11] Bauxite production is projected to grow by 30 percent in volume and 45 percent in value by year-end, mostly due to the 400 percent jump in SMB production.

Text Table 1. Cost and Funding of the Post-Ebola Recovery Plan

(Million of US$)

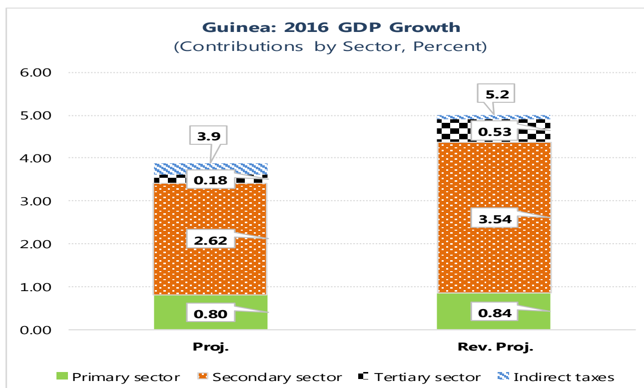
	Total	Percentage of total
Health, Nutrition and Water, Sanitation, and Hygiene for All	1,584.4	61.5
Health	1,176.0	45.6
Hydraulics	408.4	15.8
Governance, Peace Consolidation and Social Cohesion	119.3	4.6
Civil service and protection, territorial administration, and communication	74.8	2.9
Public funding	44.5	1.7
Education, Social and Child Protection, and Basic Services	290.2	11.3
Education	163.3	6.3
Social action	126.9	4.9
Socio-economic Revitalization	583.4	22.6
Agriculture, livestock, fisheries, and environment	187.0	7.3
Trade and industry and ICT	214.1	8.3
Transportation and Public works	182.3	7.1
Total Costs	2,577.2	100.0
Total Funding Obtained	812.0	31.5
Government Contribution Fund	231.7	9.0
Funding to be sought	1,533.6	59.5

Source: Guinean authorities.

13. Staff and the authorities concurred on the need to rebalance the policy mix to support the stronger growth rebound and implement priority spending, **while maintaining macroeconomic stability**. However, the mission argued that the inflationary pressures do not allow a substantial relaxation of monetary policy at this time and that the program's key targets for 2016 should be maintained. The mission noted that the rebound in growth would be mainly driven by the mining sector (Text Figure 5), which has limited direct impact on the population's incomes and poverty reduction. Accordingly, it encouraged the authorities to execute fully the 2016 budget's priority sector spending (as defined in para 12 of the TMU), while keeping aggregate demand pressures in check. Over the medium-term, discussions focused on the need to continue to anchor the fiscal policy stance to available sustainable financing (MEFP ¶8–¶11) and strengthen supply factors through faster and deeper structural reforms (MEFP ¶16–¶21).

Text Figure 5. GDP Growth Contributions by Sector in 2016

(Percent)



Sources: BCRG; and IMF staff calculations.

A. Fiscal Strategy: Implement the Adjustment and Priority Spending

14. A key policy question was whether the 2016-17 programmed fiscal stance remained relevant in light of the higher growth and lower priority sector spending. Given the relatively high inflation and the need to continue to improve the central bank's international reserves, staff and the authorities concurred that the fiscal policy stance should continue to be aligned as much as possible with available noninflationary financing. Discussions focused on sustainable measures to close a financing gap of 1.5 percent of GDP in 2016 and identifying the available financing for 2017, in order to assess the magnitude of measures needed to table a fully financed 2017 budget to the Parliament.

Closing a prospective financing gap in the 2016 budget

15. Given the lack of adequate financing, staff advised closing the bulk of the prospective financing gap through adjustment (Text Table 2).

- Revenue is projected to fall short by 0.7 percent of GDP because of lower fuel excises and delays in non-tax measures, which would be partly offset by higher taxes on goods and services and direct taxes, including from the mining sector. In addition, a loan from the Republic of Congo expected for many years is now unlikely to materialize, while the unbudgeted EDG arrears to Kama SA will add to debt amortization.
- Most of the financing gap will be closed by investments cuts. The authorities identified a list of nonpriority projects where the cuts will be applied (MEFP ¶9). Staff advised applying the cuts to projects that have not yet been initiated. The increase in electricity tariffs by 25 percent (prior action[12]; 0.1 percent of GDP on an annual basis) should help put the electricity company on a better footing (Box 2).

Text Table 2. Closing the 2016 Financing Gap
(Percent of GDP)

Change in revenue	**0.7**
Taxes on goods and services	-0.1
Taxes on international trade[1]	0.4
Direct taxes	-0.1
Nontax revenue	0.5
Changes in domestic financing	**0.2**
Securitized EDG arrears to Kama	0.2
Changes in external financing	**0.7**
Congo loan	0.7
Other changes, net	-0.1
Financing gap	**1.5**
Measures and change in financing	**1.5**
Adjustment measures	**1.2**
Investment cuts	**1.2**
Financing	**0.3**
Commercial bank	0.1
Arrears reduction	0.2
Residual financing gap	**0.0**

Source: IMF staff.

1/ Reflects the impact of higher international oil prices.

- To protect priority spending, staff and the authorities concurred on additional commercial bank financing of 0.1 percent of GDP; an increase consistent with containing inflation within

[12] Staff suggested a more gradual increase of 20 percent as a prior action because of the potential resistance of a higher increase. However, the authorities thought a higher increase was warranted given the improvements in the quality of electricity services and the low level of tariffs compared to neighboring countries. However, tariffs for low-income consumers were not increased.

single digits and strengthening the central bank's international reserves (¶18–¶19). In addition, the authorities will reduce the planned repayment of past domestic arrears by 0.2 percent of GDP. A comprehensive strategy to repay the stock of arrears is being considered by the government in the context of a structural benchmark under the ECF (MEFP ¶17).

Fiscal Policy for 2017

16. Staff and the authorities agreed to align the 2017 budget deficit to financing opportunities consistent with macroeconomic stability and growth (Text Table 3). Accordingly, the authorities will table a budget with a basic fiscal balance of 1.1 percent of GDP, unless additional sustainable financing opportunities are identified. The target budget deficit reflects the authorities' strategy to boost private sector growth, through a gradual repayment of public domestic debt to repair domestic companies' balance sheets, and contain recourse to bank financing of the government deficit to allow room for bank credit to the private sector. Most of the repayment of domestic arrears will accrue to the electricity company (1.3 percent of GDP) and mining companies owed VAT credit arrears and to repay part of the recently audited stock of old arrears (together 0.5 percent of GDP).

Text Table 3. Target Basic Fiscal Balance for 2017

	Billion GNF	% of GDP
Total available financing	**-1,182.5**	**-1.8**
Domestic financing	-759.0	-1.1
Banks	378.7	0.6
BCRG	-283.7	-0.4
Commercial banks	662.4	1.0
Non-banks	-1,137.7	-1.7
Other	15.4	0.0
Domestic debt amortization	-1,153.1	-1.7
External financing	-423.5	-0.6
Budget loans	0.0	0.0
Amortization	-423.5	-0.6
Confirmed budget grants	**354.3**	**0.5**
C2D	177.8	0.3
African Development Bank	149.7	0.2
European Union	26.8	0.0
Possible additional budget financing	**541.1**	**0.8**
World Bank (grant)	380.3	0.6
European Union (grant)	160.8	0.2
Interests on external debt	406.4	0.6
Required base fiscal balance	**693.5**	**1.0**

Sources: Guinean authorities; and staff projections.

17. After a preliminary assessment of revenue prospects and the authorities' spending plans, staff proposed adjustment measures to deliver the agreed target fiscal deficit for 2017. While staff recommendations to maintain the VAT rate at 20 percent will likely not be implemented, as authorities want to tame inflationary pressures and protect poor households' income (¶2), understandings were reached regarding measures on fuel prices, formalization of the informal sector, wage bill, and electricity tariffs (MEFP ¶11).

Box 2. "Électricité de Guinée": Medium-Term Financial Needs

Despite regular subsidies of roughly 0.6 percent of GDP, ÉDG has run into arrears of 0.6 and 0.7 percent of GDP in 2013 and 2015, mostly regarding energy and fuel suppliers. These arrears, as well as pre-financing of fuel of 0.9 percent of GDP towards 2016 production, have been securitized and transferred to the national budget and represented a debt stock of 2.3 percent of GDP in 2015. These financial difficulties are likely to grow significantly until the Souapiti dam comes into service, probably in 2021. Indeed, despite the start of production of the Kaleta dam in the summer of 2015 (managed by a separate operator), thermal electricity generation will increase from 228.4 GWh to 542.0 GWh from 2015 to 2016, as authorities aim for continued electricity coverage of the Conakry grid. Furthermore, any increase in demand beyond 2016 can only be met by purchases of thermal electricity form private suppliers. The mission has calculated that even without the necessary heavy maintenance program, keeping Kaleta electricity supplies free (as per current temporary arrangements with the operator, but soon to be renegotiated), and aside of any investment program, ÉDG would need annual subsidies of 1.3% of GDP over the 2016–20 period to cover production costs (Box Table 1). Higher oil prices would obviously further increase financial needs.

Box Table 1. EDG's Financing Needs 2017–20 (Excluding Investment)

In billion GNF	2017	2018	2019	2020
Total revenue	686.6	720.8	744.3	769.7
Operating costs	1,266.8	1,452.1	1,567.5	1,690.5
Administrative costs	179.4	190.4	201.4	212.4
Operating result	-759.6	-921.8	-1,024.6	-1,133.2
Maintenance program (estimate)	150.0	150.0	100.0	50.0
Net result	-909.6	-1,071.8	-1,124.6	-1,183.2
Memorandum item: operating result as a share of GDP	*-1.1*	*-1.2*	*-1.2*	*-1.3*
Memorandum item: net result as a share of GDP	*-1.4*	*-1.5*	*-1.4*	*-1.3*

Sources: authorities; and IMF staff calculations.

Policy measures could mitigate financial needs. The planned 25 percent increase on high-tariff consumers could decrease the subsidy by 0.1 percent of GDP. However, a key priority should be to gradually move prices for low-tariff consumers towards those in the region (Box table 2), while protecting the *tranche sociale*. Although fully catching up would involve quintupling prices for these consumers, the mission calculated that it would completely eliminate the subsidy and the increase would be effective only until the Souapiti dam starts production. In fact, a more realistic plan could be to gradually increase prices towards a Souapiti-compatible level by production start, and to cover the otherwise lower financial needs through subsidies in the meantime. The new ÉDG operator is also expected to contribute to lower the subsidy. Although its hands are tied regarding production objectives, prices, and energy supply contracts (negotiated by authorities), it can affect profitability through: (1) invoicing and recovery rates, (2) administrative costs, and (3) unit cost for own-hydraulic production (i.e., dams other than Kaleta). Increasing invoicing and recovery rates to regional averages could for example decrease the subsidy by 0.3 percent of GDP, although acceptance of such measures would require strong and public political backing (e.g., use of pre-paid meters).

Box Table 2. Electricity Prices in the Region
(USD cents per KwH)

Category and monthly use	Guinea	Senegal	Mali	Côte d'Ivoire	Ghana
Tranche sociale (50 KwH)	2.21	17.74	9.83	9.12	7.43
Household (1000 KwH)	3.45	19.35	24.7	14.87	13.54
Business (1000 KwH)	3.45	25.73	24.7	17.27	20.27
Business (40 000 KwH)	19.65	22.70	16.16	14.25	17.68
Business (250 000 KwH)	19.65	19.37	15.5	12.46	15.82

Source: authorities.
Note: Exchange rate used for conversion is 7241 GNF per USD.

B. Monetary and Exchange Rate Policy

18. The current monetary policy stance is tighter than required to deliver the program's objectives. A key element in that assessment is the overshooting of program performance in H12016. Carrying through recent trends on bank liquidity and credit to the economy, inflation would remain within single digits and gross reserves could exceed the 2016 program target by more than USD 100 million[13], assuming exchange rate flexibility. An important limitation of banks' ability to extend credit and alleviate liquidity constraints was recently lifted by the BCRG through a reform of the conditions for the constitution of reserve requirement (¶7). However, liquidity pressures are projected to reappear as economic growth takes hold.

A Modest and Gradual Loosening of Monetary Policy Warranted

19. Given the achievement in reducing inflation and strengthening the central bank's international reserves, the authorities envision a relaxation of monetary policy (MEFP ¶12). The authorities envision a cut in the reserve requirement rate by 1 percentage point after November 2016 and a cut by another 1 percentage point in 2017. They will consider the results of the assessment of the liquidity impact of the change in banks' required reserves, the level of inflation, and the central bank's reserves. Staff suggested moving ahead with the policy changes in case inflation remains below 9 percent and international reserves continue to increase. Staff estimated that these two cuts would increase inflation by up to 0.6 percentage point by end-2017, given reserve money forecast, preserving the one-digit inflation objective. Staff and authorities concurred on holding off on any change in the policy rate (12.5 percent) until after the changes in reserve requirement policy walk their impacts through the economy.

Finalizing the Reform of the Exchange Rate Mechanism

20. The proposed relaxation of monetary policy requires aligning the exchange rate with market developments to contain import demand. Staff stressed that a more flexible exchange rate is needed to prevent significant losses of international reserves from a looser monetary policy stance. This could be achieved by completing the two remaining MCM TA recommendations (¶9, MEFP ¶13), with a view to eliminating the premium with the bureaus' rate, and closing the exchange rate misalignment. The mission impressed on the authorities that the premium with the bureau rate complicates the achievement of the central bank's reserve target, without much gains on the inflation reduction front as most of the financing of imports will shift to the exchange bureaus. The authorities indicated they would maintain the premium below 2 percent, a crude estimation of the margin needed to cover retail operations' transaction costs. They agreed to limit FX transactions of the central bank to the wholesale market with banks, and facilitate FX transactions between companies and banks. They will request TA to assist them in the reform to limit FX bureaus' activity to retail transactions.

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[13] External assistance (including Fund disbursement for the 8th review) should reach about USD 240 million by end-2016, well above the USD 130 million increase in reserves needed to meet the 3-month target.

C. Debt Management: Address Vulnerabilities

21. Guinea's debt dynamics will remain sustainable, as long as the government continues to give priority to concessional external loans and grants. Available data shows that Guinea's external debt stock is at US$1.9 billion at June 2016, and total debt service in 2016 is expected to be US$38.4 million. The authorities remain committed to ensuring that debt remains at sustainable levels. The construction of the Souapiti dam is likely to affect Guinea's medium-term debt sustainability, although negotiations on the existing financing proposal are still ongoing.

D. Structural Reform Priorities: Finalize the Program's Reform Agenda

22. Accelerating structural reforms will support resilience and growth[14]. The mission encouraged the authorities to finalize the ECF program structural reform agenda. Political support will be critical for completing these measures. The mission reached understandings with the authorities on a detailed plan and a timeline for completing all the ECF programs remaining structural benchmarks by end-2016 (MEFP ¶16–¶17) as well as measures that underpinned the request for waiver for the misreporting.

- Approve a timetable for clearing domestic payment arrears (end-April 2016 structural benchmark). A plan was proposed by the auditor and annexed to the final report. The plan will be approved by the Government in November 2016.
- Bring budget and accounting management of government agencies benefiting from revenues allocated into compliance with the LORF and the RGGBCP. This end-August 2016 structural benchmark is now planned to be completed by December 2016).
- Adopt the implementing decree of the law on the governance of public enterprises. This measure, aimed at limiting fiscal risks from public enterprises, is programmed for implementation by end-2016 after a review of the current draft by the Presidency and its adoption by the government before transmission to Parliament. Public enterprises will be surveyed prior to alignment of their statutes.
- Conduct the audit of the performance contract between the government and the private foreign manager of the electricity company to help keep budget subsidies in check.

[14] A growth accounting exercise for the 1980-2014 period shows that the decline in factor productivity, most of which is attributable to lackluster structural reform implementation, shaved-off close to half of the contributions from factor accumulation and kept GDP growth below potential.

(continued)

PROGRAM MONITORING AND OTHER ISSUES

A. Program Performance and Capacity to Repay the Fund

23. Program performance at end-June 2016 was very good and assurances are in place regarding policies for 2017. Performance criteria (PC) have been adjusted to reflect net external assistance shortfalls (Table 5)[15] due to delayed budget support disbursements by the World Bank and the Republic of Congo. Against this backdrop, the authorities met all the PCs relevant for this review. The authorities have implemented the **prior action** on raising electricity tariffs by 20 percent (¶15, LOI ¶5, MEFP ¶11 and Table 2), and approved a plan to complete the ECF program's structural reform agenda by end-2016 (MEFP ¶16–¶17). The external auditor has confirmed BCRG program data for end-June 2016 (MEFP ¶6).

24. The authorities request the completion of the eighth review under the ECF arrangement. The authorities have requested that SDR18.36 million (8.6 percent of quota) be disbursed in the context of the review. The authorities have also requested a short extension of the arrangement to allow time for the final disbursement (LOI ¶6). There are no proposed quantitative PCs given this is the last review under the arrangement. However, the authorities are making every effort to ensure achievement of the ECF program targets, including on reserves, inflation, and debt sustainability.

25. Capacity to repay the Fund is adequate. The total amount of credit outstanding from the Fund once all disbursements under the ECF arrangement are made will be 83.8 percent of quota (SDR 179.51 million). Repayments to the Fund would begin in 2019 and rise thereafter but would be low relative to exports of goods and services. While the latest debt sustainability analysis points to a high and increasing debt service burden over the next few years this begins to decline by the time of the onset of payments to the Fund.

26. Safeguards Assessment. An updated assessment, completed in June 2016, noted limited progress in some areas. In particular, the recent case of misreporting following the issuance of large BCRG guarantees to commercial banks at the request of the government suggests fiscal dominance over the central bank. Staff's recommendations included strengthening the autonomy of the BCRG in the central bank law, enhancing oversight of internal controls and operations by the Audit Committee, and external audits of program monetary data at test dates. The assessment also recommended the implementation of International Financial Reporting Standards (IFRS) to enhance transparency. The central bank has made progress towards implementing some of the recommendations. In particular, a revised BCRG Law was finalized with input from staff and has been submitted to Parliament for approval during its October session. The Audit Committee is fully constituted and steps are being taken to strengthen its role. The Audit Committee is also overseeing

[15] The program external assistance figure reported in the table of PCs (Table 5) is larger than the one reported in Table 6 due to a mistake at the time of the 6th and 7th reviews. While staff uses the larger figure to give the authorities the benefit of the doubt, using the smaller figure does not change the status of the PCs.

the implementation of IFRS which is expected to be completed for FY2017. External auditors are reviewing program monetary data and the most recent audits for end-December 2015 and end-June 2016 raised an issue regarding the large volume of foreign currency notes in the BCRG's vault, due to the end of a correspondent banking relationship with a clearing bank, that are not available for foreign currency transactions abroad. Staff will continue to engage with the authorities on the other recommendations that are not yet fully implemented.

B. Financing Assurances, Statistical Issues and Capacity Building

27. Financing assurances for the next 12 months are adequate. In particular, the mission ascertained that there are firm commitments in place to fill the financing gap until the end of the program, i.e. until November 15, 2016. The bulk of the financing need is expected to be met by external support, as domestic financing continues to contribute a less important share than during the Ebola years. The residual balance of payments financing need for 2016 is expected to be covered by the remaining IMF disbursement under the ECF arrangement.

28. The mission suggested holding discussions for a successor arrangement after drawing lessons on the implementation of the current program. In expressing their interest for a successor arrangement (LOI ¶7; MEFP ¶28) the authorities indicated they would like to reflect on the conditions of continued program engagement with the Fund with a view to increasing ownership. They plan to conduct a review of the implementation of the current program to inform their deliberations on future engagement with the Fund. The mission encouraged the authorities to finalize their five-year plan and issue a new medium-term Economic Development Strategy (EDS) that could guide future program discussions.

29. Statistical issues and capacity building needs.

- **Statistical issues**. Authorities and staff discussed advances on the adoption of the new set of National Accounts, which could lead to a significant revision of the size of the economy. They concurred on the need to adopt a well-defined timeline for the adoption, in consultation with AFRITAC West, and with a view to minimize disruptions in the short-term macroeconomic monitoring system housed at the Ministry of Plan.
- **Capacity building**. Guinea is a pilot country under the Fund's Capacity Building Framework for fragile countries. In this context, staff and authorities will discuss a memorandum of understanding on capacity building priorities for the medium-term and agree on a framework to monitor milestones and results. The authorities have expressed interest in scaling up training of users of technical assistance recommendations.

STAFF APPRAISAL

30. Guinea's short-term economic prospects have improved after two very difficult years marked by the Ebola epidemic. Prospects for 2017 have also improved, mainly driven by brighter prospects in the mining sector. However, a strengthening of the state's capacity to redistribute the gains from higher growth in the mining sector, and improvements in the business environment are required for Guinea to sustain higher standards of living. The recovery in the agricultural sector will allow the growth rebound to be shared by larger segments of the population, but the sector is vulnerable to weather-related supply shocks. Advancing the structural reform agenda with a view to creating a more enabling environment for higher value-added sectors, such as manufacturing and services, will foster the creation of good quality and good-paying jobs and support the structural transformation of the economy.

31. Performance under the ECF arrangement has been uneven but authorities delivered the required efforts to put their program back on track. The authorities' efforts to contain spending within the available sustainable financing envelope are commendable. The central bank has also been resolute in allowing the exchange rate to react freely to market developments and in curbing its FX sales to ensure achievement of its net international reserve target. Staff supports the authorities' plan to swiftly finalize the structural reform agenda of the ECF program and develop a second generation of reforms. Staff encourages the authorities to publish the audit of procurement contracts made in 2014-15 to ensure transparency in the use of public resources.

32. Staff supports the principles underpinning the 2017 budget. Available financing has been agreed upon, but could increase slightly if reimbursement of domestic debt is more gradual than envisioned and if the authorities receive additional budget support from donors. Staff encourage the authorities to consider additional measures in case financing falls short of projections.

33. Staff welcomes the authorities' decision to alleviate liquidity tensions in the banking sector and to keep rebuilding international reserves, and encourages them to keep the focus of monetary policy on price stability by strengthening the independence of the central bank. Authorities should repay past commitments of the Treasury with the private sector as soon as possible to improve liquidity in the banking sector and restore banks' confidence in sovereign debt. They should achieve the reform of the FX market with the objective of closing the exchange rate premium. The authorities should implement the outstanding recommendations of the updated Safeguards Assessment to bolster the independence of the central bank.

34. Staff recommends the completion of the eight review under the ECF arrangement and of the financing assurances review, on the basis that adequate safeguards remain in place for the further use of the Fund's resources in Guinea's circumstances and that Guinea's adjustment efforts have not been undermined by developments in debtor-creditor relations. Staff supports the authorities' request for an extension of the current ECF arrangement to November 15, 2016.

35. Staff recommends a return to the 12-month cycle for Article IV Consultations, in accordance with Decision 14747, as amended.

Table 1. Guinea: Key Economic and Financial Indicators, 2013–19

	2013	2014	2015	2016		2017		2018	2019
			Est.	Prog.[1]	Proj.	Proj.	Revised Proj.	Proj.	
	Annual percentage change, unless otherwise indicated								
National accounts and prices									
GDP at constant prices	1.5	1.1	0.1	4.0	5.2	5.4	4.6	4.9	5.7
GDP deflator	5.2	9.8	7.5	8.2	9.9	9.6	8.6	6.4	5.4
GDP at market prices	6.8	10.9	7.6	12.6	15.6	15.5	13.6	11.6	11.4
Consumer prices (average)									
Average	11.9	9.7	8.2	7.9	8.1	8.0	8.4	7.0	5.5
End of period	10.5	9.0	7.3	8.5	8.7	7.5	8.1	6.0	5.0
External sector									
Exports, f.o.b. (US$ terms)	-3.7	4.7	-18.5	5.6	23.5	5.4	14.2	22.3	10.9
Imports, f.o.b. (US$ terms)	-13.6	26.1	-6.7	-14.0	4.0	29.8	2.7	5.0	9.4
Average effective exchange rate (depreciation -)									
Nominal index	2.9	1.1	6.0	...	...	...	...	...	...
Real index	12.2	8.5	12.5	....	...	....	...	...	...
Terms of trade	8.5	5.6	10.1	20.1	9.0	1.5	0.3	0.3	-1.9
Money and credit									
Net foreign assets[2]	-0.3	-8.3	-11.0	6.2	7.4	4.0	9.9	7.3	3.5
Net domestic assets[2]	14.4	20.6	31.2	4.8	4.1	11.5	10.9	3.7	8.0
Net claims on government[2]	10.2	7.5	17.2	-0.9	-0.6	-1.5	1.9	0.4	-0.3
Credit to non-government sector[2]	9.7	13.7	10.8	5.7	4.7	13.0	9.0	3.3	8.3
Reserve money	15.7	14.5	2.6	8.1	10.4	4.1	16.2	12.2	4.4
Broad money (M2)	14.1	12.3	20.3	11.0	11.6	15.5	20.8	11.0	10.4
Interest rate (short-term T-bill)	9.8	9.8	11.5	...	...	...	...	...	...
	Percent of GDP, unless otherwise indicated								
Central government finances									
Total revenue and grants	20.2	22.3	19.3	24.3	21.1	24.5	20.5	20.8	21.0
Revenue	18.7	18.2	17.8	20.3	19.0	20.3	18.1	18.3	18.5
Of which: Non-mining revenue	14.5	14.3	14.7	17.1	15.9	17.0	15.0	15.2	15.3
Grants	1.5	4.1	1.5	4.0	2.1	4.2	2.4	2.5	2.5
Total expenditure and net lending	25.5	26.5	28.3	25.6	21.3	25.0	21.2	23.8	23.4
Current expenditure	16.4	17.9	18.4	16.0	15.6	15.4	15.8	15.5	15.3
Of which: Interest payments	1.2	1.3	1.1	1.7	1.8	1.2	1.7	1.5	1.2
Capital expenditure and net lending	9.0	8.4	9.9	9.5	5.6	9.5	8.2	8.3	8.1
Overall budget balance (cash basis)									
Including grants	-5.3	-4.2	-8.9	-1.3	-0.9	-0.5	-0.6	-3.0	-2.4
Excluding grants	-6.8	-8.3	-10.5	-5.3	-2.3	-4.7	-3.1	-5.5	-4.9
Basic fiscal balance	-2.8	-6.5	-7.0	-0.4	-0.2	-0.3	1.0	-1.4	-1.1
National accounts									
Gross capital formation	20.4	9.3	10.5	20.6	17.1	33.7	17.1	17.0	17.0
Savings	3.3	-8.3	-9.7	7.5	4.8	8.9	5.0	6.7	5.7
Current account balance									
Including official transfers	-17.2	-17.6	-20.2	-13.1	-12.2	-24.8	-12.1	-10.3	-11.3
Excluding official transfers	-17.6	-19.4	-20.4	-14.5	-13.6	-26.2	-12.6	-10.8	-11.8
Overall balance of payments	0.5	-0.9	-5.2	1.6	1.5	-0.2	1.6	0.8	-0.6
Memorandum items:									
Exports, goods and services (US$ millions)	1,928.6	1,958.0	1,613.5	1,507.6	2,009.4	1,589.8	2,291.5	2,790.8	3,093.5
Imports, goods and services (US$ millions)	2,647.4	2,901.6	2,694.5	2,440.1	2,775.3	3,364.1	2,835.3	3,196.0	3,507.6
Overall balance of payments (US$ millions)	29.0	-61.7	-347.4	105.6	102.5	-13.7	112.6	56.9	-51.6
Net foreign assets of the central bank (US$ millions)	448.9	453.4	161.2	259.5	278.7	309.0	444.1	589.3	652.0
Gross available reserves (months of imports)[3]	3.0	3.7	2.2	3.0	3.0	3.0	3.2	3.4	3.7
External public debt, incl. IMF (percent of GDP)	22.2	25.9	25.8	28.4	27.1	29.3	28.3	30.4	31.8
Total public debt, incl. IMF (percent of GDP)	42.5	43.8	50.7	44.7	52.1	42.8	49.2	48.7	47.4
Nominal GDP (GNF billions)	42,283	46,901	50,457	56,448	58,335	65,218	66,266	73,961	82,388

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

[1] Program as established for the 6th and 7th ECF Review.

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

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

Table 2a. Guinea: Fiscal Operations of the Central Government, 2013–19[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2013	2014	2015	2016					2017		2018	2019
				Jun.		Sep.	Dec.		Proj.	Revised Proj.	Proj.	
				Prog.[2]	Est.	Proj.	Prog.[2]	Proj.				
Total revenue and grants	**8,544**	**10,465**	**9,749**	**7,556**	**6,175**	**8,914**	**13,714**	**12,326**	**16,007**	**13,615**	**15,415**	**17,312**
Revenue	7,905	8,537	8,988	5,798	5,872	8,531	11,472	11,076	13,252	11,996	13,536	15,220
Tax revenue	7,619	8,059	8,579	5,512	5,688	8,243	10,837	10,722	12,738	11,582	13,074	14,705
Mining sector	1,489	1,348	1,558	908	919	1,428	1,814	1,824	2,159	2,036	2,318	2,608
Non-mining sector	6,130	6,711	7,021	4,604	4,769	6,815	9,023	8,899	10,580	9,546	10,757	12,098
Direct taxes	1,484	1,382	1,376	1,034	1,052	1,414	1,650	1,717	2,002	1,947	2,216	2,518
Indirect taxes	4,646	5,328	5,645	3,571	3,718	5,400	7,373	7,182	8,578	7,599	8,541	9,580
Taxes on goods and services	2,943	3,343	3,824	2,465	2,751	3,910	5,133	5,163	5,989	5,262	5,932	6,674
Taxes on international trade	1,703	1,985	1,821	1,105	967	1,491	2,241	2,019	2,589	2,337	2,609	2,906
Non-tax revenue	286	478	409	285	183	288	635	354	514	414	462	514
Grants	639	1,928	761	1,758	304	383	2,242	1,249	2,755	1,620	1,879	2,093
Project grants	462	320	249	1,000	42	122	1,429	397	1,816	1,266	1,483	1,652
Budget support	177	845	89	758	221	221	813	812	939	354	396	441
Other earmarked grants	…	763	423	0	40	40	…	40	…	0	…	…
Expenditures and net lending	**10,785**	**12,443**	**14,287**	**8,379**	**5,810**	**9,064**	**14,476**	**12,436**	**16,321**	**14,035**	**17,619**	**19,284**
Current expenditures	6,954	8,415	9,284	4,416	3,982	6,841	9,032	9,099	10,062	10,477	11,478	12,580
Primary current expenditures	6,461	7,819	8,741	3,890	3,507	6,025	8,056	8,056	9,256	9,321	10,398	11,581
Wages and salaries	2,102	2,370	2,721	1,541	1,471	2,443	3,279	3,279	3,789	3,631	4,077	4,574
Goods and services	2,499	3,368	3,313	1,390	1,089	2,084	2,779	2,779	3,275	2,979	3,325	3,704
Subsides and transfers	1,860	2,081	2,707	959	947	1,498	1,997	1,997	2,192	2,711	2,996	3,304
Interest on debt	493	596	543	526	475	815	977	1,044	806	1,156	1,080	1,000
Domestic debt	421	504	433	329	332	599	659	798	640	750	759	701
External debt	72	92	110	197	143	217	318	246	166	406	321	298
Capital expenditure	3,822	3,939	4,990	3,930	1,817	2,345	5,383	3,276	6,224	5,432	6,127	6,689
Domestically financed	2,201	3,195	3,337	2,228	1,605	1,928	2,951	2,251	3,510	3,106	3,428	3,857
Investment (central budget exec.)	2,184	3,165	3,290	2,205	1,585	1,885	2,893	2,193	3,510	3,041	3,428	3,857
Capital transfers	17	31	47	22	19	43	58	58	0	65	0	0
Externally financed	1,620	743	1,653	1,702	212	417	2,432	1,025	2,714	2,327	2,699	2,833
Net lending and restructuring expenditures	9	89	13	33	12	61	61	61	35	15	15	15
Adjustment measures	…	…	…			-183	…	0	…	-1,889	…	…
Basic fiscal balance [3]	**-1,188**	**-3,070**	**-3,535**	**-682**	**417**	**102**	**-254**	**-89**	**-189**	**693**	**-1,063**	**-934**
Percent of GDP	-2.8	-6.5	-7.0	-1.2	0.7	0.2	-0.4	-0.2	-0.3	1.0	-1.4	-1.1
Overall balance												
Excluding grants	-2,880	-3,905	-5,299	-2,581	62	-532	-3,004	-1,360	-3,069	-2,039	-4,083	-4,065
Including grants	-2,241	-1,978	-4,538	-823	365	-149	-762	-111	-314	-420	-2,204	-1,972
Cash adjustments / Non-fiscal expenditures	0	6	63	0	-5	0	0	-409	0	0	0	0
Overall balance (cash basis)	**-2,241**	**-1,972**	**-4,475**	**-823**	**360**	**-149**	**-762**	**-520**	**-314**	**-420**	**-2,204**	**-1,972**
Financing	**2,242**	**2,008**	**4,472**	**823**	**-360**	**149**	**762**	**520**	**-297**	**-122**	**1,286**	**772**
Domestic financing	**1,042**	**1,087**	**3,011**	**-186**	**-378**	**-16**	**-301**	**174**	**-879**	**-759**	**-320**	**-601**
Bank financing	1,011	1,139	2,578	-89	-322	-176	-155	-102	-301	379	86	-78
Central bank	901	1,116	1,804	-122	-63	-269	-305	-305	-301	-284	-284	-284
Commercial banks	110	23	774	32	-259	93	150	203	0	662	370	206
Nonbank financing	31	-52	433	-97	-57	160	-147	276	-577	-1,138	-407	-523
Privatization revenue	0	0	0	0	0	0	0	0	0	0	0	0
Borrowing/Amortization of domestic debt (net)	200	-101	-150	0	-166	89	-115	-204	-604	-1,153	-407	-523
Change in arrears	-178	45	296	-147	110	-29	-147	-29	0	0	0	0
Supplier credit[4]								409				
Development fund	0	0	0	50	0	100	0	0	0	0	0	0
Other / Exceptional revenue	9	4	287	0	0	0	115	100	27	15	0	0
External financing (net)	**1,200**	**920**	**1,461**	**1,009**	**19**	**165**	**1,063**	**346**	**582**	**638**	**1,606**	**1,373**
Drawings	1,509	1,254	1,674	1,315	170	476	1,616	809	1,606	1,061	2,142	2,050
Project	1,268	424	1,404	702	170	295	1,003	628	898	1,061	1,216	1,180
Program	242	830	270	613	0	181	613	181	708	0	926	869
Amortization due	-341	-419	-388	-306	-209	-311	-553	-463	-1,024	-423	-536	-677
Debt relief [5]	0	33	96	0	68	0	811	778	0	0	0	0
Change in cap. arrears (- = reduction) [5]	26	44	73	0	-5	0	-811	-778	0	0	0	0
Change in int. arrears (- = reduction) [5]	0	8	6	0	-4	0	0	0	0	0	0	0
Miscellaneous cash adjustments	6	0	0	0	0	0	0	0	0	0	0	0
Financing gap	**0**	**0**	**0**	**0**	**0**	**-0**	**0**	**0**	**611**	**541**	**919**	**1,200**
Possible financing	0	0	0	0	0	0	0	-0	0	541	0	0
World Bank				0	0	0	0	0	…	380	0	0
EU				0	0	0	0	0	…	161	0	0
Residual financing gap	…	…	…	0	0	-0	-0	0	610	0.0	919	1,200
Memorandum items:												
Nominal GDP (GNF billion)	42,283	46,901	50,457	56,448	58,335	58,335	56,448	58,335	65,218	66,266	73,961	82,388

Sources: Guinean authorities; Fund staff estimates and projections.

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

[2] Program as established for the 6th and 7th ECF Review.

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

[4] Supplier credit captures the estimated electricity arrears at end-2016.

[5] For 2014 and 2015 (projected), debt relief is on outstanding loans fully in arrears owed to non-Paris club official and commercial creditors.

Table 2b. Guinea: Fiscal Operations of the Central Government, 2015–19[1]

(Percent of GDP; unless otherwise indicated)

	2015	2016					2017		2018	2019
		Jun.		Sep.	Dec.		Proj.	Revised Proj.	Proj.	
		Prog.[2]	Est.	Proj.	Prog.[2]	Proj.				
Total revenue and grants	**19.3**	**13.4**	**10.6**	**15.3**	**24.3**	**21.1**	**24.5**	**20.5**	**20.8**	**21.0**
Revenue	17.8	10.3	10.1	14.6	20.3	19.0	20.3	18.1	18.3	18.5
Tax revenue	17.0	9.8	9.8	14.1	19.2	18.4	19.5	17.5	17.7	17.8
Mining sector	3.1	1.6	1.6	2.4	3.2	3.1	3.3	3.1	3.1	3.2
Non-mining sector	13.9	8.2	8.2	11.7	16.0	15.3	16.2	14.4	14.5	14.7
Direct taxes	2.7	1.8	1.8	2.4	2.9	2.9	3.1	2.9	3.0	3.1
Indirect taxes	11.2	6.3	6.4	9.3	13.1	12.3	13.2	11.5	11.5	11.6
Taxes on goods and services	7.6	4.4	4.7	6.7	9.1	8.9	9.2	7.9	8.0	8.1
Taxes on international trade	3.6	2.0	1.7	2.6	4.0	3.5	4.0	3.5	3.5	3.5
Non-tax revenue	0.8	0.5	0.3	0.5	1.1	0.6	0.8	0.6	0.6	0.6
Grants	1.5	3.1	0.5	0.7	4.0	2.1	4.2	2.4	2.5	2.5
Project grants	0.5	1.8	0.1	0.2	2.5	0.7	2.8	1.9	2.0	2.0
Budget support	0.2	1.3	0.4	0.4	1.4	1.4	1.4	0.5	0.5	0.5
Other earmarked grants	0.8	0.0	0.1	0.1	…	0.1	…	0.0	…	…
Expenditures and net lending	**28.3**	**14.8**	**10.0**	**15.5**	**25.6**	**21.3**	**25.0**	**21.2**	**23.8**	**23.4**
Current expenditures	18.4	7.8	6.8	11.7	16.0	15.6	15.4	15.8	15.5	15.3
Primary current expenditures	17.3	6.9	6.0	10.3	14.3	13.8	14.2	14.1	14.1	14.1
Wages and salaries	5.4	2.7	2.5	4.2	5.8	5.6	5.8	5.5	5.5	5.6
Goods and services	6.6	2.5	1.9	3.6	4.9	4.8	5.0	4.5	4.5	4.5
Subsides and transfers	5.4	1.7	1.6	2.6	3.5	3.4	3.4	4.1	4.1	4.0
Interest on debt	1.1	0.9	0.8	1.4	1.7	1.8	1.2	1.7	1.5	1.2
Domestic debt	0.9	0.6	0.6	1.0	1.2	1.4	1.0	1.1	1.0	0.9
External debt	0.2	0.3	0.2	0.4	0.6	0.4	0.3	0.6	0.4	0.4
Capital expenditure	9.9	7.0	3.1	4.0	9.5	5.6	9.5	8.2	8.3	8.1
Domestically financed	6.6	3.9	2.8	3.3	5.2	3.9	5.4	4.7	4.6	4.7
Investment (central budget exec.)	6.5	3.9	2.7	3.2	5.1	3.8	5.4	4.6	4.6	4.7
Capital transfers	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0
Externally financed	3.3	3.0	0.4	0.7	4.3	1.8	4.2	3.5	3.6	3.4
Net lending and restructuring expenditures	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Adjustment measures	…	…	…	-0.3	…	0.0	…	-2.9	…	…
Basic fiscal balance [3]	**-7.0**	**-1.2**	**0.7**	**0.2**	**-0.4**	**-0.2**	**-0.3**	**1.0**	**-1.4**	**-1.1**
Overall balance										
Excluding grants	-10.5	-4.6	0.1	-0.9	-5.3	-2.3	-4.7	-3.1	-5.5	-4.9
Including grants	-9.0	-1.5	0.6	-0.3	-1.3	-0.2	-0.5	-0.6	-3.0	-2.4
Cash adjustments / Non-fiscal expenditures	0.1	0.0	-0.0	0.0	0.0	-0.7	0.0	0.0	0.0	0.0
Overall balance (cash basis)	**-8.9**	**-1.5**	**0.6**	**-0.3**	**-1.3**	**-0.9**	**-0.5**	**-0.6**	**-3.0**	**-2.4**
Financing	**8.9**	**1.5**	**-0.6**	**0.3**	**1.3**	**0.9**	**-0.5**	**-0.2**	**1.7**	**0.9**
Domestic financing	**6.0**	**-0.3**	**-0.6**	**-0.0**	**-0.5**	**0.3**	**-1.3**	**-1.1**	**-0.4**	**-0.7**
Bank financing	5.1	-0.2	-0.6	-0.3	-0.3	-0.2	-0.5	0.6	0.1	-0.1
Central bank	3.6	-0.2	-0.1	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.3
Commercial banks	1.5	0.1	-0.4	0.2	0.3	0.3	0.0	1.0	0.5	0.3
Nonbank financing	0.9	-0.2	-0.1	0.3	-0.3	0.5	-0.9	-1.7	-0.5	-0.6
Privatization revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowing/Amortization of domestic debt (net)	-0.3	0.0	-0.3	0.2	-0.2	-0.3	-0.9	-1.7	-0.5	-0.6
Change in arrears	0.6	-0.3	0.2	-0.0	-0.3	-0.0	0.0	0.0	0.0	0.0
Supplier credit[4]						0.7				
Development fund	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	
Other / Exceptional revenue	0.6	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
External financing (net)	**2.9**	**1.8**	**0.0**	**0.3**	**1.9**	**0.6**	**0.9**	**1.0**	**2.2**	**1.7**
Drawings	3.3	2.3	0.3	0.8	2.9	1.4	2.5	1.6	2.9	2.5
Project	2.8	1.2	0.3	0.5	1.8	1.1	1.4	1.6	1.6	1.4
Program	0.5	1.1	0.0	0.3	1.1	0.3	1.1	0.0	1.3	1.1
Amortization due	-0.8	-0.5	-0.4	-0.5	-1.0	-0.8	-1.6	-0.6	-0.7	-0.8
Debt relief [5]	…	0.0	0.1	0.0	1.4	1.3	0.0	0.0	0.0	0.0
Change in cap. arrears (- = reduction) [5]	0.1	0.0	-0.0	0.0	-1.4	-1.3	0.0	0.0	0.0	0.0
Change in int. arrears (- = reduction) [5]	0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous cash adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC-related financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**-0.0**	**0.0**	**0.0**	**0.9**	**0.8**	**1.2**	**1.5**
Possible financing	0.0	0.0	0.0	0.0	0.0	-0.0		0.8	0.0	0.0
World Bank	…	0.0	0.0	0.0	0.0	0.0		0.6	0.0	0.0
EU	…	0.0	0.0	0.0	0.0	0.0		0.2	0.0	
Residual financing gap	…	0.0	0.0	-0.0	-0.0	0.0		0.0	1.2	1.5
Memorandum items:										
Nominal GDP (GNF billion)	50,457	56,448	58,335	58,335	56,448	58,335	65,218	66,266	73,961	82,388

Sources: Guinean authorities; Fund staff estimates and projections.

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

[2] Program as established for the 6th and 7th ECF Review.

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

[4] Supplier credit captures the estimated electricity arrears at end-2016.

[5] For 2014 and 2015 (projected), debt relief is on outstanding loans fully in arrears owed to non-Paris club official and commercial creditors.

Table 3a. Guinea: Central Bank and Deposit Money Banks Accounts, 2013–17[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2013	2014	2015	2016								2017
				Mar.		Jun.		Sept.		Dec.		Proj.
				Prog.[2]	Est.	Prog.[2]	Est.	Prog.[2]	Proj.	Prog.[2]	Proj.	
Central bank												
Net foreign assets	3,163	3,277	1,290	1,602	1,475	1,743	2,015	2,303	2,271	2,303	2,504	4,352
Net domestic assets	3,815	5,244	7,449	7,414	7,312	7,329	7,310	7,183	7,180	7,148	7,144	6,860
Domestic credit	4,462	5,395	7,469	7,435	7,117	7,350	7,342	7,203	7,201	7,169	7,165	6,881
Claims on central government (net)	4,397	5,341	7,353	7,319	6,999	7,234	7,225	7,087	7,084	7,052	7,048	6,765
Of which: to the Treasury (PNT1)	4,566	5,546	7,507	7,472	7,136	7,387	7,408	7,241	7,237	7,206	7,202	6,918
Claims on private sector	50	46	115	115	116	115	117	115	116	115	115	115
Liabilities to deposit money banks (-)	0	0	0	0	0	0	0	0	0	0	0	0
Claims on other public sector	15	7	2	2	2	2	0	2	1	2	2	2
Other items, net (assets +)	-647	-151	-21	-21	195	-21	-32	-21	-21	-21	-21	-21
Reserve money	6,978	8,521	8,739	9,016	8,787	9,072	9,324	9,485	9,451	9,450	9,648	11,212
Currency outside banks	4,052	4,323	5,178	5,145	5,576	5,201	6,070	5,441	5,521	5,680	5,708	6,893
Bank reserves	2,508	3,790	3,096	3,406	2,617	3,406	2,672	3,579	3,406	3,305	3,474	3,791
Deposits	2,095	3,153	2,392	2,702	2,101	2,701	2,065	2,875	2,750	2,601	2,770	2,991
Required reserves	1,720	1,988	2,160	2,184	2,166	2,208	2,103	2,314	2,339	2,420	2,432	2,616
Excess reserves	376	1,165	231	518	-65	493	-38	561	412	181	338	375
Required reserves on GNF deposits	....	....	....	....	....	....	....	....	1,721	....	1,825	1,953
Excess reserves on GNF deposits	....	....	....	....	....	....	....	....	398	....	878	375
Required reserves on FX deposits	....	....	....	....	....	....	....	....	618	....	614	662
Excess reserves on FX deposits	....	....	....	....	....	....	....	....	14	....	0	0
Cash in vaults of deposit banks	413	636	704	704	516	704	607	704	656	704	704	800
Private sector deposits	418	408	465	465	594	465	582	465	523	465	465	528
Deposit money banks												
Net foreign assets	1,345	128	502	523	810	544	918	565	758	585	598	694
Bank reserves	2,508	3,790	3,096	3,406	2,617	3,406	2,672	3,579	3,406	3,305	3,474	3,791
Deposits at the central bank	2,095	3,153	2,392	2,702	2,101	2,701	2,065	2,875	2,750	2,601	2,770	2,991
Cash in vaults of deposits banks	413	636	704	704	516	704	607	704	656	704	704	800
Claims on central bank	0	0	0	0	0	0	0	0	0	0	0	0
Domestic credit	6,093	7,925	9,966	9,765	10,285	9,883	9,619	10,275	10,356	11,115	11,001	13,426
Credit to the government (net)	1,908	1,942	2,457	2,457	2,132	2,490	2,157	2,524	2,524	2,608	2,661	3,323
Claims on public enterprises	90	62	40	41	25	42	6	44	26	45	46	52
Claims on the private sector	4,096	5,921	7,469	7,267	8,129	7,351	7,457	7,707	7,806	8,462	8,295	10,051
Other items, net (assets +)	-1,349	-1,902	-1,563	-1,563	-1,681	-1,563	-1,526	-1,563	-1,526	-1,563	-1,563	-1,563
Liabilities to the private sector (deposits)	8,598	9,941	12,001	12,131	12,031	12,269	11,684	12,856	12,994	13,442	13,511	16,348
Memorandum items:												
Net foreign assets of the central bank (US$ million)	451	453	161	200	184	218	252	260	253	260	279	444
Net international reserves (GNF billion)	3,950	2,331	1,183	2,265	1,877	2,379	2,243	3,045	2,415	3,045	2,550	3,687
Net international reserves (US$ million)	564	322	148	283	235	297	280	343	269	343	284	376

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

[1] End of period.

[2] Program as established for the 6th and 7th ECF Review.

Table 3b. Guinea: Monetary Survey, 2013–17[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2013	2014	2015	2016						2017
				Jun.		Sept.		Dec.		Proj.
				Prog.[2]	Est.	Prog.[2]	Proj.	Prog.[2]	Proj.	
Net foreign assets	4,490	3,404	1,793	2,287	2,933	2,867	3,029	2,888	3,102	5,045
Net domestic assets	8,578	11,267	15,852	15,649	15,403	15,894	16,010	16,699	16,582	18,723
Domestic credit	10,553	13,320	17,435	17,233	16,961	17,478	17,557	18,283	18,166	20,307
Claims on central government	6,305	7,283	9,811	9,723	9,381	9,611	9,608	9,660	9,709	10,087
Claims on public enterprises	105	70	41	44	6	45	27	47	48	54
Claims on private sector	4,144	5,967	7,583	7,465	7,573	7,821	7,922	8,577	8,409	10,165
Other items, net (assets +)	-1,975	-2,053	-1,584	-1,584	-1,558	-1,584	-1,547	-1,584	-1,584	-1,584
Broad money (M2)	13,068	14,672	17,644	17,936	18,336	18,762	19,039	19,587	19,684	23,769
Currency	4,052	4,323	5,178	5,201	6,070	5,441	5,521	5,680	5,708	6,893
Deposits	9,016	10,349	12,466	12,734	12,265	13,321	13,517	13,907	13,976	16,876
	(Year-on-year change in percent of beginning-of-period M2, unless otherwise indicated)									
Memorandum items:										
Net foreign assets	-0.3	-8.3	-11.0	-4.5	-0.6	5.5	6.4	6.2	7.4	9.9
Of which: central bank	1.9	1.0	-13.5	-2.7	-1.0	5.1	4.9	5.7	6.9	9.4
Net domestic assets	14.4	20.6	31.2	13.0	11.5	2.9	3.6	4.8	4.1	10.9
Of which: central bank	6.9	7.3	15.0	4.4	4.3	-1.5	-1.5	-1.7	-1.7	-1.4
Domestic credit	19.9	21.2	28.0	11.8	10.2	3.8	4.3	4.8	4.1	10.9
Net claims on government	10.2	7.5	17.2	7.4	5.3	0.4	0.4	-0.9	-0.6	1.9
Credit to the private sector	9.7	13.7	10.8	4.8	5.5	3.6	4.2	5.7	4.7	9.0
Broad money (M2)	14.1	12.3	20.3	8.5	10.9	8.5	10.1	11.0	11.6	20.8
Reserve money (annual percentage change)	15.7	14.5	2.6	3.2	6.1	7.1	6.7	8.1	10.4	16.2
Commercial bank credit to the private sector										
(Annual percentage change)	35.4	44.5	26.1	12.1	13.7	8.8	10.2	13.3	11.1	21.2
Money multiplier (M2/reserve money)	1.8	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Velocity (GDP/average M2)	3.5	3.4	3.1	3.2	3.3	3.1	3.2	2.9	3.1	3.1
Velocity (GDP/M2, EOP)	3.3	3.2	2.9	3.1	3.0	3.0	3.1	2.9	3.0	2.8
Consumer prices (Annual percentage chang€	10.5	9.0	7.3	…	2.1	…	2.0	8.5	8.7	8.1
Real GDP (Annual percentage change)	2.3	1.1	0.1	4.0	5.2	4.0	5.2	4.0	5.2	4.6
Nominal GDP (Annual percentage change)	8.7	10.9	7.6	12.6	15.6	12.6	15.6	12.6	15.6	13.6

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

[1] End of period.

[2] Program as established for the 6th and 7th ECF Review.

Table 4. Guinea: Balance of Payments, 2013–19

(Millions of U.S. Dollars; unless otherwise indicated)

	2013	2014	2015	2016		2017	2018	2019
			Est.	Prog.[1]	Proj.		Proj.	
Exports, f.o.b.	1,825	1,911	1,558	1,372	1,925	2,199	2,688	2,980
Mining products	1,648	1,736	1,381	1,210	1,723	2,034	2,507	2,778
Other	177	175	177	162	201	164	181	201
Imports, f.o.b.	-1,861	-2,348	-2,192	-1,782	-2,278	-2,340	-2,458	-2,688
Food products	-243	-295	-276	-249	-302	-345	-353	-363
Other consumption goods	-263	-310	-290	-285	-307	-327	-349	-376
Petroleum products	-402	-533	-498	-224	-443	-544	-596	-645
Intermediate and capital goods	-953	-1,209	-1,128	-1,023	-1,227	-1,124	-1,160	-1,303
Services trade balance	-683	-506	-447	-523	-412	-402	-635	-706
Services exports	104	47	56	136	85	93	103	114
Services imports	-786	-554	-503	-658	-497	-495	-738	-820
Income balance	-599	-416	-277	-190	-197	-411	-507	-644
Of which: Interest on public debt	-10	-13	-15	-37	-29	-43	-32	-28
Transfers	268	185	-6	262	133	112	149	158
Of which:								
Net private transfers	242	64	-17	167	39	75	110	115
Official transfers	26	120	12	95	94	37	40	43
Current account								
Including official transfers	-1,050	-1,175	-1,363	-860	-830	-843	-763	-900
Excluding official transfers	-1,075	-1,295	-1,375	-955	-924	-880	-803	-943
Capital account	79	61	79	182	62	150	165	177
Public transfers	67	46	33	166	46	133	148	160
Financial account	939	799	874	784	870	806	655	671
Public (medium and long-term)	169	119	172	124	40	67	161	133
Project-related loans	183	60	187	117	73	112	122	114
Program financing	35	118	36	71	21	0	93	84
Amortization due	-49	-60	-52	-64	-54	-45	-54	-65
Public (short-term)	0	0	0	0	0	0	0	0
Direct and other private investment (net)	131	68	263	335	385	390	396	402
Private short-term	639	612	439	325	446	349	99	136
Errors and omissions	61	254	63	0	0	0	0	0
Overall balance	29	-62	-347	106	102	113	57	-52
Financing	-29	62	347	-156	-125	-169	-149	-64
Change in net official reserves	-34	50	387	-156	-102	-169	-149	-64
Of which:								
Use of Fund resources (net)	28	96	33	0	22	0	0	0
Change in gross official reserves (- = increase)	-61	-47	291	-156	-147	-169	-149	-64
Change in arrears (- = reduction) [2]	4	7	11	-94	-90	0	0	0
Debt relief [2]	1	5	13	94	90	0	0	0
Financing gap	0	0	0	51	22	57	92	116
Expected Fund disbursement	0	0	0	51	22	0	0	0
Memorandum items:								
Current account balance (percent of GDP)								
Including official transfers	-17.2	-17.6	-20.2	-13.1	-12.2	-12.1	-10.3	-11.3
Excluding official transfers	-17.6	-19.4	-20.4	-14.5	-13.6	-12.6	-10.8	-11.8
Overall balance (percent of GDP)	0.5	-0.9	-5.2	1.6	1.5	1.6	0.8	-0.6
Exports-GDP ratio (percent)	31.5	29.3	23.9	22.9	29.7	32.9	37.7	38.8
Imports-GDP ratio (percent)	-43.3	-43.4	-40.0	-37.1	-41.0	-40.7	-43.2	-44.0
FDI-GDP ratio (percent)	2.1	1.0	3.9	5.1	5.7	5.6	5.3	5.0
Gross available reserves (US$ millions)	705	752	461	617	608	778	927	991
Gross available reserves (months of imports)	3.0	3.7	2.2	3.0	3.0	3.2	3.4	3.7
Nominal GDP (US$ millions)	6,119	6,685	6,738	6,574	6,776	6,970	7,398	7,964
National currency per US dollar (avg.)	6,910	7,015	7,489	…	…	…	…	…

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

[1] Program as established for the 6th and 7th ECF Review.

[2] For 2015 projected clearance of outstanding debt arrears to non-Paris Club official creditors and commercial creditors through debt relief.

Table 5. Guinea: Performance Criteria and Indicative Targets, ECF Arrangement, 2015–16[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2015												2016							
	Mar.				Jun.				Sep.				Mar.				Jun.			
	Indicative Targets	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	Indicative Targets	Adj. IT	Act.	Status	Indicative Targets	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status
Quantitative performance criteria																				
Basic fiscal balance (floor; cumulative change for the year)	-773	-794	-619	Met	-1,276	-1,272	-1,373	Not Met	-2,101	-2,108	-3,022	Not Met	-743	-983	664	Met	-682	-393	417	Met
Net domestic assets of the central bank (ceiling; stock)	4,048	3,997	5,667	Not Met	4,628	4,536	6,604	Not Met	5,109	4,677	7,437	Not Met	7,414	8,164	7,312	Met	7,329	8,227	7,310	Met
Net domestic bank financing of the government (ceiling; cumulative change for the year)	394	344	341	Met	794	702	996	Not Met	1,194	762	2,449	Not Met	-135	614	-593	Met	-186	712	-322	Met
Net international reserves of the central bank (floor; stock); US$ million [2]	482	493	292	Not Met	419	417	157	Not Met	369	372	205	Not Met	248	138	235	Met	256	127	280	Met
New non-concessional medium or long-term external debt contracted or guaranteed by the government or central bank (ceiling); US$ million [3,4]	80	80	119	Not Met [5]	80	80	152	Not Met [5]	80	80	152	Not Met [5]	0	0	0	Met	0	0	0	Met
Stock of outstanding short-term external debt contracted or guaranteed by the government or the central bank (ceiling); US$ million [4]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
New external arrears (ceiling) [4]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
Indicative targets																				
Expenditure in priority sectors (floor) [6]	1,252	...	1,268	Met	2,616	2,616	2,121	Not Met	4,124	4,124	2,461	Not Met	1,252	1,252	508	Not Met	2,849	2,849	2,799	Not Met
Memorandum items:																				
New concessional external debt contracted or guaranteed by the government or central bank (cumulative); US$	...	...	...		...	...	...		...	...	...		780	...	...		780	...	...	
Reserve money	6,620	...	8,764		6,760	...	8,787		6,889	...	8,857		9,016	...	8,787		9,072	...	9,324	
Net external assistance	196	...	300		404	...	381		317	...	354		1,193	...	-6		1,371	...	-73	
of which, Ebola-related grants and loans	...	...	99		...	...	259		...	...	268		...	...	...		...	...	...	
Change in the float	-38	...	13		-75	...	35		-113	...	290		-100	...	110		-147	...	110	

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

[1] Definitions and adjustors are included in the Technical Memorandum of Understanding (TMU).

[2] Calculated using program exchange rates.

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

[4] Continuous performance criterion.

[5] Corresponds to the issuance of a EUR65 million guarantee on a non-concessional loan for the Kankan-Kissidougou road project and of the EUR79 million new debt to finance the Kaleta hydroelectric dam - Conakry transmission line project.

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

Table 6. Guinea: External Assistance, Program Arrears, Exceptional Mining Revenue, and the Float, 2014–16

(Billions of GNF, cumulative from the beginning of the fiscal year)

	2014			2015						2016			
	Dec.			Mar.		Jun.		Sep.		Mar.		Jun.	
	Prog.	Act.	Diff.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Prel.
Net external assistance [1]	1,003	2,012	1,009	196	300	404	414	317	386	878	-6	868	-73
Budget support	993	1,676	682	298	270	668	358	668	358	1,193	116	1,371	221
Grants	720	845	125	298	0	668	89	668	89	580	116	758	221
Loans	273	830	557	0	270	0	270	0	270	613	0	613	0
Ebola-related grants and loans	595	763	168	...	99	...	259	...	268	...	...	...	...
External debt service	-596	-511	85	-101	-76	-264	-243	-350	-317	-315	-112	-503	-352
Interest	-104	-92	12	-47	-39	-66	-54	-110	-110	-168	-56	-197	-143
Principal	-492	-419	74	-54	-37	-198	-189	-240	-207	-147	-56	-306	-209
Net change in non-program arrears and debt relief	11	85	74	0	7	0	40	0	78	0	-10	0	58
Net change in non-program arrears	-878	52	930	-57	7	-57	5	-57	43	0	-10	0	-10
Debt relief	889	33	-856	57	0	57	35	57	35	0	0	0	68
Program arrears	0	0	0	0	0	0	0	0	0	0	0	0	0
Exceptional mining revenue	435	0	-435	0	0	0	0	0	0	0	409	0	0
Change in the float	5	45	40	-38	13	-75	35	-113	290	-100	110	-147	110

Sources: Guinean authorities; and IMF staff calculations.

[1] For 2014 corrected for an incorrect sign on interest payments at the time of the RCF request.

Table 7. Guinea: External Financing Requirements and Sources, 2013–20

(Millions of U.S. Dollars)

	2013	2014	2015	2016		2017	2018	2019	2020
			Est.	Prog. [1]	Proj.	Proj.			
1. Gross financing requirements	1,143	1,283	1,076	1,254	1,222	1,078	988	1,055	1,167
External current account deficit	1,075	1,295	1,375	955	924	880	803	943	898
Capital account balance [2]	-12	-15	-16	-16	-16	-17	-17	-18	-18
Debt amortization	49	60	52	64	54	45	54	65	70
Change in arrears, net [3]	-4	-7	-11	94	90	0	0	0	0
Gross reserves accumulation	61	47	-291	156	147	169	149	64	221
IMF Repayments [4]	-28	-96	-33	0	22	0	0	0	-4
2. Available financing	1,143	1,283	1,079	1,203	1,155	1,021	896	939	1,049
Foreign direct investment, net [5]	770	680	702	660	830	739	494	538	650
Identified disbursements	311	345	269	449	234	282	402	400	399
Grants	92	166	45	261	140	170	188	202	216
Project	67	46	33	166	46	133	148	160	170
Program	26	120	12	95	94	37	40	43	45
Loans	218	179	223	188	94	112	214	198	183
Project	183	60	187	117	73	112	122	114	108
Program	35	118	36	71	21	0	93	84	75
Other flows	61	254	66	0	0	0	0	0	0
Debt relief [2,3]	1	5	43	94	90	0	0	0	0
3. Residual financing	0	0	-3	51	67	57	92	116	119
ECF and RCF disbursement	28	96	-3	51	22	0	0	0	0

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

[1] Program as established for the 6th and 7th ECF Review.

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

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

[4] In 2015 includes debt cancellation (under IMF repayments) and debt relief provided under the IMF's CCR Trust.

[5] Includes private short-term capital flows.

Table 8. Guinea: Indicators of Capacity to Repay the IMF, 2015–25[1]

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Actual	Projections									
Fund obligations based on existing credit											
Credit outstanding	142.79	161.15	161.15	161.15	158.20	129.97	95.40	60.82	33.58	10.02	1.84
Percent of quota[2]	133.32	75.24	75.24	75.24	73.86	60.68	44.54	28.39	15.68	4.68	0.86
Repayment of principal	21.40	0.00	0.00	0.00	2.95	28.23	34.58	34.58	27.23	23.56	8.19
Charges and interest	0.00	0.00	0.00	0.00	0.34	0.30	0.24	0.16	0.10	0.05	0.01
Fund obligations from prospective drawings under the ECF											
Credit outstanding	0.00	18.36	18.36	18.36	18.36	18.36	18.36	14.69	11.02	7.35	3.67
Percent of quota[2]	0.00	8.57	8.57	8.57	8.57	8.57	8.57	6.86	5.14	3.43	1.71
Repayment of principal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.67	3.67	3.67	3.67
Charges and interest	0.00	0.00	0.00	0.00	0.05	0.05	0.05	0.04	0.03	0.02	0.01
Total obligations based on existing and prospective credit											
Credit outstanding	142.79	179.51	179.51	179.51	176.56	148.33	113.76	75.51	44.60	17.37	5.51
Percent of quota[2]	66.66	83.81	83.81	83.81	82.43	69.25	53.11	35.25	20.82	8.11	2.57
Percent of gross foreign available reserves	43.34	41.26	32.38	27.26	25.16	17.33	10.80	6.78	3.73	1.35	0.37
Repayment of principal	21.40	0.00	0.00	0.00	2.95	28.23	34.58	38.25	30.91	27.23	11.86
Charges and interest	0.00	0.00	0.00	0.00	0.38	0.35	0.28	0.20	0.13	0.07	0.03
Total payments to the IMF	0.00	0.00	0.00	0.00	3.34	28.58	34.86	38.45	31.03	27.30	11.89
Percent of exports of goods and services	0.00	0.00	0.00	0.00	0.15	1.23	1.41	1.48	1.15	0.97	0.40
Percent of external public debt service	0.00	0.00	0.00	0.00	4.53	33.54	29.81	23.61	18.35	16.06	6.55
Memorandum items:											
Disbursements	45.14	36.72									
Exports of goods and services, US$ millions	1,613.5	2,009.4	2,291.5	2,790.8	3,093.5	3,291.2	3,507.2	3,684.7	3,831.5	3,986.7	4,168.7

Sources: Guinean authorities; and IMF staff projections.

[1] PRGT interest waived through end-2016. RCF interest set at zero percent and no longer subject to biannual Board reviews. The following rates are assumed beyond 2016: projected interest charges between 2017 and 2018 are based on 0/0.25/0.25 percent per annum for the ECF, SCF, and ESF, respectively, and beyond 2018 0.25/0.5/0.25

[2] Guinea's quota increased on February 11, 2016 from SDR107.1 million to SDR214.2 million.

Table 9. Guinea: Financial Soundness Indicators, 2010–16
(End of period, except otherwise indicated)

Concept	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Mar-16	Jun-16
Capital Adequacy								
Total bank regulatory capital to risk-weighted assets	17.0%	14.6%	18.2%	15.6%	17.3%	16.5%	16.7%	17.5%
Percentage of banks greater or equal to 10 percent	100.0%	83.3%	92.3%	93.0%	93.0%	100.0%	93.0%	93.0%
Share of these banks/total banking system assets	*100.0%*	*58.8%*	*98.5%*	*94.5%*	*94.2%*	*100.0%*	*93.8%*	*94.4%*
Percentage of banks below 10 and above 6 percent minimum	0.0%	16.7%	7.7%	7.0%	7.0%	0.0%	6.7%	6.7%
Share of these banks/total banking system assets	*0.0%*	*41.2%*	*1.5%*	*5.0%*	*5.8%*	*0.0%*	*6.2%*	*5.6%*
Percentage of banks below 6 percent minimum	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Total capital (net worth) to assets	7.8%	8.2%	11.6%	11.8%	12.5%	11.5%	13.1%	13.6%
Asset Quality								
Non-performing loans to total loans	5.9%	3.2%	4.8%	6.5%	4.1%	6.2%	6.3%	7.9%
Non-performing loans net of provision to capital	2.5%	3.5%	3.5%	11.2%	12.6%	9.9%	24.4%	26.6%
FX loans to total loans	36.0%	48.1%	22.6%	23.1%	28.1%	30.7%	29.3%	26.6%
Earnings and Profitability								
Net income to average assets (ROA)	2.0%	2.5%	2.2%	2.2%	1.8%	2.2%	0.6%	1.1%
Net income to average capital (ROE)	35.1%	41.3%	28.8%	27.8%	21.2%	27.4%	7.0%	13.3%
Non interest expense to gross income	14.0%	24.5%	57.9%	93.1%	133.8%	156.5%	77.6%	58.7%
Personnel expense to gross income	22.0%	18.5%	20.7%	21.1%	21.1%	20.3%	17.5%	19.3%
Non interest income to gross income	48.0%	55.7%	91.1%	124.8%	164.7%	182.4%	54.8%	58.5%
Expenses/Income	29.6%	26.5%	29.1%	31.5%	30.5%	27.4%	26.4%	27.7%
Liquidity								
Liquid assets to total assets	75.9%	69.0%	67.3%	62.3%	56.6%	46.6%	43.5%	44.9%
Liquid assets to short-term liabilities	86.1%	74.1%	77.4%	72.5%	67.1%	60.2%	56.7%	59.1%
Loan/deposits	24.6%	38.1%	38.0%	45.7%	56.4%	58.5%	63.6%	59.3%
Liquid assets/total deposits	91.4%	91.1%	85.5%	80.6%	74.8%	66.7%	66.0%	67.4%
Sensitivity to market/FX risk								
Foreign exchange liabilities/total liabilities	22.0%	28.0%	33.0%	26.5%	23.2%	23.9%	27.9%	28.7%
Foreign currency deposits/official reserves	89.0%	36.0%	55.0%					

Source: Guinean authorities.

Table 10. Guinea: Risk Assessment Matrix (RAM)

Sources of Risks	Relative Likelihood	Impact If Realized	Policy Response if Materialized
Persistent dollar strength as a result of tighter or more volatile global financial conditions	**High**	**Medium** Competitiveness could be further hampered and strain reserve buffers.	Advance the structural reform agenda to remove bottlenecks and allow greater exchange rate flexibility
Structurally weak growth in key advanced and emerging economies	**High** (AEs) **Medium** (EMEs)	**High** Investment in large-scale mining projects (iron ore, bauxite) would likely be delayed, lowering medium-term growth prospects.	Intensify structural reform and efforts to improve the business climate to promote investment in non-mining sectors. Allow the exchange rate to play a shock absorbing role
Heightened risk of fragmentation/state failure/security dislocation in the Middle East and some countries in Africa	**Medium**	**Medium** Deterioration of the domestic security situation. Large-scale investment projects would likely be postponed. Progress out of fragility would be in doubt.	Intensify structural reform to remove bottlenecks to growth. Fiscal policy to focus on revenue mobilization, and efficient delivery of public services
Deterioration of the domestic socio-political and security situation	**Medium**	**High** Investment and growth would be negatively affected; poverty would risk increasing; development of natural resources sector would be delayed. Program implementation could weaken, and adoption of key structural reforms could be postponed. Macroeconomic stability would be at risk.	Refocus reform on areas less sensitive to socio-political environment. Aim to maintain fiscal control
Prolonged and uncontained Ebola epidemic	**Low**	**High** Additional to the human toll, investor sentiment and consumer confidence would deteriorate further. Investments in large-scale mining projects would be delayed further, lowering growth prospects.	Intensify structural reform. Fiscal accommodation should remain within the limits of available financing, and focus on priority sector spending

Table 11. Guinea: Schedule of Disbursements and Timing of Reviews Under the ECF Arrangement, 2012–16[1]

Percent of quota[2]	Millions of SDRs	Date of Availability	Condition for Disbursement
8.571	18.360	March 5, 2012 [1]	Disbursed following Executive Board approval of the three-year arrangement under the ECF.
8.571	18.360	October 5, 2012 [1]	Disbursed following Executive Board completion of the first review under the ECF.
8.571	18.360	May 30, 2013 [1]	Disbursed following Executive Board completion of the second review under the ECF.
8.571	18.360	February 26, 2014 [1]	Disbursed following Executive Board completion of the third review under the ECF.
8.571	18.360	August 11, 2014 [1]	Disbursed following Executive Board completion of the fourth review under the ECF.
21.071	45.135	February 18, 2015 [1]	Disbursed following Executive Board completion of the fifth review under the ECF.
4.286	9.180	March 22, 2016 [1]	Observance of all relevant performance criteria, including the performance criteria for December 2014 and completion of the sixth review under the ECF.
4.286	9.180	March 22, 2016 [1]	Observance of all relevant performance criteria, including the performance criteria for June 2015 and completion of the seventh review under the ECF.
8.571	18.360	August 15, 2016	Observance of all relevant performance criteria, including the performance criteria for June 2016 and completion of the eighth review under the ECF.
81.071	173.655	Total	

Source: IMF staff.

[1] Actual disbursement date.

[2] All quota percentages are presented to reflect the new Guinea's quota under the 14th General Quota Review; SDR amounts remain the same except for the rephased amounts for the 6th and 7th reviews.

Appendix I. Letter of Intent
Republic of Guinea

Conakry, October 13, 2016

MINISTRY OF THE ECONOMY
AND FINANCE

CENTRAL BANK OF THE
REPUBLIC OF GUINEA

To:
Madam Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C., 20431
United States of America

Subject: Letter of Intent on Economic and Financial Policies

Madam Managing Director,

1. We enclose hereby the Seventh Supplement to the Memorandum of Economic and Financial Policies which reviews the implementation of our program supported by an arrangement under the IMF's Extended Credit Facility (ECF) during the first half of 2016, and describes our policies for the rest of 2016. It also reviews the implementation of the government's commitments under the Rapid Credit Facility (RCF) and the debt relief under the Catastrophe Containment and Relief (CCR) Trust to help Guinea cope with the effects of the Ebola epidemic.

2. Program implementation in the first half of 2016 was facilitated by the political dialogue and a search for compromise with social partners and political parties, which helped smooth the socioeconomic environment. Economic activity is recovering from the effects of the Ebola epidemic after our country was declared free of Ebola by the World Health Organization on June 1st 2016. The

disease claimed 2,544 lives and had devastating socioeconomic effects. As a result of the eradication of the Ebola epidemic, business conditions have improved with investor and consumer confidence, especially in the mining sector. Against this backdrop, we project growth to rebound to 5.2 percent in 2016 thanks to higher electricity provision, the rapid increase in production from a bauxite company that started operations in 2015 and the execution of the expansion projects in the bauxite sector as well as the robust growth of agricultural production. Inflation is projected to increase to 8.7 percent y-o-y in end-2016 as a result of rising demand pressures and a stronger US dollar. The growth of bank credit to the private sector is projected to continue decelerating from its peak growth rate in 2014–15. The central bank's reserves are projected to increase and should reach comfortably the end-year objective of 3 months of imports.

3. Performance under the ECF program has improved significantly. We met all end-June performance criteria (PC) and the program's continuous PC to date, as well as all but one indicative targets for end-March and end-June. A key element of our performance has been prudent execution of the budget with an end-June basic fiscal balance surplus of 0.7 percent of GDP compared to deficit target of 1.2 percent of GDP. The tighter-than-programmed fiscal policy reflects the impact of a tight monetary policy on bank liquidity and shortfalls in foreign assistance. The contraction in bank credit to the government offset the increase in net foreign assets and helped maintain broad money growth within the program limits. We have amended the central bank law to forbid BCRG's guarantees, in line with our commitment on the misreporting case, and adopted the civil service reform plan, a structural benchmarks of the program. Other structural reforms under the ECF arrangement continued to lag however because of capacity constraints.

4. The economic outlook is good and real economic growth is set to continue to increase at a solid pace of 4.6 percent in 2017. It will be driven by the entry in production of new enterprises and by expansion projects of the main existing companies in the mining sector, as well as by the positive impacts on agricultural production of the measures implemented by the government to boost yields. The end of the Ebola epidemic will facilitate the development of the services and manufacturing sectors, which will also benefit from the full year impact of increased electricity production from the Kaleta dam and the new thermal power plants managed by independent producers. The economic recovery will also depend on continued sociopolitical calm to facilitate the return of private investment and the implementation of the policies undertaken by the government to maintain macroeconomic stability.

5. The government will implement policies discussed under the current ECF-supported program for the remainder of the year 2016 and for 2017 to achieve the Post-Ebola Recovery Plan's objectives.

- Measures to transfer to the Single Treasury Account the budgeted amount of mobile phone charges authorized by the 2016 budget law will be implemented for an amount of 0.4 percent of GDP to contain the public spending envelope within noninflationary financing possibilities, while safeguarding priority sector spending.
- We have raised electricity tariffs by 25 percent (prior action) on October 1, 2016 to bring them closer to cost recovery levels, thereby reducing the sector's budget subsidies needs.
- We intend to step up our efforts in structural reform implementation, including by completing all the ECF structural benchmarks by end-2016. The government has adopted a detailed plan to achieve this objective. Furthermore, we will publish the audit report of the 2013-2015 public procurement contracts to enhance transparency and future use of public funds.
- We will align the 2017 budget with available financing. This entails a basic fiscal balance (excluding grants) of 3.7 percent of GDP. To achieve this target, we will keep in place most of the 2016 budget's measures, maintain the wage bill below 5.6 percent of GDP, and streamline subsidies.
- We will relax, modestly and gradually, our tight monetary policy to provide enough resources to the economy, and finalize the reforms of the exchange rate mechanism.
- We will develop a realistic structural reform agenda to support our medium-term growth strategy.
- These policies and the robust increase in agricultural production will make it possible to reduce inflation to 8.1 percent y-o-y and improve the reserve coverage of imports by the central bank to 3.2 months at end-2017.

6. Based on the progress made and the measures taken to achieve the objectives of the ECF-supported program in 2016, we request approval of the eighth and last review of the program and, in that context, a disbursement of SDR 18.36 million equivalent to 8.6 percent of our quota. We also request an extension of the arrangement to November 15, 2016 to allow time for the last disbursement. Access to Fund resources should act as a catalyst for our donors and lenders, and will boost our international reserves and cover part of the balance of payments financing needs resulting from these exogenous shocks. Total IMF support in 2016 should cover approximately 44 percent of the projected balance of payments financing needs.

7. The Government requests discussions with the IMF on a successor arrangement after the conclusion of 8^{th} and last review under the current program and the adoption of the new National

Plan for Economic and Social Development 2016–20 (PNDES) that we intend to finalize before the end of 2016, with the overall objective to consolidate our macroeconomic stability efforts and prepare Guinea to reduce factor costs, attract investments, and mobilize its huge growth potential, within the framework of the Sustainable Development Goals.

8. The government will implement a sustainable economic program, including a fully financed budget for the remainder of the ECF arrangement and for 2017. Nevertheless, it will take all additional measures that may be necessary to achieve this goal. The government will consult IMF staff with regard to the adoption of such measures, either on its own initiative or at the request of the Managing Director of the Fund, before taking these measures, or before any changes in the policies set forth in this Letter of Intent, in accordance with IMF policy on such consultations. The government undertakes not to introduce measures or policies that would exacerbate Guinea's balance of payment problems and to provide the IMF with any information required to monitor the implementation of the measures and the achievement of the program objectives.

9. In accordance with our policy of transparency of government action, we authorize the publication of this letter, the Memorandum of Economic and Financial Policies, and the Technical Memorandum of Understanding, as well as the IMF staff report on the Eighth review of the Fund's ECF-supported arrangement.

Sincerely yours.

_______/s/_______________
Malado Kaba
Minister of Economy and Finance

__________/s/__________________
Lounceny Nabé
Governor of the Central Bank of the Republic of Guinea

Attachments:

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

Attachment I. Guinea: Seventh Supplement to the Memorandum of Economic and Financial Policies

RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION

1. **Recent developments suggest economic growth is recovering and should exceed program projections**. The sectors driving the recovery are those less affected by the epidemic or facing positive supply shocks (mining, agriculture, and energy). End-May data show an acceleration of gold and bauxite extraction and higher electricity production. Inflation increased to 8.4 percent in August driven by higher imported food prices. Available data on imports suggests aggregate demand is recovering, mostly driven by private consumption, notably of firms in the mining sector. Demand has increased strongly in capital and intermediary goods used for extractive activities in large mining projects. Tighter bank liquidity pushed interest rates up by about 300 basis points, and slowed commercial bank credit growth. Non-performing loans (NPLs) increased to 7½ percent at end-July, because of difficulties experienced by importers in the wake of the 12 percent exchange rate depreciation of early 2016 and the ripple effects of the rescheduling of the central bank guarantees and budget arrears to domestic suppliers. International reserves of the BCRG increased to 2.4 months of imports in July, while the exchange rate market stabilized after the January 2016 reform of the exchange rate mechanism; the premium with the FX bureaus' market, which increased to about 3 percent in July, returned to about 1 percent in early September.

2. **Performance in the implementation of the ECF program has improved significantly**. We met all but one indicative target (IT) for end-March and end-June, and all end-June PC were met. To achieve this goal, we kept discretionary spending, especially in nonpriority sectors, below budget notwithstanding a slight revenue over-performance. This helped meet the PC on the basic fiscal balance with a significant margin. The tighter-than-programmed fiscal stance reflects a shortfall in foreign assistance and difficulties in rolling over our T-bills notwithstanding a 300 basis point increase in interest rates. We have completed several corrective measures related to the misreporting on external debt, including the amendments of the central bank law to forbid BCRG's guarantees, the acceleration of the adoption of IFRS standards to end-2017, the audit of the central bank guarantees, and measures to strengthen debt management. However, structural reforms continued to lag, due to constrains on our human and institutional capabilities, and we plan to complete the remaining reforms by the end of the year, based on a detailed plan approved by the government to guide our actions.

3. We have accelerated the implementation of structural reforms, including those related to budget transparency and debt management.

- The government has completed a structural benchmark of the ECF program through the approval on August 25, 2016 of the Public Service Reform Plan based on the results of the biometric survey conducted with support from the World Bank.
- We completed the second phase of the audit on domestic arrears, and we will approve a plan to repay these arrears (structural benchmark at end-April 2016) to contribute to the improvement of the balance sheets of private companies.
- The manual of procedures for debt management has been finalized and is operational since December 2015 thanks to technical assistance, including training, from the EU and others.
- We have completed the audit, by a reputable foreign firm, of the procurement contracts in the period 2013–15. We plan to publish this report, in line with our transparency policy.
- In the mining sector, we have (i) closed the April 9, 2016 process of review of mining titles and conventions; (ii) implemented the recommendations of the institutional audit of the Ministry of Mines and Geology to adapt its structure with the issues and challenges facing the sector; (iii) modernized the mining cadaster to make more transparent the management of mining titles with the establishment of a new procedure for granting titles since September 1st, 2016. A portal will soon be operational to offer investors the possibility to consult the online mining cadaster; (iv) set up on July 8th the one-stop shop for processing permits of mining companies whose staff has been recruited to operationalize the Inter-ministerial Committee for Integrated Mining Projects Monitoring; and (v) launched on June 3rd, 2016 the Initiative for Responsible Mining Development with support from the World Economic Forum, IFC, the World Bank, GIZ, UNDP, African Centre for Mining Development, to improve the relations between mining companies and surrounding communities.

4. Our prudent monetary policy helped rebuild the central bank's international reserves and maintain inflation within single digit. The central bank maintained its policy rate at 12.5 percent and the reserve requirement rate at its high level of 18 percent to stem the impact on inflation and reserves of the high liquidity injected in the economy in 2014–15 through the central bank's guaranteed loans of public projects pre-financed by private companies. Net domestic assets of the central bank declined as the Public Treasury started repaying past advances of the BCRG. Credit to the private sector, excluding BCRG guarantees, continued to decrease, thanks to lower commercial bank's financing of the government, which was 12 percent below its end-2015 level as of end-June 2016. To strengthen money market operations and ease liquidity conditions, the BCRG introduced in April 2016 a second refinancing window (the TPO, Taux des Pensions Overnight). On August 11, 2016, the central bank enforced a new instruction allowing banks to constitute required reserves in FX on their FX deposits, to ease liquidity pressures in local currency. A new insurance code was approved by parliament in June 2016 to put the supervision of the sector in accordance with international standards.

5. **Financial soundness indicators deteriorated somewhat as of end-June 2016.** The deterioration reflects the rescheduling of the central bank guaranteed loans to keep them in line with the central bank's capacity to pay the government domestic arrears which led to a significant increase of non-performing loans in the first half of 2016. In addition, four banks did not comply with the FX liquidity requirements due to difficulties with guaranteed FX loans, while total bank regulatory capital to risk-weighted assets (17.5 percent) was one percentage point lower than one year before. Six banks still do not meet requirements on minimum capital and on net capital. Five of these banks however communicated their action plans to raise capital.

6. **The external auditor has certified the BCRG's program end-June 2016 data**. The report confirms the end-June 2016 performance criteria on the central bank's net international reserves and net domestic assets.

MACROECONOMIC OUTLOOK

7. **The outlook for the remainder of 2016 and the medium term is good and will allow us to strengthen the BCRG's international reserves and keep inflation at single digit levels while increasing growth and reducing poverty.** Growth should reach 5.2 percent and inflation is expected to rise from 7.3 percent at end-2015 to 8.7 percent, because of the exchange rate depreciation and the increase of the VAT rate from 18 percent to 20 percent. The deficit of the external current account is expected to fall to 12 percent of GDP, allowing a strengthening of international reserves of the BCRG to at least three months of imports. Over the medium term, growth is projected to increase to 4.5 percent and inflation to decline to 6 percent. Medium-term projections reflect CBG's (*Compagnie des Bauxites de Guinée*) ongoing expansion project. New FDI-driven projects in the bauxite sector announced recently, with construction scheduled to start in 2016 for some of them, could increase growth further. Agriculture is expected to continue to grow, thanks to intensified use of fertilizers and irrigation. Mining sector growth should reach 21.5 percent thanks to the ambitious production plan of the Boké mining company (SMB), which began operations in 2015. There should also be renewed activity in the manufacturing, construction, and services sectors with the reduction of political uncertainty and the acceleration of structural reforms.

FISCAL POLICY

8. The fiscal stance for end-2016 and for 2017 will be guided by available noninflationary financing and our objective to strengthen priority sectors. Overall, we expect that most budget objectives will be met in 2016. A slight revenue shortfall and the financing difficulties will need to be addressed by spending cuts that will lead to a slightly improved basic fiscal balance. For 2017, amortization of domestic debt will create a significant burden that will require continued budget consolidation efforts.

9. We target a basic fiscal deficit of 0.2 percent of GDP for end-2016, compared with a programmed deficit target of 0.4 percent of GDP. This adjustment (0.2 percent of GDP) reflects the loss of the budget support from the Republic of Congo (0.7 percent of GDP) that will be partly offset by lower foreign debt service (0.4 percent of GDP) and better domestic financing conditions (0.1 percent of GDP). The net improvement in domestic financing reflects the impacts of unbudgeted EDG arrears to Kama SA, which will add 0.2 percent of GDP to amortization payments, offset by a smaller-than-programmed reduction in VAT reimbursement because of the delay in finalizing discussions with mining sector exporters on a schedule of payments.

- Revenue is projected to reach 19.0 percent of GDP and fall short of program target by 1.3 percent of GDP. Most of this underperformance is due to non-tax revenue (0.5 percent of GDP) because of delays in the implementation of planned measures and retention of nontax revenue collected by line ministries. Tax revenue should be slightly under the expected level, thanks to a projected good performance in direct taxes and taxes on goods and services that will partly offset subdued fuel excises due to higher oil prices.
- Given the lack of flexibility on recurrent spending, we will cut nonpriority investments to keep overall domestically-financed primary spending at 19.2 percent of GDP (against a program objective of 20.2 percent of GDP). Except for domestic interest payments that will suffer from the higher T-bills rate (0.3 percent of GDP), the pace of execution of other current expenditures should gain momentum in the next four months as additional commercial bank financing is unlocked and donor payment disbursed. The bulk of the adjustment will come from cuts of 1.2 percent of GDP in domestically-financed investments. We will apply these cuts carefully to minimize the impact on priority spending.

10. The 2017 budget will maintain the principle of aligning the budget envelope with available noninflationary financing. Accordingly, we target a basic fiscal surplus of 1.1 percent of GDP, which results from a reimbursement of domestic debt of 1.7 percent of GDP, partly offset by net external inflows of 0.7 percent of GDP and domestic bank financing of 0.6 percent of GDP.

Nonbank financing consists of the reimbursement of the securitized 2015 EDG arrears (1.1 percent of GDP), along with 0.7 percent of GDP to amortize the now audited old arrears and VAT reimbursement arrears, and repay the CBG debt 2015 advance. Bank financing is composed of the reimbursement of the 2015 advances to the central bank (0.4 percent of GDP), the transfer by the BCRG of the proceeds of the CCR debt relief to the Treasury, and emissions of T-bills (1.0 percent of GDP). On the external financing side, the budget will benefit from 1.4 percent of GDP in budget support from the World Bank, the European Union, the African Development Bank, and France (C2D), which will be partly offset by the service of external debt (0.6 percent of GDP).

11. The 2017 budget includes measures totaling 2.9 percent of GDP to close the financing gap. The main measures include:

- The implementation of the flexibility of fuel prices in order to mitigate the impact of higher international oil prices on public revenue. We will step up communication with unions and the civil society to that end.
- The pursuit of tax base expansion and formalization of the informal sector by crossing customs and tax data in order to identify cases of underreporting, notably for imports of consumer goods by traders. We have noted the recommendations of IMF Staff to improve the identification of targeted taxpayers and to review all taxes impacted by underreporting.
- The maintaining of the wage bill at 5.6 percent of GDP. Reforms being currently discussed on the employment structure and salaries will be implemented only after the approval of the public service reform master plan.
- The 25-percent increase of electricity tariffs for individuals and businesses above the Tranche sociale, and a better recovery by ÉDG. We will revise more deeply the tariffs after the finalization of a tariff study.

MONETARY AND FOREIGN EXCHANGE POLICY

12. The BCRG's priority for 2016 remains to strengthen international reserves and reduce inflation. The overshooting of program performance in the first half of 2016 suggests however that our current monetary policy stance is tighter than required to deliver the program's objectives. We believe the current monetary policy stance would lead to exceeding our 2016 reserves target and to a lower than-programmed level of inflation. However private sector credit could be crowded out if the government increases its recourse to commercial bank financing to offset part of the shortfall in foreign assistance and domestic revenue. This is especially true, given the deterioration of bank liquidity conditions that followed the rescheduling of the payment of central bank guarantees and other arrears accumulated by the government. The central bank will assess the impact of its August 2016 instruction on the modalities for the constitution of reserve requirements by banks, with a view to considering a gradual relaxation of monetary policy. The BCRG is going to consider a reduction of reserve requirement gradually starting in November 2016 in case inflation remain below 9 percent and its international reserves continue to increase.

13. The relaxation of monetary policy requires aligning the exchange rate with market developments to contain private demand and safeguard international reserves. We will improve the flexibility of the official exchange rate, by keeping it in line with the bureaus' rate, with a margin that will not exceed 2 percent (estimated to represent the additional costs entailed by the bureaus' retail transactions). To this end, we will finalize this year the reforms recommended by the MCM TA mission by revising FX bureaus' regulation to limit their activity to retail transactions, and conducting the FX transactions of the central bank exclusively on the wholesale market with banks, while facilitating FX transactions of companies with banks. We will request Fund technical assistance on liquidity management and for the reform of FX bureaus' regulation.

14. Several other measures are considered to strengthen the effectiveness of monetary policy instruments and the financial sector. We will establish in 2016 with the technical and financial assistance of the World Bank, a Credit Information System to support risk analysis by the banks and improve the distribution of credit. The BCRG will ensure banks that have not increased their capital base to comply with the minimum level of capital of GNF 100 billion will do so in the coming weeks. We introduced an action plan for a national strategy to improve financial inclusion and a draft law on microfinance in line with international standards in 2017.

15. The BCRG will continue the reforms suggested by the safeguards assessment. We will strengthen the transparency of our annual financial statements by clarifying in these documents the nature of the risks associated with financial assets and liabilities and by providing more information on loans to the government, including the type and quality of guarantees. We will implement the recommendations of the external auditor regarding weak accounting controls, including the preparation of a report on all suspense accounts identified by the auditors. Based on IMF technical assistance, we will sign a memorandum with the government specifying the need to recapitalize the BCRG as well as the modalities (including a schedule) for this recapitalization, taking into account budgetary cost and the need to ensure the financial and operational flexibility of the BCRG.

STRUCTURAL REFORMS

16. The government will finalize the structural reform program and ensure the effective implementation of measures already taken. We have adopted a plan to finalize the remaining structural benchmarks and key measures of the ECF-supported program. The key measures seek to finalize the first generation of reforms in PFM, as well as reforms to reduce uncertainty in the mining sector and put the electricity sector on a sustainable financial footing. In addition, we will adopt new measures to strengthen public procurement and the independence of the central bank. The enforcement of reforms already undertaken, particularly in the area of public finances, requires accelerated user training, for which we request support from our partners.

Public finance management

17. We will finalize the ECF program measures. We have developed a timetable with clear milestones for implementing all the programs' benchmarks and other unmet structural measures by end-2016.

- Compliance of budgetary and accounting management of public agencies with LORF provisions (**structural benchmark as of end-August 2016**) will be achieved by end-2016 through the following steps: (i) adoption of the implementing decree of the law on the governance of public enterprises; and (ii) survey of public enterprises, prior to alignment of their statutes (the port authority, OGP, the central pharmacy, the Sotragui, the SNAPE, the University Gamal Abdel Nasser of Conakry, the Mining Fund). Stakeholders affected by these new provisions should be gradually trained so as to ensure the effectiveness of the reform.
- Approval of a timetable for clearing domestic arrears, differentiating arrears for the 2011–13 budget years from those for the 2005-10 budget years by end-2016 (**structural benchmark as of end-April 2016**). Following the adoption of the final audit report by end-October 2016, the government will launch consultations with concerned private entities with a view to preparing a schedule of reimbursement of the stock of arrears.

18. The other structural measures to be implemented in the area of public finance management include:

- Publication of the audit of public procurement contracts that benefited from central bank guarantees by end-October 2016. The conclusions of the report will help us formulate and adopt by end-2016 a plan to ensure the full enforcement of the new procurement code.

- Preparation by end-December 2016 of the new budget documents in view of the transfer to the LORF environment.
- Production of management accounts and budget execution laws for exceptional years (2005-2010) based on Mali's example by end-2016**.**
- Effective implementation of the new VAT credit reimbursement mechanism and adoption of a multiyear program to repay arrears agreed upon with the mining companies in 2017.

Infrastructures

19. We are putting in place the institutional framework to manage Public-Private Partnerships (PPPs). In late 2015, we created the Presidential Council in charge of PPPs, and a draft PPP law (prepared with assistance from our development partners) is currently being discussed. We intend to submit the PPP law to Parliament by end-2016. We have identified a pipeline of 21 projects, of which 5 have been prioritized. The government's key priority is the Joint Venture to implement the Souapiti project ($1.6 billion), currently under negotiation. We have also signed agreements with 6 foreign companies to develop housing projects in 16.000 hectares of earmarked land 40km east of Conakry during the next five years. This project is expected to benefit about 100.000 households at an estimated cost of $6 billion. Commitments for the State ($2 million) include the access road to the development site, and the energy and water networks up to the access point. Additional priorities include the recourse to private management for Societe d'Eau de Guinee and SOTELGUI (telecommunications), as well as the regional hospital of Matoto and a project in the waste management and disposal.

Civil service

20. We will advance the reform of the administration and civil service through the following actions:

- Distribution of biometric cards to civil servants by November 2016, following installation of electronic tallying machines in the ministries in December 2015.
- Purging of registries for retirees and contractual workers by December 2016.
- Establishment of a permanent system of control of staffing, structures, and the enforcement of laws and regulations on the organization and operation of public service units and on human resource management (ongoing action).

Mining sector

21. The following reforms will aim at fostering private investment:

- The finalization of the implementing provisions of the Mining Code. To that end, a consultant funded by the World Bank will be recruited.
- The development of national local content policy in the mining sector.
- The continued implementation of the related infrastructure sharing policy in the mines in the central corridor (rail and port) in the Kindia region, as implemented in the northwest corridor (Boke region).
- The recovery of old geological data conducted and held by AMTEC, BGR-Germany, Russia and BRGM France, to strengthen our knowledge of the mining potential.
- The equipment and operation of the National Laboratory of Geology to make a reference in terms of service quality.
- The human capacity of the Ministry with funding already secured from ADB.

Energy sector

22. Our efforts will focus on the smooth execution of our seven priority projects aimed at ensuring sustainable supply and the quality of electricity services. The main goal of the management contract negotiated for a period of four years is to improve the company's technical, commercial, and financial performance in line with the contract between the EDG and the government. To support the management contract, we have already raised tariffs by 25 percent (prior action) and will complete a tariff study by end-2016 to guide medium-term tariff policy. We will recruit the auditor of the management contract with Veolia to monitor progress in improving the management of the company. The government will approve the auditor's report and develop a plan agreed with EDG for the implementation of the auditor's recommendations. To ensure transparency in government operations and facilitate the search of financing, we will organize by end-2016 a round table with donors interested in participating in the construction of the Souapiti dam.

PROGRAM FINANCING

23. The government considers the financing requirements of the 2016 program to be fully covered. The budget deficit has been reduced and kept to the level of available financing. Most financing will come from external sources, given the reimbursement of past central bank arrears. IMF disbursements under the ECF will cover the residual financing needs of the balance of payments. With all of the Paris Club and multilateral creditors having already signed, the other partners could sign bilateral agreements for debt relief under the heavily indebted poor country (HIPC) initiative in the near future. In addition, the government held discussions on debt relief with non-Paris Club official creditors. However, many of these have not yet responded to our requests for discussion. The government has also invited commercial creditors to open up discussions to clear arrears in line with the IMF's policy on lending into arrears, including through debt reduction, but several have not responded as yet.

24. **The government will continue to give priority to concessional external loans and grants.** Consistent with the IMF's new policy on debt limits, the government has prepared an external borrowing plan for 2017 (Table 4). Under this debt plan, the government plans to take on external debt for an amount that could reach US$ 780.1 million in 2017. With technical assistance from the IMF, the World Bank, and the European Union, the government will adopt the following measures to strengthen debt management.

- The national government debt policy is expected to be adopted by the CCER by end-October 2016. AFRITAC West will continue to assist in improving quality in the government's issuance of domestic debt securities.
- Introduction in the Medium-Term Debt Strategy (MTDS), of medium-term instruments (2- and 3- year bonds by 2019) and formulation of an external debt policy based on concessional financing by 2019.

PROGRAM MONITORING

25. **The government will persevere with its efforts to upgrade the statistical system to ensure the regular production and supply of good quality statistical data**. The government will request IMF technical assistance to develop a range of economic indicators to be monitored as part of the Status Report on the Economy, as well as a methodology for performing annual growth estimates using monthly indicators. We will continue to monitor our economic policies through our competent services (among others, the INS, the National Department of Planning, the National Directorate of Economic Studies and Forecasting, DIPRES and the existing coordination structures which are now fully operational). Thanks to support from the government and donors, Guinea's annual national account data are produced within the timeline recommended by the enhanced-SGDD. These national accounts are used for the macroeconomic framework, but the underlying data remain weak, with about 60 percent of the GDP estimated without direct indicators.

The government will reinforce the quality of economic data to formulate policies and monitor their impact, by executing the statistical operations required for the revision of the national accounts and to ensure continued compliance with the e-SGDD. The government will establish a framework for the coordination of macroeconomic statistics and will improve the working conditions of units in charge of producing statistical data, and will hire enough manpower in that regard. The government will include in the 2017 budget the required allocations for these important services. It will request that Fund TA in the context of the Capacity Building Framework allocate enough resources to improve statistics.

26. The government requests the completion of the eighth review, and requests a disbursement of SDR18.36 million under the ECF equivalent to 8.6 percent of our quota. Total IMF support in 2016 will reach US$51 million; it should cover approximately 44 percent of the residual financing requirement for 2016.

27. During the program period, the government undertakes to adopt, in consultation with IMF staff, any new financial or structural measures that may prove necessary for the program's success. The government undertakes to provide to the IMF all the information necessary for monitoring implementation of program measures and the achievement of program objectives.

28. We request discussions on a new ECF-supported arrangement. We will convene a government seminar on the implementation of the current ECF arrangement. Discussions on a new arrangement should take into account our new economic development document, which should be available by end-2016. The financing needs for the new EDD are significant and we will look into opportunities for accommodating these needs in the successor arrangement, while maintaining debt sustainability. The revision of our national accounts could enhance our capacity for taking on more debt. We will also discuss with staff the TA priorities in the context of the capacity building framework.

Table 1. Guinea: Performance Criteria and Indicative Targets, ECF 2015–16[1]

(Billions of Guinean francs, unless otherwise indicated)

	2015												2016							
	Mar.				Jun.				Sep.				Mar.				Jun.			
	Indicative Targets	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	Indicative Targets	Adj. IT	Act.	Status	Indicative Targets	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status
Quantitative performance criteria																				
Basic fiscal balance (floor; cumulative change for the year)	-773	-794	-619	Met	-1,276	-1,272	-1,373	Not Met	-2,101	-2,108	-3,022	Not Met	-743	-983	664	Met	-682	-393	417	Met
Net domestic assets of the central bank (ceiling; stock)	4,048	3,997	5,667	Not Met	4,628	4,536	6,604	Not Met	5,109	4,677	7,437	Not Met	7,414	8,164	7,312	Met	7,329	8,227	7,310	Met
Net domestic bank financing of the government (ceiling; cumulative change for the year)	394	344	341	Met	794	702	996	Not Met	1,194	762	2,449	Not Met	-135	614	-593	Met	-186	712	-322	Met
Net international reserves of the central bank (floor; stock); US$ million [2]	482	493	292	Not Met	419	417	157	Not Met	369	372	205	Not Met	248	138	235	Met	256	127	280	Met
New non-concessional medium or long-term external debt contracted or guaranteed by the government or central bank (ceiling); US$ million [3, 4]	80	80	119	Not Met [5]	80	80	152	Not Met [5]	80	80	152	Not Met [5]	0	0	0	Met	0	0	0	Met
Stock of outstanding short-term external debt contracted or guaranteed by the government or the central bank (ceiling); US$ million [4]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
New external arrears (ceiling) [4]	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
Indicative targets																				
Expenditure in priority sectors (floor) [6]	1,252	...	1,268	Met	2,616	2,616	2,121	Not Met	4,124	4,124	2,461	Not Met	1,252	1,252	508	Not Met	2,849	2,849	2,799	Not Met
Memorandum items:																				
New concessional external debt contracted or guaranteed by the government or central bank (cumulative); US$	...	...	...		...	...	...		...	...	...		780	...	...		780	...	...	
Reserve money	6,620	...	8,764		6,760	...	8,787		6,889	...	8,857		9,016	...	8,787		9,072	...	9,324	
Net external assistance	196	...	300		404	...	381		317	...	354		1,193	...	-6		1,371	...	-73	
of which, Ebola-related grants and loans	...	...	99		...	...	259		...	...	268		...	...	...		...	...	...	
Change in the float	-38	...	13		-75	...	35		-113	...	290		-100	...	110		-147	...	110	

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

[1] Definitions and adjustors are included in the Technical Memorandum of Understanding (TMU).

[2] Calculated using program exchange rates.

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

[4] Continuous performance criterion.

[5] Corresponds to the issuance of a EUR65 million guarantee on a non-concessional loan for the Kankan-Kissidougou road project and of the EUR79 million new debt to finance the Kaleta hydroelectric dam - Conakry transmission line project.

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

Table 2. Guinea: Structural Benchmarks under the ECF-Supported Arrangement, 2014–15

Measure	Date	Implementation Status	Macroeconomic Rationale
Structural benchmarks			
Adopt the draft law on public entities to make it consistent with the new Budget Framework Law (LORF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP)	End-September 2014	Not met. Implemented on December 15, 2014.	Limit the risks for the government budget and strengthen central control over external public debt
Transfer the accounts of autonomous public entities to the Treasury Single Account at the BCRG.	End-September 2014.	Not met. Rescheduled.	Ensure the integrity of the budget and improve cash management
Adopt and implement the recommendations of the study on the role of the SOGUIPAMI and its relationship with public administration	End-September 2014	Not met. Rescheduled.	Keep the government's mining sector assets under government control, protect government revenues, and limit financial risks
Adopt, in consultation with donors, a new budget nomenclature, including a functional classification	End-September 2014	Not met. Implemented on October 9, 2014.	Improve the monitoring of poverty reduction efforts
Produce management and administrative government accounts for 2011–13	End-December 2014	Not met. Only management accounts produced. Reformulated and rescheduled.	Improve public financial management and transparency
Adopt a civil service reform plan, based on the results of the ongoing biometric survey and the action plan for the program to reform the State and modernize the government (Haut Commissariat à la Réforme de l'État et la Modernisation de l'Administration - HCREMA)	End-December 2014	Not met. Plans validated with donors and civil society in November 2014. Rescheduled.	Restrain the wage bill and improve the productivity of public administration
Recruit a management partner for EDG with the assistance of the World Bank and the International Finance Corporation (IFC)	End-December 2014	Not met. Rescheduled	Improve power supply and reduce fiscal risks.
Approve a timetable for clearing domestic arrears, distinguishing between arrears from budget years 2011–13 and those from 2005–10	End-December 2014	Not met. Rescheduled	Support the Guinean private sector and enhance government credibility
Adopt and implement the recommendations from the study on the role of the SOGUIPAMI and its relationship with public administration	End-February 2015	Met. Decree signed on February 12, 2015.	Maintain control of the government's mining assets, protect government revenues, and limit financial risks
Recruit a management partner for EDG with the assistance of the World Bank and the IFC	End-March 2015	Not met. Done on June 19, 2015.	Improve power supply and reduce fiscal risk
Produce administrative accounts for 2011–13	End-April 2015	Not met. Done on December 17, 2015.	Improve public financial management and transparency

Table 3. Guinea: Prior Actions and Structural Benchmarks under the ECF-Supported Program, 2016

Measure	Date	Implementation Status	Macroeconomic Rationale
Prior Actions			
Increase electricity tariffs by 20 percent to bring them closer to cost-recovery levels		Met. 25-percent increase on October 1st, 2016 (LOI ¶5, MEFP ¶11).	Phase out the electricity subsidy and ensure fiscal sustainability
Structural Benchmarks			
Approve a timetable for clearing domestic payment arrears, distinguishing between arrears from budget years 2011–13 and those from 2005–10.	End-April 2016	Not met. Final report delivered to government on August 9, 2016 (MEFP ¶17).	Support the private sector and enhance government credibility.
Bring budget and accounting management of government agencies benefiting from revenues allocated into compliance with the provisions of the LORF and the RGGBCP.	End-August 2016	Not met. Ongoing (MEFP ¶17).	Ensure the integrity of the government's budget and improve its cash management.
Adopt a civil service reform plan, based on the results of the ongoing biometric survey and the action plan for the program to reform the State and modernize the government.	End-August 2016	Met. The plan was approved by the government on August 25, 2016 (LOI ¶3; MEFP ¶3).	Restrain the wage bill and improve the productivity of public administration.

Table 4. Guinea: Summary of External Borrowing Program, 2016–17[1]

	2016	2017
	(Millions of U.S. Dollars)	
Sources of debt financing	**632.3**	**825.7**
Concessional Debt[2]	**632.3**	**825.7**
Multilateral Debt	531.9	533.3
Bilateral Debt	100.5	292.4
Non-Concessional[3]	**0**	**0**
Use of amounts borrowed	**632.3**	**825.7**
Budgetary Assistance	39.0	0.0
Infrastructure (roads, bridges, etc)	271.0	140.0
Water and Energy	172.9	484.2
Agriculture	40.3	40.0
Social (education, health, etc)	99.2	77.2
Other	10.0	84.0

Source: Guinean authorities.
1/ New government loans contracted or guaranteed.
2/ Debt of which the grant element exceeds a floor of 35 percent.
3/ Debt with a positive grant element below the established floor.

Attachment II. Guinea: Technical Memorandum of Understanding

October 13, 2016

INTRODUCTION

1. **This memorandum of understanding sets out the understandings between the Guinean authorities and staff of the International Monetary Fund (IMF)** regarding the definitions of the quantitative performance criteria and indicative targets for the program supported under the ECF, as well as the nature of the data to be reported to the IMF.

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

KEY DEFINITIONS

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

A Quantitative Performance Criteria

4. **The basic fiscal balance is the difference between government revenue, excluding grants, and basic government expenditures.** Definitions of the bolded terms above are consistent with the definitions in the government fiscal operations table (TOFE), which are described in Section E below.

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

6. **Domestic bank financing of the government, or net domestic bank credit to the government from banks, comprises**: (i) central bank financing of the Treasury, that is, the change in the net position of the Treasury with the central bank (NTP1), including the C2D account, the accounts for exceptional resources, such as the Special Investment Fund (SIF) and the accounts opened in the name of the National Coordination against the Ebola Epidemic, but excluding changes in the net position of "satellite" government accounts with the central bank (PNT2); and ii) commercial bank financing of the Treasury, which includes changes in the stock of Treasury bills held by banks, but excludes changes in the net position of "satellite" government accounts held in commercial banks.

7. **Net international reserves (NIR) of the BCRG are,** by definition, equal to the difference between the reserve assets of the BCRG (that is, the external assets readily available to and

controlled by the BCRG in accordance with the sixth edition of the IMF's Balance of Payments Manual) and the foreign exchange liabilities of the BCRG to residents and nonresidents (including the foreign exchange deposits of the local banks with the BCRG and off-balance-sheet liabilities). The foreign exchange liabilities do not include long-term liabilities, such as SDR allocations. In the context of the program, the gold holdings of the BCRG will be valued at the price of gold in effect on December 30, 2015 (US$1,060.0000 per ounce) for the first half of 2016, and on June 30, 2016 for the second half of 2016. For the test dates, the U.S. dollar value of the other reserve assets and foreign exchange liabilities will be calculated using the program exchange rates in effect, namely: for the first half of 2016, the exchange rates in effect on December 31, 2015 between the U.S. dollar and the Guinean franc (GNF8,003.7445/US$), the SDR (US$1.38573/SDR), the euro (US$1.0887/EUR), and other countries as published in *International Financial Statistics*; for the second half of 2016, the exchange rates in effect on June 30, 2016 between the currencies published in *International Financial Statistics*.

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

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

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

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

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

B. Indicative Targets and Memorandum Items

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

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

C External Debt

14. The term "external debt" is understood as specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt in the IMF agreements.[2] External debt is defined on the basis of the residence of the creditor. For purposes of the program, "debt" will be understood to mean current, that is, not contingent, liabilities, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments designed to cover the amortization and/ or interest resulting from the contract will release the obligor from principal or interest liabilities incurred under the contract. External debt may take a number of forms, primarily:

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

[2] See "Guidelines on Performance Criteria with Respect to Foreign Debt in the IMF agreements" approved by IMF Executive Board Decision No. 6230-(79/140), as amended, including by Executive Board Decision No. 14416-(09/91), with effect from December 1, 2009.

- suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
- leases, that is, arrangements giving the lessee the right to use the property for periods of time that are generally shorter than the total expected service life of the property, without transfer of ownership, while the lessor retains title to the property. For the purposes of this directive, 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 payment necessary to cover the operation, repair, or maintenance of the property.

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

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

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

D Adjustments to Program Performance Criteria

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

Guinea: External Assistance, "Program" Arrears, Exceptional Mining Revenue, and Float, 2014–16

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

	2014			2015						2016			
	Dec.			Mar.		Jun.		Sep.		Mar.		Jun.	
	Prog.	Act.	Diff.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Act.	Prog.	Prel.
Net external assistance [1]	1,003	2,012	1,009	196	300	404	414	317	386	878	-6	868	-73
Budget support	993	1,676	682	298	270	668	358	668	358	1,193	116	1,371	221
Grants	720	845	125	298	0	668	89	668	89	580	116	758	221
Loans	273	830	557	0	270	0	270	0	270	613	0	613	0
Ebola-related grants and loans	595	763	168	...	99	...	259	...	268	...	...	...	...
External debt service	-596	-511	85	-101	-76	-264	-243	-350	-317	-315	-112	-503	-352
Interest	-104	-92	12	-47	-39	-66	-54	-110	-110	-168	-56	-197	-143
Principal	-492	-419	74	-54	-37	-198	-189	-240	-207	-147	-56	-306	-209
Net change in non-program arrears and debt relief	11	85	74	0	7	0	40	0	78	0	-10	0	58
Net change in non-program arrears	-878	52	930	-57	7	-57	5	-57	43	0	-10	0	-10
Debt relief	889	33	-856	57	0	57	35	57	35	0	0	0	68
Program arrears	0	0	0	0	0	0	0	0	0	0	0	0	0
Exceptional mining revenue	435	0	-435	0	0	0	0	0	0	0	409	0	0
Change in the float	5	45	40	-38	13	-75	35	-113	290	-100	110	-147	110

Sources: Guinean authorities; and IMF staff calculations.

[1] For 2014 corrected for an incorrect sign on interest payments at the time of the RCF request.

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

20. Adjustments for net external assistance:

- *If net external assistance exceeds program forecasts*, the floor for the basic fiscal balance will be adjusted downward by an amount equal to the surplus external assistance (allowing the entire surplus to be used for supplementary expenditures). The floor for NIR and the ceilings on NDA of the BCRG and bank financing of the government will not be adjusted.
- *If net external assistance is below program forecasts*, the floor on NIR will be adjusted downward by 80 percent of the shortfall, and the ceilings for NDA of the BCRG and bank financing of the government will be adjusted upward by 80 percent of the shortfall. The floor for the basic fiscal balance will be adjusted upward by 20 percent of the shortfall (requiring a fiscal adjustment equivalent to 20 percent of the shortfall).

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

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

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

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

22. Adjustments related to the net change in the float:

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

E. Definitions for the TOFE

23. Government revenue includes tax and nontax revenues. It does not include external grants, the proceeds from privatizations, or exceptional mining revenues (the latter two being recorded as financing by agreement of the parties). Tax and nontax revenues are defined, on a cash basis, in accordance with Section IV.A.I of the 1986 edition of the IMF's *Government Finance Statistics Manual (GFS)*, using the following categories. For tax revenue, the main categories are taxes on income, profit, and dividends (Title 1); taxes on property (Title 2); taxes on international trade (Title 3), including import duties, export duties (*droit fiscal de sortie*), the surtax on consumption, the liquidation levy (*redevance de liquidation*), and penalties related to international trade; taxes on goods and services (Title 4), including general sales taxes, value-added taxes on domestic sales and on imports, the single tax on vehicles (TUV), the business tax (TAF), the tax on telecommunications, taxes on petroleum products, and export taxes on mining products, including taxes on mining products, taxes on diamonds, and the tax on precious metals. Other tax revenues (Title 5) include stamp taxes and registration fees. Tax receipts also include the taxes borne by the government for the purchase of externally financed capital goods. Nontax revenue consists of royalties and dividends (excluding revenue from the sale of telephone licenses), administrative duties and fees, and fines and forfeitures (Title 6), other nontax revenue (Title 7), including incidental revenues, and capital revenues (Title 8). Capital revenues include the proceeds from the sale of government assets, but exclude privatization proceeds.

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

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

26. External financing comprises: (i) disbursements of external loans; (ii) principal owed on government external debt net of amortization; (iii) relief and rescheduling of government external debt; and (iv) the net change in external arrears (interest and principal, to be shown separately).

F. Data to be Reported for Program Monitoring Purposes

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

28. The authorities will report the information summarized in Table 1 below to the IMF's African Department by the deadlines set in this table. Except as otherwise indicated, the data take the form discussed between the authorities and the IMF. The authorities undertake to supply any additional information requested by Fund staff for program monitoring purposes.

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

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

INTERNATIONAL MONETARY FUND

GUINEA

October 14, 2016

EIGHTH AND FINAL REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW, AND REQUEST FOR EXTENSION OF THE CURRENT ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By | African Department (In Consultation with Other Departments)

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RELATIONS WITH THE FUND

(As of August 31, 2016)

Membership Status: Joined: September 28, 1963 — Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	214.20	100.00
Fund holdings of currency	187.35	87.47
Reserve Tranche Position	26.85	12.54

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	102.47	100.00
Holdings	118.71	115.85

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF Loans	26.78	12.50
ECF Arrangements	134.38	62.74

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Feb 24, 2012	Oct 31, 2016	173.66	155.30
ECF [1/]	Dec 21, 2007	Dec 20, 2010	69.62	24.48
ECF [1/]	May 02, 2001	May 01, 2004	64.26	25.70

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

	Forthcoming				
	2016	2017	2018	2019	2020
Principal				2.95	28.23
Charges/Interest	0.00	0.00	0.00	0.34	0.30
Total	0.00	0.00	0.00	3.29	28.53

Implementation of HIPC Initiative:

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

[1] Formerly PRGF.

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

[3] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

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

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Mar 18, 2015	21.42	21.42

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

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

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

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

Exchange Rate Arrangement

Guinea's exchange rate arrangement is classified as a managed float system with no predetermined path, after an interruption of the system during 2009–10; the *de facto* exchange rate arrangement has been reclassified to *other managed* from a stabilized arrangement, effective February 5, 2015. The system includes a multiple currency practice as the value of the official rate lags the weighted average commercial bank rate on which it is based by one day. The Central Bank of the Republic of Guinea (BCRG) intervenes twice a week through a multi-price foreign exchange auction market with active commercial banks. The BCRG regularly publishes information regarding foreign exchange market interventions.

Article IV Consultation

The last Article IV consultation was concluded by the Executive Board on July 22, 2016.

Technical Assistance 2011–16

Calendar Year 2011

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

Source: IMF staff.

Calendar Year 2012

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

Source: IMF staff.

Calendar Year 2013

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

Source: IMF staff.

Calendar Year 2014

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	Fiscal forecasting and budgeting	February 10-24, 2014
FAD	VAT refund mechanisms for the mining sector and PFM governance	January 29 - February 6, 2014
Monetary and Capital Markets		
MCM	Reserve Management	January 30 - February 7, 2014
AFW	Bank Supervision	March 3-14, 2014
MCM	Central Banking Resident Advisor	2013 - 2014
Statistics		
AFW	National Accounts	January 6-17, 2014
STA	Financial Soundness Indicators	April 14-18, 2014

Source: IMF Staff

Calendar Year 2015

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	PFM Strategy and MT Framework	February 3 - 12, 2015
FAD	Budget Classification	February 16 - 25, 2015
FAD	Fiscal Governance of Parastatals and Natural Resources	February 3 - 10, 2015
FAD	JSA7 Project Inception	June 3 - 16, 2015
AFW	PFM Strategy	July 27 - August 7, 2015
AFW	Tax Administration	September 21 - October 2, 2015
Monetary and Capital Markets		
AFW	Bank Supervision	June 1 -12, 2015
AFW	Bank Supervision	November 11 - December 4, 2015
MCM	FX Market Development and Liquidity Management	November 30 - December 10, 2015
Statistics		
AFW	Government Finance Statistics	November 14 - 25, 2015

Source: IMF Staff

Calendar Year 2016

Provider	Main Topic	Dates
Fiscal Affairs		
FAD	Natural Resource Management	January 13 - 27, 2016
FAD	SOEs and Fiscal Risks	January 13 - 24, 2016
FAD	PFM Long Term Resident Advisor	January 25 – 30, 2016
FAD	STX Visit	March 7 - 18, 2016
FAD	STX Visit	April 14 - 15, 2016
FAD	PFM Resident Advisor	2016 -2017
Monetary and Capital Markets		
AFW	Debt Management	February 2 - March 4, 2016
MCM	Monetary and FX Operations	March 9 - 22, 2016
AFW	Bank Supervision	March 14 - 25, 2016
Statistics		
AFW	National Accounts Compilation	February 2 - 19, 2016
AFW	Government Finance Statistics	March 3 - 25, 2016
STA	Financial Soundness Indicators	April 20 – 26, 2016

Source: IMF Staff

[1] Planned.

JOINT WORLD BANK-FUND MATRIX

(As of June 2016)

Title	Products	Expected Delivery Date
World Bank work program in the next 12 months	**Operations**:	
	Mineral Advisory Facility	Ongoing
	Social Safety Nets Project	Q2 2016
	Health Services Project	Q2 2016
	Budget Support Lending (DPO)	Q2 2016
	Economic and Sector Work:	
	Public Expenditure Review (revenue mobilization, public investment management, state-owned enterprises, domestic debt)	Q3 2016
	Mobile Phone Survey of Socio-Economic Impact of Ebola	Q2 2016
	Technical assistance/other analytical:	
	Boosting budget execution	Q1 2016
	Economic and Poverty Monitoring	Ongoing
	Support on EITI implementation	Ongoing
IMF work program in the next 12 months	**Program**:	
	Sixth and Seventh reviews under the ECF	March 2016
	Article IV Consultation	June 2016
	Eight review under the ECF	October 2016
	Technical Assistance:	
	Mining and general tax policy	Ongoing
	Public financial management	Ongoing
	Monetary and exchange rate policy	Ongoing
	Banking supervision	Ongoing
	National and fiscal accounts, balance of payments	Ongoing
Fund requests to the Bank	Audit of public investment projects	Ongoing
	Assessment of the electricity reform plan and budgetary implications	Ongoing
	Update of poverty analysis	
	Assessment of the major project to build a dam using a PPP framework	Ongoing
	Assessment of reforms in agriculture and the budget implications	Ongoing
	Information sharing on the financing of the large iron ore project	Ongoing
Bank requests to Fund	Regular updates on macro-economic and fiscal projections	Ongoing
	Consultations on program structural benchmarks	Ongoing
	Surveillance of fiscal impact of mining sector reforms	Ongoing
Joint Bank-Fund products	Debt Sustainability Analysis	Q1 2016
	Joint Bank-Fund Support for Medium-Term Debt Strategy	Q3 2016

RELATIONS WITH THE AFRICAN DEVELOPMENT BANK, 2011–16

(As of June 2016)

1. The Bank's Country Strategy Paper (CSP) 2012–16, approved by the Board on March 1, 2012, focuses on two pillars: (i) economic and financial governance; and (ii) infrastructure for development. Under the first pillar, the Bank will assist in building public financial management capacity, improving governance in the extractive sector and strengthening the central government's budget. Under the second pillar, the Bank will contribute to reducing the power generation gap and further developing transport infrastructure. The mid-term review of the CSP, which was delayed due to the Ebola crisis, was done in February 2016. This provided an opportunity for dialogue on the Bank's support to Guinea through the implementation of the PRSP, taking into account the fight against Ebola, the socio-economic recovery process, and outcomes of the Abu Dhabi Conference for the period 2015 to 2017. The Bank and Guinea's authorities agreed to extend the end of the CSP from 2016 to 2017 and to maintain the two pillars. The extension will: (i) allow the government and the Bank to implement the reforms and the operations which were delayed due to the MVE; and, (ii) allow the Bank to better prepare the next country strategy paper (2017–21) which will be aligned on the new national development plan 2016–20 expected to be finalized in October 2016. They agreed also that the Bank will support the development of the agricultural sector and the value chain program Guinea intends to develop in the coming months, targeting sector reforms (including land reform), entrepreneurship and business management (including youth), and financing (credit and guarantees).

2. Lending operations: During the donor and investment conference in Abu Dhabi, AfDB announced UA 163 million ($250 million) additional resources in targeted support to the country's development program during the 2014–16 period through the mobilisation of all its financial and technical assistance instruments/vehicles. In 2016 (last quarter), the Bank will conduct in close coordination with the IMF a Debt Sustainability and Country Risk Analysis to assess whether Guinea can be allowed more headroom for accessing the Bank's ADB window to finance key infrastructure projects in 2017. The 2017 Indicative Operational Program (IOP) will be fully financed in 2017 if the analysis results in increased access to the ADB window.

3. In the governance sector, the Bank has already approved a budget support allocation of UA20 million in 2011 and support of UA 2.5 million through the Fragile State Facility (FSF). In addition, the Bank restructured some non-performing projects and reallocated UA 7.5 million to an economic governance project in 2011. This was to improve the country's public finance management while supporting the reforms aimed at enhancing governance, especially in the extractive sector. The FSF support also covers public administration capacity building, particularly in statistics and strategic planning. At the end of 2013 the Bank approved an institutional support project of UA 11.4 million focused on improving governance in mining contract management and on enhancing public investment and project management. A budget support operation (UA 12 million) targeting the private sector environment and PPPs frameworks, governance (mining, PFM, and public investment management) was approved by the board in end-June 2014 and UA 6.39 million was disbursed end-December 2014. The Bank intends to submit to board approval by end-July 2016 a programmatic budget support operation (UA 10.5 million in 2016 and indicative UA 10 million in 2017) targeting public financial management and the business climate. In addition, the Bank intends to submit for Board approval by end-July 2016 a capacity building project aimed at scaling-up and enhancing the government capacity to manage the Simandou Mining project (mining one stop shop, local content policy, communities, etc.). By end 2016 the Bank will support a small dedicated capacity building operations targeting Central Bank (BCRG) for UA 2 million. The Agricultural project the Bank intends to support in 2017 for at least UA 10 million at the beginning of the program will target the governance of the sector, entrepreneurship (including youth), and financing issues (credit and guarantees).

4. **In the energy sub-sector**, two projects were signed at the end of 2013 and began implementation in 2014. The first project is the second Conakry Electrical Networks Rehabilitation and Extension Project (PREREC.2) for UA 11 million. The second project is the Côte d'Ivoire-Liberia-Sierra Leone-Guinea power regional interconnection project for UA 40.2 million that will see the construction of 1,360 km of 225 kV transmission lines and 12 sub-stations. In 2015, the Bank approved the financing the interconnection project of the Gambia River Basin Development Organization (OMVG) involving the construction of a dam and a 240 MW hydro-power plant at Kaleta already financed by the government with a loan from China. Implementation of these three projects will result in: (i) an increase in the average electricity access rate; (ii) a reduction in the kWh generating cost; (iii) a reduction in the number of power outages; (iv) the creation of temporary and permanent jobs; and (v) a reduction in greenhouse gas emissions. Contingent on the resource mobilisation strategy related to the headroom related to debt and country risk analysis to be discussed with the country and the IMF, the Bank is working on financing for the Guinee-Mali interconnection project, which could be submitted to the Board approval in 2017.

5. **In the transport sub-sector**, the Board approved in December 2014 the road development and Transport Facilitation Programme within the MRU including the road Danané (Côte d'Ivoire)-Frontier of Guinea and from the frontier to N'zoo-Lola (Guinea). This road is part of a regional project including these key roads: Zantiébougou-Kolondiéba-Kadiana-Frontier of Côte d'Ivoire (140 km) linking Bamako to Abidjan and San-Pédro through the axe Tengréla-Boundiali-Séguéla-Daloa; and Duekoué-Guiglo-Bloléquin-Toulepleu-Frontier of Liberia. These roads are part of the Transafrican Dakar-Abidjan-Lagos road. The Bank intends also to co-finance in 2017 with the European Union a road program including the Coyah-Farmoriah-Pamelap road towards Sierra Leone, the Boké (Guinea)-Quebo (Guinea-Bissau) road, which is part of the ECOWAS Regional Transport Programme, and the feasibility studies for the Kankan-Mandiana-Odiene road. Because of their integrative role, construction of these roads is in line with the New Partnership for Africa's Development (NEPAD) Short-Term Action Plan, whose core objective is to have interstate roads without any impediment to the free movement of goods and persons. Contingent on the availability of a headroom related to Debt and Country risk analysis to be discussed with the country and the IMF, the Bank will finance in 2017 the building of interchanges on four key crossroads (Hamdalaye, Cosa, Bambeto, Encho5).

6. **Support to private sector operations.** During the 2014–17 period, the Bank will support specific private sector operations with high and transformative impact. At the request of the government, AfDB envisages to contribute to efforts to mobilise resources for financing the infrastructure part of the Simandou mining project. In this regard, AfDB intends to provide an A loan of about UA 200 million equivalent to about USD 300 million which will leverage at least a USD 700 million billion loan. Africa50 will also contribute to the financing of this project at a later stage. AfDB intends to provide an A loan of about USD 100 million for financing part of the Global Alumina Bauxite project. AfDB will also support capacity building and provide technical assistance in order to allow the government to fulfil its commitment pertaining to the implementation of the Simandou project.

7. **Non-lending operations**: To deepen the analysis and understanding of the country's main challenges and fuel strategic reflexion, the Bank will help the government finalize in 2015, and in collaboration with UNDP, an economic and sector works (ESWs) on (i) private sector profile and (ii) local taxation. The Bank will enhance its dialogue and provide specific technical assistance on PPP (PPP law and PPP Unit) and on mining sector governance. The Bank will also continue to support implementation of PRSP (direct support to CTSP and SP-SRP in charge of coordinating the monitoring of the implementation of economic reforms programs and the PRSP), post-Abu Dhabi commitments implementation, and the link between macroeconomic/budget framework sector policies and the public investment plan. The Bank will continue its support through the FSF programme to the National Statistics Development Strategy (NSDS) and the conduct of the Third General Population and Housing Census (RGPH-III).

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

9. **Response to the Ebola crisis**. The AfDB has adopted a regional approach to address the Ebola crisis. In April 2014, the Bank provided an emergency support of USD 2 million UA equivalent to USD 3 million grant to support Mano River Union (MRU) countries affected namely Guinea, Liberia and Sierra Leone. In July 2014, the AfDB approved a UA 40 million equivalent to USD 60 million grant for countries fighting against Ebola. In October 2014 the AfDB approved UA 100 million sector budget support in order to support the three most affected countries. AfDB approved also in October 2014 a UA 7.7 million Technical Assistance Capacity Building Programme to support the national and foreign health workers programs. The total Bank's support for Guinea amounts to UA 35 million (USD 52 million) and aims to help the government enhance the immediate response but also structure a medium to long term plan. The AfDB will support the government's 2015-2017 post-Ebola recovery plan by accelerating the execution of planned projects and mobilizing additional resources for new operations/projects.

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

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

Lending Operations					
	Year	**ADF/ADB 12/13/14**	**FSF (Pillar III)**	**Regional & Other Funds**	**Total**
Pillar I –Economic and Financial Governance Support					
Budget support	2011	20.0			20.0
Targeted support	2011		2.5		2.5
Budget support	2014/15	12.0			12.0
Capacity building (Mining One-Stop Shop and Simandou)	2016	4.0	2.0		8.0
Targeted support for capacity building (Central Bank)	2016		2.0		2.0
Agriculture (Governance, entrepreneurship, and financing)	2017	10.0			10.0
Sub-Total		**46.0**	**8.5**		**54.5**
Pillar II –Infrastructure Support (Energy, Transport, etc.)					
CLSG Interconnection (electricity)	2013	16.0		24.2	40.2
Rehabilitation of electric power networks	2013	11.0			11.0
Institutional support project - Public investment management and mining	2013	11.4			11.4
Mano River Union road (CI-Liberia, linked to Mali)	2014	13.1		20.3	33.3
OMVG	2015	20.0		30.0	50.0
Coyah-Farmoriah-Pamelap road including a study for the Kankan-Mandiana-Odiene project	2017	44.0		21.0	65.0
Boké-Quebo road	2017	49.0		21.0	70.0
Sanitation and Rural water supply	2017	10.0		5.0	15.0
Guinea-Mali interconnection (energy)	2017	35.0			35.0
Building Interchanges on 4 key crossroads (Hamdalaye, Cosa, Bambeto, Encho5)	2017	100			100
Sub-Total		309.5		121.5	431.0
Total		**355.5**	**8.5**	**121.5**	**485.5**
Economic and Sector Work (analytical support)					
Study on financial sector reforms	2013		x		
Private sector profile	2015		x		
Private sector strategy	2016				
Guinea Vision 2040	2016				
PPP law	2016				
Local taxation	2016				

MILLENNIUM DEVELOPMENT GOALS[1]

	1990	1995	2000	2005	2014	2014 Sub-Saharan Africa	2015 MDG Target
Goal 1: Eradicate extreme poverty and hunger							Halve
Employment to population ratio, 15+, total (%)	69	69	70	70	*71*	*65*	
Employment to population ratio, ages 15-24, total (%)	52	52	52	53	*54*	*47*	
GDP per person employed (constant 1990 PPP $)	...	...	...	...	...	...	
Income share held by lowest 20%	*3*	*5*	...	6	...	...	
Malnutrition prevalence, weight for age (% of children under 5)	...	...	29	23	...	...	13
Poverty gap at $1.90 a day (2011 PPP) (%)	63	19	*26*	*24*	...	...	...
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	92	49	*62*	*60*	...	...	...
Vulnerable employment, total (% of total employment)	...	...	...	...	...	...	...
Goal 2: Achieve universal primary education							100
Literacy rate, youth female (% of female ages 15-24)	...	*13*	..	*30*	...	...	100
Literacy rate, youth male (% of males ages 15-24)	...	*44*	...	*34*	...	...	
Persistence to last grade of primary, total (% of cohort)	47	...	...	74	...		100
Primary completion rate, total (% of relevant age group)	20	19	31	55	*62*	*69*	100
Total enrolllment, primary (% net)	26	...	45	65	*75*	*77*	100
Goal 3: Promote gender equality and empower women							100
Proportion of seats held by women in national parliament (%)	...	...	9	19	22	22	100
Ratio of female to male primary enrollment (%)	45	51	67	80	*85*	*93*	100
Ratio of female to male secondary enrollment (%)	32	*33*	*35*	50	...	*86*	
Ratio of female to male tertiary enrollment (%)	9	*7*	...	23	*44*	*73*	
Share of women employed in the non-agricultural sector (% of total non-agr. emp.)	...	...	...	...	...	...	
Goal 4: Reduce child mortality							>75% reduction
Immunization, measles (% of children ages 12-23 months)	35	61	42	51	52	73	
Mortality rate, infant (per 1,000 births)	141	122	103	85	63	58	
Mortality rate, under 5 (per 1,000)	238	206	170	137	97	86	78
Goal 5: Improve maternal health							
Births attended by skilled health staff (% of total)	...	...	...	38	...	...	
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,040	964	976	695	*688*	560	>75% reduction
Contraceptive prevalence (% of women ages 15-49)	...	2	6	9	...	...	
Goal 6: Combat HIV/AIDS, malaria and other diseases							Halt/reverse
Incidence of tuberculosis (per 100,000 people)	249	250	228	210	*177*	...	Halt/reverse
Prevalence of HIV, female (% ages 15-24)	1	1	1	1	1	2	Halt/reverse
Prevalence of HIV, male (% ages 15-24)	0	1	0	0	0	1	Halt/reverse
Prevalence of HIV, total (% ages 15-49)	1	2	2	2	2	5	Halt/reverse
Tuberculosis case detection rate (%, all forms)	13	18	27	34	*54*	*51*	Halt/reverse
Goal 7: Ensure environmental sustainability							
CO2 emissions (kg per PPP $b of GDP)	0	0	0	0	...	...	
CO2 emissions (metric tons per capita)	0	0	0	0	...	...	
Forest area (% of land area)	30	29	28	27	*26*	*26*	
Improved sanitation facilities (% of population with access)	8	11	13	15	20	29	57
Improved water source (% of population with access)	52	58	63	68	77	67	72
Marine protected areas (% of territorial waters)	...	...	4	...	...	...	
Net ODA received percapita (current US$)	48	53	17	21	*43*	*50*	
Goal 8: Develop a global partnership for development							
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	20	24	15	13	4	*5*	
Internet users (per 100 people)	0	0	0	1	2	19	
Telephone lines (per 100 people)	0	0	0	0	...	...	
Fertility rate, total (births per woman)	7	6	6	6	*5*	*5*	
Other goals and indicators							
GNI per capita, Atlas method (current US$)	430	470	380	340	470	1709	
GNI, Atlas method (current US$ billions)	3	4	3	3	6	1665	
Gross capital formation (% of GDP)	25	21	20	20	14	22	
Life expectancy at birth, total (years)	50	52	51	53	*56*	*57*	
Literacy rate, adult total (% of people, ages 15 and above)	...	*21*	*30*	...	...	...	
Population, total (millions)	6	8	9	10	12	*948*	
Trade (% of GDP)	65	46	53	70	81	62	

Sources: Millenium Development Goals Database, November 2015.

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

STATISTICAL ISSUES

(As of October 1, 2016)

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance with some key data shortcomings in national accounts and fiscal statistics.
National Accounts: Real sector statistics are incomplete, and published with insufficient timeliness to support economic policymaking. Statistics on economic activities are published less frequently and less regularly; the monthly bulletin of the Guinean economy is trying to include the limited available macroeconomic variables. Monthly surveys of mining, industrial and agricultural production are produced with delays. A series based on 1993 SNA was released in August 2014 along with brief analyses on main aggregates and methodological notes. Following AFRITAC West's recommendation, the National Institute of Statistics plans to implement the 2008 SNA with 2015 as new benchmark year. Employment and population statistics are published on an annual frequency.
Price Statistics: The monthly consumer price index (CPI), which only covers Conakry, is published in a timely manner with 2002 as base year.
Government Finance Statistics: The Ministry of Economy and Finance compiles comprehensive monthly budgetary central government data on a cash basis for revenue, and on commitment and cash basis for expenditure based on a national presentation not comparable to international standards. The last Government Finance Statistics (GFS) technical assistance (TA) mission found that public finance reforms are progressing slowly in Guinea, with most progress in the adoption of the new budget nomenclature and the new State's chart of accounts. The current compilation methodology of the government operations tables (TOFE) needs to be modernized, which is currently reconciled with budgetary execution and financing data. The production of the TOFE based on GFSM 2001/2014 will require the use of the data outside the general accounting system, as it lacks comprehensiveness and timeliness. Cash-based general accounts must also be improved along with the gradual implementation of accrual accounting. Implementation of these reforms will require new IT systems, training and manuals. The data produced by the debt office is of fair quality, although it does not yet include the financing of new infrastructural projects. Data on extra-budgetary units, local government and central government investments in public and private corporations is available, but will need to be assessed from a GFS perspective. Complete accounts for the social security funds sub-sector of good quality are also available.
Monetary and Financial Statistics: Central Bank and deposit money bank accounts as well as the monetary survey are compiled and shared with the African Department on a monthly basis, for the purposes of program monitoring. Some delays have been experienced with commercial banks data, which still needs to be improved. Coordination between the Central Bank and the Ministry of Economy and Finance is improving, reducing discrepancies between monetary and fiscal data. However, the ongoing migration to a new accounting system at the Central Bank has led to frequent data changes and to delays in the provision of monetary statistics. Monetary data used to assess program performance are certified by an independent external auditor on a regular basis. Monetary and financial sector data reports to the Statistics Department (STA) experience significant delays, and the latest available data corresponds to June 2012. In January 2014, STA provided TA to the BCRG to start reporting monetary data using the recommended standardized report forms (SRFs).
Financial Sector Surveillance: Financial Soundness Indicators (FSI) are consolidated on a quarterly basis by the Central Bank. Guinea does not report FSIs to STA.
External Sector Statistics: The Central Bank compiles annual Balance of Payments and International Investment Position statistics in line with the fifth edition of the *Balance of Payments Manual (BPM5)*. Although the quality of external sector statistics (ESS) has improved since 2008, the central bank does not take advantage of all data sources within to compile the ESS. A balance of payments survey has been implemented with a response rate of over 75 percent.

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

Table of Common Indicators Required for Surveillance
(As of June 27, 2016)

	Date of Latest Information	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication [6]
Exchange Rates	06/23/2016	06/23/2016	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	05/31/2016	06/27/2016	M	M	M
Reserve/Base money	05/31/2016	06/27/2016	M	M	M
Broad Money	05/31/2016	06/27/2016	M	M	M
Central Bank Balance Sheet	05/31/2016	06/27/2016	M	M	M
Consolidated Balance Sheet of the Banking System	05/31/2016	06/27/2016	M	M	M
Interest Rates[2]	04/30/2016	05/26/2016	M	M	M
Consumer Price Index	05/31/2016	06/21/2016	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] - General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3] - Central Government	05/31/2016	06/21/2016	M	M	M
Stocks of Central Government and Central Government - Guaranteed Debt[5]	12/31/2015	04/21/2016	A	A	A
External Current Account Balance	12/31/2015	04/16/2016	Q	NA	A
Exports and Imports of Goods and Services	12/31/2015	04/16/2016	Q	NA	A
GDP/GNP	12/31/2013	03/01/2014	A	A	A
Gross External Debt	12/31/2015	02/24/2016	A	A	A
International Investment Position	NA	NA	NA	NA	NA

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, and domestic bank and non-bank financing.
[4] The general government consists of the central government (budgetary and extra-budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Not Available (NA).

GUINEA

EIGHTH AND FINAL REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW, AND REQUEST FOR EXTENSION OF THE CURRENT ARRANGEMENT—SUPPLEMENTARY INFORMATION

October 21, 2016

Approved By
Roger Nord and Daria Zakharova

Prepared by
The African Department

1. **This supplement provides an update on economic and policy developments since the issuance of the staff report on October 14, 2016**. The additional information does not change the thrust of the staff appraisal.

2. **Following the issuance of the staff report, staff was informed that Guinea had incurred external arrears of about US$13 million to Angola.** The Guinean authorities have contacted the Angolan authorities with the aim to resolve the arrears as soon as possible. These arrears do not affect the performance criterion on external arrears, given the program definition of external arrears in the technical memorandum of understanding.

INTERNATIONAL MONETARY FUND

GUINEA

October 24, 2016

EIGHTH AND FINAL REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW, AND REQUEST FOR EXTENSION OF THE CURRENT ARRANGEMENT—FURTHER SUPPLEMENTARY INFORMATION

Approved By
Roger Nord and Daria Zakharova

Prepared by
The African Department

1. **This second supplement provides an update on Guinea's external arrears on a loan from Angola.** Following the issuance of the October 21 supplement to the staff report, staff was informed by the authorities that Guinea has cleared the external arrears of about US$13 million to Angola on October 22. The additional information does not change the thrust of the staff appraisal.