

EBS/01/57
Supplement 1

CONFIDENTIAL

May 3, 2001

To: Members of the Executive Board

From: The Secretary

Subject: **Guinea—Poverty Reduction and Growth Facility—Three-Year Arrangement**

Attached for the records of Executive Directors is the text of the three-year arrangement under the Poverty Reduction and Growth Facility for Guinea as agreed at Executive Board Meeting 01/43 (5/2/01).

Att: (1)

Other Distribution:
Department Heads

Guinea—Three-Year Arrangement Under the Poverty Reduction and Growth Facility

Attached hereto is a letter* from the Governor of the Central Bank and Minister of Economy and Finance of Guinea dated March 30, 2001 (the "Letter"), with an attached Memorandum of Economic and Financial Policies (the "Memorandum" and technical memorandum of understanding (the "TMU")), requesting from the International Monetary Fund as Trustee of the Poverty Reduction and Growth Facility Trust (the "Trustee") a three-year arrangement under the Poverty Reduction and Growth Facility, and setting forth:

- (a) the objectives and policies of the program that the authorities of Guinea intend to pursue during the three-year period of the arrangement;
- (b) the objectives, policies and measures that the authorities of Guinea intend to pursue during the first year of the arrangement; and
- (c) understandings of Guinea with the Trustee regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Guinea will pursue for the second and third years of the arrangement.

To support these objectives and policies, the Trustee grants the requested three-year arrangement in accordance with the following provisions, and subject to the provisions applying to assistance under the Poverty Reduction and Growth Facility Trust.

1. (a) For a period of three years from May 2, 2001, Guinea will have the right to obtain loan disbursements from the Trustee in a total amount equivalent to SDR 64.26 million, subject to the availability of resources in the Poverty Reduction and Growth Facility Trust.
- (b) Disbursements under this arrangement shall not exceed the equivalent of SDR 25.704 million until May 2, 2002 and the equivalent of SDR 44.982 million until May 2, 2003.
- (c) During the first year of the arrangement:
 - (i) the first disbursement, in an amount equivalent to SDR 12.852 million, will be available upon approval of this arrangement, at the request of Guinea; and
 - (ii) the second disbursement, in an amount equivalent to SDR 12.852 million, will be available on December 15, 2001, at the request of Guinea and subject to paragraph 2 below.
- (d) The right of Guinea to request disbursements during the second and third years of this arrangement shall be subject to such phasing and conditions as shall be determined. The phasing of, and conditions for, disbursements during the second year of this

*See EBS/01/57, 4/18/01

arrangement shall be determined in the context of the first review of Guinea's program contemplated in paragraph 2(d) of this arrangement.

2. Guinea will not request the second disbursement specified in paragraph 1(c)(ii) above:

(a) if the Managing Director of the Trustee finds that the data as of September 30, 2001 indicate that:

- (i) the floor on the central government primary balance, or
- (ii) the ceiling on net bank credit to the government, or
- (iii) the ceiling on reserve money, or
- (iv) the floor on the net foreign assets of the central bank, or
- (v) the ceiling on new nonconcessional medium- or long-term external debt contracted or guaranteed by the government or the central bank, or
- (vi) the ceiling on the outstanding stock of short-term external debt contracted or guaranteed by the government or the central bank,

specified in paragraph 57 and Table 1 of the Memorandum and in the TMU, was not observed; or

(b) if the Managing Director of the Trustee finds that by September 30, 2001, Guinea has not carried out its intentions with respect to the following structural performance criteria:

- (i) the production of administrative and management accounts (*compte administratif et de gestion*) for the 1998 and 1999 fiscal years, as specified in paragraph 22 and Table 2 of the Memorandum, or
- (ii) the adoption by the Ministry of Economy and Finance of a repayment plan for domestic payments arrears, as specified in paragraph 20 and Table 2 of the Memorandum, or
- (iii) the adoption of a regulatory framework providing for an adequate audit of banks as specified in paragraph 34 and Table 2 of the Memorandum; or

(c) if Guinea:

- (i) has imposed or intensified restrictions on payments and transfers for current international transactions, or
- (ii) has introduced or modified multiple currency practices, or
- (iii) has concluded bilateral payments agreements that are inconsistent with Article VIII, or
- (iv) has imposed or intensified import restrictions for balance of payments reasons, or
- (v) has incurred any external payments arrears, as specified in paragraph 57 and Table 1 of the Memorandum and in the TMU; or

(d) until the Trustee has determined that the first review of Guinea's program referred to in paragraph 4 of the Letter and paragraph 58 of the Memorandum has been completed.

When Guinea is prevented from requesting disbursements under this arrangement because of this paragraph 2, such disbursements will be resumed only after consultation has taken place between the Trustee and Guinea and understandings have been reached regarding the circumstances in which Guinea may request further disbursements.

3. In accordance with paragraph 2 of the Letter, Guinea will provide the Trustee with such information as the Trustee requests in connection with the progress of Guinea in implementing the policies and reaching the objectives of the program supported by this arrangement.

4. During the period of this arrangement, Guinea shall remain in close consultation with the Trustee. In accordance with paragraph 3 of the Letter, Guinea will consult with the Trustee on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director of the Trustee requests such a consultation. Moreover, after the period of this arrangement and while Guinea has outstanding financial obligations to the Trustee arising from loan disbursements under this arrangement, Guinea will consult with the Trustee from time to time, at the initiative of the Government or whenever the Managing Director of the Trustee requests consultation on Guinea's economic and financial policies. These consultations may include correspondence and visits of officials of the Trustee to Guinea or of representatives of Guinea to the Trustee.