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CONFIDENTIAL

December 23, 1999

To: Members of the Executive Board

From: The Secretary

Subject: **Guinea—Poverty Reduction and Growth Facility—Third Annual
Arrangement**

Attach for the records of Executive Directors is the text of the third annual arrangement for Guinea under the Poverty Reduction and Growth Facility, as agreed at Executive Board Meeting 99/136 (12/21/99).

Att: (1)

Other Distribution:
Department Heads

**Guinea—Third Annual Arrangement
Under the Poverty Reduction and Growth Facility**

Attached hereto* is a letter dated December 7, 1999 (hereinafter the "Letter"), with an annexed memorandum on economic and financial policies for 1999/2000 (hereinafter the "Memorandum"), from the Minister of Economy and Finance and Governor of the Central Bank, requesting from the International Monetary Fund the third annual arrangement under the Poverty Reduction and Growth Facility, and setting forth the objectives and policies of the program to be supported by that arrangement.

To support these objectives and policies, the Fund grants the requested arrangement in accordance with the following provisions, and subject to the Instrument to Establish the Poverty Reduction and Growth Facility Trust, as amended:

1. Under the third annual arrangement, Guinea will have the right to request three loans totaling SDR 23.6 million as follows:
 - (a) the first loan, in an amount equivalent to SDR 7.870 million, will be available on or after December 23, 1999 at the request of Guinea;
 - (b) the second loan, in an amount equivalent to SDR 7.870 million, will be available on June 30, 2000 at the request of Guinea subject to paragraph 2 below; and
 - (c) the third loan, in an amount equivalent to SDR 7.860 million, will be available on December 31, 2000 at the request of Guinea subject to paragraph 2 below.
2. Guinea will not request disbursement of the second loan and the third loan specified in paragraphs 1(b) and 1(c), respectively
 - (a) if the Managing Director finds that, with respect to the second loan, the data as of March 31, 2000, and, with respect to the third loan, the data as of September 30, 2000, 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 net foreign assets of the Central Bank, or

* See EBS/99/221 (12/8/99).

(v) the ceiling on new medium and long term nonconcessional external loans contracted or guaranteed by the government or the Central Bank, or

(vi) the ceiling on short-term external debt outstanding contracted or guaranteed by the government or the Central Bank

specified in Table 1 of the Memorandum is not observed; or

(b) If by February 15, 2000, Guinea has not produced statistics on preliminary treasury balance for end-January 2000 as specified in Table 2 of the Memorandum; or

(c) If by March 15, 2000, Guinea has not produced statistics on preliminary treasury balance for end-February 2000 as specified in Table 2 of the Memorandum; or

(d) If by January 15, 2000, the computerized expenditure system at the Ministry of Finance of Guinea has not begun functioning as specified in Table 2 of the Memorandum; or

(e) If by March 31, 2000, Guinea has not published customs clearance procedures for airports as specified in Table 2 of the Memorandum; or

(f) If by March 31, 2000, Guinea has not initiated an audit of the Central Bank as specified in Table 2 of the Memorandum; or

(g) If by March 31, 2000, Guinea has not reached a decision on the reform strategy for the National Agency for Developing Mining Infrastructure and has not adopted an action plan for implementing such strategy as specified in Table 2 of the Memorandum; or

(h) If by December 31, 1999, Guinea has not established an anticorruption committee as specified in Table 2 of the Memorandum; or

(i) If, at any time during the period of the third annual arrangement, Guinea accumulates any new external payments arrears except for the reschedulable amounts described in paragraph 30 of the Memorandum; or

(j) 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

(k) after June 29, 2000 with respect to the second loan and after December 30, 2000 with respect to the third loan, until the Fund has determined that the reviews contemplated in paragraph 32 of the Memorandum have been completed.

If the Managing Director finds that any of the performance clauses that have been established in or under this paragraph 2 have not been met, the second loan or the third loan specified in paragraphs 1(b) or 1(c), respectively, may be made available only after consultation has taken place between the Fund and Guinea, and understandings have been reached regarding the circumstances in which Guinea may request the disbursement of that loan.

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

4. In accordance with paragraph 4 of the Letter, during the period of the third annual arrangement, Guinea will consult with the Managing Director on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director requests such a consultation. Moreover, after the period of the third annual arrangement and while Guinea has outstanding financial obligations to the Fund arising from loans under that arrangement, Guinea will consult with the Fund from time to time, at the initiative of the government or whenever the Managing Director requests consultation on Guinea's economic and financial policies. These consultations may include correspondence and visits of officials of the Fund to Guinea or of representatives of Guinea to the Fund.

