

**EXECUTIVE  
BOARD  
MEETING**

EBS/20/175  
Supplement 2

December 7, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Guinea—Fifth and Sixth Reviews Under the Extended Credit Facility Arrangement, Financing Assurances Review, and Request for Waivers of Nonobservance of Performance Criteria—Supplementary Information, Revised Proposed Decision, and Supplementary Letter of Intent**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
Tentative Board Date:	<b>Wednesday, December 9, 2020</b>
Proposed Decision	Page 5
Publication:	Yes*
Questions:	Ms. Mira, AFR (202-569-5640)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, Islamic Development Bank, World Trade Organization

\*The authorities have indicated that they consent to the Fund's publication of this paper





# GUINEA

December 4, 2020

## FIFTH AND SIXTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION, REVISED PROPOSED DECISION, AND SUPPLEMENTARY LETTER OF INTENT

Approved By  
**Celine Allard (AFR) and**  
**Chad Steinberg (SPR)**

Prepared by the African Department in consultation with the Legal and the Strategy, Policy, and Review Departments.

- 1. This supplement provides an update to reflect revisions to monetary data since the issuance of the staff report on November 24, 2020.** The revisions reflect the incorporation of findings from an external audit of end-2019 BCRG data and a methodological adjustment prepared by the authorities to ensure that monetary aggregates fully comply with the TMU requirements, identified in the context of the preparation of a safeguard's assessment mission.
- 2. The net impact of these adjustments is marginal and does not change the thrust of the staff appraisal.** These revisions result in updated values for the performance criterion on government borrowing from the central bank at end-December 2019 and for the performance criteria on NDA and NIR for the reviews' test dates (end-December 2019 and end-June 2020). The attachment to this Supplement updates Table 8 of the staff report relative to Quantitative Performance Criteria and Indicative Targets.
- 3. The remaining prior action has now been met.** Since the issuance of the staff report, the authorities submitted to Parliament a 2021 budget law aligned with program commitments. With this measure, all prior actions for the fifth and sixth reviews have been met (as shown in the updated Structural Benchmark table below).
- 4.** A revised proposed decision and a supplementary letter of intent are attached to this supplement.

**Table 8. Guinea: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2019–20 (Updated)**  
(Billions of Guinean Francs; unless otherwise indicated)

	2019								2020							
	Sept.				Dec				March				June			
	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status	IT	Adj. IT	Act.	Status	PC	Adj. PC	Act.	Status
<b>Quantitative performance criteria</b>																
Basic fiscal balance (floor; cumulative change for the year)	548	592	497	Not Met	691	829	772	Not Met	265	265	429	Met	254	-296	388	Met
Net domestic assets of the central bank (ceiling; stock)	5,518	5,585	6,539	Not Met	5,856	6,064	6,025	Met	5,722	5,722	7,238	Not Met	5,688	4,863	6,631	Not Met
Net government budgetary borrowing from the central bank (ceiling; stock) <sup>7</sup>	5,794	5,861	6,148	Not Met	5,626	5,834	5,753	Met	5,641	5,641	6,699	Not Met	5,623	4,798	7,063	Not Met
Net international reserves of the central bank (floor; stock; US\$ million <sup>1</sup> )	679	672	715	Met	739	716	875	Met	795	795	822	Met	808	898	988	Met
<b>Continuous performance criteria</b>																
New non-concessional external debt contracted or guaranteed by the central government or central bank (cumulative ceiling); US\$	650	650	658	Met	650	650	658	Met	650	650	658	Met	650	650	658	Met
New external arrears of the central government and central bank (ceiling) <sup>3</sup>	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
<b>Indicative targets</b>																
Tax revenues collected (floor)	12,939	12,939	12,186	Not Met	16,960	15,868	15,868	Met	4,895	4,895	4,059	Not Met	9,889	9,889	8,368	Not Met
Domestically financed social safety programs to reduce poverty (cumulative floor) <sup>4</sup>	98	98	272	Met	130	240	371	Met	78	78	39	Not Met	154	154	177	Met
New domestic arrears accumulated by the central government (net) <sup>4</sup>	-857	-857	-556	Not Met	-812	-812	-1448	Met	-37	-37	-1132	Met	-49	-49	-2261	Met
<b>Memorandum items:</b>																
New concessional external debt contracted or guaranteed by the central government or central bank (cumulative); US\$ million <sup>5</sup>	1052	...	1046	...	1142	...	1621	...	1475	...	1658	...	1613	...	1684	...

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

<sup>1</sup> It will be calculated using program exchange rates.

<sup>2</sup> External debt contracted or guaranteed other than with a grant element equivalent to 35 percent or more, calculated using a discount rate of 5 percent, excluding the \$1.2 billion loan for the Souapiti dam. Excludes borrowing from the IMF. Continuous performance criterion.

<sup>3</sup> Continuous performance criterion.

<sup>4</sup> Cumulative from the beginning of each year.

<sup>5</sup> To be monitored continuously. Shows accumulated face value of new concessional loans on a signature basis. Until the Third Review, this memo item had been defined on a disbursement basis.

<sup>6</sup> The continuous performance criterion was missed in November 2018 by a total amount of US\$8 million. A waiver was approved by the Board at the time of the second review.

<sup>7</sup> Excluding recapitalization of the central bank

**Table 11. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (Updated)**

<b>Prior Actions</b>			
Submit to Parliament a 2020 Supplementary Budget Law aligned with program commitments.	Prior Action	Met.	Ensure consistency of fiscal policy with program advice
Implementation of the rules-based FX intervention policy.	Prior Action	Met. The electronic trading platform is operational, and the central bank has published the instruction on the rules-based policy in its website. <sup>1</sup>	Strengthen foreign exchange management
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	Prior Action	Met. <sup>2</sup>	Strengthen governance
Submit to Parliament a 2021 Budget Law aligned with program commitments.	Prior Action	<b>Met.</b>	Ensure consistency of fiscal policy with program advice
<b>Structural Benchmarks</b>			
<b>Fifth Review</b>			
Prepare and adopt a manual for the preparation, appraisal and selection of investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes.	End May-2020	Not met. A draft decree on the regulatory framework for public investment projects was developed with AFW TA.	Strengthen public investment management
The Minister of Economy and Finance and the Minister of Energy will sign a ministerial order to increase by 9 percent electricity tariffs for households and by 10 percent electricity tariffs for professionals and industrials in 2020, in line with the electricity tariff reform strategy 2019-25.	June 1, 2020	Not met. A draft decree setting the increase in electricity tariffs in line with the tariff reform strategy was prepared. The signature of the decree was postponed due to COVID.	Reduce electricity subsidies

<sup>1</sup><https://www.bcr-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/>

<sup>2</sup>The asset declaration form is available at <http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/>.

**Table 11. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20 (concluded)**

All new and renewed expiring mining agreements, excluding those with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products, will be in line with the tax provisions of the mining code. All new agreements with new investments in infrastructure for multiple users and/or transformation in Guinea in higher value-added products will be submitted to the National Assembly with an assessment of tax expenditures.	Continuous	Met. A new agreement for iron ore extraction was ratified in July 2020. The contract entailed new investments in infrastructure and local transformation. It was submitted to the National Assembly with an assessment of tax expenditures.	Mobilize additional mining revenues and foster governance and transparency
<b><i>Sixth Review</i></b>			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 2020	Not met. The draft decree on the content of an asset declaration form is being finalized with the support of the World Bank.	Strengthen governance

## Revised Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Guinea has consulted with the Fund in accordance with paragraph 4(A)(b) of the arrangement for Guinea under the Extended Credit Facility (ECF) (EBS/17/118, 11/28/2017) (the "ECF Arrangement") to review program implementation.
2. The letter dated November 23, 2020 from the Minister of Economy and Finance and the Governor of the Central Bank of the Republic of Guinea, as supplemented by the letter dated December 4, 2020 from the Minister of Economy and Finance and the Governor of the Central Bank of the Republic of Guinea, (the "November 2020 Letter") together with the Memorandum of Economic and Financial Policies (the "November 2020 MEFP") and the Technical Memorandum of Understanding (the "November 2020 TMU") shall be attached to the ECF Arrangement, and the letter dated November 27, 2017, together with its attachments, as supplemented and modified, shall be read as further supplemented and modified by the November 2020 Letter and its attachments.
3. The Fund decides that the fifth and sixth reviews referred to in paragraphs 4.D.(b) and 4.E.(b) respectively of the ECF Arrangement, and the financing assurances review contemplated in paragraph 5(e) of the ECF Arrangement are completed, and that Guinea may request the sixth and seventh disbursements referred to in paragraphs 2(f) and 2(g) respectively of the ECF Arrangement, notwithstanding the nonobservance of the end-December 2019 performance criterion on the basic fiscal balance, specified in paragraph 4.D.(a)(i) of the ECF Arrangement, and notwithstanding the non-observance of the end-June 2020 performance criteria on net domestic assets of the central bank and net government budgetary borrowing from the central bank, specified in paragraph 4.E.(a)(ii) and (iii) respectively of the ECF Arrangement, on the condition that the information provided by Guinea on the performance under these criteria is accurate and on the further condition that the information provided by Guinea on the implementation of the measures specified as a prior actions in Table 2 of the November 2020 MEFP is accurate.



<p><b>MINISTRE DE L'ECONOMIE ET DES FINANCES (MEF)</b></p>	<p><b>BANQUE CENTRALE DE LA REPUBLIQUE DE GUINEE (BCRG)</b></p>
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## Supplementary Letter of Intent

Conakry, December 4, 2020

Ms. Kristalina Georgieva  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431  
U.S.A.

Madam Managing Director:

Since we signed the Letter of Intent on November 23, 2020 requesting the conclusion of the 5<sup>th</sup> and 6<sup>th</sup> review of the economic and financial program supported by the International Monetary Fund under the Extended Credit Facility, I wish to inform you that we have made some adjustments to our monetary data.

These adjustments reflect the impact of the incorporation of the results of an end-2019 external audit of BCRG monetary data, and also a methodological adjustment necessary to fully align our reporting under the program's Technical Memorandum of Understanding (TMU). In particular, we have reclassified the reserve tranche position at the IMF from Net Domestic Assets (NDA) to Net Foreign Assets (NFA). The methodological adjustment has therefore led to a decrease in NDA and an increase in NFA, improving program performance against the respective Performance Criteria.

We are therefore writing to submit the updated table of performance criteria reflecting these adjustments. We support the correction and update of the outturns for these variables, as indicated in the attached table 1.



Furthermore, we have now submitted to Parliament the 2021 budget, aligned with the ECF program commitments, therefore completing all the prior actions for the last combined 5<sup>th</sup> and 6<sup>th</sup> reviews (table 2).

Please accept, Madam Managing Director, the assurance of our highest consideration.

\_\_\_\_\_/s/\_\_\_\_\_/

Mamadi Camara  
Minister of Economy and Finance

\_\_\_\_\_/s/\_\_\_\_\_/

Louceney Nabé  
Governor of the Central Bank of Guinea

Attachments: Table 1. Guinea: Performance Criteria (PC) and Indicative Targets, ECF 2019–20  
Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF  
Arrangement, 2019–20

**Table 1. Guinea: Quantitative Performance Criteria and Indicative Targets, ECF Arrangement, 2019–20**  
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New external arrears of the central government and central bank (ceiling) <sup>3</sup>	0	0	0	Met	0	0	0	Met	0	0	0	Met	0	0	0	Met
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<b>Memorandum items:</b>																
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<b>Prior Actions</b>			
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Implementation of the rules-based FX intervention policy.	Prior Action	Met. The electronic trading platform is operational, and the central bank has published the instruction on the rules-based policy in its website <sup>3</sup> .	Strengthen foreign exchange management
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	Prior Action	Met <sup>4</sup> .	Strengthen governance
Submit to Parliament a 2021 Budget Law aligned with program commitments.	Prior Action	Met.	Ensure consistency of fiscal policy with program advice
<b>Structural Benchmarks</b>			
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Prepare and adopt a manual for the preparation, appraisal and selection of investment projects, which will also require that major public investment projects be accompanied by feasibility studies that follow rigorous processes.	End May-2020	Not met. A draft decree on the regulatory framework for public investment projects was developed with AFW TA.	Strengthen public investment management
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<b>Sixth Review</b>			
Develop and publish an asset declaration form in line with the decree on the asset declaration regime.	End June 2020	Not met. The draft decree on the content of an asset declaration form is being finalized with the support of the World Bank.	Strengthen governance