

**EXECUTIVE  
BOARD  
MEETING**

EBS/20/175

Correction 1

December 8, 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**

Board Action: The attached corrections to EBS/20/175 (11/24/20) have been provided by the staff:

**Factual Errors Not Affecting the Presentation of Staff's Analysis or Views** **Pages 1, 4, 6, 11, 13, 25, 62**

**Typographical Errors** **Pages 14, 15, 33, 61**

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# GUINEA

November 23, 2020

## FIFTH AND SIXTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, FINANCING ASSURANCES REVIEW, AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

### EXECUTIVE SUMMARY

**Context.** Real growth is expected to reach 5.2 percent in 2020 as the severe impact of the pandemic in the country was partially mitigated by a resilient mining sector. Presidential elections were held on October 18, giving President Condé an outright victory. Such results were contested by the opposition and followed by violent demonstrations and unrest. Since the Constitutional Court validated the electoral results on November 7, the situation has remained calm.

**Program performance.** Program performance was satisfactory for end-December 2019, with all ITs and all but one PCs met. The PC on the basic fiscal balance was missed by a minor amount. However, in June 2020 the impact of the COVID-19 pandemic and ensuing policy response led to misses on the PCs on net domestic assets and net government borrowing from the central bank, and the tax revenue IT. The authorities have requested waivers on the basis that underperformance is being met with corrective actions to contain non-priority spending, mobilize external resources, repay the central bank advances to bring net credit to government ~~below to the~~ statutory limits by end-December and use active liquidity management to contain the growth of the monetary base. Furthermore, the authorities have submitted to Parliament a 2020 supplementary budget and are expected to submit a 2021 budget before the Board meeting in line with program objectives (prior actions).

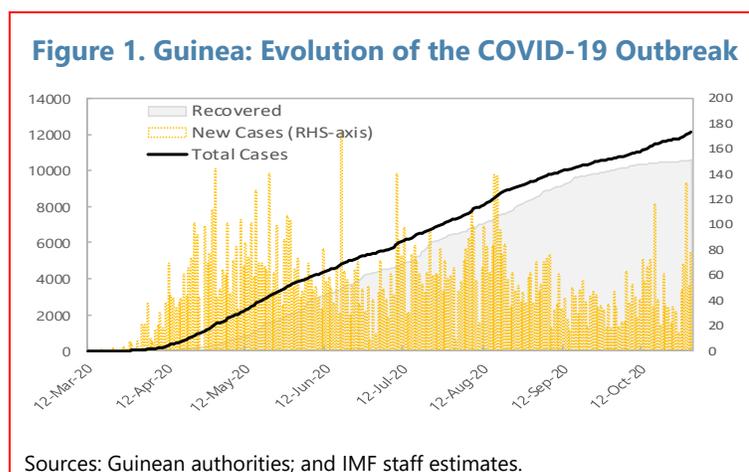
**Policy recommendations.** The authorities have rightly implemented a response plan to increase health spending, support the most vulnerable and protect the private sector. Reducing and rephasing non-priority spending and mobilizing additional tax revenues, including from the mining sector, will buttress debt sustainability going forward while creating fiscal space to support the post-pandemic recovery and strengthen social safety nets. In this context, as the pandemic subsides, implementing programmed tax revenue measures, advancing the electricity tariff reform, and prudent public investment planning and management are critical. Commitment to the recently-adopted rule-based FX intervention policy (prior action) will allow greater exchange rate flexibility and help preserve external buffers. Reimbursement of central bank lending to the government will be essential in keeping inflation at moderate levels. Strengthening the anti-corruption framework and promoting access to credit will foster governance and private sector development.

**Staff views.** In view of the satisfactory program performance and supplementary actions, staff supports the authorities' request for completion of the fifth and sixth (and last) reviews under the ECF arrangement and for waivers of nonobservance. This would result in the disbursement of SDR 34.426 million and catalyze donor support.

## CONTEXT AND BACKGROUND

**1. The 2017-20 Extended Credit Facility (ECF) arrangement has provided Guinea with an important policy anchor.** Although the country has been affected by social unrest—with protests against the lack of jobs and public services, and the modification of the constitution that allowed President Conde to run for a third term—progress has been achieved in key program objectives<sup>1</sup>, with growth averaging over 5 percent and inflation below 10 percent over the program period, and the incidence of multidimensional poverty declining from 36.3 percent in 2012 to nearly 31 percent in 2018-19. The fourth ECF review was completed by the IMF Executive Board on April 1, 2020. The fifth review was postponed due to the pandemic, and emergency financing under the Rapid Credit Facility (RCF) was approved in June 2020 (50 percent of quota, 1 percent of GDP) to support the authorities' response to the pandemic.

**2. To contain the pandemic, the authorities are implementing a comprehensive Response Plan (Annex 1).** Since March 2020, the outbreak spread throughout the country, with cases exceeding 12,000 at end-October (Figure 1). The authorities closed land and aerial borders, restricted movements within the country, suspended public events, and established a night curfew in Conakry. The Response Plan, worth 1.8 percent of GDP, aims at strengthening infrastructure in the health sector, protecting the most vulnerable, and supporting the private sector, with international financial support, including from



the World Bank, African Development Bank, European Union, and the IMF. Guinea also joined the G20 Debt Service Suspension Initiative and is one of the largest beneficiaries of the Catastrophe and Containment Relief Trust (CCRT) debt relief. Meanwhile, the central bank (BCRG) appropriately lowered its policy rate, reduced reserve requirements to support liquidity in the banking sector and introduced other regulatory measures to support the financial sector.

**3. President Condé won a third term in the presidential elections held on October 18.** The elections were marked by heightened tensions, as the opposition had rejected the March 2020 constitutional amendments that entitled the president to run for a third term. After the electoral commission announced the provisional results, there were episodes of violence and casualties. However, the situation has improved as the Constitutional Court validated the results, following complaints against the results filed by the opposition parties' candidates.

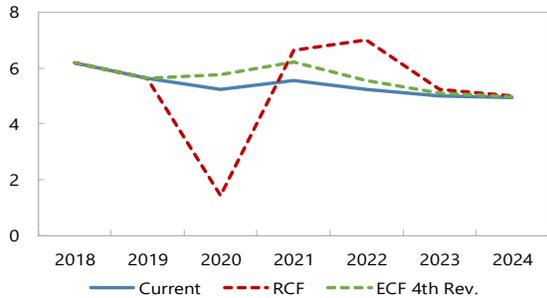
<sup>1</sup> Main program objectives include strengthening macroeconomic resilience; scaling-up growth-supporting public investment in infrastructure while preserving debt sustainability; strengthening social safety nets; and promoting private sector development.

**Figure 2. Guinea: Real Sector Indicators**

**Real GDP Growth**

(Percent)

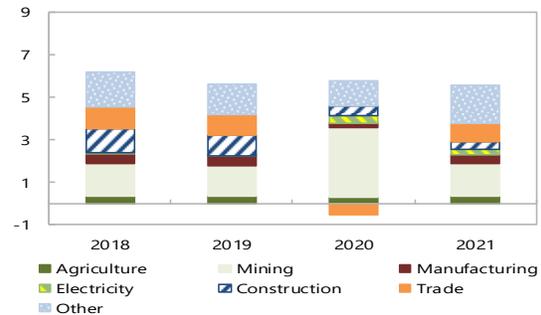
GDP growth has rebounded compared to the RCF projections...



**Contribution to Real GDP Growth**

(Percent)

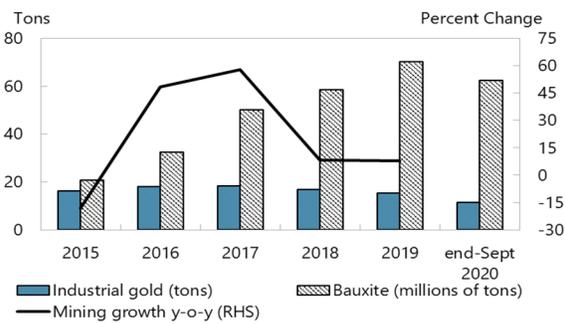
...because the impact of COVID-19 is lower than projected in the mining sector...



**Mining Growth and Production**

(Tons; Millions of tons; percent change)

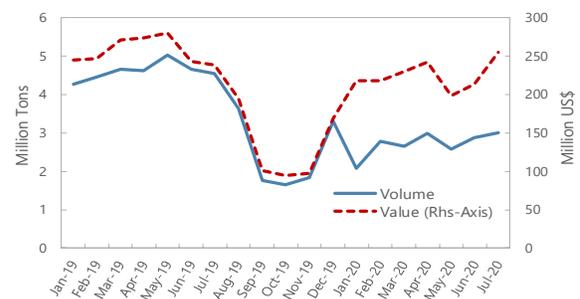
...particularly in the bauxite sector...



**Bauxite Exports to China**

(Millions of tons; Millions of US\$)

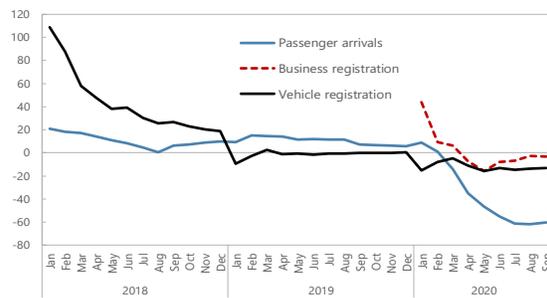
...on the strength of Chinese demand.



**Selected Indicators of Non-Mining Activity**

(Cumulative Percent, Year-on-year)

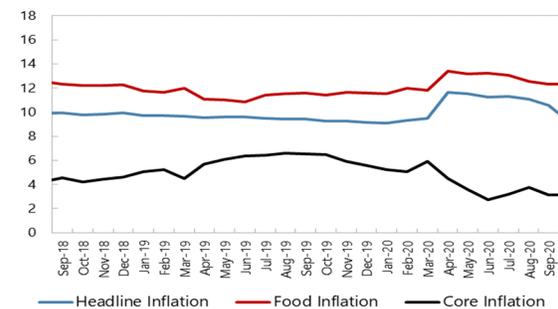
However non-mining remains heavily impacted by COVID-19.



**Inflation**

(Percent, Year-on-year)

Headline inflation rose with the pandemic, with food prices rising faster than other consumer goods.



Sources: Guinean authorities; and IMF staff estimates, and General Administration of Customs, China.

**12. Staff supports the authorities' request for waivers for the missed PC on the basis of the corrective actions following their response to the exogenous shock.** The authorities rightly reached out to development partners to help finance their response plan and thus reduce recourse to central bank advances; they also reallocated spending towards health and mitigation measures; and committed to bring back net credit to government from the BCRG below to the statutory limits by end-December. They submitted to Parliament a 2020 supplementary budget and are expected to submit a 2021 budget before the Board meeting in line with program objectives. The BCRG also committed to issuing sterilization instruments to bring reserve money growth rate to about 15 percent by end-December, in line with program objectives.

**13. The focus on the emergency response derailed the structural agenda, with most structural benchmarks (SBs) missed (Table 11).** Electricity tariffs could not be raised in June 2020 as planned due to the pandemic. The missed SB on the publication of the asset declaration form was completed with delay in November 2020 (prior action). The delayed finalization of the PIM manual is now expected for December 2020. The continuous SB on new or renewed mining agreements was met.

## PRESERVING MACROECONOMIC STABILITY

*The discussions focused on ensuring an appropriate policy response to the pandemic in 2020, securing commitments to fiscal adjustment over the medium term, preserving external buffers by allowing greater exchange rate flexibility, and progressing on outstanding structural reforms.*

### A. Fiscal Policy

#### *Responding to the Crisis in 2020*

**14. The basic fiscal balance was relaxed by close to 3 percentage points of GDP to accommodate the response to the COVID-19 pandemic (Text Table 2).** From a projected 0.6 percent of GDP surplus at the time of the 4<sup>th</sup> review the basic fiscal balance is now projected at -2.3 percent of GDP. The widening reflects additional crisis spending and revenue measures worth 1.8 percent of GDP, together with a 1.2 percent of GDP revenue shortfall resulting from weaker growth and constrained tax collection capacity. Spending reallocations from capital

	4th review (Pre-crisis)	RCF	Current
<b>Revenues and grants</b>	<b>15.2</b>	<b>13.7</b>	<b>14.7</b>
Revenues	14.1	12.3	12.7
<i>of which covid-response</i>		0.20	0.24
<b>Expenditures &amp; net lending</b>	<b>18.2</b>	<b>17.3</b>	<b>18.3</b>
<b>Current expenditure</b>	11.3	12.4	13.5
<i>of which covid-response</i>		0.72	0.93
Personnel	3.6	3.8	3.8
Goods and services	3.4	3.6	3.5
Subsidies and transfers	3.7	4.3	5.3
<b>Capital expenditure</b>	<b>6.8</b>	<b>4.9</b>	<b>4.7</b>
<i>of which covid-response</i>		0.57	0.54
<i>Other covid measures (arrears repayments)</i>		0.02	0.05
Total Covid measures		1.5	1.8
Overall balance	-3.0	-3.7	-3.6
<b>Basic balance</b>	<b>0.6</b>	<b>-2.0</b>	<b>-2.3</b>

Sources: Guinean authorities and IMF staff calculations.

**17. Guinea has succeeded in mobilizing external support to finance the COVID response.**

Multilateral institutions provided program grants and loans, including the IMF through the RCF. Furthermore, debt relief and suspension in the form of the Fund's CCRT and the Debt Service Suspension Initiative supported by the G20 and the Paris Club are providing additional fiscal space for the authorities to carry out their measures to mitigate the crisis' impact (text table 4). Altogether, the external support for the pandemic response is projected to reach 2.5 percent of GDP.

**Text Table 4. Guinea: Pandemic Financing for 2020**

	USD Millions	% of GDP
<b>External budget support (grants &amp; loans)</b>	<b>381</b>	<b>2.5</b>
<b>Grants</b>	<b>110</b>	<b>0.7</b>
World Bank (Covid Emergency DPO)	41	0.3
World Bank (Social Protection COVID)	39	0.3
African Development Bank	4	0.0
IMF CCRT	25	0.2
<b>Loans</b>	<b>271</b>	<b>1.8</b>
World Bank (Covid Emergency DPO)	41	0.3
IMF (Rapid Credit Facility)	149	1.0
Islamic Development Bank	20	0.1
African Development Bank	29	0.2
G20 DSSI /1	32	0.2

Source: Guinean authorities and IMF staff calculations.  
1/ DSSI provides rescheduling of debt service payments due in 2020.

**18. Short-term central bank advances were used to pre-finance the immediate pandemic response but should be repaid by year-end.** As some of the external funds were still pending in the course of 2020 while the resources were needed, the central bank advanced loans to the Treasury, resulting in elevated net borrowing, well above statutory limits (by about 1.3 percent of GDP at end-September). The authorities have committed to repay the central bank advances by the end of the year.

**19. The authorities are complying with their transparency and accountability commitments agreed at the time of the RCF.** The COVID-19 spending reports through October 2020 have been posted on the Ministry of Finance website. They have created a budgetary fund that earmarks external and domestic resources to address the pandemic. Furthermore, they established a dedicated account, as part of the Treasury Single Account (TSA), to receive and disburse COVID-19 funds. Prior to July 2020, the COVID-19 response plan was implemented through exceptional budgetary processes. In July, a decree was adopted authorizing additional budgetary resources and additional expenditures, especially COVID-19 expenditures. In response, the authorities plan to undertake a regularization of all COVID-19-related expenditures executed before the decree and have discontinued the practice of using exceptional procedures. The authorities are also publishing procurement contracts for COVID-19 related projects.<sup>3</sup> The Inspectorate General for Finance is currently conducting a verification exercise of high-risk expenditure, with the involvement of civil society organizations. In addition, the Court of Audit is expected to finalize the ex post audit of COVID spending in June 2021.

***Re-anchoring the Medium-Term Fiscal Path***

***Medium-Term Fiscal Policies to Preserve Debt Sustainability.***

<sup>3</sup>Procurement contracts and monthly execution reports can be found on the MEF website (<https://mef.gov.gn/>).

**20. The authorities' fiscal strategy for 2021 aims to support the post-pandemic recovery, while ensuring a gradual consolidation to support debt sustainability.** To that effect, they are targeting a basic balance of 0.5 percent, and an overall balance at about -2.4 percent of GDP, corresponding to an overall consolidation of 1.2 percent of GDP. Revenues are expected to recover as the pandemic tax relief measures are phased out and the non-mining economy rebounds. Expenditure is also expected to decline as the pandemic relief spending will have been terminated. Electricity sector expenditure is also expected to be reduced to pre-crisis levels as consumption levels normalize with the end of the crisis-related subsidies and the Souapiti dam ~~comes coming~~ on stream, allowing the authorities to benefit from the free trial period electricity. Subsidies and transfers should also normalize as the 2020 costs for the installation of the new assembly was a one-off expenditure. The authorities are expected to present a draft budget for 2021 to ~~p~~Parliament in line with those commitments before the Board meeting (prior action).

**21. Improving revenue mobilization, including from the mining sector, is pivotal to ensure the consolidation is successful and create fiscal space for priority spending.** The authorities have reiterated their commitment to continuing work to implement the tax policy and revenue administration measures agreed during the 4<sup>th</sup> ECF review. In the application of the plan, it is essential to explore ways to mobilize revenues from artisanal gold production and keep tax exemptions to the minimum. To that effect, the General Tax Code is being revised, with IMF support. Work is ongoing to adopt a new automatic petroleum price adjustment mechanism, better tailored to Guinea's fragile social context, following IMF TA support. Furthermore, applying the tax provisions of the 2013 Mining Code to new mining contracts remains fundamental to ensure Guinea benefits from its mineral wealth, minimizing exonerations, exemptions and grandfathering. Work also needs to continue to minimize profit shifting from transfer pricing (Annex 2). On the revenue administration front, Guinea should continue to invest in digitalization, business continuity planning, and risk-based compliance management processes.

**22. To preserve a moderate risk of debt distress, the authorities have committed to reducing and rephasing their externally financed investment plans in 2021 and in the medium term compared to before the crisis.** The revised investments still constitute a significant expansion from the past (a one-third increase from 2020 and 2021, with further increases in the subsequent years), but are more realistic given existing capacity constraints. These commitments anchor the results of the DSA, that confirm that Guinea remains at moderate risk of external debt distress, with limited space to absorb shocks (Debt Sustainability Analysis, December 2020). Prudent external borrowing policies, including maximizing the recourse to concessional borrowing, strengthening debt management and enhancing public investment management will be key to preserving medium-term debt sustainability.

### ***Completing the Fiscal Structural Reform Agenda***

**23. The key areas include:**

- ***Improving public finance management (PFM).*** Progress has been made in some areas. Most central budgetary units' bank accounts are now included in the TSA. In addition, the authorities have implemented enhancements to the public procurement process, and a new

procurement code was instated in September. The authorities have also recently improved the recording of in-year expenditure payment arrears by adding a new functionality to the existing budget execution system. However, there are a number of areas where further work is needed, including on strengthening financial reporting and improving cash management to support transparency and accountability. The planned migration to GFS 2014 with IMF TA will support these efforts. Additional efforts are also necessary regarding debt management.

- **Improving public investment management (PIM).** The authorities have launched an electronic platform for integrated investment management, with the support of the AfDB and the UNDP. They are finalizing the preparation to adopt the manual for the preparation, appraisal and selection of public investment projects.

## B. Monetary and Exchange Rate Policies

**24. The authorities are committed to bringing down their advances from the central bank to its statutory limit by end-year.** Such repayment is critical to ensure reserve money growth, at 40 percent (y-o-y) at end-September, comes closer to program projections of around 16 percent. Furthermore, BCRG is determined to actively manage liquidity to contribute to contain the expansion of the monetary base, issuing sterilization bonds (*Titres de Régulation Monétaire*) as needed, notwithstanding the related costs for the central bank. In the current situation, the monetary base needs to be reduced by about 1.8 percent of GDP; the BCRG and the Ministry of Economy are advised to work closely to ensure that the repayment of advances and the sterilization interventions succeed in reducing the pace of reserve money growth. The excess liquidity situation in the banking sector is likely to avail the necessary financing. Going forward, the authorities remain committed to containing central bank financing, which is essential to ensure single digit-inflation.

**25. Staff welcomes progress in implementing the rule-based intervention strategy for the central bank in foreign exchange markets (Annex 4).** The completion of this prior action caps a gradual process of increased exchange rate flexibility over the course of the ECF arrangement. The rule-based policy will limit the BCRG's discretion by conditioning its interventions on exchange rate developments in the interbank market. This mechanism was enabled by the installation of an electronic trading platform, with the financial support of the African Development Bank. By limiting the BCRG's FX sales, the new policy will also preserve the central bank's strengthened international reserves position, which has improved substantially over the course of the ECF arrangement (from US\$686 million at end-2017 to US\$1,245 million projected at end-2020).

**26. A safeguards assessment has been initiated in the context of the recent disbursement under the RCF.** Progress in addressing the recommendations from the 2018 assessment has been mixed and steps are needed to address the outstanding issues. These include: finalizing the external audit of foreign exchange reserves at end-June 2020, conducting a review of currency operations, strengthening internal audit capacity, and improving Audit Committee oversight. Separately, the revision of the BCRG law has been initiated and is expected to be completed by April 2021.

**Table 3b. Guinea: Fiscal Operations of the Central Government,<sup>1</sup> 2017–25**  
(Percent of GDP, unless otherwise indicated)

	##	2017	2018	2019	2020			2021	2022	2023	2024	2025
		Act.	Act.	Act.	Prel.	4th Rev.	RCF	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Total revenue and grants</b>	##	<b>15.3</b>	<b>14.5</b>	<b>14.1</b>	<b>15.2</b>	<b>13.6</b>	<b>14.8</b>	<b>14.4</b>	<b>15.1</b>	<b>15.7</b>	<b>16.1</b>	<b>16.4</b>
Revenue	##	13.7	13.1	13.7	14.1	12.3	12.7	13.4	14.2	14.8	15.2	15.6
Tax revenue	##	13.2	12.4	12.5	13.5	11.6	12.0	12.7	13.4	13.9	14.2	14.4
Mining sector	##	2.3	2.6	1.9	2.5	1.4	1.5	1.6	1.9	2.0	2.1	2.2
Non-mining sector	##	11.0	9.8	10.7	11.0	10.2	10.6	11.0	11.5	11.9	12.1	12.3
Direct taxes	##	2.4	2.1	2.0	2.2	2.1	2.2	2.4	2.4	2.4	2.4	2.4
Indirect taxes	##	8.6	7.7	8.6	8.8	8.2	8.4	8.7	9.1	9.5	9.7	9.9
Taxes on goods and services	##	5.8	5.3	6.0	6.2	5.7	6.2	6.2	6.4	6.5	6.6	6.7
Taxes on international trade	##	2.8	2.3	2.6	2.6	2.5	2.2	2.5	2.7	3.0	3.1	3.2
Non-tax revenue	##	0.5	0.7	1.1	0.7	0.7	0.7	0.7	0.8	0.9	1.0	1.1
Grants	##	1.5	1.4	0.5	1.1	1.3	2.1	1.0	0.9	0.9	0.9	0.9
Project grants	##	1.0	1.0	0.3	0.6	0.7	0.8	0.5	0.5	0.4	0.4	0.4
Budget support	##	0.5	0.4	0.2	0.4	0.7	1.2	0.5	0.4	0.4	0.4	0.4
Other earmarked grants	##	0.0	0.0	...	...	...	...	...	...	...	...	...
<b>Expenditures and net lending</b>	##	<b>17.3</b>	<b>15.6</b>	<b>14.6</b>	<b>18.2</b>	<b>17.3</b>	<b>18.3</b>	<b>16.8</b>	<b>17.4</b>	<b>17.9</b>	<b>18.2</b>	<b>18.7</b>
Current expenditures	##	11.5	10.6	10.9	11.3	12.4	13.5	11.4	11.3	11.2	11.4	11.4
Primary current expenditures	##	10.6	9.8	10.5	10.7	11.7	12.6	10.5	10.3	10.2	10.4	10.4
Wages and salaries	##	3.6	3.8	3.5	3.6	3.8	3.8	3.6	3.6	3.5	3.6	3.6
Goods and services	##	3.6	3.1	3.4	3.4	3.6	3.5	3.2	3.2	3.2	3.3	3.3
Subsidies and transfers	##	3.3	2.9	3.6	3.7	4.3	5.3	3.6	3.5	3.5	3.5	3.5
EDG	##	...	0.8	1.7	1.7	1.8	2.3	1.4	1.1	0.9	0.7	0.6
Subsidies	##	...	...	1.6	1.4	1.5	2.0	1.4	1.1	0.9	0.7	0.7
Guarantee Fund	##	...	...	0.1	0.3	0.3	0.3	...	...	...	...	...
other subsidies and transfers	##	...	2.0	1.9	2.0	2.5	3.0	2.2	2.4	2.6	2.8	2.9
Interest on debt	##	0.9	0.8	0.5	0.7	0.7	0.9	0.9	0.9	1.0	1.0	1.0
Domestic debt	##	0.7	0.5	0.3	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
External debt	##	0.2	0.3	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.3
Capital expenditure	##	5.7	4.9	3.6	6.8	4.9	4.7	5.3	6.0	6.7	6.7	7.2
Domestically financed	##	3.4	1.9	2.2	2.2	1.9	1.6	1.6	2.3	2.8	3.3	3.8
Investment (central budget exec.)	##	3.4	1.9	2.2	2.1	1.9	1.6	1.6	2.3	2.8	3.3	3.8
Local Development Fund	##	...	...	0.3	0.4	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Capital transfers	##	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Externally financed	##	2.3	3.0	1.4	4.7	2.9	3.1	3.7	3.7	3.9	3.4	3.3
Net lending	##	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Basic fiscal balance<sup>2</sup></b>	##	<b>-1.1</b>	<b>0.8</b>	<b>0.6</b>	<b>0.6</b>	<b>-2.0</b>	<b>-2.3</b>	<b>0.5</b>	<b>0.8</b>	<b>1.0</b>	<b>0.7</b>	<b>0.5</b>
Overall balance	##	-3.6	-2.5	-0.9	-4.1	-5.0	-5.6	-3.4	-3.1	-3.2	-3.0	-3.1
Excluding grants	##	-2.1	-1.1	-0.5	-3.0	-3.7	-3.6	-2.4	-2.2	-2.3	-2.1	-2.2
Including grants	##	0.6	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float	##	2.1	0.4	0.6	3.0	1.3	3.3	2.4	2.2	2.3	2.1	2.2
<b>Financing</b>	##	<b>1.2</b>	<b>-1.5</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-0.1</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-0.5</b>	<b>-0.3</b>	<b>-0.2</b>
Domestic financing	##	1.4	-0.9	0.9	0.1	0.3	0.8	0.7	0.3	-0.0	-0.0	-0.0
Bank financing	##	0.5	-1.9	-0.2	-0.2	-0.1	0.3	-0.2	-0.2	-0.1	-0.1	-0.1
Net position at central bank	##	0.9	1.0	1.1	0.3	0.4	0.5	0.9	0.4	0.1	0.1	0.1
Commercial banks	##	-1.2	-0.9	-0.9	-0.8	-0.8	-0.8	-1.0	-0.6	-0.5	-0.2	-0.1
Nonbank financing	##	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization/revenue	##	-1.3	-0.9	-0.9	-0.8	-0.8	-0.8	-1.0	-0.6	-0.5	-0.2	-0.1
Borrowing/Amortization of domestic debt (net)	##	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other / Exceptional revenue	##	0.9	0.2	-1.1	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Change in arrears	##	0.9	0.2	-1.1	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
External financing (net)	##	0.9	2.0	1.7	3.7	1.9	3.4	2.7	2.6	2.8	2.4	2.5
Drawings	##	1.3	2.5	2.2	4.3	2.5	3.0	3.4	3.4	3.7	3.2	3.1
Project <sup>4</sup>	##	1.3	2.1	1.1	4.0	2.3	2.3	3.2	3.2	3.4	3.0	2.9
Program	##	0.0	0.5	1.1	0.3	0.3	0.7	0.2	0.2	0.2	0.2	0.2
Amortization due	##	-0.4	-0.6	-0.5	-0.6	-0.6	-0.5	-0.8	-0.8	-0.8	-0.7	-0.7
Debt relief	##	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
Change in cap. arrears (- = reduction)	##	-0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in int. arrears (- = reduction)	##	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non Paris Club bilateral rescheduling	##	0.1	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	0.0
RCF Disbursement <sup>3</sup>	##	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Financing gap	##	0.0	0.0	0.0	0.0	2.4	0.3	0.0	0.0	0.0	0.0	0.0
Anticipated financing	##	0.0	0.0	0.0	0.0	1.7	0.3	0.0	0.0	0.0	0.0	0.0
IMF	##	0.0	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0
CCRT Debt Relief <sup>5</sup>	##	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
RCF Disbursement <sup>3</sup>	##	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
G-20 Debt Service Suspension Initiative	##	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0
World Bank	##	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
African Development Bank	##	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	##	0.3	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>												
Primary fiscal balance	##	-1.1	-0.3	-0.0	-2.4	-3.0	-2.7	-1.5	-1.3	-1.3	-1.1	-1.2
Nominal GDP (GNF billion)	##	93,942	109,761	126,707	144,980	139,446	146,179	166,696	189,231	214,730	242,947	274,863

Sources: Guinean authorities; Fund staff estimates and projections.

<sup>1</sup> Based on GFSM 1996 due to data availability limitations.

<sup>2</sup> Total revenue excluding grants minus expenditures excluding interest on external debt and foreign-financed capital expenditures.

<sup>3</sup> The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

<sup>4</sup> The Souapiti dam loan is not included in the public investment of the central government as it will be carried out by an SPV that is not considered as part of the central government.

<sup>5</sup> In accordance with standard practice, RCF projected disbursements, reported at the time of the RCF staff report as anticipated financing, have been reclassified as external financing.

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

<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		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
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>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
<sup>1</sup> <a href="https://www.bcr-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/">https://www.bcr-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/</a>			
<sup>2</sup> The asset declaration form is available at <a href="http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/">http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/</a> .			

**Table 2. Guinea: Prior Actions and Structural Benchmarks Under the ECF Arrangement, 2019–20**

<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		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
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>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
1/ <a href="https://www.bcr-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/">https://www.bcr-guinee.org/instruction-instituant-des-encheres-dachat-ou-de-vente-de-devises-a-la-bcrg/</a> 2/ The asset declaration form is available at <a href="http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/">http://www.ccomptes.org.gn/institutions-associees/declaration-dactifs-de-biens-ou-de-patrimoine/</a> .			

## Attachment II. Technical Memorandum of Understanding

November 23, 2020

1. **This memorandum sets out the understandings between the Guinean authorities and IMF staff regarding the definitions of the quantitative performance criteria and indicative targets for the ECF arrangement.** It also sets out the content and frequency of data reporting to IMF staff for program monitoring purposes.
2. **The quantitative performance criteria, indicative targets, and test dates are detailed in Table 1 of the Memorandum of Economic and Financial Policies (MEFP), attached to the Letter of Intent dated November ~~x23~~, 2020.** For data reporting purposes, the Guinean authorities will follow the rules and the format considered appropriate for data reporting as covered by this technical memorandum of understanding, unless otherwise agreed with IMF staff.
3. **For program purposes, all assets, liabilities, and flows denominated in foreign currency at the Central Bank will be valued at the “program exchange rate” as defined below, with the exception of items affecting the government’s budgetary accounts, which will be measured at current exchange rates.** For program purposes, the exchange rate corresponds to the accounting exchange rate of the GNF prevailing on December 31, 2016, as shown in the table below. The SDR to US\$ exchange rate will be based on World Economic Outlook (WEO) projections. Gold holdings of the BCRG will be valued at the gold price in effect on December 30, 2016 US\$1159.10 per oz.

<b>Program Exchange Rates, Guinean Franc per Foreign Currency and Gold Price<sup>1</sup></b>	
Gold bullion LBM US\$/troy ounce <sup>2</sup>	1159.10
Euro to US\$ exchange rate	0.95
Yen to US\$ exchange rate	116.80
Sterling UK to US\$ exchange rate	0.81
Yuan to US\$ exchange rate	6.95
Guinean Franc to US\$ exchange rate	9225.31
Guinean Franc to SDR exchange rate	12362.72
Source: IMF (International Financial Statistics). <sup>1</sup> Rates and prices as of end-December 2016. <sup>2</sup> LBM connotes London Bullion Market.	