APPENDICES

RECENT DEVELOPMENTS AND PROGRAM PERFORMANCE

1. **The socio-political environment was difficult for much of 2013, but was improving towards the end of the year**. Disputes between the government and opposition parties about the preparations for the often-delayed legislative elections persisted for much of 2013, spilling over into civil disturbances. Ultimately, the elections were successfully held in September, reducing political tensions, and a new National Assembly was inaugurated on January 13, 2014, marking the end of the transition period after the 2009–10 military regime. On January 20, the President nominated a new government; key economic ministers of the previous government were retained, although at different posts.

2. **Economic activity slowed in 2013 (Figure 1**; **Tables 1–4**; **MEFP ¶1)**. The economy suffered from a sharp pull-back of investment in the mining sector, notably in the large-scale Simandou iron ore project (Box 1) and the continued closure of the Friguia alumina refinery. Moreover, the difficult socio-political environment in the run-up to the elections dampened activity in the tertiary sector. As a result, economic growth is estimated to have fallen from close to 4 percent in 2012 to 2 ½ percent in 2013, well below the initial program projection. Inflation resumed its downward trend in the second half of the year, falling to 10.5 percent year-on-year at end-2013, close to the program target of 9.7 percent. The exchange rate was broadly stable over 2013 and international reserves are estimated to have remained comfortable at over 3 months of imports.

3. **Large shortfalls in revenue and budget support complicated fiscal policy management, but adjustment efforts are estimated to have kept the basic balance deficit on target (Figure 2; MEFP ¶¶3–5)**. Revenue is estimated to fall short of the initial target by more than about 2 percent of (initially projected) GDP by end-2013, owing to the unanticipated slowdown in economic activity, collection difficulties because of the civil disturbances, and a decline in revenues from industrial gold mining. Also, fuel tax revenues were lower than expected because the government decided not to implement the automatic pricing mechanism for petroleum products owing to the difficult socio-economic environment; tax rates were lowered to cover the gap between costs and pump prices. Budget support fell short by 0.7 percent of GDP owing to the delayed disbursement of part of a grant from Abu Dhabi for which disbursement conditions were not met.

4. **To offset the shortfall in resources expenditures were reduced**. The wage bill was reined in as the government delayed the third round of the civil service wage increase agreed in 2012 and the introduction of special wage scales for certain job streams, while new recruitment was postponed. As a result, and implemented through cash-based expenditure management, spending on ages and goods and services is expected to be considerably below target. Domestically-financed investment is expected also to be below target: in the first half of the year, capacity constraints in completing the procurement process for new projects resulted in sharply lower investment than anticipated and in a small surplus in the basic balance deficit versus a projected deficit of 1 percent of GDP. Investment accelerated in the second half of the year as projects took off, but the authorities maintained a cautious approach in order to stay within the budget's deficit target.

Furthermore, a planned recapitalization of the central bank was postponed to 2014. These adjustments were partly offset by higher spending on elections (0.4 percent of GDP) and larger than expected subsidies to the public electricity company (EDG) (0.6 percent of GDP), including the clearing of EDG's supplier arrears (0.4 percent of GDP) through issuing 2 -year bonds. As a result, the basic balance deficit is expected to be 2.6 percent of GDP for 2013, well below the target of 3.3 percent, and net bank financing is expected to be avoided except for the use of deposits from the exceptional 2011 mining revenues.

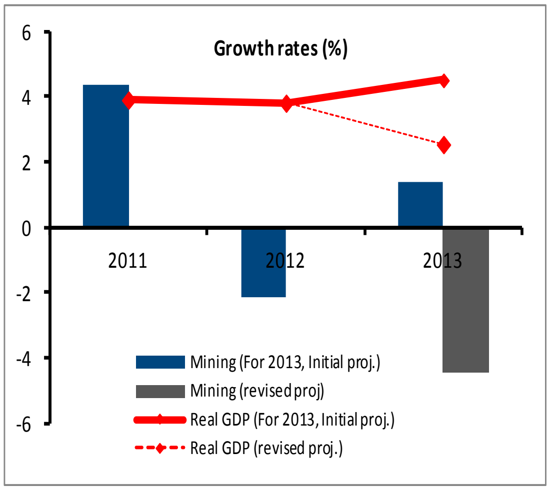
5. Monetary and exchange rate policy contributed to further reducing inflation and maintaining international reserves at a satisfactory level (Figure 3; MEFP ¶6). As inflation declined, the central bank (BCRG) eased its policies somewhat. In February 2013, the BCRG reduced its policy rate—which mainly plays a signaling role—from 22 percent to 16 percent. When inflation continued to decline and with increasing liquidity constraints in the banking sector, it reduced the reserve requirement ratio—its only other active instrument—from 22 percent to 20 percent on December 6. The interest rate on treasury bills, which had increased to 16 percent during the year, fell to about 12 percent by year-end. In response to some appreciation of the exchange rate, the central bank reduced its sales in the weekly foreign exchange auctions from $5 million to $2.5 million, starting in April; by year-end the appreciation was reversed. Bank credit to the private sector is estimated to have grown by about 24 percent during 2013 and broad money by about 13 percent.

6. Program performance was satisfactory with all key quantitative program targets for June and September having been met (MEFP ¶¶2 and 5). All end-June performance criteria (PCs) under the ECF-supported program were met by large margins (Table 5). All but one of the indicative targets for end-September 2013 were also met. Because of the cutbacks in investment spending, the indicative targets on expenditure in priority sectors for June and September were missed. Preliminary data indicate that the end-year PCs would also be met.

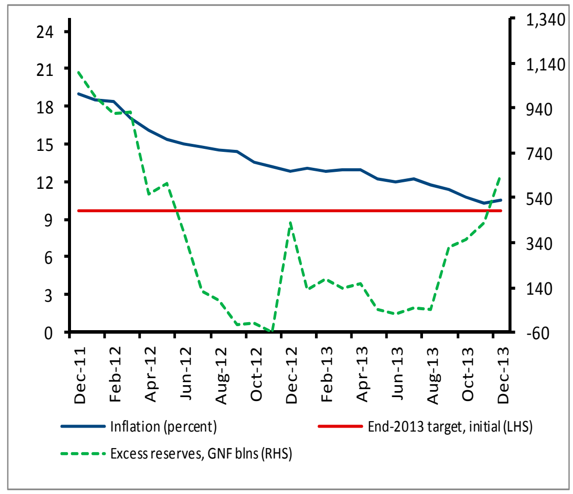
7. Implementation of structural reforms was slower than envisaged, although the authorities continued to make progress (MEFP ¶7–8; Table 2). The slow progress on the broad and ambitious reform agenda was due to capacity constraints, and the need for additional technical assistance, but also to a weakening of policy coordination and the difficult political and social environment. The electricity sector proved to be particularly problematic: electricity shortages persisted, and although an action plan to reform EDG was adopted early in the year, major progress is expected to only begin later in 2014. Three out of the twelve program structural benchmarks (SBs) for 2013 were met on time—appointment of the liquidator for BADAM, adoption of a reform plan for the energy sector, and adoption of the governance structure of the Special Investment Fund. A further two were recently completed or partially completed: the draft law on tax and customs exemptions was submitted to, and adopted by, parliament in December 2013 and the authorities adopted (but not yet published) the implementing texts for the 2011 mining code and the standard mining convention. A new automatic adjustment mechanism for fuel prices is expected to be implemented early in February and a further three measures are expected to be completed during the first half of 2014. The remaining three measures will require additional technical assistance and are reprogrammed for completion later in 2014.

Figure 1. Guinea: Recent Economic Developments

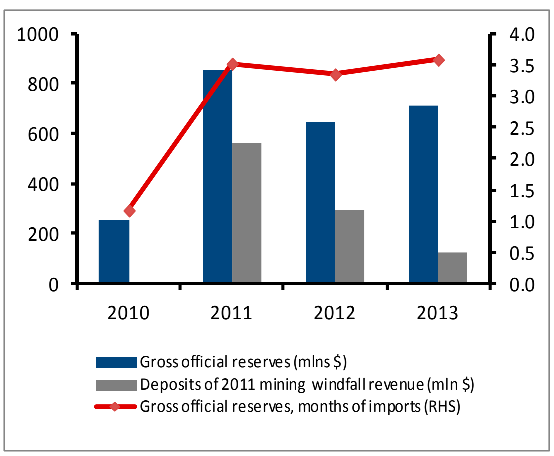
Real GDP growth is expected to be lower than projected for 2013, driven by a sharp contraction in the mining sector and by political instability.



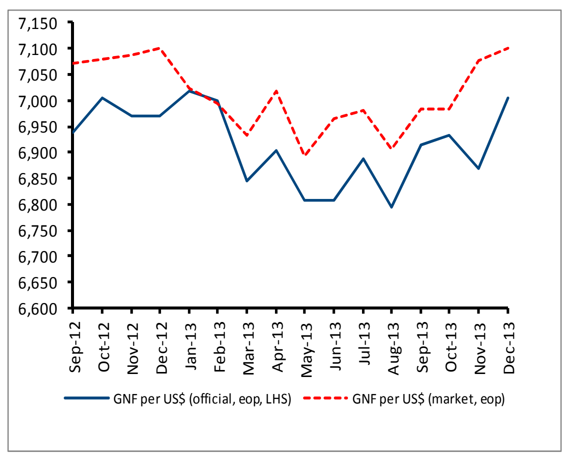
Inflation declined to 10.5 percent y-o-y by end-2013



Reserves increased, and are estimated to cover more than 3.5 months of imports by end-2013, due to weaker demand for imports and despite the drawdown of the 2011 mining windfall revenue.



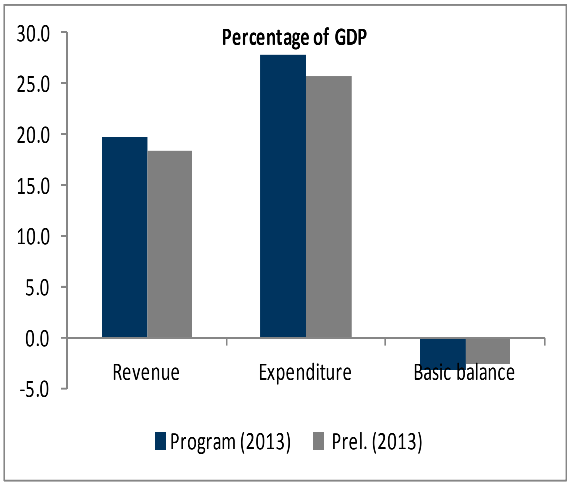
The exchange rate has remained broadly stable over 2013.



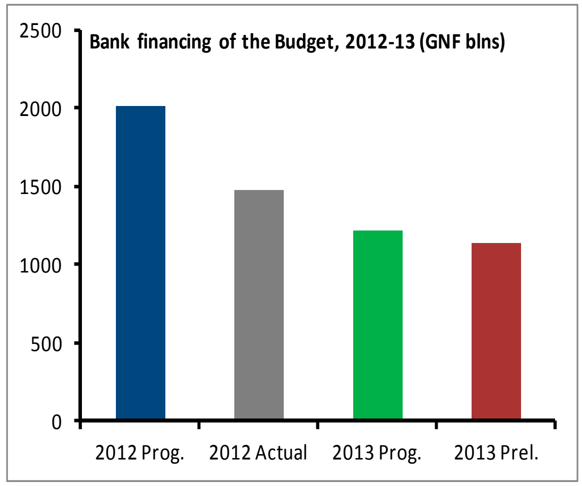
Sources: Guinean authorities; and IMF staff.

Figure 2. Guinea: Recent Fiscal Developments

The weaker-than-envisaged revenue collection in 2013 was more than offset by lower spending ....



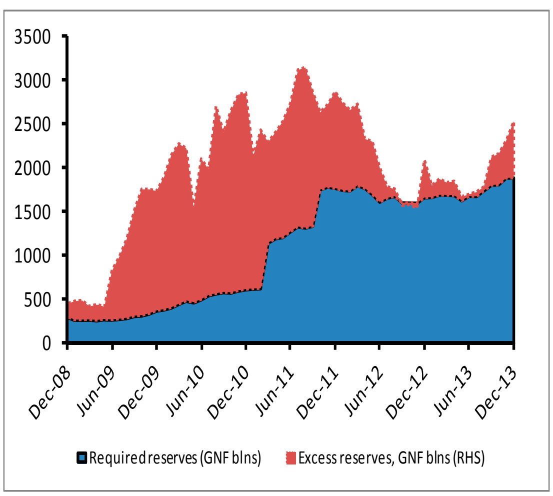
...leading to lower than-targeted domestic bank financing reflecting less use of the 2011 mining windfall revenue.



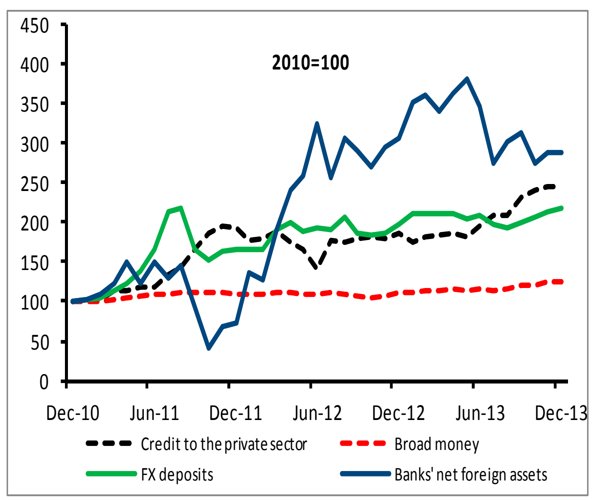
Sources: Guinean authorities; and IMF staff.

Figure 3. Guinea: Recent Monetary Developments

Banks' liquidity was tight.



Credit to the private sector went up while broad money stayed flat. After having soared in H1, banks' NFA declined in H2, partly reflecting lower artisanal gold sales.



Sources: Guinean authorities; and IMF staff.

THE PROGRAM FOR 2014

A. Economic Outlook and Risks

8. The macroeconomic outlook for 2014 and the medium term are positive (MEFP ¶10 and Box 1). The authorities project growth to rebound to 4.5 percent in 2014, assuming a stable socio-political environment, an increase in electricity supply, and an acceleration of investment in the mining sector; public sector investment is also projected to increase sharply, including under donor-financed projects. Over the medium term, the mining sector would contribute strongly to growth: work on the Simandou project is assumed to resume gradually during 2014 following the planned completion of the investment framework during the first quarter of the year (Box 1), and implementation of other planned investments, especially in the bauxite/alumina sector; the timing of these investments is uncertain, but some are expected to begin in 2014.[1] Inflation is projected to decline to 8.5 percent and gross official reserves are targeted to remain at least equivalent to 3 months of imports.

9. Risks to the outlook stem mainly from the mining sector and from domestic factors (Table 6). A key risk to the outlook are further delays in mining investments, which could come from further delays in completing the investment framework for the Simandou project or from a weak international recovery, especially a sharp slowdown in China, which could dampen future demand for iron ore and bauxite. Renewed political instability, e.g. related to possible municipal elections in 2014, could curtail private sector activity. These risks are mitigated by the recent adoption of the implementing texts of the 2011 mining code, clarifying the investment environment for the mining sector; joint teams between the government—supported by donor-financed legal assistance—and Rio Tinto should help ensure timely completion of the Simandou project's investment framework. To mitigate fiscal risks, the government will closely monitor revenue developments and continue to manage expenditure on a cash basis (see paragraph 13).

Box 1. Guinea: The Simandou Iron Ore Project

In April 2011, the government and Rio Tinto (RT) signed an agreement to un-block progress in the Simandou iron ore project that had been under development by RT since 1996. The project includes the SIMFER mining project and an infrastructure project, consisting of a railway of 670 km to transport the iron ore from the south-east of the country to the coast and a deep-water port; the potential costs of the two projects are estimated to be in the order of $18–20 billion (roughly 1/3 for mining and 2/3 for infrastructure). The construction and future exploitation of the mine is implemented by a RT-led joint venture (SIMFER), including Chinalco, the International Finance Corporation (IFC), and the government.

[1] Possible medium-term investment in mining projects other than Simandou amounts to some $25 billion (350 percent of estimated 2013 GDP) (MEFP, Box 1).

Box 1. Guinea: The Simandou Iron Ore Project (concl.)

Following completion of preparatory work during the third quarter of 2012, further investment was delayed against the background of a deteriorating medium-term outlook for the international iron ore market and pending agreement on the legal investment framework. In early 2013, joint government-RT teams were set up to facilitate agreement on the framework.

In August 2013, the parties announced substantial progress on the key principles for the investment framework, including a timetable for the project. Main elements of the framework include:

1. The basic mining convention ("*convention de base*"), including the provisions of the April 2011 agreement ("*accord transactionnel*").
2. A build-operate-transfer (BOT) agreement covering the infrastructure project. The government decided it would not be a shareholder in the infrastructure company nor would it directly finance the project. Nevertheless, the government would be represented on the board of the infrastructure company with voting rights, and with the other SIMFER partners would help finding the needed financing.
3. An agreement on the principles on which tariffs would be set for the use of the infrastructure by SIMFER and possible other users, and the conditions under which other users could have access to the infrastructure.

In light of the size of the project, the government would take regulatory and administrative measures to facilitate its implementation. These would include the creation of a "one-stop" unit charged with addressing all regulatory and administrative requirements.

The investment framework is expected to be submitted to parliament in the coming months. On this basis, work on the project would start gradually in 2014, and iron ore production could begin in 2018. During the investment phase, the main economic impact will come from construction of the railroad and port, estimated to involve more than 10,000 workers. Once production starts, employment will drop to 3,000–4,000; the project will have an ongoing impact along the transport corridor, but its main impact is expected to come through increased government revenue, after the expiration of a tax holiday of 8 years following the first year of profit.

B. Fiscal Policy

10. The fiscal policy objectives for 2014 are to create fiscal space to allow for an increase in investment, while consolidating macroeconomic stability (MEFP ¶¶11–17). To this end, the government intends to strengthen revenue performance and to restrain current expenditures. Revenue is expected to increase from an estimated 18.4 percent of GDP in 2013 to 19.7 percent in 2014. Mining revenues are expected to decline, reflecting difficulties in the gold sector, which would be offset by an increase in non-mining revenues of 1.9 percent of GDP. This increase reflects:

- An increase in fuel prices by 5 percent and the introduction of an automatic price adjustment mechanism early in February 2014.[2] The authorities feel that this measure, which

[2] The government adopted the new automatic adjustment mechanism on January 27, 2014.

is projected to generate revenues of 0.7 percent of GDP for 2014, is not only important for closing the budget's financing gap, but also for shifting (tax) expenditure to the poorest in the country.

- The return to a normal situation after the disruptions in tax collection owing to the civil disturbances in 2013.

- The strengthening of the medium-sized taxpayer unit to increase tax assessments (0.2 percent of GDP); the collection of tax arrears (0.4 percent of GDP); stricter customs controls (0.3 percent of GDP); and the transfer of public resources from autonomous entities (**SB**) (0.1 percent of GDP).

Furthermore, the government is strengthening the VAT system through the introduction of a new refund system to ensure timely payments and the elimination of the outstanding stock of VAT arrears during 2014–16.

11. The 2014 budget contains overall current expenditures, despite an increase in spending in some areas, and includes a sharp increase in domestically-financed investment. The wage bill would increase (+0.2 percent of GDP) reflecting the full-year impact of the 2013 wage increase, the long-delayed introduction of special pay scales for some priority sectors, and new police recruitments. Also, to increase power supply and pending the effects of measures to improve EDG's financial situation, operating subsidies to EDG would increase by 0.4 percent of GDP, and debt service on securitized arrears requires a further 0.3 percent of GDP; the government will sign a performance contract with EDG (**SB**) to ensure that the subsidy remains within its budgeted amount and to ensure no new arrears. The second agreed recapitalization injection to the BCRG would cost 0.3 percent of GDP. Measures to restrain other spending (-1 percent of GDP compared to 2013) include a halt to new recruitment (other than for the police) pending adoption of a civil service reform plan, and holding spending on goods and services below their nominal level in 2013, reflecting efforts to reduce unproductive spending and reform public procurement. As a result, domestically-financed investment would increase by 1.8 percent of GDP compared with 2013;[3] moreover, externally-financed project support would rise sharply (by 2.7 percent of GDP) in part reflecting the normalization of relations with the European Union. Additional external project support stemming from Guinea's first donor conference in many years in November 2013 would be reflected in a possible revised 2014 budget.

12. The budget's basic balance deficit would, at 2.5 percent of GDP, remain at about the same level as estimated for 2013. The budget would be largely financed from external budget grants amounting to 2.0 percent of GDP and the drawdown of the remaining balance of the 2011 exceptional revenue in the Special Investment Fund (SIF) (2.2 percent of GDP, including a 0.4 percent of GDP balance carried over from 2013). Net bank financing of the budget would be avoided, other

[3] A considerable part of investment spending concerns ongoing projects, especially for road construction, which should help avoiding delays in executing investment spending as encountered during the first half of 2013.

than stemming from the use of the SIF deposits. New exceptional mining sector revenue would be deposited in the SIF to help ensure sustained high development spending.

13. The authorities feel that the 2014 budget is realistic, but will closely monitor developments and stand ready to take measures in case of revenue shortfalls or additional expenditure requirements. First, the government has nominated a high-level technical committee that will monitor and report to the government on monthly revenue collections. Second, expenditures will continue to be managed on a cash basis to ensure that the budget's basic deficit is respected. Third, the combination of a performance contract with EDG and its continuing close supervision, including through a financial controller, aims at limiting the risk of higher-than-budgeted subsidies. Given the already tight budged for current spending in 2014, possible spending cuts, if needed, would have to come from scaling down the planned sharp increase in investment. To this end, the bulk of investment spending in the first part of the year will be on ongoing projects financed by the SIF, allowing greater flexibility to adjust spending later in the year.

C. Monetary, Exchange Rate, and Financial Sector Policies

14. Monetary policy will aim at further reducing inflation and maintaining an adequate level of international reserves (MEFP ¶¶18–19). The authorities feel that the continued decline in inflation and the adequate international reserves position indicate that there is scope for a gradual relaxation of monetary policy. However, they plan to move very gradually, and implement a further small reduction in the reserve requirement only when this is consistent with program inflation and international reserve targets. The BCRG will explore the possibility of expanding its policy toolkit to allow more market-based interventions and greater flexibility in monetary policy. It will continue weekly foreign exchange auctions while allowing the exchange rate to be market determined. To enhance the role of market forces in the foreign exchange market, the BCRG will consider an expansion of the exchange rate band. It intends to request IMF technical assistance to eliminate the multiple currency practice.[4]

15. The BCRG will continue to strengthen the soundness of the financial sector (MEFP ¶¶20–21). The minimum capital requirement for banks will be raised in three annual steps from GNF50 billion (about $7 million) at present to GNF 100 billion by June 2016. Banking supervision will continue to be strengthened with assistance from the IMF's Regional Technical Assistance Center for West Africa (AFRITAC West); the liquidation of the small agricultural bank BADAM is underway. With regard to anti-money laundering and combating the financing of terrorism, a financial intelligence unit (the National Financial Information Processing Unit (CENTIF)) is expected to become fully operational by end-May 2014. The BCRG will review its future capital needs with technical assistance from the IMF. A new central bank act is expected to be adopted in

[4] Guinea continues to have a multiple currency practice arising from the absence of a mechanism to prevent a potential deviation of the exchange rate used by the central bank for its transactions with the government from those used by the commercial banks.

2014. The BCRG is also continuing to implement the recommendations of the 2012 safeguards assessment by the IMF's Finance Department.

D. Structural Reform

16. The government places a high priority on its structural reform agenda, which underpins its goals of higher growth, poverty reduction, and reaping the benefits of its natural resources. While recognizing the delays in 2013, the government considers that its agenda for 2014 has the needed ambition to sustain the pace of reform while being realistic; it also noted the importance of timely technical assistance for achieving its agenda. Key structural reform measures for 2014 are:

- ***Modernizing and strengthening public financial management (MEFP ¶23)***. Key measures will focus on bringing public procurement in line with international standards (**SB**), better targeting and monitoring of poverty reduction spending by implementing a new budget nomenclature (**SB**); deciding the treatment for the suspense accounts for 2005–10 and producing administrative and general financial management accounts for 2011–12 (**SB**); revising relations between autonomous agencies that collect public revenue and the treasury and transferring the former's bank accounts to the Treasury Single Account (**SB**); and auditing the internal debt and establishing a calendar for payment of validated arrears (**SB**).
- ***Civil service reform (MEFP ¶24)*** aims at improving the productivity and management of the public administration and the wage bill. A civil service reform plan, prepared in cooperation with the World Bank, is planned to be adopted by end-2014 (**SB**).
- ***Improving the business climate (MEFP ¶¶25–26)***. To encourage investment, a new investment code will be submitted to Parliament in early 2014. Institutional responsibilities across government entities for promoting investment will be clarified to eliminate inefficiency. A unit for coordinating private sector reform will be created in the Ministry of Small and Medium-Sized Enterprises, and a program will be adopted for strengthening the respect of property rights and commercial contracts, and for establishing commercial courts.
- ***Mining sector: strengthening governance and promoting investment (MEFP ¶¶27–29)***. The review of all mining permits and an update of the mining cadastre are to be completed by end-2014. The government also aims to reach validation status under the Extractive Industries Transparency Initiative (EITI) by April 2014. It will adopt a new institutional structure for an appropriate role of the parastatal established to manage the State's mining sector assets (SOGUIPAMI), by end-June 2014 (**SB**).
- ***Energy sector: increasing electricity supply and restoring EDG's financial viability (MEFP ¶¶30–31)***. Key actions for 2014 include the rehabilitation of existing power generators and the addition to the grid of the generators purchased in 2012. To restore EDG's financial viability, key measures in 2014 include (i) re-establishing EDG's governance structure; (ii) continued supervision by an oversight board and a performance contract to ensure that expenditures are kept within available resources, including the budgeted subsidy; and (iii) recruitment of a management partner by end-2014 (**SB**). The authorities are also considering a gradual adjustment in tariffs, beginning in March 2014.

PROGRAM MONITORING AND FINANCING

17. Program monitoring is being strengthened *(*MEFP ¶¶36–39*)*. The capacity of the Program Monitoring Technical Unit (CTSP) in the Ministry of Economy and Finance is to be enhanced; its institutional and financial resources will be strengthened and the recruitment of national experts will start by end-March 2014 (**SB**). Guinea continues to benefit from extensive technical assistance from the IMF and other donors.

18. The PCs for end-December 2013 are unchanged. IMF staff proposes PCs for end-June 2014 and indicative targets for March, September and December 2014 (Table 5). Proposed structural benchmarks for 2014 appear in Table 3 of the MEFP.

19. The 2014 program's financing requirements are expected to be met (Table 6; **MEFP ¶¶35–36)**. The financing need is expected to be filled almost entirely by external support from official bilateral and multilateral partners. Most Paris Club creditors have signed bilateral agreements for debt relief under the HIPC initiative, as well as additional relief, and a few others are expected to be signed soon. The government has invited non-Paris Club official bilateral creditors for discussions to obtain HIPC-related debt relief, but most have not yet responded. Guinea's debt to commercial creditors is in arrears, and the government has invited them for discussions on clearing these arrears; only one of these creditors has responded so far. Staff assesses that the authorities' are making good faith efforts to reach a collaborative agreement with private creditors consistent with the Fund's lending into arrears policy. The residual balance of payments financing need is expected to be fully covered by disbursements from the IMF under the ECF arrangement.

20. To ensure external debt sustainability, the government intends to rely only on grants and concessional loans to finance its investment plan (MEFP ¶35). However, the government noted the difficulty of obtaining sufficient concessional resources, especially for large-scale projects given their limited availability. The government is implementing several measures to strengthen debt management. A National Public Debt Committee will be established in March 2014, and will submit a public debt policy to the Council of Ministers in April. A three-year action plan for further strengthening public debt management is expected to be finalized in March and the government is seeking external support for its implementation. The action plan appropriately covers technical assistance for three key needs: strengthening debt management, including formulating a medium term debt management strategy and making effective use of the national debt policy statement; reducing operational risks in debt management and servicing operations; and strengthening staff capacity. Preparation of a medium-term debt strategy will commence in 2014, for which the government will request World Bank and IMF technical assistance.

STAFF APPRAISAL

21. Macroeconomic developments in 2013 were negatively affected by two shocks. The stop on most investment in the mining sector and socio-political instability led to lower growth.

However, despite the difficult environment, the authorities continued to implement restrained fiscal and monetary policies. These supported a further decline in inflation, a stable exchange rate, and maintaining a satisfactory level of international reserves.

22. **Staff commends the authorities for implementing strong fiscal adjustment measures, notably through timely expenditure restraint and despite the difficult socio-political situation**. All PCs for end-June 2013 were met while provisional data indicates that the PCs for end-December will also be met. Moreover, following a slow start in the beginning of the year as procurement for new projects needed to be prepared, public investment was protected as much as possible while current spending was contained.

23. **The delays in implementing structural reform are unfortunate,** although several measures were implemented later while others are expected to be implemented during the first half of 2014. Guinea's prospects for achieving overall program objectives will require stronger implementation of structural reforms in the future and the staff encourages the authorities to ensure that the reform program can be achieved on time, including by strengthening coordination and monitoring, including at the level of the Council of Ministers.

24. **Macroeconomic policies for 2014 support a rebound in growth and maintaining macroeconomic stability**. Fiscal and monetary policy will help contain inflation. Staff supports a more relaxed monetary policy stance to promote private-sector growth, as well as the central bank's intention to implement this cautiously within the objectives for inflation and the level of international reserves.

25. **The planned increase in fuel prices and the introduction of an automatic price-adjustment mechanism are important measures, reducing fiscal risk and promoting pro-poor spending**. Given the still difficult socio-economic situation, it will be important for the authorities to explain the objectives of the increase to the social partners and the population at large. Staff recommends that the authorities closely monitor revenue developments, especially from the measures to strengthen revenue administration, and be ready to adjust spending through continued cash-based expenditure management in case of shortfalls.

26. **Staff welcomes the shift in the 2014 budget from current spending to investment**. The planned improvements in the infrastructure will promote private sector investment, especially in the mining and agriculture sectors. This should be complemented by continued structural reform to clarify the investment environment and to improve governance and the business climate. Strengthening public financial management, including through the rigorous implementation of the new procurement code, is important to improve efficiency and transparency in the use of public resources.

27. **Reforming the electricity sector should remain a high priority**. Staff welcomes the authorities' plans to restore the financial discipline and viability of EDG and encourages their timely and rigorous implementation; private sector involvement will be important. Efforts to increase the power supply should ease power shortages, supporting economic activity, and improving living conditions. However, staff recommends that the authorities continue to closely supervise EDG's financial management, ensuring that production remains within the limit imposed by available resources, including the budgeted subsidy, and that new supplier arrears are avoided.

28. The authorities should preserve the achievement of debt sustainability following the HIPC Completion Point. Staff welcomes the authorities' intention to rely on grants and concessional loans to finance its investment plans, and takes note of their decision not to participate directly in the infrastructure project for the Simandou iron ore project. Staff encourages the authorities' efforts to strengthen debt management.

29. Staff recommends completion of the third review under the ECF arrangement and of the financing assurances review. It recommends the setting of the proposed PCs for June 2014 and indicative targets for March, September and December 2014, and supports the authorities' request for the fourth disbursement under the ECF arrangement of an amount equal to SDR 18.36 million.

Table 1. Guinea: Key Economic and Financial Indicators, 2008–16

	2008	2009	2010	2011	2012	2013		2014	2015	2016
						Prog.	Prel.	Proj.	Proj. [3]	Proj.
	(Annual percentage change, unless otherwise indicated)									
National accounts and prices										
GDP at constant prices	4.9	-0.3	1.9	3.9	3.8	4.5	2.5	4.5	5.0	5.1
GDP deflator	14.1	6.8	20.2	19.7	13.0	9.9	6.9	6.9	7.9	7.1
GDP at market prices	19.7	6.5	22.5	24.4	17.3	14.9	9.6	11.7	13.3	12.6
Consumer prices										
Average	18.4	4.7	15.5	21.4	15.2	11.2	11.9	9.9	8.5	7.1
End of period	13.5	7.9	20.8	19.0	12.8	9.7	10.6	8.5	7.8	6.5
External sector										
Exports, f.o.b. (US$ terms)	27.2	-16.7	12.9	12.4	-2.0	0.9	-9.3	-2.8	2.2	0.9
Imports, f.o.b. (US$ terms)	12.2	-19.8	28.2	55.6	16.4	2.0	-14.7	0.4	92.6	15.0
Average effective exchange rate (depreciation -)										
Nominal index	-14.0	0.2	-17.3	-17.7	-0.8	…	…	…	…	…
Real index	-3.0	3.6	-7.3	-3.5	11.3	…	…	…	…	…
Money and credit										
Net foreign assets [1]	14.3	4.7	-5.5	40.1	-3.5	-4.1	1.4	-5.5	…	…
Net domestic assets [1]	24.7	21.2	79.9	-30.7	4.5	11.9	11.8	13.5	…	…
Net claims on government [1]	20.8	28.7	70.2	-44.8	12.9	10.7	6.8	8.3	…	…
Credit to nongovernment sector [1]	1.9	3.1	8.9	15.0	-1.1	4.1	9.0	7.7	…	…
Reserve money	13.8	81.7	73.0	-4.9	-3.1	6.1	13.9	1.2	…	…
Broad money (M2)	39.0	25.9	74.4	9.4	1.0	7.8	13.2	8.0	…	…
Interest rate (short term T-bill)	21.0	14.8	4.6	13.0	16.0	...	…	...	...	...
	(Percent of GDP)									
Central government finances										
Total revenue and grants	16.1	16.5	15.7	20.2	22.9	22.7	20.3	25.1	23.8	24.4
Revenue	15.6	16.2	15.3	16.8	20.1	19.6	18.4	19.7	20.8	21.8
Of which: nonmining revenue	12.1	12.9	11.5	12.9	16.1	15.7	14.9	16.9	17.9	18.8
Grants	0.5	0.4	0.4	3.4	2.7	3.1	1.9	5.4	3.1	2.6
Total expenditure and net lending	17.5	23.7	29.7	21.5	26.1	27.8	25.6	27.8	24.2	25.2
Current expenditure	13.4	16.5	20.5	16.3	15.9	15.6	16.1	14.9	14.7	14.6
Of which: interest payments	2.6	2.1	2.0	2.0	1.7	1.0	1.1	1.1	1.2	1.1
Capital expenditure and net lending	4.0	7.2	9.1	5.2	10.2	12.1	9.4	12.8	9.4	10.6
Overall budget balance										
Including grants (commitment)	-1.3	-7.1	-14.0	-1.3	-3.3	-5.1	-5.3	-2.8	-0.4	-0.8
Excluding grants (commitment)	-1.8	-7.5	-14.4	-4.7	-6.0	-8.2	-7.2	-8.1	-3.4	-3.4
Basic fiscal balance	1.6	-5.6	-12.6	-1.6	-2.5	-3.3	-2.6	-2.6	1.7	1.5
National accounts										
Gross capital formation	17.5	11.4	10.6	14.6	25.6	28.7	19.1	15.1	45.9	54.2
Savings	7.0	2.9	-0.9	-5.8	-7.3	3.6	-1.0	-2.9	-2.1	0.4
Current account balance										
Including official transfers	-10.6	-8.6	-11.5	-20.5	-33.0	-25.2	-20.1	-18.0	-48.0	-53.9
Excluding official transfers	-11.0	-8.6	-11.5	-22.7	-34.0	-26.8	-20.5	-19.7	-48.4	-54.2
Overall balance of payments	-0.9	5.3	-3.6	10.2	-5.8	-1.6	0.6	-1.8	1.5	-0.2
	(US$ millions, unless otherwise indicated)									
Memorandum items:										
Exports, goods and services	1,566.8	1,287.9	1,434.5	1,620.2	1,680.8	1,689.7	1,481.3	1,479.3	1,513.2	1,530.4
Imports, goods and services	1,810.4	1,427.2	1,800.4	2,757.6	3,434.6	3,242.4	2,731.7	2,726.7	5,033.8	5,765.0
Overall balance of payments	-42.4	245.9	-177.7	524.6	-325.3	-98.6	36.4	-124.8	108.9	-17.2
Net foreign assets (central bank)	-14.1	97.9	39.6	640.1	419.4	307.5	452.0	329.2	427.3	437.6
Gross available reserves (months of imports) [2]	0.6	0.8	0.6	3.5	3.4	2.9	3.6	3.2	3.0	3.1
Nominal GDP (GNF billions)	20,780	22,133	27,118	33,739	39,591	45,479	43,389	48,451	54,891	61,798

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

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

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

[3] Assumes a rapid increase in investments in the mining sector in 2015.

Table 2a. Guinea: Fiscal Operations of the Central Government, 2012–16

(Billions of Guinean francs; unless otherwise indicated)

	2012	2013						2014	2015	2016
		Jun.		Sept.		Dec.		Proj. [5]	Proj.	Proj.
	Act.	Prog.	Est.	Prog.	Est.	Prog.	Prel.			
Revenue and grants	9,047	4,730	4,262	7,175	6,527	10,328	8,788	12,142	13,082	15,092
Revenue	7,976	4,333	3,991	6,352	6,015	8,919	7,970	9,539	11,394	13,475
Mining sector	1,607	725	725	1,137	1,077	1,798	1,489	1,360	1,581	1,830
Non-mining sector	6,368	3,607	3,265	5,215	4,938	7,121	6,481	8,179	9,813	11,645
Direct taxes	1,776	1,102	869	1,430	1,200	1,718	1,478	1,894	2,221	2,538
Indirect taxes	4,217	2,295	2,200	3,492	3,450	5,009	4,634	5,939	7,190	8,643
Taxes on goods and services	2,765	1,431	1,366	2,190	2,169	3,275	2,927	3,794	4,514	5,260
Taxes on international trade	1,452	864	834	1,303	1,281	1,734	1,706	2,144	2,676	3,383
Non-tax revenue	375	210	196	293	287	394	370	346	402	464
Grants	1,071	397	271	823	512	1,409	818	2,603	1,688	1,617
Project grants	677	320	271	480	338	641	641	1,765	1,486	1,406
Budget support	394	77	0	343	174	768	177	838	202	211
Total expenditures and net lending	10,342	5,711	5,056	5,917	7,687	12,640	11,093	13,481	13,275	15,590
Current expenditures	6,291	2,985	3,133	4,849	4,809	7,106	6,993	7,212	8,066	9,027
Primary current expenditures	5,617	2,671	2,853	4,563	4,467	6,657	6,500	6,663	7,382	8,355
Wages and salaries	1,757	885	1,058	1,625	1,562	2,366	2,102	2,455	2,782	3,210
Goods and services	2,356	1,033	1,006	1,870	1,722	2,719	2,499	2,386	2,623	3,027
Subsidies and transfers	1,505	753	789	1,068	1,184	1,572	1,899	1,822	1,977	2,118
Interest on debt	674	315	280	286	342	449	493	549	684	672
Domestic debt [1]	402	186	244	230	286	373	421	434	532	501
External debt	271	128	35	56	56	76	72	115	152	171
Capital expenditures	3,801	2,446	1,914	2,355	2,868	5,165	4,090	5,971	5,094	6,433
Domestically financed	2,674	1,662	687	2,355	1,436	2,991	2,162	3,384	2,407	3,516
of which from the SIF						1,221	1,072	1,024	0	0
Capital transfers	14	8	8	12	13	16	17	30	34	39
Externally financed	1,113	776	1,219	1,163	1,420	2,158	1,911	2,558	2,653	2,878
Net lending & restructuring expenditure	251	280	9	307	9	369	9	297	115	130
Basic fiscal balance [2]	-982	-475	189	-1,115	-196	-1,486	-1,140	-1,268	924	934
Percent of GDP	-2.5	-1.0	0.4	-2.5	-0.5	-3.3	-2.6	-2.6	1.7	1.5
Overall balance, commitment basis										
Excluding grants	-2,367	-1,379	-1,066	435	-1,672	-3,721	-3,123	-3,941	-1,881	-2,115
Including grants	-1,296	-981	-795	1,258	-1,160	-2,312	-2,305	-1,338	-193	-498
Financing	1,422	981	862	1,511	1,128	1,349	2,372	1,338	193	498
Domestic financing	1,314	587	85	750	248	798	1,176	797	-438	-402
Bank financing	1,470	680	42	1,069	201	1,221	1,132	1,074	0	0
Central bank	1,865	680	57	1,069	254	1,221	1,022	1,074	0	0
Commercial banks	-395	0	-15	0	-52	0	110	0	0	0
Nonbank financing	-155	-93	43	-319	47	-423	44	-277	-438	-402
Privatization revenue	0	0	2	0	5	0	0	1	0	0
Borrowing/Amortization of domestic debt (net)	-3	0	0	-134	0	-179	200	-285	-383	-402
Change in arrears	-152	-93	42	-185	42	-244	-166	5	-55	0
Previous years	-450					-339	-339	-140	-339	-339
Current year	339					140	200	247	140	140
VAT credit	-41					-45	-27	-102	-45	-45
Exceptional revenue	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	9	2	0	0
External financing	108	395	776	761	881	551	1,197	541	631	900
Drawings	939	455	948	966	1,082	1,800	1,512	1,065	1,167	1,472
Project	436	455	948	683	1,082	1,517	1,270	792	1,167	1,472
Program	503	0	0	283	0	283	242	273	0	0
Amortization due	-1,522	-811	-179	-186	-223	-238	-341	-524	-535	-572
Debt relief	2,446	751	0	321	0	0	0	1,043	0	0
Change in arrears (- = reduction) [3]	-1,755	0	7	-340	21	-1,011	26	-1,043	0	0
Errors and omissions [4]	-127	0	-67	0	32	0	28	0	0	0
Financing gap	0	0	0	0	0	963	0	0	0	0
Possible financing (incl. debt relief) [3]		0	0	0	0	963	0	0	0	0
Debt relief [3]		0	0	0	0	963	0	0	0	0
HIPC completion point debt relief [3]	13,406									
HIPC completion point debt cancellation [3]	-13,406									
Residual financing gap [4]	0	0	0	0	0	0	0	0	0	0
Of which: forbearance on external debt										
Memorandum items:										
Nominal GDP	39,590	45,479	43,389	45,479	43,389	45,479	43,389	48,451	54,891	61,798

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

[1] Includes interest due in 2012 on the central bank's debt (GNF 196 billion) recorded under the float in 2012 to be paid in 2013.

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

[3] For 2012, debt relief on arrears and maturities falling due under October 2012 Paris Club agreement; HIPC/MDRI relief is assumed to be delivered effective October 2012. For 2013, debt relief is on outstanding loans fully in arrears owed to non-Paris club official creditors and commercial creditors.

[4] The errors and omissions in 2012 reflect to a large extent exchange rate losses on the 2011 exceptional mining revenue held in dollar accounts. For 2013, they are the result of the delay between the date of C2D debt service payments and the date of C2D grants disbursement.

[5] Budget approved by the the parliament on December 31, 2013.

Table 2b. Guinea: Fiscal Operations of the Central Government, 2012–16

Percent of GDP; unless otherwise indicated)

	2012	2013						2014	2015	2016
		Jun.		Sept.		Dec.				
	Act.	Prog.	Est.	Prog.	Est.	Prog.	Prel.	Proj. [3]	Proj.	Proj.
Revenue and grants	22.9	10.4	9.8	15.8	15.0	22.7	20.3	25.1	23.8	24.4
Revenue	20.1	9.5	9.2	14.0	13.9	19.6	18.4	19.7	20.8	21.8
Mining sector	4.1	1.6	1.7	2.5	2.5	4.0	3.4	2.8	2.9	3.0
Non-mining sector	16.1	7.9	7.5	11.5	11.4	15.7	14.9	16.9	17.9	18.8
Direct taxes	4.5	2.4	2.0	3.1	2.8	3.8	3.4	3.9	4.0	4.1
Indirect taxes	10.7	5.0	5.1	7.7	8.0	11.0	10.7	12.3	13.1	14.0
Taxes on goods and services	7.0	3.1	3.1	4.8	5.0	7.2	6.7	7.8	8.2	8.5
Taxes on international trade	3.7	1.9	1.9	2.9	3.0	3.8	3.9	4.4	4.9	5.5
Non-tax revenue	0.9	0.5	0.5	0.6	0.7	0.9	0.9	0.7	0.7	0.8
Grants	2.7	0.9	0.6	1.8	1.2	3.1	1.9	5.4	3.1	2.6
Project grants	1.7	0.7	0.6	1.1	0.8	1.4	1.5	3.6	2.7	2.3
Budget support	1.0	0.2	0.0	0.8	0.4	1.7	0.4	1.7	0.4	0.3
Total expenditure and net lending	26.1	12.6	11.7	0.0	0.0	27.8	25.6	27.8	24.2	25.2
Current expenditure	15.9	6.6	7.2	13.0	17.7	15.6	16.1	14.9	14.7	14.6
Primary current expenditure	14.2	5.9	6.6	10.7	11.1	14.6	15.0	13.8	13.4	13.5
Wages and salaries	4.4	1.9	2.4	10.0	10.3	5.2	4.8	5.1	5.1	5.2
Goods and services	5.9	2.3	2.3	3.6	3.6	6.0	5.8	4.9	4.8	4.9
Subsidies and transfers	3.8	1.7	1.8	4.1	4.0	3.5	4.4	3.8	3.6	3.4
Interest on debt	1.7	0.7	0.6	2.3	2.7	1.0	1.1	1.1	1.2	1.1
Domestic debt	1.0	0.4	0.6	0.6	0.8	0.8	1.0	0.9	1.0	0.8
External debt	0.7	0.3	0.1	0.5	0.7	0.2	0.2	0.2	0.3	0.3
Capital expenditure	9.6	5.4	4.4	0.1	0.1	11.4	9.4	12.3	9.3	10.4
Domestically financed	6.8	3.7	1.6	5.2	6.6	6.6	5.0	7.0	4.4	5.7
of which from the SIF						2.7	2.5	2.1	0.0	0.0
Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Externally financed	2.8	1.7	2.8	0.0	0.0	4.7	4.4	5.3	4.8	4.7
Net lending & restructuring expenditure	0.6	0.6	0.0	2.6	3.3	0.8	0.0	0.6	0.2	0.2
Basic fiscal balance [1]	-2.5	-1.0	0.4	0.7	0.0	-3.3	-2.6	-2.6	1.7	1.5
Overall balance, commitment basis										
Excluding grants	-6.0	-3.0	-2.5	0.0	0.0	-8.2	-7.2	-8.1	-3.4	-3.4
Including grants	-3.3	-2.2	-1.8	0.0	0.0	-5.1	-5.3	-2.8	-0.4	-0.8
Financing	3.6	2.2	2.0	1.0	-3.9	3.0	5.5	2.8	0.4	0.8
Domestic financing (net)	3.3	1.3	0.2	2.8	-2.7	1.8	2.7	1.6	-0.8	-0.7
Bank financing	3.7	1.5	0.1	0.0	0.0	2.7	2.6	2.2	0.0	0.0
Central bank	4.7	1.5	0.1	3.3	2.6	2.7	2.4	2.2	0.0	0.0
Commercial banks	-1.0	0.0	0.0	2.4	0.5	0.0	0.3	0.0	0.0	0.0
Nonbank financing	-0.4	-0.2	0.1	2.4	0.6	-0.9	0.1	-0.6	-0.8	-0.7
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)	0.0	0.0	0.0	0.0	0.0	-0.4	0.5	-0.6	-0.7	-0.7
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in float	-0.4	-0.2	0.1	0.0	0.0	-0.5	-0.4	0.0	-0.1	0.0
Exceptional revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External financing	0.3	0.9	1.8	0.0	0.0	1.2	2.8	-1.0	1.2	1.5
Drawings	2.4	1.0	2.2	0.0	-0.1	4.0	3.5	2.2	2.1	2.4
Amortization due	-3.8	-1.8	-0.4	-0.7	0.1	-0.5	-0.8	-1.1	-1.0	-0.9
Debt relief and interim HIPC assistance	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears (- = reduction) [2]	-4.4	0.0	0.0	0.0	0.0	-2.2	0.1	-2.2	0.0	0.0
Errors and omissions	-0.3	0.0	-0.2	0.0	2.5	0.0	0.1	-0.1	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0
Possible financing		0.0	0.0	0.0	0.0	2.1	0.0	2.2	0.0	0.0
Debt relief [2]		0.0	0.0	0.0	0.0	2.1	0.0	2.2	0.0	0.0
HIPC completion point debt relief [2]	33.9			0.0	0.0					
HIPC completion point debt cancellation [2]	-33.9	0.0	0.0	1.7	2.0		0.0			
Residual financing gap	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (GNF billions)	39,591	45,479	43,389	45,479	43,389	45,479	43,389	48,451	54,891	61,798

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

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

[2] For 2012, debt relief on arrears and maturities falling due under October 2012 Paris Club agreement; HIPC/MDRI relief is assumed to be delivered effective October 2012. For 2013, debt relief is on outstanding loans fully in arrears owed to non-Paris club official creditors and commercial creditors.

[3] Budget approved by the parliament on December 31, 2013.

Table 3a. Guinea: Central Bank and Deposit Money Banks Accounts, 2009–14[1]

	2009	2010	2011	2012	2013						2014
					Jun.		Sept.		Dec.		
					Proj.	Est.	Proj.	Est.	Prog.	Prel.	Proj.
Central bank											
Net foreign assets	482	241	4,538	2,923	2,609	2,819	2,422	2,902	2,230	3,167	2,304
Net domestic assets	3,553	6,739	2,105	3,507	4,200	3,623	4,575	3,819	4,540	4,157	5,108
Domestic credit	3,505	6,491	1,516	3,532	4,220	3,562	4,593	3,843	4,645	4,344	5,412
Claims on central government (net)	3,450	6,456	1,467	3,467	4,147	3,502	4,536	3,786	4,573	4,279	5,353
Claims on private sector	10	6	9	43	49	45	45	45	48	50	45
Liabilities to deposit money banks (-)	2	0	1	0	0	0	0	0	0	0	0
Claims on other public sector	42	29	39	22	25	16	12	12	24	15	14
Other items, net (assets +)	48	248	589	-25	-20	61	-18	-24	-105	-187	-304
Reserve money	4,035	6,980	6,638	6,431	6,809	6,442	6,996	6,722	6,770	7,324	7,413
Currency outside banks	2,120	3,988	3,262	3,706	3,869	3,984	3,886	3,913	3,984	4,030	4,199
Bank reserves	1,885	2,961	3,276	2,471	2,655	2,107	2,828	2,460	2,509	2,875	2,795
Deposits	1,720	2,839	2,856	2,076	2,279	1,683	2,446	2,107	2,076	2,516	2,405
Required reserves	360	603	1,755	1,648	1,722	1,664	1,730	1,790	1,775	1,873	1,501
Excess reserves	1,360	2,236	1,101	428	557	19	716	317	300	643	904
Of which: in foreign exchange	111	136	200	230	...	223	...	240	240	284	284
Cash in vaults of deposit banks	164	122	420	395	376	424	382	353	433	360	390
Private sector deposits	30	32	100	255	285	351	283	349	277	418	418
Deposit money banks											
Net foreign assets	609	524	379	1,599	1,700	1,819	1,761	1,641	1,766	1,511	1,660
Bank reserves	1,885	2,961	3,276	2,471	2,655	2,107	2,828	2,460	2,509	2,875	2,795
Deposits at the central bank	1,720	2,839	2,856	2,076	2,279	1,683	2,446	2,107	2,076	2,516	2,405
Cash in vaults of deposits banks	164	122	420	395	376	424	382	353	433	360	390
Claims on central bank	-2	0	-1	0	0	0	0	0	0	0	0
Domestic credit	1,829	3,541	5,425	4,747	4,859	5,024	4,692	5,441	5,206	5,737	6,745
Credit to the government (net)	699	1,865	2,206	1,673	1,673	1,708	1,673	1,583	1,673	1,637	1,637
Claims on public enterprises	0	43	58	48	48	120	48	95	48	93	93
Claims on the private sector	1,129	1,633	3,161	3,025	3,138	3,195	2,971	3,762	3,484	4,007	5,016
Other items, net (assets +)	-525	-678	-1,104	-1,326	-1,388	-1,385	-1,419	-1,404	-1,411	-1,612	-1,822
Liabilities to the private sector (deposits)	3,795	6,347	7,976	7,490	7,826	7,564	7,862	8,137	8,070	8,511	9,379
Memorandum items:											
Net foreign assets of the central bank (US$ millions)	98	40	640	419	375	414	348	420	308	452	329
Net international reserves (GNF billion)	1,248	1,353	5,281	3,784	3,415	3,637	3,236	3,750	3,095	3,961	3,098
US $ millions	253	222	759	543	491	534	468	542	427	565	433

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

[1] End of period.

Table 3b. Guinea: Money Survey, 2009–14[1]

	2009	2010	2011	2012	2013						2014
					Jun.		Sept.		Dec.		
					Proj.	Est.	Proj.	Est.	Prog.	Prel.	Proj.
Net foreign assets	1,091	765	4,917	4,522	4,308	4,639	4,183	4,543	3,996	4,678	3,965
Net domestic assets	4,854	9,601	6,421	6,928	7,671	7,261	7,847	7,856	8,335	8,282	10,032
Domestic credit	5,331	10,031	6,940	8,279	9,080	8,586	9,285	9,284	9,851	10,081	12,158
Claims on central government	4,149	8,320	3,673	5,140	5,820	5,210	6,209	5,370	6,246	5,916	6,990
Claims on public enterprises	43	72	98	70	73	136	60	107	72	108	107
Claims on private sector	1,140	1,639	3,170	3,069	3,187	3,240	3,016	3,807	3,533	4,057	5,061
Other items, net (assets +)	-477	-430	-520	-1,350	-1,408	-1,325	-1,437	-1,428	-1,516	-1,799	-2,126
Broad money (M2)	5,945	10,366	11,338	11,450	11,980	11,900	12,030	12,399	12,331	12,960	13,997
Currency	2,120	3,988	3,262	3,706	3,869	3,984	3,886	3,913	3,984	4,030	4,199
Deposits	3,825	6,379	8,076	7,745	8,110	7,916	8,144	8,486	8,347	8,930	9,798
Of which: in foreign currency	1,065	1,371	2,278	2,700	...	2,844	...	2,746	2,908	2,978	3,267
	(Year-on-year change in percent of beginning-of-period M2)										
Memorandum items:											
Net foreign assets	4.7	-5.5	40.1	-3.5	-1.9	-6.1	-3.0	1.7	-4.1	1.4	-5.5
Of which: central bank	11.7	-4.1	41.5	-14.2	-2.7	-7.2	-4.4	0.6	-5.6	2.1	-6.7
Net domestic assets	21.2	79.9	-30.7	4.5	6.5	12.5	8.0	10.7	11.9	11.8	13.5
Of which: central bank	26.7	53.6	-44.7	12.4	6.0	9.6	9.3	8.4	9.0	5.7	7.3
Domestic credit	31.9	79.1	-29.8	11.8	7.0	24.2	8.8	16.9	14.7	15.7	16.0
Net claims on government	28.7	70.2	-44.8	12.9	5.9	15.8	9.3	9.2	10.7	6.8	8.3
Credit to the private sector	3.1	8.9	15.0	-1.1	1.0	8.4	-0.5	7.8	4.1	9.0	7.7
Broad money (M2)	25.9	74.4	9.4	1.0	4.6	6.4	5.1	12.4	7.8	13.2	8.0
Reserve money (annual percentage change)	81.7	73.0	-4.9	-3.1	3.3	4.5	8.8	17.5	6.1	13.9	1.2
Commercial bank credit to the private sector (annual percentage change)	15.8	44.6	93.5	-4.3	1.0	38.7	-1.8	27.9	15.2	32.5	25.2
Money multiplier (M2/reserve money)	1.5	1.5	1.7	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.9
Velocity (GDP/average M2)	4.1	3.3	3.1	3.5	3.7	3.8	3.6	3.7	3.8	3.6	3.6
Velocity eop (GDP/M2 eop)	3.7	2.6	3.0	3.5	3.7	3.6	3.6	3.5	3.7	3.3	3.5
Deposit dollarization	27.8	21.5	28.2	34.9	...	0.0	...	32.4	34.8	33.3	33.3
Exchange rate, GNF per US$ (eop)	4,924	6,079	7,090	6,970	6,958	6,809	...	6,915	6,946	6,843	7,157
Nominal GDP (billions GNF)	22,133	27,118	33,739	39,543	45,479	43,389	45479	43,389	45,479	43,389	48,451
GDP at constant prices (percentage change)	-0.3	1.9	3.9	3.8	4.5	2.5	4.5	2.5	4.5	2.5	4.5
Consumer prices (percentage change,eop)	7.9	20.8	19.0	12.8	12.4	12.0	11.9	11.4	9.7	10.6	8.5
Nominal GDP (percentage change)	6.5	22.5	24.4	17.2	14.9	9.6	14.9	9.6	14.9	9.6	11.8

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

[1] End of period.

Table 4. Guinea: Balance of Payments, 2008–16
(Millions of U.S. dollars; unless otherwise indicated)

	2008	2009	2010	2011	2012	2013		2014	2015	2016
						Prog.	Proj.	Proj.	Proj.	Proj.
Merchandise trade balance	93	119	-33	-643	-1,031	-1,070	-799	-846	-2,833	-3,452
Exports, f.o.b.	1,460	1,215	1,372	1,543	1,512	1,524	1,371	1,333	1,362	1,374
Mining products	1,380	1,097	1,261	1,409	1,381	1,391	1,238	1,208	1,242	1,249
Other	79	119	111	134	131	132	133	125	120	125
Imports, f.o.b	-1,366	-1,096	-1,405	-2,186	-2,543	-2,594	-2,170	-2,179	-4,195	-4,826
Food products	-227	-204	-181	-267	-307	-303	-306	-298	-299	-292
Other consumption goods	-205	-191	-227	-293	-344	-366	-358	-381	-408	-438
Petroleum products	-356	-296	-298	-448	-511	-522	-522	-528	-522	-525
Intermediate and capital goods	-579	-405	-698	-1,178	-1,381	-1,403	-985	-971	-2,966	-3,572
Of which: imports for large mining projects	-239	-83	-74	-99	-395	-581	-209	-244	-2,128	-2,236
Services trade balance	-337	-259	-333	-495	-723	-482	-451	-402	-687	-783
Services exports	107	73	62	77	169	166	110	146	151	156
Services imports	-444	-331	-396	-572	-891	-648	-561	-548	-838	-939
Of which: imports for large mining projects	-39	-14	-12	-16	-65	-96	-34	-40	-198	-208
Income balance	-523	-505	-451	-447	-441	-420	-328	-402	-415	-425
Of which: interest on public debt	-60	-29	-35	-45	-39	-11	-10	-17	-21	-23
Transfers	290	247	251	536	339	394	313	406	354	361
Of which:										
Net private transfers	271	247	251	422	283	289	288	286	327	333
Official transfers	19	0	0	114	56	106	26	120	27	27
Current account										
Including official transfers	-477	-397	-566	-1,049	-1,856	-1,578	-1,265	-1,243	-3,581	-4,298
Excluding imports for large mining projects	-199	-301	-480	-933	-1,396	-902	-1,022	-959	-1,255	-1,854
Excluding official transfers	-496	-397	-566	-1,162	-1,913	-1,684	-1,291	-1,363	-3,608	-4,326
Capital account	27	29	33	778	137	100	105	264	202	182
Of which: Rio Tinto payment	0	0	0	700	0	0	0	0	0	
Financial account	-210	59	-163	162	455	1,379	1,197	854	3,488	4,100
Public (medium and long-term)	-66	-50	-78	-49	-83	215	169	77	86	116
Project-related loans	72	43	32	52	62	209	184	113	158	190
Program financing	0	0	0	76	72	39	35	39	0	0
Amortization due	-138	-93	-110	-177	-217	-33	-49	-75	-73	-74
Public (short-term)	0	0	0	0	0	0	0	0	0	0
Direct and other private investment (net)	-162	-193	-277	51	271	611	122	115	2,373	2,551
Of which: large mining projects	379	138	108	282	535	878	283	346	2,609	2,794
Private short-term	18	302	192	160	267	553	905	662	1,029	1,432
Errors and omissions	618	555	518	633	939	0	0	0	0	0
Overall balance	-42	246	-178	525	-325	-99	36	-125	109	-17
Financing	42	-246	178	-525	325	41	-36	42	-138	17
Change in net official reserves	-20	-287	90	-601	227	47	-13	42	-138	17
Of which:										
Fund repayments [1]	9	-13	0	0	16	0	0	0	0	0
Change in gross official reserves	-24	-274	90	-601	211	47	-68	42	-138	17
Change in arrears [1]	54	40	65	-74	-250	-139	4	-149	0	0
Debt relief [1]	8	1	22	150	348	133	0	149	0	0
HIPC interim assistance	4	0	1	0	0	0	0	0	0	0
HIPC completion point debt relief [1]					1,902					
HIPC completion point debt cancellation [1]					-1,902					
Financing gap	0	0	0	0	0	58	0	83	29	0
Expected Fund disbursement				0	0	58	0	83	29	0
Memorandum items:										
Current account balance (percent of GDP)										
Including official transfers	-10.6	-8.6	-11.5	-20.5	-33.0	-25.2	-20.1	-18.0	-48.0	-53.9
Excluding imports for large mining projects	-4.4	-6.5	-9.7	-18.2	-24.8	-14.4	-16.3	-13.9	-16.8	-23.2
Excluding official transfers	-11.0	-8.6	-11.5	-22.7	-34.0	-26.8	-20.5	-19.7	-48.4	-54.2
Overall balance (percent of GDP)	-1	5.3	-3.6	10.2	-5.8	-1.6	0.6	-1.8	1.5	-0.2
Exports-GDP ratio (percent)	34.7	27.8	29.1	31.6	29.8	26.9	23.6	21.4	20.3	19.2
Imports-GDP ratio (percent)	-40.1	-30.8	-36.5	-53.8	-61.0	-51.7	-43.5	-39.4	-67.5	-72.2
Gross available reserves *(US$ millions)*	70	114	124	855	643	590	711	669	807	790
Gross available reserves (months of imports)	0.6	0.8	0.6	3.5	3.4	2.9	3.6	3.2	3.0	3.1
Nominal GDP (US$ millions)	4,517	4,635	4,929	5,124	5,632	6,273	6,282	6,922	7,453	7,982
National currency per US dollar (avg.)	4,600	4,775	5,502	6,584	7,030	6,958	6,907	…	…	…

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

[1] For 2012, debt relief on arrears and maturities falling due under October 2012 Paris Club agreement; HIPC/MDRI relief is assumed to be delivered effective October 2012. For 2013, debt relief is on outstanding loans fully in arrears owed to non-Paris club official creditors and commercial creditors.

Table 5. Guinea: Performance Criteria and Indicative Targets, ECF 2013–14[1]

(Billions of Guinean francs unless otherwise indicated)

	2013											2014			
	Mar.			Jun.			Sep.			Dec.		Mar.	Jun.	Sep.	Dec.
	Indicative Targets	Act.	Status	PC	Act.	Status	Indicative Targets	Act.	Status	PC	Prel.	Indicative Targets	PC	Indicative Targets	Indicative Targets
Quantitative performance criteria															
Basic fiscal balance (floor)	-238	-40	Met	-475	189	Met	-1,115	-196	Met	-1,486	-1,140	-354	-635	-934	-1,267
Net domestic assets of the central bank (ceiling)	4,645	3,664	Met	4,959	3,623	Met	4,596	3,819	Met	4,540	4,157	4,785	5,018	5,130	5,108
Domestic bank financing of the government (ceiling)	340	110	Met	680	42	Met	1,069	201	Met	1,221	1,132	639	879	999	1,074
Net international reserves of the central bank (floor); US$ millions [2]	363	522	Met	344	534	Met	458	541	Met	427	568	481	459	412	442
New nonconcessional medium- or long-term external debt contracted or guaranteed by the government or central bank (ceiling); US$ millions [3,6]	0	28	Not Met	363	363	Met	363	363	Met	363	363	0	0	0	0
Stock of outstanding short-term external debt contracted or guaranteed by the government or the central bank (ceiling); US$ millions [4]	0	0	Met	0	0	Met	0	0	Met	0	0	0	0	0	0
New external arrears (ceiling) [4]	0	0	Met	0	0	Met	0	0	Met	0	0	0	0	0	0
Indicative targets															
Expenditure in priority sectors (floor) [5]	1,105	702	Not Met	2,367	1,690	Not Met	3,077	2,579	Not Met	4,200	3,321	1,060	2,167	3,166	3,784
Memorandum items:															
Reserve money (ceiling)	6,424	6,437	Not Met	6,619	6,442	Met	7,028	6,722	Met	6,770	7,324	7,360	7,221	7,413	7,413

Sources: Guinean authorities; and IMF staff projections.

[1] Definitions and adjustors are included in the technical memorandum of understanding (TMU).

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

[6] Ceiling established on loans contracted with China's EXIMBANK (US$334.65 million), ECOWAS (US$10.53 million), and the OFID (US$17 million). These loans were contracted in 2012-13; they became effective starting from late 2012.

Table 6. Guinea: Risk Assessment Matrix (RAM)

Sources of Risks	Relative Likelihood	Impact If Realized	Policy Response if Materialized
Sharp slowdown in growth in China Substantial decline in commodity prices Protracted period of slower growth in advanced and emerging economies	**Medium** **Medium** **High** (Europe) **Medium** (elsewhere)	**Medium** Investment in large new (iron ore) mining projects would likely be delayed, lowering medium-term growth and government revenue.	Intensify structural reform and efforts to improve the overall business climate to promote investment in non-mining sectors. Allow moderate monetary easing to limit the impact on growth.
Long-term delay in completing the investment framework for the Simandou iron ore project	**Low to Medium**	**High** Medium-term growth would be affected negatively. This could also affect overall investor sentiment and reduce non-mining sector investments, growth, and government revenue.	Intensify structural reform and efforts to improve the overall business climate to promote alternative investment in mining and non-mining sectors.
A deterioration in the domestic socio-political and security situation	**Low to medium**	**High** Growth and investment would be affected negatively and poverty would risk increasing; development of natural resources would be delayed. Program implementation would risk weakening and key structural reforms being postponed. Macroeconomic stability (fiscal deficit; monetary control; exchange rate and foreign reserves) would be at risk.	Refocus reform on areas less sensitive to socio-political environment. Aim at maintaining fiscal control.

Table 7. Guinea: External Financing Requirements and Sources, 2012–16

	2012	2013		2014	2015	2016
	Est.	Prog.	Proj.	Proj.	Proj.	Proj.
1. Gross financing requirements	1,527	1,797	1,392	1,539	3,829	4387
External current account deficit	1,329	1,684	1,291	1,369	3,618	4327
Capital account balance	-41	-12	-12	-12	0	0
Debt amortization	217	33	49	75	73	74
Change in arrears, net [1]	250	139	-4	149	0	0
Gross reserves accumulation	-211	-47	68	-42	138	-14
IMF repayments [1]	-16	0	0	0	0	0
2. Available financing	1,527	1,739	1,365	1,456	3,800	4387
Foreign direct investment, net	340	1,164	1,028	783	3,412	3988
Identified disbursements	286	443	337	524	388	399
Grants	152	194	118	372	229	209
Project	96	88	93	252	202	182
Program	56	106	26	120	27	27
Loans	134	248	219	152	158	190
Project	62	209	184	113	158	190
Program	72	39	35	39	0	0
Other flows	554	0	0	0	0	0
Debt relief [1]	348	133	0	149	0	0
HIPC completion point debt relief [1]	1,902					
HIPC completion point debt cancellation [1]	-1,902					
3. Residual financing	0	58	27	83	29	0
Of which: ECF disbursement		58	27	83	29	0

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

[1] For 2012, Paris Club debt relief for end-2011 arrears and maturities falling due agreed under April 2012 Paris Club agreement. Comparable terms are assumed for other bilateral creditors. HIPC/MDRI relief is assumed to be delivered effective October 2012.

Table 8. Guinea: Indicators of Capacity to Repay the IMF, 2013–25

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Projections						
Fund obligations based on existing credit													
Credit outstanding	55.58	55.58	55.58	55.58	53.75	44.06	33.05	22.03	11.02	1.84	0	0	0
Percent of quota	51.9	51.9	51.9	51.9	50.19	41.14	30.86	20.57	10.29	1.71	0	0	0
Repayment of principal	0	0	0	0	1.84	9.68	11.02	11.02	11.02	9.18	1.84	0	0
Charges and interest	0.01	0.01	0.15	0.15	0.14	0.13	0.1	0.08	0.05	0.02	0.01	0.01	0.01
Fund obligations from prospective drawings under the new ECF													
Credit outstanding	0.00	55.08	73.44	73.44	73.44	73.44	69.77	56.92	42.22	27.54	12.85	1.84	0.00
Percent of quota	0.00	51.48	68.64	68.64	68.64	68.64	65.21	53.20	39.46	25.74	12.01	1.72	0.00
Repayment of principal	0	0	0	0	0	0	3.67	12.85	14.68	14.69	14.68	11.02	1.84
Charges and interest	0	0	0.17	0.18	0.19	0.18	0.18	0.16	0.12	0.09	0.05	0.01	0
Total obligations based on existing and prospective credit													
Credit outstanding	55.58	110.66	129.02	129.02	127.19	117.5	102.82	78.95	53.24	29.38	12.85	1.84	0
Percent of quota	51.9	103.33	120.47	120.47	118.76	109.71	96	73.71	49.71	27.43	12	1.71	0
Percent of gross foreign available reserves	11.76	24.86	24.03	24.46	23.89	19.69	15.15	10.62	6.94	3.70	1.55	0.21	0.00
Repayment of principal	0	0	0	0	1.84	9.68	14.69	23.87	25.7	23.87	16.52	11.02	1.84
Charges and interest	0.01	0.01	0.32	0.33	0.33	0.31	0.28	0.24	0.17	0.11	0.06	0.02	0.01
Total payments to the IMF	0.01	0.01	0.32	0.33	2.16	10	14.97	24.1	25.88	23.98	16.58	11.04	1.84
Percent of exports of goods and services	0.00	0.00	0.04	0.03	0.21	0.51	0.49	0.59	0.55	0.47	0.30	0.20	0.03
Percent of external public debt service	0.03	0.02	0.55	0.56	3.56	13.83	19.79	32.23	51.30	50.19	35.87	25.70	4.25
Memorandum items:													
Prospective purchases	18.36	55.08	18.36										
Exports of goods and services, US$ millions	1371.108	1332.838	1373.231	1442.323	1564.886	2924.953	4557.368	6135.205	7064.661	7660.567	8327.782	8393.03	8463.668

Sources: Guinean authorities; and IMF staff projections.

Table 9. Guinea: Proposed Schedule of Disbursements and Timing of Reviews Under the ECF Arrangement, 2012–15

Percent of quota	Millions of SDRs	Date of Availability	Condition for Disbursement
17.1	18.36	February 23, 2012 [1]	Disbursed following Executive Board approval of the three-year arrangement under the ECF.
17.1	18.36	September 25, 2012 [1]	Disbursed following Executive Board completion of the first review under the ECF arrangement.
17.1	18.36	May 20, 2013 [1]	Disbursed following Executive Board completion of the second review under the ECF arrangement.
17.1	18.36	August 15, 2013	Observance of all relevant performance criteria, including the performance criteria for June 2013 and completion of the third review under the ECF arrangement.
17.1	18.36	February 15, 2014	Observance of all relevant performance criteria, including the performance criteria for December 2013 and completion of the fourth review under the ECF arrangement.
17.1	18.36	August 15, 2014	Observance of all relevant performance criteria, including the performance criteria for June 2014 and completion of the fifth review under the ECF arrangement.
17.1	18.36	February 15, 2015	Observance of all relevant performance criteria, including the performance criteria for December 2014 and completion of the sixth review under the ECF arrangement.
120.0	128.52	Total	

Source: IMF staff.

[1] Actual disbursement date.

Appendix I. Guinea—Letter of Intent

Conakry, February 1, 2014

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Subject: Letter of Intent

Madame Managing Director:

1. The government continued to implement sound macroeconomic policies in 2013, in a difficult environment. It also made progress in implementing the structural reform agenda. The organization of free and transparent elections in September 2013 allowed us to install a new National Assembly, marking a major turning point in the consolidation of a democratic and open political environment. These elections contributed to the success of the first Guinean donor and private investor conference that took place in Abu Dhabi in November.

2. The attached third supplement to the Memorandum of Economic and Financial Policies gives a detailed presentation of the progress we achieved in 2013, and outlines the government's objectives for 2014 and the policies that we will implement to achieve them. The performance criteria at end-June 2013 for the program supported by the Extended Credit Facility (ECF) were met, and based on preliminary data, it is estimated that the performance criteria at end-December 2013 have also been met. Similarly, progress has been made with structural reforms despite delays experienced in the implementation of structural benchmarks.

3. We are requesting the completion of the third review of the ECF-supported program and the fourth disbursement under the program of SDR 18.36 million (17.1 percent of quota).

4. Guinea went through a difficult time in 2013. Domestic and external factors contributed to a slowdown in mining sector investment and economic growth, which was also affected by sociopolitical demonstrations prior to the September 2013 legislative elections. Further, the economy suffered as a result of delays in executing the rehabilitation program for the public electricity company and the electricity production shortages that persisted. As a result, economic growth, estimated at 2.5 percent, was significantly weaker than expected. However, the government adjusted its fiscal policy to offset the substantial shortfall in budget revenue resulting from the slowdown in growth, so that the budget's basic balance deficit was contained within the program target. In combination with strict monetary policy, this fiscal policy led to a

fall in inflation to 10.5 percent at end-December 2013, year-on-year, compared with 12.8 percent at end-2012, and the country's international reserve position remains satisfactory.

5. The authorities remain firmly committed to carrying the ECF program through to completion. Execution of the government's ambitious reform agenda continued, despite the difficult economic and social situation, capacity constraints, and delays in technical assistance. Against this backdrop, several reforms were completed. Moreover, we have decided to implement, early in February 2014, the automatic petroleum product price adjustment mechanism; the implementing decrees for the Mining Code have also recently been adopted. Several further programmed measures will be implemented during 2014.

6. Guinea's medium-term economic outlook remains positive. The recent inauguration of the new parliament marks the end of the transition period and the restoration of constitutional order, with the transfer of discussions of policies to this Assembly. Private investment, particularly in the mining sector, should rebound during the coming years, including in the iron ore mega-project in southern Simandou and a number of other major projects in the alumina and bauxite sector. Continuation of reforms will allow resolving the problems in the electricity sector and accelerating growth in agriculture while increasing rural incomes and reducing poverty.

7. The government is determined to continue the implementation of the ECF program in 2014. The policies outlined in the supplement to the Declaration of Economic and Financial Policies are designed to consolidate the progress toward macroeconomic stability, to promote growth, and to prepare our economy for the expected boom in the mining sector. These policies are consistent with the objectives of the third Poverty Reduction Strategy Paper (PRSP III). Fiscal policy will remain tight while creating the necessary fiscal space for much needed investment in our economy. Sustained progress in reducing inflation will enable a gradual easing of monetary policy to give the private sector more access to credit and to stimulate investment and economic activity. With assistance from Guinea's development partners, key structural reforms aim to strengthen the reforms in public financial management, civil service productivity, and the business climate, with sectoral priorities in mining, energy, and agriculture.

8. The government is convinced that the policies and measures set forth in the attached supplement to the Memorandum of Economic and Financial Policies are adequate to achieve the program objectives. However, it will take any additional measures that prove necessary to that end. The government will consult IMF staff with respect to the adoption of such measures, either on its own initiative or at the request of the IMF Managing Director, before adopting such measures or before modifying the policies set out in the supplement to the Memorandum of Economic and Financial Policies, in accordance with IMF policy regarding such consultations. The government undertakes to provide the IMF with any information required to monitor the implementation of measures and the achievement of program objectives.

9. The government authorizes the IMF to publish this letter, the attached supplement to the Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding, as well as the IMF Staff Report on the third review of the program supported with an arrangement with the IMF under the ECF.

Sincerely yours,

/s/	/s/
Mohamed Diaré	Lounceny Nabé
Minister of State for Economy and Finance	Governor of the Central Bank of the
Ministry of Economy and Finance	Republic of Guinea

Attachments: - Third Supplement to the Memorandum of Economic and Financial Policies
- Technical Memorandum of Understanding

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

February 1, 2014

This third supplement to the February 11, 2012 Memorandum on Economic and Financial Polices (MEFP) summarizes implementation of the program supported by the IMF's Extended Credit Facility (ECF) since the second program review in May 2013, and sets forth the key program policies and measures for 2014.

ECONOMIC PERFORMANCE AND IMPLEMENTATION OF THE PROGRAM IN 2013

A. Macroeconomic Developments

1. The pace of economic activity slowed in 2013. Real GDP growth is estimated to have slowed to 2.5 percent in 2013, resulting in negative real GDP growth per capita. This slowdown in growth reflected the impact of two shocks: (i) reflecting changes in international markets, most investment in new iron ore projects was suspended, notably in the Simandou iron ore project, which also incurred delays in completing the investment framework; alumina production at the Fria factory did not resume as expected as major new investment will be needed to modernize the facility; and (ii) political turmoil in the run-up to the legislative elections in September 2013 triggered a prolonged shutdown of some markets and businesses. The economy has also suffered from the fall in production of precious metals, including because of structural problems in industrial gold mining, and from delays in bringing new power generation capacity on stream. The adverse impact of these shocks has been somewhat attenuated by a good crop year, which benefited from government support to the agricultural sector. The sluggishness of imports reduced demand pressures for foreign currency that initially led to some appreciation of the Guinean franc (GNF), although this was reversed toward the end of the year. The international reserves position of the central bank remained satisfactory at the equivalent of more than three months of imports towards the end of the year. Inflation continued its downward trend, and stood at 10.5 percent year on year in December 2013 (compared to almost 13 percent at end-2012), reflecting the consolidation of public finances, strict monetary policy, and the increase in agricultural output.

2. All end-June performance criteria (PCs) under the ECF-supported program were met and preliminary estimates indicate that the PCs for end-December have also been met (Table 1). The government continued cash-based expenditure management, allowing the PCs for the basic fiscal balance and for net bank credit to the government for end-June 2013 to be met despite a large short-fall in government revenues. Strict fiscal policies, supported by continued tight monetary policies, allowed the PC on net domestic assets of the BCRG to be met. The PC on the BCRG's net international reserves was achieved by a large margin. The tight fiscal and

monetary policy stance was maintained during the second half of the year, and the program's indicative targets for end-September were also met. Unfortunately, because of the reduction in spending, including on domestic investment, it was not possible to respect the indicative targets for spending in priority sectors for June and September 2013.

B. Fiscal Developments

3. **The fiscal situation was complicated by large shortfalls in revenue and budget support compared to the targets for 2013**. Revenue is estimated to have fallen from the initial estimate of 19.6 percent of GDP to 18.4 percent of a lower revised GDP. The shortfall reflects lower economic activity, compounded by problems in tax collection because of the civil unrest in the run-up to the elections; revenue from the mining sector was also lower, reflecting difficulties in the gold sector. In addition, revenues from fuel taxes were considerably lower than anticipated as the socio-economic environment did not allow the implementation of the automatic adjustment of fuel prices and the gap between cost price and pump prices was closed by lowering tax rates. The shortfall in budget support reflects mainly a delay in disbursement of a large part ($41 million; 0.7 percent of GDP) of a grant from Abu Dhabi as disbursement conditions could not be met. Total net external assistance was 1.5 percent of GDP lower than anticipated, also reflecting higher debt service payments because of a delay in providing debt relief under the HIPC initiative by the Islamic Development Bank.

4. **To adjust for the shortfall in available resources, the government reduced expenditure**. During the first half of the year, adjustment was facilitated by a slow start in implementing new domestically-financed investment projects, reflecting capacity constraints in implementing procurement procedures for new projects; the fiscal basic balance showed a surplus of 0.2 percent of GDP (compared to a target of a deficit of 1 percent of GDP) by end-June despite the revenue shortfall. During the second half of the year, the government decided to delay the implementation of the third round of the civil service wage increase (25 percent of base salary) under the December 2012 wage agreement from July to October as well as the implementation of some special remuneration schedules for certain categories of civil servants. It also postponed plans for new recruitment and under the cash-based expenditure management, the government kept spending on goods and services well below target. These measures allowed budget execution to be maintained within the program target for the basic balance despite a sharp acceleration in investment spending, higher spending on the elections (0.4 percent of GDP), and higher-than-planned subsidies to the electricity company Electricité de Guinée (EDG) (0.6 percent of GDP). This higher subsidy reflected fuel costs resulting from the leasing of thermal generators and clearing by the government of EDG's supplier arrears; the arrears-clearance operation was financed by issuing two-year government non-negotiable bonds to the suppliers for a total amount of GNF 200 billion (0.5 percent of GDP). The planned second installment for recapitalizing the central bank (Bank Centrale de la République de Guinée—BCRG) of $19 million (0.3 percent of GDP) was postponed to 2014, pending a review of the BCRG's balance sheet by the Monetary and Capital Markets Department of the IMF (MCM).

5. Based on the above described policies, the government expects to meet the program target for the basic balance deficit for 2013 and to avoid net bank financing of the budget other than from drawing down deposits from the 2011 exceptional mining revenue. The basic balance deficit is expected to amount to 2.6 percent of GDP compared to the program target for end-December of 3.3 percent. Reflecting somewhat lower-than-budgeted implementation of investment projects planned to be financed from resources of the 2011 exceptional mining revenue under the Special Investment Fund (SIF), net bank financing is expected to be lower than the program target. Based on strict observance of the fiscal year close-out procedures, in particular a halt on new spending commitments as of November 30, the carry-over of cash claims into 2014 is also expected not to exceed the target.

C. Monetary and Exchange Rate Developments

6. Monetary and exchange rate policy remained focused on reducing inflation and safeguarding a satisfactory level of international reserves. The BCRG reduced its policy rate from 22 to 16 percent in February 2013, taking into account the reduction in inflation in 2012. The reserve requirement was maintained at 22 percent during most of 2013. However, following the stabilization of the political situation after the elections in September, the continued decline in inflation, and increasing evidence of liquidity constraints in the financial sector, the BCRG reduced the reserve requirement ratio from 22 percent to 20 percent on December 6. In addition, when the market exchange rate started to appreciate, the BCRG reduced the amount of foreign exchange sales in the weekly auctions from $5 million to $ 2.5 million, starting in April 2013; by the end of the year, the exchange rate had returned to its level in the beginning of the year. Growth in credit to the private sector, which had remained stagnant during the first half of the year, picked up in the second half, especially for financing oil and rice imports and an extension of the port of Conakry. The interest rate on Treasury bills, which had risen to 16 percent during the year, declined to around 12 percent by year-end as the liquidity situation in the banking system improved.

D. External Debt

7. The government continued its efforts to strengthen prudent debt management. After the establishment of a debt monitoring committee in April 2013, a draft procedures manual for the Debt and Public Aid Department was prepared, which includes job descriptions. The implementation of the manual will undergo a trial period during the first 9 months of 2014 before being approved by the Minister of Economy and Finance. A medium-term action plan for strengthening external debt management (a structural benchmark for end-October 2013) is being finalized (with technical assistance from the European Union) and is expected to be completed before the end of March2014. A draft decree establishing the National Public Debt Committee is under preparation and should be adopted before end-February 2014, and a statement of debt policy will be finalized in April 2014

E. Implementation of Structural Reforms

8. The government has continued to make progress with structural reform, although the planned completion dates could not be attained in many areas (Table 2). The delays reflect the difficult domestic environment, capacity constraints, and delays in technical assistance, but also a weakening of policy coordination. Guinea has enormous needs for structural reform and our ambitious agenda exceeded capacity under the circumstances of 2013. Nevertheless, progress continued in many areas and some measures have been implemented with delays whereas others will be implemented shortly. The section on structural reforms under the program for 2014 contains further detail on how the government intends to make up for the delays and to take the reform effort forward.

ECONOMIC AND FINANCIAL POLICIES AND STRUCTURAL REFORMS FOR 2014

9. The government intends to continue to implement policies aimed at consolidating progress towards macroeconomic stability made so far and to undertake further structural reforms to unlock Guinea's mining potential and support strong, diversified, and inclusive growth. Budgetary policy will aim at creating fiscal space, including through further strengthening of the revenue effort. This should allow maintaining a strong investment effort to rebuild our infrastructure while limiting net bank financing to drawing down the remaining deposits from the 2011 exceptional mining revenue. Within the objectives of further reducing inflation and maintaining a prudent level of international reserves, monetary policy will focus on promoting higher growth by ensuring adequate liquidity in the banking system. The government also intends to carry forward its structural reform agenda to strengthen public financial management, and improve the business and investment climate as well as governance and transparency. Priority sectoral reforms will aim to strengthen the energy, agriculture, and mining sectors.

A. Macroeconomic Outlook for 2014

10. Macroeconomic prospects for 2014 and the medium term are favorable; real GDP growth is projected to rebound to 4.5 percent in 2014. The projections are based on the expectation of social and political stability after the 2013 elections, especially benefitting from the wholesale and retail sectors, and an improvement in electricity supply. Moreover, investment in the mining sector is expected to gradually pick up, based on a resumption of work on the Simandou iron ore project after the expected completion of the investment framework in the coming months and the start of new investment in bauxite and alumina production (Box 1). The good performance of the agricultural sector and of construction and public works in 2013 should continue in 2014, thanks to new public investment. Macroeconomic policies for 2014 are targeted towards supporting growth and reducing inflation to 8.5 percent by the end of 2014. The BCRG's foreign exchange reserves should be equivalent to at least three months of imports.

Box 1. Guinea—Major Mining Projects

Guinea's rich mining potential has gone largely unexploited. The Guinean subsoil contains major mineral deposits, with reserves estimated at 40 billion tons of bauxite (two thirds of world reserves), more than 25 billion tons of high-quality iron ore, 25 million tons of gold, and more than 10 million carats of diamonds. Moreover, there are indications of reserves of hydrocarbons as well as several other minerals including uranium, manganese, nickel, chromium, cobalt, copper, lead, and zinc. Despite these resources, there are only eight mining companies active in the country, two of them in bauxite, three in gold, two in diamonds, and just one in iron ore extraction.

Since the inauguration of the first democratically elected president in 2010, the mining sector has been thoroughly modernized to attract investors. Government policy seeks to encourage mining investment as a way of promoting growth and employment. A number of reforms have been implemented. A new mining code was approved in September 2011, and amended in April 2013, with a view to enhancing the government share in the proceeds from mining operations. Recently, this was supplemented by a standard contract designed to place new investors on an equal footing. Moreover, the government has established a committee to review the existing mining contracts and to bring the operating conditions for mining concessions into conformity with the new mining code. An audit of mining licenses has identified 818 inactive licenses that the government is actively seeking to award to credible partners. It has also created a state-owned company (SOGUIPAMI) to manage the government's shares in the mining companies in a business-like manner.

Investments in mining projects planned over the next five years represent several times Guinea's GDP and are bound to change the country's economy profoundly. The total value of these investments is estimated at around $45 billion or more than six times the size of the Guinean economy in 2014. More than $13 billion could be injected into the production of bauxite and alumina. Iron ore could attract investment of more than $30 billion, while another $2 billion could be invested by gold mining companies. The principal projects now under development or in preparation are described below:

Kalia: This is being developed by Bellzone Ltd, which has a mining contract and a concession. The partners are looking for financing to exploit the iron ore deposits of Kalia, which have an estimated output capacity of 50 million tons of iron ore per year. The project requires an investment of $4.5 billion; it will create 9,000 direct jobs during the construction phase, and 3,500 direct jobs during the operating phase.

Dian-Dian: COBAD S.A. is now conducting a feasibility study for producing 9 million tons of bauxite a year, and this figure could be increased to 12 million tons. The company plans to invest a total of $4 billion, starting with $1 billion in 2014.

Box 1. Guinea—Major Mining Projects (concluded)

CBG/MUBADALA: The Compagnie des Bauxites de Guinée (CBG) is investing $1.2 billion to expand its output capacity to the point where it will ship 22.5 million tons per year as of 2017, and 27.5 million tons per year by 2022. CBG is managing the project under the supervision of a steering committee that comprises representatives of the Guinean government, HALCO and CBG. The company has finalized with its partners a contract to take 13.5 million tons of bauxite per year over 15 years, beginning in 2014, and it is in discussions to supply 9 million tons per annum, starting in 2017, to Rio Tinto (2 mtpa), DADCO (2 mtpa), and Mubadala (5 mtpa). Additional demand of 5 million tons on the part of Mubadala is also expected, as of 2022. This project should create 2,500 direct jobs.

Guinea Alumina Corporation/Mubadala: Mubadala and Emirates Global Aluminum have bought the shares held by Guinea Aluminum Corporation. They project investment of $5 billion in two phases: first during 2014–17 for the extension of the port of Kamsar and the development of a bauxite mine at Sangarédi, and second during 2018–21 the construction of an aluminum refinery.

China Power Investment (CPI): CPI is planning to invest $6 billion to extract bauxite in Télimélé, and to convert it into alumina on-site. It is planning to produce 4 million tons of alumina in its first phase, and to double this in the second phase. The contract has been signed and ratified, and the construction work will begin in 2014. The project will create 8,000 direct jobs during construction, and 3,500 direct jobs during operation.

Simandou: This project, which is being developed by Simfer S.A. (Rio Tinto, Chinalco, the government of Guinea, and the IFC) will exploit the iron ore deposits from blocs 3 and 4 of the Simandou mountains at Beyla. It will require construction of a trans-Guinean railway and a deep water port, as well as the related infrastructure. The investment framework is now being finalized, along with the financing scheme, for an amount of more than $19 billion. The project will generate over 7,000 direct jobs during the construction phase, and 3,000 direct jobs during operation.

B. Fiscal Policy

11. **Fiscal policy for 2014 aims to create fiscal space to maintain a strong investment effort in line with the priorities of the PRSP III, while consolidating the gains in macroeconomic stability**. The 2014 budget was formulated consistent with the program, and was approved by parliament on December 31, 2013. The key objectives of fiscal policy are, among others, to support economic growth, satisfy basic social needs, and contain the fiscal deficit so as to ensure the sustainability of public finances. To achieve these goals, government policies will be based on 4 pillars: strengthening revenue collection; controlling the level of expenditure and enhancing its quality; shifting resources towards investment; and recourse to financing that will ensure fiscal sustainability and support the objective of reducing inflation. The recent parliamentary elections marked the end of the transition period from the 2009–10 military regime, allowing for a full resumption of our relations with external donors, especially the European Union (EU). Budget support is expected to rise while foreign-financed project assistance is also expected to increase substantially.

Revenues

12. The government intends to significantly strengthen its revenue efforts in 2014. Revenues are expected to increase from an estimated 18.4 percent of GDP in 2013 to 19.7 percent of GDP in 2014. Reflecting the difficulties in the mining sector, revenues from mining are expected to fall from the long-run average of 4 percent of GDP to 2.8 percent in 2014, which, however, will be more than made up for by additional revenue from non-mining taxes which are estimated to increase from 15 percent of GDP in 2013 to 16.9 percent of GDP in 2014. An important element in this substantial increase is the normalization of the socio-political situation, eliminating serious problems in revenue collection experienced in 2013 and returning collection efforts to the level witnessed in 2012. Furthermore, the government will introduce an automatic mechanism to adjust petroleum product prices and raise pump prices by about 5 percent early in February, reducing implicit subsidies by about two-thirds and raising government revenue by more than 0.7 percent of GDP. The government will launch a study on regional practices to guide the discussions with the oil companies on revising certain parameters of the price structure by March 2014. By June 2014, the government will revise the relations of the autonomous entities receiving public funds (e.g. from leasing of publicly-owned buildings, rents from the Cité des Nations and from the use of mining infrastructure, and from the telecommunications sector) with the Treasury with the aim of transferring these funds to the Treasury Single Account by end-June 2014 (**structural benchmark (SB)**); this measure will raise budget revenue by 0.1 percent of GDP.

13. The government will also strengthen the tax and customs administrations in line with the 2013–15 strategic modernization plan. The medium-sized taxpayer unit in the Tax Department started operations in 2013 and has been brought to full strength in January 2014. Based on a known stock of about 2,000 companies that will be administered by the unit, many of which presently pay low fixed taxes, this is expected to raise an additional 0.2 percent of GDP in revenue. The Tax Department (Direction Nationale des Impôts—DNI) will also resume efforts to collect tax arrears; from an already audited stock amounting to the equivalent of 1.4 percent of GDP, 0.4 percent of GDP is expected to be collected in 2014. Similarly, following successful pilot projects in 2013, the General Directorate of Customs (Direction Générale des Douanes—DGD) plans to raise revenue by more than 0.3 percent of GDP thanks to strengthening of its control and clearance units, permitting stricter management of exemptions and the minimization of tariff slippages during customs clearance. The draft budget law allocates funds to allow the revenue agencies to achieve their collection objectives. Moreover, the government has put in place on January 8 an inter-revenue agency technical committee that will monitor progress with the revenue collection efforts and will report monthly on targets and actual collections from these measures to the Ministers in charge of economy and finance, and the budget. In order to give taxpayers the possibility of recourse, the government has taken steps to make the Tax Appeals Commission operational.

14. The government will take steps to safeguard the integrity of the VAT. An efficient mechanism for the refund of VAT credits for exporters is crucial to ensure the viability of export-oriented projects, especially in the mining sector, and to avoid the emergence of alternative practices that would undermine the entire VAT system. The DNI and the Treasury Department have reconciled data on, and have identified, the outstanding amount of VAT credits at GNF 395 billion at end-2013. The 2014 budget includes an amount of GNF 102 billion for the repayment of part of the stock of VAT arrears. In January 2014, the government established a timetable for clearing the stock of credits during 2014–16, in cooperation with the mining companies concerned. Based on recent technical assistance from the Fiscal Affairs Department of the IMF (FAD) the government introduced in January 2014 a new refund system, which will function as follows: (i) an earmarked account for the reimbursement of VAT credits will be opened at the central bank as a sub-account of the single treasury account; it will be funded by withholding monthly GNF 10 billion from VAT collections; (ii) beneficiaries of VAT credits will submit to the DNI their requests for reimbursement and the DNI will verify an amount for reimbursement and transmit this to Trasury Department and the Public Accounts Department which will make the payment from the earmarked account (see aforementioned (i) within 60 days from the date of the request; and (iii) the General Inspection for Finances will audit the operations of the earmarked account on a quarterly basis, which will be published in the official gazette.

Expenditures

15. The main objective of expenditure policy for 2014 is to maintain a high level of domestically-financed investment, despite rising outlays in some other areas. The wage bill is expected to rise from an estimated 4.9 percent of GDP in 2013 to 5.1 percent, reflecting primarily the full-year impact of the October 2013 salary increase and the implementation of the special remuneration statutes in the justice, health, and education sectors and new recruitment for the police. Furthermore, to improve power supply and pending the implementation of important measures to improve the financial viability of the company later in the year (see paragraph 31), operating subsidies to EDG will rise from less than 0.7 percent of GDP in 2013 to 0.9 percent of GDP (from GNF 324 billion in 2013 to GNF 460 billion in 2014), including for a 6-month extension of rented power generators, while the servicing of debt incurred in 2013 to pay EDG's supplier arrears will require a further 0.3 percent of GDP. The budget also includes provisions to clear up the backlog of VAT credits (0.2 percent of GDP) and for the second tranche of the recapitalization of the BCRG (0.3 percent of GDP).

16. In order to be able to raise domestically-financed investment, especially for ongoing infrastructure projects, the government will (i) stop net new recruitment (except for the already ongoing recruitment of 4,015 policemen) until the completion of the biometric census of the civil service and the adoption of a civil service reform plan—expected by December 2014 (**structural benchmark**)—which is being prepared with assistance of the World Bank; and (ii) maintain spending on goods and services at slightly below the nominal level of

2013, reflecting efforts to reduce waste in government spending and to reform public procurement. This would imply a decline from an estimated 5.8 percent of GDP in 2013 to 4.9 percent of GDP. Also, the government intends to sign, by April 2014, a performance contract with EDG's management (**structural benchmark**) to limit its need for financial assistance to the budgeted amount and to avoid new arrears. As a result, domestically-financed investment is budgeted to rise from an estimated 4.5 percent of GDP in 2013 to 6.9 percent in 2014; including externally-financed project support, total public investment is expected to rise from an estimated 9.4 percent of GDP in 2013 to 12.2 percent in 2014.

17. The 2014 budget is fully-financed. The budget's basic balance deficit will be contained at 2.6 percent of GDP, similar as in 2013. In addition to external budget grants, amounting to 1.7 percent of GDP, financing will also come from the third and final tranche of a budget support loan from Angola ($39 million). Net bank financing of the budget will be limited to drawing down the remaining balances from the 2011 exceptional revenue in the Special Investment Fund (SIF; $125 million—1.8 percent of GDP; plus $28 million (0.4 percent of GDP) carried over from 2013). The governance structure of the SIF, prepared with assistance from the World Bank, was adopted in December 2013 and the director of its secretariat and international experts will be nominated by end-March. This should ensure that these resources are used efficiently and sustainably. New exceptional revenue, which could possibly come from the ongoing review of the existing mining contracts or from new projects, will be disbursed in the SIF for the financing of investment projects.

C. Monetary and Exchange Rate Policies for 2014

18. The BCRG will continue to base its policy on containing reserve money growth in order to consolidate the downward trend in inflation and achieve the target for international reserves. However, after implementing very tight monetary policy in recent years, the BCRG now considers that a gradual loosening of the policy stance would not pose a threat to the progress made towards establishing macroeconomic stability. It will monitor closely the impact of the reduction in the reserve requirement in December 2013 before considering any possible additional reductions later in 2014, within the limits imposed by the inflation and international reserve targets. In the meantime, to improve the flexibility of monetary policy and allow more market-based interventions, the BCRG will expand its range of indirect instruments. This may take the form of issuing its own tradable paper (*titres de regulation monetaire)* or the use of government treasury bills from its own portfolio from securitized advances to the government. It is also examining the possibility of introducing standing facilities, including for repurchase operations. It will seek IMF technical assistance to develop analytical tools and methods to deepen its understanding of liquidity conditions in the economy and the transmission channels of monetary policy and to develop an interbank market. Concrete recommendations on these issues are expected from the financial sector development report that is expected to be validated by March 2014.

19. The exchange rate will remain market-determined. To further improve the market-determination of the exchange rate, the central bank intends to widen the exchange rate band around the auction rate for banks from 3 percent to 5 percent. It intends to request IMF technical assistance to allow same-day adjustment of the official rate to the market rate. It will also finalize the operating regulations of the auctions, taking into account IMF technical assistance recommendations. By June 2014, the BCRG will finalize its policy on managing its foreign exchange reserves and strengthen the operational capacity of the Foreign Exchange Directorate by establishing a trading room and staff training.

20. The BCRG will further strengthen banking supervision to enhance the soundness of the financial sector. In 2013, it requested the banks to raise their capital to at least GNF 65 billion by the end of June 2014, to a least GNF 80 billion by end-June 2015, and to at least GNF 100 billion by end-June 2016. It will strengthen banking supervision, on-site and off-site, with technical assistance from the IMF's regional technical assistance center AFRITAC West, and finalize and adopt the new banking chart of accounts by end-2014. The liquidation of BADAM is under way and the reimbursement of deposits up to GNF 10 million will start shortly. It will reinforce the soundness of the microfinance sector, complete revisions to the Insurance Code; and review insurance products offered by banks ("bancassurance") and micro-finance institutions.

21. The BCRG's capital will be strengthened by a second disbursement from the government in 2014. To assess its longer-term capital needs, it has requested technical assistance from the IMF. Moreover, the draft new Central Bank Act was submitted to the government on November 18, 2013 and is expected to be adopted during 2014. To increase transparency, the BCRG will publish on its website the special audit of foreign exchange reserves as of June 30, 2013 and the audit of net domestic assets and net international reserves of June 30, 2013. Following the recent decree appointing the members of the National Financial Information Processing Unit (CENTIF), the government developed an action plan to make it fully operational by end-May 2014, providing it with the premises and the financial and technical resources needed for it to operate independently, in accordance with Articles 19 and 20 of the law on combating money laundering and the financing of terrorism.

D. Structural Reform

22. Structural reform remains a priority for the government and is a condition "*sine qua non*" for higher growth, poverty reduction, and for the country to benefit from its natural resource wealth. While the reform agenda incurred delays in 2013, progress continued and several important measures were implemented some time after the initial target date and others will be implemented shortly. The government firmly believes that setting ambitious targets is instrumental to maintain the reform momentum; at the same time, the reforms and targeted implementation dates described below are deemed to be realistic, although several measures depend on the availability of technical assistance. Key structural reforms aim at further strengthening public financial management, civil service reform, and reforming the mining sector and restoring the viability of the electricity sector while increasing power supply.

Fiscal management

23. The government will continue to implement its program for modernizing fiscal management, which is intended to make the new laws and regulations adopted during 2011–13 fully operational, with the support of its technical and financial partners. A strategic plan for fiscal reform will be approved, taking into account the results of the Public Expenditure and Financial Accountability (PEFA) evaluation conducted in 2013 with technical assistance from the IMF and the public expenditure review by the World Bank. This plan will include implementation of all reforms introduced by the new Budget Framework Law (LORF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP), the decree on governance and transparency of public finances, and the new public procurement code. The key measures in the action plan are described below:

- To bring the legal and institutional framework for public procurement into conformity with international standards, the government will approve rules governing the powers of the main institutions involved, including the large projects unit in the Presidency (ACGP), the procurement regulatory authority (ARMP), and the public procurement directorate (DNMP) as well as implementing regulations of the public procurement code, by end-June, 2014 (**structural benchmark**).

- As part of the report on the implementation of PSRP during its first year, the government will adopt in consultation with donors a new budget nomenclature by end-June 2014, including a functional classification to better target poverty reduction expenditures (**rescheduled structural benchmark**).

- The government will decide on the treatment of the suspense accounts for the exceptional years (2005–10) based on the recommendations of IMF technical assistance and will produce the general management and the administrative accounts of the State for 2011–12 by end-June 2014 (**reformulated and rescheduled structural benchmark**).

- The government will complete the connection of the computer systems of the revenue agencies with the National Directorate of Public Procurement, the Treasury, and the BCRG, by end-September 2014.

- To increase property tax revenues, the ad hoc committee responsible for the reform of real estate taxation will prepare a work program by end-March 2014, including completing a study by end-September 2014, with technical assistance from the IMF.

- The government will put in place the technical secretariat for the SIF, which will submit to its management committee the eligibility criteria for public investments financed by the SIF, by end-March 2014.

- With the assistance of the French Development Agency (AFD), the government will approve a time table for clearing domestic payment arrears by December 2014, distinguishing between arrears from the budget years 2011–13 and those from 2005–10 (**structural benchmark**).

Civil service reform

24. Civil service reform will aim at improving productivity in the public administration and the management of recruitment, careers, and the wage bill. The government plans to adopt a plan to reform the civil service, based on the results of the biometric survey and the action plan of the High Commission for State Reform and Government Modernization (HCREMA) by end-December 2014 (**structural benchmark**). In 2013, the government completed the biometric census of the customs office and the police; with World Bank assistance, a consultant has been recruited to complete the biometric census for the entire civil service by end-September 2014. The reform plan (PREMA) of HCREMA will be based on the biometric census and the study on the Civil Service Reform Strategy; the latter is expected to be finalized by mid-2014. Following the reform of the civil service, the government will introduce a new approach to procedures for forward-looking human resource management, based exclusively on competitive recruitment and only for vacant positions authorized in the budget, to improve personnel administration and wage bill management. The following measures will be implemented: (i) preparation and computerization of organizational charts and job descriptions (by July 2014); (ii) identification of skills shortages and positions for future recruitment (by June 2014); (iii) following the biometric census, the programming of the redeployment of personnel who are paid but are unassigned or surplus, and early-retirements (by December 2014); and (iv) an update of the regulations concerning the organization and operation of the General Inspectorate of the Public Administration (IGAP) by March 2014, as well as the strengthening of its management capacities (recruitment, training, procedures manual).

Improving the business climate

25. Improving the business climate remains a key objective of the government, as it is crucial for increasing investment, growth, and poverty, and transforming Guinea into an emerging economy. In this context, the adoption of the law on tax incentives in the Finance Bill for 2014, and the submission of the new investment code to parliament for the parliamentary session in April 2014, will be important steps for facilitating investments. To eliminate the duplication and inefficiency inherent in the dispersion of responsibilities over several agencies and ministries involved in promoting investment, the law on tax incentives will be amended to clarify procedures for accessing tax incentives, as well as for their control and supervision. By April 2014 the government will create a Unit for the Coordination of Private Sector Reform within the Ministry of Industry and Small and Medium-Sized Enterprises. By June 2014, the government will adopt a program for the reform of the judiciary. The program will include the areas of strengthening the respect of property titles and commercial contracts, as well as the creation of a Commercial Court ("Tribunal").

26. The government will issue a decree on the powers, organization and operations of the Private Investment Promotion Agency (APIP), by end-March 2014. The APIP decree will be in conformity with the law on public administrative establishments, and will take into account the observations of the World Bank, the IFC, and other partners. An international consultant will be hired by March 2014, with support from the World Bank's Small and Medium-sized Enterprises Development Project (PAPME), to assist the APIP in the preparation of an enterprise promotion strategy and a business plan.

Mining policy

27. The government's mining policy will continue to promote investment and ensure improved monitoring of the implementation of mining contracts. The policy will include the provision of support to projects currently under development, and ensure that legal and contractual commitments are respected to help the projects move into the production stage, consistent with the expected timetable. The government will step up its efforts to finalize the investment framework for the Simandou project, which is expected to be submitted to parliament in the coming months. With assistance from the World Bank, the government will approve the recommendations of a study on the master plan for related infrastructure in the mining sector (port and rail) by March 2014; a study on the organization of artisanal gold prospecting is planned to be completed by end-June 2014. In order to reassure investors and to maximize its own revenues from the sector, the government will take all necessary action to be validated under the Extractive Industries Transparency Initiative (EITI) by April 2014. To ensure transparency in the management of mining permits, an update of the mining cadastre will be completed by end-2014. The government will ensure that all new mining conventions are strictly in line with the mining code. In order to put investors on an equal footing, the government will strictly enforce the regulation under the new mining code for granting new mining permits and concessions.

28. The government intends to complete the review of all mining permits by end-2014. To this end, the Technical Committee responsible for reviewing the permits will establish a work schedule for discussions with the mining companies, which is expected to be approved by the high-level Strategy Committee by end-February 2014. With support from the AfDB, the Technical Committee has hired a legal consultant to assist with the coordination of the activities of the consortium of legal companies advising on the mining conventions; the process for hiring a financial analyst,, who is to support the review process through the use, improvement, and maintenance of financing models, is under way.

29. The government plans to reform the institutional framework of SOGUIPAMI, the government-owned entity set up to manage the State's shareholdings in the mining sector. With World Bank support, a study is under way to make recommendations on the possible role of SOGUIPAMI and its relationship with the State. The government expects to adopt and implement the recommendations of the study by end-June 2014 (**rescheduled structural benchmark**). The 2014 budget includes provisions for the company to operate, so that it can

launch the full range of its activities within the limits defined by the consultant. SOGUIPAMI will provide quarterly activity reports and financial accounts to its oversight board to ensure control over its activities. It will publish its financial statements and all the contracts in which it is involved on its website. Before the end of the year, it will submit to its oversight board summaries of mineral prospecting projects, in accordance with the board's recommendations.

Energy sector

30. The government will continue to implement the policies and reforms outlined in the Policy Letter on Energy Sector Development, as revised in December 2012. The medium- to long-term objectives are to (i) increase access to electricity; (ii) improve governance and the financial viability of EDG; and (iii) reduce dependence on fossil fuels, especially by developing Guinea's large potential for hydroelectricity. The updated action plan for the restructuring of the electricity sector, prepared with World Bank assistance, defined six priority projects: (i) the rehabilitation and strengthening of hydroelectricity production; (ii) the rehabilitation of the thermal power plants of Tombo III and V in Conakry; (iii) supporting the reform of EDG, in particular the establishment of a management contract with a strategic operator; (iv) restructuring and strengthening of the sector through technical advice for the reform of the sector; a review of the electricity law; and the adoption of a law on public-private partnerships in order to prepare for private sector participation in the sector; (v) the rehabilitation and strengthening of the electric transmission network; and (vi) adding 100 MW of capacity from thermal generation to the network.

31. Key measures under the action plan that are expected to be completed during 2014 are:

- Completion of the rehabilitation of Tombo III and Tombo V and adding a further total of 100 MW of capacity to the network by end-December 2014, of the which first tranche (from Tombo I) will be started by end-May 2014. At that time, this should provide an additional 48 MW of usable capacity to the network. In the meantime, the government intends to renew rental of temporary generators for 50 MW until September 2014. An audit of the implementation of the contract to add 100MW in thermal generators, purchased in 2012, was completed in January 2014 and will assist in negotiations toward the successful implementation of that contract.

- The government will submit to parliament a new electricity law and a law on public-private partnerships by December 2014; the implementation regulations of these laws are scheduled to be adopted by March 2015.

- Improving the financial viability and governance of EDG. The government, in addition to signing a performance contract with the company, intends to gradually adjust electricity rates, starting in March 2014. With the assistance of the World Bank and the IFC, a management partner is planned to be recruited by end-December 2014 (**structural**

benchmark). EDG will complete preparations for installing (pre-paid) meters by end-June 2014 and accelerate the distribution of close to two million low-energy-consumption bulbs. EDG will remain supervised by an oversight board, which is assisted by a financial controller who will supervise EDG's financial management on a daily basis, ensuring that its expenses remain in line with its revenue and that the government subsidy of a maximum of GNF 460 billion is strictly adhered to.

Agricultural sector

32. **Food self-sufficiency in 2017 remains the primary objective of agricultural policy**. The government's measures will continue to facilitate farmers' access to high quality seeds, fertilizers, and better farm equipment, as well as strengthen capacity of the public agencies responsible for agronomic research, extension services, and statistics. These efforts will help to sustain high growth in rice production, and to prepare the ground for additional investment in the processing, warehousing, and marketing of agricultural products, to begin in 2015. Efforts will also be made to resume exports of coffee, with completion of the authorization process for "ziama" coffee, as well as of fruits, vegetables, and cotton.

33. **The government intends to undertake the following key actions in the reform of the agricultural sector in 2014**. Following the actions already undertaken since 2011, it will accelerate the preparation of irrigation and water management developments, and overcome the segmentation of watersheds, with support from the country's technical and financial partners. The information system will be strengthened, and the bodies of the National Chamber of Agriculture will be renewed through elections of officers to be held by end-June 2014. The agricultural framework law will be adopted and promulgated by June 2014, creating the legal basis for private investment in the transformation of traditional agriculture and to ensure the protection of property rights and title security for private investments. The government will adopt by end-April 2014 an action plan to implement the recommendations of the World Bank's Public Expenditure Review. With the assistance from its technical and financial partners, the government will identify, by March 2014, measures to ensure that the revolving fund for agricultural support receives all receipts from the sale of inputs and equipment, financed by the fund and that the fund is managed so as to ensure its sustainability.

E. Program Financing

34. **The government expects that the financing needs of the 2014 program will be covered**. The bulk of the financing will come from external sources, including project grants, budget support and loan resources for investment projects. The principal donors are the World Bank, the African Development Bank, the European Union, the French Development Agency (AFD), Abu Dhabi, and Saudi Arabia, while China would provide much of the project loan resources, mainly for the Kaleta hydroelectricity project. The budget will benefit from savings in debt service following attainment of the completion point under the HIPC initiative in 2012. All creditors in the Paris Club have signed, or are expected to sign in the near future, bilateral

agreements for debt relief under the HIPC initiative, as well as for additional relief. Multilateral creditors have already delivered HIPC-related debt relief, except for two institutions for which discussions are ongoing. In addition, the government is pursuing discussions with non-Paris Club official bilateral creditors and commercial creditors on HIPC-related debt relief. However, most have not responded to the government's invitation to open discussions. The government has also invited commercial creditors to open discussions to clear arrears in line with the IMF's policy on lending into arrears, including by the provision of debt relief under the HIPC initiative, but most have also not yet responded. Disbursements from the IMF under the ECF arrangement are expected to cover the residual balance of payments need.

35. The authorities will continue their policy of relying only on grants and concessional loans, although this may prove difficult because of the limited availability of concessional funds from donors, especially for large-scale infrastructure and energy projects. In this context, the government has decided that it will not take any share in the equity of the infrastructure company for the Simandou iron ore project. To ensure prudent debt management, the government will create a National Public Debt Committee by March 2014. This committee is expected to adopt a statement of public debt policy, which is being finalized, and submit it to the Council of Ministers in April 2014. The objective of the debt policy is to ensure that government financing needs are met at the least cost while keeping risks to a reasonable level, and do not compromise macroeconomic stability, while achieving sustainable development. The government will seek assistance from its technical and financial partners to implement its action plan (which will be finalized in March 2014) for further strengthening of public debt management. In particular, the government will begin the preparation of a medium-term debt strategy in 2014, for which it will request technical assistance from the World Bank and the IMF. In addition, to centralize public debt management more effectively and improve the formulation of a public debt policy, the government will integrate in a single database data on domestic and external debt.

PROGRAM MONITORING

36. The government will persevere in its efforts to upgrade the statistics system to ensure the regular production and supply of quality statistical data. In line with the National Strategy for the Development of Statistics, a revised statistical law will be submitted to parliament in April 2014. This law will provide the institutional framework for the National Statistical System. To further improve the national accounts, the National Institute for Statistics will improve the quality of data on electricity production by independent producers and mining companies and will adopt a methodology for estimating value added in the construction sector. This effort will build on a census of water production by the private sector and from wells built by the government and development partners. The government will validate the new national accounts, taking 2006 as the base year, by March 2014.

37. The government will strengthen the Technical Unit for Program Monitoring (CTSP) within the Ministry of Economy and Finance. It will implement the recommendations of the

consultant hired with the assistance of the European Union. By end-March 2014 and with donor assistance, it will strengthen the human, institutional, and financial resources of the CTSP, in line with the recommendations of the consultant recruited by the European Union by March 2014 (**structural benchmark**); in particular, it will recruit 7 national consultants and provide the CTSP with the necessary offices and equipment.

38. The program will be reviewed semiannually by the IMF Executive Board, on the basis of quantitative monitoring indicators and structural benchmarks (Tables 1, 2 and 3 attached). These indicators are defined in the attached Technical Memorandum of Understanding (TMU, Attachment II). The third year of the program will finish at end-December 2014. The fourth (fifth) program review, based on the performance criteria at end-December 2013 (June 2014) should be completed no later than April 2014 (October 2014).

39. During the program period, the government undertakes (i) not to introduce or intensify restrictions on the balance of payments or transfers pertaining to current international transactions; (ii) not to introduce multiple currency practices; (iii) not to enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement; and (iv) not to impose or intensify import restrictions for balance of payments purposes. Moreover, the authorities undertake 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 achieving program objectives.

Table 1. Guinea: Performance Criteria (PC) and Indicative Targets ECF, 2012–14[1]

(Billions of Guinean francs unless otherwise indicated)

	2013											2014			
	Mar.			Jun.			Sep.			Dec.		Mar.	Jun.	Sep.	Dec.
	Indicative Targets	Act.	Status	PC	Act.	Status	Indicative Targets	Act.	Status	PC	Prel.	Indicative Targets	PC	Indicative Targets	Indicative Targets
Quantitative performance criteria															
Basic fiscal balance (floor)	-238	-40	Met	-475	189	Met	-1,115	-196	Met	-1,486	-1,140	-354	-635	-934	-1,267
Net domestic assets of the central bank (ceiling)	4,645	3,664	Met	4,959	3,623	Met	4,596	3,819	Met	4,540	4,157	4,785	5,018	5,130	5,108
Domestic bank financing of the government (ceiling)	340	110	Met	680	42	Met	1,069	201	Met	1,221	1,132	639	879	999	1,074
Net international reserves of the central bank (floor); US$ millions [2]	363	522	Met	344	534	Met	458	541	Met	427	568	481	459	412	442
New nonconcessional medium- or long-term external debt contracted or guaranteed by the government or central bank (ceiling); US$ millions [3,6]	0	28	Not Met	363	363	Met	363	363	Met	363	363	0	0	0	0
Stock of outstanding short-term external debt contracted or guaranteed by the government or the central bank (ceiling); US$ millions [4]	0	0	Met	0	0	Met	0	0	Met	0	0	0	0	0	0
New external arrears (ceiling) [4]	0	0	Met	0	0	Met	0	0	Met	0	0	0	0	0	0
Indicative targets															
Expenditure in priority sectors (floor) [5]	1,105	702	Not Met	2,367	1,690	Not Met	3,077	2,579	Not Met	4,200	3,321	1,060	2,167	3,166	3,784
Memorandum items:															
Reserve money (ceiling)	6,424	6,437	Not Met	6,619	6,442	Met	7,028	6,722	Met	6,770	7,324	7,360	7,221	7,413	7,413

Sources: Guinean authorities; and IMF staff projections.

[1] Definitions and adjustors are included in the technical memorandum of understanding (TMU).

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

[6] Ceiling established on loans contracted with China's EXIMBANK (US$334.65 million), ECOWAS (US$10.53 million), and the OFID (US$17 million). These loans were contracted in 2012-13; they became effective starting from late 2012.

Table 2. Guinea: Structural Benchmarks Under the ECF-Supported Program, 2013			
Measures	**Date**	**Implementation Status**	**Macroecoomic Rationale**
Submit to parliament a draft law on tax and customs incentives.	End-May 2013	Completed with delay. The law was attached to the 2014 budget law and approved by parliament at end-December 2013.	Separate the function of investment regulation from that of tax and customs incentives.
Adopt and publish the implementing texts for the new mining code, as well as the text of a standard mining *convention*.	End-June 2013	Partially completed with delay. The decrees were signed on January 17, 2014 and will be published in the official gazette soonest. SB not rescheduled as almost completed.	Ensure the Mining Code is competitive and guarantee a larger share for the government in the country's mining revenues.
Submit to parliament a draft law revising the investment code.	End-June 2013	Not completed and delayed; SB reschuled. The draft law has been submitted for government approval and is expected to be submitted to parliament by June 2014.	Reduce tax expenditures and improve the business environment.
Adopt a program to reform the electricity sector and the governance of Électricité de Guinée (EDG), in keeping with the recommendations made during the meeting of energy development partners in April 2013.	End- June 2013	Completed. The draft plan was adopted in January 2013 and confirmed during the meeting with development partners in April 2013.	Improve EDG's governance and performance, and reduce budget subsidies.
Adopt the Special Investment Fund governance structure, with technical assistance from the World Bank.	End-June 2013	Completed. The decree establishing the governance structure was signed in June 2013 and formally registered on december 23, 2013.	Promote fiscal sustainability and economic growth through more efficient and cost-effective use of windfall mining revenues.
Appoint a liquidator for the BADAM bank with terms of reference ensuring, in particular, that advances from BCRG to BADAM and all depositors with deposits up to GNF 10 million will be reimbursed.	End-June 2013	Completed.	Protect the banking system and small depositors, while limiting use of the government budget.

Table 2. Guinea: Structural Benchmarks Under the ECF-Supported Program, 2013 (concl.)

Measures	Date	Implementation Status	Macroecoomic Rationale
Apply a monthly adjustment system to the price of petroleum products based on fluctuations in the international market price and the exchange rate	Continuous, starting August 1, 2013	Not completed and delayed. SB not recheduled as implementation is planned for early-February 2014	Protect fiscal revenues
Adopt a civil service reform plan, based on the results of the biometric census and the HCREMA action plan	End-September 2013	Not completed and delayed; SB reschuled. The recrutement of the consultant to implement the census was delayed. The process is now under way with World Bank assistance and discussions with social parners are ongoing	Restrain the wage bill and improve government productivity
Prepare a medium-term action plan to strengthen external debt management with technical assistance from the European Union	End-October 2013	Not completed and delayed. SB not recheduled as action almost completed. Draft plan is being finalized and is expected to be adopted by end-March 2014	Strengthen external debt management
Adopt and implement recommendations for a study on the role of SOGUIPAMI and its relationship with public administrations.	End-December 2013	Not completed and delayed. SB reschuled. Following initial difficulties in recruiting a consultant, the study is is underway and the report is expected by March 2014	Maintain the government's assets in the mining sector under government control, protect government revenues, and limit fiscal risks.
Regularize suspense accounts and produce administrative and general financial management accounts for 2005–12	End-December 2013	Not completed and delayed. Initial approach could not be implemented due to lack of data on earlier years of the period, reflecting the turbulent social and political situation at that time. Work, building on a different approach is under way	Strengthen fiscal management and transparency
Adopt revisions of legal texts on public entities to make them consistent with the new Budget Framework Law (LORLF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP)	End-December 2013	Not completed and delayed. SB reschuled. Additional technical assistance was needed. Preparation of the legal texts is now underway with IMF teachnical asistance	Limit the risks for the government budget and strengthen central control over external public debt

Table 3. Guinea: Structural Benchmarks Under the ECF-Supported Program for 2014			
Measures	**Date**	**Implementation Status/Remarks**	**Macroeconomic Rationale**
Strengthen the institutional and financial resources of the CTSP and start the process of recruiting national experts in line with the recommendations of the study financed by the EU	End-March 2014		Improve program monitoring
Sign a performance contract with EDG's management, requiring EDG to ensure that its need for financial assistance will be limited to the amount in the Budget and that new supplier arrears will be avoided	End-April 2014		Reduce budgetary risks
Submit to parliament a draft law revising the investment code	End-June 2014	Rescheduled structural benchmark	Reduce tax expenditures and improve the business environment
Adopt the regulations governing the power of the main participants (ACGP, ARMP, DNMP) and the implementing regulations of the new procurement code	End-June 2014		Bring the public procurement framework in line with international standards
The government to decide on the treatment of the suspense accounts for the exceptional years (2005–10) based on the recommendations of IMF technical assistance and will produce the general management and the administrative accounts of the State for 2011–12	End-June 2014	Reformulated structural benchmark to take into account constraints imposed by date on exceptional years	Strengthen fiscal management and transparency
Adopt revisions of legal texts on public entities to make them consistent with the new Budget Framework Law (LORLF) and the General Regulations on Fiscal Management and Public Accounting (RGGBCP)	End-June 2014	Rescheduled structural benchmark	Limit the risks for the government budget and strengthen central control over external public debt
Revise relations between autonomous entities in receipt of public resources and the Treasury to transfer these resources to the Treasury Single Account	End-June 2014		Ensure the integrity of the government's budget and improve its cash management

Table 3. Guinea: Structural Benchmarks Under the ECF-Supported Program for 2014 (concl.)

Measures	Date	Implementation Status/Remarks	Macroeconomic Rationale
Adopt and implement the recommendation of the study on the role of SOGUIPAMI and its relationship with the public administrations	End-June 2014	Rescheduled structural benchmark	Maintain the government's assets in the mining sector under government control, protect government revenues, and limit financial risks
Adopt, in consultation with donors, a new budget nomenclature, including a functional classification	End-June 2014	Rescheduled structural benchmark	Improve the monitoring of poverty reduction efforts
Adopt a civil service reform plan, based on the results of the ongoing biometric survey and the action plan for the program for reform of the State and modernization of government (HCREMA)	End-December 2014	Rescheduled structural benchmark	Restrain the wage bill and improve the productivity of the public administration
Recruit a management partner for EDG with the assistance of the World Bank and the IFC	End-December 2014		Improve power supply and reduce fiscal risk
The government will approve a timetable for clearing domestic payment arrears, distinguishing between arrears from the budget years 2011–13 and those from 2005–10.	End-December 2014		Support private sector growth and enhance government credibility

Attachment II. Technical Memorandum of Understanding

February 1, 2014

Introduction

1. This memorandum 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 related reporting requirements.

2. The quantitative performance criteria, indicative targets, and cut-off dates are detailed in Table 1 of the Supplement to the Memorandum of Economic and Financial Policies of May 3, 2013 (Supplement).

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, notably administrative public entities (*établissements publics administratifs*).

A. Quantitative Performance Criteria

4. **The basic fiscal balance** is calculated as the difference between government **revenue**, excluding grants, and **basic government expenditure**. Definitions of bolded terms above are consistent with the definitions in the government flow of funds table (TOFE), for which the calculation method is described in Section IV below.

5. **Net domestic assets** (NDA) of the BCRG are, by definition, equal to 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 MoneyNFA, 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, i.e., the change in the net position of the Treasury with the central bank (NTP1), including the HIPC account and accounts for exceptional resources, such as the Special Investment Fund (SIF), 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 (i.e., the external assets readily available to and controlled by the BCRG as per 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). These foreign exchange liabilities, which are used to calculate the NIR, 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 gold price in effect on June 28, 2013 for the second half of 2013, on December 31, 2013 (US$1,205.9 per oz.) for the first half of 2014 and at the price in effect on June 30, 2014 for the second half of 2014. For the test dates, the U.S. dollar value of the reserve assets (other than gold) and foreign exchange liabilities will be calculated using the program exchange rates in effect, namely: on June 28, 2013 for the second half of 2013, the exchange rates between U.S. dollar and the Guinean franc (6808,8444 GNF/US$), SDR (1,5039 US$/SDR), Euro (1,3080 US$/EUR), and other currencies as published in *International Financial Statistics*; on December 31, 2013 for the first half of 2014, the exchange rates between U.S. dollar and the Guinean franc (7005.8314 GNF/US$), SDR (1,5400 US$/SDR), Euro (1,3783 US$/EUR), and other currencies as published in *International Financial Statistics*; and for the second half of 2014, the exchange rates in effect on June 30, 2014.

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, the net present value (NPV) of the debt being calculated with a discount rate of 5 percent.[1] This definition does not apply to financing granted by the IMF.

9. The performance criterion on new nonconcessional medium- or long-term debt for 2013 includes an allowance for four project loans totaling $362.53 million. The debts, all of which are nonconcessional, are (i) from the Export-Import Bank of China, for a loan of $335 million—dated January 4, 2013—to finance the Guinea Kaleta Hydroelectric Plant Project (Loan Number China Exim Bank PBC No. 49 Total No. 437); (ii) from the from the ECOWAS Investment and Development Bank, for a loan of $10.53 million—dated August 24, 2012—to finance the rehabilitation and extension of the electricity distribution network (Loan Number 67/AP/LA/BIDC/EBID/08/2012); (iii) from the OPEC Fund for International Development, for a loan of $10 million—dated March 7, 2012—to finance the National Program to Support Agricultural Value Chains (Loan Number 1429P); and from the OPEC Fund for International Development, for a loan of $7 million—dated January 29, 2013—to finance the Five Towns Water Supply Project (Loan Number1481P). For 2014 this performance criterion is set at zero.

[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.

10. 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 are normal import-related suppliers' credits and foreign currency deposits at the central bank.

11. New external arrears include all 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 which has not been paid within 30 days after falling due will be considered a "program" arrear. Arrears not to be considered as 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) litigious amounts.

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

B. Indicative Target and Memorandum Item

13. 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, Women Promotion and Children; (ix) Pre-University Instruction and Civic Education; (x) Labor, Technical Education and Professional Training; (xi) Higher Education and Scientific Research; (xii) Alphabetization 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 Public Health as well as utility charges for water, electricity, and telephone (Title 3 of the ministries listed above). However, they exclude spending under Title 4 (transfers and subsidies) of the Ministry of Higher Education and Scientific Research.

14. Reserve money, a memorandum item, comprises local banks' deposits and other private sector deposits with the BCRG (including bank reserve requirements) denominated both in Guinean francs and in foreign currencies, Guinean francs in circulation, and 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

15. The term "external debt" is understood as specified in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt adopted by the Executive Board of the IMF on

August 31, 2009.[2] For purposes of the program, "debt" will be understood to mean current, i.e., 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 will discharge the principal and/or interest liabilities incurred under the contract. External debt can take a number of forms, the primary ones being the following:

- loans, i.e., 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);
- suppliers' credits, i.e., 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, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified periods of time, which are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this memorandum, 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 those payments that cover the operation, repair, or maintenance of the property.

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

17. The government and the central bank agree not to contract or guarantee any nonconcessional external debt under the conditions defined in paragraph 8 above, with the exception of debt in the form of reschedulings. 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.

[2] See "Guidelines on Performance Criteria with Respect to Foreign Debt"—IMF Executive Board Decision No. 12274, as amended by Decision No. 14416-(09/91).

D. Adjustments to Program Performance Criteria

18. The quantitative performance targets are calculated on the basis of projected amounts of (1) net external assistance; (2) exceptional revenues of the mining sector (see table below); (3) the net change of "program" arrears; and (4) 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.

Guinea: External Assistance, Exceptional Mining Revenue and the Float, 2013–14
(Billions of Guinean francs, cumulative from the beginning of the fiscal year)

	2013						2014			
	Juin		Sept.		Dec.		Mars	Juin	Sept.	Déc.
Net exetrnal assistance	-112	-207	365	-84	688	32	-139	-29	85	471
Budgetary support (grants and loans)	77	0	626	174	1051	419	0	309	523	1111
External debt service	-170	-216	-242	-279	-315	-413	-140	-338	-438	-639
Interest	33	36	56	57	76	72	37	56	91	115
Principal	137	180	186	223	238	341	103	282	347	524
Payment of arrears	-340	9	-340	21	-1011	26	-218	-720	-720	-1043
Debt relief	321	0	321	0	963	0	218	720	720	1043
Exceptional mining revenue expected	0	0	0	0	0	0	0	0	0	0
Chenge in the float	-93	42	-185	42	-244	-166	-101	-72	-25	5

Sources: Guinean authorities and IMF staff estimates.

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.

20. Adjustments for net external assistance:

- *If net external assistance exceeds the 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. Adjustment 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.

- *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 for exceptional mining revenues:

- *All new mining exceptional revenue will be transferred to the special investment fund (SIF), with a view to be earmarked for investment spending. For 2014, the amount of exceptional mining revenue is programmed to be zero.*
- *In the case of surplus exceptional mining revenues of up to US$125 million,* the floor for NIR will be adjusted upward and the ceilings on NDA of the BCRG and bank financing of the government will be adjusted downward by 80 percent of the surplus, while the floor for the basic fiscal balance will be adjusted downward by 20 percent of the surplus (allowing US$25 million of the surplus, or 0.4 percent of GDP to be used for investment expenditures).
- *For surplus exceptional mining revenues in excess of US$125 million,* the floor for NIR will be adjusted upward and the ceilings on NDA of the BCRG and bank financing of the government will be adjusted downward by an amount equal to 100 percent of the surplus beyond US$125 million, while the floor for the basic fiscal balance will not be adjusted (resulting in the saving of the surplus beyond US$125 million in the SIF, pending a review of the budget outlook and a cost-benefit and sustainability analysis before these excess revenues are committed over a medium-term timeframe for investment spending identified in the Public Investment program).

23. Adjustment related to the net change in the float:

- In case 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 Purpose of the TOFE

24. Government **revenue** includes tax and nontax revenue. It does not include external grants, the proceeds of privatizations, or exceptional mining revenues (the latter two being recorded as financing). Tax and nontax revenue are defined in accordance with Section IV.A.1 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, 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), taxes on petroleum products, and export taxes on mining products, including the tax 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.

25. 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 the simplified delegated spending authority procedure, expenditures are accepted by the Treasury immediately after the payment order is issued. In the case of simplified procedures and 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 measured on the basis of the adjusting payment orders (*mandatements de régularisation*) when the adjustment to a payment order basis is done. For refunds of VAT credits, acceptance by the Treasury occurs when refund requests are transmitted by the National Tax Directorate to the National Director of the Treasury. 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.

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

27. **External financing** comprises: (i) disbursements of external loans; (ii) principal owed on government external debt; (iii) relief and rescheduling of government external debt, net of HIPC assistance obtained from multilateral institutions, which is considered part of grants; and (iv) the net change in external arrears (interest and principal, to be shown separately).

F. Data Reporting for Program Monitoring Purposes

28. 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 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.

29. The authorities will report the information summarized in Table 1 below to the IMF's African Department by the deadlines set in this table. Barring any indication to the contrary, the data will take the form as discussed between the authorities and the IMF. The authorities will supply the Fund with any additional information that its staff may request for program monitoring purposes.

Table 1. Data Reporting Requirements for Program Monitoring

Category 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	30th of the month for the previous month
	Detailed net treasury position (NTP) and net government position (NGP)	Monthly	30th of the month for the previous month
	Interest rates and stock of government and central bank securities (*BDT* and *TRM*)	Monthly	30th of the month for the previous month
	Prudential indicators for commercial banks	Quarterly	One month after the end of the quarter
	Foreign exchange budget	Monthly	30th of the month for the previous month
Fiscal data	Status report, including a detailed statement of revenue, expenditure, and cash-flow operations	Monthly	30th of the month for the previous month
	Monthly report of the high-level technical committee on revenue monitoring	Monthly	15th of the month for the previous month
	General Treasury balances	Monthly	30th of the month for the previous month
	Cash-flow plan	Monthly	30th of the month for the previous month
	Government fiscal reporting table (TOFE)	Monthly	30th of the month for the previous month
	Use of exceptional mining revenues	Quarterly	30th of the month after the end of the quarter
	Execution of budgetary expenditures from HIPC resources and other priority expenditures	Monthly	30th of the month for the previous month
	Balance of current expenditures, VAT credits to be refunded, and domestic debt arrears	Monthly	30th of the month for the previous month