



# GUINEA

February 2015

## FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUESTS FOR AN AUGMENTATION OF ACCESS AND EXTENSION OF THE CURRENT ARRANGEMENT—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

In the context of the Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility, Financing Assurances Review, and Requests for an Augmentation of Access and Extension of the Current Arrangement, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 11, 2015, following discussions that ended on November 14, 2014, with the officials of Guinea on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on January 28, 2015.
- An **Informational Annex** prepared by the IMF.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Press Release** including a statement by the Chair of the Executive Board.
- A **Statement by the Executive Director** for Guinea.

The following documents have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Guinea\*

Memorandum of Economic and Financial Policies by the authorities of Guinea\*

Technical Memorandum of Understanding\*

\*Also included in Staff Report

The publication policy for staff reports and other documents allows for the deletion of market-sensitive information.

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January 28, 2015

## FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUESTS FOR AN AUGMENTATION OF ACCESS AND EXTENSION OF THE CURRENT ARRANGEMENT

### KEY ISSUES

**The Ebola outbreak has inflicted a heavy toll on Guinea's economy notwithstanding the supportive macroeconomic policies the authorities put in place.** Fiscal policy has expanded to reflect revenue shortfalls and higher Ebola-related spending, resulting in a markedly higher budget deficit. Monetary policy has also been supportive, as inflation continued to trend downwards and reserve coverage of imports has remained adequate.

**Performance under the ECF program has been satisfactory.** All quantitative performance criteria have been met. With the authorities focused on combating the Ebola outbreak, however, structural reform has advanced at a slower pace than previously envisaged, delaying the implementation of a number of structural benchmarks.

**Macroeconomic policies in 2015 will remain supportive to help deal with the Ebola outbreak, which looks set to persist well into the year and induce a slight economic contraction.** The 2015 budget foresees a widening of the deficit to provide space for Ebola-related spending, finance a significant salary increase for civil servants, and support the economy. Monetary policy will be relaxed to provide adequate liquidity to the private sector and facilitate bank financing of the government budget. A concerted international effort is needed to help the authorities fully implement their Ebola response plan. The 2015 structural reform agenda focuses on finalizing growth-friendly measures.

**Risks are tilted to the downside.** A prolonged presence of the Ebola epidemic could further disrupt economic activity. The renewal of political tensions and political uncertainty in the run-up to the presidential elections in 2015 could discourage investors and affect growth. However, Guinea would benefit from the recent decline in oil prices

**Staff supports the completion of the 5<sup>th</sup> review under the ECF arrangement and financing assurances review and requests for: (i) an extension of the current arrangement to end-2015; (ii) an augmentation in access; and (iii) disbursement of 25 percent of quota as budget support under the 5<sup>th</sup> review.** Completion of the review will result in disbursement of SDR 45.135 million (42.1 percent of quota).

Approved By  
**Abebe Aemro  
 Selassie and  
 Masato Miyazaki**

An IMF team consisting of Messrs. Snoek (head), Ms. Charry-Velasquez, Messrs. Bouis and Wane (all AFR), Dicks-Mireaux (SPR), Mooney (FIN), and Sulemane (resident representative) held discussions with the authorities in Paris, France during November 3–14, 2014. It met with the Minister of State and Economy and Finance Diaré and the Governor of the Central Bank of Guinea Nabé, and other senior officials.

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