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IMF Staff Completes 2016 Article IV Mission to Guinea

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End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

An IMF staff team led by Abdoul Aziz Wane, visited Conakry from April 21 to May 5 for the 2016 Article IV consultation discussions with the authorities. At the conclusion of the mission, Mr. Wane made the following statement:¹

"The Guinean authorities have made significant progress in reducing macroeconomic imbalances since the last consultation in 2012. This reflects the effective policies that have been adopted under their economic program, supported by an IMF extended credit facility (ECF) arrangement. The main gains include the significant decline in inflation from 22 percent in 2011 to 7.7 percent at the end of March 2016 and the elimination of the spread between the official and market exchange rates. The public financial management system (PFM) has been strengthened through the adoption of a new organic finance law, the establishment of a single treasury account, and a new procurement code consistent with international best practices. Other concrete achievements include the much increased electricity provision (from the new Kaleta dam).

"Despite this progress, however, the overall economic performance fell markedly short of levels envisioned in 2012. Reflecting the malign effects of the Ebola epidemic, as well as episodes of heightened political uncertainty, annual GDP growth only averaged 1.8 percent during 2012–15, compared to 7.6 percent expected at the time of the last consultation. Coupled more recently with the adverse effects of the commodity price slump, it has left fiscal and external buffers depleted. Delays in structural reform implementation and recent deviations from the program have also held back progress.

"The macroeconomic outlook for 2016 and the medium term point to a gradual recovery. Real GDP growth is projected at 3.7 percent in 2016, with inflation remaining at a single-digit level. Growth is projected to increase to about 4 percent on average over the medium term reflecting financed plans to increase capacity in existing bauxite projects, the improved provision of basic services, including electricity, health and education, as well as continued robust expansion of the agricultural sector. The authorities aim to increase reserve buffers to over three months of imports and reduce inflation to below 5

percent.

"Staff supports the broad objectives and reforms of the new government appointed after the October 2015 presidential elections, in particular the focus on enhancing the agricultural sector productivity and strengthening infrastructure services to support the private sector. The mission welcomed the authorities' plans to rehabilitate the health sector in the context of the post-Ebola Recovery Plan.

"The team also made recommendations aimed at meeting the 2016 ECF program objectives and ensuring that medium-term public finances remain on a sustainable footing and macroeconomic imbalances remain contained. In this context, it will be important for policies to prioritize projects taking into account available financing and the absorption capacities. Strict application of existing PFM laws and regulations, including the public procurement code, will be important to ensure efficient use of public resources. The mission highlighted the importance of tapping Guinea's tax potential by broadening the tax base, and keeping the wage bill under 6 percent of GDP, which would make room for public infrastructure projects and strengthen social spending.

"The authorities should also strengthen the independence of the central bank and complete the reform of the exchange rate system to align the exchange rate with fundamentals and rebuild reserves. The mission welcomes the authorities' new financial inclusion plan, which will facilitate the sharing of growth dividends through the development of microfinance institutions, mobile banking, and improved households' access to bank services.

"The Executive Board of the IMF is expected to consider the staff report for the Article IV consultation in June 2016. The authorities and IMF staff will discuss future Fund support with Guinea in the context of the mission for the eighth review of the ECF-supported arrangement set to expire in October 2016."

During its visit, the mission met with members of the government, the Central Bank governor and other senior officials, other senior officials, as well as representatives of the private sector, bankers' association, civil society organizations, including unions, and the donor community. The team wishes to express its gratitude to the Guinean authorities for the constructive discussions and their hospitality during its visit to Conakry.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the

Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country authorities.