



INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/108

# GUINEA

April 2015

## REQUEST FOR DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT WINDOW OF THE CATASTROPHE CONTAINMENT AND RELIEF TRUST—STAFF REPORT; AND PRESS RELEASE

In the context of the Request for Debt Relief Under the Catastrophe Containment Window of the Catastrophe Containment and Relief Trust, the following documents have been released and are included in this package:

- The **Staff Report** was prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis. Based on information provided by the authorities, the staff report was completed on March 9, 2015

- A **Press Release**

The document listed below has been or will be separately released.

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

\*Also included in the Staff Report

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services  
PO Box 92780 • Washington, D.C. 20090  
Telephone: (202) 623-7430 • Fax: (202) 623-7201  
E-mail: [publications@imf.org](mailto:publications@imf.org) Web: <http://www.imf.org>  
Price: \$18.00 per printed copy

**International Monetary Fund  
Washington, D.C.**



# INTERNATIONAL MONETARY FUND

## GUINEA

### REQUEST FOR DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT WINDOW OF THE CATASTROPHE CONTAINMENT AND RELIEF TRUST

March 9, 2015

#### KEY ISSUES

**Background.** Since early 2014 Guinea has been experiencing an ongoing Ebola epidemic that has spread to several countries in the region. The epidemic, which constitutes a public health disaster, has claimed a significant number of lives and disrupted economic activity, including regional commerce. Economic activity registered in 2014 a pronounced slowdown projected to worsen in 2015. The epidemic has created revenue shortfalls and spending pressures that translated into significant financing gaps. Poverty is estimated to have increased.

**Program status.** The ECF-supported program is on track. On February 11, 2015, the Executive Board completed the 5th review under the ECF arrangement, and approved an augmentation of access equivalent to 42.1 percent of quota and the extension of the arrangement to end-2015. The Executive Board also approved in end-September 2014 a disbursement under the Rapid Credit Facility (RCF) to meet urgent fiscal and balance of payments needs created by the epidemic.

**Request.** The authorities are requesting debt relief under the Catastrophe Containment (CC) window of the Catastrophe Containment and Relief (CCR) Trust in an amount equivalent to 20 percent of quota (SDR 21.42 million) to reduce Guinea's debt service burden and free up resources for use in relief, containment and recovery efforts. With no debt obligations to the Fund falling due in 2015–16, debt relief under the CCR will cover debt service falling due in 2017–19 on credit outstanding prior to approval of the current request. The authorities have adjusted their economic policies to focus on eradicating the epidemic, supporting the affected people, and strengthening Guinea's health infrastructure.

**Appraisal.** Staff supports the authorities' request for assistance under the CC window of the CCR Trust given the nature of the public health disaster and the ensuing financing needs to contain the disease and rehabilitate Guinea's public health system. In staff's view, the authorities' macroeconomic policy framework, including the continued implementation of the current ECF arrangement, is appropriate to address the fiscal and balance of payments needs created by the epidemic.

Approved By  
Abebe Aemro Selassie (AFR) and Masato Miyazaki (SPR)

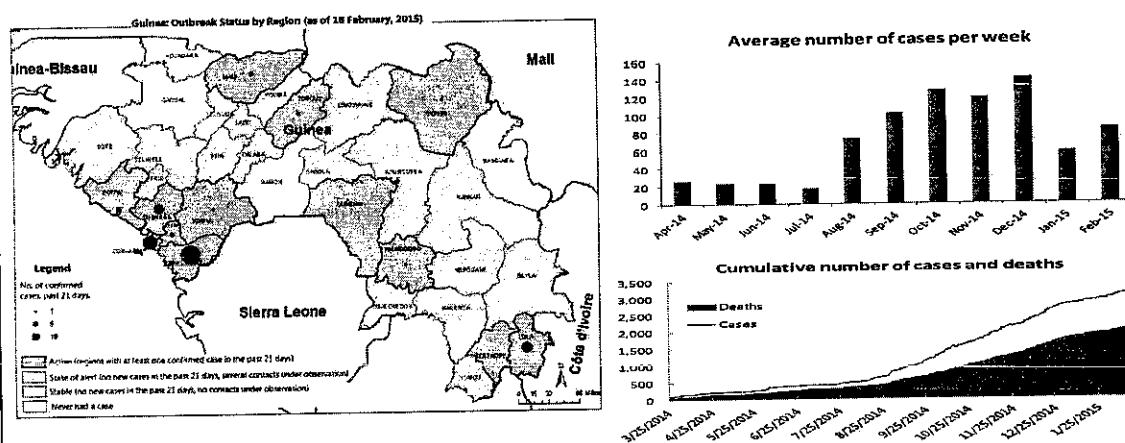
## CONTENTS

RECENT DEVELOPMENTS AND ECONOMIC OUTLOOK	3
REQUEST FOR DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST	4
STAFF APPRAISAL	7
TABLES	
1. Key Economic and Financial Indicators, 2013–17	8
2. Debt Service to the IMF, 2017–19	9
APPENDIX	
I. Letter of Intent	10

## RECENT DEVELOPMENTS AND ECONOMIC OUTLOOK<sup>1</sup>

1. The ongoing Ebola epidemic continues to exact a heavy economic toll on Guinea and precipitated a humanitarian crisis. The disease started in early 2014 as a rural outbreak, but has spread since to the capital Conakry and neighboring Sierra Leone, Liberia, Senegal and Mali, exceeding by far all previous Ebola outbreaks combined in terms of cases, deaths and geographic coverage. Even though the epidemic remains concentrated in the south-east border region of Guinea that borders Sierra Leone and Liberia, and around the capital Conakry, the disease has spread more recently northwards, including to bauxite and gold producing regions. The total cumulative number of cases as of March 1, 2015 stood at 3,219 with 2,129 deaths (Text Figure 1). While the number of new cases has fallen significantly in January, a recent increase in the weekly incidence shows that significant challenges remain with respect to containing the outbreak.<sup>2</sup> International health organizations note that the Ebola outbreak in the region will continue well into 2015. Furthermore, the epidemic has severely strained an already weak health system, increasing the population's vulnerability to other diseases.<sup>3</sup>

Text Figure 1. Guinea: Ebola Epidemic, Recent Developments, (March 2014–February 2015)



Sources: Guinea authorities; IMF staff calculations.

<sup>1</sup> For a more detailed discussion see IMF Country Report No. 15/39.

<sup>2</sup> The surge of new confirmed cases was driven primarily by transmission in the capital (Conakry) and the western prefecture of Forecariah. Community engagement continues to be a challenge in the country. The government reported that crowds destroyed an Ebola facility and attacked health workers in central Guinea on rumors that the Red Cross was planning to disinfect a school.

<sup>3</sup> Public health spending in Guinea has significantly increased in recent years, with an average annual growth rate of 14% in real terms between 2011 and 2014. It remains however very low, in particular when compared to other countries of the region. For example, health expenditure per capita in 2012 (\$32) amounted to a third of the average for Sub-Saharan Africa (\$96); while in 2010 the number of physicians per 1,000 people stood at 0.1, against 0.2 for the average for SSA.

**2. The immediate economic effect of the Ebola epidemic has been a pronounced slowdown in 2014 that is expected to continue into 2015 and tip the economy into recession.** Growth is estimated to have slowed to 0.4 percent in 2014 as economic activity was seriously hampered by border closures and controls, displacements of population and the related farm labor shortage, a sharp decline in international travel and the number of visitors, and a slowdown in foreign investments. Available data indicate that most sectors are being affected, especially agriculture, services (particularly in the hotel sector), transport and trade. In this context, and despite the fall in international oil prices, 2015 real GDP would contract by 0.3 percent.<sup>4</sup> Given the decline in per capita growth, poverty is estimated to have increased significantly.

**3. Performance under the ECF arrangement has been satisfactory notwithstanding the difficult macroeconomic environment.** The Executive Board recently completed the 5<sup>th</sup> review of the ECF arrangement on February 11, 2015. All quantitative performance criteria for end-June 2014 were observed, and preliminary information indicates that performance criteria for end-December 2014 are likely to have been met. With the authorities focused on combating the Ebola outbreak, however, structural reform has advanced at a slower pace than previously envisaged. The Executive Board also approved a 42.1 percent increase in access equivalent to SDR 45.135 million to help the authorities cope with the Ebola outbreak, of which 25 percent of quota (SDR 26.775 million) was disbursed as budget support. This support complements a disbursement under the RCF (25 percent of quota) to support the authorities' fight against the disease.

## REQUEST FOR DEBT RELIEF UNDER THE CATASTROPHE CONTAINMENT AND RELIEF TRUST

**4. The ongoing Ebola outbreak has created significant fiscal and balance of payments needs and large economic losses.** The government scaled up spending significantly in the context of its aggressive efforts to control the epidemic: it recently announced the *Ebola Zéro* campaign, which seeks to eradicate Ebola in the next 60 days. Since mid-November, new treatment and transit centers have been set up and currently a total of nine centers are functional. Also, efforts to overcome the public's resistance to interventions by medical personnel have expanded and the rate of monitoring of persons in contact with those infected has increased to 90 percent. The cost of the immediate response plan to eradicate the disease stands at \$348 million, while the long-term program for the rehabilitation of the health system contemplates investments of up to \$1.3 billion (LOI 12). The epidemic has created a balance of payments need estimated at \$444 million in 2014–15 covered by loans (50 percent) and grants. The cumulative real output loss is estimated at about 13 percent of GDP, while the fiscal impact (revenue loss and increased spending) is estimated at 10.9 percent of GDP (Text Table 1).

<sup>4</sup> Guinea's balance of payments and fiscal accounts would benefit from the reduction in international oil prices, through lower oil import costs and government energy subsidies on fuel and electricity. The impact of the fall in other commodity prices would be limited because bauxite sales are largely covered by long-term sales previously negotiated; the bauxite sector is a major contributor to GDP, exports and government revenues.

**Text Table 1. Impact of the Ebola Epidemic**

	2014-2015
Cumulative real GDP loss, percent <sup>1, 2</sup>	13.0
Cumulative fiscal impact, percent of GDP <sup>1</sup>	10.9
Revenue loss <sup>3</sup>	5.9
Additional spending	5.0
Epidemiological indicators, as of March 1, 2015	
Number of cases	3,219
Number of deaths	2,129
Months since beginning of epidemic	14

Source: Guinean authorities and IMF staff estimates.

<sup>1</sup> Difference between Pre-Ebola (3<sup>rd</sup> ECF review) and current (5<sup>th</sup> ECF review) estimates.

<sup>2</sup> Computed as the sum of 2014 and 2015 ratios.

<sup>3</sup> Excluding oil revenue windfalls and other administrative measures in 2015.

**5. The authorities are requesting debt relief under the Catastrophe Containment (CC) window of the CCR Trust equivalent to 20 percent of quota.** Guinea is eligible for debt relief under the CC of the CCR Trust in an amount equivalent to 20 percent of quota or SDR21.42 million (about US\$30 million): it is a PRGT-eligible country with an annual per capita income level in 2014 (\$542) below the prevailing IDA cut-off. The authorities' request (LOI 14) is predicated on (i) the exceptional balance of payments need arising from the ongoing Ebola epidemic (LOI 14), which is in staff's view a qualifying public health disaster (QPHD),<sup>5</sup> and (ii) the sound macroeconomic policy framework and policy response (17, Table 1) they have put in place to address the balance of payments need created by the Ebola epidemic (LOI 13). Furthermore, without external support Guinea lacks the adequate resources to contain the epidemic, which is significantly disrupting economic activity abroad<sup>6</sup> and poses a serious health risk to other countries—and has so far spread to five countries in the region with isolated cases overseas—and as such has been declared a Public Health Emergency of International Concern by the World Health Organization (August 8, 2014).

**6. Debt relief will cover Guinea's debt service obligations to the Fund falling due in 2017–19** (Table 2). As Guinea has no debt service obligations to the Fund during 2015–16, debt relief under the CCR Trust would be used to pay debt service obligations as they fall due during 2017–19, up to 20 percent of quota. The authorities intend to use the proceeds from the debt relief

<sup>5</sup> A QPHD arises where: (i) a life-threatening epidemic has a sustained presence and has spread across several areas of the member's territory, causing significant economic disruption and creating a balance of payments need; and (ii) the epidemic has the capacity to spread, or is already spreading, rapidly both within and across countries, producing or threatening, significant economic disruption and loss of life.

<sup>6</sup> The outbreak has reportedly led to a reduction in travel and tourism in neighboring countries, including The Gambia and Senegal, but also in other parts of Africa (Reuters, January 29, 2015 "As Ebola 'fear factor' eases, African tourism edges back."

(Text Table 2) to support international reserves in the context of financing the long-term program for the rehabilitation of the health system (LOI 14). The debt relief would also improve Guinea's debt profile and facilitate the financing of the ongoing efforts to stem the disease and mitigate its impact.

**Text Table 2. 2014 Debt Stock and Projected Debt Service**

Millions of US Dollars

	2014 Prel.	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.	2019 Proj.
	Debt Stock		Debt service on outstanding end-2014 debt stock			
<b>Total</b>	<b>1,737.8</b>	<b>73.6</b>	<b>93.5</b>	<b>91.2</b>	<b>100.8</b>	<b>101.5</b>
<b>Multilaterals</b>	<b>690.8</b>	<b>18.3</b>	<b>13.3</b>	<b>17.1</b>	<b>29.3</b>	<b>36.8</b>
IMF	173.4	0.0	0.0	2.7	14.3	19.8
World Bank (IBRD/IDA)	196.3	4.6	4.8	4.9	4.9	5.2
AfDB Group	96.5	2.6	2.5	2.5	2.5	2.5
IsDB	109.9	5.2	1.5	1.5	1.6	3.1
Other multilaterals	114.8	6.0	4.4	5.5	6.0	6.1
<b>Official bilateral</b>	<b>984.5</b>	<b>55.3</b>	<b>68.7</b>	<b>62.6</b>	<b>62.6</b>	<b>61.6</b>
<b>Paris Club</b>	<b>231.4</b>	<b>35.7</b>	<b>38.7</b>	<b>38.6</b>	<b>38.7</b>	<b>38.0</b>
France	228.6	34.2	38.3	38.1	38.3	37.6
of which: C2D <sup>1</sup>	170.1	28.3	28.5	32.8	33.0	33.0
Other Paris Club	2.8	1.5	0.4	0.4	0.4	0.4
<b>Non-Paris Club <sup>2</sup></b>	<b>619.5</b>	<b>13.1</b>	<b>22.5</b>	<b>17.4</b>	<b>17.3</b>	<b>19.3</b>
China	350.8	10.9	5.1	5.1	5.1	7.2
Angola	130.2	0.0	13.6	8.5	8.4	8.3
Rep. of Congo (Brazzaville)	50.0	2.3	2.2	2.2	2.2	2.1
Other <sup>2</sup>	88.5	0.0	1.6	1.6	1.6	1.6
<b>Arab Funds</b>	<b>133.6</b>	<b>6.4</b>	<b>7.4</b>	<b>6.6</b>	<b>6.6</b>	<b>4.3</b>
Kuwait	66.5	3.0	5.4	5.4	5.4	3.1
Saudi	67.1	3.4	2.1	1.2	1.2	1.2
<b>Commercial debt <sup>3</sup></b>	<b>62.6</b>	<b>0.0</b>	<b>11.5</b>	<b>11.5</b>	<b>8.9</b>	<b>3.1</b>
Suppliers Credit	62.6	0.0	11.5	11.5	8.9	3.1
<i>Memorandum item</i>						
CCR Debt Relief	...	...	...	2.7	14.3	13.0

Sources: Guinean authorities and IMF staff estimates.

<sup>1</sup> *Contrats de Desendettement et Développement*. The outstanding stock is cancelled through debt service payments that are returned as grants to be spent on agreed development projects.

<sup>2</sup> A number of non-Paris Club creditors have outstanding claims fully in arrears on which there is no current debt service. Projected debt service 2016-19 reflects assumed restructuring of these arrears.

<sup>3</sup> Commercial creditors have outstanding claims fully in arrears on which there is no current debt service. Projected debt service 2016-19 reflects assumed restructuring of these arrears.

## 7. The authorities continue to maintain a sound economic policy framework.

Macroeconomic policies have been adjusted to provide support to the economy and execute the authorities' Ebola response plan. The 2014 basic fiscal balance was allowed to widen to accommodate higher spending needs and revenue losses, while the 2015 budget foresees a widening of the deficit to provide for Ebola-related and health-sector spending, and support the economy. Monetary policy is set to be relaxed to provide adequate liquidity to the private sector and facilitate bank financing of the government budget. The response plan was developed and is being executed in close consultation with donors, and the authorities' policy framework remains consistent with the objectives of the ECF arrangement.

**8. Staff will undertake a comprehensive review of policies under the ECF arrangement at the time of the 6<sup>th</sup> review.** Staff expects to conduct discussions for the sixth review under the ECF arrangement in the first half of 2015.

**9. Staff proposes consideration by the Executive Board of the authorities request on a Lapse of Time basis.** The Executive Board completed the 5<sup>th</sup> review under the ECF arrangement on February 11, 2015 and the authorities' request does not raise policy issues or major changes in the objectives and design of the program.

## STAFF APPRAISAL

**10. Staff supports the authorities' request for debt relief under the CC window of the CCR trust.** In staff's view, the ongoing Ebola epidemic constitutes a Qualifying Public Health Disaster (QPHD). The macroeconomic policy framework put in place to address the fiscal and balance of payments needs arising from the QPHD, designed in the context of the current ECF arrangement, is appropriate. Staff encourages authorities to sustain the effort in order to eradicate the disease rapidly. Staff welcomes the substantial contributions from the international community to help combat the Ebola epidemic. Additional external concessional financing would help Guinea address the epidemic while safeguarding Guinea's fiscal and external sustainability. Over the medium term, building a resilient health system should remain a priority.

Table 1. Guinea: Key Economic and Financial Indicators, 2013–17

	2013	2014			2015		2016	2017
		Prog. <sup>1</sup>	Prog. <sup>2</sup>	Est.	Proj. <sup>3</sup>	Prog.		
<b>National account and prices</b>								
GDP at constant prices	2.3	3.5	2.4	0.4	4.3	-0.3	6.5	8.3
GDP deflator	6.3	7.0	7.4	7.5	5.4	8.1	9.1	9.3
GDP at market prices	8.7	10.7	10.1	7.9	9.9	7.8	16.2	18.3
Consumer prices (average)								
Average	11.9	9.7	10.1	9.7	6.5	9.1	9.6	9.4
End of period	10.5	8.5	9.4	9.1	5.9	9.7	9.5	9.2
<b>External sector</b>								
Exports, f.o.b. (US\$ terms)	-5.4	-2.2	-6.5	0.7	2.6	6.8	6.9	9.3
Imports, f.o.b. (US\$ terms)	-6.7	-4.6	-1.9	-4.9	14.5	-2.2	20.6	38.2
Average effective exchange rate (depreciation -)								
Nominal index	3.1	...	...	...	...	...	...	...
Real index	12.7	...	...	...	...	...	...	...
<b>Money and credit</b>								
Net foreign assets <sup>1</sup>	-0.3	-4.9	-8.8	-1.6	8.1	-9.9	...	...
Net domestic assets <sup>2</sup>	14.4	15.7	14.9	14.6	0.9	21.5	...	...
Net claims on government <sup>3</sup>	10.2	8.9	11.1	5.9	0.0	9.4	...	...
Credit to non-government sector <sup>3</sup>	9.7	9.7	10.4	9.5	1.8	12.7	...	...
Reserve money	15.7	12.6	5.2	1.6	12.0	-9.8	...	...
Broad money (M2)	14.1	10.7	6.1	13.1	9.1	11.6	...	...
Interest rate (short term T-bill)	10.9	...	...	...	...	...	...	...
<b>Central government finances</b>								
(Percent of GDP)								
Total revenue and grants	19.8	24.9	23.9	25.7	21.3	23.4	23.2	23.3
Revenue	18.4	19.3	18.7	18.7	19.2	20.7	20.4	20.5
Of which: Non-mining revenue	14.9	15.3	14.6	14.8	16.1	17.9	17.7	17.6
Grants	1.5	5.6	5.2	7.0	2.1	2.7	2.7	2.7
Total expenditure and net lending	25.1	28.9	29.8	30.1	24.0	33.6	27.2	26.2
Current expenditure	16.2	15.6	17.2	18.1	16.6	20.5	17.4	17.0
Of which: Interest payments	1.1	1.1	1.1	1.1	1.1	1.1	1.4	1.2
Capital expenditure and net lending	8.9	13.0	12.2	11.7	6.7	12.6	9.8	9.2
Overall budget balance								
Including grants	-5.2	-4.0	-5.9	-4.3	-2.7	-10.1	-4.1	-2.9
Excluding grants	-6.7	-9.6	-11.2	-11.4	-4.7	-12.9	-6.8	-5.7
Basic fiscal balance	-2.8	-4.0	-5.5	-5.7	-2.3	-6.6	-1.9	-1.3
<b>National accounts</b>								
Gross capital formation	21.0	15.4	13.5	9.3	18.9	10.3	26.6	37.7
Savings	-0.1	-1.6	-4.7	-8.8	0.8	-6.5	8.3	10.3
<b>Current account balance</b>								
Including official transfers	-21.1	-16.9	-18.1	-18.2	-18.0	-16.7	-18.3	-27.4
Excluding official transfers	-21.5	-18.8	-19.7	-19.7	-19.2	-18.1	-19.7	-28.7
Overall balance of payments	0.5	-0.3	-1.7	-0.2	1.6	-6.6	2.7	1.3
<b>Memorandum items:</b>								
Exports, goods and services (US\$ millions)	1,542.1	1,532.1	1,468.1	1,550.0	1,537.4	1,651.2	1,761.7	1,920.4
Imports, goods and services (US\$ millions)	2,705.1	2,660.9	2,701.7	2,677.1	2,953.6	2,648.5	3,193.9	4,286.9
Overall balance of payments (US\$ millions)	29.0	-19.6	-117.8	-24.0	122.1	-475.3	212.9	111.0
Net foreign assets of the central bank (US\$ millions)	448.9	403.9	358.9	416.0	495.9	201.9	202.4	204.3
Gross available reserves (months of imports) <sup>4</sup>	3.6	3.7	3.7	4.2	3.5	3.1	4.5	4.5
External public debt, incl. IMF (percent of GDP)	25.3	...	...	28.7	...	32.9	34.6	34.5
Total public debt, incl. IMF (percent of GDP)	39.1	...	...	42.5	...	47.9	47.1	44.9
Nominal GDP (GNF billions)	43,048.2	47,669.0	47,387.7	46,462.8	52,187.1	50,084.4	58,202.6	68,846.2

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

<sup>1</sup> Program as established at the time of the 4th ECF Review.<sup>2</sup> Program as established for the RCF purchase request.<sup>3</sup> In percent of the broad money stock at the beginning of the period.<sup>4</sup> In months of the following year's imports excluding imports for large foreign-financed mining projects.

**Table 2. Guinea: Debt Service to the IMF, 2017–19**

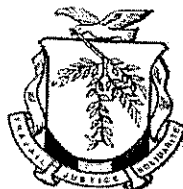
As of January 31, 2015

(in SDR)

Concept	Original Disbursement Date	Due Date	Total Amount	Eligible for CCR Debt Relief	Debt Relief as % of Quota	Debt Relief as Cum. % of Quota
PRGT Repayment (ECF)	5-Mar-12	5-Sep-17	1,836,000	1,836,000	1.7	1.7
PRGT Repayment (ECF)	5-Mar-12	5-Mar-18	1,836,000	1,836,000	1.7	3.4
PRGT Repayment (ECF)	5-Oct-12	5-Apr-18	1,836,000	1,836,000	1.7	5.1
PRGT Repayment (ECF)	5-Aug-08	3-Aug-18	504,501	504,501	0.5	5.6
PRGT Repayment (ECF)	5-Mar-12	5-Sep-18	1,836,000	1,836,000	1.7	7.3
PRGT Repayment (ECF)	5-Oct-12	5-Oct-18	1,836,000	1,836,000	1.7	9.0
PRGT Repayment (ECF)	30-May-13	30-Nov-18	1,836,000	1,836,000	1.7	10.8
PRGT Repayment (ECF)	5-Mar-12	5-Mar-19	1,836,000	1,836,000	1.7	12.5
PRGT Repayment (ECF)	5-Oct-12	5-Apr-19	1,836,000	1,836,000	1.7	14.2
PRGT Repayment (ECF)	30-May-13	30-May-19	1,836,000	1,836,000	1.7	15.9
PRGT Interest		30-Jun-19	130,363	130,363	0.1	16.0
PRGT Repayment (ECF)	26-Feb-14	26-Aug-19	1,836,000	1,836,000	1.7	17.7
PRGT Repayment (ECF)	5-Mar-12	5-Sep-19	1,836,000	1,836,000	1.7	19.4
PRGT Repayment (ECF)	5-Oct-12	4-Oct-19	1,836,000	589,136	0.6	20.0
PRGT Repayment (ECF)	30-May-13	29-Nov-19	1,836,000	0	...	...
PRGT Interest		31-Dec-19	123,985	0	...	...

Source: IMF staff estimates.

## Appendix I. Letter of Intent Republic of Guinea



Conakry, March 9, 2015

Madame Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington, D.C.

### **Subject: Letter of Intent—Request of Assistance Under the Catastrophe Containment and Relief Trust Fund**

Dear Madame Managing Director:

1. The Ebola outbreak that hit Guinea in early 2014 continues, and has adversely impacted economic activity, on top of the loss of many lives. Growth forecasts for 2014 and 2015 have been marked down substantially. The effect of the epidemic has been particularly strong in the trade and transport sectors, which are expected to contract in 2014 and 2015, while the manufacturing sector projection sees no growth in both years. Nevertheless, agricultural activity is expected to expand on the back of government interventions. Tentative data suggest mining activity was relatively strong in 2014. The Ebola shock and our efforts to contain its effects on the population and the economy generated a financing requirement of US\$129 million in 2014 that was covered with assistance from our partners, including the IMF. For 2015, we have received financing assurances to cover the financing need projected at US\$315 million.

2. Our strategy to eradicate the disease contemplates both short- and longer-term elements. Our immediate response aims to eliminate the epidemic in the next two months and is articulated around the Ebola Response Plan and the *Ebola Zéro* campaign. The US\$348 million Ebola Response Plan was designed in close cooperation with external partners. To ensure its effective implementation the government has created a special earmarked budget account (BAS) that will record a portion of the international community's financial assistance as well as the government's own resources allocated to fighting the epidemic. With support from Fund staff, we will conduct an evaluation of fiscal safeguards to ensure that the international assistance dedicated directly to the budget will be used effectively and transparently in the fight against Ebola. Our medium-term strategy is reflected in the Health System Recovery Plan, which focuses on rebuilding the health system with envisioned investments of up to US\$1.3 billion in the coming years (Text Table 1).

**Text Table 1. Health System Recovery Plan**  
Millions of US Dollars

		% of Total
Infrastructure	947	71.4
Construction	310	23.4
Renovation	637	48.0
Equipment	273	20.6
Medical	212	16.0
Laboratories	58	4.4
Other	4	0.3
Training	14	1.1
Medication	40	3.0
Other	52	3.9
<b>Total</b>	<b>1,326</b>	<b>100.0</b>

3. The government is determined to continue implementing its ECF-supported program in 2015 with the objectives of promoting strong and inclusive growth, and the eradication of the Ebola epidemic. We will loosen monetary policy to an extent compatible with our economic stability objectives, and we will increase the fiscal deficit in line with available domestic financing and concessional external financing. We will continue to execute the budget based on available financing in order to meet our fiscal objectives. These policies will help maintain our hard-won macroeconomic stabilization gains by keeping inflation below 10 percent in 2015 and reserve coverage of imports at roughly 3 months. Despite difficulties in mobilizing technical assistance, we will continue to advance the structural reforms agenda, particularly in the areas of public financial management, the business environment, and the electricity sector.

4. Based on the severity of the Ebola epidemic, the significant financing needs it created, and our sound policy response described in our Letter of Intent dated January 27, 2015, we hereby request debt relief in an amount of SDR 21.42 million, equivalent to 20 percent of quota, under the Catastrophe Containment and Relief Trust. The Ebola outbreak constitutes a Public Health Disaster that has caused significant economic disruptions and created significant fiscal and balance of payments needs. Debt relief will help cover most of Guinea's debt service falling due to the IMF in 2017–19 that amounts to SDR 24.37 million. We will use the proceeds of the debt relief to finance investments contemplated in the Health System Recovery Plan.

5. In line with our commitment to transparency in government operations, we agree to the publication of all the documents submitted to the Executive Board in relation to this request.

Very truly yours,

\_\_\_\_\_/s/\_\_\_\_\_  
Mohamed Diaré  
Minister of Economy and Finance

\_\_\_\_\_/s/\_\_\_\_\_  
Louency Nabé  
Governor, Central Bank of the Republic of Guinea



INTERNATIONAL MONETARY FUND



Press Release No. 15/137  
FOR IMMEDIATE RELEASE  
March 26, 2015

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Executive Board Approves US\$ 29.8 Million in Debt Relief Under the Catastrophe Containment and Relief Trust for Guinea**

On March 18, the Executive Board of the International Monetary Fund (IMF) approved a grant in an amount equivalent to SDR 21.42 million (about US\$29.8 million or 20 percent of quota) in immediate debt relief under the Catastrophe Containment and Relief (CCR) Trust.<sup>1</sup> The Executive Board's decision was taken without a meeting.<sup>2</sup>

The CCR grant will be applied to immediately repay outstanding debt and free up resources for use in relief, containment and recovery efforts in the fight against the Ebola epidemic. The authorities have adjusted their economic policies to focus on eradicating the epidemic, supporting the affected people, and strengthening Guinea's health infrastructure. The grant should also help to catalyse further assistance from the international community, preferably grants.

The debt relief comes on the back of the February 2015 Executive Board approval of a US\$63.6 million disbursement to Guinea under its existing program supported by an Extended Credit Facility arrangement to help address protracted fiscal and balance of payments needs resulting from the epidemic. The relief also follows US\$41 million in emergency assistance to Guinea under the Rapid Credit Facility approved in September 2014 to help in the fight against Ebola.

The immediate economic effect of the Ebola epidemic has been a pronounced slowdown in 2014 that is expected to continue into 2015. Growth is estimated to have slowed markedly to 0.4 percent in 2014 compared with 2.3 percent in 2013. Uncertainties about the impact and duration of the Ebola epidemic dampen the near-term macroeconomic outlook, and real GDP is projected to contract in 2015.

<sup>1</sup> The Catastrophe Containment and Relief (CCR) Trust provides grant assistance to be used as debt relief for eligible countries confronting major natural disasters, including public health disasters.

<sup>2</sup> The Executive Board takes decisions without a meeting (based on lapse-of-time procedures) when it is agreed by the Board that a proposal can be considered without convening formal discussions.

Most sectors are being affected, especially agriculture, hotel services, transport and trade. Economic activity was also severely hampered by border closures and controls, population displacements that created farm labor shortages, fewer international visitors, and a falloff in foreign investment.

Inflation continued to decline, despite the modest exchange rate depreciation, while international reserves were maintained at a satisfactory level. Fiscal policy has been adjusted to accommodate a sizeable revenue shortfall and additional spending needs to combat the Ebola epidemic. Against this backdrop, poverty, which is already widespread, is estimated to have increased.

Progress in structural reforms has been slow, in large part because of Ebola-related constraints on capacity and delays in the delivery of technical assistance. The authorities' commitments to ensure transparency in Ebola-related spending and complete their structural reform agenda in order to help underpin a revival in growth in the period ahead, are reassuring.

Growth and poverty reduction goals will be spurred by key reforms to strengthen the business climate, including in the mining and electricity sectors and through improved monitoring and supervision of the banking sector. Sustained efforts are also needed to strengthen the health sector and social safety nets.