# GUINEA

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

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Approved by
**Celine Allard (IMF) and Marcello Estevão (IDA)**

Prepared by the International Monetary Fund and the International Development Association.

| Guinea: Joint Bank-Fund Debt Sustainability Analysis[1] | | |
|---|---|---|
| **Risk of external debt distress** | *Moderate* | |
| **Overall risk of debt distress** | *Moderate* | |
| **Granularity in the risk rating** | *Limited space to absorb shocks* | |
| **Application of judgment** | Yes | The overall risk of debt distress is assessed to be moderate against a mechanical rating of high risk of debt distress. |

***Guinea is at moderate risk of external debt distress, with limited space to absorb shocks****. All external debt burden indicators under the baseline scenario, which accounts for the negative impact of the COVID-19 pandemic, lie below their policy-dependent thresholds. Stress tests suggest that debt vulnerabilities will increase if adverse shocks materialize. Under the most extreme stress tests, all solvency and liquidity indicators breach their thresholds for prolonged periods. The overall risk of public debt distress is also assessed to be moderate, with the application of judgement regarding a brief and marginal breach for the PV of total-public-debt-to-GDP ratio over 2021–22, reflecting additional borrowing in 2020 to meet urgent balance of payments and fiscal needs due to the COVID-19 pandemic, and the one-off impact of the recapitalization of the central bank. This assessment hinges on commitments to moderate the increase in the envelope of public investment projects over 2020-23 with respect to the plans included in the March 2020 DSA at the time of the Fourth Review under the ECF arrangement. A prudent external borrowing strategy aimed at maximizing the concessionality of new debt, strengthening debt management and enhancing public investment management will be key to preserving medium-term debt sustainability.*

[1]The Debt Sustainability Analysis (DSA) was prepared with the World Bank and in collaboration with the Guinean authorities. This DSA has been prepared following the revised Debt Sustainability Framework (DSF) for LICs and Guidance Note (2017) in effect as of July 1, 2018. Guinea's debt carrying capacity is classified as weak based on the Composite Indicator (CI) under the revised LIC DSF. Thresholds for debt burden indicators are also those established in the revised 2017 DSF.

# COVERAGE OF PUBLIC DEBT

1. **The definition of public debt used in this DSA covers central government debt, central government-guaranteed debt, and central bank debt contracted on behalf of the government (Table 1).**[2] Audited and validated arrears to suppliers over the period 1982–2013 as well as domestic arrears accumulated in 2017-18 and decumulated in 2019 have been included in the baseline, corresponding to a domestic arrears stock of about 1.5 percent of GDP at end-2019. While other elements of public sector debt, such as non-guaranteed debt of state-owned enterprises and social security funds, are not included due to data constraints, they are assessed as not relevant.[3] A contingent liability stress test is performed to enhance the robustness of the DSA. Staff continues to work with the authorities to broaden the coverage of public debt and improve capacity to address debt data weaknesses. The definition of public and publicly guaranteed debt (PPG) used in the DSA includes the loan for the Souapiti dam (US$1.2 billion, about 10 percent of 2018 GDP) signed on September 4, 2018.[4] To depict its potential full impact on the debt profile, the government is assumed to be responsible for servicing the loan in the DSA.[5]

**Table 1. Guinea: Coverage of Public Sector Debt and Design of the Contingent Liability Stress Test**

| | Subsectors of the public sector | Sub-sectors covered |
|---|---|---|
| 1 | Central government | X |
| 2 | State and local government | |
| 3 | Other elements in the general government | |
| 4 | o/w: Social security fund | |
| 5 | o/w: Extra budgetary funds (EBFs) | |
| 6 | Guarantees (to other entities in the public and private sector, including to SOEs) | X |
| 7 | Central bank (borrowed on behalf of the government) | X |
| 8 | Non-guaranteed SOE debt | |

| | | | | | |
|---|---|---|---|---|---|
| 1 | The country's coverage of public debt | The central government, central bank, government-guaranteed debt | | | |
| | | Default | | Used for the analysis | Reasons for deviations from the default settings |
| 2 | Other elements of the general government not captured in 1. | 0 | percent of GDP | 0.0 | |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 | percent of GDP | 2.0 | |
| 4 | PPP | 35 | percent of PPP stock | 1.3 | |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 | percent of GDP | 5.0 | |
| | Total (2+3+4+5) (in percent of GDP) | | | 8.3 | |

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[2] The definition of PPG external debt excludes French claims under C2D debt-for-development swaps, which were cancelled in the context of the HIPC debt relief. The C2D mechanism implies a payment of the debt service to the creditor from Guinea, which is later returned to the government in the form of grants to finance development projects. The payments with respect to C2D are included in debt service of the fiscal baseline (See Country Report No.15/39 for a detailed discussion). Information on non-residents' holding of local currency debt is not available. This could give rise to an underestimation of external debt on a residency basis.

[3] Local governments in Guinea have limited debt exposure and the stock of non-guaranteed SOE debt is also likely to be small. The World Bank's Sustainable Development Finance Policy supports the Guinea government's effort to strengthen the governance and oversight of SOEs, including through the auditing of SOEs' financial statements and reporting of debt.

[4] The grant element of the Souapiti loan is estimated to be 29 percent.

[5] The Souapiti dam loan is not included in the public investment of the central government as it will be carried out by a Special Purpose Vehicle (SPV) jointly owned by the Guinean government (51 percent) and China International Water & Electricity Corporation (49 percent) that is not considered as part of the central government. The SPV will manage and operate the dam on a commercial basis and will be responsible for servicing the loan.

# RECENT DEBT DEVELOPMENTS

**2. The stock of Guinea's overall public debt grew more slowly than output in 2019, resulting in a reduction in the debt-to-GDP ratio.** Total public debt stood at US$4.9 billion (36.5 percent of GDP) at end-2019 compared with US$4.6 billion (37.7 percent of GDP) in 2018. External public debt increased to US$2.6 billion (19.5 percent of GDP) at end-2019 from US$2.3 billion (18.9 percent of GDP) at end-2018. Domestic debt remained at US $2.3 billion at end-2019, with a large net decumulation of domestic arrears offset by strong net issuance of Treasury instruments, with the constant stock corresponding to a decline from 18.8 percent of GDP at end-2018 to 17.0 percent of GDP at end-2019.

# UNDERLYING MACROECONOMIC ASSUMPTIONS

**3. Key assumptions are consistent with the macroeconomic framework outlined in the Staff Report for the Combined Fifth and Sixth Review under the Three-Year Extended Credit Facility**:

- **Real GDP growth** is estimated at 5.2 percent in 2020. This projection reflects the impact of the COVID-19 pandemic on the domestic economy and—despite the global recession—the relative buoyancy of external demand for bauxite and gold, which has been stronger than assumed at the time of the June 2020 DSA update. Growth is expected to strengthen further following the pandemic to 5.5 percent in 2021 before converging to its long-run rate of 5 percent by 2023. Risks to the outlook are tilted to the downside, stemming from socio-political tensions following the Presidential election, delays in reform implementation and the potential deterioration of the sanitary situation depending on the evolution of the pandemic. Upside risks include mining production capacity coming on stream faster than currently expected.

- **Inflation** is expected to rise to 10.2 percent (y-o-y) in 2020, affected by transport and food prices that reflect COVID-related border closures and other pandemic response measures, and gradually decrease to below 8 percent over the medium term, reflecting a prudent monetary policy stance.

- **Fiscal balance**.[6] The primary fiscal balance recorded a deficit of 0.3 percent of GDP in 2018 that was virtually eliminated in 2019. The impact of the pandemic deteriorated the fiscal position in 2020, with revenues lower and the authorities deploying expenditure measures to scale up health capacity and support the vulnerable and the private sector. The primary deficit is expected to reach 2.7 percent of GDP in 2020. This modest deterioration with respect to the March 2020 DSA reflects the exceptional budgetary needs imposed by the pandemic and the authorities' Response Plan, which has deteriorated the basic balance by

[6] While it is the primary fiscal balance that drives public debt, the basic fiscal balance is the main fiscal anchor under the ECF program. The basic fiscal balance is defined as government revenue excluding grants minus expenditures, excluding interest payments on external debt and externally financed capital expenditure. This measure of fiscal balance aims to capture actual fiscal efforts. The basic fiscal balance is projected to improve from a deficit of 2.3 percent of GDP in 2020 to an average surplus of 0.7 percent of GDP during 2021–25.

nearly 3 percent of GDP. The impact of the pandemic on the primary balance has been substantially mitigated by the authorities' commitment to rephase non-priority externally financed public investments, reducing them by about 2 percent of GDP in 2020. The primary deficit is expected to average 1.3 percent of GDP over 2021–25, reflecting the authorities' commitment to scale-up public investment at a more moderate pace than had been planned before the pandemic. To preserve debt sustainability, only a limited share of planned, but not-yet-contracted external project financing in 2021-23 will be undertaken.[7] This constitutes a significant moderation with respect to the ambitious public infrastructure investment plans presented in the authorities' National Economic and Social Development Plan (PDNES), and which formed the basis for the March 2020 DSA, prepared at the time of the Fourth Review under the ECF arrangement. Continued revenue mobilization effort is expected to gradually increase tax revenue by 2.9 percent of GDP over 2021–30. Grants have risen sharply to 2.1 percent of GDP in 2020 as donors have offered Guinea substantial assistance in the context of the pandemic, but are expected to return to normal levels of about 1.0 percent of GDP on average over the period 2021–23.

**Table 2. Guinea: Structure of External Public and Publicly Guaranteed Debt**

(Nominal Values)

| | end-2018 | | | end-2019 | | |
|---|---|---|---|---|---|---|
| | USD (millions) | Percent of Total | Percent of GDP | USD (millions) | Percent of Total | Percent of GDP |
| **Total** | **2288.9** | **100.0** | **18.9** | **2625.8** | **100.0** | **19.5** |
| Total incl. C2D [1/] | 2355.4 | 102.9 | 19.5 | 2668.7 | 101.6 | 19.8 |
| | | | | | | |
| **Multilateral creditors** | **1116.1** | **48.8** | **9.2** | **1336.8** | **50.9** | **9.9** |
| IMF | 322.3 | 14.1 | 2.7 | 338.5 | 12.9 | 2.5 |
| World Bank | 341.4 | 14.9 | 2.8 | 466.8 | 17.8 | 3.5 |
| Other Multilateral creditors | 452.4 | 19.8 | 3.7 | 531.5 | 20.2 | 3.9 |
| | | | | | | |
| **Official Bilateral Creditors** | **1112.0** | **48.6** | **9.2** | **1184.6** | **45.1** | **8.8** |
| Paris Club (excl. C2D) | 39.4 | 1.7 | 0.3 | 37.2 | 1.4 | 0.3 |
| Non-Paris Club | 1072.7 | 46.9 | 8.9 | 1147.4 | 43.7 | 8.5 |
| China | 629.8 | 27.5 | 5.2 | 650.4 | 24.8 | 4.8 |
| Angola | 126.6 | 5.5 | 1.0 | 117.2 | 4.5 | 0.9 |
| Saudi Arabia | 101.1 | 4.4 | 0.8 | 105.8 | 4.0 | 0.8 |
| Kuwait | 76.7 | 3.3 | 0.6 | 77.7 | 3.0 | 0.6 |
| Others | 138.5 | 6.1 | 1.1 | 196.3 | 7.5 | 1.5 |
| | | | | | | |
| **Commercial Creditors** | **60.8** | **2.7** | **0.5** | **104.4** | **4.0** | **0.8** |
| | | | | | | |
| **Memo** | | | | | | |
| Arrears | 149.3 | 6.5 | 1.2 | 148.8 | 5.7 | 1.1 |

Sources: Guinean authorities and IMF staff calculations.

[1/] C2D refers to Debt Reduction-Development Contract.

Notes: External arrears at end-2019 predate the 2012 HIPC completion point and are due to non-Paris Club official bilateral creditors (US$88 million) and commercial creditors (US$60.8 million). These arrears continue to be deemed away under the IMF Policy on Arrears as the underlying Paris Club agreement is adequately representative and the authorities are making best efforts to resolve the arrears. Regarding the external arrears owed by Guinea to private creditors, the authorities continue to make good faith efforts to reach a collaborative agreement. The IMF last concluded a financing assurances review on April 1, 2020, jointly with the Fourth Review under the ECF arrangement.

[7] To this end, the authorities have decided not to promulgate a EUR 230 million (1.8 percent of GDP) loan agreement with a private partnership to finance infrastructure development, which was signed in October 2019 and approved by the National Assembly in early June 2020.

- **The current account** (including transfers) recorded a deficit of 13.7 percent of GDP in 2019 and is expected to decrease slightly to 12.3 percent of GDP in 2020, financed by strong FDI and project loans. Imports of capital goods for mining and public infrastructure projects remain strong, including those related to the construction of the Souapiti dam. These investments will boost mining exports, resulting in a gradual narrowing of the current account deficit over the medium term, which is expected to average 11.5 percent of GDP over 2021–25.

- **External financing mix and terms**. The authorities plan to continue mobilizing external financing to scale-up public investments in infrastructure to support economic diversification and broad-based growth. New external borrowing is expected to pick up significantly in the near term, from 2.4 percent of GDP in 2019 to 6.4 percent in 2020—an increase justified by the impact of the pandemic response—and average 6.1 percent of GDP over 2021–22, reflecting the expected scale up of infrastructure spending and the disbursement of the Souapiti loan. Under the baseline scenario, external borrowing is assumed to continue to be strong in the medium and long run, averaging about 3.0 percent of GDP per year over 2023–29 and 2.5 percent of GDP per year over 2030–39. The average grant element of new borrowing is expected to be about 33.1 percent in 2020, weighed down by the disbursement of large non-concessional project loans, before gradually increasing to about 41 percent in 2024. Over the long term, the DSA assumes a gradual increase in the relative use of non-concessional financing, with the average grant element gradually decreasing to 25 percent by 2040.

    - *Non-concessional borrowing*. The pick-up in debt accumulation in 2020-22 reflects non-concessional borrowing to finance the construction of the Souapiti dam, signed in September 2018 and expected to be disbursed over 2020–22[8]. In addition, the DSA incorporates non-concessional borrowing of US$658 million to finance programmed priority infrastructure projects and for budget support, to be disbursed over 2019–23. Out of this envelope, US$598 million were signed in September 2018 to finance the rehabilitation of the RN1 national road and the Conakry urban road network, to be disbursed over 2019–23. Furthermore, a non-concessional loan of US$60 million for budget support from Qatar was signed in November 2018 and disbursed in April 2019. Additional non-concessional borrowing of about US$240 million is assumed to be disbursed during 2023–25 to finance infrastructure projects.

    - *Concessional borrowing*. The World Bank provided concessional budget support loans of US$91.5 million in 2019 and is expected to provide $70 million in 2020 and US$40 million per year over 2021–25. Concessional project loans—largely to finance

[8] The expected disbursement schedule for the Souapiti dam loan is US$300 million in 2020, US$576 million in 2021 and US$300 million in 2022. For the US$598 million envelope of non-concessional loans signed in September 2018, US$45 million was disbursed in 2019 and US$149 million is expected in 2020, with the remaining amount almost evenly spread over 2021-23.

infrastructure and agriculture development—are assumed to total US$2.5 billion over 2020–25, of which about US$550 million is expected to be provided by the World Bank.

- *Pandemic-related support*. Guinea has succeeded in mobilizing external funds to support the pandemic response plan. Program loans in support of the COVID-19 response plan are expected to reach 1.7 percent of GDP in 2020, including resources from the World Bank, the African Development Bank, and the IMF's RCF.

- *Pandemic-related debt service relief*. The authorities have received significant debt service relief provided by the IMF under the Catastrophe Containment and Relief Trust (CCRT) and the Debt Service Suspension Initiative (DSSI), supported by the G20 and the Paris Club (Table 3). This DSA assumes that Guinea will receive grants covering its debt service payments to the IMF falling due between the period of April 14, 2020 and April 13, 2022 (SDR 69.2 million), following approval of the qualification for up to two years of debt service relief in April 2020, subject to the availability of CCRT resources. The authorities have committed to adhere to requirements for participation in the DSSI, including maintaining non-concessional borrowing within the envelope allowed under the ECF program. This DSA includes an assumption that US $32.2 million in debt service payments falling due in 2020 will be rescheduled to 2022-24 under the DSSI but does not incorporate the extension of the DSSI until June 30, 2021 announced by the G20 in October 2020. A preliminary estimate of the amount of eligible debt service falling due in 2021 that could be rescheduled by the DSSI extension is US$20.1 million.

**Table 3. Guinea—Debt Service Suspension Initiative & CCRT relief**

(USD millions)

| | *2020 Debt Service* | | | |
|---|---|---|---|---|
| *Creditor* | Originally Due | Rescheduled DSSI | CCRT relief | Remaining |
| AFD/Banque de France (C2D) [/1] | 23.38 | 23.08 | 0.00 | 0.30 |
| Eximbank China | 15.39 | 4.09 | 0.00 | 11.30 |
| Kuwait Fund for Arab Economic Dev. | 3.75 | 1.92 | 0.00 | 1.83 |
| IMF | 39.61 | 0.00 | 25.15 | 14.46 |
| Saudi Development Fund | 4.21 | 3.10 | 0.00 | 1.11 |
| All other creditors | 67.04 | 0.00 | 0.00 | 67.04 |
| Total | 153.38 | 32.19 | 25.15 | 96.04 |

Source: Guinean authorities and IMF staff calculations.
Note: DSSI covers debt service payments to participating bilateral creditors falling due between May 1st 2020 and June 30th 2021.
1/ Upon request, creditor agreed to reschedule payments falling due in April 2020.

- **Domestic borrowing**. Net government domestic financing is expected to be negative throughout 2019–25 (-1.1 percent of GDP in 2019, -0.1 percent of GDP in 2020 and averaging -0.4 percent of GDP for 2021-25), as the government is expected to gradually repay past borrowings from the BCRG, domestic arrears accumulated during 2017–18, and

the validated 1982–2013 arrears to the private sector, in line with the clearance strategy approved in December 2017. Amortization of securitized debt to domestic suppliers will average 0.5 percent of GDP over 2020-22, while repayment of domestic arrears accumulated during 2017-18 is expected to average 0.1 percent over 2020-22. This will be supported by revenue mobilization and containment of current non-priority spending. Net domestic borrowing is expected to turn positive in the long term. In 2019, issuance of domestic debt to commercial banks included 1 percent of GDP in 3-year debenture loans (12% interest rate) and 0.5 percent of GDP in Treasury bills of less than 12-month maturity (effective interest rate of 9.7%).

- **Realism of assumptions**. Growth of 5.2 percent would make Guinea one of the world's fastest-growing economies in 2020. This projection reflects idiosyncratic elements, though, as it is based on the strong performance of the mining sector, which has benefitted from strong demand for bauxite from China and artisanal gold production. The growth projection of 5.5 percent in 2021 assumes a further recovery of external demand consistent with the October 2020 WEO. While the execution of public investment plans is assumed to be heavily curtailed by the pandemic in 2020, these are assumed to rise gradually in 2021 and 2022, though remaining on a path that is below the pre-pandemic one. While the scaling-up of public investment is expected to support growth, the framework conservatively assumes the investment-growth nexus is relatively low. This is based on the weak historical growth outturns in Guinea, which has suffered from adverse conditions including the Ebola crisis, commodity price shocks and earlier periods of social unrest. While higher-than-projected primary fiscal deficits were historically the largest contributor to unexpected debt accumulation for the past five years (Figure 4), the envisaged post-pandemic fiscal adjustment is feasible for Guinea, taking into account the country's fragility and capacity constraints (Figure 5, top panel).

### Table 4. Guinea: LIC DSA Macroeconomic Assumptions
(Percent of GDP, unless otherwise indicated)

| | Previous DSA | | | | | Current DSA | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2025 | 2030 | 2018 | 2019 | 2020 | 2025 | 2030 |
| Nominal GDP ($ Million) | 12181 | 13797 | 14244 | 20343 | 28580 | 12181 | 13797 | 15151 | 21227 | 29824 |
| Real GDP (percentage change) | 6.2 | 5.6 | 1.4 | 5.0 | 5.0 | 6.2 | 5.6 | 5.2 | 5.0 | 5.0 |
| **Fiscal Accounts** | | | | | | | | | | |
| Revenues | 13.1 | 13.7 | 12.3 | 16.0 | 16.9 | 13.1 | 13.7 | 12.7 | 15.9 | 15.8 |
| Grants | 1.1 | 0.3 | 1.2 | 0.9 | 0.9 | 1.1 | 0.3 | 1.9 | 0.9 | 0.8 |
| Public Sector Expenditure | 15.6 | 14.6 | 17.3 | 19.0 | 19.7 | 15.6 | 14.6 | 18.3 | 19.0 | 19.1 |
| of which: Capital expenditure and net lending | 5.1 | 3.7 | 4.9 | 7.6 | 8.2 | 5.1 | 3.7 | 4.8 | 7.5 | 6.2 |
| Primary Fiscal Balance | -0.3 | 0.0 | -3.0 | -1.1 | -0.9 | -0.3 | 0.0 | -2.7 | -1.2 | -1.4 |
| New external borrowing | 13.4 | 4.9 | 11.9 | 3.0 | 2.7 | 13.4 | 4.9 | 6.4 | 3.1 | 2.9 |
| Grant elements of new external borrowing | 31.2 | 31.7 | 32.1 | 39.9 | 38.2 | 31.2 | 31.7 | 33.1 | 42.5 | 40.6 |
| **Balance of Payments** | | | | | | | | | | |
| Exports of goods and services | 32.9 | 30.5 | 27.8 | 32.1 | 32.8 | 33.5 | 30.0 | 32.3 | 33.7 | 34.4 |
| Imports of goods and services | 46.8 | 39.4 | 43.0 | 38.1 | 35.1 | 48.0 | 39.3 | 39.8 | 38.0 | 33.1 |
| Current account (including transfers) | -19.0 | -13.9 | -21.1 | -10.0 | -7.0 | -20.5 | -13.9 | -12.5 | -10.4 | -4.9 |
| Foreign direct investment | 12.9 | 12.9 | 8.3 | 7.4 | 7.4 | 15.1 | 12.9 | 10.7 | 7.6 | 7.6 |

Source: Guinean authorities, IMF and World Bank staff estimates.

# COUNTRY CLASSIFICATION

**4. The Composite Indicator for Guinea is 2.44 based on the October 2020 WEO vintage and the 2019 update for the CPIA index, which classifies Guinea at weak debt-carrying capacity (Table 5)**. Two tailored stress tests are triggered to account for Guinea's specific economic features. A contingent liabilities stress test captures a combined shock from SOEs' external debt default, PPPs' distress and/or cancellations, and financial market vulnerabilities, all of which amount to 8.3 percent of GDP (Table 1).[9] A commodity prices stress test is also applied since mining exports constitute more than 80 percent of total exports for Guinea. Furthermore, two fully customized scenarios—a weak policy scenario, and higher non-concessional borrowing—have also been performed to assess Guinea's country-specific risks and capacity to absorb shocks.

**Table 5. Guinea: Calculation of CI index**

| Components | Coefficients (A) | 10-year average values (B) | CI Score components (A*B) = (C) | Contribution of components |
|---|---|---|---|---|
| CPIA | 0.385 | 3.174 | 1.22 | 50% |
| Real growth rate (in percent) | 2.719 | 6.214 | 0.17 | 7% |
| Import coverage of reserves (in percent) | 4.052 | 20.053 | 0.81 | 33% |
| Import coverage of reserves^2 (in percent) | -3.990 | 4.021 | -0.16 | -7% |
| Remittances (in percent) | 2.022 | 0.244 | 0.00 | 0% |
| World economic growth (in percent) | 13.520 | 2.928 | 0.40 | 16% |
| CI Score | | | 2.44 | 100% |
| CI rating | | | Weak | |

# MODEL SIGNALS AND RISK RATING

## A. External Debt

**5. Guinea stands at moderate risk of external debt distress, with limited space to absorb shocks** (Table 6, Table 7, Figure 1, and Figure 6). Under the baseline scenario, all external debt ratios remain below their policy dependent thresholds. While the indicators of external debt in the moderate risk tool do not breach their respective thresholds, Guinea is nonetheless assessed to have limited space to absorb shocks because total public debt is assessed to be very close to the high-risk zone. Medium-term external debt dynamics are broadly unchanged from the June 2020 DSA update. The PV of external debt-to-GDP is

[9] The contingent liability stress test has two components: (i) a minimum starting value of 5 percent of GDP representing the average cost to the government of a financial crisis in a LIC since 1980; and (ii) a tailored value, reflecting additional potential shocks from SOE's debt and PPP that are not included in the definition of public debt. A tailored PPP shock is used, and the size of the PPP shock is estimated to be 3.8 percent of GDP based on the 2018 PIMA report, larger than the default value of 1.37 percent from the World Banks' PPP database. Overall, a contingent liability shock of 8.3 percent of GDP should adequately capture risks arising from debt not covered under the baseline.

expected to peak at 21.8 percent of GDP in 2023, slightly below the peak in the June 2020 DSA update, and then to decline. Liquidity ratios are expected to remain well below policy dependent thresholds (in line with the June 2020 DSA update). Under the most extreme stress tests, all indicators breach their thresholds (Figure 1).[10] These tests are based on historical growth and export averages, which reflect exceptionally adverse economic conditions for Guinea, including the Ebola crisis and commodity price shocks during 2014–15 and earlier periods of civil unrest. Under the historical scenario the debt service to exports and revenue ratios remain within their thresholds, while the present value of debt-to-GDP and debt-to-exports breach their thresholds. Under two more plausible country-specific scenarios—(i) a weak policy implementation scenario; and (ii) higher non-concessional loans—all indicators remain within their thresholds (Figure 3).[11]

## B. Total Public Debt

**6. Guinea's overall risk of debt distress is assessed to be moderate, with the application of staff judgement**. As in the June 2020 DSA update, under the baseline scenario, the PV of total public debt-to-GDP breaches the benchmark for two years (Table 7 and Figure 2). The PV of total public debt-to-GDP ratio peaks in 2021 at 35.4 percent of GDP (vis-à-vis the benchmark of 35 percent of GDP), somewhat below the June 2020 DSA update. The peak reflects additional borrowing in 2020 to meet urgent balance of payments and fiscal needs due to the COVID-19 pandemic, and the one-off impact of the recapitalization of the central bank in 2018, a key reform to enhance central bank independence.[12] Staff applied judgement to assign a moderate risk rating as: (i) the magnitude of the breach is marginal, and the length is temporary (two years); and (ii) the recapitalization affects only one debt burden indicator (the PV of overall public debt to GDP). Notably, the recapitalization will not add to the debt service burden in the near term as it was conducted by issuing 30-year bonds for the overall recapitalization needs, additional securities are expected to be issued in lieu of interest payments, and no payment is expected to be made until 2046. The PV of the total debt-to-GDP ratio exceeds the benchmark in the medium term under the most extreme shock. Space for additional borrowing, in addition to what is already included in the baseline scenario, is limited, particularly in the near term. A more protracted global pandemic, delays in repaying domestic arrears or debt owed to the BCRG, higher-than-anticipated government domestic and external borrowing, or new audits that confirm a higher stock of domestic arrears could worsen the dynamics of total public debt.[13]

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[10] The most extreme stress test is an export shock that sets export growth to its historical average minus one standard deviation in the second and third years of the projection period for the PV of debt-exports and debt service-to-exports. For the PV of debt-to-GDP and debt service-to-revenue, the most extreme shocks are a combination of all shocks and a non-debt creating flow shock, respectively.

[11] The weak policy scenario assumes real GDP growth is 1 percentage point below the baseline over 2021–40, reflecting slower reform implementation, and the fiscal balance is 0.5 percent of GDP looser than the baseline in 2021–23, reflecting slower revenue collection. The higher non-concessional loans scenario assumes an additional non-concessional borrowing of US$350 million, to be disbursed during 2021–23, on top of the non-concessional loan envelope included in the baseline.

[12] In Table 7, the large residuals for 2020, 2021 and 2022 reflect the fact that the loan for the Souapiti dam is not included in the primary balance.

[13] An audit of domestic arrears covering the period of 2014-18 is being planned, with an auditing firm having been selected but work being delayed by the pandemic.

## AUTHORITIES' VIEWS

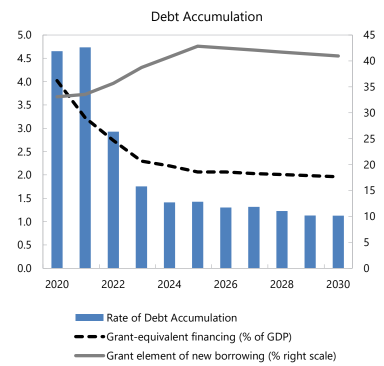
7. **The authorities broadly agreed with the conclusions of the DSA.** They underscored their commitment to maintaining a sustainable level of debt that does not exceed a moderate risk of debt distress. They also concurred with the importance of maximizing concessional borrowing where possible but noted that financing under these terms is not available in the scale needed to finance their large infrastructure needs. The authorities are committed to continuing to implement their strategy to gradually clear domestic arrears to the private sector, strengthening debt management and enhancing their public investment management.

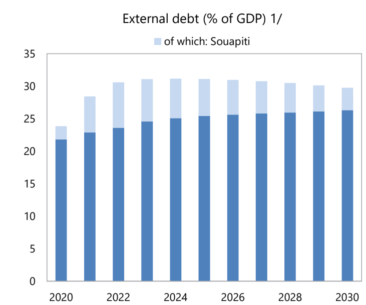
## Table 6. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 | 2040 | Historical | Projections |
| **External debt (nominal) 1/** | **19.3** | **18.9** | **19.5** | **23.8** | **28.4** | **30.6** | **31.1** | **31.1** | **31.1** | **29.7** | **26.1** | **25.2** | **29.8** |
| ***of which: public and publicly guaranteed (PPG)*** | **19.3** | **18.9** | **19.5** | **23.8** | **28.4** | **30.6** | **31.1** | **31.1** | **31.1** | **29.7** | **26.1** | **25.2** | **29.8** |
| Change in external debt | -2.5 | -0.4 | 0.5 | 4.4 | 4.6 | 2.2 | 0.5 | 0.1 | 0.0 | -0.4 | -0.1 | | |
| **Identified net debt-creating flows** | **-9.3** | **2.5** | **-1.2** | **0.9** | **5.7** | **2.6** | **1.3** | **0.9** | **1.4** | **-4.0** | **-6.6** | **6.3** | **-0.5** |
| **Non-interest current account deficit** | **6.8** | **20.2** | **13.8** | **12.3** | **14.0** | **11.7** | **10.7** | **9.5** | **10.0** | **4.6** | **1.9** | **15.4** | **8.4** |
| Deficit in balance of goods and services | 7.4 | 14.5 | 9.3 | 7.4 | 8.0 | 6.5 | 5.9 | 4.3 | 4.3 | -1.3 | -6.7 | **12.8** | **3.2** |
| Exports | 39.9 | 33.5 | 30.0 | 32.3 | 31.9 | 31.9 | 32.6 | 33.9 | 33.7 | 34.4 | 35.6 | | |
| Imports | 47.3 | 48.0 | 39.3 | 39.8 | 39.8 | 38.4 | 38.6 | 38.2 | 38.0 | 33.1 | 28.9 | | |
| Net current transfers (negative = inflow) | -0.9 | -0.6 | -0.5 | -1.4 | -0.5 | -0.5 | -0.7 | -0.6 | -0.6 | -0.2 | 0.1 | **-2.3** | **-0.5** |
| *of which: official* | -0.2 | -0.2 | 0.0 | -1.0 | -0.5 | -0.4 | -0.4 | -0.5 | -0.4 | -0.4 | -0.4 | | |
| Other current account flows (negative = net inflow) | 0.3 | 6.3 | 4.9 | 6.3 | 6.6 | 5.7 | 5.5 | 5.8 | 6.3 | 6.1 | 8.5 | **4.9** | **5.7** |
| **Net FDI (negative = inflow)** | **-12.6** | **-15.1** | **-12.9** | **-10.7** | **-7.3** | **-8.1** | **-8.4** | **-7.6** | **-7.6** | **-7.6** | **-7.6** | **-8.1** | **-7.9** |
| **Endogenous debt dynamics 2/** | **-3.5** | **-2.6** | **-2.1** | **-0.7** | **-1.0** | **-1.0** | **-1.0** | **-1.0** | **-1.0** | **-1.0** | **-0.9** | | |
| Contribution from nominal interest rate | 0.2 | 0.3 | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | | |
| Contribution from real GDP growth | -1.9 | -1.0 | -0.9 | -0.9 | -1.2 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | -1.2 | | |
| Contribution from price and exchange rate changes | -1.8 | -1.9 | -1.3 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | **6.8** | **-2.9** | **1.8** | **3.4** | **-1.1** | **-0.4** | **-0.8** | **-0.8** | **-1.4** | **3.6** | **6.5** | **-9.3** | **1.5** |
| *of which: exceptional financing* | -0.1 | 0.0 | 0.0 | -0.2 | -0.3 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of PPG external debt-to-GDP ratio** | **...** | **...** | **13.8** | **16.8** | **20.1** | **21.5** | **21.8** | **21.7** | **21.6** | **20.4** | **18.6** | | |
| **PV of PPG external debt-to-exports ratio** | **...** | **...** | **46.0** | **52.0** | **63.0** | **67.6** | **66.7** | **64.0** | **64.2** | **59.2** | **52.1** | | |
| **PPG debt service-to-exports ratio** | **1.4** | **1.7** | **1.6** | **1.4** | **2.5** | **4.2** | **4.4** | **4.2** | **3.8** | **4.4** | **4.0** | | |
| **PPG debt service-to-revenue ratio** | **4.1** | **4.2** | **3.5** | **3.5** | **5.9** | **9.1** | **9.5** | **9.2** | **8.1** | **9.7** | **8.4** | | |
| Gross external financing need (Billion of U.S. dollars) | -0.5 | 0.7 | 0.2 | 0.3 | 1.2 | 0.9 | 0.7 | 0.7 | 0.8 | -0.4 | -2.5 | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 10.3 | 6.2 | 5.6 | 5.2 | 5.5 | 5.2 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | **6.0** | **5.1** |
| GDP deflator in US dollar terms (change in percent) | 8.9 | 11.0 | 7.2 | 4.3 | 1.7 | 1.4 | 1.9 | 1.8 | 1.9 | 2.0 | 2.0 | **1.8** | **2.1** |
| Effective interest rate (percent) 4/ | 1.1 | 1.8 | 0.9 | 1.4 | 1.2 | 1.3 | 1.4 | 1.4 | 1.4 | 1.3 | 1.2 | **1.1** | **1.3** |
| Growth of exports of G&S (US dollar terms, in percent) | 66.9 | -1.0 | 1.4 | 18.3 | 5.8 | 6.8 | 9.6 | 11.0 | 6.3 | 7.4 | 7.5 | **14.3** | **8.7** |
| Growth of imports of G&S (US dollar terms, in percent) | -4.8 | 19.5 | -7.2 | 11.0 | 7.6 | 2.9 | 7.6 | 5.8 | 6.3 | 5.7 | 5.6 | **17.9** | **5.6** |
| Grant element of new public sector borrowing  (in percent) | ... | ... | ... | 33.1 | 33.5 | 35.7 | 38.7 | 40.8 | 42.8 | 40.9 | 24.5 | **...** | **39.4** |
| Government revenues (excluding grants, in percent of GDP) | 13.7 | 13.1 | 13.7 | 12.7 | 13.4 | 14.5 | 15.1 | 15.6 | 15.9 | 15.8 | 16.9 | **13.5** | **15.0** |
| Aid flows (in Billion of US dollars) 5/ | 0.1 | 0.1 | 0.0 | 0.6 | 0.5 | 0.6 | 0.7 | 0.7 | 0.8 | 1.0 | 0.8 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 4.0 | 3.2 | 2.7 | 2.3 | 2.2 | 2.1 | 2.0 | 1.5 | **...** | **2.4** |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 48.4 | 41.1 | 45.2 | 50.6 | 53.7 | 56.3 | 54.8 | 41.9 | **...** | **51.9** |
| Nominal GDP (Billion of US dollars) | 10 | 12 | 14 | 15 | 16 | 17 | 19 | 20 | 21 | 30 | 59 | | |
| Nominal dollar GDP growth | 20.1 | 17.8 | 13.3 | 9.8 | 7.4 | 6.8 | 7.0 | 6.8 | 6.9 | 7.0 | 7.0 | **7.9** | **7.3** |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 13.8 | 16.8 | 20.1 | 21.5 | 21.8 | 21.7 | 21.6 | 20.4 | 18.6 | | |
| In percent of exports | ... | ... | 46.0 | 52.0 | 63.0 | 67.6 | 66.7 | 64.0 | 64.2 | 59.2 | 52.1 | | |
| Total external debt service-to-exports ratio | 1.4 | 1.7 | 1.6 | 1.4 | 2.5 | 4.2 | 4.4 | 4.2 | 3.8 | 4.4 | 4.0 | | |
| PV of PPG external debt (in Billion of US dollars) | | | 1.9 | 2.5 | 3.3 | 3.7 | 4.0 | 4.3 | 4.6 | 6.1 | 10.9 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | 4.7 | 4.7 | 2.9 | 1.8 | 1.4 | 1.4 | 1.1 | 1.6 | | |
| Non-interest current account deficit that stabilizes debt ratio | 9.3 | 20.6 | 13.2 | 7.9 | 9.4 | 9.6 | 10.3 | 9.4 | 10.0 | 4.9 | 2.0 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Currency-based** |
| **Is there a material difference between the two criteria?** | **No** |




Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

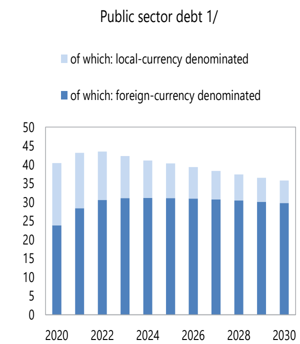
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Table 7. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 | 2040 | Historical | Projections |
| **Public sector debt 1/** | **39.5** | **37.7** | **36.5** | **40.4** | **43.2** | **43.5** | **42.3** | **41.1** | **40.4** | **35.8** | **28.9** | **42.0** | **39.8** |
| **of which: external debt** | **19.3** | **18.9** | **19.5** | **23.8** | **28.4** | **30.6** | **31.1** | **31.1** | **31.1** | **29.7** | **26.1** | **25.2** | **29.8** |
| | 20.2 | 18.8 | 17.0 | 16.6 | 14.8 | 12.9 | 11.2 | 10.0 | 9.3 | 6.0 | 2.9 | | |
| Change in public sector debt | -3.0 | -1.8 | -1.3 | 4.0 | 2.7 | 0.3 | -1.2 | -1.2 | -0.8 | -0.8 | -0.7 | | |
| **Identified debt-creating flows** | **-6.0** | **-4.5** | **-4.0** | **-0.5** | **-1.4** | **-1.3** | **-1.1** | **-1.1** | **-0.8** | **-0.2** | **-0.4** | **-3.5** | **-0.8** |
| **Primary deficit** | **1.1** | **0.3** | **0.0** | **2.7** | **1.5** | **1.3** | **1.3** | **1.1** | **1.2** | **1.4** | **0.7** | **2.1** | **1.4** |
| Revenue and grants | 15.2 | 14.3 | 14.0 | 14.6 | 14.3 | 15.4 | 16.0 | 16.5 | 16.8 | 16.7 | 17.7 | **14.8** | **16.0** |
| *of which: grants* | 1.4 | 1.1 | 0.3 | 1.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | | |
| Primary (noninterest) expenditure | 16.3 | 14.5 | 14.0 | 17.3 | 15.7 | 16.6 | 17.3 | 17.6 | 18.0 | 18.1 | 18.3 | **16.9** | **17.4** |
| **Automatic debt dynamics** | **-7.1** | **-4.7** | **-4.0** | **-3.0** | **-2.5** | **-2.5** | **-2.4** | **-2.2** | **-2.0** | **-1.6** | **-1.1** | | |
| Contribution from interest rate/growth differential | -5.2 | -3.6 | -3.4 | -2.6 | -2.7 | -2.6 | -2.4 | -2.2 | -2.1 | -1.6 | -1.1 | | |
| *of which: contribution from average real interest rate* | -1.2 | -1.3 | -1.4 | -0.8 | -0.6 | -0.4 | -0.3 | -0.2 | -0.1 | 0.1 | 0.3 | | |
| *of which: contribution from real GDP growth* | -4.0 | -2.3 | -2.0 | -1.8 | -2.1 | -2.2 | -2.1 | -2.0 | -1.9 | -1.7 | -1.4 | | |
| Contribution from real exchange rate depreciation | -2.0 | -1.1 | -0.6 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | **0.0** | **0.0** | **0.0** | **-0.2** | **-0.3** | **-0.1** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **-2.8** | **-0.1** |
| Privatization receipts (negative) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | -0.2 | -0.3 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Other debt creating or reducing flow (please specify) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Residual** | **3.0** | **2.7** | **2.7** | **4.0** | **4.2** | **1.7** | **-0.1** | **-0.1** | **0.1** | **-0.6** | **-0.3** | **1.0** | **0.7** |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | **...** | **...** | **31.1** | **33.9** | **35.5** | **35.1** | **33.6** | **32.3** | **31.5** | **27.0** | **22.0** | | |
| **PV of public debt-to-revenue and grants ratio** | **...** | **...** | **223.0** | **232.7** | **248.8** | **228.4** | **210.8** | **195.9** | **187.9** | **161.7** | **124.3** | | |
| **Debt service-to-revenue and grants ratio 3/** | **6.1** | **12.2** | **20.5** | **15.4** | **19.5** | **18.1** | **17.3** | **15.4** | **13.3** | **14.0** | **12.4** | | |
| Gross financing need 4/ | 1.2 | 1.2 | 2.9 | 4.9 | 4.1 | 3.9 | 4.1 | 3.6 | 3.5 | 3.7 | 2.8 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 10.3 | 6.2 | 5.6 | 5.2 | 5.5 | 5.2 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | **6.0** | **5.1** |
| Average nominal interest rate on external debt (in percent) | 1.1 | 1.8 | 0.9 | 1.4 | 1.2 | 1.3 | 1.4 | 1.4 | 1.4 | 1.3 | 1.2 | **1.2** | **1.4** |
| Average real interest rate on domestic debt (in percent) | -5.7 | -6.4 | -6.8 | -4.9 | -2.4 | -1.7 | -1.5 | -0.5 | 0.3 | 5.1 | 15.3 | **-2.2** | **0.4** |
| Real exchange rate depreciation (in percent, + indicates depreciation) | -9.9 | -6.1 | -3.7 | ... | ... | ... | ... | ... | ... | ... | ... | **0.5** | **...** |
| Inflation rate (GDP deflator, in percent) | 10.4 | 10.0 | 9.3 | 9.9 | 8.0 | 7.9 | 8.1 | 7.8 | 7.8 | 7.8 | 7.8 | **8.3** | **8.0** |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 22.0 | -5.6 | 1.6 | 30.2 | -4.0 | 11.5 | 9.0 | 7.0 | 7.4 | 5.6 | 5.3 | **7.0** | **7.8** |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | 4.2 | 2.0 | 1.3 | -1.3 | -1.3 | 0.9 | 2.5 | 2.3 | 2.0 | 2.2 | 1.4 | **2.5** | **1.5** |
| PV of contingent liabilities (not included in public sector debt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Currency-based** |
| **Is there a material difference between the two criteria?** | **No** |




Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

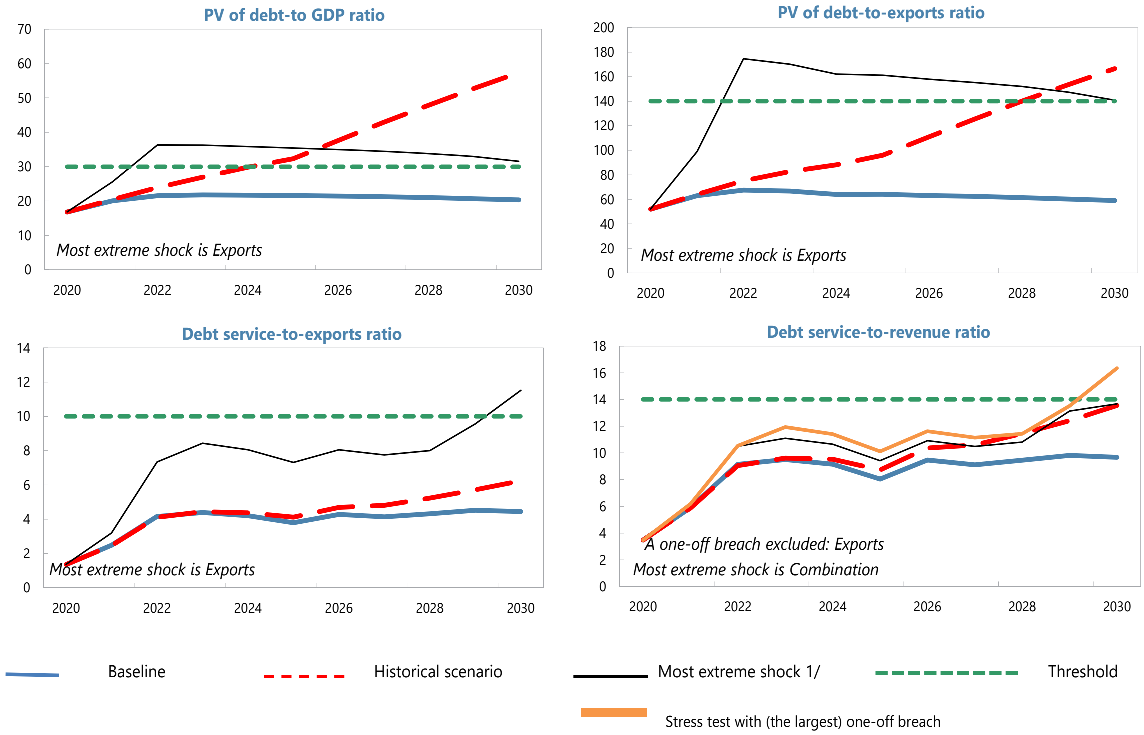
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Figure 1. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–30




| Customization of Default Settings | | |
|---|---|---|
| | Size | Interactions |
| **Tailored Tests** | | |
| Combined CLs | No | |
| Natural Disasters | n.a. | n.a. |
| Commodity Prices [2/] | No | No |
| Market Financing | n.a. | n.a. |

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

| Borrowing Assumptions for Stress Tests* | | |
|---|---|---|
| | Default | User defined |
| **Shares of marginal debt** | | |
| External PPG MLT debt | 100% | |
| **Terms of marginal debt** | | |
| Avg. nominal interest rate on new borrowing in USD | 1.3% | 1.3% |
| USD Discount rate | 5.0% | 5.0% |
| Avg. maturity (incl. grace period) | 23 | 23 |
| Avg. grace period | 7 | 7 |

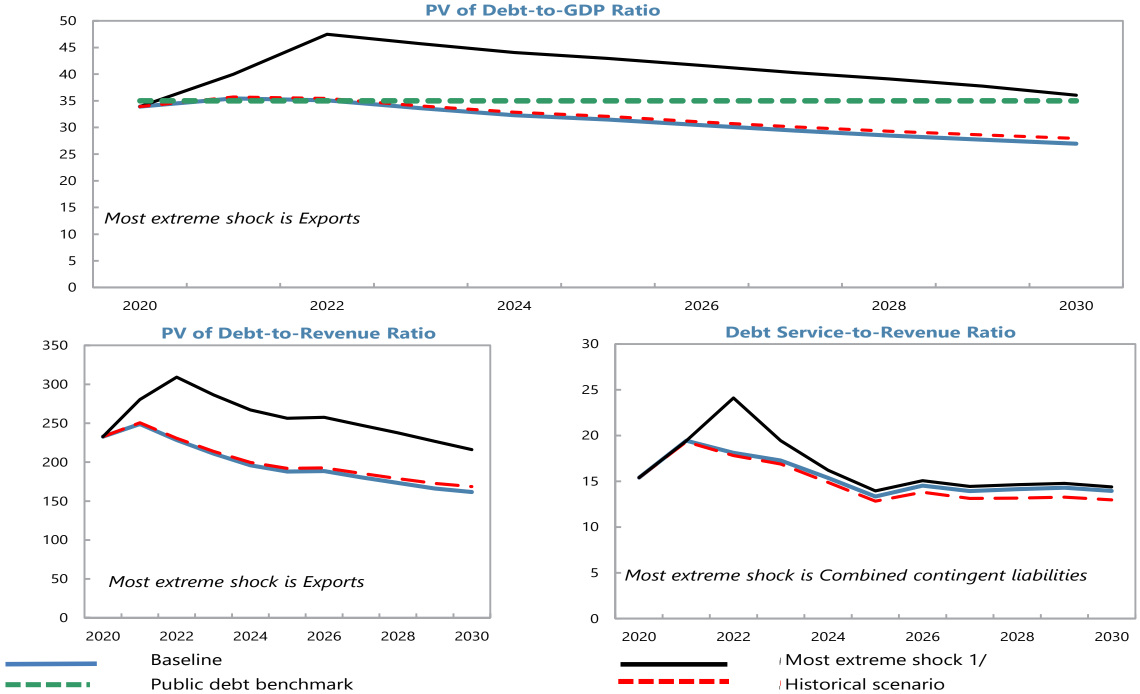
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

## Figure 2. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2020–30




| Borrowing Assumptions for Stress Tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| **External PPG medium and long-term** | 87% | 87% |
| **Domestic medium and long-term** | 2% | 2% |
| **Domestic short-term** | 11% | 11% |
| **Terms of marginal debt** | | |
| **External MLT debt** | | |
| **Avg. nominal interest rate on new borrowing in USD** | 1.3% | 1.3% |
| **Avg. maturity (incl. grace period)** | 23 | 23 |
| **Avg. grace period** | 7 | 7 |
| **Domestic MLT debt** | | |
| **Avg. real interest rate on new borrowing** | 2.6% | 2.6% |
| **Avg. maturity (incl. grace period)** | 2 | 2 |
| **Avg. grace period** | 1 | 1 |
| **Domestic short-term debt** | | |
| **Avg. real interest rate** | 0% | 0.0% |

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

**Figure 3. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Country Specific Alternative Scenarios, 2020–30[1/]**


Sources: Country authorities; and staff estimates and projections.

1/ The weak policy scenario assumes real GDP growth is 1 percentage point below the baseline over 2021-40, reflecting slower reform implementation, and the fiscal balance is 0.5 percent of GDP looser in 2021-23, reflecting slower revenue collection. The higher non-concessional loans scenario assumes an additional non-concessional borrowing of US$350 million to be disbursed during 2021-23, on top of the non-concessional loan envelope included in the baseline.

## Table 8. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30 (Percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| **PV of debt-to GDP ratio** | | | | | | | | | | | |
| **Baseline** | 17 | 20 | 22 | 22 | 22 | 22 | 21 | 21 | 21 | 21 | 20 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2020-2040 2/ | 17 | 20 | 24 | 27 | 30 | **32** | **38** | **43** | **48** | **53** | **57** |
| A2. Weak Policy | 17 | 21 | 22 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| A3. Higher non-concessional borrowing | 17 | 21 | 23 | 23 | 23 | 23 | 23 | 22 | 22 | 21 | 21 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 17 | 21 | 23 | 24 | 24 | 23 | 23 | 23 | 23 | 22 | 22 |
| B2. Primary balance | 17 | 22 | 25 | 26 | 26 | 26 | 25 | 25 | 25 | 24 | 24 |
| B3. Exports | 17 | 26 | **36** | **36** | **36** | **35** | **35** | **34** | **34** | **33** | **32** |
| B4. Other flows 3/ | 17 | 25 | **32** | **32** | **32** | **31** | **31** | **31** | **30** | 29 | 28 |
| B5. Depreciation | 17 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 24 | 24 |
| B6. Combination of B1-B5 | 17 | 26 | **31** | **31** | **30** | **30** | 30 | 29 | 29 | 28 | 27 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 17 | 24 | 26 | 26 | 26 | 26 | 26 | 25 | 25 | 25 | 24 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 17 | 22 | 26 | 26 | 26 | 26 | 26 | 25 | 25 | 25 | 24 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| **PV of debt-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 52 | 63 | 68 | 67 | 64 | 64 | 63 | 62 | 61 | 60 | 59 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2020-2040 2/ | 52 | 64 | 75 | 83 | 88 | 96 | 111 | 126 | **140** | **154** | **167** |
| A2. Weak Policy | 52 | 64 | 71 | 71 | 69 | 69 | 69 | 68 | 68 | 67 | 66 |
| A3. Higher non-concessional borrowing | 52 | 65 | 71 | 71 | 68 | 68 | 67 | 66 | 64 | 63 | 61 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 52 | 63 | 68 | 67 | 64 | 64 | 63 | 62 | 61 | 60 | 59 |
| B2. Primary balance | 52 | 69 | 80 | 79 | 76 | 76 | 75 | 74 | 72 | 71 | 69 |
| B3. Exports | 52 | 99 | **175** | **170** | **162** | **161** | **158** | **155** | **152** | **147** | **141** |
| B4. Other flows 3/ | 52 | 80 | 101 | 98 | 94 | 93 | 91 | 90 | 88 | 85 | 81 |
| B5. Depreciation | 52 | 63 | 62 | 61 | 59 | 59 | 58 | 58 | 57 | 56 | 55 |
| B6. Combination of B1-B5 | 52 | 88 | 90 | 111 | 106 | 106 | 104 | 102 | 100 | 97 | 93 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 52 | 76 | 82 | 81 | 77 | 77 | 76 | 75 | 73 | 72 | 71 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 52 | 76 | 87 | 85 | 80 | 79 | 77 | 76 | 74 | 73 | 71 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** | **140** |
| **Debt service-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 1 | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 4 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2020-2040 2/ | 1 | 2 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 6 | 6 |
| A2. Weak Policy | 1 | 3 | 4 | 5 | 4 | 4 | 5 | 4 | 5 | 5 | 5 |
| A3. Higher non-concessional borrowing | 1 | 2 | 4 | 4 | 4 | 4 | 5 | 4 | 5 | 5 | 5 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 1 | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 4 |
| B2. Primary balance | 1 | 2 | 4 | 5 | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| B3. Exports | 1 | 3 | 7 | 8 | 8 | 7 | 8 | 8 | 8 | 10 | **12** |
| B4. Other flows 3/ | 1 | 2 | 4 | 5 | 5 | 4 | 5 | 5 | 5 | 6 | 7 |
| B5. Depreciation | 1 | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| B6. Combination of B1-B5 | 1 | 3 | 6 | 6 | 6 | 5 | 6 | 6 | 6 | 7 | 7 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 1 | 2 | 4 | 5 | 4 | 4 | 5 | 4 | 5 | 5 | 5 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 1 | 3 | 5 | 5 | 5 | 4 | 5 | 5 | 5 | 5 | 6 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| **Debt service-to-revenue ratio** | | | | | | | | | | | |
| **Baseline** | 3 | 6 | 9 | 10 | 9 | 8 | 9 | 9 | 9 | 10 | 10 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2020-2040 2/ | 3 | 6 | 9 | 10 | 10 | 9 | 10 | 11 | 11 | 12 | 14 |
| A2. Weak Policy | 3 | 8 | 12 | 10 | 10 | 9 | 10 | 10 | 10 | 11 | 11 |
| A3. Higher non-concessional borrowing | 3 | 6 | 9 | 10 | 9 | 8 | 10 | 10 | 10 | 11 | 10 |
| **B. Bound Tests** | 3 | 8 | 12 | 10 | 10 | 9 | 10 | 10 | 10 | 11 | 11 |
| B1. Real GDP growth | 3 | 6 | 10 | 10 | 10 | 9 | 10 | 10 | 10 | 11 | 10 |
| B2. Primary balance | 3 | 6 | 9 | 10 | 10 | 9 | 10 | 10 | 10 | 11 | 11 |
| B3. Exports | 3 | 6 | 11 | 12 | 11 | 10 | 12 | 11 | 11 | 14 | **16** |
| B4. Other flows 3/ | 3 | 6 | 10 | 11 | 10 | 9 | 11 | 10 | 10 | 13 | **14** |
| B5. Depreciation | 3 | 7 | 12 | 12 | 11 | 10 | 12 | 11 | 12 | 12 | 11 |
| B6. Combination of B1-B5 | 3 | 6 | 10 | 11 | 11 | 9 | 11 | 10 | 11 | 13 | 14 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 3 | 6 | 10 | 10 | 10 | 9 | 10 | 10 | 10 | 10 | 10 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 3 | 7 | 11 | 12 | 11 | 9 | 11 | 10 | 10 | 11 | 12 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Threshold** | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

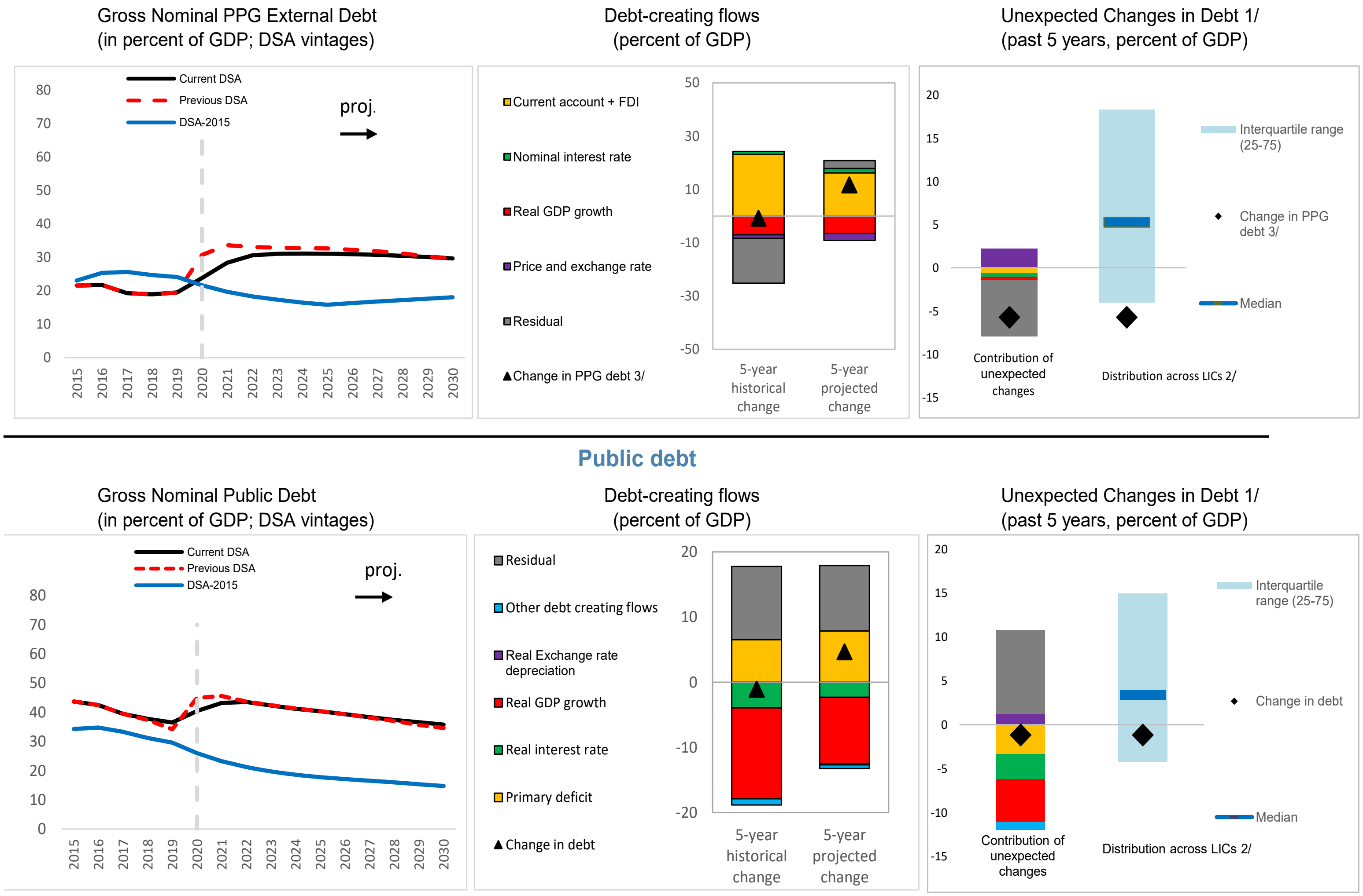
## Table 9. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30

(Percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | | | | |
| **Baseline** | 34 | **35** | **35** | 34 | 32 | 32 | 30 | 29 | 28 | 28 | 27 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2020-2040 2/ | 34 | **36** | **35** | 34 | 33 | 32 | 31 | 30 | 29 | 29 | 28 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 34 | **37** | **39** | **38** | **38** | **37** | **37** | **36** | **36** | **36** | **36** |
| B2. Primary balance | 34 | **38** | **40** | **38** | **37** | **36** | 34 | 33 | 32 | 31 | 30 |
| B3. Exports | 34 | **40** | **47** | **46** | **44** | **43** | **42** | **40** | **39** | **38** | **36** |
| B4. Other flows 3/ | 34 | **41** | **46** | **44** | **43** | **42** | **40** | **39** | **38** | **36** | 35 |
| B5. Depreciation | 34 | **37** | **35** | 33 | 31 | 29 | 28 | 26 | 24 | 23 | 21 |
| B6. Combination of B1-B5 | 34 | **37** | **37** | 33 | 32 | 31 | 30 | 29 | 28 | 27 | 27 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 34 | **41** | **40** | **38** | **37** | **36** | 35 | 34 | 33 | 32 | 31 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 34 | **38** | **40** | **41** | **41** | **42** | **41** | **41** | **40** | **40** | **40** |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Public debt benchmark** | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| **PV of Debt-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 233 | 249 | 228 | 211 | 196 | 188 | 188 | 181 | 173 | 166 | 162 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2020-2040 2/ | 233 | 251 | 231 | 214 | 200 | 192 | 193 | 186 | 179 | 173 | 169 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 233 | 261 | 254 | 239 | 227 | 222 | 227 | 223 | 219 | 215 | 213 |
| B2. Primary balance | 233 | 266 | 259 | 238 | 222 | 213 | 213 | 205 | 196 | 188 | 183 |
| B3. Exports | 233 | 281 | 309 | 286 | 267 | 256 | 257 | 247 | 238 | 227 | 216 |
| B4. Other flows 3/ | 233 | 287 | 299 | 277 | 258 | 248 | 249 | 239 | 230 | 219 | 209 |
| B5. Depreciation | 233 | 261 | 232 | 208 | 188 | 175 | 171 | 159 | 148 | 137 | 129 |
| B6. Combination of B1-B5 | 233 | 258 | 241 | 207 | 192 | 184 | 185 | 177 | 170 | 164 | 159 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 233 | 288 | 261 | 241 | 224 | 215 | 216 | 207 | 199 | 191 | 186 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 233 | 303 | 292 | 286 | 271 | 262 | 263 | 250 | 245 | 240 | 238 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| **Debt Service-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 15 | 19 | 18 | 17 | 15 | 13 | 15 | 14 | 14 | 14 | 14 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2020-2040 2/ | 15 | 19 | 18 | 17 | 15 | 13 | 14 | 13 | 13 | 13 | 13 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 15 | 20 | 20 | 20 | 18 | 16 | 17 | 17 | 17 | 17 | 17 |
| B2. Primary balance | 15 | 19 | 21 | 21 | 17 | 14 | 15 | 14 | 15 | 15 | 16 |
| B3. Exports | 15 | 19 | 19 | 19 | 17 | 15 | 16 | 15 | 15 | 17 | 19 |
| B4. Other flows 3/ | 15 | 19 | 19 | 19 | 17 | 14 | 16 | 15 | 15 | 17 | 18 |
| B5. Depreciation | 15 | 19 | 19 | 18 | 17 | 14 | 16 | 15 | 15 | 15 | 15 |
| B6. Combination of B1-B5 | 15 | 19 | 18 | 17 | 15 | 13 | 14 | 14 | 14 | 15 | 15 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 15 | 19 | 24 | 19 | 16 | 14 | 15 | 14 | 15 | 15 | 14 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | 15 | 23 | 21 | 21 | 21 | 18 | 19 | 17 | 17 | 18 | 18 |
| C4. Market Financing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

## Figure 4. Guinea: Drivers of Debt Dynamics—Baseline Scenario External Debt



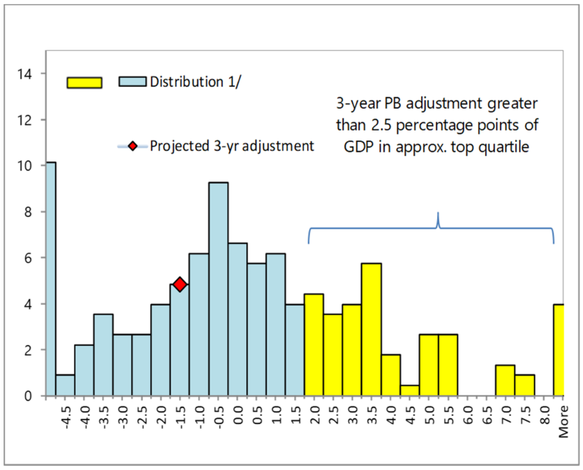

1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

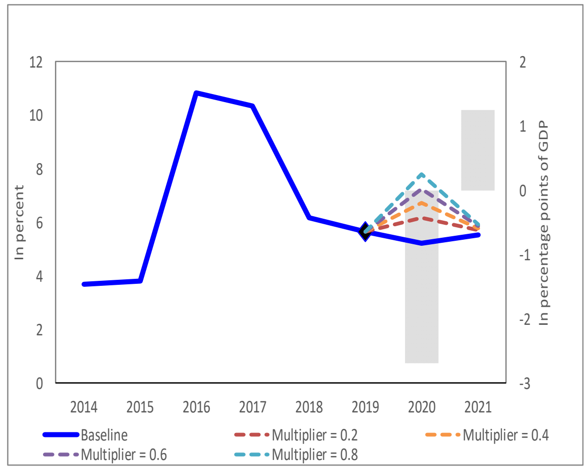
## Figure 5. Guinea: Realism Tools

### 3-Year Adjustment in Primary Balance
(Percentage points of GDP)



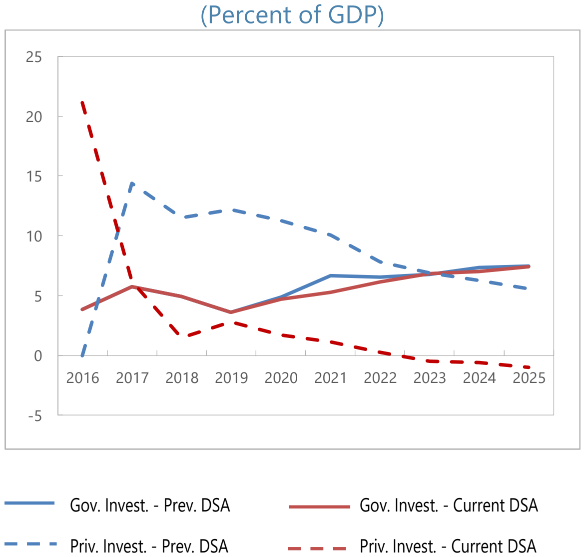

1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

### Fiscal Adjustment and Possible Growth Paths 1/




1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

### Public and Private Investment Rates
(Percent of GDP)




### Contribution to Real GDP growth
(Percent, 5-year average)

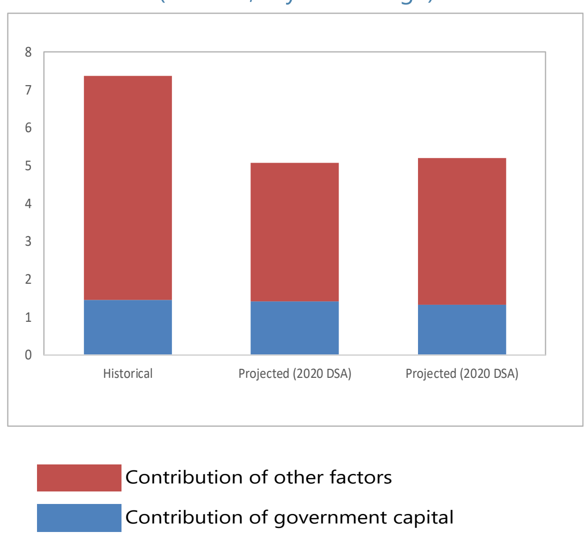


**Figure 6. Guinea: Qualification of the Moderate Category, 2020–30[1]**


Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.