GUINEA

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STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

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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	No

Guinea remains at moderate risk of external debt distress, with limited space to absorb shocks. *All external debt burden indicators under the baseline scenario lie below their thresholds. Stress tests suggest that debt vulnerabilities will increase if adverse shocks materialize. Under the most extreme stress tests—which involve a negative shock to exports—all solvency and liquidity indicators breach their thresholds for prolonged periods. While public debt rose sharply to 43 percent of GDP at end-2020—reflecting additional borrowing to meet urgent balance of payments and fiscal needs due to the COVID-19 pandemic—the overall risk of public debt distress is also assessed to be moderate. These risk ratings are unchanged with respect to the December 2020 Debt Sustainability Analysis. A prudent external borrowing strategy aimed at maximizing the concessionality of new debt, strengthening debt management and enhancing public investment management remain key to preserve 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)**. Audited and validated arrears to suppliers over the period 1982–2013, as well as domestic arrears accumulated and decumulated since then have been included in the baseline, and it is estimated that the domestic arrears stock was reduced to zero at end-2020. 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.[2] A contingent liability stress test is performed to enhance the robustness of the DSA, whose details are outlined below. 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 hydropower project (US$1.2 billion, about 10 percent of 2018 GDP) signed on September 4, 2018.[3] Per the terms of the loan agreement, the government is the debtor and assumed to be responsible for servicing the loan in the DSA.[4]

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

Subsectors of the public sector	Check box
Central government	X
State and local government	
Other elements in the general government	
o/w: Social security fund	
o/w: Extra budgetary funds (EBFs)	
Guarantees (to other entities in the public and private sector, including to SOEs)	X
Central bank (borrowed on behalf of the government)	X
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
2	Other elements of the general government not captured in 1.	0 percent of GDP	0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2
4	PPP	35 percent of PPP stock	1.33
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5
	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] Local governments in Guinea are thought to 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.

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

[4] The construction of 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) that is not considered as part of the central government, being jointly owned by the Guinean government (51 percent) and China International Water & Electricity Corporation (49 percent). The government however contracts the loan and on-lends the financing to the SPV, who will manage and operate the hydropower project on a commercial basis. The government is assumed to service the loan with an income stream from the SPV.

RECENT DEBT DEVELOPMENTS

2. **The stock of Guinea's overall public debt rose sharply in 2020, reflecting the frontloading of the first disbursement of the project loan for the Souapiti hydropower project, as well as financing for the government's response to the COVID-19 pandemic.** Total public debt rose to US$6.4 billion (43.4 percent of GDP) at end-2020, up from US$5.0 billion (38.0 percent of GDP) at end-2019.[5] External public debt increased to US$3.8 billion (25.8 percent of GDP) at end-2020 from US$2.6 billion (19.9 percent of GDP) at end-2019. Domestic debt also rose sharply to US$2.6 billion (17.6 percent of GDP) at end-2020, from $2.4 billion at end-2019, with strong net issuance of Treasury market instruments and short-term central bank financing. The stock of domestic debt reported in this DSA is significantly higher than what is reported by the authorities in the Quarterly Public Debt Bulletin, which uses a narrower definition of public debt that excludes: (i) unaudited domestic arrears; (ii) obligations of the Treasury to the BCRG associated with the 2017 recapitalization; and (iii) outstanding short-term advances owed to the BCRG.

UNDERLYING MACROECONOMIC ASSUMPTIONS

3. **Key assumptions are consistent with the macroeconomic framework outlined in the Staff Report for the 2021 Article IV Consultation**:

- **Real GDP growth** is estimated at 7.1 percent in 2020, 5.2 percent in 2021. This projection reflects the impact of the COVID-19 pandemic on the non-mining domestic economy—expected to recover at a rate of 4.5 percent in 2021 after a sharp slowdown to 1.3 percent growth in 2020—and the buoyancy of external demand for bauxite and gold, with a booming mining sector that is expected to grow at 7.7 percent in 2021. Growth is expected to moderate to remain strong in the medium term, supported by the mining sector and strong FDI inflows and construction work from mining companies, converging to its long-run rate of 5 percent only in 2028. Risks to the outlook are tilted to the downside, stemming from socio-political tensions, delays in reform implementation and the potential deterioration of the sanitary situation depending on the evolution of the pandemic and the Ebola outbreak. Commodity price shocks remain a significant vulnerability, given the rising concentration of growth in the mining sector, as well as lower foreign direct investment in the mining sector, which would reduce the rate of medium-term growth. Upside risks include mining production capacity coming on stream faster than currently expected, a

[5] 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). External debt is considered on a currency basis. Information on non-residents' holding of local currency debt is not available, which could give rise to an underestimation of external debt on a residency basis.

higher-than-expected artisanal gold production, and faster-than-expected FDI investments to build a railway and a port to export iron ore from the Simandou deposit.

- **Inflation** rose to 10.6 percent (y-o-y) in 2020, affected by transport and food prices that reflect COVID-related disruptions as well as expansionary fiscal and monetary policies to respond to the pandemic. These factors will continue to drive inflation higher to an average of 11.6 percent in 2021, before gradually moderating to below 10 percent in 2022.

Table 2. Guinea: Structure of Public and Publicly Guaranteed Debt
(End-of-period; USD millions, unless otherwise indicated)

	2016	2017	2018	2019	2020	Percent of Total	Percent of GDP
Total PPG Debt	**3,481**	**4,260**	**4,542**	**5,019**	**6,394**	**100.0**	**43.4**
Domestic Debt	**1,660**	**2,245**	**2,263**	**2,397**	**2,593**	**40.6**	**17.6**
Treasury bills (<12 months)	288	341	470	517	726	11.4	4.9
Treasury instruments (1-3 years)	40	76	46	160	209	3.3	1.4
Securitized debt to suppliers	137	81	160	194	256	4.0	1.7
BCRG (short-term advances)	47	141	-8	137	316	4.9	2.1
BCRG (long-term obligations)	832	1,176	1,162	1,122	1,028	16.1	7.0
Misc. (VAT credits; domestic arrears)	316	431	432	267	58	0.9	0.4
External Debt	**1,822**	**2,015**	**2,279**	**2,622**	**3,800**	**59.4**	**25.8**
Multilateral creditors	779	869	1,116	1,337	1,737	27.2	11.8
IMF	241	277	322	338	520	8.1	3.5
World Bank	220	240	341	467	575	9.0	3.9
African Dev. Bank Group	99	122	136	173	208	3.3	1.4
Islamic Dev. Bank	106	113	184	195	217	3.4	1.5
European Union	0	0	20	38	73	1.1	0.5
Other Multilateral creditors	113	117	113	125	143	2.2	1.0
Official Bilateral Creditors	984	1,083	1,102	1,181	1,800	28.2	12.2
Paris Club (excl. C2D)	28	31	29	33	41	0.6	0.3
Non-Paris Club	957	1,053	1,073	1,147	1,759	27.5	11.9
Angola	145	141	127	117	113	1.8	0.8
China	525	600	630	650	1,277	20.0	8.7
of which: Loan for Souapiti dam	0	0	0	0	575	9.0	3.9
Kuwait	73	83	77	78	75	1.2	0.5
Libya	42	42	42	42	52	0.8	0.4
Saudi Arabia	75	90	101	106	104	1.6	0.7
Others	96	96	96	154	139	2.2	0.9
Commercial Creditors	**59**	**62**	**61**	**104**	**262**	**4.1**	**1.8**
ICBC	0	0	0	44	202	3.2	1.4
Memo items							
C2D balance [1/]	112	104	76	47	51	0.8	0.3
External Arrears	147	150	149	149	164	2.6	1.1
GNF per USD: Official (EOP)	9,225	9,006	9,085	9,401	9,990		

Sources: Guinean authorities and IMF staff calculations.
[1/] C2D refers to Debt Reduction-Development Contract, and is excluded from the stock of PPG debt.
Notes: External arrears at end-2020 predate the 2012 HIPC completion point and are due to non-Paris Club official bilateral creditors (US$102 million) and commercial creditors (US$62 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 December 9, 2020, jointly with the Fifth and Sixth Reviews under the ECF arrangement.

- **Fiscal balance**. At 2.9 percent of GDP, the 2020 overall fiscal deficit reflects the implementation of the COVID-19 Response Plan and expenditure suppression to accommodate a large arrears repayment. The implementation cost of the COVID-19 response was about 1.5 percent of GDP. The authorities canceled planned-but-unexecuted expenditures at the end of 2020 to the tune of 2.6 percent of GDP (mostly from subsidies and capital expenditure). This provided space for a large arrears repayment worth 1.7 percent of GDP in 2020, which was unexpected and contributed to support the private sector in the COVID-19 context. The primary deficit is expected to average 1.8 percent of GDP over 2022–25, 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, pre-pandemic plans for externally-financed projects in 2021-23 have been scaled back. Continued revenue mobilization efforts being undertaken with supporting TA is expected to gradually increase tax revenue by 2.9 percent of GDP over 2021–30. In particular, reforms are expected to reinvigorate tax policy and tax administration, intensifying ongoing work on (i) digitalizing tax management, (ii) matching of tax and customs databases, (iii) fully operationalizing the new organizational structure of the DNI, and (iv) adopting the revised General Tax Code in line with IMF TA. Grants rose to 1.0 percent of GDP in 2020 in the context of the pandemic and are expected to rise in 2021 to 1.5 percent of GDP. The DSA only includes grants that have been confirmed by multilateral development banks, and it is therefore more conservative than past DSAs. This includes an average of 0.5 percent of GDP in grants over 2022–25 and zero afterwards, with the difference assumed to be provided in the form of concessional loans and some reductions in expenditure.
- **The current account** deficit (including transfers) contracted to a deficit of 13.7 percent of GDP in 2020 and is expected to fall to 9.3 percent of GDP in 2021, continuing to be financed by strong FDI and project loan inflows. Although exports boomed in 2020 on soaring Chinese demand for bauxite and favorable world commodity prices, imports of capital goods for mining and public infrastructure projects remain strong, driven by investment projects in the mining sector. Furthermore, digitalization and shipping disruptions led to a spike in service imports, some of which is expected to persist. Strong mining investment is expected to widen the current account deficit to an average of 12.3 percent of GDP over 2022-24, before its gradual narrowing over the longer term.
- **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 remain strong in the near term at 5.4 percent of GDP in 2021–22—reflecting the expected scale up of infrastructure spending and the disbursement of the Souapiti loan—before moderating to an average of 3.7 percent of GDP over 2023–26. As domestic financing is expected to take on a greater role, external borrowing is assumed to moderate gradually in the long run, averaging about 2.6 percent of GDP per year over 2031–41. The average grant element of new borrowing is expected to be about 35.6 percent in 2021, 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 33 percent by 2041.

- *Non-concessional borrowing*. The pick-up in debt accumulation in 2020-22 reflects non-concessional borrowing to finance the construction of the Souapiti hydropower project, signed in September 2018 and expected to be disbursed over 2020–22.[6] In addition, the DSA incorporates non-concessional borrowing to finance priority infrastructure projects over 2019–23. Major project loans from ICBC are financing the rehabilitation of the RN1 national road (US$389m) and the Conakry urban road network (US$220m).[7] Additional non-concessional borrowing of about US$251 million is assumed to be disbursed during 2023–26 to finance infrastructure projects.

- *Concessional borrowing*. The World Bank disbursed US$164.0 million in 2020 in the form of concessional financing, including budget support (loans and grants) and project financing (loans and grants). Concessional project loans from all partners—largely to finance infrastructure and agriculture development—are assumed to total US$3.0 billion over 2021–26, while concessional budget support loans are expected to total US$658 million over the same period.

- *Pandemic-related support*. Guinea succeeded in mobilizing external funds to support the pandemic response plan in 2020. Program loans in support of the COVID-19 response plan reached 1.3 percent of GDP in 2020, including resources from the World Bank (US $51.2m), the African Development Bank (US $13.2m), and the IMF through the RCF (US $147.5m). The last disbursement under the IMF's ECF-supported program took place in December, providing US $49.5m in balance of payments support that boosted the BCRG's reserve position.

- *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). Guinea has received SDR 50.9m in CCRT grants to cover debt service obligations to the Fund over the period of April 14, 2020 to October 15, 2021. Furthermore, this DSA assumes that Guinea will continue to receive grants covering its debt service payments to the IMF falling due between the period of October 16, 2021 and April 13, 2022 (SDR 18.2 million), which remains subject to the

[6] The loan for the Souapiti hydropower project's first tranche of US$575 million was disbursed at the end of 2020. The remaining disbursements are expected to include US$300 million in 2021 and US$300 million in 2022.

[7] For these loans, US$194 million had been disbursed by end-2020, with the remaining amount expected to be evenly spread over 2021-23.

availability of CCRT resources. The authorities have committed to adhere to requirements for participation in the DSSI. Table 3 shows that US $36.4 million in debt service payments falling due in 2020 have been rescheduled to 2022-24 under the DSSI, and that its extension will cover a further US$52.1 million falling due in 2021, to be rescheduled to 2023-25. More than half of these amounts corresponds to the rescheduling of C2D loans, which are not included in the DSA. In conjunction with the DSSI, in February 2021 China announced the cancellation of a bilateral loan for 150m RMB (US$23m).

Table 3. Guinea: Debt Service Suspension Initiative & CCRT Relief

(USD millions)

	2020 Debt Service				*2021 Debt Service*			
Creditor	Originally Due	Rescheduled DSSI	CCRT relief	Remaining	Originally Due	Rescheduled DSSI	CCRT relief	Remaining
AFD/Banque de France (C2D) [1/]	24.4	23.8	…	0.5	23.5	23.5	…	0.0
Angola	11.3	5.7	…	5.6	11.0	11.0	…	0.0
China (incl. Eximbank China) [2/]	16.8	3.9	…	12.9	33.1	8.3	…	24.8
Kuwait Fund for Arab Economic Dev.	1.9	0.0	…	1.8	3.8	3.8	…	0.0
IMF	59.6	…	45.6	14.0	29.0	…	29.0	0.0
Saudi Development Fund	4.1	2.9	…	1.2	5.6	5.6	…	0.0
Other creditors	44.0	0.0	…	44.0	72.0	0.0	…	72.0
Total	161.9	36.4	45.6	79.9	177.8	52.1	29.0	96.7

Note: DSSI covers debt service payments to participating bilateral creditors falling due between May 1st 2020 and December 31st 2021.

1/ C2D claims are excluded from PPG debt. Upon request, creditor agreed to reschedule payments falling due in April 2020.

2/ Includes loans serviced by entities outside central government. In conjunction with the DSSI, in February 2021 China announced the cancellation of a bilateral loan for 150m RMB (US$23m).

Source: Guinean authorities and IMF staff calculations.

Note: DSSI covers debt service payments to participating bilateral creditors falling due between May 1 2020 and December 31 2021.

1/ C2D claims are excluded from PPG debt in DSA. Upon request, creditor agreed to reschedule payments due in April 2020.

2/ Includes loans serviced by entities outside central government.

Table 4. Guinea: LIC DSA Macroeconomic Assumptions

(Percent of GDP, unless otherwise indicated)

	Previous DSA				**Current DSA**				**Difference (Current - Previous)**			
	2021	2022	2026	2031	2021	2022	2026	2031	2021	2022	2026	2031
Nominal GDP (USD billion)	16.3	17.4	22.7	31.9	16.7	18.0	23.7	33.5	0.4	0.6	1.0	1.6
Real GDP (percentage change)	5.5	5.2	5.0	5.0	5.2	6.1	5.3	5.0	-0.4	0.9	0.3	0.0
Fiscal Accounts												
Revenues	13.4	14.2	15.1	15.9	13.2	14.1	15.6	15.7	-0.2	-0.1	0.5	-0.2
Grants	0.9	0.9	0.8	0.8	1.5	0.5	0.0	0.0	0.6	-0.3	-0.8	-0.8
Public Sector Expenditure	16.8	17.3	18.4	19.1	17.1	17.6	18.5	18.0	0.3	0.2	0.1	-1.2
of which: Capital expenditure and net lending	5.4	6.1	6.5	6.3	5.3	6.2	7.0	5.6	-0.1	0.2	0.5	-0.7
Primary Fiscal Balance	-1.5	-1.3	-1.4	-1.4	-1.3	-1.9	-1.8	-1.3	0.1	-0.6	-0.4	0.1
New external borrowing	7.0	5.2	2.9	2.7	5.5	5.4	3.6	2.9	-1.5	0.2	0.7	0.2
Grant elements of new external borrowing	33.5	35.7	42.5	40.6	35.6	35.1	36.6	36.6	2.0	-0.6	-5.9	-4.0
Balance of Payments												
Exports of goods and services	31.9	31.9	33.9	34.5	54.1	45.2	44.0	44.0	22.2	13.3	10.1	9.5
Imports of goods and services	39.8	38.4	34.9	32.7	53.4	42.6	39.6	38.5	13.5	4.3	4.7	5.8
Current account (including transfers)	-14.3	-12.1	-5.5	-4.7	-9.3	-11.6	-8.2	-7.7	5.0	0.4	-2.7	-3.0
Foreign direct investment	7.3	8.1	7.6	7.6	8.2	10.6	8.1	7.5	0.9	2.6	0.5	-0.1

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

- **Domestic borrowing**. In 2020, net issuance of domestic debt to commercial banks reached 2 percent of GDP, with a mix of short-term Treasury bills (effective interest rate of 9.7 percent) and 3-year debenture loans (12 percent interest rate). The government repaid 1.7 percent of GDP in domestic arrears, and this is estimated to have brought the

outstanding stock to zero at end-2020. The outstanding stock of short-term advances from the central bank increased to 2.1 percent of GDP in 2020 from 1.0 percent of GDP in 2019. This increase is expected to be gradually repaid over 2021-22. Amortization of securitized debt to domestic suppliers will average 0.5 percent of GDP over 2021–22. Net issuance of domestic debt to commercial banks is expected to remain high at 1.7 percent in 2021—in part to finance the repayment of central bank advances—and then to fluctuate around 1 percent of GDP between 2022-28, before beginning a gradual rise in the longer term with the deepening of the domestic financial system.

4. **Realism tools largely suggest that staff forecasts are realistic**. Growth of 7.1 percent made Guinea one of the world's fastest-growing economies in 2020. The growth projection of 5.2 percent in 2021 is consistent with the recovery of global growth described in the April 2021 World Economic Outlook, and reflects the performance of the mining sector, which has benefitted from strong demand for bauxite from China and to booming artisanal gold production. The execution of public investment plans was curtailed by the pandemic in 2020, and externally financed projects are expected to rise strongly in 2021 and 2022, while remaining on a path that is below pre-pandemic projections. While the scaling-up of public investment is expected to support growth, the framework conservatively assumes the investment-growth nexus is relatively weak. 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 a large residual has been the largest contributor to unexpected debt accumulation for the past five years, the overall forecast error for PPG debt to GDP is smaller than the LIC sample median (Figure 4). Going forward, primary fiscal deficits are expected to be the main contributor to debt accumulation, with the envisaged post-pandemic fiscal adjustment of 0.7 percent of GDP over 2020-23 being feasible for Guinea, corresponding to slightly above the median for Fund-supported fiscal adjustments in LICs since 1990 (Figure 5, top panel).

COUNTRY CLASSIFICATION

5. **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)**. This classification has not changed with respect to the December 2020 DSA. 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).[8] A commodity prices stress test is also applied since mining exports constitute

[8] 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.

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

6. **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 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 December 2020 DSA. The PV of external debt-to-GDP is expected to peak at 23.1 percent of GDP in 2027, above the peak of 21.8 reached in the December 2020 DSA, and then to decline. Liquidity ratios are expected to remain well below thresholds (in line with the December 2020 DSA).

7. **Under the most extreme stress test—which includes a negative shock to exports—all indicators of external debt breach their thresholds over the full forecast horizon (Figure 1).**[9] In the lower exports scenario, all four indicators reach levels that are more than double their respective thresholds. Tests based on historical growth and export averages 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

[9] 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.

and the present value of debt-to-exports remain within their thresholds, while the present value of debt-to-GDP and debt-service-to-revenue ratios breach their threshold.

8. Indicators do not breach their thresholds under customized stress tests. Under two country-specific scenarios—(i) a weak policy implementation scenario; and (ii) higher non-concessional loans—all indicators remain within their thresholds (Figure 3).[10]

B. Overall Risk of Public Debt Distress

9. Guinea's overall risk of debt distress is assessed to be moderate. As in the December 2020 DSA update, under the baseline scenario, the PV of total public debt-to-GDP breaches the benchmark in 2021 (Table 7 and Figure 2). Since the breach has been brought forward by the frontloading of the Souapiti loan disbursement in December 2020, it is now limited to a single projection year. The PV of total public debt-to-GDP ratio peaked in 2020 at 36.8 percent of GDP (vis-à-vis the benchmark of 35 percent of GDP), and is expected to fall to 35.5 percent of GDP in 2021 and below the benchmark to 34.3 percent of GDP in 2022. 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.[11] The breach has been discounted from the analysis because it lasts a single projection year. Staff judgment has not been applied in determining the risk rating.

10. There is limited space for additional borrowing above what is already included in the baseline scenario, particularly in the near term. 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. The most extreme shock scenario—featuring a negative shock to exports—causes very large upward deviations of all three indicators of total public debt, with the PV of the total debt-to-GDP ratio reaching 66 percent in 2023 before falling gradually. Risks to the dynamics of total public debt include a more protracted global pandemic, delays in repaying domestic arrears or debt owed to the BCRG, higher-than-anticipated government domestic and external borrowing, and new audits that confirm a higher stock of domestic arrears.[12]

[10] 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.

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

[12] An audit of domestic arrears covering the period of 2014-18 is being planned, with an auditing firm having been selected but work remaining on hold due to the pandemic.

AUTHORITIES' VIEWS

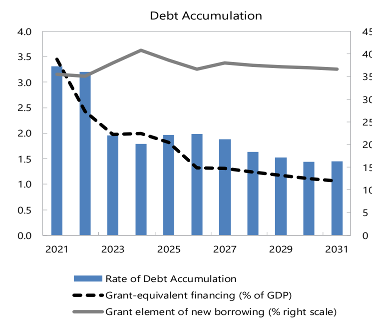
11. The authorities broadly agreed with the conclusions of the DSA. They underscored their commitment to maintaining a sustainable level of debt that does not exceed a moderate risk of debt distress. They also concurred with the importance of maximizing concessional borrowing where possible but noted 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 strengthen debt management and enhance their public investment management.

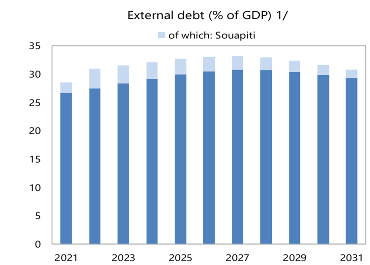
Table 6. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2018–41

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	19.4	19.9	25.8	28.6	30.9	31.6	32.1	32.7	33.0	30.8	16.9	23.0	31.8
of which: public and publicly guaranteed (PPG)	19.4	19.9	25.8	28.6	30.9	31.6	32.1	32.7	33.0	30.8	16.9	23.0	31.8
Change in external debt	0.0	0.5	6.0	2.7	2.3	0.7	0.6	0.6	0.3	-0.8	-1.2		
Identified net debt-creating flows	1.3	-0.4	3.2	-0.1	-0.6	-1.6	-1.5	-1.3	-1.5	-1.3	-1.7	6.2	-1.1
Non-interest current account deficit	19.5	10.8	13.7	8.5	11.3	12.1	12.4	9.0	7.8	7.8	7.5	15.8	9.1
Deficit in balance of goods and services	17.0	6.6	6.1	-0.7	-2.5	-2.0	-1.7	-3.0	-4.5	-5.5	-7.3	13.6	-3.6
Exports	34.4	30.6	58.5	54.1	45.2	44.4	44.5	44.0	44.0	44.0	44.0		
Imports	51.4	37.2	64.6	53.4	42.6	42.4	42.8	41.0	39.6	38.5	36.6		
Net current transfers (negative = inflow)	-0.7	-0.5	-0.8	-1.1	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.2	-2.0	-0.4
of which: official	-0.2	0.0	-0.5	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	3.1	4.7	8.4	10.4	14.2	14.5	14.5	12.5	12.6	13.7	15.0	4.3	13.2
Net FDI (negative = inflow)	-15.9	-9.0	-8.3	-8.2	-10.6	-12.4	-12.7	-9.2	-8.1	-7.5	-7.5	-8.4	-9.0
Endogenous debt dynamics 2/	-2.2	-2.2	-2.3	-0.5	-1.3	-1.2	-1.2	-1.1	-1.2	-1.6	-1.7		
Contribution from nominal interest rate	0.3	0.1	0.2	0.8	0.4	0.5	0.5	0.5	0.4	-0.1	-0.9		
Contribution from real GDP growth	-1.1	-1.0	-1.2	-1.2	-1.6	-1.7	-1.6	-1.6	-1.6	-1.5	-0.8		
Contribution from price and exchange rate changes	-1.4	-1.4	-1.2	...	...	...	...	...	...	...	...		
Residual 3/	-1.3	0.9	2.8	2.9	3.0	2.2	2.1	1.9	1.9	0.4	0.5	-8.5	1.6
of which: exceptional financing	0.0	0.0	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	18.4	20.1	21.5	22.0	22.2	22.5	22.9	22.6	18.6		
PV of PPG external debt-to-exports ratio	...	...	31.5	37.1	47.7	49.6	49.8	51.2	51.9	51.3	42.3		
PPG debt service-to-exports ratio	1.8	1.5	1.2	2.0	2.8	3.3	3.3	3.3	3.4	3.5	3.7		
PPG debt service-to-revenue ratio	4.7	3.2	6.0	8.3	8.9	9.9	9.6	9.4	9.5	9.9	10.0		
Gross external financing need (Billion of U.S. dollars)	0.5	0.3	0.9	0.2	0.3	0.2	0.2	0.3	0.3	0.6	1.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.4	5.6	7.1	5.2	6.1	5.9	5.5	5.3	5.3	5.0	5.0	6.3	5.3
GDP deflator in US dollar terms (change in percent)	8.0	7.9	6.3	2.9	1.9	0.9	1.6	1.8	1.9	2.0	2.0	2.5	1.9
Effective interest rate (percent) 4/	1.8	0.9	0.9	3.2	1.4	1.6	1.6	1.5	1.2	-0.4	-5.1	1.1	1.1
Growth of exports of G&S (US dollar terms, in percent)	-1.0	1.2	117.8	0.2	-9.7	4.9	7.5	6.0	7.3	7.1	7.1	24.2	4.7
Growth of imports of G&S (US dollar terms, in percent)	24.6	-17.5	97.7	-10.6	-13.6	6.1	8.3	2.7	3.5	6.5	6.6	25.1	2.7
Grant element of new public sector borrowing (in percent)	...	...	...	35.6	35.1	38.0	40.8	38.6	36.6	36.6	33.3	...	37.3
Government revenues (excluding grants, in percent of GDP)	13.5	13.9	11.8	13.2	14.1	14.7	15.2	15.3	15.6	15.7	16.0	13.7	15.1
Aid flows (in Billion of US dollars) 5/	0.1	0.0	0.2	0.7	0.6	0.7	0.8	0.8	0.7	0.8	1.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.5	2.4	2.0	2.0	1.8	1.3	1.1	0.8	...	1.7
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	49.5	41.1	44.6	47.0	44.9	36.6	36.6	33.3	...	40.9
Nominal GDP (Billion of US dollars)	12	14	15	17	18	19	21	22	24	34	67		
Nominal dollar GDP growth	14.8	14.0	13.9	8.3	8.1	6.8	7.2	7.2	7.3	7.1	7.1	8.9	7.3
Memorandum items:													
PV of external debt 7/	...	...	18.4	20.1	21.5	22.0	22.2	22.5	22.9	22.6	18.6		
In percent of exports	...	...	31.5	37.1	47.7	49.6	49.8	51.2	51.9	51.3	42.3		
Total external debt service-to-exports ratio	1.8	1.5	1.2	2.0	2.8	3.3	3.3	3.3	3.4	3.5	3.7		
PV of PPG external debt (in Billion of US dollars)			2.8	3.3	3.9	4.2	4.6	5.0	5.4	7.6	12.4		
(PVt-PVt-1)/GDPt-1 (in percent)				3.3	3.2	2.0	1.8	2.0	2.0	1.4	1.0		
Non-interest current account deficit that stabilizes debt ratio	19.4	10.4	7.7	5.8	8.9	11.4	11.8	8.5	7.5	8.6	8.7		

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.

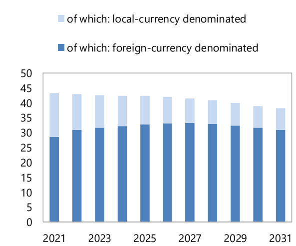
Table 7. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–41

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	38.6	38.0	43.4	43.3	42.9	42.5	42.3	42.3	41.9	38.1	23.7	40.2	41.3
of which: external debt	19.4	19.9	25.8	28.6	30.9	31.6	32.1	32.7	33.0	30.8	16.9	23.0	31.8
	19.2	18.2	17.6	14.7	12.0	10.9	10.1	9.6	8.9	7.3	6.8		
Change in public sector debt	-2.3	-0.6	5.4	-0.2	-0.4	-0.4	-0.2	0.0	-0.3	-0.8	-2.6		
Identified debt-creating flows	-3.7	-4.3	-2.3	-2.1	-1.0	-0.5	-0.2	-0.1	-0.2	-0.8	-1.3	-4.5	-0.7
Primary deficit	0.3	0.0	2.2	1.3	1.9	1.9	1.8	1.9	1.8	1.3	0.6	1.5	1.6
Revenue and grants	14.7	14.2	12.8	14.7	14.7	15.2	15.6	15.7	15.6	15.7	16.0	15.1	15.4
of which: grants	1.2	0.3	1.1	1.5	0.5	0.5	0.4	0.4	0.0	0.0	0.0		
Primary (noninterest) expenditure	15.0	14.2	15.0	16.1	16.6	17.0	17.4	17.6	17.5	17.0	16.6	16.6	17.1
Automatic debt dynamics	-4.0	-4.3	-4.2	-3.3	-2.8	-2.3	-2.1	-2.0	-2.1	-2.1	-1.9		
Contribution from interest rate/growth differential	-3.4	-3.6	-3.7	-2.8	-3.0	-2.3	-2.1	-2.0	-2.1	-2.1	-1.9		
of which: contribution from average real interest rate	-0.9	-1.5	-1.2	-0.6	-0.5	0.0	0.1	0.1	0.0	-0.3	-0.6		
of which: contribution from real GDP growth	-2.4	-2.1	-2.5	-2.1	-2.5	-2.4	-2.2	-2.1	-2.1	-1.8	-1.3		
Contribution from real exchange rate depreciation	-0.6	-0.8	-0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-2.8	0.0
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	-0.3	-0.2	-0.1	0.0	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	1.5	3.7	7.7	1.4	0.8	0.1	0.1	0.1	-0.1	0.0	-1.3	1.9	0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	36.8	35.5	34.3	33.6	33.0	32.7	32.4	30.5	25.9		
PV of public debt-to-revenue and grants ratio	...	...	286.9	240.9	233.9	221.4	211.1	208.4	207.1	194.5	161.5		
Debt service-to-revenue and grants ratio 3/	5.8	9.6	25.0	28.5	29.0	30.8	30.7	30.5	31.2	32.4	45.2		
Gross financing need 4/	0.3	0.9	5.4	5.3	6.0	6.5	6.6	6.6	6.6	6.2	7.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.4	5.6	7.1	5.2	6.1	5.9	5.5	5.3	5.3	5.0	5.0	6.3	5.3
Average nominal interest rate on external debt (in percent)	1.8	0.9	0.9	3.3	1.4	1.6	1.6	1.6	1.2	-0.4	-5.3	1.1	1.1
Average real interest rate on domestic debt (in percent)	-4.0	-7.3	-6.5	-6.1	-2.5	0.8	2.0	2.5	3.0	6.2	7.7	-2.1	2.2
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.5	-4.2	-2.9	...	...	...	...	...	...	...	...	-0.2	...
Inflation rate (GDP deflator, in percent)	7.1	9.9	10.7	11.3	9.7	8.2	7.7	7.8	7.8	7.8	7.8	7.4	8.3
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.6	0.3	13.2	12.5	9.7	8.5	8.0	6.3	4.6	4.8	4.8	5.1	6.6
Primary deficit that stabilizes the debt-to-GDP ratio 5/	2.5	0.6	-3.2	1.5	2.3	2.3	2.0	1.9	2.2	2.2	3.2	0.0	2.1
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**

Public sector debt 1/



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.

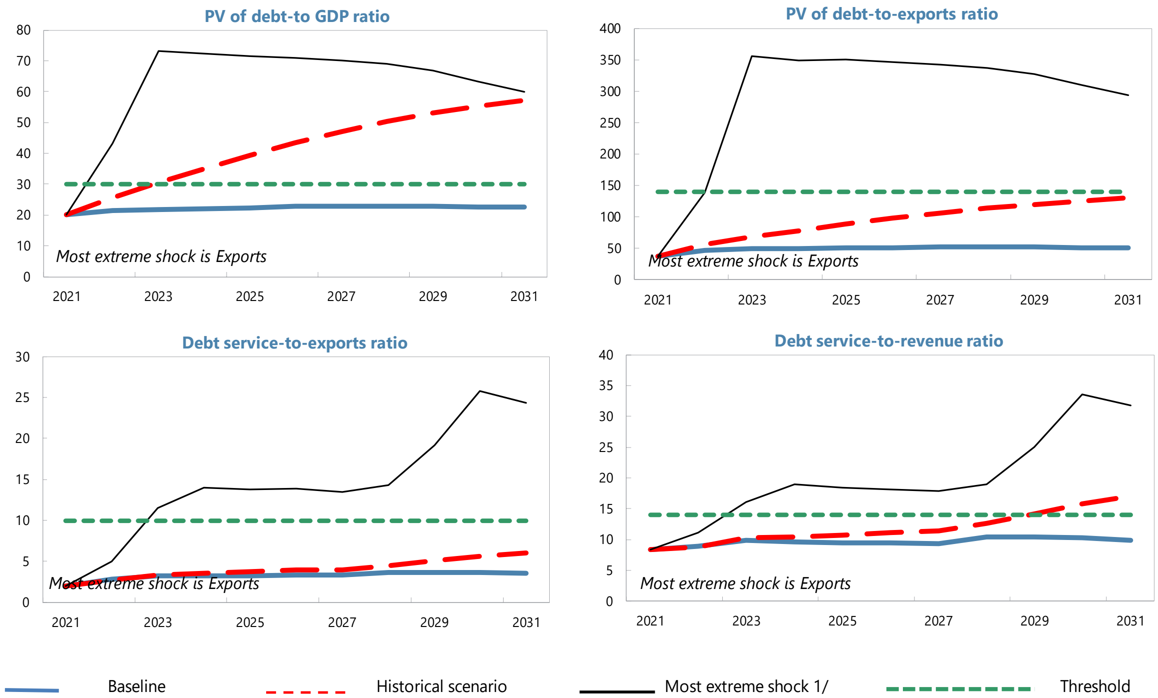
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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 stabilizes 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, 2021–31



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	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6

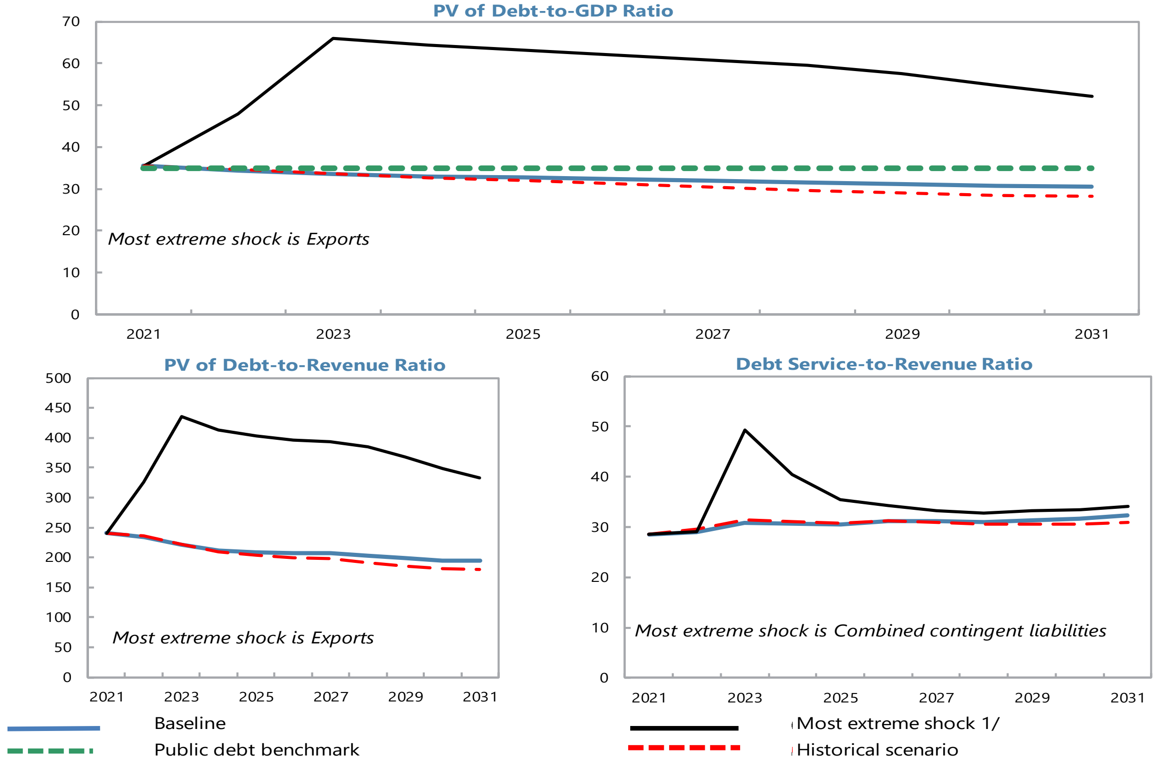
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2031. 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, 2021–31



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	59%	59%
Domestic medium and long-term	7%	7%
Domestic short-term	34%	34%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.3%	2.3%
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 2031. 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, 2021–31[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, 2021–31 (Percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	20	22	22	22	23	23	23	23	23	23	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2041 2/	20	26	**31**	**35**	**39**	**44**	**47**	**50**	**53**	**55**	**57**
A2. Weak Policy	20	22	23	24	24	25	25	25	25	25	25
A3. Higher non-concessional borrowing	20	22	23	24	24	24	24	24	24	23	23
B. Bound Tests											
B1. Real GDP growth	20	22	24	24	24	25	25	25	25	25	24
B2. Primary balance	20	22	24	24	25	25	26	26	25	25	25
B3. Exports	20	**43**	**73**	**72**	**72**	**71**	**70**	**69**	**67**	**63**	**60**
B4. Other flows 3/	20	28	**36**	**36**	**36**	**36**	**36**	**35**	**35**	**33**	**32**
B5. Depreciation	20	27	27	27	28	28	28	28	28	28	28
B6. Combination of B1-B5	20	**38**	**45**	**45**	**45**	**45**	**44**	**44**	**43**	**41**	**39**
C. Tailored Tests											
C1. Combined contingent liabilities	20	25	26	27	27	28	28	28	28	27	27
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	20	25	29	29	30	**30**	**31**	**31**	**30**	30	29
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	37	48	50	50	51	52	52	52	52	52	51
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2041 2/	37	57	69	79	89	99	107	114	121	126	130
A2. Weak Policy	37	49	52	53	55	56	57	57	57	57	57
A3. Higher non-concessional borrowing	37	49	52	53	54	55	55	55	54	53	53
B. Bound Tests											
B1. Real GDP growth	37	48	50	50	51	52	52	52	52	52	51
B2. Primary balance	37	49	54	55	57	57	58	58	58	57	57
B3. Exports	37	139	**356**	**351**	**351**	**348**	**343**	**338**	**328**	**310**	**294**
B4. Other flows 3/	37	62	82	81	82	82	81	81	79	76	73
B5. Depreciation	37	48	48	49	50	51	51	51	51	51	50
B6. Combination of B1-B5	37	93	86	135	137	136	135	134	130	125	120
C. Tailored Tests											
C1. Combined contingent liabilities	37	55	59	60	62	63	63	63	63	62	62
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	37	61	71	70	71	71	71	71	70	69	68
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	2	3	3	3	3	3	3	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2041 2/	2	3	3	4	4	4	4	4	5	6	6
A2. Weak Policy	2	3	3	3	3	4	4	4	4	4	4
A3. Higher non-concessional borrowing	2	3	3	3	3	3	3	4	4	4	4
B. Bound Tests											
B1. Real GDP growth	2	3	3	3	3	3	3	4	4	4	4
B2. Primary balance	2	3	3	3	3	3	3	4	4	4	4
B3. Exports	2	5	**12**	**14**	**14**	**14**	**13**	**14**	**19**	**26**	**24**
B4. Other flows 3/	2	3	4	4	4	4	4	4	5	6	6
B5. Depreciation	2	3	3	3	3	3	3	4	4	4	3
B6. Combination of B1-B5	2	4	6	6	6	6	6	7	9	10	9
C. Tailored Tests											
C1. Combined contingent liabilities	2	3	3	3	3	4	3	4	4	4	4
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	2	3	4	4	4	4	4	4	5	5	5
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	8	9	10	10	9	9	9	10	10	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2041 2/	8	9	10	10	11	11	11	13	**14**	**16**	**17**
A2. Weak Policy	8	11	12	10	10	10	10	11	11	12	11
A3. Higher non-concessional borrowing	8	9	10	10	10	10	10	11	11	11	11
B. Bound Tests	8	11	12	10	10	10	10	11	11	12	11
B1. Real GDP growth	8	9	11	10	10	10	10	11	11	11	11
B2. Primary balance	8	9	10	10	10	10	10	11	11	11	11
B3. Exports	8	11	**16**	**19**	**18**	**18**	**18**	**19**	**25**	**34**	**32**
B4. Other flows 3/	8	9	11	12	11	11	11	12	**14**	**17**	**16**
B5. Depreciation	8	11	12	12	12	12	12	13	13	13	12
B6. Combination of B1-B5	8	10	14	14	14	13	13	**14**	**19**	**21**	**20**
C. Tailored Tests											
C1. Combined contingent liabilities	8	9	10	10	10	10	10	11	11	11	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	8	10	12	12	12	11	11	12	13	14	13
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.

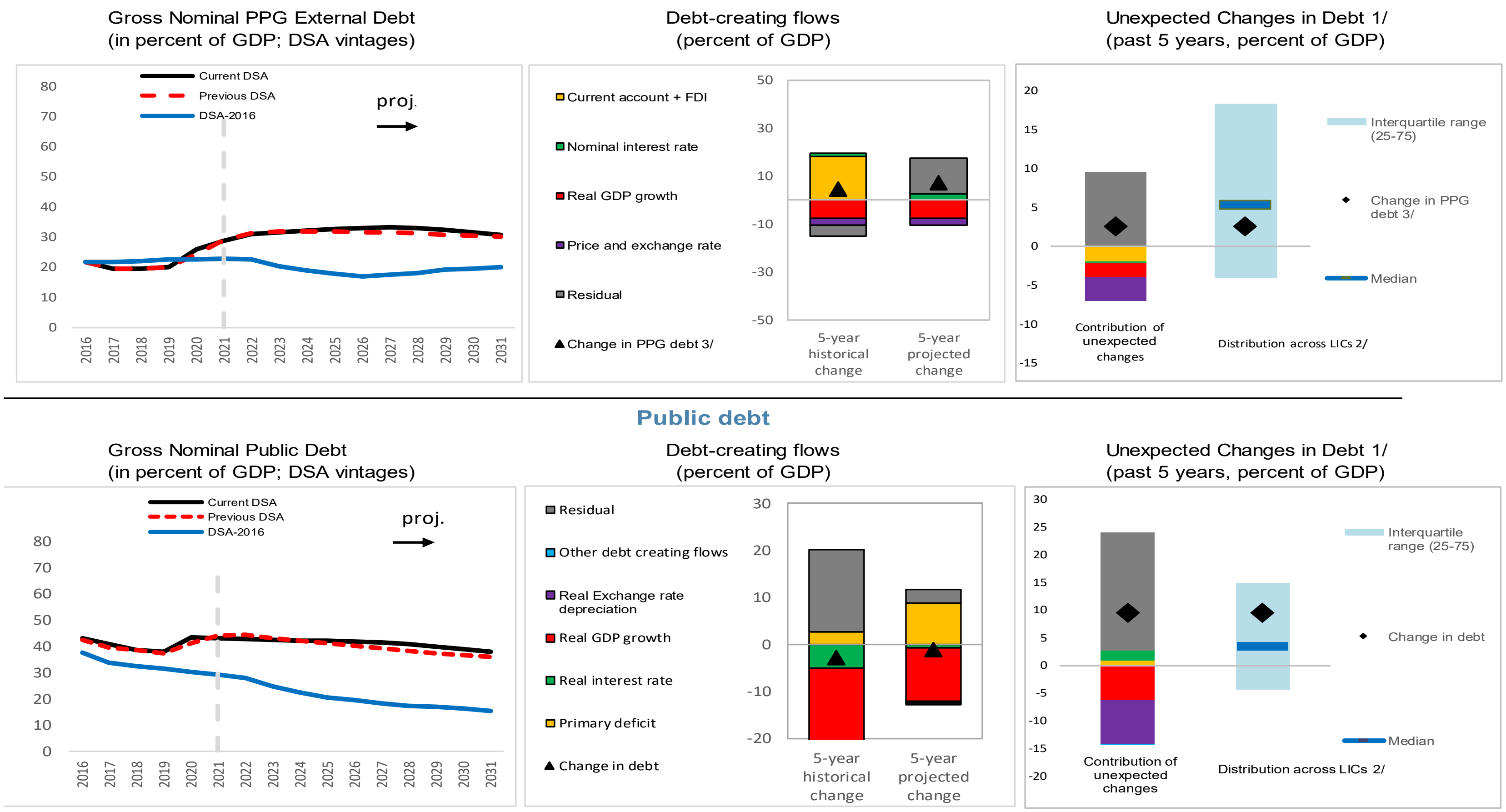
3/ Includes official and private transfers and FDI.

Table 9. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2021–31
(Percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio											
Baseline	**35**	34	34	33	33	32	32	32	31	31	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2041 2/	**35**	35	34	33	32	31	30	30	29	28	28
B. Bound Tests											
B1. Real GDP growth	**35**	**36**	**37**	**38**	**38**	**38**	**39**	**39**	**39**	**39**	**40**
B2. Primary balance	**35**	**36**	**37**	**36**	**35**	35	34	34	33	33	32
B3. Exports	**35**	**48**	**66**	**64**	**63**	**62**	**61**	**60**	**58**	**55**	**52**
B4. Other flows 3/	**35**	**41**	**48**	**47**	**47**	**46**	**45**	**44**	**43**	**42**	**40**
B5. Depreciation	**35**	**37**	34	33	32	30	29	28	27	26	25
B6. Combination of B1-B5	**35**	34	34	32	32	31	31	30	30	29	29
C. Tailored Tests											
C1. Combined contingent liabilities	**35**	**41**	**39**	**38**	**38**	**37**	**36**	**36**	**35**	35	34
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	**35**	**37**	**38**	**40**	**42**	**43**	**43**	**43**	**43**	**43**	**43**
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	241	234	221	211	208	207	207	204	198	195	194
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2041 2/	241	236	222	209	204	199	197	191	185	181	180
B. Bound Tests											
B1. Real GDP growth	241	245	247	240	242	246	251	250	249	249	252
B2. Primary balance	241	245	241	228	224	222	222	217	212	208	207
B3. Exports	241	326	435	412	403	397	394	385	368	348	333
B4. Other flows 3/	241	281	318	303	297	293	292	286	275	264	257
B5. Depreciation	241	250	228	211	202	194	189	179	170	163	158
B6. Combination of B1-B5	241	235	224	205	202	201	200	196	192	187	186
C. Tailored Tests											
C1. Combined contingent liabilities	241	278	258	244	239	237	237	232	225	221	220
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	241	284	284	290	290	289	288	278	274	274	276
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	29	29	31	31	31	31	31	31	31	32	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2041 2/	29	30	31	31	31	31	31	31	31	31	31
B. Bound Tests											
B1. Real GDP growth	29	30	35	36	37	39	39	39	40	41	43
B2. Primary balance	29	29	36	38	34	33	33	32	33	34	35
B3. Exports	29	29	33	35	34	35	35	34	39	46	46
B4. Other flows 3/	29	29	32	33	32	33	33	33	35	38	38
B5. Depreciation	29	28	31	30	30	31	31	31	31	32	32
B6. Combination of B1-B5	29	28	30	30	30	31	31	31	32	32	33
C. Tailored Tests											
C1. Combined contingent liabilities	29	29	49	41	35	34	33	33	33	34	34
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	29	34	36	37	43	46	45	43	42	43	44
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



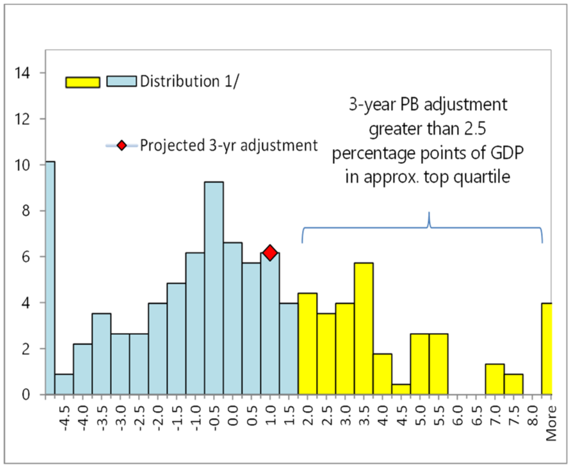
1/ Difference between anticipated and actual contributions on debt ratios.

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.

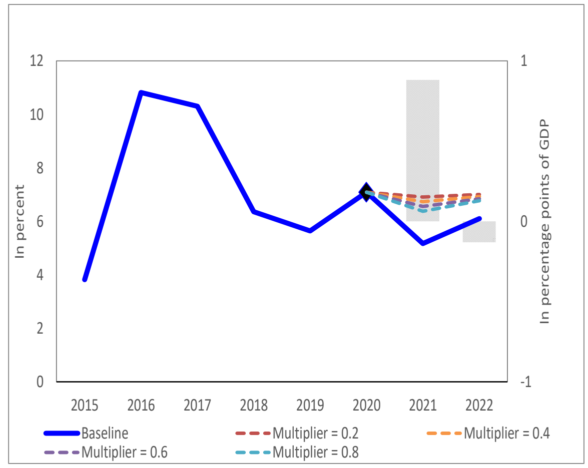
Figure 5. Guinea: Realism Tools

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



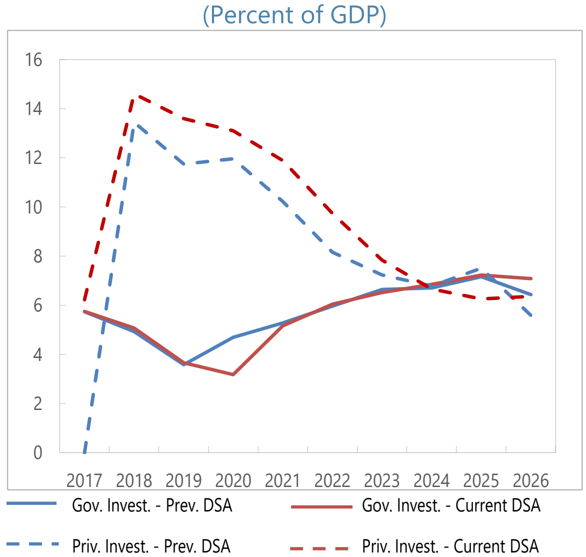
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

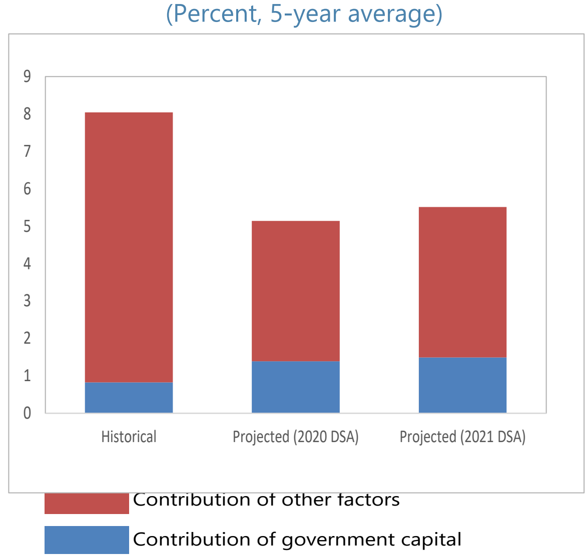
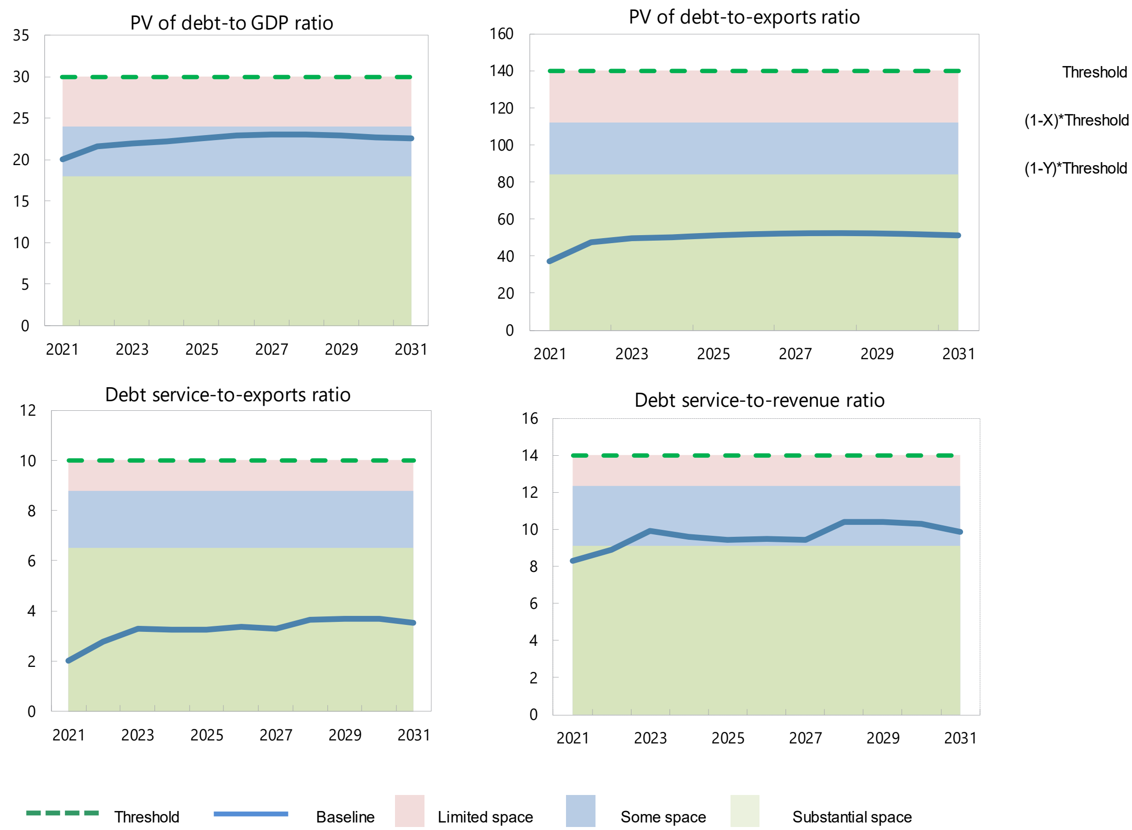


Figure 6. Guinea: Qualification of the Moderate Category, 2021–31[1]



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.