WORLD BANK GROUP

December 2022

GUINEA

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

Approved by:

A. Adugna and Marcello Estevão (IDA);
Montfort Mlachila and Eugenio Cerutti (IMF)

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	Some space to absorb shocks
Application of judgment	No

Guinea remains at moderate risk of debt distress, with some space to absorb shocks, the latter, a modest improvement from the last DSA. All public and external debt burden indicators under the baseline scenario lie below their policy-dependent thresholds. External debt ratios lie sufficiently below to warrant some space to absorb shocks. The overall public debt ratio remains close to the threshold throughout the projection horizon, while total debt service-to-revenue ratio stays high, underscoring rollover risks. Stress tests suggest that debt vulnerabilities will increase if adverse shocks materialize. Under the most extreme stress test—which involves a negative shock to exports—all solvency and liquidity indicators breach their thresholds for prolonged periods. Public debt declined to 40.4 percent of GDP at end-2021 and external debt declined to 22.8. Prudent macro, fiscal, and financial policies, including maximizing the concessionality of new debt, tapping domestic financing sources, strengthening debt management capacity, and enhancing public investment management, remain key to preserving medium-term debt sustainability. Key downside risks to this assessment include shocks to Guinea’s concentrated mining exports and the recent shift toward more non-concessional borrowing, along with uncertainty around the stock of its unverified domestic arrears and limited debt coverage.

[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. The Composite Indicator (CI) for Guinea is 2.47 based on the October 2022 WEO vintage and the CPIA 2021 index, which classifies Guinea as at weak debt-carrying capacity.

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] While other elements of public sector debt, such as non-guaranteed debt of state-owned enterprises, are not included due to data constraints, they are assessed as not relevant.[3] This is because local governments in Guinea have limited debt exposure and the stock of non-guaranteed SOE debt is also likely to be small. Staff continues to work with the authorities to broaden the coverage of public debt and improve capacity to address debt data weaknesses, including private external debt.[4] 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.[5] Per the terms of the loan agreement, the government is the debtor and assumed to be responsible for servicing the loan in the DSA.[6]

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

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	X
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 plus social security, 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.	2.9	percent of GDP	2.9	
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)			11.2	

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 but assessed to be small. This could give rise to an underestimation of external debt on a residency basis.

[3] The World Bank's Sustainable Development Finance Policy supports the Guinean 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 World Bank's Sustainable Development Finance Policy supports the Guinean government's effort to operationalize a modern debt data recording, reporting, and monitoring system (DMFAS), and the IMF also supports the authorities with technical assistance in debt management. This will help improve the accuracy and comprehensiveness of the debt data and help strengthen debt management and transparency.

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

[6] The construction of the Souapiti dam is not included in the public investment of the central government as it is being 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 part of the central government. The government, however, contracts the loan and on-lends the financing to the SPV, which manages and operates the hydropower project on a commercial basis and services the loan on behalf of the government. The government therefore is the debtor and is thus ultimately responsible for reimbursement of the loan. The government is assumed to service the loan with an income stream from the SPV. No additional collateral was pledged for this loan.

2. The DSA includes a combined contingent liabilities stress test aimed at capturing the public sector exposure to SOEs, PPPs and a financial market shock, as well as arrears. Given limited data availability and in line with the 2021 DSA, this test was undertaken conservatively with default DSA parameters implying that Guinea's central government would face a shock to its debt ratio of 11.2 percent of GDP stemming from contingent liabilities (related to SOE debt in the amount of 2 percent of GDP), to 35 percent of the PPP stock (1.33 percent of GDP), to financial market shocks in the amount of 5 percent of GDP, and to arrears in 2.9 percent of GDP (Table 1). The PPP stock was calibrated for Guinea based on its 2018 PIMA.

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

	2016	2017	2018	2019	2020	2021	Percent of Total	Percent of GDP
Total PPG Debt	**3,481**	**4,260**	**4,542**	**5,019**	**6,396**	**6,987**	**100.0**	**40.4**
Domestic Debt	**1,660**	**2,245**	**2,263**	**2,397**	**2,612**	**3,034**	**43.4**	**17.5**
Treasury bills (<12 months)	288	341	470	517	726	827	11.8	4.8
Treasury instruments (1-3 years)	40	76	46	160	209	126	1.8	0.7
Securitized debt to suppliers	137	81	160	194	256	137	2.0	0.8
BCRG (short-term advances)	47	141	-8	137	335	147	2.1	0.8
BCRG (long-term obligations)	832	1,176	1,162	1,122	1,028	949	13.6	5.5
Misc. (VAT credits; domestic arrears)	316	431	432	267	58	849	12.2	4.9
External Debt	**1,822**	**2,015**	**2,279**	**2,622**	**3,784**	**3,952**	**56.6**	**22.8**
Multilateral creditors	779	869	1,116	1,337	1,737	1,895	27.1	11.0
IMF	241	277	322	338	520	480	6.9	2.8
World Bank	220	240	341	467	575	622	8.9	3.6
African Dev. Bank Group	99	122	136	173	208	202	2.9	1.2
Islamic Dev. Bank	106	113	184	195	217	310	4.4	1.8
European Union	0	0	20	38	73	96	1.4	0.6
Other Multilateral creditors	113	117	113	125	143	185	2.6	1.1
Official Bilateral Creditors	984	1,083	1,102	1,181	1,800	1,766	25.3	10.2
Paris Club (excl. C2D)	28	31	29	33	41	46	0.7	0.3
Non-Paris Club	957	1,053	1,073	1,147	1,759	1,720	24.6	9.9
Angola	145	141	127	117	113	113	1.6	0.7
China	525	600	630	650	1,277	1,245	17.8	7.2
of which: Loan for Souapiti dam	0	0	0	0	575	575	8.2	3.3
Kuwait	73	83	77	78	75	76	1.1	0.4
Libya	42	42	42	42	52	52	0.8	0.3
Saudi Arabia	75	90	101	106	104	103	1.5	0.6
Others	96	96	96	154	139	132	1.9	0.8
Commercial Creditors	59	62	61	104	246	291	4.2	1.7
ICBC	0	0	0	44	202	259	3.7	1.5
Memo items								
External Arrears	147	150	149	149	164	159	2.3	0.9
C2D balance [1/]	112	104	76	47	51	47		
GNF per USD: Official (EOP)	9,225	9,006	9,085	9,401	9,990	9,114		

Sources: Guinean authorities and IMF staff calculations.

[1/] C2D refers to Debt Reduction-Development Contract, and is excluded from the stock of PPG debt. Because C2D is a revenue source, it is included in Guinea's fiscal tables.

RECENT DEBT DEVELOPMENTS

3. Public and external debt ratios declined in 2021, after their 2020 surge. Total public debt in 2021 declined as a percentage of GDP to 40.4 percent (from 47.1) and external public debt declined to 22.8 (from 27.9, see Table 2). These trends reflect a temporary pause in key financing partner support in the immediate aftermath of the coup in September 2021, amid GDP growth and exchange rate appreciation. Domestic debt declined to 17.5 percent of GDP at end-2021 from 19.2 at end-2020.

4. The share of external debt decreased to 56.6 percent of total PPG debt in 2021 (from 59.2 percent at end-2020). Multilateral debt remained broadly unchanged from 2020 at about 27 percent of total PPG at end-2021, with lower participation of the IMF and an uptick in the debt owed to the Islamic Development Bank. Official bilateral debt declined to 25.3 percent of total PPG (from 28.1 percent in 2020), mostly due to negative net financing flows in 2021. Commercial debt, mostly owed to the ICBC, inched higher to 4.2 percent of total PPG debt (from 3.8 percent at end-2020). Within domestic debt, there was an over 3-percentage point decline in the share of short-term central bank financing and a 2.5-percentage point drop in the share of long-term obligations, but there was a large accumulation of domestic arrears.

5. Central bank advances declined in 2021, but domestic arrears increased. In 2021, outstanding debt in Treasury bills declined to 5.5 percent of GDP from 6.9 percent in 2020, with 87 percent comprised of short-term instruments. The outstanding stock of short-term advances and long-term obligations to the central bank declined to 0.8 and 5.5 percent of GDP, respectively (from 2.5 and 7.6 percent, respectively, in 2020), but at the expense of a sizable accumulation of domestic arrears. Audited and validated arrears to suppliers over the period 1982–2013 as well as domestic arrears accumulated since then have been included in the baseline, corresponding to a domestic arrears stock of at least 2.9 percent of GDP at end-2021, with the actual stock subject to verification by an ongoing audits for the period 2014-2020, and with some potential to increase the stock of debt in subsequent years (as referenced in the contingent liability test in Paragraph 2). Once the audit is done, the auditor will recommend a repayment strategy to the authorities. Staff view these arrears as reflecting capacity challenges, and more recently account freezes related to the coup, rather than reflecting solvency or liquidity issues.

6. External arrears at end-2021 predate the 2012 HIPC completion point and are due to non-Paris Club official bilateral creditors ($98.6 million) and commercial creditos ($60.5 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 that Guinea owes to private creditors, the authorities continue to make good faith efforts to reach a collaborative agreement.

7. Pandemic-related debt service relief provided by the IMF and Paris Club are included. The authorities received about SDR 69.2 million in debt service relief provided by the IMF under the Catastrophe Containment and Relief Trust (CCRT) to cover debt service obligations to the IMF over the period of April 14, 2020 to April 13, 2022. Of this total amount of grants, the DSA incorporates the $22 million that the authorities received in 2022 to reduce IMF debt service payments. The authorities also benefited from the Debt Service Suspension Initiative (DSSI), supported by the G20 and the Paris Club; US$89 million in debt service payments falling due from 2020-21 have been rescheduled to 2022-25 under the DSSI. More than half of these amounts corresponds to the rescheduling of C2D loans, which are not included in the DSA (Table 2, Footnote 1).

8. The SDR allocation was converted and partially used in 2022. The authorities converted their SDR allocation of US$284.5 million into U.S. dollars in January 2022, with both the asset and the liability sold to the government. As a result, the SDRs are recorded on the balance sheet of the government and fall under the DSA perimeter.[7] External debt to the IMF thus increased by US$284.5 million in 2022 (Table

[7] Guidance Note for Fund Staff on the Treatment and Use of SDR Allocations, IMF, August 2021, para. 39.

4), and because Guinea's net SDR position is negative, its net interest obligation is reflected in future interest expenditures and incorporated as part of the present value of debt in the DSA. The authorities are using the SDR allocation for infrastructure spending, repayment of central bank advances and some arrears from the 2021 budget. [8]

UNDERLYING MACROECONOMIC ASSUMPTIONS

9. Key assumptions are consistent with the macroeconomic framework outlined in the Staff Report for the 2022 Article IV Consultation:

- **Real GDP growth** is estimated at 4.3 percent in 2021 and 4.7 percent in 2022 (Table 3). This **projection** reflects the impact of the Russian invasion of Ukraine and subsequent price shock that affected Guinea through multiple channels, slowing the already fragile post-COVID-19 recovery of the non-mining sector. Growth is expected to remain strong in the medium-term, supported by increased production capacity and ongoing investment in new mines, in addition to high demand for bauxite from China. Artisanal gold production is expected to remain elevated through 2024 before converging to a long-run rate of around 5 percent, in line with a moderation in world gold prices. The non-mining sector is further expected to recover over 2023-24 as the domestic political situation normalizes and the price shock of the war on Ukraine gradually abates.

- **Risks** to the outlook include a slowdown in global growth that may result in lower demand for bauxite and gold; lingering impacts of the price shock due to the war on Ukraine that dampen the non-mining sector's recovery; and a slower rollout of the authorities' efforts to mitigate food insecurity. In the medium-term, the authorities' efforts to enhance diversification under their Economic Recovery Plan (PRE) could help to mitigate these risks. Upside risks include the finalization of agreements related to the Simandou iron ore development.

- **Inflation.** Inflation is projected to remain above 12 percent in 2022 before decreasing to around 11 and 1/2 percent in 2023, after which it will gradually decline to the single-digits, as international commodity price repercussions from the war on Ukraine stabilize, and COVID-related supply disruptions dissipate.

- **Fiscal balance**. The overall balance is expected to record a deficit of 1.3 percent of GDP in 2022 before deteriorating further to 2.3 percent in 2023. The primary fiscal deficit is expected to average 1.5 percent of GDP over 2023–27, reflecting more moderate public investment levels than had been planned before the pandemic. Continued revenue mobilization efforts, including transfer pricing reform and modernization of tax administration, are expected to gradually increase tax revenue by about 2.8 percent of GDP over 2022–27.[9] Grants declined to 0.4 percent of GDP in

[8] Out of the stock of domestic arrears of 2.9 percent of GDP at end-2021, the authorities paid 1.2 percent of GDP by partially using the SDR allocation (GNF 297 billion). They are using the rest of the SDR allocation for infrastructure investment projects.

[9] The World Bank's Sustainable Development Finance Policy supports the Guinea government's effort to operationalize a digitally interconnected tax system and strengthen the transfer price determination for mining company taxes. IMF TA also supports these efforts. This work would improve efficiency and transparency of tax management, increase revenues, and thereby contribute to fiscal sustainability.

2021, from 1.2 percent in 2020, due to a pause in development partner support following the coup. They are expected to further decline to 0.2 percent of GDP by 2023, before declining to around 0.1 percent of GDP in the long-term due to the shift toward long-term loans in Guinea's IDA-20 allocation and lack of other identified grants.

- **The non-interest current account deficit** (including transfers) narrowed to close to 2 percent of GDP in 2021 on the back of strong export performance. It is expected to widen to 6.7 percent of GDP on average in 2022-2023, before dropping to 4.1 percent in 2024 and 2.6 percent in 2025. While strong FDI, including for the infrastructure needed to exploit the Simandou iron ore deposits, will contribute greatly to finance the expected deficits, BOP dynamics appear more challenging in the near term.

Table 3. Guinea: LIC DSA Macroeconomic Assumptions
(Percent of GDP, unless otherwise indicated)

	Previous DSA					Current DSA					Difference (Current - Previous)				
	2021	2022	2023	2026	2031	2021	2022	2023	2026	2031	2021	2022	2023	2026	2031
Output and Inflation															
Real GDP Growth	5.2	6.1	5.9	5.3	5.0	4.3	4.7	5.6	5.5	5.0	-0.9	-1.4	-0.2	0.2	0.0
Mining	7.7	7.1	6.3	6.3	5.1	6.6	11.8	11.1	5.1	5.1	-1.2	4.7	4.8	-1.2	0.0
Non-mining	4.5	5.8	5.7	5.0	4.9	3.7	2.9	4.1	5.6	5.0	-0.7	-2.9	-1.6	0.6	0.0
Inflation Average	11.6	9.9	8.0	7.8	7.8	12.6	12.2	11.4	8.3	7.8	1.0	2.3	3.4	0.5	0.0
Central government finances															
Total revenue and grants	14.9	14.7	15.2	15.6	15.7	13.6	13.1	13.0	15.0	15.6	-1.3	-1.6	-2.2	-0.7	-0.1
Expenditures and net lending	17.1	17.6	18.0	18.5	18.0	15.3	14.4	15.3	17.6	18.0	-1.8	-3.2	-2.7	-0.9	0.0
Overall balance including grants	-2.2	-2.9	-2.8	-2.8	-2.3	-1.7	-1.3	-2.3	-2.6	-2.4	0.5	1.6	0.5	0.2	-0.1
External sector															
Gross available reserves (months of imports)[2]	2.4	2.5	2.5	3.0	2.9	2.7	2.5	2.4	2.7	3.0	0.3	0.0	-0.1	-0.3	0.1
Gross public debt	43.3	42.9	42.5	41.9	38.1	40.4	34.9	35.3	36.9	36.9	-2.9	-8.0	-7.1	-5.0	-1.2

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

- **External financing mix and terms**. The authorities plan to continue mobilizing external financing to scale-up public investments. While relying on the authorities' projections for 2022-27, project loan disbursement projections have been adjusted downward for 2022-25 to bring them to levels more compatible with past execution rates (Table 4). Financing terms were also adjusted to reflect information from development partners and generally tighter financial conditions. External borrowing is assumed to increase to an average of 3.4 percent of GDP in 2023-24, including due to two sizable disbursements from Eximbank China as part of the $1.2 billion loan signed in September 2018 for the construction of the Souapiti hydropower project;[10] and to moderate slowly in the long-run, toward 2.4 percent of GDP in 2042. Per the authorities' projected disbursements and information from development partners, the average grant element of new external borrowing is expected to average 33.2 over 2022-27. In line with authorities' medium-term debt management strategy, the DSA assumes a gradual increase in the relative use of non-concessional or less concessional financing (from non-Paris Club official creditors, other multilaterals, and commercial debt), with the average grant element gradually decreasing to 22.1 percent by 2042. External debt service is thus expected to increase modestly in nominal terms in the medium-term (Table 5).

[10] 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 2023 and US$300 million in 2024.

- *Multilateral borrowing*. Multilateral financing is expected to continue to play an important role in the coming years, although declining in the long term, with the baseline assumption including the IDA-20 envelope from the World Bank totaling US$520 million in 2023-25. The authorities have also requested emergency financing worth 25 percent of Guinea's quota (SDR 53.55 million) to respond to the food crisis under the IMF's Food Shock Window (FSW). [11] Subject to IMF Executive Board approval, they plan to use the resources as budget support to assist the most vulnerable through food and cash distribution and improve the supply of fertilizers and support farmers. In line with the authorities' medium-term debt management strategy, multilaterals excluding the World Bank and IMF are expected to provide an average of 40.2 percent of the external financing mix from 2022-26, with the largest share (20.4 percent) coming from the Islamic Development Bank.

- *Official Bilateral Creditors*. Following a decline in official bilateral loan disbursement following the 2021 coup d'état, they are expected to increase in the coming years to account for 20-50 percent of external financing in 2023-2026. Paris Club creditors are expected to provide about 17 percent of total official bilateral loans, with the other portion coming from non-Paris Club creditors, including Souapiti-related disbursements.

- *Commercial Creditors.* The ICBC provided about 16 percent of external financing in the form of non-concessional project loans in 2021 and is expected to provide about 26 percent of projected disbursements (also project loans) in 2022, with a decline thereafter, per the authorities' projections.

Table 4. Guinea: Projected External Financing (USD million)

	2022	2023	2024	2025	2026
Multilaterals					
IMF					
SDR sale	284.6	0.0	0.0	0.0	0.0
RCF - Food Shock Window*	69.0	0.0	0.0	0.0	0.0
World Bank					
IDA - regular loans	50.1	80.6	117.7	172.2	225.5
IDA - 50 year loans	0.0	0.0	0.0	0.0	0.0
IDA - SML	0.0	0.0	0.0	0.0	0.0
Other Multilaterals	150	244	285	306	351
Official Bilaterals					
Paris Club	26.7	42.1	56.9	83.5	51.3
Non-Paris Club					
Eximbank China - Other	0.0	34.7	22.6	29.2	0.0
Eximbank China - Souapiti	0.0	299.7	300.6	0.0	0.0
Other	14.2	51.5	65.8	84.9	114.8
Commercial					
ICBC	79.7	63.4	34.5	21.0	30.1

* Subject to Board Approval

- **Domestic borrowing**. In the first part of 2022, the government continued repaying central bank advances and a significant fraction of verified domestic arrears, and worked on increasing the maturity of domestic government debt.[12] Over the medium-term, the government is assumed to gradually continue repaying the outstanding stock of verified arrears in full, and the share of domestic borrowing

[11] The FSW would address an urgent balance of payments need associated with a situation of acute food insecurity stemming from the global food and fuel price shocks, that has resulted in a decline in reserves over the past few months. The Global Report on Food crisis identified Guinea as a country experiencing a food crisis, with over 1.2 million people in acute food insecurity.

[12] In April 2022, the authorities issued the first-ever 5-year domestic bond.

is projected to be comprised of mostly short-term debt (75 percent T-bills), with the remainder comprised of medium-term bonds.

10. All realism tools suggest that staff forecasts are realistic. First, debt creating flows are projected to contribute in a similar way to the evolution of public and external debt ratios as they have done over the past five years. For external debt (Figure 3, upper panel), while the FDI overfinancing of the current account is projected to contribute more to a decline in debt, this is grounded on the expected sizable increase in FDI flows associated with the project to exploit Simandou iron ore (which also includes a railway and a port), and it is compensated by a large debt-creating residual, which staff interpret to account at least in part for private accumulation of external assets (for which no data is available). For overall public debt (Figure 3, lower panel), staff projections are more conservative than in the past across debt-creating flows.[13] Second, the projected three-year fiscal balance lies well within the more conservative adjustments observed in LICs (Figure 4, top left). Third, while these fiscal assumptions alone do not account for the expected pickup in growth (Figure 4, top right), the latter is supported by strong prospects for mining output and exports rather than fiscal stimulus. Finally, while a scaling-up of public investment is expected to support growth (Figure 4, bottom panel), the framework conservatively assumes the investment-growth nexus is relatively weak, though stronger than historically due to ongoing improvements in public investment management, supported by ongoing IMF-supported technical assistance.[14]

Table 5. Guinea: Decomposition of Public Debt and Debt Service by Creditor, 2021-23[1,2]
(End-of-period; USD millions, unless otherwise indicated)

	Debt Stock (end of period)			Debt Service					
	2021			2021	2022	2023	2021	2022	2
	(In US$)	*(Percent total debt)*	*(Percent GDP)*	*(In US$)*			*(Percent GDP)*		
Total	6,987	100.00	40.37				-	-	
External	3,952	56.57	22.84	193.68	212.35	277.86	0.01	0.01	(
Multilateral creditors[3]	1,895	27.13	10.95	91.53	83.69	110.73	0.01	0.01	(
IMF	480	6.88	2.78						
World Bank	622	8.90	3.59						
AfDB	202	2.89	1.17						
Other Multilaterals	591	8.46	3.42						
o/w: Islamic Development Bank	310	4.44	1.79						
o/w: European Union	96	1.37	0.55						
Bilateral Creditors	1,766	25.27	10.20	83.15	110.18	119.80	0.01	0.01	(
Paris Club	46	0.65	0.26	29.43	20.34	20.78	0.00	0.00	(
o/w: France *(excl. C2D)*	44	0.63	0.25						
o/w: Italy	2	0.02	0.01						
Non-Paris Club	1,720	24.62	9.94	53.72	89.85	99.03	0.00	0.01	(
o/w: China	1,245	17.81	7.19						
o/w: Angola	113	1.61	0.65						
Commercial creditors	291	4.17	1.68	19.00	18.47	31.37	0.00	0.00	(
o/w: ICBC	259	3.71	1.50						
Domestic	2,612	37.39	15.09	257.07	259.91	207.99	0.02	0.02	(
Held by residents, total	3,034	43.43	17.53						
T-Bills	827	11.84	4.78						
Bonds	126	1.80	0.73						
BCRG (long-term obligations)	949	13.58	5.48						
Memo items:									
Collateralized debt[4]	2,125	30.41	12.28						
o/w: Related	1,510	21.62	8.73						
o/w: Unrelated	708	10.13	4.09						
Nominal GDP	16,155								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.
2/While other elements of public sector debt, such as non-guaranteed debt of state-owned enterprises, are not included due to data constraints, they are assessed as not relevant.
3/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)
4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralizatior entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

COUNTRY CLASSIFICATION AND STRESS TESTS

11. The Composite Indicator (CI) for Guinea is 2.47 based on the October 2022 WEO vintage and the CPIA 2021 index, which leads to Guinea being classified as at weak debt-carrying capacity (Table 6). The CI score increased from 2.44 in 2021, mainly due to an increase in the real growth rate

[13] For both external and public debt, projected debt ratios are lower than assumed in Guinea's 2017 DSA, as realized external financing – particularly project loans – were lower than the authorities' initial projections, and this combined with stronger nominal GDP growth and currency appreciation.

[14] A PIMA follow-up and Climate-PIMA joint mission is scheduled for February 2023.

coefficient. Guinea's overall CPIA score of 3.3 (scale 1-6) is aided by a relatively high score of 3.5 in the economic management cluster (monetary and exchange rate policy, fiscal policy, and debt policy) but weighed down by a relatively weak score of 3.0 in the cluster corresponding to public sector management and institutions.

Table 6. 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	3.270	1.26	51%
Real growth rate (in percent)	2.719	5.637	0.15	6%
Import coverage of reserves (in percent)	4.052	19.880	0.81	33%
Import coverage of reserves^2 (in percent)	-3.990	3.952	-0.16	-6%
Remittances (in percent)	2.022	1.081	0.02	1%
World economic growth (in percent)	13.520	2.898	0.39	16%
CI Score			2.47	100%
CI rating			Weak	

12. In addition to standard stress tests involving shocks to GDP, the currency, and financing conditions, two tailored stress tests are triggered: (i) the contingent liabilities stress test described in paragraph 2 (Table 1), tailored to reflect Guinea's PPP stock per the 2018 PIMA and to include risks related to the potential increase in the stock of arrears once the audit is completed, and (ii) the standard commodity price shock, consisting of a 31 percent drop in the price of metals and a 19 percent drop in the price of minerals, tailored to reflect bauxite and gold are Guinea's top two export products.

MODEL RISK SIGNALS

EXTERNAL DEBT

13. Guinea stands at moderate risk of external debt distress, with some space to absorb shocks (Table 7**,** Figure 1 and Figure 5**).** Under the baseline scenario, all external debt ratios remain below their policy dependent thresholds. Guinea is assessed to have some space to absorb shocks. Medium-term external debt dynamics are broadly in line with those of the July 2021 DSA. The PV of external debt-to-GDP is expected to remain mostly within 19-20 percent of GDP throughout the forecast horizon. Liquidity ratios are expected to remain well below policy dependent thresholds, particularly the debt-service-to-exports ratio (in line with the July 2021 DSA)**.**

14. Under various stress tests, as well as under an alternative scenario based on historical metrics, several indicators of external debt breach their thresholds over the full forecast horizon (Table 9, Figure 1). The results highlight that under most of these shocks Guinea could breach external debt thresholds, particularly the debt-to-GDP ratio, with shocks to exports being the most detrimental, followed by a shock to GDP combined with depreciation. Under the most extreme shock, which would involve a shock to exports, the PV of debt-to GDP ratio would exceed 60 percent, while the debt-to-exports ratio would jump to over 300. Liquidity ratios would also increase sharply. Debt ratios also breach thresholds under historical scenarios, except for the debt service to export ratio.[15]

PUBLIC DEBT

15. Guinea's risk of public debt distress is also assessed to be moderate. Under the baseline scenario, the PV of total public debt-to-GDP remains within the benchmark of 35 percent of GDP (Table 8[16] and Figure 2). The PV of total public debt-to-GDP ratio peaked in 2021 at 37.7 percent of GDP but is projected to fall to 32.1 percent of GDP in 2022. It is expected to increase slightly to 33.8 by 2031 before dropping below 30 percent of GDP in the long term. Under several of the stress tests discussed above, the PV of overall public debt breaches the 35 percent of GDP threshold, with the most detrimental shock again being that of exports, followed by fiscal slippage and commodity prices (Table 10). Public debt dynamics are generally more favorable under historical scenarios, as baseline projections are more conservative notably as regards the primary balance.

RISK RATING AND VULNERABILITIES

16. Guinea is assessed to be at moderate risk of overall and external debt distress, with some space to absorb shocks. However, both public and external debt breach key thresholds when subjected to stress tests. The greatest risk to the debt outlook, per the model signals, is a shock to exports. A key additional downside risk stems from the recent shift to non-concessional or less concessional external borrowing. New audits that confirm a higher stock of domestic arrears could also worsen the dynamics of total public debt. Staff recommend prudent macro, fiscal, and financial policies, including maximizing the share of concessional borrowing, tapping domestic financing sources, strengthening debt management capacity, and enhancing public investment management.

17. Guinea's capacity to repay the Fund is adequate and supported by its strong track record of meeting its obligations to the Fund. Outstanding obligations to the Fund stand at SDR 357 million (about 1.8 percent of GDP). Staff recommendations of prudent macro, fiscal and financial policies, including maximizing the use of concessional finance, would contribute to reducing capacity-to-repay risk.

AUTHORITIES' VIEWS

18. 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. While they concurred with the importance of maximizing concessional financing, they noted that financing under these terms is not available at the scale needed to finance their large infrastructure needs. The authorities are committed to enhancing their public investment management.

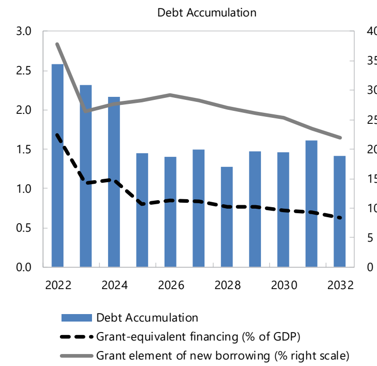
[15] Historical scenarios for external debt reflect sizable historical current account deficits in Guinea of nearly 15 percent of GDP on average in 2012-2022, due to exceptionally adverse conditions including the Ebola crisis, commodity price shocks and civil unrest.

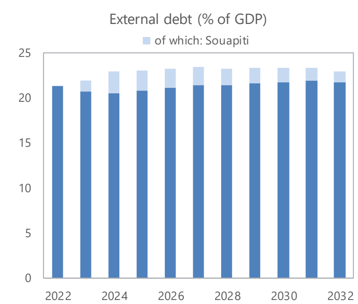
[16] In Table 8, the large residual for 2020 reflects the fact that the loan for the Souapiti dam is not included in the primary balance.

Table 7. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2019–42
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	20.0	27.9	22.8	21.2	21.9	22.9	23.0	23.2	23.4	22.9	15.1	20.4	22.9
of which: public and publicly guaranteed (PPG)	20.0	27.9	22.8	21.2	21.9	22.9	23.0	23.2	23.4	22.9	15.1	20.4	22.9
Change in external debt	0.6	7.9	-5.0	-1.6	0.7	1.0	0.1	0.1	0.2	-0.4	-1.2		
Identified net debt-creating flows	-1.3	5.5	-11.8	-3.9	-3.6	-5.6	-7.9	-7.6	-6.7	-7.1	-6.5	3.5	-6.5
Non-interest current account deficit	15.4	16.0	1.9	6.9	6.4	4.1	2.6	2.1	1.5	1.3	2.4	14.7	2.7
Deficit in balance of goods and services	12.0	7.9	-9.3	-1.8	-2.3	-4.2	-7.0	-7.5	-7.8	-7.6	-6.8	11.0	-6.3
Exports	30.1	63.5	63.5	46.0	42.2	40.6	40.1	40.1	40.1	40.1	40.0		
Imports	42.0	71.3	54.2	44.2	39.9	36.4	33.1	32.5	32.2	32.5	33.2		
Net current transfers (negative = inflow)	-0.7	-2.0	-2.6	-2.5	-2.3	-2.2	-2.1	-2.0	-1.9	-1.5	-0.9	-1.9	-1.9
of which: official	-0.2	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	4.1	10.1	13.8	11.2	11.0	10.5	11.6	11.6	11.2	10.3	10.1	5.5	10.8
Net FDI (negative = inflow)	-14.5	-9.6	-10.5	-10.4	-9.3	-8.9	-9.6	-9.0	-7.5	-7.5	-7.5	-9.5	-8.4
Endogenous debt dynamics 2/	-2.1	-0.9	-3.2	-0.3	-0.7	-0.8	-0.8	-0.7	-0.7	-0.9	-1.4		
Contribution from nominal interest rate	0.2	0.2	0.2	0.5	0.3	0.4	0.4	0.4	0.4	0.1	-0.6		
Contribution from real GDP growth	-1.0	-0.9	-1.0	-0.8	-1.1	-1.2	-1.2	-1.2	-1.2	-1.1	-0.8		
Contribution from price and exchange rate changes	-1.3	-0.1	-2.4	...	...	...	...	...	...	...	...		
Residual 3/	1.8	2.4	6.8	2.3	4.3	6.6	8.0	7.8	6.9	6.7	5.3	-6.2	6.5
of which: exceptional financing	0.0	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	21.6	18.4	18.4	19.0	19.1	19.2	19.3	19.6	19.0		
PV of PPG external debt-to-exports ratio	...	...	34.0	39.9	43.7	46.9	47.6	47.9	48.2	49.0	47.5		
PPG debt service-to-exports ratio	1.5	1.2	0.6	2.3	3.0	3.2	3.3	3.5	3.5	3.8	4.5		
PPG debt service-to-revenue ratio	3.2	6.0	3.0	8.3	9.8	9.5	9.0	9.4	9.3	9.8	11.0		
Gross external financing need (Billion of U.S. dollars)	0.2	1.0	-1.3	-0.5	-0.4	-0.9	-1.6	-1.6	-1.4	-2.1	-2.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.6	4.9	4.3	4.7	5.6	5.8	5.6	5.5	5.4	5.0	5.0	6.0	5.3
GDP deflator in US dollar terms (change in percent)	7.3	0.5	9.3	25.7	6.2	2.1	1.6	1.2	1.8	2.0	2.0	3.2	4.4
Effective interest rate (percent) 4/	0.9	0.9	0.8	2.8	1.7	1.7	2.0	2.0	2.0	0.7	-4.0	1.1	1.7
Growth of exports of G&S (US dollar terms, in percent)	-1.0	122.6	14.1	-4.6	2.8	4.0	6.0	6.7	7.2	7.1	7.1	25.9	5.2
Growth of imports of G&S (US dollar terms, in percent)	-5.7	79.0	-13.4	7.3	1.3	-1.5	-2.3	4.9	6.2	7.3	7.5	17.7	4.7
Grant element of new public sector borrowing (in percent)	...	...	...	37.8	26.4	27.7	28.3	29.2	28.3	22.0	19.7	...	27.4
Government revenues (excluding grants, in percent of GDP)	14.0	12.8	13.0	12.6	12.8	13.7	14.6	14.9	15.3	15.6	16.1	13.8	14.6
Aid flows (in Billion of US dollars) 5/	0.1	0.2	0.1	0.4	0.1	0.2	0.2	0.2	0.3	0.2	0.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.7	1.1	1.1	0.8	0.8	0.8	0.6	0.5	...	0.9
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	46.1	29.8	31.0	30.6	31.3	30.2	24.2	22.1	...	30.3
Nominal GDP (Billion of US dollars)	13	14	16	21	24	26	28	30	32	45	89		
Nominal dollar GDP growth	13.4	5.5	13.9	31.7	12.2	8.1	7.3	6.7	7.2	7.1	7.1	9.3	9.9
Memorandum items:													
PV of external debt 7/	...	...	21.6	18.4	18.4	19.0	19.1	19.2	19.3	19.6	19.0		
In percent of exports	...	...	34.0	39.9	43.7	46.9	47.6	47.9	48.2	49.0	47.5		
Total external debt service-to-exports ratio	1.5	1.2	0.6	2.3	3.0	3.2	3.3	3.5	3.5	3.8	4.5		
PV of PPG external debt (in Billion of US dollars)			3.5	3.9	4.4	4.9	5.3	5.7	6.1	8.8	16.8		
(PVt-PVt-1)/GDPt-1 (in percent)				2.6	2.3	2.2	1.5	1.4	1.5	1.4	1.0		
Non-interest current account deficit that stabilizes debt ratio	14.8	8.1	7.0	8.5	5.7	3.1	2.5	2.0	1.3	1.7	3.6		

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. 29.6 33.2

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 8. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–42
(Percent of GDP, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	38.2	47.1	40.4	34.9	35.3	36.5	36.6	36.9	37.3	36.3	23.8	**38.8**	**36.6**
of which: external debt	20.0	27.9	22.8	21.2	21.9	22.9	23.0	23.2	23.4	22.9	15.1	**20.4**	**22.9**
Change in public sector debt	-0.4	8.9	-6.7	-5.5	0.4	1.2	0.1	0.3	0.3	-0.6	-1.9		
Identified debt-creating flows	-4.3	0.8	-7.1	-3.6	-0.6	0.2	0.2	0.5	0.5	-0.6	-1.8	**-7.3**	**-0.3**
Primary deficit	-0.2	2.4	1.2	0.5	1.5	1.6	1.4	1.5	1.6	0.9	0.2	**-1.0**	**1.3**
Revenue and grants	14.5	13.9	13.4	13.1	13.0	13.9	14.7	15.0	15.3	15.7	16.2	**17.7**	**14.8**
of which: grants	0.5	1.2	0.4	0.5	0.2	0.2	0.1	0.1	0.1	0.1	0.1		
Primary (noninterest) expenditure	14.3	16.3	14.6	13.5	14.5	15.5	16.1	16.5	17.0	16.6	16.4	**16.7**	**16.0**
Automatic debt dynamics	-4.1	-1.5	-8.2	-4.0	-2.1	-1.4	-1.2	-1.1	-1.1	-1.5	-2.0		
Contribution from interest rate/growth differential	-3.5	-2.0	-4.4	-4.0	-2.1	-1.4	-1.2	-1.1	-1.1	-1.5	-2.0		
of which: contribution from average real interest rate	-1.4	-0.3	-2.5	-2.2	-0.3	0.5	0.8	0.8	0.7	0.2	-0.8		
of which: contribution from real GDP growth	-2.1	-1.8	-1.9	-1.8	-1.9	-1.9	-1.9	-1.9	-1.9	-1.7	-1.2		
Contribution from real exchange rate depreciation	-0.7	0.5	-3.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**-2.7**	**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	0.0	-0.1	0.0	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	3.9	8.1	0.3	-1.8	1.0	1.1	-0.1	-0.2	-0.1	0.0	-0.1	**5.5**	**0.0**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	37.7	32.1	32.4	33.3	33.3	33.5	33.7	33.6	28.2		
PV of public debt-to-revenue and grants ratio	...	...	280.7	245.9	249.6	239.5	227.3	223.6	220.2	213.9	173.9		
Debt service-to-revenue and grants ratio 3/	74.2	81.2	79.1	80.6	67.6	74.2	75.6	77.5	78.1	70.6	45.6		
Gross financing need 4/	10.6	13.7	11.8	10.9	11.5	13.0	12.5	13.1	13.6	12.0	7.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.6	4.9	4.3	4.7	5.6	5.8	5.6	5.5	5.4	5.0	5.0	**6.0**	**5.3**
Average nominal interest rate on external debt (in percent)	0.9	0.9	0.8	2.6	1.7	1.8	2.0	2.1	2.0	0.7	-4.1	**1.1**	**1.8**
Average real interest rate on domestic debt (in percent)	-6.9	-1.1	-8.7	-7.6	0.6	4.6	5.7	6.1	5.5	3.9	1.7	**-2.0**	**3.3**
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.7	2.7	-14.8	...	...	...	...	...	...	...	...	**-2.0**	**...**
Inflation rate (GDP deflator, in percent)	9.4	4.7	11.5	12.2	10.2	8.8	8.5	7.6	7.7	7.8	7.8	**7.0**	**8.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	0.8	19.7	-6.7	-2.7	12.8	13.0	9.7	8.5	8.2	3.7	4.0	**7.1**	**6.6**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.2	-6.5	7.9	5.9	1.1	0.3	1.3	1.2	1.3	1.5	2.1	**0.5**	**1.6**
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		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, 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.

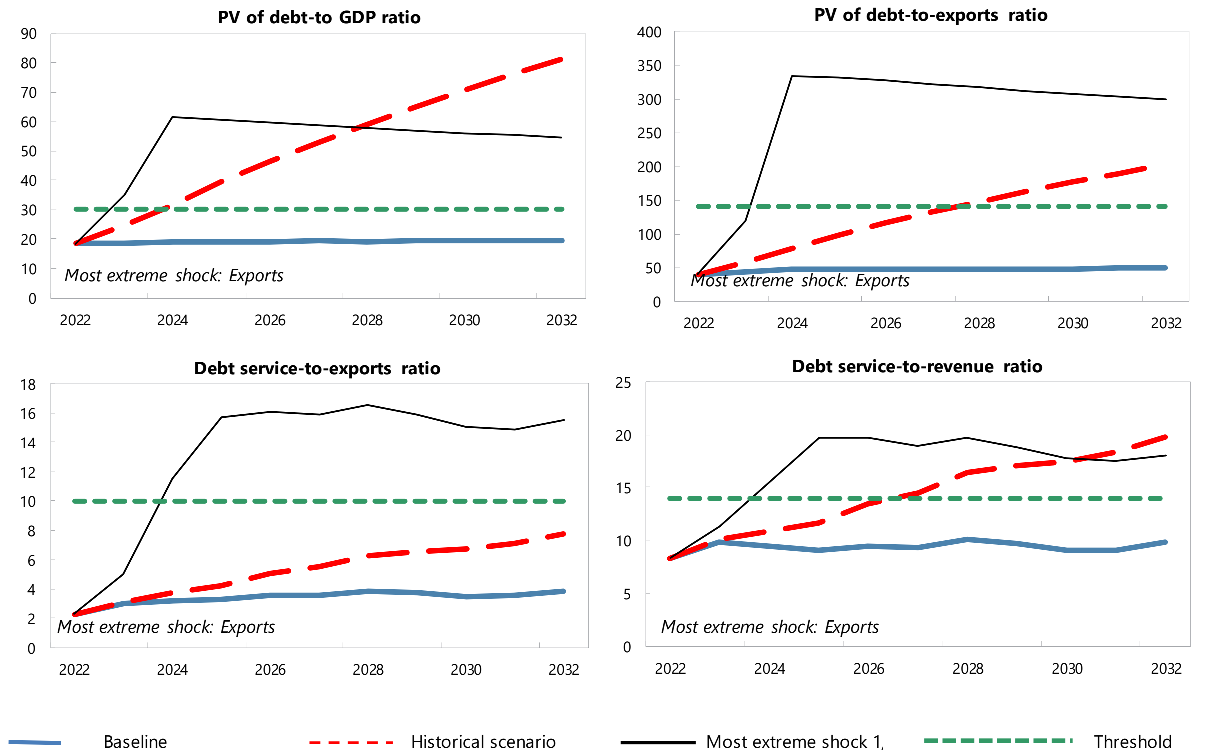
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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, 2022–32



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	No	No

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.

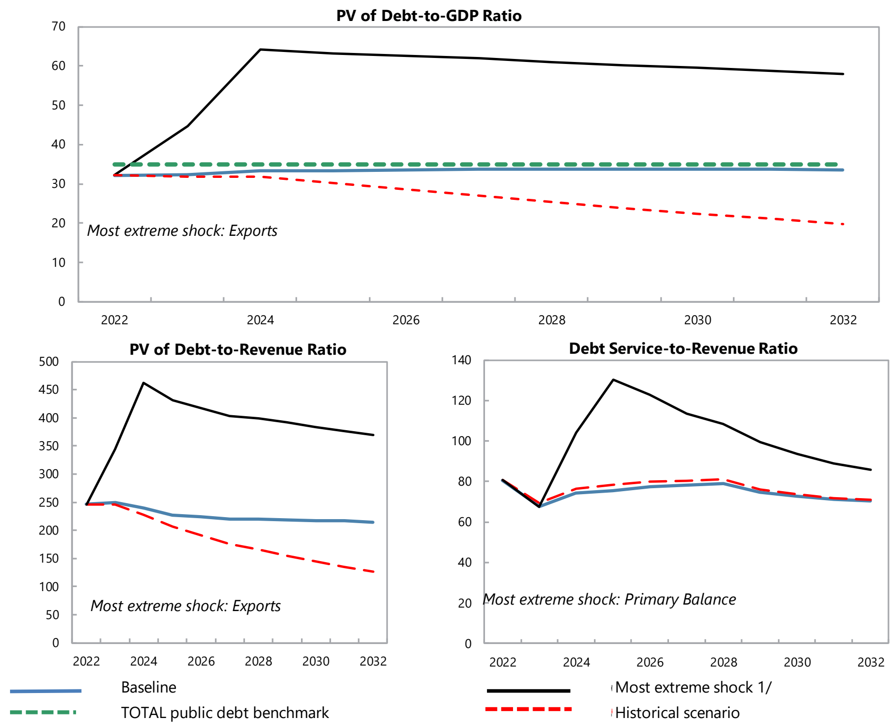
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.5%	2.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	10	10

* 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 2032. 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 2. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2022–32



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	23%	23%
Domestic medium and long-term	21%	21%
Domestic short-term	56%	56%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.5%	2.5%
Avg. maturity (incl. grace period)	25	25
Avg. grace period	10	10
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.1%	2.1%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	-0.2%	-0.2%

* 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 2032. 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.

Table 9. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32
(Percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of debt-to GDP ratio											
Baseline	18	18	19	19	19	19	19	19	19	20	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	18	24	**32**	**39**	**47**	**53**	**59**	**65**	**71**	**76**	**81**
B. Bound Tests											
B1. Real GDP growth	18	19	21	21	21	21	21	21	21	21	21
B2. Primary balance	18	20	24	25	26	26	26	27	27	27	27
B3. Exports	18	**35**	**62**	**60**	**60**	**59**	**58**	**57**	**56**	**55**	**55**
B4. Other flows 3/	18	24	30	30	30	29	29	29	29	29	28
B5. Depreciation	18	23	23	23	23	23	23	24	24	24	24
B6. Combination of B1-B5	18	**31**	**35**	**35**	**35**	**34**	**34**	**34**	**33**	**33**	**33**
C. Tailored Tests											
C1. Combined contingent liabilities	18	20	21	22	22	23	23	23	23	23	23
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	18	23	27	28	28	29	29	29	29	30	**30**
C4. Market Financing	18	20	21	21	21	21	21	21	21	22	22
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	40	44	47	48	48	48	48	48	48	49	49
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	40	58	78	98	116	132	**147**	**162**	**176**	**190**	**202**
B. Bound Tests											
B1. Real GDP growth	40	44	47	48	48	48	48	48	48	49	49
B2. Primary balance	40	46	59	62	64	66	66	67	67	68	68
B3. Exports	40	120	**334**	**332**	**328**	**323**	**317**	**312**	**308**	**304**	**300**
B4. Other flows 3/	40	57	74	74	74	73	72	72	71	71	71
B5. Depreciation	40	44	46	46	47	47	47	47	47	48	48
B6. Combination of B1-B5	40	83	77	121	120	119	118	117	116	116	115
C. Tailored Tests											
C1. Combined contingent liabilities	40	47	52	55	56	57	57	57	58	58	58
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	40	60	74	75	75	75	74	74	75	76	76
C4. Market Financing	40	44	47	48	48	48	48	48	48	49	49
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	2	3	3	3	4	4	4	4	3	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	2	3	4	4	5	6	6	7	7	7	8
B. Bound Tests											
B1. Real GDP growth	2	3	3	3	4	4	4	4	3	4	4
B2. Primary balance	2	3	3	4	4	4	5	4	4	4	5
B3. Exports	2	5	**12**	**16**	**16**	**16**	**17**	**16**	**15**	**15**	**16**
B4. Other flows 3/	2	3	4	4	4	4	5	4	4	4	4
B5. Depreciation	2	3	3	3	3	3	4	4	3	4	4
B6. Combination of B1-B5	2	4	6	7	7	7	7	7	7	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	2	3	3	3	4	4	4	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	5	5	5	5	4	5	5
C4. Market Financing	2	3	3	3	4	4	4	4	4	3	4
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	8	10	9	9	9	9	10	10	9	9	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	8	10	11	12	13	**15**	**16**	**17**	**18**	**18**	**20**
B. Bound Tests											
B1. Real GDP growth	8	10	10	10	10	10	11	11	10	10	11
B2. Primary balance	8	10	10	11	11	11	12	12	11	11	12
B3. Exports	8	11	**15**	**20**	**20**	**19**	**20**	**19**	**18**	**17**	**18**
B4. Other flows 3/	8	10	11	11	12	11	12	12	11	11	11
B5. Depreciation	8	12	12	11	12	11	13	12	11	11	12
B6. Combination of B1-B5	8	11	13	13	14	13	**14**	13	13	12	13
C. Tailored Tests											
C1. Combined contingent liabilities	8	10	10	10	10	10	11	10	10	10	11
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	12	12	13	13	12	13	12	11	11	12
C4. Market Financing	8	10	10	9	10	10	11	10	9	9	10
Threshold	14	14	14	14	14	14	14	14	14	14	14

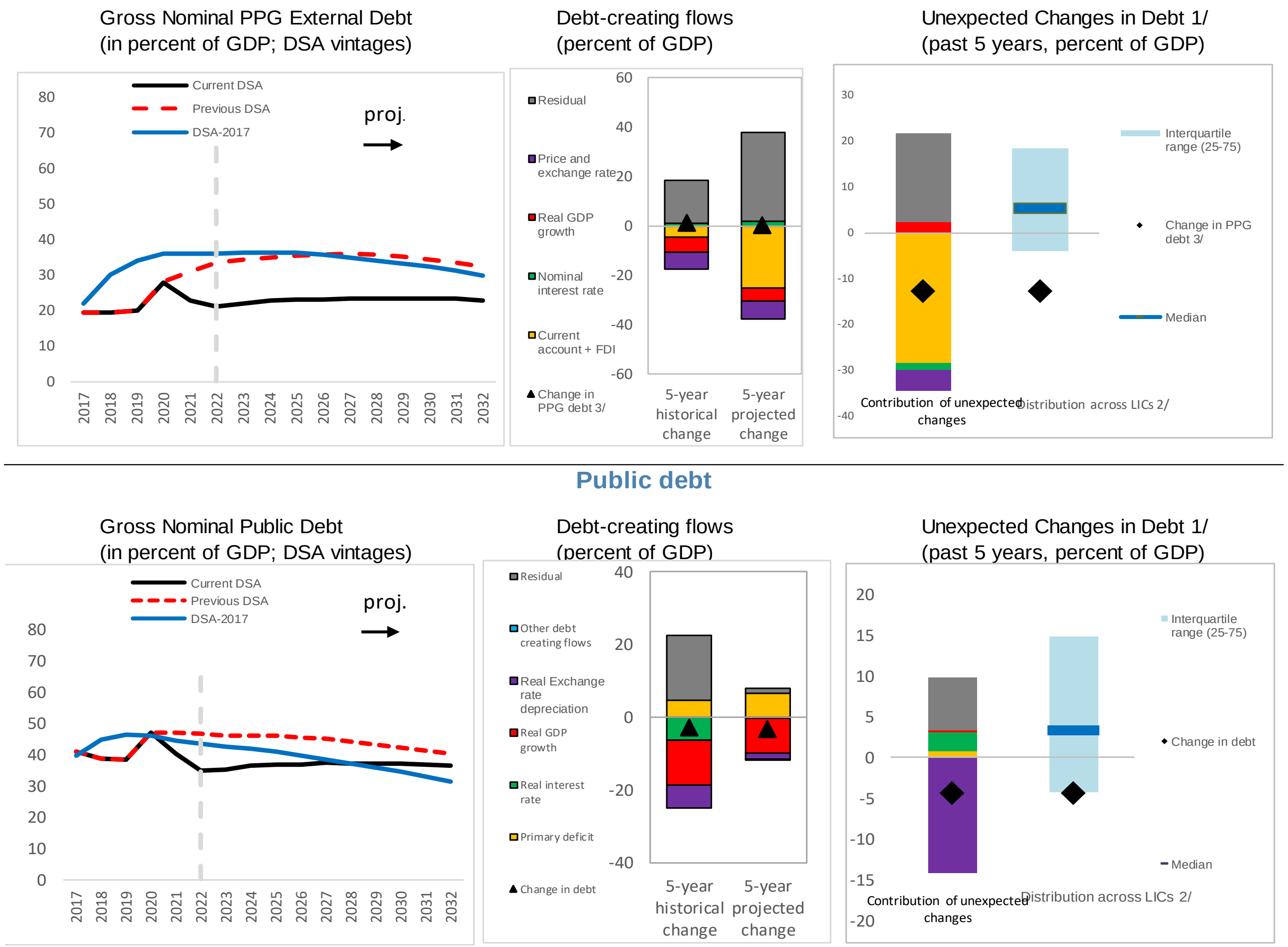
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 10. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32
(Percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to-GDP Ratio											
Baseline	32	32	33	33	34	34	34	34	34	34	34
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	32	32	32	30	29	27	25	24	22	21	20
B. Bound Tests											
B1. Real GDP growth	32	34	**38**	**39**	**40**	**41**	**41**	**42**	**43**	**44**	**44**
B2. Primary balance	32	**40**	**51**	**49**	**48**	**48**	**47**	**46**	**45**	**45**	**44**
B3. Exports	32	**45**	**64**	**63**	**63**	**62**	**61**	**60**	**59**	**59**	**58**
B4. Other flows 3/	32	**38**	**45**	**44**	**44**	**44**	**44**	**43**	**43**	**43**	**42**
B5. Depreciation	32	**35**	35	34	33	32	31	30	29	28	27
B6. Combination of B1-B5	32	35	**40**	**40**	**40**	**40**	**40**	**40**	**40**	**39**	**39**
C. Tailored Tests											
C1. Combined contingent liabilities	32	**43**	**43**	**42**	**42**	**41**	**41**	**40**	**40**	**40**	**39**
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	32	**35**	**39**	**42**	**44**	**46**	**47**	**47**	**48**	**48**	**49**
C4. Market Financing	32	32	33	33	34	34	34	34	34	34	34
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	246	250	239	227	224	220	220	219	218	217	214
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	246	245	228	206	191	176	166	155	145	135	126
B. Bound Tests											
B1. Real GDP growth	246	265	272	263	264	265	270	273	276	279	280
B2. Primary balance	246	311	364	337	324	311	306	299	294	288	282
B3. Exports	246	345	462	431	417	404	399	391	384	377	369
B4. Other flows 3/	246	294	321	302	294	287	285	282	279	275	271
B5. Depreciation	246	272	249	231	220	209	202	195	188	182	175
B6. Combination of B1-B5	246	269	285	270	265	260	259	257	255	253	249
C. Tailored Tests											
C1. Combined contingent liabilities	246	331	309	287	278	269	266	262	258	254	250
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	246	316	321	325	324	318	315	306	308	309	309
C4. Market Financing	246	250	240	228	224	220	220	219	217	216	214
Debt Service-to-Revenue Ratio											
Baseline	81	68	74	76	77	78	79	75	73	71	71
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	81	69	77	78	80	81	81	76	74	72	71
B. Bound Tests											
B1. Real GDP growth	81	70	80	82	88	92	96	94	94	94	95
B2. Primary balance	81	68	104	130	123	114	109	99	93	89	86
B3. Exports	81	68	77	82	84	84	84	80	78	76	75
B4. Other flows 3/	81	68	75	78	80	80	81	77	74	73	72
B5. Depreciation	81	64	71	66	72	74	75	71	69	67	67
B6. Combination of B1-B5	81	66	77	80	82	83	84	80	78	76	75
C. Tailored Tests											
C1. Combined contingent liabilities	81	68	114	104	99	95	93	86	82	79	77
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	81	81	88	90	103	109	112	106	104	102	101
C4. Market Financing	81	68	74	76	78	79	80	75	73	71	70

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 3. Guinea: Drivers of Debt Dynamics—Baseline Scenario External Debt

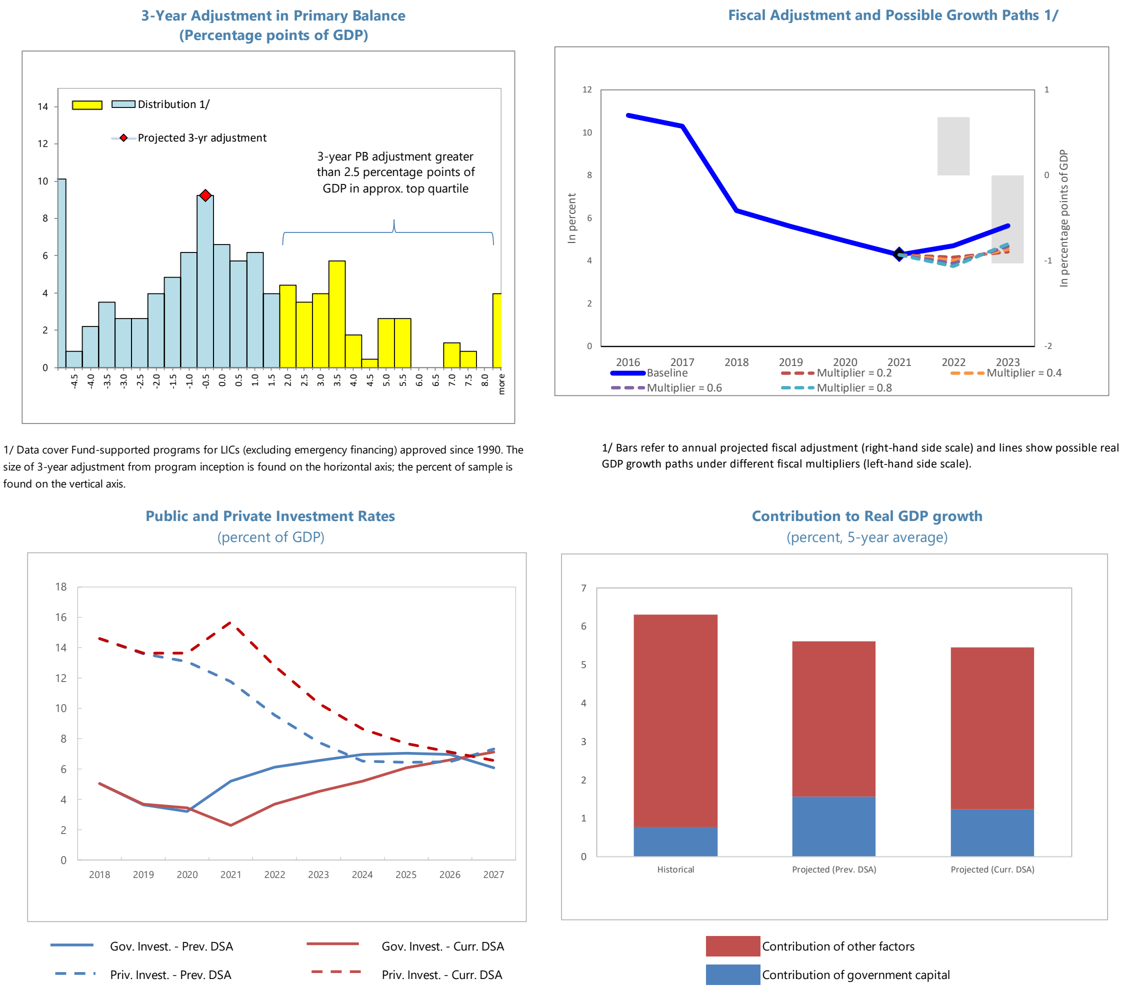


1/ Difference between anticipated and actual contributions on debt ratios.

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.

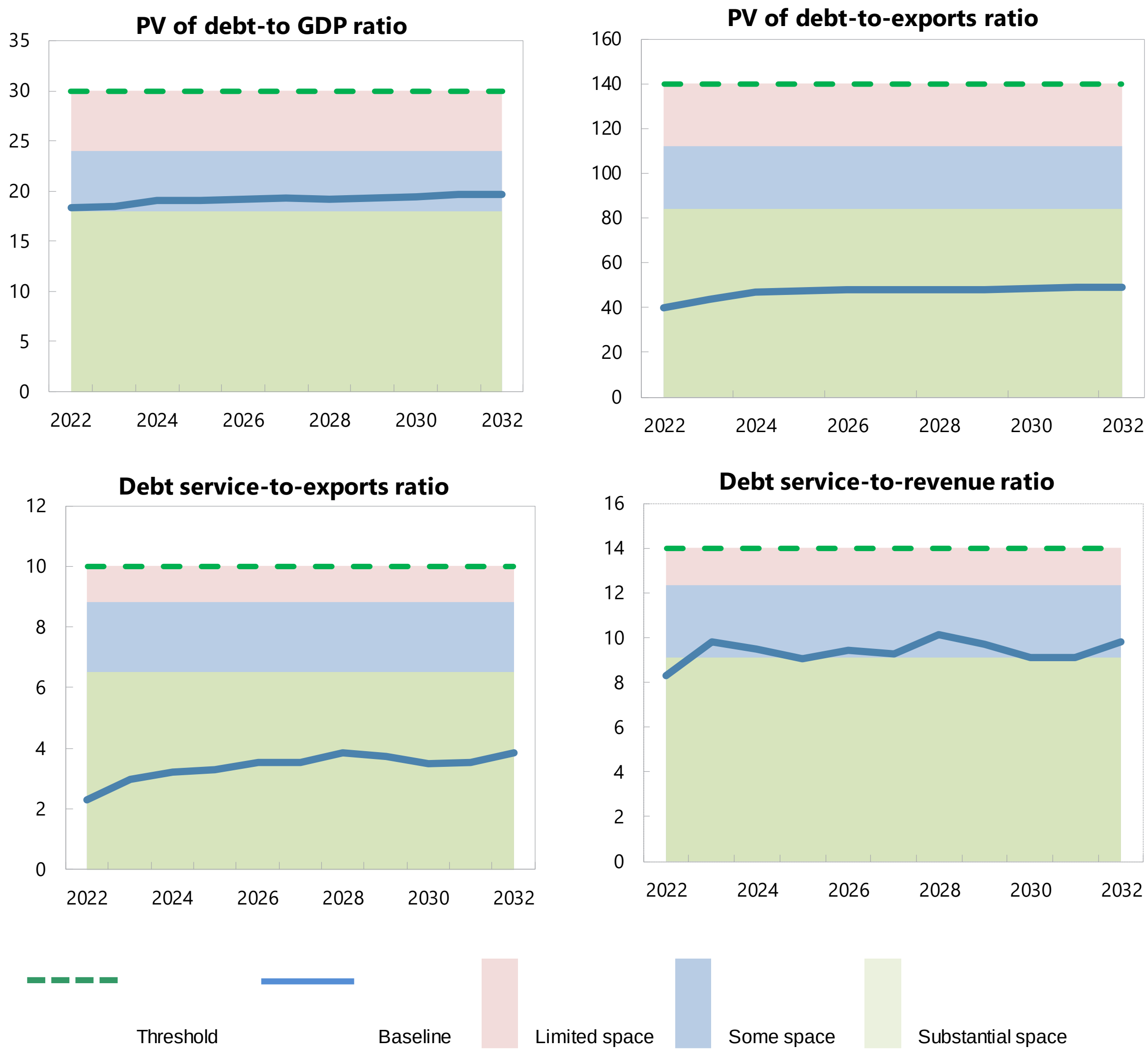
Figure 4. Guinea: Realism Tools



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.

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).

Figure 5. Guinea: Qualification of the Moderate Category, 2022–32[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 30 percent.