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From: The Secretary

Subject: **Guinea—Request for a Three-Year Arrangement Under the Extended Credit Facility—Debt Sustainability Analysis**

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***The authorities have indicated that they consent to the Fund's publication of this paper.**

GUINEA

November 27, 2017

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

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Prepared by the International Monetary Fund and the International Development Association

The results of the Debt Sustainability Analysis (DSA) show that Guinea continues to face a moderate risk of external debt distress [1,2] All external debt burden indicators under the baseline scenario lie below their policy-dependent thresholds. However, stress tests suggest that debt vulnerabilities have increased owing to external debt accumulation related to financing of critical infrastructure projects. Under the worst-case scenario,[3] all solvency and liquidity indicators breach their thresholds for prolonged periods and at higher magnitudes than in the 2016 DSA. The inclusion of domestic debt in the baseline scenario does not significantly change the conclusion of the external DSA. A prudent external borrowing strategy aimed at maximizing the concessionality of new debt and strengthening debt management will be essential to preserving debt sustainability in the context of large financing needs.

[1] The DSA was prepared jointly by the IMF and the World Bank, in collaboration with the Guinean authorities. It updates the DSA analysis contained in Sixth and Seventh Review Under the Extended Credit Facility Arrangement (March, 3, 2016, No. 16/95).

[2] The three-year average rating for Guinea in the Country Policy and Institutional Assessment (CPIA) is 3.09, which classifies Guinea as a weak policy performer in the LIC-DSA Framework.

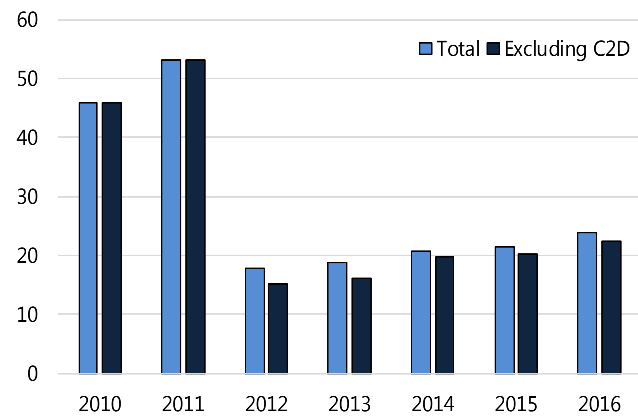
[3] A combination of shocks to growth, exports, the GDP deflators, and net non-debt creating flows.

BACKGROUND

1. **Guinea's external public debt has gradually increased since 2012 as the government has used the borrowing space from debt relief to finance projects to address infrastructure needs.** Guinea received US$639 million of debt relief in present value (PV) terms upon reaching the completion point of the HIPC initiative in 2012. Since then, the government has used external borrowing to finance infrastructure investments in the energy and transport sectors, notably the construction of the Kaleta hydroelectric dam (US$335 million or 4 percent of GDP) and the rehabilitation of the electric transmission networks. This has led to a gradual increase in Guinea's external debt stock, with total public and publicly guaranteed (PPG) external debt reaching US$1.8 billion (21.5 percent of GDP) in 2016, compared with US$1.3 billion (17.9 percent of GDP) in 2012 (Table 1).[5] Approximately 54 percent of this stock is due to official bilateral creditors, mostly to Non-Paris Club, while 43 percent is owed to multilateral creditors. At end-2016, Guinea had outstanding external debt arrears of $147.4 million (1.7 percent of GDP), unchanged with respect to the previous year. These arrears pre-date the completion of the HIPC and are owed to non-Paris club official bilateral (60 percent) and commercial creditors (40 percent). The authorities continue to make best efforts to discuss debt relief and normalization of these arrears with the creditors, with the aim of reaching an agreement by end-2017. Creditors have so far not requested payment of these arrears.

Figure 1. Guinea: Stock of External Public and Publicly Guaranteed Debt,[4] 2010–16

(Percent of GDP)



Sources: Guinean authorities; and IMF Staff calculations.

[4]Starting in 2014, external and domestic PPG debt includes guarantees issued by the Guinean Central Bank (BCRG) to local and foreign banks to provide commercial loans to private sector operators to pre-finance the execution of public works. Notably, a guarantee issued to an external creditor in foreign currency, increased the stock of public and publicly-guaranteed external debt by US$72 million in 2014.

[5] In this DSA, 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. See EBS/15/4, Sup. 2, 01/28, 2015 and Country Report No. 15/39 for a detailed discussion.

Table 1. Guinea: Structure of External Public and Publicly Guaranteed Debt
(Nominal values)

	end-2015	end-2016 USD (millions)	end-2016 Percent of Total	end-2016 Percent of GDP
Total	**1776.0**	**1822.1**	**100.0**	**21.5**
Total incl. C2D	1914.8	1934.4	106.2	22.8
Multilateral creditors	**700.7**	**778.7**	**42.7**	**9.2**
IMF	197.9	241.3	13.2	2.8
World Bank	161.1	219.8	12.1	2.6
AfDB Group	111.2	98.9	5.4	1.2
IsDB	113.0	106.1	5.8	1.3
EU	0.0	0.0	0.0	0.0
Other Multilateral creditors	117.5	112.5	6.2	1.3
Official Bilateral Creditors	**979.2**	**984.4**	**54.0**	**11.6**
Paris Club (excl. C2D)	28.5	27.7	1.5	0.3
Non-Paris Club	815.3	809.3	44.4	9.5
Arab Funds	135.3	147.4	8.1	1.7
Commercial Creditors	**59.6**	**58.9**	**3.2**	**0.7**
Memo				
Arrears	148.1	147.4	8.1	1.7

Notes: Arrears at end-2016 are due to Non-Paris Club official bilateral creditors (US$88.5 million) and commercial creditors (US$58.9 million). The Guinean authorities have started discussions with creditors in order to reach a resolution on the normalization of these arrears and expect to reach an understanding by December 2017.

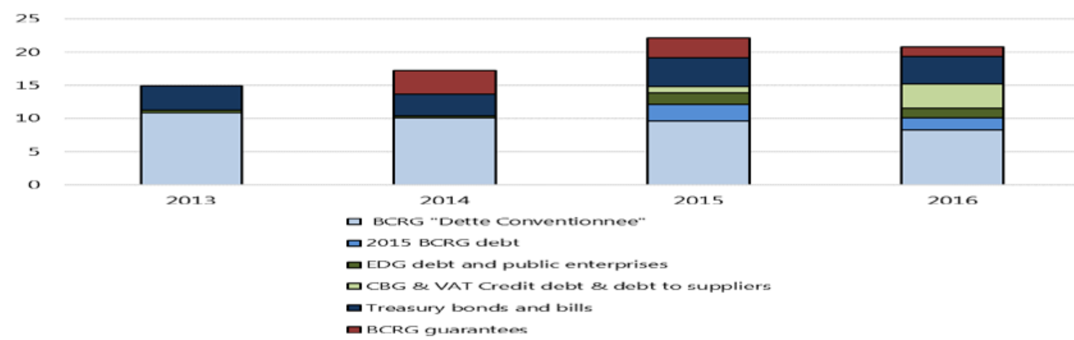
Sources : Guinean authorities; and IMF Staff calculations.

2. **Domestic debt declined slightly in 2016, as settlement of debt related to central bank guarantees offset an increase in debt related to the inclusion of domestic arrears** (Figure 2). In 2014 and 2015, the central bank issued US$870 million (9.9 percent of GDP) worth of guarantees to commercial banks to provide loans to private companies to pre-finance the execution of public investment projects.[6] Domestic PPG debt rose from 14.9 percent of GDP in 2014 to 22.1 percent of GDP in 2015, higher than the average for sub-Saharan African low income countries (LICs) of 16.1 percent of GDP. Restructuring in 2015 and settlement of some of these loans reduced guarantees to US$118 million (1.4 percent of GDP) by end-2016. In addition to debt related to the 2014–15 central bank guarantees and to 2015 central bank advances to the government, Guinea continued to hold US$678 million (8.2 percent of GDP) in “dette conventionnée”, which is debt related to consolidated central bank advances accumulated prior to 2013, scheduled to be repaid over 40 years starting in 2023. Meanwhile, in July 2016 the authorities completed an audit of the outstanding stock of central government arrears over 1982-2013, which led to the inclusion of an additional US$0.2 billion (2.9 percent of GDP) in arrears owed mainly to domestic suppliers and VAT credit refunds arrears in domestic debt.[7] By end-2016, PPG domestic debt stood at 20.7 percent.

[6] Most of the guarantees were domestic apart from US$72 million owed to a foreign bank

[7] Domestic arrears built up in the early 2000s as social and political unrest contributed to a deterioration of public financial management. In addition, arrears increased sharply in 2011 after the newly formed government froze many procurement contracts that had been committed outside of standard procedures under the military and transition government of 2009–10.

Figure 2. Guinea: Stock of Domestic Public and Publicly Guaranteed Debt, 2013–16
(Percent of GDP)



Note: "Dette conventionnée" comprises consolidated past advances to the government which are to be repaid over 40 years with amortization payments beginning in 2023. 2015 BCRG debt are central bank advances to the government whose repayment agreement calls for amortization over six years beginning in 2016.
Sources: Guinean authorities; and IMF Staff calculations.

3. **The public debt position at end-2016 is slightly higher than projected in the last DSA** (Figure 3). Total public debt amounted to US$3.5 billion (42.9 percent of GDP) at end-2016 compared with projected US$3.0 billion (35.4 percent of GDP) in the 2016 DSA. The external debt stock was slightly higher than projected at US$1.8 billion, compared with an expected US$1.7 billion, as the projected cancellation of external arrears did not materialize and the calendar for the settlement or cancellation of some of the BCRG guarantees changed. Domestic debt was also higher than projected at US$1.7 billion, compared with an expected US$1.3 billion, driven by the inclusion of domestic arrears.

UNDERLYING ASSUMPTIONS

4. **Key changes to the assumptions in relation to the 2016 LIC-DSA are as follows:**

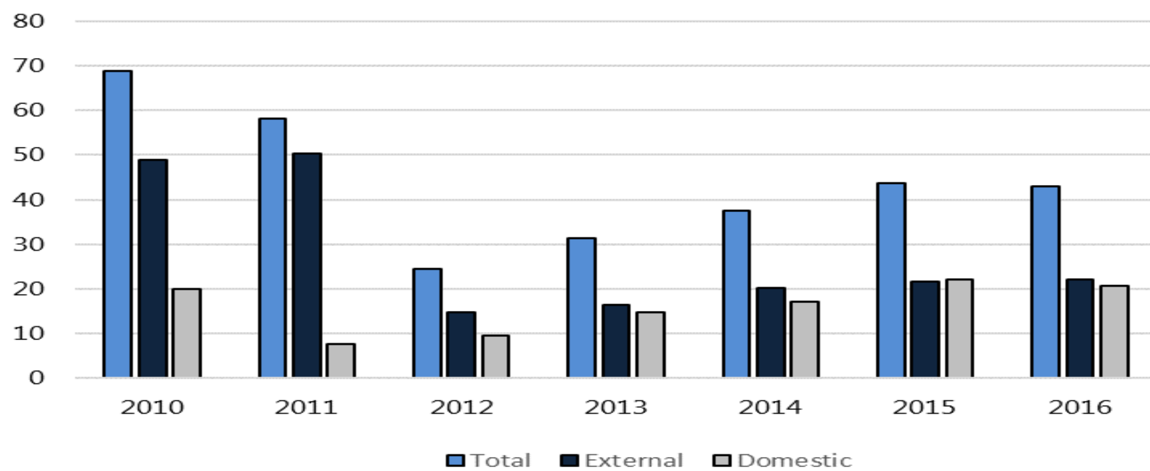
- **National accounts data have been revised significantly upward.** National accounts data over 2006–15 were revised with support of technical assistance from the IMF and other development partners to adopt the SNA 1993 methodology for the compilation of national account leading to a 40 percent increase in nominal GDP. These changes include improvements such as new economic surveys, a better categorization of activities and products, and improved estimates for informal activity (see Box 1).

Guinea: Change in Key Economic Indicators Following National Account Revisions

	2011	2012	2013	2014	2015
Old NA	Annual percentage change				
Real GDP Growth	3.3	3.2	1.5	1.1	0.1
	Percent of GDP				
Basic fiscal balance	-1.6	-2.5	-2.8	-6.5	-7.0
Overall fiscal balance	-1.1	-3.6	-5.3	-4.2	-8.9
Current account balance	-24.8	-26.0	-17.2	-17.6	-19.9
Total public debt	82.1	32.1	42.5	43.8	50.7
	2011	2012	2013	2014	2015
Revised NA	Annual percentage change				
Real GDP Growth	5.6	5.9	3.9	3.7	3.5
	Percent of GDP				
Basic fiscal balance	-1.2	-1.9	-2.1	-5.0	-5.4
Overall fiscal balance	-0.8	-2.8	-3.9	-3.2	-6.9
Current account balance	-18.4	-20.0	-12.5	-13.4	-15.4
Total public debt	58.1	24.4	31.3	33.9	39.8

Source: Guinean authorities; and IMF staff estimates.

Figure 3. Guinea: Stock of Total Public and Publicly Guaranteed Debt, 2010–16
(Percent of GDP)



Sources: Guinean authorities; and IMF Staff calculations.

- **The iron-ore Simandou project is excluded from this analysis.** In the 2016 DSA, the Simandou iron-ore project was expected to start production in 2023–24, and the financing of construction and related infrastructure was accounted for in the analysis and macroeconomic projections. However, due to the decline in commodity prices the Simandou project has been put on hold indefinitely.[8] Even if the project were to materialize in the longer term, it is not expected to impact the debt profile as it will likely be executed as a private sector investment financed by FDI inflows.

- **The Souapiti dam project, which will significantly impact Guinea's debt profile, is included in the analysis.** Construction of the large 450-MW dam has started, which is expected to double Guinea's electricity generation capacity, improve electricity provision, and significantly benefit the economy. The overall estimated project cost is US$1.6 billion (18.5 percent of GDP) and expected to be financed through a combination of equity (25 percent) and debt (75 percent).[9] For the debt portion, the government is finalizing a US$1.2 billion non-concessional loan (12.7 percent of GDP) from China Eximbank.[10] This loan will then be transferred to a Special Purpose Vehicle (SPV), jointly owned by the Government

[8] Mining company Rio Tinto also exited the project in October 2016 by selling its stake to Chinalco. Chinalco currently owns 80 percent of the project with the Government of Guinea holding the remaining 20 percent.

[9] The equity portion is being provided by the government's divestment in its share of the Kaleta dam project.

[10] The grant element of the Souapiti loan is expected to be: 29.7 percent. The terms of the loan are assumed to be: 20-year maturity with a 7-year grace period; 2 percent interest rate; 0.5 percent commitment fees and 0.5 percent management fees. Disbursements are expected over 2017-2020 as follows: US$184 million in 2017, US$544 million in 2018, US$265 million in 2019 and US$180 million in 2020.

(51 percent) and China International Water & Electricity Corporation (49 percent), which will be responsible for servicing it.[11] In view of limited information on the modalities of the loan transfer to the SPV and that the government would be responsible to repay if the SPV were unable to, the loan is included in PPG external debt. Furthermore, to depict the potential full impact on the debt profile, the government is assumed to be responsible for servicing the loan in the analysis.

Table 2. Guinea: LIC DSA Macroeconomic Assumptions
(Percent of GDP, unless otherwise indicated)

	Previous DSA				Current DSA			
	2016	2021	2026	2036	2016	2021	2026	2037
Nominal GDP ($ Million)	6573.8	9496.5	16757.3	32027.2	8476.3	12325.7	17367.0	36735.2
Real GDP (percentage change)	4.0	6.0	5.5	4.6	6.6	6.0	5.0	5.0
Fiscal Accounts								
Revenues and grants	23.9	26.5	22.9	23.1	16.0	19.0	19.1	18.8
Public Sector Expenditure	25.6	28.3	23.3	24.0	16.4	21.2	21.0	19.3
of which: Capital expenditure and net lending	9.6	13.4	10.5	11.2	4.9	9.0	8.6	8.5
Primary Fiscal Balance	0.4	-1.0	-0.1	-0.6	1.0	0.9		
New external borrowing	3.6	3.3	1.6	1.7	…	3.3	3.2	1.9
Grant elements of new external borrowing	42.6	44.1	41.8	32.7	…	29.4	28.3	23.3
Balance of Payments								
Exports of goods and services	22.9	21.7	60.3	42.0	29.2	41.7	40.1	38.0
Imports of goods and services	-37.1	-68.2	-48.0	-38.4	-60.7	-51.3	-43.1	-37.4
Current account (including transfers)	-13.4	-44.7	8.0	-5.2	-32.2	-15.5	-10.2	-9.0
Foreign direct investment	4.8	40.5	-9.1	3.7	18.8	13.0	6.3	1.6

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

5. **The macroeconomic assumptions underlying the DSA analysis are consistent with the macroeconomic framework outlined in the Staff Report for the Request of the Extended Credit Facility**[12] (Table 2):

- **Real GDP growth** is expected to increase to 6.7 percent in 2017 and average to 6 percent over the medium term, driven by strong performance in mining, construction, and scaled-up investments in infrastructure. Over the long run (2021–37), growth is projected to remain around 5 percent, reflecting the increased productive capacity of the economy and its diversification. Risks to these projections are balanced, with downside potential from socio-political tensions, delays in projects and implementing reforms, and upside potential from higher than expected mining production.
- **Inflation** is expected to remain moderate at around 8.5 percent in 2017 and slightly decline over the medium term, reflecting a prudent monetary policy.

[11] Ensuring cost-recovery electricity tariffs and restructuring the electricity public utility so that it can pay Souapiti SPV in a timely manner for electricity supply will be key to ensure that the Souapiti SPV can service the loan.

[12] *Guinea—Request for a Three-Year Arrangement under the Extended Credit Facility*.

- **Fiscal balance.** The basic fiscal surplus is projected to strengthen from 0.6 percent of GDP in 2017 to an average of 0.9 percent of GDP during 2018–21, reflecting revenue mobilization efforts and the containment of non-priority current expenditure, notably the gradual phasing out of electricity subsidies.[13] In parallel, capital expenditures are expected to rise with the scale up in public infrastructure investment under the authorities National Economic and Social Development Plan (PDNES) from 4.8 percent of GDP in 2016 to 9.0 percent in 2021. The primary fiscal balance is expected to move from a surplus of 0.9 percent of GDP in 2017 to a deficit of 1.2 percent of GDP in 2018, and average a deficit of 1.1 percent over 2019–22.[14]

- **The current account** is expected to record a deficit at 24.4 percent of GDP in 2017 and remain large averaging 16.5 percent of GDP over 2018–22, reflecting high FDI-financed imports for mining and public infrastructure projects, including the Souapiti dam. These investments will boost exports over the longer term, resulting in a gradual narrowing of the current account deficit.

- **External financing mix and terms.** In addition to the borrowing to finance the Souapiti dam, this DSA also incorporates the authorities' plans to borrow an additional US$650 million in non-concessional loans to be disbursed over 2018–21, from China Eximbank (Table 3).[15] These loans will finance priority infrastructure projects such as the rehabilitation of the RN1 national road and the Conakry urban road network, the construction of an electrical interconnection line, and the rehabilitation of a university. New external borrowing is expected to pick up significantly in the near term from 3.6 percent of GDP in 2017 to 9.8 percent of GDP in 2018, average at 7.2 percent of GDP over 2019–21, and settle around a long-run average of about 2 percent of GDP. Due to the mostly non-concessional nature of borrowing in the near term, the average grant element of new borrowing is projected to decline from around 33 percent in 2017 to 27 percent in 2019, mostly driven by large disbursements related to Souapiti loan. The average grant element of new borrowing is expected to then slightly increase to 31 percent in 2020 as Souapiti related financing winds down. Disbursements related to the US$650 million non-concessional loans will also contribute slightly to reducing the grant element over 2018–22. While some additional multilateral concessional financing is expected in 2020–21, access to concessional financing is projected to gradually decline over time, and non-concessional borrowing to take its place after 2021, with an average grant element of 25 percent in the long run.

[13] Guinea has increased revenues considerably in recent years, but performance of different categories has been uneven, particularly for direct taxes. Staff anticipate an additional mobilization of tax revenues of about 3 percent of GDP over 2018-2020 supported by a targeted tax policy and administration reform and the pick-up in mining revenues.

[14] The basic fiscal balance is calculated as government revenue excluding grants minus expenditures, excluding interest payments on external debt and externally financed capital expenditure.

[15] The grant element of these loans is expected to be approximately 25.9 percent

- **Domestic borrowing.** Net government domestic financing is expected to be negative throughout 2017–37, as the government is expected to gradually repay domestic debt. This includes gradual payments of validated arrears to the private sector in line with the authorities' strategy to clear these amounts.

Table 3. Guinea: Non-concessional Loans to Finance Priority Infrastructure Projects[1]

Project	Amount (USD million)
Rehabilitation of RN1 (national road)	275
Rehabilitation of road system in Conakry	159
Construction of electricity transmission line (Lisan-Fomi-Kankan)	150
University Rehabilitation	63

[1] Indicative values on a contracted basis, expected during 2017–20. This excludes the US$1.2 billion non-concessional Souapiti loan which is being finalized.

DEBT SUSTAINABILITY ANALYSIS

A. External Debt

6. **Under the baseline scenario all external debt ratios remain below their policy dependent thresholds, indicating that Guinea's debt dynamics are sustainable** (Table 4 and Figure 4). The PV of debt to GDP is expected to remain below the policy-dependent threshold, peaking at 26.2 percent in 2025 (compared with a peak of 17.5 percent of GDP in the 2016 DSA). Furthermore, liquidity ratios (debt service-to-exports and debt service-to-revenues) are also expected to remain well-below policy dependent thresholds as the new loans contain sizeable grant elements. The growth rate for accumulation of external debt will average 3.5 percent (year-on-year) over 2017–21, significantly higher than in the 2016 DSA (average 1.1 percent year-on-year growth rate over the same period), reflecting additional external borrowing related to the Souapiti dam project and the US$650 million non-concessional loans to finance key infrastructure projects. However, the authorities' decision to prioritize and carefully phase investment projects and related borrowing, will contribute to maintaining external debt at a sustainable level. Debt service has risen compared with the 2016 DSA, due to faster debt accumulation and the non-concessional nature of newly identified borrowing.

7. **Guinea remains at a moderate risk of debt distress while vulnerabilities have increased.** Nearly all indicators breach their thresholds for prolonged periods under the historical and extreme shock scenarios (Figure 4).[16] The magnitude of these breaches is larger than in the 2016 DSA

[16] The most extreme shocks are either an exports shock or a combination shock, compared with the 2016 DSA where all most extreme scenarios corresponded to a combination shock.

suggesting an increase in debt vulnerabilities due to faster debt accumulation. Under the bound tests, all indicators breach their thresholds under the most extreme scenario. However, these tests are based on historical growth and export averages, which reflect exceptionally adverse economic conditions for Guinea, including the Ebola crisis and commodity price shocks during 2014–15, and earlier periods of civil unrest. Under two more plausible country-specific scenarios: i) a weak policy implementation scenario; and ii) less prudent phasing of investment projects scenario with frontloaded disbursements of the anticipated US$ 650 non-concessional loans, all indicators remain below their policy dependent thresholds but slightly closer than under the baseline scenarios (Figure 5).[17]

Table 4. Guinea: Policy Dependent Thresholds and Results

	Policy-dependent Threshold	Guinea (2017)	Guinea (Max 2017-37)
PV of debt to GDP ratio	30	15.5	26.2
PV of debt-to-exports ratio	100	44.5	64.6
PV of debt-to-revenue ratio	200	100.6	143.4
Debt service-to-exports ratio	15	1.9	5.6
Debt service-to-revenue ratio	18	4.2	11.5

Source: IMF Staff calculations.

8. **Guinea remains at a moderate risk of debt distress while vulnerabilities have increased.** Nearly all indicators breach their thresholds for prolonged periods under the historical and extreme shock scenarios (Figure 4).[18] The magnitude of these breaches is larger than in the 2016 DSA suggesting an increase in debt vulnerabilities due to faster debt accumulation. Under the bound tests, all indicators breach their thresholds under the most extreme scenario. However, these tests are based on historical growth and export averages, which reflect exceptionally adverse economic conditions for Guinea, including the Ebola crisis and commodity price shocks during 2014–15, and earlier periods of civil unrest. Under two more plausible country-specific scenarios: i) a weak policy implementation scenario; and ii) less prudent phasing of investment projects scenario with frontloaded disbursements of the anticipated US$ 650 non-concessional loans, all indicators remain below their policy dependent thresholds but slightly closer than under the baseline scenarios (Figure 5).[19]

[17] The weak policy scenario assumes real GDP is 1 percentage point below the baseline over 2018–37, reflecting slower reform implementation, and the basic fiscal balance is 0.5 percent of GDP in 2018–19, reflecting slower revenue collection. The frontloaded disbursement scenario assumes the $650 million in non-concessional loans are disbursed over a three rather than five-year period and more rapid disbursement of already signed concessional loans.

[18] The most extreme shocks are either an exports shock or a combination shock, compared with the 2016 DSA where all most extreme scenarios corresponded to a combination shock.

[19] The weak policy scenario assumes real GDP is 1 percentage point below the baseline over 2018–37, reflecting slower reform implementation, and the basic fiscal balance is 0.5 percent of GDP in 2018–19, reflecting slower revenue collection. The frontloaded disbursement scenario assumes the $650 million in non-concessional loans are disbursed over a three rather than five-year period and more rapid disbursement of already signed concessional loans.

B. Total Public Debt

9. Debt indicators remain below the benchmark when adding public and publicly guaranteed domestic debt under the baseline scenario (Figure 6)**.** The PV of total public debt-to-GDP ratio remains below the policy-dependent benchmark during 2017–21 and then gradually declines over the long-term. This dynamic mirrors the path of the PPG external debt stock, which increases in the short-run due to the high rate of debt accumulation. The PV of total debt-to-GDP ratio would exceed the benchmark in the medium-term under the extreme shock [20]and historical scenarios. Furthermore, delays in repaying domestic arrears or debt owed to the BCRG, or the inclusion of additional debt that may not be currently reflected due to data limitations could worsen the dynamics of total debt dynamics.

CONCLUSION

10. Guinea remains at moderate risk of external debt distress. Although external debt is expected to increase significantly due to borrowing to finance critical infrastructure needs, the authorities' strategy of carefully phasing investment projects, spreading out loan disbursements, and containing non-concessional external borrowing within the amounts specified under the objectives of the ECF program,[21] is key to ensure that debt remains sustainable and does not exceed a moderate risk of external debt distress. Nevertheless, indicators have deteriorated under alternative and extreme shock scenarios, and the debt service burden has increased, suggesting that Guinea's debt vulnerabilities have risen.

11. Maximizing concessional debt and strengthening debt and public investment management will be essential to preserving debt sustainability in the context of large financing needs. In this regard, the authorities' commitment to implement a prudent borrowing strategy that aims to maximize concessionally and limit non-concessional borrowing to a maximum of US$650 million (excluding Souapiti) during 2017–21 is key to ensure the risk of debt distress does not exceed a moderate level. Ongoing efforts to strengthen the debt management framework, with the support of technical assistance from the IMF, World Bank, and other development partners, will be essential to strengthening debt management capacity and monitor debt vulnerabilities. Specific measures include updating bond issuance practices, enhancing capacity to analyze debt sustainability, improving public debt statistics, and strengthening procedures for managing domestic debt. A holistic assessment such as the World Bank's Debt Management Performance Assessment (DeMPA) to assess recent implemented measures and identify further areas for improvement would also be useful. Further improving coordination among ministries and the central bank will be important to ensure that new borrowing is in line with the national strategy. Strengthening public investment management, including with the implementation of a platform for

[20] In this case, the most extreme shock is a 10 percent GDP increase in other debt creating flows in 2018.

[21] US$650 million excluding the use of IMF resources; debts classified as international reserve liabilities of the BCRG; and the non-concessional loan that the government to finance the Souapiti dam project.

integrated public investment management and the support of the Public Investment Management Assessment (PIMA) with IMF technical assistance, will enhance the transparency and efficiency of the investment plan.

12. The authorities broadly agree with the conclusions of the DSA. They underscored their commitment to maintaining a sustainable level of debt and not exceeding a moderate risk of debt distress. In this regard, the authorities noted that the current level of external debt remains below the regional average of 28 percent of GDP. They also concurred with the importance of maximizing concessional borrowing where possible, but noted financing under these terms is not available in the scale needed to finance their large infrastructure needs.[22] The authorities agree that addressing domestic debt is a priority and are committed to their strategy to gradually clear domestic arrears toward the private sector. They also remain committed to strengthen debt management and have expressed interest in updating DeMPA.

[22] The World Bank is envisaging scaling-up the IDA envelope for Guinea.

Box 1. Guinea: Strengthening National Accounts Statistics

The National Institute of Statistics (INS) of Guinea has been working on improving and updating the methodology of compiling the national accounts with the support of technical assistance of the International Monetary Fund (AFRITAC West), the United Nations Economic Commission for Africa (ECA), AFRISTAT, and the European Commission (EU).

Guinea's national accounts statistics were previously based on the U.N. Systems of National Accounts 1968 (SNA 1968). In 2011, work on implementing SNA 1993 methodology was started to improve statistical concepts and classifications, and harmonize the methodology with international standards. Furthermore, contributions of various sectors to production have also changed.[1] The Fund was actively involved in providing technical assistance on compiling supply and use tables (SUT) and integrating economic accounts (IEA) in accordance with SNA 1993.

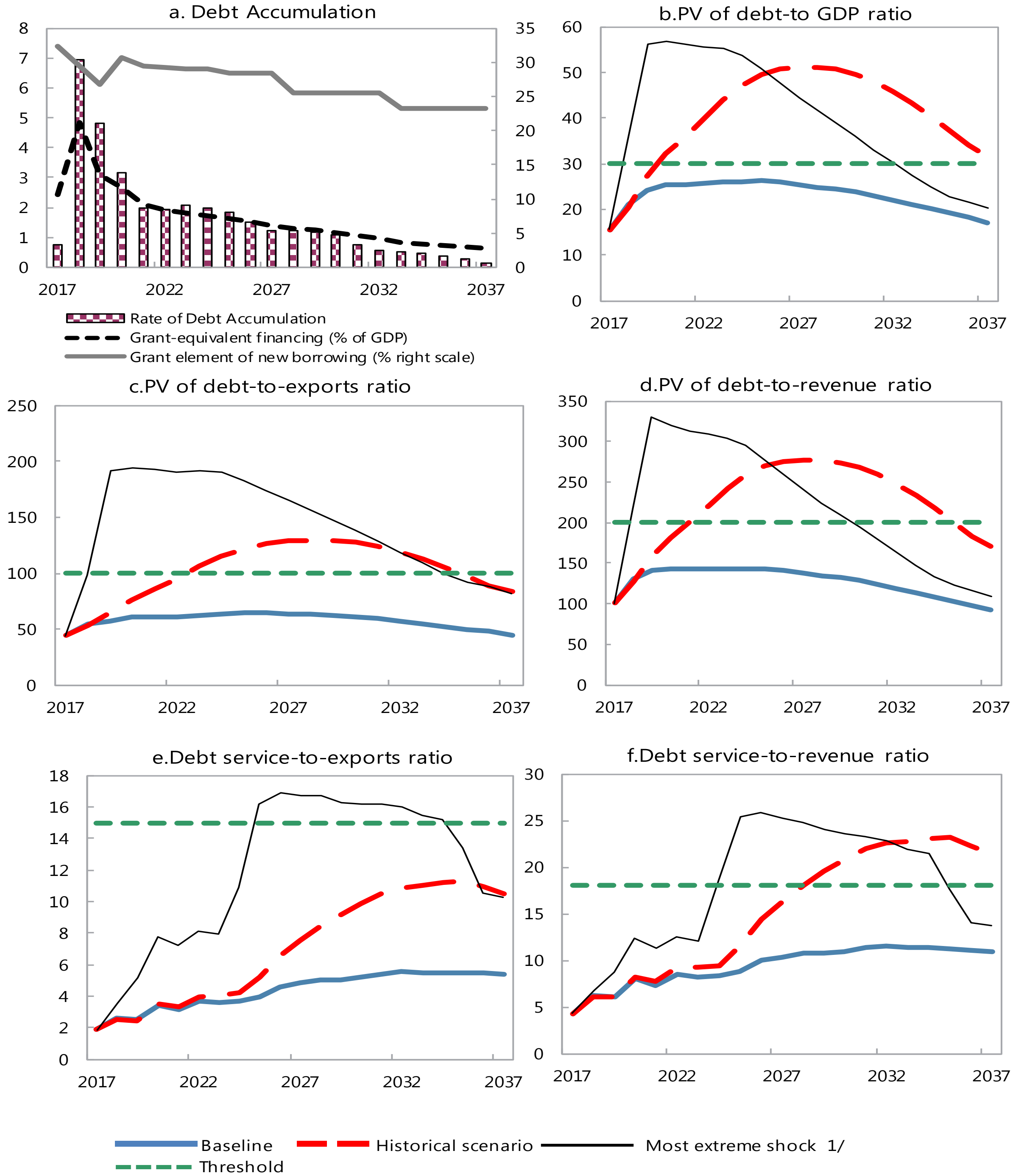
The revised national accounts statistics were published on the INS website in May 2017. The time series commences in 2006; it is broadly compliant with SNA 1993; and incorporates relevant improvements such as new economic surveys, a better categorization of activities and products and improved estimates for informal activity.[1] In addition, the base year for the national accounts was revised to 2006 (from 2003) for key parameters—including population estimates, household and business sector activity, and informal activity—while the reference years for prices was changed to 2010 (from 2003). As a result, nominal GDP was revised up by an average 40 percent between 2006–15 and real growth and key economic indicators significantly changed.

Staff discussed the revisions to the national accounts data, with support of an STA expert, during the May 2017 staff visit. In view of the enhanced statistical methodology, staff incorporated the revised national accounts data for the period 2006–14 in the program scenario. Staff, however, uses an estimate for 2015—using partially available information on sectoral activity—as the final number will not be released until September 2017.

The INS has started to further enhance the compilation of the national accounts and aims to migrate from SNA 1993 to SNA 2008 over the coming 2–3 years. Migration to SNA 2008 will be achieved after new surveys have been conducted, specifically a household survey, a census of companies, and an agricultural census. As part of these further enhancements, the INS will also revise the base year to 2015.[1] The Fund continues to provide technical assistance on application of SNA 2008 methodologies. Other TA providers, including the UNECA, AFRISTAT, and the EU are supporting the INS with developing a roadmap for rebasing to SNA 2008, the application of revised classifications, and improving data collection.

[1]The total weight for agriculture, mining and construction in GDP was reduced by 16 percent, while weights of the components of the tertiary sector have increased, including for trade activities.

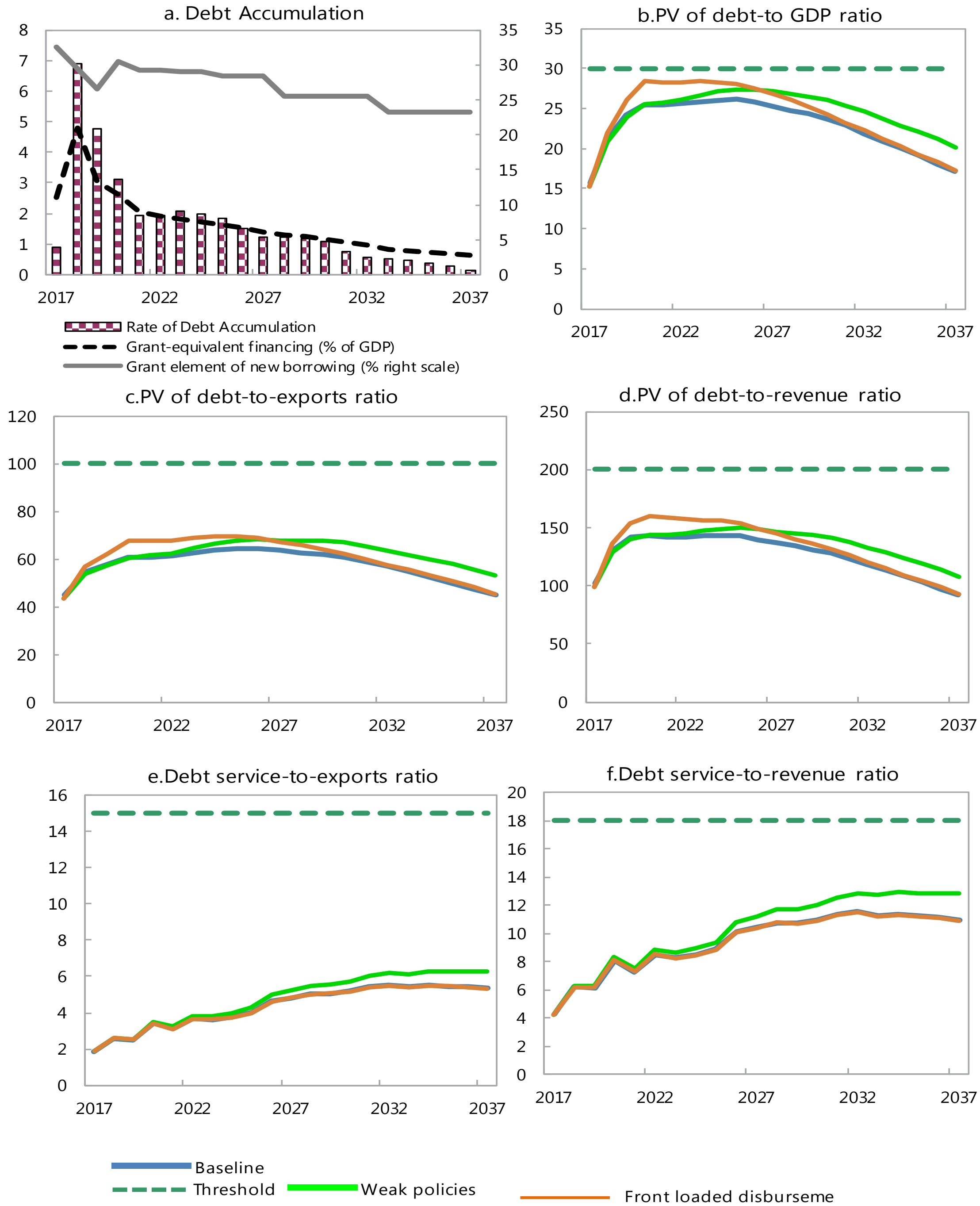
Figure 4. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2016–37[1/]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock

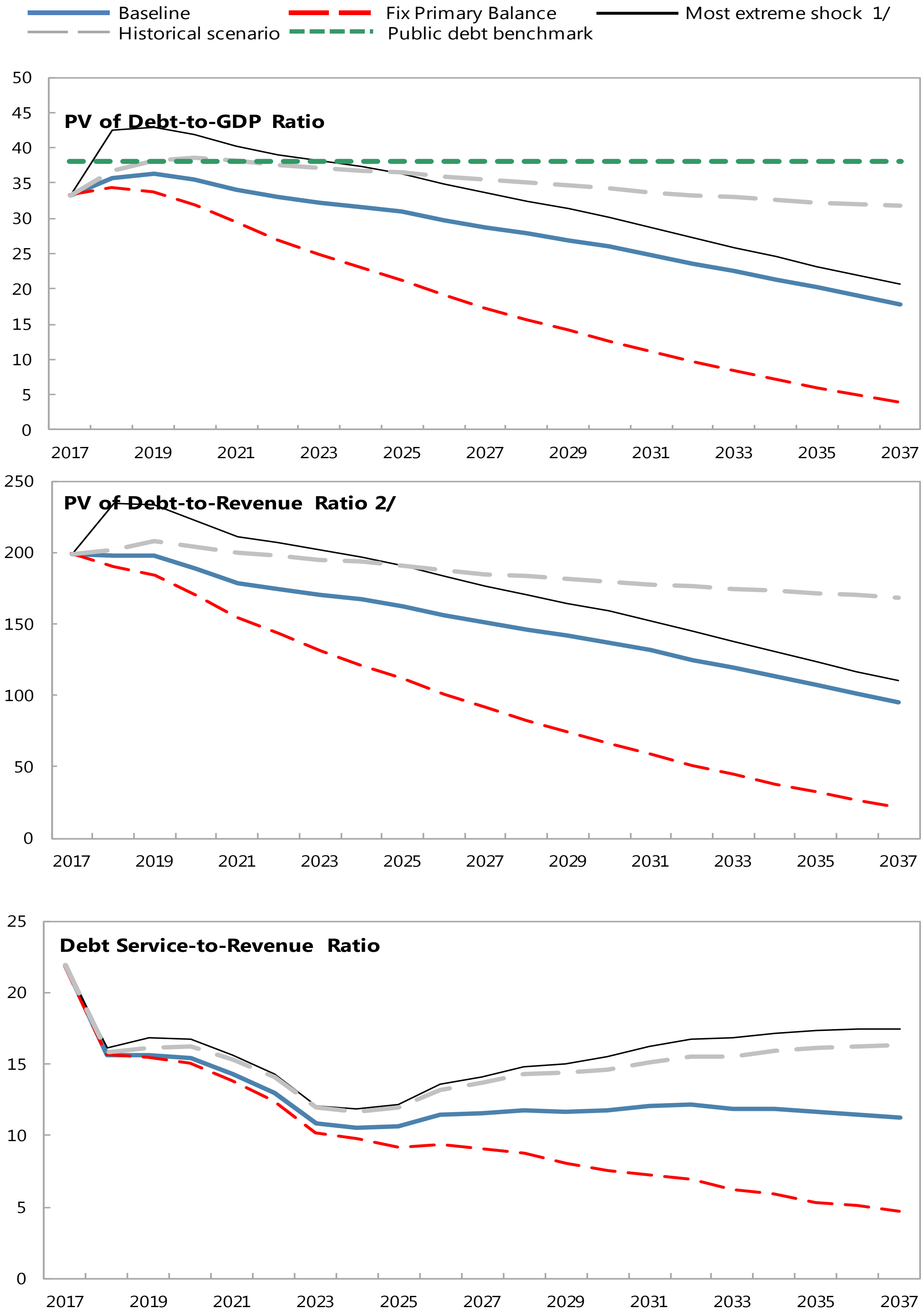
Figure 5. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Country-Specific Alternative Scenarios, 2016–37[1]/



Sources: Country authorities; and staff estimates and projections.

1/ The weak policies scenario assumes real GDP growth of 1 percentage point below the baseline over 2018-2037 and a lower overall primary fiscal balance of 0.5 percent of GDP in 2018-2019 to reflect slower reform implementation and revenue collection. The frontloaded disbursement scenario assumes the $650 million in non-concessional loans are disbursed over a three rather than five-year period along with a more rapid disbursement profile for already signed concessional loans.

Figure 6. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2016–37[1/]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.

2/ Revenues are defined inclusive of grants.

Table 3a. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2014–37 1/

(Percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2014	2015	2016			2017	2018	2019	2020	2021	2022	2017-2022 Average	2027	2037	2023-2037 Average
External debt (nominal) 1/	**20.3**	**21.7**	**22.1**			**22.1**	**30.1**	**34.2**	**36.1**	**36.0**	**36.2**		**35.0**	**23.4**	
of which: public and publicly guaranteed (PPG)	20.3	21.7	22.1			22.1	30.1	34.2	36.1	36.0	36.2		35.0	23.4	
Change in external debt	3.9	1.4	0.5			-0.1	8.1	4.0	1.9	0.0	0.2		-0.8	-1.4	
Identified net debt-creating flows	12.1	12.3	14.1			7.2	7.7	1.7	1.1	0.5	0.8		2.6	5.0	
Non-interest current account deficit	**13.5**	**15.1**	**31.9**	**13.4**	**8.4**	**24.3**	**21.1**	**11.0**	**17.9**	**15.0**	**12.9**		**9.3**	**7.1**	8.9
Deficit in balance of goods and services	10.7	12.1	31.5			23.8	17.7	6.1	12.9	9.6	7.1		2.4	-2.5	
Exports	22.3	18.7	29.2			34.9	38.7	41.8	42.0	41.7	41.7		39.8	37.9	
Imports	33.0	30.7	60.7			58.7	56.4	48.0	54.9	51.3	48.8		42.2	35.4	
Net current transfers (negative = inflow)	-1.8	0.0	-1.1	-3.2	1.9	-1.3	-2.1	-1.7	-1.7	-1.9	-2.0		-1.5	-0.8	-1.3
of which: official	-1.1	-0.2	-0.7			-0.5	-0.9	-0.5	-0.3	-0.5	-0.5		-0.4	-0.1	
Other current account flows (negative = net inflow)	4.6	3.1	1.5			1.8	5.5	6.5	6.6	7.3	7.7		8.4	10.3	
Net FDI (negative = inflow)	**-0.8**	**-3.0**	**-18.8**	**-5.5**	**5.4**	**-16.2**	**-12.7**	**-8.1**	**-15.4**	**-13.0**	**-10.9**		**-5.6**	**-1.4**	-4.3
Endogenous debt dynamics 2/	**-0.6**	**0.2**	**1.1**			**-0.9**	**-0.7**	**-1.2**	**-1.4**	**-1.5**	**-1.2**		**-1.1**	**-0.7**	
Contribution from nominal interest rate	0.2	0.2	0.3			0.4	0.4	0.5	0.5	0.5	0.5		0.5	0.4	
Contribution from real GDP growth	-0.6	-0.7	-1.5			-1.4	-1.2	-1.6	-1.9	-2.0	-1.7		-1.7	-1.1	
Contribution from price and exchange rate changes	-0.2	0.8	2.2			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-8.3**	**-11.0**	**-13.7**			**-7.2**	**0.3**	**2.3**	**0.8**	**-0.5**	**-0.7**		**-3.4**	**-6.3**	
of which: exceptional financing	-0.1	-0.5	0.0			-0.9	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	16.0			15.5	21.1	24.1	25.4	25.5	25.6		25.4	17.1	
In percent of exports	...	...	54.9			44.5	54.6	57.7	60.5	61.1	61.4		63.7	45.0	
PV of PPG external debt	**...**	**...**	**16.0**			**15.5**	**21.1**	**24.1**	**25.4**	**25.5**	**25.6**		**25.4**	**17.1**	
In percent of exports	**...**	**...**	**54.9**			**44.5**	**54.6**	**57.7**	**60.5**	**61.1**	**61.4**		**63.7**	**45.0**	
In percent of government revenues	**...**	**...**	**106.7**			**100.6**	**130.2**	**141.5**	**142.9**	**142.2**	**142.3**		**137.1**	**91.7**	
Debt service-to-exports ratio (in percent)	**2.3**	**5.6**	**3.6**			**1.9**	**2.6**	**2.5**	**3.4**	**3.1**	**3.7**		**4.8**	**5.4**	
PPG debt service-to-exports ratio (in percent)	**2.3**	**5.6**	**3.6**			**1.9**	**2.6**	**2.5**	**3.4**	**3.1**	**3.7**		**4.8**	**5.4**	
PPG debt service-to-revenue ratio (in percent)	**3.7**	**7.6**	**7.1**			**4.2**	**6.2**	**6.1**	**8.1**	**7.3**	**8.5**		**10.4**	**11.0**	
Total gross financing need (Billions of U.S. dollars)	1.2	1.2	1.2			0.8	0.9	0.4	0.4	0.4	0.5		1.0	2.8	
Non-interest current account deficit that stabilizes debt ratio	9.7	13.7	31.4			24.4	13.1	7.0	16.0	15.0	12.7		10.1	8.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.7	3.5	6.6	4.3	2.4	6.7	5.8	5.9	6.0	6.0	5.2	5.9	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	1.2	-3.7	-9.3	4.0	16.1	1.6	1.5	1.7	1.7	1.6	2.0	1.7	2.0	2.0	2.0
Effective interest rate (percent) 5/	1.0	0.8	1.5	1.2	0.3	2.2	2.2	1.7	1.7	1.6	1.6	1.8	1.6	1.7	1.6
Growth of exports of G&S (US dollar terms, in percent)	1.5	-16.4	51.1	9.8	22.8	29.5	19.0	16.5	8.3	7.0	7.3	14.6	6.2	6.9	6.4
Growth of imports of G&S (US dollar terms, in percent)	9.6	-7.1	90.8	19.2	33.2	4.8	3.2	-8.5	23.4	0.7	2.1	4.3	4.8	1.4	4.8
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	32.2	29.5	26.8	30.6	29.4	29.2	29.6	28.3	23.3	25.8
Government revenues (excluding grants, in percent of GDP)	13.8	13.7	15.0			15.4	16.2	17.1	17.8	17.9	18.0		18.5	18.6	18.5
Aid flows (in Billions of US dollars) 7/	0.2	0.1	0.1			0.2	0.4	0.3	0.4	0.4	0.4		0.5	0.5	
of which: Grants	0.2	0.1	0.1			0.1	0.2	0.1	0.1	0.1	0.1		0.1	0.1	
of which: Concessional loans	0.0	0.0	0.0			0.1	0.2	0.2	0.3	0.3	0.3		0.4	0.4	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			2.4	4.8	3.1	2.7	2.1	1.9		1.4	0.6	1.2
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			51.3	40.9	38.8	42.7	47.5	43.2		40.3	30.3	36.1
Memorandum items:															
Nominal GDP (Billions of US dollars)	8.8	8.8	8.5			9.2	9.9	10.6	11.4	12.3	13.2		18.6	36.7	
Nominal dollar GDP growth	5.0	-0.3	-3.3			8.3	7.3	7.7	7.8	7.7	7.3	7.7	7.0	7.0	7.0
PV of PPG external debt (in Billions of US dollars)			1.3			1.4	2.0	2.5	2.8	3.1	3.3		4.6	6.1	
(PVt-PVt-1)/GDPt-1 (in percent)						0.8	6.9	4.8	3.2	2.0	1.9	3.3	1.2	0.1	1.0
Gross workers' remittances (Billions of US dollars)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	16.0			15.5	21.1	24.1	25.4	25.5	25.6		25.4	17.1	
PV of PPG external debt (in percent of exports + remittances)	...	...	54.9			44.5	54.6	57.7	60.5	61.1	61.4		63.7	45.0	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	3.6			1.9	2.6	2.5	3.4	3.1	3.7		4.8	5.4	

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. Projections include price and exchange rate changes.
It includes donors' financing expected to be mobilized during the program (US$ 40 million in 2018 by the World Bank and Euro 55 million over 2017-19 by the European Union).
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ 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).

Table 3b. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2017–37

(Percent)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
PV of debt-to GDP ratio								
Baseline	16	21	24	25	25	26	**25**	17
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	16	21	27	32	36	40	**51**	32
A2. New public sector loans on less favorable terms in 2017-2037 2	16	23	27	29	30	30	**32**	26
Weak policies	15	21	24	25	26	26	**27**	20
Frontloaded Disbursement	15	22	26	28	28	28	**27**	17
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	16	21	25	27	27	27	**27**	18
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	16	28	44	44	44	43	**36**	17
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	16	24	31	33	33	33	**33**	22
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	16	30	38	39	39	39	**33**	17
B5. Combination of B1-B4 using one-half standard deviation shocks	16	35	56	57	56	55	**44**	20
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	16	29	33	35	35	35	**35**	23
PV of debt-to-exports ratio								
Baseline	44	55	58	60	61	61	**64**	45
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	44	53	65	76	86	95	**129**	83
A2. New public sector loans on less favorable terms in 2017-2037 2	44	58	64	69	71	72	**81**	69
Weak policies	43	53	57	61	62	63	**68**	53
Frontloaded Disbursement	43	57	62	68	68	68	**67**	45
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	44	53	56	59	59	60	**62**	44
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	44	98	192	194	193	191	**165**	82
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	44	53	56	59	59	60	**62**	44
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	44	77	92	93	93	92	**82**	44
B5. Combination of B1-B4 using one-half standard deviation shocks	44	101	163	164	163	161	**135**	64
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	44	53	56	59	59	60	**62**	44
PV of debt-to-revenue ratio								
Baseline	101	130	141	143	142	142	**137**	92
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	101	127	159	180	201	221	**277**	170
A2. New public sector loans on less favorable terms in 2017-2037 2	101	139	157	163	165	168	**173**	140
Weak policies	98	128	140	143	144	145	**147**	108
Frontloaded Disbursement	98	135	153	160	158	157	**145**	93
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	101	131	148	150	149	149	**143**	96
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	101	171	257	250	245	242	**193**	91
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	101	146	184	186	185	185	**178**	119
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	101	184	225	220	217	214	**176**	91
B5. Combination of B1-B4 using one-half standard deviation shocks	101	216	330	320	313	308	**240**	109
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	101	179	195	197	196	196	**189**	126

Table 3b. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2017–37 (continued)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
Debt service-to-exports ratio								
Baseline	2	3	3	3	3	4	**5**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	2	3	2	3	3	4	**8**	10
A2. New public sector loans on less favorable terms in 2017-2037 2	2	3	3	4	4	4	**6**	8
Weak policies	2	3	3	4	3	4	**5**	6
Frontloaded Disbursement	2	3	3	3	3	4	**5**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	2	3	3	3	3	4	**5**	5
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	2	4	5	8	7	8	**17**	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	2	3	3	3	3	4	**5**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	2	3	3	4	4	4	**8**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	2	3	4	6	6	7	**14**	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	2	3	3	3	3	4	**5**	5
Debt service-to-revenue ratio								
Baseline	4	6	6	8	7	9	**10**	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	4	6	6	8	8	9	**16**	21
A2. New public sector loans on less favorable terms in 2017-2037 2	4	6	7	9	9	10	**14**	17
Weak policies	4	6	6	8	8	9	**11**	13
Frontloaded Disbursement	4	6	6	8	7	9	**10**	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	4	6	7	9	8	9	**11**	12
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	4	6	7	10	9	10	**20**	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	4	7	8	11	10	11	**14**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	4	6	7	10	9	10	**17**	11
B5. Combination of B1-B4 using one-half standard deviation shocks	4	7	9	12	11	13	**25**	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	4	9	9	11	10	12	**15**	15
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	30	30	30	30	30	30	**30**	30

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than the baseline, while grace and maturity periods are the same as the baseline.
3/ Exports values assumed to remain permanently at the lower level, but the current account as a share of GDP assumed to return to its baseline level after the shock. (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 4a. Guinea: Public Sector Sustainability Framework, Baseline Scenario, 2013–37

(Percent of GDP, unless otherwise indicated)

	Actual				Average 5/	Standard Deviation 5/	Estimate	Projections								
	2013	2014	2015	2016			2017	2018	2019	2020	2021	2022	2017-22 Average	2027	2037	2023-37 Average
Public sector debt 1/	31.3	37.5	43.8	42.9			39.9	44.8	46.4	46.2	44.6	43.5		38.4	24.1	
of which: foreign-currency denominated	16.4	23.1	23.4	23.0			22.1	30.1	34.2	36.1	36.0	36.2		35.0	23.4	
Change in public sector debt	6.9	6.2	6.3	-0.9			-3.1	4.9	1.6	-0.2	-1.6	-1.1		-1.4	-1.5	
Identified debt-creating flows	1.5	2.0	6.2	-2.4			-3.7	-1.0	-1.5	-1.7	-1.7	-1.0		-1.2	-1.2	
Primary deficit	3.2	2.6	6.2	-0.7	1.9	3.6	-0.7	1.3	1.2	1.0	1.0	1.4	0.9	0.9	0.0	0.8
Revenue and grants	14.6	16.7	14.7	16.0			16.8	18.1	18.4	18.9	19.0	18.9		19.1	18.8	
of which: grants	0.9	2.8	1.0	1.0			1.3	1.9	1.3	1.1	1.1	0.9		0.6	0.2	
Primary (noninterest) expenditure	17.8	19.2	20.9	15.3			16.1	19.4	19.6	19.9	20.1	20.3		20.0	18.8	
Automatic debt dynamics	-1.7	-0.5	0.9	-1.7			-3.1	-2.3	-2.7	-2.8	-2.7	-2.4		-2.1	-1.3	
Contribution from interest rate/growth differential	-1.8	-1.0	-1.4	-4.9			-4.3	-3.5	-4.3	-4.5	-4.6	-4.3		-4.0	-2.6	
of which: contribution from average real interest rate	-0.9	0.2	-0.2	-2.1			-1.7	-1.4	-1.8	-1.9	-1.9	-2.1		-2.1	-1.4	
of which: contribution from real GDP growth	-0.9	-1.1	-1.3	-2.7			-2.7	-2.2	-2.5	-2.6	-2.6	-2.2		-1.9	-1.2	
Contribution from real exchange rate depreciation	0.1	0.5	2.4	3.1			1.3	1.2	1.6	1.8	1.8	1.9		...	...	
Other identified debt-creating flows	0.0	-0.1	-1.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	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	0.0	
Recognition of implicit or contingent liabilities	0.0	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	-0.1	-1.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, 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	0.0	
Residual, including asset changes	5.4	4.2	0.1	1.6			0.7	5.9	3.1	1.6	0.1	0.0		-0.2	-0.3	
Other Sustainability Indicators																
PV of public sector debt	...	...	...	36.8			33.3	35.8	36.3	35.6	34.0	32.9		28.7	17.8	
of which: foreign-currency denominated	...	...	...	16.9			15.5	21.1	24.1	25.4	25.5	25.6		25.4	17.1	
of which: external	...	...	...	16.0			15.5	21.1	24.1	25.4	25.5	25.6		25.4	17.1	
PV of contingent liabilities (not included in public sector debt)	...	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	4.5	52.2	9.9	3.3			3.0	4.2	4.1	3.9	3.8	3.8		3.1	2.1	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	...	230.6			198.8	197.3	197.8	188.5	178.7	174.5		150.6	95.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	...	245.2			215.9	220.6	212.9	200.1	190.0	183.0		155.3	96.0	
of which: external 3/	...	...	...	106.7			100.6	130.2	141.5	142.9	142.2	142.3		137.1	91.7	
Debt service-to-revenue and grants ratio (in percent) 4/	8.6	298.1	25.3	24.8			21.9	15.6	15.6	15.4	14.2	12.9		11.6	11.3	
Debt service-to-revenue ratio (in percent) 4/	9.2	358.5	27.2	26.3			23.7	17.5	16.8	16.4	15.1	13.6		11.9	11.4	
Primary deficit that stabilizes the debt-to-GDP ratio		-3.7	0.0	0.2			2.4	-3.6	-0.4	1.2	2.7	2.5		2.3	1.5	
Key macroeconomic and fiscal assumptions																
Real GDP growth (in percent)	3.9	3.7	3.5	6.6	4.3	2.4	6.7	5.8	5.9	6.0	6.0	5.2	5.9	5.0	5.0	5.0
Average nominal interest rate on forex debt (in percent)	0.9	1.0	0.7	1.4	1.2	0.4	2.1	2.2	1.7	1.7	1.6	1.6	1.8	1.6	1.7	1.6
Average real interest rate on domestic debt (in percent)	0.6	3.0	2.0	-3.7	-0.6	5.4	-2.7	-1.7	-1.5	-1.0	-1.0	-1.3	-1.5	-1.4	-0.6	-1.1
Real exchange rate depreciation (in percent, + indicates depreciation)	0.5	3.2	10.7	15.3	6.1	15.2	6.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	7.9	2.8	2.8	8.5	8.8	5.5	7.8	7.7	7.8	7.6	7.5	7.9	7.7	8.0	8.0	8.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	12.0	12.8	-22.3	0.4	9.5	12.5	27.7	6.7	7.6	7.0	6.1	11.3	3.5	4.0	4.4
Grant element of new external borrowing (in percent)	...	...	...	...	...	...	32.2	29.5	26.8	30.6	29.4	29.2	29.6	28.3	23.3	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ 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.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4b. Guinea: Sensitivity Analysis for Key Indicators of Public Debt 2017–37
(Percent)

	Projections							
	2017	2018	2019	2020	2021	2022	2027	2037
PV of Debt-to-GDP Ratio								
Baseline	33	36	36	36	34	33	29	18
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	33	37	38	39	38	37	35	32
A2. Primary balance is unchanged from 2017	33	34	34	32	29	27	17	4
A3. Permanently lower GDP growth 1/	33	36	37	36	35	35	33	31
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-20	33	38	41	41	40	40	39	33
B2. Primary balance is at historical average minus one standard deviations in 2018-201	33	39	42	41	39	38	33	20
B3. Combination of B1-B2 using one half standard deviation shocks	33	38	41	41	40	40	38	29
B4. One-time 30 percent real depreciation in 2018	33	41	41	40	38	37	33	24
B5. 10 percent of GDP increase in other debt-creating flows in 2018	33	42	43	42	40	39	34	21
PV of Debt-to-Revenue Ratio 2/								
Baseline	199	197	198	188	179	175	151	95
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	199	202	208	204	199	198	185	168
A2. Primary balance is unchanged from 2017	199	190	184	169	154	143	91	21
A3. Permanently lower GDP growth 1/	199	198	200	193	185	183	174	164
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-20	199	206	219	214	208	209	204	176
B2. Primary balance is at historical average minus one standard deviations in 2018-201	199	213	228	217	206	202	173	108
B3. Combination of B1-B2 using one half standard deviation shocks	199	211	225	218	210	209	197	156
B4. One-time 30 percent real depreciation in 2018	199	228	224	211	200	196	176	130
B5. 10 percent of GDP increase in other debt-creating flows in 2018	199	234	233	222	211	206	176	110
Debt Service-to-Revenue Ratio 2/								
Baseline	22	16	16	15	14	13	12	11
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	22	16	16	16	15	14	14	16
A2. Primary balance is unchanged from 2017	22	16	15	15	14	12	9	5
A3. Permanently lower GDP growth 1/	22	16	16	16	15	13	13	16
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-20	22	16	17	17	16	14	14	17
B2. Primary balance is at historical average minus one standard deviations in 2018-201	22	16	16	16	15	13	14	12
B3. Combination of B1-B2 using one half standard deviation shocks	22	16	17	17	15	14	14	16
B4. One-time 30 percent real depreciation in 2018	22	17	18	19	18	17	17	19
B5. 10 percent of GDP increase in other debt-creating flows in 2018	22	16	16	16	15	14	15	12

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.