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FIFTH REVIEW UNDER THE THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, FINANCING ASSURANCES REVIEW, AND REQUESTS FOR AN AUGMENTATION OF ACCESS AND EXTENSION OF THE CURRENT ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

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Guinea continues to face a moderate risk of debt distress.[1] *Under the baseline scenario, all debt indicators are below their policy-dependent thresholds. However, stress tests point to vulnerabilities to macroeconomic shocks, in particular to negative shocks to growth, exports, FDI and fiscal performance. There is limited scope to take on additional debt over and above the projected amounts over the medium term. New borrowing in the next five years should be monitored closely and guided by prudent debt management. It would remain important to rely primarily on concessional sources of external financing; the planned strengthening of debt management would be important to ensure a sound forward-looking debt strategy. Compared to the last DSA, in the current DSA the Ebola epidemic is assumed to persist throughout most of 2015 resulting in the following differences: (i) a larger detrimental impact on the economy, (ii) a higher level of external borrowing in the short term to finance a larger budget deficit resulting from the Ebola outbreak and a higher level of public investment, (iii) an increase in access under the ECF arrangement of 42.1 percent of quota (SDR 45.135 million), and (iv) the one-off use of net bank financing in 2015 of about 2.0 percent of GDP. The current DSA also incorporates: (i) the budgetary impact of the 2015 civil service salary increase, (ii) the decline in the world oil prices—an increase in budgetary revenues and lower import bill, and (iii) the cancellation in 2012 of French claims under debt-for-development swaps (C2D).*

[1] In the LIC-DSA framework Guinea is rated a weak policy performer with a Country Policy and Institutional Assessment (CPIA) average rating for 2011–13 of 2.93.

INTRODUCTION

1. This debt sustainability analysis (DSA) is a full joint Bank-Fund LIC-DSA; the last LIC-DSA (an update) was considered by the Executive Board in September 2014 as part of Guinea's request for a disbursement under the Rapid Credit Facility (RCF).[2] For the first time, the DSA excludes French claims which were cancelled in 2012 under debt-for-development swaps. Guinea continues to be assessed as being a weak policy performer and at a moderate risk of debt distress. As a result of higher estimates of the negative economic effects of the Ebola epidemic in 2014 and its persistence through much of 2015, as well as the impact of the 2015 civil service increase, there is some deterioration in some external debt indicators in the near term compared to the last DSA update. However, the steep fall in world oil prices will have a positive impact through higher budget revenues[3] and a lower oil import bill.

BACKGROUND

2. A significant share of Guinea's external debt (13.9 percent or $219 million) at end-2013 represents official claims under C2D debt-for–development swaps (Contrats de Désendettement et Développement). In the context of providing HIPC initiative debt relief France effectively cancelled its outstanding ODA claims on Guinea, and this is being carried out through the C2D process; at end-2012 exclusion of C2D claims reduces the debt stock by 15.5 percent. The C2D mechanism involves returning the debt service due on these claims in the form of grants for the government to use for development projects. This is done through two agreements: one provides for the cancellation of the claims and the other covers the amounts each year that are to be paid as debt service and returned as grants for development projects; this process began in 2012 and is projected to take place through 2020.[4] For accounting purposes, these claims/debts remain on the creditor/debtor debt stock balance sheets and are reduced in line with the annual debt service payments made under the C2D agreement. For this reason, staff had included the stock of C2D debt in previous DSAs, but following clarification with the relevant authorities that these claims are effectively cancelled this debt and associated debt service payments are excluded in the current DSA beginning in 2012.[5]

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[2] The DSA was prepared jointly by the staff of the IMF and Bank, in collaboration with the authorities of Guinea. The 2014 DSA for the disbursement under the Rapid Credit Facility can be found in IMF Country Report No. 14/298, September 2014. The last full DSA was issued in Guinea's HIPC Completion Point document (see IMF Country Report No. 12/295, October 2012).

[3] Domestic petroleum product prices are administered and the budget benefits from the lower import parity price.

[4] In practice this is being done through successive 3-year agreements specifying the amounts due by Guinea on these claims and the use of the amounts for project spending. Guinea pays the debt service due to France which is then returned in the form of grants for use as specified in the C2D agreement.

[5] However, in the staff report the debt service associated with the C2D process is recorded in the fiscal and external tables to capture the gross cash-flows (debt service and grants) associated with C2D and the annual corresponding reduction in external debt. At end-2013, C2D obligations accounted for 13.9 percent of outstanding external debt. During 2014–20 projected C2D related debt service flows on average account for slightly over 30 percent of total debt service on outstanding loans as of end-2013.

3. Following Guinea's attainment of the enhanced HIPC initiative in 2012, external debt sustainability and vulnerability to shocks improved, and this provided space for the government to increase its external borrowing to finance investments. In 2012, as a result of debt relief stemming from the enhanced HIPC initiative and MDRI, the stock of public and publicly guaranteed (PPG) external debt (excluding C2D debt) fell sharply by 63 percent, and then rose by 23 percent in 2013; at end-2013, the debt stock was $1.36 billion (excluding C2D) (Table 1); the increase is primarily accounted for by disbursements for the construction of the Kaleta hydroelectric dam. In terms of GDP the ratio of PPG external debt fell in 2012, from 61.6 percent in 2011 to 19.6 percent in 2012 and then rose slightly to 21.8 percent in 2013. At end-2013, Guinea had outstanding external debt arrears of $186 million (11 percent of total debt) which are virtually all to non-Paris Club official bilateral creditors and commercial creditors. The authorities have invited these creditors for discussions on debt relief and a normalization of the arrears, however thus far most creditors have not responded to these invitations nor have requested payment of the arrears.[6]

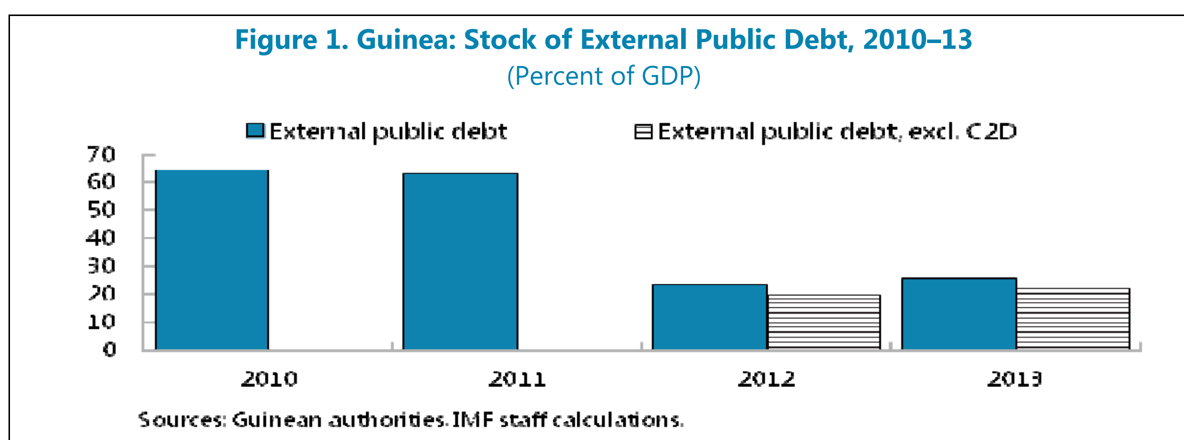

Figure 1. Guinea: Stock of External Public Debt, 2010–13

(Percent of GDP)

Sources: Guinean authorities. IMF staff calculations.

Table 1. Guinea: Structure of External Public Debt (Nominal)

	end-2013	end-2013	end-2013
	US Dollars (millions)	Percent of Total	Percent of GDP
Total	**1,358.5**	**100.0**	**21.8**
Total, incl. C2D	1,577.3	116.1	25.3
Multilateral Creditors	**588.3**	**43.3**	**9.4**
IMF	85.6	6.3	1.4
World Bank	168.1	12.4	2.7
AfDB Group	95.1	7.0	1.5
IsDB	122.2	9.0	2.0
EU	0.0	0.0	0.0
Other Multilateral Creditors	117.3	8.6	1.9
Official Bilateral Creditors	**704.6**	**51.9**	**11.3**
Paris Club (excl. C2D)	70.0	5.2	1.1
Non-Paris Club	498.0	36.7	8.0
Arab Funds	136.6	10.1	2.2
Commercial Creditors	**65.6**	**4.8**	**1.1**
Memo			
Arrears 1/	186.1	13.7	3.0

Sources: Guinean authorities and IMF and World Bank estimates.

1/ The arrears are primarily to some non-Paris Club official bilateral creditors ($88.5 million) and commercial creditors ($65.6 million) and concern debt outstanding on which there is no remaining debt service obligations falling due. The Guinean authorities have invited these creditors for discussions on debt relief and a normalization of the arrears. In addition, there are some arrears to a Paris Club creditor for which a resolution is under discussion with the Guinean authorities.

[6] The status of these arrears under the IMF's policy concerning lending into arrears (LIA) and arrears to official creditors has not changed since the (last) 4th review under the ECF arrangement.

4. Public domestic debt (central government) was equivalent to 13.9 percent of GDP at end-2013. The debt stock is approximately divided equally between outstanding central bank advances and treasury bills held by domestic banks. Following the large increase in borrowing from the domestic banking system in 2009–10, the authorities have sharply curtailed new borrowing; up to 2014 the program supported under the current ECF arrangement has provided for no new net bank financing other than the drawdown of exceptional mining revenues on deposit at the central bank.

UNDERLYING ASSUMPTIONS

5. The baseline macroeconomic assumptions underlying this DSA are summarized in Box 1 and Table 2. In the staff's baseline projection, growth during 2014–15 reflects the negative impact of the Ebola epidemic. Subsequently growth during 2016–20 is underpinned by large-scale foreign direct investment in the mining sector. An ensuing increase in mining exports as well as non-mining sector growth reflecting the expansion of agriculture, electricity supply, and improvements in the business environment and economic infrastructure would support growth of slightly over 4 ½ percent a year in the long run.

6. The borrowing assumptions are consistent with the government's debt policy. External financing needs would be met primarily from concessional sources; over the long run with rising income levels and exports a gradual shift to non-concessional sources is envisaged, including some recourse to commercial borrowing in the outer years of the projection horizon. Under this borrowing framework, the share of new borrowing from concessional multilateral financing falls progressively from 60 percent to 30 percent. A framework, in which the share falls to 10 percent, does not substantially alter the conclusions of the DSA given debt indicators are well below their respective thresholds in the latter half of the projection period. As regards outstanding external arrears, the LIC-DSA, in line with the government's objective, assumes these would be cleared through a combination of partial cancellation and rescheduling. In line with the program, in 2015 the government's financing need would be met in part from the banking sector (bank financing would amount to about 2.0 percent of GDP) using a mix of existing short-term and new longer-term funding instruments (3- to 5-year bonds); subsequently the government would resume its policy of no new net bank financing, and the 2015 issuance would be progressively, and in decreasing amounts, rolled over and repaid over a ten year period. Net repayments are assumed to resume in the future, including in the longer term on past advances from the central bank. The fiscal and external financing gaps (excluding prospective IMF disbursements) identified in 2015 under the program, are assumed to be filled by external grants. Financing gaps in 2016-17 are assumed to be covered by external borrowing.

Box 1. Guinea: Macroeconomic Assumptions for 2013–34

Medium- and long-term macroeconomic assumptions rely heavily on a control of the Ebola outbreak by end-2015, on a large mining project expected to start production in 2020, and on a continuation of strong macroeconomic policies.

Real GDP growth: Output growth averaged 3 percent during the first half of the 2000s, plunged in 2009–10 as a result of the political crisis, rebounded to about 4 percent in 2011-12 as the political and economic situation started to stabilize, before slowing down to 2% in 2013, amid renewed political tensions. In 2014, the Ebola outbreak imposed a heavy toll on the economy with zero growth projected on average during 2014–15 as activity in agriculture and services is significantly affected by the epidemic. Reflecting the eradication of Ebola by end 2015 and a return to more normal levels of economic activity as well as the start of foreign investment activities in the mining sector, growth is expected to rebound strongly to an average of 7.4% during 2016-2019. After the post-Ebola rebound, growth (including the Simandou iron ore project) is projected at 7.7% during 2020–22 as production from a major mining project begins and ramps up. Once mining production reaches full capacity, growth tails off and is projected at an average of 4.5 percent per year after 2022. Non-mining sector growth is projected to stabilize at about 4.7 percent per year in the long run. The reform programs and actions currently undertaken would unlock growth potentials, including support to the agriculture sector; improvement of electricity supply; improvement of the business environment; and integration of the mining activities to the local economy.

Inflation: Inflation has gradually declined from 21 percent in December 2010 to 9 percent in December 2014 and is projected to fall to 7 percent by 2019. In the long run, as measured by the GDP deflator in U.S. dollar terms, inflation is projected to be around 6½ percent, close to CPI inflation projections in Guinea.

Fiscal policy: Following the deterioration of the macroeconomic outlook after the Ebola epidemic the overall fiscal balance is expected to deteriorate to 10.6 percent of GDP in 2015, reflecting mainly the costs of containing the Ebola epidemic and other current spending, including the establishment of new institutions mandated under the Constitution and a 40 percent general wage increase granted in 2015. From 2016 onwards, the deficit is expected to decline to an average of 4.8 percent in the final years of the current decade and to 2.1 percent of GDP in the outer years of the projection period. The initial sharp drop in the deficit reflects the end of spending to eradicate Ebola and a decline in capital expenditures; the latter is in line with available financing as no further exceptional mining revenues are projected after 2015, a return to a policy of no new net bank financing following the one-off funding operation in 2015, and the winding down of several large externally financed projects in the energy sector. Increased revenues from the mining sector beginning in the mid-2020s are assumed to allow for a further increase of domestically-financed investment and total investment expenditures would rise gradually to 11 percent of GDP in the long run. Current spending would gradually decline as a share of GDP and be on average 15 percent of GDP after 2030.

External current account balance (excluding official transfers): The significant fall in world oil price will have a positive impact on the external accounts in 2015 and the medium-term. The current account deficit is expected to expand sharply to over 40 percent of GDP by 2020, as imports for the mega mining project ramp up during its construction phase. Subsequently, the current account is projected to move into surplus as mining sector investment (imports) declines and mining exports come on stream. Over the long run mining exports stabilize and as non-mining GDP continues to expand as structural reforms take hold so also do imports continue to grow, and the external current account moves back into deficit. The international reserve position is projected to fall to 3 months of imports by end-2015, but is expected to recover quickly and over the long run to remain at 4.5 months of imports.

External financing: Official financing (grants and loans) is expected to fall sharply after 2015: grants would fall as grant financing of the government's Ebola response plan ends and loans would decline with the winding down of several large-scale energy sector projects and the assumption of new IMF arrangements. Over the long run the external borrowing would decline as growing domestically-financed investment financed on the back of the rise in mining sector revenues would substitute for externally financed investment. Over time, the share of concessional loans is expected to decline, from 60 percent during 2014–18, to 40 percent during 2019–26 and 30 percent during 2027–34.

Foreign direct investment: Net FDI is expected to surge during 2016–20 reaching over 40 percent of GDP in 2018–20, owing to the rapid buildup in mining related activities. Subsequently net FDI falls and gradually declines over the long run. At the same time, net outflows on the income account increase, as the repatriation and distribution of profits from the mining sector rises.

Table 2. Guinea: LIC DSA Macroeconomic Assumptions
(Percent of GDP excl. megaprojects, unless otherwise indicated)[1]

	Previous LIC DSA (RCF 2014)					Current LIC DSA [2]				
	2014	2015	2020	2025	2034	2014	2015	2020	2025	2034
Nominal GDP ($ Million)	6,770	7,455	11,313	18,683	30,664	6,638	7,155	12,174	19,997	33,084
Real GDP (Percentage change)	2.4	4.1	7.4	5.0	4.5	0.4	-0.3	8.2	5.0	4.5
Nominal GDP, excl. megaprojects ($ Million)	6,770	7,455	10,270	14,044	25,064	6,638	7,155	11,131	15,358	27,487
Real GDP, excl. megaprojects (Percentage change)	2.4	4.1	4.2	4.4	4.9	0.4	-0.3	5.1	4.4	4.8
Fiscal Accounts										
Revenue and grants [2]	23.9	21.3	21.4	23.2	24.0	25.3	25.7	23.5	25.2	24.9
Primary Expenditure	28.7	22.9	22.8	23.1	24.9	28.9	32.5	23.9	25.5	25.3
Of which : Capital expenditure and net lending	12.6	7.3	9.7	10.2	12.2	11.9	13.0	8.7	10.1	10.5
Primary Fiscal Balance	-4.8	-1.6	-1.4	0.0	-1.0	-3.6	-6.7	-0.5	-0.3	-0.3
New external borrowing [3]	5.6	2.6	3.5	1.3	1.2	5.3	7.5	2.2	1.8	1.6
Grant element of new external borrowing (%)	38.1	35.5	42.0	42.0	35.2	37.9	40.8	42.0	42.0	35.2
Balance of Payments										
Exports of goods and services	21.7	20.6	35.1	82.8	52.4	23.4	23.1	34.4	76.9	48.7
Imports of goods and services	-39.9	-39.6	-52.1	-72.6	-47.8	-40.3	-37.0	-75.5	-60.5	-46.8
Current account (including transfers) [2]	-18.1	-18.0	-18.8	-11.5	-8.0	-18.1	-14.0	-41.2	8.9	-7.8
Foreign direct investment	5.6	10.1	12.1	7.0	4.1	0.9	1.0	43.7	5.9	4.4

Source: Guinean authorities, IMF and World Bank staff estimates.
[1] The LIC-DSA and Figures 1-2 and Tables 3-6 use total GDP in the calculations and the ratios expressed in terms of GDP. The ratios to GDP in this Table 2 are expressed in terms of GDP excluding Simandou and are consistent with tables in the main text, figures, and tables in the Staff Report.
[2] Thi For current LIC DSA this differs from the Staff Report because it excludes C2D related grants and assumes 2015 financing gap excluding possible IMF disbursements is closed with grants
[3] Includes publicly guaranteed external borrowing.

7. The key changes in the baseline macroeconomic assumptions relative to the previous (RCF) DSA are as follows.

- Real GDP growth is projected to be sharply lower during 2014–15, reflecting a reassessment of the negative impact of the Ebola epidemic.
- Fiscal expenditures in 2015 are higher reflecting the 40 percent civil service salary increase and the cost of fighting the Ebola epidemic; the additional cost of the government's Ebola response plan is assumed to be met largely by grants. Capital expenditures in 2015, in part financed by higher external borrowing, are higher reflecting the government's intention to maintain a strong investment effort. In addition, interest payments on domestic debt are higher beginning in 2016 through to the mid-2020s, reflecting the large domestic debt issuance in 2015 and subsequent repayment period. During the 2020s, primary expenditures are slightly higher with a shift in favor of current expenditures. This is intended to allow for a rise in spending (primarily on current expenditures) to reinforce the health sector in the aftermath of the Ebola epidemic; capital expenditures are lower because of lower projected external borrowing. Revenues benefit from the drop in oil prices.
- The sharp decline in world oil prices has a positive impact (reduction) on the oil import bill.
- During 2015–25 domestic debt is higher reflecting the government's projected use of net bank financing in 2015 which is subsequently repaid over the following 9 years (see preceding paragraph).
- Debt projections incorporate debt relief given by the Islamic Development Bank in late 2014 to complete its contribution (as designated by the common reduction factor) under the HIPC initiative following Guinea's HIPC completion point. The debt relief amounts to

SDR 17.73 million in present value terms and involves a rescheduling of debt service maturities over a period of 25 years.

- The DSA incorporates the authorities request for an increase in access under the current ECF arrangement of 42.1 percent of quota (SDR 45.135 million) which would be disbursed in 2015.
- In the external accounts, exports are higher reflecting upward revisions in artisanal diamond exports from 2014 onwards and higher gold exports in the longer run. Imports are somewhat lower because of lower oil prices over the medium term but broadly similar as a share of GDP in the long run, primarily reflecting lower GDP; a sizeable element of imports is driven by the mining sector in which the level of activity is determined by supply factors rather than by GDP growth.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

8. The results of the external DSA confirm that Guinea's debt dynamics are sustainable (Figure 2; Tables 3a and 3b).[7] They also confirm that Guinea's risk of debt distress has not changed and remains at a moderate level. The exclusion of C2D debt and related debt service leads to a slight improvement in the indicators. To provide an appropriate basis for comparison, including assessing whether changes in the borrowing and macroeconomic projections would lead to a change in Guinea's risk of debt distress, the previous DSA was rerun excluding C2D (Figure 4). A comparison of the debt indicators in the current and previous DSAs illustrates the impact of the changes in the projections while removing the effect of excluding C2D.[8]

9. The baseline debt indicators have worsened somewhat over the medium term but over the longer run have improved slightly compared to the previous DSA. Under the baseline all debt indicators remain below the policy-dependent variables. The relatively large external debt dynamic residuals in some years (see Table 3), after taking into account exceptional financing (debt relief and non-FDI financial account non-debt creating inflows), reflect weaknesses in the coverage of balance of payments data. This also implies that the results and conclusions should be interpreted with a measure of caution.[9] During the period 2014–19 compared to the previous DSA (excluding C2D) the amount of new borrowing is higher, including the augmentation in IMF financing. The higher borrowing and the lower level of GDP results in a worsening of the debt stock and debt service indicators, notwithstanding the higher level of exports. During this period the PV of debt-to-exports ratio approaches its policy dependent threshold (100 percent) reaching a maximum in 2019 of 99.3 percent. However, if the 2015 financing gap, other than prospective IMF disbursements, was

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[7] In the LIC-DSA framework Guinea is rated a weak policy performer with a Country Policy and Institutional Assessment (CPIA) average rating for 2011–13 of 2.93.

[8] In addition, a comparison of the current DSA Debt indicators including and excluding C2D is provided in Figure 5.

[9] In 2014 the residual is in part accounted for sizeable short-term private sector capital inflows (typically bank loans to fund operations) and a high level of project capital grants which are not captured in the decomposition of debt dynamics. In 2015 the residual is largely accounted for by debt relief (2.2 percent of GDP), a large drawdown in reserves (2.2 percent of GDP) and a one-off payment for mining rights recorded in the financial and capital account (1.1 percent).

closed by loans, this policy-dependent threshold would be temporarily breached; the debt indicator would reach 100 percent in 2016 and then rise to a maximum of 104.6 percent in 2019 and then fall sharply as mining exports rise sharply. This highlights the limited scope for the government to take on more external debt, before the projected rise in mining sector exports and fiscal revenues, and the need for concessional external resources during the next five years. The government is aware of the risks associated with non-concessional external borrowing, and with respect to the 2015 financing gap it has indicated that in the event there is a shortfall in the amount of concessional external financing needed to cover the gap, domestic adjustment measures will be implemented to close the gap.

10. The stress test indicators have for the most part worsened, but under the extreme shock scenario have improved. Except for the historical scenario, as in the previous DSA the PV of debt-to-GDP and debt–to-exports indicators breach the policy-dependent threshold, but only temporarily returning below the thresholds by 2020; the PV of debt-to-revenues does not breach the threshold unlike the previous DSA. The improvement in the extreme shock scenario primarily owes to the higher projected level of exports;[10] in addition for the export related indicators the extreme shock scenario is an export shock whereas in the previous DSA it was a combination shock. Under the historical scenario there is a sustained breach of the policy-dependent thresholds starting in the 2020s. In the staff's view this finding is the result of an unrealistic stress test, which assumes a high external current deficit regime over the second half of the DSA horizon. This scenario is based on a historical average value and standard deviation for the external current account deficit that is atypically large because of a few outliers. During the period up to the early 2020s this results in lower trajectory of the debt indicators than under the baseline which is based on larger projected external current account deficits albeit with higher levels of foreign direct investment. However over the second half of the projection period, under the baseline mining sector foreign direct investment falls sharply while mining exports increase substantially, resulting in much smaller current account deficits. The successful large-scale exploitation of Guinea's natural resource wealth represents a structural break from the past and, there is little reason to expect a high current account deficit to persist unless it reflects large foreign direct investment inflows. The worsening of the historical scenario after 2019 relative to the last DSA owes primarily to a downward revision in factor income outflows (mining sector dividend payments) and a related change in the debt dynamics residuals, particularly during 2020–25, which triggers the onset of a path of unsustainable debt accumulation.[11] The stress tests do however indicate that Guinea's remains vulnerable to adverse shocks to growth, exports, foreign direct investment flows and fiscal performance.

[10] In the combination shock, the shock to exports is applied to the growth in export value in 2015. As the decline in export value is lower than in the previous DSA the resulting deterioration in the current account and the increase in the accumulation of debt is lower than in the previous DSA.

[11] In the previous DSA high dividend outflows led to offsetting large positive short-term capital inflows in the balance of payments and generated sizeable negative residuals in the debt dynamics in the baseline. Under the historical scenario the baseline residuals are retained and had the effect of dampening the impact on the debt dynamics with a fixed non-interest current account deficit at its historical average value. Under the current balance of payment projections and DSA the large dividend outflows during 2020–25 were considered unrealistic and were revised downwards, resulting in a lower short-term capital inflows (in the balance of payments) and positive debt dynamic residuals in the DSA. Thus with the same fixed non-interest current deficit as in the last DSA the residuals increase the pace of debt accumulation during 2020–25 and trigger an unsustainable path of debt accumulation thereafter.

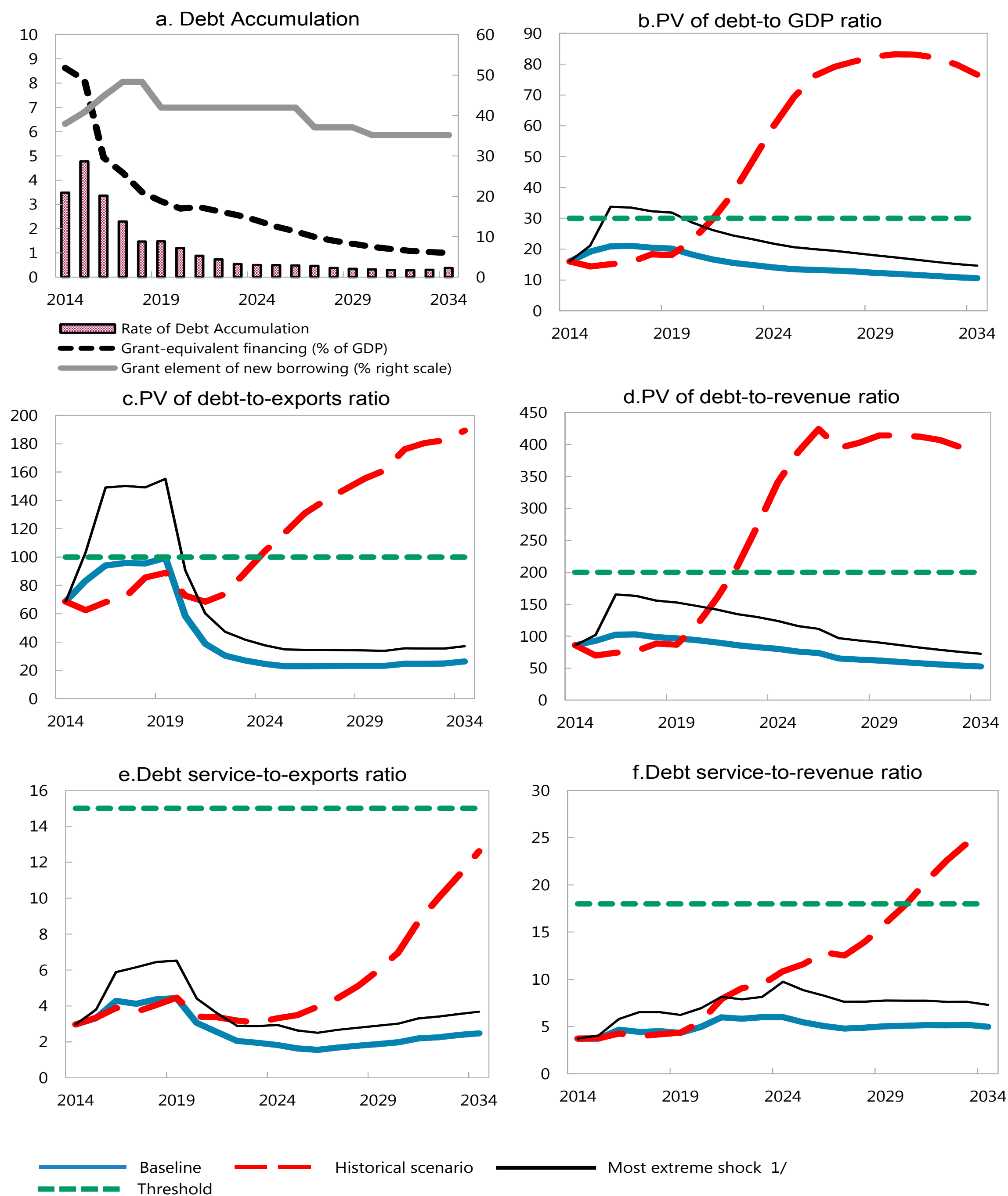
PUBLIC DEBT SUSTAINABILITY ANALYSIS

11. The inclusion of domestic debt in the DSA worsens the debt burden indicators, including compared to the previous DSA, although the domestic debt burden is expected to decrease over time (Figure 3, Tables 4a and 4b). Under the baseline all debt indicators remain below the policy-dependent variables and therefore the addition of domestic debt does not point to a heightened risk of debt distress. In the short term public debt indicators deteriorate because of the projected one-off recourse to domestic net bank financing in 2015. Subsequently this impact is unwound over the following 9 years as the 2015 debt issuance is gradually repaid. The stress test indicators of public debt point to the need to refrain from continuing the use of domestic financing in the short term on top of that undertaken in 2015. As in the previous DSA, the public debt position is vulnerable notably with respect to policy reversals in maintaining fiscal discipline and shocks to growth. Under the unchanged primary balance scenario, the deterioration in the debt indicators is larger than in the previous DSA because the projected primary balance in 2014 (the reference year for fixing the primary balance) is somewhat larger and projected GDP lower. The staff does considers this stress test to be an unlikely scenario and not informative, given the government's commitment to sound fiscal policies as well as the scope to expand fiscal expenditures on the back of the large rise in mining sector revenues and gradually reduce the primary balance over time.

12. Guinea remains at a moderate risk of debt distress. This is unchanged from the previous DSA in September 2013 (adjusted to exclude C2D obligations). In the baseline scenario, all debt indicators remain below their respective policy-dependent thresholds. However, stress tests indicate that Guinea debt external debt outlook continues to be vulnerable to macroeconomic shocks, in particular to growth, exports, foreign direct investment flows and fiscal performance. The inclusion of domestic debt leads to a temporary deterioration in debt indicators because of the sizeable one-off net issuance of domestic debt in 2015, but does not significantly change the conclusions of the external DSA, in particular as regards vulnerabilities to the public debt outlook. However, the projected continuation of a strong and much-needed public investment effort results in projected baseline borrowing that provides limited scope to take on additional debt above projected amounts in the medium term without risking a temporary breach of the PV of debt-to-exports ratio threshold; in recent years public investment had been in part been financed by the drawdown of sizeable exceptional mining sector revenues in 2011 in lieu of borrowed resources. This highlights the need for sound macroeconomic policies and prudent debt management, including reliance primarily on external financing on concessional terms, to maintain a sustainable external position. A strong structural reform effort and improvements in the business environment will also be needed to realize Guinea's growth potential, particularly in the mining and agriculture sectors, and improve fiscal and export revenue performance. It would continue to be important to rely primarily on concessional sources of external financing; the planned strengthening of debt management would be important to ensure a sound forward-looking debt strategy.

13. The authorities concurred with the analysis and conclusions of this DSA, including the exclusion of the C2D debt and debt service.

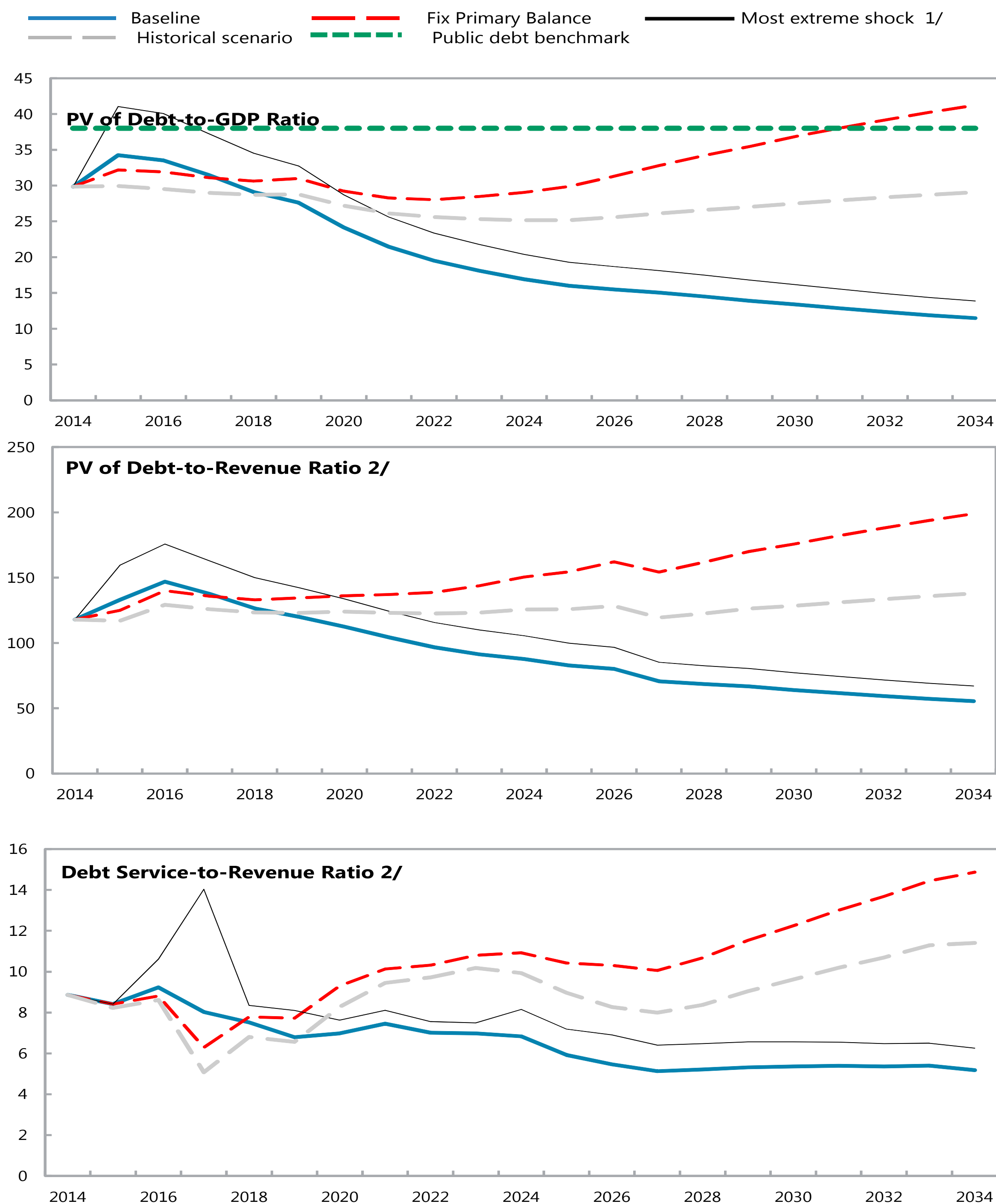
Figure 2. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2014–34[1]



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 2024. 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 3. Guinea: Indicators of Public Debt Under Alternative Scenarios, 2014–34[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 2024.

2/ Revenues are defined inclusive of grants.

Table 3a. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2011–34[1]

(Percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**67.5**	**19.4**	**22.1**			**25.9**	**31.0**	**34.1**	**34.4**	**33.3**	**32.5**		**22.2**	**16.4**	
of which: public and publicly guaranteed (PPG)	67.5	19.4	22.1			25.9	31.0	34.1	34.4	33.3	32.5		22.2	16.4	
Change in external debt	-3.2	-48.1	2.7			3.8	5.1	3.1	0.4	-1.2	-0.8		-1.2	-0.4	
Identified net debt-creating flows	10.6	11.3	16.7			17.2	13.1	6.0	3.2	-1.0	3.8		-14.6	2.1	
Non-interest current account deficit	**17.9**	**28.0**	**21.3**	**10.4**	**9.3**	**17.9**	**13.6**	**17.9**	**27.0**	**43.1**	**51.0**		**-8.9**	**6.2**	2.1
Deficit in balance of goods and services	18.6	27.0	18.7			17.0	13.9	18.1	27.2	43.6	50.7		-11.2	-1.6	
Exports	32.2	30.6	25.3			23.4	23.1	22.3	22.0	21.4	20.3		57.4	40.5	
Imports	50.9	57.6	44.1			40.3	37.0	40.4	49.2	65.0	71.1		46.2	38.9	
Net current transfers (negative = inflow)	-8.5	-6.1	-4.3	-6.5	1.7	-5.3	-6.6	-5.3	-5.2	-5.0	-4.8		-3.2	-1.6	-2.7
of which: official	-2.2	-1.0	-0.4			-1.5	-4.1	-1.3	-1.3	-1.3	-1.3		-1.2	-0.4	
Other current account flows (negative = net inflow)	7.8	7.1	6.8			6.3	6.3	5.1	5.0	4.5	5.1		5.5	9.5	
Net FDI (negative = inflow)	**-5.6**	**-11.4**	**-2.8**	**-5.3**	**3.2**	**-0.9**	**-1.0**	**-10.5**	**-21.6**	**-41.8**	**-45.6**		**-4.9**	**-3.7**	-6.7
Endogenous debt dynamics 2/	**-1.7**	**-5.4**	**-1.7**			**0.1**	**0.4**	**-1.4**	**-2.1**	**-2.2**	**-1.6**		**-0.8**	**-0.5**	
Contribution from nominal interest rate	1.0	0.7	0.2			0.2	0.4	0.4	0.4	0.4	0.4		0.3	0.3	
Contribution from real GDP growth	-2.7	-2.3	-0.4			-0.1	0.1	-1.8	-2.6	-2.6	-2.0		-1.1	-0.7	
Contribution from price and exchange rate changes	0.0	-3.7	-1.5			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-13.8**	**-59.3**	**-14.1**			**-13.4**	**-7.9**	**-2.9**	**-2.9**	**-0.2**	**-4.7**		**13.4**	**-2.5**	
of which: exceptional financing	-1.6	-39.9	0.0			0.0	-2.2	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	13.4			16.0	19.2	21.0	21.1	20.5	20.2		14.1	10.6	
In percent of exports	...	...	53.0			68.7	83.2	94.1	95.8	95.5	99.3		24.5	26.3	
PV of PPG external debt	**...**	**...**	**13.4**			**16.0**	**19.2**	**21.0**	**21.1**	**20.5**	**20.2**		**14.1**	**10.6**	
In percent of exports	**...**	**...**	**53.0**			**68.7**	**83.2**	**94.1**	**95.8**	**95.5**	**99.3**		**24.5**	**26.3**	
In percent of government revenues	**...**	**...**	**73.0**			**85.8**	**92.9**	**102.6**	**102.8**	**98.5**	**96.8**		**80.1**	**52.7**	
Debt service-to-exports ratio (in percent)	**13.4**	**13.7**	**2.8**			**3.0**	**3.3**	**4.3**	**4.1**	**4.4**	**4.4**		**1.8**	**2.5**	
PPG debt service-to-exports ratio (in percent)	**13.4**	**13.7**	**2.8**			**3.0**	**3.3**	**4.3**	**4.1**	**4.4**	**4.4**		**1.8**	**2.5**	
PPG debt service-to-revenue ratio (in percent)	**25.8**	**20.8**	**3.8**			**3.7**	**3.7**	**4.7**	**4.4**	**4.5**	**4.3**		**6.0**	**5.0**	
Total gross financing need (Billions of U.S. dollars)	0.9	1.2	1.2			1.2	1.0	0.7	0.5	0.2	0.7		-2.4	1.2	
Non-interest current account deficit that stabilizes debt ratio	21.1	76.1	18.6			14.1	8.5	14.8	26.6	44.3	51.8		-7.7	6.6	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.9	3.8	2.3	2.6	1.4	0.4	-0.3	6.5	8.3	8.4	6.4	4.9	5.3	4.5	5.1
GDP deflator in US dollar terms (change in percent)	0.0	5.9	8.1	4.4	15.4	6.1	8.1	3.8	1.8	1.7	1.6	3.8	3.4	1.5	2.8
Effective interest rate (percent) 5/	1.4	1.2	0.9	1.4	0.3	1.1	1.6	1.6	1.3	1.3	1.3	1.4	1.4	1.6	1.5
Growth of exports of G&S (US dollar terms, in percent)	12.9	4.4	-8.5	6.6	13.5	-1.8	6.5	6.7	9.0	7.2	2.7	5.0	13.8	-1.9	15.1
Growth of imports of G&S (US dollar terms, in percent)	49.7	24.6	-15.4	14.0	20.4	-2.5	-1.1	20.6	34.2	45.7	18.1	19.2	4.7	1.6	4.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	37.9	40.8	44.8	48.4	48.4	42.0	43.7	42.0	35.2	38.7
Government revenues (excluding grants, in percent of GDP)	16.8	20.1	18.4			18.7	20.7	20.4	20.5	20.8	20.9		17.6	20.2	19.2
Aid flows (in Billions of US dollars) 7/	0.2	0.1	0.1			0.6	0.6	0.5	0.5	0.4	0.4		0.5	0.4	
of which: Grants	0.2	0.1	0.1			0.4	0.4	0.2	0.2	0.2	0.2		0.3	0.2	
of which: Concessional loans	0.0	0.0	0.0			0.1	0.3	0.3	0.3	0.2	0.2		0.2	0.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			8.6	8.1	4.9	4.3	3.5	3.1		2.3	1.0	1.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			72.3	64.6	61.1	67.5	72.4	69.9		73.3	53.7	66.8
Memorandum items:															
Nominal GDP (Billions of US dollars)	5.1	5.6	6.2			6.6	7.2	7.9	8.7	9.6	10.4		18.6	33.1	
Nominal dollar GDP growth	4.0	9.9	10.6			6.5	7.8	10.6	10.2	10.2	8.1	8.9	8.9	6.1	8.1
PV of PPG external debt (in Billions of US dollars)			0.8			1.0	1.4	1.6	1.8	1.9	2.0		2.5	3.4	
(PVt-PVt-1)/GDPt-1 (in percent)						3.5	4.8	3.4	2.3	1.5	1.5	2.8	0.5	0.4	0.5
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)	...	...	13.4			16.0	19.2	21.0	21.1	20.5	20.2		14.1	10.6	
PV of PPG external debt (in percent of exports + remittances)	...	...	53.0			68.7	83.2	94.1	95.8	95.5	99.3		24.5	26.3	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.8			3.0	3.3	4.3	4.1	4.4	4.4		1.8	2.5	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

4/ 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 Debt 2014–34

	Projections							
	2014	2015	2016	2017	2018	2019	**2024**	2034
PV of debt-to GDP ratio								
Baseline	16	19	21	21	20	20	**14**	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	16	14	15	16	18	18	**60**	77
A2. New public sector loans on less favorable terms in 2014-2034 2	16	21	23	25	24	25	**19**	18
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	16	19	21	21	21	20	**14**	11
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	16	21	25	25	24	24	**16**	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	16	23	29	29	28	28	**19**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	16	19	26	26	25	25	**17**	12
B5. Combination of B1-B4 using one-half standard deviation shocks	16	21	34	34	32	32	**22**	15
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	16	26	28	28	27	27	**19**	14
PV of debt-to-exports ratio								
Baseline	69	83	94	96	95	99	**25**	26
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	69	62	68	72	86	89	**104**	189
A2. New public sector loans on less favorable terms in 2014-2034 2	69	90	105	111	114	122	**34**	46
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	69	82	91	93	92	97	**24**	26
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	69	103	149	150	149	155	**38**	37
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	69	82	91	93	92	97	**24**	26
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	69	84	118	119	118	123	**30**	29
B5. Combination of B1-B4 using one-half standard deviation shocks		89	141	141	140	145	**35**	34
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	69	82	91	93	92	97	**24**	26
PV of debt-to-revenue ratio								
Baseline	86	93	103	103	99	97	**80**	53
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	86	70	74	77	88	87	**341**	380
A2. New public sector loans on less favorable terms in 2014-2034 2	86	100	114	120	118	119	**110**	91
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	86	90	103	103	99	98	**81**	53
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	86	101	124	123	117	115	**94**	57
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	86	111	140	141	135	134	**110**	72
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	86	94	129	128	122	120	**97**	58
B5. Combination of B1-B4 using one-half standard deviation shocks	86	102	165	163	156	153	**124**	73
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	86	127	137	137	132	131	**108**	71

Table 3b.Guinea: Sensitivity Analysis for Key Indicators of Public Debt 2014–34 (concluded)

Debt service-to-exports ratio								
Baseline	3	3	4	4	4	4	**2**	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	3	3	4	4	4	4	**3**	13
A2. New public sector loans on less favorable terms in 2014-2034 2	3	3	4	5	5	6	**2**	3
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	3	3	4	4	4	4	**2**	2
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	3	4	6	6	6	7	**3**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	3	3	4	4	4	4	**2**	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	3	3	4	5	5	5	**2**	3
B5. Combination of B1-B4 using one-half standard deviation shocks	3	4	5	6	6	6	**3**	3
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	3	3	4	4	4	4	**2**	2
Debt service-to-revenue ratio								
Baseline	4	4	5	4	5	4	**6**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	4	4	4	4	4	4	**11**	25
A2. New public sector loans on less favorable terms in 2014-2034 2	4	4	5	5	6	6	**7**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	4	4	5	5	5	4	**6**	5
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	4	4	5	5	5	5	**7**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	4	5	7	6	6	6	**8**	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	4	4	5	5	5	5	**8**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	4	4	6	7	7	6	**10**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	4	5	6	6	6	6	**8**	7
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	36	36	36	36	36	36	**36**	36

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 in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is 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 Debt Sustainability Framework, Baseline Scenario, 2014–34

(Percent)

	Actual					Estimate	Projections								
	2011	2012	2013	Average 5/	Standard Deviation 5/	2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	77.8	31.9	35.9			39.7	46.0	46.7	44.8	41.9	39.9		25.0	17.3	
of which: foreign-currency denominated	67.5	19.4	22.1			25.9	31.0	34.1	34.4	33.3	32.5		22.2	16.4	
Change in public sector debt	-21.9	-45.9	4.0			3.8	6.3	0.6	-1.8	-2.9	-2.1		-1.6	-0.5	
Identified debt-creating flows	-10.4	-42.0	3.0			2.6	4.7	0.1	-1.9	-2.9	-2.1		-1.6	-0.5	
Primary deficit	-0.7	1.9	4.3	1.6	4.8	3.6	6.6	3.1	2.1	0.8	0.7	2.8	0.2	0.3	0.2
Revenue and grants	20.2	22.5	19.6			25.3	25.7	22.8	22.9	23.0	23.0		19.3	20.7	
of which: grants	3.4	2.4	1.2			6.6	5.1	2.4	2.4	2.3	2.2		1.7	0.5	
Primary (noninterest) expenditure	19.5	24.4	23.9			28.9	32.4	25.9	25.0	23.8	23.7		19.5	21.0	
Automatic debt dynamics	-8.1	-10.8	-1.3			-1.0	-1.9	-3.0	-4.0	-3.7	-2.7		-1.8	-0.8	
Contribution from interest rate/growth differential	-7.7	-3.4	-0.5			-0.3	-0.1	-3.1	-3.9	-3.8	-2.7		-1.5	-0.8	
of which: contribution from average real interest rate	-4.0	-0.5	0.2			-0.1	-0.2	-0.3	-0.4	-0.3	-0.2		-0.1	-0.1	
of which: contribution from real GDP growth	-3.7	-2.9	-0.7			-0.1	0.1	-2.8	-3.6	-3.5	-2.5		-1.3	-0.8	
Contribution from real exchange rate depreciation	-0.4	-7.4	-0.8			-0.7	-1.8	0.2	-0.1	0.1	-0.1		...	...	
Other identified debt-creating flows	-1.6	-33.2	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	
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	
Debt relief (HIPC and other)	-1.6	-33.2	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	
Residual, including asset changes	-11.4	-3.9	1.0			1.2	1.6	0.6	0.1	0.0	0.0		0.0	0.0	
Other Sustainability Indicators															
PV of public sector debt	...	...	27.2			29.8	34.2	33.5	31.5	29.1	27.6		16.9	11.5	
of which: foreign-currency denominated	...	...	13.4			16.0	19.2	21.0	21.1	20.5	20.2		14.1	10.6	
of which: external	...	...	13.4			16.0	19.2	21.0	21.1	20.5	20.2		14.1	10.6	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	4.7	7.1	6.0			5.9	8.8	5.2	3.9	2.5	2.2		1.5	1.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	138.8			118.0	133.0	147.0	137.5	126.5	119.9		87.6	55.5	
PV of public sector debt-to-revenue ratio (in percent)	...	...	148.1			159.7	165.5	164.1	153.4	140.2	132.2		96.2	56.9	
of which: external 3/	...	...	73.0			85.8	92.9	102.6	102.8	98.5	96.8		80.1	52.7	
Debt service-to-revenue and grants ratio (in percent) 4/	26.9	23.2	8.6			8.9	8.4	9.2	8.0	7.5	6.8		6.8	5.2	
	32.4	25.9	9.2			12.0	10.5	10.3	8.9	8.3	7.5		7.5	5.3	
Primary deficit that stabilizes the debt-to-GDP ratio	21.2	47.8	0.3			-0.2	0.3	2.4	3.9	3.7	2.8		1.8	0.8	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.9	3.8	2.3	2.6	1.4	0.4	-0.3	6.5	8.3	8.4	6.4	4.9	5.3	4.5	5.1
Average nominal interest rate on forex debt (in percent)	1.4	1.2	0.9	1.4	0.3	1.1	1.6	1.6	1.3	1.3	1.3	1.4	1.4	1.6	1.5
Average real interest rate on domestic debt (in percent)	-12.5	-1.2	2.1	-5.5	6.7	-0.2	-1.5	-1.8	-1.6	-0.5	0.6	-0.8	-0.2	-1.4	-1.2
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.5	-11.5	-4.1	0.6	19.7	-3.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	19.7	13.0	6.3	17.5	9.5	7.5	8.1	9.1	9.3	8.5	7.3	8.3	8.6	6.5	7.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-26.7	29.9	0.2	0.4	13.4	21.4	11.6	-14.8	4.6	3.3	5.9	5.3	3.1	4.8	4.3
Grant element of new external borrowing (in percent)	...	...	...	...	...	37.9	40.8	44.8	48.4	48.4	42.0	43.7	42.0	35.2	...

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.

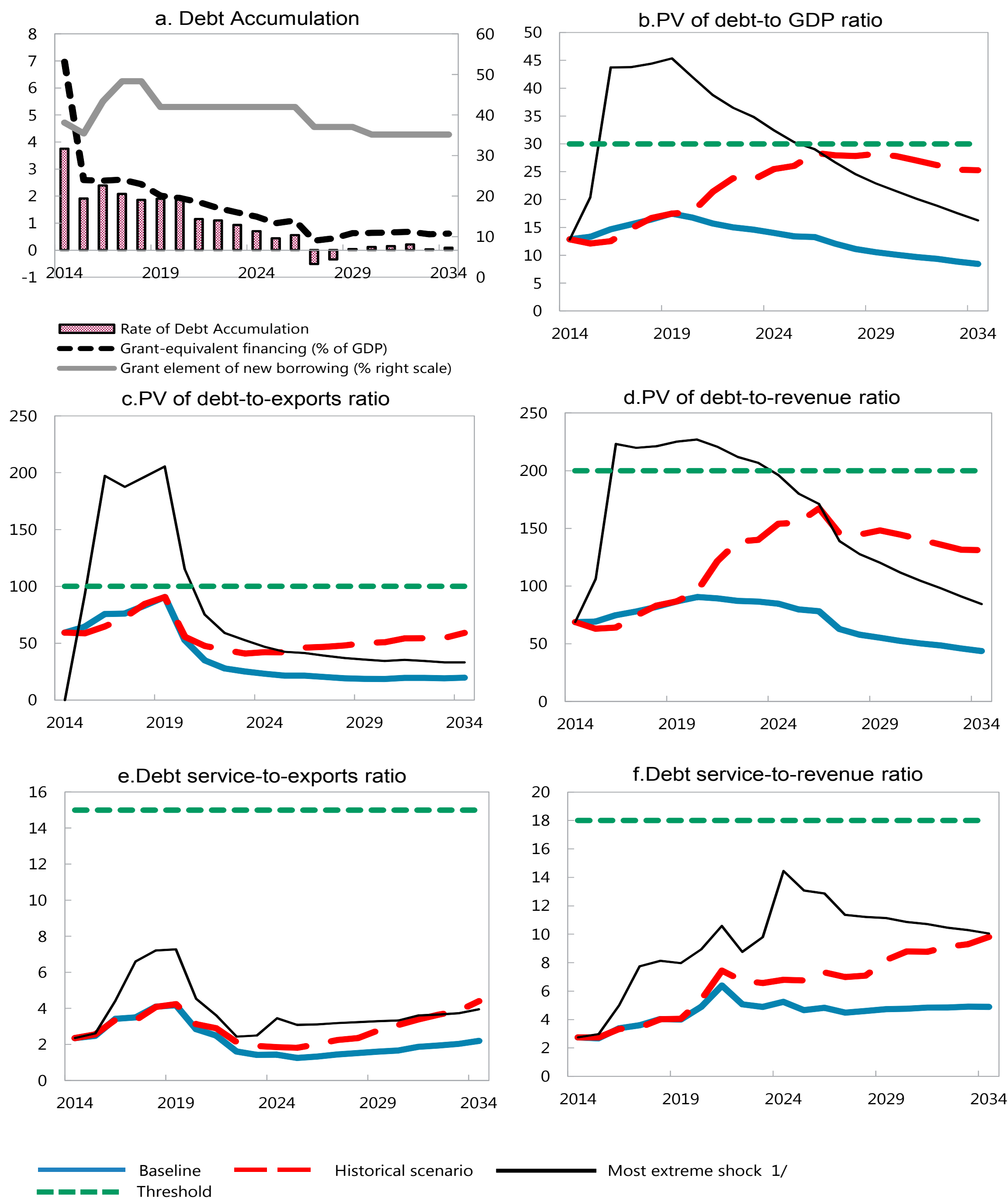
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4b. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2014–34
(Percent)

		Projections						
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	30	34	34	31	29	28	17	11
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	30	30	30	29	29	29	25	29
A2. Primary balance is unchanged from 2014	30	32	32	31	31	31	29	41
A3. Permanently lower GDP growth 1/	30	34	34	32	30	29	19	19
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	30	34	35	33	31	30	21	19
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	30	34	36	33	31	29	18	12
B3. Combination of B1-B2 using one half standard deviation shocks	30	32	33	32	29	28	19	15
B4. One-time 30 percent real depreciation in 2015	30	40	38	35	32	31	19	15
B5. 10 percent of GDP increase in other debt-creating flows in 2015	30	41	40	37	35	33	20	14
PV of Debt-to-Revenue Ratio 2/								
Baseline	118	133	147	138	126	120	88	55
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	118	117	129	126	123	123	126	138
A2. Primary balance is unchanged from 2014	118	125	140	136	133	135	151	199
A3. Permanently lower GDP growth 1/	118	134	148	140	130	124	99	92
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	118	131	153	146	136	131	107	90
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	118	132	156	146	134	127	93	59
B3. Combination of B1-B2 using one half standard deviation shocks	118	124	145	137	128	122	96	74
B4. One-time 30 percent real depreciation in 2015	118	154	165	153	141	134	100	71
B5. 10 percent of GDP increase in other debt-creating flows in 2015	118	160	176	163	150	142	106	67
Debt Service-to-Revenue Ratio 2/								
Baseline	9	8	9	8	8	7	7	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9	8	9	5	7	7	10	11
A2. Primary balance is unchanged from 2014	9	8	9	6	8	8	11	15
A3. Permanently lower GDP growth 1/	9	8	9	8	8	7	8	8
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	9	8	9	8	8	8	8	8
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	9	8	9	8	9	7	7	6
B3. Combination of B1-B2 using one half standard deviation shocks	9	8	9	7	8	7	7	6
B4. One-time 30 percent real depreciation in 2015	9	9	11	10	10	9	10	9
B5. 10 percent of GDP increase in other debt-creating flows in 2015	9	8	11	14	8	8	8	6

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.

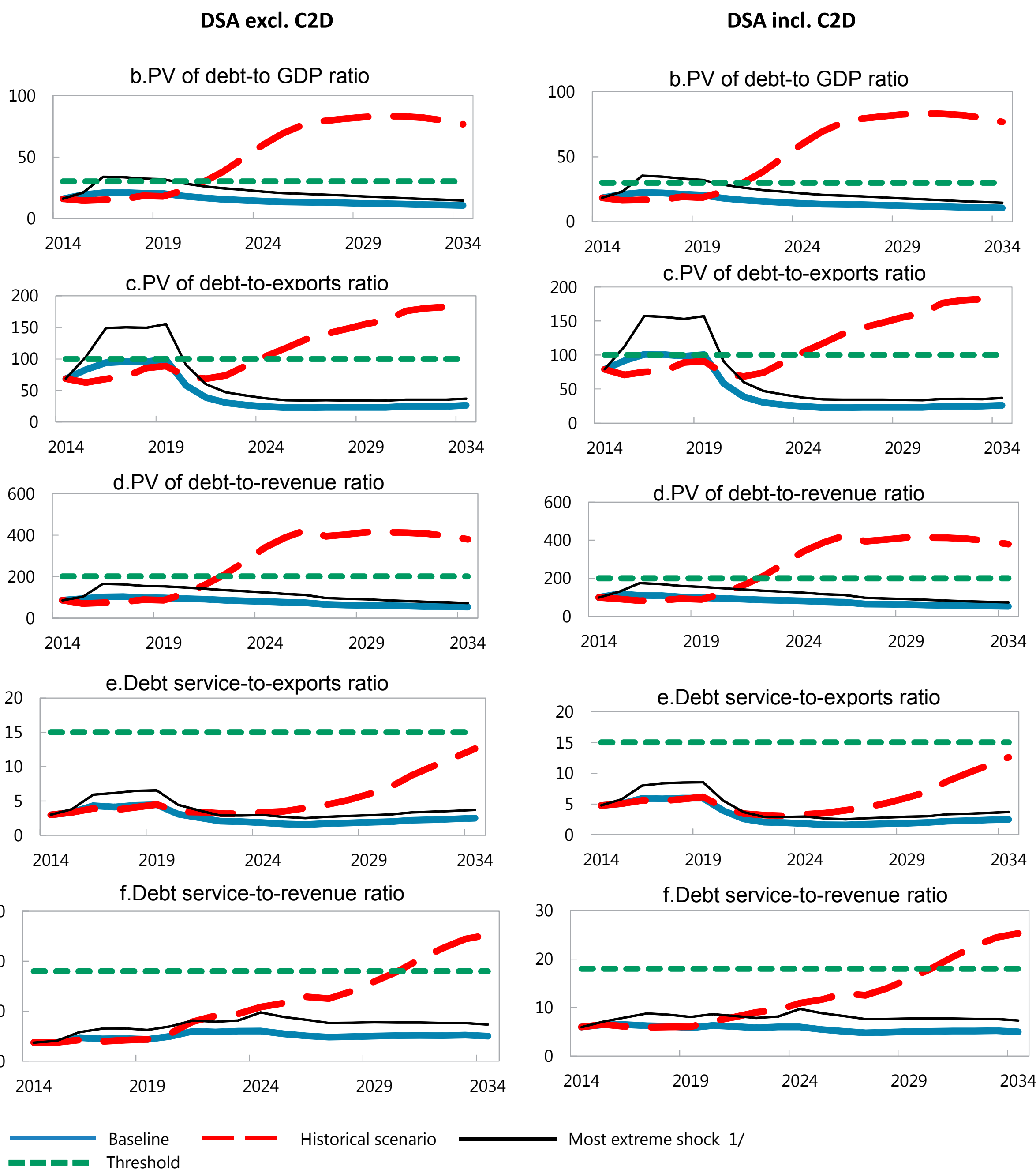
Figure 4. Guinea: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios (DSA for the RCF disbursement 2014, excl. C2D), 2014–34[1]



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 2024. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Combination shock and in figure f. to a Combination shock

Figure 5. Guinea: Comparison of DSA Excluding C2D vs. Including C2D, 2014-34 [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 2024. 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