INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/218

GUINEA

July 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA

In the context of the Request for Disbursement Under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 19, 2020, following discussions that ended on May 29, 2020, with the officials of Guinea on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 15, 2020.
- A **Debt Sustainability Analysis Update** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Guinea.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Guinea*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

IMF Executive Board Approves US$148 Million Disbursement to Guinea to address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF Executive Board approves the 70th request for emergency financial assistance to help its member countries address the challenges posed by COVID-19.
- The IMF approved the disbursement of US$148 million to Guinea under the Rapid Credit Facility (RCF) to address urgent balance of payment and fiscal financing needs stemming from the COVID-19 pandemic.
- Guinea is being severely affected by the COVID-19 pandemic, which has deteriorated its short-term growth prospects and hindered mining export and tax revenues.
- The IMF disbursement will provide needed financing for the implementation of the authorities' response plan to address the COVID-19 health emergency and mitigate its severe impact.

Washington, DC – June 19, 2020 On June 19, 2020, the Executive Board of the International Monetary Fund (IMF) approved a disbursement of SDR 107.1 million (about US$148 million) to Guinea under the Rapid Credit Facility (RCF). This, together with debt relief received on April 13 under the Catastrophe Containment and Relief Trust (CCRT), will help the country address urgent balance of payments and fiscal financing needs stemming from the negative impact of the COVID-19 pandemic and mitigation measures. IMF financing will also contribute to catalyzing donors' financial support.

Guinea is being severely affected by the COVID-19 pandemic. Worsening global conditions and a rapidly spreading local outbreak have deteriorated Guinea's short-term growth prospects and hindered mining exports and tax revenues.

The disbursement under the RCF will provide needed financing for the implementation of the authorities' response plan to address the COVID-19 health emergency and mitigate its severe impact. Key measures will focus on scaling-up health spending, protecting the most vulnerable from the impact of the crisis, and supporting the private sector. The authorities are taking steps to ensure transparency and accountability in the use of resources to address the COVID-19 crisis.

Following the Executive Board's discussion on Guinea, Mr. Mitsuhiro Furusawa, Acting Chair and Deputy Managing Director, issued the following statement: "Guinea has been severely affected by the COVID-19 pandemic. Worsening global conditions and a rapidly spreading local outbreak have further weakened the short-term outlook. The pandemic and mitigation measures have given rise to urgent balance of payments and fiscal financing needs. The disbursement under the Rapid Credit Facility will provide timely support to address these needs and should help catalyze donors' financial assistance.

“The authorities have adopted a comprehensive plan to respond to the emergency and mitigate the impact of the crisis. Key measures focus on scaling-up health spending, protecting the most vulnerable and supporting the private sector. Non-priority spending will be contained to free resources for the emergency response. The authorities are also implementing measures to ensure the appropriate use and monitoring of emergency resources.

“Using external buffers while allowing greater exchange rate flexibility will contribute to responding to the shock while preserving an adequate level of reserves. The central bank will continue to limit its interventions in the foreign exchange market and implement a rule-based intervention strategy. Monetary policy will be oriented towards preserving liquidity in the banking sector while containing inflation. To this end, limiting central bank budget financing will be important.

“Beyond addressing immediate needs stemming from the crisis, preserving medium-term fiscal and debt sustainability is key. For this, the authorities will target a lower-than-previously-planned primary fiscal deficit path once the crisis subsides. Ensuring debt transparency and moving forward with reforms to strengthen debt management will also be critical.’’

More information:

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board) https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

IMF Executive Board calendar https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

GUINEA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

June 15, 2020

Context. Guinea is being severely affected by the COVID-19 pandemic. A local outbreak is spreading rapidly, adding pressure to the fragile social context and putting a strain on the health system. Containment measures have started to negatively impact domestic economic activity. Furthermore, the sharp slowdown in China (Guinea's main export market) has hindered mining exports and tax revenues, putting pressure on Guinea's external and fiscal position. Since the completion of the fourth ECF review, worsening global conditions and the local outbreak have deteriorated Guinea's short-term outlook. Real growth is expected to sharply decelerate to 1.4 percent in 2020.

Request for Fund support. The authorities are seeking financial assistance under the Rapid Credit Facility (RCF) to address the urgent balance of payments and fiscal financing needs arising from the negative impact of the pandemic and mitigation measures. Staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 107.1 million (50 percent of quota), in the form of budget support. The authorities are also actively seeking additional financing from donors.

Policy response. The authorities have adopted a comprehensive response plan to address the COVID-19 emergency and mitigate its severe impact. Fiscal policy is being oriented towards scaling-up health spending, protecting the most vulnerable, and supporting the private sector. Staff supports a temporary widening of the fiscal deficit to allow the authorities to address the health crisis and mitigate its severe economic impact. External buffers will be used to respond to the shock while greater exchange rate flexibility will contribute to preserving an adequate level of reserves. Reducing reserve requirements will help to support banks' liquidity and credit to the economy. Limiting central bank budget financing will contribute to containing inflation.

Performance under the ECF-supported program. The fourth review under the ECF arrangement was completed by the Executive Board on April 1. All but one end-December 2019 performance criteria for the fifth ECF review were met. Program-supported reforms advanced. Preliminary data point to most end-March ITs having been missed, as the impact of the pandemic weighed on the fiscal position. Discussions under the fifth ECF review are currently unfeasible due to the severity of the shock, uncertainty around the short-term outlook, and difficulties in holding comprehensive policy discussions. The authorities have indicated their commitment to the ECF arrangement and program discussions will resume as soon as feasible.

Approved By
Dominique Desruelle (AFR) and Chad Steinberg (SPR)

An IMF team consisting of Ms. Albertin (Head), Ms. Kaze, Mr. Koumtingué and Mr. O'Sullivan (all AFR), Ms. Mogues (FAD), Mr. Carrière-Swallow (SPR), and Mr. Issoufou (Resident Representative) held discussions by video conference with the authorities during May 22-29, 2020 in Washington D.C. Messrs. Sylla and N'Sonde (OED) joined the mission discussions. The team held discussions with the Minister of Economy and Finance Mamadi Camara, Central Bank Governor Lounceny Nabé, Minister of Budget Ismaël Dioubaté, Minister of Plan and Economic Development Kanny Diallo and other senior government officials. Ms. Delcambre provided assistance in the preparation of this report.

CONTENTS

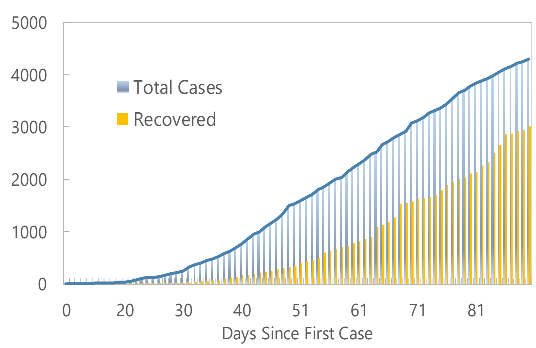
TABLES

APPENDIX

CONTEXT AND BACKGROUND

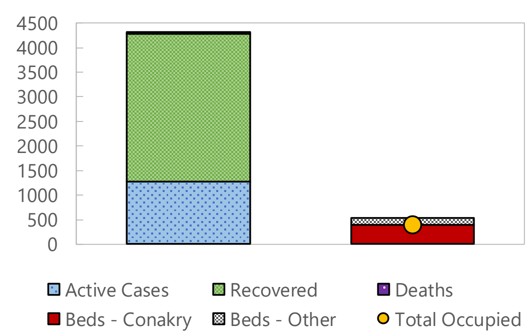
1. A COVID-19 outbreak is spreading rapidly in Guinea and has started to put a strain on the health system. Guinea reported its first COVID-19 case in mid-March 2020. Since then, the contagion has spread rapidly and about 4,300 cases have been confirmed. As most cases have required hospitalization, limited capacity has been fully utilized (530 bed units in the country). Building on the experience of the Ebola virus epidemic, which severely affected Guinea during 2014-15, the authorities have swiftly prepared a National Emergency Preparedness and Response Plan, with the support of the World Health Organization and development partners. Thus, surveillance has been strengthened, three laboratories have been equipped for diagnosis, and a quarantine center was set up in Conakry. In parallel, measures to contain the contagion were adopted, notably closing land and aerial borders, restricting movements within the country, suspending public events, and establishing a night curfew in Conakry.

Figure 1. Guinea: Evolution of the COVID-19 Outbreak



Sources: Guinean authorities; and IMF staff estimates.

Figure 2. Guinea: Hospital Bed Capacity,
As of June 10, 2020



Sources: Guinean authorities; and IMF staff estimates.

2. The COVID-19 local outbreak is adding further pressure to Guinea's fragile social context, compounding risks of instability. Social outcomes in Guinea are below the sub-Saharan Africa average, with poverty incidence at about 60 percent of the population. Large scale protests and social unrest marked the legislative elections and the constitutional referendum held on March 22, 2020. The opposition has not recognized the electoral results and the new constitution. Presidential elections are expected by end-2020.

3. The fourth review under the 2017-20 ECF arrangement was completed by the Executive Board on April 1, 2020. All but one of the end-December 2019 quantitative performance criteria for the fifth ECF review were met. Program-supported reforms advanced. The end-March indicative target (IT) on net international reserves was met. However, preliminary data point to most ITs having been missed, as the fiscal position deteriorated due the negative impact of the COVID-19 pandemic on Guinea's tax revenues.

IMPACT OF THE COVID-19 PANDEMIC AND OUTLOOK

A. The Impact of the Pandemic: Global Spillovers and the Local Outbreak

4. Mining production contracted by about 5 percent (y-o-y) in the first quarter of 2020, as external demand weakened due to the impact of the pandemic. The production of bauxite and industrial gold declined, owing to spillovers from the pandemic and impact of containment measures. The sharp slowdown in China (Guinea's main export market) and worsening global conditions have weakened external demand. This was compounded by transport disruptions due to measures to contain the local outbreak. Headline inflation increased to 9.5 percent (y-o-y) at end-March, as border closure and mobility restrictions constrained imports and transportation of agricultural products. Core inflation increased to 5 percent (y-o-y), driven by rising health care costs.

5. In parallel, mining exports and foreign exchange reserves declined. Bauxite and industrial gold exports contracted by 6.6 percent and 20 percent (y-o-y) at end-March, respectively. Gross international reserves declined to US$1.2 billion (3.9 months of imports coverage) at end-March, as mining export receipts weakened. The Central Bank continued to limit its interventions while allowing a modest depreciation. The real effective exchange rate appreciated by 5.7 percent (y-o-y) at end-March 2020, as the inflation differential with trading partners widened.

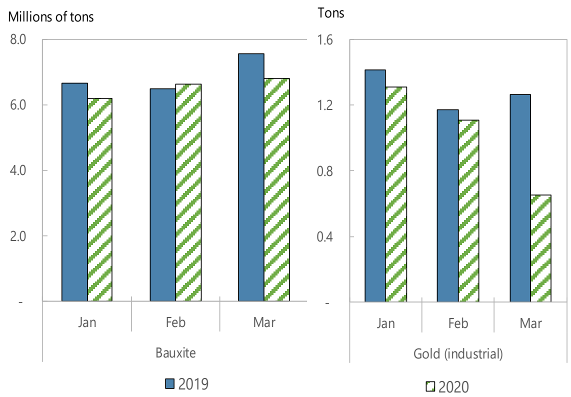
6. The fiscal position deteriorated at end-March, as mining tax revenues underperformed. The basic fiscal balance recorded a lower-than-anticipated surplus of 0.1 percent of GDP at end-March. Mining tax revenues declined by 26 percent (y-o-y), as negative spillovers of the pandemic weighed on mining production and exports. This was in part mitigated by lower-than-programmed spending on goods and services and public investments. Reflecting higher-than-anticipated financing needs, net borrowing from the central bank picked-up to 0.7 percent of GDP. Net domestic arrears were reduced by 0.5 percent of GDP at end-March.

7. The banking sector remains stable and provision of credit was maintained. Private sector credit growth was sustained at 23 percent (average, y-o-y) at end-March 2020, supported by banks' liquidity. In parallel, banks' net lending to the government increased by 19 percent (average, y-o-y). After declining at end-2019, excess reserves increased slightly at end-March. Non-performing loans declined to 10.4 percent at end-2019 (from 12.5 percent at end-June 2019).

Figure 3. Guinea: The Impact of the COVID-19 Pandemic

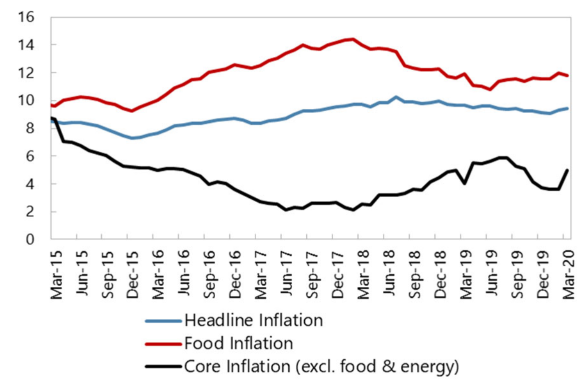
Bauxite and Industrial Gold Exports

(Millions of tons; Tons)



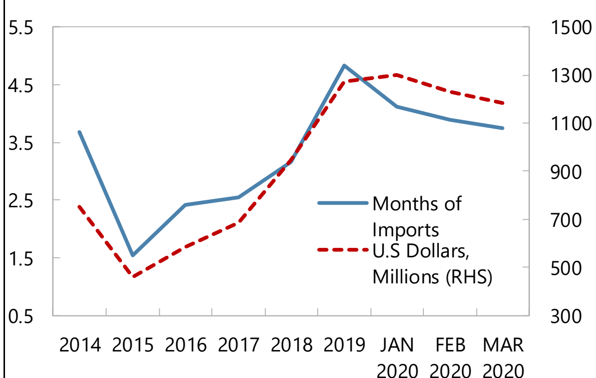
Headline, Food and Core Inflation

(Percent, YOY)



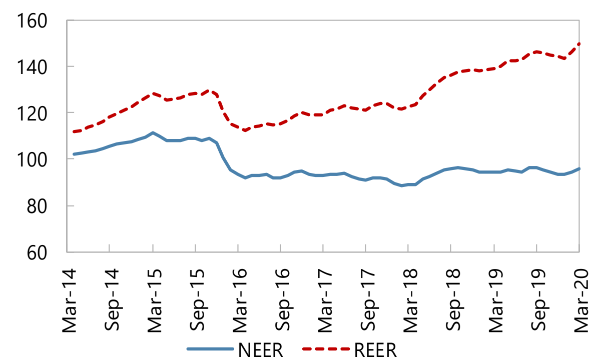
Reserves

(Months of imports; USD millions)



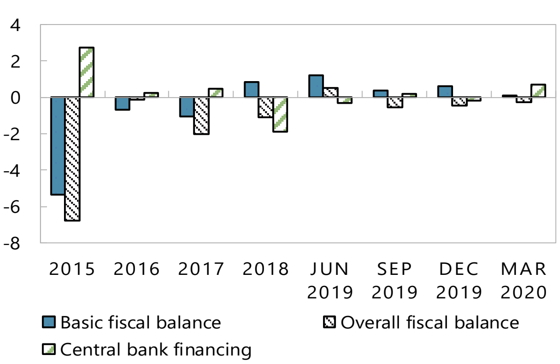
Real Effective Exchange Rate

(Index: 2016 = 100)



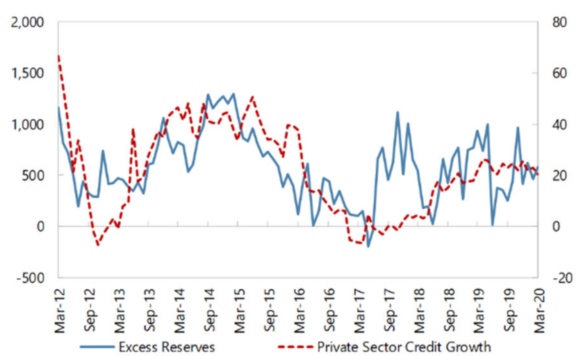
Fiscal Imbalances and Central Bank Net Financing

(Percent of GDP)



Excess Reserves and Credit Growth

(GNF billions; Percent, YOY)



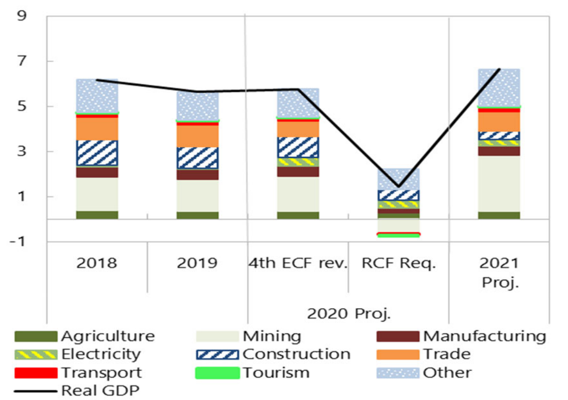
Sources: Guinean authorities; and IMF staff estimates.

B. The Short-Term Outlook

8. The negative impact of the COVID-19 pandemic has deteriorated Guinea's growth outlook. Since the completion of the fourth ECF review, the local outbreak and worsening global conditions have hindered Guinea's short-term prospects. Real growth has been revised down to 1.4 percent in 2020, against 5.8 percent previously anticipated.[1] Mining activity is expected to contract, due to weaker external demand. Local containment measures are expected to negatively impact economic activity, notably tourism, transport, and retail trade. Inflation is expected at 9.1 percent in 2020, as measures were implemented to stabilize basic food prices (rice, sugar, and oil). The COVID-19 shock is expected to be temporary. Real growth would rebound to 6.6 percent in 2021, against 6.2 percent previously expected. This would be supported by gradually recovering mining activity, as global conditions improve, and local containment measures are lifted. Real output is expected to remain significantly below its pre-pandemic trend through 2025.

Figure 4. Guinea: Contribution to Real GDP Growth

(percent)



Sources: Guinean authorities; and IMF staff estimates.

9. Guinea's external position will deteriorate in 2020, triggering an urgent balance of payments need. Mining exports are projected to decline in 2020, reflecting weaker external demand and a decline in aluminum price. Imports are expected to increase, reflecting the scaling-up in public spending on health. The sharp decline in oil prices will support the external position.[2] Foreign direct investment in the mining sector and project loan financing are expected to be delayed, due to worsening global conditions and containment measures (Text table 1). Staff estimates that a balance of payments financing need of US$349 million (2.4 percent of GDP) has emerged.[3]

Text Table 1. Guinea: Balance of payments: Impact of the COVID-19 Pandemic

(In millions of U.S. dollars, unless otherwise indicated)

	2019	2020		
		4th ECF Rev.	RCF Req.	Change [1] (Percent)
Current account balance	-1,890	-3,268	-2,976	-8.9
Exports of goods	4,019	4,709	3,876	-17.7
Mining products	3,556	4,130	3,431	-16.9
Other	463	579	445	-23.2
Imports of goods	-4,631	-6,176	-5,215	-15.5
Petroleum goods	-820	-796	-513	-35.5
Food products	-498	-567	-515	-9.2
Other consumption goods	-547	-591	-576	-2.6
Intermediate and capital goods	-2,765	-4,222	-3,612	-14.5
Capital and financial accounts	2,194	3,206	2,529	-21.1
of which FDI	1,786	1,514	1,184	-21.7
Financing	-303	63	98	55.9
Use of Fund resources (net)	24	32	33	1.9
Change in gross official reserves [2]	-327	31	65	-112.6
Financing gap	0	0	-349	-

Sources: Guinean authorities; and IMF staff estimates and projections.

[1] In percent of projected value at the 4th ECF Review. For gross reserves, reflects the rate of decumulation.

[2] A positive number denotes reserves decumulation.

---

[1] The program scenario at the fourth ECF review assumed initial global downward revisions to growth due to the COVID-19 pandemic and no local outbreak in Guinea. Staff had also presented two alternative downside scenarios assuming a stronger slowdown in China and a COVID-19 local outbreak.

[2] International oil prices are expected to be about 36 percent lower in 2020 than in the program scenario at the fourth ECF review.

[3] The RCF baseline scenario assumes that the disbursements related to the fifth and sixth reviews under the ECF arrangement will take place in 2020.

10. The short-term growth outlook is uncertain, and risks are tilted to the downside. A stronger and more prolonged negative impact of the pandemic on Guinea's external demand and domestic activity could further weaken growth and delay the recovery. Furthermore, risks of social and political instability in the run-up to the presidential elections are significant.

POLICY ISSUES AND DISCUSSIONS

A. Fiscal Policy: Responding to the COVID-19 Emergency

11. The authorities have adopted a comprehensive plan to respond to the COVID-19 emergency and mitigate the impact of the crisis, notably on the most vulnerable. Staff supports the authorities' plan to respond to the crisis as well-tailored to pressing needs. Key measures focus on scaling-up health spending, protecting the most vulnerable from the impact of the crisis, and supporting the private sector (Box 1). The additional budgetary cost of the COVID-19 response plan is estimated at 1.5 percent of GDP. Health spending will be scaled-up by 0.8 percent of GDP to respond and mitigate the outbreak. This will support reinforcing COVID-19 diagnostics, providing appropriate treatment, acquiring medical equipment and expanding health infrastructure.[4] Targeted measures will protect the most vulnerable. Cash transfers to poor households will be initiated in urban and rural areas, with the support of the World Bank. Electricity and water charges will be temporarily waived for the most vulnerable, and a reserve stock will be built-up to mitigate food security risks. A range of measures will support firms in the most affected sectors and SMEs, including temporary tax relief.

Text Table 2. Guinea: COVID-19 Response plan
(percent of GDP)

	2020
COVID-19 Health spending	**0.81**
Of which:	
Health Infrastructure	0.26
Operational Costs	0.22
Medical Equipment	0.14
Medical Treatment & Diagnostics	0.09
Surveillance	0.08
Protecting the Most Vulnerable	**0.42**
Of which:	
Cash Transfers and High-intensity Works	0.21
Payment of Electricity Bills for Social Tariff Consumers	0.09
Food Stock Reserve	0.08
Supporting the Private Sector	**0.27**
Of which:	
Tax Relief to firms in tourism and hotels and SMEs	0.19
Total	**1.50**

Sources: Guinean authorities; and IMF staff estimates.

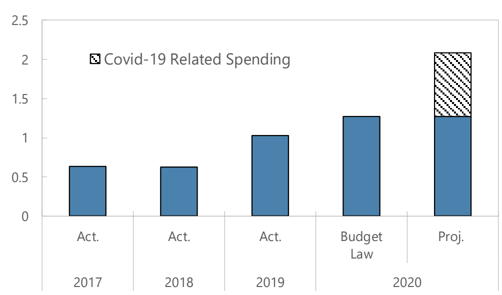
[4] This expands the National Emergency Preparedness and Response Plan, prepared with the technical support of the World Health Organization and development partners. The IMF health costing model estimates the cost for Guinea to respond to the health crisis to be at 1.4 percent of GDP. This is based on a Susceptible-Infectious-Recovered epidemiological model of disease diffusion, projecting the number of people requiring hospitalization and estimating the costs of providing care and increasing capacity in the health sector.

Box 1: Guinea's COVID-19 Response Plan: Addressing the Health Crisis, Protecting the Most Vulnerable and Supporting the Private Sector

The authorities have adopted a plan to respond to the COVID-19 crisis. Key components of the authorities' response plan are: scaling-up health spending to address the health emergency; protecting the most vulnerable from the impact of the crisis; and supporting the private sector, notably SMEs.

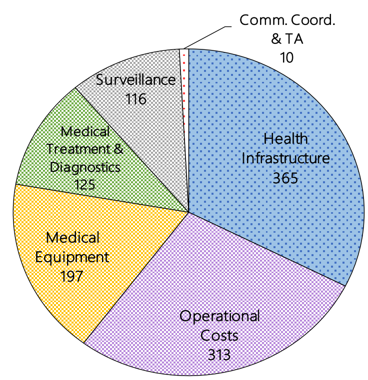
Health spending will be significantly scaled-up to address the COVID-19 emergency. The authorities aim at increasing health spending by 0.8 percent of GDP (compared to the 2020 Budget Law) to build capacity to diagnose the virus, ensure appropriate medical treatment, and expand health infrastructure. Notably, key measures will focus on strengthening COVID-19 surveillance activity and contact-tracing; conducting a prevention communication campaign; reinforcing detection capacity and the number of equipped laboratories; providing appropriate medical care to COVID-19 patients; acquiring medical equipment; and building health centers and facilities.

Guinea: Public Health Expenditures
(Percent of GDP)



Sources: Guinean authorities; and IMF staff estimates

Guinea: COVID-19 Health Measures
(GNF Billions)



Sources: Guinean authorities; and IMF staff estimates

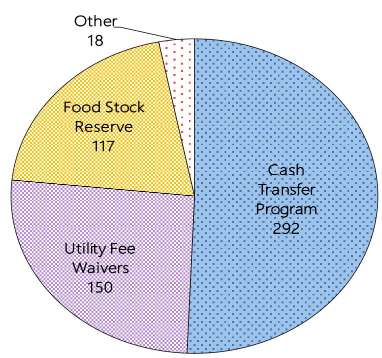
Social safety nets will be strengthened to protect the most vulnerable and targeted measures will be implemented to mitigate the impact of the crisis. A targeted cash transfer program for poor households, supported by the World Bank, will be implemented in rural and urban areas, expected to be heavily impacted by the crisis. This will draw upon the social register of vulnerable populations developed by the National Agency for Economic and Social Inclusion, which will be expanded to identify additional households in urban areas. For the period of April-June, the payment for electricity and water bills will be waived for social tariff consumers and postponed for other non-commercial consumers; and public transport provided for free. The state is also planning to build-up an emergency stock of rice and, if need arises, will distribute to the population to ensure food security. In parallel, tax relief measures for suppliers will contribute to stabilizing prices for basic food (rice, oil and sugar).

Furthermore, temporary measures will support firms in the sectors most heavily affected by the crisis and SMEs. Temporary relief on the payment of taxes, social security contributions, and electricity and water bills will be provided to firms in the tourism and hotel sectors and SMEs. The BCRG will allow firms in the tourism and hotel sectors to request banks to reschedule their loan repayments. The repayment of domestic arrears will also be accelerated. A public guarantee fund for SMEs' loans (GNF 50 billion) provided by banks has been created. Furthermore, a fund to support firms in the informal sector (GNF 20 billion), through direct

Box 1: Guinea's COVID-19 Response Plan: Addressing the Health Crisis, Protecting the Most Vulnerable and Supporting the Private Sector (concluded)

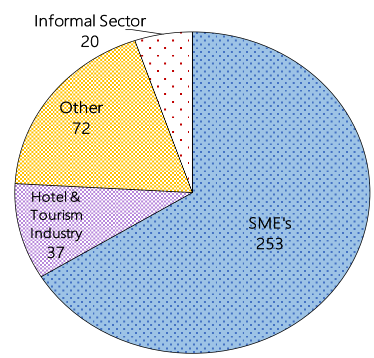
provisions of loans, has been established. The governance and accountability framework for these funds are being developed, with the support of the World Bank.

Guinea: Social Measures
(GNF Billions)



Sources: Guinean authorities; and IMF staff estimates.

Guinea: Private Sector Measures
(GNF Billions)



Sources: Guinean authorities; and IMF staff estimates.

12. In view of the COVID-19 shock, staff supports a temporary widening of the fiscal deficit to allow the authorities to address the health crisis and mitigate its severe economic impact. The impact of the COVID-19 pandemic and the needed policy response will lead to a basic fiscal deficit of 2 percent of GDP in 2020, against a programmed surplus of 0.6 percent of GDP. Tax revenues are projected to be 1.9 percent of GDP lower-than-anticipated. Mining revenues will be severely hit by declining production and exports. The slowdown in domestic activity will negatively impact non-mining tax revenues. Lower international oil prices will support revenues from the special tax on petroleum products. The authorities will contain non-priority spending to create fiscal space for scaling-up health spending and mitigation measures —a reduction of about 0.1 and 0.7 percent of GDP in spending in goods and services and domestically-financed public investment. The authorities are preparing a Supplementary Budget Law to be submitted to the National Assembly in July.

13. A fiscal financing gap of 2.4 percent of GDP is expected in 2020. The authorities have actively engaged with development partners to mobilize additional financing to respond to the COVID-19 crisis. Emergency budget support is anticipated from the World Bank (US$80 million, against US$40 million expected at the fourth ECF review) and the African Development Bank (US$20 million) in 2020.[5] Furthermore, the authorities have requested debt service suspension from

[5] The World Bank Emergency Development Policy Operation is expected to be approved by end-July 2020. The budget support from the African Development Bank is expected to be disbursed by end-June 2020. The RCF baseline also incorporates budget support for EUR 18 million from the European Union, which was already included in the program scenario of the fourth review under the ECF arrangement.

official bilateral creditors under the Debt Service Suspension Initiative, supported by the G-20 and the Paris Club (US$25 million), included in the baseline scenario.[6] The RCF financing would contribute to closing the fiscal financing gap by 1 percent of GDP. Debt relief under the IMF CCRT Initiative will reduce the fiscal financing gap by an additional 0.1 percent of GDP. The authorities are in discussions with donors and expect to mobilize additional financing to fill the residual financing gap of 0.7 percent of GDP.[7]

Text Table 3. Guinea: Fiscal Financing Gap
(Percent of GDP)

	2020	
	4th Rev.	RCF
Total revenue and grants	**15.2**	**13.6**
Tax Revenue	13.5	11.6
Grants	1.1	1.3
Expenditures and net lending	**18.2**	**17.3**
Current Expenditures	11.3	12.4
Capital Expenditures	6.8	4.9
Basic fiscal balance	**0.6**	**-2.0**
Overall balance, Including Grants	-3.0	-3.7
Financing	**3.0**	**1.3**
Domestic Financing	-0.7	-0.6
External Financing (net)	3.7	1.9
Program Loans	0.3	0.3
Financing gap	**0.0**	**2.4**
CCRT Debt Relief	...	0.1
G-20 DSSI	...	0.2
RCF Disbursement	...	1.0
World Bank	...	0.3
African Development Bank	...	0.1
Residual Financing Gap	0.0	0.7

Sources: Guinean authorities; and IMF staff estimates and projections.

14. **Public finance governance mechanisms will be strengthened to ensure the appropriate use and monitoring of resources to address the COVID-19 crisis.** Guinea has strengthened its public financial management and anti-corruption framework, with the support of IMF technical assistance, as key program-supported reforms under the ECF arrangement. In this vein, to ensure that all COVID-19 resources can be traced, the authorities will create a budgetary fund that will account for all earmarked external and domestic resources to address the pandemic. Furthermore, a dedicated account will be established, as part of the Treasury Single Account at the central bank, to receive and disburse COVID-19 funds. The authorities will publish monthly reports on the execution of COVID-19 related spending and timely ex-post control of high-risk expenditures will be conducted by the inspectorate-general for finance, with the involvement of civil society. The authorities will publish online, on the websites of the Ministry of Economy and Finance and the Ministry of Budget, all awarded procurement contracts for COVID-19 related projects, including the

[6] The DSSI operation is expected to postpone about US$ 25 million due in amortization in 2020, which will be rescheduled in NPV-neutral terms over 2022-24. Since participating creditors are representative of Guinea's official bilateral creditors, longstanding external arrears owed to non-Paris Club members have been deemed away. Regarding longstanding external arrears owed by Guinea to private creditors, the authorities continue to make good faith efforts to reach a collaborative agreement. The IMF Board concluded a financing assurance review on April 1, 2020, jointly with the fourth review of the ECF program.

[7] If additional donors' financing should not materialize, contingency measures will focus on further containing non-priority spending to close the residual fiscal financing gap. A larger-than-anticipated use of foreign exchange reserves and/or exchange rate depreciation would contribute to close the residual balance of payments gap.

names of the entities and their beneficial owners. A full audit of COVID-19 spending (including ex-post validation of goods and services procured) will also be conducted by the Court of Accounts and published online by June 2021.

15. The authorities remain committed to medium-term fiscal and debt sustainability. As the impact of the crisis subsides, the authorities will orient fiscal policy to preserve debt sustainability and target a lower-than-previously-programmed primary fiscal deficit path. External borrowing will significantly increase in 2020 to finance exceptional budgetary needs to respond to the crisis. In view of this, the authorities are committed to rephasing non-priority externally-financed public investments in 2020 to create fiscal space for COVID-19 priority spending. In parallel, they have decided not to promulgate a EUR 230 million (1.8 percent of GDP) loan agreement with a private partnership to finance infrastructure development, which was signed in October 2019 and approved by the National Assembly in early June 2020.[8] In addition, the authorities will scale-up public investment at a more moderate pace and they will undertake only a limited share of planned, but unsigned external project financing in 2021-22 to preserve debt sustainability. Under the baseline scenario, Guinea's debt is sustainable, with a moderate risk of external and public debt distress and limited space to absorb shocks. This assumes a gradually rebound in 2021 and lower-than-budgeted externally financed public investment in 2020, owing to the impact of containment measures and rephasing of non-priority investment projects. The debt sustainability analysis update also reflects debt service relief provided by the IMF under the Catastrophe Containment and Relief Trust (CCRT) and the Debt Service Suspension Initiative, supported by the G20 and the Paris Club. The authorities have indicated their commitment to adhere to requirements under the DSSI, including maintaining non-concessional borrowing within the envelope allowed under the ECF program.[9]

B. Monetary and Exchange Rate Policies: Maintaining Adequate Reserves and Preserving Liquidity

16. Allowing greater exchange rate flexibility will contribute to preserve an adequate level of reserves. Guinea has strengthened its external buffers against shocks under the ECF arrangement. In view of this, staff supports using part of these buffers to respond to the balance of payments shock while maintaining an adequate level of international reserves (3.8 months of import coverage, in line with the ARA-CC reserve adequacy estimate). The authorities will continue to limit interventions in the foreign exchange market and will allow greater exchange rate flexibility. They

[8] The signature of this loan was not reported to IMF staff as required under the data reporting commitments for program monitoring under the ECF arrangement. Staff considers this loan to be concessional in line with the definition in the Technical Memorandum of Understanding under the ECF arrangement. Since the signature of this loan does not affect the conditions established for the disbursement associated with the fourth review under the ECF arrangement, it does not give rise to a noncomplying disbursement under the Fund's misreporting policy. However, staff expressed concerns about the transparency of debt reporting and underscored the importance of moving ahead with program-supported reforms to strengthen debt management under the ECF arrangement. This will be further discussed in the context of the next review under the ECF arrangement.

[9] Guinea has fully utilized the US$650 million envelope of non-concessional borrowing allowed under the ECF program to finance priority infrastructure projects.

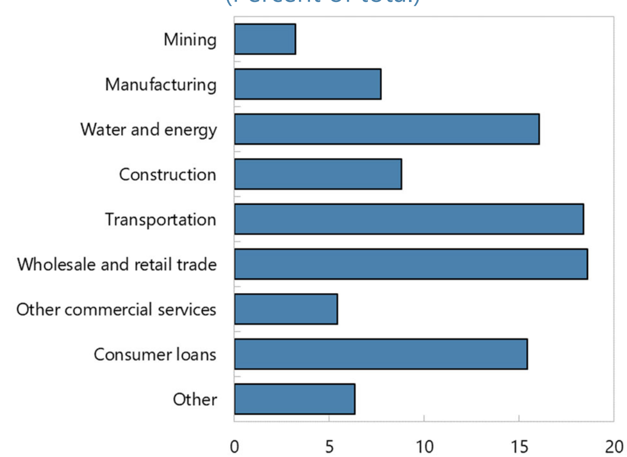
underscored their commitment to implement the recently-adopted rule-based intervention strategy to reduce discretion by end-October 2020, given delays in donors' assistance to set-up the electronic platform due to the COVID-19 emergency.[10] Meanwhile, the authorities will calibrate limited interventions taking into account market developments so as to avoid disorderly conditions.

17. Monetary policy will aim at preserving liquidity in the banking sector while containing inflation. The BCRG lowered the policy rate (from 12.5 to 11 percent) and the reserve requirement rate (from 16 to 15 percent). Staff supports the monetary easing to support banks' liquidity and provision of credit to the economy. In parallel, the authorities agreed with staff to limit central bank lending to the government within the existing statutory limits to contain inflation, despite large financing needs.[11] The BCRG will also manage liquidity more actively by using available instruments and calibrating operations on the basis of the recently-developed liquidity forecasting framework.[12]

C. Financial Sector: Preserving Stability

18. Strengthening banking supervision will help maintain financial stability. Banks' lending to the private sector is mostly short-term and concentrated in sectors that are expected to be severely hit by containment measures, notably retail trade and transport. Banks' earnings and asset quality could be undermined as a result of borrowers' capacity to service loans. Moving ahead with the implementation of the updated accounting framework and reporting system for banks will support monitoring the quality of banks' portfolio. Staff supports the establishment of a public guarantee fund for SMEs (Box 1) but noted that fiscal risks may arise from contingent liabilities.[13] Staff supports the envisaged loan repayment rescheduling for firms in the most affected sectors (Box 1) but underscored the importance of prudent renegotiation of loan terms. Staff emphasized that banks should be allowed to restructure the loans provided to businesses affected by the crisis while maintaining appropriate loan classification and provision.

Figure 5. Guinea: Sectoral Distribution of Banks' Lending, March 2020
(Percent of total)



Sources: Guinean authorities; and IMF staff calculations.

[10] The parameters of the rule-based intervention strategy are specified such as to reduce discretion while limiting excessive volatility of the exchange rate.

[11] The 2018 Memorandum of Understanding between the BCRG and the Ministry of Economy and Finance limits the BCRG advances to the government to short-term cash management and to the statutory limits of the Central Bank Law (no more than 5 percent of the average fiscal revenues of the last three years).

[12] The BCRG has monetary regulation instruments (short-term securities) to absorb excess liquidity and uses injections operations (refinancing windows) to provide liquidity.

[13] If fiscal risks materialized, non-priority spending will need to be reduced to absorb related fiscal costs.

ACCESS AND CAPACITY TO REPAY

A. Access Level and Modalities

19. The authorities are requesting a disbursement under the RCF equivalent to 50 percent of quota (SDR 107.1 million or about US$ 146 million), to be made available as budget support. The COVID-19 pandemic has sharply deteriorated Guinea's short-term outlook, giving rise to an urgent balance of payments need (¶9), and triggered large fiscal financing needs (¶13). Staff notes that:

- **The RCF disbursement will provide timely support to address the urgent balance of payments and fiscal financing needs from the impact and mitigation of the pandemic.** Discussions under the ECF arrangement, including for an ad-hoc augmentation between reviews, are currently unfeasible due to the severity of the shock, the uncertainty surrounding the short-term outlook, and difficulties in holding comprehensive policy discussions. The disbursement under the RCF will fill 42 percent of the balance of payments need. It will also help catalyze donors' financial support (¶13). In addition, debt relief under the CCRT Initiative will contribute to fill further 7 percent. The urgent balance of payments need that necessitated the RCF request is caused by a sudden exogenous shock and is expected to resolve within the next 12 months;

- **Access under the RCF will maintain buffers for additional IMF financial support, if downside risks materialize.** Proposed access (50 percent of quota) is calibrated to the projected balance of payments need and takes into account that additional donors' support could be mobilized. This will allow to maintain buffers for additional IMF support, in view of the uncertain short-term outlook.[14] If downside risks materialized, further support could be provided under an additional RCF or an augmentation of access under the ECF arrangement;

- **The authorities have indicated their commitment to continue the ECF arrangement and program discussions will resume as soon as feasible.** In view of the delayed completion of the fourth ECF review, combining the fifth and the sixth (last) reviews (test dates at end-December 2019 and end-June 2020, respectively) could be envisaged.

B. Capacity to Repay and Safeguards Assessment

20. Guinea's capacity to repay its obligations to the Fund is adequate. The total amount of outstanding credit from the Fund, once disbursement under the RCF will be completed, will be at SDR 375.9 million (175.5 percent of quota and 3.6 percent of GDP). Staff considers that Guinea has an adequate capacity to repay the Fund, in view of the favorable medium-term growth outlook, the

[14] Guinea's available access is 76 percent of quota in 2020, which accounts for the prospective disbursements under the ECF arrangement.

authorities' commitment to sound macroeconomic policies, a sustainable debt and a good track record in meeting obligations to the Fund (Table 7). Furthermore, debt relief under the CCRT will reduce Guinea's repayment obligations to the Fund.[15] Given that the financing under the RCF will be used in its entirety to provide budget support, the authorities have committed to signing a Memorandum of Understanding between the Ministry of Economy and Finance and the BCRG on their respective roles and responsibilities for servicing financial obligations to the Fund.

21. The authorities are committed to undertaking an update of the safeguards assessment before Board approval of any subsequent arrangement to which the safeguards policy applies. A safeguards assessment update was completed in 2018, following the approval of the 2017-20 ECF arrangement. The authorities will continue to move forward in addressing remaining recommendations of the 2018 safeguards assessment. The authorities have authorized Fund staff to hold discussions with the central bank's external auditors, and to have access to the central bank's external audit reports.

STAFF APPRAISAL

22. Guinea is being severely affected by the COVID-19 pandemic. A local outbreak is spreading rapidly, adding pressure to the fragile social context and putting a strain on the health system. Measures to contain the outbreak have started to negatively impact domestic activity. Furthermore, the sharp slowdown in China (Guinea's main export market) has hindered mining exports and tax revenues. Since the completion of the fourth ECF review, worsening global conditions and the local outbreak have deteriorated Guinea's short-term growth outlook and put pressure on external and fiscal positions. The negative impact and mitigation efforts of the pandemic have given rise to urgent balance of payments and fiscal financing needs.

23. Staff welcomes the authorities' plan to respond to the COVID-19 emergency and mitigate the severe impact of the pandemic. The authorities aim at scaling-up health spending, protecting the most vulnerable, and supporting the private sector. Staff supports a temporary widening of the fiscal deficit to address the health crisis and mitigate its severe economic impact. Greater exchange rate flexibility is needed to contribute to absorbing the shock and preserving an adequate level of reserves. Reducing reserve requirements will contribute to preserving the liquidity of the banking sector. In parallel, limiting central bank's budget financing will be key to containing inflation.

24. Staff welcomes measures to ensure the appropriate use and monitoring of resources to address the COVID-19 crisis. A budgetary fund will be created to account for all earmarked external and domestic resources to address the pandemic and ensure traceability of spending. A dedicated account was established at the central bank to receive and disburse COVID-19 funds.

[15] Guinea has been granted relief on its IMF debt service obligations under the CCRT, with US$22.4 million approved to cover repayments due between April 14 and October 13, 2020. Additional US$73.5 million are expected to become available to cover repayments due through April 13, 2022.

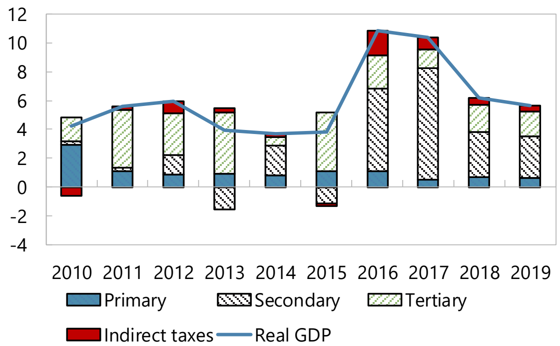
Monthly reports on the execution of COVID-19 spending will be published and timely ex-post control of high-risks expenditures will be conducted, with the involvement of civil society. All procurement contracts awarded for COVID-19 related projects will be published on-line, including the name of the awarded entities and their beneficial owners, on the website of the Ministry of Economy and Finance and the Ministry of Budget. A third-party audit of the use of COVID-19 spending will also be conducted and published online by June 2021.

25. The authorities remain committed to medium term fiscal and debt sustainability. As the impact of the crisis subsides, the authorities are committed to orient fiscal policy to preserve debt sustainability and target a lower-than-previously-planned primary fiscal deficit path. As external borrowing will be scaled-up in 2020 to finance exceptional financing needs to respond to the crisis, the authorities indicated their commitment to rephase non-priority externally-financed public investment to create fiscal space for COVID-19 priority spending. In parallel, they have decided not to promulgate a loan with a private sector partnership for infrastructure development, which was recently approved by the National Assembly. In addition, they are committed to undertake only a limited share of programmed but unsigned external project financing in 2020-21 to preserve debt sustainability. Under the baseline scenario, Guinea would remain at moderate risk of debt distress, with limited space to absorb shocks. Staff expressed concerns regarding the transparency of debt reporting and underscored the importance of moving ahead with the program-supported reforms to strengthen debt management under the ECF arrangement.

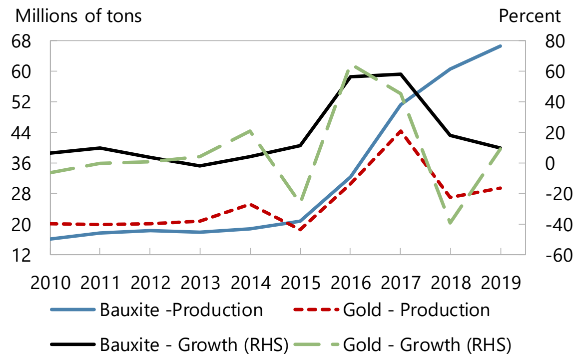
26. Staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 107.1 million (50 percent of quota). In view of the urgent balance of payments need resulting from the negative impact of the COVID-19 pandemic and the authorities' existing and prospective policies to address this external shock, staff supports the disbursement under the RCF. This will also contribute to catalyzing donors' financial support. Given the large fiscal financing needs to respond to the COVID-19 emergency, staff also supports the authorities' request that the disbursement be made in the form of budget support.

Figure 6. Guinea: Recent Economic Developments

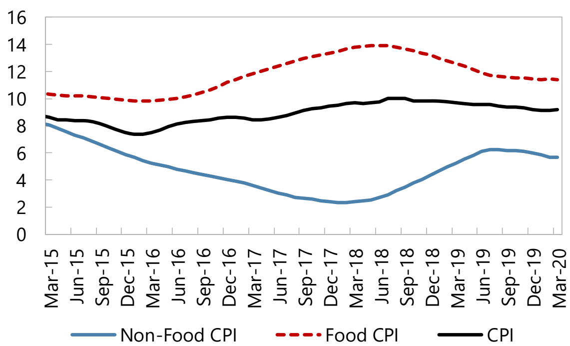
Real GDP Growth at Factor Cost and Contributions by Sector
(Percent)



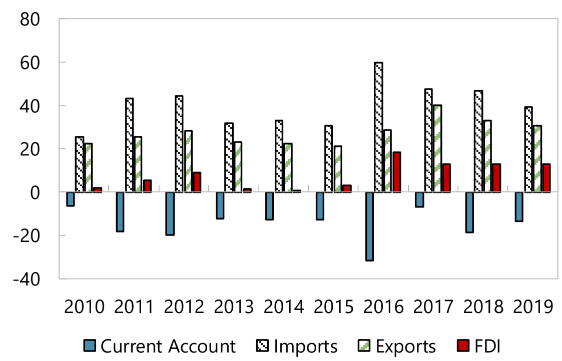
Production and Growth in the Mining Sectors
(Millions of tons; percent)



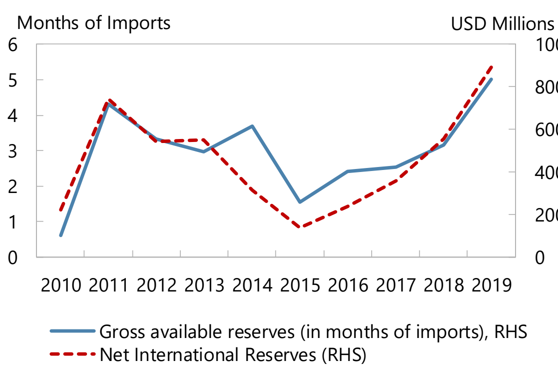
Inflation
(Average year-on-year growth, percent)



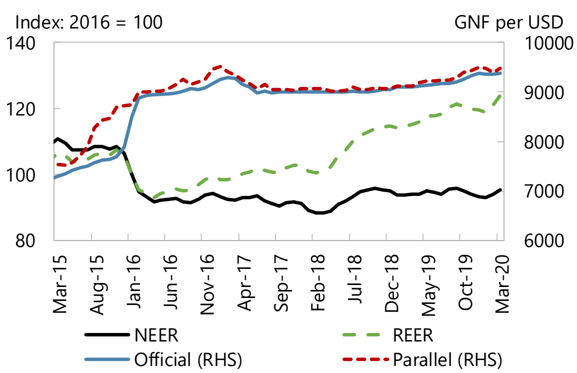
Current Account, Exports, Imports, and FDI
(Percent of GDP)



Gross Available Reserves and Net International Reserves
(Months of imports, USD millions)



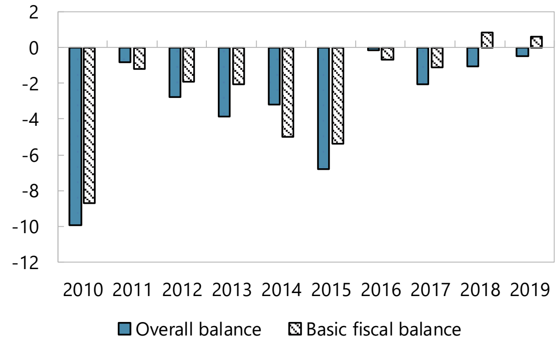
Exchange Rates
(Averages)



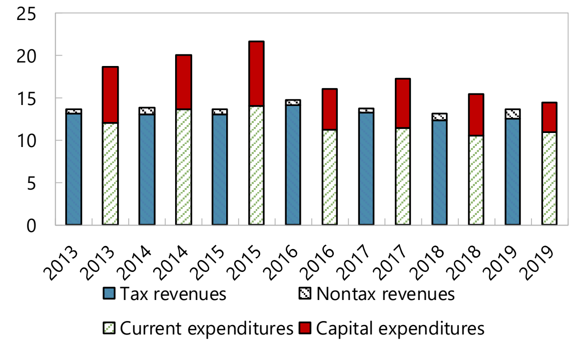
Sources: Guinean authorities; and IMF staff estimates.

Figure 7. Guinea: Fiscal and Monetary Indicators

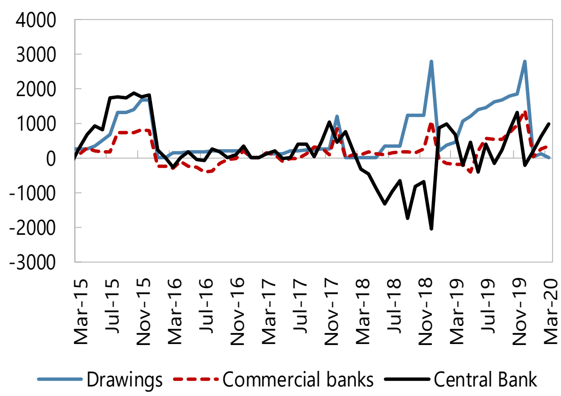
Overall and Fiscal Balances
(Percent of GDP)



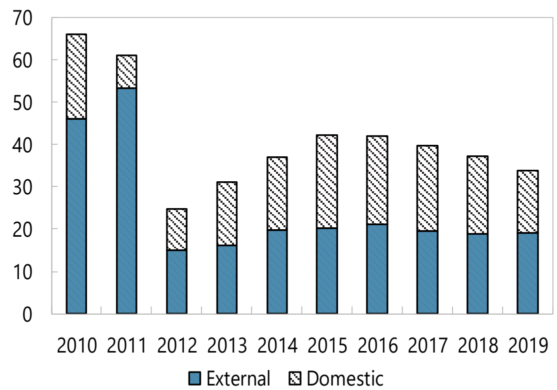
Revenue and Expenditures
(Percent of GDP)



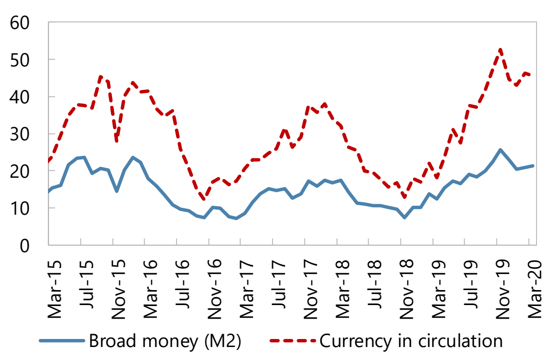
External Borrowing and Bank Financing
(GNF, billions)



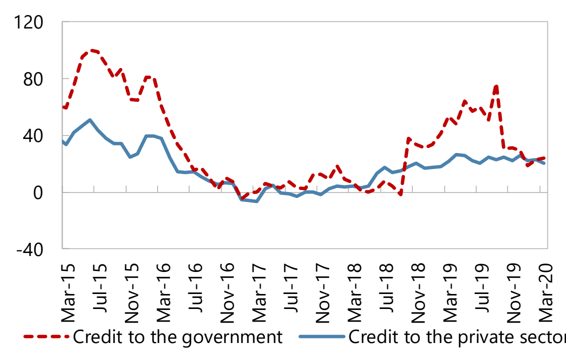
Public and Publicly Guaranteed Debt
(Percent of GDP)



Broad Money and Currency in Circulation
(Year-on-year growth, percent)



Credit to the Private Sector and to the Government
(Year-on-year growth, percent)



Sources: Guinean authorities; and IMF staff estimates.

Table 1. Guinea: Key Economic and Financial Indicators, 2017–25

	2017	2018	2019	2020		2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	Annual percentage change, unless otherwise indicated									
National accounts and prices										
GDP at constant prices	10.3	6.2	5.6	5.8	1.4	6.6	7.0	5.2	5.0	5.0
Mining	55.5	8.7	8.0	8.6	-3.5	14.5	15.6	6.5	5.3	5.1
Non-mining	4.1	5.7	5.1	5.1	2.5	5.0	5.1	4.9	4.9	4.9
GDP deflator	10.4	10.0	9.3	8.2	8.5	8.2	8.2	7.8	7.8	7.8
GDP at market prices	21.9	16.8	15.4	14.4	10.1	15.4	15.7	13.5	13.2	13.1
Consumer prices (average)										
Average	8.9	9.8	9.5	8.5	9.1	8.0	7.9	7.8	7.8	7.8
End of period	9.5	9.9	9.1	8.1	8.7	8.0	7.9	7.8	7.8	7.8
External sector										
Exports, f.o.b. (US$ terms)	68.7	-4.3	3.1	17.2	-3.6	20.5	8.3	10.6	8.5	6.1
Imports, f.o.b. (US$ terms)	-6.6	18.5	-5.5	33.4	12.6	7.4	3.7	3.6	5.0	4.9
Average effective exchange rate (depreciation -)										
Nominal index	-1.4	0.2	2.4	…	…	…	…	…	…	…
Real index	4.9	7.2	8.5	…	…	…	…	…	…	…
Terms of trade	-6.9	-0.3	-9.7	13.0	23.9	-0.4	1.8	4.8	5.2	0.1
Money and credit										
Net foreign assets[1]	9.6	8.3	12.1	1.8	0.4	6.4	6.1	3.2	4.7	4.2
Net domestic assets[1]	6.2	1.9	10.8	3.6	6.1	0.2	0.2	0.7	1.5	1.2
Net claims on government[1]	5.0	10.0	6.1	1.6	2.4	1.2	0.9	0.6	0.6	0.2
Net claims on government[1], excl. recapitalization	5.0	-4.2	3.9	0.7	1.4	0.2	0.0	-0.4	-0.3	-0.7
Credit to non-government sector[1]	0.9	6.2	9.9	2.3	0.7	1.0	1.6	1.4	1.8	2.0
Reserve money	10.3	6.3	16.8	3.0	1.8	11.5	8.4	3.9	7.4	6.2
Broad money (M2)	15.8	10.2	23.0	21.7	10.4	13.1	7.6	3.8	7.2	6.0
Interest rate (short-term T-bill)	…	…	…	…	…	…	…	…	…	…
	Percent of GDP, unless otherwise indicated									
Central government finances										
Total revenue and grants	15.3	14.5	14.1	15.2	13.6	14.9	15.7	16.3	16.8	16.9
Revenue	13.7	13.1	13.7	14.1	12.3	13.9	14.8	15.4	16.0	16.0
Of which: Non-mining revenue	11.4	10.6	11.8	11.7	10.9	11.7	12.3	12.9	13.3	13.4
Grants	1.5	1.4	0.5	1.1	1.3	1.0	0.9	0.9	0.8	0.9
Total expenditure and net lending	17.3	15.6	14.6	18.2	17.3	17.9	17.9	18.2	18.8	19.0
Current expenditure	11.5	10.6	10.9	11.3	12.4	11.2	11.3	11.3	11.4	11.4
Of which: Interest payments	0.9	0.8	0.5	0.7	0.7	0.9	1.0	1.0	1.0	1.0
Capital expenditure and net lending	5.7	4.9	3.6	6.8	4.9	6.7	6.6	6.8	7.4	7.5
Overall budget balance										
Including grants	-2.1	-1.1	-0.5	-3.0	-3.7	-3.0	-2.3	-1.9	-2.0	-2.1
Excluding grants	-3.6	-2.5	-0.9	-4.1	-5.0	-4.1	-3.2	-2.7	-2.9	-3.0
Basic fiscal balance	-1.1	0.8	0.6	0.6	-2.0	0.9	0.9	0.9	0.8	0.7
Current account balance										
Including official transfers	-6.7	-18.7	-13.7	-21.9	-20.9	-15.5	-13.0	-10.8	-10.1	-10.0
Excluding official transfers	-7.2	-19.1	-13.9	-22.3	-21.6	-15.9	-13.4	-11.2	-10.5	-10.5
Overall balance of payments	0.7	1.7	2.2	-0.4	-3.1	1.1	1.1	0.9	1.2	0.7
Memorandum items:										
Exports, goods and services (US$ millions)	4,125.0	4,001.7	4,214.7	4,818.5	3,953.5	4,754.1	5,142.8	5,683.7	6,161.2	6,536.1
Imports, goods and services (US$ millions)	4,894.2	5,695.8	5,432.2	7,254.3	6,128.1	6,550.9	6,747.9	6,991.2	7,342.8	7,754.9
Overall balance of payments (US$ millions)	72.0	210.7	303.4	-62.7	-446.8	161.7	189.5	161.4	231.9	145.8
Net foreign assets of the central bank (US$ millions)	322.1	547.0	868.5	918.8	882.1	1,098.9	1,273.9	1,375.6	1,549.0	1,707.4
Gross available reserves (months of imports)[2]	2.5	3.2	4.8	3.8	3.8	3.9	4.0	4.0	4.1	4.1
External public debt, incl. IMF (percent of GDP)	19.3	18.9	19.5	28.5	30.7	33.6	33.1	32.9	32.7	32.7
Total public debt, incl. IMF (percent of GDP)	39.5	37.4	34.2	43.1	44.9	45.6	43.7	42.4	41.3	40.4
Nominal GDP (GNF billions)	93,942	109,761	126,707	144,980	139,446	160,903	186,234	211,329	239,219	270,672

Sources: Guinean authorities; and Fund staff estimates and projections.

[1] In percent of the broad money stock at the beginning of the period.

[2] In months of the following year's imports excluding imports for large foreign-financed mining projects.

Table 2. Guinea: Balance of Payments, 2017–25

(Millions of U.S. Dollars, unless otherwise indicated)

	2017	2018	2019	2020		2021	2022	2023	2024	2025
	Act.	Act.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Exports, f.o.b.	4,073	3,898	4,019	4,709	3,876	4,671	5,057	5,595	6,070	6,443
Mining products	3,644	3,482	3,556	4,130	3,431	3,912	4,200	4,641	5,010	5,302
Other	429	416	463	579	445	759	857	954	1,060	1,140
Imports, f.o.b.	-4,138	-4,903	-4,632	-6,176	-5,215	-5,601	-5,807	-6,016	-6,319	-6,630
Food products	-425	-449	-498	-567	-515	-593	-645	-690	-737	-788
Other consumption goods	-386	-440	-547	-591	-576	-673	-732	-784	-838	-896
Petroleum products	-548	-792	-820	-796	-513	-799	-922	-1,023	-1,117	-1,213
Intermediate and capital goods	-2,778	-3,222	-2,766	-4,222	-3,612	-3,536	-3,508	-3,520	-3,627	-3,733
Services trade balance	-704	-689	-605	-970	-835	-867	-855	-886	-933	-1,031
Services exports	52	104	196	109	78	83	86	89	91	93
Services imports	-756	-793	-801	-1,079	-913	-950	-941	-975	-1,024	-1,124
Income balance	-51	-686	-771	-928	-881	-651	-638	-703	-832	-925
Of which: Interest on public debt	-21	-36	-20	-11	-11	-36	-46	-51	-57	-62
Transfers	125	98	98	96	79	82	81	96	100	108
Of which:										
Net private transfers	75	48	74	32	-14	10	14	11	15	7
Official transfers	49	50	24	64	94	71	67	86	86	102
Current account										
Including official transfers	-695	-2,282	-1,890	-3,268	-2,976	-2,366	-2,162	-1,914	-1,914	-2,035
Excluding official transfers	-744	-2,332	-1,914	-3,332	-3,070	-2,437	-2,229	-2,000	-1,999	-2,137
Capital account	146	140	64	121	120	112	106	97	103	109
Public transfers	143	118	41	97	96	88	81	71	76	81
Financial account	1,472	1,913	2,129	3,085	2,409	2,415	2,245	1,979	2,043	2,072
Public (medium and long-term)	86	243	235	1,481	1,195	807	453	424	451	481
Project-related loans	132	250	153	1,525	1,246	889	546	534	571	610
Program financing	0	60	152	40	40	40	40	20	13	13
Public (short-term)	0	0	0	0	0	0	0	0	0	0
Amortization due	-46	-67	-70	-84	-91	-122	-134	-130	-133	-142
Direct and other private investment (net)	1,306	1,574	1,786	1,514	1,184	1,517	1,702	1,464	1,500	1,500
Private short-term	80	96	109	90	30	91	91	91	92	91
Errors and omissions	-851	440	0	0	0	0	0	0	0	0
Overall balance	72	211	303	-63	-447	162	189	161	232	146
Financing	-72	-211	-303	63	98	-210	-212	-161	-232	-146
Use of Fund resources (net)	24	49	24	32	33	-47	-52	-47	-52	-38
Disbursements	24	49	24	71	71	0	0	0	0	0
Change in gross official reserves (- = increase)	-102	-259	-327	31	65	-162	-152	-106	-172	-108
Of which: SDR Allocation										
Change in arrears (- = reduction)	0	0	-1	0	0	0	0	0	0	0
Financing gap	-6	0	0	0	-349	-48	-23	0	0	0
CCRT grants	0	0	0	0	22	0	0			
Prospective CCRT grants [1]					3	48	23			
G-20 Debt Service Suspension Initiative					25					
RCF	0	0	0	0	146					
World Bank					40					
African Development Bank					20					
Residual financing gap	0	0	0	0	-93	0	0	0	0	0
Memorandum items:										
Current account balance (percent of GDP)										
Including official transfers	-6.7	-18.7	-13.7	-21.9	-20.9	-15.5	-13.0	-10.8	-10.1	-10.0
Excluding official transfers	-7.2	-19.1	-13.9	-22.3	-21.6	-15.9	-13.4	-11.2	-10.5	-10.5
Overall balance (percent of GDP)	0.7	1.7	2.2	-0.4	-3.1	1.1	1.1	0.9	1.2	0.7
Exports-GDP ratio (percent)	39.9	32.9	30.5	32.2	27.8	31.1	30.9	31.9	32.4	32.1
Imports-GDP ratio (percent)	-47.3	-46.8	-39.4	-48.5	-43.0	-42.8	-40.6	-39.3	-38.6	-38.1
FDI-GDP ratio (percent)	12.6	12.9	12.9	10.1	8.3	9.9	10.2	8.2	7.9	7.4
Gross available reserves (US$ millions)	686	945	1,272	1,241	1,206	1,369	1,520	1,627	1,799	1,907
Gross available reserves (months of imports)	2.5	3.2	4.8	3.8	3.8	3.9	4.0	4.0	4.1	4.1
Nominal GDP (US$ millions)	10,337	12,181	13,797	14,951	14,244	15,296	16,637	17,804	19,030	20,343
National currency per US dollar (avg.)	9,088	9,011	9,184	…	…	…	…	…	…	…

Sources: Guinean authorities; and IMF staff estimates and projections.

[1] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

Table 3a. Guinea: Fiscal Operations of the Central Government,[1] 2017–25

(Billions of Guinean Francs, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	Proj.	Mar. Cum. Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**14,342**	**15,965**	**17,903**	**22,067**	**18,977**	**4,540**	**23,971**	**29,168**	**34,493**	**40,196**	**45,762**
Revenue	12,902	14,423	17,306	20,504	17,122	4,154	22,296	27,513	32,635	38,167	43,331
Tax revenue	12,443	13,609	15,869	19,537	16,167	3,991	20,944	25,736	30,157	35,016	39,864
Mining sector	2,153	2,836	2,373	3,558	1,899	482	3,393	4,538	5,361	6,247	7,068
Local Development Fund	…	…	356	534	285	285	509	681	804	937	1,060
Non-mining sector	10,290	10,773	13,495	15,979	14,268	3,509	17,551	21,198	24,796	28,769	32,796
Direct taxes	2,226	2,346	2,563	3,255	2,870	431	3,700	4,474	5,271	5,991	6,779
Indirect taxes	8,064	8,428	10,933	12,724	11,398	3,078	13,851	16,724	19,525	22,777	26,017
Taxes on goods and services	5,434	5,861	7,583	8,927	7,953	2,129	9,493	11,445	13,207	15,410	17,452
Taxes on international trade	2,630	2,566	3,349	3,798	3,445	949	4,358	5,279	6,318	7,368	8,564
Non-tax revenue	459	814	1,437	966	955	163	1,351	1,777	2,477	3,151	3,467
Grants	1,440	1,542	597	1,563	1,855	386	1,675	1,655	1,859	2,029	2,432
Project grants	960	1,061	377	942	938	187	923	906	842	953	1,078
Budget support	449	449	216	621	917	199	752	749	1,017	1,076	1,353
Other earmarked grants	32	32	…	…	…	…	…	…	…	…	…
Expenditures and net lending	**16,276**	**17,132**	**18,497**	**26,450**	**24,125**	**4,891**	**28,877**	**33,418**	**38,442**	**45,090**	**51,412**
Current expenditures	10,809	11,589	13,830	16,451	17,232	3,707	17,974	21,059	23,921	27,274	30,927
Primary current expenditures	9,955	10,710	13,253	15,484	16,248	3,569	16,462	19,242	21,834	24,883	28,200
Wages and salaries	3,400	4,122	4,430	5,159	5,249	1,249	5,560	6,625	7,518	8,510	9,629
Goods and services	3,393	3,445	4,253	4,959	4,975	1,073	5,115	6,105	6,928	7,800	8,814
Subsides and transfers	3,114	3,142	4,570	5,366	6,024	1,247	5,787	6,511	7,389	8,573	9,757
EDG	1,168	905	2,157	2,401	2,527	414	2,274	2,047	1,842	1,658	1,492
Subsidies			2,057	2,014	2,140	414	2,274	2,047	1,842	1,658	1,492
Gurantee Fund			100	387	387						
other subsidies and transfers	1,946	2,237	2,413	2,965	3,497	834	3,512	4,465	5,547	6,915	8,265
Interest on debt	854	879	577	966	984	138	1,512	1,817	2,087	2,390	2,727
Domestic debt	665	557	391	856	876	88	1,126	1,304	1,479	1,675	1,895
External debt	190	322	186	111	108	50	385	514	608	716	833
Capital expenditure	5,395	5,417	4,544	9,873	6,771	1,055	10,770	12,213	14,363	17,646	20,302
Domestically financed	3,240	2,105	2,766	3,118	2,695	272	3,123	5,190	7,181	9,517	11,103
Investment (central budget exec.)	3,172	2,105	2,766	3,087	2,664	272	3,123	5,190	7,181	9,517	11,103
Local Development Fund	…	…	356	534	285	521	509	681	804	937	1,060
Capital transfers	68	0	0	31	31	0	0	0	0	0	0
Externally financed	2,155	3,312	1,779	6,754	4,077	782	7,647	7,022	7,182	8,130	9,198
Net lending	72	127	117	126	121	54	133	146	158	170	182
Basic fiscal balance[2]	**-1,030**	**924**	**774**	**919**	**-2,818**	**170**	**1,451**	**1,631**	**1,982**	**1,922**	**1,950**
Overall balance											
Excluding grants	-3,374	-2,709	-1,191	-5,946	-7,003	-737	-6,581	-5,905	-5,808	-6,923	-8,081
Including grants	-1,935	-1,167	-595	-4,383	-5,148	-351	-4,906	-4,250	-3,949	-4,893	-5,649
Float		695				192					
Financing	**1,935**	**472**	**737**	**4,383**	**1,833**	**111**	**4,906**	**4,250**	**3,949**	**4,893**	**5,649**
Domestic financing	**1,100**	**-1,700**	**-1,411**	**-1,005**	**-806**	**231**	**-956**	**-724**	**-987**	**-676**	**-756**
Bank financing	1,300	-999	1,165	200	429	1,339	66	-8	-144	-136	-339
Net position at central bank	453	-2,063	-208	-287	-107	987	-287	-287	-287	-287	-287
Commercial banks	847	1,064	1,373	487	536	352	353	279	143	151	-52
Nonbank financing	-1,140	-945	-1,128	-1,140	-1,140	-414	-914	-616	-658	-421	-313
Privatization revenue	0	0	0	0	0	0	0	0	0	0	0
Borrowing/Amortization of domestic debt (net)	-1,189	-985	-1,175	-1,140	-1,140	-414	-914	-616	-658	-421	-313
Other / Exceptional revenue	50	40	46	0	0	0	0	0	0	0	0
Change in arrears	939	244	-1,448	-65	-95	-695	-108	-99	-185	-119	-104
External financing (net)	**835**	**2,172**	**2,148**	**5,389**	**2,639**	**-119**	**5,862**	**4,974**	**4,936**	**5,570**	**6,406**
Drawings	1,196	2,781	2,799	6,200	3,530	0	7,144	6,564	6,574	7,343	8,298
Project[4]	1,196	2,250	1,402	5,812	3,138	670	6,724	6,116	6,340	7,177	8,120
Program	0	530	1,397	388	392	0	421	448	234	167	178
Amortization due	-414	-605	-644	-811	-891	-119	-1,282	-1,498	-1,541	-1,671	-1,892
Debt relief	0	0	0	0	0	2	0	-91	-97	-103	0
Change in cap. arrears (- = reduction)	-2	0	-7	0	0	0	0	0	0	0	0
Change in int. arrears (- = reduction)	0	-4	0	0	0	0	0	0	0	0	0
Non Paris Clus bilateral rescheduling	55	0	0	0	0	0	0	0	0	0	0
HIPC-related financing	0	0	0	0	0	0	0	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0	0	0	0	0
Financing gap	0	0	0	0	3,315	0	0	0	0	0	0
Anticipated financing	0	0	0	0	2,332	…	0	0	0	0	0
CCRT Debt Relief[3]	0	0	0	0	72	…	0	0	0	0	0
G-20 Debt Service Suspension Initiative	0	0	0	0	240	…	0	0	0	0	0
RCF Disbursement	0	0	0	0	1,433	…	0	0	0	0	0
World Bank	0	0	0	0	392	…	0	0	0	0	0
African Development Bank	0	0	0	0	196	…	0	0	0	0	0
Residual financing gap	0	0	0	0	983	…	0	0	0	0	0
Memorandum items:											
Primary fiscal balance	-1,080	-288	-18	-3,417	-4,164	-214	-3,394	-2,433	-1,862	-2,503	-2,922
Nominal GDP (GNF billion)	93,942	109,761	126,707	144,980	139,446	139,446	160,903	186,234	211,329	239,219	270,672

Sources: Guinean authorities; Fund staff estimates and projections.

[1] Based on GFSM 1986 due to data availability limitations.

[2] Total revenue excluding grants minus expenditures excluding interest on external debt and foreign-financed capital expenditures.

[3] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

[4] The Souapiti dam loan is not included in the public investment of the central government as it will be carried out by an SPV that is not considered as part of the central government.

Table 3b. Guinea: Fiscal Operations of the Central Government,[1] 2017–25

(Percent of GDP, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025
	Act.	Act.	Prel.	4th Rev.	Proj.	Mar. Cum. Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	**15.3**	**14.5**	**14.1**	**15.2**	**13.6**	**3.3**	**14.9**	**15.7**	**16.3**	**16.8**	**16.9**
Revenue	13.7	13.1	13.7	14.1	12.3	3.0	13.9	14.8	15.4	16.0	16.0
Tax revenue	13.2	12.4	12.5	13.5	11.6	2.9	13.0	13.8	14.3	14.6	14.7
Mining sector	2.3	2.6	1.9	2.5	1.4	0.3	2.1	2.4	2.5	2.6	2.6
Non-mining sector	11.0	9.8	10.7	11.0	10.2	2.5	10.9	11.4	11.7	12.0	12.1
Direct taxes	2.4	2.1	2.0	2.2	2.1	0.3	2.3	2.4	2.5	2.5	2.5
Indirect taxes	8.6	7.7	8.6	8.8	8.2	2.2	8.6	9.0	9.2	9.5	9.6
Taxes on goods and services	5.8	5.3	6.0	6.2	5.7	1.5	5.9	6.1	6.2	6.4	6.4
Taxes on international trade	2.8	2.3	2.6	2.6	2.5	0.7	2.7	2.8	3.0	3.1	3.2
Non-tax revenue	0.5	0.7	1.1	0.7	0.7	0.1	0.8	1.0	1.2	1.3	1.3
Grants	1.5	1.4	0.5	1.1	1.3	0.3	1.0	0.9	0.9	0.8	0.9
Project grants	1.0	1.0	0.3	0.6	0.7	0.1	0.6	0.5	0.4	0.4	0.4
Budget support	0.5	0.4	0.2	0.4	0.7	0.1	0.5	0.4	0.5	0.5	0.5
Other earmarked grants	0.0	0.0	…	…	…	…	…	…	…	…	…
Expenditures and net lending	**17.3**	**15.6**	**14.6**	**18.2**	**17.3**	**3.5**	**17.9**	**17.9**	**18.2**	**18.8**	**19.0**
Current expenditures	11.5	10.6	10.9	11.3	12.4	2.7	11.2	11.3	11.3	11.4	11.4
Primary current expenditures	10.6	9.8	10.5	10.7	11.7	2.6	10.2	10.3	10.3	10.4	10.4
Wages and salaries	3.6	3.8	3.5	3.6	3.8	0.9	3.5	3.6	3.6	3.6	3.6
Goods and services	3.6	3.1	3.4	3.4	3.6	0.8	3.2	3.3	3.3	3.3	3.3
Subsides and transfers	3.3	2.9	3.6	3.7	4.3	0.9	3.6	3.5	3.5	3.6	3.6
EDG	…	0.8	1.7	1.7	1.8	0.3	1.4	1.1	0.9	0.7	0.6
Subsidies	…	…	1.6	1.4	1.5	0.3	1.4	1.1	0.9	0.7	
Gurantee Fund	…	…	0.1	0.3	0.3	…	…	…	…	…	
other subsidies and transfers	…	2.0	1.9	2.0	2.5	0.6	2.2	2.4	2.6	2.9	3.1
Interest on debt	0.9	0.8	0.5	0.7	0.7	0.1	0.9	1.0	1.0	1.0	1.0
Domestic debt	0.7	0.5	0.3	0.6	0.6	0.1	0.7	0.7	0.7	0.7	0.7
External debt	0.2	0.3	0.1	0.1	0.1	0.0	0.2	0.3	0.3	0.3	0.3
Capital expenditure	5.7	4.9	3.6	6.8	4.9	0.8	6.7	6.6	6.8	7.4	7.5
Domestically financed	3.4	1.9	2.2	2.2	1.9	0.2	1.9	2.8	3.4	4.0	4.1
Investment (central budget exec.)	3.4	1.9	2.2	2.1	1.9	0.2	1.9	2.8	3.4	4.0	4.1
Local Development Fund		…	0.3	0.4	0.2	0.4	0.3	0.4	0.4	0.4	0.4
Capital transfers	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Externally financed	2.3	3.0	1.4	4.7	2.9	0.6	4.8	3.8	3.4	3.4	3.4
Net lending	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Basic fiscal balance[2]	**-1.1**	**0.8**	**0.6**	**0.6**	**-2.0**	**0.1**	**0.9**	**0.9**	**0.9**	**0.8**	**0.7**
Overall balance											
Excluding grants	-3.6	-2.5	-0.9	-4.1	-5.0	-0.5	-4.1	-3.2	-2.7	-2.9	-3.0
Including grants	-2.1	-1.1	-0.5	-3.0	-3.7	-0.3	-3.0	-2.3	-1.9	-2.0	-2.1
Float		0.6									
Financing	**2.1**	**0.4**	**0.6**	**3.0**	**1.3**	**0.1**	**3.0**	**2.3**	**1.9**	**2.0**	**2.1**
Domestic financing	**1.2**	**-1.5**	**-1.1**	**-0.7**	**-0.6**	**0.2**	**-0.6**	**-0.4**	**-0.5**	**-0.3**	**-0.3**
Bank financing	1.4	-0.9	0.9	0.1	0.3	1.0	0.0	-0.0	-0.1	-0.1	-0.1
Net position at central bank	0.5	-1.9	-0.2	-0.2	-0.1	0.7	-0.2	-0.2	-0.1	-0.1	-0.1
Commercial banks	0.9	1.0	1.1	0.3	0.4	0.3	0.2	0.1	0.1	0.1	-0.0
Nonbank financing	-1.2	-0.9	-0.9	-0.8	-0.8	-0.3	-0.6	-0.3	-0.3	-0.2	-0.1
Privatization revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowing/Amortization of domestic debt (net)	-1.3	-0.9	-0.9	-0.8	-0.8	-0.3	-0.6	-0.3	-0.3	-0.2	-0.1
Other / Exceptional revenue	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.9	0.2	-1.1	-0.0	-0.1	-0.5	-0.1	-0.1	-0.1	-0.0	-0.0
External financing (net)	**0.9**	**2.0**	**1.7**	**3.7**	**1.9**	**-0.1**	**3.6**	**2.7**	**2.3**	**2.3**	**2.4**
Drawings	1.3	2.5	2.2	4.3	2.5	0.0	4.4	3.5	3.1	3.1	3.1
Project [4]	1.3	2.1	1.1	4.0	2.3	0.5	4.2	3.3	3.0	3.0	3.0
Program	0.0	0.5	1.1	0.3	0.3	0.0	0.3	0.2	0.1	0.1	0.1
Amortization due	-0.4	-0.6	-0.5	-0.6	-0.6	-0.1	-0.8	-0.8	-0.7	-0.7	-0.7
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	0.0
Change in cap. arrears (- = reduction)	-0.0	0.0	-0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
Change in int. arrears (- = reduction)	0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non Paris Clus bilateral rescheduling	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**0.0**	**0.0**	**2.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Anticipated financing	0.0	0.0	0.0	0.0	1.7	…	0.0	0.0	0.0	0.0	0.0
CCRT Debt Relief [3]	…	0.0	0.0	0.0	0.1	…	0.0	0.0	0.0	0.0	0.0
G-20 Debt Service Suspension Initiative	0.0	0.0	0.0	0.0	0.2	…	0.0	0.0	0.0	0.0	0.0
RCF Disbursement	…	0.0	0.0	0.0	1.0	…	0.0	0.0	0.0	0.0	0.0
World Bank	0.0	0.0	0.0	0.0	0.3	…	0.0	0.0	0.0	0.0	0.0
African Development Bank	0.0	0.0	0.0	0.0	0.1	…	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.3	0.0	0.0	0.0	0.7	…	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Primary fiscal balance	-1.1	-0.3	-0.0	-2.4	-3.0	-0.2	-2.1	-1.3	-0.9	-1.0	-1.1
Nominal GDP (GNF billion)	93,942	109,761	126,707	144,980	139,446	139,446	160,903	186,234	211,329	239,219	270,672

Sources: Guinean authorities; Fund staff estimates and projections.

[1] Based on GFSM 1986 due to data availability limitations.

[2] Total revenue excluding grants minus expenditures excluding interest on external debt and foreign-financed capital expenditures.

[3] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

[4] The Souapiti dam loan is not included in the public investment of the central government as it will be carried out by an SPV that is not considered as part of the central government.

Table 4. Guinea: Central Bank and Deposit Money Accounts, 2017–25[1]

(Billions of Guinean Frances, unless otherwise indicated)

	2017	2018	2019		2020			2021	2022	2023	2024	2025
	Act.	Act.	4th Rev.	Prel.	4th Rev.	Proj.	Mar Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Central bank												
Net foreign assets	2,901	4,969	6,713	8,012	8,476	8,138	7,502	10,138	11,752	12,690	14,290	15,751
Net domestic assets	8,236	6,869	5,946	5,810	5,755	5,935	7,570	5,558	5,262	4,991	4,706	4,422
Domestic credit	8,014	9,284	9,472	9,543	9,579	9,759	10,557	9,704	9,767	9,860	9,981	10,134
Claims on central government (net)	7,983	9,114	9,352	9,438	9,449	9,629	10,425	9,664	9,725	9,813	9,932	10,083
Claims on central government (net), excl. recapitalization[4]	7,983	5,920	5,626	5,712	5,425	5,605	6,699	5,318	5,031	4,744	4,457	4,170
Of which: to the Treasury (PNT1)	8,088	9,239	8,945	9,755	9,468	9,648	10,796	9,361	9,074	8,787	8,500	8,213
Recapitalization	…	3,194	4,024	4,024	4,346	4,346	3,726	4,694	5,069	5,475	5,913	6,386
Claims on private sector	31	170	120	105	130	130	92	40	42	47	49	51
Liabilities to deposit money banks (-)	0	0	0	0	0	0	40	0	0	0	0	0
Claims on other public sector	0	0	0	0	0	0	0	0	0	0	0	0
Other items, net (assets +)	222	-2,416	-3,526	-3,733	-3,824	-3,824	-2,987	-4,146	-4,505	-4,869	-5,275	-5,713
Reserve money	11,138	11,838	12,659	13,822	14,231	14,073	15,073	15,696	17,014	17,681	18,996	20,173
Currency outside banks	6,732	7,245	7,280	8,816	9,110	8,266	9,311	8,731	10,034	10,738	11,678	12,548
Bank reserves	3,621	4,156	4,898	4,656	4,760	5,446	5,484	6,601	6,613	6,572	6,942	7,227
Deposits	3,004	3,304	3,997	3,876	4,010	4,696	4,664	5,951	6,098	6,085	6,478	6,817
Required reserves	2,391	2,730	3,470	3,402	3,471	3,469	3,552	4,474	4,880	5,018	5,357	5,651
Required reserves on GNF deposits	1,670	1,986	2,534	2,428	2,483	2,481	2,441	3,147	3,477	3,575	3,815	4,024
Required reserves on FX deposits	720	745	936	974	989	988	978	1,328	1,402	1,443	1,542	1,627
Excess reserves	613	574	787	474	539	1,227	662	1,477	1,218	1,067	1,121	1,166
Excess reserves on GNF deposits	508	268	647	414	472	1,160	600	1,418	1,156	1,000	1,051	1,096
Excess reserves on FX deposits	105	306	140	60	67	67	62	59	62	67	70	70
Cash in vaults of deposit banks	618	852	901	779	750	750	821	650	515	487	464	410
Private sector deposits	785	437	481	350	361	361	277	364	368	372	375	398
Deposit money banks												
Net foreign assets	2,034	1,825	1,487	1,783	1,882	1,787	2,645	1,929	2,622	2,974	3,366	3,809
Bank reserves	3,621	4,156	4,898	4,656	4,760	5,446	5,207	6,601	6,613	6,572	6,942	7,227
Deposits at the central bank	3,004	3,304	3,997	3,876	4,010	4,696	4,386	5,951	6,098	6,085	6,478	6,817
Cash in vaults of deposits banks	618	852	901	779	750	750	821	650	515	487	464	410
Claims on central bank	0	0	0	0	0	0	0	0	0	0	0	0
Domestic credit	11,319	13,675	15,871	17,365	18,530	17,786	17,540	18,858	19,755	20,474	21,381	22,222
Credit to the government (net)	3,127	4,236	4,392	5,411	5,898	5,947	5,891	6,299	6,578	6,721	6,872	6,820
Claims on public enterprises	3	4	5	0	0	0	1	0	0	0	0	0
Claims on the private sector	8,189	9,435	11,474	11,955	12,632	12,140	12,140	12,558	13,177	13,753	14,509	15,401
Other items, net (assets +)	-2,033	-2,592	-2,592	-2,539	-2,539	-2,539	-3,189	-2,539	-2,539	-2,539	-2,539	-2,539
Liabilities to the private sector (deposits)	14,942	17,065	21,689	21,265	21,697	21,681	22,202	28,901	30,498	31,360	33,484	35,319
Memorandum items:												
Net foreign assets of the central bank (US$ million)[3]	322	547	728	869	919	882	782	1,099	1,274	1,376	1,549	1,707
Net international reserves (GNF billion)[3]	3,298	5,121	6,818	8,205	7,901	7,563	7,436	9,932	11,469	12,361	13,860	15,234
Net international reserves (US$ million)[2,3]	357	555	739	889	856	766	806	1,077	1,243	1,340	1,502	1,651

Sources: Guinean authorities; and IMF staff estimates and projections.

[1] End of period.

[2] Excludes amounts in transit and Central Bank guarantees.

[3] Using Program exchange rate from 2017 onwards.

[4] Recapitalization became effective in October, 2018.

Table 5. Guinea: Monetary Survey, 2017–25[1]

(Billions of Guinean Francs; unless otherwise indicated)

	2017	2018	2019		2020			2021	2022	2023	2024	2025
	Act.	Act.	4th Rev.	Prel.	4th Rev.	Proj.	Mar Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	4,936	6,795	8,200	9,795	10,358	9,924	10,147	12,067	14,374	15,664	17,656	19,560
Net domestic assets	17,523	17,952	19,225	20,636	21,746	22,482	22,373	22,545	22,628	22,927	23,548	24,104
Domestic credit	19,333	22,960	25,343	26,908	28,109	27,846	28,549	28,562	29,522	30,335	31,362	32,356
Claims on central government	11,110	13,351	13,744	14,849	15,347	15,576	16,316	15,963	16,303	16,535	16,804	16,903
Central Bank (net)	7,983	9,114	9,352	9,438	9,449	9,629	10,425	9,664	9,725	9,813	9,932	10,083
Central Bank (net), excl. recapitalization	7,983	5,920	5,626	5,712	5,425	5,605	6,699	5,318	5,031	4,744	4,457	4,170
Commercial Banks	3,127	4,236	4,392	5,411	5,898	5,947	5,891	6,299	6,578	6,721	6,872	6,820
Claims on public enterprises	4	4	5	0	0	0	1	0	0	0	0	0
Claims on private sector	8,220	9,605	11,594	12,060	12,762	12,270	12,232	12,598	13,219	13,800	14,558	15,452
Other items, net (assets +)	-1,810	-5,008	-6,118	-6,272	-6,363	-5,363	-6,176	-6,017	-6,894	-7,408	-7,814	-8,252
Broad money (M2)	22,458	24,746	29,450	30,432	32,103	32,407	31,791	34,612	37,002	38,591	41,204	43,664
Currency	6,732	7,245	7,280	8,816	9,110	8,266	9,311	8,731	10,034	10,738	11,678	12,548
Deposits	15,727	17,502	22,170	21,615	22,993	24,140	22,479	25,881	26,968	27,852	29,526	35,717
	(Year-on-year percent change of beginning-of-period M2, unless otherwise indicated)											
Memorandum items:												
Net foreign assets	9.6	8.3	5.7	12.1	1.8	0.4	11.8	6.4	6.1	3.2	4.7	4.2
Of which: central bank	2.2	9.2	7.0	12.3	1.5	0.4	6.3	6.0	4.2	2.3	3.8	3.2
Net domestic assets	6.2	1.9	5.1	10.8	3.6	6.1	12.5	0.2	0.2	0.7	1.5	1.2
Of which: central bank	3.2	-6.1	-3.7	-4.3	-0.2	0.4	1.4	-1.1	-0.8	-0.7	-0.7	-0.6
Domestic credit	5.9	16.1	9.6	16.0	3.9	3.1	17.0	2.1	2.5	2.0	2.4	2.2
Net claims on government	5.0	10.0	1.6	6.1	1.6	2.4	7.8	1.2	0.9	0.6	0.6	0.2
Credit to the private sector	0.9	6.2	8.0	9.9	2.3	0.7	9.3	1.0	1.6	1.4	1.8	2.0
Broad money (M2)	15.8	10.2	19.0	23.0	21.7	10.4	21.6	6.8	6.9	4.3	6.8	6.0
Reserve money (Annual percentage change)	10.3	6.3	6.9	16.8	3.0	1.8	15.4	11.5	8.4	3.9	7.4	6.2
Commercial bank credit to the private sector												
(Annual percentage change)	2.3	15.2	21.6	26.7	5.7	1.5	25.3	3.4	4.9	4.4	5.5	6.2
Money multiplier (M2/reserve money)	2.0	2.1	2.3	2.2	2.6	2.4	2.1	2.4	2.4	2.4	2.4	2.4
Velocity (GDP/average M2)	4.5	4.7	4.2	4.2	4.2	4.2	4.3	4.2	4.2	4.2	4.2	4.2
Velocity (GDP/M2, EOP)	4.2	4.4	4.3	4.2	3.9	4.2	4.1	4.2	4.6	5.0	5.3	5.6
Consumer prices (Annual percentage change, EOP)	9.5	9.9	8.6	9.1	8.1	8.7	2.4	8.0	7.9	7.8	7.8	7.8
Real GDP (Annual percentage change)	10.3	6.2	5.6	5.6	5.8	1.4	...	6.6	7.0	5.2	5.0	5.0
Nominal GDP (Annual percentage change)	21.9	16.8	14.8	15.4	14.4	10.1	...	15.4	15.7	13.5	13.2	13.1

Sources: Guinean authorities; and IMF staff estimates and projections.

[1] End of period.

Table 6. Guinea: External Financing Requirements and Sources, 2017–25

(Millions of U.S. Dollars)

	2017	2018	2019	2020		2021	2022	2023	2024	2025
	Act.	Act.	Proj.	4th Rev.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
1. Gross financing requirements	889	2,636	2,292	3,400	3,110	2,744	2,541	2,257	2,329	2,397
External current account deficit	744	2,332	1,914	3,332	3,070	2,437	2,229	2,000	1,999	2,137
Capital account balance [1]	-3	-23	-23	-24	-24	-25	-25	-26	-27	-28
Debt amortization	46	67	70	84	91	122	134	130	133	142
Change in arrears, net [2]	0	0	1	0	0	0	0	0	0	0
Gross reserves accumulation	102	259	327	-31	-65	162	152	106	172	108
IMF Repayments [3]	0	0	4	39	39	47	52	47	52	38
2. Available financing	849	2,510	2,177	3,247	2,608	2,696	2,519	2,257	2,329	2,397
Foreign direct investment, net [4]	1,386	1,670	1,895	1,603	1,214	1,608	1,793	1,555	1,592	1,591
Identified disbursements	307	399	186	1,644	1,393	1,088	734	710	746	806
Grants	175	150	65	119	147	159	148	157	161	183
Project	143	118	41	97	96	88	81	71	76	81
Program	33	32	24	22	51	71	67	86	86	102
Loans	132	250	122	1,525	1,246	929	586	554	584	624
Project	132	250	61	1,525	1,246	889	546	534	571	610
Program	0	0	61	0	0	40	40	20	13	13
Other flows	-851	440	96	0	0	0	0	0	0	0
Debt relief [1,2]	6	0	0	0	0	0	-8	-8	-8	0
3. Exceptional financing – fourth ECF review	-40	-127	-115	-153	-503	-48	-23	0	0	0
ECF disbursement	24	49	24	71	71	0	0	0	0	0
World Bank budget support	...	60	91	40	40	...	...	...	...	...
EU budget support	16	18	0	42	42	...	...	...	...	...
4. Financing gap					-349	-48	-23	...	...	...
CCRT grants [5]					25	48	23	...	...	...
G-20 Debt Service Suspension Initiative					25	...	...	...	...	...
RCF					146	...	...	...	...	...
World Bank					40	...	...	...	...	...
African Development Bank					20	...	...	...	...	...
Residual financing gap					-93	0	0	0	0	0

Sources: Guinean authorities; and IMF staff estimates and projections.

[1] Excludes public transfers and capital grant from IMF CCR Trust for debt cancellation.

[2] Projected clearance of outstanding debt arrears to non-Paris Club official creditors and commercial creditors through debt relief.

[3] Excludes debt relief provided under the IMF's CCR Trust.

[4] Includes private short-term capital flows.

[5] The grant for debt service falling due in the 18 months from October 14, 2020 is subject to the availability of resources under the CCRT.

Table 7. Guinea: Indicators of Capacity to Repay the IMF, 2020–28[1]

(As of May 28, 2020; SDR millions, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	1.8	34.6	38.3	34.4	37.6	27.4	22.7	17.2	13.8
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit									
(In millions of SDRs)									
Principal	1.8	34.6	38.3	34.4	37.6	39.8	51.0	45.5	42.1
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding credit based on existing and prospective drawings 1/ 2/									
In millions of SDRs	375.9	341.3	303.1	268.8	231.2	191.4	140.4	94.9	52.8
In percent of exports of goods and services	13.0	9.8	8.1	6.5	5.2	4.0	2.8	1.7	0.9
In percent of debt service 3/	336.5	196.4	142.6	122.2	97.9	76.9	40.5	24.7	10.0
In percent of GDP	3.6	3.1	2.5	2.1	1.7	1.3	0.9	0.6	0.3
In percent of Gross International Reserves	42.6	34.1	27.3	22.7	17.7	13.8	9.5	6.1	3.2
In percent of quota	175.5	159.4	141.5	125.5	107.9	89.4	65.5	44.3	24.6
Outstanding credit based on existing drawings 1/ 2/									
In millions of SDRs	236.2	234.4	199.8	161.6	127.2	89.7	62.3	39.6	22.4
In percent of exports of goods and services	8.2	6.7	5.3	3.9	2.8	1.9	1.2	0.7	0.4
In percent of debt service	211.4	134.9	94.0	73.5	53.9	36.0	18.0	10.3	4.3
In percent of GDP	2.3	2.1	1.6	1.2	0.9	0.6	0.4	0.2	0.1
In percent of Gross International Reserves	26.8	23.4	18.0	13.6	9.7	6.5	4.2	2.5	1.4
In percent of quota	110.3	109.4	93.3	75.4	59.4	41.9	29.1	18.5	10.4
Net use of Fund credit (millions of SDRs)	139.7	-34.6	-38.3	-34.4	-37.6	-39.8	-51.0	-45.5	-42.1
Disbursements	141.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	1.8	34.6	38.3	34.4	37.6	39.8	51.0	45.5	42.1
Memorandum items:									
Exports of goods and services (millions of US$)	3,953	4,754	5,143	5,684	6,161	6,536	6,997	7,569	8,128
External Debt service (millions of US$)	153	238	291	302	325	342	477	528	723
Nominal GDP (millions of US$)	14,244	15,296	16,637	17,804	19,030	20,343	21,765	23,299	24,941
Gross International Reserves (millions of US$)	1,206	1,369	1,520	1,627	1,799	1,907	2,033	2,151	2,276
Quota (millions of SDR)	214.2	214.2	214.2	214.2	214.2	214.2	214.2	214.2	214.2

Source: IMF staff estimates and projections.

1/ Including the disbursement of 50% of quota under the proposed RCF, and debt relief provided under the IMF's CCR Trust covering debt service falling due in the 6-month period from 14 April 2020 to 13 October 2020.

2/ On May 24, 2019 the IMF Executive Board approved an interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 30, 2021 and possibly longer. The Board also decided to set a zero interest rate on ESF until end-June 2021 while the interest rate on RCF was set to zero in July 2015.

3/ External debt service includes IMF repurchases and repayments.

Table 8. Guinea: Financial Soundness Indicators, 2016–19

(End of period, except otherwise indicated)

	2016Q1	2016Q2	2016Q3	2016Q4	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4
Regulatory Capital to Risk-Weighted Assets	17.3	22.0	18.2	17.9	18.6	17.9	18.4	16.8	16.1	17.0	17.2	15.2	18.3	16.1	14.7	14.4
Regulatory Tier 1 Capital to Risk-Weighted Assets	16.6	22.0	18.3	18.0	19.1	18.2	18.8	17.4	16.4	17.7	17.9	15.6	18.5	16.8	15.2	15.0
Non-performing Loans Net of Provisions to Capital	8.6	17.7	14.1	14.7	12.9	14.4	13.1	11.3	12.3	13.5	13.5	24.6	18.8	19.6	21.2	25.3
Non-performing Loans to Total Gross Loans	6.7	10.1	9.4	9.4	10.0	11.4	11.1	10.7	11.1	8.7	11.9	11.8	12.6	12.5	12.5	10.4
Sectoral Distribution of Total Loans: Residents	99.6	99.6	100.0	100.0	99.4	99.9	99.7	99.7	100.0	99.9	99.9	99.6	99.6	99.6	99.6	98.3
Return on Assets	2.6	2.2	2.2	2.1	2.4	2.2	2.1	2.0	2.1	2.0	2.0	2.0	1.7	2.0	2.2	2.3
Return on Equity	23.6	18.5	18.3	18.8	19.4	17.1	16.1	16.7	18.5	17.3	16.3	19.3	16.5	16.8	19.6	26.8
Interest Margin to Gross Income	33.4	37.4	37.8	38.9	40.7	40.8	41.3	41.8	37.8	38.4	39.4	38.6	43.8	42.2	42.1	41.9
Non-interest Expenses to Gross Income	80.9	80.0	79.3	79.2	76.5	76.4	78.5	78.1	78.2	79.0	79.2	78.0	78.2	74.6	73.5	72.6
Liquid Assets to Total Assets (Liquid Asset Ratio)	24.3	26.6	28.2	28.9	26.2	30.4	28.9	26.8	29.6	30.6	30.9	26.2	28.4	26.3	24.9	23.2
Liquid Assets to Short Term Liabilities	40.4	43.4	45.6	45.8	42.7	48.6	46.2	43.1	48.5	50.1	51.1	42.6	45.4	42.6	40.4	36.3
Net Open Position in Foreign Exchange to Capital	-47.2	-26.1	26.0	25.1	56.9	68.3	51.1	79.2	109.5	115.3	116.1	105.7	78.6	108.2	112.1	204.3

Source: Guinean authorities.

Appendix I. Letter of Intent

Conakry, Guinea
June 12, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Managing Director,

1. **Guinea has been severely hit by the COVID-19 pandemic.** Since the completion of the fourth review under the ECF arrangement in April, a COVID-19 outbreak has spread rapidly in Guinea and more than 4,300 cases have been confirmed. We have swiftly implemented containment measures, including closing borders, restricting movements of people within the country, and suspending large gatherings and public events. Nevertheless, the spread of the contagion is putting a significant strain on our health system and adding further pressure to the fragile social context. Containment measures are negatively impacting tourism, transport, and retail trade activities. Furthermore, the pandemic-induced slowdown in China (our main export partner) has sharply weakened our mining exports and tax revenues, putting pressure on our external and fiscal position.

2. **The COVID-19 crisis has sharply deteriorated Guinea's short-term outlook and given rise to urgent balance of payments and fiscal financing needs.** We expect real GDP growth to sharply decelerate to 1.4 percent in 2020, against 5.8 percent previously anticipated. Notably, mining activity is expected to contract, due to weaker external demand. In addition, local containment measures are expected to hinder domestic economic activity. We expect Guinea's external position to deteriorate, triggering an urgent balance of payments financing need of US$349 million (2.4 percent of GDP). A large shortfall in tax revenues and the implementation of our response plan to mitigate crisis impact are expected to trigger a basic fiscal deficit of 2.0 percent of GDP (against an earlier programmed surplus), and a fiscal financing gap of 2.4 percent of GDP.

3. **In view of this, we request emergency financial support from the IMF under the Rapid Credit Facility (RCF) in the amount of SDR 107.1 million (50 percent of our quota), in the form of budget support.** We consider that a disbursement under the RCF will be essential to supporting Guinea in the midst of the COVID-19 crisis and addressing our urgent balance of payments and fiscal financing needs. We are also confident that IMF financial assistance to Guinea will be pivotal in helping catalyzing donors' financial support to address the crisis, including from the World Bank and the African Development Bank.

4. We are swiftly orienting our economic policies to respond to the COVID-19 emergency and mitigate its severe impact. We have adopted a comprehensive response plan. We will scale-up health spending to address urgent COVID-19 needs and implement targeted measures to protect the most vulnerable and support the private sector. In parallel, we will contain non-priority spending in goods and services and rephase domestically-financed public investment to create fiscal space for COVID-19 priority spending. We will address the balance of payments shock by using our external buffers, strengthened under the ECF arrangement, while allowing greater exchange rate flexibility in order to preserve an adequate level of reserves. Thus, the Central Bank of Guinea (BCRG) will limit its interventions in the foreign exchange market and move ahead with the implementation of the recently-adopted rule-based intervention strategy by end-October 2020. The BCRG lowered its policy rate and reserve requirements to support liquidity in the banking sector. Despite large fiscal financing needs, we are committed to limiting central bank budget financing within statutory limits to contain inflation.

5. We are committed to ensure the appropriate use and monitoring of resources to respond to the COVID-19 emergency. We have strengthened our public financial management and anti-corruption framework under the ECF arrangement. Furthermore, we are creating a budgetary fund that will account for all earmarked external and domestic resources to address the pandemic. Furthermore, we have established a dedicated account, as part of the Treasury Single Account at the central bank, to receive and disburse COVID-19 funds. We will publish monthly reports on the execution of COVID-19 related spending and the inspectorate-general for finance will conduct timely ex-post control of high-risk expenditures, with the involvement of civil society. We will publish online, on the websites of the Ministry of Economy and Finance and the Ministry of Budget, all awarded procurement contracts for COVID-19 related projects, including the names of entities and their beneficial owners. Furthermore, the Court of Accounts will conduct a full audit of COVID-19 spending (including ex-post validation of goods and services procured), which will be also published online by June 2021.

6. We have requested debt suspension from our bilateral creditors under the Debt Service Suspension Initiative (DSSI) supported by the G-20 and Paris Club, and we are committed to adhere to its requirements. We will use freed resources under the DSSI for COVID-19 health spending and mitigating measures to provide economic relief from the crisis and we will closely monitor and report on the use of the COVID-19 resources (¶5). We are committed to continuing our ongoing efforts to broaden the coverage of public debt, with the support of donors' technical assistance. Furthermore, we will not contract new non-concessional loans, beyond the envelope allowed under the current ECF program.

7. We are committed to preserving medium-term fiscal and debt sustainability. As the impact of the crisis subsides, we will orient our fiscal policy to preserve debt sustainability and target a lower-than-previously planned primary fiscal deficit path. We will undertake significant external borrowing in 2020 to finance exceptional budgetary needs to respond to the crisis. In view of this, we are committed to rephasing non-priority externally financed public investments in 2020 to create fiscal space to scale-up health infrastructure and implement crisis mitigating measures. In parallel, we have decided not to promulgate a EUR 230 million loan agreement with a private partnership, recently approved by the National Assembly. Furthermore, we will scale-up public investments at a more moderate pace during 2021-22 and undertake only a limited share of programmed, but unsigned, external project financing. This will support preserving a moderate risk of external and public debt distress.

8. **We remain committed to continuing the ECF arrangement and resuming program discussions.** The IMF Board completed the fourth review of Guinea's performance under the ECF arrangement on April 1, 2020. We expect to have met all but one of the end-December 2019 quantitative performance criteria for the fifth ECF review. We continue to make progress in advancing program-supported reforms. However, preliminary data point to most end-March ITs having been missed, as Guinea's fiscal position weakened markedly due the negative repercussions of the COVID-19 shock on tax revenues. We will engage closely with IMF staff to calibrate our post-pandemic policies to preserve macroeconomic stability and promote strong and inclusive growth.

9. **We will undertake an update of the safeguards assessment before approval of any new IMF arrangement**. We are committed to continue to move forward in addressing remaining recommendations of the 2018 safeguards assessment. We have authorized Fund staff to hold discussions with the central bank's external auditors and have access to external audit reports. We will sign a Memorandum of Understanding between the Ministry of Economy and Finance and the BCRG on their respective responsibilities for servicing financial obligations under the RCF.

10. **In line with our commitment to transparency and accountability, we authorize the IMF to publish this letter and the staff report for the request for disbursement under the RCF.**

Please accept, Madame Managing Director, the assurance of our highest consideration.

/s/	/s/
Mamadi Camara	Lounceny Nabé
Minister of Economy and Finance	Governor of the Central Bank of Guinea

GUINEA

June 15, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY— DEBT SUSTAINABILITY ANALYSIS UPDATE

Approved By
Dominique Desruelle (AFR) and Marcello Estevão (IDA)

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

Guinea: Joint Bank-Fund Debt Sustainability Analysis[1]	
Risk of external debt distress:	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Limited space to absorb shocks
Application of judgment	Yes; breach of PV-of-public-debt-to-GDP ratio is short-lived and marginal.
Macroeconomic projections	The impact of the COVID-19 pandemic has led to a large downward revision of short-term growth. Needed policy response to the crisis is expected to temporarily deteriorate the fiscal position.
Financing strategy	Guinea will rely mostly on concessional financing, with non-concessional loans to increase over time.
Realism tools flagged	None
Mechanical risk rating under the external DSA	Moderate
Mechanical risk rating under the public DSA	High

[1] The Debt Sustainability Analysis (DSA) update was approved by Dominique Desruelle (IMF) and Marcello Estevão (IDA). Guinea's Composite Indicator score, which is based on the October 2019 WEO and the 2018 World Bank's CPIA, is 2.51 and its debt-carrying capacity is classified as weak. This update reflects debt service relief provided by the IMF under the CCRT, and by the Debt Service Suspension Initiative (DSSI) supported by the G-20 and Paris Club. The authorities have requested participation in the DSSI and indicated their intention to adhere to its commitments. It also incorporates financial assistance from the IMF under the RCF and additional support from the World Bank for the COVID-19 response, including emergency budget support. The coverage of public debt is as in the April 2020 DSA.

Guinea is at moderate risk of external debt distress with limited space to absorb shocks*. All external debt burden indicators under the baseline scenario, which accounts for the negative impact of the COVID-19 pandemic, lie below their respective thresholds. Stress tests suggest that debt vulnerabilities will increase if further adverse shocks materialize. Under the most extreme stress tests, all solvency and liquidity indicators breach their thresholds for prolonged periods. The overall risk of public debt distress is also assessed to be moderate, with the application of judgement regarding a brief and marginal breach for the PV of total-public-debt-to-GDP ratio over 2020–21, reflecting higher-than-earlier anticipated external borrowing in 2020 to fill urgent balance of payment and fiscal financing needs due to the COVID-19 pandemic, and the one-off impact of the 2018 recapitalization of the central bank.[1] This assessment hinges on the anticipated rebound of the Guinean economy in 2021 and rephasing of non-priority projects to enable scaling-up health infrastructure. In view of downside risks and knife-edge results of the granularity tool, staff considers that Guinea has limited space to absorb shocks.*

Table 1. Guinea: LIC DSA Macroeconomic Assumptions
(Percent of GDP, unless otherwise indicated)

	Previous DSA					Current DSA				
	2018	2019	2020	2025	2030	2018	2019	2020	2025	2030
Nominal GDP ($ Million)	12181	13797	14951	21302	29944	12181	13797	14244	20343	28580
Real GDP (percentage change)	6.2	5.6	5.8	5.0	5.0	6.2	5.6	1.4	5.0	5.0
Fiscal Accounts										
Revenues	13.1	13.7	14.1	16.4	17.2	13.1	13.7	12.3	16.0	16.9
Grants	1.1	0.3	0.9	0.9	0.9	1.1	0.3	1.2	0.9	0.9
Public Sector Expenditure	15.6	14.6	18.2	19.4	19.9	15.6	14.6	17.3	19.0	19.7
of which: Capital expenditure and net lending	5.1	3.7	6.9	8.0	8.7	5.1	3.7	4.9	7.6	8.2
Primary Fiscal Balance	-0.3	0.0	-2.4	-1.1	-0.7	-0.3	0.0	-3.0	-1.1	-0.9
New external borrowing	13.4	4.9	10.9	3.1	2.8	13.4	4.9	11.9	3.0	2.7
Grant elements of new external borrowing	31.2	31.7	31.7	39.5	37.8	31.2	31.7	32.1	39.9	38.2
Balance of Payments										
Exports of goods and services	32.9	30.5	32.2	32.3	32.1	32.9	30.5	27.8	32.1	32.8
Imports of goods and services	46.8	39.4	48.5	37.7	34.0	46.8	39.4	43.0	38.1	35.1
Current account (including transfers)	-19.0	-13.9	-22.0	-9.8	-6.6	-19.0	-13.9	-21.1	-10.0	-7.0
Foreign direct investment	12.9	12.9	10.1	7.0	7.0	12.9	12.9	8.3	7.4	7.4

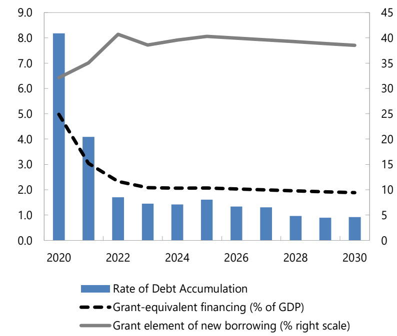
Source: Guinean authorities, IMF and World Bank staff estimates.

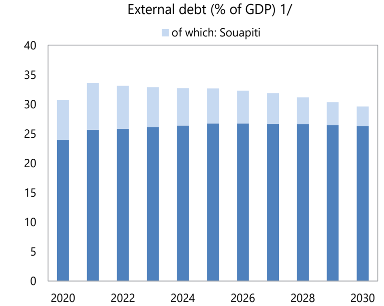
Table 2. Guinea: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**19.3**	**18.9**	**19.5**	**30.7**	**33.6**	**33.1**	**32.9**	**32.7**	**32.7**	**29.6**	**23.5**	**25.2**	**31.9**
of which: public and publicly guaranteed (PPG)	**19.3**	**18.9**	**19.5**	**30.7**	**33.6**	**33.1**	**32.9**	**32.7**	**32.7**	**29.6**	**23.5**	**25.2**	**31.9**
Change in external debt	-2.5	-0.4	0.5	11.3	2.9	-0.5	-0.2	-0.2	0.0	-0.7	-0.1		
Identified net debt-creating flows	**-9.3**	**3.1**	**-1.3**	**12.5**	**3.7**	**0.6**	**0.9**	**0.6**	**1.1**	**-1.8**	**-8.7**	**6.3**	**1.8**
Non-interest current account deficit	**6.8**	**18.7**	**13.8**	**20.9**	**15.1**	**12.6**	**10.3**	**9.6**	**9.6**	**6.6**	**-0.5**	**15.3**	**10.9**
Deficit in balance of goods and services	7.4	13.9	8.8	15.3	11.7	9.6	7.3	6.2	6.0	2.3	-3.3	**12.7**	**6.7**
Exports	39.9	32.9	30.5	27.8	31.1	30.9	31.9	32.4	32.1	32.8	33.8		
Imports	47.3	46.8	39.4	43.0	42.8	40.6	39.3	38.6	38.1	35.1	30.5		
Net current transfers (negative = inflow)	-0.9	-0.6	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.1	0.2	**-2.3**	**-0.4**
of which: official	-0.2	-0.2	0.0	-0.5	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5		
Other current account flows (negative = net inflow)	0.3	5.3	5.4	6.0	3.9	3.4	3.5	3.9	4.1	4.4	2.6	**4.9**	**4.6**
Net FDI (negative = inflow)	**-12.6**	**-12.9**	**-12.9**	**-8.3**	**-9.9**	**-10.2**	**-8.2**	**-7.9**	**-7.4**	**-7.4**	**-7.4**	**-7.8**	**-8.1**
Endogenous debt dynamics 2/	**-3.5**	**-2.6**	**-2.1**	**-0.1**	**-1.5**	**-1.7**	**-1.2**	**-1.1**	**-1.1**	**-1.0**	**-0.8**		
Contribution from nominal interest rate	0.2	0.3	0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.3		
Contribution from real GDP growth	-1.9	-1.0	-0.9	-0.3	-1.9	-2.2	-1.6	-1.5	-1.5	-1.4	-1.1		
Contribution from price and exchange rate changes	-1.8	-1.9	-1.3	...	...	...	...	...	...	...	...		
Residual 3/	**6.8**	**-3.5**	**1.8**	**-1.2**	**-0.8**	**-1.1**	**-1.1**	**-0.8**	**-1.2**	**1.0**	**8.6**	**-9.3**	**-0.8**
of which: exceptional financing	-0.1	0.0	0.0	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**14.0**	**21.5**	**23.8**	**23.5**	**23.3**	**23.1**	**23.1**	**20.8**	**17.0**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**45.9**	**77.4**	**76.6**	**75.9**	**72.9**	**71.4**	**71.9**	**63.5**	**50.3**		
PPG debt service-to-exports ratio	**1.4**	**1.7**	**1.6**	**2.0**	**2.9**	**4.6**	**4.6**	**4.5**	**4.1**	**5.2**	**4.4**		
PPG debt service-to-revenue ratio	**4.1**	**4.2**	**3.5**	**4.4**	**6.6**	**9.6**	**9.5**	**9.1**	**8.2**	**10.1**	**8.6**		
Gross external financing need (Billion of U.S. dollars)	-0.5	0.8	0.2	1.9	0.9	0.6	0.6	0.6	0.7	0.3	-3.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	10.3	6.2	5.6	1.4	6.6	7.0	5.2	5.0	5.0	5.0	5.0	**6.0**	**5.0**
GDP deflator in US dollar terms (change in percent)	8.9	11.0	7.2	1.8	0.7	1.6	1.7	1.8	1.8	2.0	2.0	**1.8**	**1.8**
Effective interest rate (percent) 4/	1.1	1.8	0.9	1.1	1.3	1.4	1.4	1.4	1.4	1.4	1.3	**1.1**	**1.4**
Growth of exports of G&S (US dollar terms, in percent)	66.9	-3.0	5.3	-6.2	20.3	8.2	10.5	8.4	6.1	7.4	7.4	**14.5**	**7.7**
Growth of imports of G&S (US dollar terms, in percent)	-4.8	16.4	-4.6	12.8	6.9	3.0	3.6	5.0	5.6	5.6	5.6	**17.8**	**5.8**
Grant element of new public sector borrowing (in percent)	...	...	...	32.1	35.1	40.7	38.6	39.6	40.3	38.5	21.6	**...**	**38.4**
Government revenues (excluding grants, in percent of GDP)	13.7	13.1	13.7	12.3	13.9	14.8	15.4	16.0	16.0	16.9	17.3	**13.5**	**15.5**
Aid flows (in Billion of US dollars) 5/	0.1	0.1	0.0	0.6	0.6	0.7	0.6	0.6	0.7	0.8	0.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	5.0	3.0	2.3	2.1	2.1	2.1	1.9	1.5	**...**	**2.4**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	38.2	43.5	52.6	52.1	52.7	54.4	54.5	41.5	**...**	**51.4**
Nominal GDP (Billion of US dollars)	10	12	14	14	15	17	18	19	20	29	56		
Nominal dollar GDP growth	20.1	17.8	13.3	3.2	7.4	8.8	7.0	6.9	6.9	7.0	7.0	**7.9**	**6.9**
Memorandum items:													
PV of external debt 7/	...	...	14.0	21.5	23.8	23.5	23.3	23.1	23.1	20.8	17.0		
In percent of exports	...	...	45.9	77.4	76.6	75.9	72.9	71.4	71.9	63.5	50.3		
Total external debt service-to-exports ratio	1.4	1.7	1.6	2.0	2.9	4.6	4.6	4.5	4.1	5.2	4.4		
PV of PPG external debt (in Billion of US dollars)			1.9	3.1	3.6	3.9	4.1	4.4	4.7	6.0	9.6		
(PVt-PVt-1)/GDPt-1 (in percent)				8.2	4.1	1.7	1.5	1.4	1.6	0.9	1.5		
Non-interest current account deficit that stabilizes debt ratio	9.3	19.1	13.2	9.6	12.3	13.1	10.6	9.8	9.6	7.4	-0.5		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

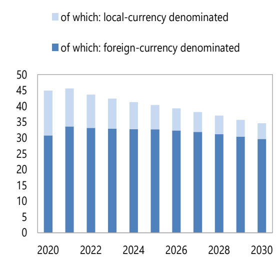
Table 3. Guinea: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	39.5	37.4	34.2	44.9	45.6	43.7	42.4	41.3	40.4	34.6	25.5	41.7	40.3
of which: external debt	19.3	18.9	19.5	30.7	33.6	33.1	32.9	32.7	32.7	29.6	23.5	25.2	31.9
Change in public sector debt	-3.0	-2.1	-3.2	10.8	0.7	-1.9	-1.3	-1.1	-0.9	-1.1	-0.8		
Identified debt-creating flows	-6.0	-4.5	-4.0	2.0	-1.3	-2.1	-1.4	-1.0	-0.9	-0.6	-0.7	-3.5	-0.8
Primary deficit	1.1	0.3	0.0	3.0	2.1	1.3	0.9	1.0	1.1	0.9	0.2	2.1	1.3
Revenue and grants	15.2	14.3	14.0	13.4	14.8	15.7	16.3	16.8	16.9	17.8	18.2	14.8	16.5
of which: grants	1.4	1.1	0.3	1.2	0.9	0.9	0.9	0.8	0.9	0.9	0.9		
Primary (noninterest) expenditure	16.3	14.5	14.0	16.4	16.9	17.0	17.2	17.8	18.0	18.6	18.4	16.9	17.7
Automatic debt dynamics	-7.1	-4.7	-4.0	-0.8	-3.1	-3.3	-2.3	-2.1	-2.0	-1.5	-0.8		
Contribution from interest rate/growth differential	-5.2	-3.6	-3.3	-0.9	-3.1	-3.3	-2.3	-2.1	-2.0	-1.5	-0.8		
of which: contribution from average real interest rate	-1.2	-1.3	-1.3	-0.4	-0.3	-0.3	-0.2	-0.1	0.0	0.2	0.4		
of which: contribution from real GDP growth	-4.0	-2.3	-2.0	-0.5	-2.8	-3.0	-2.2	-2.0	-2.0	-1.7	-1.2		
Contribution from real exchange rate depreciation	-2.0	-1.1	-0.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	-2.8	-0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	-0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.0	2.4	0.7	8.9	2.0	0.2	0.2	0.0	0.0	-0.5	-0.2	0.7	0.8
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	29.0	36.6	36.6	34.7	33.5	32.3	31.5	26.4	19.5		
PV of public debt-to-revenue and grants ratio	...	...	208.0	271.9	247.7	221.7	205.0	192.5	186.2	148.6	107.2		
Debt service-to-revenue and grants ratio 3/	6.1	12.2	20.5	16.8	16.6	16.2	16.0	14.7	13.4	14.1	12.3		
Gross financing need 4/	1.2	1.2	2.9	5.2	4.4	3.7	3.5	3.5	3.3	3.4	2.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	10.3	6.2	5.6	1.4	6.6	7.0	5.2	5.0	5.0	5.0	5.0	6.0	5.0
Average nominal interest rate on external debt (in percent)	1.1	1.8	0.9	1.1	1.3	1.4	1.4	1.5	1.4	1.4	1.3	1.2	1.4
Average real interest rate on domestic debt (in percent)	-5.7	-6.4	-6.7	-3.5	-2.1	-1.3	-0.3	0.6	1.5	7.4	20.5	-2.2	1.7
Real exchange rate depreciation (in percent, + indicates depreciation)	-9.9	-6.1	-3.7	...	...	...	...	...	...	...	...	0.5	...
Inflation rate (GDP deflator, in percent)	10.4	10.0	9.3	8.5	8.2	8.2	7.8	7.8	7.8	7.8	7.8	8.3	7.9
Growth of real primary spending (deflated by GDP deflator, in percent)	22.0	-5.6	1.6	19.3	9.5	7.6	6.7	8.9	5.8	6.3	4.4	7.0	7.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.2	2.4	3.2	-7.8	1.5	3.2	2.2	2.2	2.0	1.9	1.0	3.3	1.2
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

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

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

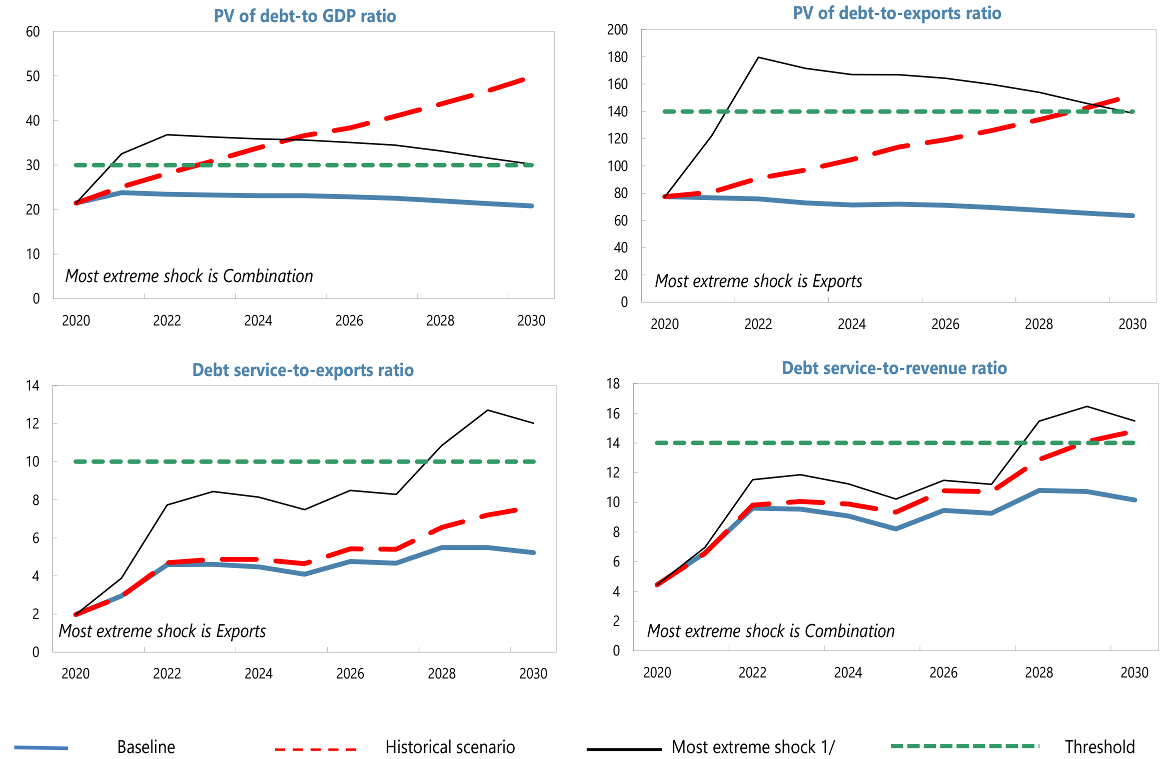
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

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



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

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

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6

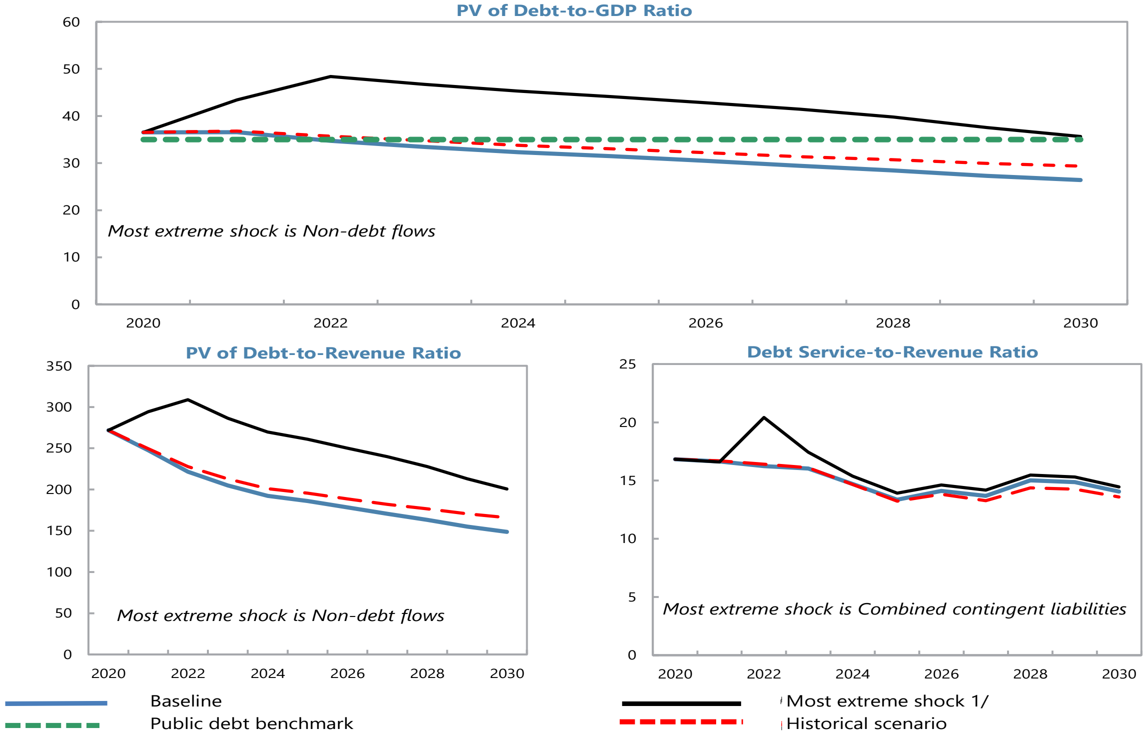
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

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

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

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



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	91%	91%
Domestic medium and long-term	1%	1%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.7%	2.7%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	0%	0.0%

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

Sources: Country authorities; and staff estimates and projections.

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

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

Sources: Country authorities; and staff estimates and projections.

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

Table 5. Guinea: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30

(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	21	24	23	23	23	23	23	23	22	21	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	21	25	28	**31**	**34**	**37**	**38**	**41**	**44**	**47**	**50**
A2. Weak Policy	21	24	24	24	24	24	24	24	23	23	23
A3. Higher non-concessional borrowing	21	24	24	24	25	25	24	24	23	22	22
B. Bound Tests											
B1. Real GDP growth	21	25	26	26	26	26	25	25	24	24	23
B2. Primary balance	21	25	27	27	26	26	26	26	25	24	24
B3. Exports	21	29	**37**	**36**	**36**	**35**	**35**	**34**	**33**	**31**	30
B4. Other flows 3/	21	**30**	**37**	**36**	**36**	**35**	**35**	**34**	**33**	**31**	30
B5. Depreciation	21	**30**	27	27	27	27	26	26	25	25	24
B6. Combination of B1-B5	21	**33**	**37**	**36**	**36**	**36**	**35**	**34**	**33**	**32**	**30**
C. Tailored Tests											
C1. Combined contingent liabilities	21	28	28	28	28	28	27	27	26	25	25
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	21	25	26	26	26	26	26	25	24	23	23
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	77	77	76	73	71	72	71	69	67	65	64
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	77	81	91	97	105	114	119	126	134	**142**	**152**
A2. Weak Policy	77	77	77	75	74	75	75	73	72	70	69
A3. Higher non-concessional borrowing	77	77	78	76	76	76	75	73	71	68	66
B. Bound Tests											
B1. Real GDP growth	77	77	76	73	71	72	71	69	67	65	64
B2. Primary balance	77	82	87	83	82	82	81	79	77	74	72
B3. Exports	77	122	**180**	**172**	**167**	**167**	**164**	**160**	**154**	**146**	139
B4. Other flows 3/	77	98	119	113	110	110	108	105	101	96	91
B5. Depreciation	77	77	69	66	65	66	65	63	62	60	59
B6. Combination of B1-B5	77	116	109	128	125	125	123	120	115	109	104
C. Tailored Tests											
C1. Combined contingent liabilities	77	92	91	88	86	86	85	83	80	78	76
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	77	86	89	85	82	82	80	78	75	72	70
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**	**140**
Debt service-to-exports ratio											
Baseline	2	3	5	5	4	4	5	5	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	2	3	5	5	5	5	5	5	7	7	8
A2. Weak Policy	2	3	5	5	5	4	5	5	6	6	6
A3. Higher non-concessional borrowing	2	3	5	5	5	4	5	5	6	6	6
B. Bound Tests											
B1. Real GDP growth	2	3	5	5	4	4	5	5	5	5	5
B2. Primary balance	2	3	5	5	5	4	5	5	6	6	6
B3. Exports	2	4	8	8	8	7	8	8	**11**	**13**	**12**
B4. Other flows 3/	2	3	5	5	5	5	5	5	7	8	8
B5. Depreciation	2	3	5	4	4	4	5	5	5	5	5
B6. Combination of B1-B5	2	3	6	6	6	6	7	6	9	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	2	3	5	5	5	4	5	5	6	6	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	2	3	5	5	5	4	5	5	6	6	6
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	4	7	10	10	9	8	9	9	11	11	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	4	7	10	10	10	9	11	11	13	**14**	**15**
A2. Weak Policy	4	9	12	10	9	9	10	10	12	12	11
A3. Higher non-concessional borrowing	4	7	10	10	9	8	10	10	12	12	11
B. Bound Tests	4	9	12	10	9	9	10	10	12	12	11
B1. Real GDP growth	4	7	11	11	10	9	10	10	12	12	11
B2. Primary balance	4	7	10	10	9	9	10	10	12	12	12
B3. Exports	4	7	11	11	11	10	11	11	**14**	**16**	**15**
B4. Other flows 3/	4	7	10	11	11	10	11	11	**14**	**16**	**15**
B5. Depreciation	4	8	12	12	11	10	12	11	13	12	12
B6. Combination of B1-B5	4	7	12	12	11	10	11	11	**15**	**16**	**15**
C. Tailored Tests											
C1. Combined contingent liabilities	4	7	10	10	10	9	10	10	11	11	11
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	4	7	11	11	10	9	10	10	12	12	11
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

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

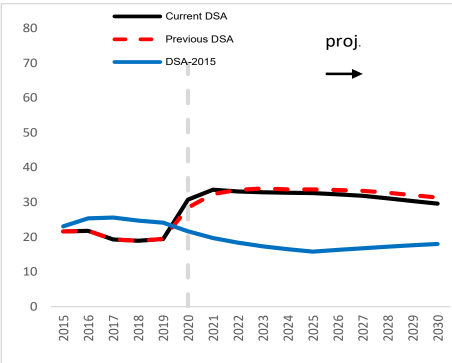
Table 6. Guinea: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30
(Percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	PV of Debt-to-GDP Ratio										
Baseline	**37**	**37**	35	33	32	31	31	29	28	27	26
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	**37**	**37**	**36**	35	34	33	32	31	31	30	29
B. Bound Tests											
B1. Real GDP growth	**37**	**39**	**40**	**40**	**39**	**39**	**39**	**39**	**39**	**39**	**38**
B2. Primary balance	**37**	**39**	**39**	**37**	**36**	35	34	33	32	30	29
B3. Exports	**37**	**42**	**47**	**45**	**44**	**43**	**41**	**40**	**39**	**36**	35
B4. Other flows 3/	**37**	**43**	**48**	**47**	**45**	**44**	**43**	**41**	**40**	**38**	**36**
B5. Depreciation	**37**	**40**	**36**	34	32	30	28	27	25	23	21
B6. Combination of B1-B5	**37**	**37**	**36**	34	32	32	31	30	29	28	27
C. Tailored Tests											
C1. Combined contingent liabilities	**37**	**42**	**40**	**38**	**37**	**36**	**35**	34	33	32	30
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**37**	**38**	**39**	**39**	**40**	**41**	**41**	**41**	**41**	**40**	**40**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	272	248	222	205	192	186	178	171	163	155	149
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	272	249	228	213	201	196	189	182	177	171	166
B. Bound Tests											
B1. Real GDP growth	272	263	254	241	233	232	228	225	222	218	215
B2. Primary balance	272	262	246	227	213	206	198	189	181	172	164
B3. Exports	272	281	299	277	261	252	242	232	221	207	195
B4. Other flows 3/	272	294	309	286	270	261	250	240	228	213	201
B5. Depreciation	272	269	234	211	192	180	167	155	143	131	121
B6. Combination of B1-B5	272	254	232	206	193	187	179	171	165	157	150
C. Tailored Tests											
C1. Combined contingent liabilities	272	285	254	235	221	214	205	196	188	179	172
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	272	282	266	260	251	249	243	236	233	229	226
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	17	17	16	16	15	13	14	14	15	15	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2040 2/	17	17	16	16	15	13	14	13	14	14	14
B. Bound Tests											
B1. Real GDP growth	17	17	18	19	17	16	17	17	18	18	18
B2. Primary balance	17	17	18	18	15	14	14	14	16	16	15
B3. Exports	17	17	17	17	16	15	15	15	18	20	18
B4. Other flows 3/	17	17	17	18	16	15	15	15	18	20	19
B5. Depreciation	17	16	18	17	16	15	16	15	16	16	15
B6. Combination of B1-B5	17	16	16	16	15	13	14	14	16	16	15
C. Tailored Tests											
C1. Combined contingent liabilities	17	17	20	17	15	14	15	14	15	15	14
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	18	18	20	18	17	17	16	18	19	18
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

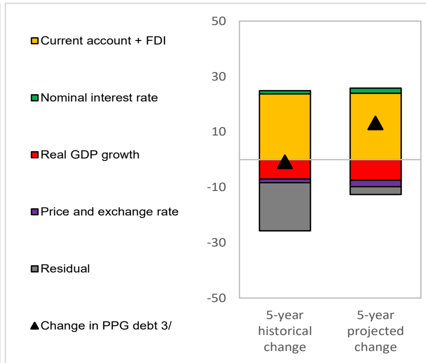
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

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

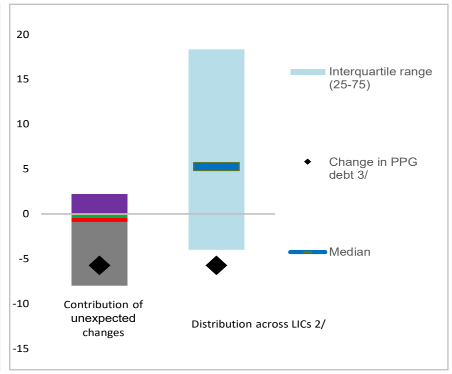
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

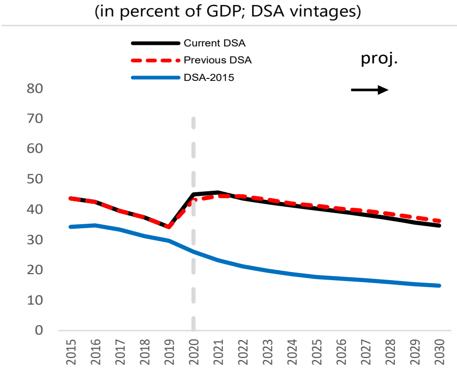


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

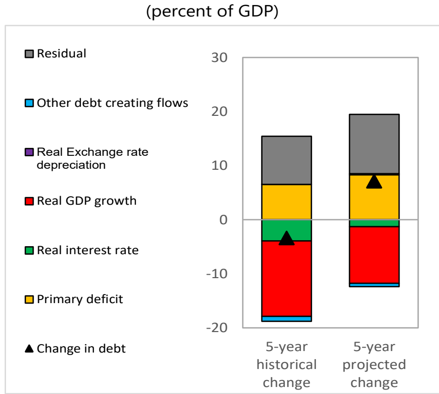


Public debt

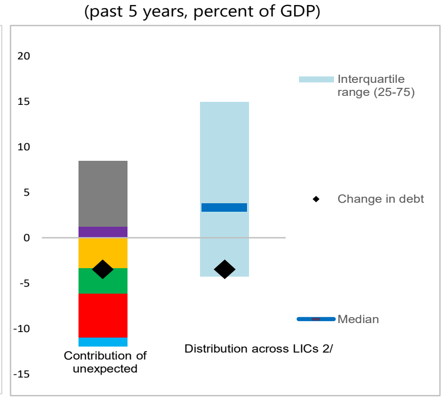
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



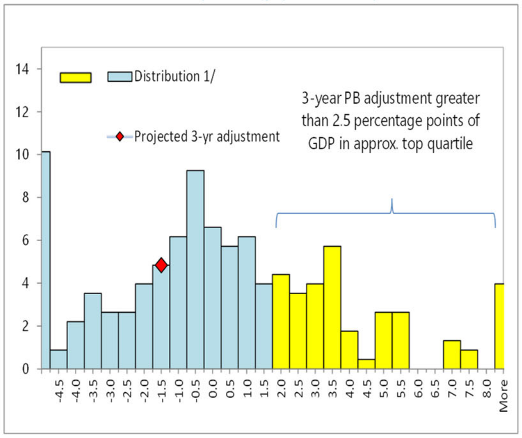
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

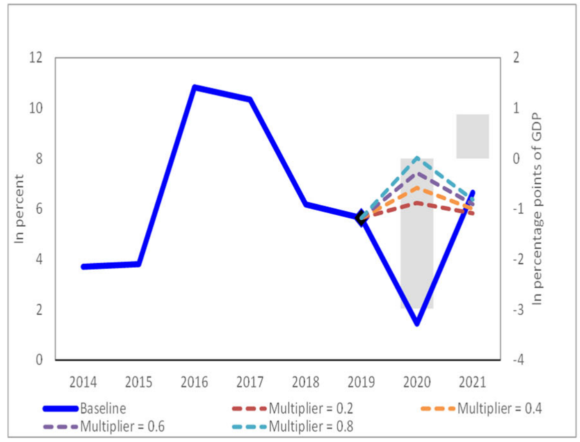
Figure 5. Guinea: Realism Tools

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



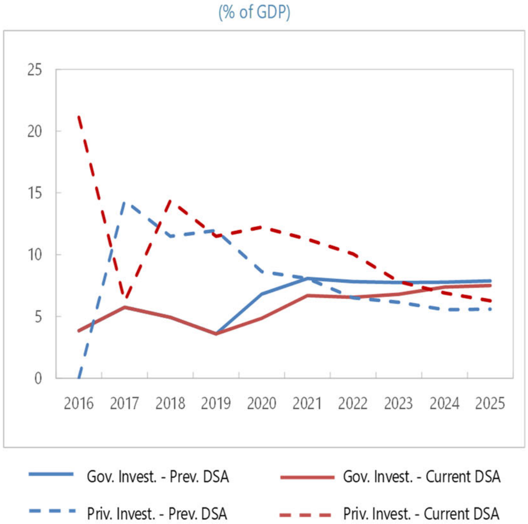
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(% of GDP)



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

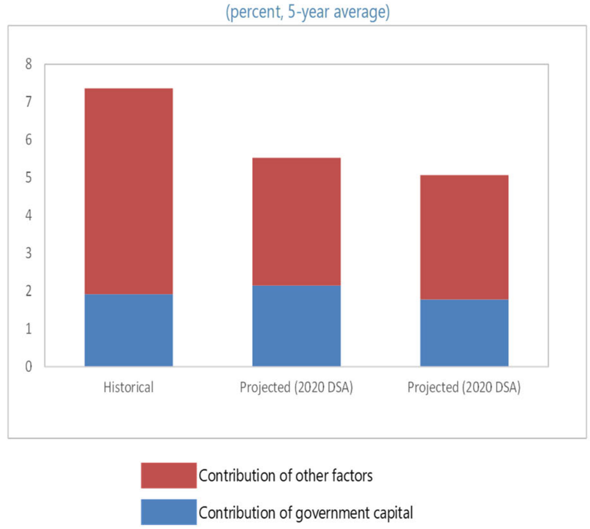
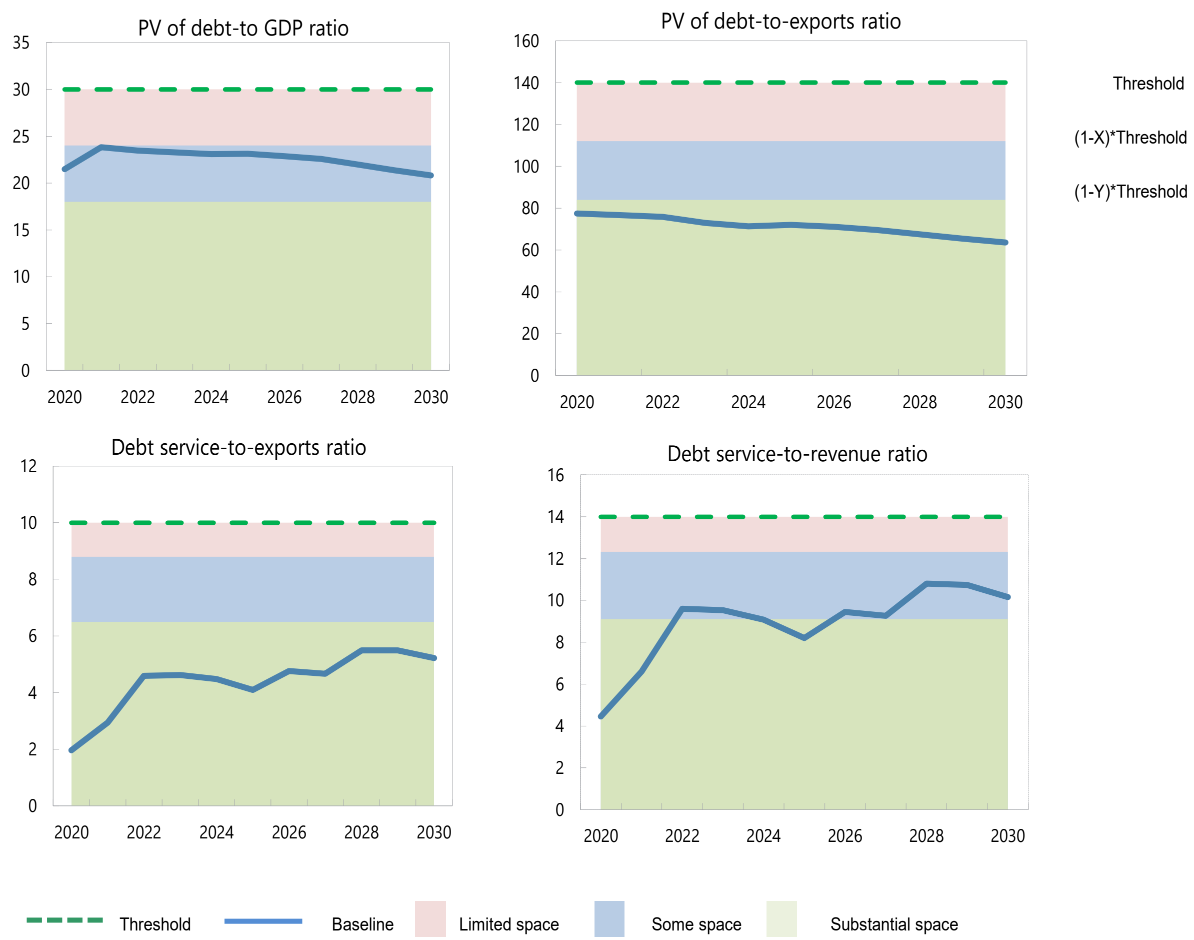


Figure 6. Guinea: Qualification of the Moderate Category, 2020–30[1]



Sources: Country authorities; and staff estimates and projections.

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

Statement by Mr. Mohamed-Lemine Raghani, Executive Director for Guinea, Mr. Facinet Sylla, Alternate Executive Director and Mr. Regis N'Sonde, Senior Advisor to the Executive Director on Guinea

June 19, 2020

I. Introduction

On behalf of our Guinean authorities, we would like to thank Staff, Management, and the Executive Board for their support to Guinea throughout the years. They are committed to maintaining close collaboration with the Fund, including through their ongoing ECF-supported program which remains central to achieving the objectives of their national development strategy–*Plan National de Développement Economique et Social (PNDES)*–and instrumental to catalyzing support from development partners.

In the midst of implementation of the ECF program which fourth review was successfully completed on April 1, 2020, the Covid-19 pandemic has harshly hit Guinea. In addition to the strain on the health system, the pandemic has taken a heavy toll on the country's population and economy.

Fully committed to mitigate the effects of the Covid-19, the authorities swiftly launched the National Emergency Preparedness and Response Plan (NEPRP) supported by the World Health organization (WHO) and other development partners. The implementation of this response plan and the supportive economic measures have led to urgent fiscal and balance of payments needs. Against this background, the Guinean authorities are requesting a disbursement under the Rapid Credit Facility (RCF) of SDR 107.1 million, equivalent to 50 percent of quota, to be made available as budget support. It is worth noting that the disbursement will not impact Guinea's debt sustainability and that the country's capacity to repay the Fund remains adequate.

II. Impact of the Covid-19 Pandemic and Policy Response

As of June 15, 2020, 4639 cases of Covid-19 have been recorded, of which 3,327 have recovered. The crisis has renewed pressures on the health system which was hardly affected during the Ebola outbreak in 2014-2015. Building on the experience of the Ebola epidemic, effective implementation of rigorous hygiene, social distanciation and confinement measures notably under the NEPRP has helped limit the spread of the virus—albeit still growing—and provide care to the infected population. Nevertheless, the government's containment measures, together with spillovers from neighboring countries and trading partners are adversely impacting domestic economic activity, notably in the key sectors of mining, agriculture, transport, trade and tourism.

Fiscal Measures

In efforts to protect the population and preserve economic activity to the extent possible, the authorities focus their actions on: (i) increasing health spending; (ii) protecting the poor and vulnerable by strengthening the social safety nets, including through cash transfers, temporarily waiving electricity and water charges and building up food security stocks ; and (iii) supporting the private sector, notably by providing temporary relief on tax payments, social security contributions and utilities bills for firms and SMEs in the most affected economic sectors.

Monetary and Financial Measures

The authorities are fully committed to mitigate the potential adverse impact of the pandemic on the financial sector, with a view to sustaining activity while preserving financial stability. In this regard, the central bank has reduced its policy rate and the level of reserves requirements to ensure adequate liquidity provision. Greater exchange rate flexibility will be allowed to preserve an appropriate level of foreign reserves, including by limiting the central bank's interventions. Measures put in place also encompass the rescheduling of loan repayments in favor of businesses in the tourism and hotels sectors, the acceleration of domestic arrears repayments as well as the creation—with the support of the World Bank—of a public guarantee fund for loans provided by banks to SMEs and the establishment of another fund to support firms in the informal sector.

Short-term Prospects and Financing Needs

The pandemic has sharply deteriorated the country's short-term economic prospects as growth is expected to slump to 1.4 percent in 2020 against 5.8 percent previously projected. The necessary policy measures to scale up health spending, protect the most vulnerable and support the private sector in a context of large tax revenue shortfall will widen the basic fiscal deficit to 2.0 percent of GDP this year against a surplus of 0.6 percent of GDP initially envisaged. This situation will increase net borrowing from the central bank albeit within statutory limits, as well as banks' lending to the government. As a result of these measures and efforts to stabilize the basic food staples, inflation is expected to reach 9.1 percent this year. On the external position, gross foreign reserves will dwindle to cover 3.9 months of imports against 4.8 months in 2019. All in all, the Covid-19 outbreak and the ensuing policy response are expected to generate a fiscal financing gap amounting to 2.4 percent of GDP.

To help close the financing gap, our Guinean authorities are requesting Fund's emergency assistance under the RCF. They expect such support to catalyze financing from development partners beyond what has been secured from the World Bank and the African Development Bank. They are committed to ensure appropriate use and monitoring of the Covid-19 related resources. To this end, they will further strengthen public financial management and the anti-corruption framework. Timely ex-post control will be conducted with the involvement of civil society and all awarded procurement contracts will be posted on the websites of the

Ministry of Economy and Finance and the Ministry of Budget. Moreover, a full audit of Covid-19 expenditures will be conducted by The Court of Accounts whose report will be published online by June 2021.

III. Debt Sustainability

Our Guinean authorities remain committed to preserving fiscal and debt sustainability. Once the pandemic subsides, they will focus their efforts on strengthening the country's fiscal and debt positions. While they intend to borrow in 2020 to help finance the exceptional budgetary needs arising from the Covid-19 crisis, they are determined to rephasing non-priority externally financed public investments in 2020 to create fiscal space for health infrastructure. They will refrain from contracting any new loan that does not meet the criteria set under the ECF program. In addition, the authorities have requested debt service relief from the Fund under the CCRT initiative as well as from bilateral creditors under the Debt Service Suspension Initiative (DSSI) supported by the G-20 and the Paris Club. In this vein, they are committed to adhere to the DSSI requirements. These actions should help reduce the financing gap while preserving Guinea's moderate risk of external debt distress.

IV. Implementation of the ECF-Supported Program

The authorities remain dedicated to implementing their ECF-supported program to reinforce macroeconomic stability and aim at a greater and broad-based growth when the pandemic abates. They are confident to have met all but one quantitative performance criteria set at end-December 2019 for the fifth review. They intend to continue closely engaging with the Fund to adjust their post-pandemic policies and achieve the objectives of the PNDES.

V. Conclusion

Our Guinean authorities reiterate their firm commitment to implementing sound policies and reforms to further strengthen macroeconomic stability and achieve higher, sustained, and inclusive growth once the current crisis wane. In the meantime, and against the backdrop of a costly response plan to the Covid-19 shock, they face urgent financing needs and look forward to the Executive Board's approval of their request for a disbursement under the RCF.