INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/328

# GUINEA-BISSAU

September 2023

## SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA-BISSAU

In the context of the Second Review Under the Extended Credit Facility Arrangement And Requests For A Waiver Of Nonobservance Of Performance Criteria, Rephasing Of Access, And Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release.**
- The **Staff Report** prepared by a staff team of the IMF following discussions that ended on May 30, 2023, with the officials of Guinea-Bissau on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the Staff Report was completed on July 6, 2023.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Guinea-Bissau

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**International Monetary Fund**
**Washington, D.C.**

# IMF Executive Board Completes the Second Review under the Extended Credit Facility Arrangement for Guinea-Bissau and Approves US$3.15 Million Disbursement

- The IMF Executive Board decision allows for an immediate disbursement of SDR2.37 million (about US$3.15 million) to Guinea-Bissau to help addressing financing needs and coping with a deteriorating external environment.
- The economy has grown by 4.2 percent in 2022 and should recover moderately to 4.5 percent in 2023 while inflation is expected to remain high.
- The authorities are taking measures to address the exogenous shocks and remain committed to strong policies and reforms.

**Washington, DC** – **August 30, 2023:** The Executive Board of the International Monetary Fund (IMF) completed today the second review under Guinea-Bissau's Extended Credit Facility (ECF) arrangement. The completion of the review enables the disbursement of SDR2.37 million (about US$3.15 million) to help meet the country's balance-of-payments and fiscal financing needs amid challenges related to Russia's war in Ukraine, the substantial increase in the cost-of-living which is especially impacting the most vulnerable population, and the lingering impacts of the pandemic. This brings total disbursements under the ECF arrangement to SDR7.11 million (about US$9.46 million).

In completing the second review, the Executive Board also approved the authorities' request for a waiver for nonobservance of performance criteria on the floor on tax revenue, the ceiling on wages and the floor on the domestic primary fiscal balance. Furthermore, the Executive Board completed the financing assurances review and agreed on the rephasing of access to make two disbursements of SDR2.37 million on January 17 and April 17, 2024, instead of one single disbursement on April 17, 2024.

The economy has grown by 4.2 percent in 2022 and should recover only moderately to 4.5 percent in 2023. Growth has been negatively affected by low cashew exports and adverse external shocks which are weighing on Guinea-Bissau's socio-economic environment. The surge in food and oil prices adds pressures on annual inflation which is expected to remain high at 7.0 percent. Budget execution is facing pressures. The overall fiscal deficit remained at 5.9 percent of GDP in 2022. Based on provisional data, the public debt increased to 80.3 percent of GDP in 2022, because of higher-than-projected overall fiscal deficit, new government guarantees mainly to the public utility company and the recognition of cross-arrears owed to suppliers with non-performing loans at the undercapitalized bank. Revenue mobilization and expenditure containment remain pivotal to prevent risks to debt sustainability and access to external financing. In discussions with the mission team, the new government resulting from the winning coalition of the June 4, 2023, legislative election expressed its commitment to implementing the program reform agenda.

At the conclusion of the Executive Board's discussion, Mr. Okamura, Deputy Managing Director and Acting Chair, made the following statement:

"Guinea-Bissau has demonstrated commitment to program implementation under the Extended Credit Facility (ECF) arrangement. The reform agenda includes an ambitious fiscal consolidation to support inclusive growth, while preserving debt sustainability, and structural and governance reforms to strengthen institutional capacity. While the economic recovery is expected to continue, downside risks remain related to long-standing fragility constraints, uncertainty in the global economy with potential adverse spillovers on cashew exports and food and energy prices, and climate shocks. In that context, the authorities' strong program ownership and reform implementation would be critical to catalyze additional donor support.

"Program performance has been satisfactory. Five out of eight quantitative performance criteria (QPCs) for March 2023 were met. The government took corrective actions to address the missed targets, including strengthening expenditure controls, selling 5G licenses, and rationalizing tax expenditures to meet the end-2023 targets. Progress was made across the reform agenda and the authorities proposed four new structural benchmarks to accelerate the professionalization of the tax function, reintroduce expenditure controls, and improve the governance of state property. Adding a quarterly review this year will ensure close monitoring to better manage policies under high uncertainty.

"The authorities' commitment to fiscal consolidation to meet the regional convergence criteria is commendable. Such efforts, which would support fiscal and debt sustainability, include strengthening the governance and management of public resources, mitigating fiscal risks, and relying on highly concessional financing.

The successful implementation of reforms to strengthen governance and anti-corruption frameworks are pivotal to the program's success. The authorities have implemented transparency commitments related to COVID-19 emergency spending—including the publication of the third-party audit and beneficial ownership information of public contracts and made progress in the priority audits by the Audit Court. The authorities have also made progress in mitigating fiscal risks from the public utility company and remain committed to modernize the asset declaration regime and improve the AML/CFT framework. Further efforts are also needed to enhance economic diversification and ensure banking vulnerabilities are managed effectively. "

## Guinea-Bissau: Selected Economic and Financial Indicators, 2020-28

| | 2020 | 2021 | 2022 Prel. | 2023 Proj. | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| | (Annual percent change, unless otherwise indicated) | | | | | | | | |
| National accounts and prices | | | | | | | | | |
| Real GDP at market prices | 1.5 | 6.4 | 4.2 | 4.5 | 5.0 | 5.0 | 5.0 | 5.0 | 4.5 |
| Real GDP per capita | -0.7 | 4.1 | 1.9 | 2.3 | 2.8 | 2.9 | 2.9 | 2.9 | 2.4 |
| GDP deflator | -1.0 | 2.7 | 7.3 | 6.9 | 3.1 | 2.8 | 2.8 | 2.8 | 2.8 |
| Consumer price index (annual average) | 1.5 | 3.3 | 7.9 | 7.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| External sector | | | | | | | | | |
| Exports, f.o.b. (CFA francs) | -15.6 | 35.1 | -14.3 | 10.4 | 29.6 | 4.5 | 4.6 | 4.7 | 5.4 |
| Imports, f.o.b. (CFA francs) | -9.9 | 9.7 | 25.3 | 4.9 | 7.8 | 5.4 | 4.1 | 5.4 | 5.4 |
| Terms of trade (deterioration = -) | -3.9 | -6.5 | -10.1 | 1.0 | 9.0 | 2.1 | 1.8 | 1.8 | 1.3 |
| Real effective exchange rate (depreciation = -) | 2.0 | 1.5 | -1.0 | ... | ... | ... | ... | ... | ... |
| Exchange rate (CFAF per US$; average) | 574.8 | 554.2 | 622.4 | ... | ... | ... | ... | ... | ... |
| Government finances | | | | | | | | | |
| Revenue excluding grants | -5.5 | 22.7 | 3.4 | 19.3 | 9.3 | 9.8 | 10.2 | 10.0 | 8.7 |
| Expenditure | 33.8 | 8.9 | -5.2 | 6.0 | 6.1 | 7.7 | 7.8 | 9.9 | 8.0 |
| Current expenditure | 14.5 | 3.5 | 8.0 | -3.4 | 2.4 | 6.7 | 7.7 | 8.8 | 7.1 |
| Capital expenditure | 96.7 | 19.3 | -26.9 | 28.7 | 12.9 | 9.3 | 7.9 | 11.5 | 9.6 |
| Money and credit | | | | | | | | | |
| Domestic credit | -1.7 | 18.5 | 24.2 | 8.1 | 10.7 | 9.8 | 6.9 | 6.4 | 6.4 |
| Credit to the government (net) | -19.7 | 53.4 | 25.5 | 4.6 | 4.1 | 2.4 | -6.2 | -7.0 | -6.2 |
| Credit to the economy | 5.9 | 7.3 | 23.7 | 9.8 | 13.6 | 12.8 | 11.7 | 10.6 | 9.7 |
| Net domestic assets | -13.8 | 21.0 | 47.2 | 10.2 | 13.2 | 11.8 | 8.1 | 7.5 | 7.4 |
| Broad money (M2) | 9.1 | 21.2 | 2.9 | 7.0 | 6.7 | 6.3 | 6.1 | 6.4 | 6.3 |
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | |
| Investments and savings | | | | | | | | | |
| Gross investment | 17.5 | 18.3 | 18.0 | 17.1 | 19.2 | 20.0 | 20.7 | 21.5 | 22.5 |
| Of which: government investment | 5.8 | 6.4 | 4.2 | 4.8 | 5.0 | 5.1 | 5.1 | 5.2 | 5.3 |
| Gross domestic savings | 3.3 | 7.6 | 0.1 | 1.5 | 6.4 | 7.4 | 8.7 | 9.8 | 11.1 |
| Of which: government savings | -7.6 | -5.5 | -4.5 | -2.1 | -1.6 | -1.3 | -1.2 | -1.2 | -1.0 |
| Gross national savings | 15.0 | 17.5 | 8.4 | 10.0 | 14.7 | 15.7 | 16.6 | 17.5 | 18.5 |
| Government finances | | | | | | | | | |
| Revenue excluding grants | 11.4 | 12.8 | 11.8 | 12.7 | 12.8 | 13.0 | 13.3 | 13.5 | 13.7 |
| Domestic primary expenditure | 16.0 | 14.7 | 15.0 | 12.9 | 12.4 | 12.4 | 12.7 | 12.8 | 12.9 |
| Domestic primary balance | -4.6 | -1.9 | -3.2 | -0.2 | 0.4 | 0.6 | 0.6 | 0.7 | 0.7 |
| Overall balance (commitment basis) | | | | | | | | | |
| Including grants | -9.6 | -5.9 | -5.9 | -3.5 | -3.2 | -3.0 | -3.0 | -3.0 | -3.0 |
| Excluding grants | -13.6 | -12.2 | -9.3 | -7.4 | -6.9 | -6.6 | -6.3 | -6.4 | -6.4 |
| External current account | -2.6 | -0.8 | -9.6 | -7.1 | -4.5 | -4.3 | -4.1 | -4.0 | -4.0 |
| Excluding official current transfers | -5.7 | -3.4 | -11.4 | -9.7 | -6.8 | -6.6 | -6.1 | -6.1 | -6.0 |
| Stock of public and publicly guaranteed debt[1] | 77.7 | 78.8 | 80.3 | 75.5 | 73.1 | 70.9 | 68.8 | 67.0 | 65.7 |
| Of which: external debt | 41.1 | 40.3 | 39.2 | 35.8 | 33.8 | 32.3 | 30.2 | 28.4 | 27.0 |
| *Memorandum items:* | | | | | | | | | |
| Nominal GDP at market prices (CFAF billions) | 875.2 | 956.3 | 1069.2 | 1194.4 | 1293.0 | 1395.7 | 1506.5 | 1626.1 | 1746.9 |
| WAEMU gross official reserves (billions of US$) | 21.8 | 24.5 | 25.2 | ... | ... | ... | ... | ... | ... |
| (percent of broad money) | 33.2 | 30.2 | 30.6 | ... | ... | ... | ... | ... | ... |

Sources: Guinea-Bissau authorities and IMF staff estimates and projections

[1] Coverage expanded to include legacy arrears

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# GUINEA-BISSAU

July 6, 2023

## SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW

## EXECUTIVE SUMMARY


**Context**. Guinea-Bissau is a fragile state facing significant development challenges, including sustaining the recovery from the COVID-19 pandemic, supply disruptions, and the global economic slowdown. The IMF Board approved the First Review of the Extended Credit Facility (ECF) arrangement in May 2023. The reform agenda includes an ambitious fiscal consolidation to support inclusive growth while preserving debt sustainability and structural and governance reforms to strengthen state capacity. The opposition party won an outright majority at the legislative election on June 4, 2023, but a change in the government has not affected the authorities' program commitments.

**Program performance.** Five out of eight performance criteria (PC) for March 2023 have been met. The floor on tax revenue marginally fell short due to lower customs collection. The ceiling on wages was missed mainly because of lower-than-expected savings from the 2022 census. The floor on the domestic primary balance was missed mainly due to lower fishing license revenue, one-off spending for electoral census, and front-loading of domestic investment expenditure. The government is taking corrective actions including strengthened expenditure controls, selling 5G licenses and rationalizing tax expenditures to meet the end-2023 targets. Progress was made across the structural agenda with all five structural benchmarks (SB) for the second review, two for the third review, and one for the fourth review have been met. The authorities proposed four new structural benchmarks to accelerate the professionalization of the tax function, reintroduce expenditure controls, and improve the governance of state property.

**Staff views.** Macroeconomic prospects remain in line with program approval, and the PCs for next reviews have not been modified. Staff supports the authorities' request for completing the second review of the ECF based on the polices outlined in the Memorandum of Economic and Financial Policies. The authorities are taking steps to meet all PCs and SBs. Program downside risks remain, including the persistent international crisis, and could adversely impact the political support for revenue mobilization and expenditure containment measures, external financial conditions, and donor support. Unforeseen financial stress in state-owned enterprises and banking sector fragilities could generate contingent liabilities and fuel social tensions.

Approved By
**Montfort Mlachila (AFR) and Eugenio Cerutti (SPR)**

An IMF team consisting of Jose Gijon (Head), Pedro Juca Maciel, Yugo Koshima, Harold Zavarce (all AFR), Koon Hui Tee (FAD), Patrick Gitton (Resident Representative) and Gaston Fonseca (local economist) held discussions with the authorities. The mission met with H.E. President Sissoco Embaló, President of the Audit Court Baldé, Vice-Prime Minister Sambú, the Minister of Finance Té, Minister of Economy Casimiro, Minister of Public Administration Dale, and BCEAO National Director Cassama. The team also met with officials from the Ministries of Finance, Economy, Justice, the National Directorate of the BCEAO, the Financial Intelligence Unit, the Procurement Authority, the National Institute of Statistics, the Center for Access to Justice, the Center for Formalization of Enterprises, and other officials. In addition, the mission met with representatives from private and public sector enterprises, and key bilateral and international partners. The mission took place during May 17–30, 2023. Romao Varela (Advisor to the Executive Director, OED) participated in the policy discussions. Vicky Pilouzoue and Fey Derrouis and Tomas Picca (both AFR) contributed to the preparation of this report.

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# CONTEXT

1. **The successful completion of the legislative election on June 4, 2023 should strengthen political stability and the authorities' reform commitments.** The final results indicate that the main opposition party won an outright majority. President Sissoko is expected to appoint a new Prime Minister and government in August. The National Popular Assembly (ANP) will convene an opening session 30 days after the publication of the final election results to appoint the ANP President and other leadership in July 2023. The ANP is expected to resume the adoption of legislative reforms, including the approval of the 2023 Budget Law, in August 2023. Both President Sissoko and the multi-party Permanent Commission of the ANP chaired by the main opposition party have reiterated their commitments to the policies and reforms under the program.

2. **The authorities continue to make progress in their reform agenda.** There is a strong commitment to the program at the highest political level. The reform agenda includes an ambitious fiscal consolidation to invest in people and infrastructure while preserving debt sustainability and structural and governance reforms to strengthen state capacity and address long standing fragility challenges.[1]

# PROGRAM PERFORMANCE

3. **Five out of eight quantitative performance criteria (QPC) for March 2023 were met, and corrective actions are being taken for the missed targets (Text Table 1).** The floor on tax revenue was marginally missed by CFAF 0.3 billion due mainly to lower customs collection. The ceiling on wages was missed by CFAF 0.6 billion mainly because of lower-than-expected savings from the 2022 census.[2] The floor on the domestic primary balance was missed by CFAF 10.8 billion (0.9 percent of GDP), out of which CFAF 7.9 billion is transitory and will be compensated in coming months[3], but the remainder was mainly caused by one-off spending for electoral census of CFAF 2.0 billion (0.2 percent of GDP), wage bill

**Text Table 1. Guinea-Bissau: Explanations of Missed QPCs for March 2023**
(CFAF billion)

| | March 2023 | | | | |
|---|---|---|---|---|---|
| | | | Deviations | | |
| | QPC | Prel. | Total | Transitory | Addressed by corrective measures |
| Total domestic tax revenue | 21.4 | 21.1 | -0.3 | -0.3 | 0.0 |
| Wages and salaries | 14.3 | 14.9 | 0.6 | 0.0 | 0.6 |
| Domestic primary balance | -10.8 | -21.6 | -10.8 | -7.9 | -2.9 |

Source: IMF staff estimates

[1] See IMF Country Report No. 22/87 for Annex I for a fragility diagnosis in the Country Engagement Strategy (Annex I, pp. 34-37).

[2] Includes reinstatement of 1,505 public workers who were suspended or supposed to be blocked as the result of the 2022 census (CFAF 0.5 billion) and hiring of a small number of additional security forces (CFAF 0.1 billion).

[3] Includes collection of delayed BCEAO dividends (CFAF 3.6 billion), lower fishing license revenue (CFAF 1.4 billion), and front-loading of domestic investment expenditure (CFAF 2.9 billion).

overrun of CFAF 0.6 billion and overrun of non-wage recurrent expenditure of CFAF 0.3 billion. The government is taking corrective actions needed to maintain the end-2023 QPCs. Preliminary outturn data for April suggest some improvements especially on tax collection.

4. **All five structural benchmarks (SBs) for the second review and two for the third review and one for the fourth review have been already met.** Since the first review, the government met two SBs: to install 10,000 pre-paid electricity meters and publish the first state-owned enterprise report.

# RECENT ECONOMIC DEVELOPMENTS

5. **Guinea-Bissau's growth moderated to 4.2 percent in 2022 and should recover moderately to 4.5 percent in 2023.** Preliminary data indicate that growth in 2022 was negatively affected by lower cashew exports but supported by higher agricultural production and private investment. Inflation averaged 7.9 percent in 2022 driven by higher food and fuel prices due to the spillovers from the war in Ukraine. In 2023, growth is expected to moderately recover to 4.5 percent on the back of higher cashew exports and strong private investment, especially in the electricity sector. Inflation is expected to remain high at about 7.0 percent.

6. **The external position deteriorated in 2022 because of high food and fuel prices, and lower cashew nut exports.** Based on provisional data, the current account deficit worsened to 8.9 percent of GDP in 2022. For 2023, the current account deficit is projected at 7.1 percent of GDP, a slight improvement based on higher export volumes of cashew nut and project grants.

7. **The overall fiscal deficit remained at 5.9 percent of GDP in 2022.** Based on provisional data, the public debt increased to 80.3 percent of GDP in 2022, because of higher-than-projected overall fiscal deficit, new government guarantees mainly to the public utility company and the recognition of cross-arrears owed to suppliers with non-performing loans at the undercapitalized bank. For 2023, public debt is projected to decline mainly due to the fiscal consolidation efforts of the government.

8. **The health of banking sector improved in 2022.** Credit to the economy grew by 23.7 percent in 2022, because of the accommodative stance of the BCEAO and credit operations of a new bank in the country. Except for one large undercapitalized bank, the banking sector has adequate capital levels, meeting the regional prudential criteria (Table 5). The banks are well provisioned, and indicators of profitability and liquidity improved in 2022. Gross NPLs to total loans declined from 19.4 percent in 2021 to 10.4 percent in 2022 mainly due to the settlement of cross-arrears by the government with debtors of the undercapitalized bank. The financial vulnerabilities stemming from the sovereign debt and exchange rate exposures in the banking sector remain low.[4]

[4] In 2022, the domestic banking sector held 12 percent of its total assets in central and local government debt while their exposure to SOEs was only 2 percent.

# OUTLOOK AND RISKS

**9. The outlook projections remain broadly unchanged and risks remain titled to the downside.**

- *Baseline* (Table1). In 2024 and over the medium term, growth should accelerate to around 5 percent per year, supported by continued high cashew export, greater donor engagement, and governance reforms that are expected to boost investment. Inflation is expected to gradually converge to about 2 percent. The current account deficit is expected to improve due to sustained fiscal consolidation and more favorable terms-of-trade.

- *Outlook risks* (Annex I). Downside risks arise from domestic political risks and weak state capacity, disappointing cashew nut exports, and climate shocks. The geo-economic fragmentation could further impact food and oil prices, donor support, supply disruptions, and financial instability. Lack of continuous political support may constrain revenue mobilization and expenditure containment. A worsening of debt risks would further constrain access to financing. Monetary policy miscalibration at the regional level may lead to sharp swings in interest rates, increasing debt and financial risks. Fiscal risks from SOEs could be materialized in case of further delays in Guinea Bissau's connection to OMVG, a regional interconnection project, or increased technical losses from the malfunctioning distribution grid. Financial stress in the banking sector could also generate contingent liabilities.[5] Should downside risks materialize, the authorities should further rationalize non-priority expenditure[6] and seek for additional concessional financial support. On the upside, a stronger performance of the cashew sector and a successful implementation of reforms would underpin a faster recovery.

# POLICY DISCUSSIONS

*Policy priorities continue to support an ambitious fiscal consolidation program to ensure debt sustainability while addressing Guinea-Bissau's vast developmental needs through greater spending efficiency, enhancing revenue mobilization, and strengthening fiscal governance and transparency.*

## A. Macroeconomic Policies

### Fiscal Policy

**10. The draft 2023 budget and the fiscal consolidation strategy aims to ensure medium-term fiscal sustainability while supporting the economic recovery.** To prevent a total blackout of Bissau during the election period, in April-May 2023, the government made CFAF 5.2 billion of one-off transfer to the public utility company to pay for three months of unpaid invoices owed to the

[5] A possible failure in the undercapitalized bank disengagement strategy may generate contingent liabilities to recapitalize the bank or to compensate at least small depositors for retaining the confidence in the banking system.

[6] Including discretionary goods and service and construction spending.

sole power supplier. The government has taken a corrective measure to mobilize CFAF 5.0 billion of nontax revenue through the 5G licensing process, which will keep the level of a domestic primary deficit unchanged for 2023 (0.2 percent of GDP). The government also raised additional budget support (CFAF 2.0 billion), catalyzed by the ECF supported program. The stock of public and publicly guaranteed debt is projected to decline to 75.5 percent of GDP in 2023. The authorities are implementing measures to bring the fiscal deficit and debt ratio within 3 percent and 70 percent of GDP by 2025 and 2027, respectively, to ensure debt sustainability and in line with the WAEMU convergence criteria.

**11. The following measures will be taken to boost domestic revenue mobilization in the short-term** (MEFP ¶10)**:**

- **Professionalization of the Directorate-General of Duties and Taxes (DGCI).** Under the new leadership, the DGCI outperformed its tax collection targets by CFAF 2.6 billion until April 2023. This positive trend will be reinforced by implementation of the revenue reform action plan included in the ministerial order (Annex II) and a new SB to prepare by the Minister of Finance a redeployment plan to reallocate the DGCI's unqualified managers and appoint new managers through the public tenders;

- **Streamlining of tax exemptions for imported goods.** The MoF issued a ministerial order to eliminate tax exemptions for imported raw materials. This is expected to generate additional revenue to compensate underperformance of CFAF 1.4 billion in tax collection from imported goods until April 2023. The impact in investment and growth will be minimal;
- **Mobilization of 5G license fees.** The government is speeding up the 5G licensing process. The Vice Prime Minister and the MoF are leading the negotiation with telecom companies, aiming to balance fiscal needs and the prevention of failure of the licensing round, which occurred during the 3G licensing process. This is expected to raise at least CFAF 5.0 billion of additional one-off nontax revenue in the latter part of 2023 to compensate one-off transfer to the public utility company.[7]

**12. The following measures will contain the upward drift of the wage bill and non-wage recurrent expenditures** (MEFP ¶11-12)**:**

- **New census of public workers.** The government will undertake the new census of public workers, which is expected to generate savings to compensate the increase in the wage bill due to the appeal process of the previous census.[8] The new census will target four ministries with largest potential of savings. The authorities will establish a new interministerial coordination body headed by the Ministry of Finance (MoF) to eradicate identified ghost workers immediately

[7] The regulatory authority is expected to issue the fee schedule and licenses shortly after the completion of the negotiation. Although the amount of revenue (CFAF 5 billion) is conservatively estimated, there is uncertainty in the timing. If it is delayed until 2024, without additional measures, impact on domestic primary balances for 2023 would be 0.4 percent of GDP, which can be financed by issuance of Treasury securities.

[8] The new census is expected to generate saving of CFAF 2.0 billion through the dismissal of around 2,000 ghost workers, similar to the results of the 2022 census.

without relying only on the Ministry of Public Administration;

- **Streamlining of tax collection incentive payments.** Tax collection incentives for the DGCI's unqualified managers will be suspended for the rest of 2023. Incentives for qualified managers and other tax officers will be maintained and gradually shifted to merit-based systems as per TA recommendations. This is expected to reduce other current expenditure by CFAF 0.6 billion;

- **Reintroduction of commitment controls by the Technical Committee of Arbitration of Budgetary Expenditure (COTADO).** The COTADO[9] used to approve all discretionary expenditure within the monthly Treasury plan but has been discontinued. A proposed, continuous SB will revive the COTADO process together with the ex-post review by the President of Republic. This will reduce discretionary expenditure for the rest of 2023 to compensate election census spending and other overrun of non-wage recurrent expenditures until May 2023.

**13. The authorities have made progress in other fiscal structural reforms** (MEFP ¶13, 17-18). To implement a Public Investment Project database, the authorities are making progress in developing a monthly reporting system of externally financed capital expenditure. The authorities completed the census of public bank accounts and revealed significant amounts of both positive and negative cash balances.[10] In the early 2023, the authorities joined the BCEAO's Real-Time Gross Settlement system two decades after its operationalization and are completing installation of software to create interfaces between the Treasury and banking systems, which will be a key milestone for the Treasury Single Account implementation.

### Fiscal Risks from the Public Utility Company

**14. The immediate fiscal risks from the public utility company are being mitigated** (MEFP ¶14-16)**.** Shifting the oversight responsibilities of *Electricidade e Aguas da Guinea-Bissau* (EAGB) from the Ministry of Energy to the MoF in March 2023 has boosted revenue mobilization efforts. EAGB has installed 14,401 pre-paid meters by the end-May 2023 and will complete the installation of all 35,000 pre-paid meters by the end July 2023, which will generate revenue needed to stay current with payments to the sole power supplier, *Karpower*, without further transfers from the government. There has also been progress in the regional connection project OMGV which is planned to connect by end-2023 the grid to hydropower electricity from Guinea Conakry, diversifying EAGB's energy sources. Furthermore, a new management team will be selected this year on a merit basis through an open and competitive selection process with the support of the World Bank. To ensure the financial viability of EAGB, the authorities are also continuing renegotiation with Karpower. The Audit Court is making progress in the audit of power purchase contracts and addendums which could reveal legality issues and support the renegotiation process.

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[9] Chaired by the Minister of Finance and includes the main Director-Generals of the MoF.

[10] For Treasury bank accounts, positive and negative cash balances were, respectively, CFAF 6.6 billion and 7.1 billion in April 2023. The sum of these corresponds to discrepancies recorded in the fiscal table for 2022.

## Financing and Debt

**15. Supporting the authorities' fiscal consolidation and preserving debt sustainability entails additional financing needs of 1.8 percent of GDP over the next three years.** Staff estimates a financing gap of CFAF 7.9 billion—around 0.6 percent of GDP per year, which are fully covered for the next 12 months and have good prospects for being covered for 2024 and 2025. Fiscal consolidation efforts and mitigating debt vulnerabilities will be aided by catalyzing financing from donors, only contracting new highly concessional loans, and rationalizing the disbursements of contracted non-concessional project loans. This strategy will alleviate financing pressures stemming from reliance on non-concessional lending from BOAD, local commercial banks, and treasury issuances in the regional market. In addition, the authorities plan to clear during the program period all audited and recognized domestic arrears and are addressing the legacy external arrears[11](MEFP, ¶21). The authorities are committed to clear part of outstanding domestic arrears (MEFP, ¶20).

**16. Guinea-Bissau is at a high risk of external and overall debt distress, but debt is assessed as sustainable.**[12] External debt is estimated to be around 39.0 percent of GDP at end-2022. The risk of external debt distress is high because the indicators based on the debt-service ratios breach their indicative thresholds under the baseline. The overall risk of debt distress is also high because the PV of public debt relative to GDP remains well above its indicative benchmark throughout the projection period. Debt is assessed as sustainable based on the authorities' commitment to sound policies supported by strong donor engagement. Guinea-Bissau's supportive regional context reduces medium-term rollover risks associated with domestic debt, and staff projects a gradual decline of the PV of public debt relative to GDP over the medium term.[13] The debt outlook remains

**Text Table 2. Guinea-Bissau: External Borrowing Plan**
(In USD million)

| PPG external debt contracted or guaranteed | Volume of new debt[1] 2023 *(US$ million)* | Present value of new debt[1] 2023 *(US$ million)* |
|---|---|---|
| **Sources of debt financing** | **32.7** | **21.2** |
| Concessional debt[2] | 32.7 | 21.2 |
| Multilateral debt | 32.7 | 21.2 |
| **Uses of debt financing** | **32.7** | **21.2** |
| Urban Infrastructure | 12.3 | 8.0 |
| Agriculture | 20.4 | 13.3 |

Source: Guinea-Bissau authorities and IMF staff estimates.
1/ Contracting and guaranteeing of new debt excluding IMF. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.
2/ Debt with a grant element of at least 35 percent.

[11] Guinea-Bissau has legacy external arrears, totaling US$5.7 million at end-2022, to Brazil, Russia, and Pakistan. The authorities reached an agreement with Russia (US$1.5 million) and are negotiating with Pakistan (US$2.2 million). Negotiations with Brazil (US$1.9 million) are pending final approval from the Brazilian parliament. Staff has obtained from the relevant Executive Directors consent to move ahead with the completion of the review notwithstanding the arrears. Staff supports the completion of a financing assurance review on the basis that adequate safeguards remain in place for the further use of the Fund's resources in Guinea Bissau's circumstances and that Guinea Bissau's adjustment efforts have not been undermined by developments in debtor-creditor relations.

[12] See the DSA for the ECF request (IMF County Report No. 22/87).

[13] Debt sustainability prospects are expected to improve through improved transparency and compliance with the ceiling on contracted new debt associated with the IMF Debt Limits Policy (DLP). Because the authorities lack

(continued)

vulnerable to a weaker economic recovery, a further tightening of global financial conditions, and authorities' failure to adhere to prudent fiscal policies. The authorities will carefully plan new investments and contract future debt only on highly concessional terms (MEFP, ¶23). Debt sustainability prospects are expected to improve through better transparency and compliance with a QPC of the zero ceiling on new non-concessional borrowing which is consistent with the authorities' external borrowing plan (Text Table 2).

**17. The authorities are committed to strengthening debt management** (MEFP, ¶22). In recent months, there have been late payments of debt service to the regional development bank. There was also a late payment of CFAF 0.6 billion of external debt service, which ran into arrears momentarily in April 2023. To prevent recurrence of overdue debt service and enforce the prioritization of debt service over discretionary expenditure, the authorities have issued a ministerial order to require the Treasury to pay all external debt service by the due date or if denominated in CFAF on the dates specified by the Minister of Finance (Prior Action). A proposed continuous SB will require implementation of this ministerial order, monitored through the Treasury Committee.

### Strengthening Financial Stability

**18. The government is progressing in the orderly disengagement from the large and undercapitalized bank.** Addressing NPLs and a successful disengagement strategy from a large, undercapitalized bank would support financial stability and intermediation. The government settled cross-arrears of about CFAF 4.7 billion in 2022 due to government suppliers which have been paid directly to the bank, significantly improving its financial situation. The due diligence process performed by the potential strategic investor, who has reiterated its interest in the purchase, has been successfully completed. The government is negotiating the final terms of the agreement, which is expected be submitted to the Regional Banking Commission for evaluation in August 2023. If this divestment does not materialize, the authorities remain committed to a new SB to commission an assessment of the bank's financial position and a full independent audit of the loan portfolio including NPLs from a third-party auditing firm and to prepare a report on a viable plan which ensures that the bank is either recapitalized or resolved or liquidated by the end of the program based on IMF recommendations (MEFP, ¶30).

## B. Governance and Rule of Law Reforms

**19. There has been progress in strengthening external audits and public procurement transparency** (MEFP, ¶24-25)**.** For the audit of the COVID-19 spending, the Audit Court has approved the audit report of the High Commissioner for COVID-19, which will be published and submitted to the ANP after the election, and is making progress in audits of the Ministries of Finance and Health and other entities. The Directorate-General of Public Tenders (DGCP) continued

technical capacity to monitor a PV limit due to staffing constraints, limited hiring potential, and high turnover, staff will propose to add a memorandum item on concessional borrowing as per DLP, based on updated information during the mission. TA support for debt statistics and debt management will be needed to develop this capacity.

to publish the beneficial ownership information of all crisis-related contracts and will expand the disclosure to other public contracts approved by the COTADO in which the DGCP is participating.

**20. The authorities are continuing the reform implementation in areas of the rule of law, anti-corruption, and AML/CFT effectiveness** (MEFP, ¶26-28)**.** The Center for Access to Justice is making progress in developing a database of fundamental legislation. The Secretary General of Government[14] is finalizing the draft law on new asset declaration regime, which includes a priority action drawn from Fund technical assistance consistent with the G20 High Level Principles but needs to be updated to reassign the depository functions. As part of an action plan to improve the AML/CFT effectiveness (Annex II), the authorities are finalizing the national AML/CFT policy and action plan that addresses risks identified in the national risk assessment and the Mutual Evaluation Report in February 2022, which is likely to require further Fund technical assistance.

**21. The authorities are accelerating reforms for the state property management** (MEFP, ¶29)**.** In March 2023, the government approved the decree to transpose the relevant WAEMU Directive, which was overdue for a decade. A new SB is proposed to inspect all government houses occupied by former public servants without payments, to tackle major sources of irregularities and misuse.

# PROGRAM MODALITIES AND OTHER ISSUES

**22. The authorities have requested a waiver of non-observance of three QPCs for March 2023 based on corrective actions.** The breach of a tax revenue floor is transitory and has been compensated as demonstrated in preliminary data on April tax collection. To compensate the breach of a wage bill ceiling and a domestic primary balance floor that is not transitory, corrective measures include (i) implementation of new census of public workers, (ii) installation of biometric devices at government offices in Bissau which has been completed at headquarters buildings of key ministries, (iii) streamlining of tax collection incentive payments, and (iv) strict controls of descretionary expenditure through the COTADO process. These measures are generating additional domestic revenue and will reduce the wage bill and other expenditures in the second half of 2023 and ensure meeting the PCs for September and December 2023.

**23. The authorities have requested to undertake an additional quarterly review, and convert the end-September 2023 indicative targets (ITs) into QPCs.** To this end, the authorities request the rephasing to make two disbursements of SDR 2.37 million on January 17, 2024 and April 17, 2024 (Table 8).

**24. Understandings have been reached with the authorities on newly proposed conditionality.**

[14] A chief legal advisor to the President of Republic and the Council of Ministers and responsible for legal vetting of all legislation proposed by ministries.

- **QPCs are set for June 2024**. The proposed new targets are consistent with the fiscal framework.
- **A prior action**. The Minister of Finance has issued a ministerial order to require the Treasury to pay all debt service by the due date or if denominated in CFAF, on the on the dates specified by the Minister of Finance.
- **Four new SBs are proposed for the next 12 months, following achievements of two SBs since the first review**. Given Guinea-Bissau's fragility and weak institutional capacity, the proposed SBs are parsimonious, carefully prioritized and sequenced, and anchored in capacity development support. Four SBs are proposed to accelerate the professionalization of the DGCI (MEFP, ¶10), implement expenditure controls through the COTADO (MEFP, ¶12), require external debt service payments by the due date (MEFP, ¶22), and improve the governance of state property (MEFP, ¶29).

**25. The program is fully financed and there are firm commitments to financing for the next 12 months and good prospects that financing will be adequate for the remainder of the program.** In addition to budget support grants included in the 2023 budget (CFAF 4.4 billion), the government raised additional budget support (CFAF 2.0 billion), which will fully cover financing needs for the next 12 months. Throughout the program period, the budget is likely to receive additional grants with strong donor engagement catalyzed by the ECF arrangement.

**26. Guinea-Bissau's capacity to repay is adequate but subject to significant risks (Table 6).** Under the baseline, outstanding obligations to the Fund based on existing and prospective drawings would peak in 2025 at 167 percent of quota or 2.8 percent of GDP, above the median of past UCT-quality arrangements for LICs, while debt service would peak at 2.2 percent of revenues (excluding grants) or 2.0 percent of exports in 2030. Capacity to repay the Fund is subject to significant downside risks (Annex I and ¶9 bullet 2). Risks are mitigated by the government's commitment to fully implement the program as well as its strong track record of servicing debt.

**27. Safeguards Assessment.** The 2023 update assessment of the BCEAO found that the institution continues to have a robust control environment with strong governance arrangements. All recommendations from the 2018 safeguards assessment have been implemented. Financial reporting and external audit arrangements remain in line with international practices.

# STAFF APPRAISAL

**28. The economic outlook remains positive but is subject to significant downward risks.** Growth is expected to recover slightly in 2023, but facing substantial uncertainty in worsening global economic outlook, tighter global and regional financing conditions, and climate shocks. Inflation is expected to persist in 2023 and could accelerate with additonal shocks. Materialization of these risks could add pressures on the domestic environment constraining growth recovery.

**29. Staff commends the authorities on satisfactory program performance, despite extremelly challenging environments.** All but three QPCs were met for March 2023. The outlook for achieving the June 2023 targets is equally challenging, because of the increase in wage bill mainly due to the reinstatement of workers suspended or supposed to be blocked by the 2022 census as well as additional fiscal costs of 0.6 percent of GDP to make a one-off spending for meeting the EAGB's unpaid invoices and carrying out the electoral census. However, the authorities immediately took a series of corrective actions, which will ensure meeting the targets for the rest of the year. The authorities demonstrated their commitments to the program by implementing SBs well ahead of deadlines and requested an additional quarterly review to ensure closer monitoring during a period of high uncertainty after the legislative election.

**30. The successful completion of the legislative election on June 4, 2023 has strengthend the national consensus on critical reforms.** A change in the government will not affect the authorities' commitment to the program, which is supported by all major parties at different ends of the political spectrum. After completing the opening session required by constitutional law, the new parliament is expected to approve priority legislative reforms, including the 2023 Budget Law, the law on the new asset declaration regime, and the new Customs Code.

**31. Wage bill controls remain crucial to stay on track with the fiscal consolidation path and secure debt sustainability.** Domestic revenue mobilization is picking up the pace. Reactivation of the COTADO will strengthen controls of non-wage expenditure. To meet the wage bill targets, the authorities should promptly implement a new census of public workers in the key ministries with largest saving potential.

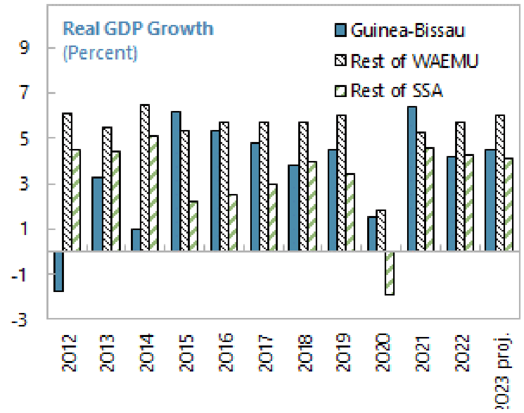
**32. Staff is encouarged by the substantial progress in mitigating imminent fiscal risks from EAGB.** The fast installation of 35,000 pre-paid meters, which is expected to be completed by the end July, 2023, will increase the revenue to stay current on payments to the power supplier for the rest of the year. To ensure the EAGB's financial viability, the authorities should continue renegotiation with the power supplier, accelerate improvements to the distribution grid and the company's governance, and connect to the regional power grid.

**33. Staff recommends the authorities to continue strengthening the governance reforms.** Staff welcomes progress in the priority audits by the Audit Court, transparency in beneficial ownership information, and reform implementation in state property management. To strengthen the rule of law reform, the authorities should secure funding for meeting the minimum level of operating costs in the judicial sector. The authorities should also speed up the prepartion of a national AML/CFT policy, which will lay a foundation for other reforms in this area.

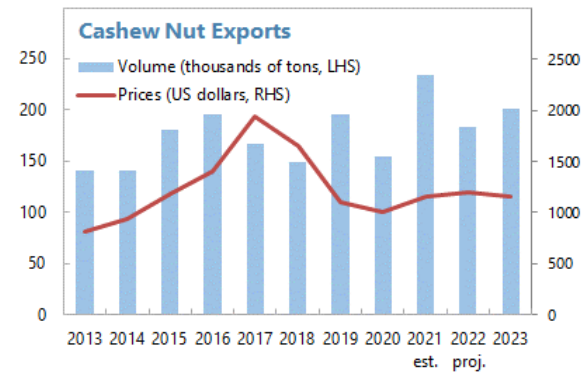
**34. Based on the satisfactory program performance and the authorities' strong policy commitments, staff supports the completion of the second review of the ECF supported program.** Staff also supports the authorities' request for a waiver of nonobservance of performance criteria and the rephasing of access under the ECF arrangement and recommends completion of the financing assurance review.

## Figure 1. Guinea-Bissau: Growth and Living Standards

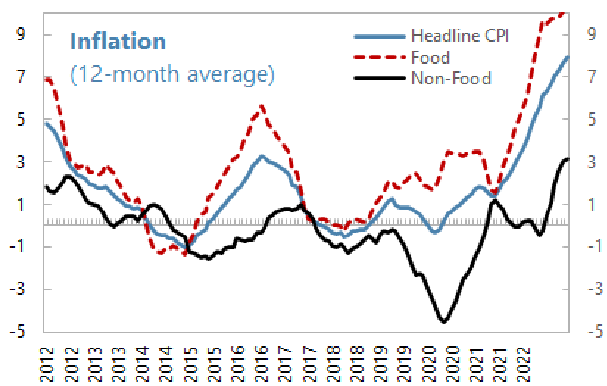
*Growth in 2022 is estimated to moderate…*



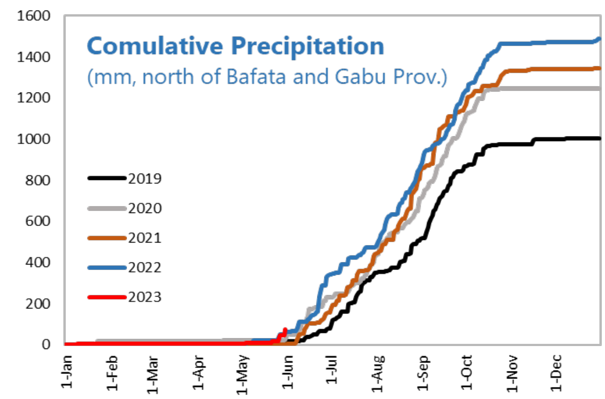

*… because of lower cashew exports affected by delays in exports of inventories.*



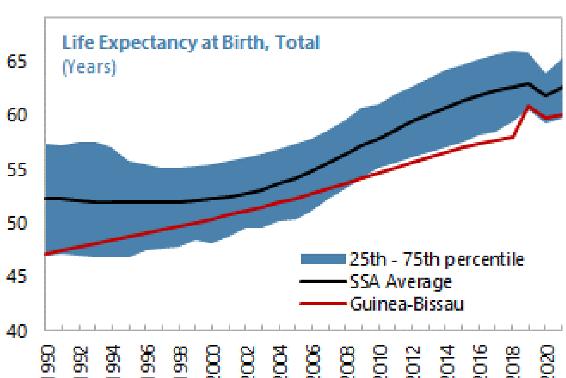

*Inflation increased due to higher fuel and food prices…*



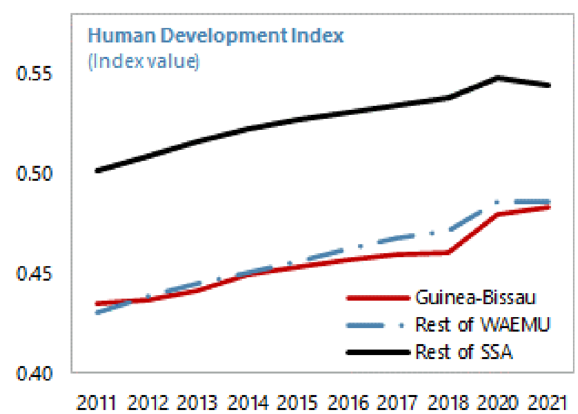

*… however better weather conditions supported domestic agriculture production and food security.*




*Weak health conditions are evidenced by a significantly lower life expectancy at birth, compared to SSA peers.*



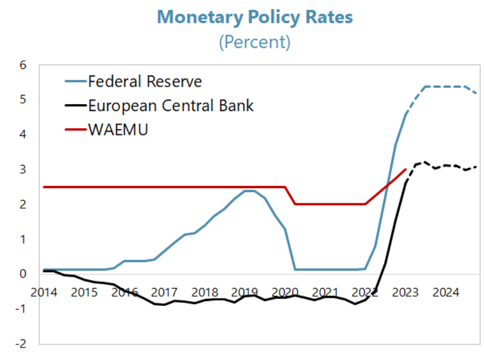

*…and economic fragility, which weighs on the population's living standards.*



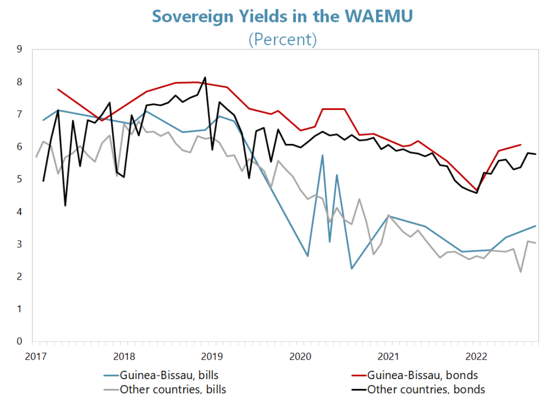

Sources: World Bank, Worldwide Development Indicators; EM-DAT, CRED database; NASA Giovanni database; Guinea-Bissau authorities; and IMF staff calculations.

## Figure 2. Guinea-Bissau: Global Economic Developments

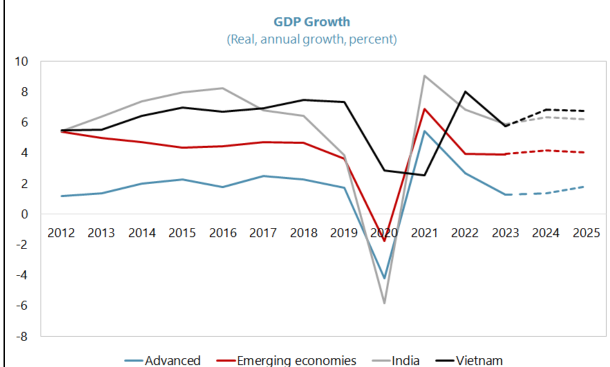
*Central banks in advanced economies are tightening monetary policy…*



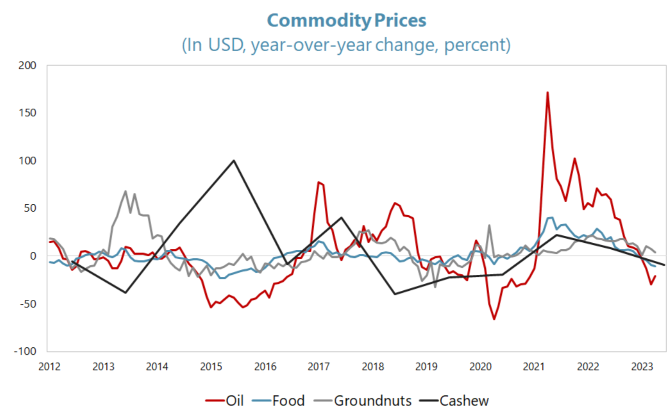

*…and yields in the regional market are starting to increase…*



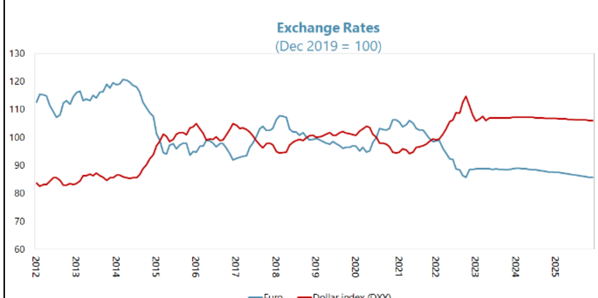

*…while growth of trading partners is falling…*



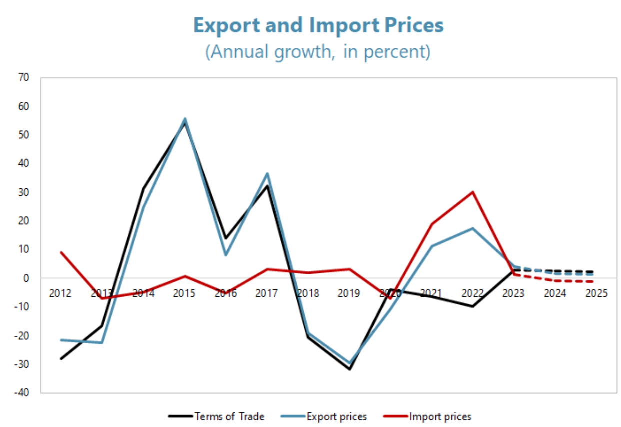

*…and the growth in commodity prices is easing.*




*The euro and CFA have depreciated substantially against the US dollar, with no rebound expected…*



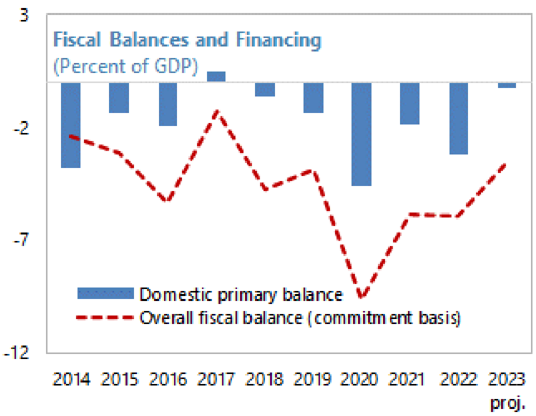

*…while terms of trade are expected to remain unchanged.*



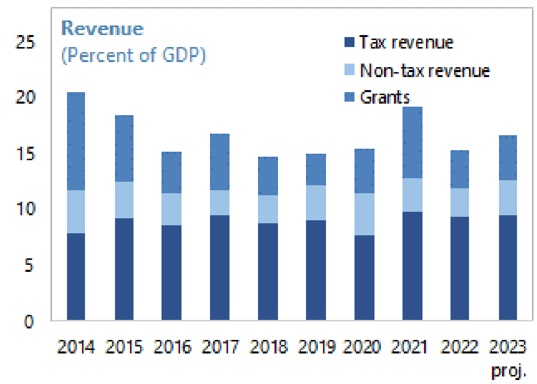

Sources: Guinea-Bissau authorities; BCEAO; and IMF staff calculations.

## Figure 3. Guinea-Bissau: Fiscal, External and Monetary Developments

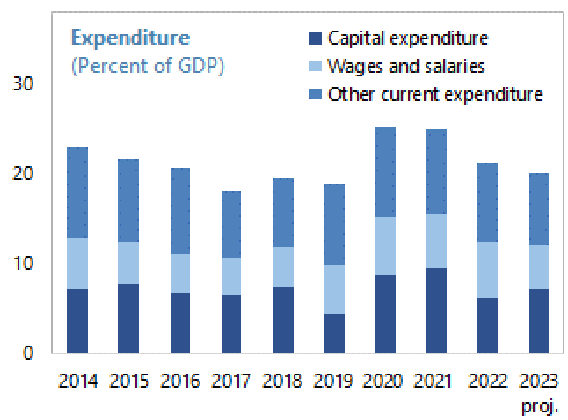
*Fiscal balances improved since 2020…*



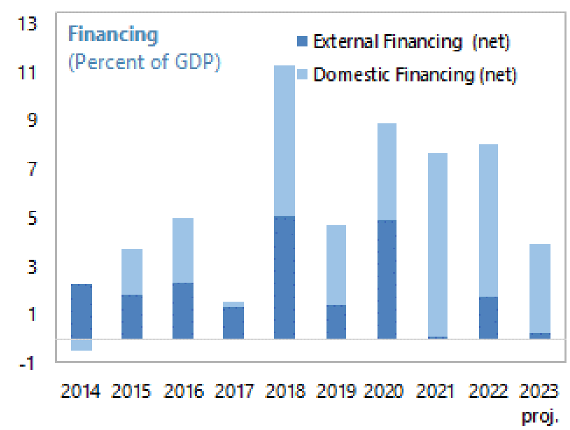

*…due to stronger tax revenues…*



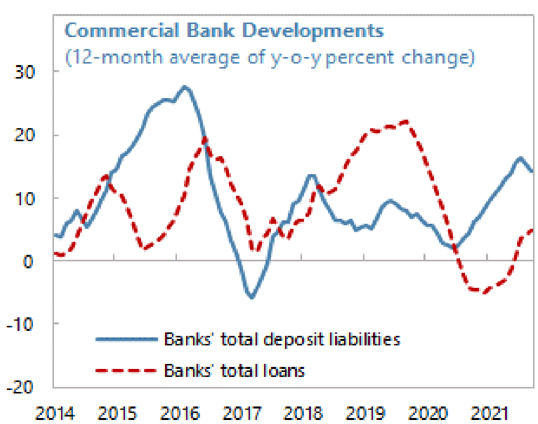

*… and lower expenditures…*



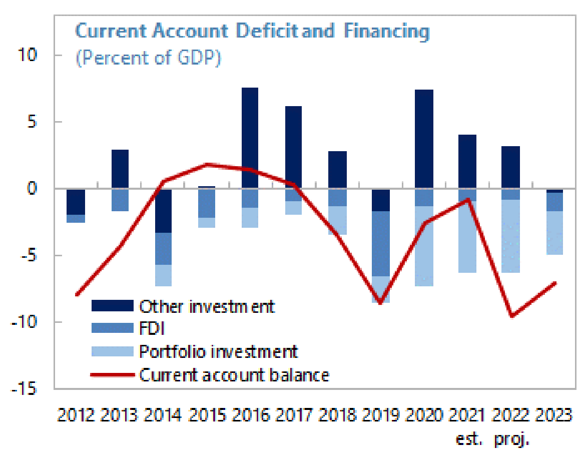

*…resulting in lower financing needs, especially within the region.*




*Increased regional financing partially crowded out bank credit to the private sector.*




*The financing of the current account deficit shifted from investment inflows to portfolio investment (treasury securities).*




Sources: Guinea-Bissau authorities; BCEAO; and IMF staff calculations.

## Table 1. Guinea-Bissau: Selected Economic and Financial Indicators, 2020–28

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | | | | | |
| | (Annual percent change, unless otherwise indicated) | | | | | | | | |
| National accounts and prices | | | | | | | | | |
| Real GDP at market prices | 1.5 | 6.4 | 4.2 | 4.5 | 5.0 | 5.0 | 5.0 | 5.0 | 4.5 |
| Real GDP per capita | -0.7 | 4.1 | 1.9 | 2.3 | 2.8 | 2.9 | 2.9 | 2.9 | 2.4 |
| GDP deflator | -1.0 | 2.7 | 7.3 | 6.9 | 3.1 | 2.8 | 2.8 | 2.8 | 2.8 |
| Consumer price index (annual average) | 1.5 | 3.3 | 7.9 | 7.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| External sector | | | | | | | | | |
| Exports, f.o.b. (CFA francs) | -15.6 | 35.1 | -14.3 | 10.4 | 29.6 | 4.5 | 4.6 | 4.7 | 5.4 |
| Imports, f.o.b. (CFA francs) | -9.9 | 9.7 | 25.3 | 4.9 | 7.8 | 5.4 | 4.1 | 5.4 | 5.4 |
| Terms of trade (deterioration = -) | -3.9 | -6.5 | -10.1 | 1.0 | 9.0 | 2.1 | 1.8 | 1.8 | 1.3 |
| Real effective exchange rate (depreciation = -) | 2.0 | 1.5 | -1.0 | ... | ... | ... | ... | ... | ... |
| Exchange rate (CFAF per US$; average) | 574.8 | 554.2 | 622.4 | ... | ... | ... | ... | ... | ... |
| Government finances | | | | | | | | | |
| Revenue excluding grants | -5.5 | 22.7 | 3.4 | 19.3 | 9.3 | 9.8 | 10.2 | 10.0 | 8.7 |
| Expenditure | 33.8 | 8.9 | -5.2 | 6.0 | 6.1 | 7.7 | 7.8 | 9.9 | 8.0 |
| Current expenditure | 14.5 | 3.5 | 8.0 | -3.4 | 2.4 | 6.7 | 7.7 | 8.8 | 7.1 |
| Capital expenditure | 96.7 | 19.3 | -26.9 | 28.7 | 12.9 | 9.3 | 7.9 | 11.5 | 9.6 |
| Money and credit | | | | | | | | | |
| Domestic credit | -1.7 | 18.5 | 24.2 | 8.1 | 10.7 | 9.8 | 6.9 | 6.4 | 6.4 |
| Credit to the government (net) | -19.7 | 53.4 | 25.5 | 4.6 | 4.1 | 2.4 | -6.2 | -7.0 | -6.2 |
| Credit to the economy | 5.9 | 7.3 | 23.7 | 9.8 | 13.6 | 12.8 | 11.7 | 10.6 | 9.7 |
| Net domestic assets | -13.8 | 21.0 | 47.2 | 10.2 | 13.2 | 11.8 | 8.1 | 7.5 | 7.4 |
| Broad money (M2) | 9.1 | 21.2 | 2.9 | 7.0 | 6.7 | 6.3 | 6.1 | 6.4 | 6.3 |
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | |
| Investments and savings | | | | | | | | | |
| Gross investment | 17.5 | 18.3 | 18.0 | 17.1 | 19.2 | 20.0 | 20.7 | 21.5 | 22.5 |
| Of which: government investment | 5.8 | 6.4 | 4.2 | 4.8 | 5.0 | 5.1 | 5.1 | 5.2 | 5.3 |
| Gross domestic savings | 3.3 | 7.6 | 0.1 | 1.5 | 6.4 | 7.4 | 8.7 | 9.8 | 11.1 |
| Of which: government savings | -7.6 | -5.5 | -4.5 | -2.1 | -1.6 | -1.3 | -1.2 | -1.2 | -1.0 |
| Gross national savings | 15.0 | 17.5 | 8.4 | 10.0 | 14.7 | 15.7 | 16.6 | 17.5 | 18.5 |
| Government finances | | | | | | | | | |
| Revenue excluding grants | 11.4 | 12.8 | 11.8 | 12.7 | 12.8 | 13.0 | 13.3 | 13.5 | 13.7 |
| Domestic primary expenditure | 16.0 | 14.7 | 15.0 | 12.9 | 12.4 | 12.4 | 12.7 | 12.8 | 12.9 |
| Domestic primary balance | -4.6 | -1.9 | -3.2 | -0.2 | 0.4 | 0.6 | 0.6 | 0.7 | 0.7 |
| Overall balance (commitment basis) | | | | | | | | | |
| Including grants | -9.6 | -5.9 | -5.9 | -3.5 | -3.2 | -3.0 | -3.0 | -3.0 | -3.0 |
| Excluding grants | -13.6 | -12.2 | -9.3 | -7.4 | -6.9 | -6.6 | -6.3 | -6.4 | -6.4 |
| External current account | -2.6 | -0.8 | -9.6 | -7.1 | -4.5 | -4.3 | -4.1 | -4.0 | -4.0 |
| Excluding official current transfers | -5.7 | -3.4 | -11.4 | -9.7 | -6.8 | -6.6 | -6.1 | -6.1 | -6.0 |
| Stock of public and publicly guaranteed debt[1] | 77.7 | 78.8 | 80.3 | 75.5 | 73.1 | 70.9 | 68.8 | 67.0 | 65.7 |
| Of which: external debt | 41.1 | 40.3 | 39.2 | 35.8 | 33.8 | 32.3 | 30.2 | 28.4 | 27.0 |
| *Memorandum items:* | | | | | | | | | |
| Nominal GDP at market prices (CFAF billions) | 875.2 | 956.3 | 1069.2 | 1194.4 | 1293.0 | 1395.7 | 1506.5 | 1626.1 | 1746.9 |
| WAEMU gross official reserves (billions of US$) | 21.8 | 24.5 | 25.2 | ... | ... | ... | ... | ... | ... |
| (percent of broad money) | 33.2 | 30.2 | 30.6 | ... | ... | ... | ... | ... | ... |

Sources: Guinea-Bissau authorities; and IMF staff estimates and projections.

[1] Coverage expanded to include legacy arrears.

## Table 2a. Guinea-Bissau: Balance of Payments, 2020–28
(CFAF billions)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | | | | | |
| Current Account Balance | -22.4 | -7.8 | -102.3 | -85.2 | -57.9 | -60.2 | -61.7 | -65.4 | -69.8 |
| Goods and services | -119.1 | -101.6 | -189.5 | -182.6 | -159.3 | -168.6 | -174.5 | -184.1 | -192.7 |
| Goods | -53.8 | -27.7 | -100.6 | -97.7 | -71.0 | -76.7 | -78.8 | -84.6 | -89.0 |
| Exports, f.o.b | 123.1 | 166.3 | 142.5 | 157.4 | 204.0 | 213.2 | 223.0 | 233.5 | 246.2 |
| *Of which*: cashew nuts | 109.2 | 154.4 | 136.5 | 150.7 | 196.7 | 205.3 | 214.5 | 224.3 | 236.3 |
| Imports, f.o.b. | -176.8 | -194.0 | -243.1 | -255.1 | -275.0 | -289.9 | -301.8 | -318.0 | -335.2 |
| *Of which*: food products | -58.7 | -57.6 | -60.6 | -60.6 | -71.0 | -74.9 | -80.2 | -82.1 | -86.5 |
| petroleum products | -30.9 | -36.1 | -63.8 | -63.9 | -70.1 | -71.1 | -73.2 | -74.1 | -76.7 |
| Services | -65.3 | -73.9 | -88.9 | -84.9 | -88.3 | -91.9 | -95.7 | -99.5 | -103.7 |
| Credit | 10.7 | 19.4 | 22.0 | 24.9 | 27.0 | 29.1 | 31.5 | 34.0 | 36.5 |
| Debit | -76.0 | -93.3 | -110.9 | -109.8 | -115.3 | -121.1 | -127.1 | -133.5 | -140.2 |
| Incomes | 14.5 | 9.4 | 5.2 | 2.0 | 3.0 | 5.3 | 7.3 | 7.6 | 8.3 |
| Credit | 22.5 | 17.3 | 20.8 | 22.3 | 24.7 | 26.1 | 28.1 | 30.0 | 32.0 |
| *Of which:* EU fishing compensation | 7.6 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 |
| Other license fees | 10.1 | 4.9 | 6.6 | 7.7 | 10.0 | 11.0 | 12.8 | 14.4 | 16.2 |
| Debit | -8.0 | -7.9 | -15.6 | -20.3 | -21.8 | -20.7 | -20.9 | -22.5 | -23.7 |
| *Of which*: government interest | -7.7 | -10.6 | -7.5 | -13.3 | -14.7 | -15.1 | -16.3 | -18.4 | -20.1 |
| Current transfers (net) | 82.2 | 84.4 | 82.0 | 95.3 | 98.4 | 103.1 | 105.6 | 111.1 | 114.6 |
| Official | 27.8 | 24.9 | 20.0 | 30.4 | 30.2 | 32.0 | 30.4 | 33.4 | 35.2 |
| Private | 54.3 | 59.5 | 62.0 | 64.9 | 68.3 | 71.1 | 75.2 | 77.7 | 79.4 |
| *Of which*: remittances | 51.8 | 56.7 | 58.9 | 61.7 | 64.8 | 67.5 | 71.4 | 73.9 | 75.5 |
| Capital account | 6.0 | 34.7 | 17.6 | 17.3 | 18.5 | 19.7 | 21.2 | 23.2 | 24.9 |
| *Of which*: official transfers | 5.2 | 33.6 | 16.4 | 16.0 | 17.2 | 18.4 | 19.8 | 21.8 | 23.4 |
| Financial account | 0.8 | -22.3 | -34.2 | -59.2 | -32.0 | -32.9 | -41.5 | -47.2 | -50.6 |
| FDI | -11.9 | -9.8 | -9.6 | -16.5 | -11.8 | -12.8 | -13.8 | -14.9 | -16.0 |
| Other investment | 12.7 | -12.5 | -24.6 | -42.7 | -20.2 | -20.1 | -27.7 | -32.3 | -34.6 |
| Official medium- and long-term disbursements | -51.3 | -26.5 | -22.1 | -21.6 | -23.6 | -25.4 | -23.0 | -25.9 | -27.4 |
| Programs | -22.0 | -0.1 | 0.0 | -0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Projects | -29.3 | -26.4 | -22.1 | -20.8 | -23.6 | -25.4 | -23.0 | -25.9 | -27.4 |
| Amortization | 11.8 | 25.5 | 3.8 | 18.6 | 19.6 | 19.2 | 16.7 | 19.5 | 20.1 |
| Treasury bills (regional financing) | -46.2 | -59.3 | -58.1 | -39.1 | -38.1 | -37.8 | -45.3 | -49.7 | -51.1 |
| Commercial bank net foreign assets | 72.2 | 5.3 | -8.6 | 20.4 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Other net foreign assets | 26.2 | 42.4 | 60.3 | -21.0 | 11.9 | 13.9 | 13.9 | 13.9 | 13.9 |
| Errors and Omissions | -3.2 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance | -20.3 | 51.0 | -50.4 | -8.8 | -7.5 | -7.6 | 1.1 | 5.0 | 5.7 |
| Financing | 20.3 | -51.0 | 50.4 | 8.8 | 7.5 | 7.6 | -1.1 | -5.0 | -5.7 |
| Net foreign assets excluding IMF (increase -) | 20.3 | -62.2 | 53.5 | 4.1 | 3.0 | 2.4 | 2.5 | -1.1 | -3.1 |
| IMF purchases | 0.0 | 11.2 | 0.0 | 7.8 | 7.9 | 7.9 | 0.0 | 0.0 | 0.0 |
| IMF repurchases | -2.0 | -1.6 | -3.1 | -3.1 | -3.4 | -2.8 | -3.5 | -3.9 | -2.7 |
| Grant for debt relief under the IMF CCRT | 2.0 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in arrears | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Residual financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items:* | | | | | | | | | |
| Cashew export quantity (thousands of tons) | 155 | 234 | 183 | 201 | 239 | 244 | 249 | 254 | 260 |
| Cashew export prices (US$ per ton) | 1,000 | 1,154 | 1,200 | 1,150 | 1,247 | 1,271 | 1,297 | 1,323 | 1,349 |
| Import volume of goods (annual percentage change) | -5.7 | -5.9 | -4.6 | 10.4 | 7.1 | 5.1 | 3.6 | 4.5 | 3.5 |
| Oil prices (international, US$ per barrel) | 41.8 | 69.2 | 96.4 | 73.1 | 68.9 | 67.0 | 65.4 | 64.0 | 62.8 |
| Scheduled debt service | | | | | | | | | |
| Percent of exports and service credits | 13.5 | 18.2 | 5.3 | 14.7 | 12.1 | 10.8 | 9.6 | 10.5 | 9.8 |
| Percent of total government revenue | 18.1 | 27.7 | 6.8 | 17.7 | 16.9 | 14.4 | 12.3 | 12.8 | 11.6 |
| Current account balance (percent of GDP) | -2.6 | -0.8 | -9.6 | -7.1 | -4.5 | -4.3 | -4.1 | -4.0 | -4.0 |
| Official transfers (percent of GDP) | 3.8 | 6.1 | 3.4 | 3.9 | 3.7 | 3.6 | 3.3 | 3.4 | 3.4 |
| WAEMU gross official reserves (billions of US$) | 21.8 | 24.5 | 25.2 | ... | ... | ... | ... | ... | ... |
| (percent of broad money) | 33.2 | 30.2 | 30.6 | ... | ... | ... | ... | ... | ... |

Sources: BCEAO; and IMF staff estimates and projections.

**Table 2b. Guinea-Bissau: External Financing Needs and Sources, 2020–28**
(CFAF billions)

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | | | | | |
| **Financing requirements** | **-43.6** | **-122.0** | **-75.6** | **-133.2** | **-108.1** | **-111.7** | **-109.8** | **-123.2** | **-130.8** |
| Current account deficit excl. official transfers | -50.2 | -32.7 | -122.3 | -115.6 | -88.1 | -92.2 | -92.0 | -98.8 | -104.9 |
| Public debt amortization | -11.8 | -25.5 | -3.8 | -18.6 | -19.6 | -19.2 | -16.7 | -19.5 | -20.1 |
| Changes in arrears | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Changes in official reserves | 20.3 | -62.2 | 53.5 | 4.1 | 3.0 | 2.4 | 2.5 | -1.1 | -3.1 |
| IMF repurchases | -2.0 | -1.6 | -3.1 | -3.1 | -3.4 | -2.8 | -3.5 | -3.9 | -2.7 |
| **Available financing** | **41.6** | **108.2** | **69.1** | **119.0** | **95.9** | **99.3** | **109.2** | **122.6** | **130.8** |
| Project grants | 33.0 | 57.5 | 29.8 | 40.1 | 43.0 | 45.9 | 49.5 | 54.5 | 58.6 |
| Net foreing direct investment | 11.9 | 9.8 | 9.6 | 16.5 | 11.8 | 12.8 | 13.8 | 14.9 | 16.0 |
| Treasury bills (regional financing) | 46.2 | 59.3 | 58.1 | 39.1 | 38.1 | 37.8 | 45.3 | 49.7 | 51.1 |
| Official creditors | 51.3 | 26.5 | 22.1 | 21.6 | 23.6 | 25.4 | 23.0 | 25.9 | 27.4 |
| Other net flows[1] | -100.8 | -44.8 | -50.5 | 1.8 | -20.6 | -22.6 | -22.5 | -22.5 | -22.4 |
| **Financing needs** | **2.0** | **13.8** | **6.6** | **14.1** | **12.2** | **12.3** | **0.7** | **0.7** | **0.0** |
| CCRT | 2.0 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Budget support grants | 0.0 | 1.0 | 6.6 | 6.3 | 4.4 | 4.4 | 0.7 | 0.7 | 0.0 |
| o/w Multilateral grants | 0.0 | 0.0 | 0.0 | 3.7 | 3.7 | 3.8 | 0.0 | 0.0 | 0.0 |
| IMF disbursements | 0.0 | 11.2 | 0.0 | 7.8 | 7.9 | 7.9 | 0.0 | 0.0 | 0.0 |
| o/w ECF program | 0.0 | 0.0 | 0.0 | 7.8 | 7.9 | 7.9 | 0.0 | 0.0 | 0.0 |
| **Residual financing gap** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: BCEAO, IMF staff estimates and projections.

[1] Includes net private capital transfers, changes in NFA of commercial banks and non-financial private sector, SDR allocations, and errors and omissions

## Table 3a. Guinea-Bissau: Consolidated Operations of the Central Government, 2020–28
(CFAF billions)

| | 2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Budget | Prel. | Budget[1] | Proj. | | | Proj. | | |
| Revenue and grants | 134.7 | 182.5 | 170.8 | 163.0 | 190.0 | 197.5 | 212.4 | 231.5 | 250.0 | 275.0 | 297.4 |
| Tax revenue | 67.8 | 93.5 | 101.9 | 99.7 | 113.7 | 113.7 | 129.4 | 143.2 | 158.7 | 175.6 | 191.2 |
| Nontax revenue | 32.0 | 28.9 | 28.4 | 27.0 | 32.4 | 37.4 | 35.7 | 38.0 | 41.1 | 44.2 | 47.6 |
| Grants | 35.0 | 60.1 | 40.5 | 36.4 | 43.9 | 46.4 | 47.3 | 50.3 | 50.2 | 55.2 | 58.6 |
| Budget support | 0.0 | 1.0 | 4.9 | 6.6 | 3.8 | 6.3 | 4.4 | 4.4 | 0.7 | 0.7 | 0.0 |
| Project grants | 33.0 | 57.5 | 35.6 | 29.8 | 40.1 | 40.1 | 43.0 | 45.9 | 49.5 | 54.5 | 58.6 |
| Capital grants from CCRT | 2.0 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Expenditure | 219.1 | 238.7 | 211.4 | 226.2 | 233.4 | 239.7 | 254.4 | 273.9 | 295.3 | 324.4 | 350.4 |
| Expense | 143.4 | 148.4 | 140.1 | 160.2 | 146.0 | 154.8 | 158.6 | 169.2 | 182.3 | 198.4 | 212.4 |
| Wages and salaries[2] | 57.0 | 58.2 | 59.5 | 66.3 | 59.0 | 59.0 | 62.5 | 66.1 | 70.1 | 75.7 | 79.9 |
| Goods and services[2] | 25.4 | 28.7 | 26.2 | 27.7 | 26.5 | 23.3 | 26.8 | 29.0 | 31.6 | 34.3 | 37.0 |
| Transfers[2] | 27.3 | 25.9 | 24.8 | 23.0 | 23.5 | 29.4 | 24.1 | 26.0 | 28.6 | 31.4 | 33.6 |
| Interest | 13.2 | 15.3 | 14.0 | 14.6 | 21.0 | 24.9 | 27.9 | 29.4 | 31.8 | 35.4 | 38.6 |
| Other | 20.5 | 20.2 | 15.5 | 28.7 | 16.0 | 18.2 | 17.3 | 18.7 | 20.2 | 21.7 | 23.3 |
| Net acquisition of nonfinancial assets | 75.7 | 90.3 | 71.4 | 65.9 | 87.4 | 84.9 | 95.8 | 104.7 | 113.0 | 126.0 | 138.0 |
| Domestically financed | 9.9 | 7.1 | 15.8 | 15.2 | 24.0 | 24.0 | 29.2 | 33.4 | 40.4 | 45.5 | 52.0 |
| Foreign financed (including BOAD) | 65.7 | 83.1 | 55.6 | 50.7 | 63.4 | 60.9 | 66.5 | 71.3 | 72.6 | 80.4 | 86.0 |
| Overall balance, including grants (commitment) | -84.3 | -56.1 | -40.6 | -63.1 | -43.4 | -42.2 | -42.0 | -42.4 | -45.3 | -49.5 | -53.0 |
| Overall balance, excluding grants (commitment) | -119.3 | -116.2 | -81.2 | -99.5 | -87.3 | -88.6 | -89.3 | -92.7 | -95.5 | -104.7 | -111.6 |
| Change in arrears | 6.5 | -9.1 | 0.0 | -6.7 | 0.0 | -4.1 | -4.1 | -4.1 | 0.0 | 0.0 | 0.0 |
| Domestic arrears[3] | 5.5 | -8.2 | 0.0 | -6.7 | 0.0 | -4.1 | -4.1 | -4.1 | 0.0 | 0.0 | 0.0 |
| Accumulation current year | 9.6 | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payment previous years (-) | -4.1 | -10.2 | 0.0 | -6.7 | 0.0 | -4.1 | -4.1 | -4.1 | 0.0 | 0.0 | 0.0 |
| Net external arrears | 0.7 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net BOAD interest arrears | 0.2 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Float and statistical discrepancy | 0.4 | -8.5 | 0.0 | -16.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance, including grants (cash) | -77.7 | -73.5 | -40.6 | -86.0 | -43.4 | -46.2 | -46.0 | -46.4 | -45.3 | -49.5 | -53.0 |
| Financing[4] | 77.7 | 73.5 | 40.6 | 86.0 | 43.4 | 46.2 | 46.0 | 46.4 | 45.3 | 49.5 | 53.0 |
| Net acquisition of financial assets (- = build up) | -28.8 | 9.8 | 0.0 | -1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bank deposits | -12.9 | 10.6 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BCEAO | -1.8 | -4.1 | 0.0 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Local commercial banks | -11.1 | 14.7 | 0.0 | -1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other[5] | -15.9 | -0.8 | 0.0 | -1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| of which: Bank recapitalization | 0.0 | 0.0 | 0.0 | -1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Domestic financing | 63.4 | 62.7 | 27.9 | 69.0 | 52.1 | 43.2 | 42.0 | 40.2 | 39.0 | 43.0 | 45.7 |
| BCEAO credit | -2.8 | 30.7 | 11.5 | -3.6 | 0.0 | 4.2 | 3.9 | 2.4 | -6.3 | -6.7 | -5.5 |
| (o/w) IMF | -2.0 | 9.6 | 11.5 | -3.1 | 0.0 | 4.7 | 4.5 | 5.2 | -3.5 | -3.9 | -2.7 |
| Other domestic (net) | 66.2 | 32.0 | 16.4 | 72.7 | 52.1 | 39.1 | 38.1 | 37.8 | 45.3 | 49.7 | 51.1 |
| Local commercial banks | 20.0 | -27.2 | 0.0 | 14.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Regional commercial banks | 46.2 | 59.3 | 16.4 | 58.1 | 52.1 | 39.1 | 38.1 | 37.8 | 45.3 | 49.7 | 51.1 |
| Foreign financing (net) | 43.1 | 1.0 | 12.7 | 18.2 | -8.8 | 3.0 | 4.0 | 6.2 | 6.3 | 6.4 | 7.4 |
| Disbursements | 54.9 | 26.5 | 20.0 | 22.1 | 23.4 | 21.6 | 23.6 | 25.4 | 23.0 | 25.9 | 27.4 |
| Projects | 32.9 | 26.4 | 20.0 | 22.1 | 23.4 | 20.8 | 23.6 | 25.4 | 23.0 | 25.9 | 27.4 |
| Programs | 22.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization | -11.8 | -25.5 | -7.3 | -3.8 | -32.1 | -18.6 | -19.6 | -19.2 | -16.7 | -19.5 | -20.1 |
| Debt relief | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Residual financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| *Memorandum item:* | | | | | | | | | | | |
| Domestic primary balance (commitment)[6] | -40.3 | -17.8 | -11.5 | -34.2 | -2.9 | -2.9 | 5.2 | 8.0 | 8.9 | 11.2 | 13.0 |

Sources: Guinea-Bissau authorities; and IMF staff estimates and projections.

[1] Draft budget approved by the Council of Ministers, pending on parliamentry approval after the elections in June 2023.

[2] Adjusted for embassy salaries.

[3] Recorded as arrears when payments were not made for more than 30 days for wages and more than 90 days for other expenditures.

[4] Financing is on currency basis.

[5] WARCIP project from 2018 onwards; in 2019 equity investment and bank recapitalization; in 2020 on-lending support to banks.

[6] Excludes grants, foreign and BOAD financed capital spending, and interest.

## Table 3b. Guinea-Bissau: Consolidated Operations of the Central Government, 2020–28
(Percent of GDP)

| | 2020 | 2021 | 2022 | | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Budget | Prel. | Budget[1] | Proj. | Proj. | | | | |
| Revenue and grants | 15.4 | 19.1 | 16.0 | 15.2 | 15.9 | 16.5 | 16.4 | 16.6 | 16.6 | 16.9 | 17.0 |
| Tax revenue | 7.7 | 9.8 | 9.5 | 9.3 | 9.5 | 9.5 | 10.0 | 10.3 | 10.5 | 10.8 | 10.9 |
| Nontax revenue | 3.7 | 3.0 | 2.7 | 2.5 | 2.7 | 3.1 | 2.8 | 2.7 | 2.7 | 2.7 | 2.7 |
| Grants | 4.0 | 6.3 | 3.8 | 3.4 | 3.7 | 3.9 | 3.7 | 3.6 | 3.3 | 3.4 | 3.4 |
| Budget support | 0.0 | 0.1 | 0.5 | 0.6 | 0.3 | 0.5 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 |
| Project grants | 3.8 | 6.0 | 3.3 | 2.8 | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 | 3.4 | 3.4 |
| Capital grants from CCRT | 0.2 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Expenditure | 25.0 | 25.0 | 19.8 | 21.2 | 19.5 | 20.1 | 19.7 | 19.6 | 19.6 | 19.9 | 20.1 |
| Expense | 16.4 | 15.5 | 13.1 | 15.0 | 12.2 | 13.0 | 12.3 | 12.1 | 12.1 | 12.2 | 12.2 |
| Wages and salaries[2] | 6.5 | 6.1 | 5.6 | 6.2 | 4.9 | 4.9 | 4.8 | 4.7 | 4.7 | 4.7 | 4.6 |
| Goods and services[2] | 2.9 | 3.0 | 2.5 | 2.6 | 2.2 | 1.9 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| Transfers[2] | 3.1 | 2.7 | 2.3 | 2.2 | 2.0 | 2.5 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Interest | 1.5 | 1.6 | 1.3 | 1.4 | 1.8 | 2.1 | 2.2 | 2.1 | 2.1 | 2.2 | 2.2 |
| Other | 2.3 | 2.1 | 1.5 | 2.7 | 1.3 | 1.5 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Net acquisition of nonfinancial assets | 8.6 | 9.4 | 6.7 | 6.2 | 7.3 | 7.1 | 7.4 | 7.5 | 7.5 | 7.7 | 7.9 |
| Domestically financed | 1.1 | 0.7 | 1.5 | 1.4 | 2.0 | 2.0 | 2.3 | 2.4 | 2.7 | 2.8 | 3.0 |
| Foreign financed (including BOAD) | 7.5 | 8.7 | 5.2 | 4.7 | 5.3 | 5.1 | 5.1 | 5.1 | 4.8 | 4.9 | 4.9 |
| Overall balance, including grants (commitment) | -9.6 | -5.9 | -3.8 | -5.9 | -3.6 | -3.5 | -3.2 | -3.0 | -3.0 | -3.0 | -3.0 |
| Overall balance, excluding grants (commitment) | -13.6 | -12.2 | -7.6 | -9.3 | -7.3 | -7.4 | -6.9 | -6.6 | -6.3 | -6.4 | -6.4 |
| Change in arrears | 0.7 | -1.0 | 0.0 | -0.6 | 0.0 | -0.3 | -0.3 | -0.3 | 0.0 | 0.0 | 0.0 |
| Domestic arrears[3] | 0.6 | -0.9 | 0.0 | -0.6 | 0.0 | -0.3 | -0.3 | -0.3 | 0.0 | 0.0 | 0.0 |
| Accumulation current year | 1.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payment previous years (-) | -0.5 | -1.1 | 0.0 | -0.6 | 0.0 | -0.3 | -0.3 | -0.3 | 0.0 | 0.0 | 0.0 |
| Net external arrears | 0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net BOAD interest arrears | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Float and statistical discrepancy | 0.0 | -0.9 | 0.0 | -1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance, including grants (cash) | -8.9 | -7.7 | -3.8 | -8.0 | -3.6 | -3.9 | -3.6 | -3.3 | -3.0 | -3.0 | -3.0 |
| Financing[4] | 8.9 | 7.7 | 3.8 | 8.0 | 3.6 | 3.9 | 3.6 | 3.3 | 3.0 | 3.0 | 3.0 |
| Net acquisition of financial assets (- = build up) | -3.3 | 1.0 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Bank deposits | -1.5 | 1.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| BCEAO | -0.2 | -0.4 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Local commercial banks | -1.3 | 1.5 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other[5] | -1.8 | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| of which: Bank recapitalization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Domestic financing | 7.2 | 6.6 | 2.6 | 6.5 | 4.4 | 3.6 | 3.3 | 2.9 | 2.6 | 2.6 | 2.6 |
| BCEAO credit | -0.3 | 3.2 | 1.1 | -0.3 | 0.0 | 0.3 | 0.3 | 0.2 | -0.4 | -0.4 | -0.3 |
| (o/w) IMF | -0.2 | 1.0 | 1.1 | -0.3 | 0.0 | 0.4 | 0.3 | 0.4 | -0.2 | -0.2 | -0.2 |
| Other domestic (net) | 7.6 | 3.4 | 1.5 | 6.8 | 4.4 | 3.3 | 2.9 | 2.7 | 3.0 | 3.1 | 2.9 |
| Local commercial banks | 2.3 | -2.8 | 0.0 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Regional commercial banks | 5.3 | 6.2 | 1.5 | 5.4 | 4.4 | 3.3 | 2.9 | 2.7 | 3.0 | 3.1 | 2.9 |
| Foreign financing (net) | 4.9 | 0.1 | 1.2 | 1.7 | -0.7 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| Disbursements | 6.3 | 2.8 | 1.9 | 2.1 | 2.0 | 1.8 | 1.8 | 1.8 | 1.5 | 1.6 | 1.6 |
| Projects | 3.8 | 2.8 | 1.9 | 2.1 | 2.0 | 1.7 | 1.8 | 1.8 | 1.5 | 1.6 | 1.6 |
| Programs | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization | -1.3 | -2.7 | -0.7 | -0.4 | -2.7 | -1.6 | -1.5 | -1.4 | -1.1 | -1.2 | -1.1 |
| Debt relief | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Residual financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| *Memorandum item:* | | | | | | | | | | | |
| Domestic primary balance (commitment)[6] | -4.6 | -1.9 | -1.1 | -3.2 | -0.2 | -0.2 | 0.4 | 0.6 | 0.6 | 0.7 | 0.7 |

Sources: Guinea-Bissau authorities; and IMF staff estimates and projections.
[1] Draft budget approved by the Council of Ministers, pending on parliamentry approval after the elections in June 2023.
[2] Adjusted for embassy salaries.
[3] Recorded as arrears when payments were not made for more than 30 days for wages and more than 90 days for other expenditures.
[4] Financing is on currency basis.
[5] WARCIP project from 2018 onwards; in 2019 equity investment and bank recapitalization; in 2020 on-lending support to banks.
[6] Excludes grants, foreign and BOAD financed capital spending, and interest.

## Table 4. Guinea-Bissau: Monetary Survey, 2020–26[1]

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|
| | | | Prel. | Proj. | | | |
| | | | (CFAF billions) | | | | |
| Net foreign assets | 271.5 | 329.4 | 270.3 | 281.9 | 284.5 | 286.9 | 297.9 |
| Central Bank of West African States (BCEAO) | 164.2 | 216.7 | 166.3 | 157.5 | 150.0 | 142.4 | 143.5 |
| Commercial banks | 107.3 | 112.6 | 104.0 | 124.4 | 134.4 | 144.4 | 154.4 |
| Net domestic assets | 127.7 | 154.5 | 227.5 | 250.8 | 283.9 | 317.3 | 343.1 |
| Credit to the government (net) | 47.2 | 72.5 | 90.9 | 95.1 | 99.0 | 101.4 | 95.1 |
| BCEAO | 40.2 | 66.8 | 64.8 | 69.0 | 72.9 | 75.3 | 69.0 |
| Deposits (-) | 0.9 | 5.5 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 |
| Credit | 41.1 | 72.3 | 70.6 | 74.8 | 78.7 | 81.1 | 74.8 |
| Commercial banks | 7.0 | 5.6 | 26.1 | 26.1 | 26.1 | 26.1 | 26.1 |
| Deposits (-) | 25.0 | 26.2 | 24.8 | 24.8 | 24.8 | 24.8 | 24.8 |
| Credit | 32.0 | 31.8 | 50.9 | 50.9 | 50.9 | 50.9 | 50.9 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Credit to the economy | 147.1 | 157.9 | 195.3 | 214.4 | 243.5 | 274.6 | 306.7 |
| Other items (net) | -66.6 | -75.8 | -58.7 | -58.7 | -58.7 | -58.7 | -58.7 |
| Money supply (M2) | 399.2 | 483.9 | 497.9 | 532.8 | 568.4 | 604.2 | 641.1 |
| Currency outside banks | 246.5 | 305.6 | 297.7 | 318.5 | 339.8 | 361.3 | 383.3 |
| Bank deposits | 152.7 | 178.3 | 200.2 | 214.2 | 228.5 | 242.9 | 257.8 |
| Base money (M0) | 274.7 | 350.4 | 324.1 | 346.8 | 370.0 | 393.3 | 417.3 |
| | | | (Change in percent of beginning-of-period broad money) | | | | |
| Contribution to the growth of broad money (M2) | | | | | | | |
| Net foreign assets | 14.7 | 14.5 | -12.2 | 2.3 | 0.5 | 0.4 | 1.8 |
| BCEAO | -5.0 | 13.2 | -10.4 | -1.8 | -1.4 | -1.3 | 0.2 |
| Commercial banks | 19.7 | 1.3 | -1.8 | 4.1 | 1.9 | 1.8 | 1.7 |
| Net domestic assets | -5.6 | 6.7 | 15.1 | 4.7 | 6.2 | 5.9 | 4.3 |
| Credit to the central government | -3.2 | 6.3 | 3.8 | 0.8 | 0.7 | 0.4 | -1.0 |
| Credit to the economy | 2.3 | 2.7 | 7.7 | 3.8 | 5.5 | 5.5 | 5.3 |
| Other items (net) | -4.7 | -2.3 | 3.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items:* | | | | | | | |
| Broad money (M2, annual percentage change) | 9.1 | 21.2 | 2.9 | 7.0 | 6.7 | 6.3 | 6.1 |
| Base money (M0, annual percentage change) | 6.2 | 27.6 | -7.5 | 7.0 | 6.7 | 6.3 | 6.1 |
| Credit to the economy (annual percentage change) | 5.9 | 7.3 | 23.7 | 9.8 | 13.6 | 12.8 | 11.7 |
| Velocity (GDP/M2) | 2.2 | 2.0 | 2.1 | 2.2 | 2.3 | 2.3 | 2.3 |
| Money multiplier (M2/M0) | 1.5 | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |

Sources: BCEAO; and IMF staff estimates and projections.

[1] End of period.

## Table 5. Guinea-Bissau: Selected Financial Soundness Indicators, 2017–22[1]

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Excluding undercapitalized bank | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2020 Dec | 2021 Jun | 2021 Dec | 2022 Jun | 2022 Dec |
| **Capital Adequacy** | | | | | | | | | | | |
| Capital to risk-weighted assets | 2.2 | -5.4 | -2.0 | -3.6 | -1.4 | -4.0 | 25.6 | 21.7 | 25.5 | 21.4 | 26.6 |
| Tier 1 capital to risk weighted assets | 1.8 | -5.5 | -2.0 | -3.6 | -1.4 | -4.0 | 25.6 | 21.7 | 25.5 | 21.4 | 26.6 |
| Provisions to risk-weighted assets | 27.6 | 29.8 | 26.0 | 20.4 | 20.3 | 9.9 | 2.3 | 2.7 | 8.0 | 3.3 | 4.3 |
| Capital to total assets | 1.0 | -2.0 | -0.7 | -1.3 | -0.5 | -1.3 | 12.8 | 12.7 | 7.2 | 12.4 | 12.1 |
| **Asset Composition and Quality** | | | | | | | | | | | |
| Total loans to total assets | 40.1 | 50.5 | 46.7 | 40.4 | 38.1 | 45.5 | 36.5 | 44.7 | 36.8 | 47.3 | 45.5 |
| Concentration: loans to 5 largest borrowers to capital | 831.7 | -316.1 | -748.5 | -379.3 | -2344.0 | -273.5 | ... | ... | 216.5 | ... | ... |
| Sectoral distribution of loans | | | | | | | | | | | |
| Agriculture and fishing | 0.9 | 0.5 | 0.5 | 0.8 | 1.4 | 1.5 | ... | ... | 0.8 | 1.4 | 1.5 |
| Extractive industries | 0.0 | 0.0 | 0.0 | 1.2 | 1.1 | 0.8 | ... | ... | 0.0 | 1.1 | 0.8 |
| Manufacturing | 0.4 | 0.7 | 0.7 | 15.7 | 14.8 | 15.4 | ... | ... | 18.1 | 14.8 | 15.4 |
| Electricity, water and gas | 1.1 | 0.7 | 0.7 | 10.5 | 10.7 | 4.9 | ... | ... | 0.0 | 10.7 | 4.9 |
| Construction | 1.7 | 1.7 | 1.7 | 7.7 | 8.1 | 3.2 | ... | ... | 8.4 | 8.1 | 3.2 |
| Retail and wholesale trade, restaurants and hotels | 29.7 | 29.4 | 29.4 | 25.2 | 24.1 | 40.5 | ... | ... | 54.0 | 24.1 | 40.5 |
| Transportation and communication | 1.1 | 1.1 | 1.1 | 7.1 | 7.4 | 7.1 | ... | ... | 7.0 | 7.4 | 7.1 |
| Insurance, real state and business services | 8.4 | 8.2 | 8.2 | 1.1 | 1.1 | 1.0 | ... | ... | 0.7 | 1.1 | 1.0 |
| Other services | 56.7 | 57.8 | 57.8 | 30.7 | 31.5 | 25.6 | ... | ... | 10.9 | 31.5 | 25.6 |
| Gross NPLs to total loans | 37.4 | 26.3 | 25.4 | 21.8 | 19.4 | 10.4 | 10.3 | 6.5 | 9.0 | 5.5 | 5.9 |
| General provisions to gross NPLs | 64.8 | 67.3 | 65.3 | 68.8 | 80.8 | 61.6 | 35.2 | 54.5 | 64.1 | 72.7 | 71.4 |
| Net NPLs to total loans | 17.4 | 10.5 | 10.6 | 8.0 | 4.4 | 4.3 | 2.1 | 3.4 | 3.4 | 1.5 | 1.7 |
| Net NPLs to capital | 694.6 | -268.1 | -680.0 | -257.0 | -333.9 | -154.5 | 16.7 | 12.0 | 17.5 | 5.8 | 6.5 |
| **Earnings and profitability** | | | | | | | | | | | |
| Average cost of borrowed funds | 1.6 | 1.7 | 0.9 | 1.9 | 1.3 | 1.6 | ... | ... | 1.3 | ... | 1.6 |
| Average interest rate on loans | 10.2 | 8.7 | 9.7 | 9.4 | 7.4 | 9.3 | ... | ... | 7.4 | ... | 9.3 |
| Average interest margin[1] | 8.5 | 7.0 | 8.8 | 7.5 | 6.1 | 7.7 | ... | ... | 6.1 | ... | 7.7 |
| After-tax return on average assets (ROA) | -0.4 | 0.8 | 4.2 | 0.5 | 0.7 | 1.7 | 1.8 | 1.2 | 1.5 | ... | 1.7 |
| After-tax return on average equity (ROE) | -10.8 | 17.2 | 77.2 | 6.5 | 8.7 | 21.3 | 13.8 | 9.4 | 11.2 | ... | 21.3 |
| Non-interest expenses to net banking income | 79.3 | 71.3 | 75.5 | 71.0 | 67.3 | 69.2 | ... | ... | 61.6 | ... | 69.2 |
| Personnel expenses to net banking income | 33.8 | 28.6 | 32.1 | 32.0 | 29.2 | 29.9 | ... | ... | 26.7 | ... | 29.9 |
| **Liquidity** | | | | | | | | | | | |
| Liquid assets to total assets | 15.0 | 19.6 | 18.9 | 17.3 | 18.0 | 24.9 | ... | ... | 20.1 | 25.0 | 24.9 |
| Liquid assets to total deposits | 25.3 | 32.7 | 35.9 | 30.4 | 31.3 | 46.7 | ... | ... | 44.4 | 45.5 | 46.7 |
| Total loans to total deposits | 89.1 | 102.5 | 106.5 | 83.6 | 78.9 | 91.0 | 92.5 | 103.8 | 86.0 | 89.9 | 92.7 |
| Total deposits to total liabilities | 59.4 | 59.9 | 52.6 | 56.9 | 57.3 | 53.4 | 39.4 | 43.0 | 45.3 | 52.4 | 47.3 |

Source: BCEAO.

[1] Excluding tax on banking operations.

## Table 6. Guinea-Bissau: Indicators of Capacity to Repay the Fund , 2023–35

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Projections | | | | | | | | | | | | |
| | (SDR millions, unless otherwise indicated) | | | | | | | | | | | | |
| **Fund obligations based on existing credit** | | | | | | | | | | | | | |
| Principal | 2.36 | 4.12 | 3.41 | 4.26 | 4.66 | 3.62 | 3.79 | 3.79 | 2.37 | 0.95 | 0.47 | 0.00 | 0.00 |
| Charges and interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Fund obligations based on existing and prospective credit** | | | | | | | | | | | | | |
| Principal | 2.36 | 4.12 | 3.41 | 4.26 | 4.66 | 3.62 | 5.21 | 7.10 | 7.10 | 5.68 | 5.21 | 3.31 | 1.42 |
| Charges and interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total obligations based on existing and prospective credit** | | | | | | | | | | | | | |
| SDR millions | 2.36 | 4.12 | 3.41 | 4.26 | 4.66 | 3.62 | 5.21 | 7.10 | 7.10 | 5.68 | 5.21 | 3.31 | 1.42 |
| CFAF billions | 1.94 | 3.42 | 2.85 | 3.59 | 3.96 | 3.12 | 4.49 | 6.12 | 6.12 | 4.90 | 4.49 | 2.85 | 1.22 |
| Percent government revenue | 1.29 | 2.07 | 1.57 | 1.80 | 1.80 | 1.31 | 1.75 | 2.22 | 2.06 | 1.53 | 1.31 | 0.78 | 0.31 |
| Percent exports of goods and services | 1.07 | 1.48 | 1.18 | 1.41 | 1.48 | 1.10 | 1.50 | 1.96 | 1.87 | 1.43 | 1.25 | 0.76 | 0.31 |
| Percent debt service | 7.27 | 12.24 | 10.90 | 14.63 | 14.05 | 11.27 | 15.85 | 21.05 | 20.61 | 17.01 | 15.08 | 9.67 | 4.08 |
| Percent GDP | 0.16 | 0.26 | 0.20 | 0.24 | 0.24 | 0.18 | 0.24 | 0.31 | 0.29 | 0.22 | 0.19 | 0.11 | 0.05 |
| Percent quota | 8.31 | 14.51 | 12.01 | 15.00 | 16.41 | 12.75 | 18.35 | 25.00 | 25.00 | 20.00 | 18.35 | 11.65 | 5.00 |
| **Outstanding Fund credit** | | | | | | | | | | | | | |
| SDR millions | 36.17 | 41.52 | 47.56 | 43.30 | 38.64 | 35.03 | 29.82 | 22.71 | 15.61 | 9.93 | 4.73 | 1.42 | 0.00 |
| CFAF billions | 29.77 | 34.43 | 39.73 | 36.46 | 32.83 | 30.19 | 25.70 | 19.57 | 13.46 | 8.56 | 4.08 | 1.22 | 0.00 |
| Percent government revenue | 19.70 | 20.85 | 21.93 | 18.25 | 14.94 | 12.64 | 10.04 | 7.11 | 4.53 | 2.68 | 1.19 | 0.34 | 0.00 |
| Percent exports of goods and services | 16.33 | 14.90 | 16.39 | 14.33 | 12.27 | 10.68 | 8.60 | 6.26 | 4.11 | 2.50 | 1.14 | 0.33 | 0.00 |
| Percent debt service | 111.43 | 123.38 | 151.99 | 148.74 | 116.52 | 109.09 | 90.73 | 67.32 | 45.31 | 29.74 | 13.69 | 4.15 | 0.00 |
| Percent GDP | 2.49 | 2.66 | 2.85 | 2.42 | 2.02 | 1.73 | 1.38 | 0.99 | 0.64 | 0.38 | 0.17 | 0.05 | 0.00 |
| Percent quota | 127.36 | 146.20 | 167.46 | 152.46 | 136.06 | 123.35 | 105.00 | 79.96 | 54.96 | 34.96 | 16.65 | 5.00 | 0.00 |
| **Net use of Fund credit** | 7.10 | 5.36 | 6.08 | -4.26 | -4.66 | -3.62 | -5.21 | -7.10 | -7.10 | -5.68 | -5.21 | -3.31 | -1.42 |
| Disbursements | 9.46 | 9.48 | 9.49 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Repayments and repurchases | 2.36 | 4.12 | 3.41 | 4.26 | 4.66 | 3.62 | 5.21 | 7.10 | 7.10 | 5.68 | 5.21 | 3.31 | 1.42 |
| | (CFAF billions, unless otherwise indicated) | | | | | | | | | | | | |
| **Memorandum items:** | | | | | | | | | | | | | |
| Nominal GDP | 1,194.4 | 1,293.0 | 1,395.7 | 1,506.5 | 1,626.1 | 1,746.9 | 1,862.0 | 1,984.7 | 2,115.5 | 2,254.9 | 2,392.0 | 2,537.5 | 2,691.8 |
| Exports of goods and services | 182.3 | 231.0 | 242.4 | 254.4 | 267.4 | 282.7 | 298.7 | 312.7 | 327.2 | 342.5 | 358.2 | 374.7 | 391.9 |
| Government revenue | 151.1 | 165.1 | 181.2 | 199.8 | 219.8 | 238.8 | 256.0 | 275.2 | 297.0 | 319.6 | 341.8 | 365.4 | 391.4 |
| External debt service | 26.7 | 27.9 | 26.1 | 24.5 | 28.2 | 27.7 | 28.3 | 29.1 | 29.7 | 28.8 | 29.8 | 29.5 | 30.0 |
| CFAF/SDR (period average) | 823.1 | 829.2 | 835.4 | 842.1 | 849.5 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 | 862.0 |
| Quota (SDR millions) | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 | 28.4 |

Source: IMF staff estimates and projections.

## Table 7. Guinea-Bissau: Public Debt Holder Profile, 2022–24[1]

| | Debt Stock (end of period) | | | Debt Service | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | | | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| | *(In US$ million)* | *(Percent of total debt)* | *(Percent of GDP)* [5] | *(In US$ million)* | | | *(Percent of GDP)* | | |
| **Total** | 1,386.8 | 100.0 | 80.3 | 129.7 | 172.2 | 114.1 | 7.5 | 8.9 | 5.5 |
| **External** | 676.3 | 48.8 | 39.2 | 13.9 | 43.3 | 44.3 | 0.8 | 2.2 | 2.1 |
| Multilateral creditors[2] | 541.7 | 39.1 | 31.4 | 10.9 | 39.3 | 40.2 | 0.6 | 2.0 | 1.9 |
| IMF | 40.5 | 2.9 | 2.3 | | | | | | |
| World Bank | 190.6 | 13.7 | 11.0 | | | | | | |
| AfDB | 53.8 | 3.9 | 3.1 | | | | | | |
| BOAD | 205.6 | 14.8 | 11.9 | | | | | | |
| Other Multilaterals | 51.1 | 3.7 | 3.0 | | | | | | |
| *o/w: Islamic Development Bank* | 21.4 | 1.5 | 1.2 | | | | | | |
| *BADEA* | 9.6 | 0.7 | 0.6 | | | | | | |
| Bilateral Creditors | 134.6 | 9.7 | 7.8 | 3.0 | 4.0 | 4.1 | 0.2 | 0.2 | 0.2 |
| Paris Club | 9.8 | 0.7 | 0.6 | 0.3 | 0.7 | 1.4 | 0.0 | 0.0 | 0.1 |
| *o/w: Brazil* | 1.9 | 0.1 | 0.1 | | | | | | |
| *Russia* | 1.5 | 0.1 | 0.1 | | | | | | |
| Non-Paris Club | 124.8 | 9.0 | 7.2 | 2.7 | 3.3 | 2.7 | 0.2 | 0.2 | 0.1 |
| *o/w:* Angola | 49.1 | 3.5 | 2.8 | | | | | | |
| Kuwait | 28.9 | 2.1 | 1.7 | | | | | | |
| **Domestic** | 710.5 | 51.2 | 41.2 | 115.8 | 128.9 | 69.7 | 6.7 | 6.7 | 3.4 |
| Held by residents, total | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Held by non-residents, total | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Regional T-bills | 405.8 | 29.3 | 23.5 | 83.6 | 116.8 | 57.7 | 4.9 | 6.0 | 2.8 |
| BCEAO | 209.8 | 15.1 | 12.2 | 1.2 | 1.2 | 1.2 | 0.1 | 0.1 | 0.1 |
| Loans local commercial banks[3] | 75.2 | 5.4 | 4.4 | 20.3 | 4.3 | 4.3 | 1.2 | 0.2 | 0.2 |
| Payment Arrears | 19.7 | 1.4 | 1.1 | 10.7 | 6.6 | 6.5 | 0.6 | 0.3 | 0.3 |
| **Memo items:** | | | | | | | | | |
| Collateralized debt[4] | 0 | 0.0 | 0.0 | | | | | | |
| Contingent liabilities | 32.2 | 2.3 | 1.9 | | | | | | |
| Public guarantees | 32.2 | 2.3 | 1.9 | | | | | | |
| Nominal GDP | 1,717.8 | | | 1,717.8 | 1,935.3 | 2,078.4 | | | |

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

## Table 8. Guinea-Bissau: Proposed Schedule of Disbursements Under the ECF Arrangement, 2023–25

| Available Date | Disbursements | | Conditions for Disbursement |
|---|---|---|---|
| | In millions of SDR | In percent of Quota | |
| January 30, 2023 | 2.37 | 8.3 | Executive Board approval of the three-year ECF arrangement. |
| April 17, 2023 | 2.37 | 8.3 | Observance of the performance criteria for January 31, 2023 and completion of the first review under the arrangement. |
| July 17, 2023 | 2.37 | 8.3 | Observance of the performance criteria for March 31, 2023 and completion of the second review under the arrangement. |
| October 17, 2023 | 2.37 | 8.3 | Observance of the performance criteria for June 30, 2023 and completion of the third review under the arrangement. |
| January 17, 2024 | 2.37 | 8.3 | Observance of the performance criteria for September 30, 2023 and completion of the fourth review under the arrangement. |
| April 17, 2024 | 2.37 | 8.3 | Observance of the performance criteria for December 31, 2023 and completion of the fifth review under the arrangement. |
| October 17, 2024 | 4.73 | 16.7 | Observance of the performance criteria for June 30, 2024 and completion of the sixth review under the arrangement. |
| April 17, 2025 | 4.73 | 16.7 | Observance of the performance criteria for December 31, 2024 and completion of the seventh review under the arrangement. |
| October 17, 2025 | 4.72 | 16.7 | Observance of the performance criteria for June 30, 2025 and completion of the eighth review under the arrangement. |
| **Total Disbursements** | **28.40** | **100.0** | |

Source: IMF staff estimates and projections.

# Annex I. Risk Assessment Matrix[1]

| Nature/Sources of Risk | Relative Likelihood | Expected Impact If Realized / Time Horizon | Policies to Mitigate Risks |
|---|---|---|---|
| **External Risks** | | | |
| **Intensification of regional conflicts.** Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.<br><br>**Deepening geo-economic fragmentation.** Broader and deeper conflicts and weakened international cooperation lead to a more rapid reconfiguration of trade and FDI, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth. | High | **High / ST**<br>• The economy would be hit hard by disruptions in the supply chain and business in general.<br>• Increase in inflation, food insecurity and poverty.<br>• Additional pressure on public expenditure and tax exemptions, which jeopardize fiscal consolidation strategy and sustainability.<br>• Balance of payments imbalances generated by the worsening conditions of the current or financial accounts. | • Create fiscal space through wage bill control, spending review and revenue mobilization for new policies to mitigate supply shocks in the economy.<br>• Prioritize and target public spending towards the most vulnerable people.<br>• Review and reprioritize tax exemptions for programs with higher economic and social impact.<br>Mobilize additional grants and concessional loans from development partners to cover more persistent external needs. |
| **Abrupt global slowdown or recession.** Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.<br>**Europe:** Intensifying fallout from the war in Ukraine, worsening energy crisis and supply disruptions, and monetary tightening exacerbate economic downturns and housing market corrections.<br>**China:** Greater-than-expected economic disruptions from COVID resurgence, rising geopolitical tensions, and/or a sharper-than-expected slowdown in the property sector disrupt economic activity.<br>**EMDEs:** A new bout of global financial tightening, possibly combined with volatile commodity prices, leads to spiking risk premia, debt distress, widening of external imbalances, fiscal pressures, and sudden stops. | Medium | **High / ST**<br>• Volatility in cashew nut prices and demand.<br>• Balance of payments imbalances generated by the worsening conditions of the current or financial accounts.<br>• Higher debt financing costs.<br>• Reduced fiscal space and need for additional fiscal consolidation efforts | • Review and reprioritize public spending towards programs with higher economic and social impact.<br>• Create fiscal space to tackle financial vulnerabilities<br>• Mobilize additional grants and concessional loans from development partners to cover more persistent external needs. |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks

(continued)

| Nature/Sources of Risk | Relative Likelihood | Expected Impact If Realized / Time Horizon | Policies to Mitigate Risks |
|---|---|---|---|
| **External Risks** | | | |
| **Monetary policy miscalibration.** Amid high economic uncertainty and volatility, major central banks slow monetary policy tightening or pivot to loosen monetary policy stance prematurely, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets. | **Medium** | **High / ST**<br>• Increase in inflation, food insecurity and poverty.<br>• Social unrest<br>• Financial and monetary aggregates volatility | • Adjust fiscal policy to anchor expectations of economic agents.<br>• Prioritize and target public spending towards the most vulnerable people.<br>• Monitor macro-financial risks. |
| **Commodity price volatility.** A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability. | **Medium** | **High / ST**<br>• Deterioration of fiscal position<br>• Increase in inflation, food insecurity and poverty.<br>• Social unrest<br>• Delayed fiscal adjustment and structural reforms | • Create fiscal space through wage bill control, spending review and tax mobilization.<br>• Prioritize and target public spending towards the most vulnerable people.<br>Encourage diversification of the economy |
| **Further adverse cashew nut price movements.** A weaker than projected price recovery of the dominant export product would hamper economic recovery. | **Medium** | **High / ST**<br>• Private sector incomes come under pressure, denting economic activity.<br>• Government revenues further diminish, leaving less room for priority spending.<br>• Balance of payments problems generated by the worsening of the current account. | • Control public expenses to compensate for lower revenues.<br>• Step up diversification efforts. |
| **Cyberthreats.** Cyberattacks on critical domestic and/or international physical or digital infrastructure (including digital currency and crypto ecosystems) trigger financial and economic instability. | **Medium** | **Medium / ST, MT**<br>• Impact on public services that rely on digital infrastructure. | • Create contingent plans for cyberattacks<br>• Assess the risk and impact of cyberattacks on public services. |

surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

| Nature/Sources of Risk | Relative Likelihood | Expected Impact If Realized / Time Horizon | Policies to Mitigate Risks |
|---|---|---|---|
| **Domestic Risks** | | | |
| **Social discontent and political risks.** Supply shocks, high inflation, real wage drops, and spillovers from crises in other countries worsen inequality, trigger social unrest and political tensions, and give rise to financing pressures and damaging populist policies. This exacerbates imbalances and slows growth. | High | High / ST, MT<br>• Delayed fiscal adjustment.<br>• Political instability<br>• Limited financing inflows and investment projects delays.<br>• Supply disruptions and weaker confidence. | • Prioritize and target public spending towards the most vulnerable people.<br>• Create fiscal space through wage bill control, spending review and tax mobilization.<br>• Mobilize additional grants and concessional loans from development partners to cover more persistent external needs. |
| **Systemic financial instability.** Sharp swings in real interest rates, risk premia, and assets repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks, causing markets dislocations. Domestic banking instability may also arise from high NPLs, and bank's undercapitalization. | Medium | High / MT<br>• Limited credit extension hampers investment and growth.<br>• Potential contingent liabilities adding to fiscal pressures. | • Enhance banking supervision and enforce prudential regulations.<br>• Improve processes and procedures for collection of debts and collateral.<br>• Create fiscal space to absorb financial shocks. |
| **Continued weaknesses in state-owned enterprises.** The public electricity and water utility (EAGB), in particular, has been a long-standing problem. | Medium | High / ST<br>• Limited and expensive electricity and water supply.<br>• Potential contingent liabilities adding to fiscal pressures. | • Implement credible strategy to improve management of public enterprises.<br>• Improve governance, transparency and accountability. |
| **Extreme climate events.** Extreme climate events cause more severe than expected damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing water and food shortages, and reducing growth. | Medium | High / ST, MT<br>• Harm cashew production worsening the livelihood of people in rural areas and exacerbating extreme poverty and inequalities.<br>• Higher recovery spending, higher financing costs, and lower revenues.<br>• Supply disruptions and weaker confidence. | • Diversify the economy.<br>• Address infrastructure gaps and income/developmental disparities among regions, while instituting appropriate social safety nets.<br>• Promote investment in climate resilient infrastructure. |

# Annex II. Action Plans for Governance-Related Reforms

1. **This Annex sets out action plans for governance related reforms, building on achievements under the SMP.** These action plans intend to complement SBs in the governance area by providing the intermediate steps or the measures that will enhance the effectiveness of reforms, building on the findings from the 2020 Governance Diagnostic Assessment. Many measures included in the action plans are the continuation of reforms that have been implemented or initiated during the SMP (Table 1). The action plans are focusing on reforms in the following areas where the Fund has significant Capacity Development (CD) engagement in Guinea-Bissau; (i) the revenue administration; (ii) the PFM; (iii) the AML/CFT and public procurement; and (iv) the anti-corruption and rule of law. The main reform objectives and priorities in each area are discussed in the following paragraphs.

2. **Revenue administration.** The authorities will strengthen tax and customs administration based on action plans, which were developed with FAD CD support and have been endorsed in a ministerial order. Drawing on efforts to simplify and modernize the tax system during the SMP, the action plans aim to address the following challenges faced by the Directorate-General for Taxes and Duties (DGCI) and the Directorate-General for Customs (DGA): (i) extensive administrative discretion; (ii) political interference in hiring decisions; (iii) inadequate exchange of information among public entities; and (iv) outdated information technology systems. Addressing these challenges will improve transparency and efficiency in revenue administration, taxpayer compliance, and professionalism of revenue officers. The action plans include 24 priority actions to be implemented between March 2023 and June 2025 (see Table 2 for summary) and other actions specific to the implementation of the new VAT law. The recent progress includes launching of public tenders of IT specialists for the DGCI in May 2023, which will be basis to implement other priority actions.

3. **PFM.** The authorities have developed action plans for the TSA implementation and public investment management informed by the recent FAD CD (see Table 2 for summary). The TSA implementation is crucial to advance the cash management reforms initiated under the SMP and establish transparency in, and controls of, extrabudgetary fees and charges. For public investment management, the Ministry of Economy and the MoF have limited roles in the planning, selection, and monitoring of major investment projects. The action plan aims to develop the strong roles of the central agencies in assessing project feasibility and affordability and preventing cost overruns and implementation delays, in order to maximize efficiency in public investments within the very limited fiscal space. PFM reforms should be supported by the gradual improvement of fiscal and debt data according to international standards

4. **AML/CFT and public procurement.** Further action to strengthen AML/CFT effectiveness is needed. In the February 2022 Mutual Evaluation Report (MER), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) gave the country low effectiveness ratings in all 11 criteria. Substantial progress is required to address the priority actions. The action plan (Table 3) intends to enhance AML/CFT effectiveness in the three priority areas: (i) finalizing the national AML/CFT policy and action plan that addresses the risks identified in the national risk assessment

(NRA) and the MER key findings by end-December 2023; (ii) requiring all legal persons registering at the Centre for Formalization of Enterprises (CFE) and at the Directorate General of Civil Identification, Registry and Notary (DGICRN) to submit a BO identification form similar to the one submitted as part of the tender process by end-June 2024; and (iii) present an action plan to strengthen risk-based AML/CFT supervision for financial institutions and designated non-financial businesses and professions (DNFBPs) by end-December 2023. For public procurement transparency, the Directorate-General of Public Tenders (DGCP) will continue expanding the scope of beneficial ownership disclosure to a broader range of public contracts, which will be supported by publication of audit reports of State General Accounts (CGE) highlighting public contracts breaching the authorization by the DGCP and Audit Court.

**5. Anti-corruption and rule of law.** Advancing the anti-corruption and rule of law reforms remains a high priority for the government. In line with the authorities' commitments described in the program documents and with IMF technical assistance, those reforms will focus on (i) strengthening and operationalizing the asset declaration regime in line with international good practices, including the G-20 High Level Principles on asset disclosure by public officials; (ii) supporting the rule of law and access to justice and ensuring that the population have access to fundamental legislation and information on court fees and procedures free of charges; and (iii) updating where appropriate and implementing recommendations from the 2020 Governance Diagnostic Report.

## Annex II. Table 1. Guinea- Bissau: Adopted Measures on Governance and Anti-Corruption

| Measures taken | Date |
|---|---|
| Adopt a firm customs policy against cases of characterized undervaluation and apply progressive sanctions. | Continuous since 2020 |
| Publish the diagnostic report on enhancing governance and anti-corruption framework. | Jun-20 |
| Create a commission to eliminate unjustified wage incentives to public servants. | Jul-20 |
| Publish select information of some COVID-related procurement contracts.[1] | Continuous since Aug-20 |
| Repeal the 2015 Budget Law amendments to the IGV and the Investment Code (Código de Investimento). | Sep-20 |
| Approve by parliament, and promulgation by the President of the 2020 Budget. | Sep-20 |
| Reformulate and resume customs control of the land flow of imports. | Oct-20 |
| Issue a ministerial order allowing the IGV (VAT) electronic tax return. | Oct-20 |
| Approve by parliament, and promulgation by the President of the 2021 budget. | Dec-20/Jan-21 |
| Strengthen the general custom clearance procedure. | Continuous since Jan-21 |
| Reestablish Treasury Committee by Ministerial order. | Feb-21 |
| Approve by the Council of Ministers decrees that create a National Committee of Debt Policy; establish the organization and functioning of the Direção Geral da Dívida Publica; and regulate the issuance of debt and debt management. | Jun-21 |
| Launch system for tax returns filing and electronic payments through e-banking and mobile money | Jun-21 |
| Establish priority expenses, in the framework of the 2021 budget execution by Ministerial order | Jul-21 |
| Establish expenditure limits per budget line | Jul-21 |
| Approve and send to Parliament a revised general tax code and a revised tax penalty regime by the Council of Minsters | Jul-21 |
| Approve and send to Parliament a modernized statute of the Imposto Geral sobre Vendas (IGV or VAT) by the Council of Ministers | Jul-21 |
| Steps taken towards establishing a TSA and strengthen cash management | Sep-21 |
| An executive order was issued to end the hiring of employees without contract | Sep-21 |
| The Council of Ministers mandated Ministers and State Secretaries to abide by the strict observance of the legal framework of assets declaration and interest owned | Oct-21 |
| The Council of Ministers approved and submitted to Parliament the reform of the asset declaration regime | Oct-21 |
| The procurement legal framework was ammended with the support of IMF staff | Oct-21 |
| Order was approved to enforce control by the financial controller over all public salaries and reconcile personnel and payroll records supported by the blockchain project. | Dec-21 |
| Parliament approved a tax package including the revised tax code and tax penalty regime, the customs code and a new VAT law | Dec-21 |

Source: Guinea-Bissau Authorities.

[1] The information is available on the website of the High Commissioner: https://www.accovid-gw.org/relat%C3%B3rios

## Annex II. Table 2. Guinea-Bissau: Fiscal Reforms: Summary Action Plan 2023–25

| Area | Measures | Institutions Responsible | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Jun-24 | Dec-24 | Jun-25 |
|---|---|---|---|---|---|---|---|---|---|
| Custom Administration | In-depth pre-clearance examination and post-clearance audit of selected goods | DGA | | X | X | X | X | X | |
| | Application of new penalties | DGA | | | | X | | | |
| | Duty and tax ASYCUDA integrated tariff rates and based are made in compliance with the legal basis | DGA | | X | | | | | |
| | On-site check of exemptions granted in 2021-22 and identification in ASYCUDA of suspensive procedures | DGA | | | | X | X | | |
| Tax Administration | Implement electronic mailboxes with large taxpayers and roll out to medium and small taxpayers | DGCI | X | X | X | X | X | X | X |
| | Hire IT specialists | DGCI | | | | | X | | |
| | Audit ten cases of VAT differences declared to DGA and DGCI | DGCI/DGA DGCTP | | | | | | | X |
| | Appoint all senior staff through the public tender | DGCI/DGA | | | | X | | | |
| | Roll out electronic tax payments via Kontakutu to three banks | DGCI | | | | X | | | |
| PFM | Update census and study of public bank accounts and classify them into those to be closed, maintained or integrated into TSA | DGTCP | X | X | X | | | | |
| | Establish interface between the systems of the Treasury, BCEAO, commercial banks | DGTCP | | | X | | | | |
| | Create cash management units and approve cash forecasts with longer horizon and improved methods | DGTCP | | | | | X | X | X |
| | Execute expenditure from the TSA, starting with the wage bills | DGCTP | | | | | X | | |
| Public Investment Management | Establish a monthly reporting process for externally financed capital expenditure | MoE | | | X | | | | |
| | Create an excel-based medium-term PIP database | MoE | | | | X | | | |
| | Ensure clear prioritization of projects based on cost estimates | MoE | | | | | X | | |
| | Establish regulatory framework for project appraisal, allocation, and implementation | MoE | | | | | | | X |

## Annex. II Table 3. Guinea-Bissau: AML/CFT and Public Procurement: Action Plan 2023-25

| Area | Measures | Institutions Responsible | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Jun-24 | Dec-24 | Jun-25 |
|---|---|---|---|---|---|---|---|---|---|
| Custom Administration | In-depth pre-clearance examination and post-clearance audit of selected goods | DGA | | X | X | X | X | X | |
| | Application of new penalties | DGA | | | | X | | | |
| | Duty and tax ASYCUDA integrated tariff rates and based are made in compliance with the legal basis | DGA | | X | | | | | |
| | On-site check of exemptions granted in 2021-22 and identification in ASYCUDA of suspensive procedures | DGA | | | | X | X | | |
| Tax Administration | Implement electronic mailboxes with large taxpayers and roll out to medium and small taxpayers | DGCI | X | X | X | X | X | X | X |
| | Hire IT specialists | DGCI | | | | | X | | |
| | Audit ten cases of VAT differences declared to DGA and DGCI | DGCI/DGA DGCTP | | | | | | | X |
| | Appoint all senior staff through the public tender | DGCI/DGA | | | | X | | | |
| | Roll out electronic tax payments via Kontakutu to three banks | DGCI | | | | X | | | |
| PFM | Update census and study of public bank accounts and classify them into those to be closed, maintained or integrated into TSA | DGTCP | X | X | X | | | | |
| | Establish interface between the systems of the Treasury, BCEAO, commercial banks | DGTCP | | | X | | | | |
| | Create cash management units and approve cash forecasts with longer horizon and improved methods | DGTCP | | | | | X | X | X |
| | Execute expenditure from the TSA, starting with the wage bills | DGCTP | | | | | X | | |
| Public Investment Management | Establish a monthly reporting process for externally financed capital expenditure | MoE | | | X | | | | |
| | Create an excel-based medium-term PIP database | MoE | | | | X | | | |
| | Ensure clear prioritization of projects based on cost estimates | MoE | | | | | X | | |
| | Establish regulatory framework for project appraisal, allocation, and implementation | MoE | | | | | | | X |

# Annex III. National Development Plan 2020–23

**1. The National Development Plan (PND) 2020-23 is the current national strategy for poverty reduction and inclusive growth.** The PND 2020-23 describes an overall strategy for poverty reduction based on macroeconomic and fiscal policy analysis and specifies key projects and policies to guide expenditure prioritization.[1] These projects and policies are linked to the overall strategy through one central and six strategic objectives against which the project planning and outcomes will be evaluated (Table 1). The implementation of the PND 2020-23 began in September 2020 on the approval by the ANP. It was originally scheduled to expire at the end 2023, but is expected to be extended until the mid-2024 to provide sufficient time to prepare the new PND based on the priorities of the new government after the legislative election in June 2023.

**Annex III. Table 1. Guinea-Bissau: Central and Strategic Objectives of PND 2020–23**

| Objectives | Descriptions |
|---|---|
| Central Objective | Combat the COVID-19 as an opportunity to have a fresh-start of the economy |
| Strategic Objective 1 | Consolidate the democratic rule of law and reform and modernize the public institutions |
| Strategic Objective 2 | Reform the economy and promote the growth and jobs |
| Strategic Objective 3 | Develop the production sector and infrastructure of the country |
| Strategic Objective 4 | Promote the human capital and improve the population's living conditions |
| Strategic Objective 5 | Reinvigorate the foreign policy and promote the regional integration and the Guinean diaspora |
| Strategic Objective 6 | Preserve biodiversity, combat climate change, and promote natural resources |

**2. The PND 2020-23 was prepared by following the constitutional process and the intensive stakeholder consultation.** Articles 85 and 100 of the Constitution refer specifically to a PND, which is to be prepared by the Government and approved by the ANP. This PND process was discontinued after the last PNDs approved in the 1980s and 90s, but has been revived by the PND 2020-23 under the leadership of the current government. It was prepared through an intensive consultation within the government and with social and professional associations, private sector entities, and civil society organizations to align the PND with development needs and priority activities of each sector. After the approval of the PND, the line ministries and local governments prepared the sectoral and regional development plans to detail their activities and projects.

**3. The implementation of the PND 2020-23 has been facing significant challenges posed by a wave of shocks.** The planning and implementation of 429 projects included in the PND 2020-23 has been severely affected by the COVID-19 pandemic and cost-of-living crisis following the war in Ukraine. Between 2020 and 2021, only 94 out of 293 projects included in the government budgets had some amount of execution. The situation was worsened in 2022 when there was a drop of

[1] The PND 2020-23 is published in the MoF website.

project grants and only 76 out of 467 projects included in the government budget had some amount of execution. Although the execution rate of the Public Investment Program budget was close to 100 percent in total for these years, there has been under-execution of several small, domestically financed projects, particularly those in the productive sectors (agriculture, tourism, etc.), which were hit hard by the pandemic. Although the objectives and strategies included in the PND 2020-23 are still valid for poverty reduction and inclusive growth, it will be difficult to achieve all of them during the rest of the PND period. Many projects and activities are likely to be carried over to, and reprioritized in, the new PND.

**4. The implementation of the PND 2020-23 also provides important lessons to improve the public investment management.** As mentioned in the Annual Report of Public Investment Program (PIP) prepared by the Ministry of Economy, Planning, and Regional Integration (MoE), the following actions should be taken to strengthen the project planning, implementation, and monitoring, which will facilitate the implementation of the new PND:

- **Develop an excel-based PIP database** – The end-December 2023 SB requires the development of an excel-based PIP database, which is a key tool for the MoE to monitor and facilitate the implementation of projects.

- **Develop a monthly reporting system of externally financed expenditure** – A success of the PIP database is depending on timely reporting of project implementation. Currently, externally financed projects report their execution only on a quarterly basis, which is not sufficient for maintaining the PIP database. The MoE has issued the ministerial order to require monthly reporting from Project Implementation Units, starting with top 30 projects. Implementation of the ministerial order will be facilitated by a new online system, which is expected to be operationalized in June 2023.

- **Organize a steering committee for project monitoring** – For the PND implementation, there have been discussions about creating a steering committee composed of representatives of different line ministries. Establishing such steering committee chaired by the MoE and composed of Project Implementation Units and parent ministries would be useful to strengthen communication between them and support the project reporting process.

- **Gradually develop project appraisal capacity in the MoE PIP Service Directorate** – It would be the medium-term objective to establish the MoE's central roles in project planning and selection. As the first step, the MoE should pilot project planning documents at small domestically financed projects (such as a project to construct court houses in remote provinces), which would provide experience in a "light touch" project appraisal.

# Appendix I. Letter of Intent

Bissau, July 6, 2023

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

Dear Ms. Georgieva,

Guinea-Bissau has continued to advance its reform program despite extremely difficult external and domestic environments. The economy has been hit by additional external shocks from the tightening of global and regional financial conditions to the fallout from high food and fuel prices. A challenging period leading to the June 4 legislative elections has added pressures to an already difficult sociopolitical context. Despite these challenges, we successfully completed the first review of the program under the Extended Credit Facility (ECF) arrangement.

We are now pleased to present our satisfactory performance during the second ECF review. We have met five out of eight end-March 2023 quantitative performance criteria (QPC). The government is taking corrective actions to address the missed targets to meet end-December 2023 targets. Just in five months since the beginning of the program, we have met eight structural benchmarks (SBs), way ahead of the agreed deadlines. This includes installing 10,000 pre-paid electricity meters, which contributed to a significant boost in revenue in our national utility company, EAGB. These achievements show the government's commitment to implement reforms and meet our program objectives. On this ground, we request a waiver for the non-observance of three end-March 2023 missed QPCs.

Despite the progress achieved, the challenges ahead are significant. There has been an unexpected delay in cashew nut exports for the campaign for 2023, which poses a significant risk to the growth. The government took limited tax measures to support the campaign and incurred in a small fiscal cost of about 0.6 percent of GDP to protect political and social stability during the election period, which has been historically challenging in Guinea-Bissau. The government, however, has already decided to adopt an array of strong corrective measures to maintain the fiscal consolidation path.

The successful completion of the legislative election on June 4, 2023 has strengthened the national consensus and solidarity, which will allow us to continue with the implementation of reforms. The new Parliament will approve the 2023 Budget Law and we will confirm the government's commitment to securing debt sustainability and bringing our fiscal deficits and public debt down to the WAEMU regional convergence criteria in the medium-term. On this basis, and to buttress program success, we request an additional quarterly review and convert the end-September 2023 Indicative Targets to Quantitative Performance Criteria. We also request rephasing the fourth and fifth reviews under the ECF arrangement.

We cannot stress enough government's engagement with the IMF to meet program objectives. Our experience in the first half of this year shows that there has been an increase in downside risks to the economy from volatile cashew markets, persistent inflation, tighter financial conditions, geopolitical fragmentation, and more challenging global economic conditions. Taking measures creating fiscal space to mitigate impact of additional shocks will require timely support and a closer engagement with the international community, which depend on a satisfactory performance under the IMF program. Moreover, the ECF arrangement already provides crucial support including catalyzing much-needed concessional financing and providing close advice to formulate policy and reforms in response to fast-moving environment.

In this context, we are accelerating the governance reform agenda to buttress our commitments to fighting corruption and improving AML/CFT effectiveness, governance and transparency by completing the RCF's governance safeguards on COVID-19 spending and implementing the recommendations of the 2020 Governance Diagnostic report. We will continue improving beneficial ownership transparency, bolstering the asset declaration regime reforms, and expanding reforms to improve the rule of law and access to justice. The IMF technical assistance would be essential to achieve these reforms.

Looking ahead, the government believes that the measures and policies set forth in the attached MEFP, on which we reached understanding with the IMF staff during the mission between May 17-30, 2023, are appropriate and sufficient to secure program objectives and support implementation of the National Development Plan. We stand ready to take the additional measures necessary to meet the objectives of the program and will consult with the IMF in advance of any revision of the policies contained in this letter and MEFP. We will provide timely information for monitoring development of economy and policy implementation, as agreed under the attached Technical Memorandum of Understanding, or upon staff request.

We hereby request the completion of the second review under the ECF arrangement and the financing assurances review, and the disbursement of SDR 2.37 million and agree to the publication of this letter and its attachments, as well as the related Staff Report, on the IMF's website.

Yours sincerely,

/s/
Ilídio VIEIRA TÉ

Minister of Finance
Guinea-Bissau

Attached: - Memorandum of Economic and Financial Policies.
- Technical Memorandum of Understanding.

# Attachment I. Memorandum of Economic and Financial Policies

## Introduction

**1. We have made great strides in meeting our commitments to the IMF-supported program despite extremely difficult external and domestic environments.** The economic recovery in Guinea-Bissau is facing challenges from the tightening of global and regional financial conditions and the persistent high food and fuel prices. Moreover, poor power supply across the country and a difficult sociopolitical situation are additional downside risks impacting the population, especially the most vulnerable. Nonetheless, the government successfully completed the first review of the program and continued to maintain satisfactory performance during the second review. While several shocks added fiscal pressures, the government took immediate corrective measures to maintain fiscal discipline and stay on track with the fiscal consolidation path. The successful completion of the legislative election on June 4, 2023 has further confirmed our commitment to macroeconomic stability and pave the way for accelerating key reforms.

**2. The policies presented in this MEFP support the government's National Development Plan (PND), which aims to foster sustainable and inclusive growth, and poverty reduction.** The existing PND was approved at the onset of the COVID-19 pandemic in 2020 and had the central objective of fighting against the pandemic. The period of the existing PND is expected to be extended from end-2023 to mid-2024, to have sufficient time to undertake thorough stakeholder consultation, which will be launched following constitution of the new Parliament. The existing PND remains crucial to promote a stable and sustainable macroeconomic environment consistent with strong and durable poverty reduction and growth, until the next PND is prepared. The policies and reforms included in the program will directly support these objectives by maintaining fiscal sustainability, protecting social and priority spending, and mobilizing concessional financing, catalyzed by the governance and structural reforms under the program.

## A. Program Performance

**3. The government has met five out of the eight quantitative performance criteria (QPC) for end-March 2023 (Table 1).** The floor on tax revenue was marginally missed by CFAF 0.3 billion due mainly to lower custom collection. The ceiling on wages was missed by CFAF 0.6 billion mainly due to lower-than-expected savings from the 2022 census. The floor on the domestic primary balance was missed by CFAF 10.8 billion, out of which CFAF 7.9 billion will be compensated in coming months, but the remainder was mainly caused by one-off spending for electoral census and overrun of wage and non-wage recurrent expenditures. The government has been implementing a series of corrective measures, which will create additional revenue and saving necessary to meet the end-2023 targets agreed under the program.

**4. There are challenges ahead in meeting the end-June 2023 QPCs, but the government has reacted immediately to address them.** While the government has been successfully enforcing the total freezing of new hiring, the wage bill has continued to increase due mainly to reinstatement of public workers who were suspended or supposed to be blocked based on the census. There have also been pressures on goods and service and other current expenditures. To avoid the loss of power supply in a politically sensitive period and to support the renegotiation of the contract with the power supplier, the government needed to support EAGB, the public utility company, to pay part of its financial obligations until its revenue-enhancing measures gained the pace. In turn, the government has taken corrective measures to strengthen wage bill and expenditure controls.

**5. All five structural benchmarks (SBs) for the second review, two for the third review and one for the fourth review have been already met.** We have shown our capacity to implement reforms by achieving SBs ahead of the agreed deadlines. For example, after conclusion of the first review, we installed 14,401 pre-paid electricity meters by 31 May 2023, and published the first state-owned enterprise report.

## B. Economic Developments and Outlook

**6. Growth is estimated to moderate to 4.2 percent, while average inflation increased to 7.9 percent in 2022.** In 2022, growth was negatively affected by lower cashew exports, but supported by higher agricultural production and private investments. The surge in commodity prices associated with the war in Ukraine added inflationary pressures, especially in food and fuel. The external position deteriorated, and the widening current account deficit resulted in a decline of reserves of the BCEAO.

**7. The overall fiscal deficit remained at 5.9 percent of GDP in 2022.** Following increased wage spending in the first half of 2022, the government took the decisive leadership to implement strong corrective measures against irregular hirings of public employees. Lower grants resulted in the decline of externally financed capital expenditure, but the government protected priority investments through domestic resources. The public debt is increased to 80.3 percent of GDP in 2022, because of a higher fiscal deficit, new government guarantees mainly to EAGB, and the recognition of legacy arrears.

**8. In the near-term, we expect a moderate recovery in economic growth but persistent inflationary pressures.** In 2023, the growth is expected to recover to 4.5 percent, supported by the sustained cashew nut exports and higher level of private sector investments including in the energy sector. Because of continuing high food and fuel prices, inflation is expected to remain high in 2023 at about 7.0 percent.

**9. In the medium-term, growth is expected to increase to around 5 percent, supported by political stability, structural reforms, and higher investments.** The fiscal consolidation strategy will improve the allocation of public resources towards pro-growth expenditures on infrastructure investments and social programs. Implementation of governance and structural reforms will further accelerate medium-term growth in the private sector. The fiscal consolidation strategy will bring the fiscal deficit and debt ratio within 3 percent of GDP by 2025 and 70 percent of GDP by 2026, in line with the WAEMU convergence criteria.

## C. Fiscal Policy and Reforms

### Supporting Fiscal Consolidation

**10. We will accelerate reforms to boost domestic revenue mobilization.** The following reforms are important to increase tax and nontax revenue in the short and medium-term:

- **The professionalization of the Directorate-General of Duties and Taxes (DGCI):** This is the key priority for improving revenue administration and implementing the new VAT law, which are essential for achieving the program targets. As specified in the ministerial order of the time-bound action plans between 2023 and 2025, we will appoint all managerial positions of the DGCI through the open and competitive selection process in early 2024. To implement this critical reform, a redeployment plan will be prepared by the Minister of Finance to reallocate the DGCI's managers who were not appointed through an open and competitive process to other positions outside the DGCI (SB, end-December 2023). We will also issue a streamlined policy for incentive payments to tax officers, which will suspend all incentives of these DGCI's unqualified managers by the end July 2023 and introduce performance-based incentives in 2024;

- **Taxes on cashew export:** To facilitate the campaign of cashew nut export in 2023, the government agreed to lower the reference prices. In order to improve transparency and efficiency in cost structure of the cashew sector and avoid revenue losses in case of market price increases, we will publish a monthly cost structure report that compares the market and reference prices and intermediary costs and monitors the tax rate to the market price, starting from June 2023;

- **Tax exemptions for imported goods:** The tax collection from imported goods has been underperforming this year. We have issued two new ministerial orders to streamline tax exemptions for imported goods that are expected to mobilize additional revenues to compensate this underperformance;

- **Mobilization of 5G license fees:** To mobilize nontax revenue necessary to meet the targets for domestic primary balances for the rest of the year, the government will bolster efforts to conclude the 5G licensing process, which is expected to raise substantial nontax revenue. In the negotiation process led by the Vice Prime Minister and the MoF, we will balance the fiscal needs and the prevention of failure of the licensing round, which occurred during the 3G licensing process. The National Regulatory Authority (ARN) is expected to establish the license fee schedule by the end September 2023;

- **Legislative reforms:** We have begun preparation of the revised law on the general exemption regime, which will be submitted to Parliament after the election (SB, end-December 2023). We will also submit to Parliament the revised income tax and stamp duties bills in the medium-term (SB, end-June 2025). We will prepare an action plan to develop a register of resource rights holders and undertake diagnosis of the fiscal regime for natural resources, in order to guide implementation of the WAEMU Directive (SB, end-June 2024).

**11. We will continue strengthening wage bill controls.** An important part of the program targets for nominal wage bill reduction in 2023 has been achieved through the strong corrective measures taken in 2022. These include dismissal of irregular and ghost workers and streamlining of advisor positions by two-thirds (i.e., 51 people) at the Presidency, the Prime Minister's Office, the Presidency of the Parliament, the Presidencies of the Supreme and Audit Courts, and Prosecutor's Office. As shown in the multiannual staffing plan, the total freezing of new hiring and capping of salaries will further reduce wage bills through headcount reduction by retirement. In order to compensate increases in wage bills due mainly to the reinstatement of workers through the statutory appeal process of the last year's census, the government will include in the draft 2023 budget to be submitted to Parliament the corrective measures to (i) close the appeal process of the census; (ii) undertake the new census of public workers in the Ministries of Education, Health, Interior, and Finance; (iii) install biometric devices to check employee attendance at government offices in Bissau; and (iv) streamline the policy for tax collection incentives. These measures will generate savings in wage bill and other compensation-related spendings. To prevent any recurrence of irregular hiring, which occurred in 2021-22, we will take measures to strengthen the payroll integrity, through continuous quarterly payroll reconciliation and deployment of the IMF-supported blockchain project, which will ensure the integrity of the reconciliation process through an innovative digitalization technology. The integration of personnel and payroll records will be ultimately attained by development of the integrated human resource management system in the medium-term.

**12. We will speed-up implementation of commitment controls to prevent upward drift of non-wage recurrent expenditure.** Aside from one-off expenditure for electoral census, we are experiencing pressures on goods and service and other recurrent expenditures, because of unplanned payment obligations created by line ministries in absence of prior commitment controls. The reintroduction of commitment controls, which used to exist but discontinued in 2018, is critical to ensure that these expenditures are controlled within the ceilings specified in the monthly Treasury Plan. As an urgent measure, we will require all commitments of discretionary spending to be approved by the Technical Committee of Arbitration of Budgetary Expenditure (COTADO) and send its summary decisions to the President of Republic for ex-post review (SB, continuous until the end-December 2023). Furthermore, we will require the approval by the Ministry of Finance (MoF) of public contracts for all purchases of four key food items (rice, cooking oil, meat, and fish) and fuel, which comprise important part of goods and service expenditure but are currently purchased without contracts (SB, end-March 2024). We will also expand this requirement to a purchase of medicines and laboratory materials. We are strongly committed not to incur overspending except in the case of force majeure as defined in the WAEMU Directive N°06/2009/CM/UEMOA on Finance Laws.

**13. We will ensure safeguarding of social and priority spending during the fiscal consolidation process.** Over the medium-term, priority social spending is projected to increase by 0.6 percentage points of GDP compared to the average of pre-Covid-19 period, as reflected in the program floor on social and priority spending. To strengthen public investment management, progress has been made in the creation of an Excel-based medium-term Public Investment Project

(PIP) database and centralization of all quantitative information included in the *Fichas de Projeto* (SB, end-December 2023). We have issued a ministerial order to create a monthly reporting process for externally financed capital expenditure, which will be first piloted at the largest 30 projects.

**Mitigating Fiscal Risks**

**14. We continue making progress in restructuring the electricity sector and the Electricidade e Aguas da Guinea-Bissau (EAGB).** EAGB's deteriorated financial situation endangered the provision of power supply to Guinea-Bissau. In 2022 and 2023, EAGB has been heavily reliant on short-term financing and has accumulated several months of unpaid invoices to the sole power supplier. To avoid the interruption of power supply and a total backout in Bissau in a challenging sociopolitical context, the government decided to pay three months of EAGB's unpaid bills to the sole energy supplier in April 2023. EAGB plans to remain current in payments to the sole power supplier for the rest of the year. The government is confident to improve significantly the EAGB's financial situation in coming months and avoid further transfer from the government. After transfer of the EAGB's oversight from the Ministry of Energy to the MoF, there has been a boost in revenue mobilization efforts by the EAGB's management. It achieved installation of 14,401 pre-paid meters just in 52 days, which marked one of the fastest records across countries in the region. We will complete the installation of total 35,000 pre-paid meters at residential clients with post-paid meters by July 2023, much earlier than the agreed deadline (SB, end-December 2023). This will ensure securing CFAF 2 billion of monthly revenue target for not running arrears with the power supplier.

**15. We will develop strategies to ensure the financial viability of the EAGB in the medium-term.** In particular, we will prepare a report with strategies and action plans to reestablish the financial situation of EAGB (SB, end-September 2023). One of the main pillars of these strategies is renegotiation of the power supply contracts to develop a realistic and sustainable relationship with *Karpower*, the sole power supplier. EAGB's financial situation deteriorated in 2022 partly because of the 2020 addendum of the power purchase contract, which increased the supply of the power beyond Guinea Bissau's electricity consumption needs. This addendum plans to increase the capacity from 30MW to 70MW until the end 2025 and it is not realistic based on current and future electricity needs in Guinea Bissau. The government has reached understandings with Karpower to renegotiate the existing contract to be consistent with the country's current electricity needs. To assess the regularity and economic benefits of the addendum process of a contract with Karpower, the Audit Court will complete and publish an audit report of EAGB's power purchase agreement and its addendums (SB, December 2023).

**16. Improving EAGB's management and operations is also crucial for the successful reform of the electricity sector.** A new management will be selected on a merit basis through an open and competitive selection process with the support of the World Bank. The World Bank is also supporting us to revamp EAGB's operations and enhance the performance of the overall electricity sector. Moreover, we will restructure the accounting department to internalize accounting and record-keeping functions to avoid outsourcing (SB, end-September 2023).

## Improving Treasury Management

**17. Strengthening the cash management and implementation of the Treasury Single Account (TSA) will continue to be the key priority for fiscal governance reforms.** For the TSA implementation, we will establish an interface between the systems of the Treasury, BCEAO, and commercial banks and classify government accounts into those to be closed, maintained, or integrated into the TSA (SB, end-September 2023). We completed the new census of government bank accounts (about 700 accounts), which revealed significant amount of both positive and negative balances. In order to monitor closely changes in cash balances and reduce discrepancies in fiscal data, we will take measures to monitor balances of these government bank accounts on a monthly basis. Based on the census results, unnecessary bank accounts of line ministries, including those with negative balances, should be settled and closed. These measures will lay the foundation for the MoF to pay all budgetary expenditure, particularly wages, from the TSA (SB, end-June 2024). To enhance the cash management functions, we will revise cash forecasting methodologies and processes by incorporating lessons learnt from the newly created CMU's experience (SB, end-June 2025).

**18. Implementing the TSA hinges on better coordination and information flow between the MoF and revenue generating entities.** In particular, we will continue strengthening coordination with the Ministry of Fisheries through reporting of the results of quarterly census of industrial fishing activities, starting from the census for March 2023. Based on the tariff schedules submitted by line ministries under the newly issued ministerial order, we will publish a list of rates, scales and tariffs of all fees and charges collected by ministries and government agencies including the Judiciary and registers as part of the 2024 budget (SB, end-December 2023). Based on these results, we will require ministries and government agencies to publish the same list on their own websites and report the actual collection of their fees and charges during 2024. We will eventually require all fees and charges to be approved in the General State Budget and deposited into the TSA to ensure their complete transparency and efficient management.

## Mitigating Debt Vulnerabilities

**19. The government will mitigate debt vulnerabilities through a sustained fiscal consolidation and prudent borrowing policy.** In 2022, total public and external debt of Guinea-Bissau is estimated to be 80.3 percent and 39.2 percent of GDP, respectively. The share of credits from the Fund, World Bank, and African Development Bank in total external public debt is estimated at 42 percent in 2022. Although the share of all multilateral creditors in total external public debt is relatively high (80 percent in 2022), past reliance on non-concessional borrowing from the BOAD, which is the largest holder of external public debt, will be reduced significantly during the program. Through our commitments to the fiscal consolidation path and the zero ceiling on new non-concessional borrowing (except for the BOAD Development and Cohesion Fund)[1], total public debt and external debt will decline steadily to 65.7 percent and 27.0 percent of GDP, respectively, by 2028.

[1] BOAD recently changed the terms of this facility to make it fully concessional for Guinea Bissau.

**20. The government is committed to clearing part of outstanding domestic arrears.** The government plans to start clearing the remaining stock of domestic arrears accumulated between 1974 and 1999 amounting to CFAF 12.2 billion in the coming years. With external technical support, the government intends to determine the true amount of any outstanding domestic arrears through further auditing, verifying full tax compliance of all creditors, and determining net government arrears after correcting for any tax obligations. This will allow the government to decide on a strategy towards clearing all outstanding domestic arrears over the medium term.

**21. The government remains committed to solving all legacy external arrears and to avoid further accumulation.** Agreements or settlements have been reached with Libya, Taiwan Province of China, Angola, and Russia. Negotiations with Brazil are also pending final approval from the Brazilian authorities. Since November 2021, requests have been sent to Pakistan to attempt resolving remaining external arrears. In addition, the government has joined the Debt Service Suspension Initiative (DSSI) and intends to explore debt reprofiling and restructuring with development partners if downside risks materialize.

**22. The government will strengthen debt management.** In recent months, there have been late payments of debt service to the regional development bank. There was also a late payment of CFAF 0.6 billion of external debt service, which ran into arrears momentarily in April 2023. To prevent recurrence of overdue debt services and enforce the prioritization of debt service over discretionary expenditure, we have issued a ministerial order to require the Treasury to pay all external debt service by the due date or if denominated in CFAF, on the dates specified by the Minister of Finance (Prior Action). Based on this ministerial order, we will ensure that the DGTCP will issue all bank instructions for external debt service by the due date or if denominated in CFAF on the dates specified by the Minister of Finance and their copies be sent to the Treasury Committee for monitoring (SB, continuous). The government has started publishing annual reports on debt (both external and domestic) covering debt service, disbursements and agreements. It also continues reporting to international debt statistics databases. To enhance public debt transparency, we will expand the coverage of the published annual debt bulletin to cover debt from the two largest SOEs that pose the largest fiscal risks (EAGB and the civil aviation authority), and publish quarterly debt bulletins that include central government debt and guarantees.

**23. The government will contract external debt only on highly concessional terms.** To ensure that the risk of debt stress remains manageable, the government is committed not to contract non-concessional external loans. The government will consult with the IMF on evaluation of the financial terms of new proposed loans.

## D. Governance and Rule of Law Reforms

**24. We will continue public procurement reforms to improve transparency, building upon our achievements under the SMP.** During the pandemic, the government undertook major reforms for public procurement, including publication of beneficial ownership and other key information of all crisis-related contracts on the websites of the General Directorate for Public

Tenders (DGCP) and the High Commission for COVID-19 and the approval of the decree on beneficial ownership of bidders of public procurement in April 2022. Our next focus will be implementation of this new decree, which expands publication of beneficial ownership information to all public contracts on the website of the DGCP. In addition to the issuance of the implementing guidelines, we have been holding a series of training sessions to publicize the new decree to suppliers and procurement officers in ministries. We will enforce the DGCP's prior authorization of public procurement and contracts for discretionary expenditure, including direct purchases and emergency expenditure, through the DGCP's participation of the COTADO.

**25. The government is committed to advancing external audits, which act as an essential check on public finances.** To safeguard proper use of COVID-19 related funds, the government took a significant step towards revamping the roles of external audits. The High Commissioner for COVID-19 requested an audit of its COVID-19 related spending between June 2020 and August 2021, completed by the Audit Court, which published the audit report in June 2022. The independent third-party auditor has also completed an audit of all COVID-19 related spending between June 2020 and December 2021 with support of the Inspector-General of Finance, which published the audit report on the website. The government published the audit response letter where we expressed our commitments to publishing the revised financial reports of the High Commissioner, incorporating the recommendations of the independent auditor by June 2023. Subsequently, the Audit Court is undertaking an external audit of all COVID-19 related spending where the results of the independent third-party audit are used as technical inputs in accordance with the Organic Law on the Audit Court. The Ministry of Finance has requested an audit of the irregular hiring process in 2021-22, which the Audit Court will plan to complete in 2023. In addition, the MoF will finalize and submit the consolidated financial statements for 2017-2022 to the Audit Court, which will complete their audits in the medium-term.

**26. We will take further actions to strengthen the AML/CFT effectiveness.** In the February 2022 Mutual Evaluation Report (MER), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) gave Guinea-Bissau low effectiveness ratings in all 11 criteria. With the goal of building broader access to beneficial ownership information and addressing the concerns of the February 2022 GIABA MER, we are making progress in preparing the national AML/CFT policy and action plan that addresses the risks identified in the national risk assessment (NRA) and the MER key findings, which will be completed by June 2023. We will also (ii) require all legal persons registering at the Centre for Formalization of Enterprises (CFE) and at the Directorate General of Civil Identification, Registry and Notary (DGICRN) to submit a beneficial ownership identification form similar to the one submitted as part of the tender process by end-June 2024; and (iii) prepare an action plan to strengthen risk-based AML/CFT supervision for financial institutions and designated non-financial businesses and professions (DNFBPs) by June 2023.

**27. The government will accelerate reforms to strengthen the anti-corruption framework.** Our short-term priorities include revamping the asset declaration regime, which will facilitate the identification of potential corruption cases. As the first step, we will resubmit to Parliament the law that reforms the asset declaration regime with the broader coverage and strengthened enforcement

(SB, end-September 2023). The law will be in line with the G20 High Level Principles and assign the responsibilities of the depository to an independent institution such as the Supreme Justice Court, given that the existing Supreme Anti-Corruption Inspectorate is not functioning as envisaged. To facilitate implementation, we will issue the guidelines for submission and publication of asset declarations, including their formats, by end-2023. Enhancing the independence and capacity of the anti-corruption institutions, including the Judicial Police and Prosecutor's Office will be essential to ensure the effectiveness of the anti-corruption framework. In 2024, we will prepare a national anti-corruption strategy based on updating the diagnosis of corruption risks. This strategy will prioritize legal and other reforms and inform medium-term resource planning of these institutions.

**28. We will take actions to improve the rule of law and market regulations.** The government has established the Center for Access to Justice (CAJ), which has programs for supporting public access to the judicial system. To ensure the equal access particularly by vulnerable population, the government will roll out the CAJ's offices to two remaining provinces in 2024 and provide financial resources to meet operational costs without delay, starting in April 2023. We will also complete the process to formalize employment of CAJ workers who were kept on a probational status for a decade without justification by September 2023. We will also improve access to legislation and judicial decisions and enhance population's understanding of the law through development of a CAJ's website which includes a database of fundamental legislation and information for raising legal literacy and awareness (SB, end-March 2024). This website will aim to ensure easy access to legislations by the public for free of charges, as in case of all services provided by the CAJ. In 2024, we will also strengthen the institutional framework for the CAJ together with the sustainable financing model with support of the IMF technical assistance. To develop property registration, which is essential to protect economic rights, the government will prepare a medium-term action plan that improves cadaster coverage by surveying broader land areas, and digitalization of property registers to improve public access. In addition, to improve the public access and support transparency in beneficial ownership disclosures, by December 2023, we will prepare the strategic plan to ensure the financial sustainability of the CFE, which is yet to have resources needed to complete digitalization of the companies' register.

**29. We will accelerate reforms of the state property management.** There have been significant weaknesses in management of state property, which have significantly increased risks of misuse. Many government houses are occupied by former public servants, who have continued to live in houses without payments after the end of their terms (*casas avaliadas sem pagamento*). Also, many government vehicles have been unused or disposed for private use and free of charge. Under the leadership of the Prime Minister, we stepped up efforts to strengthen the state property management. In March 2023, the government approved the decree to transpose the WAEMU Directive on the State Property Management. To implement this new legal framework, we will issue regulations that will replace outdated provisions of the existing legislation dating back to the colonial period by September 2023. The Ministry of Public Works, jointly with the National Secretariat of State Property (SNPE), will undertake inspection of all *casas avaliadas sem pagamento* to assess their conditions, evaluate their market values, and compare with the valuations included in the register, which are likely to be significantly underestimated (SB, end-December 2023). By the end

2023, the Inspector-General of Finance, jointly with the SNPE, will also undertake inspection of major ministries to discover unused or misused government vehicles, which will be recovered by the MoF and reallocated to other government entities that need additional vehicles.

## E. Financial Sector Reforms

**30. The government will continue to make efforts that preserve the stability of the financial sector and is committed to a successful disengagement strategy for a large, undercapitalized bank.** The council of ministers approved an offer of a strategic investor to buy the government stake and recapitalize the institution to comply with regulatory standards. The due diligence process has been successfully completed, and the investor has reiterated its interest in the purchase. The government is negotiating the final terms of the agreement, which will subsequently be submitted to the Regional Banking Commission for evaluation. In case the operation does not materialize, the government remains commited to a new SB to request an assessment of the bank's financial position and a full independent audit of the loan portfolio including NPLs from a third-party auditing firm and to prepare a report on a viable plan which ensures that the bank is either recapitalized or resolved or liquidated by the end of the program based on the IMF recommendations.

## F. Statistics Reforms

**31. The government is committed to enhancing the National Statistical Institute (INE) and improving national accounts.** Addressing the long delays in publication of national accounts, we will publish the national accounts for 2019 and 2020 by July and December 2023, respectively. We will establish a committee between the INE, MoF (Directorate-General of Forecasts and Economic Study), and BCEAO which will validate national accounts data before their publication to improve the quality of national accounts. To strengthen the institutional capacity of the INE, we approved a decree that enhances the organizational structure and human and technological resources of the INE. In 2024, the government will begin increasing human resources of the INE as envisaged in the decree, particularly in its national accounts directorate, which currently has only two staff.

**32. We will implement the Enhanced General Data Dissemination System (e-GDDS) to strengthen transparency.** The participation in this initiative will support our efforts to publish, in a timely manner, key macroeconomic and financial data which are aligned with the common indicators required for IMF surveillance. In addition, the e-GDDS will contribute to enhancing interagency coordination and statistical development in support of our program objectives.

## G. Risks and Contingencies

**33. The government stands ready to adjust policies if risks materialize.** Downside risks to the program include growth and inflation setbacks from domestic political risks and weak state capacity, disappointing cashew nut exports, materialization of climate and health hazards, extreme tightening financial conditions in the regional market, and geopolitical tensions which could further impact food and oil prices and donor support. A further tightening of global financial conditions and worsening of debt risks would further constrain access to financing in the regional markets. Financial stress in SOEs and fragility in the situation of the undercapitalized bank could also generate contingent liabilities. If these risks materialize, we stand ready to adjust our policies, in close consultation with IMF staff, to ensure the achievement of the program's objectives. These policies could include further rationalization of non-priority expenditures, domestically financed investment and requests for additional support from development partners.

## H. Program Design, Financing and Monitoring

**34. The program monitoring and coordination will be made through the MoF.** To ensure coordinated implementation of the program, the MoF will consult with the other public institutions involved in meeting program objectives to track progress on various targets and reforms under the program. Similarly, the MoF will provide oversight responsibility to ensure that public spending complies with budget limits.

**35. The program will be monitored by the IMF Executive Board.** Assessment will be on a quarterly basis until December 2023 and thereafter on a semi-annual basis using bi-annual performance criteria (end-June and end-December) and continuous performance criteria throughout the program period  as presented in Table 1. To monitor progress on the structural reforms previously described, structural benchmarks are presented in Table 2. Detailed definitions and reporting requirements for all performance criteria and indicative targets are presented in the Technical Memorandum of Understanding (TMU). The TMU also defines the scope and frequency of data to be reported for program monitoring purposes and presents the projected assumptions that form the basis for some of the performance assessments. The third review of the program will be based on end-June 2023 targets and is expected to be completed on or after October 17, 2023, the fourth program review will be based on end-September 2023 targets and is expected to be completed on or after January 17, 2024, the fifth review will be based on end-December 2023 targets and is expected to be completed on or after April 17, 2024, and the sixth review will be based on end-June 2024 targets and is expected to be completed on or after October 17, 2024.. To this end, the government plans to:

- **i.** Refrain entering new external borrowing contracts at non-concessional rates, except for disbursements from the Development and Cohesion Fund of the West African Development Bank as mentioned in TMU ¶8;
- **ii.** Adhere to the quantitative performance criteria (QPC) on the floors on domestic tax revenues, the domestic primary budget balance and social and priority spending, the ceiling on wages and salaries, and the zero ceilings on new non-concessional external debt contracted or guaranteed by the public sector (continuous criterion), new external payments arrears (continuous criterion), new domestic payments arrears, and non-regularized expenditures;

**iii.** The government will prepare an external borrowing plan to facilitate assessment of the QPCs on external debt;

**iv.** Agree not to: (1) introduce or intensify restrictions on payments and transfers for current international transactions; (2) introduce or modify multiple currency practices; (3) enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement; and (4) introduce or intensify import restrictions for balance of payments purposes; and

**v.** Adopt any new financial or structural measures that may be necessary for the success of its policies, in consultation with the IMF.

**36. There are firm commitments to financing for the next 12 months following the second review with good prospects for the remainder of the program period.** We expect additional budget support from other development partners including from the World Bank and the African Development Bank over the program period.

**37. The government believes the policies specified in this MEFP provide a foundation for sustaining growth, lower inflation, and a reduction in poverty, and we stand ready to take additional measures if required.** The government will provide IMF staff with the information needed to assess progress in implementing our program as specified in the TMU and will consult with IMF staff on any measures that may be appropriate at the initiative of the government or whenever the IMF requests a consultation.

**Table 1. Guinea-Bissau: Quantitative Performance Criteria (QPC) and Indicative Targets (IT) Under the ECF, 2023-24**
(Cumulative from beginning of a calendar year to end of month indicated, CFAF billion, unless otherwise indicated)

| | 2023 | | | | | | | | | 2024 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Jan | | | Mar | | Jun | Sep | Dec | Mar | Jun |
| | QPC | Est. | Status | QPC | Prel. | Status | QPC | QPC | QPC | IT | QPC |
| Total domestic tax revenue (floor) | 5.4 | 6.6 | met | 21.4 | 21.1 | not met | 53.8 | 87.1 | 113.7 | 24.3 | 61.2 |
| Wages and salaries (ceiling) | 5.7 | 4.9 | met | 14.3 | 14.9 | not met | 27.8 | 41.8 | 59.0 | 15.1 | 29.5 |
| Ceiling on new non-concessional external debt contracted or guaranteed by the central government (US$ millions)[1,2] | 0.0 | 0.0 | met | 0.0 | 0.0 | met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New external payment arrears (US$ millions, ceiling)[1] | 0.0 | 0.0 | met | 0.0 | 0.0 | met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New domestic arrears (ceiling) | 0.0 | 1.8 | not met | 0.0 | 0.0 | met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Social and priority spending (floor)[3] | 2.5 | 3.1 | met | 12.5 | 12.7 | met | 26.0 | 38.8 | 51.6 | 13.5 | 28.1 |
| Domestic primary balance (commitment basis, floor)[4] | -4.3 | -3.5 | met | -10.8 | -21.6 | not met | -6.3 | -5.7 | -2.9 | 1.2 | 2.4 |
| Non regularized expenditures (DNTs, ceiling) | 0.0 | 0.0 | met | 0.0 | 0.0 | met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Memorandum Item:** | | | | | | | | | | | |
| New concessional borrowing[5] | 7.0 | 1.9 | | 11.7 | 2.8 | | 18.7 | 21.0 | 23.4 | 10.3 | 18.9 |

[1] These apply on a continuous basis.
[2] The ceiling will be adjusted upward by the amount of financing from the BOAD Development and Cohesion Fund in accordance with TMU ¶18.
[3] Defined as spending by the Ministries of Health, Education and the Ministry of Women, Family and Social Cohesion.
[4] Excludes grants, foreign and BOAD financed capital spending, and interest.
[5] Excludes IMF disbursements.

## Table 2. Guinea-Bissau: Prior Actions and Structural Benchmarks

| Measures | Rationale | Status | Date |
|---|---|---|---|
| **Prior Actions** | | | |
| Issue a ministerial order to require the Treasury to pay all external debt service by the due date or if denominated in CFAF, on the dates specified by the Minister of Finance | Debt managemnet | Met | Prior Action |
| **Structural Benchmarks** | | | |
| ***Public Financial Management*** | | | |
| *Expenditure and wage bill control/cash management* | | | |
| Conduct regular in-year (quarterly) reconciliations between the personnel and the payroll records. | Wage bill control | Met | March 2023/Continuous |
| Approve by the Council of Minister a multiannual staffing plan for 2023-25 in line with program parameters and publish by the Minister of Public Administration a report with the results of the full census of public servants and implementation of remedial actions on irregular cases. | Wage bill control | | June 2023 |
| Issue a ministerial order on the revised composition of the Treasury Committee including the active participation of the Ministry of Fisheries. | Revenue mobilization/cash management | Met | March 2023 |
| Establish an interface between the systems of the Treasury, BCEAO, and commercial banks and classify public bank accounts into those to be closed, maintained, or integrated into the TSA. | Expenditure control | | September 2023 |
| Create a unit dedicated to cash management operations and revise the Treasury Committee's mission to approve cash forecasts with a quarterly or longer horizon | Cash management | Met | December 2023 |
| Require all commitments of discretionary spending to be approved by the COTADO and send its summary decision to the President of Republic for his ex-post review | Expenditure control | | July 2023/ continuous until end-December 2023 |
| Issue by DGTCP bank instructions for all external debt service by the due date or if denominated in CFAF on the dates specified by the Minister of Finance and send their copies to the Treasury Committee | Debt management | | July 2023/ continuous |
| Conclude public contracts for all purchase of four food items (rice, cooking oil, meat, fish) and fuel and obtain the MoF's approval | Expenditure control/transparency in public procurement | | March 2024 |
| Execute expenditure from the TSA, starting with the wage bill. | Expenditure control/Wage bill Control | | June 2024/ continuous |
| Revise processes and forecasting methodologies enhancing the forecasting of cash flows. | Cash management | | June 2025 |
| *SOE oversight and fiscal risk mitigation* | | | |
| Create by a ministerial order and implement the Technical Unit for Monitoring SOEs (UTAM) under the MoF to monitor and supervise SOEs, including adequate resourcing and powers for its operation. | SOE oversight | Met | March 2023 |
| Prepare and publish quarterly and annual reports on SOEs' performance, starting with the most relevant SOEs. | SOE oversight | Met | June 2023/December 2024[1] |
| Complete installation of 10,000 pre-paid meters to largest residential clients that use post-paid meters | SOE oversight/EAGB | Met | June 2023 |
| Complete installation of additional 25,000 pre-paid meters to largest residential clients that use post-paid meters | SOE oversight/EAGB | | December 2023 |
| Prepare a report with strategy to reestablish the financial viability of EAGB, including an action plan and reinstate a functional accounting department (to avoid hiring third parties to prepare accounts). | SOE oversight/EAGB | | September 2023 |
| Complete and publish an audit of EAGB's power purchase agreement and its ammendments | SOE oversight/fiscal transparency | | December 2023 |

[1] Annual and quarterly reports starting in June 2023 and December 2024 respectively.

## Table 2. Guinea-Bissau: Prior Actions and Structural Benchmarks
(Concluded)

| Measures | Rationale | Status | Date |
|---|---|---|---|
| ***Public Financial Management*** | | | |
| *Public investment program* | | | |
| Create an Excel-based medium-term PIP database, centralizing all the quantitative information included in the Fichas de Projecto to be used for preparing an improved PIP consistent with the medium-term fiscal strategy and annual budget. | Management of public investment | | December 2023 |
| ***Revenue Mobilization*** | | | |
| Approve by Council of Ministers and submit to parliament: | | | |
| (i) the revised law on the general exemption regime; and | Strengthen tax framework | | December 2023 |
| (ii) the revised income tax and stamp duties bills. | Strengthen tax framework | | June 2025 |
| Prepare by the Minister of Finance a redeployment plan to reallocate DGCI's directors and chiefs who were not appointed through an open and competitive process to other positions outside the DGCI | Revenue mobilization | | December 2023 |
| Prepare a report with an action plan to enhancing transparency and efficiency in the fiscal regime for management of natural resources. | Revenue mobilization | | June 2024 |
| **Anti-Corruption and Rule of Law** | | | |
| Resubmit to parliament the Law reforming the Asset Declaration Regime after elections. | Strengthen anticorruption framework | | September 2023 |
| Issue guidance to facilitate implementation of the 2022 decree regarding beneficial ownership (BO) information of entities awarded public contracts. | Strengthen transparency in public procurement/Expenditure Control | Met | March 2023 |
| Issue a ministerial order to require all government entities to submit a tariff schedule of fees and charges (including court and registry fees) in 2023. | Strengthen rule of law/cash management | Met | March 2023 |
| Publish on a government website a list of tariff of all fees and charges levied by ministries and government agencies, including court and registry fees as part of the 2024 budget. | Strengthen rule of law/cash management | | December 2023 |
| Create a website of the CAJ which includes a database of fundamental legislation and information for raising legal literacy and awareness | Strengthen rule of law | | March 2024 |
| Undertake inspection of all *casas avaliadas sem pagamento*[2] jointly by the Ministry of Public Works and National Secretariat of State Property | Strengthen governance | | December 2023 |

[2] Government houses occupied by former public servants and other tenants without payments after the end of their terms

# Attachment II. Technical Memorandum of Understanding

## Introduction

1. **This memorandum sets out the understandings between the Bissau-Guinean authorities and the International Monetary Fund (IMF)**, regarding the definitions of the Quantitative Performance Criteria (QPCs), Indicative Targets (ITs) and structural benchmarks (SBs) supported by the Extended Credit Facility (ECF) arrangement, as well as the related reporting requirements. Unless otherwise specified, all quantitative targets will be evaluated in terms of cumulative flows from the beginning of the period, as specified in Table 1 of the Memorandum of Economic and Financial Policies (MEFP).

2. **Program exchange rates**[1]. For the purpose of the program, foreign currency denominated values for 2022 and 2023 will be converted into local currency (CFAF) using program exchange rates of, respectively, CFAF 622.4 and 611.4/US$ and cross rates as of end-December 2022 and 2023.

## Quantitative Performance Criteria/Indicative Target

### A. Total Domestic Tax Revenue

3. **Definition**. Tax revenue is defined to include direct and indirect taxes as presented in the central government financial operations table.

### B. Wage Bill

4. **Definition**. For the purpose of program monitoring, the wage bill is defined to include (i) personnel expenditure ("despesas de pessoal"), such as staff salaries and benefits, subsidies, and gratuities, and (ii) 50 percent of transfers to embassies. These definitions are as presented in the central government financial operations table.

### C. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government

5. **Definition of Central Government**. Central government is defined for the purposes of this memorandum to comprise the central administration of the Republic of Guinea-Bissau and does not include any local administration, the central bank nor any other public or government-owned entity with autonomous legal personality not included in the government flow-of-funds table (TOFE).

6. **Definition**. Those are defined as all forms and maturities of new non-CFAF denominated debt contracted or guaranteed by the central government and CFAF denominated debt contracted

[1] The source of the cross-exchange rates is International Financial Statistics.

with BOAD. For program purposes, a debt is considered to be contracted when all conditions for its entry into effect have been met, including approval by the Minister of Finance.[2] For this purpose, new non-concessional external debt will exclude normal trade credit for imports and other debt denominated in CFAF, but will include domestically held foreign exchange (non-CFAF) debts. This QPC applies not only to debt as defined in the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Decision No. 16919-(20/103), adopted October 28, 2020, point 8, but also to commitments contracted or guaranteed for which value has not been received. Excluded from this QPC are disbursements from the IMF and those debts subject to rescheduling or for which verbal agreement has been reached. This QPC will apply on a continuous basis. For program purposes, a 'guaranteed debt' is an explicit promise by the public sector to pay or service a third-party obligation (involving payments in cash or in kind).

**7. Adjustor.** The ceiling on new non-concessional external debt contracted or guaranteed by the central government will be adjusted upward by the amount of non-concessional financing of the following projects from the Development and Cohesion Fund ("Le Fonds de Développement et de Cohésion") of the West African Development Bank (BOAD) up to the amounts respectively mentioned;

- **a.** The establishment of the National Financing Fund for Small and Medium-size Enterprises – up to CFAF 10 billion cumulative during the program period;
- **b.** The construction of the Bissau General Hospital – up to CFAF 10 billion cumulative during the program period;
- **c.** The development of urban roads in the City of Bissau – up to CFAF 10 billion cumulative during the program period;[3]provided that the ceiling may be adjusted upward only up to CFAF 10 billion per year.

**8. Concessionality.** For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD Secured Overnight Financing Rate (SOFR) and the six-month Euro Interbank Offered Rate

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[2] Contracting of credit lines (which can be drawn at any time and entered into effect) with no predetermined disbursement schedules or with multiple disbursements will be also considered as contracting of debt.

[3] These projects have been included in the National Development Plan 2020-2023. In consultation between key development partners, including the World Bank and BOAD, no alternative concessional financing was found for these projects.

(EURIBOR) are, respectively, 2.73 percent and 2.00 percent and will remain fixed for the duration of the program. Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR and the six-month EURIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR will be added.

**9. Reporting requirement.** The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the government, but no later than within two weeks of such external debt being contracted or guaranteed.

## D. New External Payment Arrears of the Central Government

**10. Definition**. For the purposes of this quantitative target, external payment arrears, based on the currency test, are debt service payments that have not been paid on due dates (taking into account the contractual grace periods, if any) and that have remained unpaid 30 days after the due dates. Arrears not to be considered arrears for the quantitative target, or "non-program" arrears, are defined as: (i) arrears accumulated on the service of legacy HIPC external debt for which there is a pre-existing request for rescheduling or restructuring; and/or (ii) the amounts subject to litigation. For the purposes of this QPC, central government is as defined in paragraph 5 above. This QPC will apply on a continuous basis effective on the date of approval of the ECF arrangement.

## E. New Domestic Arrears of Central Government

**11. Definition**. Domestic arrears are defined as CFAF-denominated accounts payable (*resto-a-pagar*) accumulated during the year, and still unpaid by three months after the end of the month for wages and salaries (including pensions), and three months after the due dates for goods, services and transfers. Domestic arrears also include CFAF-denominated debt service payments that have not been paid on due dates (taking into account the contractual grace periods, if any) and that have remained unpaid 30 days after the due dates and non-CFAF denominated accounts payable that remains unpaid three months after the due dates. For the purposes of this QPC, central government is as defined in paragraph 5 above.

## F. Social and Priority Spending

**12. Definition**. Social and Priority spending is defined to include spending in the Ministries of Health, Education and the Ministry of Women, Family and Social Cohesion.

## G. Domestic Primary Balance (Commitment Basis)

**13. The domestic primary fiscal deficit on a commitment basis** is calculated as the difference between government revenue and domestic primary expenditure on commitment basis. Government revenue includes all tax and nontax receipts and excludes external grants. Domestic primary expenditure consists of current expenditure plus domestically financed capital expenditure, excluding all interest payments and capital expenditure financed by project loans or grants.

Government commitments include all expenditure for which commitments have been approved by the Ministry of Finance; automatic expenditure (such as wages and salaries, pensions, utilities, and other expenditure for which payment is centralized); and expenditure by means of offsetting operations.

## H. Non-Regularized Expenditure (DNTs)

**14. Definition**. Any treasury outlay not properly accounted for by the National Budget Directorate and/or not included in the budget.

**15. Reporting requirement.** The government will report any non-regularized expenditures on a continuous basis within one week of realization.

## Table 1. Guinea-Bissau: Summary of Reporting Requirements

| Information | Frequency | Reporting Deadline | Responsible |
|---|---|---|---|
| *Fiscal Sector* | | | |
| Central Government budget and execution | Monthly | 30 days after the end of the month | DGPEE[1]/MF[2] |
| Budgetary grants | Quarterly | 30 days after the end of the quarter | DGPEE/MF |
| Project grants | Quarterly | 30 days after the end of the quarter | DGPEE/MF |
| Change in the stock of domestic arrears | Monthly | 30 days after the end of the month | DGPEE/MF |
| Unpaid claims | Monthly | 30 days after the end of the month | DGPEE/MF |
| Interest arrears | Monthly | 30 days after the end of the month | DGPEE/MF |
| Proceeds from bonds issued in the regional WAEMU market | Monthly | 30 days after the end of the month | DGPEE/MF |
| Social and priority spending | Quarterly | 30 days after the end of the quarter | DGPEE/MF |
| Execution of top 30 externally financed projects[4] | Monthly | 30 days after the end of the month | DGPEE/MF |
| Non-regularized expenditure | As occuring | | DGPEE/MF |
| Extrabudgetary expenditure for force majeure | As occuring | | DGPEE/MF |
| Cost structure of cashew nuts | Monthly | 30 days after the end of the month | DGPEE/MF |
| All decisions and minutes of technical committees responsible for determining tax exemptions and custom reference prices | As occuring | | DGPEE/MF |
| Results of census of industrial fishing activities | Quarterly | 45 days after the end of the quarter | DGPEE/MF |
| EAGB financial report | Monthly | 30 days after the end of the month | DGPEE/MF |
| Cash balances of all Treasury bank accounts | Monthly | 30 days after the end of the month | DGPEE/MF |
| All bank instructions for external debt service | Weekly | 7 days after the payments | DGPEE/MF |
| *Real and External Sector* | | | |
| Updates on annual National Accounts by sector | Annually | 30 days after approval | DGPEE/MF |
| Balance of Payments data | Annually | 30 days after approval | BCEAO[3] |
| Balance of Payments data | Quarterly | 45 days after the end of the quarter | BCEAO |
| Commercial data with most detailed breakdowns including amounts of revenue and exemptions of each import and export | Monthly | 45 days after the end of the month | DGPEE/MF |
| CPI Monthly | Monthly | 45 days after the end of the month | DGPEE/MF |
| *Debt sector* | | | |
| External and domestic debt and guaranteed debt by creditor | Monthly | 30 days after the end of the month | DGPEE/MF |
| Disbursements | Monthly | 30 days after the end of the month | DGPEE/MF |
| Amortization Monthly | Monthly | 30 days after the end of the month | DGPEE/MF |
| Interest payments | Monthly | 30 days after the end of the month | DGPEE/MF |
| Stock of external debt | Monthly | 30 days after the end of the month | DGPEE/MF |
| Stock of domestic debt | Monthly | 30 days after the end of the month | DGPEE/MF |
| Arrears on interest and principal | As occuring | | DGPEE/MF |
| Exceptional domestic financing | Monthly | 30 days after the end of the month | DGPEE/MF |
| Copies of any new loan agreements | As occuring | | DGPEE/MF |
| *Monetary/Financial sector* | | | |
| Detailed consolidated balance sheet of commercial banks | Monthly | 45 days after the end of the month | BCEAO |
| The monetary survey | Monthly | 45 days after the end of the month | BCEAO |
| Detailed net position of central government (PNG/PNT) | Monthly | 45 days after the end of the month | BCEAO |
| Financial soundness indicators | Semi-annually | 90 days after the end of the half year | BCEAO |
| Interest rates | Monthly | 45 days after the end of the month | BCEAO |
| Deposit rates on all types of deposits at commercial banks | Monthly | 45 days after the end of the month | BCEAO |
| Short- and long-term lending rates of commercial banks | Monthly | 45 days after the end of the month | BCEAO |

[1] Directorate General for Projections and Economic Studies
[2] Ministry of Finance
[3] Central Bank of West African States
[4] Including data on disbursement of grants and loans and expenditure. Applicable after September 2023

# GUINEA-BISSAU

August 29, 2023

## SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW — SUPPLEMENTARY INFORMATION

Approved By
**Montfort Mlachila (AFR) and Eugenio Cerutti (SPR)**

Prepared by the Guinea-Bissau team of the African Department

*This supplement provides an update on development since the issuance of the staff report (EBS/23/82) on July 7, 2023.*

**Recent Development**

**1. There has been a smooth transition to the new government, which provided a strong political assurance to the program objectives.** Following the successful completion of the legislative election on June 4, 2023, which was won by the opposition coalition, President Sissoko appointed the new government in August 2023. The new Parliament was convened in July 2023 without delay. The new Prime-Minister Martins has reaffirmed his administration's commitments to the objectives and key policies under the ECF arrangement, as expressed in his letter to the Managing Director (Annex).

# Annex. Letter from the Prime Minister

Bissau, August 28, 2023

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

Dear Ms. Georgieva,

I am pleased to inform you that the new government of Guinea-Bissau, led by myself, was appointed and sworn in this month after the successful completion of the legislative election on June 4, 2023. Our government is ready to devote all its strengths and energies to meet the mandate entrusted to us regardless of current extremely challenging environments surrounding the country and the region.

I hereby provide my full assurance that our government remains resolute in maintaining macroeconomic stability and fostering inclusive growth and poverty reduction through the reform strategy supported by the Extended Credit Facility (ECF) arrangement. We endorse the key objectives of the ECF supported program to deliver a sustained fiscal consolidation, ensure debt sustainability, and improve governance and transparency. We are fully committed to the policies and reforms needed to achieve these objectives, as elaborated in the Letter of Intent signed by the Minister of Finance on July 6, 2023 as well as the Memorandum of Economic and Financial Policies and the Technical Memorandum of Understanding attached to it.

Support from the ECF arrangement is critical now more than ever to protect our population from the hunger crisis provoked by the recent surge of rice prices and the unprecedented delay in cashew exports. I thank you and the Executive Board for your essential support to Guinea-Bissau and look forward to continuing our strong engagement.

Yours sincerely,

/s/
Geraldo João Martins
Prime-Minister of Guinea-Bissau

**Statement by Mr. Sylla, Executive Director for Guinea-Bissau, Mr. N'Sonde, Alternate Executive Director for Guinea-Bissau and Mr. Lopes Varela, Advisor to the Executive Director to Guinea-Bissau**
**August 30, 2023**

## INTRODUCTION AND CONTEXT

On behalf of the Bissau-Guinean authorities, we would like to express our gratitude to the IMF's Executive Board and Management for their invaluable support in promoting the country's economic stability, growth, and development. We also appreciate staff's frank discussions with the authorities, with particular emphasis on addressing the economic challenges resulting from the ongoing conflict in Ukraine and the elevated global uncertainty.

**The recently elected officials are committed to building upon the previous government's efforts to promote a robust, stable, and inclusive economic growth and look forward to the Fund's continuous support.** The COVID-19 pandemic has significantly impacted the country's economy, and the global economic downturn and supply chain disruptions have further exacerbated the situation. However, the political consensus achieved by the main political actors presents an opportunity for Guinea-Bissau to break the cycle of economic, political, and social instability that has plagued the country's history. This consensus will also help the implementation of policies and strategies for the country to emerge from the crisis and strengthen its economic resilience. The newly appointed government broadly shares staff's assessment and is fully committed to the policy and reform agenda supported by the Extended Credit Facility (ECF) arrangement that the Board approved in May 2023. This commitment was reiterated by the Coalition Leader and recently elected President of the National Popular Assembly (ANP) as well as the newly appointed Prime Minister of GuineaBissau. They also have expressed their assurance and determination to working closely with the IMF to achieve macroeconomic stability and economic progress.

## PROGRAM PERFORMANCE

**The government has made significant progress towards meeting its program objectives for March 2023, notably quantitative criteria with five of the eight criteria successfully met.** Tax revenue did not meet expectations due to Customs collection underperformance. Additionally, the ceiling on wages was not met due to lower gains than projected from the 2022 census. The government is implementing corrective measures such as strengthening expenditure controls, rationalizing tax expenses, and selling 5G licenses to address these issues. The target for the domestic primary balance was not met, and the government is mindful of the reasons for this shortfall, such as reduced revenue from fishing licenses, expenses for the electoral census, and an increase in domestic investment spending at the beginning of the period. Steps are being taken to address these issues and meet the end-2023 targets.

**Performance on the structural reform front has been strong.** In addition to meeting five structural benchmarks for this second review, two for the third review, and one for the fourth review, the government has proposed four new structural benchmarks to speed up progress towards its goals. These benchmarks aim to professionalize the tax office, reintroduce expenditure controls, and improve the governance of state properties.

## RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

### *Recent Developments*

**While growth remains firm, inflation and the external position are driven by the adverse global environment.** The economic growth in 2022 is expected to have slowed to 4.2 percent from 6.4 percent in 2021. This is due to a decrease in cashew exports, albeit higher agricultural production. The ongoing conflict in Ukraine has resulted in higher commodity prices, leading to inflation in the food and fuel sectors, with average inflation estimated to rise to 7.9 percent. However, a recovery in cashew nut exports and increased private sector investments in energy are expected to drive growth to 4.5 percent in 2023. Nevertheless, inflation is forecasted to remain high at around 7.0 percent in 2023 on the back of food and fuel prices. Regarding the external position, the country faced a deterioration in 2022, primarily due to the rise in imported food and fuel prices and the reduced cashew nut exports. As a result, the current account deficit stood at 8.9 percent of GDP. Nonetheless, it is projected to improve in 2023 to 7.1 percent due to increased export volumes and project grants.

**Public debt dynamics were driven by the higher fiscal deficit, new government guarantees, and unsettled cross-arrears.** The fiscal deficit in 2022 remained at about 5.9 percent of GDP, and there was a corresponding increase in public debt to 80.3 percent. However, the new administration understands the challenges ahead and is determined to reduce public debt in 2023.

**The banking sector made significant progress in 2022 thanks to the regional central bank's (BCEAO) accommodative stance, which translated into credit growth rate of 23.7 percent**. Most banks met the prudential criteria, with only one being undercapitalized.

Moreover, there was a considerable decrease in non-performing loans (NPLs) to 10.4 percent, while financial vulnerabilities remained low. These achievements demonstrate the authorities' commitment to maintaining financial stability and ensuring compliance with regulatory requirements.

### *Outlook and Risks*

**The authorities concur with the staff's assessment of the economic outlook for the near future.** The economy is expected to grow by 5 percent annually, largely propelled by cashew exports, increased donor engagement, and improved governance policies. Inflation is projected to stabilize at 2 percent, while the current account deficit is anticipated to narrow as a result of fiscal consolidation and more favorable trade terms.

**While the authorities recognize downside risks from limited capacities, adverse external conditions and exogenous shocks, the new administration does not see the domestic political situation as a risk.** The administration views the political context in a positive light, based on present dynamics in the national assembly and the inclusive government, which reflects a strong political consensus. Nonetheless, the authorities are mindful of risks stemming from limited state capabilities, potentially disappointing cashew nut exports, unpredictable weather patterns, and the rise of global economic fragmentation, with implications for food and oil prices, aid, supply chains, and financial stability, among others. The authorities agree to reduce non-essential expenses and seek concessional financial support if downside risks came to materialize. They also see the revitalization of the cashew industry, through necessary reforms, as a way to foster a quicker economic recovery.

## POLICIES AND REFORMS FOR 2023 AND THE MEDIUM-TERM

**The new administration recognizes the importance of policy priorities that focus on a bold fiscal consolidation path to ensure debt sustainability while attending to the country's developmental needs**. These priorities encompass boosting revenue mobilization, reinforcing fiscal governance and transparency, and improving expenditure efficiency.

### *Fiscal Reforms and Debt Policy*

**The newly appointed officials are committed to pursuing a sustained fiscal consolidation to reduce the fiscal deficit and debt ratios in a consistent manner.** They aim to reach the WAEMU convergence criteria of 3 percent for the fiscal deficit by 2025 and 70 percent for public debt by 2027. Although they intend to submit a revised budget for 2023 to reflect the new government structure and ministries and address the country's pressing needs for the remainder of the year, they understand the importance of drafting a realistic budget in line with the program objectives and in consultation with staff. They plan to maintain the fiscal and tax reform measures essential to ensure fiscal and debt sustainability. The authorities believe that the budget's tax revenue targets, wage bill, priority expenditures, domestic primary balance, and financing conditions are appropriate and will assist them in achieving their overall fiscal objectives. The authorities prioritize approving legislative reforms and expect the government program and the revised 2023 budget to receive strong backing from the national assembly by the end of August and mid-September, respectively.

**On the revenue front, the new government has stated its commitment to carrying out the measures agreed upon with staff to increase domestic revenue**. These include improving the professionalism of revenue officers by relying on qualified managers and streamlining tax exemptions on imported goods. It is worth noting that exemptions have been kept under control thanks to the committee created to analyze each request to determine its relevance. The authorities aim to continue improving this process to achieve the desired gains. They recognize that implementing these measures in an effective manner would allow them to make up for shortfalls and support the revenue target. They look forward to the Fund's continued technical support to bring about significant improvements in the management of taxes and other related revenue entities.

**On spending and public financial management, the authorities are committed to reducing wage bill growth and plan to take further measures to contain expenditures and enhance civil servant personal management.** They note that conducting a census of public employees and simplifying tax incentives can help achieve these objectives. To this end, the government plans to collaborate with the World Bank to start a new census. Additionally, the authorities are testing a biometric attendance control system in the Ministry of Economy and Finance to detect ghost employees and reduce payroll expenses. The system is connected to the software that manages the payroll, and expanding it to other ministries is a priority to help reduce the wage burden and provide better and sustainable public service delivery. Moreover, they have pledged to sustain the IMF blockchain initiative to aid in these endeavors. Furthermore, the authorities plan to reinstate commitment controls to the Technical Committee of Arbitration of Budgetary Expenditure (COTADO).

**The authorities plan to work diligently on several fiscal structural reforms, including a new investment database and monthly externally-financed capital expenditure reporting system**. They intend to leverage the advantages of BCEAO's settlement system to install Treasury and banking system interfaces and advance the Treasury Single Account (TSA) further. The incoming administration is looking forward to the continued support of the IMF, as well as the upcoming World Bank mission in September, to assist their efforts in this particular area.

**The authorities are determined to improve their debt management and ensure timely debt service payments.** They share the view that accumulation of arrears should be avoided by enforcing the ministerial order that prioritizes debt service over other spending. Additionally, they will rely to the extent possible on concessional resources as part of their financing strategy.

***Mitigating Fiscal Risks from the Public Utility Company (EAGB)***

**Efforts are underway to mitigate financial risks from EAGB.** Revenue mobilization has increased since the Ministry of Finance assumed oversight responsibilities. 30,000 pre-paid meters have been installed, which have helped ensure payment compliance, flag fraudulent activities, and generate more revenue. The remaining pre-paid meters are being kept as reserve, and more will be purchased as needed. Suitable candidates have been selected for key management positions of the company, and the new Director General is expected to start in September. The government is working to connect to the regional energy project and is intensifying its efforts to have three substations operational for this purpose. Negotiations with Karpower are ongoing, and the government has requested support from the World Bank to assist in a more sophisticated and consistent cabinet equipped with legal and technical capabilities to facilitate discussions with Karpower.

### *Strengthening Governance and the Fight against Corruption*

**The new administration aims to leverage technical assistance from the IMF and other development partners to expedite governance and rule of law reforms.** They are determined to uphold transparency requirements to international standards by continuing to publish financial reports, beneficial ownership information for crisis-related contracts and expand its cover to other public contracts. They are convinced that a speedy enactment of measures related to the rule of law, anti-corruption, and anti-money laundering and countering the financing of terrorism (AML/CFT) mechanism will significantly enhance transparency and accountability. Such measures include notably implementing a new asset declaration regime and finalizing the national AML/CFT policy and action plan. The IMF has played a crucial role in achieving progress in these areas, and the authorities anticipate further support. Moreover, the authorities are committed to implementing reforms in state property management.

### *Enhancing the Financial Sector*

**To ensure financial stability, the new administration is committed to a smooth and orderly exit from the large and undercapitalized bank**. The authorities are actively negotiating an agreement with a potential strategic investor interested in acquiring the institution. In the event that the investor deal does not come to fruition, the government is fully prepared to abide by any recommendations put forth by the Regional Banking Commission. They are determined to implement IMF's recommendations, which involve developing a comprehensive strategy for the bank's withdrawal by 2024.

## CONCLUSION

**In line with the previous government's efforts, the newly elected Bissau-Guinean authorities are fully committed to leveraging on the current political momentum to implement critical economic and structural measures and keep the program afloat.** Their actions will aim at promoting macroeconomic stability, enhancing governance and transparency, and addressing long-standing fragilities. The ultimate goal is to bolster resilience and ensure the country's economy remains on the right track. We would appreciate

Executive Directors' support for the completion of the second review of Guinea-Bissau's ECF-supported program, and for the authorities' requests for a waiver of nonobservance of performance criteria and rephasing of access.