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SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GUINEA-BISSAU

In the context of the Sixth Review Under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on August 28, 2024, following discussions that ended on June 25, 2024, 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 24, 2024.
- A **Statement by the Executive Director** for Guinea-Bissau

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IMF Executive Board Completes the Sixth Review under the Extended Credit Facility Arrangement for Guinea-Bissau and Approves US$7.3 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the sixth review under the Extended Credit Facility (ECF) for Guinea-Bissau. This decision allows for an immediate disbursement of SDR5.44 million (about US$7.3 million) to help meet the country's financing needs.
- The authorities' commitment to a range of challenging policy reforms is starting to show some results. They should persevere with their ambitious structural reform agenda to improve domestic revenue mobilization, strengthen expenditure controls, and enhance governance.
- Economic growth is expected to reach 5 percent in 2024, while inflation should slow to 4.2 percent compared to 7.2 percent in 2023. However, the economic outlook remains subject to significant near-term risks.

Washington, DC – August 28, 2024 : The Executive Board of the International Monetary Fund (IMF) completed today the sixth review under Guinea-Bissau's Extended Credit Facility (ECF) arrangement. The three-year arrangement, approved on January 30, 2023, aims to secure debt sustainability, improve governance, and reduce corruption while creating fiscal space for inclusive growth. The Executive Board granted an augmentation of access (140 percent of quota or SDR 39.76 million) on November 29, 2023.

The completion of the sixth review enables the disbursement of SDR 5.44 million (about US$7.3 million) to help meet the country's balance-of-payments and fiscal financing needs. This brings total disbursement under the arrangement to SDR 24.88 million (about US$ 33.44 million). In completing the sixth review, the Executive Board granted a waiver of nonobservance of the end-April 2024 quantitative performance criterion on the floor on social and priority spending and the continuous quantitative performance criterion on the ceiling on the accumulation of new external payment arrears. Furthermore, the Executive Board also completed the financing assurances review.

Economic growth is projected at 5 percent in 2024 and inflation should decline significantly from last year to reach 4.2 percent. The current account deficit is expected to narrow and reach 6.1 percent of GDP. The authorities remain committed to achieving the domestic primary deficit target of 1.2 percent of GDP in 2024 to put public debt on a firm downward trajectory. The authorities' commitment to a range of challenging policy reforms is starting to show some results, but the economy remains subject to important near-term risks, including a challenging socio-political climate.

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

"Guinea-Bissau continues to face very challenging external and domestic environments. Terms-of-trade shocks and high inflation continue, while the tightening of regional financial conditions have raised borrowing costs. Despite these challenges, the Guinea-Bissau authorities continued to build consensus on critical reforms and maintained political and macroeconomic stability. It is also commendable that the authorities have restored orderly export processes of cashew nuts, which are essential for growth and fiscal revenue, and maintained strong fiscal consolidation measures. Continued commitment to the implementation of structural reforms and policies under the ECF arrangement will be critical to ensure debt sustainability, macroeconomic stability, and address the country's vast developmental needs.

"Program performance in the sixth review has improved. Seven out of nine Quantitative Performance Criteria (QPC) as well as all two Indicative Targets were met for April 2024. The QPC on external payment arrears as well as the continuous structural benchmark (SB) on debt service were missed due to technical arrears in external debt service. To avoid recurrence of external arrears, the authorities should strictly adhere to the revised continuous SB which incorporates a corrective action. The QPC on social priority spending was missed due to delayed external project grants, which are expected to materialize in coming months.

"Fiscal consolidation remains critical to reduce vulnerabilities and ensure debt sustainability and macroeconomic stability. This should be underpinned by strict rationalization of non-priority expenditure and revenue mobilization. To control spending pressures ahead of the legislative election in November 2024 and ensure achievement of the fiscal consolidation targets, expenditure controls through the Technical Committee of Arbitration of Budgetary Expenditure (COTADO) should be strengthened, and the containment of wage bill spending should continue. Revenue mobilization should focus on reducing tax expenditures and strengthening of revenue administration. The authorities should also continue to engage donors for additional budget support and grants to finance social priority spending. Moreover, it is important to strengthen debt management procedures to avoid the incurrence of technical arrears.

"The authorities are implementing structural reforms which are pivotal to the program's success. Urgent actions should be taken to mitigate fiscal risks from the public utility company. The authorities should also continue advancing the disengagement of the undercapitalized bank, including through contingency planning. Moreover, further efforts are needed to improve governance, especially transparency in public procurement and beneficial ownership information, which are the essential steps to improve the anti-corruption and AML/CFT effectiveness."

GUINEA-BISSAU

July 24, 2024

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Guinea-Bissau continues to face very challenging domestic and international environments. The terms of trade shocks continue, while tightening of regional financial conditions have been shooting up borrowing costs. Since the political crisis in December 2023, underlying social tension has been high. The next legislative election will be held on November 24, 2024. Despite these challenges, the authorities have maintained the political and economic stability. The cashew export campaign has been progressing smoothly. Growth is on course to recover, but risks to the outlook remain tilted to the downside.

Program performance. Program performance has improved. Seven out of nine Quantitative Performance Criteria (QPC) as well as all two Indicative Targets were met for April 2024. The QPC on external payment arrears as well as the continuous structural benchmark (SB) on debt service were missed due to technical arrears in external debt service. The QPC on social priority spending was missed due to delayed external project grants, which are expected to materialize in coming months. The expenditure committee (COTADO) has been meeting regularly, but the continuous SB was missed because some expenditures bypassed the COTADO. The authorities have met five SBs since the last reviews.

Policy commitments. The authorities have restored the strong program commitments. The authorities should tighten a grip on discretionary spending, which is the main source of risks to fiscal consolidation. The COTADO process will be reinforced through separation of responsibilities for expenditure controls with the Prime Minister. To avoid recurrence of external arrears, the authorities should strictly adhere to the revised continuous SB which incorporates a corrective action. The authorities should push for reforms to mitigate risks in the energy and financial sectors and improve governance.

Staff views. Staff supports the authorities' requests for completion of the sixth review and a waiver of nonobservance for missed QPCs and completion of financing assurance review.

Approved By
Montfort Mlachila (AFR) and Fabian Bornhorst (SPR)

An IMF team consisting of Mr. Gijon (Head), Messrs. Koshima, Maciel, and Tee (all AFR), Mr. Al-Karablieh (SPR), Mr. Sarr (Resident Representative), Ms. Camara and Mr. Fonseca (local economists) held discussions with the authorities in Bissau during June 12-25, 2024. Mr. Varela (Advisor OED) participated in the discussions. Ms. Derrouis contributed to the preparation of this report. The mission met with President Mr. Sissoco, Prime-Minister Mr. Barros, Minister of Finance Mr. Té, Minister of Economy Mr. Sambú, Minister of Public Administration Mr. Hizazy, Minister of Fishery Mr. Silva, National Director of BCEAO Ms. Cassama, other senior officials of the government and BCEAO and representatives of development partners.

CONTENTS

ANNEXES

APPENDIX

CONTEXT

1. **Guinea-Bissau continues to face very challenging external and domestic environments.** Weak international markets are causing a decline in cashew export prices, while the export volume is expected to recover. High prices of imported rice are adding inflationary pressure. Tightening of regional financial conditions has significantly raised borrowing costs. Recently, the interest rate of one-year Treasury securities issued in the regional market exceeded 10-percent, a threefold increase since 2022. Since the political crisis in December 2023, underlying social tension has been high. The President of the Republic has ordered the next legislative election to be held on November 24, 2024.

2. **Despite these challenges, the authorities made progress in the program implementation.** The new government appointed in December 2023 consists of all major political parties and has built consensus on critical reforms across the political spectrum. The authorities have restored orderly export processes of cashew nuts. They have maintained strong fiscal consolidation measures agreed at the last reviews and improved the program performance.

RECENT ECONOMIC DEVELOPMENTS

3. **Growth was resilient in 2023 despite terms-of-trade shocks.** Growth is estimated at 5.2 percent driven by positive agriculture production, larger private investments, and higher artisanal fishing output. The favorable climate conditions supported the primary sector and mitigated food security risks. Private investments were boosted by the conclusion of the large electricity project connecting Guinea-Conakry to Bissau (OMVG); however, the country still needs to conclude the ring transmission lines connecting Bissau to the regional grid to benefit from this additional and cheaper source of power. The annual average of headline inflation reached 7.2 percent driven by fuel and food prices, particularly on imported rice due to India's rice export restrictions in 2023.

4. **The current account deficit slightly increased to 8.7 percent in 2023.** The country faced a significant terms-of-trade shock due to the decline of cashew average price from US$1,200/ton in 2022 to US$1,050/ton in 2023, and higher imported fuel and food prices. The government relied on the regional bonds market as the main source of financing, but tightening financial conditions increased borrowing costs, shortened maturities, and limited additional issuances. Financing needs reached 1.3 percent of GDP in 2023 and were mainly met by the ECF disbursements.

5. **The domestic primary deficit was 3.4 percent of GDP in 2023, up from 3.2 percent of GDP in 2022.** Tax revenue was affected by tax cuts of rice and fuels introduced in September 2023. Nontax revenue was affected by the drop of fishing revenue due to a decrease in fish resources and withdrawal of licenses. The deficit was widened especially by a high level of unbudgeted discretionary spending during the election period in April-July 2023.

6. **The financial sector's soundness deteriorated in 2023.** Due to the disappointing cashew campaign, credit to the economy declined by 1.8 percent and non-performing loans increased in 2023, impacting negatively financial indicators. Net non-performing loans to total loans increased

from 4.3 percent in 2022 to 9.5 percent in 2023, the return on equity declined from 21.3 percent to 16.4 percent and capital adequacy indicators worsened. The undercapitalized bank's financial indicators improved in 2023 due to NPL recoveries, higher operational margins, and arrears repayment to government suppliers. Liquidity of the financial sector remains high, and the vulnerabilities stemming from the sovereign debt and exchange rate exposures in the banking sector are low.[1] The size of the financial sector in the country is limited and relies on the small formal sector activities, particularly the public sector and cashew nut traders.[2] The development of the financial sector hinges on the efforts to diversify the economy, formalize economic activities, and improve business environment.

OUTLOOK AND RISKS

7. In 2024, growth is projected to remain around 5 percent and inflation at 4-4½percent. Growth is supported by an increase in the cashew export volume and continued strong private investment growth. Based on progress in the export campaign of cashew nuts, the export prices are likely to decline from the 2023 levels, while a significant increase in the producer prices is likely to have positive impact on growth. Up to end-June, 166,000 tons of cashew nuts had been transported and stored in the Port of Bissau and customs had already cleared 94,000 tons for export. The projected current account deficit in 2024 is at 6.1 percent, and financing continues to be constrained by tight regional financial conditions. Inflation remains above the WAEMU convergence criteria due to the persistent effects of the rice subsidies phase-out and increase in fuel prices.

8. The medium-term outlook remains broadly unchanged. In the medium term, growth is projected to remain around its potential, approximately 5 percent. The growth will be supported by program implementation, which aims to reduce economic vulnerabilities, enhance donor engagement, improve governance and business environments, and boost investments. Inflation is expected to converge to 2 percent. Additionally, the current account deficit is projected to gradually improve towards 4 percent due to fiscal consolidation and more favorable terms of trade.

9. The outlook is facing significant downside risks (Annex I). These risks stem from domestic political instability, weak state capacity, terms-of-trade shocks, and adverse weather conditions. Furthermore, prolonged tightening of financial conditions in the regional market could limit access to financing and increase debt rollover and solvency risks. Financial stress within state-owned enterprises (SOEs) and vulnerabilities in the banking sector may also give rise to contingent liabilities. If these risks materialize, authorities should consider further rationalizing expenditures and seeking additional donor funding, mainly through budget support from international financial

[1] In December 2023, the domestic banking sector held 15.3 percent of its total assets in central and local government debt while its exposure to SOEs was only 2 percent. Banking sector exchange rate exposure is very low as assets and liabilities in foreign currency are negligible and most of the banking operations are made within the WAEMU.

[2] Credit to the economy accounted for only 15 percent of the GDP in 2023.

institutions (IFIs). On the upside, stronger performance in the agriculture sector, expansion of the electricity network, and successful implementation of reforms would underpin a faster recovery.

PROGRAM PERFORMANCE

10. Seven out of nine QPCs were met for April 2024. Two ITs were also met for April 2024. The QPC on external payment arrears were missed because of two delayed payments of external debt service that ran into arrears in January and May 2024.[3] All these technical arrears have been paid. For this missed QPC, the authorities will implement a corrective action discussed below. The breach of the QPC on social priority spending is caused by delays in external project grants, which are outside the authorities' control. Because the disbursements are expected to materialize in the coming months and because fiscal space in 2024 is tight, no corrective action is recommended at this point in time.

11. The authorities have met five structural benchmarks (SBs) since the combined fourth and fifth reviews. They met all three SBs for June 2024, one for September 2024, and one for December 2024. Performance of past SBs is shown in Annex II.

12. Two continuous SBs were missed. The Technical Committee of Arbitration of Budgetary Expenditure (COTADO) has been meeting regularly since January 2024 and the reports been sent to the President of Republic and the Prime Minister. However, the continuous SB was missed because some expenditures (CFAF 1.5 billion or 3.2 percent of spending subject to the COTADO's authorization) bypassed the COTADO between March-May 2024. The Treasury Committee has been also meeting regularly since February 2024. However, the continuous SB was missed because there were several external debt service payments that were made after the due dates, and two payments ran into arrears. These continuous SBs are proposed to be strengthened to ensure their compliance.

POLICY DISCUSSIONS

Fiscal consolidation in 2024 is crucial to reduce public debt and achieve the program objectives. The authorities will reinforce the COTADO process to curb spending pressure and implement a corrective action to avoid another delay in debt service payments. Reforms to mitigate fiscal risks from the public utility company and improve the governance continue to be priorities.

[3] A payment of CFAF 0.2 billion (0.02 percent of GDP) to Libya was due in December 2023 but went into arrears in January 2024 and was paid in February 2024. The authorities indicated this accumulation of arrears during the combined fourth and fifth reviews as per TMU. However, staff were yet to complete verification of this indication with debt service data at the time of the Board meeting on May 13, 2024. Accordingly, the Staff Report of the combined fourth and fifth reviews included an assessment of this QPC only up to December 2023 (test date of the fifth review) and could not make continuous monitoring of this QPC. Going forward, implementation of the corrective action will improve timeliness and quality of debt service data and support the continuous monitoring of this QPC.

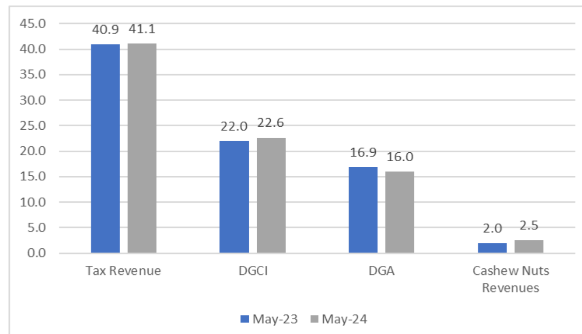
A. Fiscal Policy

13. The authorities are on track to meet fiscal consolidation targets agreed at the fourth and fifth reviews.[4] As per preliminary data, the targets of a domestic primary deficit, tax revenue, and the wage bill for June 2024 are likely to be met. The projections for December 2024 remain unchanged from the combined fourth and fifth reviews. The budget execution until May shows progress in revenue mobilization and expenditure controls as follows.

- **Tax revenue until May increased by 0.5 percent y-o-y, notwithstanding negative carry-over effects of tax cuts of fuels.** Tax collection of the Directorate-General of Duties and Taxes (DGCI) has been higher than the 2023 level (Text Figure 1). An increase in tax reference prices of fuels in April 2024 is expected to improve tax collection of the Directorate-General of Customs (DGA) in coming months (Text Figure 2). The cashew campaign is running better than in 2023 and should have a positive impact on the revenue collection in 2024. Moreover, the recent renewal of the EU fishing agreement, which raises both European fishing compensation and license fees, will improve nontax revenues.[5]

Text Figure 1. Tax Revenue

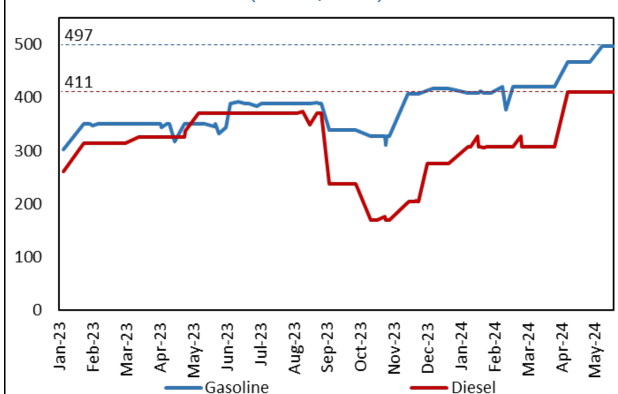
(Accumulated, in CFAF billion)



Source: staff calculation

Text Figure 2. Tax Reference Prices

(CFAF/liter)



Source: staff calculation based on import declarations

- **The authorities have kept expenditure controls, particularly on the wage bill.** The authorities have maintained restricted hiring policies, which reduced the wage bill until May by 2.1 percent y-o-y. Although some expenditures were not submitted to the COTADO, the committee has been controlling most of the discretionary expenditure in line with the agreed fiscal target.

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[4] From the fourth and fifth reviews, the projection for nontax revenue for 2024 was reduced by CFAF 2.8 billion because of lower than expected dividends from the BCEAO. On the expenditure side, the projection for transfers was also reduced by CFAF 2.8 billion because this contribution to regional institutions represents on-lending to a fund of WAEMU and is therefore reflected as an acquisition of financial assets.

[5] The renewed EU fishing agreement keeps the revenue-sharing ratio between the Treasury and the Fishing Ministry unchanged from the previous agreement. It is important to ensure transparency in spending of the Fishing Ministry financed through this revenue sharing.

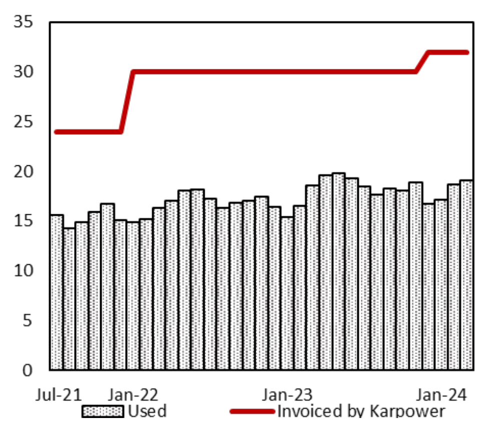
14. The authorities continue reform efforts to support revenue mobilization. For the DGCI, an early progress in an audit of the telecom operators, which pay a quarter of all inland taxes, indicates that there is likely to be under-declaration, which should be corrected in the coming months. For the DGA, the authorities are committed to operationalizing the Sydonia World system, which can automate data-matching with other countries and is key to sustained mobilization of customs revenue. The results of inspection of tax exemptions show that removable exemptions are concentrated in a cement company. The authorities will streamline the company's exemptions after the current convention expires in July 2025. For nontax revenue, the authorities are completing technical work for the 5G licensing process, which is expected to be launched in August 2024.

15. The authorities will strengthen expenditure controls by the COTADO with separation of responsibilities for expenditure controls with the Prime Minister. The COTADO has taken a central role in meeting the QPC on a domestic primary deficit. However, increasing spending pressure caused some expenditures (3.2 percent of spending subject to the COTADO's authorization) to bypass the COTADO's approval. To eliminate risks of another overrun, the COTADO's controls will be reinforced by the Prime Minister's prior authorization of expenditures for real estate, vehicles, and rehabilitation works, which are common causes of overrun, as per Article 17(1) of the Budget Law.[6] On the wage bill, the authorities have maintained strict no-new-hiring policy and been sensitizing the terms of reference for the new census of public workers, which is expected be completed by December 2024.

Fiscal Risks from the Public Utility Company

16. Mitigating fiscal risks from *Eletricidade e Águas da Guiné-Bissau* (EAGB) requires revenue mobilization and reduction of power purchase costs. Recently, EAGB's financial situation has worsened. Karpower, the sole power supplier, increased capacity from 30 MW to 32 MW, while usage of power in Bissau remains below 20 MW (Text Figure 3).[7] EAGB began to incur operating losses of about CFAF 0.7 billion per month because of (i) increases in Karpower's invoices due to this capacity increase as well as rises of fuel costs, (ii) beginning of payments to the OMVG, and (iii) resumption of payments of a sales tax. Turning around EAGB's financial situation requires the following actions:

Text Figure 3. Usage of Karpower's Capacity (MW)



Source: staff calculation

[6] This provision of the Budget Law already exists but has not been implemented yet.

[7] The 2020 addendum to the power purchase contract includes an increase in capacity from 30 MW to 40 MW in 2024, to 55 MW in 2025, and to 70 MW in 2026. During the renegotiation process, Karpower proposed to increase capacity to 32 MW instead of 40 MW for 2024, while keeping the capacity increase to 55 MW in 2026 and 70 MW in 2027. The government contests against this proposal and continues to renegotiate the addendum.

- EAGB will speed up installation of 35,000 pre-paid meters, which are currently in transit and expected to arrive at Bissau in August 2024. EAGB will also install a software to monitor manipulation of pre-paid meters on a real time basis.
- The Prime Minister will issue an order to prevent interference by the Ministry of Energy in EAGB's bill collection.
- The ring transmission line should be completed as soon as possible. Reducing power purchase costs is depending on diversification of sources of power through the OMVG connection, which in turn is depending on completion of the ring line.[8] The testing of the OMVG connection in March 2024 failed because of severe deficiencies in construction of the ring line. The government will take actions to facilitate remedial works, while undertaking an audit of the ring project to identify the responsibility in the failure of making this project operational.

B. Financing and Debt

17. The stock of public and publicly guaranteed debt is expected to decline to 77.1 percent of GDP in 2024. The projection is based on the achievement of the program's fiscal targets and compliance with the QPC of the zero ceiling on new non-concessional borrowing and the QPC setting a limit to contracting of new concessional loans, which is consistent with the authorities' external borrowing plan (Text Table 1). The country is at a high risk of debt distress, but the DSA of the third review assessed debt as sustainable. The PV of public debt relative to GDP is projected to decline gradually over the medium term. The authorities also plan to clear during the program period all audited and recognized domestic arrears and are

Text Table 1. Guinea-Bissau: External Borrowing Plan
(In USD million)

PPG external debt contracted or guaranteed	Volume of new debt[1]		Present value of new debt[1]	
	2024 (US$ million)	2025 (US$ million)	2024 (US$ million)	2025 (US$ million)
Sources of debt financing	**33.0**	**34.1**	**22.7**	**22.5**
Concessional debt[2]	33.0	34.1	22.7	22.5
Multilateral debt	33.0	34.1	22.7	22.5
Uses of debt financing	**33.0**	**34.1**	**22.7**	**22.5**
Infrastructure	33.0	30.0	22.7	19.8
Agriculture	-	4.1	-	2.7

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.

Source: staff calculations

[8] OMVG power has arrived at the Antula substation in the north of Bissau and been used by residents nearby since April 2024. However, a majority of Bissau residents get electricity from the Central substation, a few kilometers away from Antula. The Ring Line Project of AfDB is building a transmission line between the Antula and Central substations, without which a large part of Bissau cannot be connected to the OMVG. The ring line between Antula-Central includes two sections of underground lines, where deficiencies are the most severe. While one of these sections has been replaced with an overhead line, no action is taken for the other.

making progress in settling the legacy external arrears.[9] The debt outlook remains vulnerable to a weaker economic recovery, further tightening of financial conditions, and authorities' failure to adhere to prudent fiscal policies.

18. The government enhanced controls on project loans disbursements. (MEFP ¶13). While the authorities met the overall IT on the project loans disbursements for April, individual projects exceeded their budget limits for disbursements by a total of 0.5 percent of GDP. To comply with the annual IT, the authorities have suspended under-executed and non-priority projects as well as revised the Public Investment Program accordingly. These actions will support the fiscal consolidation path to converge the overall deficit and public debt to the WAEMU criteria (3 percent and 70 percent of GDP) by 2025 and 2027.

19. The authorities are committed to improving debt management procedures to avoid the incurrence of external arrears (MEFP ¶12). The external debt service arrears have occurred due to inadequate payment processes, which have not ensured all payment instructions to be sent before the due dates as required by the ministerial order. To streamline the payment process, minimize communication and human error risks, and enhance the timeliness and quality of debt service reports, the Treasury will send to the BCEAO a single batch of payment instructions for all external debt services due that month, ten days before the start of each month. Additionally, the Treasury will appoint a focal point for debt service payments and grant access to the Debt Management System to monitor the debt service schedule directly. Moreover, the authorities are committed to improving the quality of fiscal data and the reconciliation process of the fiscal balance between above and below the lines. The authorities have also requested an IMF-supported long-term expert to review all debt management processes and provide training to the Ministry of Finance's staff.

C. Financial Sector Policy

20. The disengagement from the large and undercapitalized bank is progressing. (MEFP ¶26). The bank's shareholders' general meeting took place on June 26, 2024 and approved the sale of the government's stake to a strategic investor and the capital increase proposal. The dossier with the purchase offer and recapitalization plan was submitted to the WAEMU regional banking commission, which is expected to assess the documents and approve the operation within two months. Moreover, the government requested a third-party audit to assess the viability and solvency of the undercapitalized bank. The terms of reference for the audit followed Fund staff advice, and the bank expects to receive the final audit report by September 2024. If the disinvestment falls

[9] 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 to cancel the debt (US$1.5 million). Negotiations with Brazil (US$1.9 million) are pending final approval from the Brazilian parliament. Since November 2021, requests have been sent to Pakistan (US$2.2 million) to attempt resolving remaining external arrears. Staff has obtained from the relevant Executive Directors consent to move ahead with the completion of the review notwithstanding the arrears.

through, the authorities remain committed to a new SB to prepare a report on a viable plan for resolving the bank by the end of the program based on IMF recommendations.

D. Governance

21. The authorities should bolster efforts for governance, AML/CFT, and anti-corruption reforms, progress in which remain limited. In June 2024, with support of the IMF team, the authorities launched an initiative to establish a comprehensive register for government nonfinancial assets. Good progress has been realized by a census based on digitalization technologies (Annex III). A similar approach will be used to drum up governance reforms in absence of Parliament, which put on hold approval of key legislation, including the draft law on asset declaration regime. The Center of Formalization of Enterprises (CFE) is preparing for a census of companies in order to gather and disclose beneficial ownership information in the company register by June 2025, which is the key to the anti-corruption and AML/CFT effectiveness. The Directorate-General of Public Tender (DGCP), which continues to publish beneficial ownership information of public contracts, is also embarking on a census of concession contracts, which are often sources of governance vulnerabilities, in order to publish their register by December 2024. Meanwhile, the Audit Court is finalizing priority audits, including audits of COVID-19 spending and EAGB. Annex IV shows details of reform action items.

PROGRAM MODALITIES AND OTHER ISSUES

22. Program monitoring and conditionality. Program performance will be monitored through a quarterly review until the seventh review and semi-annual reviews thereafter. New QPCs/ITs are proposed for March and June 2025.

23. Staff supports the authorities' request for a waiver of nonobservance of the missed QPCs. For the QPC on external payment arrears, as a corrective action, the authorities will issue to the BCEAO a single batch of payment instructions for all external debt services during a month. The breach of the QPC on social priority spending is due to delayed external project grants, which are expected to materialize in the coming months.

24. Structural benchmarks. Two new SBs are proposed for the Sydonia World and beneficial ownership transparency in the corproate register. A SB is modified to accelerate and strengthen EAGB's revenue mobilization. Two continous SBs are revised to include strengthened processes for expenditure controls and debt service payments.

25. The program is fully financed. There are firm commitments of financing for the next 12 months.[10] There are good prospects that financing will be adequate for the remainder of the program. Bilateral donors are likely to bring additional budget support that was pledged but not

[10] For 2024, the budget support projections remain unchanged from the combined fourth and fifth reviews, including CFAF 11.7 billion committed by Spain, France, and Portugal and CFAF 3.7 billion committed by the African Development Bank. Financing needs for the first semester of 2025 will be met by CFAF 1.2 billion of budget support committed by Spain and Portugal.

disbursed in 2023. The authorities continue to make good faith efforts to settle legacy external arrears.

26. Guinea-Bissau's capacity to repay is adequate but subject to significant risks. Outstanding Fund credit would peak in 2025 at 3.3 percent of GDP, while debt service to the Fund based on existing and prospective drawings would peak at 2.9 percent of revenues (excluding grants) or 2.8 percent of exports in 2030. Capacity to repay the Fund is subject to significant downside risks. Risks are mitigated by the government's commitment to fully implement the program as well as its strong track record of servicing debt to the Fund. Reforms in the financial and energy sectors have been reducing contingent liability risks significantly.

27. Safeguards assessment. The last assessment of the BCEAO, completed in August 2023, found that the central bank continues to have well-established audit arrangements and a strong control environment. The BCEAO is in the process of addressing the safeguards assessment's recommendation to align its Statute with changes in the 2019 cooperation agreement with France.

STAFF APPRAISAL

28. The authorities have maintained political and economic stability. Growth is on course to recover in 2024. Staff commends the authorities' strong actions to support the cashew export campaign. Despite weak international markets, the export process has been progressing smoothly and achieving a substantial increase in the producer prices and a recovery of the export volume, both essential for growth. However, risks to the outlook remain tilted towards a downside.

29. The authorities have reaffirmed their strong program commitments. This has been demonstrated by their continued resolve to maintain difficult decisions, including increases in fuel taxes, suspension of rice subsidies, cancellation and suspension of expensive projects.

30. Meeting the fiscal consolidation targets for 2024 is crucial to reduce public debt and meet the program objectives. The authorities are on track to meet the December 2024 targets. However, there is upward pressure on discretionary spending, as shown by some expenditures that bypassed the COTADO. The authorities should tighten a grip on expenditure by the COTADO through separation of responsibilities for expenditure controls with the Prime Minister.

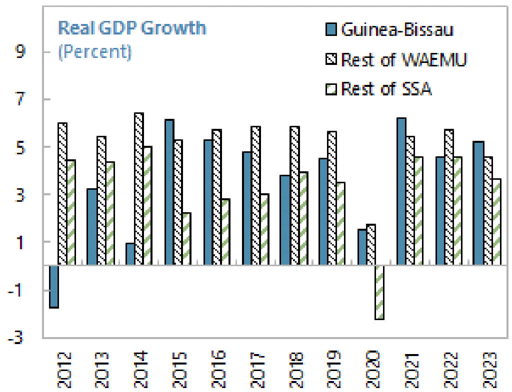
31. Decisive actions should be taken to prevent recurrence of external debt service arrears. Since the Staff Monitored Program, the authorities have repeatedly incurred external debt service arrears, because payment instructions were often sent way after the due dates. Their amounts were small, and cash availability was not the cause. This practice should be ended by strictly adhering to the revised continuous SB.

32. Urgent actions are needed to mitigate fiscal risks from EAGB. To prevent reemergence of arrears owed to Karpower, 35,000 pre-paid meters should be installed as soon as possible and interference in EAGB's bill collection, which was harming EAGB's revenue mobilization, should be stopped. To complete the OMVG connection, the government should test the constructed ring transmission line urgently and take accountability measaures against its deficiencies.

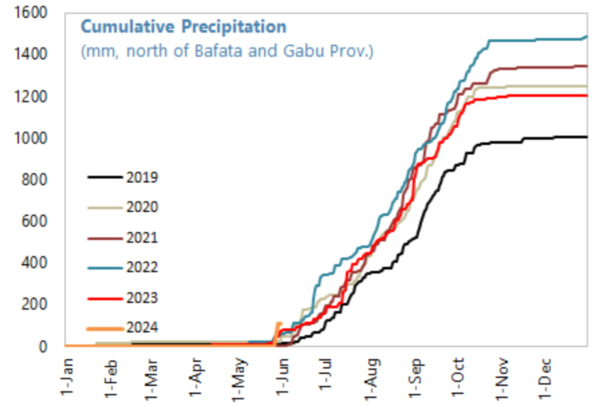
33. Staff supports the authorities' request for completion of the sixth review of the ECF arrangement. Staff also supports the authorities' requests for a waiver for non-observance of missed QPCs on external payment arrears and social priority spending and completion of the financing assurance review.

Figure 1. Guinea-Bissau: Growth and Inflation

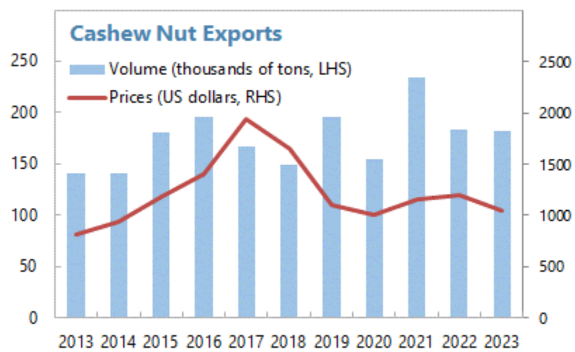
Growth was resilient in 2023 supported by higher agriculture production and private investments…



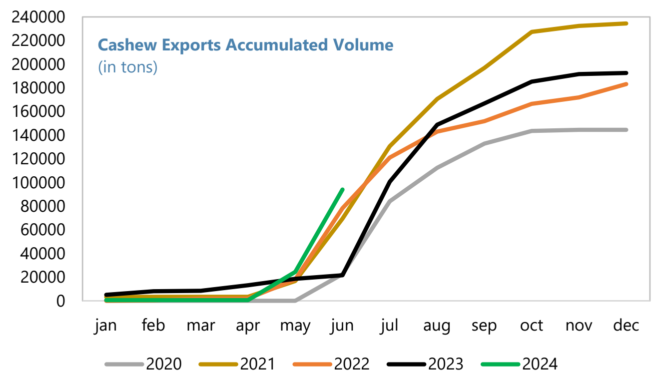
Good weather conditions have supported domestic agriculture and food security…



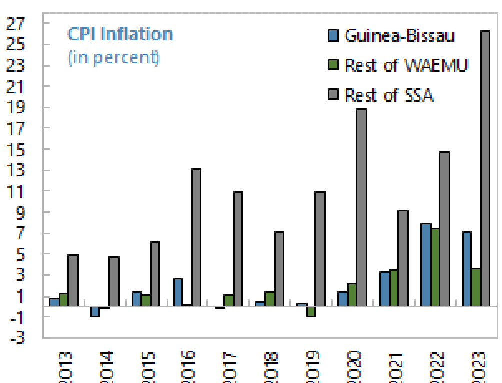
… although cashew exports were affected by decrease in cashew prices…



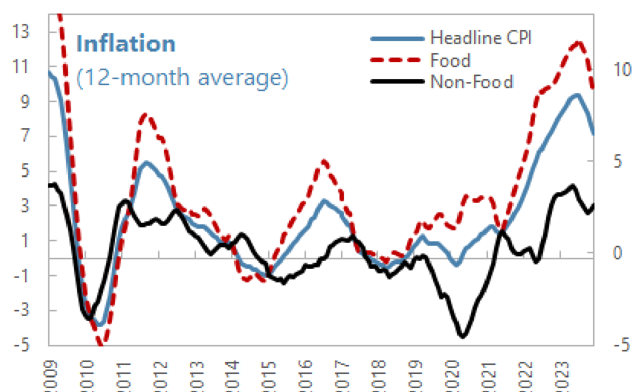
For 2024, cashew nut campaign prospects are better than 2023 and higher export volume is expected.



Inflation reached 7.2 percent in 2023 pressured by imported fuel and food prices…



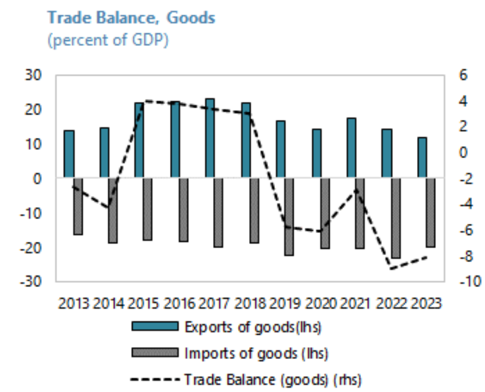
… however inflation has eased in 2024 with lower food prices observed in the beginning of the year.



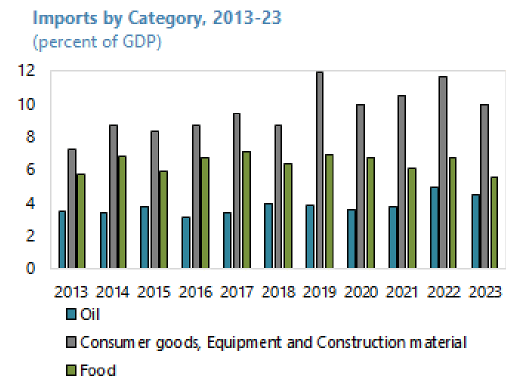
Sources: World Bank, Worldwide Development Indicators; EM-DAT, CRED database; NASA Giovanni database; Guinea-Bissau authorities; and IMF staff calculations.

Figure 2. Guinea-Bissau: External Sector

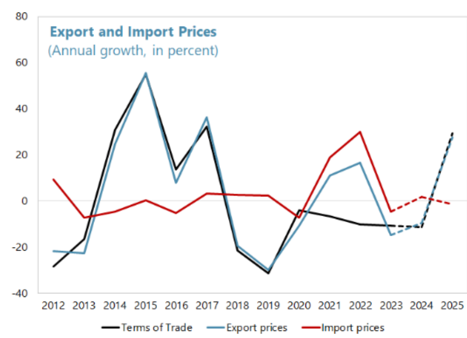
Trade balance improved in 2023, however it still accumulated a large deficit…



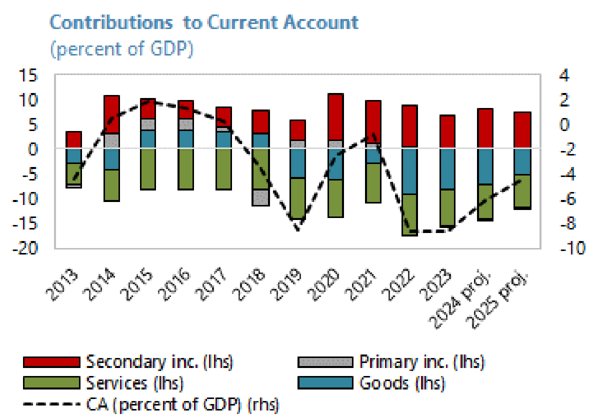
…due to continued high imports of fuel, food and equipment for infrastructure projects, and lower exports of cashew nuts.



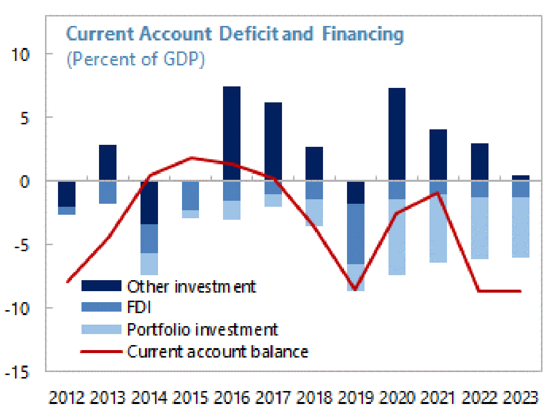
Terms of trade are expected to improve in the medium term with the recovery of the cashew nut prices…



…and current account balance is expected to improve with higher cashew net exports and remittances.



External financing needs were mainly covered by regional market issuances and ECF disbursements.

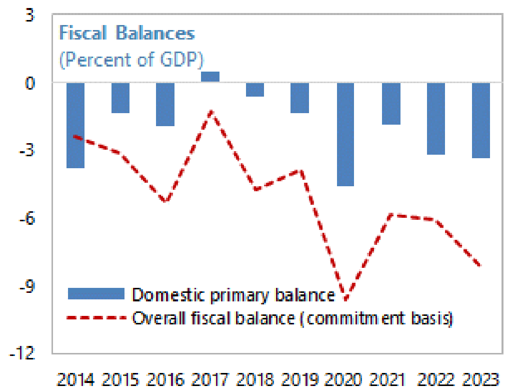


At the WAEMU level, international reserves declined sharply in 2023 and reached 3.2 months of imports.

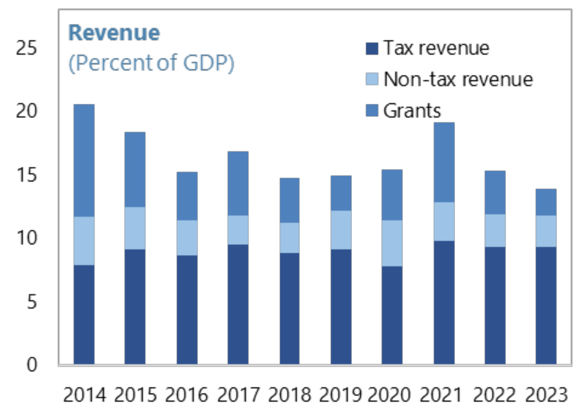
Sources: Guinea-Bissau authorities; BCEAO; and IMF staff calculations.

Figure 3. Guinea-Bissau: Fiscal Developments

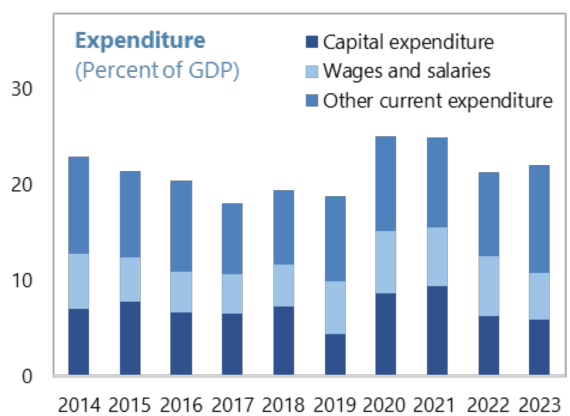
Fiscal deficits in 2023 were widened from 2022…



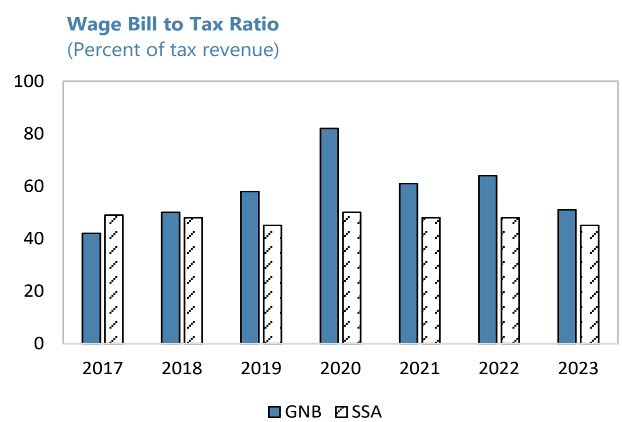
…due to lower-than-expected revenue…



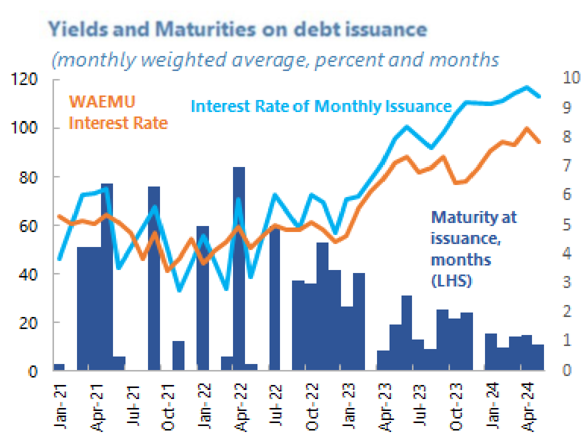
… and overrun of discretionary expenditures…



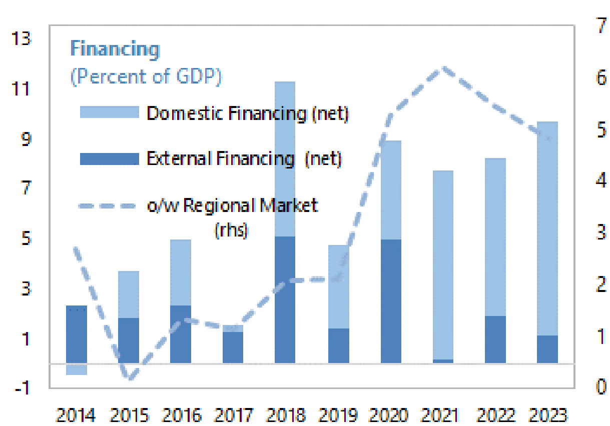
…although the wage bill was reduced by 10.6 percent in the nominal terms.



Tightening of regional financial conditions increased interest rates and reduced maturities of Treasury securities…



…while financing continued to rely on expensive domestic financing in 2023, mainly regional market and local banks.



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

Table 1. Guinea-Bissau: Selected Economic and Financial Indicators, 2021–29

	2021	2022	2023 4th/5th Reviews	2023 Prel.	2024 4th/5th Reviews	2024 Proj.	2025	2026	2027	2028	2029
									Proj.		
	(Annual percent change, unless otherwise indicated)										
National accounts and prices											
Real GDP at market prices	6.2	4.6	4.3	5.2	5.0	5.0	5.0	5.0	5.0	4.5	4.5
Real GDP per capita	3.9	2.3	2.1	3.0	2.8	2.8	2.9	2.9	2.9	2.4	2.5
GDP deflator	2.7	7.3	7.9	7.9	4.0	4.0	2.8	2.8	2.8	2.8	2.8
Consumer price index (annual average)	3.3	7.9	7.2	7.2	4.2	4.2	2.0	2.0	2.0	2.0	2.0
External sector											
Exports, f.o.b. (CFA francs)	35.1	-8.1	-5.7	-5.9	0.7	-0.3	30.1	4.1	5.1	4.9	4.6
Imports, f.o.b. (CFA francs)	9.7	28.2	-2.7	-2.6	-1.6	-1.5	8.7	3.7	5.8	4.8	5.6
Terms of trade (deterioration = -)	-6.4	-10.1	-10.3	-10.6	-10.3	-11.1	29.6	2.0	2.6	1.8	2.0
Real effective exchange rate (depreciation = -)	1.3	-2.1	5.8	5.8	...	...	...	...	...	...	...
Exchange rate (CFAF per US$; average)	554.2	622.4	606.5	606.5	...	...	...	...	...	...	...
Government finances											
Revenue excluding grants	22.7	3.4	11.8	11.8	11.5	9.5	13.1	11.2	9.9	8.4	7.7
Expenditure	8.9	-4.5	16.8	16.8	-1.3	-2.3	2.1	8.3	9.6	7.8	7.9
Current expenditure	3.5	8.0	21.6	21.6	-5.4	-5.4	-4.9	9.0	8.5	6.8	7.1
Capital expenditure	19.3	-25.0	5.3	5.3	9.9	6.0	19.2	7.0	11.6	9.5	9.4
Money and credit											
Domestic credit	17.2	26.5	9.4	8.2	12.0	10.9	7.9	5.3	5.0	5.4	5.3
Credit to the government (net)	55.3	32.8	28.7	27.7	7.9	7.9	1.6	-4.6	-5.1	-4.7	-5.0
Credit to the economy	5.0	23.5	-0.5	-1.8	14.7	12.9	11.9	11.1	10.0	9.6	9.2
Net domestic assets	19.6	52.5	7.7	7.2	15.1	13.6	9.6	6.4	6.0	6.3	6.2
Broad money (M2)	20.9	3.5	-1.1	-1.1	8.4	8.0	6.2	6.3	6.3	7.4	4.7
	(Percent of GDP, unless otherwise indicated)										
Investments and savings											
Gross investment	18.3	18.1	17.3	17.2	18.0	17.7	18.8	19.4	20.2	21.1	22.0
Of which: government investment	6.4	4.3	4.0	4.0	4.0	3.8	4.2	4.2	4.4	4.4	4.5
Gross domestic savings	7.6	0.4	1.7	2.0	4.1	4.1	7.3	8.5	9.5	10.8	11.9
Of which: government savings	-5.5	-4.6	-6.3	-6.2	-2.8	-2.9	-1.7	-1.7	-1.6	-1.5	-1.5
Gross national savings	17.5	9.4	8.8	8.6	11.9	11.6	14.4	15.2	16.1	17.1	18.0
Government finances											
Revenue excluding grants	12.8	11.8	11.8	11.6	12.0	11.7	12.2	12.6	12.8	13.0	13.0
Domestic primary expenditure	14.7	15.0	15.2	15.0	13.2	12.8	11.5	11.8	11.9	12.1	12.1
Domestic primary balance	-1.9	-3.2	-3.4	-3.4	-1.2	-1.2	0.7	0.8	0.9	0.9	0.9
Overall balance (commitment basis)											
Including grants	-5.9	-6.1	-8.2	-8.2	-3.8	-3.8	-3.0	-3.0	-3.0	-3.0	-3.0
Excluding grants	-12.2	-9.5	-10.4	-10.3	-8.0	-7.9	-6.3	-6.0	-6.0	-6.0	-6.0
External current account	-0.8	-8.6	-8.6	-8.7	-6.1	-6.1	-4.4	-4.2	-4.1	-4.0	-4.0
Excluding official current transfers	-3.4	-11.0	-10.0	-9.9	-9.0	-9.0	-6.5	-6.0	-6.0	-5.8	-5.8
Stock of public and publicly guaranteed debt[1]	79.0	80.8	80.2	79.4	77.2	77.1	74.5	72.1	69.8	67.9	66.2
Of which: external debt	40.4	39.1	35.8	35.5	33.3	33.4	31.6	29.3	27.2	25.4	23.9
Memorandum items:											
Nominal GDP at market prices (CFAF billions)	954.5	1071.3	1203.9	1216.1	1314.6	1327.9	1433.4	1547.2	1670.0	1794.0	1927.3
WAEMU gross official reserves (billions of US$)	24.5	25.2	26.1	26.1	...	...	...	...	...	...	...
(percent of broad money)	30.2	30.6	32.6	32.6	...	...	...	...	...	...	...

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

[1] Coverage expanded to include legacy arrears.

Table 2a. Guinea-Bissau: Balance of Payments, 2021–29
(CFAF billions)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
			4th/5th Reviews	Prel.	4th/5th Reviews	Proj.	Proj.				
Current Account Balance	-7.8	-92.5	-102.9	-105.3	-80.0	-81.0	-62.8	-64.7	-68.9	-71.7	-77.3
Goods and services	-101.6	-185.9	-186.0	-186.0	-184.7	-186.0	-167.4	-173.1	-182.7	-190.5	-201.7
Goods	-27.7	-96.0	-98.0	-98.6	-93.3	-95.4	-73.1	-75.0	-80.8	-84.4	-91.3
Exports, f.o.b	166.3	152.8	144.1	143.8	145.1	143.4	186.6	194.2	204.0	214.1	223.9
Of which: cashew nuts	154.4	138.6	126.3	128.8	125.6	127.0	168.9	175.1	183.4	192.0	199.7
Imports, f.o.b.	-194.0	-248.8	-242.1	-242.4	-238.3	-238.8	-259.6	-269.2	-284.8	-298.5	-315.1
Of which: food products	-57.6	-71.6	-66.5	-67.3	-70.9	-71.9	-76.5	-81.9	-86.2	-91.0	-94.2
petroleum products	-36.1	-52.5	-54.1	-54.1	-54.8	-57.4	-56.8	-57.0	-56.8	-56.2	-58.7
Services	-73.9	-89.9	-88.0	-87.4	-91.5	-90.6	-94.3	-98.1	-101.9	-106.1	-110.5
Credit	19.4	21.8	22.0	27.2	24.0	29.7	32.1	34.6	37.4	40.1	43.1
Debit	-93.3	-111.7	-110.0	-114.6	-115.5	-120.3	-126.3	-132.7	-139.3	-146.3	-153.6
Incomes	9.4	5.2	-1.9	-1.9	-4.2	-4.3	-0.6	0.9	0.8	1.4	1.6
Credit	17.3	20.8	21.9	21.9	21.8	21.9	23.2	24.8	26.5	27.9	29.2
Of which: EU fishing compensation	8.9	8.9	11.5	11.5	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Other license fees	4.9	6.6	4.3	4.3	5.3	5.3	6.2	7.6	8.9	10.0	10.8
Debit	-7.9	-15.6	-23.8	-23.8	-26.0	-26.2	-23.8	-24.0	-25.6	-26.5	-27.6
Of which: government interest	-10.6	-7.5	-15.6	-15.6	-17.7	-17.7	-16.9	-18.5	-20.7	-22.1	-23.6
Current transfers (net)	84.4	88.2	84.9	82.6	109.0	109.3	105.2	107.5	113.0	117.4	122.8
Official	24.9	25.6	17.1	14.7	38.9	38.9	30.1	28.3	31.0	32.6	35.1
Private	59.5	62.6	67.9	67.9	70.0	70.4	75.0	79.3	82.0	84.8	87.7
Of which: remittances	56.7	59.5	64.6	64.6	66.7	67.0	71.5	75.6	78.3	80.9	83.7
Capital account	34.7	12.8	10.9	13.3	18.2	18.2	19.4	20.8	22.7	24.3	26.4
Of which: official transfers	33.6	10.8	8.5	10.8	15.7	15.7	16.8	18.1	19.9	21.4	23.4
Financial account	-21.8	-32.9	-67.0	-67.5	-45.3	-48.1	-39.4	-49.5	-54.3	-62.9	-59.9
FDI	-9.8	-13.2	-15.0	-15.0	-10.4	-10.4	-11.2	-12.1	-13.1	-14.0	-15.1
Other investment	-12.0	-19.7	-52.0	-52.5	-35.0	-37.8	-28.2	-37.4	-41.2	-48.8	-44.9
Official medium- and long-term disbursements	-26.5	-23.8	-26.8	-26.8	-15.4	-15.4	-22.9	-20.5	-23.0	-24.2	-25.7
Programs	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects	-26.4	-23.8	-26.8	-26.8	-15.4	-15.4	-22.9	-20.5	-23.0	-24.2	-25.7
Amortization	25.5	3.8	13.6	13.6	19.5	19.6	19.1	16.8	19.4	19.6	18.5
Treasury bills (regional financing)	-59.3	-58.1	-58.7	-58.7	-54.6	-57.4	-39.4	-48.6	-52.7	-54.3	-56.1
Commercial bank net foreign assets	5.9	-12.8	-7.4	-6.4	20.0	20.0	10.0	10.0	10.0	10.0	0.0
Other net foreign assets	42.4	71.1	27.4	25.9	-4.5	-4.5	5.0	5.0	5.0	0.0	18.5
Errors and Omissions	2.3	-3.7	9.1	8.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	51.0	-50.4	-15.9	-15.9	-16.5	-14.7	-4.0	5.6	8.2	15.4	9.1
Financing	-51.0	50.4	15.9	15.9	16.5	14.7	4.0	-5.6	-8.2	-15.4	-9.1
Net foreign assets excluding IMF (increase -)	-62.2	53.5	8.3	8.3	6.0	4.3	-0.9	-2.1	-4.3	-12.5	-6.0
IMF purchases	11.2	0.0	10.7	10.7	13.7	13.7	7.7	0.0	0.0	0.0	0.0
IMF repurchases	-1.6	-3.1	-3.1	-3.1	-3.3	-3.3	-2.8	-3.5	-3.8	-3.0	-3.1
Grant for debt relief under the IMF CCRT	1.6	0.0	0.0	0.0	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	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	0.0
Memorandum items:											
Cashew export quantity (thousands of tons)	234	183	181	181	220	220	229	233	238	244	249
Cashew export prices (US$ per ton)	1,154	1,200	1,050	1,050	950	950	1,210	1,228	1,259	1,284	1,310
Import volume of goods (annual percentage change)	-5.8	-2.6	2.6	3.1	-0.3	-2.2	9.5	4.3	5.6	4.6	5.5
Oil prices (international, US$ per barrel)	69.2	96.4	80.6	80.6	77.7	81.3	76.4	72.9	70.4	68.6	...
Scheduled debt service											
Percent of exports and service credits	18.2	5.0	12.7	12.3	12.1	11.9	10.6	11.5	10.7	9.8	9.8
Percent of total government revenue	27.7	6.8	14.9	14.9	14.5	14.8	12.5	12.9	11.7	10.4	10.4
Current account balance (percent of GDP)	-0.8	-8.6	-8.6	-8.7	-6.1	-6.1	-4.4	-4.2	-4.1	-4.0	-4.0
Official transfers (percent of GDP)	6.1	3.4	2.1	2.1	4.2	4.1	3.3	3.0	3.0	3.0	3.0
WAEMU gross official reserves (billions of US$)	24.5	25.2	26.1	26.1	...	...	...	...	...	...	...
(percent of broad money)	30.2	30.6	32.6	32.6	...	...	...	...	...	...	...

Sources: BCEAO; and IMF staff estimates and projections.

Table 2b. Guinea-Bissau: Balance of Payments, 2021–29
(Percent of GDP)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
			4th/5th Reviews	Prel.	4th/5th Reviews	Proj.			Proj.		
Current Account Balance											
Including all official transfers	-0.8	-8.6	-8.6	-8.7	-6.1	-6.1	-4.4	-4.2	-4.1	-4.0	-4.0
Excluding official transfers	-3.4	-11.0	-10.0	-9.9	-9.0	-9.0	-6.5	-6.0	-6.0	-5.8	-5.8
Goods and services	-10.6	-17.3	-15.4	-15.3	-14.1	-14.0	-11.7	-11.2	-10.9	-10.6	-10.5
Goods	-2.9	-9.0	-8.1	-8.1	-7.1	-7.2	-5.1	-4.8	-4.8	-4.7	-4.7
Exports, f.o.b	17.4	14.3	12.0	11.8	11.0	10.8	13.0	12.6	12.2	11.9	11.6
Of which: cashew nuts	16.2	12.9	10.5	10.6	9.6	9.6	11.8	11.3	11.0	10.7	10.4
Imports, f.o.b.	-20.3	-23.2	-20.1	-19.9	-18.1	-18.0	-18.1	-17.4	-17.1	-16.6	-16.4
Of which: food products	-6.0	-6.7	-5.5	-5.5	-5.4	-5.4	-5.3	-5.3	-5.2	-5.1	-4.9
petroleum products	-3.8	-4.9	-4.5	-4.4	-4.2	-4.3	-4.0	-3.7	-3.4	-3.1	-3.0
Services (net)	-7.7	-8.4	-7.3	-7.2	-7.0	-6.8	-6.6	-6.3	-6.1	-5.9	-5.7
Credit	2.0	2.0	1.8	2.2	1.8	2.2	2.2	2.2	2.2	2.2	2.2
Debit	-9.8	-10.4	-9.1	-9.4	-8.8	-9.1	-8.8	-8.6	-8.3	-8.2	-8.0
Incomes (net)	1.0	0.5	-0.2	-0.2	-0.3	-0.3	0.0	0.1	0.0	0.1	0.1
Credit	1.8	1.9	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.6	1.5
EU fishing compensation	0.9	0.8	1.0	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5
Other license fees	0.6	0.7	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.6
Debit	-0.8	-1.5	-2.0	-2.0	-2.0	-2.0	-1.7	-1.5	-1.5	-1.5	-1.4
Of which: external interest	-1.1	-0.7	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2
Current transfers (net)	8.8	8.2	7.1	6.8	8.3	8.2	7.3	7.0	6.8	6.5	6.4
Official	2.6	2.4	1.4	1.2	3.0	2.9	2.1	1.8	1.9	1.8	1.8
Private	6.2	5.8	5.6	5.6	5.3	5.3	5.2	5.1	4.9	4.7	4.5
Of which: remittances	5.9	5.6	5.4	5.3	5.1	5.0	5.0	4.9	4.7	4.5	4.3
Capital account	3.6	1.2	0.9	1.1	1.4	1.4	1.4	1.3	1.4	1.4	1.4
Financial account	-2.3	-3.1	-5.6	-5.6	-3.4	-3.6	-2.7	-3.2	-3.3	-3.5	-3.1
FDI	-1.0	-1.2	-1.2	-1.2	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Other investment	-1.3	-1.8	-4.3	-4.3	-2.7	-2.8	-2.0	-2.4	-2.5	-2.7	-2.3
Official medium- and long-term disbursements	-2.8	-2.2	-2.2	-2.2	-1.2	-1.2	-1.6	-1.3	-1.4	-1.3	-1.3
Amortization	2.7	0.4	1.1	1.1	1.5	1.5	1.3	1.1	1.2	1.1	1.0
Treasury bills and regional financing	-6.2	-5.4	-4.9	-4.8	-4.2	-4.3	-2.7	-3.1	-3.2	-3.0	-2.9
Commercial bank net foreign assets	0.6	-1.2	-0.6	-0.5	1.5	1.5	0.7	0.6	0.6	0.6	0.0
Other net foreign assets	4.4	6.6	2.3	2.1	-0.3	-0.3	0.3	0.3	0.3	0.0	1.0
Errors and Omissions	0.2	-0.3	0.8	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	5.3	-4.7	-1.3	-1.3	-1.3	-1.1	-0.3	0.4	0.5	0.9	0.5
Financing	-5.3	4.7	1.3	1.3	1.3	1.1	0.3	-0.4	-0.5	-0.9	-0.5
Net foreign assets excluding IMF (increase -)	-6.3	4.7	0.7	0.7	0.5	0.3	-0.1	-0.1	-0.3	-0.7	-0.3
IMF purchases	1.2	0.0	0.9	0.9	1.0	1.0	0.5	0.0	0.0	0.0	0.0
IMF repurchases	-0.2	0.0	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Grant for debt relief under the IMF CCRT	0.2	0.0	0.0	0.0	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	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	0.0
Memorandum items:											
Cashew export quantity (thousands of tons)	234	183	181	181	220.0	220	229	233	238	244	249
Cashew export prices (US$ per ton)	1,154	1,200	1,050	1,050	950	950	1,210	1,228	1,259	1,284	1,310
Import volume of goods (annual percentage change)	-5.8	-2.6	2.6	3.1	-0.3	-2.2	9.5	4.3	5.6	4.6	5.5
Oil prices (international, US$ per barrel)	69.2	96.4	80.6	80.6	77.7	81.3	76.4	72.9	70.4	68.6	…
Scheduled debt service											
Percent of exports and service credits	18.2	5.0	12.7	12.3	12.1	11.9	10.6	11.5	10.7	9.8	9.8
Percent of total government revenue	27.7	6.8	14.9	14.9	14.5	14.8	12.5	12.9	11.7	10.4	10.4
Current account balance (percent of GDP)	-0.8	-8.6	-8.6	-8.7	-6.1	-6.1	-4.4	-4.2	-4.1	-4.0	-4.0
Official transfers (percent of GDP)	6.1	3.4	2.1	2.1	4.2	4.1	3.3	3.0	3.0	3.0	3.0
WAEMU gross official reserves (billions of US$)	24.5	25.2	26.1	26.1	…	…	…	…	…	…	…
(percent of broad money)	30.2	30.6	32.6	32.6	…	…	…	…	…	…	…

Sources: BCEAO; and IMF staff estimates and projections.

Table 2c. Guinea-Bissau: Financing Needs and Sources, 2021–29
(CFAF billions)

	2021	2022	2023		2024		2025	2026	2027	2028	2029
			4th/5th Reviews	Prel.	4th/5th Reviews	Proj.			Proj.		
Financing requirements	**-122.0**	**-71.4**	**-128.4**	**-128.4**	**-135.7**	**-138.6**	**-115.7**	**-115.3**	**-127.5**	**-139.4**	**-140.0**
Current account deficit excl. official transfers	-32.7	-118.1	-120.0	-120.0	-118.9	-120.0	-92.9	-93.0	-99.9	-104.3	-112.4
Public debt amortization	-25.5	-3.8	-13.6	-13.6	-19.5	-19.6	-19.1	-16.8	-19.4	-19.6	-18.5
Changes in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in official reserves	-62.2	53.5	8.3	8.3	6.0	4.3	-0.9	-2.1	-4.3	-12.5	-6.0
IMF repurchases	-1.6	-3.1	-3.1	-3.1	-3.3	-3.3	-2.8	-3.5	-3.8	-3.0	-3.1
Available financing	**108.2**	**64.9**	**117.0**	**117.0**	**106.6**	**109.5**	**103.0**	**114.2**	**126.3**	**138.9**	**140.0**
Project grants	57.5	29.8	24.9	24.9	39.2	39.2	41.9	45.2	49.8	53.5	58.6
Net foreing direct investment	9.8	13.2	15.0	15.0	10.4	10.4	11.2	12.1	13.1	14.0	15.1
Treasury bills (regional financing)	59.3	58.1	58.7	58.7	54.6	57.4	39.4	48.6	52.7	54.3	56.1
Official creditors	26.5	23.8	26.8	26.8	15.4	15.4	22.9	20.5	23.0	24.2	25.7
Other net flows[1]	-44.8	-60.0	-8.4	-8.5	-13.0	-13.0	-12.4	-12.3	-12.2	-7.1	-15.5
Financing needs	**13.8**	**6.6**	**11.4**	**11.4**	**29.1**	**29.2**	**12.7**	**1.2**	**1.2**	**0.5**	**0.0**
CCRT	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget support grants	1.0	6.6	0.7	0.7	15.4	15.4	5.0	1.2	1.2	0.5	0.0
o/w Multilateral grants	0.0	0.0	0.0	0.0	3.7	3.7	3.8	0.0	0.0	0.5	0.0
IMF disbursements	11.2	0.0	10.7	10.7	13.7	13.7	7.7	0.0	0.0	0.0	0.0
o/w ECF program	0.0	0.0	10.7	10.7	13.7	13.7	7.7	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	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, 2021–29
(CFAF billions)

	2021	2022	2023		2024		2025		2026	2027	2028	2029
			4th/5th Reviews	Current Rev.	4th/5th Reviews	Current Rev.	4th/5th Reviews	Current Rev.	Proj.			
Revenue and grants	182.5	163.0	167.1	167.1	212.5	209.7	225.1	222.3	241.4	265.3	286.4	308.9
Tax revenue	93.5	99.7	111.3	111.3	123.2	123.2	142.0	142.0	159.3	176.2	191.9	207.7
Nontax revenue	28.9	27.0	30.3	30.3	34.7	31.9	36.2	33.4	35.7	38.2	40.5	42.6
Grants[1]	60.1	36.4	25.5	25.5	54.6	54.6	46.9	46.9	46.4	50.9	54.0	58.6
Budget support	1.0	6.6	0.7	0.7	15.4	15.4	5.0	5.0	1.2	1.2	0.5	0.0
Project grants	57.5	29.8	24.9	24.9	39.2	39.2	41.9	41.9	45.2	49.8	53.5	58.6
Expenditure	238.7	227.9	266.2	266.2	262.8	260.0	268.2	265.4	287.5	315.0	339.4	366.3
Expense	148.4	160.2	194.9	194.9	184.4	184.4	178.1	175.3	191.1	207.4	221.6	237.4
Wages and salaries[2]	58.2	66.3	59.2	59.2	61.0	61.0	63.5	63.5	69.7	75.4	80.8	86.8
Goods and services[2]	28.7	27.7	27.5	27.5	26.2	26.2	25.7	25.7	27.7	30.1	32.1	34.2
Transfers[3]	25.9	23.0	30.3	30.3	30.2	27.4	24.9	21.8	23.9	25.8	27.3	29.2
Interest	15.3	14.6	31.9	31.9	34.8	34.8	35.4	35.7	38.8	42.8	45.5	48.6
Other	20.2	28.7	45.8	45.8	32.2	35.0	28.6	28.6	30.9	33.3	35.8	38.6
Net acquisition of nonfinancial assets	90.3	67.7	71.3	71.3	78.4	75.6	90.1	90.1	96.4	107.6	117.8	128.9
Domestically financed	7.1	15.2	19.6	19.6	23.8	21.0	25.3	25.3	30.6	34.8	40.2	44.6
Foreign financed (including BOAD)	83.1	52.5	51.7	51.7	54.6	54.6	64.8	64.8	65.7	72.7	77.7	84.3
Overall balance, including grants (commitment)	-56.1	-64.9	-99.1	-99.1	-50.3	-50.3	-43.1	-43.1	-46.1	-49.7	-53.1	-57.4
Overall balance, excluding grants (commitment)	-116.2	-101.3	-124.6	-124.6	-104.9	-104.9	-90.0	-90.0	-92.5	-100.6	-107.0	-116.0
Change in arrears	-9.1	0.2	-6.8	-6.8	-10.0	-10.0	-2.2	-2.2	0.0	0.0	0.0	0.0
Domestic payment arrears[3]	-8.2	0.2	-6.8	-6.8	-10.0	-10.0	-2.2	-2.2	0.0	0.0	0.0	0.0
Accumulation current year	2.0	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment previous years (-)	-10.2	-6.7	-6.8	-6.8	-10.0	-10.0	-2.2	-2.2	0.0	0.0	0.0	0.0
(o/w) Legacy Arrears	0.0	0.0	0.0	0.0	-10.0	-10.0	-2.2	-2.2	0.0	0.0	0.0	0.0
Net external arrears	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net BOAD interest arrears	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancy	-8.5	-23.0	-11.8	-11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash)	-73.5	-87.7	-117.8	-117.8	-60.3	-60.3	-45.4	-45.3	-46.1	-49.7	-53.1	-57.4
Financing[4]	73.5	87.7	117.8	117.8	60.3	60.3	45.4	45.3	46.1	49.7	53.1	57.4
Net acquisition of financial assets (- = build up)	9.8	-1.3	-1.2	-1.2	0.0	-2.8	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	10.6	-0.1	-1.2	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCEAO	-4.1	1.1	3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local commercial banks	14.7	-1.3	-4.1	-4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other[5]	-0.8	-1.2	0.0	0.0	0.0	-2.8	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	62.7	69.1	105.7	105.7	64.4	67.3	41.4	41.5	42.4	46.1	48.5	50.2
BCEAO credit	30.7	-3.6	7.1	7.1	9.9	9.9	2.1	2.1	-6.2	-6.6	-5.8	-5.9
(o/w) IMF	9.6	-3.1	7.6	7.6	10.4	10.4	4.9	4.9	-3.5	-3.8	-3.0	-3.1
Other domestic (net)	32.0	72.7	98.6	98.6	54.6	57.4	39.3	39.4	48.6	52.7	54.3	56.1
Local commercial banks	-27.2	14.6	39.8	39.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional commercial banks	59.3	58.1	58.7	58.7	54.6	57.4	39.3	39.4	48.6	52.7	54.3	56.1
Foreign financing (net)	1.0	20.0	13.3	13.3	-4.1	-4.2	3.9	3.8	3.8	3.5	4.6	7.2
Disbursements	26.5	23.8	26.8	26.8	15.4	15.4	22.9	22.9	20.5	23.0	24.2	25.7
Projects	26.4	23.8	26.8	26.8	15.4	15.4	22.9	22.9	20.5	23.0	24.2	25.7
Programs	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-25.5	-3.8	-13.6	-13.6	-19.5	-19.6	-19.0	-19.1	-16.8	-19.4	-19.6	-18.5
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:												
Domestic primary balance (commitment)[6]	-17.8	-34.2	-41.0	-41.0	-15.5	-15.5	10.3	10.5	12.1	15.0	16.2	16.9

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

[1] Includes capital grants from CCRT

[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, excluding debt service payments.

[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; in 2024 BOAD capital increase.

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

Table 3b. Guinea-Bissau: Consolidated Operations of the Central Government, 2021–29

(Percent of GDP)

	2021	2022	2023		2024		2025		2026	2027	2028	2029
			4th/5th Reviews	Current Rev.	4th/5th Reviews	Current Rev.	4th/5th Reviews	Current Rev.	Proj.			
Revenue and grants	19.1	15.2	13.9	13.7	16.2	15.8	15.9	15.5	15.6	15.9	16.0	16.0
Tax revenue	9.8	9.3	9.2	9.2	9.4	9.3	10.0	9.9	10.3	10.6	10.7	10.8
Nontax revenue	3.0	2.5	2.5	2.5	2.6	2.4	2.5	2.3	2.3	2.3	2.3	2.2
Grants[1]	6.3	3.4	2.1	2.1	4.2	4.1	3.3	3.3	3.0	3.0	3.0	3.0
Budget support	0.1	0.6	0.1	0.1	1.2	1.2	0.4	0.3	0.1	0.1	0.0	0.0
Project grants	6.0	2.8	2.1	2.0	3.0	3.0	3.0	2.9	2.9	3.0	3.0	3.0
Expenditure	25.0	21.3	22.1	21.9	20.0	19.6	18.9	18.5	18.6	18.9	18.9	19.0
Expense	15.5	15.0	16.2	16.0	14.0	13.9	12.6	12.2	12.4	12.4	12.4	12.3
Wages and salaries[2]	6.1	6.2	4.9	4.9	4.6	4.6	4.5	4.4	4.5	4.5	4.5	4.5
Goods and services[2]	3.0	2.6	2.3	2.3	2.0	2.0	1.8	1.8	1.8	1.8	1.8	1.8
Transfers[3]	2.7	2.1	2.5	2.5	2.3	2.1	1.8	1.5	1.5	1.5	1.5	1.5
Interest	1.6	1.4	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.6	2.5	2.5
Other	2.1	2.7	3.8	3.8	2.5	2.6	2.0	2.0	2.0	2.0	2.0	2.0
Net acquisition of nonfinancial assets	9.5	6.3	5.9	5.9	6.0	5.7	6.3	6.3	6.2	6.4	6.6	6.7
Domestically financed	0.7	1.4	1.6	1.6	1.8	1.6	1.8	1.8	2.0	2.1	2.2	2.3
Foreign financed (including BOAD)	8.7	4.9	4.3	4.3	4.2	4.1	4.6	4.5	4.2	4.4	4.3	4.4
Overall balance, including grants (commitment)	-5.9	-6.1	-8.2	-8.2	-3.8	-3.8	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance, excluding grants (commitment)	-12.2	-9.5	-10.4	-10.3	-8.0	-7.9	-6.3	-6.3	-6.0	-6.0	-6.0	-6.0
Change in arrears	-1.0	0.0	-0.6	-0.6	-0.8	-0.8	-0.2	-0.2	0.0	0.0	0.0	0.0
Domestic payment arrears[3]	-0.9	0.0	-0.6	-0.6	-0.8	-0.8	-0.2	-0.2	0.0	0.0	0.0	0.0
Accumulation current year	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment previous years (-)	-1.1	-0.6	-0.6	-0.6	-0.8	-0.8	-0.2	-0.2	0.0	0.0	0.0	0.0
(o/w) Legacy Arrears	0.0	0.0	0.0	0.0	-0.8	-0.8	-0.2	-0.2	0.0	0.0	0.0	0.0
Net external arrears	-0.1	0.0	0.0	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	0.0
Float and statistical discrepancy	-0.9	-2.1	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash)	-7.7	-8.2	-9.8	-9.7	-4.6	-4.5	-3.2	-3.2	-3.0	-3.0	-3.0	-3.0
Financing[4]	7.7	8.2	9.8	9.7	4.6	4.5	3.2	3.2	3.0	3.0	3.0	3.0
Net acquisition of financial assets (- = build up)	1.0	-0.1	-0.1	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	1.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCEAO	-0.4	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local commercial banks	1.5	-0.1	-0.3	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other[5]	-0.1	-0.1	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing	6.6	6.4	8.8	8.7	4.9	5.1	2.9	2.9	2.7	2.8	2.7	2.6
BCEAO credit	3.2	-0.3	0.6	0.6	0.7	0.7	0.1	0.1	-0.4	-0.4	-0.3	-0.3
(o/w) IMF	1.0	-0.3	0.6	0.6	0.8	0.8	0.3	0.3	-0.2	-0.2	-0.2	-0.2
Other domestic (net)	3.4	6.8	8.2	8.1	4.2	4.3	2.8	2.7	3.1	3.2	3.0	2.9
Local commercial banks	-2.9	1.4	3.3	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional commercial banks	6.2	5.4	4.9	4.8	4.2	4.3	2.8	2.7	3.1	3.2	3.0	2.9
Foreign financing (net)	0.1	1.9	1.1	1.1	-0.3	-0.3	0.3	0.3	0.2	0.2	0.3	0.4
Disbursements	2.8	2.2	2.2	2.2	1.2	1.2	1.6	1.6	1.3	1.4	1.3	1.3
Projects	2.8	2.2	2.2	2.2	1.2	1.2	1.6	1.6	1.3	1.4	1.3	1.3
Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-2.7	-0.4	-1.1	-1.1	-1.5	-1.5	-1.3	-1.3	-1.1	-1.2	-1.1	-1.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:												
Domestic primary balance (commitment)[6]	-1.9	-3.2	-3.4	-3.4	-1.2	-1.2	0.7	0.7	0.8	0.9	0.9	0.9

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

[1] Includes capital grants from CCRT

[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, excluding debt service payments.

[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; in 2024 BOAD capital increase.

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

Table 4. Guinea-Bissau: Monetary Survey, 2021–29[1]

	2021	2022	2023		2024		2025	2026	2027	2028	2029
			4th/5th Reviews	Current Rev.	4th/5th Reviews	Current Rev.			Proj.		
					(CFAF billions)						
Net foreign assets	329.9	266.7	243.3	244.4	246.9	249.7	255.7	271.3	289.4	314.9	323.9
Central Bank of West African States (BCEAO)	216.7	166.3	150.4	150.4	133.9	135.7	131.7	137.3	145.4	160.9	169.9
Commercial banks	113.2	100.4	92.9	94.0	112.9	114.0	124.0	134.0	144.0	154.0	154.0
Net domestic assets	152.7	232.9	250.8	249.6	288.6	283.6	310.8	330.7	350.4	372.5	395.7
Credit to the government (net)	73.4	97.4	125.4	124.5	135.2	134.3	136.5	130.2	123.6	117.9	111.9
BCEAO	66.8	64.8	75.0	75.0	84.8	84.8	87.0	80.7	74.1	68.4	62.5
Deposits (-)	5.5	5.8	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Credit	72.3	70.6	78.3	78.3	88.1	88.1	90.3	84.0	77.4	71.7	65.7
Commercial banks	6.6	32.6	50.4	49.5	50.4	49.5	49.5	49.5	49.5	49.5	49.5
Deposits (-)	25.4	23.5	15.8	16.8	15.8	16.8	16.8	16.8	16.8	16.8	16.8
Credit	32.0	56.1	66.2	66.2	66.2	66.2	66.2	66.2	66.2	66.2	66.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	154.4	190.8	189.8	187.3	217.8	211.4	236.5	262.7	288.9	316.8	345.9
Other items (net)	-75.1	-55.3	-64.4	-62.1	-64.4	-62.1	-62.1	-62.1	-62.1	-62.1	-62.1
Money supply (M2)	482.7	499.6	494.1	494.0	535.5	533.3	566.6	602.0	639.9	687.4	719.7
Currency outside banks	305.2	298.0	287.7	287.6	311.8	310.5	329.9	350.5	372.6	400.2	419.0
Bank deposits	177.4	201.6	206.4	206.4	223.7	222.8	236.7	251.5	267.3	287.1	300.6
Base money (M0)	350.4	324.1	311.1	311.1	337.2	335.9	356.8	379.1	403.0	432.9	453.2
					(Change in percent of beginning-of-period broad money)						
Contribution to the growth of broad money (M2)											
Net foreign assets	14.6	-13.1	-4.7	-4.5	0.7	1.1	1.1	2.7	3.0	4.0	1.3
BCEAO	13.2	-10.5	-3.2	-3.2	-3.3	-3.0	-0.8	1.0	1.4	2.4	1.3
Commercial banks	1.5	-2.7	-1.5	-1.3	4.0	4.0	1.9	1.8	1.7	1.6	0.0
Net domestic assets	6.3	16.6	3.6	3.3	7.7	6.9	5.1	3.5	3.3	3.5	3.4
Credit to the central government	6.5	5.0	5.6	5.4	2.0	2.0	0.4	-1.1	-1.1	-0.9	-0.9
Credit to the economy	1.8	7.5	-0.2	-0.7	5.7	4.9	4.7	4.6	4.4	4.4	4.2
Other items (net)	-2.1	4.1	-1.8	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Broad money (M2, annual percentage change)	20.9	3.5	-1.1	-1.1	8.4	8.0	6.2	6.3	6.3	7.4	4.7
Base money (M0, annual percentage change)	27.6	-7.5	-4.0	-4.0	8.4	8.0	6.2	6.3	6.3	7.4	4.7
Credit to the economy (annual percentage change)	5.0	23.5	-0.5	-1.8	14.7	12.9	11.9	11.1	10.0	9.6	9.2
Velocity (GDP/M2)	2.0	2.1	2.4	2.5	2.5	2.5	2.5	2.6	2.6	2.6	2.7
Money multiplier (M2/M0)	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6

Sources: BCEAO; and IMF staff estimates and projections.

[1] End of period.

Table 5. Guinea-Bissau: Selected Financial Soundness Indicators, 2019–23[1]

	2019	2020	2021	2022	2023	Excluding undercapitalized bank			
						2020 Dec	2021 Dec	2022 Dec	2023 Jun
Capital Adequacy									
Capital to risk-weighted assets	-2.0	-3.6	-1.4	-4.0	-17.3	25.6	25.5	26.6	24.9
Tier 1 capital to risk weighted assets	-2.0	-3.6	-1.4	-4.0	-17.3	25.6	25.5	26.6	24.9
Provisions to risk-weighted assets	26.0	20.4	20.3	9.9	7.4	2.3	8.0	4.3	8.1
Capital to total assets	-0.7	-1.3	-0.5	-1.3	-5.8	12.8	7.2	12.1	5.6
Asset Composition and Quality									
Total loans to total assets	46.7	40.4	38.1	45.5	48.4	36.5	36.8	45.5	47.1
Concentration: loans to 5 largest borrowers to capital	-748.5	-379.3	-2344.0	-273.5	-221.9	...	216.5	...	...
Sectoral distribution of loans									
Agriculture and fishing	0.5	0.8	1.4	1.5	2.0	...	0.8	1.5	2.0
Extractive industries	0.0	1.2	1.1	0.8	0.5	...	0.0	0.8	0.8
Manufacturing	0.7	15.7	14.8	15.4	6.0	...	18.1	15.4	14.4
Electricity, water and gas	0.7	10.5	10.7	4.9	12.2	...	0.0	4.9	7.4
Construction	1.7	7.7	8.1	3.2	8.3	...	8.4	3.2	1.4
Retail and wholesale trade, restaurants and hotels	29.4	25.2	24.1	40.5	35.7	...	54.0	40.5	29.7
Transportation and communication	1.1	7.1	7.4	7.1	9.4	...	7.0	7.1	10.5
Insurance, real state and business services	8.2	1.1	1.1	1.0	2.3	...	0.7	1.0	1.2
Other services	57.8	30.7	31.5	25.6	23.6	...	10.9	25.6	32.8
Gross NPLs to total loans	25.4	21.8	19.4	10.4	13.9	10.3	9.0	5.9	9.4
General provisions to gross NPLs	65.3	68.8	80.8	61.6	35.0	35.2	64.1	71.4	50.4
Net NPLs to total loans	10.6	8.0	4.4	4.3	9.5	2.1	3.4	1.7	4.6
Net NPLs to capital	-680.0	-257.0	-333.9	-154.5	-79.9	16.7	17.5	6.5	8.5
Earnings and profitability									
Average cost of borrowed funds	0.9	1.9	1.3	1.6	2.3	...	1.3	1.6	...
Average interest rate on loans	9.7	9.4	7.4	9.3	11.0	...	7.4	9.3	...
Average interest margin[1]	8.8	7.5	6.1	7.7	8.7	...	6.1	7.7	...
After-tax return on average assets (ROA)	4.2	0.5	0.7	1.7	1.7	1.8	1.5	1.7	...
After-tax return on average equity (ROE)	77.2	6.5	8.7	21.3	16.4	13.8	11.2	21.3	...
Non-interest expenses to net banking income	75.5	71.0	67.3	69.2	68.0	...	61.6	69.2	...
Personnel expenses to net banking income	32.1	32.0	29.2	29.9	30.2	...	26.7	29.9	...
Liquidity									
Liquid assets to total assets	18.9	17.3	18.0	24.9	24.0	...	20.1	24.9	24.9
Liquid assets to total deposits	35.9	30.4	31.3	46.7	41.4	...	44.4	46.7	44.3
Total loans to total deposits	106.5	83.6	78.9	91.0	87.8	92.5	86.0	92.7	88.5
Total deposits to total liabilities	52.6	56.9	57.3	53.4	58.0	39.4	45.3	47.3	56.2

Source: BCEAO.

[1] Excluding tax on banking operations.

Table 6. Guinea-Bissau: Indicators of Capacity to Repay the Fund, 2024–35

	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	4.12	3.41	4.26	4.66	3.62	6.11	6.73	5.31	3.89	3.41	0.62	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
Fund obligations based on existing and prospective credit												
Principal	4.12	3.41	4.26	4.66	3.62	6.11	9.38	9.37	7.95	7.48	4.68	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
Total obligations based on existing and prospective credit												
SDR millions	4.12	3.41	4.26	4.66	3.62	6.11	9.38	9.37	7.95	7.48	4.68	1.42
CFAF billions	3.32	2.76	3.46	3.80	2.96	5.01	7.68	7.68	6.51	6.13	3.84	1.16
Percent government revenue	2.14	1.57	1.78	1.77	1.28	2.00	2.94	2.73	2.15	1.89	1.11	0.31
Percent exports of goods and services	1.92	1.26	1.51	1.58	1.17	1.88	2.77	2.64	2.12	1.90	1.14	0.33
Percent debt service	11.31	10.62	14.26	13.71	10.91	19.23	28.37	28.00	24.70	22.86	14.01	4.51
Percent GDP	0.25	0.19	0.22	0.23	0.17	0.26	0.39	0.36	0.29	0.26	0.15	0.04
Percent quota	14.50	12.00	15.00	16.40	12.74	21.52	33.01	33.00	28.00	26.33	16.48	4.99
Outstanding Fund credit												
SDR millions	52.88	58.92	54.66	50.00	46.39	40.28	30.90	21.53	13.58	6.10	1.42	0.00
CFAF billions	42.60	47.72	44.45	40.82	38.00	33.00	25.32	17.64	11.12	5.00	1.16	0.00
Percent government revenue	27.48	27.20	22.80	19.04	16.35	13.18	9.68	6.27	3.67	1.54	0.33	0.00
Percent exports of goods and services	24.61	21.83	19.43	16.91	14.95	12.36	9.13	6.07	3.63	1.55	0.34	0.00
Percent debt service	145.19	183.67	182.95	147.13	139.93	126.71	93.52	64.31	42.17	18.64	4.24	0.00
Percent GDP	3.21	3.33	2.87	2.44	2.12	1.71	1.28	0.84	0.49	0.21	0.05	0.00
Percent quota	186.19	207.46	192.46	176.07	163.33	141.81	108.80	75.80	47.80	21.47	4.99	0.00
Net use of Fund credit	12.92	6.07	-4.26	-4.66	-3.62	-6.11	-9.38	-9.37	-7.95	-7.48	-4.68	-1.42
Disbursements	17.04	9.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments and repurchases	4.12	3.41	4.26	4.66	3.62	6.11	9.38	9.37	7.95	7.48	4.68	1.42
	(CFAF billions, unless otherwise indicated)											
Memorandum items:												
Nominal GDP	1,327.9	1,433.4	1,547.2	1,670.0	1,794.0	1,927.3	1,979.0	2,109.5	2,248.5	2,385.2	2,530.2	2,684.0
Exports of goods and services	173.1	218.6	228.8	241.4	254.2	267.0	277.3	290.7	306.7	321.6	337.3	353.7
Government revenue	155.1	175.4	195.0	214.4	232.4	250.3	261.4	281.4	303.1	325.0	346.9	373.8
External debt service	29.3	26.0	24.3	27.7	27.2	26.0	27.1	27.4	26.4	26.8	27.4	25.8
CFAF/SDR (period average)	805.7	809.8	813.3	816.4	819.3	819.3	819.3	819.3	819.3	819.3	819.3	819.3
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

Source: IMF staff estimates and projections.

Table 7. Guinea-Bissau: Public Debt Holder Profile, 2023–25[1]

	Debt Stock (end of period)			Debt Service					
	2023			2023	2024	2025	2023	2024	2025
	(In US$ million)	*(Percent of total debt)*	*(Percent of GDP)* [5]	*(In US$ million)*			*(Percent of GDP)*		
Total	1,604.3	100.0	79.4	216.7	265.3	144.0	10.8	12.1	6.1
External	717.3	44.7	35.5	34.8	48.3	42.4	1.7	2.2	1.8
Multilateral creditors[2]	585.4	36.5	29.0	31.2	44.0	38.3	1.6	2.0	1.6
IMF	53.3	3.3	2.6						
World Bank	215.9	13.5	10.7						
AfDB	57.4	3.6	2.8						
BOAD	204.4	12.7	10.1						
Other Multilaterals	54.4	3.4	2.7						
o/w: Islamic Development Bank	23.6	1.5	1.2						
BADEA	9.2	0.6	0.5						
Bilateral Creditors	131.9	8.2	6.5	3.6	4.3	4.1	0.2	0.2	0.2
Paris Club	9.3	0.6	0.5	0.5	1.3	1.4	0.0	0.1	0.1
o/w: Brazil	1.9	0.1	0.1						
Russia	1.5	0.1	0.1						
Non-Paris Club	122.6	7.6	6.1	3.1	3.0	2.7	0.2	0.1	0.1
o/w: Angola	49.1	3.1	2.4						
Kuwait	28.9	1.8	1.4						
EximBank India	22.1	1.4	1.1						
Saudi Fund	15.6	1.0	0.8						
Libya	4.6	0.3	0.2						
Pakistan	2.2	0.1	0.1						
Domestic	887.0	55.3	43.9	181.8	217.0	101.6	9.1	9.9	4.3
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	534.1	33.3	26.4	128.6	190.8	84.6	6.4	8.7	3.6
BCEAO	215.1	13.4	10.6	1.2	1.2	4.8	0.1	0.1	0.2
Loans local commercial banks[3]	117.5	7.3	5.8	40.7	8.5	8.5	2.0	0.4	0.4
Payment Arrears	20.3	1.3	1.0	11.3	16.5	3.6	0.6	0.8	0.2
Memo items:									
Collateralized debt[4]	0	0.0	0.0						
Contingent liabilities	31.2	1.9	1.5						
Public guarantees	31.2	1.9	1.5						
Nominal GDP	2,005.1			2,005.1	2,184.7	2,349.9			

1/ As reported by the 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: 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	6.16	21.7	Observance of the performance criteria for June 30, 2023 and completion of the third review under the arrangement.
January 17, 2024	6.16	21.7	Observance of the performance criteria for September 30, 2023 and completion of the fourth review under the arrangement.
April 17, 2024	0.01	0.0	Observance of the performance criteria for December 31, 2023 and completion of the fifth review under the arrangement.
August 17, 2024	5.44	19.2	Observance of the performance criteria for April 30, 2024 and completion of the sixth review under the arrangement.
October 17, 2024	5.43	19.2	Observance of the performance criteria for June 30, 2024 and completion of the seventh review under the arrangement.
April 17, 2025	4.73	16.7	Observance of the performance criteria for December 31, 2024 and completion of the eighth review under the arrangement.
October 17, 2025	4.72	16.7	Observance of the performance criteria for June 30, 2025 and completion of the nineth review under the arrangement.
Total Disbursements	**39.76**	**140.0**	

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 or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows. **Deepening geo-economic fragmentation.** Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	**High**	**High / ST** • The economy would be hit hard by disruptions in the supply chain and business in general. • Increase in inflation, food insecurity and poverty. • Additional pressure on public expenditure and tax exemptions, which jeopardize fiscal consolidation strategy and sustainability. • 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. • Prioritize and target public spending towards the most vulnerable people. • Review and reprioritize tax exemptions for programs with higher economic and social impact. Mobilize additional grants and concessional loans from development partners to cover more persistent external needs.
Abrupt global slowdown. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs. • **Europe:** Intensifying fallout from Russia's war in Ukraine, supply disruptions, tight financial conditions, and real estate market corrections exacerbate economic downturn. • **China:** Sharper-than-expected contraction in the property sector weighs on private demand, further amplifies local government fiscal strains, and results in disinflationary pressures and adverse macro-financial feedback loops. • **US:** Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction.	**Medium**	**High / ST** • Volatility in cashew nut prices and demand. • Balance of payments imbalances generated by the worsening conditions of the current or financial accounts. • Higher debt financing costs. • Reduced fiscal space and need for additional fiscal consolidation efforts	• Review and reprioritize public spending towards programs with higher economic and social impact. • Create fiscal space to tackle financial vulnerabilities • 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

(continued)

Nature/Sources of Risk	Relative Likelihood	Expected Impact If Realized / Time Horizon	Policies to Mitigate Risks
		External Risks	
Monetary policy miscalibration. Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction.	**Medium**	**High / ST** • Increase in inflation, food insecurity and poverty. • Social unrest • Financial and monetary aggregates volatility	• Adjust fiscal policy to anchor expectations of economic agents. • Prioritize and target public spending towards the most vulnerable people. • Monitor macro-financial risks.
Commodity price volatility. Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction.	**High**	**High / ST** • Deterioration of fiscal position • Increase in inflation, food insecurity and poverty. • Social unrest • Delayed fiscal adjustment and structural reforms	• Create fiscal space through wage bill control, spending review and tax mobilization. • Prioritize and target public spending towards the most vulnerable people. Encourage diversification of the economy
Sovereign debt distress. Domino effects from high global interest rates, a growth slowdown in Aes, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, and loss of market access.	**Medium**	**High / ST** • Deterioration of fiscal position. • Increase debt rollover costs and risks. • Worsening government financing conditions. • Increase fragilities in the financial sector.	• Reduce fiscal deficit and indebtedness. • Create fiscal space through wage bill control, spending review and tax mobilization. • Mobilize additional budget support from donors. • Rationalize public spending while protecting the most vulnerable people. • Strengthen prudential regulations on the Financial Sector.
Cyberthreats. Cyberattacks on physical or digital infrastructure and service providers (including digital currency and crypto assets) or misuse of AI technologies trigger financial and economic instability.	**Medium**	**Medium / ST, MT** • Impact on public services that rely on digital infrastructure.	• Create contingent plans for cyberattacks • Assess the risk and impact of cyberattacks on public services.

likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks 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	Relative Likelihood	Expected Impact If Realized / Time Horizon	Policies to Mitigate Risks
Domestic Risks			
Further adverse cashew nut price movements. A weaker than projected price recovery of the dominant export product would hamper economic recovery.	Medium	**High / ST** • Private sector incomes come under pressure, denting economic activity. • Government revenues further diminish, leaving less room for priority spending. • Balance of payments problems generated by the worsening of the current account.	• Control public expenses to compensate for lower revenues. • Step up diversification efforts.
Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), worsening inequality, and disputed elections cause social unrest and detrimental populist policies. This exacerbates imbalances, slows growth, and leads to policy uncertainty and market repricing.	Medium	**High / ST, MT** • Delayed fiscal adjustment. • Political instability • Limited financing inflows and investment projects delays. • Supply disruptions and weaker confidence.	• Prioritize and target public spending towards the most vulnerable people. • Create fiscal space through wage bill control, spending review and tax mobilization. • Mobilize additional grants and concessional loans from development partners to cover more persistent external needs.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Medium	**High / MT** • Limited credit extension hampers investment and growth. • Potential contingent liabilities adding to fiscal pressures.	• Enhance banking supervision and enforce prudential regulations. • Improve processes and procedures for collection of debts and collateral. • 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** • Limited and expensive electricity and water supply. • Potential contingent liabilities adding to fiscal pressures.	• Implement credible strategy to improve management of public enterprises. • Improve governance, transparency and accountability.

Nature/Sources of Risk Relative	Relative Likelihood	Expected Impact If Realized / Time Horizon	Policies to Mitigate Risks
Domestic Risks			
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**Medium**	**High / ST, MT** • Harm cashew production, thereby worsening the livelihoods of people in rural areas and exacerbating extreme poverty and inequalities. • Higher recovery spending, higher financing costs, and lower revenues. • Supply disruptions and weaker confidence.	• Diversify the economy. • Address infrastructure gaps and income/developmental disparities among regions, while instituting appropriate social safety nets. • Promote investment in climate resilient infrastructure.

Annex II. Completed, Ongoing, and Proposed Structural Benchmarks

The following table shows completed, ongoing, and proposed SBs.

Annex II. Table 1. Guinea-Bissau: Completed, Ongoing, and Proposed Structural Benchmark

Reform Area	Structural benchmarks	Due date	Status
PFM	Conduct regular in-year (quarterly) reconciliations between the personnel and the payroll records.	March 2023	Met
	Issue a ministerial order on the revised composition of the Treasury Committee including the active participation of the Ministry of Fisheries.	March 2023	Met
	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.	September 2023	Met
	Issue a joint order of the MoEF and MoPA to set out the terms of reference of the new census of public workers, prepared in accordance with IMF staff advice	December 2023	Completed in March 2024
	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	December 2023	Met
	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	December 2023	Met
	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. Reprogrammed from June 2023	March 2024	Met
	Publish in the MoEF website a report that includes (i) economic and administrative classifications of all "other common expenditure" and (ii) explanations of largest expenditures made for force majeure, sovereign, and similar purposes	March 2024	Met
	Execute expenditure from the TSA, starting with the wage bill	September 2024	
	Conclude public contracts for all purchase of four food items (rice, cooking oil, meat, fish) and fuel and obtain the MoF's approval Reprogrammed from March 2024	March 2025	
	Revise processes and forecasting methodologies enhancing the forecasting of cash flows.	June 2025	
Revenue	Approve by Council of Ministers and submit to Parliament the revised law on the general exemption regime	December 2023	Met
	Issue a ministerial order to require payments of all fees on cashew exports to be centralized at the Treasury and DGCI	June 2024	Met
	Undertake evaluation of DGCI's managers based on performance indicators and quantitative targets	June 2024	Met
	Prepare a report with an action plan to enhancing transparency and efficiency in the fiscal regime for management of natural resources	June 2024	Met
	Publish an Invitation to Apply for the 5G licensing process	August 2024	
	Undertake tax audits of 25 large taxpayers selected on a risks basis and focusing on divergence of amounts of IGV paid at customs and included in tax returns	September 2024	Met
	Undertake an audit of telecom operators based on difference in the data submitted to the DGCI and ARN	September 2024	
	Inspector-General of Finance should assess legality and justifications of tax exemptions given to the largest beneficiaries consistent with domestic and regional legislation	September 2024	Met
	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.	December 2024	
	Operationalize the Sydonia World	June 2025	Proposed
	Approve by Council of Ministers and submit to Parliament the revised income tax and stamp duties bills.	June 2025	

Annex II. Table 1. Guinea-Bissau: Completed, Ongoing, and Proposed Structural Benchmarks (concluded)

Reform Area	Structural benchmarks	Due date	Status
SOE	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.	March 2023	Met
	Complete installation of 10,000 pre-paid meters to largest residential clients that use post-paid meters	June 2023	Met
	Submit to the Prime Minister and publish a report that (i) calibrates negative economic and financial impact of delay in the Ring Line Project, (ii) presents the testing and inspection results of the Antula-Central line, and (iii) recommends remedial works that the contractor should undertake	September 2024	
	Complete and publish an audit of EAGB's power purchase agreement and its amendments	September 2024	
	Prepare and publish an annual report on SOEs' performance, starting with the most relevant SOEs.	December 2024	
	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).	December 2024	Met
	Complete installation of additional 35,000 pre-paid meters to residential clients, install a software to monitor manipulation of meters, and issue an order of Prime Minister to eliminate electricity tariff exemptions of employees of the Ministry of Energy and EAGB and require the prior authorization of the Prime Minister when ordering EAGB to stop tariff enforcement, provide tariff exemptions, and employ a specific person.	June 2025	Proposed
Governance	Issue guidance to facilitate implementation of the 2022 decree regarding beneficial ownership (BO) information of entities awarded public contracts.	March 2023	Met
	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.	March 2023	Met
	Resubmit to parliament the Law reforming the Asset Declaration Regime after elections.	September 2023	Completed in October 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, existing as of December 2023	December 2023	Completed in March 2024
	Create a website of the CAJ which includes a database of fundamental legislation and information for raising legal literacy and awareness	March 2024	Met
	Publish a register of concession contracts submitted to the DGCP, including detailed information on contracts' durations, concessionaires' rights, obligations and beneficial ownership, and tax and other benefits provided by the government.	December 2024	
	Include in the company's register maintained by the Center for Formalization of Enterprises beneficial ownership information of legal entities created after the introduction of the electronic register.	June 2025	Proposed

Annex III. Developing Register of State Property

1. The management of government nonfinancial assets is a crucial, yet often overlooked, area of the governance reforms. As mentioned in October 2018 *Fiscal Monitor*, there is considerable scope for better management of government nonfinancial assets. Bova et. Al. (2013) discusses that proper management of government nonfinancial assets entails a potential source for future revenues, through not only privatization proceeds but also collection of rent and user charges. However, there is significant difficulty in accounting and managing government nonfinancial assets, which include a large number of buildings and lands spread across a country. High economic value and weak oversight make government nonfinancial assets very vulnerable to abuse and corruption. As emphasized in IMF *Fiscal Transparency Handbook*, comprehensive records of nonfinancial assets comprise a crucial component of fiscal transparency.

2. The Guinea-Bissau authorities are accelerating the use of digitalization technologies to develop the first-of-its-kind register of State property. As referred to in IMF *Government Finance Statistics Manual 2014*, establishing an asset register is a fundamental step to recognize and evaluate nonfinancial assets. In Guinea-Bissau, the existing register captures only assets in Bissau City and the lack of a nation-wide asset register has been a major bottleneck to State property management. Under the leadership of the Minister of Finance, the National Secretary for State Property (SNPE) has launched an intensive stock-taking exercise where teams of inventory-takers go on a quest for State property all over the country. The nation-wide asset register is expected to be completed by December 2024. To complete ambitious tasks just in a few months, the SNPE has harnessed benefits from the following digitalization technologies:

- **Developing the online asset management system**: Previously, the SNPE had no computer system for property management. The asset register was kept in several excel sheets and paper binders, which created major confusions. Staff of the SNPE constructed the online asset management system just in one month where all details of assets discovered during the inventory-taking are recorded and from which reports are generated automatically.

- **Using GPS devices for measurement of lands**: The Guinea-Bissau government owns large areas of productive lands, such as farms, schools, parking lots, and residential plots. However, as mentioned in IMF (2020), the cadaster is very incomplete, and no map or survey information is available for most of these lands. The inventory-taking teams are equipped with hand-held GPS devices to measure areas of lands and create their maps very quickly with reasonable accuracy.

References

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Annex IV. Fiscal and Governance Reforms

1. This Annex explains priorities of fiscal and governance reforms. These intend to complement the policies and reforms included in the program documents and SBs and take into account the findings from the 2020 Governance Diagnostic Assessment.

2. Revenue administration and tax policy. The authorities aim to strengthen tax and customs administration based on the 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 by June 2025 and other actions specific to the implementation of the new VAT law. The current action plans will be updated shortly with FAD CD support. The authorities are also taking efforts to overhaul the tax framework, with FAD CD support. The electronic tax filing and payment system (Kontaktu) was completed with FAD CD support during the SMP. For the customs reforms, the priorities include (i) publishing a normative act from the DGA, based on the RGIT (general regime for tax infractions); regulating the application of sanctions to infractions detected during customs clearance, and in post clearance control, as well as the appeal procedures by September 2024; (ii) performing post-clearance control of the end-use of exempt products, of at least 20 imports in 2023, of at least one operation per type of existing exemption (fuels, investment code, vehicles, diplomatic reliefs, etc.) by December 2024; and (iii) developing an initial and continuing training program for DGD and BAF customs officers, which takes into account the various existing functions and required skills by December 2024.

3. Public Financial Management. For improved fiscal risk management, the SOE Monitoring Unit was established, and the first SOE report was published in 2023. For the public investment management, the Ministries of Economy and Finance currently have limited roles in the planning, selection, and monitoring of major investment projects. The authorities should develop the strong roles of the central agencies in assessing project feasibility and affordability and preventing cost overruns and implementation delays, to maximize efficiency in public investments within the very limited fiscal space.

4. AML/CFT effectiveness. 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. The authorities have operationalized the Inter-ministerial Committee to coordinate implementation of recommendations of MER and the 2020 National Risk Assessment (NRA). The authorities should also accelerate implementation of the following priority actions: (i) updating the NRA based on MER recommendations; (iii) publishing the national AML/CFT policy and finalizing the action plan to address findings of MER and NAR by September 2024; and (iii) preparing the legal framework for designating CENTIF as the AML/CFT supervisor for designated non-financial businesses and professions (DNFBPs) by December 2024.

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.

Appendix I. Letter of Intent

Bissau, July 22, 2024

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

Dear Ms. Georgieva,

Guinea-Bissau continues to face a very challenging economic context. Persistent high inflation of international prices of rice, the main staple food of the country, has been putting strong pressure on the cost of living, especially on the most vulnerable. Weak recovery of international prices of cashew nuts is likely to result in decline of export prices from 2023. Continued tightening of regional financial conditions has been shooting up borrowing costs of the government with interest rates of the one-year Treasury securities, increasing from about 3.6 percent in 2022, to around 10 percent. The domestic socio-political environment also remains very challenging. Since the December 2023 political crisis, heightened social tensions have been posing risks to the internal security, which are likely to be elevated ahead of the upcoming legislative election in November 2024.

Despite these challenges, the government has maintained political and economic stability, both essential for economic growth. The new government, appointed in December 2023, includes members from all major parties and has built consensus on critical reforms across the political spectrum. We have made good progress in the electoral census, which is the key to hold the next legislative election planned in late 2024. Economic stability of Guinea-Bissau hinges on successful export campaign of cashew nuts, which is a main source of income for the rural population. We have strengthened national security and border control for the cashew nut producers to undertake cashew exports without the distorting effects of smuggling. In 2024, cashew nut exports from the port of Bissau began two months earlier than last year. Our efforts to reduce losses from smuggling have also improved producer prices. Despite relatively weak international markets, we are expecting recovery of the cashew export volume, which will have positive impact on growth as well as on socio-political stability.

In terms of IMF program performance, we have restored the strong program commitments. Under the leadership of Prime Minister Rui Barros, we took strong corrective actions to address policy slippages created by the previous government. These included measures that required difficult decisions, such as suspension of rice subsidies and reversal of tax cuts of fuels which were very popular but unsustainable policies. With these measures, we have met seven out of nine Quantitative Performance Criteria (QPC) for April 2024. For the missed QPC on external arrears, we have implemented a corrective action, which will prevent recurrence of debt service payment arrears and improve quality and timeliness of debt reporting. The breach of the QPC on social priority spending is due to delayed external grants, which are likely to materialize in the coming months. On this basis, we request a waiver for non-observance of the missed QPCs.

We are determined to maintain the reform momentum buttressing fiscal consolidation and strengthening governance through the speedy implementation of structural benchmarks (SBs), which stagnated under the previous government. Since the combined fourth and fifth reviews, we met five SBs ahead of the agreed deadlines, demonstrating our strong commitment to the IMF supported program. Our near-term reforms focus on achieving fiscal consolidation targets, taking measures to improve domestic revenue mobilization and strengthen expenditure controls. We will also bolster measures for mitigating fiscal risks from the public utility company, which continues to be our high priority. The new government has reinvigorated the fight against corruption and is committed to making progress in governance reforms even in absence of Parliament. Guinea-Bissau's government firmly believes that staying on track with the IMF supported program will catalyze additional budget support including those pledged but not materialized in 2023 because of limited engagement by the previous government.

The government believes that the policies outlined in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the program objectives. We stand ready to take additional measures when necessary. The government will consult with the IMF before making any revision of the policies contained in the MEFP. We will provide timely information for monitoring economic development and policy implementation, as agreed under the attached Technical Memorandum of Understanding, or upon the IMF's request.

We hereby request the completion of the sixth review under the ECF arrangement and the financing assurances review, and the disbursement of SDR 5.44 million. We 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

Recent Development and Program Performance

A. Introduction

1. Implementing policies and reforms committed under the Extended Credit Facility (ECF) supported program will advance inclusive growth and poverty reduction. Our objectives and policies for growth and poverty reduction are described in the National Development Plan (PND). The existing PND was approved in 2020 and has been extended until the middle of 2025. Preparation of the next PND will begin after the legislative election planned in the last quarter of 2024. Policies and reforms under the ECF-supported program are consistent with the objectives of the PND. The engagement through the ECF-supported program has been essential to build a reform momentum and catalyze highly concessional financing for meeting the long-waited development needs and fostering macroeconomic stability and sustainable growth.

B. Economic Development and Outlook

2. Growth for 2023 was increased from previous projections. The government revised the growth estimate from 4.2 percent to 5.2 percent driven by larger investments in the energy sector and higher artisanal fishing production. Inflation reached 7.2 percent, primarily due to rising fuel and food import prices. The current account deficit increased marginally to 8.7 percent of GDP with the decline of cashew prices and higher imported rice prices. Financing was constrained by tightening of regional financing conditions, which sharply increased interest rates of Treasury securities and shortened their average maturities.

3. Growth is expected to be around 5 percent in 2024 and inflation should decline to about 4.2 percent. Based on progress in the export campaign of cashew nuts, the export prices are likely to decline from 2023, while a significant increase in the producer prices is likely to have positive impact on growth. The export volume is also expected to recover from 2023. The current account deficit is expected to be reduced to 6.0 percent of GDP. Inflation is projected to decline to 4.2 percent, though is still above the WAEMU converge criteria.

4. The outlook faces significant downside risks. Risks arise from tightening of regional financial conditions, terms-of-trade shocks, and adverse weather conditions. Moreover, a challenging political context could hinder fiscal consolidation efforts. The materialization of contingent liabilities in state-owned enterprises and the banking system would also increase fiscal costs. If these risks materialize, we will further rationalize expenditure and seek additional donor support, particularly budget support.

C. Program Performance

5. We met seven out of nine Quantitative Performance Criteria (QPC) for April 2024

(Table 1). Two Indicative Targets (IT) for April 2024 were also met. The QPC on external payment arrears was missed because of two delayed payments of external debt service that ran into arrears in January and May 2024. They were technical arrears caused by weaknesses in the payment process. The arrears in January were also affected by discontinuation of the Treasury Committee under the previous government. All arrears have been already paid. For this QPC, we are implementing corrective actions described below. The breach of the QPC on social priority spending is of temporary nature, caused mainly by delay in external project grants.

6. **We have met five structural benchmarks (SBs) since the combined fourth and fifth review.** We have met all three SBs for June 2024, one for September 2024, and one for December 2024. We are also accelerating implementation of other SBs, which are expected to be met ahead of the deadlines.

7. **We did not meet two continuous SBs.** The continuous SB on the Technical Committee of Arbitration of Budgetary Expenditure (COTADO) was not met. While the COTADO has been regularly meeting since January 2024, there were expenditures that were not authorized by the COTADO in March-May. The continuous SB on debt service payments was also not met. Although the Treasury Committee has been regularly meeting since February 2024, there were some external debt service payments that were made after the due dates, and two payments ran into arrears. For the missed continuous SBs, we are implementing corrective action and measures described below.

Economic and Financial Policies

D. Fiscal Policy and Reforms

Supporting Fiscal Consolidation

8. **We are on track to meet the fiscal consolidation targets for 2024.** Tax revenue until May was increased by 0.5 percent y-o-y despite carry-over effects of tax cuts introduced by the previous government. With an increase in tax reference prices of fuels in April, revenue of the Directorate-General of Customs (DGA) is projected to recover. Revenue of the Directorate-General of Taxes and Duties (DGCI) remains higher than that of the 2023 level. Nontax revenue is supported by the recent renewal of the EU fishing agreement, which increases the amount of European fishing compensation as well as license fees. The wage bill has been controlled within the QPC because we maintain the strict no new hiring policy. Between March and May 2024, there was relatively small overrun of discretionary spending (CFAF 1.5 billion), which has severely constrained an already-minimal spending space for the rest of the year. However, the domestic primary deficit remains within the QPC target and is expected to be reduced by 2.2 percent of GDP with respect to 2023 as agreed at the combined fourth and fifth reviews.

9. **We will accelerate domestic revenue mobilization through the following actions:**

- **Facilitating the operationalization of the cashew campaign.** We have been taking strong measures to support a successful campaign of cashew nut exports. We have strengthened the border controls by deploying the National Guard and the Armed Force and employing 321 fiscal inspectors, which have significantly reduced the smuggling with respect to 2023. To eliminate an onerous administrative process, we have centralized payments of various fees at the Treasury and introduced payments by mobile money. With these efforts, the logistical process has been progressing smoothly, and the exports began in May, two months earlier than last year. Producer prices also doubled from 2023. To tighten further the border control and secure the export volume, we will employ additional 70 fiscal inspectors as originally committed at the beginning of the campaign.

- **Auditing telecom operators.** The telecom operators are the largest taxpayers for the DGCI, paying a quarter of all inland tax revenue (excluding cashew related taxes). We will undertake an audit of telecom operators based on difference in the data submitted to the DGCI and the National Regulatory Authority (ARN) (existing SB, end-September 2024).

- **Operationalizing the Sydonia World.** The DGA's infrastructure and operations need to be revamped to strengthen the on-going customs administration reform. The Sydonia World is an essential system to streamline clearance and inspection processes and enhance their efficiency and accuracy. The platform accelerates the movement of goods across borders and improves trade flow and revenue collection. The integration with other systems in neighboring countries fosters coordination with their customs administrations. We are committed to operationalize the Sydonia World in DGA by June 2025 (**proposed SB, end-June 2025**), and will also acquire scanners for the Port of Bissau with support of development partners.

- **Streamlining tax exemptions.** We have undertaken the inspection of tax exemptions, which shows that removable exemptions are concentrated in a cement company. Because the tax exemption convention with the cement company will expire in July 2025, we will assess the need of renewing the convention, and whether we should significantly reduce the scope of exemptions with respect to the current convention.

- **Mobilizing 5G license fees.** We have been preparing for negotiation with the sole telecom operator which recently requested testing of high band frequencies for 5G technology. We will formally launch the 5G licensing process by publishing an Invitation to Apply by August 2024 (existing SB, end-August 2024). The first license is expected to be issued by the end December 2024.

- **Ongoing reforms.** To make possible public tenders of managerial positions of the DGCI, a redeployment plan will be prepared by the Minister of Finance to reallocate these existing unqualified managers to other positions outside the DGCI (existing SB, end-December 2024). We will submit to the new Parliament the revised income tax and stamp duties bills (existing SB, end-June 2025).

10. We will strengthen the approval of all expenditure by the COTADO. The COTADO has been meeting regularly since January 2024 and taking a central role in meeting the QPC on a domestic primary deficit. However, out of CFAF 1.5 billion of overrun of discretionary spending mentioned above, CFAF 0.9 billion of security spending and CFAF 0.6 billion of purchase of vehicles were not authorized by the COTADO. All expenditure must be authorized by the COTADO to minimize non-priority spending within an extremely small spending space. The Prime Minister as well as the President have been aware of the COTADO's importance. Complying with the Budget Law, which requires the prior authorization of the Prime Minister for acquisition of real estate and vehicles and major rehabilitation works, which have high risks of bypassing the COTADO's authorization, will create a safeguard against expenditure not authorized by the COTADO. Therefore, we will ensure that commitments of all expenditures, except for the wage and debt service, are approved by the COTADO and obtain the prior authorization of the Prime Minister as required under Article 17(1) of the Budget Law and the monthly report is sent to the President and Prime Minister (**proposed continuous SB**, replacing existing continuous SB).

11. We will maintain strict controls of the wage bill. For 2024, we will strictly adhere to the total freezing of new hiring except for limited hiring in the heath sector and maintain capping of salaries and streamlined advisor positions, which were reduced by 51 people in 2022. Based on the new terms of reference, which has been prepared with leadership of an independent entity (National Institute of Statistics —INE), we will complete the new census of public workers by end-December 2024, which is expected to generate savings to allow limited new hirings in social and priority sectors. To monitor attendance of employees, a biometric control system connected to the payroll system has been installed at the Ministry of Finance (MoF). The IMF-supported Blockchain project was completed and launched in March 2024.

Mitigating Debt Vulnerabilities

12. We will take strong corrective actions to prevent reemergence of external debt service arrears and improve timeliness and quality of debt data. The priority actions include the following (**proposed continuous SB**, replacing existing continuous SB):

- **Issuing payment instructions of all external debt services in a batch before the beginning of a month.** We incurred external debt service arrears mainly because payment instructions were often sent way after their due dates, close to the end of the 30 days period included in the definition of arrears. To ensure that payment instructions are sent before the due dates as required by the ministerial order issued as a prior action of the second review, the Treasury will issue to the BCEAO, ten days before the beginning of a month, a single batch of payment instructions for all external debt services that become due during the month. This will greatly simplify the payment and reporting process, reduce risks of communication and human errors, and improve the timeliness and quality of debt service reports. Furthermore, we will nominate a focal point of debt service payments at the Treasury and grant an access to the Debt Management System as a viewer so that the focal point can monitor the debt service schedule directly in the system. We also requested an IMF-supported long-term expert resident in Bissau to review all debt management processes and provide training to the MoF's staff.

- **Data reconciliation for Net Treasury Situation (PNT) reports.** We will continue to submit to the Treasury Committee a monthly PNT report that includes breakdowns to each loan contract and bank account and calculates discrepancies of the fiscal balance between above and below the lines. With the support of IMF, we have made progress in improving our capacity for data reconciliation, but there remains substantial room for improvements to fiscal and financial data collection, recording and sharing, and consistency checks between data of the Directorate-General of Debt and the Treasury. We expect that the long-term resident expert mentioned above would help developing capacity for debt reporting.

13. We have taken strong measures to meet the IT on disbursements of external project loans. While we met the IT for April, there were several projects that have exceeded the budget limits of disbursements and spending. To meet the IT for December 2024, we have suspended under-executed and non-priority projects and revised the Public Investment Program accordingly. Without these suspensions, an overall deficit would be widened by 0.5 percent of GDP. This will support the fiscal consolidation path to converge the overall deficit and public debt to the WAEMU criteria (3 percent and 70 percent of GDP) by 2025 and 2027.

14. The government will reduce debt vulnerabilities through a sustained fiscal consolidation and prudent borrowing policy. In 2023, total public and external debt of Guinea-Bissau is estimated to be 79.4 percent and 35.5 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 45.6 percent in 2023. While the share of all multilateral creditors in total external public debt is relatively high (81.7 percent in 2023), past reliance on non-concessional borrowing from the BOAD, which is the largest holder of external public debt, has been be reduced significantly during the program. Through our commitments to the fiscal consolidation path and the zero ceiling on new non-concessional borrowing, total public debt and external debt will decline steadily to 66.2 percent and 23.9 percent of GDP, respectively, by 2029. We will address ongoing issues as follows:

- **The government is committed to clearing outstanding domestic arrears.** The government plans to clear the stock of domestic legacy arrears accumulated between 1974 and 1999 (CFAF 12.2 billion) in the medium-term.

- **The government remains committed to solving all legacy external arrears.** The outstanding legacy external arrears (US$ 5.7 million) include those to Brazil, Russia, and Pakistan. We reached an agreement with Russia to cancel the arrears (US$ 1.5 million). Negotiations with Brazil (US$ 1.9 million) are pending final approval from the Brazilian parliament. Since November 2021, we have been sending to Pakistan (US$2.2 million) requests to attempt resolving arrears.

- **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.

- **The government will improve 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.

Improving Public Financial Management

15. We will improve commitment controls and cash management. To reintroduce systemic commitment controls, we will require the approval by the MoF of public contracts for all purchase of four key food items (rice, cooking oil, meat, and fish) and fuel (existing SB, end-March 2025). To implement the Treasury Single Account (TSA), we will execute expenditure from the TSA, starting with the wage bill (existing SB, end-September 2024). To enhance cash management function, we will revise cash forecasting methodologies and processes (existing SB, end-June 2025).

16. We will continue to strengthen the public investment management. Strengthening monitoring of loan-financed projects is our key priority to prevent overrun of these projects' disbursements and ensure compliance with the IT. We will operationalize the ministerial order issued in 2023, which increases reporting frequency from quarterly to monthly for largest externally financed projects, and begin utilizing the online reporting system from Project Implementation Units developed with support of the IMF.

17. We will improve the budget execution of social priority spending. The IT on spending for targeted projects and activities aim to protect allocations of their domestic resources and complement the QPC on social priority spending. In the agricultural sector, this IT includes the following projects and activities:

- **Reactivating experimental farms:** We will provide minimum operating costs to the National Institute of Agricultural Research (INPA) and expand the experimental farms by 30 ha, which could provide subsistence farmers with seeds of food crops to feed 2,000 people for a year.

- **School feeding from domestic agricultural products:** With support of the World Food Program (WFP) and other partners, a school feeding project based on local agricultural products will improve farmers' income and access to education and children's health.

Mitigating Fiscal Risks

18. We will accelerate revenue mobilization of *Eletricidade e Águas da Guiné-Bissau* (EAGB) to mitigate fiscal risks urgently. In recent months, EAGB's monthly operating losses of around CFAF 0.7 billion have reemerged because of (i) an increase in Karpower's invoices due to increased capacity from 30 MW to 33 MW and higher fuel costs; (ii) beginning of payments to the OMVG regional hydropower project; and (iii) resumption of payments of a sales tax. To prevent reemergence of arrears owed to Karpower, EAGB will accelerate revenue mobilization through the following measures (**proposed SB, end-December 2024**, modifing the existing SB):

- **Installation of 35,000 pre-paid meters:** These meters are in a shipping process and expected to arrive at Bissau in August 2024. Because an onerous customs process, including payments of port fees, took several months to release meters from the port in 2023, we will exempt the meters from all fees and expedite their customs clearance to ensure that they will be released from the port within 24 hours after filing of a declaration. Some pre-paid meters installed in 2023 were reportedly manipulated by EAGB employees. Pre-paid meters already have functionality to send a signal when manipulated. We will install a software needed to receive such signal, so that manipulated meters can be replaced.

- **Curtailing the interference in EAGB by the Minister of Energy:** During the last months, the Minister of Energy has been issuing several ministerial orders to require EAGB to stop bill enforcement and provide free electricity to all employees of the Ministry of Energy and EAGB as well as requesting the hiring of specific individuals. To prevent these ministerial orders from increasing EAGB's losses, the Prime Minister will issue an order to eliminate tariff exemptions to employees of the Ministry of Energy and EAGB, and require his prior authorization when ordering EAGB to stop bill enforcement, provide bill exemptions, and employ specific individuals.

19. We will speed-up completion of the Ring Line Project. Financial viability of EAGB depends on diversification of sources of power from Karpower to the OMVG. While the Antula area of Bissau has been connected to the OMVG, the majority of Bissau is yet to be connected because of the absence of a functioning transmission line between the Antula and Central substations. The Ring Line Project financed by the AfDB has constructed a transmission line between Antula and Central but has severe deficiencies. The testing on March 25, 2024, failed due to short circuits in underground lines, which would need to be replaced with overhead lines. To speed up remedial works and complete the line as soon as possible, we will cancel the Ring Line Project as recommended by AfDB, so that we can replace the main contractor, who has been financially distressed and caused a large number of contractual violations, and initiate a penalty process. Meanwhile, to verify the quality of construction, we will submit to the Prime Minister and publish a report that (i) calibrates negative economic and financial impact of delay in the Ring Line Project; (ii) presents the testing and inspection results of the Antula-Central line; and (iii) recommends remedial works that the contractor should undertake (existing SB, end-September 2024). After this testing, we will undertake a financial and compliance audit of the Ring Line Project by an independent third-party auditor to verify any misconduct.

20. We will continue energy sector reforms. We will continue renegotiation with Karpower to bring the capacity down to what the country is actually using. The Audit Court is currently auditing EAGB and the power purchase contract and addenda (existing SB, end-September 2024). We will prepare a strategic plan to ensure financial viability of EAGB in the medium to long-term (existing SB, end-December 2024).

E. Governance Reforms

21. We will continue to strengthen public procurement transparency and external audits. The Directorate-General of Public Tenders (DGCP) has been publishing beneficial ownership information of all public contracts in its website. For COVID-19 spending, the report of the independent third-party audit of the High Commissioner for COVID-19 (AC) was published in the MoF's website in December 2022, and the audit report by the Audit Court of the AC was published in the website in November 2023. The Audit Court is finalizing the audit report of COVID-19 spending of other entities, which will be published in the mid-2024. The Audit Court is also making progress in audits of the irregular hiring process of public employees in 2021-22.

22. We will enhance the AML/CFT effectiveness. In the 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. To coordinate implementation of recommendations of MER and the 2020 National Risk Assessment (NRA), we have established the Inter-ministerial Committee. We will also (i) update the NRA based on MER recommendations; (ii) publish the national AML/CFT policy and finalize the action plan to address findings of MER and NAR by September 2024; and (iii) prepare the legal framework for designating CENTIF as the AML/CFT supervisor for designated non-financial businesses and professions (DNFBPs) by December 2024.

23. The government will strengthen the anti-corruption framework. The priority reforms include the following:

- **Disclosure of beneficial ownership information in the company's register:** Building on progress in public procurement reforms, we will expand beneficial ownership transparency to legal persons in general. We will include in the company's register maintained by the Center of Formalization of Enterprises (CFE) beneficial ownership information of legal entities included in the electronic register (called "platform") (**proposed SB, end-June 2025**). The CFE's platform, operationalized in 2020, includes data fields for beneficial owners, which however have not been filled yet. To gather beneficial ownership information and update the register, we will undertake the census of legal entities in Bissau, which will be led by the CFE and participated by the DGCI and the Ministry of Economy.

- **Transparency in concession contracts:** The DGCP has begun publishing beneficial ownership information of concession contracts. To improve transparency, we will publish a register of concession contracts submitted to the DGCP, including detailed information on contracts' durations, concessionaires' rights, obligations, and beneficial ownership, and tax and other benefits provided by the government (existing SB, end-December 2024).

- **Medium-term reforms:** After formation of new Parliament, we will submit a package of legislation to strengthen independence of the Supreme Court Judges and Prosecutor-General through the improved nomination process and strengthen the legal framework for asset recovery and cooperation in economic crime investigations. We will also implement the new asset declaration regime after new Parliament approves the new law, which was submitted in October 2023 but not approved yet when Parliament was dissolved in December 2023.

24. We will continue improving the rule of law. The government has established the Center for Access to Justice (CAJ), which has programs for supporting public access to the judicial system.

The government is planning to finalize the construction of buildings for the CAJ in Bubaque and Catio, the two remaining provinces that do not have the CAJ by the end 2024. We will also continue to provide financial resources to meet operational costs without delay. To improve access to CAJ, we will develop a mobile app that includes basic information on legal awareness and functionality to request services from CAJ. The justice sector in Guinea-Bissau is in dire financial conditions. Several regional courts have closed because of lack of rent payments or magistrates. To develop minimum infrastructure, we will construct three Houses of Justice which accommodate regional courts, Identity Services, and all other justice-related services.

25. We will accelerate reforms of the state property management. To complete the asset register, we have launched the nation-wide inventory-taking of State property with support of the IMF. During this exercise, we are taking an innovative approach to use a GPS device for delimiting lands and buildings of the State. This is expected to facilitate development of the cadaster, which is very incomplete outside the city of Bissau. We will continue our efforts to solve the problem of *casas avaliadas sem pagamentos*, government houses occupied by former public servants who continue to live in the houses without rental payments after the end of their terms. In June 2024, the Council of Ministers approved the new directive on use of government vehicles. To implement this directive, we will install GPS devices at selected government vehicles vulnerable to abuse after piloting at major ministries. The National Secretary of State Property (SNPE) has acquired the parking lot for confiscated vehicles. We will continue to invest in the SNPE's infrastructure to support its functionality.

F. Financial Sector Reforms

26. The undercapitalized bank's sales proposal was submitted to the regional banking commission. The bank's shareholder assembly took place on June 26, 2024 and approved the new investor's capitalization proposal. The dossier with the investor's purchase offer and capital increase proposal was submitted to the WAEMU regional banking commission which is expected to approve the operation within two months. Moreover, the government requested a third-party audit to assess the viability and solvency of the undercapitalized bank. The terms of reference for the audit are based on IMF staff advice, and the bank expects to receive the audit final report by September 2024. If the purchase offer ultimately does not materialize, the government remains committed to a new SB requiring the preparation of a viable recapitalization or resolution plan for the bank, to be implemented by the end of the program at the latest.

G. Statistics Reforms

27. The government is committed to implementing statistical reforms. We will help the INE speed up publication of the national accounts for 2019 and 2020. To strengthen the institutional capacity of the INE, we approved a decree enhancing the organizational structure and human and technological resources of the INE. We implemented the Enhanced General Data Dissemination System (e-GDDS) by launching the National Summary Data Page in June 2024. 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.

H. Program Monitoring

28. The program will be monitored through QPC, continuous performance criteria, and IT (Table 1) and structural benchmarks (Table 2). Assessment will be 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. The seventh review is expected to take place on or after October 17, 2024, based on end June 2024 targets; the eighth review is expected to take place on or after April 17, 2025, based on end December 2024 targets; and the ninth review is expected to take place on or after October 17, 2025, based on end June 2025 targets. The Technical Memorandum of Understanding (TMU) defines the scope and frequency of data to be reported for program monitoring purposes and presents the detailed definitions that form a basis for the performance assessments. The government will:

- **i.** Adhere to the quantitative performance criteria (QPC) on the floors on domestic tax revenues, the domestic primary balance and social and priority spending; the ceilings on wages and salaries and new concessional external debt contracted or guaranteed by the central government; and the zero ceilings on new non-concessional external debt contracted or guaranteed by the central government, new external payments arrears, new domestic payments arrears, and non-regularized expenditures;
- **ii.** Prepare an external borrowing plan to facilitate assessment of the QPCs on external debt;
- **iii.** Refrain entering or guaranteeing new external borrowing contracts at non-concessional rates;
- **iv.** Agree not to: (1) impose 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) impose 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.

Table 1. Guinea-Bissau: Quantitative Performance Criteria (QPC) and Indicative Targets (IT) Under the ECF, 2023-25

(Cumulative from beginning of a calendar year to end of month indicated, CFAF billion, unless otherwise indicated)

	2023														
	Jan			Mar			Jun			Sep			Dec		
	QPC	Est.	Status	QPC	Prel.	Status	QPC	Prel.	Status	QPC	Prel.	Status	QPC	Prel.	Status
Quantitative Performance Criteria															
Total domestic tax revenue (floor)	5.4	6.6	met	21.4	21.1	not met	53.8	49.5	not met	87.1	83.6	not met	113.7	111.3	not met
Wages and salaries (ceiling)	5.7	4.9	met	14.3	14.9	not met	27.8	29.6	not met	41.8	44.4	not met	59.0	59.2	not met
Ceiling on new non-concessional external debt contracted or guaranteed by the central government (US$ millions)[1]	0.0	0.0	met	0.0	0.0	met	0.0	0.0	met	0.0	0.0	met	0.0	0.0	met
New external payment arrears (US$ millions, ceiling)[1]	0.0	0.0	met	0.0	0.0	met	0.0	0.6	not met	0.0	0.0	met	0.0	0.0	met
New domestic arrears (ceiling)	0.0	1.8	not met	0.0	0.0	met	0.0	0.0	met	0.0	0.0	met	0.0	4.9	not met
Social and priority spending (floor)[2]	2.5	3.1	met	12.5	12.7	met	26.0	28.1	met	38.8	41.1	met	51.6	53.8	met
Domestic primary balance (commitment basis, floor)[3]	-4.3	-3.5	met	-10.8	-21.6	not met	-6.3	-34.3	not met	-5.7	-33.7	not met	-25.5	-41.0	not met
Non regularized expenditures (DNTs, ceiling)	0.0	0.0	met	0.0	0.0	met	0.0	0.0	met	0.0	0.0	met	0.0	0.0	met

[1] These apply on a continuous basis.

[2] Defined as spending by the Ministries of Health, Education and the Ministry of Women, Family and Social Assistance.

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

Table 1. Guinea-Bissau: Quantitative Performance Criteria (QPC) and Indicative Targets (IT) Under the ECF, 2023-25 (concluded)

(Cumulative from beginning of a calendar year to end of month indicated, CFAF billion, unless otherwise indicated)

	2024											2025	
	Mar			Apr			June			Sep	Dec	Mar	Jun
	IT	Prel.	Status	QPC	Prel.	Status	QPC	Prel.	Status	IT	QPC	IT	QPC
Quantitative Performance Criteria													
Total domestic tax revenue (floor)	18.3	22.5	Met	26.0	31.3	Met	48.9	...	...	85.5	122.2	21.3	56.8
Wages and salaries (ceiling)	15.3	14.7	Met	20.3	19.7	Met	30.5	...	...	45.8	61.0	15.9	31.7
Ceiling on new non-concessional external debt contracted or guaranteed by the central government (US$ millions)[1]	0.0	0.0	Met	0.0	0.0	Met	0.0	...	...	0.0	0.0	0.0	0.0
Ceiling on new concessional external debt contracted or guaranteed by the central government (US$ millions)[1,2,5]	3.0 adjusted to 33.0	0.0	Met	3.0 adjusted to 33.0	0.0	Met	3.0 adjusted to 33.0	...	...	3.0 adjusted to 33.0	3.0 adjusted to 33.0	34.1	34.1
New external payment arrears (US$ millions, ceiling)[1]	0.0	0.3	Not met	0.0	0.3	Not met	0.0	0.1	Not met	0.0	0.0	0.0	0.0
New domestic arrears (ceiling)	0.0	0.0	Met	0.0	0.0	Met	0.0	...	...	0.0	0.0	0.0	0.0
Social and priority spending (floor)[3]	13.5	12.2	Not met	17.2	15.0	Not met	28.1	...	...	42.0	55.8	13.8	28.7
Domestic primary balance (commitment basis, floor)[4]	-12.3	-8.9	Met	-17.3	-11.0	Met	-22.3	...	...	-18.8	-15.5	-18.9	-24.0
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
Indicative Targets													
Ceiling on disbursements of external project loans	7.7	6.4	Met	10.0	9.0	Met	12.3	...	...	13.9	15.4	11.5	18.3
Spending for targeted projects and activities (CFAF millions, floor)	46	49	Met	62	96	Met	93	...	...	139	464	47	95

[1] These apply on a continuous basis.

[2] Adjusted upward by the amount of budget support loans not included in the baseline. For 2024, adjusted also upward by the amount of cancellation of existing concessional external debt contracted after the approval of the ECF arrangement but undisbursed, up to USD 33.0 million.

[3] Defined as spending by the Ministries of Health, Education and the Ministry of Women, Family and Social Assistance.

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

[5] Excludes IMF disbursements.

Table 2. Guinea-Bissau: Structural Benchmarks

Measures	Rationale	Status	Date	Comments
Structural Benchmarks for 6th Review (April 2024)				
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	Met	March 2024	Reprogrammed after missing original deadline (June 2023)
Publish in the MoEF website a report that includes (i) economic and administrative classifications of all "other common expenditure" and (ii) explanations of largest expenditures made for force majeure, sovereign, and similar purposes	Transparency	Met	March 2024	See link
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	Met	March 2024	See link
Structural Benchmarks for 7th Review (June 2024)				
Issue a ministerial order to require payments of all fees on cashew exports to be centralized at the Treasury and DGCI	Revenue mobilization	Met	June 2024	
Undertake evaluation of DGCI's managers based on performance indicators and quantitative targets	Revenue mobilization	Met	June 2024	
Prepare a report with an action plan to enhancing transparency and efficiency in the fiscal regime for management of natural resources	Revenue mobilization	Met	June 2024	
Structural Benchmarks for 8th Review (December 2024)				
Publish an Invitation to Apply for the 5G licensing process	Revenue mobilization		August 2024	
Undertake tax audits of 25 large taxpayers selected on a risks basis and focusing on divergence of amounts of IGV paid at customs and included in tax returns	Revenue mobilization	Met	September 2024	
Undertake an audit of telecom operators based on difference in the data submitted to the DGCI and ARN	Revenue mobilization		September 2024	
Inspector-General of Finance should assess legality and justifications of tax exemptions given to the largest beneficiaries consistent with domestic and regional legislation	Revenue mobilization	Met	September 2024	

Table 2. Guinea-Bissau: Structural Benchmarks
(Continued)

Measures	Rationale	Status	Date	Comments
Structural Benchmarks for 8th Review (December 2024) (continued)				
Execute expenditure from the TSA, starting with the wage bill.	Wage bill Control		September 2024	Reprogrammed ahead of original deadline (June 2024)
Submit to the Prime Minister and publish a report that (i) calibrates negative economic and financial impact of delay in the Ring Line Project, (ii) presents the testing and inspection results of the Antula-Central line, and (iii) recommends remedial works that the contractor should undertake	SOE oversight/EAGB		September 2024	
Complete and publish an audit of EAGB's power purchase agreement and its amendments	SOE oversight/fiscal transparency		September 2024	Reprogrammed after missing original deadline (December 2023)
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 2024	Reprogrammed ahead of original deadline (December 2023)
Complete installation of additional 35,000 pre-paid meters to residential clients, install a software to monitor manipulation of meters, and issue an order of Prime Minister to eliminate electricity tariff exemptions of employees of the Ministry of Energy and EAGB and require the prior authorization of the Prime Minister when ordering EAGB to stop tariff enforcement, provide tariff exemptions, and employ a specific person.	SOE oversight		December 2024	**Proposed**
Prepare and publish an annual report on SOEs' performance, starting with the most relevant SOEs.	SOE oversight		December 2024	
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	Met	December 2024	Reprogrammed after missing original deadline (Sep. 2023)
Publish a register of concession contracts submitted to the DGCP, including detailed information on contracts' durations, concessionaires' rights, obligations and beneficial ownership, and tax and other benefits provided by the government.	Anti-corruption		December 2024	

Table 2. Guinea-Bissau: Structural Benchmarks
(Continued)

Measures	Rationale	Status	Date	Comments
Structural Benchmarks for 9th Review (June 2025)				
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		March 2025	Reprogrammed ahead of original deadline (March 2024)
Operationalize the Sydonia World	Revenue mobilization		June 2025	**Proposed.** Monitored by trade data generated from the Sydonia World
Approve by Council of Ministers and submit to Parliament the revised income tax and stamp duties bills.	Strengthen tax framework		June 2025	
Revise processes and forecasting methodologies enhancing the forecasting of cash flows.	Cash management		June 2025	
Complete installation of additional 35,000 pre-paid meters to residential clients	SOE oversight		June 2025	Proposed to be replaced with the strengthend and accelerated SB for 8th rev.
Include in the company's register maintained by the Center for Formalization of Enterprises beneficial ownership information of legal entities included in the electronic register ("platform").	Anti-corruption, AML/CFT		June 2025	**Proposed**

Table 2. Guinea-Bissau: Structural Benchmarks
(Concluded)

Measures	Rationale	Status	Date	Comments
Continuous Structural Benchmarks				
Require commitments of all expenditure, except for the wage and debt service, to be approved by the COTADO and send the monthly report of the Treasury Committee to the President of Republic and Prime Minister in accordance with the order	Expenditure control	Not met	Continuous	Proposed to be modified (see below)
Commitments of all expenditure, except for the wage and debt service, should be approved by the COTADO and obtain the prior authorization of the Prime Minister as required under Article 17(1) of the Budget Law and the monthly report of the Treasury Committee should be sent to the President of Republic and Prime Minister	Expenditure control		Continuous	**Proposed**
(i) 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 and (ii) submit to the Treasury Committee a monthly PNT report that includes breakdowns to each loan contract and bank account and calculates discrepancies of the fiscal balance between above and below the line.	Debt management	Not met	Continuous	Proposed to be modified (see below)
(i) Issue to BCEAO, 10 days before the beginning of a month, a single batch of payment instructions for all external debt services that become due during the month and send their copies to the Treasury Committee and (ii) submit to the Treasury Committee a monthly PNT report that includes breakdowns to each loan contract and bank account and calculates discrepancies of the fiscal balance between above and below the line.	Debt management		Continuous	**Proposed**

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 2023 and 2024 will be converted into local currency (CFAF) using program exchange rates of, respectively, CFAF 601.3 and 601.0/US$ and cross rates as of end-December 2023 and 2024.

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. 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 (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.

8. Reporting requirement. The government will report any new external borrowing and its terms to Fund staff before external debt is contracted or guaranteed by the government.

D. New Concessional External Debt Contracted or Guaranteed by the Central Government

9. Definition. This QPC applies to the nominal value in US dollars of new external debt contracted or guaranteed by the central government which is not considered non-concessional as defined in ¶5, 6 and 7 of TMU. Excluded from this QPC are disbursements from the IMF and those debts subject to rescheduling.

10. Adjustor. The ceiling on new concessional external debt contracted or guaranteed by the

[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.

central government will be adjusted upward by the amount by which budget support loans exceed the projected amount. For 2024, the ceiling will be also adjusted upward by the amount of cancellation of existing concessional external debt that was contracted after the approval of the ECF arrangement but remains undisbursed, up to USD 33.0 million.

E. Ceiling on Disbursement of External Project Loans

11. Definition. This IT applies to disbursements of external loans allocated to finance investment projects, including those contracted before the program approval date.

F. New External Payment Arrears of the Central Government

12. 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.

13. Reporting. The government will provide copies of a batch of payment instructions to the BCEAO for external debt services to be issued 10 days before the beginning of a month as required under the continuous SB as well as any other payment instructions for external debt services, within one week after the issuance.

G. New Domestic Arrears of Central Government

14. 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.

H. Social and Priority Spending

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

I. Domestic Primary Balance (Commitment Basis)

16. 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.

J. Non-Regularized Expenditure (DNTs)

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

18. Reporting requirement. The government will report any non-regularized expenditures on a continuous basis.

K. Floor on Spending for targeted projects and activities

19. Definition. Targeted project and activities spending is defined as total of expenditure measured on a commitment basis for projects and activities described as follows:

- **a.** Transfers to Social Protection under the Ministry of Women, Family, and Social Assistance (Chapter 661210101: Item 6439)
- **b.** Transfers to the National Institute of Agricultural Research (INPA) (Chapter 843420101: Item 6312)
- **c.** Project to Expand the INPA
- **d.** Project to Build School Cafeteria (Project ID 411920301)
- **e.** Transfers to the Office of Judicial Information and Consultation (GICJU) (Chapter 192292201: Item 6312)
- **f.** Construction of Center of Access to Justice in Catio and Babuque (Project ID 341920401)

20. Reporting requirement. The government will report spending of each project and activity monthly.

Additional Reporting Requirements

L. Reconciliation Reports of Fishing Revenue

21. The government will provide, within 45 days after the end of a month, the following reports for reconciliation of fishing revenue during the month:

- **a.** A report of monthly fishing revenue with breakdowns to different categories of revenue;
- **b.** A report of number of ships and their gross registered tonnage (TAB) for which licenses were issued during the month, with breakdowns to different types of fishing under respective fishing agreements and framework, to show bases of the month's revenue;
- **c.** A report of rates of license fees for different types of fishing under respective fishing agreements and framework, to show rates of the month's revenue.

M. Design of Ring Line Project

22. For the purpose of the SB on testing of the ring transmission line, the government will provide a full set of the original and revised engineering design documents of a transmission line between Antula and Central substations constructed under the Ring Line Project of African Development Bank. These documents should include, without limitations:

- **a.** Plan maps that show locations of poles and lines;
- **b.** Profile drawings that show profile views of poles, overhead lines including sagging, trenches and underground lines;
- **c.** Specifications that specify details of materials and construction methods.

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
Non-regularized expenditure	As occuring		DGPEE/MF
Extrabudgetary expenditure for force majeure	As occuring		DGPEE/MF
All decisions and minutes of technical committees responsible for determining tax exemptions and custom reference prices	As occuring		DGPEE/MF
EAGB financial report	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

Statement by. Regis O. N'Sonde, Executive Director for Guinea-Bissau, and Romao Lopes Varela, Advisor to the Executive Director

August 28, 2024

INTRODUCTION

On behalf of the Bissau-Guinean authorities, we would like to thank Staff for their invaluable collaboration, insightful policy discussions, and crucial support as they navigate the complex economic challenges facing the country. In the context of persistent fragility, the authorities are particularly grateful for the support from their partners and appreciative of the continued guidance and support from the Board, Management, and Staff of the International Monetary Fund (IMF), which have significantly contributed to the country's recent gains in economic stabilization and strengthening of national institutions.

The authorities are resolute in their commitment to further steering the country towards sustainable growth and stability. Despite facing political and social turmoil, they have tackled the economic and social challenges they face with determination and have remained steadfast in their resolve to achieve the objectives of their IMF-supported reform program. The authorities have notably taken decisive actions to ensure that the country stays on its fiscal consolidation path under the program and continues to reduce public debt while addressing pressing social and investment needs.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Recent Developments

In 2023, against a backdrop of daunting global and regional challenges, including terms-of-trade shocks, Guinea-Bissau's economy showed remarkable resilience, with a robust 5.2 percent growth. This was supported by buoyant agricultural production, strong private investments, and a surge in the fisheries sector. However, fuel and food price increases pushed headline inflation to 7.2 percent, affecting price stability and purchasing power. The authorities took courageous measures to lift subsidies and are exploring alternative ways to address the impact of rising prices on the most vulnerable people, including prioritization and a better targeting of related public expenditures. The current account deficit slightly widened to 8.7 percent, reflecting a decline in cashew export prices and higher imported fuel and food costs. The authorities strategically relied on the regional bonds market for funding amid tight financial conditions.

The domestic primary deficit slightly rose to 3.4 percent of GDP in 2023, notably due to tax cuts, lower fishing revenue, and increased transfer and other outlays. The budget outturn reflected the fiscal measures implemented in 2023 to provide relief to vulnerable population groups and support security-related expenses in the run up to the 2023 elections. The authorities are committed to correcting course through prudent fiscal management and are working to enhance revenue collection and control of discretionary spending.

Notwithstanding the challenging circumstances, the financial sector has remained relatively stable with adequate liquidity. Although there have been some concerns, it is important to highlight the positive changes in the financial indicators of the undercapitalized bank, notably reflecting improved recovery of non-performing loans (NPLs) and stronger operational margins. Liquidity levels remain high, and the authorities have effectively maintained low vulnerabilities regarding sovereign debt and exchange rate exposures.

Outlook and Risks

Looking ahead, the authorities agree with Staff's assessment of the economic outlook and risks, while remaining more positive about the medium-term growth prospects. The outlook is bolstered by the anticipated rise in cashew export volumes and continued strong private investment, resulting in an expected growth of approximately 5 percent. Nevertheless, the authorities are aware of the potential risks, including political instability, limited state capacity, terms-of-trade shocks, and adverse weather conditions. They are determined to sustain their reform momentum to foster a favorable business environment, ensure sustainable economic growth and contain risks to the outlook.

PROGRAM PERFORMANCE

Significant progress has been made under the IMF-supported program, with the authorities meeting seven out of nine quantitative performance criteria (QPCs) for April 2024. The strong performance underscores Guinea-Bissau's determined commitment to the program's objectives and fiscal discipline. The authorities missed the QPC on external payment arrears due to unexpected technical issues but have since addressed the shortcoming with firm corrective measures. They also missed the QPC on social priority spending owing to delays beyond their control in receiving external grants.

The authorities have completed most structural benchmarks (SBs) since the last review to ensure slippages do not reoccur. The two missed continuous SBs relating to debt service payments and commitment of expenditures by the Technical Committee of Arbitration of Budgetary Expenditure (COTADO) reflect specific circumstances that are being addressed, including through proactive measures to tighten discretionary spending and improve expenditure controls and through the proposed strengthened SBs. In this regard, new safeguards have been introduced to ensure that no expenditure is made without the required oversight and approval of the COTADO. In addition, the recent enhancing of the debt payment procedures has helped minimize risks of external debt service arrears while ensuring improved payment timeliness and quality of debt data.

POLICIES AND REFORMS FOR 2024 AND THE MEDIUM-TERM

Strengthening Fiscal and Debt Sustainability

The authorities are determined to uphold fiscal discipline and attain the agreed fiscal targets under the program through efficient revenue collection and expenditure prioritization. Significant strides have been made in meeting the fiscal consolidation objectives set during the fourth and fifth reviews. Importantly, in this regard, the targets for the domestic primary deficit, tax revenue, and the wage bill for June 2024 have all been met, and forecasts for December 2024 align with previous program review expectations. Despite the challenges posed by fuel tax cuts, tax revenue has surged by 0.5 percent year-on-year, surpassing 2023 levels. The Directorate-General of Duties and Taxes (DGCI) has reported revenue collections exceeding forecasts. Anticipated increases in fuel tax reference prices and a successful cashew campaign are poised to further bolster revenue. Additionally, the renewal of the EU fishing agreement is set to increase non-tax revenues. On the expenditure front, stringent civil service hiring policies have led to a notable 2.1 percent year-on-year reduction in the wage bill.

PFM reforms remain a priority for the authorities to reach their fiscal goals. The authorities are actively implementing reforms to reinforce revenue collection, including audits of telecom operators and the adoption of the Sydonia World system for customs revenue. In the same vein, expenditure management is being enhanced, with the COTADO assuming a pivotal role and the Prime Minister's office providing additional oversight to prevent spending slippages.

The authorities are taking strong measures to ensure that public and publicly guaranteed debt remains sustainable. They aim to reduce the public debt to 77.1 percent of GDP in 2024 and towards 70 percent by 2027 from 79.4 percent in 2023, demonstrating their firm commitment to meeting the program's targets through strict compliance to borrowing limits and controls. The authorities have also been making steady progress in clearing and settling arrears. To prevent the reoccurrence of external debt arrears, the Treasury Department has streamlined the payment process by transmitting a single batch of payment instructions to the regional central bank BCEAO prior to the start of each month and appointed a dedicated focal point for debt service payments. Furthermore, the authorities are looking forward to additional technical support from the Fund through the deployment of long-term expert to strengthen debt management processes.

Mitigating Fiscal Risks

The authorities are taking decisive steps to mitigate the fiscal risks posed by the public utility company, *Eletricidade e Águas da Guiné-Bissau* (EAGB). As part of these efforts, the installation of 35,000 pre-paid meters is underway and is expected to significantly enhance revenue collection and reduce losses from unpaid bills. Moreover, the authorities plan to install real-time monitoring software to prevent abusive manipulations of these meters, ensuring accurate billing. Additionally, the government is strengthening the EAGB's operational autonomy to ensure it can be financially viable and limit external interference. The completion of the ring transmission line is a top priority for the authorities, as it will be key to reducing power purchase costs by diversifying power sources through the regional hydropower project (OMVG). Remedial works are being accelerated, and an audit will be conducted to address potential deficiencies in the ring line project.

Enhancing the Integrity of the Financial Sector

The authorities have achieved significant milestones in disengaging from the undercapitalized bank, demonstrating their determination to advance financial stability. During the shareholders' general meeting on June 26, 2024, the authorities gave the green light to sell the government's share to a strategic investor, and a capital increase proposal was approved. The purchase offer and the recapitalization plan have been formally submitted to the WAEMU regional banking commission, and the government is currently awaiting their review and anticipated approval. Additionally, the government commissioned a third-party audit to thoroughly evaluate the bank's viability and solvency, with the findings set to be disclosed by September 2024. In the event of any unforeseen delays in the disinvestment process, the authorities stand prepared to devise a viable resolution plan for the bank, based on Staff recommendations.

Strengthening Governance and the Fight against Corruption

Despite the many challenges the country faces, Guinea-Bissau is making noteworthy progress on governance, AML/CFT, and anti-corruption reforms. In June 2024, with support from the Fund, the authorities launched the establishment of a comprehensive register for government nonfinancial assets. The close collaboration with the Fund in this area will also benefit other governance reforms, including addressing delays in adopting related key legislations. The Center of Formalization of Enterprises (CFE) is gearing up for the conduct of a business census to facilitate the disclosure of beneficial ownership information by June 2025, crucial for ensuring the effectiveness of the country's anti-corruption and AML/CFT frameworks. In parallel, the Directorate-General of Public Tender (DGCP) is conducting a census of concession contracts with the view to publish a sector registry by December 2024, which would help better address related governance vulnerabilities. Furthermore, the Audit Court is wrapping up priority audits, notably focusing on COVID-19 spending and the EAGB. The authorities will continue implementing these actions to further bolster transparency and accountability, and enhance the overall effectiveness of their fight against corruption.

CONCLUSION

The Bissau-Guinean authorities acknowledge that despite their extensive policy efforts, much work still needs to be done to decisively advance their development agenda and secure deeper gains in poverty alleviation. As they navigate these challenges in the period ahead, the authorities remain firm in their commitment to continue implementing critical reforms aimed at entrenching political and institutional stability and achieving fiscal consolidation under the program supported by the Fund.

Given the significant progress the authorities have made to date and the courageous corrective measures they have undertaken to maintain the program on track, we would highly appreciate Executive Directors' support for the completion of the sixth review under the ECF-supported program. Additionally, we seek Board endorsement of the authorities' requests of waiver of non-observance of missed QPCs on external payment arrears and social priority spending, as well as the completion of the financing assurance review.