

INTERNATIONAL MONETARY FUND
AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

GUINEA-BISSAU

**Enhanced Initiative for Heavily Indebted Poor
Countries (HIPC)—Update on the Preliminary Document**

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I. INTRODUCTION

1. This paper presents an update of the Preliminary Document for Guinea-Bissau, under the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative). The Executive Boards of IDA and the IMF discussed a preliminary HIPC document for Guinea-Bissau on April 3 and 6, 1998, respectively.² During the discussion of this document, Directors made a preliminary determination that Guinea-Bissau would be eligible for assistance under the HIPC Initiative in view of its high level of indebtedness, external vulnerability, and its satisfactory track record in implementing macroeconomic and structural reforms under the three successive annual ESAF arrangements between 1995 and 1997. Directors noted that Guinea-Bissau is one of the poorest countries in the world, stressed the need for strong macroeconomic performance, and emphasized the need for a substantial improvement in fiscal revenue mobilization. Directors also noted that the situation of Guinea-Bissau would require Paris Club and other bilateral debtors to provide exceptional debt relief.

2. When discussing the Preliminary HIPC Document, Directors agreed to consider Guinea-Bissau's decision point under the Initiative at the time of approval of a second three-year ESAF arrangement in support of an adjustment program for the period 1998-2001 and the first arrangement thereunder. However, agreement on a second ESAF arrangement could not be concluded, owing to a temporary but violent internal conflict that erupted in June 1998 before the program was presented to the IMF Board. In the wake of the conflict, the IMF Board approved emergency post-conflict assistance in two tranches (September 14, 1999 and January 7, 2000), for a total of SDR 3.55 million (25 percent of quota).³ The IDA Board also approved the Economic Rehabilitation and Recovery Credit (ERRC), for SDR 18 million, on May 16, 2000 to support Guinea-Bissau's National Reconciliation and Reconstruction Program.⁴

3. Performance in 1995-98 under the ESAF and in 1999-2000 under the program supported by the Fund's post-conflict assistance and under the ERRC has been broadly satisfactory (see below).

4. After this introduction, section II presents background information on eligibility, poverty, and the track record. Section III provide a summary of the debt sustainability analysis and possible assistance under the enhanced HIPC Initiative. Section IV outlines the proposed timeline for a decision and floating completion point; this section also includes proposed key reforms and objectives to be achieved before the completion point. Section V includes issues for discussion by the Executive Boards.

² IDA/SecM98-126 (March 27, 1998); EBS/98/62 (March 30, 1998).

³ EBS/99/163 (August 23, 1999) and EBS/99/238 (December 27, 1999).

⁴ IDA/R2000-59 (April 25, 2000).

II. ELIGIBILITY FOR HIPC INITIATIVE ASSISTANCE

5. **PRGF and IDA Status.** Guinea-Bissau is currently a Poverty Reduction and Growth Facility (PRGF)-eligible and IDA-only country; GDP per capita in 1999 was US\$185.

6. **Poverty and Social Development.** Poverty in Guinea-Bissau is widespread and severe. The country ranks 169th (out of 174 countries) in terms of the United Nations Development Program 2000 Human Development Index. In 1997, life expectancy was only 44 years, and the adult illiteracy rate was 82 percent among women and 50 percent among men. The most recent household survey indicates that 49 percent of the population (estimated at just under 1.2 million) has an income below the national poverty line; the problem is much more acute in the rural areas (Table 1). An estimated 88 percent of the population lives on an income of less than US\$1 a day. The severity of poverty is also reflected in the limited access to basic social services: about 94 percent of the poor live more than an hour away from any health or school facility. Inequality is also high; the share of income held by the poorest 20 percent was estimated at about 2 percent in 1994. Progress since 1994 on the macroeconomic front and its positive impact on poverty was interrupted by the conflict, which led to a decline in real GDP per capita of about 30 percent in 1998 and to a significant deterioration in social indicators.

Table 1. Guinea-Bissau: Poverty Levels by Region, 1994⁵

(percent of regional population)

| Regions | Core Poor | Moderate Poor | Non Poor | Total |
|-------------|-----------|---------------|----------|-------|
| Bissau | 8.4 | 16.7 | 74.9 | 100.0 |
| Other urban | 10.7 | 12.1 | 77.2 | 100.0 |
| Rural north | 35.2 | 28.3 | 36.5 | 100.0 |
| Rural East | 36.4 | 25.9 | 37.6 | 100.0 |
| Rural South | 22.8 | 19.6 | 57.6 | 100.0 |
| All | 26.2 | 22.6 | 51.2 | 100.0 |

Source: Guinea-Bissau authorities.

7. **Track Record.** During 1995-98, as described in the 1998 Preliminary HIPC Document, there was important progress in the area of structural reform. The authorities introduced a comprehensive tax reform (including the adoption of a generalized sales tax),

⁵ Based on the 1991 household survey, extreme and moderate poverty lines are equivalent to one-third and two-thirds of the mean per capita expenditure, respectively.

adopted a new custom tariff scale, improved public expenditure management, rationalized the civil service, progressed on public enterprise reforms, and made banking laws and regulations consistent with those of the CFA franc zone. Public expenditures were reallocated to social sectors to help address the deteriorating trends in socioeconomic indicators. At the same time, the institutional framework for monetary stability was strengthened by membership in the West African Economic and Monetary Union (WAEMU) in May 1997. As a result of the program, macroeconomic stability was restored, satisfactory progress in structural reform was achieved, and annual real GDP growth reached 2 percent on a per capita basis during 1995-97 (about twice the rate in sub-Saharan Africa).

8. After the conflict, there has been important progress in the economic and political fronts. On the economic front, the government has concentrated its efforts on restoring macroeconomic stability, on rebuilding its administrative capacity and reconstruction activities, and on structural reform. On the political front, domestic reconciliation and political stability have been achieved through legislative and presidential elections held as planned in November 1999 and January 2000; a new administration, headed by a leader of the opposition Social Renovation Party, took office in February 2000 on the basis of a broad political coalition with other parties.

9. Following the conflict, structural reform policies focused on tax policy, budget management, demobilization, and domestic debt reduction. In the area of tax policy, the government immediately resumed the implementation of the comprehensive reforms enacted prior to the conflict. In addition, the authorities made significant efforts to reestablish the administrative capacity of customs and made progress regarding convergence towards the WAEMU common external tariff. In February 2000, a review of public expenditure procedures was finalized and measures identified to strengthen budgetary execution. Moreover, in order to strengthen public sector procurement, a comprehensive reform was designed and is in the process of being implemented. In March 2000, the authorities concluded needed upstream work for a critically important Demobilization, Reinsertion, and Reintegration Program for the military and for a Domestic Debt Reduction Program. The authorities also made significant progress in reconstruction activities, which allowed most of the displaced population to return to their places of origin, and gradually resume the provision of basic services.

10. Performance after the conflict has been broadly satisfactory, and has been supported by the Fund under the guidelines for post-conflict assistance, by IDA's ERRC, and by other multilateral and bilateral donors. After contracting by 28 percent in 1998, real GDP recovered in 1999 by almost 8 percent; at the same time, the consumer price index declined by about 2 percent. The current primary fiscal deficit of over 6 percent of GDP recorded in 1998 turned into a surplus of over 3 percent of GDP in 1999. Exports recovered strongly, but rapid import growth and a large outflow of private sector capital led to a loss of net foreign assets. Owing to the difficult fiscal situation, domestic and external payments arrears continued to accumulate; as of end-1999, domestic arrears amounted to about 9 percent of GDP and external arrears reached US\$214 million, equivalent to almost 100 percent of GDP (of which about one-sixth is owed to multilateral institutions).

11. In 2000, real GDP growth is expected to reach almost 9 percent. An increase in spending related to the regularization of conscripts into the army at end-1999, and essential spending in reconstruction and the social areas will result in a worsening of the fiscal

balance. In addition, a temporary deterioration of the fiscal stance during the first quarter—related to a large net repayment of domestic arrears—and the associated rapid monetary expansion resulted in upward pressure on prices. Between December 1999 and April 2000, consumer prices rose by an accumulated 20 percent. However, tighter financial policies have been in place in the last few months, and the monthly inflation rate has fallen to under one percent. Net foreign assets expanded in the first half of 2000. Key economic indicators since 1997 are detailed in Table 2.

Table 2. Guinea-Bissau: Key Economic Indicators, 1997-2000

(Average annual percentage changes, unless otherwise indicated)

| | 1997 | 1998 | 1999 | 2000 |
|--|-------|-------|-------|-------|
| | | | | Proj. |
| Real GDP growth | 4.8 | -28.1 | 7.8 | 8.7 |
| Inflation | 49.1 | 8.0 | -2.1 | 10.2 |
| M2 growth | 101.8 | 0.2 | 7.8 | 16.4 |
| In percent of GDP: | | | | |
| Budget balance, excluding grants | -17.8 | -19.4 | -14.4 | -17.9 |
| External current account, excluding official transfers | -23.4 | -20.5 | -22.9 | -26.2 |

Sources: Guinea-Bissau authorities; and staff estimates.

III. SUMMARY OF DEBT SUSTAINABILITY ANALYSIS AND POSSIBLE HIPC ASSISTANCE

12. **Procedures and Reconciliation Status.** The debt sustainability analysis (DSA) presented in the preliminary document under the original HIPC Initiative was updated jointly by the staffs of the Fund and IDA, and the Guinean authorities on the basis of loan-by-loan data for the debt outstanding as of December 31, 1999. About 92 percent of Guinea-Bissau's debt was validated with creditors' data. The net present value (NPV) of debt at end-1999 stood at US\$471 million (see paragraph 13), thus exceeding the amount presented in the original preliminary document—calculated on the basis of 1997 data—by about 20 percent; the main factors that explain the higher NPV of debt are a revision of the country's debt records and the decline in market interest rates (and hence discount rates) between 1997 and 1999.

13. **Structure of External Debt.** By end-1999, the total external public debt stock (before debt relief) amounted to US\$844 million in nominal terms. In NPV terms, and after assumed full use of traditional debt relief mechanisms, Guinea-Bissau's debt is estimated at US\$471 million at end-1999, equivalent to over two times GDP, almost ten times average exports of goods and services over the last three years, and over twelve times central government revenue (excluding grants). Multilateral creditors account for 51 percent of Guinea-Bissau's debt; IDA represents 23 percent of total debt, the AfDB 15 percent, and the

Fund 3 percent. Paris Club creditors account for 34 percent of the debt, and other bilateral creditors account for 15 percent.

14. **Debt Sustainability.** The macroeconomic projections used in the analysis and agreed upon with the authorities are based on the implementation of sound macroeconomic policies, structural reform, and policies to reduce poverty and enhance the access to basic social services. Real GDP is assumed to grow at about 8½ percent per year in 2001-2003—in part reflecting the recovery in the post-conflict era—and by an average of 6 percent a year in the period 2004-19. Export volumes are expected to grow by 7¾ percent per year in 2001-03 and 6¾ percent per year in 2004-19. Import volumes are expected to increase by 13½ percent per year in 2001-03—driven by economic recovery and reconstruction—and by 7 percent per year in 2004-19. On the basis of these assumptions, however, Guinea-Bissau's external debt situation would remain unsustainable even after the application of traditional debt relief mechanisms. The NPV of debt-to-exports ratio would remain above 200 percent for more than ten years.

15. **Possible HIPC Initiative Assistance.** The updated DSA, based on end-1999 data, indicates that in Guinea-Bissau the ratio of the NPV of debt-to-exports ratio, after traditional debt relief, stood at 995 percent. Thus, Guinea-Bissau will require a reduction of the NPV of its debt by 85 percent at the HIPC decision point in order to achieve debt sustainability, as defined under the enhanced HIPC Initiative (i.e., a NPV of debt-to-exports ratio of 150 percent). This is the highest percentage reduction required so far for any country under the HIPC initiative. The amount of assistance required would be US\$400 million in NPV terms; based on proportional burden sharing, bilateral and multilateral creditors would provide 49 percent and 51 percent of the assistance, respectively.⁶

16. **Regularization of External Arrears.** Clearance of arrears will have to be a major component of debt relief for Guinea-Bissau. Arrears to Paris Club creditors are expected to be regularized through rescheduling, and it is assumed that other bilateral creditors will provide comparable treatment. The authorities met in early October 2000 with bilateral creditors (in Dakar and Bissau) and with multilateral creditors (in Washington), where participants were supportive of the country's efforts to find solutions to clear the arrears. In the case of arrears to multilateral institutions—which reached US\$35 million as of end-1999—an understanding was reached that the government of Guinea-Bissau and each creditor would work together to arrive at an appropriate solution. Efforts between the government and the African Development Bank have intensified with a view to reaching a clear understanding on the arrears clearance shortly. To this end, an African Development Bank mission held discussions in October in Bissau to identify possible ways and means to resolve this problem.

17. **Impact of HIPC Initiative Assistance.** Guinea-Bissau would benefit greatly from the delivery of assistance under the enhanced HIPC Initiative. The NPV of debt-to-exports

⁶ However, Guinea-Bissau does not qualify for the HIPC Initiative assistance under the fiscal openness criteria: the exports-to-GDP ratio (three-year average through 1997-99) is 20 percent and the fiscal revenue-to-GDP ratio (three-year average through 1997-99) is 13 percent. Both figures are below the thresholds (30 percent and 15 percent, respectively).

ratio would decline from 995 percent in 1999, to 106 percent in 2003, and 116 in 2005, remaining below this level afterwards. The scheduled debt service-to-budgetary revenues ratio would also decline from 87 percent in 1999, to 8 percent in 2003 and 10 percent in 2009, and will remain below that level afterwards. The debt service-to-exports ratio would decline from 38 percent in 2000 to only 5 percent in 2001-03 and 4 percent in 2004-19. Although scheduled debt service will be significantly reduced after the decision point is reached, cash outlays on debt service will remain slightly higher than in 1999 and at about the same level of 2000 because Guinea-Bissau has not been servicing its debt fully. However, on the basis of normalized relations with creditors, expected additional external resources will more than offset debt service obligations and will result in a net positive inflow during the program period and beyond (see Table 10).

18. **Sensitivity Analysis.** The concentration of over 90 percent of Guinea-Bissau's exports in the cashew sector poses an important risk for the economy. Staff estimates indicate that a sustained drop of cashew exports of 20 percent, if financed by additional grants and concessional bilateral and multilateral borrowing, would increase the NPV of debt-to-exports ratio in 2019 from 114 percent to 192 percent and the debt-service ratio from 6 percent to 10 percent. A deterioration in external financing conditions would also have a significant impact; if Guinea-Bissau would rely on nonconcessional loans to fill half of the projected financing gap, instead of relying fully on concessional loans, the average NPV of debt-to-export ratio in 2019 would increase from 114 percent to 203 percent, and would leave the debt-service ratio more than 23 percentage points higher.

IV. DECISION AND FLOATING COMPLETION POINT

19. **PRSP Process.** In April 2000, in well-attended events involving a representative group of domestic and external partners, including the IDA and IMF staffs, the authorities launched the preparation of their interim Poverty Reduction Strategy Paper (I-PRSP). Later in April, a National Commission for the Formulation of the PRSP, chaired by the Vice Prime Minister, was established, involving key economic and social sector Ministers and civil society and donor representatives. The government has recently submitted to IDA and the IMF its I-PRSP which benefited from broad consultations with the civil society and external partners and represents a genuine effort to develop a national strategy to fight poverty. A full PRSP is scheduled to be completed by end-2001. The draft Joint Staff Assessment currently under preparation, while finding the strategy appropriate, is expected to recommend greater attention to establishing a disaggregated analysis of poverty and its causes, including its gender dimension, and to the definition of a core set of indicators to monitor poverty reduction outcomes.

20. **Possible Decision Point Timing.** In the staffs' view, the availability of a broadly satisfactory I-PRSP, the satisfactory performance under the program supported by the Fund's post-conflict assistance, the progress made under the IDA-financed ERRC, and the approval by the Executive Board of the Fund of a new-PRGF supported-program would allow the decision point for debt relief under the enhanced HIPC Initiative to be reached soon, in all probability before end calendar year 2000.

- **PRGF Status.** Negotiations were concluded on a program that could be supported by the Fund under the PRGF. The main objectives of the program are to reestablish the

basis for durable peace, economic growth and stability, and poverty alleviation. The key elements of the program are: (i) the implementation of prudent demand-management policies; (ii) a reorientation of the fiscal budget to adopt a clear pro-poor stance; (iii) the regularization of relations with external creditors, under the umbrella of the enhanced HIPC Initiative; and (iv) the intensification of structural reforms. These objectives are consistent with the authorities' medium-term program as described in their I-PRSP.

- **Use of HIPC Interim Relief.** On the basis of the increased inflow of resources (see paragraph 17), the 2000-03 macroeconomic framework plans for a significant reallocation of expenditures towards activities that effectively reduce poverty and enhance access to social services, including primary education, basic health care, and rural development (see Table 3). In particular, in line with the I-PRSP, the program prioritizes programs focusing on basic education, primary health care, demobilization, demining, and rural development.

Table 3. Guinea-Bissau: Change in Budget Composition, 1999-2003

(In percent of GDP)

| | 1999 Act. | 2000 Prog. | 2001 Proj. | 2002 Proj. | 2003 Proj. |
|---|--------------|---------------|---------------|---------------|---------------|
| I. Without program and HIPC Initiative support: | | | | | |
| Current expenditures in social Sectors | 2.4 | 2.6 | 2.9 | 2.9 | 2.7 |
| Current expenditures in military | 3.8 | 4.1 | 3.8 | 3.6 | 3.4 |
| Capital expenditures in poverty Related activities | 9.4 | 10.3 | 7.1 | 5.1 | 4.9 |
| Demobilization | 0.0 | 0.9 | 0.0 | 0.0 | 0.0 |
| II. With program and HIPC Initiative support: | | | | | |
| Current expenditures in social Sectors ⁷ | 2.4 | 3.0 | 3.9 | 4.4 | 4.8 |
| Current expenditures in military | 3.8 | 4.1 | 3.5 | 2.9 | 2.7 |
| Capital expenditures in poverty-related activities ⁸ | 9.4 | 10.3 | 12.7 | 11.9 | 12.3 |
| Demobilization | 0.0 | 0.9 | 3.2 | 1.0 | 0.6 |

Sources: Guinea-Bissau authorities; and staff estimates.

⁷ Current budget expenditures essentially in the education and health sectors.

⁸ Capital budget expenditures in education, health, demining, and other poverty-related activities such as rural development.

21. **Floating Completion Point.** The Government is committed to addressing the issue of poverty within the overall framework of a PRSP, the formulation and satisfactory implementation (for one year) of which would form one of the key conditions for reaching the completion point. An I-PRSP has already been submitted to both the IMF and IDA, and will be circulated to the Board shortly. The I-PRSP indicates that an estimated 88percent of the population lives under US\$1 a day. In recognition of the great challenges that face the country in its efforts to overcome widespread poverty, the Government has set as its main goal the creation of conditions for rapid and sustained growth. This fundamental goal is reflected by the completion point trigger of the implementation of sound macroeconomic policies and structural reforms, which will be evidenced by the performance under the PRGF.

22. While the goal of economic growth is essential to long-term poverty reduction, the Government has recognized, as set out in the I-PRSP, the importance of working immediately to increase access to essential social goods, and of implementing programs aimed at mitigating poverty. A key indication of the Government's success in improving access will be the targeted increase in primary education enrollment rates, the elimination of fees for school books for certain grades, the increase in vaccination rates and use of insecticide impregnated bed-nets by pregnant women. The Government also believes that poor governance has been a major impediment to Guinea Bissau's growth in the past, particularly in the area of public resource use. The authorities therefore intend to improve the transparency of public spending, with measures which are reflected in the governance criteria set out in Box 1 and which are designed to establish greater institutional safeguards against the misallocation of resources. Finally, the country's legacy of conflict is being addressed through a demobilization, reinsertion and reintegration program which aims to ensure the reduction of the weight of the military in the economy through the assimilation of former combatants into civilian life. The completion of demobilization is also proposed as a key indication of the readiness of the country to reach the completion point. The Government aims at attaining all targets discussed in Box 1 before the last quarter of 2003; it expects that the completion point would be reached by that time.

23. **Monitoring the Use of HIPC Resources.** The authorities place significant importance on improving efficiency, transparency and accountability of public expenditure management. Building on important measures that the authorities have already decided to adopt in 2000-01, a framework to monitor expenditures and assess their impact on the poor will be developed in the context of preparing the full PRSP. The Government has mobilized significant donor support to improve its capacity in the areas of budget execution, treasury management, public procurement, and the audit function (including the auditing of military expenditures). In particular, during 2001 the administration of the treasury system is being revamped with technical assistance from the Fund; budget monitoring procedures are being enhanced by implementing WAEMU regulations on supporting budget documentation; an ambitious reform of the public procurement system is being implemented, with the new system in place, including its legal and regulatory framework, in five ministries (and in all ministries in 2002); and in-depth external audits of the 1997-99 budgets will be carried out with technical assistance from a donor, and the results fully shared with parliament. In addition, the authorities intend to take measures to enhance their ability to monitor expenditures in health and education more specifically; the authorities will carry out country-led public expenditure reviews with emphasis in education and health, and release to the

parliament, twice a year, reports on budget execution which permit monitoring of basic education and primary health care spending.

V. ISSUES FOR DISCUSSION

24. This paper presents an update on the preliminary assessment of Guinea-Bissau's eligibility for assistance under the enhanced HIPC Initiative, and seeks endorsement of the assessment. Executive Directors' views are sought on the following:

- **Eligibility.** Do Directors reconfirm their earlier preliminary determination that Guinea-Bissau would be eligible for assistance under the HIPC Initiative?
- **Timing of the Decision Point.** Do Directors agree that Guinea-Bissau could reach its decision point in 2000, based on the broad macroeconomic and structural progress during the 1995-98 program supported by the SAC II and the ESAF, the 1999-2000 program supported by emergency post-conflict assistance from the Fund, the policy commitments under the IDA-financed ERRC, and the approval of a new PRGF-supported program with the IMF?
- **Floating Completion Point.** Do Directors agree that the areas indicated in Box 1 are appropriate for the identification of key measures that would trigger the completion point under the HIPC Initiative?

Box 1. Guinea-Bissau: Possible Triggers for the Floating Completion Point

Poverty Reduction Strategy Paper

The full PRSP has been prepared and satisfactorily implemented for one year, as evidenced by the joint staff assessment of the country's progress.

Macroeconomic stability

Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the program supported by the PRGF arrangement.

Governance

- Satisfactory progress in strengthening public expenditure management, assessed by the release to the parliament, twice a year starting in 2001, of budget execution reports which permit monitoring of basic education and primary health care expenditures.
- The public procurement system has been reformed and the new system installed in all ministries.
- The findings of the external audit to the 1997-1999 budget outturns have been submitted to parliament and an action plan to implement recommendations has been adopted.

Social Sectors and Structural Reforms

Education Sector

- Elimination of fees for school books for all primary education students (grades 1-4) implemented in public schools.
- Increase the gross primary school enrollment ratio to 61 percent.

Health Sector

- Increase to at least 40 percent the proportion of children under one year fully vaccinated.
- Adoption of an action plan for malaria and its satisfactory implementation measured by an increase to 15 percent in the use of insecticide impregnated bed-nets by pregnant woman.

HIV/AIDS

- Adoption of a strategic framework to fight against AIDS/HIV.
- At least 50 percent of the population at increased risk (age 14-29) made aware of transmission and prevention methods.

Demobilization Program

- Demobilization has been successfully completed and discharged combatants are being reinserted and reintegrated in civilian life as established in the demobilization, reinsertion and reintegration program¹.

^{1/} The authorities' preliminary estimates point to about 12,000 soldiers being demobilized. This will be confirmed through an ongoing census, which results are expected by end-December 2000.

Table 4. Guinea-Bissau: Selected Economic and Financial Indicators, 1997-2003

| | 1997 Actual | 1998 Actual | 1999 | | 2000 Prog. | 2001 Prog. | 2002 Proj. | 2003 Proj. |
|---|----------------|----------------|-------|--------|---------------|---------------|---------------|---------------|
| | | | Prog. | Actual | | | | |
| (Annual percentage change, unless otherwise indicated) | | | | | | | | |
| National accounts and prices | | | | | | | | |
| Real GDP at market prices | 4.8 | -28.1 | 8.7 | 7.8 | 8.7 | 8.5 | 8.2 | 8.6 |
| GDP deflator | 7.4 | 7.6 | 3.1 | 2.8 | 9.4 | 3.5 | 3.3 | 3.0 |
| Consumer price index, period average | 49.1 | 8.0 | -0.9 | -2.1 | 10.2 | 4.1 | 3.5 | 3.0 |
| Consumer price index, end of period | 16.7 | 7.9 | -2.1 | -7.9 | 19.5 | 4.0 | 3.0 | 3.0 |
| Money and credit 1/ | | | | | | | | |
| Claims on the government (net) 2/ | 3.9 | 15.5 | 16.7 | 14.8 | -10.3 | 0.3 | ... | ... |
| Credit to the economy | -9.5 | 62.9 | 7.2 | 8.7 | 6.8 | 17.2 | ... | ... |
| Broad money | 101.8 | 0.2 | 6.9 | 7.8 | 16.4 | 15.1 | ... | ... |
| Six-month deposit rate (percent per annum; end of period) | 5.0 | 5.0 | ... | ... | ... | ... | ... | ... |
| Velocity (GDP/broad money) | 4.3 | 3.3 | 3.2 | 3.4 | 3.5 | 3.4 | ... | ... |
| Gross official reserves | | | | | | | | |
| (in months of the following year's imports of goods and services) | 5.2 | 4.9 | 3.0 | 3.2 | 4.3 | 4.9 | ... | ... |
| (in percent of base money) | 81.6 | 106.4 | 101.5 | 91.8 | 105.7 | 105.3 | ... | ... |
| External sector | | | | | | | | |
| Exports, f.o.b. (based on U.S. dollar values) | 124.5 | -46.5 | 80.0 | 97.4 | 28.9 | 13.2 | 10.3 | 11.0 |
| Imports, f.o.b. (based on U.S. dollar values) | 28.7 | -30.1 | 14.6 | 28.4 | 37.2 | 23.2 | 4.7 | 13.0 |
| Export volume | 115.6 | -37.3 | 61.1 | 63.5 | 18.9 | 8.5 | 7.0 | 7.7 |
| Import volume | 29.7 | -26.1 | 20.1 | 27.0 | 27.5 | 23.1 | 6.1 | 11.0 |
| Terms of trade (deterioration -) | 4.9 | -9.8 | 17.1 | 19.5 | 0.7 | 4.3 | 4.4 | 1.3 |
| Real effective exchange rate (depreciation -) | 12.4 | 6.6 | ... | -5.1 | ... | ... | ... | ... |
| (In percent of GDP, unless otherwise indicated) | | | | | | | | |
| Investments and savings | | | | | | | | |
| Gross domestic investment | 21.8 | 11.4 | 13.7 | 16.3 | 19.2 | 23.7 | 23.5 | 23.9 |
| <i>Of which: government investment</i> | 15.6 | 6.2 | 8.8 | 11.1 | 13.9 | 18.1 | 17.5 | 17.4 |
| <i>Of which: restructuring programs 3/</i> | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 3.8 | 1.7 | 0.6 |
| Gross domestic savings | 2.9 | -10.0 | -5.4 | -2.2 | -4.5 | -3.1 | 0.9 | 1.3 |
| <i>Of which: government savings</i> | -2.9 | -14.8 | -6.2 | -5.6 | -7.0 | -9.0 | -8.1 | -7.7 |
| Gross national savings | 13.0 | -1.8 | 2.7 | 3.9 | 1.1 | 1.0 | 4.7 | 5.2 |
| Government finances | | | | | | | | |
| Budgetary revenue | 15.3 | 5.4 | 15.1 | 17.8 | 15.9 | 16.4 | 16.4 | 16.5 |
| (excluding fishing licenses) | 9.6 | 4.8 | 9.0 | 11.5 | 11.2 | 12.0 | 12.4 | 12.8 |
| Total primary expenditure | 27.6 | 18.1 | 21.4 | 25.7 | 28.8 | 33.6 | 32.7 | 32.8 |
| Current primary balance | 5.4 | -6.5 | 2.5 | 3.2 | 1.1 | 0.8 | 1.3 | 1.1 |
| Overall balance (commitment basis) | | | | | | | | |
| Including grants | -13.8 | -16.2 | -7.1 | -9.9 | -7.4 | -13.4 | -10.2 | -8.8 |
| Excluding grants | -17.8 | -19.4 | -12.8 | -14.4 | -17.9 | -22.7 | -20.9 | -20.2 |
| External current account (including official current transfers) 4/ | -8.8 | -13.2 | -11.0 | -12.4 | -18.2 | -22.7 | -18.9 | -18.7 |
| Excluding official current transfers | -23.4 | -20.5 | -20.0 | -22.9 | -26.2 | -29.4 | -24.9 | -24.5 |
| Excluding official transfers other than fishing licenses | -17.7 | -19.9 | -13.9 | -17.1 | -21.5 | -25.0 | -20.8 | -20.7 |
| Net present value of external debt/exports of goods and nonfactor services (in percent) 5/ | ... | ... | ... | 994.6 | 891.5 | 682.9 | 587.7 | 523.2 |
| Memorandum items: | | | | | | | | |
| (In units indicated) | | | | | | | | |
| Exchange rate | | | | | | | | |
| CFA franc/U.S. dollar (period average) | 583.7 | 590.0 | 610.0 | 615.7 | 697.7 | 707.6 | 699.3 | 692.7 |
| Nominal GDP at market prices | | | | | | | | |
| In billions of CFA francs | 156.7 | 121.3 | 135.9 | 134.4 | 159.9 | 179.6 | 200.8 | 224.7 |
| In millions of U.S. dollars | 268.6 | 205.7 | 222.8 | 218.3 | 229.2 | 253.8 | 287.2 | 324.4 |
| GDP per capita (in U.S. dollars) | 238.0 | 178.6 | 188.7 | 185.0 | 189.4 | 204.7 | 225.9 | 249.0 |

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

1/ In 1997, at constant exchange rates and excluding recapitalization of the Central Bank of Guinea-Bissau (BCGB).

2/ In percent of beginning-of-period stock of broad money.

3/ Includes cost of demobilization and public service reform.

4/ For 2000-03, only includes project grants.

5/ After application of traditional debt-relief mechanisms.

Table 5. Guinea-Bissau: Nominal and Net Present Value (NPV) of Public and Publicly Guaranteed Debt Outstanding
(at end-December 1999, in millions of U.S. dollars)

| | Before application of traditional debt relief 1/ | | | | After application of traditional debt relief 2/ 3/ | | | |
|---|--|-----------------------|---------------|-----------------------|--|-----------------------|---------------|-----------------------|
| | Nominal | | NPV | | Nominal | | NPV | |
| | US\$ millions | Percent of total debt | US\$ millions | Percent of total debt | US\$ millions | Percent of total debt | US\$ millions | Percent of total debt |
| Total public and publicly guaranteed debt | 844 | 100 | 610 | 100 | 749 | 100 | 471 | 100 |
| Multilateral creditors | 427 | 51 | 238 | 39 | 427 | 57 | 238 | 51 |
| IDA | 227 | 27 | 109 | 18 | 227 | 30 | 109 | 23 |
| African Development Group | 131 | 16 | 71 | 12 | 131 | 18 | 71 | 15 |
| AfDB | 4 | 0 | 4 | 1 | 4 | 1 | 4 | 1 |
| AfDF | 127 | 15 | 66 | 11 | 127 | 17 | 66 | 14 |
| Islamic Development Bank | 14 | 2 | 13 | 2 | 14 | 2 | 13 | 3 |
| IMF | 17 | 2 | 13 | 2 | 17 | 2 | 13 | 3 |
| IFAD | 9 | 1 | 6 | 1 | 9 | 1 | 6 | 1 |
| BADEA | 9 | 1 | 8 | 1 | 9 | 1 | 8 | 2 |
| OPEC Fund | 8 | 1 | 8 | 1 | 8 | 1 | 8 | 2 |
| EU/EIB | 8 | 1 | 6 | 1 | 8 | 1 | 6 | 1 |
| ECOWAS | 3 | 0 | 3 | 1 | 3 | 0 | 3 | 1 |
| Bilateral creditors | | | | | | | | |
| Paris Club creditors | 301 | 36 | 268 | 44 | 219 | 29 | 161 | 34 |
| Italy | 102 | 12 | 88 | 14 | 102 | 14 | 82 | 17 |
| Portugal | 69 | 8 | 52 | 8 | 69 | 9 | 48 | 10 |
| Brasil | 21 | 2 | 21 | 3 | 21 | 3 | 7 | 1 |
| Russia 4/ | 82 | 10 | 81 | 13 | 5 | 1 | 5 | 1 |
| France | 8 | 1 | 9 | 1 | 5 | 1 | 5 | 1 |
| Belgium | 7 | 1 | 7 | 1 | 7 | 1 | 4 | 1 |
| Spain | 7 | 1 | 6 | 1 | 7 | 1 | 6 | 1 |
| Germany | 4 | 1 | 4 | 1 | 2 | 0 | 2 | 0 |
| Other bilateral creditors | 115 | 14 | 103 | 17 | 103 | 14 | 71 | 15 |
| Taiwan Province of China | 36 | 4 | 31 | 5 | 36 | 5 | 31 | 7 |
| Kuwait | 28 | 3 | 26 | 4 | 28 | 4 | 15 | 3 |
| Angola | 19 | 2 | 19 | 3 | 6 | 1 | 6 | 1 |
| Saudi Arabia | 15 | 2 | 12 | 2 | 15 | 2 | 10 | 2 |
| Algeria | 6 | 1 | 5 | 1 | 6 | 1 | 4 | 1 |
| China | 6 | 1 | 6 | 1 | 6 | 1 | 1 | 0 |
| Pakistan | 3 | 0 | 2 | 0 | 3 | 0 | 2 | 1 |
| Cuba | 2 | 0 | 2 | 0 | 2 | 0 | 0 | 0 |
| Libya | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 |
| United Arab Emirates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 |

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

1/ Including US\$214.1 million of arrears.

2/ Including US\$71.1 million of arrears on multilateral claims and post-cutoff date bilateral claims.

3/ Traditional debt relief assumes a stock of debt operation on Naples terms (67 percent NPV reduction) of eligible debt (including eligible arrears) by bilateral creditors at end-1999. Arrears on multilateral claims and post-cutoff date bilateral claims are assumed to be deferred in 2000.

4/ Converted by the exchange rate of SUR 0.6 per U.S. dollar. The amount is before the application of the upfront discount of 80 percent in line with 1997 memorandum of understanding between Russia and other Paris Club creditors.

Table 6. Guinea-Bissau: Projected Assistance Under the HIPC Initiative 1/
(In millions of U.S. dollars, unless otherwise indicated)

| NPV of debt-to-exports-target (in percent) | Export criterion | | | | Required NPV debt reduction on Paris Club debt assuming comparable action of non-multilateral creditors (In percent) 5/ |
|---|---|--------------|--------------|---|--|
| | Total assistance at the completion point on the basis of decision point data 2/ | | | | |
| | Total (In millions of U.S. dollars) | Bilateral 3/ | Multilateral | Common reduction factor 4/ (in percent) | |
| 150 | 400 | 198 | 202 | 85 | |

Memorandum items:

| | | | | |
|---|-----|-----|-----|-----|
| NPV of debt 6/ | 471 | 233 | 238 | |
| Multilateral institutions | 238 | | | |
| Paris Club | 161 | | | 95 |
| <i>of which pre-cod date non-ODA debt</i> | 95 | | | 114 |
| Non-Paris Club bilaterals | 71 | | | 95 |
| <i>of which pre-cod date non-ODA debt</i> | 6 | | | 392 |
| Commercial creditors | 1 | | | |
| 3-year average of exports | 47 | | | |
| Current-year exports | 56 | | | |
| NPV of debt-to-exports ratio 7/ | 995 | | | |

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

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Assumes a hypothetical stock-of-debt operation on Naples terms and appropriate comparable treatment by other official bilateral creditors at the end of 1999.

3/ Includes official bilateral creditors and commercial debt.

4/ Each creditor's NPV reduction at the decision point in percent of its exposure at the base date (end-1999).

5/ Includes traditional debt relief

6/ Based on latest data available at decision point after full application of traditional debt relief mechanisms.

7/ Based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1997-1999).

Table 7: Guinea-Bissau - Discount and Exchange Rate Assumptions as of End-1999

| Currency name | Discount rates 1/ | Exchange rates 2/ (Per U.S. dollar) |
|------------------------------------|-------------------|--|
| Austrian Schilling | 5.47 | 13.70 |
| Belgian/Luxembourg franc | 5.47 | 40.16 |
| IsDB Unit of Account (=SDR) | 5.59 | 0.73 |
| Canadian dollar | 6.67 | 1.44 |
| CFA franc (domestic currency) | 5.47 | 652.95 |
| Swiss franc | 4.27 | 1.60 |
| Chinese yuan | 7.04 | 8.28 |
| Deutsche Mark | 5.47 | 1.95 |
| Korean won | 9.85 | 1138.40 |
| Irish punts | 5.47 | 0.78 |
| Danish kroner | 5.32 | 7.40 |
| European Currency Unit | 5.47 | 1.00 |
| Spanish peseta | 5.47 | 165.62 |
| Euro | 5.47 | 1.00 |
| Finnish markka | 5.47 | 5.92 |
| French franc | 5.47 | 6.53 |
| Pound sterling | 6.70 | 0.62 |
| Italian lira | 5.47 | 1927.40 |
| Japanese yen | 1.98 | 102.20 |
| Kuwaiti dinar | 5.59 | 0.30 |
| Netherlands guilders | 5.47 | 2.19 |
| Norwegian kroner | 6.64 | 8.04 |
| Portugese escudo | 5.47 | 199.56 |
| Special Drawing Rights | 5.59 | 0.73 |
| Algerian dinar | 5.59 | 69.31 |
| Saudi ryal | 7.04 | 3.75 |
| Swedish kroner | 5.80 | 8.53 |
| United Arab Emirates dirham | 5.59 | 3.67 |
| Russian rouble | 7.04 | 0.60 |
| United States dollar | 7.04 | 1.00 |
| UCF-BAD/FAD Unit of Account (=SDR) | 5.59 | 0.73 |

Memorandum Item:

Paris Club cut-off date 12/31/86

Sources: OECD; and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates for the respective currencies over the six-month period ended December 1999.

2/ The exchange rates are those at the base date (end-1999).

Table 8. Guinea-Bissau: Key External Debt Indicators after HIPC Assistance, 1999-2019
(In millions of US dollar, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2001-03 Average | 2004-13 Average |
|---|------|------|------|------|------|------|------|------|------|------|------|--------------------|--------------------|
| After traditional debt relief 1/ | | | | | | | | | | | | | |
| NPV of debt | 471 | 487 | 475 | 477 | 475 | 477 | 487 | 481 | 458 | 451 | 448 | 478 | 485 |
| Nominal debt | 749 | 784 | 777 | 777 | 772 | 781 | 775 | 771 | 768 | 768 | 770 | 775 | 788 |
| Total debt service | 34 | 27 | 31 | 34 | 37 | 39 | 49 | 42 | 41 | 39 | 38 | 34 | 34 |
| NPV of debt to export ratio | 995 | 891 | 883 | 588 | 523 | 472 | 415 | 369 | 329 | 298 | 288 | 508 | 304 |
| NPV of debt to revenue ratio | 1213 | 1209 | 1042 | 928 | 843 | 743 | 683 | 599 | 542 | 491 | 446 | 937 | 499 |
| Debt service ratio | 61 | 38 | 38 | 38 | 37 | 35 | 39 | 30 | 27 | 23 | 21 | 37 | 22 |
| Debt service to revenue ratio | 87 | 71 | 67 | 66 | 65 | 61 | 68 | 54 | 48 | 43 | 38 | 66 | 39 |
| After enhanced HIPC assistance 2/ | | | | | | | | | | | | | |
| NPV of debt | 507 | 394 | 410 | 438 | 96 | 114 | 130 | 145 | 160 | 175 | 192 | 315 | 188 |
| Bilateral | 307 | 188 | 185 | 197 | 30 | 38 | 49 | 59 | 70 | 83 | 98 | 137 | 90 |
| Multilateral | 200 | 206 | 225 | 241 | 66 | 76 | 82 | 86 | 89 | 92 | 98 | 177 | 98 |
| Nominal debt | 758 | 685 | 704 | 725 | 209 | 245 | 277 | 303 | 330 | 359 | 391 | 548 | 377 |
| Bilateral | 352 | 274 | 271 | 280 | 58 | 75 | 97 | 117 | 141 | 188 | 191 | 202 | 178 |
| Multilateral | 405 | 411 | 433 | 445 | 153 | 170 | 180 | 186 | 189 | 193 | 199 | 344 | 200 |
| Total debt service | ... | ... | 5 | 5 | 4 | 3 | 4 | 5 | 7 | 9 | 10 | 4 | 8 |
| Bilateral | ... | ... | 3 | 3 | 2 | 1 | 2 | 2 | 3 | 4 | 4 | 3 | 3 |
| Multilateral | ... | ... | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 5 | 6 | 2 | 5 |
| NPV of debt to export ratio | 1071 | 752 | 589 | 540 | 108 | 113 | 116 | 118 | 115 | 115 | 114 | 412 | 113 |
| NPV of debt to revenue ratio | 1308 | 1020 | 898 | 851 | 171 | 178 | 185 | 188 | 190 | 191 | 191 | 640 | 187 |
| Debt service ratio | ... | ... | 6 | 5 | 4 | 3 | 3 | 4 | 4 | 5 | 6 | 5 | 4 |
| Debt service to revenue ratio | ... | ... | 10 | 9 | 8 | 5 | 6 | 6 | 8 | 9 | 10 | 9 | 8 |
| After enhanced HIPC assistance assumed unconditional delivery 3/ | | | | | | | | | | | | | |
| NPV of debt | 71 | 71 | 82 | 89 | 98 | 114 | 130 | 145 | 160 | 175 | 192 | 89 | 188 |
| Bilateral | 35 | 35 | 36 | 37 | 38 | 38 | 49 | 59 | 70 | 83 | 98 | 37 | 90 |
| Multilateral | 38 | 35 | 46 | 52 | 58 | 76 | 82 | 86 | 89 | 92 | 98 | 52 | 98 |
| Nominal debt | 113 | 138 | 159 | 169 | 198 | 245 | 277 | 303 | 330 | 359 | 391 | 175 | 377 |
| Bilateral | 40 | 51 | 53 | 52 | 71 | 75 | 97 | 117 | 141 | 188 | 191 | 59 | 178 |
| Multilateral | 74 | 85 | 106 | 117 | 125 | 170 | 180 | 186 | 189 | 193 | 199 | 438 | 528 |
| Total debt service | ... | ... | 5 | 5 | 4 | 3 | 4 | 5 | 7 | 9 | 10 | 4 | 8 |
| Bilateral | ... | ... | 3 | 3 | 2 | 1 | 2 | 2 | 3 | 4 | 4 | 3 | 3 |
| Multilateral | ... | ... | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 5 | 6 | 2 | 5 |
| NPV of debt to export ratio | 150 | 135 | 117 | 110 | 105 | 113 | 118 | 118 | 115 | 115 | 114 | 111 | 113 |
| NPV of debt to revenue ratio | 183 | 183 | 179 | 173 | 170 | 178 | 185 | 188 | 190 | 191 | 191 | 174 | 187 |
| Debt service ratio | ... | ... | 6 | 6 | 5 | 3 | 3 | 4 | 5 | 6 | 6 | 6 | 5 |
| Debt service to revenue ratio | ... | ... | 10 | 9 | 8 | 5 | 6 | 6 | 8 | 9 | 10 | 9 | 8 |
| Memorandum Items: | | | | | | | | | | | | | |
| Debt Service before traditional debt relief | ... | 38 | 35 | 38 | 39 | 41 | 38 | 29 | 29 | 30 | 27 | 38 | 31 |
| NPV of new borrowing | ... | 12 | 28 | 38 | 47 | 65 | 81 | 95 | 110 | 125 | 142 | 38 | 138 |
| Exports of goods and services | 58 | 72 | 81 | 90 | 101 | 112 | 125 | 138 | 152 | 168 | 185 | 91 | 181 |
| Exports of goods and services (3-yr avg.) | 47 | 52 | 70 | 81 | 91 | 101 | 113 | 125 | 138 | 153 | 168 | 81 | 165 |
| Government revenue excluding grants | 39 | 39 | 46 | 51 | 58 | 64 | 71 | 77 | 84 | 92 | 100 | 51 | 99 |

Source: Guinea-Bissau authorities; staff estimates and projection

1/ Assumes a stock-of-debt operation on eligible debt (including arrears on pre-cutoff date debt) on Naples terms (87 percent NPV reduction) in 1999, and at least comparable action by other official bilateral and commercial creditors. Assumes also non-concessional deferral with 10 year repayments including 5 year grace period on arrears on bilateral post-cutoff date claims.

2/ Assumes a Paris Club flow rescheduling covering arrears on pre-cutoff date debt and maturities falling due during 2000-2003 on Cologne terms and at least comparable actions by other bilateral creditors. A major creditor has also indicated a willingness to apply Naples terms to post cut-off date arrears and maturities on an exceptional basis. Multilateral relief is provided through a concessional rescheduling of arrears and/or debt service reduction and rescheduling.

3/ Assumes that all assistance under the HIPC initiative is delivered in 2000.

Table 9. Guinea-Bissau: Debt Service after Hypothetical Stock of Debt Operation 2000-2019

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

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2015 | 2019 | 2000-09 Average | 2010-19 Average |
|--|------|------|------|------|------|------|------|------|------|------|------|------|------|--------------------|--------------------|
| Total debt service after debt relief ^{1/2/} | 27 | 31 | 34 | 37 | 39 | 49 | 42 | 41 | 39 | 38 | 25 | 22 | 24 | 38 | 23 |
| Principal | 14 | 18 | 22 | 25 | 28 | 39 | 32 | 32 | 31 | 31 | 18 | 16 | 19 | 27 | 17 |
| Multilateral | 8 | 9 | 9 | 11 | 12 | 19 | 19 | 18 | 17 | 17 | 12 | 12 | 12 | 14 | 12 |
| African Development Bank | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| African Development Fund | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 4 | 3 | 3 | 4 | 4 | 3 | 4 |
| IDA | 3 | 3 | 3 | 4 | 5 | 5 | 5 | 6 | 6 | 7 | 7 | 8 | 8 | 5 | 8 |
| International Monetary Fund | 0 | 1 | 1 | 3 | 3 | 3 | 3 | 2 | 1 | 0 | 0 | 0 | 0 | 2 | 0 |
| Others | 2 | 2 | 2 | 2 | 2 | 7 | 7 | 7 | 6 | 6 | 1 | 0 | 0 | 4 | 0 |
| Official bilateral | 6 | 9 | 12 | 14 | 16 | 20 | 14 | 14 | 14 | 14 | 6 | 4 | 7 | 13 | 5 |
| Paris Club | 5 | 6 | 8 | 10 | 12 | 12 | 6 | 6 | 6 | 6 | 2 | 4 | 6 | 8 | 4 |
| Post-cutoff date | 4 | 5 | 7 | 9 | 11 | 10 | 4 | 4 | 4 | 4 | 0 | 0 | 0 | 6 | 0 |
| o/w ODA | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 1 | 0 |
| Pre-cutoff date | 0 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 6 | 1 | 4 |
| Other official bilateral | 1 | 3 | 5 | 5 | 5 | 8 | 8 | 8 | 8 | 8 | 4 | 0 | 1 | 6 | 1 |
| Post-cutoff date | 1 | 3 | 5 | 5 | 5 | 8 | 8 | 8 | 8 | 7 | 4 | 0 | 0 | 6 | 1 |
| Pre-cutoff date | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Commercial | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | 13 | 13 | 13 | 12 | 11 | 10 | 9 | 9 | 8 | 7 | 7 | 5 | 4 | 11 | 6 |
| Multilateral | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 1 | 3 | 2 |
| African Development Bank | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| African Development Fund | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 1 | 1 |
| IDA | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| International Monetary Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Official bilateral | 9 | 9 | 9 | 8 | 8 | 7 | 6 | 6 | 5 | 5 | 4 | 4 | 3 | 7 | 4 |
| Paris Club | 7 | 6 | 6 | 6 | 5 | 5 | 4 | 4 | 4 | 4 | 3 | 3 | 2 | 5 | 3 |
| Post-cutoff date | 3 | 3 | 2 | 2 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| o/w ODA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-cutoff date | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 2 | 4 | 3 |
| Other official bilateral | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 2 | 1 |
| Post-cutoff date | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| Pre-cutoff date | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Commercial | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Memorandum item | | | | | | | | | | | | | | | |
| Debt service on new borrowing | 0 | 0 | 1 | 1 | 1 | 1 | 2 | 3 | 5 | 6 | 8 | 11 | 20 | 2 | 8 |
| Principal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 4 | 6 | 6 | 12 | 1 | 5 |
| Interest | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 5 | 7 | 1 | 3 |

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

1/ Based on debt outstanding and disbursed as of end-1999.

2/ Assumes a stock-of-debt operation on Naples terms at end-1999 and at least comparable treatment from other official bilateral creditors.

Assumes non-concessional deferral with 10 year repayments including 5 year grace period on arrears on multilateral claims and bilateral post-cutoff date claims.

Table 10. Guinea-Bissau: External Debt Service and Resource Transfer 1999-2013
(In millions of US dollar)

| | Arrears as of end-1999 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2001-03 Average | 2004-13 Average |
|--|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------|--------------------|
| Debt Service on existing debt | | | | | | | | | | | | | | |
| Scheduled Debt Service | 214 | 34 | 35 | 35 | 38 | 39 | 40 | 34 | 27 | 26 | 25 | 21 | 37 | 25 |
| Multilateral creditors | 35 | 12 | 11 | 12 | 12 | 14 | 15 | 14 | 14 | 14 | 13 | 12 | 13 | 14 |
| of which IMF/World Bank | 0 | 4 | 5 | 6 | 6 | 8 | 9 | 10 | 10 | 9 | 8 | 8 | 7 | 9 |
| Other multilaterals | 35 | 8 | 6 | 7 | 6 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 6 | 5 |
| Paris Club creditors | 120 | 19 | 20 | 17 | 18 | 18 | 19 | 14 | 8 | 7 | 7 | 4 | 18 | 8 |
| Other bilaterals | 59 | 3 | 4 | 5 | 7 | 7 | 7 | 6 | 6 | 5 | 5 | 5 | 6 | 4 |
| Commercial creditors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| After traditional debt relief 1/ | 71 | | | 31 | 34 | 37 | 39 | 49 | 42 | 41 | 39 | 38 | 34 | 34 |
| Multilateral creditors | 35 | | | 13 | 13 | 14 | 15 | 22 | 22 | 21 | 20 | 19 | 13 | 18 |
| of which IMF/World Bank | 0 | | | 6 | 6 | 8 | 9 | 10 | 10 | 9 | 8 | 8 | 7 | 9 |
| Other multilaterals | 35 | | | 7 | 7 | 6 | 6 | 12 | 12 | 12 | 12 | 11 | 7 | 8 |
| Paris Club creditors | 19 | | | 12 | 14 | 15 | 17 | 17 | 10 | 10 | 10 | 10 | 14 | 10 |
| Other bilaterals | 17 | | | 5 | 7 | 7 | 7 | 10 | 10 | 10 | 9 | 9 | 7 | 7 |
| Commercial creditors | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| After enhanced HIPC assistance 2/ | 0 | | | 4 | 4 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 2 |
| Multilateral creditors | 0 | | | 1 | 1 | 1 | 2 | 1 | 1 | 1 | 2 | 2 | 1 | 2 |
| of which IMF/World Bank | 0 | | | 0 | 0 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 0 | 1 |
| Other multilaterals | 0 | | | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Paris Club creditors | 0 | | | 2 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 1 |
| Other bilaterals | 0 | | | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Commercial creditors | 0 | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service on New Borrowing | | | | 1 | 1 | 1 | 1 | 2 | 3 | 5 | 6 | 8 | 1 | 6 |
| Total Debt Service (Cash basis) 3/ | | 4 | 5 | 5 | 5 | 4 | 3 | 4 | 5 | 7 | 9 | 10 | 4 | 8 |
| Total external resource flow | | 35 | 53 | 60 | 49 | 53 | 52 | 65 | 69 | 75 | 81 | 86 | 54 | 80 |
| Total grants | | 28 | 37 | 42 | 31 | 37 | 38 | 40 | 42 | 43 | 45 | 47 | 36 | 46 |
| Projects | | 20 | 21 | 24 | 31 | 37 | 38 | 40 | 42 | 43 | 45 | 47 | 31 | 46 |
| Non-projects | | 9 | 16 | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 0 |
| Disbursements of new loans | | 7 | 16 | 18 | 7 | 8 | 8 | 8 | 8 | 6 | 8 | 12 | 11 | 11 |
| Projects 4/ | | 2 | 5 | 5 | 7 | 8 | 8 | 8 | 8 | 6 | 8 | 12 | 7 | 11 |
| Non-projects | | 5 | 12 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 0 |
| External Financing Gap (uncommitted grants) 5/ | | | | | 12 | 8 | 5 | 17 | 20 | 25 | 28 | 28 | 10 | 23 |
| Net inflows of resources 6/ | | 32 | 48 | 55 | 45 | 49 | 49 | 61 | 64 | 68 | 73 | 76 | 50 | 71 |

Sources: Guinea-Bissau authorities, and staff projections

1/ Assumes a stock-of-debt operation on eligible debt (including arrears on pre-cutoff date debt) on Naples terms (67 percent NPV reduction) in 1999, and at least comparable action by other official bilateral and commercial creditors. Assumes also non-concessional deferral with 10 year repayments including 5 year grace period on arrears on multilateral claims and bilateral post-cutoff date claims

2/ Assumes a Paris Club flow rescheduling covering arrears on pre-cutoff date debt and maturities falling due during 2000-2003 on Cologne terms and at least comparable actions by other bilateral creditors. Assumes also non-concessional deferral with 10 year repayments including 5 year grace period on arrears on multilateral claims and bilateral post-cutoff date claims in 2000. HIPC assistance is assumed to be delivered in November 2003, once the completion point is reached

3/ Include debt service after the HIPC assistance and debt service on new borrowing

4/ In 1999, project grants recorded in the balance of payments include emergency assistance provided through nongovernment organizations not recorded in the fiscal data

5/ After the projected assistance under the enhanced HIPC initiative

6/ Total disbursements of grants and loans minus debt service on a cash basis

Table 11. Guinea Bissau: Arrears to Multilateral Creditors

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

| Creditor | Arrears as of end-1999 | Payments Due in 2000 ^{1/} |
|-----------------------|------------------------|------------------------------------|
| AfDB | 5.4 | 4.0 |
| IDA | 0.0 | 4.5 |
| IFAD | 1.1 | 0.3 |
| IsDB | 12.7 | 0.1 ^{2/} |
| EU (EIB administered) | 0.9 ^{3/} | 4/ |
| EU (IDA administered) | 0.0 | 0.0 |
| OPEC Fund | 7.7 | 0.3 |
| BADEA | 5.5 | 0.6 |
| ECOWAS | 1.9 | 0.2 |
| IMF | 0.0 | 0.4 |
| Total | 35.2 | 10.4^{5/} |

1/ Based on stock of debt as of end-99, excluding payments due on arrears.

2/ Based on Rescheduling agreement of June 2000.

3/ Not including penalty interest.

4/ No amortisation schedule available.

5/ Excluding EIB.

Guinea-Bissau: Main DSA Assumptions

For the 20-year baseline scenario underlying the debt sustainability analysis, the following assumptions regarding the key macroeconomic variables have been made.

Economic growth

Real GDP is expected to grow at 6 percent per year on average during 2004-19.

Exports and imports

- The annual export growth rates is projected to be, on average and in volume terms, 7¼ percent in 2001-03 and at 6¾ percent in 2004-19. The terms of trade are expected to improve steadily at a moderate rate throughout the projection period.
- The baseline scenario assumes a favorable outcome for agriculture and stable development in world market prices for Guinea-Bissau's traded goods. Buoyant cashew export growth, maintenance of macroeconomic stability, progress in other structural reforms, and a recovery in external aid to the post-conflict level are also assumed.
- It is furthermore assumed that import volume will grow at an average annual rate of 13½ percent in 2001-03 —driven by economic recovery and reconstruction—and 7 percent in 2004-19. Import prices are forecast to increase at an average of 2 percent, in line with the Fund's World Economic Outlook (WEO) projections and the World Bank's commodity division.

Capital account

- During the first decade, multilateral institutions (mainly IDA and African Development Fund) are expected to resume their lending activities to finance post-conflict reconstruction and capacity building projects.
- The projected financing gaps are assumed to be filled, with equal weights, with additional grants and concessional bilateral and multilateral loans (on IDA-comparable terms, with 40 years maturity, including a 10-year grace period and 0.75 percent interest rate).

External debt and foreign reserves

- Under traditional debt relief, it is assumed that all official bilateral creditors granted a hypothetical stock-of-debt operation on Naples term (which implies a 67 percent reduction in NPV terms on pre-cutoff date non-ODA debt, including arrears) in 1999.

- **Multilateral institutions are assumed to grant a nonconcessional deferral on arrears on their claims; bilateral creditors have granted nonconcessional deferral on arrears on their post-cutoff date claims and previously rescheduled claims in 2000.**
- **Net foreign reserves are expected to gradually recover from 2.5 months of imports to 4 months over the projection period.**

Guinea-Bissau: Selected Comparative Basic Social Indicators, 1997

(Latest single year available)

| | Guinea-Bissau | Sub-Saharan Africa |
|---|---------------|--------------------|
| Life expectancy at birth (years) | 44 | 50 |
| Infant mortality (per 1000 live births) | 130 | 92 |
| Access to safe water (% of population) | 53 | 47 |
| of which: rural | 57 | 32 |
| Access to sanitation facilities (% of population) | 21 | 47 |
| of which: rural | 17 | .. |
| Illiteracy (% of population age 15+) | 66 | 42 |
| Male | 50 | 34 |
| Female | 82 | 50 |
| Gross primary enrollment (% of school-age population) | 62 | 72 |
| Male | 79 | 84 |
| Female | 45 | 69 |

Source: World Bank.