

International Monetary Fund

[Guinea-Bissau](#) and
the IMF

Guinea-Bissau: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

May 16, 2018

The following item is a Letter of Intent of the government of Guinea-Bissau, which describes the policies that Guinea-Bissau intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Guinea-Bissau, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Letter of Intent

Bissau, Guinea-Bissau
May 16, 2018

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Lagarde,

1. The Government of Guinea-Bissau remains strongly committed to the economic program supported by the three-year Extended Credit Facility (ECF) Arrangement that was approved by the IMF Executive Board on July 10, 2015. The arrangement, the fourth review of which was completed by the Executive Board on December 11, 2017, supports our economic program and aims to consolidate macroeconomic stability, accelerate growth, and reduce poverty.
2. The attached Memorandum of Economic and Financial Policies (MEFP) updates that of November 17, 2017. It describes recent economic developments and summarizes our progress in implementing policies and structural reforms under the ECF-supported program. The MEFP also outlines our macroeconomic policies and structural measures for the period ahead.
3. As explained in the MEFP, we observed all performance criteria and indicative targets for end-December 2017, and our performance relative to structural benchmarks was satisfactory. We met six out of eight structural benchmarks for this review, as we missed the installation and use of upgraded debt management software, and the preparation of a draft legislation for a small taxpayer regime. The first of these measures was subsequently completed. The second will be addressed as part of a broader tax policy reform in line with recommendations from IMF technical assistance, for which we will present a strategy to the Council of Ministers by July 2018.
4. Economic activity remained robust in 2017, supported by favorable developments in our terms of trade and prudent macroeconomic management. Fiscal balances improved sharply due to enhanced revenue mobilization and careful management of expenditures. The continued growth and improved investor confidence is supporting credit expansion and financial inclusion, despite lingering challenges from non-performing loans.
5. For the medium term, we expect real GDP growth to average around 5 percent a year, as we improve critical infrastructure and strengthen the business environment to support private activity. While the country remains vulnerable to adverse movements in cashew and oil prices, continued prudent economic policies will help ensure healthy external and fiscal positions. Moreover, we will work closely with development partners to ensure that investment projects are well coordinated.
6. To underpin macroeconomic stability and debt sustainability, we will vigorously pursue domestic revenue mobilization and control expenditure to keep the overall fiscal deficit within 3 percent of GDP.

We will limit non-concessional domestic borrowing and maintain our policies of zero non-regularized expenditures, zero new arrears, and zero short-term or non-concessional external borrowing. We will further continue to strengthen our debt management capacity and work to quickly resolve all outstanding domestic and external arrears.

7. To promote stability in the banking system, we remain committed to a speedy and transparent resolution of the voided bank bailouts of 2015. Any intervention in the sector will be in line best international practices, and any direct government involvement, should it be necessary, will be transient and with minimal risk to the treasury.

8. Based on our overall performance, as well as the strength of policies described in the attached MEFP, the government requests that the Executive Board of the IMF completes the fifth review under the ECF arrangement, and releases the sixth tranche in the sum of SDR 3.028 million. To support continuity in the face of the upcoming parliamentary election and to fill an emerging balance of payments gap, we request an extension of the current ECF arrangement by one year to July 9, 2019, and augmentation of the resources available under the arrangement by SDR 5.68 million.

9. The government believes that the measures and policies set out in the attached MEFP are adequate for achieving the objectives of the program, but stands ready to take any additional measures that may become necessary for this purpose. We will consult with the IMF on the adoption of these measures and in advance of revisions to policies contained in the MEFP, in accordance with IMF policies on such consultation. The government will continue to provide the IMF with all information necessary to ensure the implementation and regular monitoring of the program.

10. The government authorizes publication of this letter, its attachments, and the related staff report, including placement of these documents on the IMF website in accordance with IMF procedures.

Yours sincerely,

/s/

Aristides Gomes

Prime Minister, and Minister of Economy and Finance, Guinea-Bissau

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Bissau, May 16, 2018

BACKGROUND

1. Guinea-Bissau adopted a medium-term economic and financial program (2014–18) supported by an arrangement with the International Monetary Fund (IMF) under the Extended Credit Facility (ECF).¹ The program aims to entrench macroeconomic stability and advance structural reforms to support efficient public service delivery, private sector development, and inclusive growth. The fourth review under the program was completed in December 2017.² This Memorandum of Economic and Financial Policies (MEFP) supplements the MEFP of November 17, 2017. It presents our performance relative to the performance criteria and other targets under the three-year ECF-arrangement, and outlines economic and financial policies as well as structural reforms for 2018-19.

2. The security situation remains calm and there has been important progress on overcoming the country’s political crisis. In early 2018, Prime Minister Embaló was replaced by Mr. Artur Silva. Several political figures were then subjected to ECOWAS sanctions, as the appointment of Mr. Silva was considered a breach of the 2016 Conakry Accord. A new Prime Minister with broad support, Mr. Aristides Gomes, was appointed in mid-April, followed by the first sitting of Parliament since late 2015 and the formation of an inclusive government. Parliamentary elections have been scheduled for November 2018.

3. While the ECF-supported program has enabled a substantial improvement in our economy, vigilance is needed to ensure continued progress. A key objective for the year ahead is to further strengthen revenue mobilization to enable a large step up in capital spending while keeping the overall fiscal deficit within 3 percent of GDP in line with the WAEMU criterion. A recent weakening of our terms of trade has, however, contributed to balance of payments pressures, and the upcoming election period poses an additional challenge. To address these pressures and provide continuity, we are requesting a one-year extension of the ECF arrangement with a twenty percent of quota augmentation of access. We are also engaging other development partners to advance inclusive growth and poverty reduction.

RECENT ECONOMIC DEVELOPMENTS

4. Economic activity remained buoyant and consistent with program expectations. Real GDP growth is estimated at 5.9 percent in 2017, slightly higher than previously estimated and roughly the same level as in 2015–16. The growth performance was aided by high cashew prices that boosted exports (cashew accounted for more than 90 percent of exports) and farmers’ incomes.

¹ [IMF Country Report No. 15/194. Guinea-Bissau: Request for a Three-Year Arrangement under The Extended Credit Facility—Staff Report.](#)

² [IMF Country Report No. 17/380. Guinea-Bissau: 2017 Article IV Consultation and Fourth Review Under the Extended Credit Facility Arrangement—Staff Report.](#)

This, along with public investments in roads and other critical infrastructure, enabled a resurgence in economic activity. At the same time, consumer price inflation averaged just 1.1 percent in 2017.

5. Higher exports notwithstanding, the external current account turned a deficit in 2017. Imports increased by 21 percent, reflecting higher demand for construction materials and consumer goods in the context of higher incomes and rising investment. Moreover, net factor income declined due to still inconclusive negotiations with the EU for fishing compensation. As a result, the current account swung from a surplus of 1.3 percent of GDP in 2016 to an estimated deficit of 0.5 percent in 2017. Nevertheless, the overall balance was positive at 2.9 percent of GDP in 2017, reflecting an increase in net foreign assets of the local BCEAO.

6. Government revenue mobilization in 2017 benefitted from favorable economic trends and stepped-up administrative reforms. Supported by vigilant tax and customs administration, buoyant economic activity helped boost the tax-to-GDP ratio by 1.3 percentage points of GDP to 10.4, comfortably exceeding the program target. The gains were derived mainly from corporate income tax, sales tax, and import duties. Although collection of non-tax revenue slowed in the second half of the year, due mainly to absence of EU fishing compensation resulting from still inconclusive negotiations, the dividend payment from the regional central bank (BCEAO) during the first half of the year caused this category to be in line with the full-year target (2.4 percent of GDP). Grants, which were boosted by budget support from Saudi Arabia in the first half of the year, saw a further unanticipated increase during the second half of the year from higher project grants, mainly from the World Bank, Bill & Melinda Gates Foundation, and United Nations Systems. This caused total grants to exceed the program target by 1.4 percent of GDP. Altogether, total revenue and grants were 2.4 percent of GDP above the end-December target of 15.9 percent.

7. Further gains in public financial management helped consolidate administrative improvements. The weekly Treasury Committee meetings have significantly strengthened expenditure control. During the year, we avoided non-regularized expenditures (*DNTs*) as well as domestic and external arrears. In addition, improvements in debt management helped reduce borrowing costs. While the ratio of spending to GDP was lower than in 2016, the higher than programmed revenue enabled an increase in spending relative to program while still achieving the targeted fiscal balances. Total spending was higher than programmed by 2.0 percent of GDP, mainly due to wages and salaries, goods and service, and other current spending. Nevertheless, the overall cash balance exceeded the program target by 0.4 percent of GDP.

8. High non-performing loans in the banking system continue to constrain financial intermediation. Banks' earnings and profitability remain low, with return on banking system assets averaging just under 1 percent in 2016–17. At the same time, commercial bank credit to the private sector (gross of provisions and including all five banks) expanded by 8.2 percent in 2016 but fell by 2.9 percent (year-on-year) by end-2017. The overall weak evolution of credit reflects considerable heterogeneity, with some banks scaling back in the context of a large overhang of non-performing loans (NPLs) and others expanding more aggressively. At end-2017, NPLs gross of provisioning amounted to 35 percent of bank credit, still very high but slightly down from 39.4 percent at end-2014. Net NPLs declined during the same period by some 7 percentage points to 15.6 percent at

end-2017. This followed significant provisions made in early 2017 by banks affected by the voided 2015 bailout in accordance with recommendations by the WAEMU Banking Commission. One bank remains significantly undercapitalized.

PROGRAM PERFORMANCE

9. All performance criteria (PCs) for end-December 2017 were met (Table 1). The floor on domestic tax revenue was exceeded by CFAF 12 billion (17.3 percent). In addition, consistent with their zero-ceilings, there was no non-concessional nor short-term external borrowing, and no external arrears were accumulated. Net domestic credit to central government (NCG) was below the program ceiling, notwithstanding two guarantees, with bank disbursements totaling CFAF 1.3 billion, issued by the government to support priority initiatives.

10. Performance relative to indicative quantitative targets was also good, with all four indicators met. The floor on the domestic primary balance was above the program target by 0.1 percent of GDP. At the same time, we continued avoiding any new domestic arrears as well any non-regularized expenditures, reflecting our gains in public financial management. In addition, the floor on social and priority spending was exceeded by 26.5 percent.

11. Progress in implementing key structural measures was generally good (Table 3). Six out of eight structural benchmarks (SBs) earmarked for the fifth ECF review were observed as envisioned. The government:

- Submitted a 2018 budget to the Council of Ministers that was subsequently approved.
- Submitted to the Council of Ministers a management improvement plan for EAGB that was subsequently approved. The statutes for EAGB were, however, not in compliance with OHADA standards and are being revised.
- Prepared on a rolling basis (i) monthly cash-flow projections consistent with the annual budget; quarterly reports on (ii) ministry-level budget execution with details along economic classification of expenses and (iii) external debt commitments, agreements, and disbursements; and (iv) monthly reports from EAGB detailing the utility's financial flows.

Two structural benchmarks were not completed on time:

- The newest version of the debt management software (DMFAS 6.0) was installed, albeit after the deadline. Its effective use for debt analysis and debt service projections will allow the authorities to produce a draft quarterly debt report covering both, domestic and external debt by end October and a fully-fledged report by January 2019. The work is being supported by UNCTAD and the World Bank.
- Following recent IMF TA on tax policy, it has become clear that completion of a new regime for small tax payers is best achieved as part of a more comprehensive tax reform. We therefore intend to pursue vigorously a wide-ranging tax reform aimed at simplifying and modernizing the tax code. To this end, we aim to submit to the Council of Ministers by end-

July 2018 a plan outlining the reform, and propose this as a structural benchmark to replace the missed benchmark for the small tax payer regime.

12. More generally, the government remains fully committed to the structural reform agenda outlined in the previous MEFP. Our objectives for strengthening revenue mobilization, expenditure management, debt management, public service delivery, and the business environment all remain unchanged. Aspects of the agenda are being extended, and new measures are being proposed to advance progress in these areas (see below). We recommit to timely implementation of the envisioned structural reform agenda under the ECF-supported program over its extension period.

MEDIUM TERM ECONOMIC OUTLOOK AND POLICIES

A. Economic Outlook

13. The economic outlook remains favorable, albeit with somewhat weakened terms of trade and subject to significant risks. The updated macroeconomic framework projects real GDP growth at an average of 5.3 percent a year in 2018-19. This reflects increased public and private investment supported by prudent economic policies. Due to higher oil prices and a small projected decline in international cashew prices, however, Guinea-Bissau's terms of trade are projected to deteriorate by 7.4 percent in 2018. Along with rising imports associated with higher investment and with the negotiations on fishing compensation from the EU (previously around 0.6 percent of GDP) still ongoing, this is projected to cause a widening of the external current account deficit to an average of 2.8 percent of GDP in 2018-19. For the remainder of the medium term (2020-23), growth is projected at 5 percent per year, with strong activity in agriculture, construction, and services supported by expected improvements in electricity supply and the overall business environment. Private credit expansion is expected to recover to around 9 percent a year, in response to the continued strong GDP growth and measures to encourage financial intermediation and inclusion. Consumer price inflation would remain subdued but rise slowly to 2.8 percent by 2023 (below the WAEMU convergence criterion of 3 percent). Risks to the economic outlook emanate from the price of cashew and political instability.

14. As public investment steps up, vigilant tax administration and expenditure control would contain the fiscal deficit. Reflecting a determined push to address energy and other infrastructure gaps, government investment is projected to rise from 7 percent of GDP in 2017 to 8.5 percent in 2018 and then rise more gradually through the medium term. The fiscal deficit (cash basis) is projected to widen to 2.9 percent of GDP in 2018 and then gradually narrow, remaining below the WAEMU convergence criteria of 3 percent of GDP in all years. The projected fiscal trajectory will be supported by continued advances in domestic revenue mobilization and improvements in treasury management procedures and practices, all with a vigilant eye on the evolution of public debt. Infrastructure projects will continue to be financed mostly through concessional loans and grants. At the same time, social expenditure will be geared to support enhanced service delivery in health and education.

B. Economic Policies

15. The government’s program for 2014-18 continues to guide our strategies for shared growth and prosperity. Our strategies are focused on (i) undertaking needed infrastructure and social spending while maintaining fiscal discipline; (ii) strengthening debt sustainability; (iii) ensuring financial sector stability while bolstering healthy financial intermediation and inclusion, and (iv) improving economic statistics. To underpin these objectives, the government will continue to foster private sector development and improvements in the business environment. Related reforms include steps to promote policy transparency, good governance, and the rule of law, and to improve the targeting of social support. Strengthened resource mobilization, including from our development partners, will be essential for adequate financing of the nation’s development agenda.

Fiscal Policies

16. Domestic revenue mobilization remains a key priority. We will continue to build on earlier gains in domestic revenue mobilization, targeting total government revenue of 18.8 percent of GDP in 2018 (up from 18.3 percent in 2017) with further increases over the medium term. To this end, we have assigned taxpayer identification numbers (TINs) to more than 14,000 individuals and over 1,300 corporations as of end-December 2017, and the uniform sales invoices is now used by about 500 companies. We have extended SYDONIA to custom posts in three districts, done away with the practice of applying flat-rate customs fees for goods imported by land and moved to the general tariff regime, and have stepped up tax controls at the land border posts with enhanced focus on high-tax items. We have also moved forcefully to meet all required procedures as agreed with CITES for the export of the stock of seized timber. We continue to shun petroleum subsidies by regularly adjusting domestic fuel prices in line with the evolution of global fuel prices. We are also enforcing higher standards for customs clearing agents, strengthening coordination between the tax and customs administration, and vigorously pursuing irregularities and taking disciplinary actions as required.

17. Our revenue mobilization objectives will be underpinned by measures to strengthen tax and customs administration. With the support of Fund TA, we are working to (i) continue using the Statement of Contributions and Taxes Withheld at Source (DECIRF), to ensure that all taxes withheld at source are transferred to DGCI, (ii) ensure that all taxpayers with required formalization standards file returns for industrial contribution, (iii) extend the Integrated Tax Management System to all tax districts and departments, while combating non-filing of tax returns, (iv) enforce the use of standardized invoices and filing compliance, and (v) strengthen monitoring of large taxpayers. For the remainder of 2018 and beyond, the government will take steps to enhance revenue collection by:

- Fully implementing the IT master plan (Plano Diretor de Informatica – PDI) to create interfaces between DGCI and other entities’ IT systems.
- Adopting a model for recording tax payments to ensure that they are expeditiously and consistently captured by the IT system.

- Requiring use of taxpayer identification numbers (TINs) for payment of taxes and all related transactions with public agencies (proposed SB for September 2018).
- Establishing a special tax collection working group to enforce tax collection from large debtors (proposed SB for September 2018). With the stepped-up enforcement, we aim to collect CFAF 1.2 billion in tax arrears in 2018.
- Preparing quarterly reports (starting September 2018 for performance as of end-June 2018, and quarterly thereafter) on progress in minimizing tax exemptions.

18. We will also work to enhance tax policies, including by launching a fundamental overhaul of the tax system. Largely unchanged for decades, the tax system in Guinea-Bissau is characterized by antiquated legislation, contradictions, a large compliance burden and pervasive administrative discretion. We aim to simplify and modernize the tax system by developing a new set of tax laws that are simple for taxpayers to understand and easier for the government to administer. We will prepare a tax reform strategy to be presented to the Council of Ministers (proposed SB for July 2018) for its endorsement. In line with the advice provided by technical assistance by the IMF, the proposed tax policy reform will include:

- A broader tax base for the goods and services tax (IGV) by putting a limited set of standard exemptions in legislation, while repealing or canceling all existing legislative and administrative exemptions from the IGV. In particular, we will: repeal the 2015 Budget Law amendments to the IGV Code and the Investment Code, and cancel all IGV exemptions already granted based on Article 12 of the Investment Code. The IGV would then impose a standard rate of 17 percent on imported goods and services and on domestic supplies of large taxpayers (such as those with turnover greater than 100 million FCFA), while exported goods and services would be zero-rated and exemptions limited to those that are legislated.
- Simplifying income taxes by repealing the current income tax legislation in its entirety and adopting a system with the following components.
 - A single tax on employment income imposed at source, applying reasonable tax rates to employment income defined as broadly as possible to encompass all forms of compensation, including: wages, employment benefits, and pension income.
 - A neutral and broad-based investment income tax.
 - A new tax on business income, including self-employment income, comprising of: (i) a zero rate on businesses and self-employed individuals with subsistence levels of turnover; (ii) a low flat tax (say, 10 percent) on turnover for micro businesses; (iii) a single tax for small and medium-sized businesses, with a moderate rate (say, 25 percent) on a simplified tax base of turnover minus the cost of inputs on which the business has already paid tax (wages and salaries on which personal income tax was paid, plus purchases of goods and services on which IGV was paid); and (iv) a standard corporate income tax for large businesses at the same moderate rate, designed to be fully compliant with UEMOA Directives.

- Rationalizing the taxation of cashew exports in line with the general income tax reform, with a view to, overtime, repealing both existing taxes and the large, complex, and overlapping sets of fees and charges. Cashew exports would then be subject to a simple, turnover-based income tax and only two fees – a phytosanitary certification fee and a customs fee – set at levels that recover the marginal cost of the inspection and verification services provided to an exporter.
- Gradually replacing the present property tax regime with a modern, comprehensive, and market-value based property tax. As a first step, technical assistance would be sought to develop a detailed multi-year roadmap and action plan concerning administrative reform and the development of a comprehensive fiscal cadaster. Property transfer taxes would be maintained, with some amendments, until a tax based on market values is implemented.

The overhaul of the tax system would be overseen and led by a new tax policy unit within the Ministry of Finance that we intend to create, with the DGCI tax reform office refocused on modernizing tax administration and readying the DGCI to implement a new tax system. In addition to embarking on these reforms, starting July 2018, we will recover stamp taxes collected by the National Aviation Agency from travel agencies, (15,000 CFAF per passenger), with a view to raising CFAF 1.5 billion in 2018.

19. Expenditures will be contained in line with the overall deficit target and the program PC on net domestic credit to central government. For 2018, we foresee total expenditure increasing to 21.4 percent of GDP mainly on the back of higher capital spending. To limit the expansion in debt and contingent liabilities, we continue to shun contingent liabilities and are vigilantly watching our non-concessional project borrowing from the regional development bank (BOAD). To this end, we are proposing expansion of the ceiling on net domestic credit to central government (NCG) to include non-concessional borrowings from BOAD, and will prioritize concessional loans and grants. The NCG ceiling for 2018 is foreseen at CFAF 19.1 billion, which is equal to net total non-concessional BOAD disbursements in the 2018 budget.

20. Our planned scaling up of public investments will be rigorously assessed, to foster efficiency and value for money. To improve the road network and electricity supply, we have contracted loans from BOAD, the Arab Bank for Economic Development (BADEA), and other development partners. These investments will help improve the business environment and boost economic growth. Ensuring their efficacy and efficiency will, however, require close coordination among the different agencies and ministries involved. For the electricity sector, we have with assistance from the World Bank drafted a management improvement plan for EAGB that lays out steps culminating with the implementation of a service contract (proposed SB for September 2018). As part of this process, new statutes for EAGB will be adopted (by July 2018) after which a new board will be appointed and a tender for the management service provider will be launched. More generally, to support the scaling up of investments, we are enhancing procedures for project selection and assessment, and we are reviewing the public investment plan to ensure its consistency with already contracted loans.

21. Gains in treasury management and broader institutional reforms will be extended to advance public financial management (PFM) and improve the quality of spending.

The government, through the Treasury Committee, will continue to strengthen compliance with PFM rules at the ministerial level and to align expenditures with available resources. In 2017, the government (i) tightened annual budget management procedures considerably, and (ii) rolled out monthly cashflow projections consistent with the budget, which aided budget execution. In early 2018, the Ministry of Finance adopted a calendar for the preparation of the budget that is in line with the WAEMU regulations and best international practices. Going forward, the government will:

- Continue to equip and task the Treasury Committee to ensure timely regularization of all expenses and avoid the use of DNTs.
- Continue to avoid any accumulation of domestic or external arrears.
- Consolidate medium-term payroll management reforms by instituting a wage policy to inform annual public-sector wage increases and to contain growth in the wage bill.
- Enhance management and prioritization of capital spending by strengthening the investment database, developing a matrix of short-term expenditure priorities, improving the system for formal project appraisal and evaluation, and integrating infrastructure maintenance needs into the annual budgets.
- Continue to prepare and review rolling monthly treasury cash-flow projection tables consistent with the 2018 budget (ongoing SB), to guide and inform our Treasury operations.
- Further the preparation of timely quarterly reports on ministry-level budget execution with details along economic classification of expenses (ongoing SB).
- Adopt a procedure to validate investment projects through circularization of the information available from SIGFIP, BCEAO, and donors and other financiers.
- Progressively improve budget projections and monitoring by: (i) requesting ministries to provide forecasts of financial needs for the quarter, and (ii) providing ministries with reliable information on commitment ceilings at least a quarter in advance.

Borrowing Policies and Debt Management

22. To better monitor and enhance our debt carrying capacity, the government will continue to strengthen debt management.

The Debt Directorate is now equipped with the latest version of the debt management software (DMFAS 6.0), which should help to improve debt service projections and enable production of detailed quarterly debt reports covering both domestic and external debt by January 2019. A Public Debt Management Strategy will be ready by September 2018. Moreover, we continue to strengthen information flow between the Debt Directorate and the Treasury, and we are enhancing the capacity of the staff. As we do so we will continue to provide on a rolling basis a quarterly report on external debt and a monthly report on EAGB financial flows (ongoing SBs).

23. We will also continue to work towards resolving all external legacy arrears. Progress in addressing external legacy arrears have yielded the following as of end-2017: (i) cancellation of our arrears to the erstwhile Franco-Portuguese bank, (ii) clearance of our arrears to the United Arab Emirates, and (iii) debt relief on near-Paris Club terms of our arrears to Exim Bank of Taiwan Province of China. Moreover, the terms for the restructuring of Guinea-Bissau's debt to Brazil have been negotiated and are being submitted to the Brazilian Senate for approval. Negotiations with other bilateral creditors (Angola, Libya, Pakistan, Russia) for resolving the remaining legacy arrears are continuing. The government remains current on its remaining external debt obligations.

24. Avoiding expensive domestic loans should help minimize the debt service burden. In 2017, the government shunned expensive loans from local commercial banks, following the cancellation of credit lines with these banks and a consolidation of claims into Treasury securities at lower interest rates. In addition, the government successfully rescheduled in two phases debt service arrears with BOAD. To further reduce the trajectory of expensive borrowing, we will align disbursements on already signed loans to absorptive capacity and will pursue higher grant elements (concessionality) in new loan contracts. To ensure consistency with program objectives, we have also expanded the program ceiling on net domestic credit to central government to include disbursements of non-concessional BOAD loans (see paragraph 19 above; and Table 2).

25. The government is dealing with domestic suppliers' arrears, while avoiding government guarantees. The total claims outstanding of the former exceed CFAF 100 billion, including 14 billion as the remaining balance from an audit covering claims from 1974-99 and 86 billion from a second audit for 2000-07 that has still to be validated. To provide clarity, the Government is seeking support from development partners to audit all outstanding claims as soon as possible. The Government will then draw up a reimbursement strategy with a view to settling the legitimate domestic arrears, after netting out any tax liability of the beneficiaries, by end 2018. Further, we will shun issuance of new government guarantees while vigilantly taking stock of all existing guarantees.

Financial Sector Policies

26. Recapitalizing banks as required and resolving high levels of NPLs is crucial to safeguarding financial stability and supporting healthy growth of the financial sector. With the support of the regional Banking Commission (BC), the government remains committed to promoting healthy financial intermediation. The government is focused on finding a solution to one problem bank, facilitating the injection of capital by a new proper-and-fit strategic investor to inject capital. We are also examining options to address the high level of NPLs in the banking system, including by encouraging banks to engage more actively in debt restructuring that is affordable to borrowers and by assessing the scope for accelerated collection of collateral. In any actions taken, we will adhere to best international practices, strive to avoid possible market distortions or conflicts of interest, and minimize risks to the budget.

27. The government remains committed to close monitoring of the financial system and steadfast implementation of prudential norms. In December 2017, the Banking Commission (BC)

issued instructions to two undercapitalized banks, requiring them to meet the minimum capital requirement by end-June 2018. The banks were at the same time barred from distributing dividends and required to report monthly on actions taken. The government fully supports the BC in its strong supervisory enforcement of prudential regulations. To help enhance oversight, we are stepping up our monitoring and analysis of developments in the banking system.

28. Deepening financial markets remains critical for financial inclusion. With the assistance of development partners, we continue to implement initiatives to broaden access to finance (including for SMEs), while encouraging use of the banking system (including for mortgages). The authorities are updating their national plan for enhancing financial inclusion, and will continue to implement incentives for SMEs in accordance with measures adopted by the WAEMU Council of Ministers in September 2015. The latter set of measures comprise (i) re-financing of BCEAO claims on eligible SMEs, and (ii) regulatory incentives to banks for credit to eligible SMEs, including reduced weighting of claims on these enterprises in reckoning compliance with prudential ratios. The government continues to maintain a credit registry to aid financing decisions of banks and to enhance access to credit.

Other Structural Reforms

29. Improving the business environment for private sector development and job creation is a key priority. The government will continue to refrain from interventions in the cashew sector that impede competition or otherwise prevent markets from functioning freely. Indeed, the recent removal of export taxes in a trading partner country, should help strengthen demand for our cashew exports and support prices for producers as well as exporters. In this connection, the increase in this year's reference farmgate price should be understood as a guide to producers and not a price floor. To stimulate private sector activity, we are taking steps to sell state assets that have been slated for privatization, including the fruit and vegetable processing plant near Safim that was constructed with a loan from Exim Bank of India. Moreover, we will continue to provide a one-stop shop for business registration and tax assessments and settlement.

30. To enhance transparency and forestall contingent liabilities on public resources, the government will continue to audit state-owned enterprises (SOEs) and agencies. In 2017, we performed for the first-time financial audits of eight state enterprises. This effort to shed light on the finances of SOEs should be considered a major accomplishment given the capacity constraints. The audits cover (i) National Institute for Social Insurance, (ii) ANAC (Civil Aviation Administration), (iii) EAGB, (iv) *GuinéTelecom*, (v) *GuinéTel*, (vi) APGB (Sea Port), (vii) ARN (National Regulatory Authority for Communications), and (viii) *Fundo Rodoviário* (Road Fund). The audits revealed widespread weaknesses but also some areas of improvement. Highlights include: (i) at EAGB, improvements in accounting and control in 2017 compared to previous years; ii) at the National Institute for Social Insurance, efforts to improve revenues but also very high levels of administrative expenditure; (iii) at the Sea Port, impairment of ability to cover costs of services provided due to inherited debts. All eight reports revealed significant weaknesses in financial management, internal control, and procurement functions, with many instances of non-conformity or non-compliance on transactions related with procurement, financial and non-financial assets management, and staff expenses. All

reports recommend setting up or strengthening internal control bodies and establishing manuals of administrative and accounting procedures. These findings and recommendations will help us devise reform actions to ensure higher effectiveness, accountability, and fiscal compliance of SOEs. The *Tribunal de Contas* plans to follow-up with further investigations that might lead to sanctions and recovery of public funds. Another 15 audits of public entities, covering both financial and management aspects, are scheduled for completion by end 2018, and we are resourcing the *Tribunal de Contas* accordingly. In accordance with Decree 1/2017, all measures will be taken to ensure that all SOEs produce and publish annual accounts approved by their respective Administrative Councils from 2018 onwards.

31. The government will continue to ensure transparency in military spending. The undertaking of a first audit of military spending covering 2014 to the first half of 2017 is a significant achievement. The auditors' report confirms improvements in financial management and control, as DNTs were avoided in 2017 and almost all salary payments are now made by bank transfer directly to the beneficiaries. Military spending continues to be on budget and generally executed per normal expenditure procedures. The audit points to some irregularities in procurement and expenses associated with health and food, and it recommends further improving the internal control system in the Ministry of Defense. We intend to define follow-up actions to further increase the transparency in military spending. We will also take into consideration the recommendations of the World Bank's ongoing Public Expenditure Review in the Defense sector.

Combating Corruption and Rent Seeking

32. The government will continue to advance and strengthen its anti-corruption and anti-rent-seeking framework with assistance from development partners. We have approved the national strategic plan for Anti-Money Laundering/Combating of the Financing of Terrorism (AML/CFT), and have given the Financial Intelligence Unit (CENTIF) sufficient autonomy and financial resources to conduct its mandate. In response, CENTIF has developed a system to allow reporting entities to submit suspicious transaction reports (STRs) electronically. This new system, along with TA from the Inter-Governmental Group against Money Laundering in West Africa (GIABA), has led to an increase in the number of STRs received. Nonetheless, more needs to be done including (i) enacting the uniform WAEMU AML/CFT law, (ii) raising awareness of international AML/CFT standards among government AML/CFT agencies and reporting organizations, (iii) strengthening arrangements for interagency and international cooperation, (iv) further developing the capacity of CENTIF staff, including enhancing analytical tools, and (v) taking steps to enable supervisors in the Directorate-General for Supervision of Financial Activities and Insurance (DGSFAI) to commence supervisory operations.

33. To strengthen transparency and governance, the government will support implementation of a comprehensive asset disclosure regime for public officials. We will to this end (i) make available the resources and support that the *Inspeção Superior de Luta Contra a Corrupção* needs to effectively carry out its mandate, (ii) prepare a comprehensive template for the declaration of assets and interests by all officials concerned, (iii) prepare amendments to Law 7/99 to cover all politically exposed persons per Financial Action Task Force (FATF) standards, and (iv)

strengthen the capacity of law enforcement agencies to undertake corruption-related investigations.

Improving Economic Statistics

34. The government places high emphasis on improving the compilation and timely dissemination of economic statistics. The government will reinvigorate, with the assistance of external experts and local consultants, the unit responsible for identifying technical assistance needs and helping implement data-enhancing recommendations. We are also dedicating resources to strengthen staff capacity and improve relevant infrastructure. Supported by IMF technical assistance, we plan to publish by July 2018 revised national accounts with updated base year following a mini household survey. We are continuing regular coordination meetings among the BCEAO, the Ministry of Economy and Finance, the national cashew authority, the Ministry of Agriculture, the Ministry of Commerce, and the Bureau of National Statistics, to ensure consistency of datasets, especially between the balance of payments (BOP), monetary and financial statistics, and government finance statistics. We are also seeking to improve the timeliness of data, with, among others, quarterly BOP data disseminated within four months after the end of the reference period and annual BOP data within one year after the end of the reference period.

C. Program Monitoring

35. The program will continue to be monitored semi-annually, based on quantitative performance criteria, indicative targets, and structural benchmarks (Tables 1 and 2), covering the period to end-2018. The performance criteria and indicators are defined in the attached Technical Memorandum of Understanding (TMU) along with the relevant adjustors. The semi-annual reviews will be based on data at end-June and end-December. The sixth program review (following extension of the ECF-supported arrangement) will be based on the end-June 2018 performance criteria, and is scheduled to be completed on or after October 15, 2018. As noted above, we are proposing expansion of the quantitative NCG ceiling to include non-concessional borrowing amounts from the regional development bank, BOAD, which should help enhance oversight over expensive project loans and reduce eventually the debt service burden. In addition, we are proposing four new structural benchmarks: one (for July 2018) relating to tax reform; two (for September 2018) to improve tax compliance and collection; and one (for September 2018) for implementing the service contract for EAGB management.

36. The government believes that the policies and measures included in this memorandum are adequate to achieve the objectives of the economic program for 2018. It stands ready, however, to take any further financial and structural measures that may become necessary to ensure the success of its policies. It reaffirms its commitment to the ECF-supported program, and further undertakes:

- To refrain from accumulating any new domestic arrears other than those specified in the TMU, and from contracting non-concessional external loans; and
- Not to introduce or increase restrictions on payments and transfers related to current international transactions, to enter into any bilateral payment agreements not in conformity

with Article VIII of the IMF Articles of Agreement, or to impose or intensify any import restrictions for balance of payments purposes; and

- To adopt any additional financial and structural measures that may become necessary to ensure the success of its policies, only in consultation with the IMF.

Table 1. Guinea-Bissau: Quantitative Performance Criteria and Indicative Targets for 2017

(Cumulative from beginning year to end of month indicated; billions of CFAF, unless otherwise indicated)

	2016	2017								Status
		Mar. ¹		Jun.		Sept. ¹		Dec.		
		Prog.	Prel.	Prog.	Prel.	Prog.	Prel.	Prog.	Prel.	
Performance criteria¹										
Total domestic tax revenue (floor)	63.5	16.3	13.0	33.4	41.4	48.9	63.0	69.3	81.3	met
Net domestic credit to the central government (ceiling) ²	15.9	8.0	11.3	6.4	-0.4	0.0	-1.2	0.0	-0.2	met
Ceiling on new non-concessional external debt (US\$ millions) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Outstanding stock of external debt owed or guaranteed by the central government with maturities of less than one year (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
External payment arrears (ceiling) ³	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Indicative targets										
New domestic arrears (ceiling)	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Social and priority spending (floor)	32.2	7.7	10.8	21.7	23.2	23.2	34.4	31.0	39.2	met
Domestic primary balance (commitment basis, floor)	-14.2	-6.4	-2.2	-5.1	6.2	-1.0	6.0	3.1	3.9	met
Non regularized expenditures (DNTs, ceiling)	1.9	0.3	0.0	0.4	0.0	1.0	0.0	0.5	0.0	met
<i>Memorandum items:</i>										
Clearance of domestic payment arrears	6.1	0.4	0.4	0.4	1.4	0.4	1.5	2.2	2.4	
External budgetary assistance (US\$ millions) ⁴	0.4	0.0	0.0	0.0	4.8	0.0	4.8	4.8	4.8	
ECF disbursements (SDR millions, flow)	5.1	0.0	0.0	3.0	0.0	0.0	3.0	3.0	3.0	
Concessional loans (US\$ millions) ⁵	7.1	4.6	2.4	5.4	4.8	5.4	8.0	12.0	9.5	

¹ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding. Targets for end-March and end-September are indicative.

² 2017 includes new loan guarantees (CFAF 0.4 billion for Bissau City and CFAF 0.9 billion for pilgrims to Mecca).

³ These apply on a continuous basis.

⁴ Comprises budget support grants and program loans (for budget support).

⁵ Comprises project loans with grant elements exceeding or equal to 35 percent.

Table 2. Guinea-Bissau: Quantitative Performance Criteria and Indicative Targets for 2018

(Cumulative from beginning year to end of month indicated; billions of CFAF, unless otherwise indicated)

	2017	2018				
		Mar. ¹		Jun.	Sept. ¹	Dec.
		Prog.	Est.	Proposed targets		
Performance criteria¹						
Total domestic tax revenue (floor)	81.3	12.1	14.8	40.2	68.7	89.3
Net domestic credit to the central government (ceiling) ²	-0.2	13.7	3.9	13.3	13.6	19.1
Ceiling on new non-concessional external debt (US\$ millions) ³	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding stock of external debt owed or guaranteed by the central government with maturities of less than one year (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0
External payment arrears (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets						
New domestic arrears (ceiling)	0.0	0.0	0.0	0.0	0.0	0.0
Social and priority spending (floor)	39.2	7.8	7.8	26.0	33.0	42.0
Domestic primary balance (commitment basis, floor)	3.9	-11.7	2.9	1.1	10.0	10.7
Non regularized expenditures (DNTs, ceiling)	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>						
Clearance of domestic payment arrears	2.4	0.9	0.1	1.2	2.3	3.0
External budgetary assistance (US\$ millions) ⁴	4.8	0.0	0.0	0.0	0.0	0.0
ECF disbursements (SDR millions, flow)	6.1	0.0	0.0	3.0	0.0	3.0
Concessional loans (US\$ millions) ⁵	9.5	3.4	6.3	12.6	16.8	21.0

¹ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding. Targets for end-March and end-September are indicative.

² Coverage expanded for 2018 to include all non-concessional borrowing in domestic currency, including project financing from regional lenders (projected at CFAF 19.1 billion in 2018).

³ These apply on a continuous basis.

⁴ Comprises budget support grants and program loans (for budget support).

⁵ Comprises project loans with grant elements exceeding or equal to 35 percent.

Table 3. Guinea-Bissau: Structural Benchmarks under the ECF Program, 2017-18

Measures	Timing	Macro Rationale	Status
Revenue Mobilization			
Extend the new uniform sales invoice to all taxpayers.	September 2017	To improve tax administration and compliance.	Met.
Complete the assignment of taxpayer identification numbers to all taxpayers.	September 2017	To improve tax administration and compliance.	Met.
Prepare a draft law, with technical assistance from the IMF, for a new small taxpayer regime that is simple and transparent, protects the revenue base, lowers compliance costs, and ensures global participation.	December 2017	To improve tax administration and compliance.	Not met. Benchmark replaced by new measure below.
Submit to Council of Ministers a strategy for comprehensive tax reform, with coverage including small tax payers and with rules that are simple and minimize discretion in assessment.	July 2018	To improve tax administration and compliance.	Proposed benchmark.
Establish Special Tax Collection Working Group to enforce tax collection from large debtors.	September 2018	To improve tax compliance and collection.	Proposed benchmark.
Require the use of TINs for payment of taxes and all related transactions with public agencies.	September 2018	To improve tax administration and compliance.	Proposed benchmark.
Expenditure Management			
Prepare a monthly rolling Treasury cash flow projection table consistent with the 2017 budget.	December 2016 for January 2017, and monthly thereafter.	Enhance expenditure management.	Met.
Prepare timely quarterly reports on ministry-level budget execution with details along economic classification of expenses.	December 2016, and quarterly thereafter.	Enhance budget execution and monitoring.	Met.
Debt Management			
Prepare a quarterly report on external debt commitments, agreements, and disbursements.	December 2016 for September 2016 Report, and quarterly thereafter	Enhance debt management capacity and transparency in external debt commitments.	Met.

Table 3. Guinea-Bissau: Structural Benchmarks under the ECF Program, 2017-18 (concluded)			
Measures	Timing	Macro Rationale	Status
Install the newest version of the debt management software, DMFAS 6.0, and commence its use for effective debt analysis and debt service projections.	December 2017	Strengthen debt management and eschew payment arrears.	Not Met. The software was installed in early 2018.
Business Environment and Overall Policy			
Complete, with assistance of the WAEMU Banking Commission, an assessment of the two banks affected by the bailout, and articulate an action plan to bring these banks into compliance with prudential norms.	April 15, 2017	To strengthen the health of the banking system.	Met.
Design a strategy to promote cashew production and transformation based on results of the FUNPI audit.	June 2017	Reduce transaction costs.	Met.
EAGB will submit reports detailing its financial flows for the 2015 financial year, the first three quarters of 2016 and on a monthly basis starting from October 2016.	October 2017 and monthly thereafter	To instill transparency in EAGB operations and financial position.	Met. However, the quality of data remains poor.
Submission of a 2018 budget to Council of Ministers.	December 2017	Proper fiscal management.	Met.
Submit management improvement plan for EAGB to the Council of Ministers.	March 2018	To enhance efficiency in the utility, reduce electricity supply costs, and avoid contingent liabilities.	Met.
Start implementation of service contract for EAGB management.	September 2018	To enhance efficiency in the utility, reduce electricity supply costs, and avoid contingent liabilities.	Proposed benchmark.

Attachment II. Technical Memorandum of Understanding

Bissau, Guinea-Bissau, May 16, 2018

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 (PCs) and structural benchmarks (SBs) for the program supported by the Extended Credit Facility (ECF) arrangement, as well as the related reporting requirements. Unless otherwise specified, all quantitative PCs and indicative targets will be evaluated in terms of cumulative flows from the beginning of the period, as specified in Table 2 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 2018 will be converted into local currency (CFA francs) using a program exchange rate of CFA 554.21/US\$ and cross rates as of end-December 2017.

QUANTITATIVE PERFORMANCE CRITERIA

A. Floor on 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, as well as programmed recovery of tax arrears.
- 4. Adjustment clauses.** The floor on the total domestic tax revenue will be adjusted downwards (upwards) by the amount of any shortfall (excess) in programmed recovery of tax arrears. For the purposes of this adjustor, the programmed 2018 tax arrears recovery path is as follows (cumulative up to indicated month during the year): CFAF 0.64 billion (for end-March), CFAF 1.28 billion (end-June), CFAF 2.24 billion (end-September), and CFAF 3.2 billion (end-December).

B. Net Domestic Bank Credit to the Central Government (NCG)

- 5. Definition.** NCG refers to the net banking system's claim on the central Government as calculated by the Treasury Department. It is defined as the sum of the following:
 - a. the net position of the Government with the national BCEAO, including: treasury bills and bonds (excluding on-lent IMF credit); less central Government deposits (excluding project-related deposits) at the BCEAO;
 - b. the net position of the Government with commercial banks, including: (a) treasury bills; (b) treasury bearer bonds; and (c) loan and advances of commercial banks to

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

the central Government; less central Government deposits (excluding project-related deposits) in commercial banks; and

- c. any other CFAF-denominated commercial credit, including net disbursement of project loans by the regional development bank, BOAD (excluding concessional loans with a grant element of at least 35 percent).

Any domestic loan guarantees issued by the government will be included in the net position of the government as defined above. The net position of government will exclude any transactions resulting from the voided bank bailout.

6. Adjustment clauses. The ceiling on NCG will be adjusted as follows:

- a) upwards (downwards) by up to the CFA value of the shortfall (excess) in external program grants and loans (both programmed at zero in 2018), including IMF drawings—the upward adjustment will be capped at the equivalent of CFAF 10 billion; and
- b) downwards (upwards) by the excess (shortfall) in the CFA value of any programmed privatization receipts (programmed at zero in 2018). In addition, central government deposits at the BCEAO and the commercial banks will be adjusted downwards by any clearance of domestic arrears (excluding any arrears accumulated during the program period, 2015-19) in excess of programmed levels. For the purposes of this adjustor, the programmed domestic arrears clearance path in 2018 is as follows (cumulative up to indicated month during the year): CFAF 0.9 billion (for end-March), CFAF 1.2 billion (end-June), CFAF 2.3 billion (end-September), and CFAF 3 billion (end-December).

7. Data source. The data source for the above will be the monetary survey (*Position Nette du Gouvernement (PNG)*) table, as amended to include net project borrowing from BOAD, submitted monthly to the IMF staff by the Ministry of Finance.

8. 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).

C. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government with an Original Maturity of One Year or More

9. Definition. Those are defined as all forms of new debt with original maturity of one year or more contracted or guaranteed by the central government. For this purpose, new non-concessional external debt will exclude normal trade credit for imports and debt denominated in CFA franc, but will include domestically held foreign exchange (non-CFA franc) debts. This PC applies not only to debt as defined in the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Decision No. 15688-(14/107), adopted December 5, 2014, point 8, but also to commitments

contracted or guaranteed for which value has not been received. Excluded from this PC are disbursements from the IMF and those debts subject to rescheduling or for which verbal agreement has been reached. This PC will apply on a continuous basis.

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

D. External Short-Term Debt Contracted or Guaranteed by Central Government

11. Definition. External short-term debt is defined as external debt stock with a maturity of less than one year contracted or guaranteed by central government. For this purpose, short-term debt will exclude normal trade credit for imports and debt denominated in CFA franc, but will include domestically held foreign exchange (non-CFA franc) debts. For the purposes of this PC, central government is as defined in paragraph 8 above. This PC will apply on a continuous basis.

E. External Payment Arrears of the Central Government

12. Definition. For the purposes of this performance criterion, 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 performance criteria, or “non-program” arrears, are defined as: (i) arrears accumulated on the service of an external debt for which there is a request for rescheduling or restructuring; and/or (ii) the amounts subject to litigation which are not considered as arrears for the performance criteria. They are defined as “non-program” arrears.

QUANTITATIVE INDICATIVE TARGETS

A. New Domestic Arrears of Central Government

13. Definition. The ceiling on domestic arrears are defined as accounts payable (*resto-a-pagar*) accumulated during the year, and still unpaid by one month after the quarter for wages and salaries (including pensions), and three months for goods, services and transfers.

B. Social and Priority Poverty-Related Expenditures

14. Definition. Social and Priority Poverty-related expenditures are defined to include spending on health, education, and the gender ministry (MEFP Table 2).

C. Domestic Primary Balance (Commitment Basis)

15. 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 all project loans. Government commitments include all expenditure for which commitment vouchers 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.

D. Non-Regularized Expenditure (DNTs)

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

PROGRAM MONITORING

17. The extension and augmentation of access under the ECF Arrangement would allow two additional program reviews, the sixth and seventh reviews. The sixth review will be based on end-June 2018 performance criteria and is scheduled to be completed on or after October 15, 2018. The seventh review (the last after the extension of the Arrangement) will be based on end-December 2018 performance criteria and is scheduled to be completed on or after April 15, 2019. The Bissau-Guinean authorities shall recommend policy responses, inform the IMF monthly about the progress of the program, and transmit supporting information necessary for the evaluation of quantitative PCs and benchmarks in electronic format as indicated in the attached summary table to IMF staff (Table 1).

18. To properly monitor key macroeconomic variables (including performance indicators under the ECF), coordinate technical assistance, and monitor progress in implementation of reforms, the government will continue to adequately support its reform unit. This reform unit periodically reports to the Minister of Finance progress in achieving agreed performance indicators and development objectives. It will also keep an updated list of all its partners, prioritize technical assistance, and agree with partners on the division of labour in technical assistance. Finally, it will ensure the information sharing, including TA reports, with partners involved in the same area to avoid conflicting and/or overlapping advice.

Table 1. Guinea-Bissau: Summary of Reporting Requirements

Information	Frequency	Reporting Deadline	Responsible
Fiscal Sector			
Central Government budget and outrun	Monthly	30 days after the end of the month	DGPS ¹
Grants	Monthly	30 days after the end of the month	DGPS
Budgetary grants	Monthly	30 days after the end of the month	DGPS
Project grants	Monthly	30 days after the end of the month	DGPS
Change in the stock of domestic arrears	Monthly	30 days after the end of the month	DGPS
Unpaid claims	Monthly	30 days after the end of the month	DGPS
Interest arrears	Monthly	30 days after the end of the month	DGPS
Proceeds from bonds issued in the regional WAEMU market	Monthly	30 days after the end of the month	DGPS
Real and External Sector			
Updates on annual National Accounts by sector	Annually	30 days after approval	CSO/MEF ²
Balance of Payments data	Annually	30 days after approval	BCEAO/MEF
Balance of Payments data	Quarterly	60 days after the end of the quarter	BCEAO/MEF
Details of exports breakdown	Quarterly	45 days after the end of the quarter	BCEAO/MEF
Details of imports breakdown	Quarterly	45 days after the end of the quarter	BCEAO/MEF
CPI	Monthly	45 days after the end of the month	CSO/MEF
Debt sector			
External and domestic debt and guaranteed debt by creditor	Monthly	30 days after the end of the month	Debt Directorate
Disbursements	Monthly	30 days after the end of the month	Debt Directorate
Amortization	Monthly	30 days after the end of the month	Debt Directorate
Interest payments	Monthly	30 days after the end of the month	Debt Directorate
Stock of external debt	Monthly	30 days after the end of the month	Debt Directorate
Stock of domestic debt	Monthly	30 days after the end of the month	Debt Directorate
Arrears on interest and principal	Monthly	30 days after the end of the month	Debt Directorate
Exceptional domestic financing	Monthly	30 days after the end of the month	Debt Directorate
Copies of any new loan agreements	As occurring		Debt Directorate
Monetary/Financial sector			
Detailed balance sheet of the central bank (national BCEAO)	Monthly	45 days after the end of the month	BCEAO/MEF
Detailed bank-by-bank balance sheets	Monthly	45 days after the end of the month	BCEAO/MEF
Detailed consolidated balance sheet of commercial banks	Monthly	45 days after the end of the month	BCEAO/MEF
The monetary survey	Monthly	45 days after the end of the month	BCEAO/MEF
Detailed net position of central government (PNG)	Monthly	45 days after the end of the month	BCEAO/MEF
Financial soundness indicators	Monthly	45 days after the end of the month	BCEAO/MEF
Interest rates	Monthly	45 days after the end of the month	BCEAO/MEF
Deposit rates on all types of deposits at commercial banks	Monthly	45 days after the end of the month	BCEAO/MEF
Short- and long-term lending rates of commercial banks	Monthly	45 days after the end of the month	BCEAO/MEF
¹ Directorate General for Forecasts.			
² Central Statistics Office/Ministry of Economy and Finance.			