INTERNATIONAL MONETARY FUND

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GUINEA-BISSAU

June 2023

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION-PRESS RELEASE; STAFF REPORT

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

- A **Press Release.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis following discussions that ended on March 22, 2023, with the officials of Guinea-Bissau on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the Staff Report was completed on April 27, 2023.

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PRESS RELEASE

PR23/142

IMF Executive Board Concludes the First Review of the Extended Credit Facility Arrangement for Guinea-Bissau and Approves US$3.2 Million Disbursement

- The IMF Executive Board decision allows for an immediate disbursement of SDR2.37 million (about US$3.2 million) to Guinea-Bissau to help meet the country's financing needs.
- Growth is estimated at 3.5 percent in 2022 and is expected to improve to 4.5 percent in 2023.
- Performance has been strong during the initial phase of the program. The authorities remain committed to strong policy measures and structural reforms, including on fiscal management and governance.

Washington, DC - May 10, 2023: Today, the Executive Board of the International Monetary Fund (IMF) completed the first review of Guinea Bissau's performance under a program supported by a 36-month Extended Credit Facility (ECF) arrangement. The ECF, with a total access of SDR28.4 million (about US$38.4 million at the time of approval, or 100 percent of quota), was approved by the IMF Executive Board on January 30, 2023 . Completion of the first review enables an immediate disbursement of SDR2.37 million, about US$3.2 million, to help meet the country's balance-of-payments and fiscal financing needs and support the ongoing recovery. This brings total disbursements under the arrangement to SDR4.74 million, (about US$6.4 million). The Executive Board's decision was taken on a lapse-of-time basis. [1] Growth in 2022 is estimated at 3.5 percent, while average inflation increased to 7.9 percent in 2022. Growth was negatively affected by lower cashew exports and adverse external shocks, but supported by higher agricultural production, infrastructure projects, and relative political stability. The surge in commodity prices added inflationary pressures.

Program performance was satisfactory with all but one end-January 2023 quantitative performance criteria met for end-January 2023 and all structural measures at end-March 2023 for the second review completed. This reflects the authorities' ability to maintain macroeconomic stability in a very difficult external environment made of spillovers from the war in Ukraine and tighter global financial conditions, including in the WAEMU regional capital market. Program performance should improve private sector and donor confidence and further catalyze much-needed concessional financing.

Going forward, ensuring continuation of strong policies is paramount to maintain good program performance. This entails a credible fiscal consolidation that ensures medium-term debt sustainability. The structural agenda is designed to strengthen governance and AML/CFT frameworks, improve the management of fiscal resources and public investment, increase transparency, accountability, and counter corruption. Priorities are the strengthening of revenue administration and collection, including through the implementation of the new VAT law, and a more efficient management of the wage bill supported by a new census of public sector employees and the implementation of an IMF-supported blockchain solution.

It is critical to persevere in the ambitious structural reform agenda, especially in the context of upcoming parliamentary elections, to fully reap the catalyzing effect of the ECF arrangement.

[1] The Executive Board takes decisions under its lapse-of-time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.	Proj.					
			(Annual percent change, unless otherwise indicated)						
National accounts and prices									
Real GDP at market prices	1.5	6.4	3.5	4.5	5.0	5.0	5.0	5.0	4.5
Real GDP per capita	-0.7	4.1	1.2	2.3	2.8	2.9	2.9	2.9	2.4
GDP deflator	-1.0	2.7	7.3	5.6	3.1	2.8	2.8	2.8	2.8
Consumer price index (annual average)	1.5	3.3	7.9	5.5	3.0	2.0	2.0	2.0	2.0
External sector									
Exports, f.o.b. (CFA francs)									
Imports, f.o.b. (CFA francs)	-15.6	35.1	-14.3	26.8	11.7	4.5	4.6	4.7	5.4
Export volume	-9.9	9.7	22.2	8.5	2.3	5.7	4.7	5.4	6.1
Import volume	-3.9	-6.5	-10.1	-2.6	8.8	2.7	2.1	1.9	1.6
Terms of trade (deterioration = -)	2.0	1.5	-1.0	...	...	...	...	...	...
Real effective exchange rate (depreciation = -)	574.8	554.2	622.4	...	...	...	...	...	...
Exchange rate (CFAF per US$; average)									
Government finances									
Revenue excluding grants	-5.5	22.7	3.4	15.4	13.0	9.8	10.2	10.0	8.5
Domestic revenue (excluding grants and one-offs)	33.8	8.9	-6.0	5.0	7.3	7.9	7.7	9.8	8.2
Expenditure	14.5	3.5	7.9	-5.8	4.7	6.8	8.0	8.2	6.6
Current expenditure	96.7	19.3	-28.8	31.9	11.9	9.7	7.1	12.6	10.6
Capital expenditure									
Money and credit									
Domestic credit	-1.7	18.5	24.2	8.2	10.8	9.5	6.3	5.9	5.9
Credit to the government (net)	-19.7	53.4	25.5	4.8	4.1	2.4	-6.2	-7.0	-6.2
Credit to the economy	5.9	7.3	23.7	9.8	13.8	12.4	11.0	10.0	9.0
Net domestic assets	-13.8	21.0	47.2	10.4	13.4	11.5	7.5	6.9	6.8
Broad money (M2)	9.1	21.2	2.9	5.8	7.1	6.4	5.7	6.1	6.1
			(Percent of GDP, unless otherwise indicated)						
Investments and savings									
Gross investment	17.5	18.3	18.0	17.5	19.6	20.4	21.1	22.1	23.2
Of which: government investment	5.8	6.4	4.1	4.9	5.1	5.1	5.1	5.3	5.5
Gross domestic savings	3.3	7.6	1.1	3.3	7.5	8.5	9.6	10.8	12.0
Of which: government savings	-7.6	-5.5	-4.5	-2.4	-1.5	-1.2	-1.2	-1.1	-1.0
Gross national savings	15.0	17.5	9.1	11.2	15.2	16.2	17.0	18.1	19.2
Government finances									
Revenue excluding grants	11.4	12.8	11.9	12.5	13.0	13.2	13.5	13.8	13.9
Domestic primary expenditure	16.0	14.7	15.1	12.7	12.5	12.6	12.9	13.1	13.3
Domestic primary balance	-4.6	-1.9	-3.2	-0.2	0.5	0.6	0.7	0.7	0.7
Overall balance (commitment basis)									
Including grants	-9.6	-5.9	-5.8	-3.8	-3.2	-3.0	-3.0	-3.0	-3.0
Excluding grants	-13.6	-12.2	-9.2	-7.6	-6.9	-6.7	-6.4	-6.4	-6.4
External current account	-2.6	-0.8	-8.9	-6.3	-4.4	-4.2	-4.1	-4.0	-4.0
Excluding official current transfers	-5.7	-3.4	-10.8	-8.7	-6.8	-6.6	-6.2	-6.1	-6.0
Stock of public and publicly guaranteed debt[1]	77.7	78.8	80.5	76.4	73.9	71.6	69.4	67.5	66.2
Of which: external debt	41.1	40.3	39.0	35.6	33.7	32.2	30.1	28.3	26.9
Memorandum items:									
Nominal GDP at market prices (CFAF billions)	875.2	956.3	1062.0	1172.0	1268.7	1369.5	1478.2	1595.6	1714.1
WAEMU gross official reserves (billions of US$)	21.8	24.5	25.2	...	...	...	...	...	...
(percent of broad money)	33.2	30.2	30.6						

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

[1] Coverage expanded to include legacy arrears.

INTERNATIONAL MONETARY FUND

GUINEA-BISSAU

April 27, 2023

FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context. Guinea-Bissau is a fragile state facing significant development challenges, including sustaining the recovery from the COVID-19 pandemic, supply disruptions, and the global economic slowdown. The IMF Board approved a three-year ECF arrangement with access of 100 percent of quota (SDR 28.4 million) in January 2023. Building on the 2021 SMP achievements, the program supports a credible fiscal consolidation that ensures medium-term debt sustainability. The structural agenda to strengthen governance and AML/CFT framework will improve the management of fiscal resources and public investment, increase transparency and accountability and counter corruption.

Program Performance. All but one quantitative performance criteria (QPC) for end-January 2023 were met. The floors of tax revenue, domestic primary balance, social spending, and the ceiling on wage bill spending were all met. The zero ceiling on domestic arrears was missed because of an overdue CFAF-denominated debt service. This was caused by tightening financing conditions in the WAEMU bond regional market which has also constrained government financing in most WAEMU countries. The arrears were fully paid in March 2023. Progress was made across the structural agenda with all five structural benchmarks (SBs) met for end-March 2023 as well as one for end-December 2023. Three new SBs are proposed to promptly address fiscal risks related to the public utility company, one on commitment controls to reduce risks of arrears accumulation and one to improve the rule of law.

Staff views. Macroeconomic prospects remain similar to program approval, and performance criteria for the second review have not been modified. Staff supports the authorities' request for completing the first review of the ECF arrangement based on the polices outlined in the Memorandum of Economic and Financial Policies. The draft 2023 budget supports strong fiscal consolidation. The authorities are taking steps to meet all QPCs and SBs. Program downside risks remain. The persisting international crisis could adversely impact the political support for revenue mobilization and expenditure containment measures, tightened regional and global financial conditions, and donor support. Unforeseen financial stress in state-owned enterprises and banking sector fragilities could generate contingent liabilities and fuel social tensions. The February 2022 coup attempt and tensions around the legislative elections rescheduled for early June 2023 suggest increasing political risks.

Approved By

Montfort Mlachila (AFR) and Eugenio Cerutti (SPR)

An IMF team consisting of Jose Gijon (Head), Pedro Juca Maciel, Yugo Koshima, Harold Zavarce (all AFR), Koon Hui Tee (FAD), Patrick Gitton (Resident Representative) and Gaston Fonseca (local economist) held discussions with the authorities. The mission met with H.E. President Sissoco Embaló, Prime Minister Nabiam, President of the Audit Court Baldé, Vice-Prime Minister Sambú, the Minister of Finance Té, Minister of Economy Casimiro, Minister of Public Administration Dale, the Minister of Fisheries Viegas, and BCEAO National Director Cassama. The team also met with officials from the Ministries of Finance, Economy, the National Direction of the BCEAO, the Financial Intelligence Unit, the Procurement Authority, the National Institute of Statistics, the Center for Access to Justice, the Center for Formalization of Enterprises and other officials. In addition, the mission met with civil society organizations, representatives from private and public sector enterprises, and key bilateral and international partners. The mission took place during March 8–22, 2023. Romao Varela (Advisor to the Executive Director, OED) participated in the policy discussions. Fairoza Jaghori and Tomas Pica (both AFR) contributed to the preparation of this report.

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CONTEXT

1. Despite the Covid pandemic and the commodity price shocks of the last two years, the political environment has remained stable, creating space for reforms.

- A coup attempt took place in February 2022 which authorities attributed to drug traffickers and corrupt officials. ECOWAS redeployed a stabilization force to the country. The political context has been relatively stable after the coup attempt.
- The President dissolved the parliament in mid-May 2022. Next legislative and presidential elections are scheduled for June 2023 and December 2024. There has been progress in the preparation of the June elections, and the government is monitoring potential sources of social and political tensions, which could increase during the period leading to the election.

2. The authorities continue to make progress in their reform agenda. The performance under the Extended Credit Facility (ECF) supported program was satisfactory. There is a strong commitment at the highest political level to the program which is also supported by the major political parties represented in the multi-party Permanent Commission of the National Popular Assembly. The reform agenda includes an ambitious fiscal consolidation to invest in people and infrastructure while preserving debt sustainability and structural and governance reforms to strengthen state capacity and address long-standing fragility challenges.[1]

RECENT ECONOMIC DEVELOPMENTS

3. Growth is estimated to moderate to 3.5 percent, while average inflation increased to 7.9 percent in 2022 (Text Table 1). In 2022, growth was affected by a decrease in cashew exports. The surge in commodity prices associated with the war in Ukraine added pressures on inflation, especially in food and fuel. However, growth in 2022 was supported by higher agricultural production, private sector investment and relative political stability, which partially offset the impact of higher cost-of-living and negative external shocks.

Text Table 1. Guinea-Bissau: Macro Performance 2019–22

	2019	2020		2021		2022	
	Prel.	Pre-shock[1] proj.	After shock estimates	Pre-shock[1] proj.	After shock proj.	Pre-shock[2] proj.	After shock proj.
Real GDP (percent change)	4.5	4.9	1.5	5.0	6.4	4.0	3.5
GDP deflator (percent change)	-3.5	2.1	-1.0	3.6	2.7	2.8	7.3
CPI inflation, average (percent)	0.3	1.5	1.5	1.8	3.3	2.0	7.9
Current account (percent of GDP)[3]	-8.5	-4.5	-2.6	-4.6	-0.8	-4.3	-8.9
Overall fiscal balance, commitment basis incl. grants (percent of GDP)	-3.9	-5.1	-9.6	-5.1	-5.9	-4.2	-5.8
Total public and publicly guaranteed debt (percent of GDP)	65.3	71.5	77.7	71.1	78.8	78.2	80.5
Memorandum items:							
Nominal GDP (CFAF billion)[4]	871	893	875	972	956	966	1062
Cashew nut export prices (US$ per ton)	1098	1140	1000	1180	1154	1158.8	1200
Cashew export volume (thousands of tons)	196	208	155	214	234	240.0	183

Sources: Guinea-Bissau authorities; and IMF staff estimates and projections.
1/ Projections as of January 2020, before COVID-19 shock.
2/ Projections as of January 2021, before Ukraine war shock.
3/ In 2019 the current account deficit includes the one-off import (3.5 percent of GDP) of a power-generation ship that is anchored off the coast of Bissau and supplies electricity to the city.
4/ Revised figures based on the release of the national account estimates for 2018.

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

4. The overall fiscal deficit in 2022 was higher than projected due to an increase in spending pressures and lower-than-expected tax revenue. The overall fiscal deficit on a commitment basis declined slightly to 5.8 percent of GDP in 2022 from 5.9 percent in 2021. Compared to the ECF request, overall and domestic primary deficits were higher-than-projected by 0.3 and 0.4 percent of GDP respectively, because of lower-than-expected tax revenue and expenditure overrun (Text Table 2). Tax revenue was 0.1 percent of GDP lower than projected largely due to lower collection of tax arrears mainly from public entities. Wage bill spending was marginally exceeded by 0.1 percent of GDP mainly due to payment of wage arrears and lower-than-expected savings from the census of public administration. The authorities will be conducting new census of public administration in 2023 within the framework of the World Bank project on capacity building in the public sector.

Text Table 2. Guinea-Bissau: Fiscal Performance, 2022
(Percent of GDP)

	Forecast (ECF Request)	Estimates	Difference
Revenue and grants	16.0	15.4	-0.7
Revenue	12.1	11.9	-0.1
Of which: Tax revenue	9.5	9.4	-0.1
Grants	4.0	3.4	-0.5
Expenditure	21.5	21.1	-0.4
Expense	14.7	15.1	0.3
Wages and salaries[1]	6.2	6.2	0.1
Goods and services[1]	2.5	2.6	0.1
Transfers[1]	2.1	2.2	0.0
Other	2.5	2.7	0.2
Interest	1.3	1.4	0.0
Net acquisition of nonfinancial assets	6.8	6.0	-0.7
Domestically financed	1.5	1.4	-0.1
Foreign financed	5.3	4.6	-0.7
Overall balance, including grants (commitment)	-5.5	-5.8	-0.3
Domestic primary balance (commitment)	-2.8	-3.2	-0.4

Sources: Guinea-Bissau authorities and IMF staff estimations
[1] Adjusted for embassy salaries.

5. The external position deteriorated in 2022 because of high food and fuel prices and lower cashew exports. Based on provisional data, the current account deficit worsened to 8.9 percent of GDP in 2022 from 0.8 percent of GDP in 2021. An important part of financing needs were met by issuance of Treasury securities in regional markets.

6. The stock of public debt increased in 2022. Based on provisional data, the public debt is expected to reach 80.5 percent of GDP, an increase of 1.7 percentage points of GDP compared to 2021, because of a higher-than-projected deficit, new government guarantees mainly to the public utility company (0.5 percent of GDP) and the recognition of cross-arrears owed to suppliers with non-performing loans at the undercapitalized bank (0.4 percent of GDP) (¶17). External debt declined in 2022 by due to higher reliance on the domestic regional market financing.

7. Pandemic-related measures implemented by the BCEAO, the regional central bank, have supported credit. Credit to the economy grew by 23.7 percent in 2022, because of the accommodative stance of the BCEAO. Except for one large undercapitalized bank, the banking sector has adequate capital levels, meeting the regional prudential criteria (Table 5). While gross NPLs to total loans declined in 2022, they remain high, but banks are well provisioned. The financial vulnerabilities stemming from the sovereign debt and exchange rate exposures in the banking sector are low.[2]

PROGRAM PERFORMANCE

8. All but one quantitative performance criterion (QPC) for end-January 2023 were met (Table 8). The QPC on zero domestic arrears was missed because of CFAF 1.8 billion (0.15 percent of GDP) of overdue CFAF-denominated debt service. This was caused by tightening financing conditions in the WAEMU bond regional market which has also constrained government financing in most WAEMU countries. The arrears were fully paid in March 2023.

9. All but three indicative targets (ITs) were met for end-December 2022. The ITs on tax revenue, wages, and domestic primary deficits were missed due to an increase in spending pressures and lower-than-expected tax revenue as explained above.

10. Five structural benchmarks (SBs) for the second review and one for the fourth review have been already met (Table 9). The first payroll reconciliation was completed for 2022 Q4. Ministerial orders have been issued to (i) revise the composition and mandate of the Treasury Committee, (ii) create and implement the Technical Unit for Monitoring SOEs' Performance, (iii) require submission of tariff schedules, and (iv) create a Cash Management Unit. The guidelines have been issued to implement the 2022 decree on beneficial ownership information for public procurement.

OUTLOOK AND RISKS

11. The outlook projections remain broadly unchanged and risks remain tilted to the downside.

- *Baseline* (Table1). In 2023, the growth is expected to recover to 4.5 percent, assuming the cashew export volume reaches to 2021 levels and high private sector investment continues. Average inflation is expected to peak as global prices normalize but should remain at 5.5 percent because of persistence of inflation in key items such as rice. Over the medium term, growth should accelerate to around 5 percent per year, supported by strong cashew exports, greater donor engagement, and governance reforms that are expected to boost investment.[3] Inflation is expected to gradually converge to about 2 percent. The current account deficit is

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

[3] Article IV Staff Report (Box 2, p. 12) estimates the potential growth of GNB to be around 4.5 percent. The medium-term growth of 5 percent assumes political stability and modest recovery of private sector consumption and investment to fill output gaps gradually by 2027. Governance reforms are estimated to yield an additional ¾ percentage point in annual *transitional* growth conditional on Guinea-Bissau reaching the average level of SSA countries in terms of the corruption index. In the long-term horizon 2032-47, potential growth is estimated conservatively to converge to about 4 percent.

expected to improve due to sustained fiscal consolidation and more favorable terms-of-trade. Growth of credit to economy is expected to slow due to tighter financial conditions. Higher revenue mobilization, wage bill control, and increased concessional financing should make the overall fiscal deficit converge to the 3 percent by 2025.

- *Outlook risks* (Annex I). Downside risks arise from domestic political risks and weak state capacity, disappointing cashew nut exports, climate shocks, and the geo-economic fragmentation could further impact food and oil prices, donor support, supply disruptions, and financial instability. Lack of political support may constrain revenue mobilization and expenditure containment. Worsening of debt risks would further constrain access to financing. Protracted tightening of financial conditions in the regional market would further constrain access to financing and increase debt rollover and solvency risks. Financial stress in SOEs and banking fragilities could also generate contingent liabilities.[4] Should downside risks materialize, the authorities should further rationalize non-priority expenditures and seek for additional IFIs' support. On the upside, a stronger performance of the cashew sector and a successful implementation of reforms would underpin a faster recovery.

POLICY DISCUSSIONS

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

A. Macroeconomic Policies

Fiscal Policy

12. The draft 2023 Budget and the fiscal consolidation strategy aims to ensure medium-term fiscal sustainability while supporting the economic recovery. The stock of public and publicly guaranteed debt is projected to decline to 76.4 percent of GDP. The authorities are aiming to contain the domestic primary deficit to 0.2 percent of GDP in 2023 from a deficit of 3.2 percent of GDP in 2022 by implementing measures[5] to bring the fiscal deficit and debt ratio within 3 percent and 70 percent of GDP by 2025 and 2027 respectively, in line with the WAEMU convergence criteria.

13. The fiscal consolidation effort is supported by following measures:

- **Enhancing revenue mobilization.** The authorities implemented several measures during the SMP and will undertake further reforms to achieve the tax revenue floor during the program (MEFP, ¶18). Specifically, the authorities have begun the preparation of the revised law on the general exemption regime and developed action plans for implementing the new VAT law and

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

[5] See IMF Country Report No. 22/87 (Text Figure 1).

reforming the Directorate General of Duties and Tax (DGCI) (MEFP ¶21).

- **Strengthening expenditure controls.** Wage bill rationalization will be critical to create fiscal space for priority spending. The authorties are enforcing a series of corrective actions[6] to rationalize the wage bill spending this year, including total freezing of new hirings, capping salary expenses for key ministries, and maintaining streamlined advisor positions in high offices.[7] Moreover, they will carry out a new census of public administration with World Bank support, and finalize the full inventory of health and education facilities to assess the personal needs and identify ghost workers.
- **Safeguarding social priority spending and public investment.** Over the medium-term, growth in social priority spending and public investment will be supported by the government's commitment to the program target, while rationalizing wages and non-priority expenditures. The catalytic effects of the ECF supported program are expected to mobilize financing through project grants and highly concessional loans during the program period (Text Table 3). Strengthening public investment management will improve project prioritization under the new National Development Plan (NDP) to be prepared after the June election.[8]

Text Table 3. Guinea-Bissau: Grants and Loans from Multilateral Partners and Donors
(In CFAF billion)

	2020	2021	2022	2023 Proj.	2024 Proj.	2025 Proj.
Grants	**33.0**	**58.5**	**36.4**	**44.4**	**47.3**	**50.3**
Budget Support	0.0	1.0	6.6	4.4	4.4	4.4
Project Grants	33.0	57.5	29.8	40.1	43.0	45.9
Project Loans	**36.5**	**26.5**	**20.3**	**20.6**	**23.5**	**25.3**
IDA	18.6	17.3	12.4	7.7	7.7	10.3
BOAD	8.6	5.4	3.2	7.5	6.0	6.0
AfDB	2.5	3.6	4.2	2.0	1.4	1.5
Others	6.7	0.2	0.6	3.4	8.3	7.5
IMF disbursements	**0.0**	**11.2**	**0.0**	**7.8**	**7.8**	**7.9**

Source: IMF staff projections

Fiscal Risks from the Public Utility Company

14. The financial situation of the public utility company poses a considerable fiscal risk. In 2022, the financial situation of *Electricidade e Aguas da Guine-Bissau* (EAGB) was worsened by additional charges for the unused generation capacity of the sole power supplier and an extremely

[6] See IMF Country Report No. 22/87 (Box 1).

[7] About 51 positions were streamlined at Presidency, the Prime Minister's Office, the Presidency of the Parliament, the Presidencies of the Supreme and Audit Courts, and Prosecutor's Office.

[8] Staff will prepare assessment of the existing NDP to inform the new NDP process by the second review.

low rate of tariff collection, in addition to higher fuel prices. The EAGB's stock of commercial bank borrowing is estimated to be 1.4 percent of GDP in March 2023. Given the precarious financial situation, the company has severe constraints to access financing and relies on expensive short-term government-guaranteed bank borrowing. Moreover, it has accumulated six months of invoices to the power supplier, amounting to 0.9 percent of GDP in March 2023. The authoririties have nonotheless reached an understanding to renegotiate with the power supplier contractual terms more consistent with Guinea Bissau's current electricity use (MEFP, ¶19). Moreover, a series of measures are being taken to mitigate fiscal risks from the EAGB and prevent interruption of power supply, which would pose significant macroeconomic and political risks (Box 1).

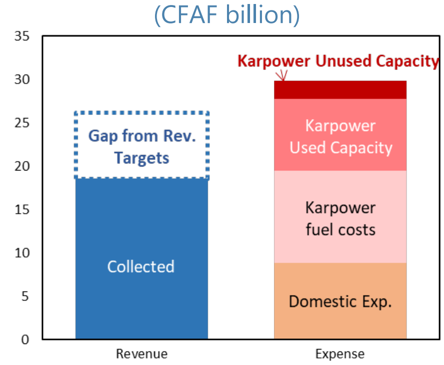
Box 1. Guinea-Bissau: EAGB's Dire Financial Straits—Causes and Corrective Actions

Financial problems have taken EAGB close to losing the power supply. In 2022, EAGB's loses reached CFAF 11 billion (1.1 percent of GDP). The cost of electricity purchased from Karpower, the sole power supplier with a power-ship off the coast of Bissau, represented 70 percent of total expenses.

In 2022, the EAGB's financial situation worsened because of additional charges for unused generation capacity and very low rates of tariff collection. If these factors did not exist, loses would have been limited to about CFAF 2 billion in 2022 (Figure 1).

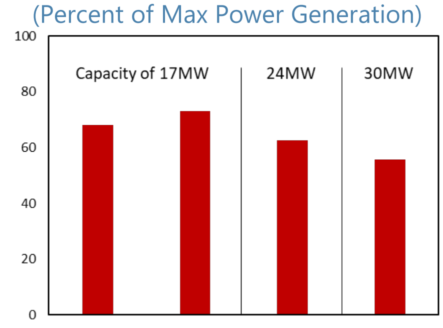
- **Additional Karpower charges for the unused generation capacity increased by the signature of an addendum to the original supply contract.** The original contract signed in 2019 included 17 MW of capacity, which had the reasonable utilization rates, close to the industrial average (Figure 2). However, the addendum signed in 2020 increased the capacity to 24 MW in 2021, 30 MW in 2022, and 70 MW in 2025. Given that existing grid can only absorb 24 MW, additional cost of the unused 6MW capacity was about CFAF 2.1 billion per year.
- **Very low rates of tariff collection.** In 2022, tariff collection was only 60 percent of invoiced amount, an extremely low rate by regional standards[1/]. If the company meets its target of 85 percent of collection rates, CFAF 7.6 billion of additional revenue would be generated without changing tariffs. Unpaid tariffs were owed mostly by private-sector residential clients with post-paid meters.

Figure 1. EAGB's Financials, 2022
(CFAF billion)



Source: EAGB, staff estimates

Figure 2. Karpower Capacity Factor
(Percent of Max Power Generation)



Source: EAGB, staff estimates

The authorities are taking measures to address EAGB's situation. They have reached an understanding with Karpower to renegotiate the supply contract consistent with the current power usage. They are also revamping the corporate structure, shifting the EAGB's oversight from the Minister of Energy to the Minister of Finance and initiating the installation of pre-paid meters to delinquent clients. As required in a proposed SB (end-December 2023), the Audit Court is performing an audit of the Karpower contract, which will be completed in mid-2023. The two additional proposed SBs (end-June and end-December 2023) have been added to require installation of 35,000 pre-paid meters.

Box 1. Guinea-Bissau: EAGB's Dire Financial Straits—Causes and Corrective Actions (concluded)

Restoring the EAGB's financial viability also requires donor-supported measures. These include: (i) timely completion of World Bank-supported The Gambia River Basin Development Organization (OMVG) project, to secure connectivity to hydropower plants in Guinea-Conakry, (ii) improving, with donor support, operational management through the appointment of a new management team, and (iii) providing bridge financing until the financial situation is stabilized. The strategic plan required under a SB (end-September 2023) will specify the timeframe and financing needs for these measures.

1/ Unpaid tariffs were around 4 percent of invoiced amount in 2022 for South Africa and around 8 percent in 2020 for Uganda.

Financing and Debt

15. Supporting the authorities' fiscal consolidation and preserving debt sustainability entails additional financing needs of 1.8 percent of GDP over the next three years. Staff estimates financing needs of CFAF 6.9 billion—around 0.6 percent of GDP per year, which are fully covered for the next 12 months and have good prospects for being covered for the rest of the program period. Fiscal consolidation efforts and mitigating debt vulnerabilities will be supported by catalyzing donor financing, contracting only new highly concessional loans, and rationalizing the disbursements of contracted non-concessional project loans. This strategy will alleviate financing pressures stemming from reliance on non-concessional lending from BOAD, local commercial banks, and treasury issuances in the regional market. In addition, the authorities plan to clear during the program period all audited and recognized domestic arrears and are addressing the legacy external arrears[9] (MEFP, ¶21 ¶22).

16. Guinea-Bissau is at a high risk of external and overall debt distress, but debt is assessed as sustainable.[10] External debt is estimated to be around 39.0 percent of GDP at end-2022. The risk of external debt distress is high because the indicators based on the debt-service ratios breach their indicative thresholds under the baseline. The overall risk of debt distress is also high because the PV of public debt relative to GDP remains well above its indicative benchmark throughout the projection period. Debt is assessed as sustainable based on the authorities' commitment to sound policies supported by strong donor engagement. Guinea-Bissau's supportive regional context reduces medium-term rollover risks associated with domestic debt, and staff projects a gradual decline of the PV of public debt relative to GDP over the medium term.

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

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

The debt outlook remains vulnerable to a weaker economic recovery, a further tightening of global and regional financial conditions, and authorities' failure to adhere to prudent fiscal policies. The authorities are committed to strengthening debt management (MEFP, ¶23) and to carefully plan new investments and contract future debt only on highly concessional terms (MEFP, ¶24). Debt sustainability prospects are expected to improve through better transparency and compliance with a QPC of the zero ceiling on new non-concessional borrowing, consistent with the borrowing plan (Text Table 4).[11] IMF TA support for debt management will be provided to develop the capacity to monitor a PV limit.

Text Table 4. Guinea- Bissau: External Borrowing Plan

(In USD million)

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

Source: Guinea-Bissau authorities and IMF staff estimates.

1/ Contracting and guaranteeing of new debt excluding IMF. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.

2/ Debt with a grant element of at least 35 percent.

Strengthening Financial Stability

17. Addressing NPLs and a successful disengagement strategy from a large, undercapitalized bank would support financial stability and intermediation. In late 2022, the council of ministers approved an offer from a strategic investor to buy the government stake and recapitalize the institution to gradually comply with WAEMU prudential standards. A reputable international audit firm hired by the buyer finalized the due diligence process and the buyer reiterated its intention to purchase the bank. The buyer is currently preparing a recapitalization plan to meet WAEMU regulatory standards to be submitted to, and evaluated by, the Regional Banking Commission which has to approve the final sale. The government has settled cross-arrears of about CFAF 4.7 billion (0.4 percent of GDP) due to government suppliers which have been paid directly to the bank, significantly improving its financial situation. If this divestment does not materialize, the authorities remain committed to a new SB to prepare a report on a viable plan for resolving the bank by 2024 based on IMF recommendations (MEFP, ¶35).

B. Structural Reforms

18. The revenue reforms are expected to be accelerated under the new DGCI leadership. A new head of the DGCI was appointed in March 2023. The MoF has issued a ministerial order on the time-bound action plans for revenue administration reforms and new VAT implementation (Annex

[11] In line with the IMF Debt Limits Policy (DLP) for countries at high risk of external debt distress and with no significant access to international financial markets, the performance criterion on non-concessional borrowing has been set at zero. Given the authorities' lack of technical capacity to monitor a PV limit due to staffing constraints, limited hiring potential, and high turnover, new concessional borrowing is monitored as a memorandum item.

II). The authorities will also professionalize the DGCI by appointing all managerial positions through the open and competitive process (MEFP, ¶18).

19. The authorities are pursing the implementation of public financial management (PFM) reforms (MEFP, ¶26-28)**.** To strengthen the payroll integrity, the authorities will continue the quarterly payroll reconciliation, which will be reinforced by deployment of the IMF-supported blockchain solution. In 2023, the Audit Court will complete an audit of the irregular hiring process in 2021-22 . To prevent recurrence of arrears, a proposed SB will reintroduce commitment controls, which were discontinued in 2018, to key goods and service spending (SB end-March 2024). The authorities will improve transparency in fees and charges of revenue-generating entities, including courts and registers, by publishing them in the 2024 budget (SB end-December 2023).

20. There has been good progress in strengthening external audits and public procurement transparency (MEFP, ¶29-30)**.** For the audit of the COVID-19 spending, the Audit Court has prepared preliminary audit reports of the High Commissioner for COVID-19 and is undertaking another audit of the Ministry of Health and other entities, which is expected to be completed in 2023. Once finalized, implementation of audit recommendations would be a critical step to strengthening the transparency and accountability framework. The Directorate General of Public Tenders (DGCP) continued to publish the beneficial ownership information of all crisis-related contracts. To expand beneficial ownership disclosures to all public contracts, the Audit Court is keen to audit direct purchase contracts that breached the authorization of the DGCP and Audit Court, but undertaking such audit requires the MoF to first submit backlog of the final accounts.

21. The authorities are expanding the rule of law reforms (MEFP, ¶33)**.** The authorities are reinvigorating the Center for Access to Justice (CAJ), which has been performing a critical role in ensuring vulnerable population's access to judicial services. A proposed SB will develop a database of fundamental legislation and information for raising legal awareness in the CAJ's website (SB end-March 2024), which will help implementing a recommendation of the 2019 governance assessment.

22. The authorities are implementing reforms for improving the AML/CFT effectiveness and the anti-corruption framework (MEFP, ¶31-32)**.** For the AML/CFT effectiveness, the authorities are implementing the action plan, including an immediate priroity to issue the national AML/CFT policy (Annex II). They are also planning to prepare the implementation guidelines for the new asset declaration regime, which should be approved by the new Parliament after the election.

PROGRAM MODALITIES AND OTHER ISSUES

23. The authorities have requested a waiver for the missed January 2023 QPC on domestic arrears. The breach is of a temporary nature. The arrears were cleared in March 2023 and the authorities are taking measures to strengthen commitment controls, which can reduce size of arrears accumulation if a crunch in the regional markets persists.

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

- **ITs are set for March 2024** (Table 8). The proposed new targets are consistent with the fiscal framework. The QPCs and ITs for March-December 2023 will remain unchanged from the ECF request.
- **Five new SBs are proposed for the next 12 months, following achievements of six SBs** (Table 9). Given Guinea-Bissau's fragility and weak institutional capacity, the proposed SBs remain parsimonious, carefully prioritized and sequenced, and anchored in capacity development support. Three SBs are proposedi to mitigate fiscal risks from the EAGB (Box 1), one to reintroduce commitment controls (¶19), and other to improve the rule of law (¶21).

25. The program is fully financed for the next 12 months and there are good prospects that the program will be adequately financed throughout its duration. Financing needs for the next 12 months are fully covered by the budget support grants included in the budget (CFAF 4.4 billion), which is likely to receive additional grants with strong donor engagement catalyzed by the ECF arrangement.

26. Guinea-Bissau's capacity to repay is adequate but subject to significant risks (Table 6). Under the baseline, outstanding obligations to the Fund based on existing and prospective drawings would peak in 2025 at 3.0 percent of GDP, above the median of past UCT-quality arrangements for LICs, or 16.1 percent of gross official reserves, while debt service would peak at 2.4 percent of revenues (excluding grants) or 2.1 percent of exports in 2030. Capacity to repay the Fund is subject to significant downside risks (Annex I and ¶11 bullet 2). Risks are mitigated by the government's commitment to fully implement the program as well as its strong track record of servicing debt.

27. Safeguards Assessment. The BCEAO has implemented all recommendations provided in the 2018 safeguards assessment. The assessment found that the BCEAO had broadly appropriate governance arrangements and a robust control environment. An update of the safteguards assessment of the BCEAO is currently in progress.

28. Statisitics. Data provision is adequate for program monitoring, which will be, however, better supported by the capacity development and reform implementation of the National Statistics Institute (MEFP, ¶36-37).

STAFF APPRAISAL

29. While the economy is recovering, managing significanct downside risks in the outlook will be an important test for the authorities. In 2022, growth slowed because of lower cashew exports and high food and fuel prices. Although the growth is expected to recover and the external position to improve in 2023, the outlook is facing a significant uncertainty from shocks to cashew production, decrease in international cashew demands, persistence of food and fuel inflation, and tightening of regional and global financial conditions. Despite the coup attemp in February 2022, the political environment has been relatively stable. However, possible tensions over the June election results could undermine political stability and reform implementation.

30. Staff commends the authorities on satisfactory program performance, despite extremely challenging domestic and external environments. All but one QPCs were met for end-January 2023. The authorities took immediate remedial actions to address the missed target of domestic arrears. The authorities demonstrated strong commitments to the program by achieving all five SBs for March 2023 ahead of the second review and one for the fourth review. The very close engagement with the Fund through the quarterly reviews will be the key to mitigate risks in the reform implementation.

31. There is a broad ownership of the reform agenda accross all political parties. The authorities' commitments to holding the election as scheduled and the national consensus on critical reforms will reduce risks to the program implementation regardless of the election results.

32. The authorities should take immediate actions to mitigate fiscal risks from the EAGB. To eliminate the operating deficit, which is a source of considerable fiscal risks, EAGB should boost its low rate of tariff collection by installing 35,000 pre-paid meters to delinquent clients by end-December 2023, while the government should finalize the re-negotiation with the power supplier. The government should also find sources for EAGB's bridge financing, ideally from donors and alternative to commercial bank lending, to prevent further accumulation of the power supplier invoices.

33. Adhering to the fiscal consolidation path while protecting social priority spending and public investment is the key to secure debt sustainability. Critical pillars of the program include domestic revenue mobilization, including implementating a new VAT and professionalization of the DGCI, and wage bill controls included in the 2023 budget.

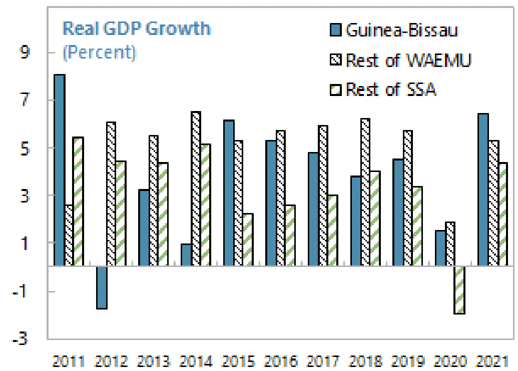
34. Staff welcomes progress in the orderly and timely disengagement from the undercapitalized bank. A reputable independent audit firm has completed the due deglience. The investor has finalized its purchase offer and is preparting a recapitalization plan, which will be submitted shortly to the Regional Banking Commission for the final approval.

35. Staff are encouraged by the sustained efforts for the governance reforms. The Audit Court has made progress in completing the audits of the COVID-19 spending and EAGB's power purchase contract. The authorities should continue implementating action plans for improving AML/CFT effectiveness and beneficial ownership transparency. Staff strongly supports the authorities' renewed commitments to rule of law reforms, including those through the CAJ.

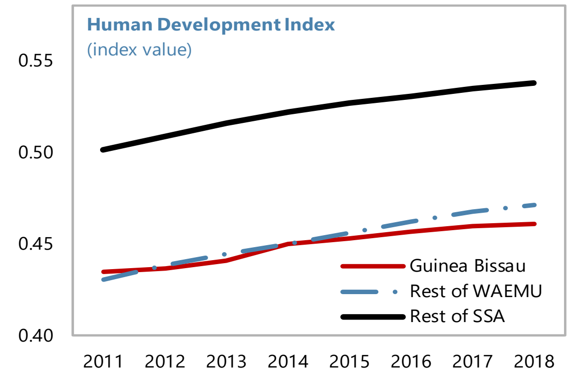
36. Staff supports the completion of the first review and disbursement of SDR 2.37 million under the ECF arrangement and the authorities' request for a waiver. Staff also supports the completion of the financing assurances review. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) sets out appropriate policies that meet the program's objectives.

Figure 1. Guinea-Bissau: Growth and Living Standards

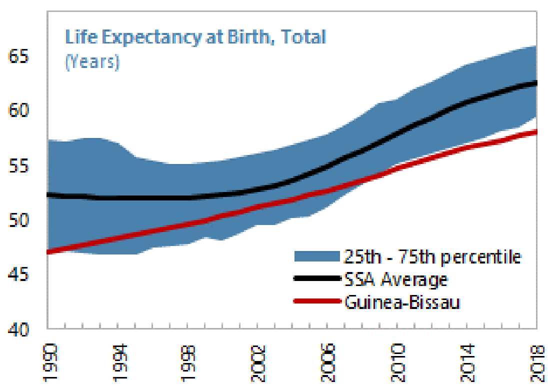
A volatile economic growth compared to its regional peers reflects a long history of political instability…



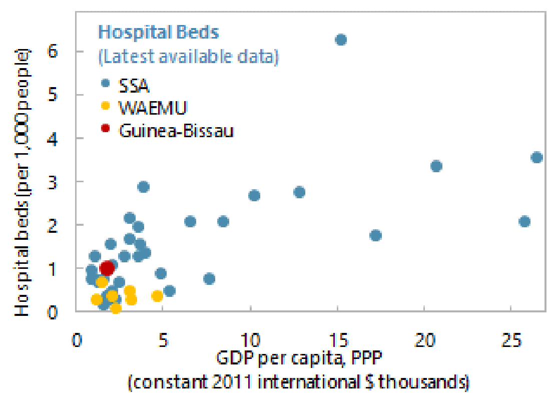
…and economic fragility, which weighs on the population's living standards.



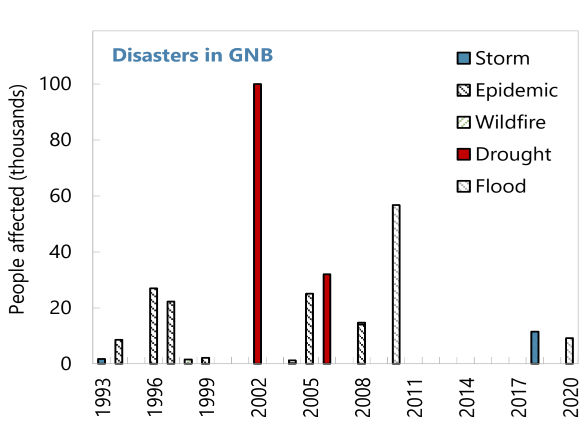
Weak health conditions are evidenced by a significantly lower life expectancy at birth, compared to SSA peers.



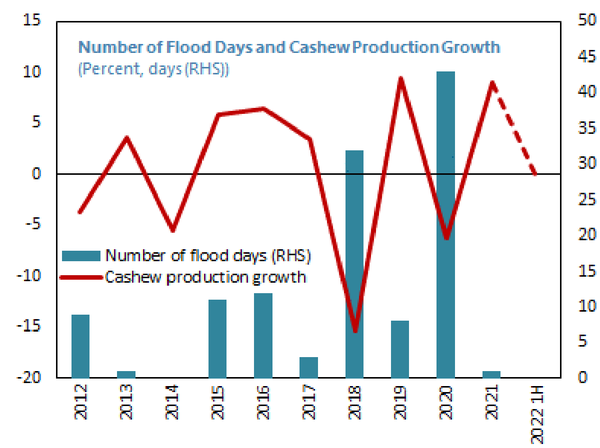
The health system has limited resources, including medical equipment, which is critical…



considering the country's exposure to natural hazards such as the floods and the pandemic…



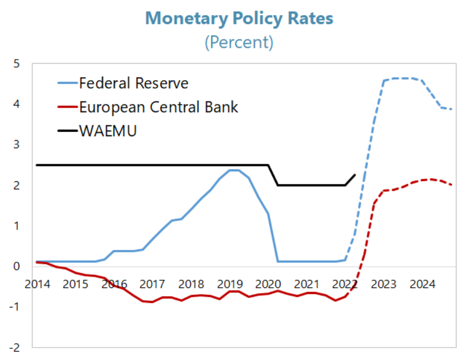
and the cashew production and farming livelihood is affected by climate shocks including floods.



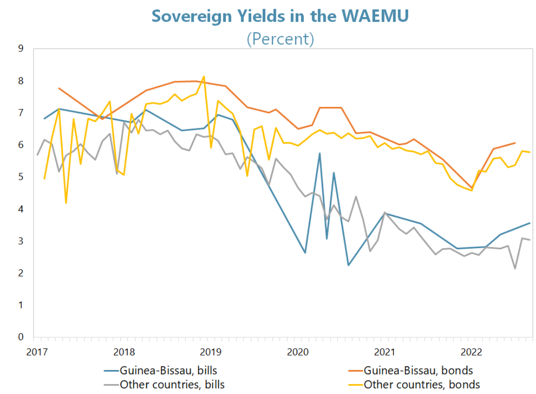
Sources: World Bank, Worldwide Development Indicators; EM-DAT, CRED database; NASA Giovanni database; Guinea-Bissau authorities; and IMF staff calculations.

Figure 2. Guinea-Bissau: Global Economic Developments

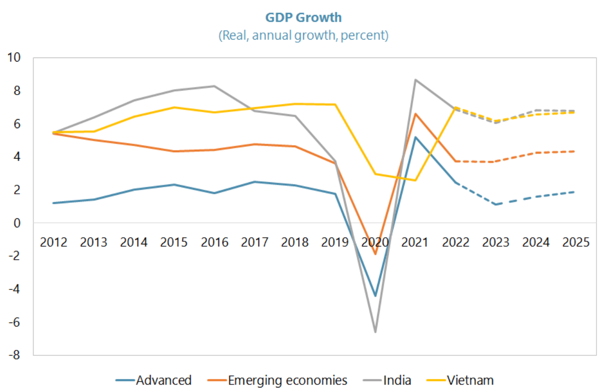
Central banks in advanced economies are tightening monetary policy…



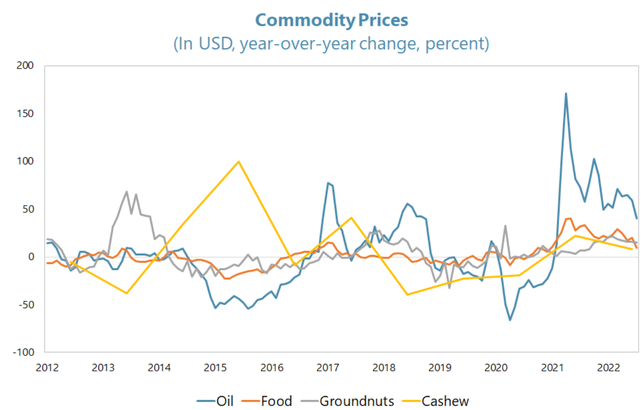
…and yields in the regional market are starting to increase…



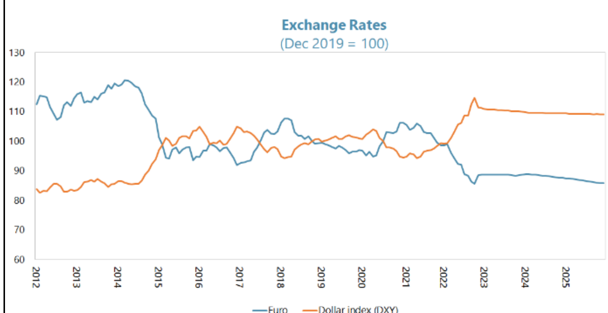
…while growth of trading partners is falling…



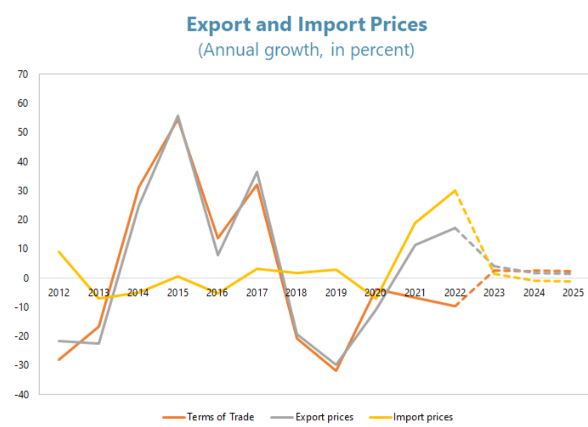
…and the growth in commodity prices is easing.



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



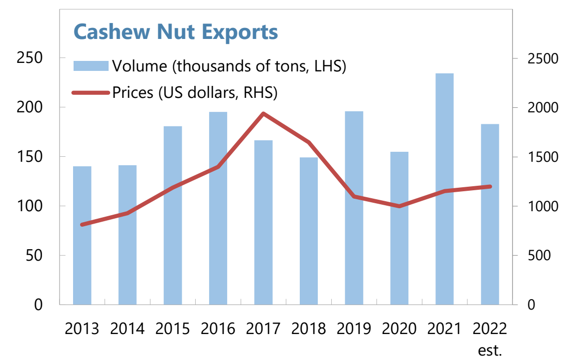
…while terms of trade are expected to remain unchanged.



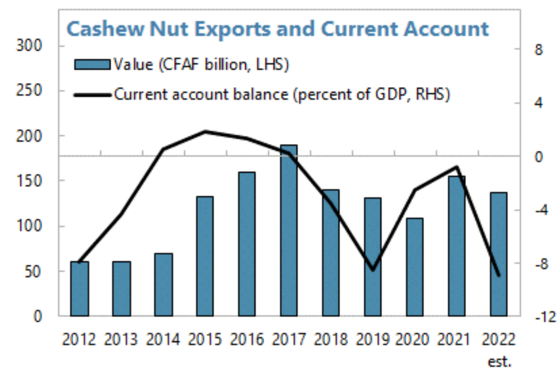
Sources: Guinea-Bissau authorities; BCEAO; and IMF staff calculations.

Figure 3. Guinea-Bissau: Activity and Prices

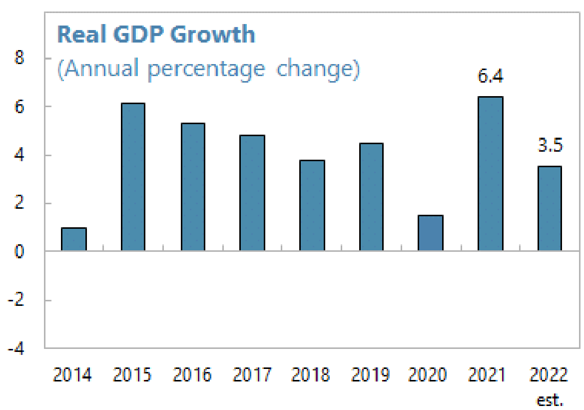
Cashew exports were affected by the delayed cashew campaign (volume) and weaker demand from trade partners (prices)…



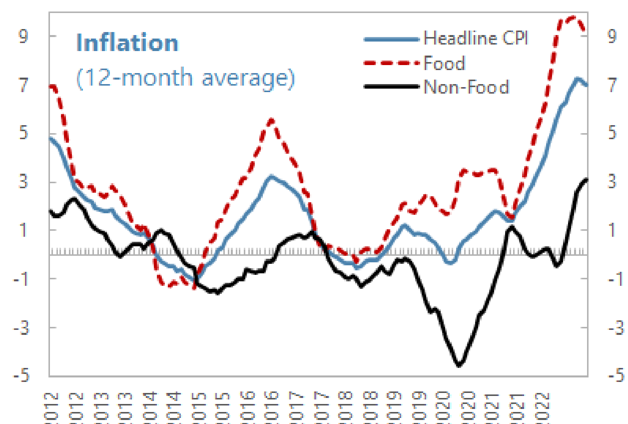
…which added to the terms-of-trade shock of recent years and further widened the current account deficit.



The effect of recent severe floods added to the pandemic, resulting on a GDP contraction estimated at 2.4 percent…



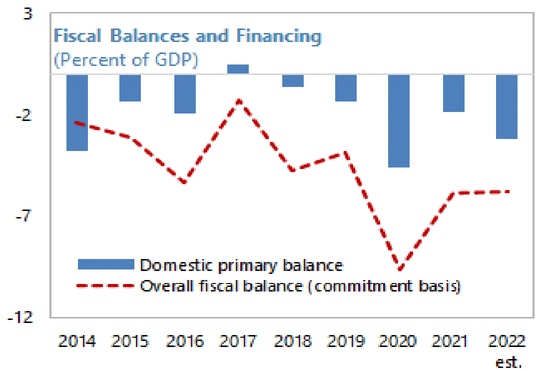
…and a pickup in inflation, as food prices also reflect disruptions in international trade.



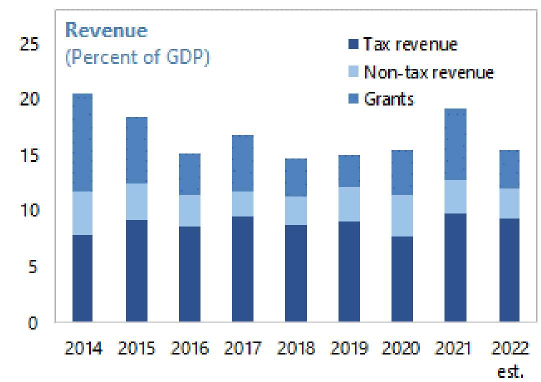
Sources: Google Mobility database, Our World in Data, Guinea-Bissau authorities and IMF staff calculations.

Figure 4. Guinea-Bissau: Fiscal, External and Monetary Developments

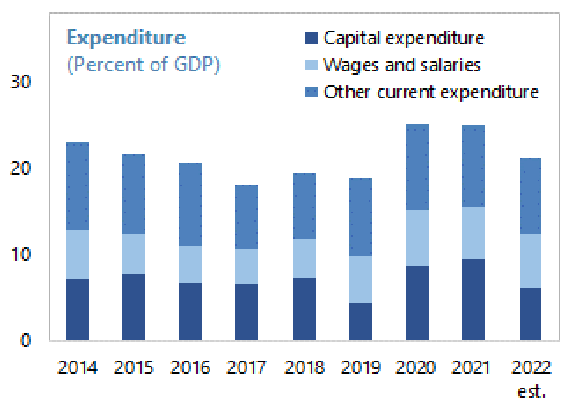
Fiscal balances improved since 2020…



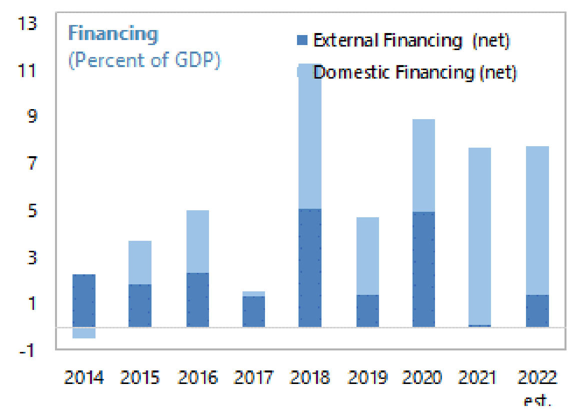
…due to stronger tax revenues…



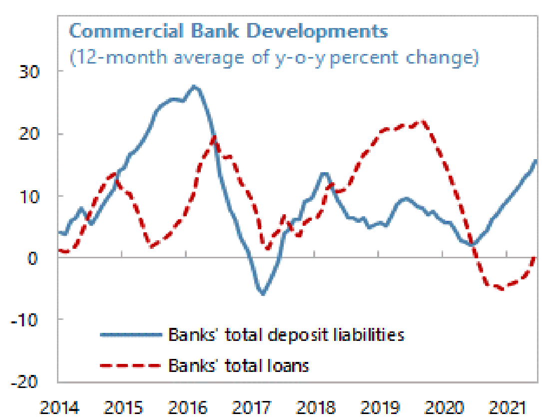
… and lower expenditures…



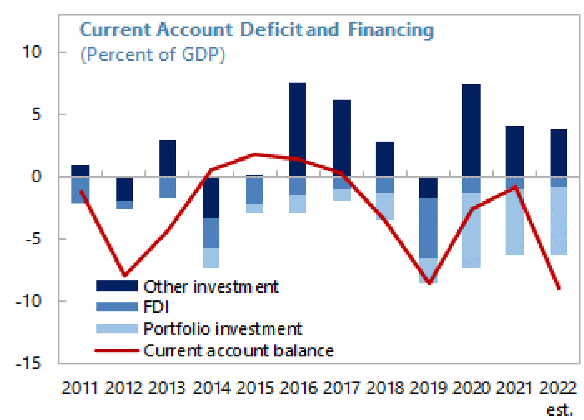
…resulting in lower financing needs, especially within the region.



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



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



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

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.	Proj.					
	(Annual percent change, unless otherwise indicated)								
National accounts and prices									
Real GDP at market prices	1.5	6.4	3.5	4.5	5.0	5.0	5.0	5.0	4.5
Real GDP per capita	-0.7	4.1	1.2	2.3	2.8	2.9	2.9	2.9	2.4
GDP deflator	-1.0	2.7	7.3	5.6	3.1	2.8	2.8	2.8	2.8
Consumer price index (annual average)	1.5	3.3	7.9	5.5	3.0	2.0	2.0	2.0	2.0
External sector									
Exports, f.o.b. (CFA francs)	-15.6	35.1	-14.3	26.8	11.7	4.5	4.6	4.7	5.4
Imports, f.o.b. (CFA francs)	-9.9	9.7	22.2	8.5	2.3	5.7	4.7	5.4	6.1
Terms of trade (deterioration = -)	-3.9	-6.5	-10.1	-2.6	8.8	2.7	2.1	1.9	1.6
Real effective exchange rate (depreciation = -)	2.0	1.5	-1.0	...	...	...	...	...	...
Exchange rate (CFAF per US$; average)	574.8	554.2	622.4	...	...	...	...	...	...
Government finances									
Revenue excluding grants	-5.5	22.7	3.4	15.4	13.0	9.8	10.2	10.0	8.5
Expenditure	33.8	8.9	-6.0	5.0	7.3	7.9	7.7	9.8	8.2
Current expenditure	14.5	3.5	7.9	-5.8	4.7	6.8	8.0	8.2	6.6
Capital expenditure	96.7	19.3	-28.8	31.9	11.9	9.7	7.1	12.6	10.6
Money and credit									
Domestic credit	-1.7	18.5	24.2	8.2	10.8	9.5	6.3	5.9	5.9
Credit to the government (net)	-19.7	53.4	25.5	4.8	4.1	2.4	-6.2	-7.0	-6.2
Credit to the economy	5.9	7.3	23.7	9.8	13.8	12.4	11.0	10.0	9.0
Net domestic assets	-13.8	21.0	47.2	10.4	13.4	11.5	7.5	6.9	6.8
Broad money (M2)	9.1	21.2	2.9	5.8	7.1	6.4	5.7	6.1	6.1
	(Percent of GDP, unless otherwise indicated)								
Investments and savings									
Gross investment	17.5	18.3	18.0	17.5	19.6	20.4	21.1	22.1	23.2
Of which: government investment	5.8	6.4	4.1	4.9	5.1	5.1	5.1	5.3	5.5
Gross domestic savings	3.3	7.6	1.1	3.3	7.5	8.5	9.6	10.8	12.0
Of which: government savings	-7.6	-5.5	-4.5	-2.4	-1.5	-1.2	-1.2	-1.1	-1.0
Gross national savings	15.0	17.5	9.1	11.2	15.2	16.2	17.0	18.1	19.2
Government finances									
Revenue excluding grants	11.4	12.8	11.9	12.5	13.0	13.2	13.5	13.8	13.9
Domestic primary expenditure	16.0	14.7	15.1	12.7	12.5	12.6	12.9	13.1	13.3
Domestic primary balance	-4.6	-1.9	-3.2	-0.2	0.5	0.6	0.7	0.7	0.7
Overall balance (commitment basis)									
Including grants	-9.6	-5.9	-5.8	-3.8	-3.2	-3.0	-3.0	-3.0	-3.0
Excluding grants	-13.6	-12.2	-9.2	-7.6	-6.9	-6.7	-6.4	-6.4	-6.4
External current account	-2.6	-0.8	-8.9	-6.3	-4.4	-4.2	-4.1	-4.0	-4.0
Excluding official current transfers	-5.7	-3.4	-10.8	-8.7	-6.8	-6.6	-6.2	-6.1	-6.0
Stock of public and publicly guaranteed debt[1]	77.7	78.8	80.5	76.4	73.9	71.6	69.4	67.5	66.2
Of which: external debt	41.1	40.3	39.0	35.6	33.7	32.2	30.1	28.3	26.9
Memorandum items:									
Nominal GDP at market prices (CFAF billions)	875.2	956.3	1062.0	1172.0	1268.7	1369.5	1478.2	1595.6	1714.1
WAEMU gross official reserves (billions of US$)	21.8	24.5	25.2	...	...	...	...	...	...
(percent of broad money)	33.2	30.2	30.6	...	...	...	...	...	...

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

[1] Coverage expanded to include legacy arrears.

Table 2a. Guinea-Bissau: Balance of Payments, 2020–28

(CFAF billions)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.	Proj.					
Current Account Balance	-22.4	-7.8	-94.9	-74.0	-55.8	-58.1	-60.9	-63.6	-68.3
Goods and services	-119.1	-101.6	-177.1	-161.6	-149.7	-159.2	-166.3	-175.7	-186.1
Goods	-53.8	-27.7	-94.6	-76.7	-61.4	-67.2	-70.7	-76.1	-82.4
Exports, f.o.b	123.1	166.3	142.5	180.7	201.8	210.9	220.5	230.9	243.5
Of which: cashew nuts	109.2	154.4	136.5	174.0	194.6	203.1	212.2	221.9	233.8
Imports, f.o.b.	-176.8	-194.0	-237.1	-257.4	-263.2	-278.1	-291.2	-307.1	-325.9
Of which: food products	-58.7	-57.6	-60.6	-65.6	-69.4	-74.1	-79.6	-81.7	-87.7
petroleum products	-30.9	-36.1	-57.8	-59.3	-58.0	-57.9	-60.7	-60.5	-61.8
Services	-65.3	-73.9	-82.5	-84.9	-88.3	-91.9	-95.7	-99.5	-103.7
Credit	10.7	19.4	22.6	24.9	27.0	29.1	31.5	34.0	36.5
Debit	-76.0	-93.3	-105.1	-109.8	-115.3	-121.1	-127.1	-133.5	-140.2
Incomes	14.5	9.4	6.4	1.4	3.1	5.6	7.6	8.4	9.6
Credit	22.5	17.3	20.8	22.2	24.7	26.0	28.1	30.0	31.9
Of which: EU fishing compensation	7.6	8.9	8.9	8.9	8.9	8.9	8.9	8.9	8.9
Other license fees	10.1	4.9	6.6	7.7	10.0	11.0	12.8	14.4	15.9
Debit	-8.0	-7.9	-14.4	-20.8	-21.6	-20.5	-20.5	-21.6	-22.3
Of which: government interest	-7.7	-10.6	-7.4	-13.8	-14.5	-14.8	-16.0	-17.5	-18.7
Current transfers (net)	82.2	84.4	75.8	86.1	90.8	95.5	97.9	103.6	108.3
Official	27.8	24.9	20.0	28.4	30.1	31.9	30.4	33.4	35.2
Private	54.3	59.5	55.8	57.7	60.7	63.5	67.5	70.3	73.1
Of which: remittances	51.8	56.7	52.7	54.5	57.3	60.0	63.8	66.4	69.1
Capital account	6.0	34.7	17.6	17.2	18.4	19.7	21.2	23.2	24.9
Of which: official transfers	5.2	33.6	16.4	16.0	17.2	18.4	19.8	21.8	23.4
Financial account	0.8	-22.3	-26.9	-49.1	-31.0	-32.0	-40.1	-45.5	-49.5
FDI	-11.9	-9.8	-9.6	-16.4	-11.7	-12.6	-13.6	-14.7	-15.8
Other investment	12.7	-12.5	-17.3	-32.8	-19.3	-19.4	-26.5	-30.8	-33.7
Official medium- and long-term disbursements	-51.3	-26.5	-20.3	-20.6	-23.5	-25.3	-22.9	-25.7	-27.1
Programs	-22.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects	-29.3	-26.4	-20.3	-20.6	-23.5	-25.3	-22.9	-25.7	-27.1
Amortization	11.8	25.5	5.8	18.8	19.5	19.1	16.6	19.4	19.9
Treasury bills (regional financing)	-46.2	-59.3	-58.1	-43.0	-36.6	-36.7	-43.7	-48.0	-50.1
Commercial bank net foreign assets	72.2	5.3	-8.6	13.0	10.0	10.0	10.0	10.0	10.0
Other net foreign assets	26.2	42.4	64.0	-1.0	11.2	13.5	13.5	13.5	13.5
Errors and Omissions	-3.2	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-20.3	51.0	-50.4	-7.7	-6.4	-6.5	0.5	5.1	6.2
Financing	20.3	-51.0	50.4	7.7	6.4	6.5	-0.5	-5.1	-6.2
Net foreign assets excluding IMF (increase -)	20.3	-62.2	53.5	2.8	1.9	1.3	3.1	-1.2	-3.5
IMF purchases	0.0	11.2	0.0	7.8	7.8	7.9	0.0	0.0	0.0
IMF repurchases	-2.0	-1.6	-3.1	-2.9	-3.4	-2.7	-3.5	-3.9	-2.7
Grant for debt relief under the IMF CCRT	2.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Cashew export quantity (thousands of tons)	155	234	183	235	239	244	249	254	260
Cashew export prices (US$ per ton)	1,000	1,154	1,200	1,150	1,247	1,271	1,297	1,323	1,349
Import volume of goods (annual percentage change)	-5.7	-5.9	-7.4	11.5	2.5	5.9	4.5	4.8	4.4
Oil prices (international, US$ per barrel)	41.8	69.2	96.4	81.3	76.8	72.7	69.6	67.0	64.8
Scheduled debt service									
Percent of exports and service credits	13.5	18.2	6.4	13.0	12.2	10.8	9.7	10.6	9.8
Percent of total government revenue	18.1	27.7	8.3	18.3	16.8	14.4	12.2	12.7	11.5
Current account balance (percent of GDP)	-2.6	-0.8	-8.9	-6.3	-4.4	-4.2	-4.1	-4.0	-4.0
Official transfers (percent of GDP)	3.8	6.1	3.4	3.8	3.7	3.7	3.4	3.5	3.4
WAEMU gross official reserves (billions of US$)	21.8	24.5	25.2	...	...	...	...	...	...
(percent of broad money)	33.2	30.2	30.6	...	...	...	...	...	...

Sources: BCEAO; and IMF staff estimates and projections.

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028
						Proj.			
Financing requirements	**-43.6**	**-122.0**	**-70.2**	**-121.4**	**-106.9**	**-110.6**	**-108.3**	**-121.5**	**-129.5**
Current account deficit excl. official transfers	-50.2	-32.7	-114.9	-102.4	-86.0	-90.1	-91.2	-97.0	-103.4
Public debt amortization	-11.8	-25.5	-5.8	-18.8	-19.5	-19.1	-16.6	-19.4	-19.9
Changes in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in official reserves	20.3	-62.2	53.5	2.8	1.9	1.3	3.1	-1.2	-3.5
IMF repurchases	-2.0	-1.6	-3.1	-2.9	-3.4	-2.7	-3.5	-3.9	-2.7
Available financing	**41.6**	**108.2**	**63.7**	**109.2**	**94.7**	**98.3**	**107.7**	**120.8**	**129.5**
Project grants	33.0	57.5	29.8	40.1	43.0	45.9	49.5	54.5	58.6
Net foreing direct investment	11.9	9.8	9.6	16.4	11.7	12.6	13.6	14.7	15.8
Treasury bills (regional financing)	46.2	59.3	58.1	43.0	36.6	36.7	43.7	48.0	50.1
Official creditors	51.3	26.5	20.3	20.6	23.5	25.3	22.9	25.7	27.1
Other net flows[1]	-100.8	-44.8	-54.2	-10.8	-19.9	-22.2	-22.2	-22.1	-22.0
Financing needs	**2.0**	**13.8**	**6.6**	**12.1**	**12.2**	**12.3**	**0.7**	**0.7**	**0.0**
CCRT	2.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget support grants	0.0	1.0	6.6	4.4	4.4	4.4	0.7	0.7	0.0
o/w Multilateral grants	0.0	0.0	0.0	3.7	3.7	3.8	0.0	0.0	0.0
IMF disbursements	0.0	11.2	0.0	7.8	7.8	7.9	0.0	0.0	0.0
o/w ECF program	0.0	0.0	0.0	7.8	7.8	7.9	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: BCEAO, IMF staff estimates and projections.

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

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

	2020	2021	2022		2023		2024	2025	2026	2027	2028
			Budget	Est.	Budget[1]	Proj.			Proj.		
Revenue and grants	134.7	182.5	170.8	163.0	190.0	190.5	212.4	231.5	250.0	275.0	297.1
Tax revenue	67.8	93.5	101.9	99.7	113.7	113.7	129.4	143.2	158.7	175.6	191.2
Nontax revenue	32.0	28.9	28.4	27.0	32.4	32.4	35.7	38.0	41.1	44.2	47.3
Grants	35.0	60.1	40.5	36.4	43.9	44.4	47.3	50.3	50.2	55.2	58.6
Budget support	0.0	1.0	4.9	6.6	3.8	4.4	4.4	4.4	0.7	0.7	0.0
Project grants	33.0	57.5	35.6	29.8	40.1	40.1	43.0	45.9	49.5	54.5	58.6
Capital grants from CCRT	2.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	219.1	238.7	211.4	224.4	233.4	235.6	252.8	272.7	293.7	322.6	348.9
Expense	143.4	148.4	140.1	160.2	146.0	150.9	158.0	168.7	182.2	197.1	210.1
Wages and salaries[2]	57.0	58.2	59.5	66.3	59.0	59.0	62.5	66.1	70.1	75.3	79.5
Goods and services[2]	25.4	28.7	26.2	27.7	26.5	26.5	27.9	30.2	33.0	35.7	38.6
Transfers[2]	27.3	25.9	24.8	23.0	23.5	23.5	23.8	25.8	28.3	31.0	33.3
Interest	13.2	15.3	14.0	14.5	21.0	25.9	27.5	28.8	31.1	33.7	35.8
Other	20.5	20.2	15.5	28.7	16.0	16.0	16.2	17.8	19.8	21.3	22.9
Net acquisition of nonfinancial assets	75.7	90.3	71.4	64.2	87.4	84.7	94.8	104.0	111.5	125.5	138.8
Domestically financed	9.9	7.1	15.8	15.2	24.0	24.0	28.4	32.9	39.0	45.3	53.1
Foreign financed (including BOAD)	65.7	83.1	55.6	49.0	63.4	60.7	66.4	71.2	72.4	80.2	85.7
Overall balance, including grants (commitment)	-84.3	-56.1	-40.6	-61.4	-43.4	-45.1	-40.4	-41.2	-43.7	-47.6	-51.8
Overall balance, excluding grants (commitment)	-119.3	-116.2	-81.2	-97.8	-87.3	-89.5	-87.7	-91.5	-93.9	-102.8	-110.3
Change in arrears	6.5	-9.1	0.0	-6.7	0.0	-4.0	-4.0	-4.0	0.0	0.0	0.0
Domestic arrears[3]	5.5	-8.2	0.0	-6.7	0.0	-4.0	-4.0	-4.0	0.0	0.0	0.0
Accumulation current year	9.6	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment previous years (-)	-4.1	-10.2	0.0	-6.7	0.0	-4.0	-4.0	-4.0	0.0	0.0	0.0
Net external arrears	0.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net BOAD interest arrears	0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancy	0.4	-8.5	0.0	-14.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash)	-77.7	-73.5	-40.6	-82.3	-43.4	-49.1	-44.4	-45.2	-43.7	-47.6	-51.8
Financing[4]	77.7	73.5	40.6	82.3	43.4	49.1	44.4	45.2	43.7	47.6	51.8
Net acquisition of financial assets (- = build up)	-28.8	9.8	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	-12.9	10.6	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCEAO	-1.8	-4.1	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local commercial banks	-11.1	14.7	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other[5]	-15.9	-0.8	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: Bank recapitalization	0.0	0.0	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Domestic financing	63.4	62.7	27.9	69.0	52.1	47.3	40.5	39.1	37.4	41.3	44.6
BCEAO credit	-2.8	30.7	11.5	-3.6	0.0	4.4	3.9	2.4	-6.3	-6.7	-5.5
(o/w) IMF	-2.0	9.6	11.5	-3.1	0.0	4.9	4.5	5.2	-3.5	-3.9	-2.7
Other domestic (net)	66.2	32.0	16.4	72.7	52.1	43.0	36.6	36.7	43.7	48.0	50.1
Local commercial banks	20.0	-27.2	0.0	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional commercial banks	46.2	59.3	16.4	58.1	52.1	43.0	36.6	36.7	43.7	48.0	50.1
Foreign financing (net)	43.1	1.0	12.7	14.6	-8.8	1.8	3.9	6.2	6.3	6.3	7.2
Disbursements	54.9	26.5	20.0	20.3	23.4	20.6	23.5	25.3	22.9	25.7	27.1
Projects	32.9	26.4	20.0	20.3	23.4	20.6	23.5	25.3	22.9	25.7	27.1
Programs	22.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-11.8	-25.5	-7.3	-5.8	-32.1	-18.8	-19.5	-19.1	-16.6	-19.4	-19.9
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Memorandum item:											
Domestic primary balance (commitment)[6]	-40.3	-17.8	-11.5	-34.2	-2.9	-2.9	6.2	8.5	9.6	11.1	11.2

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

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

[2] Adjusted for embassy salaries.

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

[4] Financing is on currency basis.

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

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

Table 3b. Guinea-Bissau: Consolidated Operations of the Central Government, 2020–28

(Percent of GDP)

	2020	2021	2022		2023		2024	2025	2026	2027	2028
			Budget	Est.	Budget[1]	Proj.			Proj.		
Revenue and grants	15.4	19.1	16.1	15.4	16.2	16.3	16.7	16.9	16.9	17.2	17.3
Tax revenue	7.7	9.8	9.6	9.4	9.7	9.7	10.2	10.5	10.7	11.0	11.2
Nontax revenue	3.7	3.0	2.7	2.5	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Grants	4.0	6.3	3.8	3.4	3.7	3.8	3.7	3.7	3.4	3.5	3.4
Budget support	0.0	0.1	0.5	0.6	0.3	0.4	0.3	0.3	0.0	0.0	0.0
Project grants	3.8	6.0	3.4	2.8	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Capital grants from CCRT	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure	25.0	25.0	19.9	21.1	19.9	20.1	19.9	19.9	19.9	20.2	20.4
Expense	16.4	15.5	13.2	15.1	12.5	12.9	12.5	12.3	12.3	12.4	12.3
Wages and salaries[2]	6.5	6.1	5.6	6.2	5.0	5.0	4.9	4.8	4.7	4.7	4.6
Goods and services[2]	2.9	3.0	2.5	2.6	2.3	2.3	2.2	2.2	2.2	2.2	2.2
Transfers[2]	3.1	2.7	2.3	2.2	2.0	2.0	1.9	1.9	1.9	1.9	1.9
Interest	1.5	1.6	1.3	1.4	1.8	2.2	2.2	2.1	2.1	2.1	2.1
Other	2.3	2.1	1.5	2.7	1.4	1.4	1.3	1.3	1.3	1.3	1.3
Net acquisition of nonfinancial assets	8.6	9.4	6.7	6.0	7.5	7.2	7.5	7.6	7.5	7.9	8.1
Domestically financed	1.1	0.7	1.5	1.4	2.0	2.0	2.2	2.4	2.6	2.8	3.1
Foreign financed (including BOAD)	7.5	8.7	5.2	4.6	5.4	5.2	5.2	5.2	4.9	5.0	5.0
Overall balance, including grants (commitment)	-9.6	-5.9	-3.8	-5.8	-3.7	-3.8	-3.2	-3.0	-3.0	-3.0	-3.0
Overall balance, excluding grants (commitment)	-13.6	-12.2	-7.6	-9.2	-7.4	-7.6	-6.9	-6.7	-6.4	-6.4	-6.4
Change in arrears	0.7	-1.0	0.0	-0.6	0.0	-0.3	-0.3	-0.3	0.0	0.0	0.0
Domestic arrears[3]	0.6	-0.9	0.0	-0.6	0.0	-0.3	-0.3	-0.3	0.0	0.0	0.0
Accumulation current year	1.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment previous years (-)	-0.5	-1.1	0.0	-0.6	0.0	-0.3	-0.3	-0.3	0.0	0.0	0.0
Net external arrears	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net BOAD interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancy	0.0	-0.9	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash)	-8.9	-7.7	-3.8	-7.7	-3.7	-4.2	-3.5	-3.3	-3.0	-3.0	-3.0
Financing[4]	8.9	7.7	3.8	7.7	3.7	4.2	3.5	3.3	3.0	3.0	3.0
Net acquisition of financial assets (- = build up)	-3.3	1.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	-1.5	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCEAO	-0.2	-0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local commercial banks	-1.3	1.5	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other[5]	-1.8	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: Bank recapitalization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Domestic financing	7.2	6.6	2.6	6.5	4.4	4.0	3.2	2.9	2.5	2.6	2.6
BCEAO credit	-0.3	3.2	1.1	-0.3	0.0	0.4	0.3	0.2	-0.4	-0.4	-0.3
(o/w) IMF	-0.2	1.0	1.1	-0.3	0.0	0.4	0.4	0.4	-0.2	-0.2	-0.2
Other domestic (net)	7.6	3.4	1.5	6.8	4.4	3.7	2.9	2.7	3.0	3.0	2.9
Local commercial banks	2.3	-2.8	0.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional commercial banks	5.3	6.2	1.5	5.5	4.4	3.7	2.9	2.7	3.0	3.0	2.9
Foreign financing (net)	4.9	0.1	1.2	1.4	-0.7	0.2	0.3	0.5	0.4	0.4	0.4
Disbursements	6.3	2.8	1.9	1.9	2.0	1.8	1.8	1.8	1.5	1.6	1.6
Projects	3.8	2.8	1.9	1.9	2.0	1.8	1.8	1.8	1.5	1.6	1.6
Programs	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-1.3	-2.7	-0.7	-0.5	-2.7	-1.6	-1.5	-1.4	-1.1	-1.2	-1.2
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Memorandum item:											
Domestic primary balance (commitment)[6]	-4.6	-1.9	-1.1	-3.2	-0.2	-0.2	0.5	0.6	0.7	0.7	0.7

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

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

[2] Adjusted for embassy salaries.

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

[4] Financing is on currency basis.

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

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

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

	2020	2021	2022	2023	2024	2025	2026
			Prel.	Proj.			
	(CFAF billions)						
Net foreign assets	271.5	329.4	270.3	275.7	279.3	282.8	293.2
Central Bank of West African States (BCEAO)	164.2	216.7	166.3	158.6	152.2	145.7	146.2
Commercial banks	107.3	112.6	104.0	117.0	127.0	137.0	147.0
Net domestic assets	127.7	154.5	227.5	251.1	284.6	317.3	341.2
Credit to the government (net)	47.2	72.5	90.9	95.3	99.2	101.6	95.3
BCEAO	40.2	66.8	64.8	69.2	73.1	75.5	69.2
Deposits (-)	0.9	5.5	5.8	5.8	5.8	5.8	5.8
Credit	41.1	72.3	70.6	75.0	78.9	81.3	75.0
Commercial banks	7.0	5.6	26.1	26.1	26.1	26.1	26.1
Deposits (-)	25.0	26.2	24.8	24.8	24.8	24.8	24.8
Credit	32.0	31.8	50.9	50.9	50.9	50.9	50.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	147.1	157.9	195.3	214.5	244.1	274.4	304.6
Other items (net)	-66.6	-75.8	-58.7	-58.7	-58.7	-58.7	-58.7
Money supply (M2)	399.2	483.9	497.9	526.7	563.9	600.1	634.4
Currency outside banks	246.5	305.6	297.7	314.9	337.1	358.8	379.3
Bank deposits	152.7	178.3	200.2	211.8	226.7	241.3	255.1
Base money (M0)	274.7	350.4	324.1	342.9	367.1	390.7	413.0
	(Change in percent of beginning-of-period broad money)						
Contribution to the growth of broad money (M2)							
Net foreign assets	14.7	14.5	-12.2	1.1	0.7	0.6	1.7
BCEAO	-5.0	13.2	-10.4	-1.5	-1.2	-1.2	0.1
Commercial banks	19.7	1.3	-1.8	2.6	1.9	1.8	1.7
Net domestic assets	-5.6	6.7	15.1	4.7	6.4	5.8	4.0
Credit to the central government	-3.2	6.3	3.8	0.9	0.7	0.4	-1.1
Credit to the economy	2.3	2.7	7.7	3.9	5.6	5.4	5.0
Other items (net)	-4.7	-2.3	3.5	0.0	0.0	0.0	0.0
Memorandum items:							
Broad money (M2, annual percentage change)	9.1	21.2	2.9	5.8	7.1	6.4	5.7
Base money (M0, annual percentage change)	6.2	27.6	-7.5	5.8	7.1	6.4	5.7
Credit to the economy (annual percentage change)	5.9	7.3	23.7	9.8	13.8	12.4	11.0
Velocity (GDP/M2)	2.2	2.0	2.1	2.2	2.2	2.3	2.3
Money multiplier (M2/M0)	1.5	1.4	1.5	1.5	1.5	1.5	1.5

Sources: BCEAO; and IMF staff estimates and projections.

[1] End of period.

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

	2017	2018	2019	2020	2021	2022	Excluding undercapitalized bank			
						Jun	2020 Dec	2021 Jun	2021 Dec	2022 Jun
Capital Adequacy										
Capital to risk-weighted assets	2.2	-5.4	-2.0	-3.6	-2.1	-3.0	25.6	21.7	25.5	21.4
Tier 1 capital to risk weighted assets	1.8	-5.5	-2.0	-3.6	-2.1	-3.0	25.6	21.7	25.5	21.4
Provisions to risk-weighted assets	27.6	29.8	26.0	20.4	20.8	16.8	2.3	2.7	8.0	3.5
Capital to total assets	1.0	-2.0	-0.7	-1.3	-0.7	-1.1	12.8	12.7	7.2	11.4
Asset Composition and Quality										
Total loans to total assets	40.1	50.5	46.7	40.4	38.1	45.1	36.5	44.7	36.8	42.3
Concentration: loans to 5 largest borrowers to capital	831.7	-316.1	-748.5	-379.3	-1689.3	-353.8	...	...	216.5	142.8
Sectoral distribution of loans										
Agriculture and fishing	0.9	0.5	0.5	0.8	1.4	1.5	...	...	0.8	1.1
Extractive industries	0.0	0.0	0.0	1.2	1.1	0.8	...	...	0.0	0.8
Manufacturing	0.4	0.7	0.7	15.7	14.8	15.4	...	...	18.1	17.9
Electricity, water and gas	1.1	0.7	0.7	10.5	10.7	4.9	...	...	0.0	0.1
Construction	1.7	1.7	1.7	7.7	8.1	3.2	...	...	8.4	10.0
Retail and wholesale trade, restaurants and hotels	29.7	29.4	29.4	25.2	24.1	40.5	...	...	54.0	57.1
Transportation and communication	1.1	1.1	1.1	7.1	7.4	7.1	...	...	7.0	9.1
Insurance, real state and business services	8.4	8.2	8.2	1.1	1.1	1.0	...	...	0.7	0.8
Other services	56.7	57.8	57.8	30.7	31.5	25.6	...	...	10.9	19.6
Gross NPLs to total loans	37.4	26.3	25.4	21.8	19.4	14.6	10.3	6.5	9.0	6.4
General provisions to gross NPLs	64.8	67.3	65.3	68.8	80.8	82.0	35.2	54.5	64.1	69.5
Net NPLs to total loans	17.4	10.5	10.6	8.0	4.4	3.0	2.1	3.4	3.4	2.2
Net NPLs to capital	694.6	-268.1	-680.0	-257.0	-240.7	-122.5	16.7	12.0	17.5	8.0
Earnings and profitability										
Average cost of borrowed funds	1.6	1.7	0.9	1.9	1.3	...	...	...	1.3	...
Average interest rate on loans	10.2	8.7	9.7	9.4	7.4	...	...	...	7.4	...
Average interest margin[1]	8.5	7.0	8.8	7.5	6.1	...	...	...	6.1	...
After-tax return on average assets (ROA)	-0.4	0.8	4.2	0.5	0.7	...	1.8	1.2	1.5	...
After-tax return on average equity (ROE)	-10.8	17.2	77.2	6.5	8.7	...	13.8	9.4	11.2	...
Non-interest expenses to net banking income	79.3	71.3	75.5	71.0	67.3	...	...	...	61.6	...
Personnel expenses to net banking income	33.8	28.6	32.1	32.0	29.2	...	...	...	26.7	...
Liquidity										
Liquid assets to total assets	15.0	19.6	18.9	17.3	18.0	27.5	...	...	20.1	21.1
Liquid assets to total deposits	25.3	32.7	35.9	30.4	31.3	49.6	...	...	44.4	50.2
Total loans to total deposits	89.1	102.5	106.5	83.6	78.9	92.4	92.5	103.8	86.0	96.2
Total deposits to total liabilities	59.4	59.9	52.6	56.9	57.3	55.4	39.4	43.0	45.3	44.0

Source: BCEAO.

[1] Excluding tax on banking operations.

Table 6. Guinea-Bissau: Indicators of Capacity to Repay the Fund[1], 2023–42

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
											Projections									
											(SDR millions, unless otherwise indicated)									
Fund obligations based on existing credit																				
Principal	3.23	4.12	3.41	4.26	4.66	3.38	3.31	3.31	1.89	0.47	0.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fund obligations based on existing and prospective credit																				
Principal	3.23	4.12	3.41	4.26	4.66	3.62	4.97	5.92	5.21	3.79	3.32	1.66	0.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total obligations based on existing and prospective credit																				
SDR millions	3.23	4.12	3.41	4.26	4.66	3.62	4.97	5.92	5.21	3.79	3.32	1.66	0.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CFAF billions	2.65	3.41	2.84	3.58	3.95	3.11	4.27	5.09	4.48	3.26	2.86	1.43	0.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent government revenue	1.82	2.06	1.57	1.79	1.80	1.30	1.67	1.85	1.51	1.02	0.84	0.39	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent exports of goods and services	1.29	1.49	1.18	1.42	1.49	1.11	1.44	1.64	1.38	0.96	0.80	0.38	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent debt service	9.91	12.26	10.92	14.67	14.10	11.31	15.18	17.61	15.17	11.39	9.65	4.87	2.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent GDP	0.23	0.27	0.21	0.24	0.25	0.18	0.23	0.26	0.22	0.15	0.12	0.06	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent quota	11.37	14.51	12.01	15.00	16.41	12.75	17.50	20.85	18.35	13.35	11.69	5.85	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Outstanding Fund credit																				
SDR millions	36.17	36.79	38.12	33.86	29.20	25.59	20.61	14.69	9.48	5.69	2.37	0.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CFAF billions	29.70	30.43	31.77	28.45	24.75	22.01	17.72	12.63	8.15	4.89	2.04	0.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent government revenue	20.33	18.43	17.53	14.24	11.26	9.22	6.93	4.60	2.75	1.53	0.60	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent exports of goods and services	14.44	13.30	13.24	11.29	9.34	7.86	5.99	4.08	2.51	1.44	0.57	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent debt service	110.94	109.46	122.08	116.62	88.33	79.98	62.93	43.69	27.61	17.10	6.89	2.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent GDP	2.53	2.40	2.32	1.92	1.55	1.28	0.97	0.65	0.39	0.22	0.09	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Percent quota	127.35	129.54	134.23	119.23	102.83	90.09	72.58	51.73	33.38	20.03	8.35	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net use of Fund credit	6.24	5.36	6.08	-4.26	-4.66	-3.62	-4.97	-5.92	-5.21	-3.79	-3.32	-1.66	-0.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disbursements	9.47	9.48	9.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments and repurchases	3.23	4.12	3.41	4.26	4.66	3.62	4.97	5.92	5.21	3.79	3.32	1.66	0.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00
											(CFAF billions, unless otherwise indicated)									
Memorandum items:																				
Nominal GDP	1,172.0	1,268.7	1,369.5	1,478.2	1,595.6	1,714.1	1,827.0	1,947.4	2,075.8	2,212.6	2,347.1	2,489.8	2,641.2	2,801.7	2,972.1	3,152.8	3,344.5	3,547.8	3,763.5	3,992.4
Exports of goods and services	205.6	228.8	240.0	252.0	264.9	280.0	296.0	309.7	324.2	339.3	354.9	371.2	388.3	405.5	423.5	442.3	462.1	482.7	504.2	526.8
Government revenue	146.1	165.1	181.2	199.8	219.8	238.5	255.7	274.8	296.7	319.2	341.3	364.8	390.8	418.2	446.7	476.6	508.6	541.5	576.6	614.2
External debt service	26.8	27.8	26.0	24.4	28.0	27.5	28.2	28.9	29.5	28.6	29.6	29.3	29.8	29.8	31.0	31.5	32.7	29.5	31.2	32.8
CFAF/SDR (period average)	821.1	827.2	833.4	840.2	847.6	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9	859.9
Quota (SDR millions)	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4

Source: IMF staff estimates and projections.

[1] Considers CCRT grant to cover obligations up to April, 2021, approved by the Executive Board on April 13 and October 5, 2020. Prospective CCRT grant to cover obligations up to April, 2022 is not considered.

Table 7. Guinea-Bissau: Public Debt Holder Profile[1], 2022–24
(In USD million, unless otherwise indicated)

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$ million)	*(Percent of total debt)*	*(Percent of GDP)* [5]	*(In US$ million)*			*(Percent of GDP)*		
Total	1,379.6	100.0	80.5	165.7	192.8	127.6	9.7	10.1	6.2
External	669.0	48.5	39.0	17.0	43.8	44.7	1.0	2.3	2.2
Multilateral creditors[2]	534.4	38.7	31.2	13.9	39.2	40.5	0.8	2.0	2.0
IMF	40.5	2.9	2.4						
World Bank	187.4	13.6	10.9						
AfDB	53.9	3.9	3.1						
BOAD	202.0	14.6	11.8						
Other Multilaterals	50.6	3.7	3.0						
o/w: Islamic Development Bank	21.4	1.6	1.2						
BADEA	9.4	0.7	0.6						
Bilateral Creditors	134.6	9.8	7.9	3.0	4.6	4.1	0.2	0.2	0.2
Paris Club	9.8	0.7	0.6	0.3	1.3	1.4	0.0	0.1	0.1
o/w: Brazil	1.9	0.1	0.1						
Russia	1.5	0.1	0.1						
Non-Paris Club	124.8	9.0	7.3	2.7	3.3	2.7	0.2	0.2	0.1
o/w: Angola	49.1	3.6	2.9						
Kuwait	28.9	2.1	1.7						
Domestic	710.5	51.5	41.4	148.7	149.0	82.9	8.7	7.8	4.0
Held by residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Regional T-bills	405.8	29.4	23.7	116.5	93.3	70.8	6.8	4.9	3.4
BCEAO	209.8	15.2	12.2	1.2	1.2	1.2	0.1	0.1	0.1
Loans local commercial banks[3]	75.2	5.4	4.4	20.3	47.9	4.3	1.2	2.5	0.2
Payment Arrears	19.7	1.4	1.2	10.7	6.6	6.6	0.6	0.3	0.3
Memo items:									
Collateralized debt[4]	0.0	0.0	0.0						
Contingent liabilities	32.2	2.3	1.9						
Public guarantees	32.2	2.3	1.9						
Nominal GDP	1,706.3			1,706.3	1,916.9	2,061.5			

1/ As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

3/ Including public guarantees.

4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/ Calculated based on the amounts in CFA francs.

Table 8. Guinea-Bissau: Quantitative Performance Criteria and Indicative Targets Under the ECF, 2022-24
(Cumulative from beginning of calendar year to end of month indicated, CFAF billion, unless otherwise indicated)

	2022			2023							2024
	Dec			Jan			Mar	Jun	Sep	Dec	Mar
	IT	Est.	Status	QPC	Est.	Status	QPC	QPC	IT	QPC	IT
Total domestic tax revenue (floor)	100.5	99.7	not met	5.4	6.6	met	21.4	53.8	87.1	113.7	24.3
Wages and salaries (ceiling)	65.5	66.3	not met	5.7	4.9	met	14.3	27.8	41.8	59.0	15.1
Ceiling on new non-concessional external debt contracted or guaranteed by the central government (US$ millions)[1,2]	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0
New external payment arrears (US$ millions, ceiling)[1]	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0
New domestic arrears (ceiling)	0.0	0.0	met	0.0	1.8	not met	0.0	0.0	0.0	0.0	0.0
Social and priority spending (floor)[3]	55.2	65.9	met	2.5	3.1	met	12.5	26.0	38.8	51.6	13.5
Domestic primary balance (commitment basis, floor)[4]	-30.1	-34.2	not met	-4.3	-3.5	met	-10.8	-6.3	-5.7	-2.9	1.2
Non regularized expenditures (DNTs, ceiling)	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0
Memorandum Item:											
New concessional borrowing[5]	20.7	20.3		7.0	1.9		11.7	18.7	21.0	23.4	10.3

[1] These apply on a continuous basis.

[2] The ceiling will be adjusted upward by the amount of financing from the BOAD Development and Cohesion Fund in accordance with TMU ¶17.

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

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

[5] Excludes IMF disbursements.

Table 9. Guinea-Bissau: Structural Benchmarks

Measures	Rationale	Status	Date
Public Financial Management			
Expenditure and wage bill control/cash management			
Conduct regular in-year (quarterly) reconciliations between the personnel and the payroll records.	Wage bill control	Met	March 2023/Continuous
Approve by the Council of Minister a multiannual staffing plan for 2023-25 in line with program parameters and publish by the Minister of Public Administration a report with the results of the full census of public servants and implementation of remedial actions on irregular cases.	Wage bill control		June 2023
Issue a ministerial order on the revised composition of the Treasury Committee including the active participation of the Ministry of Fisheries.	Revenue mobilization/cash management	Met	March 2023
Establish an interface between the systems of the Treasury, BCEAO, and commercial banks and classify public bank accounts into those to be closed, maintained, or integrated into the TSA.	Expenditure control		September 2023
Create a unit dedicated to cash management operations and revise the Treasury Committee's mission to approve cash forecasts with a quarterly or longer horizon	Cash management	Met	December 2023
Conclude public contracts for all purchase of four food items (rice, cooking oil, meat, fish) and fuel and obtain the MoF's approval	Expenditure control/transparency in public procurement		March 2024
Execute expenditure from the TSA, starting with the wage bill.	Expenditure control/Wage bill Control		June 2024/Continuous
Revise processes and forecasting methodologies enhancing the forecasting of cash flows.	Cash management		June 2025
SOE oversight and fiscal risk mitigation			
Create by a ministerial order and implement the Technical Unit for Monitoring SOEs (UTAM) under the MoF to monitor and supervise SOEs, including adequate resourcing and powers for its operation.	SOE oversight	Met	March 2023
Prepare and publish quarterly and annual reports on SOEs' performance, starting with the most relevant SOEs.	SOE oversight		June 2023/December 2024[1]
Complete installation of 10,000 pre-paid meters to largest residential clients that use post-paid meters	SOE oversight/EAGB		June 2023
Complete installation of additional 25,000 pre-paid meters to largest residential clients that use post-paid meters	SOE oversight/EAGB		December 2023
Prepare a report with strategy to reestablish the financial viability of EAGB, including an action plan and reinstate a functional accounting department (to avoid hiring third parties to prepare accounts).	SOE oversight/EAGB		September 2023
Complete and publish an audit of EAGB's power purchase agreement and its ammendments	SOE oversight/fiscal transparency		December 2023
Public investment program			
Create an Excel-based medium-term PIP database, centralizing all the quantitative information included in the Fichas de Projecto to be used for preparing an improved PIP consistent with the medium-term fiscal strategy and annual budget.	Management of public investment		December 2023
Revenue Mobilization			
Approve by Council of Ministers and submit to parliament:			
(i) the revised law on the general exemption regime; and	Strengthen tax framework		December 2023
(ii) the revised income tax and stamp duties bills.	Strengthen tax framework		June 2025
Prepare a report with an action plan to enhancing transparency and efficiency in the fiscal regime for management of natural resources.	Revenue mobilization		June 2024
Anti-Corruption and Rule of Law			
Resubmit to parliament the Law reforming the Asset Declaration Regime after elections.	Strengthen anticorruption framework		September 2023
Issue guidance to facilitate implementation of the 2022 decree regarding beneficial ownership (BO) information of entities awarded public contracts.	Strengthen transparency in public procurement/Expenditure Control	Met	March 2023
Issue a ministerial order to require all government entities to submit a tariff schedule of fees and charges (including court and registry fees) in 2023.	Strengthen rule of law/cash management	Met	March 2023
Publish on a government website a list of tariff of all fees and charges levied by ministries and government agencies, including court and registry fees as part of the 2024 budget.	Strengthen rule of law/cash management		December 2023
Create a website of the CAJ which includes a database of fundamental legislation and information for raising legal literacy and awareness	Strengthen rule of law		March 2024

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

Table 10. Guinea-Bissau: Schedule of Disbursements Under the ECF Arrangement, 2023–25

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

Source: IMF staff estimates and projections.

Annex I. Risk Assessment Matrix[1]

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

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

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

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

Annex II. Action Plans for Governance-Related Reforms

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

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

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

4. AML/CFT and public procurement. Further action to strengthen AML/CFT effectiveness is needed. In the February 2022 Mutual Evaluation Report (MER), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) gave the country low effectiveness ratings in all 11 criteria. Substantial progress is required to address the priority actions. The action plan (Table 3) intends to enhance AML/CFT effectiveness in the three priority areas: (i) finalizing the national AML/CFT policy and action plan that addresses the risks identified in the national risk assessment (NRA) and the MER key findings by June 2023; (ii) requiring all legal persons registering at the Centre for Formalization of Enterprises (CFE) and at the Directorate General of Civil Identification, Registry and Notary (DGICRN) to submit a BO identification form similar to the one submitted as part of the tender process by end-June 2024; and (iii) present an action plan to strengthen risk-based AML/CFT supervision for financial institutions and designated non-financial businesses and professions (DNFBPs) by June 2023. The same action plan also aims to facilitate implementation of the new BO decree.

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

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

Source: Guinea-Bissau Authorities.

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

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

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

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

Action	Milestones	Institutions Responsible	Mar-23	Jun-23	Dec-23	Jun-24	24-Dec	Jun-25
Enhance AML/CFT effectiveness	Finalize the national AML/CFT policy/action plan that addresses the risks identified in the national risk assessment (NRA) and the MER key findings and publish the national policy.	CENTIF		X				
	Present an action plan to strengthen risk-based AML/CFT supervision for financial institutions and designated non-financial businesses and professions (DNFBPs).	BCEAO/CENTIF		X				
Improve transparency of the public procurement system	Issue guidance to facilitate implementation of the 2022 decree regarding beneficial ownership (BO) information of entities awarded public contracts and publish it on the website of the General Directorate of Public Tenders (SB).	DGCP	X					
	Publish procurement contracts and BO information on the website of the General Directorate of Public Tenders.	DGCP	X	X	X	X	X	X
	Publish audit reports that show direct purchase contracts breaching the authorization of the DGCP and Audit Court	Audit Court				X		
	Establish a registry to ensure BO information is available and accessible for all legal persons registered at the Centre for Formalization of Enterprises (CFE) and at the Directorate General of Civil Identification, Registry and Notary (DGICRN).	DGCP/CFE/DGICRN				X		

Appendix I. Letter of Intent

Bissau, April 26, 2023

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

Dear Managing Director,

Guinea-Bissau remains committed to the reform program supported by the Extended Credit Facility (ECF) arrangement with the IMF. We have made substantial progress in implementing the program targets regardless of an extremely challenging domestic and external environment. In January 2023, we have met seven out of eight quantitative performance criteria (QPC) but took immediate remedial actions to address the missed target. On this ground, we request a waiver for not meeting this QPC. We have also met five structural benchmarks (SB) for the second review and one for the fourth review. The attached Memorandum of Economic and Financial Policies (MEFP) updates the previous memorandum and describe progress and further policy steps to meet our objectives.

Despite the progress achieved, the challenges ahead are significant and further support from the international community is crucial. The economy is facing significant downside risks from volatile cashew production, persistent inflation and tight financial conditions, a global economic slowdown, and climate shocks. Without further policy actions, additional external shocks will exacerbate development challenges and undermine our capacity to support the most vulnerable. The ECF arrangement provides crucial financial support including through catalyzing donor support and concessional loans to meet our balance of payment needs and government priority spending.

Staying on track with a fiscal consolidation path will create a fiscal space and catalyze much-needed financing from development partners, freeing up resources to meet significant economic and social development needs while ensuring debt sustainability. Our government will ensure engagement with local stakeholders to continue developing strong national consensus and ownership over the reforms and policies. While we will have the legislative election in June 2023, we will work with political parties and Parliament to secure the national consensus necessary for approval of the 2023 budget and legislative reforms during the program. Continuing an intensive engagement with the IMF and other development partners will also enable us to advance governance and transparency reforms, which are essential to reach our economic potential and break away from fragility. The government of Guinea-Bissau remains strongly committed to the economic and structural reform process, which will benefit current and future generations.

We are making progress on the fiscal reforms needed to sustain growth and put our debt in a downward path. Our goal is to pursue a fiscal consolidation path to secure the convergence of the deficit and the public debt level to the WAEMU regional criteria over the medium-term. The 2023 draft budget approved by the Council of Ministers is anchoring overall and domestic primary deficits in line with the parameters of the ECF supported program. Measures include enhancing revenue mobilization, adhering to strict limits for wages and salaries, rationalization of goods and services and other expenditures, and re-allocating resources to support priority spending. We remain committed to avoid non-concessional borrowing to ensure debt sustainability.

We are advancing our structural reform agenda. We are committed to fighting corruption and improving AML/CFT effectiveness, governance and transparency by completing the implementation of the RCF's governance safeguards on COVID-19 spending and the recommendations of the 2020 Governance Diagnostic report. We will continue improving beneficial ownership transparency and accelerating the asset declaration regime reforms. The government will strengthen support for the institutions essential for improving the rule of law. The IMF technical assistance would be essential to support our work in these areas.

Based on satisfactory performance in the first review and our continued commitment to reforms under the program, we request approval by the IMF Executive Board of completion of the first review and the second disbursement of SDR 2.37 million and a waiver on missing the zero ceiling on new domestic arrears. The program will continue to be monitored through QPC and indicative targets and SBs, as described in the attached MEFP and Technical Memorandum of Understanding (TMU).

We consider the policies and actions set out in the attached MEFP convey the understandings reached with IMF staff during the March 8-21 mission, which are adequate to achieve the objectives of the ECF-supported program. We stand ready to undertake any further measures to achieve the program objectives in close consultation with the IMF staff. We will consult with the IMF before adopting any additional measure that may be deemed appropriate for this purpose and will provide timely information for monitoring economic developments and the implementation of policies defined in the program, as agreed under the attached TMU, or upon staff request.

In line with our commitment to transparency, we authorize the IMF to publish this letter, together with the attached MEFP and TMU, as well as the IMF staff report on the First Review under ECF arrangement, subject to Executive Board approval. These documents will also be posted on the official website of the Bissau-Guinean government.

Yours sincerely,

/s/
Ilídio VIEIRA TÉ

Minister of Finance
Guinea-Bissau

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

Attachment I. Memorandum of Economic and Financial Policies

A. Context and Objectives

1. **The government continues to be determined to pursue a sustainable growth path and build resilience for the future amid renewed and significant challenges.** These challenges include the protracted effects of the COVID -19 pandemic, the February 2022 coup attempt, more frequent and intense weather events driven by climate change, and global shocks, including the conflict in Ukraine and normalization of monetary policy at a global level, that push up shipping costs, energy and food prices and tighten financial conditions, and disrupting global supply chains. These combined shocks have affected the most vulnerable, disrupted the provision of essential public goods, and pushed up the overall cost of economic activity through higher import prices of essential goods. A further deterioration of the global environment is a key risk, leading to a fall in the international price of cashews and a tightening of domestic financing conditions, including in the WAEMU regional bond market. Acting decisively is therefore needed to build resilience and tackle the ongoing crisis. Our policies aim to mitigate these effects while creating conditions to recover from the pandemic with the support from the Fund and other international partners.

2. **The government's National Development Plan (PND) aims to secure macroeconomic stability and foster sustainable and inclusive growth.** The existing PND was approved at an onset of the COVID-19 pandemic in 2020 and had the "central objective" to fight against the pandemic. The period of the existing PND is expected to be extended from end-2023 to mid-2024, to have sufficient time to undertake the thorough stakeholder consultation, which will be launched after the upcoming June Parliamentary elections. The successive PND will shift the focus from the crisis intervention to sustainable development, which should be within financing sources consistent with the fiscal consolidation path and debt sustainability. In particular, the new PND will help to replace expensive non-concessional borrowing while protecting social and priority spending.

3. **The fiscal consolidation goals will be achieved through revenue mobilization, expenditure controls, and mobilization of highly concessional financing.** In particular, the consolidation measures are focusing on (i) stronger revenue mobilization and expenditure containment, including in the wage bill, generating fiscal space to protect social spending and undertake key infrastructure investments to sustain the recovery; and (ii) seeking additional grants and highly concessional financing from development partners. Also, the 2023 draft budget approved by the Council of Ministers set an expenditure envelope consistent with available resources without recourse to non-concessional financing. This budget will be submitted to Parliament when it reconvenes after parliamentary elections in mid-2023. Over the medium-term, the government is committed to bringing the fiscal deficit and debt ratio within 3 percent of GDP by 2025 and 70 percent of GDP respectively by 2026, in line with the WAEMU convergence criteria.

4. **The IMF Executive Board approved a three-year arrangement under the Extended Credit Facility (ECF) arrangement to support the implementation of Guinea-Bissau's reform agenda on January 30, 2023.** The government reform agenda tackles longstanding structural

vulnerabilities that constrain inclusive growth for which we have requested financial support. The government is committed to secure macroeconomic stability, ensure fiscal and debt sustainability, strengthen social protection, fight against corruption, and improve governance and transparency. Our policies aim to ensure further fiscal consolidation towards WAEMU standards and address debt vulnerabilities. The success of the ECF arrangement hinges on meeting strong governance commitments aimed at enhancing public finance transparency, accountability, and efficiency.

B. Program Performance

5. The government has met all but one of the quantitative performance criteria (QPC) for end-January 2023 (Table 1). The floors of tax revenue, domestic primary balance, social spending and the ceiling on wage bill spending were all met. This result was supported in part by the results in revenue mobilization and wage bill control while protecting social spending. All but one zero ceiling performance quantitative criteria were met. The QPC on zero domestic arrears was missed because of CFAF 1.8 billion of overdue CFAF-denominated debt service, which was caused by a crunch in the WAEMU regional bond market but was fully paid in March 2023.

6. Regarding the indicative targets (ITs) aimed to anchor the budget execution in 2022, the government met all but three in end-December. The ITs on tax revenue, wages, and domestic primary deficits were missed due to lower-than-expected tax revenue and an increase in spending pressures as explained below.

7. Five structural benchmarks (SBs) for the second review and one for the fourth review have been already met. Ministerial orders have been issued to (i) revise the composition and mandate of the Treasury Committee (March and December 2023, SBs); (ii) create and implement the Technical Unit for Monitoring SOEs' Performance (March 2023, SB); (iii) require submission of tariff schedules (March 2023, SB); (iv) create a Cash Management Unit (December 2023, SB); as well as (v) to define a process for quarterly payroll reconciliation, the first report of which has been approved by the Inter-ministerial Committee (March 2023, SB). We have also issued the guidelines to implement the 2022 decree on beneficial ownership information for public procurement (March 2023, SB).

8. The government remains fully committed to the January 2023 MEFP. Unless modified below, those policies remain valid in full. The quantitative targets that serve as performance criteria and indicative targets remains valid in full, and new targets are added for March 2024, as shown in Table 1.

C. Macroeconomic Developments and Outlook

9. Growth is expected to moderate to 3.5 percent, while average inflation increased to 7.9 percent in 2022. In 2022, growth was negatively affected by lower cashew exports, but supported by higher agricultural production and private investments. The surge in commodity prices associated with the war in Ukraine added inflationary pressures, especially in food and fuel.
The overall fiscal deficit in 2022 was higher-than-projected due to an increase in spending

pressures and lower-than-expected tax revenue. Overall and domestic primary deficits were higher-than-projected by 0.2 and 0.4 percent of GDP respectively, compared with the ECF request. Tax revenue was lower-than-projected mainly due to lower collection of tax arrears. Wage expenditure was higher because of higher-than- expected payment of wage arrears and lower-than-expected savings from the new census of public administration. Lower foreign financed capital expenditure more than offset lower than expected grants.

10. Pandemic-related measures implemented by the BCEAO, the regional central bank, have supported credit. Its accommodative stance improved the liquidity of the banking system and credit to the economy increase 23.7 percent in 2022. Except for one large undercapitalized bank, the banking sector has adequate capital levels, meeting the regional prudential criteria. While NPLs declined sharply in 2022, they remain high, and banks are well provisioned.

11. The external position deteriorated in 2022. The current account deficit worsened to 8.9 percent of GDP in 2022 because of lower cashew nuts exports and higher import prices. An important part of financing needs was met through the issuance of Treasury securities in regional markets.

12. The stock of public debt increased slightly in 2022. The public debt reached about 80.5 percent of GDP, an increase of 1.7 percentage points of GDP compared to 2021, because of higher than-projected overall fiscal deficit, new government guarantees to the public utility company (EAGB) and recognition of legacy arrears. External debt declined in 2022 due to reliance on financing from the domestic regional market.

13. In the near-term, we expect a moderate recovery in economic growth and inflationary pressures. In 2023, the growth is expected to recover to 4.5 percent, assuming the cashew nut export volume reaches to 2021 levels and high private sector investment remains strong, including in the energy sector. Average inflation is expected to peak as global prices normalize but should remain at 5.5 percent.

14. In the medium-term, growth is expected to increase to around 5 percent, supported by political stability, structural reforms, and higher investments. Over the medium-term, despite global headwinds, growth should accelerate to around 5 percent per year, supported by continued high cashew performance, greater political stability, reform implementation and greater donor support. The fiscal consolidation strategy will improve the allocation of public resources towards pro-growth expenditures on infrastructure investments and social programs. Implementation of governance and structural reforms will further accelerate medium-term growth in the private sector through improvements in the business environments, better access to credit, and an increase in investments. As the security crisis in Europe subsides, inflation is expected to gradually converge to 2 percent in the medium-term. Sustained fiscal consolidation and more favorable terms-of-trade will also reduce the current account deficit to around 4 percent of GDP in the medium-term.

D. Creating Fiscal Space for Priority Spending while Securing Public Debt Sustainability and Mitigating Fiscal Risks

15. The government's policies will focus in securing macroeconomic stability given the high level of public debt. Putting the debt-to-GDP ratio in a downward trend (rose from 65.3 to 80.5 percent in 2019-2022) and mitigating the risk of debt distress is needed to reduce structural vulnerabilities and create fiscal space to manage downside risks. Fiscal consolidation and reliance on highly concessional financing and donor support will reduce debt service costs and create fiscal space to support our development plan objectives.

16. The government will implement strong fiscal policies in 2023 to contribute to this objective and sustain the fiscal consolidation. From a domestic primary balance of -3.2 percent in 2022, we aim to achieve a primary surplus in 2024 and the WAEMU convergence criteria on the overall deficit and debt in 2025 and 2026 respectively. The measures below underpin the fiscal consolidation.

Measures to Address Fiscal Consolidation

17. The government is committed to the following measures to mobilize domestic revenues, rationalize expenditures, and avoid expensive non-concessional financing:

- **Enhancing revenue mobilization**. Under the SMP, Parliament approved a series of the new tax legislation, including the revised general tax code and tax penalty regime and the new VAT bill. In addition, we submitted the revised custom code, which is pending approval by Parliament. In 2022, we promulgated a tax package to simplify and enhance transparency of the tax system and fully implemented the Kontaktu system for electronic filing of tax returns. All these measures are expected to support our revenue mobilization targets. To further accelerate revenue mobilization and modernize the tax regime, with support of IMF's Fiscal Affairs Department (FAD) technical assistance, we have begun preparation of the revised law on the general exemption regime, which will be submitted to Parliament after the election (SB, end-December 2023). We will also submit to Parliament the revised income tax and stamp duties bills in the medium-term (SB, end-June 2025). To facilitate implementation of the new VAT Law and improve the revenue administration, we have approved a ministerial order that specifies the time-bound action plans between 2023 and 2025. In particular, to enhance professionalization of the Directorate-General of Taxes and Duties (DGCI), which has been a key challenge in the revenue administration reforms, we will take measures needed to ensure that all managerial positions of the DGCI will be appointed through the open and competitive selection process by the end-March, 2024. To improve revenue generation from natural resources and its transparency, we will prepare an action plan to develop a register of resource rights holders and undertake diagnosis of the fiscal regime for natural resources (SB, end-June 2024).
- **Strengthening wage bill and expenditure controls.** The government is committed to rationalize public expenditures, particularly in controlling of public salaries and incentives. To

rationalize the wage bill spending in 2023, we will enforce a series of corrective actions taken in late 2022, including total freezing of new hirings, capping salary expenses for key ministries, the full inventory-taking of health and education facilities to assess the personnel needs and identify irregular workers. In addition, we streamlined advisor positions by two-thirds (i.e., 51 people) at the Presidency, the Prime Minister's Office, the Presidency of the Parliament, the Presidencies of the Supreme and Audit Courts, and Prosecutor's Office. Furthermore, we dismissed health and education workers who were also irregularly working in the private sector. The government is carrying out the full inventory-taking of health and education facilities to assess the personal needs and identify ghost workers, and conducting a new census of public administration with the support of World Bank. We will also take measures to strengthen payroll integrity, including through deployment of the blockchain solution as discussed in ¶28. The 2023 budget draft approved by the Council of Ministers includes measures for the rationalization of the wage bill, containment of non-priority expenditures, tax expenditures controls, and suspensions of new infrastructure projects financed by non-concessional borrowing. We are strongly committed not to incur overspending except in the case of *force majeure* as mentioned in the WAEMU Directive N°06/2009/CM/UEMOA on Finance Laws.

- **Safeguarding social and priority spending and public investments.** While the government is rationalizing wages and non-priority expenditures, we are committed to safeguarding priority spending on health, education and social sectors and public investments. Over the medium-term, priority social spending is projected to increase by 0.6 percentage points of GDP compared to the average of pre-Covid-19 period, as reflected in the program floor on social and priority spending. To strengthen public investment management, progress has been made in the creation of an Excel-based medium-term Public Investment Project (PIP) database and centralization of all quantitative information included in the Fichas de Projecto (SB, end-December 2023). We have issued a ministerial order to create a monthly reporting process for externally financed capital expenditure, which will be first piloted at the largest 30 projects.

Mitigating Fiscal Risks

18. It is crucial to take immediate measures to mitigate fiscal risks from the Electricidade e Aguas da Guinea-Bissau (EAGB). To increase transparency in the state-owned enterprise (SOE) sector, the new SOE Unit will prepare and publish quarterly and annual reports on SOEs performance, starting with the most relevant SOEs (SB, end-June 2023 and end-December 2024). The deteriorated financial situation has taken EAGB close to the edge of losing the power supply. Throughout 2022, EAGB was heavily reliant on short-term financing to meet invoices from the power supplier, but 6 months of invoices are yet to be paid at this moment. To prevent total blackout of Bissau, it is of utmost importance to achieve CFAF 2 billion of EAGB's monthly revenue targets as soon as possible. To jump-start revenue mobilization, EAGB will install 10,000 pre-paid meters at the residential clients with post-paid meters, which are the main source of unpaid tariffs (SB, end-June 2023). EAGB will complete installation of additional 25,000 pre-paid meters at these clients (SB, end-December 2023). Financial pressure on EAGB was increased in 2022 partly because of 2020 addendum of the power purchase contract, which increased the supply of the power beyond the absorption capacity of the existing grid. The government has reached understandings with Karpower, the power supplier, to renegotiate the existing contract to be more consistent with the country's current electricity needs. To assess the regularity and economic benefits of the negotiation process, the Audit Court will complete and publish an audit report of EAGB's power purchase agreement and its addendums (SB, December 2023).

19. Improving the management and operation of EAGB is also crucial, particularly during a transitional period where the management will be handed over from the Portuguese consortium to the newly appointed managers. The new management will be selected only on a merit basis through an open and competitive selection process. To address all these challenges, we will prepare a report with strategies and action plans to reestablish the financial situation of EAGB (SB, end-September 2023). Its accounting department needs to internalize accounting and record-keeping functions and avoid outsourcing (SB, end-September 2023). We are also receiving assistance from the World Bank to revamp EAGB's management and operations and enhance the performance of the electricity sector.

Measures to Mitigate Debt Vulnerabilities

20. The government will mitigate debt vulnerabilities through a sustained fiscal consolidation and prudent borrowing policy. In 2022, total public and external debt of Guinea-Bissau is estimated to be 80.5 percent and 39.0 percent of GDP, respectively. The share of credits from the Fund, World Bank, and African Development Bank in total external public debt is limited to 42 percent in 2022. Although the share of all multilateral creditors in total external public debt is relatively high (80 percent in 2022), past reliance on non-concessional borrowing from the BOAD, which is the largest holder of external public debt, will be reduced significantly during the program. Through our commitments to the fiscal consolidation path and the zero ceiling on new non-concessional borrowing (except for the BOAD Development and Cohesion Fund)[1], total public debt and external debt will decline steadily to 66.2 percent and 26.9 percent of GDP, respectively, by 2028.

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

22. The government remains committed to solving all legacy external arrears and to avoid further accumulation. Agreements or settlements have been reached with Libya, Taiwan Province of China, Angola, and Russia. Negotiations with Brazil are also pending final approval from the Brazilian authorities. Since November 2021, requests have been sent to Pakistan to attempt resolving remaining external arrears. In addition, the government has joined the Debt Service Suspension

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

Initiative (DSSI) and intends to explore debt reprofiling and restructuring with development partners if downside risks materialize.

23. The government will strengthen debt management. It will seek long-term technical assistance from international partners to improve its capacity for debt recording, monitoring and overall debt management including those of arrears and extrabudgetary and social security funds. The government has started publishing annual reports on debt (both external and domestic) covering debt service, disbursements and agreements. It also continues reporting to international debt statistics databases. To enhance public debt transparency, we will expand the coverage of the published annual debt bulletin to cover debt from the two largest SOEs that pose the largest fiscal risks (EAGB and the civil aviation authority), and publish quarterly debt bulletins that include central government debt and guarantees. To strengthen debt management and project prioritization, the government has been holding weekly coordination meetings between the Directorate Generals of Treasury and Debt and will implement the decree that reinforces their organizations.

24. The government will carefully plan new investments and contract future debt only on highly concessional terms. To ensure that the risk of debt stress remains manageable, the government will carefully rank investments based on cost-benefit analysis, including social considerations, and its impact on macroeconomic stability. Furthermore, the government will work in consultation with the IMF regarding the evaluation of the financial terms of new proposed loans. To avoid high interest payments in a situation of scarce government resources and weak debt management capacity, the government is also committed not to contract non-concessional loans. In line with this commitment, the government buttressed debt sustainability by using the 2021 IMF SDR allocation to repay non-concessional debt.

E. Governance and Management of Public Resources

25. The government will bolster efforts to reform Public Financial Management (PFM), which will strengthen accountability in the use of public resources.

26. Strengthening the cash management and implementation of the Treasury Single Account (TSA) will continue to be the key priority for fiscal governance reforms. For the TSA implementation, we will establish an interface between the systems of the Treasury, BCEAO, and commercial banks and classify public bank accounts into those to be closed, maintained, or integrated into the TSA (SB, end-September 2023). We are making progress in the update of census of public bank accounts, which is needed to classify the bank accounts. The census is likely to reveal sizable amount of negative balances in bank accounts of line ministries, which should be settled and closed. These measures will lay the foundation for the MoF to pay all budgetary expenditure, particularly wages, from the TSA (SB, end-June 2024). To enhance the cash management functions, we will revise cash forecasting methodologies and process by incorporating lessons learnt from the newly created CMU’s experience (SB, end-June 2025).

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

28. Improving the payroll integrity and redeveloping the commitment controls will be a cornerstone for expenditure controls and fiscal governance. To support fiscal consolidation and wage bill controls mentioned above, we will speed up reforms to enhance the integrity of data on payroll spending. We will approve a multiannual staffing plan for 2023-25 in line with program parameters and publish a report with the results of the full census of public servants and implementation of remedial actions on irregular workers (SB, end-June 2023). To ensure the payroll integrity, we will continue the quarterly payroll reconciliation exercise (SB, continuous). Deploying the IMF-supported blockchain project will ensure the integrity of the reconciliation process through an innovative digitalization technology. The integration of personnel and payroll records will be ultimately attained by development of the integrated human resource management system, which we aim to operationalize in the medium-term for implementing the public sector administration reform. The recent crunch for the regional markets highlights the needs of strengthening commitment controls, which used to exist but discontinued in 2018, to avoid incurrence of arrears in case of cash shortage. As the first step, we will require the MoF's approval of public contracts for all purchases of four key food items (rice, cooking oil, meat, and fish) and fuel, which comprise important part of goods and service expenditure but are currently purchased without contracts (SB, end-March 2024).

29. We will continue public procurement reforms to improve transparency, building upon our achievements under the SMP. During the pandemic, the government undertook major reforms for public procurement, including publication of beneficial ownership and other key information of all crisis-related contracts on the websites of the General Directorate for Public Tenders (DGCP) and the High Commission for COVID-19 and the approval of the decree on beneficial ownership of bidders of public procurement in April 2022. Our next focus will be implementation of this new decree, which expands publication of beneficial ownership information to all public contracts on the website of the DGCP. In addition to the issuance of the implementing guidelines, we have been holding a series of training sessions to publicize the new decree to suppliers and procurement officers in ministries. To ensure the comprehensiveness of beneficial ownership publication, we will develop mechanisms to ensure the DGCP's access to all signed public contracts, including those for emergency procurement and direct purchases, linked to the redevelopment of commitment control systems.

30. The government is committed to advancing external audits, which act as an essential check on public finances. To safeguard proper use of COVID-19 related funds, the government took a significant step towards revamping the roles of external audits. The High Commissioner for

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

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

32. The government will accelerate reforms to strengthen the anti-corruption framework. Our short-term priorities include revamping the asset declaration regime, which will facilitate the identification of potential corruption cases. As the first step, we will resubmit to Parliament the law that reforms the asset declaration regime with the broader coverage and strengthened enforcement (SB, end-September 2023). To facilitate implementation, we will issue the guidelines for submission and publication of asset declarations, including their formats, by end-2023. Enhancing the independence and capacity of the anti-corruption institutions, including the Judicial Police, the Supreme Anti-Corruption Inspectorate, Prosecutor’s Office will be essential to ensure the effectiveness of the anti-corruption framework. In 2024, we will prepare a national anti-corruption strategy based on updating the diagnosis of corruption risks. This strategy will prioritize legal and other reforms and inform medium-term resource planning of these institutions.

33. We will take actions to improve the rule of law and market regulations. The aforementioned PFM reform for extrabudgetary revenue will lay a foundation for improving access to the judicial services and public registries. As their fees are mostly extrabudgetary, bringing them onto the budget will be needed to control the level of fees to balance access to services and their costs. Furthermore, the government has established the Center for Access to Justice (CAJ), which has programs for supporting public access to the judicial system. To ensure the equal access particularly by vulnerable population, the government will roll out the CAJ's offices to two remaining provinces by the end 2023 and provide financial resources to meet operational costs without delay, starting in April 2023. We will also improve access to legislation and judicial decisions and enhance population's understanding of the law through development of a CAJ's website which includes a database of fundamental legislation and information for raising legal literacy and awareness (SB, end-March 2024). This website will aim to ensure easy access to legislations by the public for free of charges, as in case of all services provided by the CAJ. In 2024, we will also strengthen the institutional framework for the CAJ together with the sustainable financing model with support of the IMF technical assistance. To develop property registration, which is essential to protect economic rights, the government will prepare a medium-term action plan that improves cadaster coverage by surveying broader land areas, and digitalization of property registers to improve public access. In addition, to improve the public access and support transparency in beneficial ownership disclosures, by December 2023, we will prepare the strategic plan to ensure the financial sustainability of the CFE, which is yet to have resources needed to complete digitalization of the companies' register.

F. Measures to Strengthen the Financial Sector

34. The government will continue to make efforts that preserve the stability of the financial sector and is committed to a successful disengagement strategy for a large, undercapitalized bank. The council of ministers approved an offer of a strategic investor to buy the government stake and recapitalize the institution to comply with regulatory standards. The government is monitoring the due diligence process on the offer and the timeline of the recapitalization by the investor, which will subsequently be submitted to the Regional Banking Commission for the evaluation. We settled arrears owed by the govenrment to borrowers from the undercapitalized bank. In case the operation does not materialize, the government is commited to an additional SB by end-December 2023: (i) providing the financial information requested by the IMF including to request an assessment of the bank's financial position and a full independent audit of all loan portfolio including NPLs from a third-party auditing firm; (ii) preparing a report with a viable government's plan for resolving the undercapitalized bank by 2024; and (iii) implementing the recommendations of the Banking Commission.

G. Risks and Contingencies

35. The government stands ready to adjust policies if risks materialize. Downside risks to the program include growth and inflation setbacks from domestic political risks and weak state capacity, disappointing cashew nut exports, materialization of climate and health hazards, extreme tightening financial conditions in the regional market, and geopolitical tensions which could further impact food and oil prices and donor support. A further tightening of global financial conditions and worsening of debt risks would further constrain access to financing in the regional markets. Financial stress in SOEs and fragility in the situation of the undercapitalized bank could also generate contingent liabilities. If these risks materialize, we stand ready to adjust our policies, in close consultation with

IMF staff, to ensure the achievement of the program's objectives. These policies could include further rationalization of non-priority expenditures, domestically financed investment and requests for additional support from development partners.

H. Improving Economic Statistics

36. The government is committed to enhancing the National Statistical Institute (INE) and improving national accounts and government finance statistics. To strengthen the institutional capacity of the INE, we will approve the internal rules that implement the new statistics law and enhance the organizational structure and human and technological resources of the INE. Following recommendations from IMF technical assistance, the government aims to improve the quality and timeliness of economic data.

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

I. Program Design, Financing and Monitoring

38. The ultimate responsibility of program monitoring and coordination will rest with the Ministry of Finance (MF). To ensure coordinated implementation of the program, the MF will consult with the other public institutions involved in meeting program objectives to track progress on various targets and reforms under the program. Similarly, the MF will provide oversight responsibility to ensure that public spending complies with budget limits.

39. The program will be monitored by the IMF Executive Board. Assessment will be on a quarterly basis until June 2023 and thereafter on a semi-annual basis using bi-annual performance criteria (end-June and end-December) and continuous performance criteria for end-January 2023, end-March 2023, end-June 2023, and end-December 2023, and indicative targets for end-December 2022, end-September 2023, and end-March 2024 as presented in Table 1. To monitor progress on the structural reforms previously described, structural benchmarks are presented in Table 2. Detailed definitions and reporting requirements for all performance criteria and indicative targets are presented in the Technical Memorandum of Understanding (TMU). The TMU also defines the scope and frequency of data to be reported for program monitoring purposes and presents the projected assumptions that form the basis for some of the performance assessments. The first three reviews will take place on or after April 17, 2023; July 17, 2023; and October 17, 2023. To this end, the government plans to:

- **i.** Refrain entering new external borrowing contracts at non-concessional rates, except for disbursements from the Development and Cohesion Fund of the West African Development Bank as mentioned in TMU ¶7;

ii. Adhere to the quantitative performance criteria (QPC) on the floors on domestic tax revenues, the domestic primary budget balance and social and priority spending, the ceiling on wages and salaries, and the zero ceilings on new non-concessional external debt contracted or guaranteed by the public sector (continuous criterion), new external payments arrears (continuous criterion), new domestic payments arrears, and non-regularized expenditures;

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

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

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

40. Financing needs for the 2023 are fully covered, and the government expects that the ECF-supported program will catalyze additional sources during the rest of the program. We expect additional budget support from other development partners including from the World Bank and the African Development Bank over the program period.

41. The government believes the policies specified in this MEFP provide a foundation for sustaining growth, lower inflation, and a reduction in poverty, and we stand ready to take additional measures if required. The government will provide IMF staff with the information needed to assess progress in implementing our program as specified in the TMU and will consult with IMF staff on any measures that may be appropriate at the initiative of the government or whenever the IMF requests a consultation. The government intends to make this MEFP and the TMU available to the public. In this context, it authorizes the IMF to post the MEFP and the TMU on the IMF website, after Executive Board approval.

42. Accordingly, the government is requesting Board approval of the policies set forth in the MEFP, and disbursement of the second loan installment, totaling SDR 2.37 million, out of a total three-year arrangement of SDR 28.4 million.

Table 1. Guinea-Bissau: Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs) Under the Extended Credit Facility 2022-24

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

	2022			2023							2024
		Dec			Jan		Mar	Jun	Sep	Dec	Mar
	IT	Est.	Status	QPC	Est.	Status	QPC	QPC	IT	QPC	IT
Total domestic tax revenue (floor)	100.5	99.7	not met	5.4	6.6	met	21.4	53.8	87.1	113.7	24.3
Wages and salaries (ceiling)	65.5	66.3	not met	5.7	4.9	met	14.3	27.8	41.8	59.0	15.1
Ceiling on new non-concessional external debt contracted or guaranteed by the central government (US$ millions)[1,2]	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0
New external payment arrears (US$ millions, ceiling)[1]	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0
New domestic arrears (ceiling)	0.0	0.0	met	0.0	1.8	not met	0.0	0.0	0.0	0.0	0.0
Social and priority spending (floor)[3]	55.2	65.9	met	2.5	3.1	met	12.5	26.0	38.8	51.6	13.5
Domestic primary balance (commitment basis, floor)[4]	-30.1	-34.2	not met	-4.3	-3.5	met	-10.8	-6.3	-5.7	-2.9	1.2
Non regularized expenditures (DNTs, ceiling)	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0
Memorandum Item:											
New concessional borrowing[5]	20.7	20.3		7.0	1.9		11.7	18.7	21.0	23.4	10.3

[1] These apply on a continuous basis.

[2] The ceiling will be adjusted upward by the amount of financing from the BOAD Development and Cohesion Fund in accordance with TMU ¶17.

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

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

[5] Excludes IMF disbursements.

Table 2. Guinea-Bissau: Structural Benchmarks

Measures	Rationale	Status	Date
Public Financial Management			
Expenditure and wage bill control/cash management			
Conduct regular in-year (quarterly) reconciliations between the personnel and the payroll records.	Wage bill control	Met	March 2023/Continuous
Approve by the Council of Minister a multiannual staffing plan for 2023-25 in line with program parameters and publish by the Minister of Public Administration a report with the results of the full census of public servants and implementation of remedial actions on irregular cases.	Wage bill control		June 2023
Issue a ministerial order on the revised composition of the Treasury Committee including the active participation of the Ministry of Fisheries.	Revenue mobilization/cash management	Met	March 2023
Establish an interface between the systems of the Treasury, BCEAO, and commercial banks and classify public bank accounts into those to be closed, maintained, or integrated into the TSA.	Expenditure control		September 2023
Create a unit dedicated to cash management operations and revise the Treasury Committee's mission to approve cash forecasts with a quarterly or longer horizon	Cash management	Met	December 2023
Conclude public contracts for all purchase of four food items (rice, cooking oil, meat, fish) and fuel and obtain the MoF's approval	Expenditure control/transparency in public procurement		March 2024
Execute expenditure from the TSA, starting with the wage bill.	Expenditure control/Wage bill Control		June 2024/Continuous
Revise processes and forecasting methodologies enhancing the forecasting of cash flows.	Cash management		June 2025
SOE oversight and fiscal risk mitigation			
Create by a ministerial order and implement the Technical Unit for Monitoring SOEs (UTAM) under the MoF to monitor and supervise SOEs, including adequate resourcing and powers for its operation.	SOE oversight	Met	March 2023
Prepare and publish quarterly and annual reports on SOEs' performance, starting with the most relevant SOEs.	SOE oversight		June 2023/December 2024[1]
Complete installation of 10,000 pre-paid meters to largest residential clients that use post-paid meters	SOE oversight/EAGB		June 2023
Complete installation of additional 25,000 pre-paid meters to largest residential clients that use post-paid meters	SOE oversight/EAGB		December 2023
Prepare a report with strategy to reestablish the financial viability of EAGB, including an action plan and reinstate a functional accounting department (to avoid hiring third parties to prepare accounts).	SOE oversight/EAGB		September 2023
Complete and publish an audit of EAGB's power purchase agreement and its ammendments	SOE oversight/fiscal transparency		December 2023
Public investment program			
Create an Excel-based medium-term PIP database, centralizing all the quantitative information included in the Fichas de Projecto to be used for preparing an improved PIP consistent with the medium-term fiscal strategy and annual budget.	Management of public investment		December 2023
Revenue Mobilization			
Approve by Council of Ministers and submit to parliament:			
(i) the revised law on the general exemption regime; and	Strengthen tax framework		December 2023
(ii) the revised income tax and stamp duties bills.	Strengthen tax framework		June 2025
Prepare a report with an action plan to enhancing transparency and efficiency in the fiscal regime for management of natural resources.	Revenue mobilization		June 2024
Anti-Corruption and Rule of Law			
Resubmit to parliament the Law reforming the Asset Declaration Regime after elections.	Strengthen anticorruption framework		September 2023
Issue guidance to facilitate implementation of the 2022 decree regarding beneficial ownership (BO) information of entities awarded public contracts.	Strengthen transparency in public procurement/Expenditure Control	Met	March 2023
Issue a ministerial order to require all government entities to submit a tariff schedule of fees and charges (including court and registry fees) in 2023.	Strengthen rule of law/cash management	Met	March 2023
Publish on a government website a list of tariff of all fees and charges levied by ministries and government agencies, including court and registry fees as part of the 2024 budget.	Strengthen rule of law/cash management		December 2023
Create a website of the CAJ which includes a database of fundamental legislation and information for raising legal literacy and awareness	Strengthen rule of law		March 2024

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

Attachment II. Technical Memorandum of Understanding

Introduction

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

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

Quantitative Performance Criteria/Indicative Target

A. Total Domestic Tax Revenue

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

B. Wage Bill

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

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

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

6. Definition. Those are defined as all forms and maturities of new non-CFAF denominated debt contracted or guaranteed by the central government and CFAF denominated debt contracted with BOAD. For program purposes, a debt is considered to be contracted when all conditions for its

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

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

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

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

8. Concessionality. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt. For debts with a grant element equal or below zero, the PV will be set equal to the nominal value of the debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97). For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD Secured Overnight Financing Rate (SOFR) and the six-month Euro Interbank Offered Rate (EURIBOR) are, respectively, 2.73 percent and 2.00 percent and will remain fixed for the duration of

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

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

the program. Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR and the six-month EURIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR will be added.

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

D. New External Payment Arrears of the Central Government

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

E. New Domestic Arrears of Central Government

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

F. Social and Priority Spending

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

G. Domestic Primary Balance (Commitment Basis)

13. The domestic primary fiscal deficit on a commitment basis is calculated as the difference between government revenue and domestic primary expenditure on commitment basis. Government revenue includes all tax and nontax receipts and excludes external grants. Domestic primary expenditure consists of current expenditure plus domestically financed capital expenditure, excluding all interest payments and capital expenditure financed by project loans or grants. Government commitments include all expenditure for which commitments have been approved by the Ministry of Finance; automatic expenditure (such as wages and salaries, pensions, utilities, and other expenditure for which payment is centralized); and expenditure by means of offsetting operations.

H. Non-Regularized Expenditure (DNTs)

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

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

Table 1. Guinea-Bissau: Summary of Reporting Requirements

Information	Frequency	Reporting Deadline	Responsible
Fiscal Sector			
Central Government budget and outrun	Monthly	30 days after the end of the month	DGPS[1]/MF[2]
Grants	Monthly	30 days after the end of the month	DGPS/MF
Budgetary grants	Monthly	30 days after the end of the month	DGPS/MF
Project grants	Monthly	30 days after the end of the month	DGPS/MF
Change in the stock of domestic arrears	Monthly	30 days after the end of the month	DGPS/MF
Unpaid claims	Monthly	30 days after the end of the month	DGPS/MF
Interest arrears	Monthly	30 days after the end of the month	DGPS/MF
Proceeds from bonds issued in the regional WAEMU market	Monthly	30 days after the end of the month	DGPS/MF
Social and priority spending	Quarterly	30 days after the end of the quarter	DGPS/MF
Non-regularized expenditure	As occuring		DGPS/MF
Real and External Sector			
Updates on annual National Accounts by sector	Annually	30 days after approval	CSO[3]/MF
Balance of Payments data	Annually	30 days after approval	BCEAO[4]/MF
Balance of Payments data	Quarterly	45 days after the end of the quarter	BCEAO/MF
Details of exports breakdown	Quarterly	45 days after the end of the quarter	BCEAO/MF
Details of imports breakdown	Quarterly	45 days after the end of the quarter	CSO/MF
CPI Monthly	Monthly	45 days after the end of the month	CSO/MF
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	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 occuring		Debt Directorate
Monetary/Financial sector			
Detailed balance sheet of the central bank (national BCEAO)	Monthly	45 days after the end of the month	BCEAO/MF
Detailed bank-by-bank balance sheets	Monthly	45 days after the end of the month	BCEAO/MF
Detailed consolidated balance sheet of commercial banks	Monthly	45 days after the end of the month	BCEAO/MF
The monetary survey	Monthly	45 days after the end of the month	BCEAO/MF
Detailed net position of central government (PNG/PNT)	Monthly	45 days after the end of the month	BCEAO/MF
Financial soundness indicators	Monthly	45 days after the end of the month	BCEAO/MF
Interest rates	Monthly	45 days after the end of the month	BCEAO/MF
Deposit rates on all types of deposits at commercial banks	Monthly	45 days after the end of the month	BCEAO/MF
Short- and long-term lending rates of commercial banks	Monthly	45 days after the end of the month	BCEAO/MF

[1] Directorate General for Forecasts

[2] Ministry of Finance

[3] Central Statistics Office

[4] Central Bank of West African States