



# GUINEA-BISSAU

May 2024

## FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR REPHASING OF ACCESS, WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

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

- A **Press Release** summarizing the views of the Executive Board as expressed during its April 26, 2024 consideration of the staff report that concluded the Article IV consultation with Guinea-Bissau.
- The **Staff Report** prepared by a staff team of the IMF following discussions that ended on March 12, 2024, with the officials of Guinea-Bissau on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the Staff Report was completed on April 26, 2024.
- **A Statement by the Executive Director** for Guinea-Bissau

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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## IMF Executive Board Completes Fourth and Fifth Reviews under the Extended Credit Facility for Guinea-Bissau and Approves US\$8.1 Million Disbursement

### FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of SDR6.17 million (about US\$8.1 million) to help meet the country's financing needs.
- Program performance was weaker than expected, reflecting a difficult economic and socio-political environment.
- The government is firmly committed to implementing the policies underpinning the IMF-supported program. The authorities' near-term priority is to maintain fiscal discipline and accelerate structural reforms to strengthen institutions and improve governance.

**Washington, DC – May 13, 2024 :** The Executive Board of the International Monetary Fund (IMF) completed today the fourth and fifth reviews under Guinea-Bissau's [Extended Credit Facility](#) (ECF) arrangement. [The three-year ECF-supported program](#), approved on January 30, 2023, aims to reduce poverty, secure debt sustainability, improve governance, and reduce corruption, while creating fiscal space for inclusive growth. The completion of the fourth and fifth reviews enables the disbursement of SDR6.17 million (about US\$8.1 million) to help meet the country's balance-of-payments and fiscal financing needs. This brings the total disbursement under the arrangement to SDR19.44 million (about US\$ 25.7 million).

In completing the fourth and fifth reviews, the Executive Board granted waivers of non-observance for the missed performance criteria for end-September 2023 and end-December 2023. Furthermore, the Executive Board approved the request to modify program conditionality and the request to complete financing assurances review. The Executive Board also approved the authorities' request for rephrasing of access and for creating an additional quarterly review for an April 2024 test date.

Economic growth was resilient in 2023 and reached 4.3 percent. Headline inflation averaged 7.2 percent and would have reached double digits without tax cuts on fuel and food, and rice price subsidies introduced in late 2023. The current account deficit reached 8.6 percent of GDP, reflecting a severe terms of trade shock. The overall fiscal deficit was 8.2 percent of GDP while public debt is estimated at 80.2 percent of GDP in 2023. Going forward, decisive actions are needed to maintain fiscal discipline and reduce public debt while accelerating governance and other structural reforms to support inclusive growth.

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

"Notwithstanding a challenging economic and political context, including political instability, terms-of-trade shocks, soaring food inflation, and tightening regional financial conditions, Guinea-Bissau authorities' efforts to restore sound economic policies are commendable. Continued implementation of structural reforms and fiscal consolidation under the Fund-

supported program would be crucial to ensure debt sustainability, strengthen financial stability, and generate fiscal space for development policies.

“Program performance in the combined fourth and fifth reviews was weaker than expected mainly due to policy slippages in late 2023 and delayed reform implementation under the previous government. However, the new government has demonstrated strong program commitment by taking concrete steps to address program deviations. All five prior actions were completed and measures were adopted to mobilize additional revenues, reduce unsustainable subsidies, and reinforce controls on non-priority expenditure and the wage bill.

“The successful implementation of the fiscal consolidation strategy is key to reduce vulnerabilities and bring down the high level of public debt. Mobilizing revenue is essential, particularly through the reduction of tax expenditures, improvements in tax administration and the broadening of the tax base. On the expenditure side, measures are necessary for controlling non-priority spending while safeguarding the most vulnerable population. Moreover, prudent public debt management and mobilization of grant support are vital to mitigate risks to debt sustainability.

“It is imperative to strengthen the implementation of structural reforms, including strengthening the anti-corruption framework, enhancing transparency, improving the rule of law, and addressing weaknesses in the financial sector. Moreover, the authorities should continue to take steps to strengthen the oversight of state-owned enterprises, including those in the energy sector, to mitigate fiscal risks.



# GUINEA-BISSAU

April 26, 2024

## FOURTH AND FIFTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR REPHASING OF ACCESS, WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

### EXECUTIVE SUMMARY

**Context.** In December 2023 a political crisis resulted in the dismissal of the previous government and the dissolution of Parliament. The new government, appointed in late December 2023, has revived the strong program commitments and implemented corrective actions to address policy slippages. Growth is projected to recover in 2024, but the external environment remains extremely challenging. Inflation is projected to be higher after the suspension of rice subsidies. The near-term policies are geared towards supporting the cashew export campaign, but the risks to the outlook remain tilted towards the downside.

**Program performance.** Five out of eight quantitative performance criteria (QPC) were met for September and four for December 2023. The domestic primary balance for 2023 was widened by 1.3 percent of GDP from the third review. Revenue was lowered following tax cuts on fuels and rice, while discontinuation of the expenditure committee (COTADO) and Treasury Committee loosened expenditure controls and created domestic debt service arrears. Only three out of nine structural benchmarks (SBs) were met for December 2023.

**Policy commitments.** As the prior actions, the authorities are implementing strong corrective actions to support revenue mobilization, expenditure controls, and debt management. The authorities should maintain these actions and implement other measures in order to keep the domestic primary balance for 2024 on the consolidation path and reduce public debt. The authorities should push for reforms to mitigate risks in the energy and financial sectors and improve governance.

**Staff views.** Staff supports the authorities' requests for completion of the combined fourth and fifth reviews, waiver of nonobservance for missed QPCs, modification of QPCs and ITs, and financing assurance review. Staff also supports the authorities' request for rephrasing of access to spread disbursements to subsequent reviews and create an additional quarterly review for the end April 2024 test date.

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

An IMF team consisting of Mr. Gijon (Head), Messrs. Koshima, Maciel, and Picca (all AFR), Mr. Tee (FAD), Mr. Al-Karablieh (SPR), Mr. Sarr (Resident Representative), Ms. Camara and Mr. Fonseca (local economists) held discussions with the authorities during February 28-March 12, 2024. Mr. Varela (Advisor OED) participated in the discussions. Mses. Derrouis and Pilouzoue contributed to preparation of this report. The mission met with President Mr. Sissoco, Prime-Minister Mr. Barros, Minister of Finance Mr. Té, Minister of Economy Mr. Sambú, Minister of Public Administration Mr. Hizazy, Minister of Fishery Mr. Silva, National Director of BCEAO Ms. Cassama, other senior officials of the government and BCEAO and representatives of development partners.

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## CONTEXT

**1. A political crisis in December 2023 resulted in another change in the government.** In December 2023, the former Minister of Finance and Secretary of State of Treasury from the opposition-led government were arrested over corruption charges related to settlement of cross-arrears and NPLs of the large and undercapitalized bank. This led to a deadly shootout between the National and Presidential Guards. The President considered this event as a coup attempt, dismissed the opposition-led government, dissolved Parliament elected in June 2023, and appointed the new government in December 2023. The new legislative election is planned for the last quarter of 2024 and the presidential election for 2025.

**2. The new government has restored the strong program commitments.** During the four-month tenure, the previous government demonstrated weaker reform orientation, which caused significant policy slippages and delayed the program implementation. As prior actions, the new government is implementing strong corrective actions to keep on track with the fiscal consolidation path, reduce public debt, and achieve the program objectives.

## RECENT ECONOMIC DEVELOPMENTS

**3. Growth slightly increased in 2023, but inflation reached 7.2 percent.** For 2023, growth is projected to slightly increase to 4.3 percent from 4.2 percent projected at the third review due to higher cashew nut production and the completion of a large electricity project connecting Guinea-Conakry to Bissau. The annual average of headline inflation has been driven by fuel and food prices, particularly on rice because of India's widening export restrictions on rice in July 2023.

**4. The current account deficit is projected to be 8.6 percent of GDP in 2023.** The significant decline in cashew prices resulted in a decrease of exports by 2.3 percent of GDP from 2022. In the financial account, issuance of Treasury securities was constrained by tightening of regional financial conditions. Financing needs reached 1.3 percent of GDP in 2023, met mainly by the program augmentation approved at the third review.

**5. The financial sector's soundness deteriorated in the first half of 2023.** While capital adequacy remains well above regional requirements, it worsened in June 2023 compared to December 2022. The quality of assets deteriorated as NPL general provisioning was reduced from 61.6 to 52.8 percent in June 2023 and net non-performing loans (NPL) to total loans increased from 4.3 percent to 5.0 percent in June 2023. Excluding the undercapitalized bank data, NPLs to total loans rose from 1.7 to 4.6 percent in June 2023 due to last year's disappointing cashew campaign. The undercapitalized bank's financial indicators improved significantly in 2023 due to NPL recoveries, higher operational margins, and lower exposure to the cashew nut sector. Liquidity of the financial sector remains relatively high. Except for the undercapitalized bank, banking financial indicators remain above prudential norms and regulatory minimum.

## OUTLOOK AND RISKS

**6. In 2024, growth is expected to recover to 5 percent, but inflation will persist, and external imbalances will remain large.** Growth is supported by an increase in the cashew export volume and continued strong growth of private investment. Inflation is expected to reach 4.2 percent in 2024 due to the phase-out of rice subsidies and an increase in fuel prices. The early progress of the cashew campaign indicates a further decline in cashew export prices, which will decrease the exports by 1.0 percent of GDP from 2023, even if the cashew export volume is expected to recover. The projected current account deficit in 2024 has widened from the third review. Financing will continue to be constrained by tight regional financial conditions.

**7. The medium-term outlook remains broadly unchanged.** In the medium term, growth is expected to be about 5 percent, supported by the program implementation that will materialize greater donor engagement, improve further governance and business environments and boost investments. Inflation will converge to 2 percent. The current account deficit is expected to improve gradually due to fiscal consolidation and more favorable terms of trade.

**8. The outlook is facing significant downside risks (Annex I).** Risks arise from domestic political risks and weak state capacity, a continued terms-of-trade shock, and adverse weather conditions. 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.<sup>1</sup> If these risks materialize, the authorities should further rationalize expenditures and seek additional donor support, especially additional budget support from IFIs. On the upside, a stronger performance of the cashew sector and a successful implementation of reforms would underpin a faster recovery.

## PROGRAM PERFORMANCE

**9. Five out of eight QPCs were met for September and four for December 2023.** The floor on tax revenue was missed for both test dates mainly because of tax cuts on rice and fuels introduced without consulting staff or approval in the budget. The ceiling on wages was missed for September due to lower-than-expected savings from the 2022 census, but the strict no-new-hiring policy made the deviation marginal in December. The floor on the domestic primary deficit for September, which was not revised at the third review, was missed due to significant overrun of discretionary spending between April and July. The floor for December was revised at the third review but missed by 1.3 percent of GDP due to both lower-than-expected revenue and higher expenditure (T111). The ceiling on domestic arrears was missed for December due to delayed domestic debt service, which has already been paid.

<sup>1</sup> The last DSA includes contingent liabilities of 3.2 percent of GDP for SOEs and 2 percent of GDP for the undercapitalized bank, in addition to 5 percent of GDP for financial markets.



**10. Three out of nine structural benchmarks (SBs) for December 2023 were met.** The authorities also completed two SBs for December 2023 in March 2024 and met three SBs for March 2024 and one for September 2024. Two continuous SBs were missed for December 2023 because two committees essential for meeting these SBs (the Technical Committee of Arbitration of Budgetary Expenditure (COTADO) and the Treasury Committee) were discontinued. The COTADO and the Treasury Committee resumed regular meetings respectively in January and February 2024.

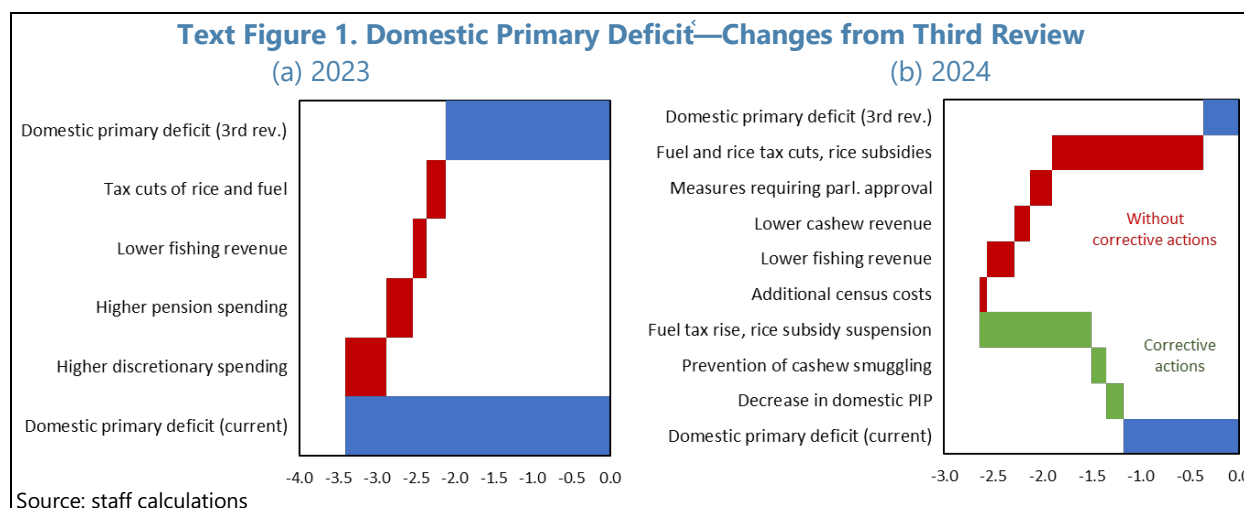
## POLICY DISCUSSIONS

*Reducing public debt and achieving the program objectives requires fiscal consolidation in 2024. The authorities have been implementing corrective actions to mobilize revenue and control expenditure. Reforms to address risks in the financial sector and improve the governance continue to be priorities.*

### A. Fiscal Policy

**11. The domestic primary deficit widened in 2023 due to tax cuts of fuels and rice, shocks to fishing revenue, and loosened expenditure controls after August 2023 (Text Figure 1(a)).**

Tax cuts of rice and fuels were introduced in September 2023, although these measures were not included in the approved budget. Nontax revenue was affected by the drop in fishing revenue due to a decrease in fish resources and withdrawal of licensees. Upward drift of expenditure was caused by higher discretionary spending after discontinuation of the COTADO in October 2023 as well as higher pension spending due to a larger number of retirements.



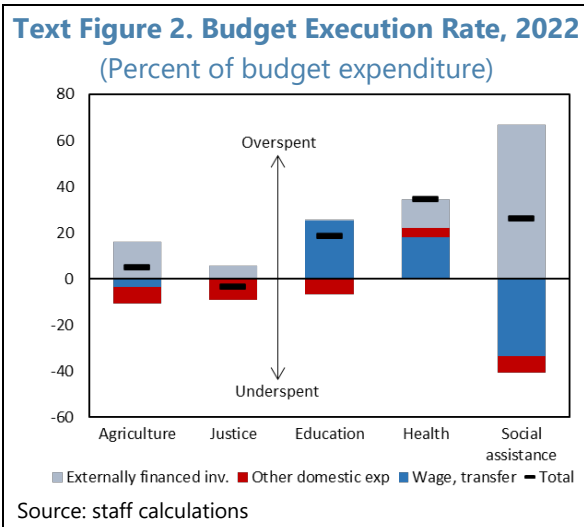
**12. Corrective actions will keep the domestic primary balance on the consolidation path in 2024 (Text Figure 1(b)).** Without corrective actions, the domestic primary deficit would be widened by 2.3 percent of GDP from the third review, due to (i) costs of continuing tax cuts and subsidies; (ii) revenue impact of a decline of cashew prices; (iii) lower fishing revenue; (iv) postponement of measures that require parliamentary approval (such as streamlining of tax collection incentives and telecom taxes); and (v) higher election census costs due to lower-than-expected donor funding.

However, the deficit will be reduced by 1.5 percent of GDP through corrective actions including (i) reversal of fuels tax cuts (prior action); (ii) a further increase in fuel taxes made in April 2024; (iii) suspension of rice subsidy disbursements and maintaining of the tax reference price (prior action); (iv) prevention of smuggling of cashew nuts (SB, June 2024, MEFP ¶19); and (v) rationalization of non-priority domestic investment spending. With these measures, the domestic primary balance will be reduced by 2.2 percent of GDP from 2023, and the fiscal consolidation in 2024 is estimated to be 0.5 percent of GDP higher than projected at the third review.

**13. Bolstering the revenue mobilization efforts will support fiscal consolidation.** In addition to measures mentioned above, the authorities are committed to several reforms that could have revenue potential, including (i) an audit of telecom operators, who pay a quarter of total inland tax revenue, based on difference of data submitted to the regulator and tax authorities (SB, September 2024), (ii) inspection by the Inspector-General of Finance of the legality and justifications of tax exemptions (SB, September 2024), (iii) customs data-matching exercise through a data request to the Senegalese authorities, and (iv) ongoing reforms for professionalization of the DGCI. For nontax revenue, the regulator has undertaken a study of prices of 5G licenses (prior action) and will publish an Invitation to Apply to set out the regulatory conditions and launch the sales process (SB, August 2024). The authorities are committed to selling the first license by the end of 2024.

**14. Expenditure controls will hinge on sustaining the strict wage bill control and safeguarding the COTADO's continuation.** Since January 2024, the COTADO has been meeting monthly and rationalizing discretionary spending, for which the budget includes only the bare minimum of allocations. The authorities have issued a ministerial order to require ex-post reporting to the President and Prime Minister who will closely monitor whether each spending has been approved by the COTADO (prior action). To keep the total wage bill under control, the authorities will maintain the strict no new hiring policy for 2024, except for limited hiring in the health sector. Moreover, improving service delivery depends on freeing up resources occupied by a large number of inefficient workers, including those who do not come to work (i.e., ghost workers) or are kept on a trainee status chronically (Annex II). The authorities will complete by the end of 2024 the new census of public workers based on the improved terms of reference.

**15. Efficiency in social and priority spending should be improved.** The existing QPC on social and priority spending captures total expenditure in education, health, and social assistance ministries and has been met since the beginning of the program. However, during the budget execution, domestic resources of these ministries have been depleted by the wage bill or curtailed and dependent on unpredictable external financing (Text Figure 2). In addition to the existing QPC, a new IT on spending for targeted projects and activities is proposed to better protect highly constrained resources.



**16. The authorities should accelerate reforms to mitigate fiscal risks from *Electricidade e Aguas da Guinea-Bissau (EAGB)*.** Construction of infrastructure to connect the The Gambia River Organization for Development (OMVG) to Bissau has been completed, but several technical issues have to be solved before energizing the transmission lines for testing. A transition from Karpower to the OMVG will ultimately halve EAGB’s energy purchase costs. With donor financing, EAGB is in the process of purchasing 32,000 additional pre-paid meters, which are expected to arrive in coming months.

## B. Financing and Debt

**17. The stock of public and publicly guaranteed debt reached 80.2 percent of GDP in 2023.** Compared with the third review estimate, debt is higher by 3.7 percent of GDP (Text Table 1). Given the tightening conditions of the regional market and higher financing needs, the government increased its reliance on the local banking system to finance its financial commitments, especially at the end of 2023. The stock of debt with the local banking system reached 17.3 percent of GDP in 2023, 2.5 percent of GDP higher than the third review. Higher reliance on the local banking system financing may increase borrowing costs and deepens macro-financial vulnerabilities. The external debt increased by 0.9 percent of GDP from the third review, mainly due to higher disbursements of for the World Bank-supported OMGV project.

**Text Table 1. Guinea-Bissau: Public Sector Debt Composition for 2023 – Comparison with the Third Review**  
(Percent of GDP)

	ECF Third Review	ECF Fourth & Fifth Review
<b>Public Sector Debt</b>	<b>76.5</b>	<b>80.2</b>
<b>External</b>	<b>34.9</b>	<b>35.8</b>
o/w Multilateral	28.3	29.3
<b>Domestic</b>	<b>41.6</b>	<b>44.3</b>
o/w Local Banking System	14.8	17.3
Treasury Securities held by regional banks	24.1	24.4

Source: Guinea-Bissau authorities and IMF staff estimates.

**18. Guinea-Bissau is at a high risk of debt distress, but the DSA of the third review assessed debt as sustainable.** Debt

sustainability should improve through compliance with the existing QPC of the zero ceiling on new non-concessional borrowing and a new QPC setting a limit to contracting of new concessional loans, which is consistent with the authorities' external borrowing plan (Text Table 2). Moreover, a new IT

on the total amount of external project loan disbursements will ensure that the overall deficit target and disbursement limit approved in the budget are respected. The PV of public debt relative to GDP is projected to decline gradually over the medium term. The authorities also plan to clear during the program period all audited and recognized domestic arrears and are making progress in settling the legacy external arrears.<sup>2</sup> The debt outlook remains vulnerable to a weaker economic recovery, further tightening of financial conditions, and authorities' failure to adhere to prudent fiscal policies.

**19. The authorities will accelerate debt management reforms.** The previous government contracted an external loan for a large agricultural project without providing staff with accurate information on the annual disbursements.<sup>3</sup> To reduce public debt, the authorities are committed to the new QPC and IT mentioned above. Going forward, strengthening assessment of costs and benefits of loan-financed projects is essential to prioritize project proposals with the limit of the new QPC. To ensure timely payments of debt service and improve quality of debt reporting, the Treasury Committee will have renewed mandate to (i) monitor compliance with the ministerial order requiring that all bank instructions for debt service payments be issued by the due date; and (ii) scrutinize the monthly Net Treasury Situation report (i.e., PNT), which will include the breakdowns of each loan

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

PPG external debt contracted or guaranteed	Volume of new debt <sup>1</sup>		Present value of new debt <sup>1</sup>	
	2024 <sup>2</sup> (US\$ million)	2025 <sup>2</sup> (US\$ million)	2024 <sup>2</sup> (US\$ million)	2025 <sup>2</sup> (US\$ million)
<b>Sources of debt financing</b>	<b>3.0</b>	<b>23.0</b>	<b>2.1</b>	<b>15.2</b>
Concessional debt <sup>3</sup>	3.0	23.0	2.1	15.2
Multilateral debt	3.0	23.0	2.1	15.2
<b>Uses of debt financing</b>	<b>3.0</b>	<b>23.0</b>	<b>2.1</b>	<b>15.2</b>
Infrastructure	3.0	18.0	2.1	11.9
Agriculture	-	5.0	-	3.3

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/ The borrowing plan is based on an assumption that the large agricultural project loan will be suspended for 2024, but not cancelled. If the authorities cancel this loan, the volume of new debt for 2024 would be US\$ 33.0 million.

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

Source: staff calculations

<sup>2</sup> Guinea-Bissau has legacy external arrears, totaling US\$5.7 million at end-2022, to Brazil, Russia, and Pakistan. The authorities reached an agreement with Russia to cancel the debt (US\$1.5 million). Negotiations with Brazil (US\$1.9 million) are pending final approval from the Brazilian parliament. Since November 2021, requests have been sent to Pakistan (US\$2.2 million) to attempt resolving remaining external arrears. Staff has obtained from the relevant Executive Directors consent to move ahead with the completion of the review notwithstanding the arrears.

<sup>3</sup> This loan has not been disbursed yet. Once the project implementation starts, in addition to financing purchase of rice, this project will extensively use public-private partnership (PPP) arrangements where the government will finance (i) fertilizer and tractor suppliers which, in turn, sell fertilizers and tractor services at reduced prices and (ii) warehouse companies who in turn gather harvests from farmers and maintain food reserve. These PPPs will pose significant fiscal risks. In addition, there are few safeguards to ensure procurement transparency, even though Guinea-Bissau has no experience in undertaking complicated PPP procurement.

contracted, bank account balances and the discrepancies of the fiscal balance between the above and below the line.

## C. Financial Sector Policy

**20. The government is taking actions to disengage from the large and undercapitalized bank** (MEFP ¶25). In November, the previous government contracted a loan from the bank to repay overdraft accounts from public entities, as agreed with the potential investor. The loan was also partially used to clear cross arrears from government creditors which had NPLs with the bank. The sale process has been delayed but is expected to conclude after statutory and regional banking supervision requirements are fulfilled in 2024. These include (i) missing documentation from the investor to finalize the purchase dossier to the Regional Banking Commission; (ii) approval of the purchase by the bank's shareholders and (iii) approval by Regional Banking commission based on the assessment that the investor meets fit-and-proper criteria and the acquisition does not pose any material financial stability concerns. If the divestment falls through, the authorities remain committed to a new SB requiring the preparation of a viable recapitalization or resolution plan for the bank, to be implemented by the end of the program at the latest. In this context, they will request a third-party independent audit to assess the viability and solvency of the undercapitalized bank to be used for the preparation of the bank's recapitalization or resolution plan if the sale strategy does not materialize (prior action).

## D. Governance

**21. The authorities continue to strengthen external audits and public procurement.** The Audit Court published [the audit report of the High Commissioner for COVID-19](#) and has prepared a preliminary audit report of COVID-19 spending of other entities, which is expected to be finalized by the mid-2024. The Directorate General of Public Tender (DGCP) continues to publish [beneficial ownership information of public contracts](#).

**22. The authorities have been strengthening the fight against corruption.** Since the December 2023 political crisis, the authorities have intensified corruption investigations, including those related to the large and undercapitalized bank (¶1) and smuggling of cashew nuts in 2023 which have resulted in the arrest of several senior officials. To support this anti-corruption drive efforts in the absence of Parliament, the authorities are prioritizing reforms that do not require legislative changes. Especially, the authorities will publish a register of concession contracts submitted to the DGCP with detailed information on the contractual terms (SB, December 2024), in order to improve transparency and mitigate corruption vulnerabilities. For the AML/CFT effectiveness, the authorities have requested technical assistance to implement an action plan (Annex III) and prepare the legal framework for supervision of non-financial businesses and professions.

## PROGRAM MODALITIES AND OTHER ISSUES

**23. Several revisions to program conditionality are proposed.** Proposed revisions to the QPCs/ITs for March, June, and September 2024 are based on the new December targets and updated seasonality (Text Table 3).<sup>4</sup> The new QPCs/ITs are proposed for the end-April 2024 and the following new QPC/ITs are also proposed:

- A new QPC on new concessional external debt contracted or guaranteed by the central government in nominal terms is proposed to strengthen adherence to the borrowing plan.<sup>5</sup> It will have an adjuster for (i) cancellation of existing concessional external debt that was contracted after the approval of the ECF arrangement but remains undisbursed, up to USD 33.04 million and (ii) budget support loans not included in the baseline;
- A new IT on disbursements of external project loans is proposed to ensure compliance with the borrowing space and budget limit;
- A new IT on spending for targeted projects and activities is proposed to support vulnerable populations.

	2024							
	March IT		June QPC		September IT		December	
	3rd Rev.	Current Rev.	3rd Rev.	Current Rev.	3rd Rev.	Current Rev.	3rd Rev. (framework)	Current Rev. (QPC)
Total domestic tax revenue	24.3	18.3	61.2	48.9	99.1	85.5	126.0	122.2
Wages and salaries	15.1	15.3	29.5	30.5	44.3	45.8	61.0	61.0
Domestic primary balance	1.2	-12.3	2.4	-22.3	3.9	-18.8	-4.8	-15.5

**24. Staff supports the authorities' request for rephrasing to smoothen disbursements and create additional quarterly review for April 2024 test date.** Such rephrasing aims to monitor implementation of corrective actions. An additional quarterly review is also needed to ensure closer monitoring and mitigate risks to program implementation. To this end, the authorities request the rephrasing of access to reduce the level of the sixth disbursement (availability date of April 17, 2024) to SDR 0.01 million, add a disbursement of SDR 5.44 million on August 17, 2024, and increase the level of the eighth disbursement (availability date of October 17, 2024) to SDR 5.43 million.

**25. Staff supports the authorities' request for a waiver of nonobservance of the missed QPCs.** The corrective actions include: (i) a prior action to increase fuel taxes; (ii) a prior action to suspend rice subsidy disbursements and maintain the tax reference price; (iii) a prior action and SB

<sup>4</sup> These revisions are based on update of timing of cashew-related revenue, retirements, limited new hiring, new census of public workers, and capital expenditure. An adjuster to the ceiling on new non-concessional external debt has been removed because loans from the BOAD Development and Cohesion Fund have been made all concessional for Guinea-Bissau.

<sup>5</sup> This QPC is set in nominal terms because of inadequate capacity to monitor the present value.

on 5G license fees; (iv) a prior action on continuation of the COTADO; (v) implementation of the strict no-new-hiring policy; and (vi) a revised continuous SB on debt reporting and monitoring at the Treasury Committee. These corrective actions will support meeting the QPCs and ITs for 2024.

**26. Prior actions and structural benchmarks.** Five prior actions are included to enshrine the essential corrective actions (1125). Several new SBs are proposed to support domestic revenue mobilization and improve debt management and anti-corruption. Several existing SBs are proposed to be cancelled, reset, reprogrammed, and modified (MEFP Table 2).

**27. The program is fully financed.** There are firm commitments of financing for the next 12 months.<sup>6</sup> There are good prospects that financing will be adequate for the remainder of the program. The authorities also resumed active engagement with bilateral donors, which is likely to bring additional budget support that was pledged but not materialized in 2023 in absence of a request by the government. Financing assurances are also adequate, and the authorities continue to make good faith efforts to settle legacy external arrears.

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

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

## STAFF APPRAISAL

**30. The authorities have been restoring socio-economic stability in extremely challenging environment.** While growth is expected to recover in 2024, the external balance has been impacted by a decline of cashew prices and a rise of international rice prices. Debt costs remain very high under tight regional financial conditions. The political crisis in December 2023 has added risks to the outlook. Current policies have been geared towards maintaining a social order and facilitating the cashew export campaign to prevent another crisis.

<sup>6</sup> For 2024, the budget support projections remain unchanged from the third review, including CFAF 11.7 billion committed by Spain, France, and Portugal and CFAF 3.7 billion committed by the African Development Bank. Financing needs for the first quarter of 2025 will be met by CFAF 1.2 billion of budget support committed by Spain and Portugal.



**31. Staff welcomes the authorities' renewed strong program commitments.** The policy slippage after August 2023, including tax cuts of fuels and rice and slowed structural reforms, delayed the program implementation to achieve the objectives of fiscal consolidation and debt sustainability. Staff commends the authorities for having made difficult decisions to reverse popular tax cuts on fuels and to suspend rice subsidies, which would create unsustainable revenue losses and spending pressures.

**32. Securing fiscal consolidation is crucial to reduce public debt and achieve the program objectives.** Preventing the deficit overrun depends on revenue mobilization and expenditure controls. The authorities should implement revenue-increasing measures as agreed in SBs in addition to those included in prior actions. The authorities should sustain the strict wage bill control and safeguard the COTADO's continuation, both of which remain central to the success of the program.

**33. Decisive actions are needed to improve debt management and reduce the high risk of debt distress.** The authorities should strengthen adherence to the borrowing plan and budget limit through compliance with the new QPC and IT. As agreed in a continuous SB, the authorities should urgently implement the debt monitoring at the Treasury Committee, which is crucial to avoid reemergence of debt service arrears and ensure accurate debt reporting.

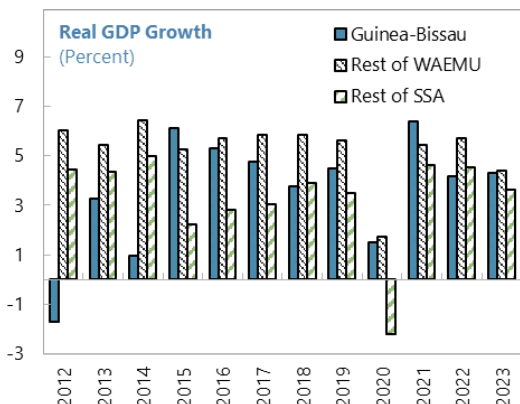
**34. The structural reforms should be accelerated.** For the energy sector, the authorities should speed up testing of the OMVG and Ring transmission lines and purchase of additional pre-paid meters, both of which are necessary to complete the missed SBs. The authorities should continue governance reforms and implement action plans to improve the anti-corruption institutions, the rule of law, and the AML/CFT effectiveness.

**35. Based on the strong policy commitments, staff supports the authorities' requests for completing the combined fourth and fifth reviews of the ECF supported program.** Given corrective actions, staff also supports the authorities' requests for a waiver for non-observance of performance criteria, modification of performance criteria, rephasing of access, and completion of the financing assurance review.

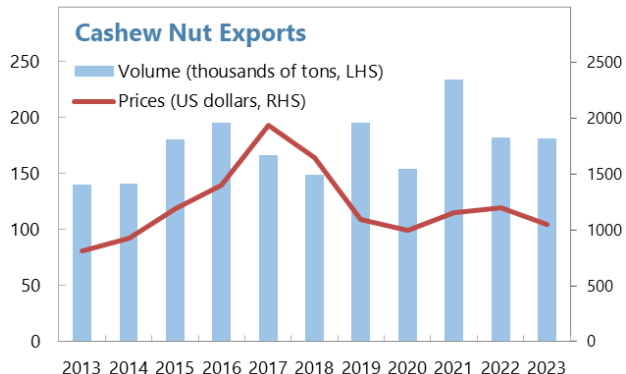


**Figure 1. Guinea-Bissau: Growth and Living Standards**

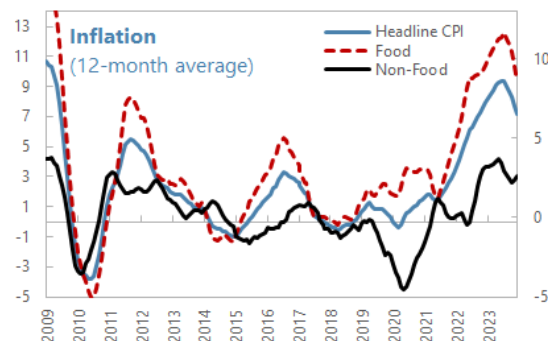
*Growth in 2023 is estimated to have moderated...*



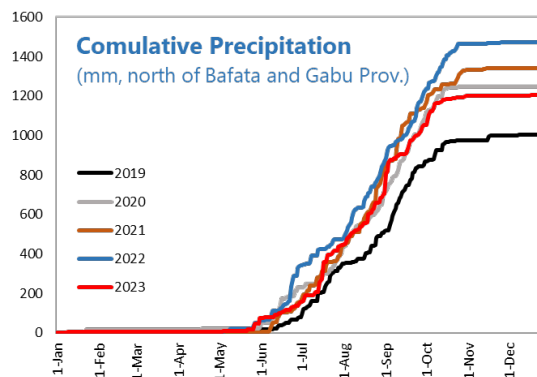
*... because cashew exports were affected by decrease in cashew prices.*



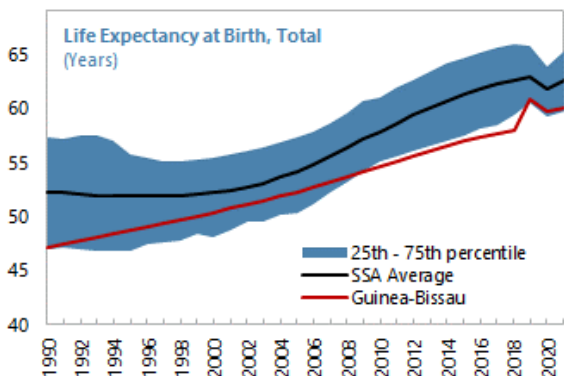
*Inflation was persisting due to high food prices...*



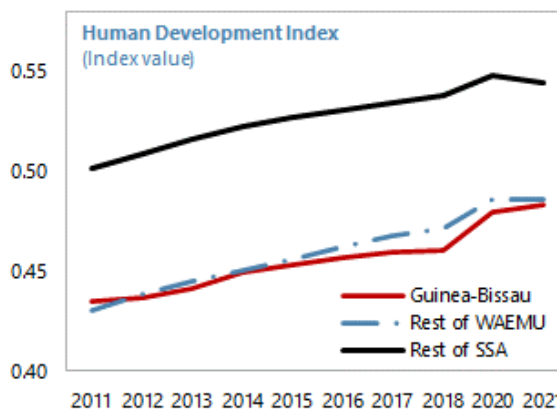
*... however, good weather conditions supported domestic agriculture production and food security.*



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



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

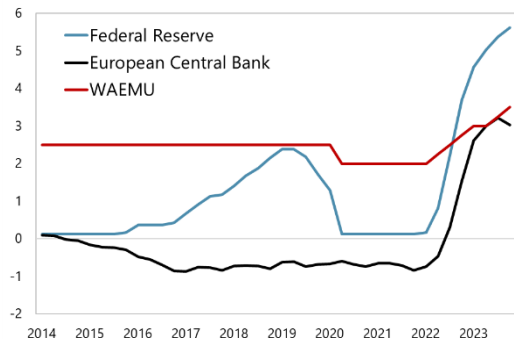


Sources: World Bank, Worldwide Development Indicators; EM-DAT, CRED database; NASA Giovanni database; Guinea-Bissau authorities; and IMF staff calculations.

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

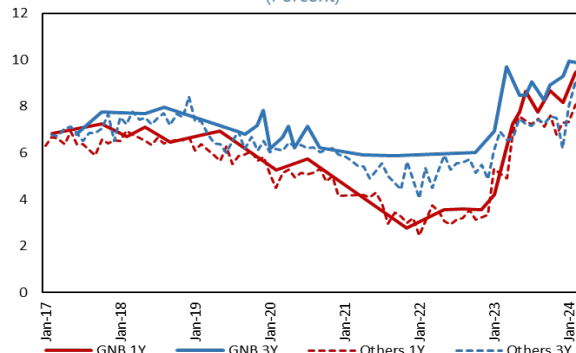
Central banks in advanced economies tightened monetary policy over the past two years...

**Monetary Policy Rates**  
(Percent)



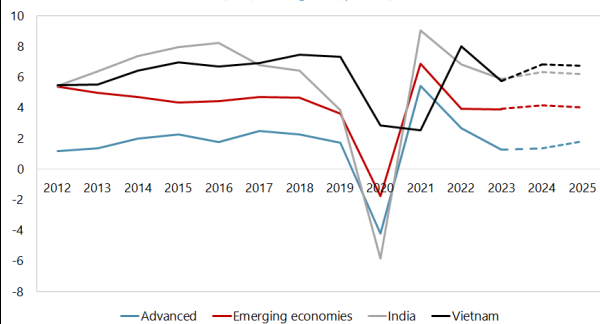
...and interest rates for Treasury securities have increased sharply in the regional market.

**Sovereign Yields in the WAEMU**  
(Percent)



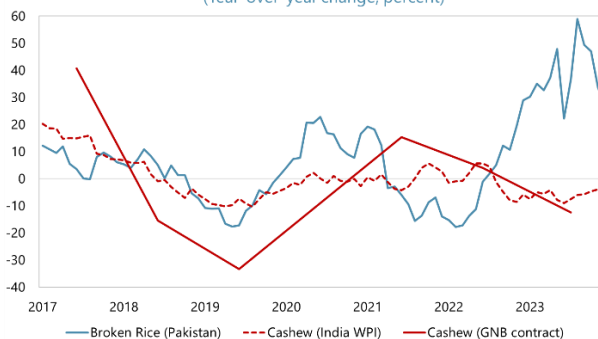
The growth of trading partners is falling...

**GDP Growth**  
(Real, annual growth, percent)



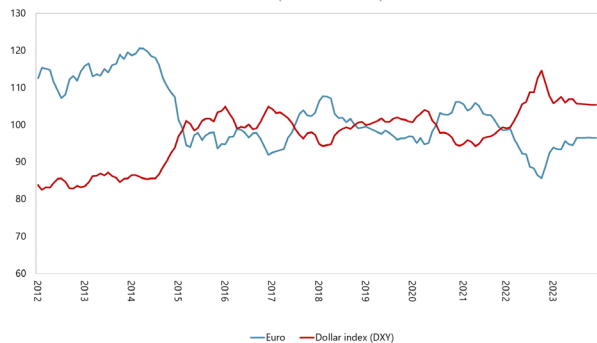
...and cashew prices have dropped, while inflation of international rice prices has been high.

**Commodity Prices**  
(Year-over-year change, percent)



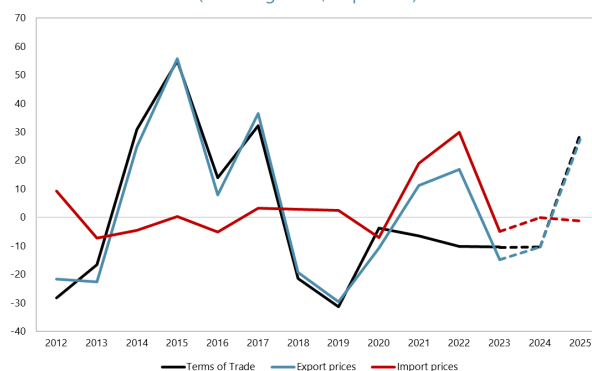
The euro and CFA franc have depreciated against the US dollar...

**Exchange Rates**  
(Dec 2019 = 100)



...and terms of trade are expected to continue deteriorating.

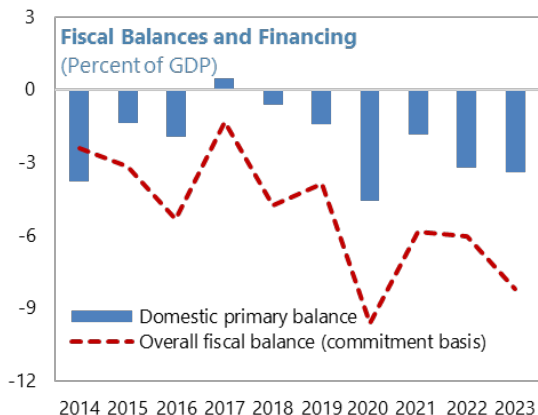
**Export and Import Prices**  
(Annual growth, in percent)



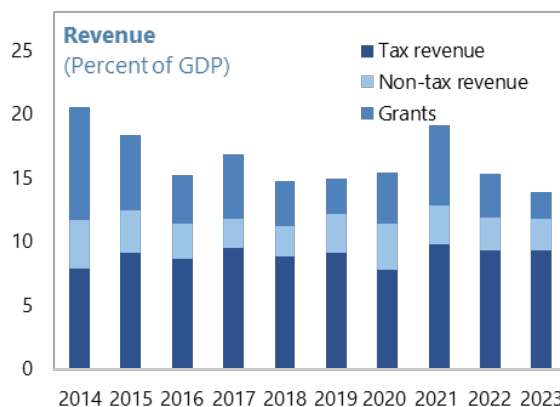
Sources: Guinea-Bissau authorities; BCEAO; and IMF staff calculations.

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

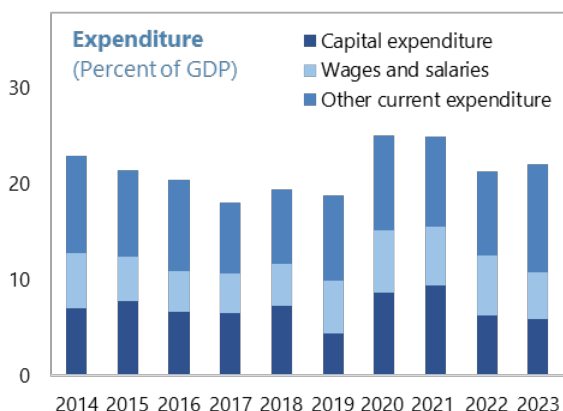
Fiscal deficits in 2023 were widened from 2022...



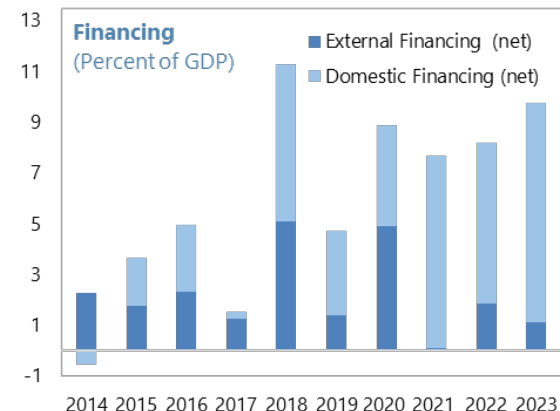
...due to lower-than-expected revenue...



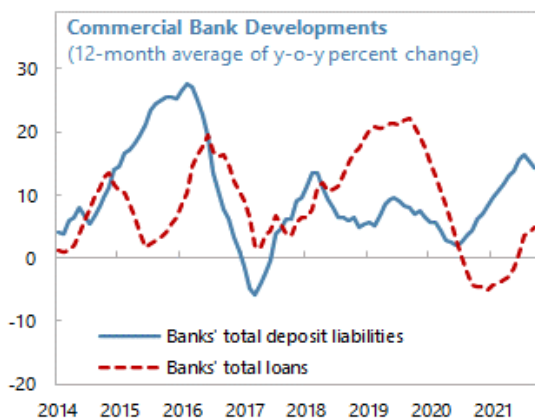
... and overrun of discretionary expenditures...



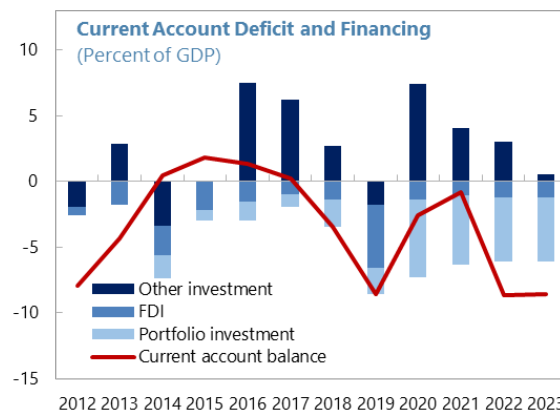
...while financing is relying on expensive domestic financing, affected by tight regional financial conditions.



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



The wide current account deficit is financed only partially by portfolio investment (treasury securities).



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

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Prel.				Proj.		
(Annual percent change, unless otherwise indicated)									
<b>National accounts and prices</b>									
Real GDP at market prices	6.4	4.2	4.3	5.0	5.0	5.0	5.0	4.5	4.5
Real GDP per capita	4.1	1.9	2.1	2.8	2.9	2.9	2.9	2.4	2.5
GDP deflator	2.7	7.3	7.9	4.0	2.8	2.8	2.8	2.8	2.8
Consumer price index (annual average)	3.3	7.9	7.2	4.2	2.0	2.0	2.0	2.0	2.0
<b>External sector</b>									
Exports, f.o.b. (CFA francs)	35.1	-8.1	-5.7	0.7	29.2	4.2	5.1	5.0	4.7
Imports, f.o.b. (CFA francs)	9.7	28.2	-2.7	-1.6	9.3	3.8	5.4	3.6	4.7
Terms of trade (deterioration = -)	-6.5	-10.1	-10.3	-10.3	29.1	1.9	2.4	1.5	2.0
Real effective exchange rate (depreciation = -)	1.3	-2.1	5.8	...	...	...	...	...	...
Exchange rate (CFAF per US\$; average)	554.2	622.4	606.5	...	...	...	...	...	...
<b>Government finances</b>									
Revenue excluding grants	22.7	3.4	11.8	11.5	12.9	11.0	9.8	8.3	7.6
Expenditure	8.9	-4.5	16.8	-1.3	2.1	8.3	9.5	7.8	7.8
Current expenditure	3.5	8.0	21.6	-5.4	-3.4	9.0	8.5	6.9	7.2
Capital expenditure	19.3	-25.0	5.3	9.9	14.9	7.0	11.6	9.5	9.1
<b>Money and credit</b>									
Domestic credit	17.2	26.5	9.4	12.0	8.7	6.1	5.8	5.4	5.1
Credit to the government (net)	55.3	32.8	28.7	7.9	1.6	-4.5	-5.0	-4.6	-5.0
Credit to the economy	5.0	23.5	-0.5	14.7	13.1	12.0	10.9	9.4	8.7
Net domestic assets	19.6	52.5	7.7	15.1	10.6	7.3	6.9	6.3	5.9
Broad money (M2)	20.9	3.5	-1.1	8.4	6.6	6.7	6.9	7.6	4.7
(Percent of GDP, unless otherwise indicated)									
<b>Investments and savings</b>									
Gross investment	18.3	18.1	17.3	18.0	18.9	19.6	20.4	21.3	22.3
Of which: government investment	6.4	4.3	4.0	4.0	4.3	4.3	4.4	4.5	4.6
Gross domestic savings	7.6	0.4	1.7	4.1	7.0	8.2	9.3	10.8	12.0
Of which: government savings	-5.5	-4.6	-6.3	-2.8	-1.7	-1.7	-1.6	-1.6	-1.5
Gross national savings	17.5	9.4	8.8	11.9	14.4	15.3	16.2	17.3	18.3
<b>Government finances</b>									
Revenue excluding grants	12.8	11.8	11.8	12.0	12.6	12.9	13.1	13.2	13.3
Domestic primary expenditure	14.7	15.0	15.2	13.2	11.8	12.2	12.3	12.4	12.4
Domestic primary balance	-1.9	-3.2	-3.4	-1.2	0.7	0.8	0.9	0.9	0.8
Overall balance (commitment basis)									
Including grants	-5.9	-6.1	-8.2	-3.8	-3.0	-3.0	-3.0	-3.0	-3.0
Excluding grants	-12.2	-9.5	-10.4	-8.0	-6.3	-6.1	-6.1	-6.1	-6.1
External current account	-0.8	-8.6	-8.6	-6.1	-4.5	-4.3	-4.2	-4.0	-4.0
Excluding official current transfers	-3.4	-11.0	-10.0	-9.0	-6.6	-6.1	-6.1	-5.8	-5.9
<b>Stock of public and publicly guaranteed debt<sup>1</sup></b>									
Of which: external debt	78.8	81.0	80.2	77.2	74.6	72.2	70.0	68.2	66.5
	40.3	39.2	35.8	33.3	31.5	29.3	27.1	25.4	23.9
<b>Memorandum items:</b>									
Nominal GDP at market prices (CFAF billions)	956.3	1069.2	1203.9	1314.6	1419.0	1531.7	1653.3	1776.1	1907.9
WAEMU gross official reserves (billions of US\$)	24.5	25.2	26.1	...	...	...	...	...	...
(percent of broad money)	30.2	30.6	32.6	...	...	...	...	...	...

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

<sup>1</sup> Coverage expanded to include legacy arrears.

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Prel.				Proj.		
Current Account Balance	-7.8	-92.5	-102.9	-80.0	-63.8	-65.9	-69.2	-71.3	-76.5
Goods and services	-101.6	-185.9	-186.0	-184.7	-168.4	-174.4	-183.3	-187.7	-196.2
Goods	-27.7	-96.0	-98.0	-93.3	-73.0	-75.1	-79.8	-79.7	-83.7
Exports, f.o.b.	166.3	152.8	144.1	145.1	187.4	195.4	205.3	215.6	225.7
Of which: cashew nuts	154.4	138.6	126.3	125.6	166.4	172.7	180.8	189.4	197.0
Imports, f.o.b.	-194.0	-248.8	-242.1	-238.3	-260.5	-270.4	-285.1	-295.4	-309.4
Of which: food products	-57.6	-71.6	-66.5	-70.9	-75.8	-81.2	-83.8	-86.3	-88.9
petroleum products	-36.1	-52.5	-54.1	-54.8	-54.7	-55.3	-55.5	-55.5	-58.0
Services	-73.9	-89.9	-88.0	-91.5	-95.3	-99.3	-103.5	-107.9	-112.5
Credit	19.4	21.8	22.0	24.0	25.9	28.0	30.2	32.5	34.9
Debit	-93.3	-111.7	-110.0	-115.5	-121.3	-127.3	-133.7	-140.4	-147.4
Incomes	9.4	5.2	-1.9	-4.2	-0.4	1.0	1.0	1.4	1.4
Credit	17.3	20.8	21.9	21.8	23.1	24.8	26.4	27.7	28.8
Of which: EU fishing compensation	8.9	8.9	11.5	10.2	10.2	10.2	10.2	10.2	10.2
Other license fees	4.9	6.6	4.3	5.3	6.2	7.6	8.9	10.0	10.8
Debit	-7.9	-15.6	-23.8	-26.0	-23.5	-23.7	-25.4	-26.3	-27.4
Of which: government interest	-10.6	-7.5	-15.6	-17.7	-16.8	-18.4	-20.6	-22.0	-23.5
Current transfers (net)	84.4	88.2	84.9	109.0	104.9	107.5	113.1	115.0	118.4
Official	24.9	25.6	17.1	38.9	30.1	28.3	31.0	32.6	35.6
Private	59.5	62.6	67.9	70.0	74.8	79.2	82.1	82.5	82.7
Of which: remittances	56.7	59.5	64.6	66.7	71.3	75.6	78.3	78.7	78.9
Capital account	34.7	12.8	10.9	18.2	19.3	20.8	22.7	24.2	26.4
Of which: official transfers	33.6	10.8	8.5	15.7	16.8	18.1	19.9	21.4	23.4
Financial account	-21.8	-32.9	-67.0	-45.3	-39.4	-49.8	-54.9	-63.7	-60.3
FDI	-9.8	-13.2	-15.0	-10.4	-11.2	-12.1	-13.1	-14.0	-15.1
Other investment	-12.0	-19.7	-52.0	-35.0	-28.2	-37.7	-41.8	-49.6	-45.2
Official medium- and long-term disbursements	-26.5	-23.8	-26.8	-15.4	-22.9	-20.5	-23.0	-24.2	-25.7
Programs	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Projects	-26.4	-23.8	-26.8	-15.4	-22.9	-20.5	-23.0	-24.2	-25.7
Amortization	25.5	3.8	13.6	19.5	19.0	16.7	19.3	19.5	18.3
Treasury bills (regional financing)	-59.3	-58.1	-58.7	-54.6	-39.3	-48.8	-53.1	-54.9	-56.3
Commercial bank net foreign assets	5.9	-12.8	-7.4	20.0	10.0	10.0	10.0	10.0	0.0
Other net foreign assets	42.4	71.1	27.4	-4.5	5.0	5.0	5.0	0.0	18.5
Errors and Omissions	2.3	-3.7	9.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	51.0	-50.4	-15.9	-16.5	-5.0	4.7	8.3	16.6	10.1
Financing	-51.0	50.4	15.9	16.5	5.0	-4.7	-8.3	-16.6	-10.1
Net foreign assets excluding IMF (increase -)	-62.2	53.5	8.3	6.0	0.1	-1.2	-4.5	-13.7	-7.0
IMF purchases	11.2	0.0	10.7	13.7	7.6	0.0	0.0	0.0	0.0
IMF repurchases	-1.6	-3.1	-3.1	-3.3	-2.7	-3.5	-3.8	-3.0	-3.1
Grant for debt relief under the IMF CCRT	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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
<i>Memorandum items:</i>									
Cashew export quantity (thousands of tons)	234	183	181	220	229	233	238	244	249
Cashew export prices (US\$ per ton)	1,154	1,200	1,050	950	1,210	1,228	1,259	1,284	1,310
Import volume of goods (annual percentage change)	-5.8	-2.6	2.6	-0.3	9.9	4.3	5.1	3.2	4.8
Oil prices (international, US\$ per barrel)	69.2	96.4	80.6	77.7	73.8	70.9	69.0	67.9	...
Scheduled debt service									
Percent of exports and service credits	18.2	5.0	12.7	12.1	10.8	11.7	10.9	9.9	9.9
Percent of total government revenue	27.7	6.8	14.9	14.5	12.2	12.7	11.5	10.2	10.1
Current account balance (percent of GDP)	-0.8	-8.6	-8.6	-6.1	-4.5	-4.3	-4.2	-4.0	-4.0
Official transfers (percent of GDP)	6.1	3.4	2.1	4.2	3.3	3.0	3.1	3.0	3.1
WAEMU gross official reserves (billions of US\$)	24.5	25.2	26.1	...	...	...	...	...	...
(percent of broad money)	30.2	30.6	32.6	...	...	...	...	...	...

Sources: BCEAO; and IMF staff estimates and projections.

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Prel.	Proj.					
<b>Current Account Balance</b>									
Including all official transfers	-0.8	-8.6	-8.6	-6.1	-4.5	-4.3	-4.2	-4.0	-4.0
Excluding official transfers	-3.4	-11.0	-10.0	-9.0	-6.6	-6.1	-6.1	-5.8	-5.9
<b>Goods and services</b>	-10.6	-17.4	-15.4	-14.1	-11.9	-11.4	-11.1	-10.6	-10.3
<b>Goods</b>	-2.9	-9.0	-8.1	-7.1	-5.1	-4.9	-4.8	-4.5	-4.4
Exports, f.o.b.	17.4	14.3	12.0	11.0	13.2	12.8	12.4	12.1	11.8
<i>Of which: cashew nuts</i>	16.2	13.0	10.5	9.6	11.7	11.3	10.9	10.7	10.3
Imports, f.o.b.	-20.3	-23.3	-20.1	-18.1	-18.4	-17.7	-17.2	-16.6	-16.2
<i>Of which: food products</i>	-6.0	-6.7	-5.5	-5.4	-5.3	-5.3	-5.1	-4.9	-4.7
petroleum products	-3.8	-4.9	-4.5	-4.2	-3.9	-3.6	-3.4	-3.1	-3.0
<b>Services (net)</b>	-7.7	-8.4	-7.3	-7.0	-6.7	-6.5	-6.3	-6.1	-5.9
Credit	2.0	2.0	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Debit	-9.8	-10.4	-9.1	-8.8	-8.5	-8.3	-8.1	-7.9	-7.7
<b>Incomes (net)</b>	1.0	0.5	-0.2	-0.3	0.0	0.1	0.1	0.1	0.1
Credit	1.8	1.9	1.8	1.7	1.6	1.6	1.6	1.6	1.5
EU fishing compensation	0.9	0.8	1.0	0.8	0.7	0.7	0.6	0.6	0.5
Other license fees	0.6	0.7	0.4	0.4	0.5	0.5	0.6	0.6	0.6
Debit	-0.8	-1.5	-2.0	-2.0	-1.7	-1.5	-1.5	-1.5	-1.4
<i>Of which: external interest</i>	-1.1	-0.7	-1.3	-1.3	-1.2	-1.2	-1.2	-1.2	-1.2
<b>Current transfers (net)</b>	8.8	8.2	7.1	8.3	7.4	7.0	6.8	6.5	6.2
Official <sup>2</sup>	2.6	2.4	1.4	3.0	2.1	1.8	1.9	1.8	1.9
Private	6.2	5.9	5.6	5.3	5.3	5.2	5.0	4.6	4.3
<i>Of which: remittances</i>	5.9	5.6	5.4	5.1	5.0	4.9	4.7	4.4	4.1
<b>Capital account</b>	3.6	1.2	0.9	1.4	1.4	1.4	1.4	1.4	1.4
<b>Financial account</b>	-2.3	-3.1	-5.6	-3.4	-2.8	-3.2	-3.3	-3.6	-3.2
FDI	-1.0	-1.2	-1.2	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
Other investment	-1.3	-1.8	-4.3	-2.7	-2.0	-2.5	-2.5	-2.8	-2.4
Official medium- and long-term disbursements	-2.8	-2.2	-2.2	-1.2	-1.6	-1.3	-1.4	-1.4	-1.3
Amortization	2.7	0.4	1.1	1.5	1.3	1.1	1.2	1.1	1.0
Treasury bills and regional financing	-6.2	-5.4	-4.9	-4.2	-2.8	-3.2	-3.2	-3.1	-3.0
Commercial bank net foreign assets	0.6	-1.2	-0.6	1.5	0.7	0.7	0.6	0.6	0.0
Other net foreign assets	4.4	6.7	2.3	-0.3	0.4	0.3	0.3	0.0	1.0
<b>Errors and Omissions</b>	0.2	-0.3	0.8	0.0	0.0	0.0	0.0	0.0	0.0
<b>Overall balance</b>	5.3	-4.7	-1.3	-1.3	-0.4	0.3	0.5	0.9	0.5
<b>Financing</b>	-5.3	4.7	1.3	1.3	0.4	-0.3	-0.5	-0.9	-0.5
Net foreign assets excluding IMF (increase -)	-6.3	4.7	0.7	0.5	0.0	-0.1	-0.3	-0.8	-0.4
IMF purchases	1.2	0.0	0.9	1.0	0.5	0.0	0.0	0.0	0.0
IMF repurchases	-0.2	0.0	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2
Grant for debt relief under the IMF CCRT	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Residual financing gap</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>									
Cashew export quantity (thousands of tons)	234	183	181	220	229	233	238	244	249
Cashew export prices (US\$ per ton)	1,154	1,200	1,050	950	1,210	1,228	1,259	1,284	1,310
Import volume of goods (annual percentage change)	-5.8	-2.6	2.6	-0.3	9.9	4.3	5.1	3.2	4.8
Oil prices (international, US\$ per barrel)	69.2	96.4	80.6	77.7	73.8	70.9	69.0	67.9	...
<b>Scheduled debt service</b>									
Percent of exports and service credits	18.2	5.0	12.7	12.1	10.8	11.7	10.9	9.9	9.9
Percent of total government revenue	27.7	6.8	14.9	14.5	12.2	12.7	11.5	10.2	10.1
Current account balance (percent of GDP)	-0.8	-8.6	-8.6	-6.1	-4.5	-4.3	-4.2	-4.0	-4.0
Official transfers (percent of GDP)	6.1	3.4	2.1	4.2	3.3	3.0	3.1	3.0	3.1
WAEMU gross official reserves (billions of US\$)	24.5	25.2	26.1	...	...	...	...	...	...
(percent of broad money)	30.2	30.6	32.6	...	...	...	...	...	...

Sources: BCEAO; and IMF staff estimates and projections.

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Prel.				Proj.		
<b>Financing requirements</b>	<b>-122.0</b>	<b>-71.5</b>	<b>-128.4</b>	<b>-135.7</b>	<b>-115.5</b>	<b>-115.5</b>	<b>-127.8</b>	<b>-140.0</b>	<b>-140.7</b>
Current account deficit excl. official transfers	-32.7	-118.1	-120.0	-118.9	-93.9	-94.1	-100.2	-103.8	-112.2
Public debt amortization	-25.5	-3.8	-13.6	-19.5	-19.0	-16.7	-19.3	-19.5	-18.3
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	-62.2	53.5	8.3	6.0	0.1	-1.2	-4.5	-13.7	-7.0
IMF repurchases	-1.6	-3.1	-3.1	-3.3	-2.7	-3.5	-3.8	-3.0	-3.1
<b>Available financing</b>	<b>108.2</b>	<b>64.9</b>	<b>117.0</b>	<b>106.6</b>	<b>102.9</b>	<b>114.3</b>	<b>126.7</b>	<b>139.5</b>	<b>140.2</b>
Project grants	57.5	29.8	24.9	39.2	41.9	45.2	49.8	53.5	58.6
Net foreign direct investment	9.8	13.2	15.0	10.4	11.2	12.1	13.1	14.0	15.1
Treasury bills (regional financing)	59.3	58.1	58.7	54.6	39.3	48.8	53.1	54.9	56.3
Official creditors	26.5	23.8	26.8	15.4	22.9	20.5	23.0	24.2	25.7
Other net flows <sup>1</sup>	-44.8	-60.0	-8.4	-13.0	-12.4	-12.3	-12.2	-7.1	-15.5
<b>Financing needs</b>	<b>13.8</b>	<b>6.6</b>	<b>11.4</b>	<b>29.1</b>	<b>12.6</b>	<b>1.2</b>	<b>1.2</b>	<b>0.5</b>	<b>0.5</b>
CCRT	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget support grants	1.0	6.6	0.7	15.4	5.0	1.2	1.2	0.5	0.5
o/w Multilateral grants	0.0	0.0	0.0	3.7	3.8	0.0	0.0	0.5	0.5
IMF disbursements	11.2	0.0	10.7	13.7	7.6	0.0	0.0	0.0	0.0
o/w ECF program	0.0	0.0	10.7	13.7	7.6	0.0	0.0	0.0	0.0
<b>Residual financing gap</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: BCEAO, IMF staff estimates and projections.

<sup>1</sup> Includes net private capital transfers, changes in NFA of commercial banks and non-financial private sector, SDR allocations, and errors and omissions

**Table 3a. Guinea-Bissau: Consolidated Operations of the Central Government, 2021–29**  
(CFAF billions)

	2021	2022	2023			2024		2025	2026	2027	2028	2029	
			Budget	3rd Review	Prel.	3rd Review	Revised Proj.						Proj.
Revenue and grants	182.5	163.0	190.0	194.9	167.1	222.8	212.5	225.1	244.2	268.1	289.2	312.2	
Tax revenue	93.5	99.7	113.7	114.2	111.3	126.0	123.2	142.0	159.3	176.2	191.9	207.7	
Nontax revenue	28.9	27.0	32.4	32.4	30.3	38.4	34.7	36.2	38.5	40.9	43.3	45.4	
Grants <sup>1</sup>	60.1	36.4	43.9	48.3	25.5	58.4	54.6	46.9	46.4	50.9	54.0	59.1	
Budget support	1.0	6.6	3.8	8.2	0.7	15.4	15.4	5.0	1.2	1.2	0.5	0.5	
Project grants	57.5	29.8	40.1	40.1	24.9	43.0	39.2	41.9	45.2	49.8	53.5	58.6	
Expense	238.7	227.9	233.4	262.1	266.2	268.1	262.8	268.2	290.6	318.3	343.0	370.0	
Expense	148.4	160.2	146.0	182.6	194.9	175.0	184.4	178.1	194.2	210.8	225.2	241.4	
Wages and salaries <sup>2</sup>	58.2	66.3	59.0	59.0	59.2	61.0	61.0	63.5	69.7	75.4	80.8	86.8	
Goods and services <sup>2</sup>	28.7	27.7	26.5	24.2	27.5	26.2	26.2	25.7	27.7	30.1	32.1	34.2	
Transfers <sup>3</sup>	25.9	23.0	23.5	26.5	30.3	30.2	30.2	24.9	27.3	29.4	31.1	33.3	
Interest	15.3	14.6	21.0	29.2	31.9	31.7	34.8	35.4	38.6	42.6	45.3	48.5	
Other	20.2	28.7	16.0	43.6	45.8	25.8	32.2	28.6	30.9	33.4	35.8	38.6	
Net acquisition of nonfinancial assets	90.3	67.7	87.4	79.5	71.3	93.1	78.4	90.1	96.4	107.6	117.8	128.6	
Domestically financed	7.1	15.2	24.0	18.8	19.6	26.0	23.8	25.3	30.6	34.8	40.2	44.3	
Foreign financed (including BOAD)	83.1	52.5	63.4	60.7	51.7	67.1	54.6	64.8	65.7	72.7	77.6	84.3	
Overall balance, including grants (commitment)	-56.1	-64.9	-43.4	-67.2	-99.1	-45.3	-50.3	-43.1	-46.4	-50.2	-53.9	-57.8	
Overall balance, excluding grants (commitment)	-116.2	-101.3	-87.3	-115.5	-124.6	-103.7	-104.9	-90.0	-92.8	-101.1	-107.8	-116.9	
Change in arrears	-9.1	0.2	0.0	-1.0	-6.8	-10.0	-10.0	-2.2	0.0	0.0	0.0	0.0	
Domestic payment arrears <sup>3</sup>	-8.2	0.2	0.0	-1.0	-6.8	-10.0	-10.0	-2.2	0.0	0.0	0.0	0.0	
Accumulation current year	2.0	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Payment previous years (-)	-10.2	-6.7	0.0	-1.0	-6.8	-10.0	-10.0	-2.2	0.0	0.0	0.0	0.0	
(o/w) Legacy Arrears	0.0	0.0	0.0	0.0	0.0	-10.0	-10.0	-2.2	0.0	0.0	0.0	0.0	
Net external arrears	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net BOAD interest arrears	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Float and statistical discrepancy	-8.5	-23.0	0.0	0.0	-11.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Overall balance, including grants (cash)	-73.5	-87.7	-43.4	-68.2	-117.8	-55.3	-60.3	-45.4	-46.4	-50.2	-53.9	-57.8	
Financing <sup>4</sup>	73.5	87.7	43.4	68.2	117.8	55.3	60.3	45.4	46.4	50.2	53.9	57.8	
Net acquisition of financial assets (- = build up)	9.8	-1.3	0.0	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bank deposits	10.6	-0.1	0.0	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
BCEAO	-4.1	1.1	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Local commercial banks	14.7	-1.3	0.0	0.0	-4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other <sup>5</sup>	-0.8	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
of which: Bank recapitalization	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Domestic financing	62.7	69.1	52.1	65.1	105.7	50.5	64.4	41.4	42.6	46.5	49.2	50.4	
BCEAO credit	30.7	-3.6	0.0	7.2	7.1	10.0	9.9	2.1	-6.2	-6.6	-5.8	-5.9	
(o/w) IMF	9.6	-3.1	0.0	7.8	7.6	10.5	10.4	4.9	-3.5	-3.8	-3.0	-3.1	
Other domestic (net)	32.0	72.7	52.1	57.8	98.6	40.5	54.6	39.3	48.8	53.1	54.9	56.3	
Local commercial banks	-27.2	14.6	0.0	0.0	39.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Regional commercial banks	59.3	58.1	52.1	57.8	58.7	40.5	54.6	39.3	48.8	53.1	54.9	56.3	
Foreign financing (net)	1.0	20.0	-8.8	3.1	13.3	4.8	-4.1	3.9	3.9	3.7	4.7	7.4	
Disbursements	26.5	23.8	23.4	21.4	26.8	24.1	15.4	22.9	20.5	23.0	24.2	25.7	
Projects	26.4	23.8	23.4	20.6	26.8	24.1	15.4	22.9	20.5	23.0	24.2	25.7	
Programs	0.1	0.0	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amortization	-25.5	-3.8	-32.1	-18.3	-13.6	-19.3	-19.5	-19.0	-16.7	-19.3	-19.5	-18.3	
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<i>Memorandum item:</i>													
Domestic primary balance (commitment) <sup>6</sup>	-17.8	-34.2	-2.9	-25.5	-41.0	-4.8	-15.5	10.3	11.5	14.1	15.1	15.9	

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

<sup>1</sup> Includes capital grants from CCRT

<sup>2</sup> Adjusted for embassy salaries.

<sup>3</sup> Recorded as arrears when payments were not made for more than 30 days for wages and more than 90 days for other expenditures, excluding debt service payments

<sup>4</sup> Financing is on currency basis.

<sup>5</sup> WARCIP project from 2018 onwards; in 2019 equity investment and bank recapitalization; in 2020 on-lending support to banks.

<sup>6</sup> Excludes grants, foreign and BOAD financed capital spending, and interest.



**Table 3b. Guinea-Bissau: Consolidated Operations of the Central Government, 2021–29**  
 (Percent of GDP)

	2021	2022	2023			2024		2025	2026	2027	2028	2029
			Budget	3rd Review	Prel.	3rd Review	Revised Proj.	Proj.				
Revenue and grants	19.1	15.2	15.8	16.3	13.9	17.2	16.2	15.9	15.9	16.2	16.3	16.4
Tax revenue	9.8	9.3	9.4	9.6	9.2	9.7	9.4	10.0	10.4	10.7	10.8	10.9
Nontax revenue	3.0	2.5	2.7	2.7	2.5	3.0	2.6	2.5	2.5	2.5	2.4	2.4
Grants <sup>1</sup>	6.3	3.4	3.6	4.0	2.1	4.5	4.2	3.3	3.0	3.1	3.0	3.1
Budget support	0.1	0.6	0.3	0.7	0.1	1.2	1.2	0.4	0.1	0.1	0.0	0.0
Project grants	6.0	2.8	3.3	3.4	2.1	3.3	3.0	3.0	3.0	3.0	3.0	3.1
Expenditure	25.0	21.3	19.4	21.9	22.1	20.7	20.0	18.9	19.0	19.3	19.3	19.4
Expense	15.5	15.0	12.1	15.3	16.2	13.5	14.0	12.6	12.7	12.7	12.7	12.7
Wages and salaries <sup>2</sup>	6.1	6.2	4.9	4.9	4.9	4.7	4.6	4.5	4.6	4.6	4.6	4.6
Goods and services <sup>2</sup>	3.0	2.6	2.2	2.0	2.3	2.0	2.0	1.8	1.8	1.8	1.8	1.8
Transfers <sup>3</sup>	2.7	2.2	2.0	2.2	2.5	2.3	2.3	1.8	1.8	1.8	1.8	1.7
Interest	1.6	1.4	1.7	2.4	2.7	2.5	2.6	2.5	2.5	2.6	2.6	2.5
Other	2.1	2.7	1.3	3.7	3.8	2.0	2.5	2.0	2.0	2.0	2.0	2.0
Net acquisition of nonfinancial assets	9.4	6.3	7.3	6.7	5.9	7.2	6.0	6.3	6.3	6.5	6.6	6.7
Domestically financed	0.7	1.4	2.0	1.6	1.6	2.0	1.8	1.8	2.0	2.1	2.3	2.3
Foreign financed (including BOAD)	8.7	4.9	5.3	5.1	4.3	5.2	4.2	4.6	4.3	4.4	4.4	4.4
Overall balance, including grants (commitment)	-5.9	-6.1	-3.6	-5.6	-8.2	-3.5	-3.8	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance, excluding grants (commitment)	-12.2	-9.5	-7.2	-9.7	-10.4	-8.0	-8.0	-6.3	-6.1	-6.1	-6.1	-6.1
Change in arrears	-1.0	0.0	0.0	-0.1	-0.6	-0.8	-0.8	-0.2	0.0	0.0	0.0	0.0
Domestic payment arrears <sup>3</sup>	-0.9	0.0	0.0	-0.1	-0.6	-0.8	-0.8	-0.2	0.0	0.0	0.0	0.0
Accumulation current year	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment previous years (-)	-1.1	-0.6	0.0	-0.1	-0.6	-0.8	-0.8	-0.2	0.0	0.0	0.0	0.0
(o/w) Legacy Arrears	0.0	0.0	0.0	0.0	0.0	-0.8	-0.8	-0.2	0.0	0.0	0.0	0.0
Net external arrears	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net BOAD interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancy	-0.9	-2.2	0.0	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash)	-7.7	-8.2	-3.6	-5.7	-9.8	-4.3	-4.6	-3.2	-3.0	-3.0	-3.0	-3.0
Financing <sup>4</sup>	7.7	8.2	3.6	5.7	9.8	4.3	4.6	3.2	3.0	3.0	3.0	3.0
Net acquisition of financial assets (- = build up)	1.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bank deposits	1.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCEAO	-0.4	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local commercial banks	1.5	-0.1	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other <sup>5</sup>	-0.1	-0.1	0.0	0.0	0.0	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	0.0	0.0
Domestic financing	6.6	6.5	4.3	5.4	8.8	3.9	4.9	2.9	2.8	2.8	2.8	2.6
BCEAO credit	3.2	-0.3	0.0	0.6	0.6	0.8	0.7	0.1	-0.4	-0.4	-0.3	-0.3
(o/w) IMF	1.0	-0.3	0.0	0.7	0.6	0.8	0.8	0.3	-0.2	-0.2	-0.2	-0.2
Other domestic (net)	3.4	6.8	4.3	4.8	8.2	3.1	4.2	2.8	3.2	3.2	3.1	3.0
Local commercial banks	-2.8	1.4	0.0	0.0	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional commercial banks	6.2	5.4	4.3	4.8	4.9	3.1	4.2	2.8	3.2	3.2	3.1	3.0
Foreign financing (net)	0.1	1.9	-0.7	0.3	1.1	0.4	-0.3	0.3	0.3	0.2	0.3	0.4
Disbursements	2.8	2.2	1.9	1.8	2.2	1.9	1.2	1.6	1.3	1.4	1.4	1.3
Projects	2.8	2.2	1.9	1.7	2.2	1.9	1.2	1.6	1.3	1.4	1.4	1.3
Programs	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-2.7	-0.4	-2.7	-1.5	-1.1	-1.5	-1.5	-1.3	-1.1	-1.2	-1.1	-1.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum item:</i>												
Domestic primary balance (commitment) <sup>6</sup>	-1.9	-3.2	-0.2	-2.1	-3.4	-0.4	-1.2	0.7	0.8	0.9	0.9	0.8

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

<sup>1</sup> Includes capital grants from CCRT

<sup>2</sup> Adjusted for embassy salaries.

<sup>3</sup> Recorded as arrears when payments were not made for more than 30 days for wages and more than 90 days for other expenditures, excluding debt service payments.

<sup>4</sup> Financing is on currency basis.

<sup>5</sup> WARPIP project from 2018 onwards; in 2019 equity investment and bank recapitalization; in 2020 on-lending support to banks.

<sup>6</sup> Excludes grants, foreign and BOAD financed capital spending, and interest.

Table 4. Guinea-Bissau: Monetary Survey, 2021–29<sup>1</sup>

	2021	2022	2023	2024	2025	2026	2027	2028	2029
			Prel.	Proj.					
	(CFAF billions)								
Net foreign assets	329.9	266.7	243.3	246.9	251.9	266.6	284.9	311.5	321.7
Central Bank of West African States (BCEAO)	216.7	166.3	150.4	133.9	128.9	133.6	141.9	158.6	168.7
Commercial banks	113.2	100.4	92.9	112.9	122.9	132.9	142.9	152.9	152.9
Net domestic assets	152.7	232.9	250.8	288.6	319.2	342.5	366.0	389.1	412.2
Credit to the government (net)	73.4	97.4	125.4	135.2	137.4	131.1	124.6	118.8	112.9
BCEAO	66.8	64.8	75.0	84.8	87.0	80.7	74.2	68.4	62.5
Deposits (-)	5.5	5.8	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Credit	72.3	70.6	78.3	88.1	90.2	84.0	77.4	71.7	65.8
Commercial banks	6.6	32.6	50.4	50.4	50.4	50.4	50.4	50.4	50.4
Deposits (-)	25.4	23.5	15.8	15.8	15.8	15.8	15.8	15.8	15.8
Credit	32.0	56.1	66.2	66.2	66.2	66.2	66.2	66.2	66.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	154.4	190.8	189.8	217.8	246.2	275.8	305.9	334.7	363.7
Other items (net)	-75.1	-55.3	-64.4	-64.4	-64.4	-64.4	-64.4	-64.4	-64.4
Money supply (M2)	482.7	499.6	494.1	535.5	571.0	609.0	650.9	700.6	733.8
Currency outside banks	305.2	298.0	287.7	311.8	332.5	354.6	379.0	408.0	427.3
Bank deposits	177.4	201.6	206.4	223.7	238.5	254.4	271.9	292.7	306.5
Base money (M0)	350.4	324.1	311.1	337.2	359.6	383.5	409.9	441.2	462.1
	(Change in percent of beginning-of-period broad money)								
Contribution to the growth of broad money (M2)									
Net foreign assets	14.6	-13.1	-4.7	0.7	0.9	2.6	3.0	4.1	1.4
BCEAO	13.2	-10.5	-3.2	-3.3	-0.9	0.8	1.4	2.6	1.4
Commercial banks	1.5	-2.7	-1.5	4.0	1.9	1.8	1.6	1.5	0.0
Net domestic assets	6.3	16.6	3.6	7.7	5.7	4.1	3.9	3.5	3.3
Credit to the central government	6.5	5.0	5.6	2.0	0.4	-1.1	-1.1	-0.9	-0.8
Credit to the economy	1.8	7.5	-0.2	5.7	5.3	5.2	4.9	4.4	4.1
Other items (net)	-2.1	4.1	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>									
Broad money (M2, annual percentage change)	20.9	3.5	-1.1	8.4	6.6	6.7	6.9	7.6	4.7
Base money (M0, annual percentage change)	27.6	-7.5	-4.0	8.4	6.6	6.7	6.9	7.6	4.7
Credit to the economy (annual percentage change)	5.0	23.5	-0.5	14.7	13.1	12.0	10.9	9.4	8.7
Velocity (GDP/M2)	2.0	2.1	2.4	2.5	2.5	2.5	2.5	2.5	2.6
Money multiplier (M2/M0)	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6

Sources: BCEAO; and IMF staff estimates and projections.

<sup>1</sup>End of period.

**Table 5. Guinea-Bissau: Selected Financial Soundness Indicators, 2018–23<sup>1</sup>**

	2018	2019	2020	2021	2022	2023	Excluding undercapitalized bank					
							2020 Dec	2021 Jun	2021 Dec	2022 Jun	2022 Dec	2023 Jun
<b>Capital Adequacy</b>												
Capital to risk-weighted assets	-5.4	-2.0	-3.6	-1.4	-4.0	-11.6	25.6	21.7	25.5	21.4	26.6	24.9
Tier 1 capital to risk weighted assets	-5.5	-2.0	-3.6	-1.4	-4.0	-11.6	25.6	21.7	25.5	21.4	26.6	24.9
Provisions to risk-weighted assets	29.8	26.0	20.4	20.3	9.9	8.4	2.3	2.7	8.0	3.3	4.3	8.1
Capital to total assets	-2.0	-0.7	-1.3	-0.5	-1.3	-3.7	12.8	12.7	7.2	12.4	12.1	5.6
<b>Asset Composition and Quality</b>												
Total loans to total assets	50.5	46.7	40.4	38.1	45.5	47.1	36.5	44.7	36.8	47.3	45.5	47.1
Concentration: loans to 5 largest borrowers to capital	-316.1	-748.5	-379.3	-2344.0	-273.5	-286.9	...	...	216.5	...	...	...
Sectoral distribution of loans												
Agriculture and fishing	0.5	0.5	0.8	1.4	1.5	2.0	...	...	0.8	1.4	1.5	2.0
Extractive industries	0.0	0.0	1.2	1.1	0.8	0.8	...	...	0.0	1.1	0.8	0.8
Manufacturing	0.7	0.7	15.7	14.8	15.4	14.4	...	...	18.1	14.8	15.4	14.4
Electricity, water and gas	0.7	0.7	10.5	10.7	4.9	7.4	...	...	0.0	10.7	4.9	7.4
Construction	1.7	1.7	7.7	8.1	3.2	1.4	...	...	8.4	8.1	3.2	1.4
Retail and wholesale trade, restaurants and hotels	29.4	29.4	25.2	24.1	40.5	29.7	...	...	54.0	24.1	40.5	29.7
Transportation and communication	1.1	1.1	7.1	7.4	7.1	10.5	...	...	7.0	7.4	7.1	10.5
Insurance, real state and business services	8.2	8.2	1.1	1.1	1.0	1.2	...	...	0.7	1.1	1.0	1.2
Other services	57.8	57.8	30.7	31.5	25.6	32.8	...	...	10.9	31.5	25.6	32.8
Gross NPLs to total loans	26.3	25.4	21.8	19.4	10.4	10.1	10.3	6.5	9.0	5.5	5.9	9.4
General provisions to gross NPLs	67.3	65.3	68.8	80.8	61.6	52.8	35.2	54.5	64.1	72.7	71.4	50.4
Net NPLs to total loans	10.5	10.6	8.0	4.4	4.3	5.0	2.1	3.4	3.4	1.5	1.7	4.6
Net NPLs to capital	-268.1	-680.0	-257.0	-333.9	-154.5	-64.6	16.7	12.0	17.5	5.8	6.5	8.5
<b>Earnings and profitability</b>												
Average cost of borrowed funds	1.7	0.9	1.9	1.3	1.6	...	...	...	1.3	...	1.6	...
Average interest rate on loans	8.7	9.7	9.4	7.4	9.3	...	...	...	7.4	...	9.3	...
Average interest margin <sup>1</sup>	7.0	8.8	7.5	6.1	7.7	...	...	...	6.1	...	7.7	...
After-tax return on average assets (ROA)	0.8	4.2	0.5	0.7	1.7	...	1.8	1.2	1.5	...	1.7	...
After-tax return on average equity (ROE)	17.2	77.2	6.5	8.7	21.3	...	13.8	9.4	11.2	...	21.3	...
Non-interest expenses to net banking income	71.3	75.5	71.0	67.3	69.2	...	...	...	61.6	...	69.2	...
Personnel expenses to net banking income	28.6	32.1	32.0	29.2	29.9	...	...	...	26.7	...	29.9	...
<b>Liquidity</b>												
Liquid assets to total assets	19.6	18.9	17.3	18.0	24.9	24.9	...	...	20.1	25.0	24.9	24.9
Liquid assets to total deposits	32.7	35.9	30.4	31.3	46.7	44.3	...	...	44.4	45.5	46.7	44.3
Total loans to total deposits	102.5	106.5	83.6	78.9	91.0	88.5	92.5	103.8	86.0	89.9	92.7	88.5
Total deposits to total liabilities	59.9	52.6	56.9	57.3	53.4	56.2	39.4	43.0	45.3	52.4	47.3	56.2

Source: BCEAO.

<sup>1</sup> Excluding tax on banking operations.



Table 7. Guinea-Bissau: Public Debt Holder Profile, 2023–25<sup>1</sup>

	Debt Stock (end of period)			Debt Service					
	2023			2023	2024	2025	2023	2024	2025
	(In US\$ million)	(Percent of total debt)	(Percent of GDP) <sup>5</sup>	(In US\$ million)			(Percent of GDP)		
<b>Total</b>	1,604.3	100.0	80.2	216.7	268.1	145.8	10.9	12.3	6.2
<b>External</b>	717.3	44.7	35.8	34.8	48.7	42.8	1.8	2.2	1.8
Multilateral creditors <sup>2</sup>	585.4	36.5	29.3	31.2	44.4	38.7	1.6	2.0	1.6
IMF	53.3	3.3	2.7						
World Bank	215.9	13.5	10.8						
AfDB	57.4	3.6	2.9						
BOAD	204.4	12.7	10.2						
Other Multilaterals	54.4	3.4	2.7						
<i>o/w: Islamic Development Bank</i>	23.6	1.5	1.2						
BADEA	9.2	0.6	0.5						
Bilateral Creditors	131.9	8.2	6.6	3.6	4.3	4.1	0.2	0.2	0.2
Paris Club	9.3	0.6	0.5	0.5	1.3	1.4	0.0	0.1	0.1
<i>o/w: Brazil</i>	1.9	0.1	0.1						
<i>Russia</i>	1.5	0.1	0.1						
Non-Paris Club	122.6	7.6	6.1	3.1	3.0	2.7	0.2	0.1	0.1
<i>o/w: Angola</i>	49.1	3.1	2.5						
Kuwait	28.9	1.8	1.4						
<b>Domestic</b>	887.0	55.3	44.3	181.8	219.5	103.1	9.2	10.0	4.4
Held by residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Regional T-bills	534.1	33.3	26.7	128.6	193.0	85.8	6.5	8.8	3.6
BCEAO	215.1	13.4	10.8	1.2	1.2	4.9	0.1	0.1	0.2
Loans local commercial banks <sup>3</sup>	117.5	7.3	5.9	40.7	8.6	8.6	2.1	0.4	0.4
Payment Arrears	20.3	1.3	1.0	11.3	16.6	3.7	0.6	0.8	0.2
<b>Memo items:</b>									
Collateralized debt <sup>4</sup>	0	0.0	0.0						
Contingent liabilities	31.2	1.9	1.6						
Public guarantees	31.2	1.9	1.6						
Nominal GDP	1,985.0			1,985.0	2,187.1	2,360.2			

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

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

3/ Including public guarantees.

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

5/ Calculated based on the amounts in CFA francs.

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

Available Date	Disbursements		Conditions for Disbursement
	In millions of SDR	In percent of Quota	
January 30, 2023	2.37	8.3	Executive Board approval of the three-year ECF arrangement.
April 17, 2023	2.37	8.3	Observance of the performance criteria for January 31, 2023 and completion of the first review under the arrangement.
July 17, 2023	2.37	8.3	Observance of the performance criteria for March 31, 2023 and completion of the second review under the arrangement.
October 17, 2023	6.16	21.7	Observance of the performance criteria for June 30, 2023 and completion of the third review under the arrangement.
January 17, 2024	6.16	21.7	Observance of the performance criteria for September 30, 2023 and completion of the fourth review under the arrangement.
April 17, 2024	0.01	0.0	Observance of the performance criteria for December 31, 2023 and completion of the fifth review under the arrangement.
August 17, 2024	5.44	19.2	Observance of the performance criteria for April 30, 2024 and completion of the sixth review under the arrangement.
October 17, 2024	5.43	19.2	Observance of the performance criteria for June 30, 2024 and completion of the seventh review under the arrangement.
April 17, 2025	4.73	16.7	Observance of the performance criteria for December 31, 2024 and completion of the eighth review under the arrangement.
October 17, 2025	4.72	16.7	Observance of the performance criteria for June 30, 2025 and completion of the ninth review under the arrangement.
<b>Total Disbursements</b>	<b>39.76</b>	<b>140.0</b>	

Source: IMF staff estimates and projections.

## Annex I. Risk Assessment Matrix<sup>1</sup>

Nature/Sources of Risk	Relative Likelihood	Expected Impact If Realized/Time Horizon	Policies to Mitigate Risks
<b>External Risks</b>			
<p><b>Intensification of regional conflicts.</b> 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.</p> <p><b>Deepening geo-economic fragmentation.</b> 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.</p>	<b>High</b>	<b>High/ST</b>	<ul style="list-style-type: none"> <li>• Create fiscal space through wage bill control, spending review and revenue mobilization for new policies to mitigate supply shocks in the economy.</li> <li>• Prioritize and target public spending towards the most vulnerable people.</li> <li>• Review and reprioritize tax exemptions for programs with higher economic and social impact.</li> </ul> <p>Mobilize additional grants and concessional loans from development partners to cover more persistent external needs.</p>
<p><b>Abrupt global slowdown or recession.</b> 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.</p> <p><b>Europe:</b> Intensifying fallout from the war in Ukraine, worsening energy crisis and supply disruptions, and monetary tightening exacerbate economic downturns and housing market corrections.</p> <p><b>China:</b> 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.</p> <p><b>EMDEs:</b> 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.</p>	<b>Medium</b>	<b>High/ST</b>	<ul style="list-style-type: none"> <li>• Review and reprioritize public spending towards programs with higher economic and social impact.</li> <li>• Create fiscal space to tackle financial vulnerabilities</li> <li>• Mobilize additional grants and concessional loans from development partners to cover more persistent external needs.</li> </ul>

<sup>1</sup> 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

(continued)

Nature/Sources of Risk	Relative Likelihood	Expected Impact If Realized/Time Horizon	Policies to Mitigate Risks
<b>External Risks</b>			
<b>Monetary policy miscalibration.</b> 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.	<b>Medium</b>	<b>High/ST</b> <ul style="list-style-type: none"> <li>• Increase in inflation, food insecurity and poverty.</li> <li>• Social unrest</li> <li>• Financial and monetary aggregates volatility</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust fiscal policy to anchor expectations of economic agents.</li> <li>• Prioritize and target public spending towards the most vulnerable people.</li> <li>• Monitor macro-financial risks.</li> </ul>
<b>Commodity price volatility.</b> 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.	<b>High</b>	<b>High/ST</b> <ul style="list-style-type: none"> <li>• Deterioration of fiscal position</li> <li>• Increase in inflation, food insecurity and poverty.</li> <li>• Social unrest</li> <li>• Delayed fiscal adjustment and structural reforms</li> </ul>	<ul style="list-style-type: none"> <li>• Create fiscal space through wage bill control, spending review and tax mobilization.</li> <li>• Prioritize and target public spending towards the most vulnerable people.</li> <li>• Encourage diversification of the economy</li> </ul>
<b>Further adverse cashew nut price movements.</b> A weaker than projected price recovery of the dominant export product would hamper economic recovery.	<b>Medium</b>	<b>High/ST</b> <ul style="list-style-type: none"> <li>• Private sector incomes come under pressure, denting economic activity.</li> <li>• Government revenues further diminish, leaving less room for priority spending.</li> <li>• Balance of payments problems generated by the worsening of the current account.</li> </ul>	<ul style="list-style-type: none"> <li>• Control public expenses to compensate for lower revenues.</li> <li>• Step up diversification efforts.</li> </ul>
<b>Cyberthreats.</b> Cyberattacks on critical domestic and/or international physical or digital infrastructure (including digital currency and crypto ecosystems) trigger financial and economic instability.	<b>Medium</b>	<b>Medium/ST, MT</b> <ul style="list-style-type: none"> <li>• Impact on public services that rely on digital infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>• Create contingent plans for cyberattacks</li> <li>• Assess the risk and impact of cyberattacks on public services.</li> </ul>

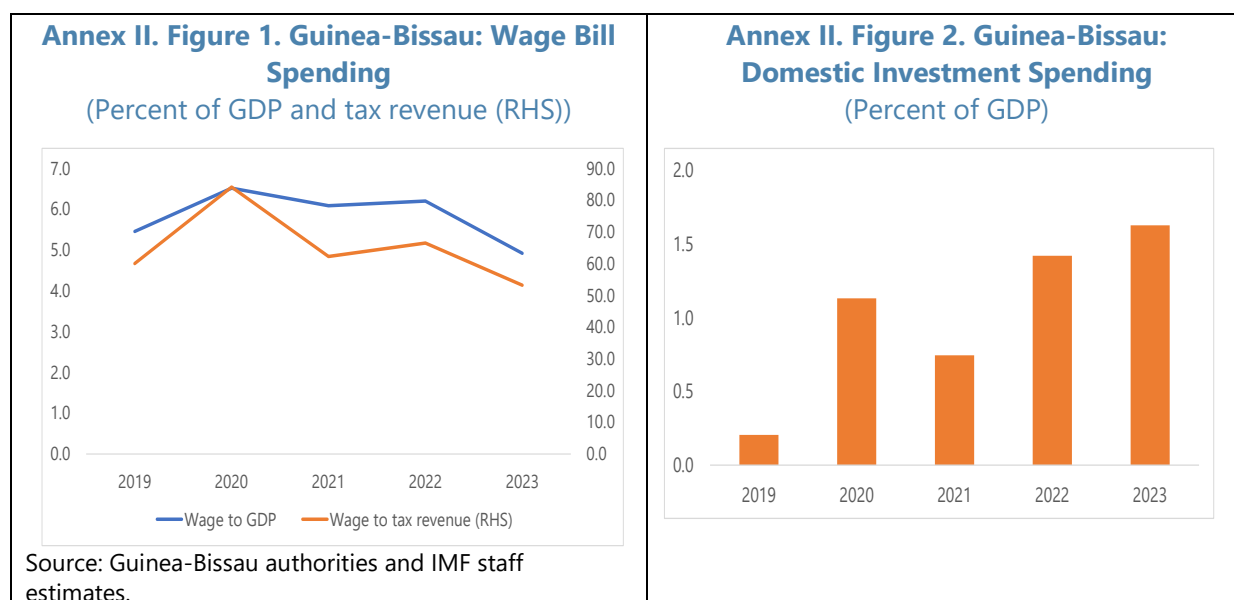
10 and 30 percent, and “high” a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario 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
<b>Domestic Risks</b>			
<p><b>Social discontent and political risks.</b> 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.</p>	<b>High</b>	<p style="text-align: center;"><b>High/ST, MT</b></p> <ul style="list-style-type: none"> <li>• Delayed fiscal adjustment.</li> <li>• Political instability</li> <li>• Limited financing inflows and investment projects delays.</li> <li>• Supply disruptions and weaker confidence.</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritize and target public spending towards the most vulnerable people.</li> <li>• Create fiscal space through wage bill control, spending review and tax mobilization.</li> <li>• Mobilize additional grants and concessional loans from development partners to cover more persistent external needs.</li> </ul>
<p><b>Systemic financial instability.</b> 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.</p>	<b>Medium</b>	<p style="text-align: center;"><b>High/MT</b></p> <ul style="list-style-type: none"> <li>• Limited credit extension hampers investment and growth.</li> <li>• Potential contingent liabilities adding to fiscal pressures.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance banking supervision and enforce prudential regulations.</li> <li>• Improve processes and procedures for collection of debts and collateral.</li> <li>• Create fiscal space to absorb financial shocks.</li> </ul>
<p><b>Continued weaknesses in state-owned enterprises.</b> The public electricity and water utility (EAGB), in particular, has been a long-standing problem.</p>	<b>Medium</b>	<p style="text-align: center;"><b>High/ST</b></p> <ul style="list-style-type: none"> <li>• Limited and expensive electricity and water supply.</li> <li>• Potential contingent liabilities adding to fiscal pressures.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement credible strategy to improve management of public enterprises.</li> <li>• Improve governance, transparency and accountability.</li> </ul>
<p><b>Extreme climate events.</b> 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.</p>	<b>Medium</b>	<p style="text-align: center;"><b>High/ST, MT</b></p> <ul style="list-style-type: none"> <li>• Harm cashew production worsening the livelihood of people in rural areas and exacerbating extreme poverty and inequalities.</li> <li>• Higher recovery spending, higher financing costs, and lower revenues.</li> <li>• Supply disruptions and weaker confidence.</li> </ul>	<ul style="list-style-type: none"> <li>• Diversify the economy.</li> <li>• Address infrastructure gaps and income/developmental disparities among regions, while instituting appropriate social safety nets.</li> <li>• Promote investment in climate resilient infrastructure.</li> </ul>

## Annex II. Strengthening Wage Bill Management

**1. Wage bill management has been strengthened in Guinea-Bissau since the beginning of the current IMF program.** Wage bill management is important for the efficient delivery of public services and have critical macro-fiscal implications, including impact on the fiscal balance and the composition of government expenditures (IMF 2016). An increase in the wage bill is difficult to scale back and if not supported by an increase in revenue in high-debt countries. Instead, in these countries, the wage bill increase is financed by crowding out other expenditures and deteriorating the fiscal balance (IMF 2019). Against this backdrop, under the 2021/22 IMF Staff Monitored Program (SMP) and current Extended Credit Facility (ECF) arrangement, the government of Guinea-Bissau has embarked on an ambitious fiscal consolidation strategy, for which strengthening the wage bill management is central. Notably, since the beginning of IMF engagement, the ratios of the wage bill to GDP and tax revenue have been substantially improved (Figure 1). The improved wage bill management has created a fiscal space for much needed infrastructure spending through domestically financed capital investment (Figure 2).

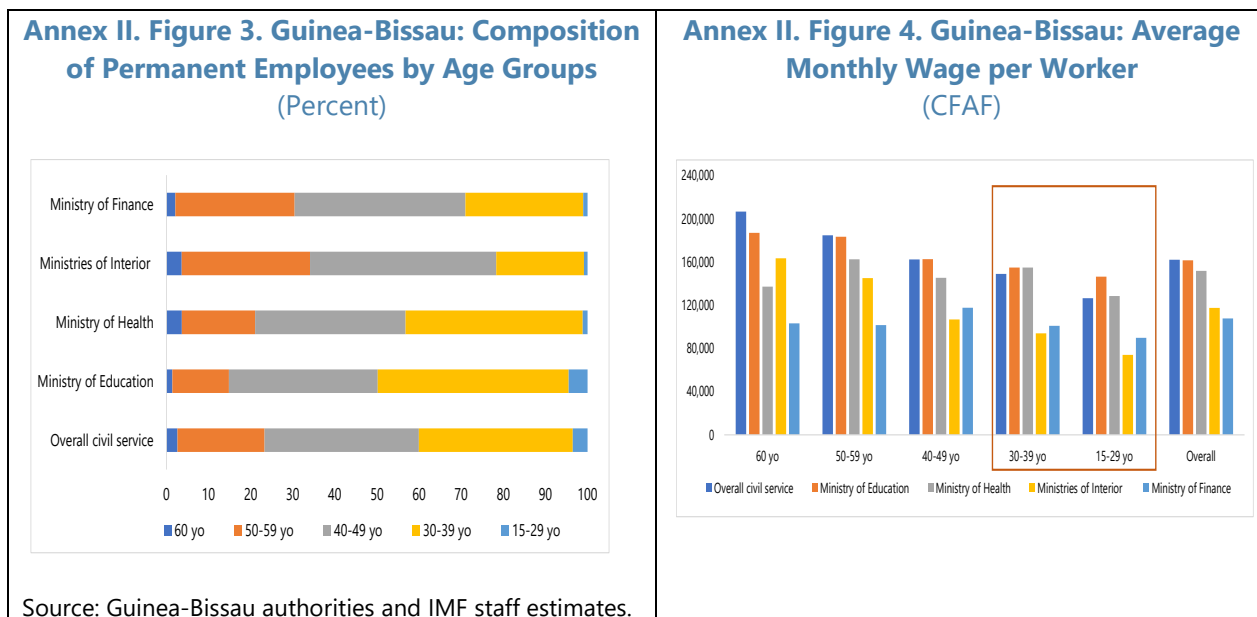


**2. The strengthened controls resulted in a 12 percent nominal reduction of the wage bill in 2023.** In 2022, the authorities (i) dismissed irregular workers, (ii) streamlined advisor positions by two-thirds (i.e., 51 people), and (iii) implemented a census of public workers to eliminate ghost workers. In 2023, the authorities maintained the total freezing of new hiring and capping of salaries. In addition, they have implemented several structural reforms including (i) regular in-year reconciliations between the personnel and the payroll records (SB, March 2023), (ii) completion of the first phase of the IMF-supported wage blockchain project, and (iii) installation of biometric control devices connected to the payroll system at the Ministry of Finance. In 2024, the authorities will continue to strictly adhere to the total freezing of new hiring except for limited hiring in the health sector and maintain capping of salaries and streamlined advisor positions. The multi-annual staffing plan has been approved by the Council of Ministers (SB, March 2024). The new census of

public workers will be completed by end-December 2024 based on the improved terms of reference (SB, December 2023).

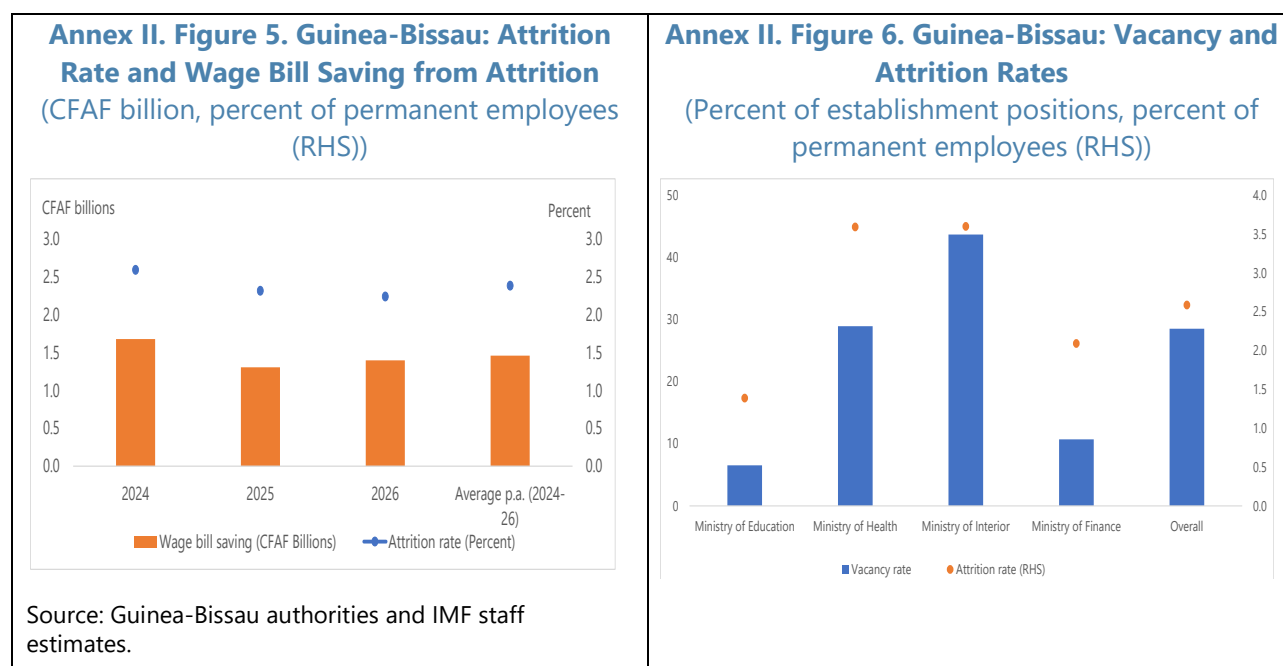
### Challenges in Wage Bill Management in Sectoral Ministries

**3. Four sectoral ministries account for about 75 percent of the permanent employees in the civil service, with differing demographic profiles.** There are currently about 26,100 permanent employees in the civil service. The education sector accounts for about 54 percent of the workforce, while the health sector accounts for nearly 10 percent. Moreover, 11.2 percent and 1.1 percent of the workforce are in the Ministries of Interior and Finance respectively. The demographic profile differs in these sectors. By age groups, the Ministries of Education and Health tend to have younger workers, with a higher-than-average share of workers in the 30-39 years cohort, while the Ministries of Interior and Finance have a higher-than-average share of workers in the 40-59 years cohort (Figure 3). The average monthly wage per worker in the Ministries of Education and Health tend to be higher for the younger workers (Figure 4).



**4. Before the beginning of IMF engagement, the education sector seems to have dominated the new hire of permanent employees, while other sectors experienced proliferation of “trainees”.** In the whole civil service, about 600 permanent employees are expected to retire each year during 2024-26. This represents an annual average attrition rate of 2.4 percent. With the total freezing of new hiring, this will generate about CFAF 1.5 billion of savings in the wage bill per annum (Figure 5). When analyzing granular data of each ministry, however, the Ministry of Education has an attrition rate much lower than other ministries (Figure 6). Importantly, the Ministry of Education has a very low vacancy rate in permanent positions, while ministries in the security sector have a very high vacancy rate close to 50 percent of permanent positions (Figure 6). These data suggest that until the introduction of the strict no-new-hiring policy, the Ministry of Education dominated new hiring of permanent employees at the cost of vacancies in the other sectors. The

other ministries appear to have maintained a minimum level of service delivery by using as workers a large number of job candidates in a “trainee” status without completing their formal recruitment process. These trainees are likely to include inefficient workers who should have been eliminated in the recruitment process, while many trainees have been performing essential jobs for years, receiving salaries from the payroll, but without a formal employment contract. Lack of a formal contract makes it very difficult to for example apply for a mortgage or obtain a lease contract and thus severely demotivates these essential workers.

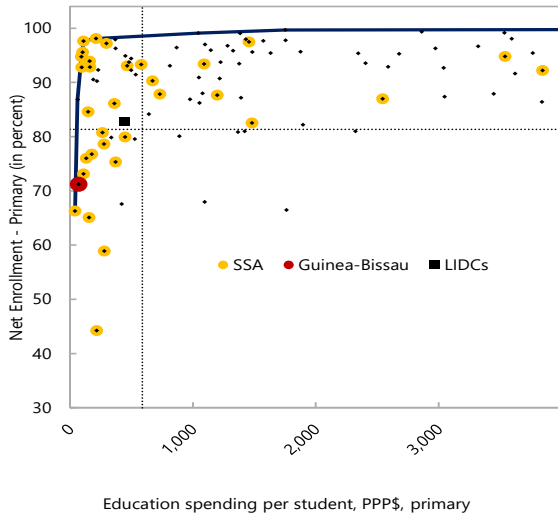


## Medium-Term Reforms

**5. Over the medium-term, reforms should focus on enhancing spending efficiency and outcomes of public service delivery.** As highlighted in the 2022 IMF FAD TA in the wage bill management, the authorities should continue the implementation of structural reforms to optimize the wage bill spending and achieve the WAEMU criteria for the wage bill to tax revenue ratio.<sup>1</sup> These reforms include: (i) strengthening the link between productivity and remuneration; (ii) transferring excess staff in certain areas to priority areas; (iii) improving IT systems and digitalization of procedures; and (iv) strengthening the preparation and execution of the wage bill budget. These reforms should be part of the broader public administration reform and focus on enhancing spending efficiency and public service delivery outcomes, particularly in the education and health sectors, outcomes of which are lower than Sub-Saharan African average (Figure 7 and Figure 8).

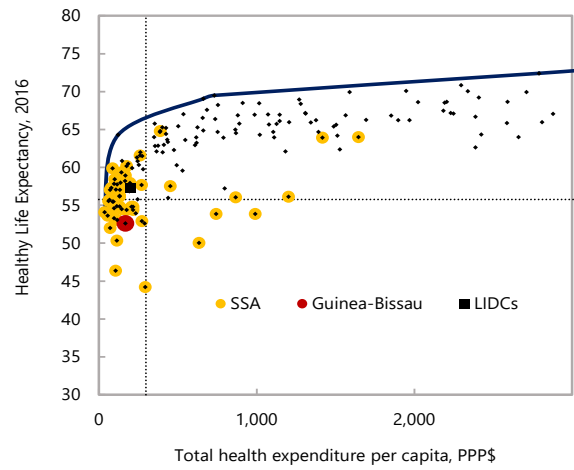
<sup>1</sup> While wage bill spending to tax revenue ratio has improved significantly from 62 percent in 2021 to 53 percent in 2023, it remains elevated above the WAEMU second-order convergence criteria of 35 percent ceiling.

**Annex II. Figure 7. Guinea-Bissau: Education Spending and Outcome**



Source: IMF FAD Expenditure Assessment Tool, WB, WHO

**Annex II. Figure 8. Guinea-Bissau: Health Spending and Outcome**



Note: Dash lines are average of SSA countries. Healthy life expectancy (HALE) is a measure of health expectancy that applies disability weights to health states to compute the equivalent number of years of life expected to be lived in full health.

## References

International Monetary Fund (IMF). 2016. "Managing Government Compensation and Employment—Institutions, Policies, and Reform Challenges", Policy Papers.

International Monetary Fund (IMF). 2019. "Fiscal Implications of Government Wage Bill Spending", Working Paper WP/19/10, Fiscal Affairs Department.

## Annex III. Fiscal and Governance Reforms

**1. This Annex explains priorities of fiscal and governance reforms.** These intend to complement the policies and reforms included in the program documents and SBs and take into account the findings from the 2020 Governance Diagnostic Assessment. Many measures are the continuation of reforms that have been implemented or initiated during the SMP (Annex IV Table 1).

**2. Revenue administration and tax policy.** The authorities aim to strengthen tax and customs administration based on the action plans, which were developed with FAD CD support and have been endorsed in a ministerial order. Drawing on efforts to simplify and modernize the tax system during the SMP, the action plans aim to address the following challenges faced by the Directorate-General for Taxes and Duties (DGCI) and the Directorate-General for Customs (DGA): (i) extensive administrative discretion; (ii) political interference in hiring decisions; (iii) inadequate exchange of information among public entities; and (iv) outdated information technology systems. Addressing these challenges will improve transparency and efficiency in revenue administration, taxpayer compliance, and professionalism of revenue officers. The action plans include 24 priority actions to be implemented by June 2025 and other actions specific to the implementation of the new VAT law. The authorities are also taking efforts to overhaul the tax framework, with FAD CD support. The electronic tax filing and payment system (Kontaktu) was completed with FAD CD support during the SMP and realized revenue gains.

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

**4. AML/CFT effectiveness.** Further action to strengthen AML/CFT effectiveness is needed. In the February 2022 Mutual Evaluation Report (MER), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) gave the country low effectiveness ratings in all 11 criteria. The authorities have operationalized the Inter-ministerial Committee to coordinate implementation of recommendations of MER and the 2020 National Risk Assessment (NRA). The authorities should also accelerate implementation of the following priority actions: (i) updating the NRA based on MER recommendations; (ii) publishing the national AML/CFT policy and finalizing the action plan to address findings of MER and NAR by September 2024; (iii) preparing the legal framework for designating CENTIF as the AML/CFT supervisor for designated non-financial businesses and professions (DNFBPs) by December 2024; and (iv) requiring all legal persons registering at the Centre for Formalization of Enterprises and the Directorate-General of Civil Identification, Registry and Notary to submit a beneficial ownership identification form by June 2024.

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



**Annex III. Table 1. Guinea-Bissau: Reform Progress Under SMP**

<b>Measures taken</b>	<b>Date</b>
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. <sup>1</sup>	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 Pública; 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 Ministers	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 amended 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.	
<sup>1</sup> The information is available on the website of the High Commissioner: <a href="https://www.accovid-gw.org/relat%C3%B3rios">https://www.accovid-gw.org/relat%C3%B3rios</a>	

## Appendix I. Letter of Intent

Bissau, April 26, 2024

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

Dear Ms. Georgieva,

Guinea-Bissau is facing a complex array of challenges: a deep political crisis, compounded by severe terms of trade shocks, increasing poverty, and soaring debt costs due to tightening of financial conditions in the regional market. In December 2023, the National Guard released from detention the former Minister of Finance and Secretary of State for Treasury, arrested on corruption charges over the settlement of cross-arrears of the large and undercapitalized bank. This event resulted in a deadly shootout between the National and Presidential Guard. To restore the order, the President of Republic dissolved Parliament and appointed a new government. Since then, the political and social situation remains calm. However, a difficult external environment is eroding our fragile economic and social stability. Surging international rice prices, the main staple food in Guinea-Bissau, has been driving very high inflation, which hit hard the most vulnerable population. Moreover, current market conditions suggest that cashew export prices for 2024 may decline and result in another disappointing campaign. Financing remains constrained by sustained tightening of regional financial conditions, with interest rates doubling during the last year.

Despite the extremely challenging situation, we made progress in the IMF-supported program implementation under the Extended Credit Facility (ECF) arrangement. We met five out of eight quantitative performance criteria (QPC) for September 2023 and four for December 2023. Our restless determination to control the wage bill resulted in a nominal reduction of 12 percent, an objective considered very difficult to reach a year ago. Tax revenue, another key program parameter, also increased by 12 percent owing to our strong revenue mobilization efforts. To date, we met or completed five structural benchmarks (SBs) for December 2023 and three for March 2024.

After dismissal of the previous government, we have taken corrective actions to address the slippage of late 2023. We are pleased to inform you that we have been implementing prior actions and have also increased fuel taxes further beyond pre-tax cut levels, a very strong demonstration of our commitment to the IMF-supported program. We are also determined to mobilize revenue even in absence of Parliament and reinforce our strict control of the wage bill and rationalize non-priority expenditure. The Technical Committee for the Arbitration of Budgetary Expenditure (COTADO) and the Treasury Committee have been meeting regularly and results have been reported for information to the offices of the President and the Prime Minister. With all these measures, we will meet program objectives, securing fiscal consolidation, debt reduction and inclusive and sustainable growth.

On this basis, we request waivers for the non-observance of the missed QPCs for September and December 2023, modification of program conditionality for 2024, and addition of new conditionality.

Despite Guinea Bissau's formidable challenges, we remain committed to implementing the ECF-supported program, building institutional capacity and securing long-term debt sustainability. Therefore, we request rephrasing of access to reduce the level of a disbursement for the fifth review to a token amount and spread it over two subsequent reviews. Our development partners are also coming forward to provide additional support soon on the back of the IMF-supported program. However, persistent external shocks outside of our control, for which the augmentation of the program was approved at the third review, continue to weaken Guinea Bissau's external position and are increasing already large short-term financing needs. To meet these needs, we request an additional quarterly review with an April 2024 test-date which will provide us with an opportunity to demonstrate our reform progress.

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

We hereby request the completion of the fourth and fifth reviews under the ECF arrangement and the financing assurances review, and the disbursement of SDR 6.17 million. We agree to the publication of this letter and its attachments, as well as the related staff report, on the IMF's website.

Yours sincerely,

/s/

Ilídio VIEIRA TÉ

Minister of Finance  
Guinea-Bissau

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

## Attachment I. Memorandum of Economic and Financial Policies

### Recent Development and Program Performance

#### A. Introduction

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

#### B. Economic Development and Outlook

**2. Growth stabilized in 2023 but inflation remained high.** Growth is projected to be 4.3 percent for 2023, slightly increased from the third review. The impact from low cashew exports was compensated by strong growth of subsistence farming and the completion of a large electricity project connecting Guinea-Conakry to Bissau. High headline inflation (7.2 percent annual average) has been driven by food inflation and would have been above 10 percent without tax cuts in fuel and food, and rice price subsidies.

**3. External imbalances were larger than expected in 2023.** A significant decline in cashew prices caused a decrease of exports by 2.3 percent of GDP with respect to 2022. Together with the increase in rice prices, this caused a severe terms of trade shock and resulted in the current account deficit of 8.6 percent of GDP in 2023. Financing was constrained by tightening regional financing conditions, which sharply have increased interest rates of Treasury securities and shortened average maturities.

**4. In 2024, growth is expected to recover to at least 5 percent, but shocks to the external sector are likely to continue.** Growth will be supported by the improvement to the cashew export process limiting smuggling, as well as continued strong growth of private investment. However, current market conditions suggest that cashew export prices will decline and international rice prices show little sign of slowing in 2024. This will have a negative impact in the external balance which will continue to be affected by unfavorable terms of trade and tight financing conditions in 2024. Inflation is projected to increase with respect to the third review to 4.2 percent.

**5. The outlook is facing significant downside risks.** Risks arise from a continued terms-of-trade shock, further tightening of regional financial conditions, and adverse weather conditions. Furthermore, risks stemming from a challenging political context could constrain fiscal consolidation

efforts. Materialization of contingent liabilities in the SOEs and banking system would add fiscal costs. If these risks materialize, we will further rationalize expenditures and seek additional donor support, especially budget support.

## C. Program Performance

**6. We met five out of eight quantitative performance criteria (QPC) for September 2023 and four for December 2023 (Table 1).** The floor on tax revenue was missed for both dates mainly because of tax cuts of rice and fuels introduced by the previous government. The ceiling on wages was missed for September due to lower-than-expected savings from the 2022 census, but a strict no-new-hiring policy made the deviation marginal in December. The floor on a domestic primary balance for September, which was not revised at the third review, was missed due to significant overrun of discretionary spending between April-July. The floor for December was revised at the third review but missed due mainly to tax cuts, lower-than-expected fishing revenue, and higher discretionary spending made after discontinuation by the previous government of the COTADO and the Treasury Committee. The ceiling on domestic arrears was missed for December due to debt service delayed by the previous government. For these missed QPCs, we are implementing corrective actions described below. All arrears have been already paid.

**7. We met three out of nine structural benchmarks (SBs) for December 2023.** We are accelerating implementation of SBs, which was delayed under the previous government. To date, we have completed two missed SBs for December 2023 and met three SBs for March 2024 and one for September 2024. We request cancellation, reprogramming, resetting, and modifications of other SBs (Table 2). We did not meet continuous SBs on external debt service and the Technical Committee of Arbitration of Budgetary Expenditure (COTADO), because the previous government discontinued the Treasury Committee and the COTADO. We have resumed the meetings of these committees.

## Economic and Financial Policies

### D. Fiscal Policy and Reforms

#### Supporting Fiscal Consolidation

**8. The domestic primary deficit for 2024 will be widened from the third review, but will remain on track with the agreed fiscal consolidation path.** Tax revenue is expected to be lower than envisaged at the third review because of lasting effects from tax cuts and postponement of measures requiring parliamentary approval such as changes in tax collection incentives, telecommunication taxes and a new tax exemption regime. Nontax revenue is also affected by lower fishing revenue. Expenditure is expected to be higher than planned at the third review, mainly because of rice price subsidies and higher electoral census costs very marginally supported by donor financing. To meet the fiscal targets, we have been implementing revenue-increasing measures, strictly controlling the wage bill, and minimizing non-priority expenditure. With these measures, a domestic primary deficit is expected to decrease by 2.2 percent of GDP from 2023. We will also

suspend or cancel a large agricultural project that is financed by external loans, so that an overall deficit remains broadly unchanged from the third review.

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

- Phasing out tax cuts introduced in 2023.** To accelerate revenue mobilization, we have increased tax reference prices of diesel and gasoline to CFAF 411/liter and CFAF 467/liter, respectively, which go beyond the requirement of the agreed prior action (CFAF 380/liter and CFAF 420/liter) and are much higher than the pre-tax cut levels (CFAF 371/liter and CFAF 391/liter). We took this strong action because increasing fuel taxes is one of very few revenue-increasing measures that we can take without Parliament approval. For tax cuts and subsidies of rice, we (i) have suspended rice subsidy disbursements and (ii) have maintained the tax reference price at CFAF 100/kg (**Prior Action**). In March 2023, the Prime Minister issued an order to suspend a price-fixing of rice by the end-June 2024 when an inventory of subsidized rice will be exhausted, and farmers will start to receive income from cashew exports. Implementing these two measures has prevented significant revenue loss and expenditure increase.
- Mobilizing 5G license fees.** We have approved a report on a study of prices and structures of 5G license fees based on examples of other countries in the region (**Prior Action**), to facilitate the sales of licenses, which should raise significant non-tax revenue. We will launch the licensing process by publishing an Invitation to Apply by August 2024 (**proposed SB, end of August 2024**). The first license is expected to be issued by the end December 2024.
- Auditing telecom operators.** The telecom operators are the largest taxpayers for the Directorate-General of Duties and Taxes (DGCI), paying a quarter of all inland tax revenue (excluding cashew related taxes). We will undertake an audit of telecom operators based on difference in the data submitted to the DGCI and the National Regulatory Authority (ARN) (**proposed SB, end of September 2024**), because the ANR's data currently indicate a much higher level of telecom activities and suggest under-declarations.
- Streamlining tax exemptions.** To identify tax exemptions that can be removed without parliamentary approval, the Inspector-General of Finance will inspect legality and justifications of tax exemptions given to the largest beneficiaries in 2023 consistent with domestic and regional legislation (**proposed SB, end of September 2024**). This includes exemptions given to a cement company, taking into account the WAEMU Commission's decision to ban similar exemptions given to cement companies in Senegal.
- Data-matching with the Senegalese customs.** The Directorate-General of Customs (DGA) maintains close cooperation with the Senegalese customs. We will request regular exchange of customs data with the Senegalese authorities based on the existing memorandum of understanding. We will request the Senegalese authorities to share their customs data to assess under and non-declarations of customs revenue in 2024. This data-matching process, which has significant revenue potential, will be automated when the Sydonia World is operationalized in the medium-term.

- Tackling smuggling of cashew nuts.** A tax reference price of cashew nuts has been reduced from US\$900/ton in 2023 to US\$800/ton in 2024, reflecting a decline of export prices. To prevent negative revenue impact from a declining cashew price, we will increase volume of formal exports by reducing smuggling, which occurred on a large scale in 2023. This was because (i) the border control was loosened by deployment of security forces for the June 2023 legislative election and delay in recruitment of temporary inspectors, who should have guarded the border together with the National Guard, and (ii) the ban on cashew exports through the land was temporarily lifted in response to significant delay in the logistical process. To strengthen the border control, we have reintroduced the ban on cashew exports through the land, redeployed security forces to the border, and accelerated recruitment of 390 temporary inspectors to secure sufficient time for their training and deployment. Smuggling has been partly motivated by a cumbersome administrative process to pay various fees physically at offices of around 15 different agencies and submit all documents to the Judiciary Police. We will issue a ministerial order that requires payments of all fees on cashew exports to be centralized at the Treasury and DGCI (**proposed SB, end-June 2024**), which should distribute fees to respective receiving entities.
- Ongoing reforms.** To solidify the professionalization of the DGCI, the managers will be evaluated based on performance indicators and quantitative targets (existing SB, end of June 2024). To make public tenders possible, a redeployment plan will be prepared by the Minister of Finance to reallocate these existing unqualified managers to other positions outside the DGCI (existing SB, end-December 2024). We will submit to the new Parliament the revised income tax and stamp duties bills (existing SB, end-June 2025) and prepare an action plan to improve the fiscal regime for natural resource management (existing SB, end-June 2024).

**10. We will strengthen expenditure controls by safeguarding continuation of the COTADO.** The COTADO has been playing a central role in rationalizing non-priority expenditure. Its discontinuation by the previous government in November 2023 loosened expenditure controls. We resumed the COTADO, which has been meeting monthly since January 2024. To ensure the COTADO's continuation, we have issued an order of the Minister of Finance to (i) submit to the President and Prime Minister for their information a monthly report of Treasury Committee that shows the existence of COTADO's approval for each payment of expenditure and (ii) prohibit payments of expenditures, except for the wage and debt service, unless it has been approved by the COTADO (**Prior Action**). We have been implementing this order by ensuring that commitments of all expenditures, except for the wage and debt service, are approved by the COTADO and the monthly report is sent to the President and Prime Minister (**proposed continuous SB**, replacing existing continuous SB).

**11. We will maintain strict controls of the wage bill.** For 2024, we will strictly adhere to the total freezing of new hiring except for limited hires in the health sector and maintain capping of salaries and streamlined advisor positions, which were reduced by 51 people in 2022. Based on the new terms of reference, which has been prepared with leadership of an independent entity (National Institute of Statistics (INE)), we will complete the new census of public workers by end-December



2024, which is expected to generate savings to allow limited new hiring in social and priority sectors. To monitor attendance of employees, a biometric control system connected to the payroll system has been installed at the MoF and will be rolled out to other ministries after the pilot. The first phase of the IMF-supported Blockchain-based wage control project has been completed and was launched in March 2024.

## Mitigating Debt Vulnerabilities

**12. We will strengthen controls over external project loans to adhere strictly to a very limited borrowing space.** A wider domestic primary deficit has significantly narrowed a space for concessional borrowing in 2024 and 2025. We propose a new QPC on new concessional external debt contracted or guaranteed by the central government and a new Indicative Target (IT) on disbursements of external project loans, in order to strengthen controls over contracting of new loans within the agreed borrowing plan and disbursements of existing loans within the agreed budget limit. To adhere to the targets, we will suspend or cancel the large agricultural project loan from the BOAD, which was contracted by the previous government. This will support the fiscal consolidation path to converge the overall deficit and public debt to the WAEMU criteria (3 percent and 70 percent of GDP) by 2025 and 2027.

**13. We will strengthen the Treasury Committee to ensure timely payments of debt service and accurate reporting of debt.** The Treasury Committee has been taking essential roles in monitoring debt service payments and domestic borrowing. The previous government discontinued the Treasury Committee. This led to arrears on domestic debt service in December 2023, which have since been regularized. In the absence of oversight by the Treasury Committee, the quality of debt reporting worsened. We made significant corrections in the latest Net Treasury Situation report (i.e., PNT) which increased stock of domestic commercial bank borrowing in 2022 and 2023 by 0.5 percent and 1.8 percent of GDP, respectively. To strengthen monitoring by the Treasury Committee, we will (i) issue bank instructions for all external debt service by the due date or if denominated in CFAF on the dates specified by the Minister of Finance and send their copies to the Treasury Committee and (ii) submit a monthly PNT report that includes breakdowns to each loan contract and bank account and calculates discrepancies of the fiscal balance between the above and below the line (**proposed continuous SB**, replacing existing continuous SB).

**14. The government will reduce debt vulnerabilities through a sustained fiscal consolidation and prudent borrowing policy.** In 2023, total public and external debt of Guinea-Bissau is estimated to be 80.2 percent and 35.8 percent of GDP, respectively. The share of credits from the Fund, World Bank, and African Development Bank in total external public debt is estimated at 45.5 percent in 2023. While the share of all multilateral creditors in total external public debt is relatively high (81.6 percent in 2023), 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, total public debt and external debt will decline steadily to 66.5 percent and 23.9 percent of GDP, respectively, by 2029. We will address ongoing issues as follows:



- **The government is committed to clearing part of outstanding domestic arrears.** The government plans to start clearing the remaining stock of domestic legacy 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.
- **The government remains committed to solving all legacy external arrears and avoiding 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.
- **The government will contract external debt only on highly concessional terms.** To ensure that the risk of debt stress remains manageable, the government is committed not to contract non-concessional external loans. The government will consult with the IMF on evaluation of the financial terms of new proposed loans.
- **The government will improve debt transparency.** We will expand the coverage of the published annual debt bulletin to cover debt from the two largest SOEs that pose the largest fiscal risks (EAGB and the civil aviation authority) and publish quarterly debt bulletins that include central government debt and guarantees.

### Improving Public Financial Management

**15. We will improve commitment controls and cash management.** The priority actions in this area include the following:

- **Reintroducing systemic commitment controls:** The reintroduction of systemic commitment controls, which used to exist but were discontinued in 2018, is important to complement the COTADO's functionality. We will require the approval by the Ministry of Finance (MoF) of public contracts for all purchases of four key food items (rice, cooking oil, meat, and fish) and fuel (**SB, reprogrammed to end-March 2025**). Subsequently, we will expand this requirement to a purchase of medicines and laboratory materials.
- **Ongoing reforms.** To implement the Treasury Single Account (TSA), we will execute expenditure from the TSA, starting with the wage bill (**SB, reprogrammed to end-September 2024**). To enhance cash management function, we will revise cash forecasting methodologies and processes (existing SB, end-June 2025).

**16. We will strengthen the public investment management to prioritize projects within a tight borrowing space.** In order to prioritize proposals of loan-financed external projects within the limit of the new QPC, the Directorate-General of Planning (DGP) will prepare opinions on costs and benefits of all new loan-financed external projects proposed in 2024, which should be sent to the

Council of Ministers together with project proposals. We will pilot preparation of such opinion to reappraise the Project Kebur for its cancellation.

**17. We will improve the budget execution of social and priority spending.** During the budget execution, allocations of domestic resources for projects and operating costs tend to be under-executed in the social and priority ministries. To complement the existing QPC, we propose a new IT on spending for targeted projects and activities. In the agricultural sector, the following projects and activities included in the new IT are expected to achieve good outcomes with much smaller costs than the large agricultural project:

- **Reactivating experimental farms:** The experimental farms of the National Institute of Agricultural Research (INPA) have been taking essential roles in preserving seeds suitable for Guinean environments and providing seeds with good quality to subsistence farmers and training them for good practices. However, given their dire financial situation, large areas of experimental farms have been uncultivated for long time. We will provide minimum operating costs to the INPA and expand the experimental farms by 30 ha, which could provide seeds for food crops to feed more than 2,000 people for a year.
- **School feeding from domestic agricultural products:** With support of the World Food Program (WFP) and other partners, the government has been implementing a school feeding project, which provides agricultural inputs and training to smallholder farmers and purchases their agricultural products for school feeding. This will improve not only agricultural productivity and farmers' income but also access to education and children's health. To complement this project, we will construct cafeterias in schools that currently do not have proper kitchens.

### Mitigating Fiscal Risks

**18. There has been significant progress in reducing fiscal risks from *Electricidade e Aguas da Guineia-Bissau (EAGB)*.** We have completed construction of infrastructure to connect Bissau to the OMVG and are preparing for a test to switch to the new source of power. In the near future, this connection will reduce EAGB's electricity purchase costs by half and greatly improve its financial situation. However, EAGB should continue increasing revenue. We completed installation of 32,700 pre-paid meters until August 2023 when the stock of meters was exhausted. With financing from development partners, we will purchase and install additional 35,000 pre-paid meters to residential clients (**proposed SB, end-June 2025**). For large clients, EAGB has improved bill arrears collection by cutting electricity of delinquent clients. While we took remedial actions to eliminate most imminent problems, we continue to have concerns about the quality of the Ring Line, which is part of a critical transmission line connecting the OMVG with the Bissau's distribution grid, and we will work with EAGB and development partners to address operational challenges. We will submit to the Prime Minister and publish a report that (i) calibrates negative economic and financial impact of delay in the Ring Line Project; (ii) presents the testing and inspection results of the Antula-Central line; and (iii) recommends remedial works that the contractor should undertake (**proposed SB, end-September 2024**, modifying the existing SB). We will prepare a strategic plan to ensure financial viability of EAGB in the medium to long-term (existing SB, end-December 2024).

**19. We will continue to renegotiate the contractual conditions with Karpower.** After transition to OMVG, renegotiation will focus on better contractual conditions and early termination costs of the Karpower contract. We will continue to investigate the addendum signed with Karpower in 2020 to increase the capacity to 70MW when the country can barely use 24MW. The Audit Court is currently auditing EAGB and the power purchase contract and addenda with delay (**SB, reprogrammed to end-September 2024**).

## E. Governance and Rule of Law Reforms

**20. Building upon our achievements under the SMP, we will continue public procurement reforms and external audits to improve transparency.** Since the pandemic, The Directorate-General of Public Tenders (DGCP) has been publishing beneficial ownership information of all public contracts in its website, in accordance with the decree on beneficial ownership of bidders of public procurement approved in 2022. We will further strengthen the DGCP's functionality through its participation in the COTADO. For COVID-19 spending, the report of the independent third-party audit of the High Commissioner for COVID-19 (AC) was completed and published in the MoF's website in December 2022; and the audit report by the Audit Court of the AC was also completed and published in the website in November 2023. The Audit Court has prepared the draft audit report of COVID-19 spending of other entities, which will be finalized and published in the mid-2024. The Audit Court is also making progress in audits of the hiring process for 2021-22.

**21. We will take further actions to enhance AML/CFT effectiveness.** In the 2022 Mutual Evaluation Report (MER), the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) gave Guinea-Bissau low effectiveness ratings in all 11 criteria. To coordinate implementation of recommendations of MER and the 2020 National Risk Assessment (NRA), we have operationalized the Inter-ministerial Committee. We will also (i) update the NRA based on MER recommendations; (ii) publish the national AML/CFT policy and finalize the action plan to address findings of MER and NAR by September 2024; (iii) prepare the legal framework for designating CENTIF as the AML/CFT supervisor for designated non-financial businesses and professions (DNFBPs) by December 2024; and (iv) require all legal persons registering at the Centre for Formalization of Enterprises and the Directorate-General of Civil Identification, Registry and Notary to submit a beneficial ownership identification form by June 2024. As the first step for monitoring of DNFBPs, the inspection of tax exemptions by the Inspector-General of Finance (proposed SB, see ¶19) will cover those given to non-governmental organizations, some of which lack transparency and could generate important AML/CFT risks.

**22. The government will accelerate reforms to strengthen the anti-corruption framework.**

The priority reforms include the following:

- **Asset declaration regime:** In October 2023, we submitted the new draft law on the asset declaration regime to Parliament, but it was dissolved before approving it. While waiting for formation of new Parliament, we will undertake assessment of which institution is suitable to be the depositor of the asset declaration, which requires substantial institutional capacity;

- **Transparency in concession contracts:** The DGCP has begun publishing beneficial ownership information of concession contracts. These concessions do not require payments from the government but often involve use of public assets and provide tax and other benefits for commercial activities. To improve transparency and mitigate governance vulnerabilities, we will publish a register of concession contracts submitted to the DGCP, including detailed information on contracts' durations, concessionaires' rights, obligations, and beneficial ownership, and tax and other benefits provided by the government (**proposed SB, end-December 2024**).
- **Coordination between anti-corruption institutions:** We have been facing challenges in ensuring coordination between anti-corruption institutions. There are several reported cases that have not been followed-up for years. We will establish a Task Force between the Public Ministry, Judiciary Police, and CENTIF to facilitate their coordination and follow-up on pending cases.
- **Asset recovery:** Strengthening the asset recovery, amount of which has been low in Guinea-Bissau, is essential for anti-corruption reforms. Especially, the Office of Asset Recovery composed of the Ministries of Finance and Justice, Public Ministry, Judiciary Police, CENTIF, and other entities, has been inactive for long time. To reactivate institutions and strengthen investigations, the Office of Asset Recovery will prepare a proposal for establishing interconnectivity of databases held by the members.
- **Medium-term reforms:** We will submit a package of legislation to strengthen independence of the Supreme Court Judges and Prosecutor-General through the improved nomination process and strengthen the legal framework for asset recovery and cooperation in economic crime investigations. We will also update a national anti-corruption strategy based on the diagnosis of corruption risks.

**23. We will push for reforms to improve the rule of law.** The government has established the Center for Access to Justice (CAJ), which has programs for supporting public access to the judicial system. To ensure the equal access particularly by vulnerable population, the government will construct buildings for the CAJ in Bubaque and Catio, which are in two remaining provinces that do not have the CAJ by the end 2024. We will also continue to provide financial resources to meet operational costs without delay. To improve access to CAJ by populations in remote locations, we will develop a mobile app that includes basic information on legal awareness and functionality to request services from CAJ. The justice sector in Guinea-Bissau is in a dire financial condition. Several regional courts have closed because of lack of rent payments or magistrates. To develop minimum infrastructure, we will construct three Houses of Justice which accommodate regional courts, Identity Services, and all other justice-related services.

**24. We will accelerate reforms of the state property management.** Management of state property has been facing high risks of misuse. Many government houses are occupied by former public servants, who have continued to live in houses without rental payments after the end of their terms (*casas avaliadas sem pagamento*). Also, many government vehicles have been unused or disposed for private use and free of charge. We have stepped up efforts to strengthen the state

property management. To implement the new legal framework approved in 2023, we will issue regulations that will replace outdated provisions of the existing legislation dating back to the colonial period by June 2024. We undertook inspection of the Taiwan Building, where the largest number of *casas avaliadas sem pagamento* belong, and found that the building is unsafe and has risks of collapse. To facilitate the solution, we will establish a Joint Committee between the National Secretariat of State Property (SNPE), Ministry of Public Works, and Bissau City Hall and send to the Council of Ministers recommendations on recovery and rehabilitation of the Taiwan Building. In March 2024, the Council of Ministers approved the new directive on use of government vehicles. To implement this directive, we will install GPS devices at selected government vehicles vulnerable to abuse. In 2024, we will pilot the device at vehicles of the MoF and roll out to the Ministries of Agriculture, Fishery, and Health, which have a large number of vehicles. The SNPE has acquired the parking lot for confiscated vehicles. We will continue to invest in the SNPE's infrastructure to support its functionality.

## F. Financial Sector Reforms

**25. The government is taking actions for the disengagement from the large and undercapitalized bank.** Before the December 2023 events, an investor was finalizing a purchase offer which was expected to be submitted to the Regional Banking Commission in mid-December 2023. The process has been delayed but is expected to conclude after statutory and legal requirements are fulfilled in 2024. We will request the bank to request a third-party independent audit to assess the viability and solvency of the undercapitalized bank in accordance with the terms of reference prepared with advice from IMF staff (**Prior Action**). If the purchase offer ultimately does not materialize, the government remains committed to a new SB requiring the preparation of a viable recapitalization or resolution plan for the bank, to be implemented by the end of the program at the latest.

## G. Statistics Reforms

**26. The government is committed to implementing statistical reforms.** We will help the INE speed up publication of the national accounts for 2019 and 2020. To strengthen the institutional capacity of the INE, we approved a decree that enhances the organizational structure and human and technological resources of the INE. We will also implement the Enhanced General Data Dissemination System (e-GDDS). The participation in this initiative will support our efforts to publish, in a timely manner, key macroeconomic and financial data which are aligned with the common indicators required for IMF surveillance. In addition, the e-GDDS will contribute to enhancing interagency coordination and statistical development in support of our program objectives.

## H. Program Monitoring

**27. The program will be monitored through QPC, continuous performance criteria, and IT (Table 1) and prior actions and structural benchmarks (Table 2).** Assessment will be on a quarterly basis until June 2024 test date and thereafter on a semi-annual basis using bi-annual

performance criteria (end-June and end-December) and continuous performance criteria throughout the program period as presented in Table 1. The Technical Memorandum of Understanding (TMU) defines the scope and frequency of data to be reported for program monitoring purposes and presents the detailed definitions that form a basis for the performance assessments. The government will:

- i.** Adhere to the quantitative performance criteria (QPC) on the floors on domestic tax revenues, the domestic primary balance and social and priority spending; the ceilings on wages and salaries and new concessional external debt contracted or guaranteed by the central government; and the zero ceilings on new non-concessional external debt contracted or guaranteed by the central government, new external payments arrears, new domestic payments arrears, and non-regularized expenditures;
- ii.** Prepare an external borrowing plan to facilitate assessment of the QPCs on external debt;
- iii.** Refrain entering or guaranteeing new external borrowing contracts at non-concessional rates;
- iv.** Agree not to: (1) impose or intensify restrictions on payments and transfers for current international transactions; (2) introduce or modify multiple currency practices; (3) enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement; and (4) impose or intensify import restrictions for balance of payments purposes; and
- v.** Adopt any new financial or structural measures that may be necessary for the success of its policies, in consultation with the IMF.

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

	2023						2024								
	Sep		Dec		Mar		Apr		Jun		Sep		Dec		
	QPC	Prel.	Status	QPC	Prel.	Status	IT	QPC	IT	QPC	IT	QPC	IT	QPC	
<b>Quantitative Performance Criteria</b>															
Total domestic tax revenue (floor)	87.1	83.6	not met	113.7	111.3	not met	18.3	26.0	48.9	85.5	122.2				
Wages and salaries (ceiling)	41.8	44.4	not met	59.0	59.2	not met	15.3	20.3	30.5	45.8	61.0				
Ceiling on new non-concessional external debt contracted or guaranteed by the central government (US\$ millions) <sup>1</sup>	0.0	0.0	met	0.0	0.0	met	0.0	0.0	0.0	0.0	0.0				
Ceiling on new concessional external debt contracted or guaranteed by the central government (US\$ millions) <sup>1,2,5</sup>	...	...	...	...	...	...	3.0	3.0	3.0	3.0	3.0				
New external payment arrears (US\$ millions, ceiling) <sup>1</sup>	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	4.9	not met	0.0	0.0	0.0	0.0	0.0				
Social and priority spending (floor) <sup>3</sup>	38.8	41.1	met	51.6	53.8	met	13.5	17.2	28.1	42.0	55.8				
Domestic primary balance (commitment basis, floor) <sup>4</sup>	-5.7	-33.7	not met	-25.5	-41.0	not met	-12.3	-17.3	-22.3	-18.8	-15.5				
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				
<b>Indicative Targets</b>															
Ceiling on disbursements of external project loans	...	...	...	...	...	...	7.7	10.0	12.3	13.9	15.4				
Spending for targeted projects and activities (CFAF millions, floor)	...	...	...	...	...	...	46	62	93	139	464				
<b>Memorandum Item:</b>															
New concessional borrowing <sup>5</sup>	21.0	16.2		23.4	19.5		...	...	...	...	...				

<sup>1</sup> These apply on a continuous basis.

<sup>2</sup> Adjusted upward by (i) the amount of cancellation of existing concessional external debt contracted after the approval of the ECF arrangement but undisbursed, up to USD 33.0 million and (ii) the amount of budget support loans not included in the baseline.

<sup>3</sup> Defined as spending by the Ministries of Health, Education and the Ministry of Women, Family and Social Assistance.

<sup>4</sup> Excludes grants, foreign and BOAD financed capital spending, and interest.

<sup>5</sup> Excludes IMF disbursements.

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

Measures	Rationale	Status	Date	Comments
<b>Prior Actions</b>				
Reverse tax reference prices of diesel and gasoline to CFAF 380/liter and CFAF 420/liter, respectively	Revenue mobilization		Prior Action	
For tax cuts and subsidies of rice, (i) suspend rice subsidy disbursements and (ii) maintain a tax reference price of rice at CFAF 100/kg	Revenue mobilization		Prior Action	
Approve a report on a study of prices and structures of 5G license fees based on examples of other countries in the region	Revenue mobilization		Prior Action	
Issue an order of the Minister of Finance to (i) submit to the President of Republic and Prime Minister for their information a monthly report of Treasury Committee that shows the existence of COTADO's approval for each payment of expenditure and (ii) prohibit payments of expenditures, except for the wage and debt service, unless it has been approved by the COTADO	Expenditure control		Prior Action	
Request the large and undercapitalized bank to request a third-party independent auditor to assess the viability and solvency of the bank in accordance with the terms of reference prepared with advice of IMF Staff	Financial sector policy		Prior Action	
<b>Structural Benchmarks for 4th Review (September 2023)</b>				
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	Met	September 2023	
Resubmit to parliament the Law reforming the Asset Declaration Regime after elections	Strengthen anticorruption framework	Not met	September 2023	Completed in October 2023



**Table 2. Guinea-Bissau: Prior Actions and Structural Benchmarks**  
(Continued)

Measures	Rationale	Status	Date	Comments
<b>Structural Benchmarks for 5th Review (December 2023)</b>				
Submit to Parliament the draft 2024 budget in line with the program parameters	Expenditure control	Not met	December 2023	Proposed to be cancelled as Parliament was dissolved before achieving this SB.
Issue a joint order of the MoEF and MoPA to set out the terms of reference of the new census of public workers, prepared in accordance with IMF staff advice	Wage bill control	Not met	December 2023	Completed in March 2024.
Create a unit dedicated to cash management operations and revise the Treasury Committee's mission to approve cash forecasts with a quarterly or longer horizon	Cash management	Met	December 2023	
Complete installation of additional 25,000 pre-paid meters to largest residential clients that use post-paid meters	SOE oversight/EAGB	Not met	December 2023	The installation stopped at 32,700 meters due to exhaustion of an inventory of meters. Proposed to be replaced with a new SB for 9th rev. with increased number of meters.
Complete and publish an audit of EAGB's power purchase agreement and its amendments	SOE oversight/fiscal transparency	Not met	December 2023	Reprogrammed to September 2024. The audit process is delayed due to its complexity.
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	Met	December 2023	
Approve by Council of Ministers and submit to Parliament the revised law on the general exemption regime	Strengthen tax framework	Met	December 2023	
Publish on a government website a list of tariff of all fees and charges levied by ministries and government agencies, including court and registry fees, existing as of December 2023	Strengthen rule of law/cash management	Not met	December 2023	Completed in March 2024. See <a href="#">link</a>
Undertake inspection of all <i>casas avaliadas sem pagamento</i> jointly by the Ministry of Public Works and National Secretariat of State Property	Strengthen governance	Not met	December 2023	Proposed to be cancelled. The inspection of 67 out of 118 houses in question was completed, and it is found necessary to prioritize solving urgent issues discovered during the inspection instead of continuing inspection of other houses.

**Table 2. Guinea-Bissau: Prior Actions and Structural Benchmarks**  
(Continued)

Measures	Rationale	Status	Date	Comments
<b>Structural Benchmarks for 6th Review (April 2024)</b>				
Approve by the Council of Minister a multiannual staffing plan for 2023-25 in line with program parameters and publish by the Minister of Public Administration a report with the results of the full census of public servants and implementation of remedial actions on irregular cases. Reprogrammed from June 2023	Wage bill control	Met	March 2024	
Issue a Prime Minister's order to (i) require COTADO's decision to be monitored and endorsed by the Prime Minister permanently, (ii) submit to the Prime Minister a quarterly report of expenditure approved by the COTADO, and (iii) prohibit payments of all non-wage expenditure unless it has been approved by the COTADO and registered by the DGO in the SIGFIP	Expenditure control		March 2024	Proposed to be replaced with the prior action on the COTADO
Conclude public contracts for all purchase of four food items (rice, cooking oil, meat, fish) and fuel and obtain the MoF's approval	Expenditure control/transparency		March 2024	Reprogrammed to March 2025. The budget execution has already begun for 2024 and this measure needs to be part of the 2025 budget execution.
Publish in the MoEF website a report that includes (i) economic and administrative classifications of all "other common expenditure" and (ii) explanations of largest expenditures made for force majeure, sovereign, and similar purposes	Transparency	Met	March 2024	See <a href="#">link</a>
Submit to the Prime Minister and publish a report that (i) calibrates negative economic and financial impact of delay in the Ring Line Project, (ii) presents the testing and inspection results of the Antula-Central line, and (iii) specifies remedial works that the contractor should undertake	SOE oversight/EAGB		March 2024	Proposed to be reprogrammed and modified (see a new SB for 8th rev.). Additional time is needed to complete technical works and undertake the test.
Create a website of the CAJ which includes a database of fundamental legislation and information for raising legal literacy and awareness	Strengthen rule of law	Met	March 2024	See <a href="#">link</a>

**Table 2. Guinea-Bissau: Prior Actions and Structural Benchmarks**  
(Continued)

Measures	Rationale	Status	Date	Comments
<b>Structural Benchmarks for 7th Review (June 2024)</b>				
Issue a ministerial order to require payments of all fees on cashew exports to be centralized at the Treasury and DGCI	Revenue mobilization		June 2024	<b>Proposed</b>
Undertake evaluation of DGCI's managers based on performance indicators and quantitative targets	Revenue mobilization		June 2024	
Prepare a report with an action plan to enhancing transparency and efficiency in the fiscal regime for management of natural resources	Revenue mobilization		June 2024	
Execute expenditure from the TSA, starting with the wage bill.	Wage bill Control		June 2024	Reprogrammed to September 2024. Additional time is needed to complete the preparatory works.

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

(Continued)

Measures	Rationale	Status	Date	Comments
<b>Structural Benchmarks for 8th Review (December 2024)</b>				
Publish an Invitation to Apply for the 5G licensing process	Revenue mobilization		August 2024	<b>Proposed</b>
Undertake tax audits of 25 large taxpayers selected on a risks basis and focusing on divergence of amounts of IGV paid at customs and included in tax returns	Revenue mobilization	Met	September 2024	
Undertake an audit of telecom operators based on difference in the data submitted to the DGCI and ARN	Revenue mobilization		September 2024	<b>Proposed</b>
Inspector-General of Finance should assess legality and justifications of tax exemptions given to the largest beneficiaries consistent with domestic and regional legislation	Revenue mobilization		September 2024	<b>Proposed</b>
Submit to the Prime Minister and publish a report that (i) calibrates negative economic and financial impact of delay in the Ring Line Project, (ii) presents the testing and inspection results of the Antula-Central line, and (iii) recommends remedial works that the contractor should undertake	SOE oversight/EAGB		September 2024	<b>Proposed</b>
Prepare by the Minister of Finance a redeployment plan to reallocate DGCI's directors and chiefs who were not appointed through an open and competitive process to other positions outside the DGCI. Reprogrammed from December 2023.	Revenue mobilization		December 2024	
Prepare and publish an annual report on SOEs' performance, starting with the most relevant SOEs.	SOE oversight		December 2024	
Prepare a report with strategy to reestablish the financial viability of EAGB, including an action plan and reinstate a functional accounting department (to avoid hiring third parties to prepare accounts). Reprogrammed from September 2023.	SOE oversight/EAGB		December 2024	
Publish a register of concession contracts submitted to the DGCP, including detailed information on contracts' durations, concessionaires' rights, obligations and beneficial ownership, and tax and other benefits provided by the government.	Anti-corruption		December 2024	<b>Proposed</b>

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

Measures	Rationale	Status	Date	Comments
<b>Structural Benchmarks for 9th Review (June 2025)</b>				
Approve by Council of Ministers and submit to Parliament the revised income tax and stamp duties bills.	Strengthen tax framework		June 2025	
Revise processes and forecasting methodologies enhancing the forecasting of cash flows.	Cash management		June 2025	
Complete installation of additional 35,000 pre-paid meters to residential clients	SOE oversight		June 2025	<b>Proposed</b>
<b>Continuous Structural Benchmarks</b>				
Require all commitments of discretionary spending to be approved by the COTADO and send its summary decision to the Prime-Minister for his ex-post review	Expenditure control	Not met for Dec 2023	Continuous	Proposed to be modified (see below)
Require commitments of all expenditure, except for the wage and debt service, to be approved by the COTADO and send the monthly report of the Treasury Committee to the President of Republic and Prime Minister in accordance with the order	Expenditure control		Continuous	<b>Proposed</b> Monitored through the monthly report
Issue by DGTCP bank instructions for all external debt service by the due date or if denominated in CFAF on the dates specified by the Minister of Finance and send their copies to the Treasury Committee	Debt management	Not met for Dec 2023	Continuous	Proposed to be modified (see below)
(i) Issue by DGTCP bank instructions for all external debt service by the due date or if denominated in CFAF on the dates specified by the Minister of Finance and send their copies to the Treasury Committee and (ii) submit to the Treasury Committee a monthly PNT report that includes breakdowns to each loan contract and bank account and calculates discrepancies of the fiscal balance between above and below the line.	Debt management		Continuous	<b>Proposed</b> Monitored on a monthly basis

## 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**<sup>1</sup>. For the purpose of the program, foreign currency denominated values for 2023 and 2024 will be converted into local currency (CFAF) using program exchange rates of, respectively, CFAF 601.3 and 601.0/US\$ and cross rates as of end-December 2023 and 2024.

### Quantitative Performance Criteria/Indicative Target

#### A. Total Domestic Tax Revenue

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

#### B. Wage Bill

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

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

5. **Definition of Central Government.** Central government is defined for the purposes of this memorandum to comprise the central administration of the Republic of Guinea-Bissau and does not include any local administration, the central bank nor any other public or government-owned entity with autonomous legal personality not included in the government flow-of-funds table (TOFE).
6. **Definition.** Those are defined as all forms and maturities of new non-CFAF denominated debt contracted or guaranteed by the central government and CFAF denominated debt contracted

<sup>1</sup> The source of the cross-exchange rates is International Financial Statistics.

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

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

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

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

**9. Definition.** This QPC applies to the nominal value in US dollars of new external debt contracted or guaranteed by the central government which is not considered non-concessional as defined in 15, 6 and 7 of TMU. Excluded from this QPC are disbursements from the IMF and those debts subject to rescheduling.

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<sup>2</sup> 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.

**10. Adjustor.** The ceiling on new concessional external debt contracted or guaranteed by the central government will be adjusted upward by:

- a. the amount of cancellation of existing concessional external debt that was contracted after the approval of the ECF arrangement but remains undisbursed, up to USD 33.0 million; and
- b. the amount by which budget support loans exceed the projected amount.

## E. Ceiling on Disbursement of External Project Loans

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

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

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

## G. New Domestic Arrears of Central Government

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

## H. Social and Priority Spending

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



## I. Domestic Primary Balance (Commitment Basis)

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

## J. Non-Regularized Expenditure (DNTs)

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

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

## K. Floor on Spending for targeted projects and activities

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

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

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

Table 1. Guinea-Bissau: Summary of Reporting Requirements

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

**Statement by. Regis O. N'Sonde, Executive Director for Guinea-Bissau, and Romao Lopes  
Varela, Advisor to the Executive Director  
May 13, 2024**

## **INTRODUCTION**

On behalf of our Bissau-Guinean authorities, we thank Staff for their valuable collaboration and excellent policy dialogue on addressing the country's complex economic challenges.

In December 2023, Guinea-Bissau faced a political crisis, culminating in the dissolution of parliament and the dismissal of the opposition-led government shortly after a period marked by peaceful elections and a smooth transfer of power. Subsequently, a newly-appointed government has demonstrated a firm commitment to fiscal consolidation. This administration has taken decisive measures to maintain the country on its fiscal consolidation and reduced public debt trajectory.

More broadly, the new government has shown strong commitment to program objectives and implemented corrective actions to address past policy slippages. Given that Guinea-Bissau is a fragile state, the international community's support remains critical to the success of the nation's political and economic stabilization efforts. The authorities are particularly appreciative of the assistance provided through the Fund-supported program and remain grateful to the IMF Board, Management, and Staff and to other development partners.

## **RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

### ***Recent Developments***

**Guinea-Bissau faced significant economic challenges in 2023 with rising inflation and a weaker external position.** In 2023, the completion of a large electricity project and the higher cashew nut production supported an increase in the growth rate to 4.3 percent from 4.2 percent in 2022. However, inflation reached 7.2 percent driven by higher fuel and food prices, particularly for rice, notwithstanding a decline in cashew prices. The latter negatively affected exports, leading to a current account deficit of 8.6 percent of GDP.

**Despite the difficult country context, the financial sector has remained relatively stable.**

Notably, the ratio of NPLs to total loans increased from 4.3 percent to 5.0 percent in June 2023 and there was a decline in capital adequacy from levels observed in December 2022.

Nonetheless, significant improvements were recorded in the financial indicators of the undercapitalized bank throughout 2023, attributable to successful NPL recoveries, higher operational margins, and reduced exposure to the cashew financing operations. Moreover, liquidity within the financial sector remains robust, with most banking financial indicators

surpassing both prudential and regulatory minimum requirements, with the exception of the undercapitalized bank.

### ***Outlook and Risks***

**The authorities concur with the Staff's assessment of the economic outlook and remain committed to addressing policy slippages and mitigating potential risks.** They acknowledge Staff's projection of a mixed economic outlook for 2024, with an increase of growth to 5 percent and persistent, albeit declining, inflation and external imbalances. The rise in fuel prices and phasing out of rice subsidies would contribute to the projected 4.2 percent inflation rate.

**The authorities are aware of the challenges and risks ahead, including political instability, weak state capacity, and adverse weather conditions.** Nevertheless, they remain optimistic that a more robust cashew sector performance, along with their determination to successfully implement reforms, would help them navigate through these challenges and allow the economy to thrive.

### **PROGRAM PERFORMANCE**

**Five of eight quantitative performance criteria (QPCs) for September and four for December 2023 were met.** Although tax revenue increased by 12 percent in 2023, the floor on tax revenue was slightly missed due to tax cuts on rice and fuels previously introduced. The wage bill fell by about 12 percent due to strict control and the no-new-hire policy, but the related program targets were narrowly missed due to lower-than-expected savings from the 2022 census. Similarly, the floor on the domestic primary deficit for September was not met due to challenges in reigning in discretionary expenditure. The missing deficit target for December reflected lower-than-expected revenue and higher expenditure. Failure to meet the ceiling on domestic arrears for December was due to delayed payment of some scheduled domestic debt service obligations, which have since been cleared.

**While there were some delays in advancing the structural reform agenda, the overall program performance, though not as strong as anticipated, was reasonably satisfactory considering the challenging domestic and external conditions.** The implementation of the structural reform agenda is progressing generally well, albeit with some delays. The authorities met or completed two structural benchmarks for December 2023, three for March 2024, and one for September 2024. Additionally, two key expenditure-control committees—Arbitration of Budget Expenditures (COTADO) and Treasury Committees—which were previously discontinued, have now resumed their activities.

**The authorities are mindful of the slippages and have taken steps to avoid a recurrence going forward.** In this regard, they have regularly consulted with Staff on all relevant program issues, particularly those pertaining to budget execution. They have implemented better monitoring and control of spending through COTADO and the Treasury Committee, which have

helped set realistic cash management projections. Additionally, timely debt service payments are made thanks to the new government's decree reinforcing related administrative controls and to regular reconciliation contacts between the Debt service and Treasury department aimed at ensuring that the program targets are closely adhered to.

## **POLICIES AND REFORMS FOR 2024 AND THE MEDIUM-TERM**

**The government is committed to taking bold and decisive steps to address the challenges that hinder fiscal consolidation and debt sustainability.** They are taking necessary policy actions, including bolstering revenue mobilization, enhancing spending controls, and strengthening fiscal governance and transparency. These are all crucial to achieving the fiscal targets under the program while continuing to address recent slippages and vulnerabilities in the energy and banking sectors.

### ***Fiscal Reforms and Debt Policy***

**The authorities are taking strong measures to make additional fiscal consolidation gains in 2024.** They are determined to achieve the program goals and have implemented several measures to reduce the domestic primary deficit by 2.2 percentage points, to 1.2 percent of GDP, in 2024. The bold policy decisions include reversing fuel tax cuts, further increasing fuel taxes, and suspending rice subsidy disbursements. They are also preventing smuggling of cashew nuts and rationalizing non-priority domestic investment spending. These actions demonstrate the authorities' unwavering commitment to staying the course with their fiscal sustainability endeavors.

**The authorities agree that bolstering revenue mobilization is paramount to supporting their fiscal consolidation efforts.** They are committed to several critical policy actions with a strong revenue potential, including an audit of the fiscal obligations of telecom sector operations, customs data-matching exercise, a 5G license pricing study, and professionalization of the Tax department. The authorities are very appreciative of ongoing Fund technical assistance in tax administration and customs.

**The Government is determined to further enhance expenditure controls to further support its fiscal consolidation goals.** To this end, the COTADO meets monthly to rationalize discretionary spending, and the authorities have issued a ministerial order requiring ex-post reporting of such expenditures to the President and Prime Minister. The wage bill is under firmer control, and there will be no new hiring in 2024 except for limited additional personnel intake in the health sector. Furthermore, a new census of public workers, underway, will be completed by the end of 2024.

**Despite facing a high risk of debt distress, Guinea-Bissau's debt remains sustainable.** The public and publicly-guaranteed debt stock is anticipated to have reached 80.2 percent of GDP in 2023. External debt has increased mainly due to higher disbursements under the World Bank-

supported Gambia River Organization for Development (OMGV) project. The increased domestic debt was in response to elevated financing needs against a backdrop of tighter regional financial conditions. The authorities are however taking required measures to ensure effective debt management and sustainability. To this end, they aim to hasten the execution of envisaged debt management reforms and reduce public debt by implementing related new QPC and IT measures. They will continue to assess loan-financed projects carefully, and the Treasury Committee will continue to monitor compliance and scrutinize monthly reports to ensure timely payments and improve debt reporting.

### *Mitigating Fiscal Risks*

**The authorities are taking strong actions to ensure that the public utility company (EAGB) remains financially sustainable and can deliver reliable, affordable electricity services.** The transition from the energy supplier (Karpower) to the OMVG marks a significant milestone. The move will reduce energy purchase costs, thereby lowering the burden on public finances. Additionally, with the support of donor financing, EAGB is acquiring 32,000 pre-paid meters to manage the electricity supply better and reduce the risk of fraud. However, the authorities agree with Staff that these reforms must be accompanied by adequate measures to address identified technical issues and keep potential risks in check.

### *Enhancing the Integrity of the Financial Sector*

**The government has made a definitive decision to disengage from an undercapitalized bank, a move aimed at enhancing financial stability and safeguarding public interests relating to the institution.** Although the sale process has experienced delays, it is expected to be concluded by 2024, pending satisfaction of statutory and regional banking supervision requirements. Should the sale strategy not proceed as planned, the government will commission an independent third-party audit to assess the bank's viability and solvency and to prepare either a recapitalization or resolution plan for the bank. Furthermore, the government stands ready to implement any recommendation deemed necessary by the Banking Commission.

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

**The authorities are taking sound measures to strengthen external audits, public procurement, and the fight against corruption.** The Audit Court has published the audit report of the High Commissioner for COVID-19 and is preparing a preliminary audit report of COVID-19 spending of other entities. The Directorate General of Public Tender (DGCP) continues to publish beneficial ownership information of public contracts. The authorities have also intensified corruption investigations, including those related to the large and undercapitalized bank and the smuggling of cashew nuts in 2023, resulting in the arrest of several senior officials. To support this anti-corruption drive, they have prioritized reforms that do not require legislative changes. In this vein, they will notably publish a register of concession contracts with detailed information on contractual terms and have requested technical assistance to enhance AML/CFT effectiveness.

## CONCLUSION

The Bissau-Guinean government is making considerable efforts to promote political and macroeconomic stability. In this perspective, the authorities are taking determined policy actions to notably maintain the country on the fiscal consolidation path under the Fund-supported program, mitigate the fiscal risks they face, and enhance transparency and accountability in public resources management. In light of the corrective measures implemented to address past policy slippages, we would appreciate Executive Directors' support for the completion of the combined fourth and fifth reviews under the ECF-supported program. Additionally, we seek Board endorsement of the authorities' requests for waiver of nonobservance of performance criteria, rephrasing of access to spread disbursements to subsequent reviews, and modification of performance criteria.