

Guinea-Bissau: Selected Issues and Statistical Appendix

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GUINEA-BISSAU

Selected Issues and Statistical Appendix

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Approved by the African Department

November 11, 2004

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I. INTRODUCTION

1. **Guinea-Bissau has gone through a very difficult period since deep-seated social and political problems led to a civil war in 1998-99.** Despite successful elections end-1999/early-2000, basic causes of the conflict—serious governance issues and a sense of exclusion by a large part of the population—were not addressed and political instability continued. Moreover, many experienced government staff left the country during the fighting and others were removed from their posts when the former opposition party came to power for the first time in early-2000. The combination of inexperienced government, political instability, and weak technical capacity led to excessive public expenditure and the post-conflict economic program, supported by a three-year (2000-03) PRGF arrangement of the IMF, derailed quickly. As a result, and under mounting governance concerns, foreign assistance stalled, the economy failed to overcome the damage of the war, and fiscal revenue declined, leading to mounting external and domestic arrears. Reflecting the losses from the war and the lack of recovery since then, per capital real GDP in 2003 is estimated to be 25 percent below the level attained in 1993.

2. **After several delays in elections beyond the constitutionally mandated date and mounting public sector wage arrears, the President was removed in a bloodless coup in September 2003.** With strong international intermediation, including from the United Nations (UN) and regional institutions such as the Economic Community of West African States (ECOWAS) and the Community of Portuguese Speaking Countries (CPLP), a civilian national transition government was nominated to prepare parliamentary elections. The transition government also prepared, with the assistance of the IMF, the World Bank, and the African Development Bank, an emergency economic management program (EEMP), that aimed at restoring fiscal control and allowing a minimum level of operation of the government and social services until the elections. Nevertheless, despite support from several traditional donors—partly through a UNDP-managed emergency economic management fund (EEMF)—and the other members of the West African Economic and Monetary Union (WAEMU), the fiscal situation remained very difficult and payment of wages was delayed and limited to sectors eligible for funding from the EEMF.

3. **The failure of economic activity to pick up after the fighting in 1998-99 and the increasing fiscal problems reflect deep structural problems.** Some of these problems existed before the start of the conflict, and others were the result of the fighting and inadequate policies thereafter. In describing recent economic developments, this report aims at highlighting these structural problems, which will need to be addressed over the next few years if Guinea-Bissau is to break through the downward spiral of declining economic activity, increasing poverty and political instability. Sections II, III and IV discuss the real, fiscal and monetary sectors. Section V provides an overview of recent developments in the balance of payments and highlights Guinea-Bissau's severe external debt problem.

II. REAL SECTOR¹

A. Background

4. **Guinea-Bissau is a small west African nation, bordered in the north by Senegal, on the east and south by Guinea, and on the west by the Atlantic Ocean.** Its per capita GDP of US\$185 and its ranking among the ten countries with the lowest Human Development Index place it among the poorest in the world (Box 1). It declared its independence from Portugal in 1973 after 11 years of armed struggle. Since then, the political situation has remained fragile, cumulating in a bloody civil war in 1998-99. The population—totaling about 1.3 million—is ethnically diverse and depends mostly on subsistence agriculture. The country has good potential for rain-fed agriculture, forestry, and fishing, and has unexploited bauxite and phosphor deposits and possibly offshore oil resources. The main export product is unprocessed cashew nuts (90 percent of total exports in 2003). Imports are mainly from Europe. Guinea-Bissau became a member of the West African Economic and Monetary Union (WAEMU) in 1997.

Box 1. Poverty in Guinea-Bissau

With support from donors, the authorities completed a Small Poverty Assessment Survey (ILAP) in 2001-2002, to update the Poverty Assessment of the 1991 census. The survey indicated that 65 percent of the population is living below the poverty line, with an income of less than US\$2 (at 1985 purchasing power) per head per day, and 21 percent is living on less than US\$1 per day. Poverty is more severe in the rural areas, but is still very serious in Bissau, where 52 percent of the population is living on less than US\$2 per day. Average income of the poor is estimated at CFAF 84,000 per person per year, compared to the poverty line (US\$2 per day) of CFAF 108,000, indicating that poverty is profound and that a strong effort will be needed to reduce its incidence.

Other indicators support the serious depth of poverty in Guinea-Bissau. During the 1990s, food shortages became widespread and endemic in the urban areas, where many poor live on one meal a day. Life expectancy is about 45 years, the infant mortality rate is 211 per 1000 for children under 5 years of age; an estimated 10 percent of all infant deaths before the age of 5 are caused by malaria. HIV infection rates are estimated at about 3 percent of the population over 15 years of age. Almost 59 percent of the population has never benefited from formal schooling and is analphabetic; this percentage increases to 70 percent in the rural areas.

5. **Agriculture accounts for about 50 percent of GDP, 85 percent of employment, and virtually all exports.** Out of the 200,000 acres of cultivated land, 68,000 are used for rice, the main food crop, and 50,000 acres for other cereals. The main structural change in agriculture since independence has been the shift from peanuts to cashew nuts; the latter now take up about 30,000 acres, mainly held by more than 25,000 smallholders, and annual

¹ Main contributor: Noureddine Krichene.

production has been growing steadily from a few thousand tons in 1974 to about 80,000 tons in 2003.

6. **The remaining 50 percent of GDP comes mainly from trade and the government sector as the economy failed to diversify.** Based on a central-planning approach, post-independence economic policy aimed at building an industrial base through public enterprises with funds borrowed abroad. However, the objective of maintaining low prices for raw materials for these industries discouraged agricultural production, while the inefficient enterprises failed to generate sufficient resources to repay the debt.

7. **Reform efforts started in the mid-1980s, and reinforced during the 1990s, aimed at replacing the centrally-planned economy by a private sector-led, market-oriented economy.** Policies aimed at removing the extensive controls in the economy and, especially in the 1990s, privatize the ailing public enterprises. Moreover, the economic programs in the 1990s aimed at strengthening the institutions for a market economy and at promoting diversification of the economy by improving investment regulations.

8. **Despite improvements in economic management in the 1990s, the economy remained driven by agriculture, especially cashew nuts.** Annual real GDP growth increased from around 1-2 percent in the early 1990s to more than 5 percent in 1997. However, this growth came virtually entirely from cashew nuts and donor-financed infrastructure development. The lack of response of private investment can be attributed to several factors. First, political instability and lack of good governance remained strong negative factors, despite a move toward multiparty democracy. Second, the main elements of the government's policy to attract investment—the privatization program and a complete overhaul of the investment regulations—were delayed. Moreover, in view of long lead-times, the most important accomplishments were only achieved in 1997: in January of that year, the highly distortive import duty regime was replaced by a simple system based on four rates, closely resembling what would later become the common external tariff system of the WAEMU. In May 1997, Guinea-Bissau joined the WAEMU, adopting the common currency and monetary policy, which resulted quickly in price and exchange rate stability, which had remained out of reach until then.

9. **The civil war reversed much of what had been started during the 1990s.** The small industrial sector was in the middle of the battlefield in Bissau and was virtually completely destroyed. The remaining (trading) enterprises were decapitalized as factions from different sides confiscated inventories; estimates of these “government arrears” ranged from 6-14 percent of GDP. Electricity production and transmission in Bissau were heavily damaged. The only two banks became insolvent, and remained closed after the war; one new bank opened in 2000, operating out of a single branch in Bissau. Moreover, the reform agenda was unfinished and the economy remained heavily regulated.

10. **The economic situation deteriorated further after the war.** The reform effort stalled as it failed to gain the authorities' priority, infrastructure worsened further because of a lack of maintenance and repair, while political instability discouraged new investment. As a result and despite considerable potential, Guinea-Bissau remains a very poor country, with a single cash crop, no industrial base, and an unattractive investment climate characterized by continuing political instability, many regulations, and expensive and unreliable infrastructure.

B. Recent Developments

11. **Economic performance remained poor in 2003.** Following a sharp decline by 7.2 percent in 2002, real GDP is estimated to have increased only marginally, 0.6 percent, in 2003. While the economic crisis remained deeply rooted in the sequels of the civil war, it was aggravated by wage arrears to the civil service and the ensuing fall in aggregate demand in 2003. While cashew nuts output rose by about 4 percent because of favorable weather conditions, growth in cereals was adversely affected by floods and locust invasion; it was also constrained by lack of seeds and equipment, resulting in falling yields. The electricity sector was paralyzed by strikes, very low generating capacity, a deteriorating network, and mounting financial losses stemming from a weak billing capacity.

12. **Indications are that economic activity remained at a low level in early-2004.** Developments in early-2004 are estimated to have been overshadowed by the uncertainties connected with the parliamentary elections at end-March and the formation of a new government. Imports declined in this period, indicating, in addition to high stocks of rice at the beginning of the year, continuing low domestic demand. The situation is expected to improve in the second half of the year following the nomination of a new government in May, and large disbursements by the World Bank (for the demobilization and arrears-clearance programs) and the UN (for military participating in the peace-keeping force in Liberia). Moreover, weather conditions at end-2003/early-2004 were favorable for a good agricultural harvest, including for cashew nuts.

13. **Despite an expected temporary improvement in the second half of 2004, the medium-term outlook remains clouded.** The only major investments in recent years were (i) a EU-financed project to build two major bridges. Once completed, this will reduce traveling time to Senegal by many hours; (ii) the building of a new Parliament, financed by China (completion is expected by 2005); and the establishment of two cellular telephone companies in 2004. However, other investment has been minimal, and the severely eroded capital base, as well as the poor infrastructure, will remain a considerable drag on growth over the medium-term.

14. **The WAEMU's harmonized consumer price index was officially adopted in 2003.** Nevertheless, prices continue to be monitored in the capital Bissau only. Most prices are liberalized, with the major exception of prices of petroleum products.² Consumer prices remained virtually stable in 2003, somewhat below the WAEMU's average. This outcome reflects low demand because of the wage arrears, adequate harvests, and the nominal appreciation of the exchange rate. These developments continued in the first half of 2004.

² The prices of petroleum products are set by the government on the basis of import prices and fixed domestic trading margins. However, adjustments have been rare. In September 2004, prices were raised by on average 6 percent from the previous levels established in 2000.

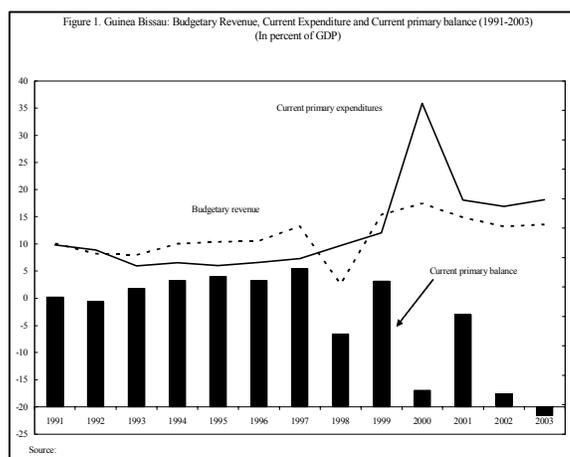
III. FISCAL DEVELOPMENTS³

A. Introduction

15. **This section compares fiscal developments before and after the civil war.** Given the status of Guinea-Bissau as a heavily indebted poor country and its historically extensive reliance on donor support to finance budgetary shortfalls, this comparison is done mostly on the basis of the primary budget, i.e. by analyzing mostly developments in budgetary revenue and current primary spending, and the current primary balance.

B. Developments Before the Civil War

16. **The fiscal situation improved gradually during the 1990s.** During 1993-1997, the current primary balance was in surplus, reaching a record 5.5 percent of GDP in 1997, as the authorities' succeeded in raising revenue while containing growth in expenditure (Figure 1). While current primary spending increased on average by 0.7 percent of GDP annually under the ESAF program (1995-97), growth in revenue was 2.9 percent of GDP on average.

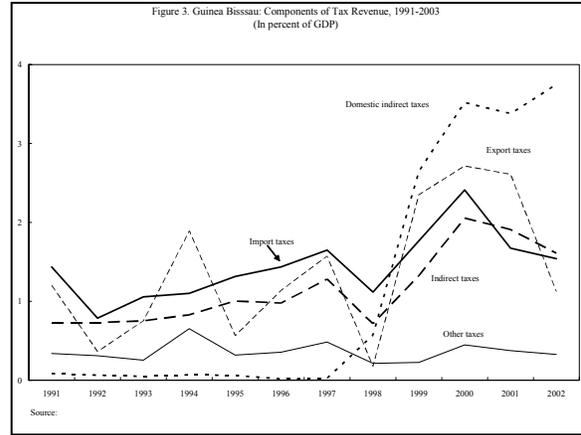
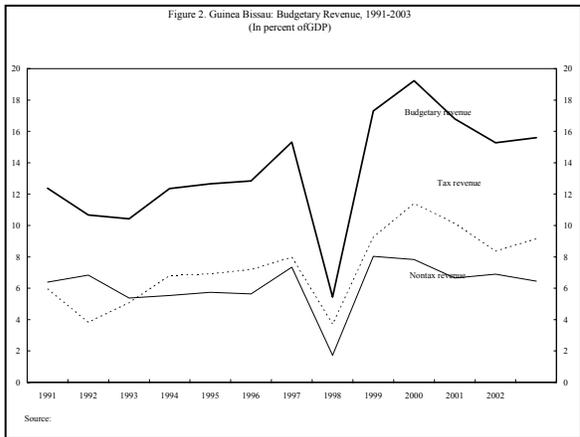


17. **The favorable fiscal environment during the pre-war period was underpinned by a series of successful reforms.** As Guinea-Bissau prepared for accession to the WAEMU, the authorities viewed fiscal policy as crucial for the attainment of the convergence criteria. Despite a number of setbacks, the authorities were able to implement a series of measures to boost revenue (Box 2), including: (i) the transformation of existing selective consumption taxes into excise taxes and the introduction of a generalized sales tax (IGV); (ii) a major reform of the customs tariff system; and (iii) strengthening customs administration. These measures more than offset further reduction of the export tax on cashew nuts under a long-term policy to gradually replace these taxes by domestic ones.

18. **Reforms were also implemented in relation to budgetary control,** including: (i) reorganization of the treasury and the computerization of treasury procedures; (ii) strict containment of nonessential expenditure; (iii) reduction in the size of the civil service and reform of the remuneration system; and (iv) establishment of financial directorates (*Direcoes Administrative e Financeiras* (DAF)) in the ministries to manage the budget in close cooperation with the Ministry of Finance.

³ Main contributor: Pierre Laporte.

19. **Revenue growth came primarily from a steady increase in tax revenue, while nontax revenue remained mostly flat.** (Figures 2 and 3). From 3.8 percent of GDP in 1992, tax revenue rose to a peak of 8.0 percent of GDP just before the war.



20. **During the pre-war period, customs duty constituted the largest component of tax revenue.** Between 1993 and 1997, this source of revenue grew at an impressive pace, in spite of declining imports. Two main factors explain this strong performance: (a) increases in the consumption tax rate on imported rice (to 14 percent by end-1994), that brought total taxes levied on imported rice to 20 percent; and (b) the sharp depreciation in the exchange rate of the Guinean peso during the 1990s, that raised the value of imports in domestic currency. Indirect taxes also grew strongly under the ESAF program, reflecting mostly the comprehensive rationalization of the tax system and more stringent tax administration under the program. Despite exhibiting a long-term upward trend, historically, export taxes have been volatile, reflecting mostly the vulnerability of cashew nuts to weather, international price shocks, and varying tax rates over the years.⁴

⁴ The highest exports during the pre-war period were in 1994, when export taxes more than tripled to CFAF 2.5 billion.

Box 2: Tax Reform in the 1990s

The objective of strengthening revenue was to be achieved through a comprehensive rationalization of the tax system and measures to improve tax administration. Revenue measures included the transformation of existing selective consumption taxes into excise taxes (imposto sobre o consumo—IEC), the introduction of a generalized sales tax (*IGV*), and a rationalization and simplification of the customs tariff.

The rate of the *IGV*, which was implemented in April 1998, was established at 10 percent on goods and services. In addition to imported and domestic goods, the *IGV* covered services such as public utilities and tourism. In addition, excise taxes were introduced on selected goods such as tobacco, alcoholic beverages, and luxury products.

A major **reform of the customs taxation system** was implemented in 1997. The new system consolidated the import duties, and consumption and customs service taxes into a simplified, harmonized tariff structure. The previous structure that comprised nine rates, in combination with 20 different rates of consumption tax on imported goods, was replaced with a new streamlined customs tariff with five rates (0, 5, 10, 20, and 30 percent). Prior to this streamlining exercise, the maximum tariff rate was 60 percent. As part of the exercise, the customs service tax was reduced from 5 percent to 2 percent. To support these measures and generate the expected increase in customs revenue, the government gave highest priority to providing staff in customs administration with the proper equipment and appropriate training.

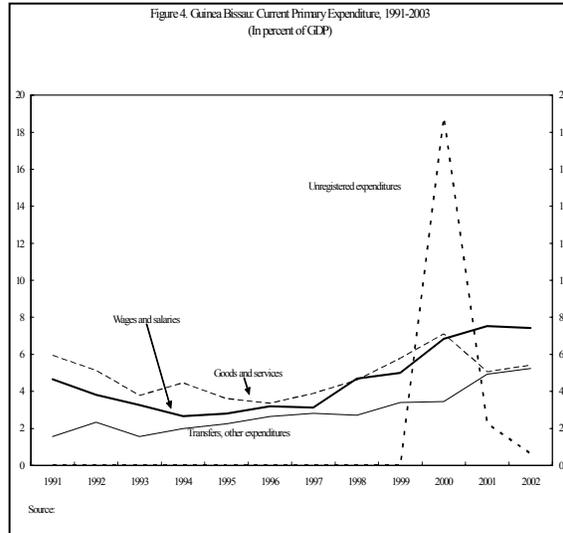
The authorities also sought to tighten **customs administration** and prevent abuses, in particular on transit goods. The measures included (i) reinforcement of the system of value declaration for goods unloaded; (ii) tighter control over bonded warehouses; (iii) introduction of a rigorous monitoring of goods in transit; (iv) introduction of a system of seals on tobacco products; and (v) modernization of the ASYCUDA statistical system. Budgetary allocations for imported goods and services were made inclusive of all applicable duties and taxes, beginning 1997.

Other measures included the introduction of a taxpayer identification number. The authorities planned to transform the previous system of personal taxes, which comprised a professional and a complementary tax, into a unified income tax during 1998-99. Revenue from four autonomous funds (forestry, road, tourism and mining) and of airline traffic rights was included in the budget, as was other previously extra budgetary revenue. Moreover, the assessment of the income tax was improved and taxation of real estate income was tightened through improved property surveys.

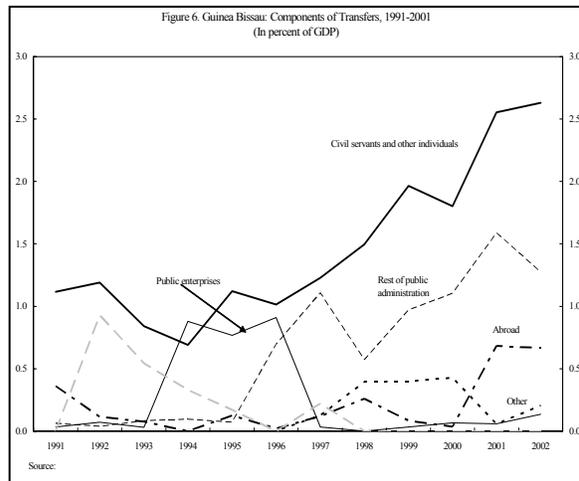
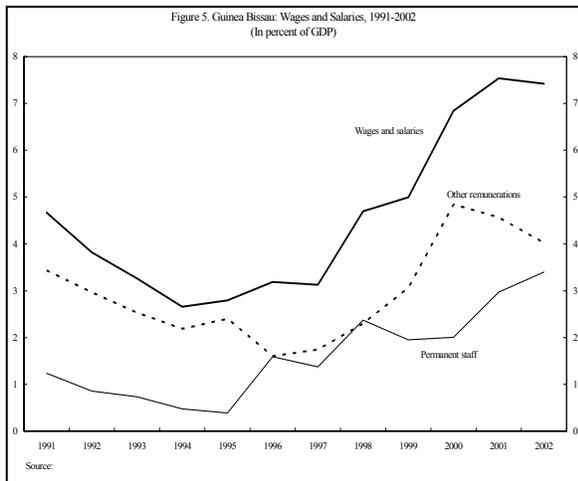
Another objective of the reform was to progressively **reduce the tax burden on the export sector**. To this end, the taxation levied on exports of cashew nuts, was reduced from 19.5 percent in 1996 to 14 percent in 1997 and to 12 percent in 1998.

21. **Non-tax revenue, which comprised mostly fishing license fees, were stable throughout the 1990s but revenue rose sharply to a record CFAF 11.5 billion (7.3 percent of GDP) in 1997.** This reflected an increase in fishing activity, which in turn reflected strong efforts to modernize the fisheries sector with the support of the European Union (EU). Non-tax revenue was also boosted by CFAF 1.4 billion in privatization receipts in that year.

22. **Current primary expenditure rose by 0.9 percent of GDP during 1994-1997 (Figure 4).** Government policy towards wages and salaries—which accounted for the largest share of current primary spending—was generally prudent. With the assistance of the World Bank, the authorities were able to implement a series of civil service reform (Box 3) that *inter alia* allowed a gradual reduction in public employment. This, and savings from audits of payrolls, contained the government wage bill despite wage increases.



23. **The civil service reforms resulted in a slight decline of the wage bill, in percent of GDP, during 1993-1997 (Figure 5).** The government intended to initiate a further major streamlining of the civil service in 1998 by contracting out the maintenance functions and other low-skilled tasks to the private sector, involving about 3,000 staff. However, these plans were interrupted by the armed conflict. Pre-war policies pertaining to spending on goods and services and to transfers were also generally prudent, as reflected in declining expenditure during the first two years of the ESAF.



Box 3: Civil Service Reform during the 1990s

In 1991, the government launched a broad civil service reform program aimed at: (i) reducing significantly the excessive size of the civil service; (ii) increasing the efficiency of public administration by upgrading the qualifications and working conditions for civil servants; and (iii) enhancing transparency in the salary structure by accounting for all non-wage benefits. To reduce the size of the civil service, the strategy was to encourage voluntary departures by offering separation incentives to lower-ranked civil servants, who accounted for the larger part of the overstaffing.

By the end of 1996, about 13 percent of the estimated 23,000 on the government payroll at end-1991 (including military and paramilitary personnel) had left the public service under the voluntary departure program. A census of the public administration set the number of staff on the government payroll at 18,740 by end-1995, of which 17,597—including about 5,000 military staff in the Ministry of Defense and Interior—were permanent staff. The completion of the census permitted elimination of a significant number of positions and the establishment of a more comprehensive payroll database, including contractual employees. Payroll processing for all ministries was computerized and centralized at the Ministry of Finance, with the exception of the Ministries of Agriculture, Education, and Health. In addition, the voluntary departure program continued with some 500 departures in 1996 and 350 in 1997.

In 1997, the personnel data system was linked to the payroll to allow regular updating and quick verification of civil service employment. Before end-August of that year, a net retrenchment of 350 military personnel took place through the voluntary departure program and the government targeted further retrenchment of 500 civil servants per year. A census of employment at the Ministries of Defense and the Interior was finalized at end-1997, as was a review of the beneficiaries of pensions for veterans of the independence war.

The government, however, encountered more difficulties in implementing the other two components of the civil service reform. In particular, revision of the salary structure was slow, due mostly to problems with standardizing total benefits across different personnel categories. Despite these difficulties, the government envisaged to submit an action plan to further bring the civil service closer to standards observed elsewhere in sub-Saharan Africa, to donors by mid-1998. However, these plans were interrupted by the civil war.

C. Fiscal Developments After the Civil War

24. **The civil war had an immediate and substantial impact on the budget.** With the war taking place in the vicinity of the capital Bissau, the government operated only on a limited scale during the period of the war. This, and the fall in economic activity, led to a major slump in tax revenue in 1998. The bulk of fishing license fees were withheld, causing non-tax revenue to fall to 1.7 percent of GDP. At the same time, current primary expenditure expanded by 2.2 percent as military spending accelerated. As a result, the current primary balance posted a record deficit in the order of 6.6 percent of GDP.

25. **The national transitional government, nominated in February 1999, submitted an emergency program to donors in May of that year.** The program focused on:

(i) reconstruction of residential housing and basic infrastructure; (ii) return of displaced persons; (iii) demobilization and rehabilitation of former soldiers and reunification of the armed forces; (iv) rehabilitation of the social sectors; (v) private sector support; (vi) settlement of arrears to the private sector; and (vii) organization of elections. Donors pledged US\$63 million in post-conflict assistance, broadly in line with the authorities' request. The IMF supported the program with emergency post-conflict assistance (EPCA), provided in two separate loans in 1999 and early-2000, for a total amount of SDR 3.5 million.

26. **Important progress was realized during 1999**, including: (i) beginning of reconstruction of basic infrastructure; (ii) return of displaced persons; (iii) the launching of projects to remove land mines and to rehabilitate the social sectors; (iv) strategies to support the demobilization and reinsertion of armed forces into civilian life, private sector recovery, and clearance of accumulated government domestic arrears were laid out; and (v) legislative elections were organized. Economic policies focused on improving the fiscal situation, resumption of structural reform, and rebuilding administrative capacity. The government made determined efforts to restore basic administrative services, including the reintroduction of regular budgetary procedures and the rehabilitation of offices (Box 4).

27. **Against the background of considerable donor support, economic activity bounced back strongly in 1999, and revenue recovered.** Partly due to improvements in fiscal management and the windfall from tax arrears from 1997-98, fiscal performance was very encouraging. Tax revenue recovered to 9.3 percent of GDP, exceeding the pre-war high. A new record cashew harvest contributed to a surge in export tax receipts, while higher imports boosted customs duty revenue further. Indirect taxes recovered to the 1997 level. The revenue growth outweighed a 2.2 percent of GDP increase in current primary spending, moving the current primary balance back into surplus.

28. **A review of public expenditure procedures was finalized in February 2000 and measures to strengthen budget execution were identified.** To strengthen public sector procurement, a comprehensive reform program was designed. A key priority was to reduce the military and paramilitary, which had grown rapidly from around 5,000 in 1997 to an estimated 17,000 by 1999.⁵ The number of soldiers registered with the Ministry of Defense numbered 11,000 compared to only 2,500 in 1997, while the payroll of the Ministry of Home

⁵ In contrast, the number of non-military staff on the government's payroll (excluding the 2,677 under the Home Affairs ministry and considered as military) rose by only 2 percent between 1997 and 1999.

Box 4: Fiscal Measures under the Post-Conflict Program

Fiscal measures under the post-conflict program for 1999-2000 focused on improving tax administration and expenditure management:

- emergency assistance to rehabilitate the ASYCUDA computer system.
- strengthening customs offices; introduction of the WAEMU customs classification system.
- reestablishing the database for the IGV.
- securing the registration of all IGV-taxpayers; and
- introduction of a system for monitoring taxpayer compliance.

In the area of **budgetary procedures and treasury operations**, it was expected that priority would be placed on:

- ensuring the full respect of prior authorization of the MEF for expenditure commitments.
- streamlining the procedures for expenditure commitment, verification and payment.
- strengthening the preparation of the treasury accounts; and
- preparation for the introduction of the WAEMU budget nomenclature.

Affairs showed 5,900 personnel from only 3,200 before the war.⁶ This sharp increase reflects the fact that many veterans of the independence war joined the fighting. As a result, the public service increased from 17,200 in 1997 to 29,330.

29. **In December 2000, the Executive Board of the Fund approved a three-year (2000-03) arrangement under the Poverty Reduction and Growth Facility (PRGF; Box 5).** This arrangement also paved the way for other donors to resume budgetary assistance to the country, including two key programs for demobilization, reinsertion and reintegration and for arrears-clearance, supported by the World Bank, the EU and bilateral donors. The program aimed at consolidating, and building on, the achievements under the post-conflict program.

⁶ Based on data obtained from several government sources, including the Directorate-General of the Civil Service, Ministry of the Civil Service and Labor; and Directorate-General of Public, and the Accounting and Budget Division of the Ministry of Finance. The accuracy of the data remains questionable and data on the size of the civil service has varied considerable since then, making a more recent analysis difficult.

Box 5: Main Elements of the 2000-03 Program Supported under the PRGF

The program supported under the PRGF identified a transition period (2000-01) and a consolidation period (2002-03). It was expected that during the transition period, the fiscal balance would worsen, owing to a necessary but temporary increase in military spending—to regularize the situation of army conscripts that was viewed as crucial for consolidation of peace—and reconstruction outlays, as well as higher social expenditure levels. During this period, the authorities also expected to launch the demobilization and reinsertion program; step up reconstruction activity; implement targeted emergency programs for the poor; and initiate structural reform in the public sector and the energy and banking sectors. The authorities also intended to start preparing a full PRSP, which was expected to be implemented in 2002.

During the consolidation period, and despite emphasis on social services and poverty reduction outlays, the fiscal situation was expected to improve, reflecting the results of the demobilization and civil service reform programs, continued revenue-strengthening efforts, and privatization.

30. **In early-2001, it became evident that fiscal administration had deteriorated substantially during the second half of 2000.** Revenue performance had been good. However, expenditure on wages and salaries and on goods and services had accelerated sharply, including an amount of CFAF 16 billion—almost 11 percent of GDP—that had not been budgeted, and that mainly reflected the cost of including 8,000 conscripts as permanent army personnel. Spending on the elections had also been higher than predicted. Consequently, current primary spending doubled to 36 percent of GDP in 2000, preventing completion of the first review under the PRGF arrangement in April 2001.

31. **In an attempt to put the program back on track, the authorities introduced a set of measures in April 2001,** which included: (a) centralization of revenue collection in the Ministry of Finance; (b) prohibition of the use of IOU's (*bons de virements*) that had been used to finance public expenditure; and (c) strengthening of payment procedures. In the second half of the year (August-November), the authorities implemented a short-term macroeconomic program (STMP), aimed at containing expenditure to attain the targets for end-2001 under the PRGF-supported program.

32. **Despite the spending constraints, the authorities were unable to contain the continuous growth of the wage bill and transfers, and domestic arrears accumulated.** Further weaknesses in expenditure management led to more unprogrammed spending, mainly in the form of the clearance of domestic arrears accumulated during 2000-01. Based on this, the first review under the PRGF could again not be completed and donor program assistance, equivalent to 4 percent of GDP, that had been earmarked for the first half of 2001, was withheld.

33. **The already precarious fiscal situation was aggravated by an unexpected decline in revenue in 2001.**⁷ Budgetary revenue fell by 1.3 percent of GDP, owing primarily to customs duty revenue, which attained only one third the level recorded in 2000. This occurred in spite of an increase in imports and reflected primarily the adverse effect of Guinea-Bissau's adoption of the common external tariff (CET) of the WAEMU in the previous year. The weakening fiscal administration was estimated to have been a contributing factor also. Other tax revenue declined as well, including the export tax, which fell because of a sharp drop in international prices. Non-tax revenue increased, however, through a large transfer for property income, mainly reflecting tax arrears from the telecommunication parastatal, equivalent to 1.3 percent of GDP.

34. **In March 2002, the authorities, in consultation with IMF staff, agreed to implement an emergency financial management framework (EFMF).** The EEMF aimed at strengthening fiscal management, containing the fiscal deficit in order to facilitate a resumption of the economic program supported under the PRGF, and implementing structural reforms. The framework aimed at increasing government deposits by July to ensure that government expenditure would be fully financed in the second half of the year, when tax revenue would be seasonally low.

35. **Despite progress in expenditure management and the implementation of some measures, the government failed to attain the EFMF's targets.**⁸ The main cause was a number of policy decisions outside the EFMF, including a sharp reduction in the effective tax rate on cashew nuts (Box 6) and higher repayments of arrears than anticipated.⁹ Consequently, the budget was unable to finance its wage bill from August 2002. Furthermore, during 2002, expenditures on health and education, and for the economic ministries such as agriculture, were implemented at a rate of less than half of the allocations provided in the approved budget for 2002. However, defense expenditure—mainly for salaries and food—and transfers to parliament, were implemented in line with the budget.

⁷ The program expected an increase in revenue owing to: (i) an increase in the VAT from 10 to 15 percent with effect from January 1, 2001; (ii) a 15-18 percent adjustment of the domestic price of petroleum products in August 2000, and a further one, by 8 percent, in December, 2000; (iii) the measures implemented in the area of tax administration; and (iv) the planned creation of a fiscal tribunal to deal with cases of tax arrears.

⁸ In addition to the establishment of a Treasury Committee responsible for the day-to-day management of revenue and expenditure in line with the program, the measures included an increase in the tax on cigarettes and beer from 19 percent to 40 percent in June. Moreover, under the PDRRI program, almost 4,000 military and para-military personnel were retired in the period through September 2002. The inventory of outstanding promissory notes was completed and, with donor assistance, the audit of government accounts for the last few years was finalized in May 2002.

⁹ Moreover, the government agreed with the unions on a sharp increase in civil services wages. This increase was not implemented because of the deteriorating financial situation, which, however, led to strikes and a further decline in the functioning of the administration.

Box 6. Taxation of the Cashew Nut Sector in 2002

The taxation of cashew nut exports is effected through a government-set reference price and two different export taxes. The reference export price is the basis for calculating the value of exports, on the basis of which the authorities levy a regular and a special export tax. In 2001, international cashew nut prices declined sharply to about US\$400 per ton. However, the government maintained the reference price at US\$750 per ton and the total tax rate at 12 percent, composed of a 2 percent regular and a 10 percent special export tax. Because of the high implicit tax rate, the deteriorated financial situation of the exporters following the civil war, and the dependence on expensive foreign financing after the closure of the two large local banks, the market-determined producer price declined from about CFAF 300 per kg to about CFAF 100 per kg.

To assist the sector, the government lowered the reference price for the 2002 season to US\$600 per ton, bringing it more in line with improving international market prices. It also set an indicative minimum producer price of CFAF 250 per kg to increase income for the many small producers; to allow exporters to pay for this price increase, the government lowered the special export tax rate from 10 percent to 6 percent. The combined effect of the lower reference prices and tax rate resulted in a decline in the effective tax rate by 53 percent and a loss in revenue of about CFAF 2 billion in 2002 (1.5 percent of GDP). Producer prices increased to about CFAF 250—300 per kg, resulting in a further decline in the tax base as income shifted from about 20 taxed exporters to about 25,000 producers, which are largely outside the tax net.

36. **The fiscal situation worsened further in 2003.** Tax revenue declined in line with the fall in economic activity, but this was more than offset by higher non-tax revenue from fishing licenses (Table 2). Payments for short-term domestic debt and arrears increased, reflecting the compounded deficits of previous years. In addition, debt service to the IMF more than doubled to 13 percent of revenue in 2003 as a result of maturing repurchase obligations under the 1999-2000 post-conflict assistance. The situation was aggravated by a sharp deterioration in fiscal management with substantial diversion of resources to expenditure outside the normal budgetary procedures, especially in the months leading up to the coup in September. These included the netting out of tax liabilities against (undocumented) government supplier arrears and expenditure related to the election campaign of the incumbent majority party. While the magnitude of this extrabudgetary expenditure is difficult to assess because of the breakdown in fiscal management, indications are that it amounted to at least 25 percent of total estimated expenditure in 2003. Consequently, most public sector wages remained unpaid during the first nine months of 2003, and social services came to a halt.¹⁰

¹⁰ By end-September 2003, public sector wage arrears were estimated to average about 10 months; some ministries had arrears since August 2002, while others received some payments in 2003.

37. **The transition government that was installed after the September 2003 military coup, took a number of measures to reinstate fiscal control immediately after it took office.** In a departure from past practice, where wages had been paid by line ministries, these were paid through financial institutions, which were instructed to release funds only after proper identification.¹¹ With assistance from Fund staff, the new government began implementing an emergency economic management plan (EEMP). In the context of the EEMP the Treasury Committee was reinstated in December 2003. Other measures, that were included in the EEMP included: (i) implementing the cash-flow plan for December 2003-June 2004; (ii) abolishing the practice of netting out tax liabilities against government supplier arrears and expenditure; (iii) closing all treasury accounts outside the BCEAO and channel all fiscal revenue and expenditure through the BCEAO; (iv) introducing new pay and remuneration scales, including all non-wage benefits, harmonized for all government institutions, including the civil service, the military and political organs; (v) replacing the heads of the revenue departments, which had been appointed based on political affiliation, with technically competent staff through an open and transparent process.

38. **A key element of the EEMP was the emergency budget for 2004,** that was prepared on the basis of “minimum needs” with assistance from the IMF, West AFRITAC and the World Bank. The main objectives of the budget were to provide for: (i) full payment of wages; (ii) sufficient allocations for health and education, based on budgets prepared by World Bank staff; (iii) adequate provisions for paying the government’s electricity bill, allowing the electricity company to improve services to the private sector; and (iv) counterpart funds to unblock foreign-financed development projects. The budget also provided for the payment of debt to project accounts to allow these projects to resume. The program is being monitored by a UNDP-managed Emergency Economic Management Fund (EEMF), which was set up to facilitate coordination of emergency aid. Assistance from the EEMF is provided in tranches, based on the implementation of the EEMP and the submission of detailed spending plans.

39. **Donors responded positively to the authorities’ actions and by end-December emergency donor financing had enabled the repayment of salary arrears.** In November Ghana provided US\$750,000 that enabled payment of wages for October, and in December China gave US\$1 million, which assisted in the payment of the November wages. Portugal made a bilateral pledge of US\$1.0 million, while the Netherlands (€1.8 million), Sweden (US\$1 million), France (€ 0.5 million), and Italy (US\$500,000) had all made commitments toward the EEMF by mid-2004.

D. Summary: the Causes of the Present Fiscal Difficulties

The deterioration of the fiscal situation in Guinea-Bissau since 1997 is mainly of a structural nature and its causes can be found in both revenue and expenditure.

¹¹ Savings were estimated at about 7 percent.

40. **In nominal terms, revenue declined from CFAF 24 billion in 1997 to less than CFAF 22 billion in 2003.** In addition to lower economic activity, this decline reflected losses from the introduction of the WAEMU's common external tariff in 2000, and the reduction in the effective tax rate on cashew nut exports in 2002 (a loss of CFAF 2 billion) following the decline in international prices. Further losses were incurred following the increase in excise taxes on beer and cigarettes in April 2002 as smuggling increased.

41. **However, an important factor in the poor revenue performance was also the degradation in the fiscal administration.** Major technical weaknesses in revenue administration after the war prevented offsetting revenue losses by improved administration. Moreover, ad hoc procedures, especially the netting out of tax liabilities against—badly documented—government supplier arrears increased. Revenue from fishing licenses declined as surveillance deteriorated again and licenses were issued, and payments received, outside the normal channels.

42. **As revenues declined, domestic primary expenditure increased from CFAF 24 billion in 1997 to CFAF 34 billion in 2003.** The main cause of this increase was higher personnel expenditure. Expenditure on wages and salaries increased from CFAF 5 billion to CFAF 11 billion, reflecting the increase in staffing levels and the wage increase granted in 2000.¹² Furthermore, military spending increased sharply during the post-war period, while transfers to the National Assembly—mainly for remuneration of parliamentarians—almost tripled between 1997 and 2002.

43. **The surge in expenditure since the war is compounded by a severe degradation in fiscal management.** As political interference in day-to-day operations increased and experienced technicians left or were replaced, most of the control mechanisms established under the ESAF to monitor budget execution ceased to be applied. Although some progress was made, with technical assistance financed by France, in setting up a computerized accounting system, transactions outside the system increased. The extent of the collapse is illustrated by the fact that, in April 2003, an IMF technical assistance mission could identify only one single staff member in the Ministry of Finance responsible for preparing the country's budget.

¹² The authorities suspect that there are a large number of “ghost workers,” consisting of non-existent employees or employees who work elsewhere but remain on the government payroll. Following the coup in September, the automated personnel database was destroyed, leaving even the number of workers on the payroll uncertain. However, the transition government estimated that as many as 9,000 on the payroll of December 2002 (more than 40 percent of the total), could possibly be classified as ghost workers.

IV. MONETARY AND FINANCIAL SECTOR DEVELOPMENTS¹³

44. **Before the war, the financial system consisted of the Central Bank of Guinea-Bissau (CBGB) and two commercial banks.** The *Banco Internacional da Guine Bissau* (BIGB) was a previously government-owned bank, that had been recapitalized and privatized during the 1990s. The Tota Bank was in majority privately-held, with 26 percent of the shares held by the government. However, reflecting the damage caused by the civil war to the enterprise sector, both banks were largely insolvent after the war. Despite efforts to recapitalize and reopen the banks, both remained closed and were later liquidated.¹⁴ In 2000, a new privately-owned commercial bank was established, which operates out of a single office in Bissau and Guinea-Bissau is largely deprived of modern banking services (Box 7).

Box 7. Constraints to Economic Development from the Financial Sector

The quasi absence of the banking sector in Guinea Bissau is a major obstacle for economic development. After the closure of the two commercial banks after the war, there are no more banking branches outside the capital Bissau. Moreover, the single remaining bank is far too small to cover the financing needs of the cashew sector, which therefore depends on foreign banks or on expensive supplier credit. Also, the bank aims mainly at short-term trade credit, and longer-term investment credit is virtually nonexistent in Guinea-Bissau.

In addition to the lack of a banking system, payment practices and the lack of accounting practices are a major obstacle to the development of a financial system. Government salaries remain paid in cash. The small private sector operates mainly on an informal basis and the accounting profession is not developed in Guinea-Bissau. Consequently, the absence of reliable financial information add to credit risk and prevents bank credit to all but the few modern enterprises.

45. **One year before the civil war, Guinea-Bissau joined the WAEMU.** The peso was replaced by the Union's CFA franc, the CBGB was merged into the BCEAO, and Guinea-Bissau exchanged an independent monetary policy for one set for the Union. The immediate effects of this were a sharp decline in inflation and a stable exchange rate, both of which had escaped Guinea-Bissau since independence. However, the required recapitalization of the CBGB and the formalization of other debts to and of the CBGB, resulted in large government debts to the BCEAO (Box 8).

¹³ Main contributor: Nouredine Krichene.

¹⁴ Under the World Bank's EERC, a total amount of US\$1.5 million was paid to remaining depositors of the BIGB in April 2004.

Box 8. Debts of the Government of Guinea-Bissau to the BCEAO

Upon joining the WAEMU, the government of Guinea-Bissau assumed the following debts and liabilities, owed to the BCEAO:

- Outstanding amount of advances provided by the former Central Bank of Guinea Bissau. The consolidated amount was CFAF 3.5 billion, to be repaid on a quarterly basis over a 50-year period, starting January 1, 1995, at a rate of interest of 5 percent per year.
- Outstanding amount of advances to a former government-owned commercial bank, for an initial amount of CFAF 3.4 billion, also to be paid on a quarterly basis over a 50-year period, starting March 31, 1995, at a rate of interest of 5 percent per year.
- Capital contribution to the BCEAO and the BOAD, equal to 1/7th of their capital. This liability was only formalized in 2004, when the government agreed to pay the capital contribution to the BCEAO (approximately CFAF 73 billion) over 25 years, starting July 2005. A similar arrangement is proposed for the debt to the BOAD of about CFAF 10 billion.
- Debt to make up for the deficit in the former central bank's pension fund. Payments of about CFAF 400 million per year were made until end-2003, when the deficit was assumed to have been eliminated.

Moreover, following the decision by the WAEMU council of Ministers in 2002 to end all statutory advances to member countries and to request repayment of outstanding amounts, Guinea-Bissau agreed to the following debt:

- Consolidated statutory advances amounting to CFAF 2.5 billion, to be repaid over a ten-year period on a quarterly basis (the quarterly payments amounts to CFAF 73.6 million) and at a rate of interest of 3 percent per year, starting January 1, 2003.

The government has agreed that the BCEAO can deduct the amounts due automatically from the treasury's account at the central bank.

46. **With regard to monetary policy instruments, the main impact came from the limited ability to borrow from the BCEAO.** Reflecting the absence of a developed banking system, 90 percent of the money supply is held in cash, making the BCEAO's indirect monetary policy instruments ineffective. However, before joining the WAEMU, the CBGB had been a major source of financing for the government and for public enterprises. Under

the BCEAO's rules, the government could only borrow up to a limited amount, and there were no more facilities for public enterprise support.¹⁵

47. **Developments in the main monetary aggregates reflect the impact of joining the WAEMU.** During 1980-1996, monetary policy was highly expansive. This resulted in a rapid acceleration of net domestic assets of the banking system (by on average almost 40 percent per year), low demand for money, and declining net foreign assets. After 1997, the WAEMU's prudent monetary policy resulted in the opposite: the increase in net domestic assets has been very low, while broad money and net foreign assets have been increasing.

¹⁵ In September 2002, the Council of Ministers of the WAEMU decided to stop all budget financing, even for temporary liquidity shortfalls, and countries were committed to repay outstanding advances over a 15-year period.

V. BALANCE OF PAYMENTS AND EXTERNAL DEBT¹⁶

A. Balance of payments

48. **The balance of payments improved after the war as exports increased and imports remained below pre-war levels.** Continuing the trend of the 1990s, exports increased from an average of US\$33 million per year during 1993-97, to an annual average of US\$57 million during 2000-03. This reflected entirely an increase in the volume of export of (unprocessed) cashew nuts—mainly to India; the share of cashew nuts in total exports remained at around 90 percent between 1997 and 2003 (Table 21). Exports of fish and wood products—two other potential resources for the country—accounted for less than two percent of exports (Table 23).

49. **Imports reflect the decline in economic activity in recent years.** Imports averaged more than US\$80 million during 1993-97, but remained at around US\$71 million during 2002-03. This decline reflects the decline in economic activity as well as sharply lower foreign aid in recent years. Food (30 percent) and capital goods (33 percent) are the major components of total merchandise imports (Table 24). The deficit on services, mainly reflecting insurance, freight and other costs of imports, remained at about the same level in nominal terms, as well as in percent of imports, as in 1997. The terms of trade deteriorated slightly in 2003 by 1.5 percent owing to the increase of import prices (mainly petroleum products) only partially offset by the increase in export prices (Table 22).

50. **Current transfers increased considerably in pre-war years compared to 1997.** Official transfers declined, as did receipts from fishing licenses (the latter were estimated at US\$13 million in 2003, compared to US\$15 million in 1997. However, private transfers—mainly workers' remittances—increased sharply in recent years.

51. **Reflecting the developments outlined above, the external current account deficit, including transfers, narrowed to 2 percent of GDP in 2003 compared to 12 percent of GDP in 1997.** At the same time, the surplus of the capital account declined sharply because of much lower official assistance. Consequently, the overall balance showed a surplus, broadly similar, in nominal terms, as in 1997. Nevertheless, Guinea-Bissau incurred external debt arrears of about 12 percent of GDP.

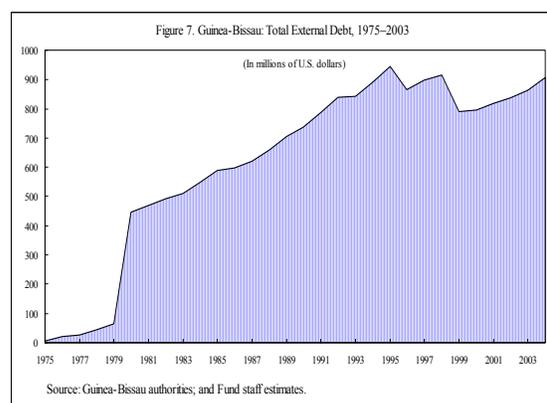
B. External debt

52. **Guinea-Bissau is one of the most indebted poor countries.** The ratio of debt to GDP was estimated at close to 400 percent of GDP and scheduled debt service at 20 percent of GDP in 2003. The debt initially resulted from large investments in government-owned enterprises: during the first ten years after independence, the debt stock rose to about

¹⁶ Main contributors: Lorraine Ocampos (balance of payments) and Debbie Malama Chungu (external debt, with Francis Tyaba and Maria Mendez).

US\$600 million. In the following ten years, much of the additional debt—the stock of outstanding debt peaked at US\$945 million in 1995—was owed to multilateral and bilateral creditors, mostly on concessional terms, to support the country’s structural reform effort (Figure v.1).¹⁷

53. **Guinea-Bissau’s debt situation has been unsustainable.** The average external debt-to-GDP ratio was 293 percent in the 1980s and increased further to on average 352 percent in the 1990s. Following the accumulation of arrears, a first debt rescheduling by Paris Club creditors was effected in 1987, followed by further rescheduling in 1989 and 1995. Despite the rescheduling, debt service after relief remained high: in the 1990s, actual debt service still amounted to 17 percent of government revenue in 1997.



54. **The PRGF-supported economic programs during the 1990s aimed at addressing the unsustainable debt situation in the context of the HIPC Initiative.** The preliminary HIPC document was discussed by the Boards of the World Bank and the Fund in April 1998. However, progress toward the decision point was interrupted by the civil war later that year.

55. **Following the war, the preliminary document was updated in November 2000 and Guinea-Bissau reached the decision point in December of that year.** As a result, the country successfully obtained another concessional flow rescheduling that was intended to cover the three-year PRGF-supported program (interim) period. Virtually all multilateral creditors formally agreed to participate in the enhanced HIPC initiative. The Paris Club agreed to provide a flow rescheduling under Cologne terms. In total, creditor participation represented 80 percent of Guinea-Bissau’s creditors. These assurances amounted to total debt relief of about US\$790 million (US\$417 million in net present value terms). Moreover, China and Cuba cancelled all debt and Italy cancelled all outstanding arrears. As a result, the accumulation of external debt arrears virtually ceased in 2001 and actual debt service to be paid, net of relief, declined, although it remained high at about 12 percent of revenue.

56. **Guinea-Bissau was expected to reach the (floating) completion point in October 2003.** Some progress was made with implementing the policies that constituted conditions for reaching the floating completion point, although not as fast as expected (Box 9). However, the condition of satisfactory macroeconomic policies could not be met as the PRGF-supported program went off track in 2001. As a result, attainment of the completion point was delayed. In addition to completing the structural reform and poverty reduction

¹⁷ The sharp increase in recorded debt in 1979 (Figure v.1), reflects increased coverage of the debt statistics by including debt owed by state-owned enterprises.

actions, attaining the completion point will require a new PRGF arrangement and at least six months of satisfactory performance there under.

**Box 9. Status of Key Policy Actions for Attaining the Completion Point
under the HIPC Initiative**

- **PRGF and IDA status.** PRGF-supported program went immediately off-track. A new PRGF arrangement is not expected to be possible until at least 2007.
- **Poverty reduction strategy paper (PRSP).** The PRSP was seriously delayed as a result of a lack of local commitment. The newly elected government approved a draft PRSP by mid-2004, and a final version is expected to be ready for submission to the international community by end-2004.
- **Governance.** In the years leading up to the coup in September 2003, governance deteriorated.
- **Social sector and structural reforms.** There has been some progress in some social sectors. However, in areas such as education, there is no available data from the authorities in primary education enrollment.

57. **Since then, a large share of Guinea-Bissau's external debt obligations, notably to the IMF and the Paris Club, have been due for payment.** Interim debt relief by the IMF stopped automatically after one year because of the non-performance under the PRGF arrangement. The World Bank and the AfDB continued to provide interim relief, but the Paris Club bilateral creditors declared the rescheduling agreements for 2002 and 2003 null and void in January 2003.¹⁸ Reflecting the excessive external debt burden, creditors that did not provide interim relief have not been paid, and total outstanding arrears amounted to US\$176 million by end-2003. Box 10 provides the status of relations with external creditors.

58. **Guinea-Bissau's capacity to manage its external debt was severely incapacitated by the war.** The computerized database was destroyed and has only partly been restored on a manual basis. However, the Ministry of Economy and Finance remains unable to provide accurate data on the debt stock and the debt service schedules. Assistance in capacity building and in rebuilding equipment will be critical if the authorities are to overcome these weaknesses and improve debt management.

¹⁸ Interim relief by the World Bank amounted to 100 percent of debt service falling due through end-2003, thereafter it declined statutorily to 90 percent. The Bank's interim relief will reach the maximum allowable amount by end-2007. In early 2004, the AfDB decided to continue interim relief through 2006.

Box 10. Status of Debt Situation with Each Creditor 1/

Creditor	Status
<u>I. Multilateral Creditors</u>	
IMF	With the suspension of the PRGF, the Fund has suspended interim assistance. Guinea-Bissau is current on its payments to the Fund.
World Bank	Provided 100 percent debt relief through 2003 and 90 percent relief thereafter.
AfDB	Continues to provide 100 percent debt relief, with the exception of a loan from the Nigerian Special Fund (NTF), for which the AfDB has no authority to grant debt relief on NTF loans. Two new loans have been contracted from the AfDB since the 2000-DSA.
Banque Ouest Africaine de Développement (BOAD).	Guinea-Bissau is accumulating arrears.
The Islamic Development Banks (IsDB).	A debt relief agreement was signed in June 2000. However, the first payment due in September 2002 was not paid, and Guinea-Bissau is accumulating arrears. The authorities intend to resume payments in the second half of 2004.
The Arab Bank for Economic Development in Africa (BADEA).	A debt relief agreement was signed in November 2001. However, no payments have been made since then.
The Economic Community of West African States (ECOWAS).	No payment has been made. The authorities approached the ECOWAS for a debt relief agreement. According to the authorities, ECOWAS has not responded to a request for a debt relief agreement.
European Investment Bank (EIB).	No agreement was signed. However, the authorities indicated that full relief may be possible following the adoption of a Fund-supported program.
The International Fund for Agricultural Development (IFAD).	According to the Guinean authorities, IFAD had indicated during the 2000 roundtable meeting that it was willing to provide debt relief. However, there appears to have been no follow-up as there have been no new discussions recently and no agreement.
Organization for Petroleum Exporting Countries (OPEC).	There is no debt relief agreement and arrears continue to accumulate.

Box 10. Status of Debt Situation with Each Creditor (concluded)

Creditor	Status
<u>II. Bilateral Creditors 1/</u>	
Paris Club Bilateral Creditors	As of March 2003, all agreements with the Paris Club members are considered null and void.
Non-Paris Club Bilateral Creditors	
Kuwait	An agreement on debt relief has been signed. The first payment on the remaining debt service for post-cut-off date loans was due in July 2002, and in January 2019 for pre cut-off date loans. However, since there has been no payment, new arrears have been accumulated on the post-cut-off date obligations. The authorities indicated that a new loan of US\$4.5 million for the agricultural sector was contracted in May 2002.
Brazil	Accepted proposal; rescheduling agreement expected.
Portugal	Rescheduling agreement postponed, however, expected.
China	Debt of US\$16 million was cancelled in 2001.
Cuba	Debt of US\$2 million was cancelled in 2001.
Saudi Arabia.	A rescheduling agreement was signed prior to the enhanced HIPC Initiative decision point. However, arrears continue to accumulate.
Taiwan.	No agreement.

1/ Based on data provided by the authorities, which has not been reconciled with the creditors.

2/ Guinea-Bissau has made requests for debt relief to Abu Dhabi, Algeria, Angola, Libya, Pakistan and the Banco Franco-Portugal, however, they have not received any responses.

Guinea-Bissau: Basic Data 1/

Area and land use (square kilometers)

Area	36,125
Crop land (1997)	4,496
Forest (1995)	23,090

Population (2003)

Total (estimate; millions)	1.3
Average growth rate, 1980-2001 (percent)	2.1
Density (population per sq. km.)	36
Life expectancy at birth	45
Infant mortality rate (under 5 years; per 1,000)	205
Urban population (percent of total)	23

Labor force (2003)

Total number of workers	718
<i>Of which</i> : percentage working in agriculture	78
Female participation rate (in percent)	42.0

Nutrition and health (2003)

Daily calorie supply (calories per person)	2,600
Population per physician (2003)	5,546
Access to safe water (in percent)	25
Access to sanitation (in percent)	29

Education (2003)

Gross enrollment ratios	
Primary (percent of school-age group)	69.8
Female	45.3
Secondary (percent of school-age group)	6
Female	2
Illiteracy (percent of population; more than 15 years)	67.8

Commercial energy use (2003)

Kilogram per capita (oil equivalent)	37
Net imports in percent of energy consumption	100

	1999	2000	2001	2002	2003
Gross domestic product					
	(In units indicated)				
GDP at market prices (in billions of CFA francs)	138.2	153.4	145.9	141.9	138.7
GDP per capita (in U.S. dollars)	224.5	215.5	199.0	203.6	238.6
	(In percent of GDP at factor cost)				
Primary sector	60.5	58.8	56.1	57.3	57.8
Secondary sector	12.4	12.3	12.7	13.1	12.8
Tertiary sector	27.1	28.9	31.2	29.6	29.4
	(In percent of GDP at market prices)				
Consumption	101.2	108.5	120.1	112.5	102.9
Gross domestic investment	11.5	11.0	11.2	14.2	9.1
Gross domestic savings	-1.2	-8.5	-20.1	-12.5	-2.9
Resource gap	-18.0	-19.8	-34.4	-21.4	-14.1
Real GDP at market prices	7.6	7.5	0.2	-7.2	0.6
GDP deflator at market prices	5.5	3.2	-5.1	4.8	-2.9

Guinea-Bissau: Basic Data (continued)

	1999	2000	2001	2002	2003
Prices	(Annual percentage changes)				
Consumer price index (period average)	-2.1	8.6	3.3	3.3	...
Terms of trade (deterioration -)	19.5	-0.1	-18.3	2.7	-1.5
Exchange rate (CFA per US dollar; period average)	615.7	712.0	728.0	697.8	580.1
Trade-weighted effective exchange rate indexes (depreciation -)					
Nominal	-1.6	-3.9	1.3	2.9	4.8
Real	-5.1	6.3	3.0	-1.1	-2.3
Government finances	(In millions of CFA Francs)				
Total revenue and grants	30.0	51.1	45.6	30.4	32.2
<i>Of which</i> : revenue	23.9	29.5	24.5	21.7	21.6
Total expenditure and net lending	43.3	67.7	60.6	46.7	51.4
Current expenditure	28.4	51.9	38.9	33.0	33.9
Capital expenditure	14.9	15.8	21.6	13.7	17.5
Overall balance (cash basis)	-5.2	-137.2	-14.9	-3.0	-1.8
Financing (net)	5.2	137.2	14.9	3.0	1.8
External	-0.2	-2.3	-10.0	-2.3	5.1
Domestic banking system	5.4	4.4	-3.0	3.2	-4.7
Domestic nonbank	...	0.6	1.9	-5.1	-3.9
Debt relief	0.0	134.6	26.0	7.2	5.3
Errors and omissions	...	0.0	0.0	0.0	0.0
	(In percent of GDP)				
Budgetary revenue	17.8	19.2	16.8	15.3	15.6
Current expenditure	21.1	33.8	28.2	23.8	24.4
Current primary balance 2/	3.1	-8.8	-1.5	-3.5	-4.2
Overall balance (commitment basis)					
Excluding grants	-14.4	-24.9	-24.7	-17.7	-21.5
Money and credit	(In millions of CFA francs end-period)				
Net foreign assets	13,593	28,486	31,596	48,255	82,016
Net domestic assets	24,600	35,500	38,875	39,016	17,163
<i>Of which</i> : net claims on the government	9,020	15,834	15,402	18,816	15,111
credit to the economy	11,863	4,488	4,436	4,211	2,651
Broad money	38,200	64,000	70,471	87,271	99,179
Balance of payments	(In millions of US dollars)				
Current account	-5.6	-12.1	-44.4	-21.7	-5.4
Exports of goods and services	55.7	68.5	57.3	60.9	70.8
Imports of goods and services	-96.1	-111.2	-125.9	-104.5	-104.4
Services (net)	-25.9	-33.7	-40.0	-26.7	-25.0
Fishing licenses	12.7	10.7	10.3	12.2	12.9
Scheduled interest payments	-14.3	-12.4	-16.0	-8.7	-10.3
Current transfers (net)	36.3	32.2	29.9	18.4	25.5

Guinea-Bissau: Basic Data (concluded)

	1999	2000	2001	2002	2003
(In millions of U.S. dollars unless otherwise indicated)					
Capital account	14.9	23.4	12.4	39.2	16.3
Financial account	-16.8	-28.4	-8.4	-12.4	-3.1
Medium- and long-term loan disbursements	2.4	10.2	4.6	4.9	13.8
Scheduled amortization (excl. IMF)	-19.7	-17.6	-23.9	-26.6	-28.8
Private short-term capital (including errors and omissions)	0.5	-21.0	10.9	9.4	11.9
Overall balance	-35.5	4.1	-39.2	-10.8	20.1
Change in official net foreign assets (increase -)	6.7	-20.9	-4.2	-24.0	-58.2
Debt relief obtained	0.0	189.1	35.7	10.2	9.1
Change in arrears	28.7	-172.2	7.7	24.7	29.0
External public debt	762.3	776.9	853.3	915.2	917.8
<i>Of which</i> : outstanding debt-service arrears	139.1	148.0	156.6	192.4	176.4
Current account (excluding official transfers, in percent of GDP)	-15.8	-17.2	-31.3	-12.7	-5.6
Scheduled debt service ratio (in percent of exports of goods and service credits) 3/	60.9	43.5	72.8	46.3	47.5
Gross official reserves (end of period)					
In months of imports of goods and nonfactor services	8.4	9.4	8.6	12.5	18.7

Sources: World Bank, *World Development Report*, 2004; Guinea-Bissau authorities; and staff estimates.

1/ Numbers may not total because of rounding.

2/ Current budget, excluding scheduled external interest payments.

3/ After debt relief.

Table 1. Guinea-Bissau: Nominal Gross Domestic Product by Sector, 1999-2003

	1999	2000	2001	2002	2003
(In millions of CFA francs)					
Agriculture, fishing, and forestry	82,165	88,015	80,413	80,019	78,785
Industry (including water and electricity)	13,984	14,979	14,824	14,818	14,034
Construction	2,799	3,427	3,426	3,547	3,404
Commerce, restaurants, and hotels	21,147	23,332	24,275	23,598	22,863
Transport and communications	5,177	5,545	5,825	5,656	5,718
Banks, insurance, and other services	592	579	538	525	539
Public administration	9,914	13,835	14,158	11,546	10,915
GDP at factor cost	135,178	149,711	143,458	139,709	136,259
Indirect taxes	2,444	3,702	2,441	2,187	2,440
GDP at market prices	138,223	153,413	145,899	141,896	138,698
(In percent of GDP at factor cost)					
Agriculture, fishing, and forestry	60.5	58.8	56.1	57.3	57.8
Industry (including water and electricity)	10.3	10.0	10.3	10.6	10.3
Construction	2.1	2.3	2.4	2.5	2.5
Commerce, restaurants, and hotels	15.6	15.6	16.9	16.9	16.8
Transport and communications	3.8	3.7	4.1	4.0	4.2
Banks, insurance, and other services	0.4	0.4	0.4	0.4	0.4
Public administration	7.3	9.2	9.9	8.3	8.0
GDP at factor cost	100.0	100.0	100.0	100.0	100.0
(Annual percentage changes)					
Agriculture, fishing, and forestry	18.2	7.1	-8.6	-0.5	-1.5
Industry (including water and electricity)	1.8	7.1	-1.0	0.0	-5.3
Construction	6.0	22.4	0.0	3.5	-4.0
Commerce, restaurants, and hotels	4.5	10.3	4.0	-2.8	-3.1
Transport and communications	5.0	7.1	5.1	-2.9	1.1
Banks, insurance, and other services	5.0	-2.2	-7.1	-2.5	2.8
Public administration	12.0	39.6	2.3	-18.4	-5.5
GDP at factor cost	12.7	10.3	-4.2	-2.6	-2.5
GDP at market prices	13.5	11.0	-4.9	-2.7	-2.3

Sources: Guinea-Bissau authorities; and staff estimates.

Table 2. Guinea-Bissau: Real Gross Domestic Product by Sector, 1999-2003
(In constant 1986 prices)

	1999	2000	2001	2002	2003
(In millions of CFA francs)					
Agriculture, fishing, and forestry	54,243	56,412	57,267	53,258	54,058
Industry (including water and electricity)	8,058	8,381	8,294	8,128	7,936
Construction	2,305	2,688	2,634	2,674	2,674
Commerce, restaurants, and hotels	13,158	13,959	14,239	13,828	13,883
Transport and communications	2,278	2,324	2,370	2,299	2,322
Banks, insurance, and other services	370	351	323	312	321
Public administration	8,152	10,475	10,387	8,289	7,963
GDP at factor cost	88,564	94,590	95,514	88,788	89,157
Indirect taxes	1,594	2,339	1,625	1,390	1,596
GDP at market prices	90,158	96,929	97,139	90,177	90,754
(In percent of GDP)					
Agriculture, fishing, and forestry	61.2	59.6	60.0	60.0	60.6
Industry (including water and electricity)	9.1	8.9	8.7	9.2	8.9
Construction	2.6	2.8	2.8	3.0	3.0
Commerce, restaurants, and hotels	14.9	14.8	14.9	15.6	15.6
Transport and communications	2.6	2.5	2.5	2.6	2.6
Banks, insurance, and other services	0.4	0.4	0.3	0.4	0.4
Public administration	9.2	11.1	10.9	9.3	8.9
GDP at factor cost	100.0	100.0	100.0	100.0	100.0
(Annual percentage changes)					
Agriculture, fishing, and forestry	7.5	4.0	1.5	-7.0	1.5
Industry (including water and electricity)	1.5	4.0	-1.0	-2.0	-2.4
Construction	3.0	16.6	-2.0	1.5	0.0
Commerce, restaurants, and hotels	4.5	6.1	2.0	-2.9	0.4
Transport and communications	6.0	2.0	2.0	-3.0	1.0
Banks, insurance, and other services	2.0	-5.0	-8.0	-3.5	3.0
Public administration	14.0	28.5	-0.8	-20.2	-3.9
GDP at factor cost	6.9	6.8	1.0	-7.0	0.4
GDP at market prices	7.6	7.5	0.2	-7.2	0.6

Sources: Guinea-Bissau authorities; and staff estimates.

Table 3. Guinea-Bissau: Investment-Savings Balance, 1999-2003

	1999	2000	2001	2002	2003
(In billions of CFA francs)					
Consumption	139.8	166.5	175.2	159.7	142.8
Private sector	124.9	128.7	155.7	140.5	120.3
Public sector	14.9	37.8	19.5	19.1	22.5
Investment	15.9	16.9	16.3	20.2	12.6
Private	8.3	2.0	1.0	0.2	0.2
Public	7.6	14.9	15.3	20.0	12.4
Exports of goods and nonfactor services	34.3	48.7	42.0	42.4	41.2
Imports of goods and nonfactor services	59.1	79.1	92.3	72.8	60.7
Gross domestic product at market prices	138.2	153.4	145.9	141.9	138.7
(In percent of GDP)					
Consumption	101.2	108.5	120.1	112.5	102.9
Private sector	90.4	83.9	106.7	99.0	86.7
Public sector	10.8	24.6	13.3	13.5	16.2
Investment	11.5	11.0	11.2	14.2	9.1
Public	5.5	9.7	10.5	14.1	8.9
Private	6.0	1.3	0.7	0.1	0.1
Exports of goods and nonfactor services	24.8	31.8	28.8	29.9	29.7
Imports of goods and nonfactor services	42.8	51.6	63.2	51.3	43.8
Gross domestic product at market prices	100.0	100.0	100.0	100.0	100.0
Gross domestic savings	-1.2	-8.5	-20.1	-12.5	-2.9
Resource gap	-18.0	-19.8	-34.4	-21.4	-14.1

Sources: Guinea-Bissau authorities; and staff estimates.

Table 4. Guinea-Bissau: Output of Main Crops, 1999-2003

	1999	2000	2001	2002	2003
(In thousands of metric tons)					
Rice	138.7	104.1	88.4	87.9	66.4
Other cereals	59.4	62.0	75.8	66.8	58.9
Manioc	21.8	22.6	23.5	24.7	25.0
Sweet potatoes	25.7	26.8	27.8	29.2	29.6
Coconut	1.0	1.0	1.1	1.1	1.1
Sugarcane	24.4	25.0	25.6	26.9	27.2
Vegetables	7.4	7.5	7.7	7.9	8.0
Fresh fruit	333.9	283.9	340.6	289.5	347.4
<i>Of which:</i> cashews	308.0	114.3	118.8	123.6	128.5
Cashew nuts	65.0	77.0	78.0	67.4	79.6
Groundnuts	12.5	16.2	16.7	17.2	17.7
Cotton	1.4	1.9	1.6	1.6	1.6
(Annual percentage changes)					
Rice	11.8	-24.9	-15.1	-0.6	-24.4
Other cereals	6.8	4.4	22.3	-11.9	-11.8
Manioc	58.8	4.0	4.0	5.0	1.3
Sweet potatoes	76.3	4.0	4.0	5.0	1.3
Coconut	66.7	3.0	3.0	3.0	3.0
Sugarcane	-49.6	2.5	2.5	5.0	1.3
Vegetables	5.7	2.0	2.0	2.0	2.0
Fresh fruit	20.0	-15.0	20.0	-15.0	20.0
<i>Of which:</i> cashews	57.9	-62.9	4.0	4.0	4.0
Cashew nuts	66.7	18.5	1.3	-13.6	18.1
Groundnuts	4.2	29.6	3.0	3.0	3.0
Cotton	-22.2	35.7	-15.8	0.0	0.0

Source: National Institute of Statistics and Census (INEC).

Table 5. Guinea-Bissau: Stocks, Production, and Uses of Cashew Nuts, 1999-2003
(In metric tons)

	1999	2000	2001	2002	2003
Stock at beginning of year	13,291	13,938	17,409	0	0
Production	65,000	77,000	78,000	67,387	79,575
Domestic consumption	-303	-319	-335	-345	-355
Exports	-64,050	-73,210	-78,600	-72,866	-75,786
Level of stocks	13,938	17,409	16,474	0	0
Change in stocks	647	3,471	-935	0	0

Sources: National Institute of Statistics and Census (INEC); and staff estimates.

Table 6. Guinea-Bissau: Industrial and Artisanal Fishing, 1999-2003

	1999	2000	2001	2002	2003
	(In metric tons)				
Artisanal fishing (all species)	18,141	18,322	18,505	18,876	19,819
Industrial fishing by domestic operators					
Fish	3,473	3,508	3,543	3,614	3,795
Shrimp	411	415	419	427	449
Other crustaceans	69	70	70	72	76
	(In millions of US dollars, unless otherwise indicated)				
Fish and shrimp exports	0.8	0.6	0.6	1.0	1.0
Revenue from fishing licenses	12.7	10.7	10.3	10.5	10.5
Memorandum items:					
Number of fishing licenses	193	163	156	160	160
Number of authorized boats	124	104	100	102	102

Source: National Institute of Statistics and Census (INEC).

Table 7. Guinea-Bissau: Manufacturing Production in Major Industries, 1999-2003

	1999	2000	2001	2002	2003
	(In thousand of metric tons)				
Food industries					
Hulled rice	62.7	65.8	69.1	68.4	67.7
Peanut processing	6.2	6.5	6.8	6.7	6.6
Bakery products	6.3	6.9	7.6	7.7	7.9
Frozen fish	1.5	1.6	1.7	1.7	1.7
Dry and smoked fish	3.3	3.5	3.6	3.7	3.8
	(In millions of liters)				
Vegetable oils	3.2	3.4	3.6	3.6	3.7
Beverages	3.1	3.3	3.5	0.0	0.0
Distilled liquor	1.0	1.1	0.0	0.0	0.0
Dairy products	1.0	1.1	1.1	0.9	0.9
Nonfood industries	(In thousands of metric tons)				
Wood processing	10.7	11.2	11.8	11.4	11.0
Wood products	4.2	4.4	4.7	4.5	4.4
Soap	2.4	2.5	2.6	2.5	2.4

Source: National Institute of Statistics and Census (INEC).

Table 8. Guinea-Bissau: Electricity and Water Production, 1999-2003

	1999	2000	2001	2002	2003
	(In thousands of kilowatts)				
Electricity production	15,500	20,790	18,897	19,377	15,752
<i>Of which</i> : Bissau	12,000	17,290	16,397	16,877	13,252
Billed electricity consumption	13,950	18,711	17,007	17,439	14,177
	(In millions of cubic meters)				
Water production	5,084	5,364	6,515	7,087	6,248
<i>Of which</i> : Bissau	4,346	4,543	5,518	6,087	5,248
Billed water consumption	4,728	4,989	6,059	6,591	5,811

Sources: National Institute of Statistics and Census (INEC); and staff estimates.

Table 9. Guinea-Bissau: Consumer Prices, 1999-2003

	1999	2000	2001	2002	2003
Consumer price index (1986 = 100)					
January	17,904	16,317	18,278	18,976	18,640
February	18,098	16,690	18,271	19,235	18,776
March	18,047	17,509	18,396	19,400	18,581
April	18,385	19,189	18,929	19,751	18,601
May	16,315	19,735	18,984	19,936	18,814
June	16,553	19,437	19,669	20,486	18,892
July	16,864	19,868	19,182	20,467	18,970
August	16,532	18,036	19,886	20,078	19,242
September	16,632	18,607	19,753	19,728	19,398
October	16,175	18,885	19,774	19,592	19,281
November	15,913	17,994	18,678	19,184	19,203
December	15,954	18,615	18,264	18,717	18,853
Average	16,947.7	18,406.8	19,005	19,629	18,938
Percentage change 1/	-2.1	8.6	3.3	3.3	...
12-month inflation rates, in percent					
January	9.6	-8.9	12.0	3.8	-1.8
February	11.6	-7.8	9.5	5.3	-2.4
March	11.8	-3.0	5.1	5.5	-4.2
April	14.8	4.4	-1.4	4.3	-5.8
May	-3.3	21.0	-3.8	5.0	-5.6
June	-3.0	17.4	1.2	4.2	-7.8
July	-3.2	17.8	-3.5	6.7	-7.3
August	-5.5	9.1	10.3	1.0	-4.2
September	-6.5	11.9	6.2	-0.1	-1.7
October	-17.4	16.8	4.7	-0.9	-1.6
November	-18.2	13.1	3.8	2.7	0.1
December	-7.9	16.7	-1.9	2.5	0.7
End-of-period rates	-7.9	16.7	-1.9	2.5	0.7

Sources: National Institute of Statistics and Census (INEC).

1/ There is a break in the series in July 2002, when Guinea-Bissau adopted a new Harmonized CPI Index.

Table 10. Guinea-Bissau: Central Government Operations, 1999-2003

	1999	2000	2001	2002	2003
	(In billions of CFA francs)				
Total revenue and grants	29.9	51.1	45.6	30.4	32.2
Total revenue	23.9	29.5	24.5	21.7	21.6
Tax revenue	12.8	17.5	14.8	11.9	12.7
<i>Of which</i> : international trade taxes	7.0	8.3	6.5	2.2	2.4
Nontax revenue	11.1	12.0	9.7	9.8	8.9
<i>Of which</i> : fishing licenses	8.4	7.6	7.4	8.5	7.5
Grants	6.0	21.6	21.1	8.7	10.6
Total expenditure and net lending	43.3	67.7	60.6	46.7	51.4
Current expenditure	28.4	51.9	38.9	33.0	33.9
Wages and salaries	6.9	10.5	11.0	10.5	10.9
Other goods and services	8.0	10.9	5.2	7.7	7.0
Transfers	4.7	5.3	7.2	7.4	5.0
Other current expenditures	0.0	16.4	3.3	0.9	4.5
Scheduled external interest payments	8.8	8.8	12.2	6.5	6.4
Capital expenditure	14.9	15.8	21.6	13.7	17.5
<i>Of which</i> : domestically financed	8.3	3.5	2.5	0.7	0.1
Overall balance					
Excluding grants	-19.4	-38.2	-36.1	-25.1	-29.8
Including grants	-13.4	-16.5	-14.9	-16.4	-19.2
Changes in external interest arrears	7.2	-122.6	2.8	5.9	3.3
Changes in domestic arrears	2.4	2.1	5.6	9.4	15.8
Float and errors and omissions (net)	-1.5	-0.2	-8.4	-1.9	-1.6
Overall balance (cash basis)	-5.3	-137.2	-14.9	-3.0	-1.8
Financing	5.3	137.2	14.9	3.0	1.8
Domestic banking system (net)	5.4	4.4	-3.0	3.2	-4.7
Domestic nonbank (net)	0.0	0.6	1.9	-5.1	-3.9
Foreign (net)	-0.1	-2.3	-10.0	-2.3	5.1
Drawings	1.5	10.2	4.6	4.9	8.0
Balance of payments loans	0.0	7.4	0.0	0.0	2.3
Project loans	1.5	2.7	4.6	4.9	5.7
Amortization	-12.1	-12.5	-17.4	-18.6	-16.5
Changes in principal external arrears	10.5	0.0	2.8	11.3	13.6
Debt relief 2/	0.0	134.6	26.0	7.2	5.3
	(In percent of GDP)				
Total revenue	17.3	19.2	16.8	15.3	15.6
Total expenditure and net lending	31.3	44.1	43.0	33.4	37.1
Current expenditure	21.1	33.8	26.7	23.8	24.5
Capital expenditure	4.2	10.3	14.8	9.6	12.6
Current primary balance 1/	3.1	-8.8	-1.5	-3.5	-4.2
Overall balance (excluding grants)	-14.0	-24.9	-24.7	-17.7	-21.5

Source: Ministry of Economy and Finance.

1/ Current expenditure, excluding scheduled external interest payments.

Table 11. Guinea-Bissau: Central Government Revenue, 1999-2003

	1999	2000	2001	2002	2003
(In millions of CFA francs)					
Budgetary revenue	23,890	29,519	28,530	21,666	21,610
Tax revenue	12,820	17,543	14,724	11,876	12,675
Direct taxes	1,830	3,153	2,771	2,285	3,291
Income taxes	1,796	3,132	2,731	2,285	3,291
Business	687	1,739	1,325	1,080	2,139
Individual	1,102	1,383	1,379	1,187	1,135
Rental income	520	647	695	597	547
Salaries	582	737	685	590	587
Complementary tax	520	8	9	5	4
Capital tax	6	2	18	13	14
Other income tax	1	...	...	0	0
Property tax	34	20	40		
Indirect taxes	10,990	13,765	11,511	9,591	9,384
Tax on goods and services	3,659	5,398	4,940	4,952	4,903
Special consumption tax (IEC)	1,292	1,439	1,453	1,374	1,258
On imports	415	1,228	1,273	1,374	1,258
On local production	877	210	180	...	...
General sales tax	2,367	3,959	3,487	3,578	3,644
On imports	2,161	3,356	2,588	2,671	2,976
On local production	206	604	899	907	668
International trade	7,018	8,304	6,467	4,501	4,338
Import duties	2,444	3,702	2,409	2,187	2,440
Export taxes	3,248	4,166	3,807	1,593	1,171
Port services charges	1,326	436	251	174	179
Other	...	625	442	548	549
Other taxes	313	63	104	137	143
Other taxes	0	0	0	0	0
Nontax revenue	11,070	11,976	13,806	9,790	8,935
Business and property income	336	395	1,949	-	-
Fees and duties	8,661	8,336	7,885	8,695	7,945
Fishing licences	8,404	7,625	7,430	8,477	7,478
Other fees	257	712	455	218	467
Civil servants' social security contributions	251	0	0	372	139
Other nontax revenues	1,822	3,245	3,972	723	850
(In percent of total revenue)					
Tax revenue	53.7	59.4	51.6	54.8	58.7
<i>Of which</i>					
Income taxes	7.5	10.6	9.6	10.5	15.2
Taxes on goods and services	15.3	18.3	17.3	22.9	22.7
Taxes on international trade	29.4	28.1	22.7	20.8	20.1
Nontax revenue	46.3	40.6	48.4	45.2	41.3
<i>Of which</i>					
Fishing licences	35.2	25.8	26.0	39.1	34.6
Tax revenue	9.3	11.4	10.1	8.4	9.1
<i>Of which</i>					
Income taxes	1.3	2.0	1.9	1.6	2.4
Taxes on goods and services	2.6	3.5	3.4	3.5	3.5
Taxes on international trade	5.1	5.4	4.4	3.2	3.1
Nontax revenue	8.0	7.8	9.5	6.9	6.4
<i>Of which</i>					
Fishing licences	6.1	5.0	5.1	6.0	5.4

Source: Ministry of Economy and Finance.

Table 12. Guinea-Bissau: Central Government Expenditure, 1999-2003

	1999	2000	2001	2002	2003
	(In millions of CFA francs)				
Total expenditure	43,388	67,607	63,162	46,738	51,506
Current expenditure	28,488	51,800	41,513	33,046	34,007
Current primary expenditure	19,688	43,000	29,287	26,574	27,487
Wages and salaries	6,918	10,499	11,270	10,527	10,932
Permanent staff	2,693	3,070	4,336	4,050	4,206
Temporary staff	1,135	2,908	1,956	1,827	1,898
Other expenditures on staff	3,090	4,520	4,978	4,650	4,828
Goods and services	8,000	10,865	6,675	7,695	7,046
Durables	88	481	229	450	1,709
Nondurables	585	1,272	388	456	517
Acquisition of goods and services	1,321	1,490	1,242	1,421	1,016
Food and housing	2,202	4,357	1,643	2,300	2,714
Clothing	5	8	3	4	4
Transport	553	542	635	637	329
Maintenance	2,603	2,184	2,202	1,613	700
Other	644	531	333	814	57
Transfers	4,769	5,268	6,844	7,439	5,022
Civil servants	2,716	2,763	3,658	3,975	3,745
Public administration	1,341	1,693	2,311	1,809	319
Public enterprises	47	102	85	191	48
Transfers abroad	115	55	203	647	17
Other transfers	111	511	250	451	646
Regularization account	440	145	337	366	247
Other current expenditures	...	3,868	3,906	659	456
Unallocated expenditures	...	12,500	593	254	4,030
Scheduled interest	8,800	8,800	12,226	6,472	6,521
Domestic	...	0	578	380	451
External	8,800	8,800	11,648	6,092	6,070
Capital expenditure	14,900	15,807	21,648	12,691	15,236
Foreign financed	0	11,837	17,495	11,700	15,175
Domestically financed	14,900	3,470	2,473	691	61
Demobilization expenditure	...	500	1,680	1,000	2,263
Domestic arrears	...	...	...	300	-

Source: Ministry of Economy and Finance.

Table 13. Guinea-Bissau: Central Government Current Primary Expenditure by Agency, 2000-2003
(In millions of CFA francs)

	2000	2001	2002	2003
Presidency	866	1,245	967	852
National Assembly	1,153	1,715	1,225	0
Prime Minister's Office	419	292	438	331
Courts of law	295	429	427	429
State Attorney's Office	253	285	273	377
Ministries	19,625	16,585	14,373	17,128
Agriculture	415	382	399	323
Commerce and Handicrafts	70	142	113	112
Defense	6,786	4,533	4,435	4,362
Economy and Regional Development	92	...	...	...
Education	2,900	3,036	2,904	2,366
Employment and Poverty Reduction	112	112	74	56
Finance	2,816	1,677	1,217	6,007
Fisheries	294	175	158	413
Foreign Affairs and Guinean Communities	1,053	1,077	867	300
<i>Of which</i> : embassies	826	911	508	22
Home Affairs	1,931	1,808	1,704	1,852
Industry and Tourism	46	236	29	0
International Cooperation and Regional Integratio	17	80	55	0
Justice	110	141	139	88
Natural Resources and Environment	118	164	141	117
Planning and Regional Development	103	106	76	0
Public Administration	84	144	152	99
Public Health	1,312	1,014	1,479	838
Social Infrastructure	99	115	...	...
Social Solidarity and Reinsertion of Combatants	74	283	122	53
Transport	136	172	116	...
Youth, Culture, and Sports	232	279	193	145
Secretariat of State of Social Communications	151	175	231	103
Social security contributions	2,251	2,798	3,916	3,535
Other common expenditures	5,554	5,170	4,470	702
Unallocated expenditures	12,500	593	254	4,030
Total current primary expenditures	43,067	29,287	26,574	27,487

Source: Ministry of Economy and Finance.

Table 14. Guinea-Bissau: Civil Service Employment, 2000-01
(In number of staff; end of period)

	2000	2001
Total government payroll	26,112	29,359
Presidency 1/	218	218
Council of Ministers	24	25
Fiscal Court	23	30
Supreme Court	157	169
State Attorney's Office	121	126
Ministries	16,552	16,718
Advancement of Women	159	...
Agriculture	1,118	1,061
Ministry of Defense (MDN) and Armed Forces 2/	2,612	2,481
Economy and Regional Development	9	63
Education	5,067	5,606
Finance	794	802
Fisheries	162	165
Foreign Affairs and Guinean Communities 3/	164	181
Home Affairs 2/ 3/	3,212	3,001
Justice	148	149
Natural Resources and Environment	191	255
Public Administration	86	102
Public Health	2,144	2,162
Social Communication	59	58
Social Infrastructure	343	344
Social Solidarity and Reinsertion of Combatants	71	69
Transport and Telecommunications	213	219
Secretariat of State of Commerce	123	160
Secretariat of State of Industry	103	...
Secretariat of State of Planning and Budgeting	71	77
Secretariat of State of Youth, Culture, and Sports	287	272
Demobilization Program	...	170
High Authority for Water and Energy	53	...
Not classified	...	438
Other 4/	8,380	10,956

Source: Ministry of Economy and Finance.

1/ Military personnel assigned to the Presidency are accounted for under the Ministry of Defense and the Ministry of Home Affairs.

2/ In the absence of detailed information, all Ministry of Defense and Ministry of Home Affairs staff are counted as military personnel.

3/ Does not include embassies' staff.

4/ Corresponds to an estimated number of contractual teachers whose situation is being regularized.

Table 15. Guinea-Bissau: Public Investment Program (PIP) Outlays, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
Rural development	6.4	0.7	1.0	0.4	0.4
Fisheries	4.7	0.2	0.1	0.0	0.0
Mining	0.0	0.0	0.0	0.0	0.0
Water resources	5.1	0.5	1.1	0.0	0.0
Industry	0.1	0.0	0.0	0.0	0.0
Energy	3.8	0.6	0.1	0.0	0.0
Public infrastructure	13.2	2.0	13.7	0.3	1.3
Transport	0.8	0.0	0.1	0.0	0.0
Tourism	0.3	0.0	0.5	0.1	0.0
Health	4.7	0.4	2.9	0.2	0.4
Education and culture	3.7	0.7	4.9	0.7	0.0
Social affairs	0.1	0.1	5.6	0.4	0.0
Economic and administrative management	4.8	7.2	5.2	2.8	0.8
Regional development	0.0	0.3	1.9	0.3	0.5
Other	0.0	0.0	1.8	0.1	0.0
Total	47.8	12.7	38.8	5.1	3.4
Memorandum items:					
External financing of PIP	44.4	6.5	33.7	...	2.8
Grants	18.7	0.0	23.7	...	...
Loans	25.7	6.5	10.0	...	...
Domestic financing of PIP	3.4	6.2	5.1	...	0.6

Source: Ministry of Economy and Finance.

Table 16. Guinea-Bissau: Status of Public Enterprise Reform, March 2002

Companies	Ownership/Divestment Status
Companies liquidated or extinct	
DICOL (petroleum product distribution)	Liquidated in 1995.
EGA (automobile maintenance)	Liquidated in 1994.
ENAVE (poultry)	Legally extinct in 1980 with incorporation of SUINAVE.
FARMEDI (pharmaceuticals import and distribution)	Liquidated in 1996.
GUINAVE (shipyards) 1/	Liquidated in 1995.
GUINEGAZ (gas distribution)	Liquidated in 1995.
GUINEMAR (shipping)	Liquidated in 1995.
JAPG (port authority)	Liquidated in 1995.
SILO DIATA (urban transportation) 1/	Liquidated in 1995.
TAGB (airline)	Liquidated.
Titina Sila (processed fruits) 1/	Out of business in 1988.
Fully privatized companies	
Leite Blufo (diary)	Fully privatized in 1992.
CICER (brewery)	Fully privatized in 1996.
CMV (automobile maintenance)	Fully privatized in 1995.
Fábrica Espuma (mattresses)	Fully privatized in 1993.
FOLBI (wood products)	Fully privatized in 2002.
SOCOTRAM/Bafatá (wood processing) 2/	Fully privatized in 1996.
SUINAVE (pork and poultry)	Fully privatized in 1996.
Companies to be liquidated	
CAIC (agro-industry)	To be liquidated.
Complexo Hoteleiro de Varela	To be liquidated.
Estância Balnear de Bubaque (hotel)	Management contract cancelled. To be liquidated in 2002.
Fábrica de Plásticos (plastics)	Not operational. To be liquidated.
GUIMETAL (metalworks)	To be liquidated.
Hotel Ilha de Maio (hotel)	To be liquidated.
SOCAJU (cashew plantation) 1/	To be liquidated.
SOCOTRAM/MACA (logging) 2/	To be liquidated.
Titina Sila (land)	To be liquidated.
Companies put up for tender	
Cerâmica Bafatá (ceramics)	To be liquidated.
EAGB (electricity and water)	Management contract cancelled. To be privatized.
Granja Agrícola de Gambiel (sugar)	To be privatized.
GUINAVE (repairs)	To be privatized.
Hotel Hotti-Bissau (hotel)	To be put under management contract.
Hotel 24 de Setembro (hotel)	To be privatized.
SOCOTRAM/Bissau-Gambiel (wood processing) 2/	To be privatized.

Table 16. Guinea-Bissau: Status of Public Enterprise Reform, March 2002 (concluded)

Companies	Ownership/Divestment Status
Other public enterprises	
Complexo Frigorífico Bolola (frozen foods)	To be liquidated in 2003-04.
Complexo de Pesca Semi-industrial (fishing)	To be privatized.
ENAG (airport services)	To be privatized.
Fabrica de Algodão de Bafatá (cotton)	To be privatized.
Fabrica de Bandas	To be liquidated.
INACEP (printer)	To be privatized.
Jornal "Nô Pintcha" (newspaper)	To be restructured.
OMETAL (metalworks)	To be privatized.
Pescarte de Bubaque (fishing)	To be privatized.
Pescarte de Cacheu (fishing)	To be privatized.
PETROGUIN (petroleum exploration)	
RDN (broadcasting)	To be restructured.
RODOFLUVIAL (river transport) 3/	To be privatized.
RTGB (TV)	To be restructured.
Siló Diata (transportation) 1/	To be liquidated.
Silos de CAIC (storage)	To be liquidated.
SOCOTRAM/GEMSA (woodworks) 1/ 2/	Destroyed under the armed conflict.
Other mixed companies	
Armazéns do Povo (commerce) 3/	29 percent of capital state owned after privatization in 1992.
BIGB (bank)	To be liquidated. 26 percent of capital state owned; 49 percent Portuguese owned.
Estrela do Mar (fishing) 3/	51 percent of capital state owned; Russia owns balance.
FRETAMAR (shipping) 1/	70 percent of capital state owned; German company owns balance.
GEMSA 1/	12 percent of capital state owned. Destroyed during the war.
GUIALP (fishing) 3/	51 percent of capital state owned; Algeria owns balance.
GUINE-TELECOM (telecommunications) 3/	49 percent of capital state owned; under concession contract.
GUIPORT (port services) 3/	25 percent of capital state owned; concession contract cancelled.
NAVIPESCA/SEMAPESCA (fishing) 1/	35 percent of capital state owned after privatization in 1991.
TRANSTER (urban transportation) 3/	25 percent of capital state owned; Portuguese company owns balance.

Source: Private Sector Rehabilitation and Development Project.

1/ Awaiting legal liquidation.

2/ The former state enterprise SOCOTRAM was divested through separate sales of its regional operational divisions.

3/ State became sole owner again in 1996 after private shareholders sold out.

3/ Awaiting sale of government shares.

Table 17. Guinea-Bissau: Monetary Survey, 1999-2003.

	1999	2000	2001	2002	2003
	Dec.	Dec.	Dec.	Dec.	Dec.
(In billions of CFA francs)					
Net foreign assets	13.6	28.5	31.5	48.3	82.0
Central bank	15.4	33.6	37.2	51.2	76.0
Deposit money banks	-1.8	-5.1	-5.7	-3.0	6.0
Net domestic assets	24.6	35.5	38.8	39.0	17.2
Net domestic credit	20.9	20.3	19.8	23.0	17.8
Net claims on government	9.0	15.8	15.4	18.8	15.1
Net claims on central government	9.0	15.8	15.4	19.7	15.9
Central bank	10.1	16.8	16.5	19.7	15.9
Claims	13.1	20.4	20.3	20.2	17.9
Advances to treasury	6.7	14.2	14.2	14.3	12.0
Statutory limit	0.9	2.5	2.5	2.8	2.6
Use of Fund credit	5.8	11.7	11.7	11.4	9.5
Consolidated loans	6.4	6.2	6.1	5.9	5.8
Deposits	-3.0	-3.6	-3.7	-0.5	-1.9
Deposit money banks	-1.1	-0.9	-1.1	-0.9	-0.8
Claims	0.0	0.0	0.0	0.3	0.5
Deposits	-1.1	-0.9	-1.1	-1.2	-1.3
Credit to the economy	11.9	4.5	4.4	4.2	2.7
Other items (net)	3.7	15.2	19.0	16.0	-0.6
Liabilities	38.2	64.0	70.3	87.3	99.2
Broad money (M2X)	38.2	64.0	70.3	87.3	99.2
Local currency	38.2	64.0	70.3	87.3	99.2
Currency in circulation	24.0	44.2	53.1	71.1	90.0
Demand deposits and quasi-money	14.2	19.8	17.3	16.1	9.2
Demand deposits	13.2	18.6	16.3	14.6	8.3
Quasi money	0.9	0.9	0.8	1.3	0.6
Other deposits	0.0	0.3	0.2	0.2	0.3
Foreign currency deposits	0.0	0.0	0.0	0.0	0.0
(In percent of beginning-of-period money, unless otherwise indicated)					
Net foreign assets	-11.4	39.0	4.7	23.8	38.7
Net domestic assets	16.3	28.6	5.1	0.3	-25.0
Domestic credit	17.4	-1.5	-0.8	4.5	-6.0
Credit to the government	14.8	17.8	-0.7	4.9	-4.2
Credit to the economy (in percent)	8.7	-62.2	-1.2	-5.1	-37.0
Other items (net)	-1.1	30.1	5.9	-4.3	-19.0
Broad money (M2X)	4.9	67.7	9.9	24.1	13.6
Velocity (GDP/M2)	3.5	2.4	2.1	1.6	1.4

Sources: BCEAO-Bissau; and staff estimates.

Table 18. Guinea-Bissau: Central Bank of West African States (BCEAO), 1999-2003
(In billions of CFA francs)

	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.
Net foreign assets	15.4	33.6	37.2	51.2	76.0
Net domestic assets	10.2	14.4	14.7	22.2	16.1
Net domestic credit	10.1	16.8	16.5	19.7	15.9
Net claims on the general government	10.1	16.8	16.5	19.7	15.9
Net claims on the central government	10.1	16.8	16.5	19.7	15.9
Claims	13.1	20.4	20.3	20.2	17.9
Deposits	-3.0	-3.6	-3.7	-0.5	-1.9
Net claims on other government	0.0	0.0	0.0	0.0	0.0
Other items, net	0.1	-2.4	-1.8	2.5	0.2
Monetary base	24.8	47.6	55.3	73.2	91.8
Reserves	0.8	3.4	2.3	2.1	1.8
Currency in circulation	24.0	44.2	53.1	71.1	90.0
Deposits	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.8	0.3	0.2	0.2	0.3

Source: Central Bank of West African States (BCEAO-Bissau).

Table 19. Guinea-Bissau: Consolidated Accounts of the Deposit Money Banks, 1999–2003
(In billions of CFA francs)

	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.
Net foreign assets	-1.8	-5.1	-5.7	-3.0	6.0
Assets	5.7	6.0	2.8	5.5	6.0
Liabilities	-7.5	-11.0	-8.5	-8.4	0.0
Net domestic assets	15.2	24.6	22.7	18.9	2.9
Reserves and cash	3.7	6.3	2.4	1.7	2.0
Net domestic credit	10.8	3.6	3.3	3.3	1.8
Net claims on the central government	-1.1	-0.9	-1.1	-0.9	-0.8
Claims	0.0	0.0	0.0	0.3	0.5
Deposits	-1.1	-0.9	-1.1	-1.2	-1.3
Credit to the economy	11.9	4.5	4.4	4.2	2.7
Private sector	11.9	4.5	4.4	4.2	2.7
Short-term credit	11.7	3.9	3.9	3.8	2.4
Medium- and long-term credit	0.1	0.5	0.5	0.4	0.2
Other items, net	0.7	14.7	17.1	13.9	-1.0
Money and quasi money	13.4	19.5	17.1	15.9	8.9
Demand deposits (local currency)	12.4	18.6	16.3	14.6	8.3
Quasi money	0.9	0.9	0.8	1.3	0.6

Sources: Central Bank of West African States (BCEAO-Bissau).

Table 20. Guinea-Bissau: Interest Rates and Required Reserve Ratios for Commercial Banks, 1999-2004

	Since the Entry into the WAMU 1/									
	From	From	From	From	From	From	From	From	From	From
	June 1997	Jan. 1999	Aug. 1999	Dec. 1999	Jun. 2000	Dec. 2000	Dec. 2001	Jan. 2002	Aug. 2002	Oct. 2003
	(In percent per annum)									
Lending interest rates 2/										
Up to 180 days	18.0	18.0	18.0	18.0	15.0	15.0	15.0	15.0	15.0	15.0
181 days to 1 year	18.0	18.0	18.0	18.0	16.0	16.0	16.0	16.0	16.0	16.0
More than 1 year	18.0	18.0	18.0	18.0	16.0	16.0	16.0	16.0	16.0	16.0
Penalty interest rate (in excess of the above)	...	...	...	...	...	...	...	...	...	...
Deposit interest rates										
Demand deposits	...	...	...	...	...	...	...	...	...	...
Saving deposits (15 days' notice) 3/	3.5	3.5	3.5	3.5	3.0	3.0	3.0	3.0	3.0	3.0
Time deposits										
Up to 90 days 4/	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	3.00	1.50	1.50
91 days to 180 days 4/	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	3.25	1.75	1.75
181 days to 1 year 4/	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	TMM-2	3.50	3.00	3.00
More than 1 year 5/	...	...	...	...	...	...	...	...	...	...
Central bank discount rate	6.3	5.8	5.8	5.8	6.5	6.5	6.0	6.0	6.0	5.0
Interest rates on operations between the central bank and the treasury										
Deposit/ repurchase rate	5.8	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Loans										
Rate on treasury advances	5.0	...	...	...	...	...	...	...	...	...
Penalty rate	6.3	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Advances on the money market (TMM)	5.0	...	...	...	...	...	...	...	...	...
BCEAO bonds	4.7	...	...	...	...	...	...	...	...	...
Interest rate on required reserves of commercial banks 6/										
Demand deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(In percent of the respective deposit basis)									
Commercial bank reserve requirements										
Demand deposits										
In Guinea-Bissau pesos	...	...	...	...	...	...	...	...	...	...
In foreign currency	...	...	...	...	...	...	...	...	...	...
In CFA francs and foreign currency 7/	1.5	...	...	...	...	3.0	3.0	3.0	3.0	3.0

Source: Central Bank of West African States (BCEAO) Bissau.

1/ Since Guinea-Bissau entry into the West African Monetary Union (WAMU) on May 2, 1997, most interest rates have been liberalized.

2/ Since May 1997, all lending rates set freely, except for the usury rate, fixed at 18 percent.

3/ Since May 1997, applicable only to savings deposits of less than CFAF 5 million.

4/ Since May 1997, equal to monthly average money market rate (TMM), published by the BCEAO, minus 2 percent for deposits less than CFAF 0.5 million; interest set freely for deposits larger than CFAF 0.5 million.

5/ Since May 1997, set freely.

6/ On required reserves in excess of 10 percent for domestic currency deposits only.

7/ In the West Africa Economic and Monetary Union (WAEMU), the reserve requirement is set at 1.5 percent of the sum of sight deposits and short-term loans.

Table 21. Guinea-Bissau: Balance of Payments, 1999–2003

	1999	2000	2001	2002	2003
	(In millions of U.S. dollars)				
Goods and services	-40.3	-42.7	-68.6	-43.6	-33.6
Goods	-14.4	-8.9	-28.6	-16.9	-8.6
Exports, f.o.b.	51.2	62.1	50.0	53.6	62.2
<i>Of which</i> : cashew nuts	48.7	60.0	47.2	47.4	55.8
Imports, f.o.b.	-65.6	-71.0	-78.5	-70.5	-70.8
<i>Of which</i> : oil imports	-6.3	-3.9	-4.5	-4.5	-7.2
Services (net)	-25.9	-33.7	-40.0	-26.7	-25.0
Credit	4.6	6.4	7.3	7.3	8.6
Debit	-30.5	-40.1	-47.3	-34.0	-33.6
Income (scheduled interest)	-14.3	-12.4	-16.0	-8.7	-10.3
Current transfers (net)	49.0	42.9	40.1	30.6	38.4
Official	42.5	35.7	28.0	16.4	20.9
<i>Of which</i> : balance of payments support grants	3.0	12.1	1.4	0.0	2.0
<i>fishing license fees</i>	12.7	10.7	10.3	12.2	12.9
Private	6.5	7.2	12.1	14.2	17.5
<i>Of which</i> : NGO grants	3.0	5.0	2.2	0.3	0.3
<i>worders' remittances</i>	3.5	2.2	9.9	13.9	17.2
Current account					
Including official transfers	-5.6	-12.1	-44.4	-21.7	-5.4
Excluding official transfers	-35.5	-37.1	-62.2	-25.9	-13.5
Excluding official transfers and interest payments	-21.2	-24.8	-46.2	-17.2	-3.2
Capital and financial balance	-29.9	16.2	5.2	10.9	25.5
Capital account	14.9	23.4	12.4	39.2	16.3
Capital transfers	14.9	23.4	12.4	39.2	16.3
Financial account	-44.7	-7.2	-7.2	-28.3	9.3
Official medium- and long-term disbursements	2.4	10.2	4.6	4.9	13.8
Balance of payments support	0.0	7.4	0.0	0.0	3.9
Projects	2.4	2.7	4.6	4.9	9.9
Scheduled amortization (excluding IMF)	-19.7	-17.6	-23.9	-26.6	-28.8
Short-term capital (commercial banks' net foreign assets; increase -)	4.5	-7.0	4.9	4.4	1.9
Private capital; errors and omissions	-32.0	7.1	7.3	-10.9	22.4
Overall balance	-35.5	4.1	-39.2	-10.8	20.1
Financing	35.5	-4.1	39.2	10.8	-20.1
Change in net foreign assets	6.7	-20.9	-4.2	-24.0	-58.2
<i>Of which</i> : net IMF credit	4.7	8.6	0.0	-1.6	-4.8
Debt rescheduling	0.0	189.1	35.7	10.2	9.1
Change in debt-service arrears	28.7	-172.2	7.7	24.7	29.0
Memorandum items:	(In percent of GDP)				
Current account balance					
Including official transfers	-2.5	-5.6	-22.3	-10.7	-2.3
Excluding official transfers	-15.8	-17.2	-31.3	-12.7	-5.6
Excluding official transfers and interest payments	-9.4	-11.5	-23.2	-8.5	-1.3

Sources: Guinea-Bissau authorities; and staff estimates.

Table 22. Guinea-Bissau: Trade and Exchange Rate Indicators, 1999-2003

	1999	2000	2001	2002	2003
(Annual percentage changes, unless otherwise indicated)					
Trade indicators					
Exports, f.o.b.					
Value (U.S. dollar terms)	97.4	21.3	10.6	7.2	16.2
Volume	63.5	25.6	3.8	-0.6	8.0
Prices (U.S. dollar terms)	20.7	-3.4	-22.4	7.8	7.6
Imports, f.o.b.					
Value (U.S. dollar terms)	28.4	8.3	10.6	-10.3	0.5
Volume	27.0	11.9	16.5	-14.5	-8.0
Prices (U.S. dollar terms)	1.1	-3.3	-5.1	4.9	9.3
Terms of trade (deterioration -)	19.5	-0.1	-18.3	2.7	-1.5
Exchange rates					
CFA franc per U.S. dollar					
Period average	615.7	712.0	728.0	697.8	580.1
End of Period	652.9	705.0	712.9	682.7	543.6
Effective exchange rates (period average, 1990=100)					
Nominal	8.3	8.0	8.1	8.3	8.7
Real	79.7	81.0	82.3	84.4	80.2
(In percent)					
Annual variations					
U.S. dollar per CFAF; end of period	15.3	8.0	1.1	-4.2	-20.4
Effective exchange rates (depreciation -)					
Nominal	-1.6	-3.9	1.3	2.9	4.8
Real	-5.1	1.6	1.6	2.6	-5.0

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Table 23. Guinea-Bissau: Merchandise Exports, f.o.b., 1999-2003

	1999	2000	2001	2002	2003
(In millions of U.S.dollars)					
Total merchandise exports	51.2	62.1	50.0	53.6	62.2
Agricultural products	49.2	60.7	48.5	49.0	56.7
Groundnuts	0.0	0.0	0.0	0.0	0.0
Cotton	0.3	0.5	1.3	1.6	0.9
Cashew nuts	48.6	59.8	47.2	47.3	55.7
Other	0.2	0.3	0.0	0.0	0.0
Fish products	0.8	0.2	0.8	0.1	0.2
Fish	0.2	0.0	0.0	0.1	0.1
Shrimp	0.6	0.1	0.8	0.0	0.1
Other	0.1	0.0	0.0	0.0	0.0
Wood products	0.0	0.4	0.4	0.9	0.9
Sawn wood	0.0	0.1	0.0	0.6	0.6
Logs	0.0	0.3	0.4	0.3	0.3
Other	0.0	0.0	0.0	0.0	0.0
Miscellaneous	1.1	0.8	0.2	3.6	4.5
(In thousands of metric tons)					
Volume					
Groundnuts	0.0	0.0	0.0	0.0	0.0
Cotton	0.8	0.8	1.0	1.2	0.6
Cashew nuts	59.8	76.5	78.6	72.8	79.6
Fish (frozen)	0.0	0.0	0.1	0.2	0.2
Shrimp (frozen)	0.1	0.1	0.3	0.0	0.0
Sawn wood	1.0	1.0	0.1	2.1	2.0
Logs	2.0	2.1	2.5	2.0	2.0
(In U.S. dollars per metric ton)					
Unit prices					
Groundnuts	476	397	381	383	406
Cotton	1,208	1,352	1,297	1,305	1,381
Cashew nuts	813	782	600	650	700
Fish	395	415	425	428	453
Shrimp	2,881	3,029	3,098	3,121	3,304
Sawn wood	226	226	283	273	284
Logs	160	163	158	146	146

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Table 24. Guinea-Bissau: Merchandise Imports, c.i.f., 1999–2003
(In millions of U.S. dollars)

	1999	2000	2001	2002	2003
Total merchandise imports	82.0	86.3	95.2	85.4	85.8
Foodstuffs	24.0	21.5	14.8	17.0	25.8
Rice	17.7	13.9	9.2	11.8	18.2
Wheat flour	0.7	1.5	1.2	1.4	2.5
Sugar	0.6	0.4	0.2	0.7	0.7
Oil	1.4	2.8	1.1	1.5	2.1
Dairy products	1.1	0.5	0.5	0.4	0.5
Others	2.5	2.5	2.7	1.1	1.8
Beverages and tobacco	2.0	6.0	4.9	4.9	5.5
Other consumer goods	3.5	4.7	4.1	3.9	5.0
Clothing and shoes	0.7	0.5	0.4	0.3	0.6
Durable consumer goods	1.1	2.8	3.7	3.7	4.5
Nondurable consumer goods	1.8	1.4	0.0	0.0	0.0
Petroleum products	7.9	4.7	5.5	5.5	8.7
Diesel and gasoline	7.1	4.4	5.1	5.0	7.7
Gas	0.2	0.1	0.2	0.2	0.3
Others	0.6	0.3	0.2	0.2	0.7
Construction material	0.4	6.5	2.8	4.2	7.2
Transport equipment	5.9	9.4	6.3	4.5	4.9
Passenger vehicles	1.6	5.2	4.5	3.2	3.4
Freight vehicles	1.9	3.4	1.4	1.0	1.1
Vehicle parts	2.6	0.9	0.3	0.3	0.5
Electrical equipment/machinery	2.9	5.4	3.7	2.3	6.0
Parts and accessories	0.0	0.2	1.0	0.7	1.6
Non registered trade	35.4	27.9	52.1	42.4	21.1

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Table 25. Guinea-Bissau: Direction of Trade, 1999–2002
(In percent of total)

	1999	2000	2001	2002
Exports				
Industrial Countries	21.0	7.9	4.6	9.7
France	3.2	1.3	0.0	0.2
Netherlands	0.1	0.2	0.0	0.0
Portugal	0.9	2.0	2.1	2.9
Spain	2.6	0.1	0.0	0.3
Other	14.2	4.3	2.4	6.3
Africa	2.3	1.2	2.5	2.8
Cape Verde	0.1	0.0	0.0	0.1
Gambia, The	0.2	0.1	0.1	0.1
Guinea	0.1	0.4	0.7	0.8
Nigeria	0.0	0.0	0.0	0.0
Senegal	0.0	0.0	0.0	0.0
Other	1.9	0.7	1.7	1.9
Asia	76.7	90.8	93.0	87.4
China	0.4	0.3	0.0	0.0
Thailand	2.0	0.4	37.7	23.5
India	71.5	85.0	53.8	62.2
Other	2.8	5.1	1.5	1.8
Other	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0
Imports				
Industrial Countries	46.5	51.2	44.8	44.0
France	3.3	3.9	2.9	2.5
Germany	1.4	1.6	1.9	2.8
Italy	1.3	2.2	2.3	3.5
Netherlands	4.9	3.4	3.8	3.6
Portugal	24.2	29.5	22.8	21.2
Spain	1.2	1.3	1.9	2.5
Sweden	0.3	0.2	0.5	0.2
United Kingdom	4.0	1.9	2.5	1.8
Other	5.9	7.2	6.3	5.9
Africa	17.0	15.0	18.3	24.1
Cape Verde	0.0	0.0	0.0	0.0
Senegal	14.7	13.5	16.1	21.7
Other	2.3	1.5	2.2	2.3
Asia	32.4	30.4	33.0	26.1
China	4.3	5.3	6.2	4.2
Japan	1.7	1.8	1.4	1.5
Pakistan	2.1	0.2	0.1	0.2
India	10.6	15.0	16.0	17.0
Other	13.7	8.1	9.3	3.1
United States	1.2	0.7	0.9	2.6
Other	2.9	2.8	3.0	3.2
Total	100.0	100.0	100.0	100.0

Source: Guinea-Bissau authorities.

Table 26. Guinea-Bissau: Services and Income, 1999–2003
(In millions of U.S. dollars)

	1999	2000	2001	2002	2003
Services (net)	-25.9	-33.7	-40.0	-26.7	-25.0
Credit	4.6	6.4	7.3	7.3	8.6
Transportation	0.9	1.0	1.2	1.2	1.4
Foreign government embassies	2.6	3.5	4.0	4.0	4.7
Other	0.6	0.9	1.0	1.0	1.2
Debit	-30.5	-40.1	-47.3	-34.0	-33.6
Freight and insurance	-14.3	-15.1	-16.5	-14.8	-14.7
Technical assistance	-3.8	-9.2	-14.2	-3.1	-2.5
Other transport and travel	-1.0	-6.9	-6.1	-6.1	-6.1
Scholarships	-0.7	-0.8	-0.8	-0.6	-0.9
Other private	-7.6	-7.9	-6.9	-6.9	-7.0
Miscellaneous	-3.2	-3.3	-2.8	-2.4	-2.4
Income (net)	-14.3	-12.3	-16.0	-8.7	-10.3
Credit	0.0	0.0	0.0	0.0	0.0
Debit	-14.3	-12.3	-16.0	-8.7	-10.3
Interest payments scheduled	-14.3	-12.2	-16.0	-8.7	-10.3
<i>Of which</i> : IMF	0.0	0.0	0.0	0.0	0.0

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Table 27. Guinea-Bissau: External Grant Disbursements, 1999–2003
(In millions of U.S. dollars)

	1999	2000	2001	2002	2003
Total official aid	44.6	48.3	29.2	41.1	24.3
Project aid	18.6	32.5	25.6	40.0	18.8
<i>Of which</i> : technical assistance	3.8	9.2	14.2	3.1	2.5
multilateral donors (of which): 1/	7.7	8.3	2.6	27.0	1.3
European Union	0.3	4.8	0.0	19.8	0.8
bilateral donors (of which): 1/	7.1	15.0	8.9	9.8	15.0
Sweden	1.7	1.3	2.5	0.0	0.0
France	0.0	0.5	1.5	0.0	0.0
The Netherlands	1.9	3.6	4.2	2.4	0.0
Portugal	0.0	8.2	0.0	6.2	0.0
China P. R.	0.0	0.1	0.6	0.0	5.0
Balance of payments aid	3.0	12.1	1.4	0.0	2.0
<i>Of which</i> : European Union	0.0	0.0	0.0	0.0	0.0
bilateral donors	3.0	12.1	1.4	0.0	2.0
Food aid	3.7	3.4	0.7	0.7	3.2
<i>Of which</i> : World Food Program	3.7	2.8	0.7	0.7	0.7
Other aid	19.3	0.3	1.5	0.4	0.4
From nongovernmental organizations	3.1	5.2	3.2	2.6	0.3
Total AID	47.7	53.4	32.4	43.7	24.6

Source: Directorate-General of Strategic Planning, Ministry of Planning and International Cooperation, staff estimates

1/ Excludes technical assistance.

Table 28. Guinea-Bissau: External Debt Outstanding, 1999-2003 1/
(In millions of U.S. dollars)

	1999 2/	2000	2001	2002	2003
Total external debt outstanding (end of year)	897.3	762.3	776.9	853.3	915.2
Multilateral	552.5	410.3	417.0	422.1	449.0
African Development Bank (AFDB)	3.8	3.9	4.5	5.9	5.7
African Development Fund	130.3	118.0	118.9	124.8	127.2
Arab Bank for Economic Development in Africa	8.7	8.7	8.8	13.1	13.7
Economic Community of West African States	3.0	3.1	3.1	3.1	4.6
European Investment Bank / EU	7.9	7.6	7.6	7.2	7.4
International Fund for Agricultural Development	9.4	9.2	9.3	10.1	10.3
IDA	226.6	238.0	243.2	235.0	237.8
Islamic Development Bank	13.9	13.7	13.5	14.7	14.7
OPEC Fund	8.1	8.0	8.0	8.2	8.3
IMF	17.3	24.7	23.2	23.4	20.5
Bilateral	344.2	352.0	359.9	430.6	465.6
Paris Club (cutoff date: December 1986)	233.1	240.0	246.5	293.7	304.9
Belgium	7.5	7.8	8.1	9.5	9.7
Brazil	22.1	23.1	24.0	24.3	25.9
France	8.5	8.9	9.3	13.7	14.4
Germany	4.2	4.3	4.4	1.1	1.2
Italy	114.8	117.8	120.5	152.8	156.9
Portugal	68.7	70.7	72.7	80.0	84.0
Spain	7.4	7.5	7.6	12.4	12.9
Non-Paris Club	111.1	112.0	113.4	136.8	141.2
Abu Dhabi Fund for Arab Economic Development	0.2	0.2	0.2	0.2	0.2
Algeria	6.4	6.5	6.6	12.3	12.6
Angola	18.8	18.8	18.8	18.8	18.8
Kuwait	27.7	27.8	27.9	44.6	46.0
Libya	4.1	4.1	4.1	4.1	4.1
Pakistan	2.6	2.6	2.6	2.6	2.6
Saudi Arabia	15.0	15.1	15.2	14.5	14.9
Taiwan Province of China	35.7	36.9	38.0	39.7	42.0
Nonsovereign (Banque Franco-Portugaise)	0.6	0.6	0.6	0.6	0.6

Sources: Guinea-Bissau authorities; and staff estimates.

1/ Before application of traditional debt relief

2/ Figures revised based on decision point calculations.

Table 29. Guinea-Bissau: External Arrears Outstanding, 1999-2003 1/
(In millions of U.S. dollars)

	1999 2/	2000	2001	2002	2003
Total stock of arrears outstanding (end of year)	139.1	148.0	156.6	192.4	176.4
Multilateral	35.2	35.6	36.6	25.5	28.7
African Development Bank 3/	1.7	1.8	1.9	0.0	0.0
African Development Fund	3.6	4.5	5.2	0.0	0.0
Arab Bank for Economic Development in Africa	5.5	5.5	5.6	8.0	8.3
Economic Community of West African States	1.9	1.9	2.0	2.1	3.3
European Investment Bank / EU	0.9	0.9	1.0	4.5	5.2
International Fund for Agricultural Development	1.1	0.9	1.0	2.0	2.3
IDA	0.0	0.0	0.0	0.0	0.0
Islamic Development Bank	12.7	12.5	12.3	0.8	1.4
OPEC Fund	7.7	7.6	7.6	8.2	8.2
IMF	0.0	0.0	0.0	0.0	0.0
Bilateral	103.9	112.4	120.0	166.9	147.7
Paris Club (cutoff date: December 1986)	51.8	58.8	65.2	111.1	84.2
Pre-cutoff date (rescheduled Paris Club III-1995)	28.1	32.0	35.6	63.9	24.9
Belgium	1.5	1.8	2.1	0.6	1.0
Brazil	7.9	8.9	9.8	11.1	13.6
France	2.1	2.5	2.9	6.2	6.9
Germany	2.5	2.6	2.6	0.2	0.0
Italy	7.1	7.1	7.1	30.6	3.4
Portugal	7.1	9.1	11.1	15.1	17.6
Post-cutoff date	23.7	26.8	29.6	47.2	59.3
Italy	20.8	23.8	26.5	45.8	57.0
Spain	2.9	3.0	3.1	1.5	2.3
Non-Paris Club	52.1	53.6	54.8	55.8	63.5
Abu Dhabi Fund for Arab Economic Development	0.2	0.2	0.2	0.2	0.2
Algeria	1.4	1.5	1.5	7.7	8.3
Angola	18.8	18.8	18.8	18.8	18.8
Kuwait	17.8	17.9	17.9	1.6	3.4
Libya	0.7	0.7	0.7	4.1	4.1
Pakistan	1.3	1.3	1.3	1.6	1.8
Saudi Arabia	4.6	4.7	4.8	7.2	8.0
Taiwan Province of China	6.9	8.1	9.2	13.9	18.0
Nonsovereign (Banque Franco-Portugaise)	0.4	0.4	0.4	0.6	0.7

Sources: Guinea-Bissau authorities; and staff estimates.

1/ Before application of traditional debt relief

2/ Figures revised based on decision point calculations.

3/ Includes Nigerian Trust Fund.