

## **Guinea-Bissau: Selected Issues and Statistical Appendix**

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GUINEA-BISSAU

**Selected Issues and Statistical Appendix**

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Approved by African Department

July 19, 2006

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## Introduction

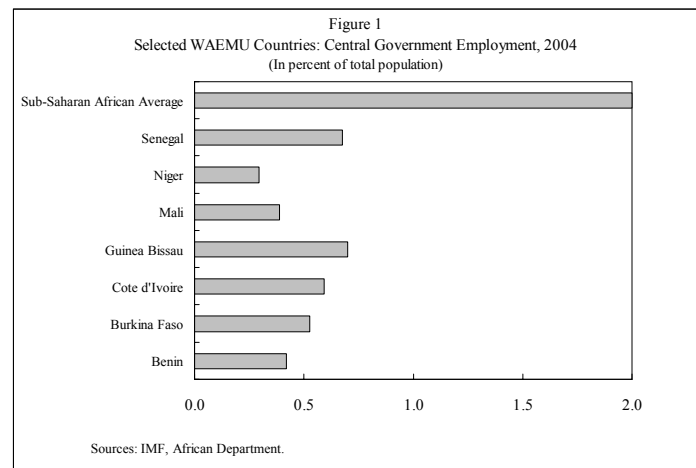
- 1. Guinea-Bissau is trying to recover from a long period of political instability that had taken a heavy toll on the economy.** The country's physical infrastructure was destroyed, the economy stagnated, government administrative capacity virtually collapsed, social conditions worsened and poverty increased. By the end of the political transition period in mid-2004, real per capita GDP had declined by an annual average of 2 percent since 2000 and the public finance was in disarray, as the government was unable to finance basic current expenditure from its own resources. Progress has been made in recent years to address the political and economic problems, but Guinea-Bissau remains a fragile post-conflict country.
- 2. The improvement of the fiscal situation is crucial to addressing Guinea-Bissau's deep-seated economic problems.** Guinea-Bissau has been in fiscal difficulty for most of its history since 1973 when it became independent. By 2000 huge fiscal deficits led to the accumulation of external public debt in excess of 300 percent of GDP in NPV terms, and since then the government has been running external and sometimes domestic arrears to finance part of the deficit. The fiscal imbalances reflects both an oversized public sector, and a relatively low revenue to GDP ratio compared with other sub-Saharan African (SSA) countries, which has also been heavily dependent on the cashew sector.
- 3. This report discusses the main factors that have driven the evolution of public finances in Guinea-Bissau in recent years.** Chapter I highlights the heavy burden to public finances posed by the excessive wage bill and reviews the salient features of recent public sector reforms in Guinea-Bissau aimed at reducing it to a sustainable level. Chapter II investigates the cause of low revenues and the main determinants of tax revenues, and suggests that the relatively low level of tax revenues can be traced to a complex tax system that has low yields in an economy with a large informal sector and to minimal tax administration capacity. Finally, Chapter III of the report highlights the importance of cashews as the main source of fiscal revenues and discusses the strategic options to boost the potential contribution of the cashew sector to value added, export and income.

## I. THE WAGE BILL AND SALARY REFORMS OF THE PUBLIC SECTOR<sup>1</sup>

### A. Introduction

4. As far back as the early 1990s, the government of Guinea-Bissau recognized that its civil service suffered from major structural problems and presented a heavy burden to public finances. In response, the country pursued numerous reforms, with the aim of containing the wage bill, including a civil service reform in 1991, censuses of the public administration in 1997 and 2005, improvement of the payroll system in 1997, salary reviews in 2000 and 2004, and a demobilization program in 2000. Although in some cases these reforms helped stem wage bill growth, they did not succeed in bringing that growth to a sustainable level. Indeed, at end-2005, overall public sector payroll represented about 80 percent of government revenue. Under the staff-monitored program for 2006, the authorities have initiated a new public sector reform that focuses on reducing staffing levels mainly at the lowest ranks both in the civil and military administrations. This new reform offers an opportunity to introduce already recommended changes that could result in a more modern and efficient civil service.

5. This chapter reviews the salient features of recent public sector reforms in Guinea-Bissau and it concludes that reducing wage bill growth to a sustainable level can only be achieved in the context of a comprehensive medium-term plan, and financed with the help of other donors. It is organized as follows: Section B uses cross-country data to provide a regional context for Guinea-Bissau's public sector employment and wage bill and flags potential areas of concern. Section



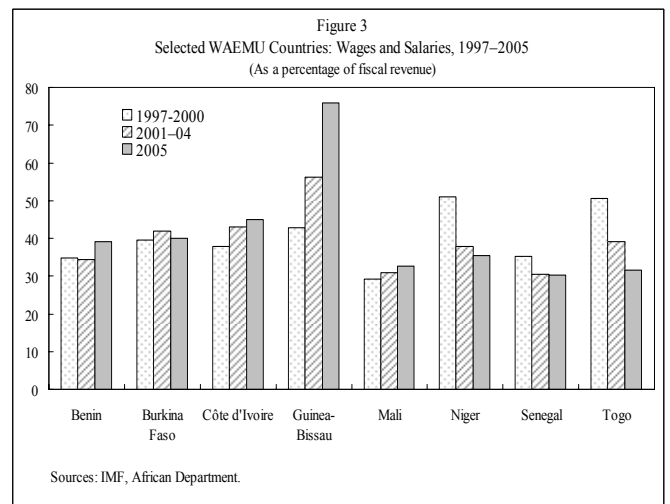
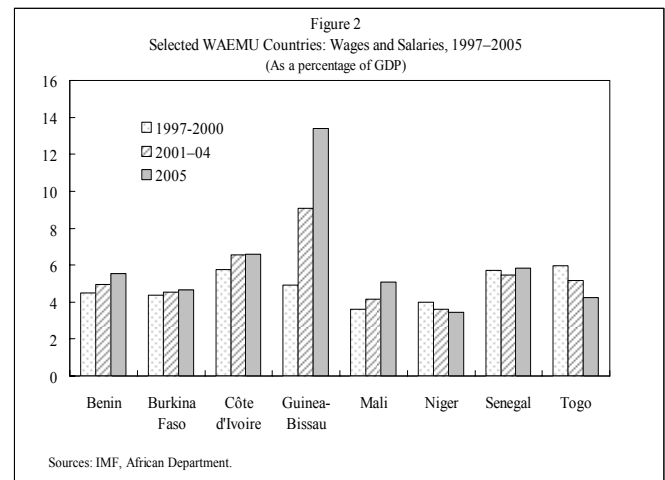
C assesses public sector wages in Guinea-Bissau, describes the evolution of wages, and reviews the main drivers for changing the salary structure. Section D presents an overview of reforms to the salary structure since the beginning of the 1990s. Finally, Section E provides a summary of the findings and recommends future actions.

<sup>1</sup> Prepared by Lorraine Ocampos

## B. Guinea-Bissau's Public Employment and Wage Bill: A Regional Comparison

6. **Guinea-Bissau's public sector employment—as measured by the proportion of civil servants in the population—is relatively modest** compared with the average in sub-Saharan Africa and that of other post-conflict countries. However, compared with the West African Economic and Monetary Union (WAEMU) region, Guinea-Bissau has the highest share of civil service workers, followed closely by Senegal (Figure 1). The ratio of armed forces to its population of 0.39 percent is close to the average for sub-Saharan countries of 0.3 percent and lower than post-conflict countries like the Democratic Republic of the Congo (0.6 percent in 2004) or Angola (1.3 percent in the 90's) which can be attributed to the demobilization program implemented in early 2000 (see section C).<sup>2</sup>

7. **At the end of the 1990s, Guinea-Bissau had one of the lowest average salaries in the WAEMU area** and outlays for public sector salaries were only 3 percent of GDP. Since then, however, the wage bill has increased fivefold from its pre-conflict level reaching a level of 13 percent in 2005 (Figure 2). Wages as a share of fiscal revenues also jumped over that period, from 20 percent to almost 80 percent (Figure 3). These high ratios, which double the regional average, not only reflect the country's low level of revenues but also a series of salary increases implemented since 2000, as explained in the following section.

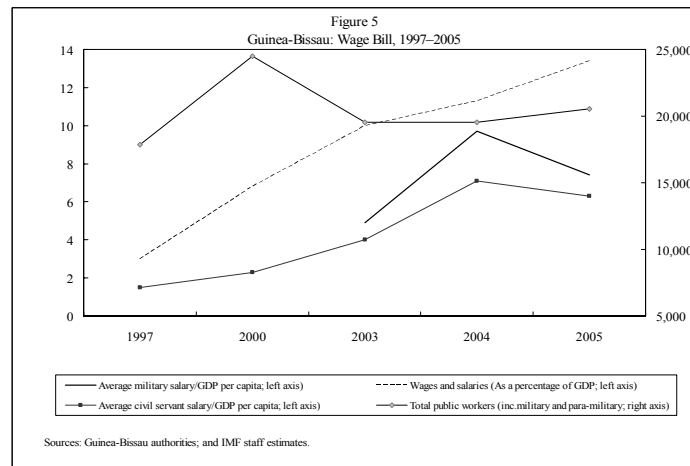
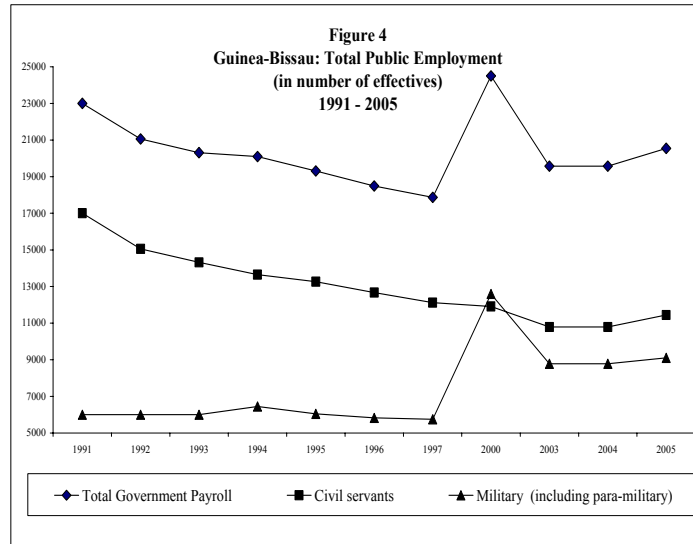


<sup>2</sup> Even at the end of the 1988–99 civil conflict, the census of security forces carried out in the context of the demobilization, reinsertion, and reintegration program (DRRP) (see section D, para. 19) amounted to 12,595 (military, paramilitary, and militia), which represented about 1 percent of the population (see World Bank: “Implementation Completion Report of the Economic Rehabilitation and Recovery Credit,” December 2004).



### C. Public Employment and Wage Trends in Guinea-Bissau

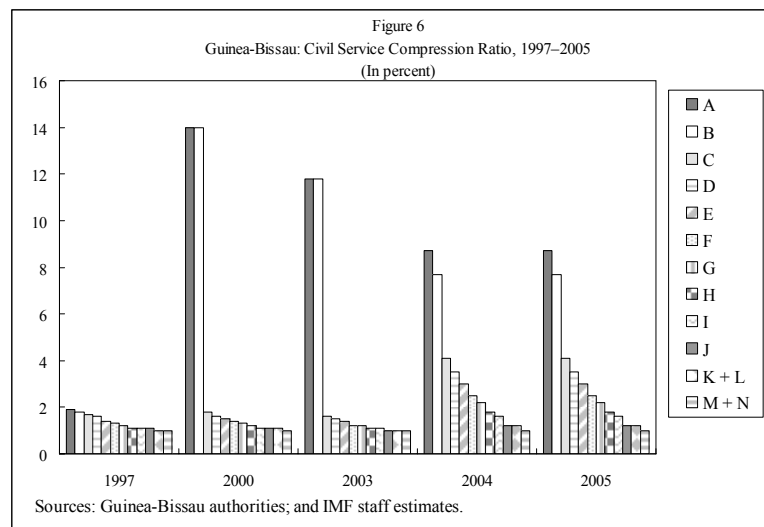
8. Excluding the jump in military personnel owing to the 1998–99 civil conflict, Guinea-Bissau's share of public employment has declined steadily since the early 1990s (Figure 4).<sup>3</sup> At the same time, however, wage increases designed to decompress the salary structure and to integrate especial allowances in wages have resulted in a rapidly rising wage bill (Figure 5).



<sup>3</sup> Data for the 1991–2005 series were drawn from various publications and were adjusted for reporting inconsistencies. Inaccuracies are therefore unavoidable.

## Compression ratio and the 2004 salary harmonization

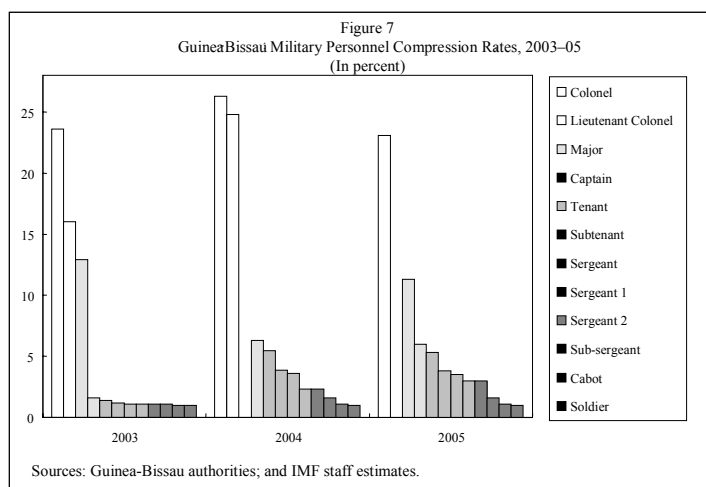
9. In the late 1990s, Guinea-Bissau's salary structure was extremely compressed, with virtually no salary differences evident between pay rankings.<sup>4</sup> This flat structure reflected a policy that focused on minimizing inequality.<sup>5</sup> Since 2000, the government has sought to correct this distortion and thus minimize adverse incentives. In addition, the government has tried to make the system more transparent by including subsidies and bonuses in reported wages. In 2000, wages of top rank officials (corresponding to levels A to B) increased significantly.<sup>6</sup> Meanwhile, wages of middle to lower ranks were virtually unchanged. As a result, the ratio of average salary to GDP per capita almost doubled and the salary gap between top and bottom ranks widened considerably (Figure 6).



<sup>4</sup> The compression ratio is the difference between the highest and the lowest salary (discarding the highest level if this concerns less than 1 percent of total effectives). For the assessment of compression rates this paper has only taken into account the wage part, leaving aside nonwage allowances since a breakdown between civil servants and military forces has not been available.

<sup>5</sup> Guido De Weerd—expert in public administration hired in the context of the public administration reform project financed by the World Bank and other donors—reviewed the salary structure in Guinea-Bissau at the end of the 1990s (see section C, paras. 15–16). According to his findings a wage system with adequate incentives will have compression rates above 4 but lower than 10. The structural adjustment programs of the 1990s aimed at reaching a maximum compression ratio of 13.4:1.0 (see IMF: *Public Expenditure Handbook*, 1991; page 51).

<sup>6</sup> The personnel structure, which is based on decree N° 2 of 1980, has 25 salary levels (in addition to 6 other higher political levels). The levels correspond to the letters A to Z and refer to positions (*cargos*).



10. **The salary harmonization of 2004 (see section D, para. 18) led to a large increase of average salaries of civil servants, military personnel, and paramilitary workers (Text Table 1). For civil servants, middle officials (service directors and chiefs and technical levels) saw the highest increases. Because these two groups constitute the bulk of the civil servant workforce, the average cost of civil servant salaries to GDP per capita increased from 4.0 in 2003 to 6.3 in 2005 (see Figure 5).**

Text Table 1  
Guinea-Bissau: Average Monthly Individual Salary by Sectors and Categories  
in CFA francs

	1997	2003	2004	2005	Salary Harmonization 2004/2003 difference in percent
<b>I. Individual Average Salary (A+B+C)</b>		33,794	67,643	61,655	100
<b>A. Civil Servants</b>	16,275	30,895	55,054	52,869	78
Total Group 0 (President, Vice-President, Ministers)		536,832	434,207	434,207	-19
<i>Of which President Republic</i>		3,757,173	900,000	900,000	-76
Total Group 1 (General Secretaries and Inspectors)	26,862	224,320	243,840	243,840	9
Total Group II (Service Directors)	23,091	28,349	114,600	114,600	304
Total Group III (Chiefs, technicians, and officials)	16,164	20,180	44,640	44,640	121
Total Group IV (O - Z)	14,356	16,045	19,271	20,400	20
<b>B. Military</b>		37,282	74,735	71,827	100
<i>Of which generals</i>		414,093	820,822	672,000	98
<i>Of which colonels</i>		381,218	531,338	444,000	39
<i>Of which captains</i>		26,232	128,328	115,200	389
<i>Of which tenants</i>		22,725	110,280	100,800	385
<i>Of which subtenants</i>		19,487	78,516	72,000	303
<i>Of which sergeant chiefs</i>		17,039	62,249	57,600	265
<i>Of which soldiers</i>		16,137	20,218	19,200	25
<b>C. Paramilitaries</b>		37,444.5	93,223.5	73,814	149

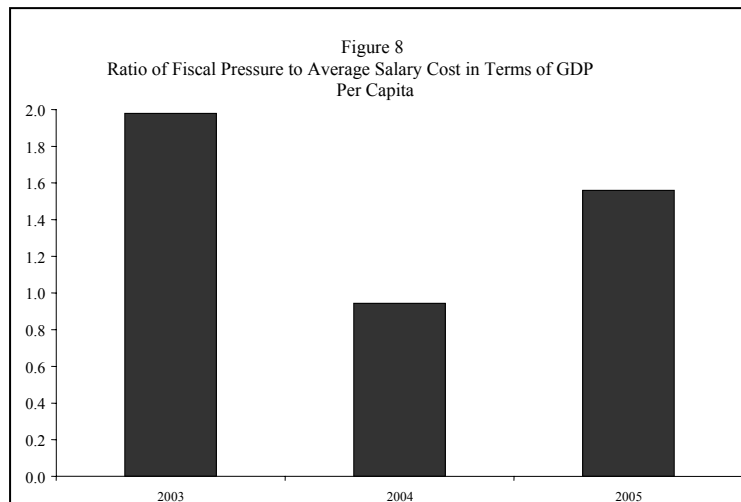
Sources: Data provided by authorities and staff estimates.

11. **While harmonization at the top of the scale eliminated glaring disparities between civil servants and military personnel, harmonization of the entire military salary grid was more questionable**, as the salaries of medium- to low-rank officials were fairly similar to those of their civil service equivalents.<sup>7</sup> As a result, the average salary cost for militaries to GDP per capita increased from 4.9 in 2003 to 7.4 in 2005 (figure 5), while its compression ratio rose sharply to 26:1, almost twofold the salary gap among civil servants (Figures 6-7).

12. **Overall, these harmonization measures effectively raised the average salary to GDP per capita from 1.5 percent in 1997 to 7 percent in 2005, close to the regional standards.** And the wage bill increased over the same period from 3 to 13 percent of GDP per capita, far above the regional standards.

13. **In sum, from an excessively flat wage system at the end of the 1990s, Guinea-Bissau's salary structure has evolved to include wide differentials that hamper regular payment of salaries** (see

Figure 8). The relationship between revenues in terms of GDP and the average salary cost in GDP per capita which measures the financial capacity of servicing salaries on a regular basis has, on average, exceeded 1, resulting in irregularly paid salaries and mounting wage arrears. Moreover, the excessive wage bill has left almost no resources for the provision of basic public services.

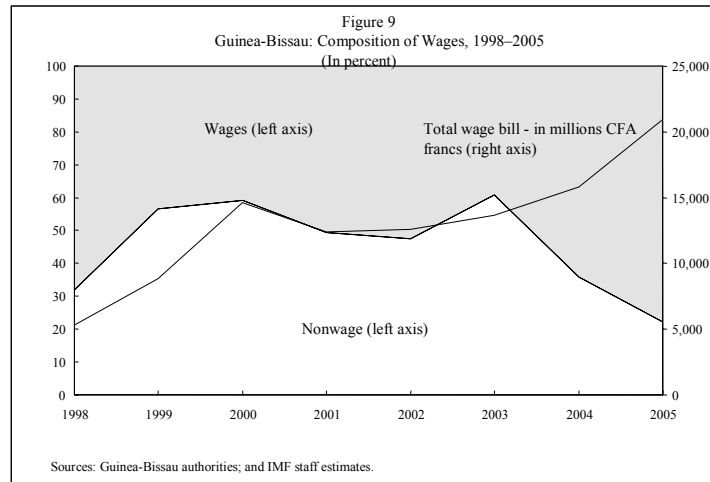


### Benefits and other gratifications

14. **Before the salary harmonization of 2003–04, low salary levels were offset by high levels of nonsalary allowances.** Such allowances hovered around 50 percent of the total wage bill, much higher than the technically recommended threshold of one-third. On the positive side, the salary harmonization reduced nonwage allowances to 25 percent of the total

<sup>7</sup> This could also be explained by the fact that before the harmonization nonwage allowances were not accounted for in the salaries of civil servants while representing a large part of their salaries (60 percent in 2003) (Figure 9).

wage bill, making wages the bulk of total remuneration (Figure 9). In that sense, the harmonization has made the wage system more transparent and less prone to abuse.



#### D. Public Sector Reforms: Past and Present

15. **This section reviews key reforms undertaken since the beginning of the 1990s to modify the salary structure and public administration**, so as to draw lessons for future actions. It focuses on (i) the findings of the report De Weerd of the end of the 1990s that reviews Guinea-Bissau's salary structure and whose recommendations still apply;<sup>8</sup> (ii) the demobilization program following the civil conflict; and (iii) the public sector reform recently proposed by the new government. The initiatives related to wage increases and the 2004 salary harmonization will be mentioned in the context of previous recommendations, as their impact on the salary structure and on the wage bill are covered in section C (above).

16. **In 1991, the government launched a broad civil service reform program** aimed at (i) significantly reducing the 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 nonwage benefits. The strategy was to encourage voluntary departures by offering separation incentives to lower-ranked civil servants, who accounted for much of the overstaffing. By the end of 1996, about 3,000 out of the estimated 23,000 public workers (including military and

<sup>8</sup> See footnote 4.

paramilitary personnel) at end-1991 left the public service under the voluntary departure program.<sup>9</sup>

17. **In 1993, with the support of the World Bank, the Cabinet for Budget and the Conjecture of the Ministry of Finance** established a more comprehensive payroll data base by computerizing and centralizing the payroll processing system for all ministries at the Ministry of Finance, with the exception of the Ministries of Agriculture, Education, and Health. **By 1997, the personnel data system was linked to the payroll to allow regular updating and verification of civil service employment.** A census of employment at the Ministries of Defense and Interior and a review of the beneficiaries of pensions for veterans of the war of independence were finalized at end-1997.

18. **In 1997, under the Project of the Reform of the Public Administration supported by the World Bank, a report (updated in 2001) to evaluate the salary system in Guinea-Bissau was elaborated.**<sup>10</sup> Its main findings were as follows: (i) the legal base was weak, obsolete, and dichotomous, and it differentiated the management level from all other civil servant levels; (ii) there were large numbers of *equiparados* (workers without positions whose salaries were similar to those with positions); (iii) the performance evaluation system was subjective and nonsystematic; (iv) salaries were too low, and the extremely compressed salary structure made it prone to adverse incentives (mainly applicable to salary levels before the 2000 salary reform); and (v) benefits and other nonwage compensations were very high.

19. **To overcome the identified shortcomings of the salary structure, the report made the following recommendations:** (i) modify the legal system; (ii) dissociate remunerations from positions; (iii) dismiss low-skilled effectives from grades O to Z; (iv) implement a progressive salary grid (with less pronounced progression rates at a higher level), so as to increase the transparency of career prospects and incentives; (v) increase the compression ratio of the indexed grid to a level not higher than 4.5:1.0;<sup>11</sup> (vi) maintain the same level of compression rate throughout the public sector (i.e., between civil servants and militaries);<sup>12</sup> and (vii) change the salary structure on the basis of level of education and

<sup>9</sup> See IMF, Guinea-Bissau's Selected Issues Paper and Statistical Appendix, November 2004.

<sup>10</sup> Guido De Weerd, Commission de Réflexion Chargée de la Reforme du Système Salarial. République de Guinée-Bissau, Ministère de l'Économie et des Finances—Project Banque Mondiale de Gestion Économique, Décembre 1997, and Guido De Weerd, Éléments de Reforme du Système Salarial et du Régime du Personnel. Primature, Ministère de l'Administration Publique et du Travail, Ministère de l'Économie et des Finances. Project de Reforme de l'Administration Publique, Mars 2001.

<sup>11</sup> According to De Weerd, this decompression level was considered appropriate to ensure normal payment of salaries and to avoid the creation of privileged islands.

<sup>12</sup> According to De Weerd, countries that have preserved salary harmonization throughout the public sector have kept similar salary compression ratios between civil servants and militaries (De Weerd 2001, p. 81).

experience. The new proposed salary grid and widening of the compression ratio were supposed to have a neutral impact on the wage bill.<sup>13</sup>

20. **In 2000—after the 1998–99 civil conflict—a demobilization, reinsertion, and reintegration program (DRRP) was launched in the context of the post-conflict strategy and based on an economic program supported under the PRGF.**<sup>14</sup> The DRRP—financed by the World Bank, the European Union (EU), and bilateral donors—was instrumental in tackling sources of continuous social and political tensions and the serious burden on the budget of a large military and paramilitary force. This (initially) three-year program encompassed three phases: (i) demobilization, during which participants were formally discharged from the armed forces; (ii) reinsertion, during which a transitional safety net helped the eligible, demobilized personnel to return to civilian life; and (iii) reintegration, to help demobilized personnel to attain a sustainable way of life. To facilitate the mobilization of donor financing, a multidonor trust fund administrated by IDA was set up in November 2000.<sup>15</sup> An audit to assess the eligibility of combatants for the program was completed in 2001. By September 2002, 3,929 of the 4,392 ex-combatants identified by the census to be mobilized were discharged and reintegrated into civilian life.<sup>16</sup> The last phase of the program, which was finalized in 2005 after several political and administrative disruptions, has resulted in the reintegration of approximately 3,000 additional ex-combatants.

21. **Salary reforms were implemented in 2000 and in 2004.** The so-called “salary harmonization” of 2004, implemented by the transition government had three major objectives. First, it increased wages to try to narrow existing salary gaps between higher and lower ranked workers. Overall those corresponding to medium ranks who represented 80 percent of staffing and who were left behind with the 2000 salary increases. Second, it brought the wage scales for military and paramilitary personnel broadly in line with the new wage grids for civil servants to reduce tensions with civil employees and to put military wages, including wages for paramilitaries, under the management of the Ministry of Internal

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<sup>13</sup> De Weerd 1997, page 80.

<sup>14</sup> The Poverty Reduction and Growth Facility-supported program immediately got off track because of expenditure overruns. Consequently, part of the interim debt relief and assistance to the DRRP was suspended.

<sup>15</sup> The program’s original budget amounted to US\$19.6 million. As of end-2005 the disbursed amount was of US\$9.5 million.

<sup>16</sup> The size of the security forces was much smaller than initially reported (12,595 versus an initial estimation of 23,000). The program’s original objective was to reduce the size of the armed forces by some 12,000 soldiers, by demobilizing 5,000 ex-combatants by end-December 2001 and 7,000 more combatants either before reaching the HIPC completion point or not later than the end of 2003. (See World Bank, “Implementation Completion Report of the Economic Rehabilitation and Recovery Credit,” December 2004).

Affairs. Third, it included nonwage benefits within wages to increase transparency. In this context, between August and September 2004, the new government reached agreements with both unions and the military to harmonize wage scales among sectors. The authorities have partially followed previous recommendations in reforming the country's salary structure (see paras. 15–16). However, recommendations to widen the compression ratio to introduce proper salary incentives ultimately took the form of large salary increases. In this context, many other relevant recommendations went unheeded (e.g., to change the legal system, dismiss nonskilled workers, introduce a career stream based on formation and experience, reduce large inequalities in the salary structure, and keep the same level of compression ratio throughout the public sector).

### **The current civil service reform**

22. **Recognizing that controlling the wage bill is key to achieving fiscal sustainability**, the government launched a public sector reform in March 2006 by removing from the payroll employees who had exceeded the mandatory retirement age. The reform's main objective is to reduce the burden of the wage bill on public finances by cutting the number of staff mainly at the lowest ranks of the salary scale. In this context, a plan has been elaborated to streamline and rationalize organizations by (i) obtaining parliamentary approval for new laws that will allow an audit of all ministries and an assessment of their staffing needs so as to minimize overlaps and duplication of functions; (ii) updating the census of the civil service and starting one for the military, which will be facilitated by the new identification cards that will be introduced this year; (iii) dismissing redundant workers, paying them seven months severance (first phase) and by implementing—with donor support—a safety-net protection program through microenterprises and capacity building (second phase); and (iv) by retiring workers who have reached the mandatory age of 60 and are still on the payroll.<sup>17</sup>

23. **If implemented on time, the reform is expected to remove from the payroll about 5,400 public workers** by (i) releasing 2,800 civil servants and 1,629 military, and (ii) retiring 970 persons (604 civil servants and 366 paramilitaries). The cut in the number of civil servants will primarily affect less educated and low-salary scale workers (letters O to Z, which represent a quarter of civil servants whose average monthly salary is CFAF 20,400 (US\$37). The reduction in the military will also be mostly concentrated in the lower ranks, mainly among soldiers who receive a salary equivalent to that of the civil servants. In 2006, the fiscal impact would be neutral, as the wage bill reduction would be offset by one-off

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<sup>17</sup> In countries where salaries are irregularly paid and pension systems are financially weak, government employees who reach retirement age are unwilling to leave the workforce, because they fear they will not receive their retirement gratuities and pensions. As a result, a large number of government employees who have reached retirement age remain on the payroll.



compensation payments to laid-off workers and new pensioners. In the medium term, however, payroll reductions through dismissals and retirements are expected to generate an estimated savings of about CFAF 2.1 billion (about 1.2 percent of GDP) for the full year, and its counterpart related to reinsertion programs is expected to be fully financed by donors assistance.

**Text Table 2**  
**Wage Bill Reduction - in quantity and in millions of CFA francs**

	Wage Bill - 2005				Estimated Saving on Annual Basis					
	Quantity	Average	in millions CFA francs		Quantity			in millions of CFA francs		
		Monthly Wage	Month	Year	Retiremen Lay off	Total	Retirement Lay off	Total	Total	Total
<b>I. Salaries of personnel (A+B+C)</b>	20,550		1,267	15,204	970	4,463	5,433	736	1,405	2,141
<b>A. Civil Servants</b>	11,445	52,869	605	7,261	604	2,834	3,438	291	655	945
Total Group 0 (President, Vice-Pres., Ministers)	87	583,200	38	453						
Total Group I (General Secretaries and Inspector)	357	243,840	88	1,055						
Total Group II (Service Directors)	956	114,600	103	1,240						
Total Group III (Chiefs, technicians, and official)	7,211	44,640	321	3,858						
Total Group IV (O - Z)	2,834	20,400	55	655		2,834			655	
<b>B. Military Personnel</b>	5,108	71,827	367	4,403		1,629	1,629		750	750
<i>of which General</i>	1	672,000	1	8						
<i>of which Colonel</i>	51	444,000	23	272		5			27	
<i>of which Majors</i>	283	216,000	61	734		14			36	
<i>of which Captains</i>	406	115,200	47	561		20			28	
<i>of which tenants</i>	453	100,800	46	548		68			82	
<i>of which subtenants</i>	607	72,000	44	524		152			131	
<i>of which 2nd sergeants</i>	280	43,200	12	145		42			22	
<i>of which soldiers</i>	2,334	19,200	45	538		1,167			269	
<b>C. Para-militaries</b>	3,997	73,814	295	3,540	366	366	446		446	

Sources: data provided by authorities and staff estimates

## E. Conclusion

24. **In the early 1990s, Guinea-Bissau began implementing initiatives aimed at reforming its public sector and modifying its salary structure.** Unfortunately, protracted civil conflict and political instability during the 1998–2003 period disrupted these reform efforts. Moreover, initiatives to bring very low wage levels to more competitive levels—through salary increases and a widening of compression ratios—went far beyond recommended best practices. Indeed, the resulting wage growth has proved unsustainable, as demonstrated by the government’s current, persistent lapse into wage arrears.

25. **The new government’s public sector reform focuses on cutting the number of staff, mostly at the lowest ranking levels,** to stem wage bill growth. It also envisages a new legal framework that would enable the government to establish and staff organizational structures that align with its priorities. In addition to helping curtail wage bill growth, this initiative would present an opportunity for the government to adopt changes already recommended by international experts in public administration. Ultimately, these reforms could result in a more modern, efficient civil service.

26. **Nonetheless, a determined medium- to long-term strategy is needed to address the key problems underlying Guinea-Bissau’s excessive wage bill.** First, with donor support, it is necessary to draw up a realistic action plan backed by adequate and timely financing. This plan should focus on several areas. First, it should develop a road map for

(i) reincorporating laid-off workers into civilian life and (ii) introducing effective management and control of public personnel expenditures, including medium-to long-term measures for rightsizing existing government structures and establishing new government bodies. Second, it should focus on increasing productivity by providing performance incentives, restructuring the job grading system, and enhancing training and management. Third, the government should strengthen civil service management and implement stricter payroll controls to ensure that the wage bill remains at a level consistent with macroeconomic stability.

## II. FISCAL REVENUES (1991–2005)<sup>18</sup>

### A. Introduction

27. **A major element of the persistent fiscal imbalances in Guinea-Bissau is the relatively low level of revenue compared with other sub-Saharan African (SSA) countries** (see Table 1). During 2000–03 Guinea-Bissau’s average revenues (excluding grants) as a ratio to GDP were low, essentially reflecting the fact that the tax revenue-to-GDP ratio is itself very low. At 9.7 percent, the average tax revenue-to-GDP ratio for 2000–03 was well below the averages for the West African Economic and Monetary Union (WAEMU) and SSA. Nontax revenues, on the other hand, have been a significant source of funds as a ratio to GDP for Guinea-Bissau in comparison to other SSA non-oil-producing countries, although they have not been enough to compensate for low tax revenues and high government expenditures.

Text Table 1. Fiscal Revenues in SSA Countries (average 2000–03)  
(In percent of GDP)

	Côte d’Ivoire	Kenya <sup>1/</sup>	Lesotho	Namibia	Senegal	Seychelles	Uganda	Guinea-Bissau	WAEMU	SSA
Total revenue (excl. grants)	16.7	24.4	41.3	32.5	18.0	39.1	11.0	16.6	15.76	21.89
Tax revenue	14.6	22.8	33.8	29.7	17.2	25.8	10.7	9.7	12.0	12.5
Nontax revenue (excl. grants)	2.0	1.6	7.5	2.8	0.8	13.3	0.3	7.0	3.8	9.4

Sources : IMF, Government Finance Statistics (CD-ROM) and WEO.

<sup>1/</sup> Includes data from 2000 only.

28. **This chapter investigates the cause of low revenues and the main determinants of tax revenues with the objective of finding a way to improve tax collections** The paper shows that relatively low tax revenues are due not to low tax rates but to a complex tax system that has low yields in an economy with a large informal sector and to minimal tax administration capacity. Because government revenues rely heavily on customs taxes, they depend strongly on the value of international trade.

29. The rest of the chapter is structured as follows. Section B describes the evolution of fiscal revenues and their components in Guinea-Bissau since the 1990s. Section C presents a simple model and econometric specifications for analyzing tax revenue determinants and estimation results. Section D presents the conclusions.

<sup>18</sup> Prepared by Manrique Saenz.

## B. Evolution of Fiscal Revenue and its Components

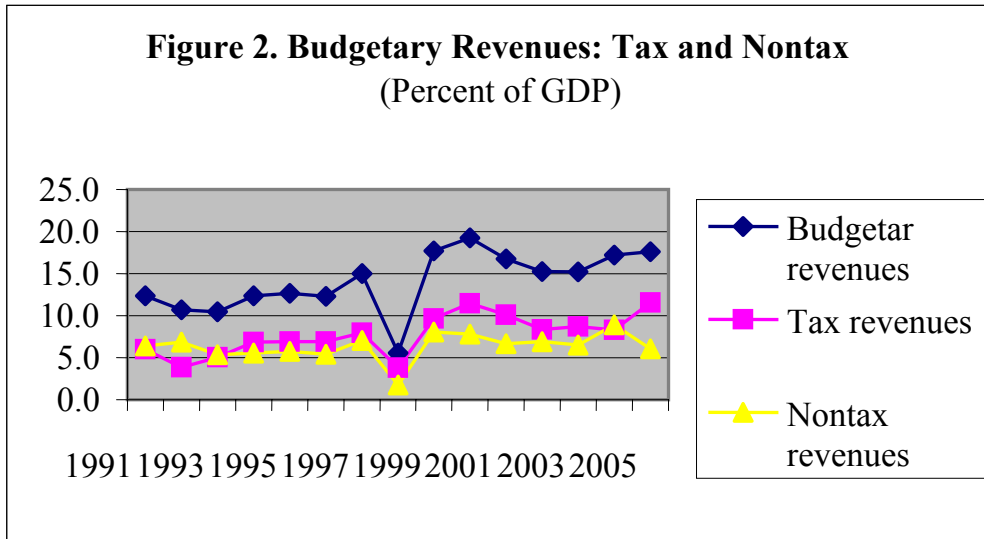
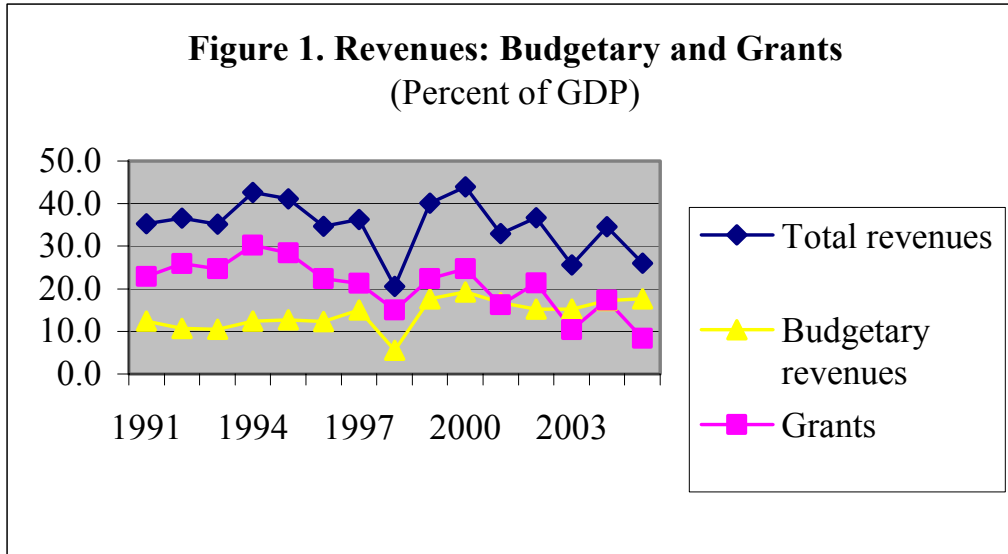
30. **Fiscal revenues, including grants, trended down significantly in Guinea-Bissau from 1991 through 2005, especially during the last five years.** The slide mainly reflects a continuous reduction in grants as a share in GDP, together with only slight increases in tax and nontax revenues as a percent of GDP. Grants constituted an average of 60 percent of total revenues during the period; as a ratio to GDP, they decreased from a maximum of 30 percent in 1994 to 8.5 percent in 2005 (Table 2 and Figure 1).<sup>19</sup> Although tax revenues increased over 1990s levels, the increases were not nearly enough to compensate for dwindling grants and stagnant nontax revenues (Table 2, Figures 1 and 2).

**Text Table 2. Guinea-Bissau: Fiscal revenues to GDP ratio**

	average 1991–97	1998	1999	2000	2001	2002	2003	2004	2005
Total revenues	37.4	20.6	40.1	44.0	33.0	36.7	25.6	34.5	26.0
Budgetary revenues	12.3	5.6	17.7	19.3	16.8	15.3	15.2	17.2	17.6
Tax revenues	6.2	3.8	9.7	11.4	10.1	8.4	8.7	8.3	11.5
Direct taxes	1.0	0.8	1.7	2.1	1.9	1.6	2.1	2.0	2.6
Indirect taxes	5.2	3.0	8.0	9.4	8.2	6.8	6.6	6.3	9.0
Export duties	1.1	0.2	2.3	2.7	2.6	1.1	0.9	1.2	1.3
Import duties	1.2	1.1	1.8	2.4	1.7	1.5	1.9	1.6	2.4
Tax on goods and services	1.3	0.9	2.6	3.5	3.4	3.5	3.6	3.2	4.9
On imports	1.2	0.7	1.9	3.0	2.6	2.8	3.0	2.5	4.0
On local production	0.1	0.2	0.8	0.5	0.7	0.7	0.6	0.7	0.9
Other indirect taxes	1.7	0.8	1.2	0.7	0.5	0.6	0.2	0.2	0.4
Non-tax revenues	6.1	1.7	8.0	7.8	6.7	6.9	6.5	8.9	6.1
Grants	25.1	15.0	22.4	24.7	16.2	21.4	10.4	17.3	8.4
BOP support	2.4	0.0	1.4	5.6	0.7	0.0	0.8	8.4	3.2
Projects and others	22.8	15.0	21.0	19.1	15.5	21.4	9.6	8.9	5.2

Source: Guinea-Bissau authorities, IMF and staff estimates.

<sup>19</sup> During this period, grants for projects (as opposed to budget support) constituted the main component of total grant resources. This component has dwindled even faster than budget support grants.



31. **Nontax revenues are stagnant as a proportion of GDP as a result of weak fisheries administration and control.** Though fishing licenses are the main and most stable source of nontax revenues, poor management and lack of capacity to monitor and enforce licenses have led to large-scale piracy and fast depletion of this resource. Better control of fisheries is key for the country and its government not only to increase fee collection in the short run but also to avoid an unsustainable rate of fisheries exploitation.

32. **Tax revenues as a proportion of GDP are relatively low in Guinea-Bissau even compared with other low-income countries (Table 1).** On average, tax revenues were 7 percent of GDP for 1991-2005; the ratio peaked at 11.5 percent in 2005 (Table 2). Given the decreasing role of grants as a source of funds and the limited potential to increase nontax

revenues in the short run, efforts to maintain or exceed tax collection levels during the last year are worth enhancing. The composition of tax revenues suggests areas where tax policy and administration could be improved.

### Composition of tax revenues

**33. The share of direct taxes in total tax revenues is relatively low in comparison with other SSA countries (Table 3), including those with similar per capita GDP.**

For 2000-03 Guinea-Bissau relied on indirect taxes, specifically international trade taxes, more heavily than most other countries in the sample (see Table 3). Table 3 also shows how in general tax revenues in countries with higher per capita GDP also have a higher share of direct taxes. Tanzi and Zee (2000) find that the correlation between GDP per capita and the share of direct taxes holds not only for SSA but also for the world as a whole. They explain that poorer countries typically have a larger informal sector, lack the necessary human capital for tax administration, and have very uneven income distribution—all of which favor reliance on indirect taxes.

**Table 3: Structure of tax revenues in a selection of African Countries (average 2000-03)  
(in percent)**

	DRC	Guinea-Bissau	Uganda	Lesotho	Kenya 1/	Senegal	Cote d'Ivoire	Namibia	South Africa	Seychelles
Taxes	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct taxes	23.1	20.1	18.8	26.0	30.7	25.8	29.3	41.7	60.7	26.3
Indirect taxes	76.9	79.9	81.2	74.1	69.3	74.2	70.7	58.3	39.3	73.7
Taxes on goods and services	26.9	37.1	46.7	17.5	48.4	36.6	23.7	23.9	34.5	16.4
Taxes on int'l. trade and transactions	32.7	37.6	34.3	56.3	20.6	35.9	46.5	33.6	2.7	55.5
Other taxes	17.3	5.2	0.2	0.2	0.4	1.8	0.5	0.8	2.0	1.8
Memorandum item:										
2004 GDP per capita in U.S. dollars	84.6	175.5	282.2	402.2	422.0	473.0	558.0	1975.8	3279.7	6774.8
Tax/GDP (average 2000-03)	4.7	9.7	10.7	33.8	22.8	17.2	14.6	29.7	26.1	25.8

Sources: FAD database using Government Finance Statistics (CD-ROM) and WEO as sources.

1/ Includes data from 2000 only

**34. The low share of direct taxes is not due to low tax rates.** Guinea-Bissau's 53 percent effective marginal tax rate on investors is significantly higher than that of both similar countries like Cape Verde and São Tomé and Príncipe and other countries with significantly higher per capita income (World Bank and SFI FIAS, 2004; see Table 4). The corporate tax rate was high, 39 percent, for most of the period; though it was somewhat reduced to 30 percent in 2005 and 25 percent 2006. It was higher than the corporate tax rate in most African countries (Table 5).

Text Table 4: Effective Marginal Rate of  
Taxation for Industrial Sector

Country	Rate
Guinea-Bissau	53.3
Cape Verde	40.1
São Tomé and Príncipe	31.7
Mauritania	43.7
Mali	41.0
Senegal	45.4
Morocco	29.2
Tunisia	33.8
Hungary	28.3
Poland	20.0
Hong Kong	10.3
Singapore	20.4

Text Table 5: Corporate Tax Rate for a  
Selection of Countries

Country	Rate
São Tomé and Príncipe	25.0
Cape Verde	27.5
Chile	17.0
Hong Kong	17.5
Hungary	16.0
Ireland	12.5
Singapore	22.0

35. **Indirect taxes have been the main source of tax revenue to the Guinea-Bissau government for the last fifteen years.** Even though their share in total tax revenue declined over the last five years, indirect taxes have always constituted more than 75 percent of total tax revenues (Table 6).

36. **Customs is a major force in the process of tax collection.** Besides export and import duties, which already account for 31 percent of tax revenue, customs collects the sales tax and selective consumption tax on all imported goods, so that in fact customs collects 66 percent of all tax revenues.<sup>20</sup> This is consistent with the observations of Tanzi and Zee

<sup>20</sup> This does not include the property tax charged cashew exporters at customs, which is in reality a 2 percent additional export tax also collected at customs.

(2001) that in developing countries, administrative constraints and a large informal sector create enormous difficulties for collecting taxes other than customs.

Text Table 6. Guinea-Bissau: Tax revenues structure

	(Percent)									
	average 1991–97	1998	1999	2000	2001	2002	2003	2004	2005	
Total tax revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Direct taxes	15.7	20.5	17.6	18.0	18.8	19.2	24.5	24.3	22.4	
Indirect taxes	84.3	79.5	82.4	82.0	81.2	80.8	75.5	75.7	77.6	
Export duties	16.5	4.7	24.3	23.7	25.9	13.4	9.8	14.4	11.0	
Import duties	20.1	29.6	18.3	21.1	16.4	18.4	21.6	19.8	20.5	
Tax on goods and services	20.8	24.5	27.4	30.8	33.5	42.3	41.9	39.0	42.5	
On imports	19.9	19.1	19.3	26.1	26.2	33.5	34.8	30.5	35.0	
On local productions	0.9	5.4	8.1	4.6	7.3	8.8	7.1	8.5	7.5	
Other indirect taxes	27.0	20.7	12.3	6.4	5.4	6.6	2.2	2.6	3.6	

Source: Guinea-Bissau authorities, IMF and staff estimates.

37. **The fact that collection of domestic indirect taxes is much more effective for imported goods at customs than for local production can have distortive effects.** Sales and selective consumption taxes on imports accounted for 80 percent of the total collection of sales and selective consumption taxes. This implies tax protection for local production, which can evade sales and selective taxes more easily than imported goods.

38. **Given the importance of international trade as a base for taxation, tax collection in Guinea-Bissau depends heavily on the administrative capacity of customs to collect taxes and on total international trade.** With some technical assistance from the IMF, customs administration and technology have been improved. International trade, on the other hand, depends on structural reforms that will enhance growth in the exportables sector and reduce nontariff barriers to trade (e.g., the cost of ports). Increased foreign direct investment, access to external credit, and grants are also likely to increase imports and related tax revenues, at least in the short run.

### Tax and other revenue policy

39. **Tax policy in Guinea-Bissau has been characterized by periods of gradual improvement in administration and tax structure, followed by political disruptions that led to significant regression.** The civil war in 1998 and the politically unstable period starting in 2001 that led to a coup in 2003 significantly disrupted tax administration and policies. Based on these episodes, tax and other revenue policy over the term of the study went through three phases: the pre-war period (1991–1997), the period of conflict and instability up to the 2003 coup d'état (1998–2002), and the post-coup period (2004–05).

40. **During the pre-war period, 1991–1997, customs administration gradually improved and there were several tax reforms.** Measures were implemented to tighten



customs administration and prevent abuses; taxes on cashew exports (the export tax plus the 2 percent tax on property charged on these exports) were reduced from 19.5 percent in 1996 to 14 percent in 1997 and to 12 percent in 1998; and the authorities implemented a major reform in 1997 that simplified and harmonized taxes on imports.<sup>21</sup> Also, efforts supported by the European Union to modernize the fisheries sector yielded, together with privatization receipts, a sharp increase in nontax revenues in 1997 (Table 2).

41. **During the civil war, the government was able to operate only on a limited scale.** This together with a significant decrease in production and the withholding of most fishing licenses let to a major slump in fiscal revenues in 1998.

42. **After the war, in spite of political instability efforts were made to rehabilitate the tax administration and the tax rates were again changed.** In 1999, tax revenues recovered due to a tax-arrears windfall, improved fiscal management and rehabilitation of the ASYCUDA computer system, and a record cashew harvest. In 2001, the sales tax rate was increased from 10 to 15 percent and excise taxes on cigarettes and beer were adjusted upwards significantly (which would later result in smuggling problems). In 2002, effective taxes on cashew exports decreased significantly: the export tax rate was reduced from 10 to 6 percent,<sup>22</sup> and the reference price of exported cashews was reduced from CFAF 750 to CFAF 650. Cashew exports fell as the international market price of cashews was reduced, which brought pressure from cashew exporters to lower taxes.<sup>23</sup>

43. **After the 2003 coup d'état there were significant improvements in tax administration.** Not only was customs administration improved but also a large-taxpayers unit was created to improve collection of both corporate taxes and sales taxes on domestic producers. This increased tax revenues, as did record growth in cashew production in 2004 and a 25 percent increase in cashew prices in 2005.

44. **The effective tax rate on imports clearly reflects many of the tax policy reforms that were undertaken (Figure 5).** It is calculated as the total revenues from indirect taxes charged on imported goods divided by the total value of imports of that year as reported in the balance of payments. The upward trend of this rate from 1992 to 1996 probably reflects

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<sup>21</sup> The previous structure had nine rates and 20 different rates of consumption taxes; the new structure comprised five tariffs: 0, 5, 10, 20, and 30 percent. Customs service tax was reduced to 2 percent, and a major effort was made to provide customs staff with proper equipment and training.

<sup>22</sup> In addition to the export tax, a 2 percent property return tax (*imposto predial*) is still charged on cashew exports.

<sup>23</sup> In response to exporter pressures, the minimum producer price of cashews was reduced from 250-300 CFAF/Kg, to 100 CFAF/Kg.

increased tax administration efforts. The decrease in 1997 probably reflects the reduction in import tariffs, while a slump in 1998 reflects the limited capacity of the government to collect taxes during the civil war. The effect of the increase in sales tax in 2001 and a later increase in excise taxes can be seen in an increase in the effective import tax rate.

**45. The effective tax rate on exports reflects tax policy changes for cashew exports.**

This rate is calculated as the total revenue from export taxes (excluding the *imposto predial*) divided by the value of exports in the same year. Before Guinea-Bissau joined the WAEMU in 1997, the effective tax rate decreased significantly along with the decrease in cashew export tax rates. After a slump in 1998, the tax rate recovered its previous level through 2002, when the cashew export tax rate and the cashew reference price were lowered significantly.

### C. A Simple Model for Determining Tax Revenues

46. The main source of revenues in Guinea-Bissau is taxes on exported and imported goods. Tax collection will depend not only on the tax rates charged but also on government administrative and enforcement capacity, and on the value of international trade, the base to which the tax is applied. This section focuses on the main determinants of international trade in Guinea-Bissau and their effects on tax revenues.

#### A simplified framework

47. Assume a country with three types of goods: cashews, rice, and an investment good. Of these, only cashews and rice are produced, and the values of their production is denoted by  $c^p$  and  $r^p$ .

48. Total income in this economy is the value of its production plus the amount of grants received during the period:

$$Y = c^p + r^p + \text{Grants} \quad (1)$$

49. The consumer is assumed to derive no utility from consumption of cashews; rice is the only good consumed. The value of this consumption is denoted by  $r^c$ .

50. The demand for investment goods is assumed to be a fixed fraction ( $\gamma$ ) of the grants received during the same period:

$$I = \gamma \cdot \text{Grants} \quad (2)$$

51. This economy is assumed to have no access to international credit markets, and therefore all income is either consumed or invested in each period:

$$Y = r^c + I \quad (3)$$

52. Solving for  $r^c$  in (3) and substituting (1) and (2), the demand for rice in this economy is:

$$r^c = Y - I = r^p + c^p + (1 - \gamma) Grants \quad (4)$$

### International trade

53. From Equation (4) we know that the demand for rice exceeds production and therefore part of this demand will be satisfied through imports ( $M^r$ ):

$$M^r = r^c - r^p = c^p + (1 - \gamma) \cdot Grants \quad (5)$$

54. Since we assume that this economy does not produce investment goods, the amount of investment goods imported is given by Equation (2).

55. The value of exports is the difference between cashew production and cashew consumption. Since we assume that no cashew is consumed in this economy, the total value of exports (denoted by  $X$ ) is equal to the value of cashew production:

$$X = c^p \quad (6)$$

### Tax revenues

56. Assume that in this economy the only taxes are taxes on international trade. Thus, total tax revenues are given by:

$$T = t_x X + t_m^r M^r + t_m^I I \quad (7)$$

where  $t_x$  = tax rate on exports

$t_m^r$  = tax rate on rice imports

$t_m^I$  = tax rate on imports of investment goods

57. Investment goods imports financed by project grants are typically exempt from taxes in low-income countries. Therefore, we will assume that  $t_m^I = 0$ . With this assumption, and substituting Equations (5) and (6) in (7), we obtain:

$$T = t_x c^p + t_m^r (c^p + (1 - \gamma) \cdot Grants) = (t_x + t_m^r) c^p + t_m^r (1 - \gamma) Grants \quad (8)$$

58. Since gross domestic product in this economy is the value of cashew and rice production:  $GDP = c^p + r^p$ , the ratio of tax revenues to GDP can be expressed as:

$$\frac{Tax}{GDP} = \frac{(t_x + t_m)c^p + t_m^r(1-\gamma)Grants}{c^p + r^p} \quad (9)$$

59. The effect of an increase in cashew production, and exports on the ratio of tax revenues to GDP is:

$$\begin{aligned} \frac{\partial(Tax/GDP)}{\partial c^p} &= \frac{(c^p + r^p)(t_x + t_m^r) - [(t_x + t_m^r)c^p + t_m^r(1-\gamma)Grants]}{(c^p + r^p)^2} \\ \Rightarrow \frac{\partial(Tax/GDP)}{\partial c^p} &= \frac{(t_x + t_m^r)r^p - t_m^r(1-\gamma)Grants}{(c^p + r^p)^2} \end{aligned} \quad (10)$$

Equation (10) implies that the ratio of taxes to GDP increases when cashew production increases as long as the fraction of grants not spent in investment goods is small enough. On the other hand, an increase in grants, according to Equation (9) would increase the ratio of tax revenues to GDP as long as the tax rates  $t_x$  and  $t_m^r$  do not decrease, due to the discouraging effect of grants on fiscal effort documented by Gupta et al. (2003).

### Econometric model

60. We use the following specification to capture the relationship described by Equation (9):

$$\left(\frac{Tax}{GDP}\right)_t = \alpha + \beta_1\left(\frac{Exports}{GDP}\right)_t + \beta_2\left(\frac{Grants}{GDP}\right)_t + \beta_3D98_t + \varepsilon_t \quad (11)$$

61. D98 denotes a dummy variable used to control for the year 1998, during which the civil war took place;  $\varepsilon_t$  is a random error term.

62. Table 7 presents the results of the estimation. Specification (11) is applied to five different sorts of tax revenues as dependent variables: (a) uses total tax revenues, (b) uses

import duties, (c) uses sales and excise taxes on imports, (d) uses all taxes on imports (including duties, sales taxes, and excise taxes), and (e) uses export taxes only.

Text Table 7. Determinants of Tax Revenues

Dependent	(a) Total taxes	(b) Import	(c) Sales and excise taxes on imports/GDP	(d) All taxes imports/GDP	(e) Export
Explanatory variables					
Constan	3.370 *	1.040 **	1.752 *	2.794 **	-1.395
	1.780	0.472	0.833	1.124	1.069
Grants/GD	0.028	-0.006	-0.046	-0.052	0.072 *
	0.058	0.016	0.027	0.037	0.035
Exports/GD	0.214 **	0.036 ***	0.068 ***	0.104 ***	0.068 ***
	0.036	0.010	0.017	0.023	0.022
Dummy 98	-2.630 **	-0.251	-1.156 *	-1.407 *	-0.334
	1.140	0.303	0.535	0.721	0.686
R-squared	0.87	0.75	0.84	0.86	0.56

\* Statistically significant at 10 percent.

\*\* Statistically significant at 5 percent.

\*\*\* Statistically significant at 1 percent.

63. In all specifications, exports as a ratio to GDP have a statistically significant effect on the tax revenue-to-GDP ratio. Although this is to be expected in specifications (a) and (e) because export duties are included in the dependent variable, specifications (b) through (d) capture a significant effect of exports through their effect on demand for imports. The coefficient of the exports-to-GDP ratio in specification (a) implies that for each percentage point of increase in this ratio, the ratio of total tax revenues to GDP increases by 0.2 percentage points. As expected, this coefficient is lower for the other specifications.

64. The grants-to-GDP ratio is not statistically significant in any of the specifications. This may be because most of these funds are used to import tax-free investment goods or because the income effect of these grants on the demand for imports is compensated for by a negative effect of grants on tax collection efforts as documented by Gupta et al. (2003).

#### D. Conclusion

65. For the last fifteen years, Guinea-Bissau's revenues, including grants, have been decreasing as a result of dwindling international official transfers and only slight increases in tax and nontax budgetary revenues. Political instability, a large informal sector, and lack of physical and human capital have hampered efforts to improve the tax system, adequately manage fisheries as a source of nontax revenues, and improve governance and transparency in the public sector to attract additional international aid. Given the high nondiscretionary expenditures in the public sector, the downward trend in total revenues has led to an

unsustainable fiscal stance with increasing external arrears and intermittent accumulation of domestic arrears.

66. Tax revenues as a percent of GDP are low in Guinea-Bissau in comparison to other SSA countries with similar per capita incomes. The low revenues are due to limited tax administration capacity and a complex and distortive tax system that stimulates informal economic activity and hinders tax collection efforts. Tax rates have been relatively high over the last fifteen years, although custom taxes were reduced after Guinea-Bissau joined the WAEMU and the corporate tax rate was lowered in 2005 and 2006 .

67. Poor tax administration together with a large informal sector has led the government to rely on indirect taxes collected at customs. As a result, revenues depend heavily on factors that affect tax collection at customs and on the value of total international trade (exports plus imports) on which taxes are levied.

68. As one of the country's main sources of income, production of exportables not only provides the government with revenues through export duties but also fuels demand for imports and produces revenues from all taxes levied on the sale of imported goods—not only import duties but also sales and excise taxes, as evidenced by the empirical relationship observed between these types of tax revenues and the value of exports in Guinea-Bissau. Given the current limitations of tax administration and collection outside of customs, exports are expected to remain one of the main determinants of the ratio of tax revenues to GDP, at least until the government can rely less heavily on international trade as a source of financing.

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### III. CASHEW NUTS IN GUINEA-BISSAU<sup>24</sup>

#### A. Introduction

69. **Cashew has long been considered the “gold” of Guinea-Bissau.** A low-maintenance and resilient crop, cashew has helped the country survive both development failures and political upheavals. While the tree is highly valued by the population, it is still cultivated in a fairly casual way, leaving open the potential for much greater income generation. Farmers continue bartering rice for cashews, a practice that minimizes how much cashew income boosts local purchasing power. The nut, which is exported as a raw commodity, has been the main source of cashew revenue during the past twenty years. Compared with other cashew-producing countries, Guinea-Bissau has a comparative advantage in that its cashew sector is less vulnerable to production disruptions.

70. This chapter concludes that a strategy to increase cashew revenues could benefit the overall economy. First, reducing rice-for-cashew barter practices would allow more cashew revenues to spill over to other areas of the Guinean economy. Second, processing cashew nuts locally, rather than at remote plants, would significantly boost the sector’s value added. In addition to helping to stabilize the nut’s export price, local production would lessen Guinea-Bissau’s dependence on major processors.

71. Further developing the cashew sector, however, does carry some risk. As the local consumption becomes more dependent on the sector, the impact of adverse sectoral shocks on the economy would become more pronounced. To counter such risk and further boost income, the authorities could incorporate other activities, such as further developing other nontraditional agricultural sectors, into their strategy.

#### B. Background

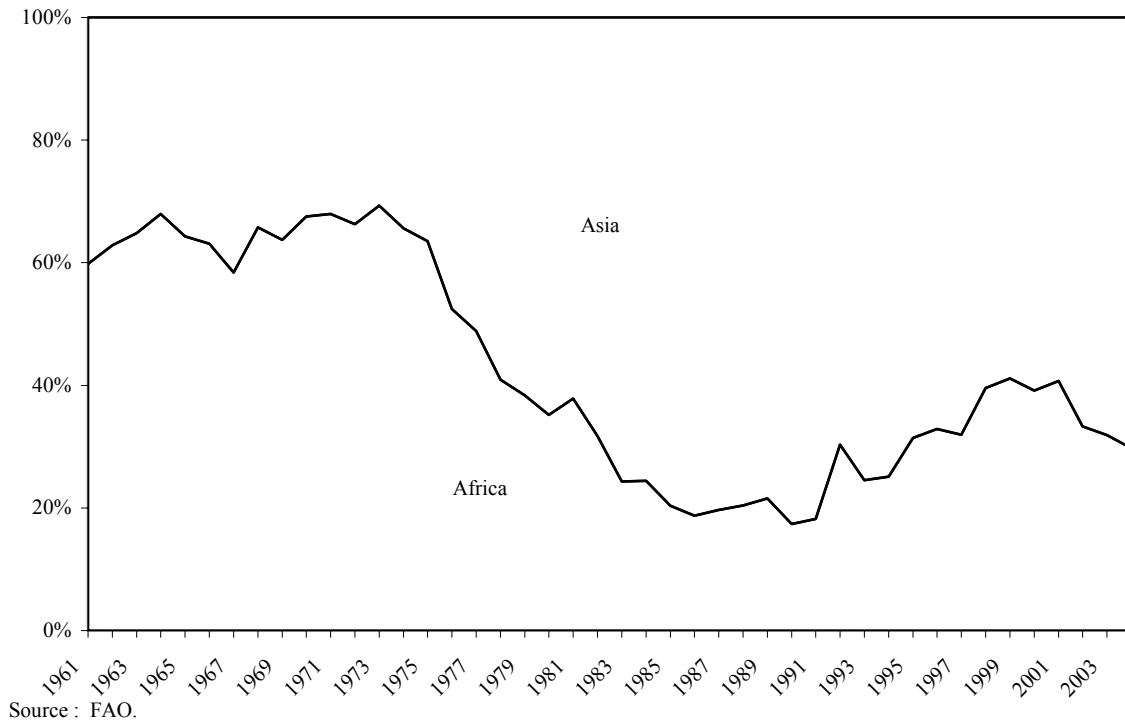
72. **The bulk of cashews are now produced in Asia because inappropriate strategies disrupted production in Africa.** In the 1970s, Africa was the main cashew producer, claiming 69 percent of the world production. Asia, mainly India, produced the remaining 30 percent. In the 1980s, production in the main African producers, Mozambique and Tanzania, sharply declined, because marketing policies inappropriately restricted the exports of raw nuts. Today, Asia accounts for 50–60 percent of global cashew production. The largest producers are India, Brazil, Nigeria, and Tanzania. In recent years, several new producers have also emerged in west Africa: Côte d’Ivoire, Benin, and Guinea-Bissau.

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<sup>24</sup> Prepared by Romain Veyrune.



Figure 1 : Africa and Asia in Cashew Production



73. **The Portuguese introduced cashews in Africa at the beginning of the 1970s to compensate for losses in other cash crops.** Guinea-Bissau's colonial administration produced other cash crops, such as sugar, cotton, and groundnuts. However, at the beginning of the 1970s, when sugar and cotton prices sharply decreased and a pest disrupted Mozambique cashew production, the Portuguese promoted cashew production in Guinea-Bissau.

74. **The cashew is a casual crop**—one that demands relatively few inputs. **As such, it can grow even if other areas of the economy fail to develop.** Because cashews require relatively few capital inputs (e.g., machinery and fertilizer) and labor, economic declines could actually support, rather than hurt, the sector. Indeed, the lack of capital may explain why the cashew sector, instead of such demanding cash crops as peanuts or cotton, developed after 1990s. During 1994-2004, cashew production grew by 15 percent, while real GDP declined, on average, by 0.6 percent.

75. **The importance of the cashew sector for Guinea-Bissau is well known. First, cashew plays a more important role in GNB agriculture than it does anywhere else.** Despite its small size, GNB's climate makes it among the most important raw-nut producers in the world market. GNB also devotes one of the largest areas in the world to cashew fields. Consistently, cashew nuts are the main export, accounting for 85 percent of all GNB exports. Cashew value added amounted to 18 percent of nominal GDP in 2004 and 21 percent

in 2005. In comparison, rice and other food crops accounted for 9 and 10 percent of nominal GDP during the same years. Raw nuts produced by GNB corresponded to 4.2 percent of world production, on average, during 2001–2005, even though GNB is the world’s smallest and poorest cashew operator.

Text Table 1. Comparative Indicators of Cashew Production

Percent (2001–2005)	Biggest Producers				Africa Average	Newcomers		
	India	Brazil	Nigeria	Tanzania		GNB	Côte d’Ivoire	Benin
Cashew harvested area as a percentage of agricultural land	0.40	0.25	0.44	0.21	0.09	13	0.60	0.25
Cashew production as a percentage of world production	24.7	8.56	10.2	5.70	31.3	4.20	4.21	2.09
Cashew exports as a percentage of world cashew exports	9.50	0.05	2.18	24.2	77.1	19.7	15.7	6.97
Cashew nuts as a percentage of country exports	0.05	0.01	0.04	8.10	..	84.7	0.79	4.75

Sources : FAO; and Financial International Statistics (IMF).

76. **Second, cashew nuts are the main source of private sector income in GNB, especially in rural areas.** In most cashew-producing countries (e.g., Tanzania, Mozambique, India), small farmers using family labor are the main producers. In GNB, farms cultivating cashews generate income for 47 percent of households. Studies completed in rural areas (2002 ILAP survey and 2005 QS) reveal that cashew revenues and GDP per income are correlated. For instance, an increase of 15 percent in cashew prices boosts household consumer spending by an estimated 10 percent. Because most operations in the cashew sector are labor intensive, income is widely distributed among the population and may, as a result, may spill over into rural income; for instance, a 1.0 percent increase in cashew income could lead to a 0.4 percent increase in the income of other sectors (World Bank 2005).

77. **Third, cashews are GNB’s main source of fiscal revenues.** Cashew nuts are an important source of fiscal revenue via customs and fees because as exports, they are easy to tax<sup>25</sup> in a context of low fiscal capacities. The tax consists of an ordinary duty (2 percent) and exceptional levy (10 percent before 2002, 6 percent thereafter). As the government taxes export value, it has to evaluate the commodity exported. For convenience, customs use a reference price, which becomes part of the tax. Duties on cashew exports represent 11 percent of tax revenues in 2005. In 2003, the government also introduced a minimum indicative price for farmers; however, this reference is not meant to be binding, and the government has no way to enforce it.

<sup>25</sup> Government policy mainly consists of taxing exports. The authorities has only recently succeeded in introducing a minimum gate price for farmers.

### C. Comparative Advantage in Raw Nuts Production

78. **During the past decade, GNB has become one of the world's main producers of cashew nuts, as its production has increased rapidly.** Table 2 shows the trends in cashew production among major producing countries. The deterministic trend estimates the yearly average of increases during 1961–2004 drawing on data from the Food and Agriculture Organization (FAO) for 33 countries. The fixed effects show a country's increase relative to the world average during 1961–2004. A negative coefficient means that the country's increase is below the world average. Over the sample period, the most important producers were India, Vietnam, Nigeria, Tanzania, Indonesia, and Mozambique. Despite its late entry in the market (1970), GNB ranked eighth. The steepest trends were observed in Benin, Côte d'Ivoire, Ghana, Guinea-Bissau, Mali, and Vietnam. In West Africa, cashew developed rapidly, with cashew growing at a rate of 3 to 7 percent per year over the period. Vietnam and GNB were the two countries that achieved both high production (in terms of rank) and rapidly increasing production.

Text Table 2. Trends in Cashew Production

Fixed Effects ( $\alpha_i$ )		Trend Deterministic ( $\beta t$ )	Coefficient	p-value
Mali	-0.65309	Belize	-0.06963	0.4692
Guadeloupe	-0.64656	Guinea	-0.02516	0.0493
Bangladesh	-0.48078	Togo	-0.02135	0.1559
Kyrgyzstan	-0.40314	Bangladesh	-0.01522	0.0242
Togo	-0.26321	Guadeloupe	-0.0152	0.4073
Mexico	-0.24981	Chine	-0.0127	0.0008
Guinea	-0.22443	Mozambique	-0.01157	0.0026
Honduras	-0.21566	Kenya	-0.00514	0.1685
Dominican	-0.1631	Tanzania	-0.00173	0.6428
Peru	-0.15424	Angola	-0.00126	0.7348
Angola	-0.14449	Honduras	-0.00024	0.9861
China	-0.09697	Kyrgyzstan	1.83E-13	1
Salvador	-0.08902	Dominican	0.001861	0.618
Philippines	-0.03534	Philippines	0.002378	0.5238
Burkina-Faso	-0.03194	Sri-Lanka	0.004057	0.2789
Senegal	-0.03016	Peru	0.004374	0.8094
Madagascar	-0.02366	Salvador	0.004459	0.2339
Sri-Lanka	-0.0189	Madagascar	0.010373	0.0066
Ghana	0.004122	Malaysia	0.011336	0.003
Malaysia	0.019576	India	0.012984	0.0008
Benin	0.026619	Mexico	0.014757	0.1838
Côte d'Ivoire	0.038055	Nigeria	0.017828	0
Belize	0.049892	Brazil	0.018815	0
Thailand	0.052972	Burkina	0.02336	0.0053
Kenya	0.059779	Senegal	0.028161	0.0922
Guinea-Bissau	0.095421	Thailand	0.0292	0
Mozambique	0.160201	Indonesia	0.033506	0
Indonesia	0.177967	Guinea-Bissau	0.035065	0
Tanzania	0.179555	Benin	0.047861	0
Nigeria	0.203939	Cote d'Ivoire	0.051772	0
Brazil	0.229932	Vietnam	0.05452	0
Vietnam	0.233575	Ghana	0.07294	0
India	0.295854	Mali	0.122154	0.0337

Source: Author's estimates.

79. **Cashew production in GNB has been less volatile than in other countries, suggesting that it is less prone to exogenous shocks.** Volatility—as defined by the standard deviation of residual,<sup>26</sup> that is, the production of cashews, controlling for world production trends—is much lower in GNB than in other countries. GNB farmers do not use modern techniques to cultivate cashew, suggesting that they would be especially vulnerable to exogenous shocks, such as bad weather. The data show, however, that GNB does not

$$^{26} y_{i,t} = \alpha_i + \beta t + \delta y_{i,t-1} + e_{i,t} \quad (1)$$

-  $y$  is the cashew production

-  $\alpha_i$  is the fixed effect

-  $t$  is the time trend

-  $e_{i,t}$  is a random term

experience more important production shocks than other important producer countries, such as Tanzania, Vietnam, and Mozambique. Indeed, the only significant producers that are less vulnerable to shocks than GNB are India and Nigeria. Interestingly, GNB seems less vulnerable to shocks than West Africa newcomers Côte d'Ivoire and Benin. As technological factors could not explain much of the differences in shocks (except for in India and Brazil), they might be related to exogenous events (e.g., climatic shifts or unexpected pests). GNB, then, seems to be relatively less prone to exogenous shocks.

Text Table 3. Cashew Production Volatility by Country

	Std. Dev. Around the Trend	Observations
Dominican Republic	0.037423	43
Madagascar	0.062883	43
India	0.070673	43
Angola	0.092274	43
Salvador	0.093026	43
Nigeria	0.135045	43
Thailand	0.149547	43
Honduras	0.150941	18
Guinea	0.158322	19
Indonesia	0.159729	29
Guinea-Bissau	0.208008	43
Philippines	0.227897	43
Tanzania	0.241758	43
Peru	0.266053	15
China	0.300081	43
Vietnam	0.321082	43
Mozambique	0.324638	43
Brazil	0.347467	43
Côte d'Ivoire	0.367397	43
Benin	0.374769	43
Sri-Lanka	0.385733	43
Kenya	0.387934	43
Guadeloupe	0.392596	15
Bangladesh	0.408091	29
Ghana	0.411337	17
Burkina-Faso	0.41251	26
Mexico	0.417647	17
Malaysia	0.418734	43
Togo	0.56324	17
Senegal	0.712592	16

Source: Author's estimates.

80. **Circumstances in GNB would allow other crops to compete with cashew.** While cashew plays a preeminent role in GNB's economy, it is not the only crop cultivated in GNB. In fact, as noted in previous sections, groundnuts, cotton, and sugar were cultivated in GNB before cashew, and the crop has competed with them. GNB's climate and soil are also conducive to growing orange, banana, and mangos, fruits that have a fairly mature market in developed economies. To assess the development of diverse crops during 1961–2004 in a panel of African countries, Table 4 compares production trends for cashews and diverse competitor crops. Controlling for overall production trends, we estimate the volatility of production in each crop. Two observations can be made.

Text Table 4. Trend and Volatility: Cashews Versus Other Commodities

	Stochastic trend (RU)	African countries		Fixed effect	Trend (det.)	GNB Volatility*
		Trend (det.)	Volatility* (sample median)			
Cash crops						
Cashew	+	0.003 (0.00)	0.32	0.095	+0.035 (0.00)	0.21
Groundnuts	0	0.002 (0.00)	0.23	-0.06	-0.007 (0.005)	0.18
Coconuts	0	0.00	0.064245	0.045	0.00	0.013
Cotton	(0)	0.00	0.354153	-0.34	0.00	0.268894
Palm oil	+	0.0010 (0.02)	0.097005	-0.08		0.179229
Sugar	0	0.002 (0.00)	0.216904	-0.66	0.00	0.092279
Banana	(+)	0.003 (0.00)	0.070719	-0.35	-0.00	0.138659
Orange	+	0.002 (0.00)	0.099091	-0.06	0.00	0.085357
Papaya	+	0.0016 (0.02)	0.06471	-0.22	0.003 (0.00)	0.029168
Mangoes	+	0.00	0.104923	0.26	0.00	0.188862
Food crops						
Rice	+	+ 0.002 (0.00)	0.28	0.08	+0.009 (0.016)	0.213994
Millet	0	+ 0.002 (0.02)	0.334381	-0.39	0.01 (0.00)	0.257138
Sorghum	0	0.003 (0.00)	0.252026	-0.67	0.023 (0.00)	0.276664

\* Standard deviation production once controlled for trends. ( ) indicate cases that yield ambiguous results.

81. **First, although cashew production is more erratic and volatile than other cash crops, GNB seems to have a relative advantage.** Cashews, along with banana, orange, and papaya, appear highly susceptible to volatility shocks than other cash crops, such as cotton, groundnuts, and coconuts, which have competed with cashew in GNB. GNB, however, appears to have a relative advantage in that it experiences less volatility in producing cashew (as well as coconut, and mango), as shown by the fixed effects. Compared with other cash crops, the steepest trend in production corresponds to cashew, suggesting that GNB's share of total production increased over the period. Cashew production in GNB is also less volatile than the world median, reinforcing our earlier findings. Interestingly, GNB did not develop other cash crops over the period, even crops with similar production volatility.

82. Second, cashew competitors do not develop in GNB because the country lacks basic facilities to support an efficient marketing system. Banana, orange, and papaya, could be interesting alternatives to cashew, as GNB has the soil and climate to support these highly valuable cash crops. Unfortunately, GNB production of each of these crops is under the African average, and no development seems to have occurred. Indeed, these crops seem more vulnerable to production shocks in GNB than elsewhere, because basic facilities, the capacity to transport perishable goods, frizzing, basic processing plants, and organized farming

methods are lacking. As a result, a significant marketing system has only developed around raw cashew nuts, which do not require much processing before being exported.

#### **D. Potential and Risk of Cashew Nuts for Guinea-Bissau**

83. **Cashews have the potential to improve rural income, because, at a given gate price, the value added is high and numerous small farmers cultivate the tree.** The value added is high because the trees can yield bountiful harvests without needing many inputs (e.g., fertilizers). Moreover, the most important operations—harvesting, brushing, and seeding—are labor intensive (i.e., machine use does not significantly improve their efficiency), and inexpensive labor is plentiful in GNB’s rural areas. Consequently, rudimentary and cheap techniques could allow the farmers to obtain good harvests, which, once sold, bring cash revenues to the village; moreover, these revenues join the income of a large number of households. Indeed, small farmers grow most of the cashew nuts produced in GNB. Cashew farms, which are on average no bigger than 1.6 hectares, generate income for 47 percent of GNB households.

84. **Farmers receive a small share of cashew revenues because bartering practices contribute to worsen their situation.** In spite of the competition among buyers inside Guinea-Bissau and an efficient—albeit informal—marketing system,<sup>27</sup> the gate price (270–450 US\$/ton) remains well below the international price (about 700 US\$/ton in 2005). Bartering cashew for rice, a method often used by Indian buyers, also encourages farmers to fix deals well below the potential of their production, because rice sellers are better organized than cashew producers. The farmers often barter cashew for rice to satisfy subsistence needs, reducing the spillover of cashew revenue to other local activities. Even though the government set a reference for the gate price of cashew, the price paid fluctuates during the harvest season. Thus, farmer and middlemen might try to retain the nuts, waiting for an increase in the demand of the Indian processing industry. If they are right and demand increases, the farm price will rise during the season; conversely, if demand fails to increase, the farmers would sell their built-up inventory at any price, causing the gate price would collapse. Consequently, farmers have yet to fully benefit from the income potential of cashew.

85. **Cashews could generate more income if GNB bases its local trade on cash payments and begins processing the nuts.** Cashew nuts could constitute a resource for development. Currently, bartering rice for cashew reduces the potential use of receipts. Cash payments instead of barter transactions would allow farmers to make better deals and permit a wider range of purchases, which could, in turn, increase demand in other sectors of the economy. Increasing cash income would also encourage rural households to use financial

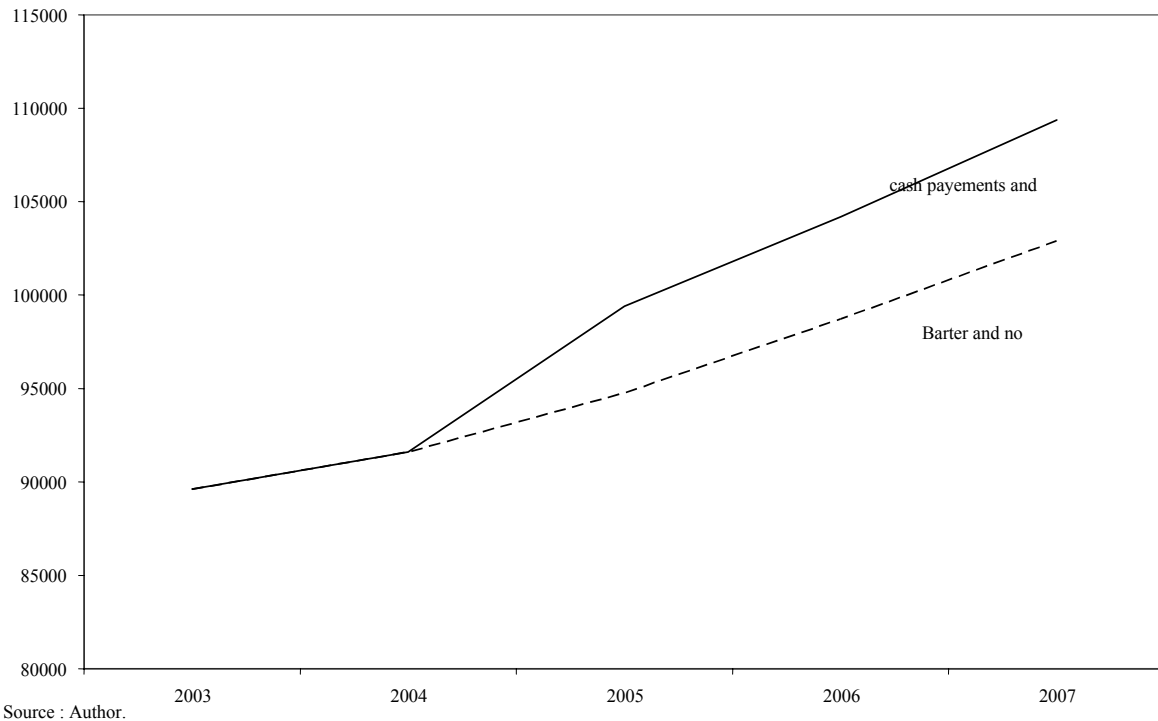
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<sup>27</sup> Farmers can almost always trade the nuts they produce.

facilities, thereby fostering bank development. The next step would be to develop processing facilities. As mentioned above, processed nuts add more value than raw nuts, and their price in the international market is more stable. Processing the nuts could also free GNB from its dependence on commodities, because plants could purchase the raw nuts abroad if climatic conditions take an unfavorable turn locally.

86. **The increase in local demand cashew revenues could boost growth, especially if GNB processes the nuts.**<sup>28</sup> An increase in local demand stemming from cash payments for cashew (versus barter arrangements for rice) during 2005–07 would produce additional revenues of 2.6 percent of 2005 real GDP. However, limited local capacity to meet the extra demand (two-thirds of which is assumed to come from abroad) and the lack of developed nonagricultural sectors would limit the spillover effects. If GNB also processed the nuts, it could boost revenues by another 14 percent of 2005 real GDP, putting the total value added at 16.6 percent (assuming that all nuts produced in GNB are processed there and that farmers receive cash payments).

Figure 2: GDP Projections With and Without Cash Payments for Cashew



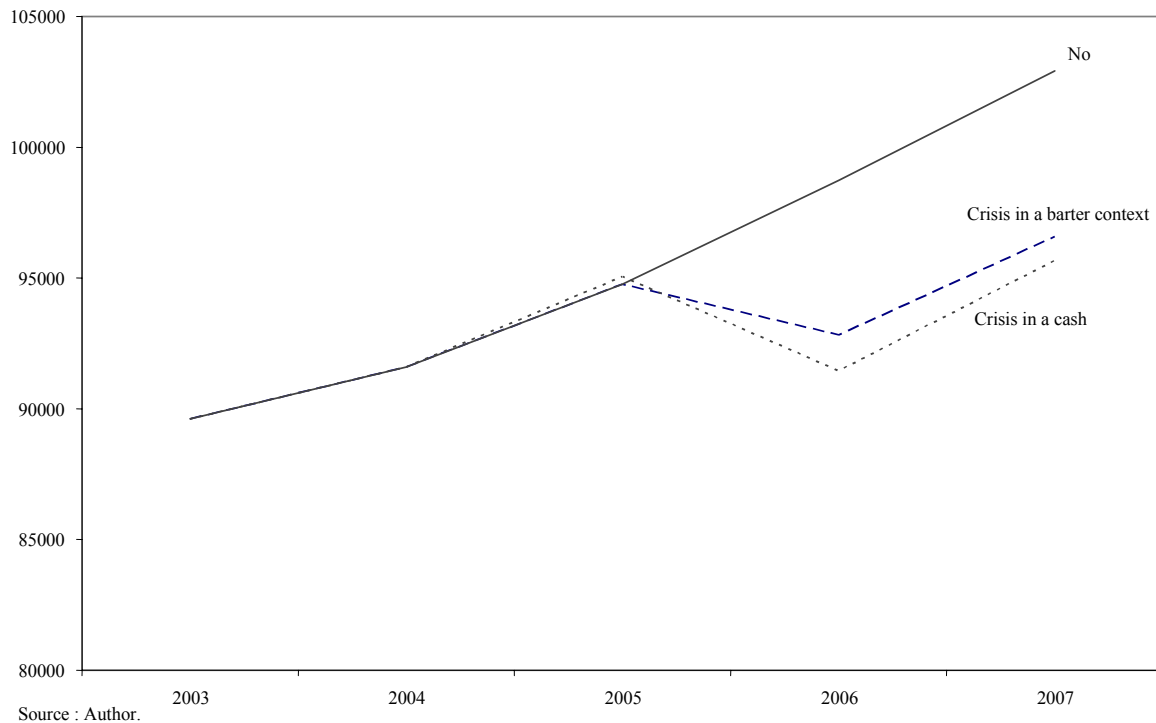
87. **Depending too heavily on a commodity—cashew in the case of GNB—exposes a country’s economy to undue risk.** Developing the cashew sector would further GNB’s

<sup>28</sup> The figures and graphs presented in the next sections are based on our model and its assumptions and are thus clearly hypothetical.



dependence on the product, thus exposing GNB to unexpected shocks. In the past, cashew prices have dropped by 22 percent. If production dropped by the same amount in 2006, GNB would lose about 6.8 percent of GDP in a barter context and 7.5 percent of GDP in a cash-payment context. Given the size of the cashew sector, unlikely that another sector, even in agriculture, could compensate for the losses. As expected, cash payments amplify the crisis because of their effect on local demand. In that respect, barter has some advantage, in that such arrangements insulate other sectors from the effects of a cashew crisis.

Figure 3 : Cashew Production Crisis



88. **Government intervention would be needed to increase cashew revenue.** The private sector has few incentives to process the nuts because infrastructure and financing are lacking. Investments in basic infrastructure, such as electricity, roads, and the port of Bissau, would considerably improve the profitability of processing industries. Similarly, rehabilitating the central administration would help banks to enforce contracts and give them incentive to finance new businesses in the processing industry. Nevertheless, the government may avoid measures aim at restraining raw nut exports because of the poor records such measures have had elsewhere.

89. **Diversifying GNB's economy should remain a priority.** Improving cashew revenue may aggravate the country's dependency on the nuts; therefore, some of the additional resources that the government may earn to enhance the cashew sector may usefully be spent in favor of other sectors. Fortunately, measures that aim at improving infrastructure and the

business environment would also support the development of noncashew sectors. Moreover, the production of other crops, such as orange, mango, or banana, require specific facilities that could be targeted in a public investment program.

### **E. Conclusion**

90. Though cashew could further support GNB consumption, efforts to develop the sector must include measures that diversify the country's income sources. During times of development failure, cashews were GNB's only source of income, financing local subsistence needs. The unfavorable economic and political circumstances might even have fostered cashew development, as the crop demands minimal capital inputs. While the crop has helped GNB weather difficult years, it has also exposed the country to exogenous shocks. Initiatives to increase cashew revenue could include reducing the practice of bartering rice for cashew, which would allow more cashew income to spill over to the local economy, and processing the nuts, which would increase the sector's value added. Developing the cashew sector is still risky, as it could increase the country's economic dependence on the crop; for example, additional cashew revenue might encourage farmers to reduce production in other areas. Using the extra revenues received from cashews to diversify the economy would help offset this risk.

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## Guinea-Bissau: Basic Data

**Area and land use (square kilometers, unless otherwise indicated)**

Area	36,120.0
Agricultural land (percent of land area)	58.0
Forest area	20,720.0

**Population (2004)**

Total (estimate; millions)	1.5
Average growth rate, 1980-2004 (percent)	2.8
Density (population per sq. km.)	42.6
Life expectancy at birth	45.0
Infant mortality rate, infant (per 1,000 live births)	125.6
Urban population (percent of total)	34.8

**Labor force (2004)**

Total number of workers (millions)	0.6
Of which: percentage working in agriculture (1990)	85
Female participation rate (percent)	40.9

**Nutrition and health (2004)**

Daily calorie supply (calories per person) <sup>1/</sup>	2,070
Physicians (per 1,000 people)	0.1
Access to an improved water source (percent of population)	59
Access to sanitation (percent)	34

**Education (2000)**

Gross enrollment ratios:	
Primary (percent of school-age group)	69.7
Female	55.9
Secondary (percent of school-age group)	17.8
Female	12.5
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

	2000	2001	2002	2003	2004	2005
<b>Gross domestic product</b>						
	(In units indicated)					
GDP at market prices (billions of CFA francs)	153.4	145.9	141.9	137.1	142.6	158.8
GDP per capita (U.S. dollars)	158.2	141.6	141.0	158.2	175.5	190.1
	(Percent of GDP at factor cost)					
Primary sector	59.6	60.0	60.0	61.2	59.9	60.3
Secondary sector	11.7	11.4	12.2	12.0	11.9	11.7
Tertiary sector	28.7	28.6	27.9	26.8	28.2	28.1
	(Percent of GDP at market prices, unless otherwise specified)					
Consumption	108.1	119.9	111.8	101.6	103.0	102.9
Gross domestic investment	11.6	14.4	9.6	12.6	13.2	14.6
Gross domestic savings	-8.1	-19.9	-11.8	-1.6	-3.0	-2.9
Resource gap	-19.8	-34.3	-21.4	-14.1	-16.2	-17.4
	(Annual percentage change)					
Real GDP at market prices	7.5	0.2	-7.1	-0.6	2.2	3.5
GDP deflator at market prices	3.1	-5.4	4.6	-2.8	2.7	7.7

## Guinea-Bissau: Basic Data (continued)

	2000	2001	2002	2003	2004	2005
<b>Prices</b>	(Annual percentage changes)					
Consumer price index (period average)	8.6	3.3	3.3	1.6	0.8	3.4
Terms of trade (deterioration -)	0.0	-22.6	2.3	-6.0	-8.7	9.9
Exchange rate (CFA per US dollar; period average)	709.9	732.4	694.6	580.1	527.6	526.6
Trade-weighted effective exchange rate indexes (depreciation -)						
Nominal	-5.9	0.9	2.9	7.8	3.8	-1.0
Real	-0.9	1.3	3.2	1.0	1.8	-2.7
<b>Government finances</b>	(Millions of CFA Francs)					
Total revenue and grants	51.1	45.6	30.4	31.4	49.1	41.3
<i>Of which:</i> revenue	29.5	24.5	21.7	20.8	24.5	28.0
Total expenditure and net lending	68.2	62.8	46.4	52.8	70.4	60.5
Current expenditure	51.9	41.1	33.7	34.9	42.1	44.0
Capital expenditure	16.3	21.6	12.7	17.9	28.3	16.5
Net lending	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-137.3	-15.3	-10.3	0.0	-12.7	-15.9
Financing (net)	137.3	15.3	10.3	0.0	12.7	15.9
	(Percent of GDP)					
Budgetary revenue	19.2	16.8	15.3	15.2	17.2	17.6
Current expenditure	33.8	28.2	23.8	25.5	29.5	27.7
Current primary balance <sup>2/</sup>	-8.8	-3.0	-3.7	-4.6	-6.2	-5.9
Overall balance (commitment basis)						
Excluding grants	-25.2	-26.2	-17.4	-23.3	-32.2	-20.5
<b>Money and credit</b>	(Billions of CFA francs end-period)					
Net foreign assets	28.5	31.5	48.3	13.7	32.5	37.5
Net domestic assets	42.3	46.6	46.8	16.4	10.9	14.6
<i>Of which:</i> net claims on the government	15.8	15.4	18.8	15.2	9.7	9.0
credit to the economy	4.5	4.4	4.2	2.7	2.3	3.3
Broad money	64.0	70.1	87.0	30.2	43.4	52.0
<b>Balance of payments</b>	(Millions of U.S. dollars)					
Current account	-12.2	-44.0	-21.8	-6.6	8.2	-21.4
Exports of goods and services	68.5	57.4	60.9	70.8	83.6	113.5
Imports of goods and services	111.2	-125.6	-104.7	-104.2	-127.4	-166.1
Services (net)	-33.7	-40.0	-26.7	-24.8	-36.6	-34.4
Fishing licenses	10.7	10.3	12.2	13.8	17.0	14.3
Scheduled interest payments	-12.4	-15.9	-8.8	-12.5	-11.4	-12.0
Current transfers (net)	42.9	40.1	30.7	39.3	63.5	43.2

## Guinea-Bissau: Basic Data (concluded)

	2000	2001	2002	2003	2004	2005
(Millions of U.S. dollars unless, otherwise indicated)						
Capital account	23.4	12.4	39.2	16.3	29.2	19.6
Financial account	9.3	-6.3	-32.9	-123.8	-47.1	-21.3
Medium- and long-term loan disbursements	3.9	6.3	7.1	13.8	26.2	12.4
Scheduled amortization (excl. IMF)	-17.6	-23.8	-28.3	-32.8	-35.9	-34.3
Short-term capital (commercial)	0.0	0.0	0.0	0.0	0.0	19.0
Banks' net foreign assets (increase -)	-4.5	-0.9	4.2	16.9	-0.2	-10.3
Private capital; errors and omissions	27.6	12.0	-15.9	-121.7	-37.2	-8.2
Overall balance	20.6	-38.0	-15.6	-114.2	-9.6	-23.1
Change in official net foreign assets (increase -)	-32.1	-5.0	-20.2	75.0	-35.8	-19.6
Debt relief obtained	184.1	35.4	11.0	8.7	8.6	10.1
Change in arrears	-172.7	7.7	24.8	30.4	36.8	32.7
External public debt	762.3	776.9	853.9	915.2	1,024.0	1,002.1
<i>Of which:</i> stock of arrears	141.7	137.5	169.1	206.4	293.8	327.0
Current account (excluding official transfers, in percent of GDP)	-22.1	-36.2	-18.7	-12.0	-11.7	-10.3
Scheduled debt service ratio (percent of exports of goods and service credits)	43.8	69.1	60.9	64.0	56.6	40.7
Gross official reserves (end of period)						
In months of imports of goods and nonfactor services	5.0	4.8	9.1	1.7	5.1	4.8

Sources: Guinea-Bissau authorities; Food and Agriculture Organization Statistics Database (FAOSTAT); World Bank (World Development Indicators); and IMF staff estimates.

Note: Italics indicate periods earlier than that shown.

<sup>1/</sup> Dietary energy consumption (kcal/person/day).

<sup>2/</sup> Numbers may not total because of rounding.

Table 1. Guinea-Bissau: Nominal Gross Domestic Product by Sector, 2000–05

	2000	2001	2002	2003	2004	2005
(Millions of CFA francs)						
Agriculture, fishing, and forestry	87,998	86,022	83,815	82,763	84,009	94,193
Industry (including water and electricity)	14,981	12,458	12,791	12,186	12,515	13,605
Construction	3,427	3,957	4,208	4,039	4,190	4,647
Commerce, restaurants, and hotels	23,337	21,388	21,762	21,578	23,352	26,274
Transport and communications	5,549	3,561	3,619	3,656	3,888	4,270
Banks, insurance, and other services	579	485	491	484	504	559
Public administration	13,825	15,603	13,045	10,485	11,849	12,757
GDP at factor cost	149,695	143,474	139,730	135,191	140,307	156,305
Indirect taxes	3,702	2,409	2,187	1,927	2,269	2,522
GDP at market prices	153,397	145,883	141,917	137,118	142,576	158,827
(Percent of GDP at factor cost)						
Agriculture, fishing, and forestry	58.8	60.0	60.0	61.2	59.9	60.3
Industry (including water and electricity)	10.0	8.7	9.2	9.0	8.9	8.7
Construction	2.3	2.8	3.0	3.0	3.0	3.0
Commerce, restaurants, and hotels	15.6	14.9	15.6	16.0	16.6	16.8
Transport and communications	3.7	2.5	2.6	2.7	2.8	2.7
Banks, insurance, and other services	0.4	0.3	0.4	0.4	0.4	0.4
Public administration	9.2	10.9	9.3	7.8	8.4	8.2
GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0
(Annual percentage changes)						
Agriculture, fishing, and forestry	7.1	0.4	-2.6	-1.3	1.5	12.1
Industry (including water and electricity)	7.1	-16.8	2.7	-4.7	2.7	8.7
Construction	22.4	15.5	6.3	-4.0	3.8	10.9
Commerce, restaurants, and hotels	10.4	-8.3	1.7	-0.8	8.2	12.5
Transport and communications	7.2	-35.8	1.6	1.0	6.3	9.8
Banks, insurance, and other services	-2.2	-16.2	1.1	-1.3	4.1	10.9
Public administration	39.5	12.9	-16.4	-19.6	13.0	7.7
GDP at factor cost	10.2	-4.2	-2.6	-3.2	3.8	11.4
GDP at market prices	11.0	-4.9	-2.7	-3.4	4.0	11.4

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

Table 2. Guinea-Bissau: Real Gross Domestic Product by Sector, 2000–05  
(Constant 1986 prices)

	2003	2004	2005
(Millions of CFA francs)			
Agriculture, fishing, and forestry	54,087.3	53,971.0	56,203.1
Industry (including water and electricity)	7,963.9	8,040.3	8,117.6
Construction	2,639.3	2,692.1	2,772.9
Commerce, restaurants, and hotels	14,101.9	15,002.1	15,677.2
Transport and communications	2,389.1	2,497.6	2,547.6
Banks, insurance, and other services	316.5	323.8	333.5
Public administration	6,852.3	7,612.0	7,612.0
GDP at factor cost	88,350.3	90,138.9	93,263.9
Indirect taxes	1,259.5	1,457.6	1,504.9
GDP at market prices	89,609.8	91,596.5	94,768.8
(Percent of GDP)			
Agriculture, fishing, and forestry	61.2	59.9	60.3
Industry (including water and electricity)	9.0	8.9	8.7
Construction	3.0	3.0	3.0
Commerce, restaurants, and hotels	16.0	16.6	16.8
Transport and communications	2.7	2.8	2.7
Banks, insurance, and other services	0.4	0.4	0.4
Public administration	7.8	8.4	8.2
GDP at factor cost	100.0	100.0	100.0
(Annual percentage change)			
Agriculture, fishing, and forestry	1.6	-0.2	4.1
Industry (including water and electricity)	-2.0	1.0	1.0
Construction	-1.3	2.0	3.0
Commerce, restaurants, and hotels	2.0	6.4	4.5
Transport and communications	3.9	4.5	2.0
Banks, insurance, and other services	1.5	2.3	3.0
Public administration	-17.3	11.1	0.0
GDP at factor cost	-0.5	2.0	3.5
GDP at market prices	-0.6	2.2	3.5

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



Table 3. Guinea-Bissau: Investment-Savings Balance, 2000–05

	2000	2001	2002	2003	2004	2005
(Billions of CFA francs)						
Consumption	165.9	174.9	158.6	139.2	146.9	163.4
Private sector	128.1	153.2	139.2	117.2	118.5	132.2
Public sector	37.8	21.7	19.4	22.1	28.3	31.2
Investment	17.8	21.0	13.7	17.3	18.813	23.132
Private	2.0	1.0	1.0	2.0	3.0	7.3
Public	15.8	20.0	12.7	15.3	15.8	15.9
Exports of goods and nonfactor services	48.6	42.0	42.3	41.1	44.115	59.785
Imports of goods and nonfactor services	78.908	91.997	72.693	60.466	67.215	87.486
Gross domestic product at market prices	153.4	145.9	141.9	137.1	142.6	158.8
(Percent of GDP)						
Consumption	108.1	119.9	111.8	101.6	103.0	102.9
Private sector	83.5	105.0	98.1	85.5	83.1	83.2
Public sector	24.6	14.9	13.7	16.1	19.9	19.7
Investment	11.6	14.4	9.6	12.6	13.2	14.6
Public	10.3	13.7	8.9	11.1	11.1	10.0
Private	1.3	0.7	0.7	1.5	2.1	4.6
Exports of goods and nonfactor services	31.7	28.8	29.8	30.0	30.9	37.6
Imports of goods and nonfactor services	51.4	63.1	51.2	44.1	47.1	55.1
Gross domestic product at market prices	100.0	100.0	100.0	100.0	100.0	100.0
Gross domestic savings	-8.1	-19.9	-11.8	-1.6	-3.0	-2.9
Resource gap	-19.8	-34.3	-21.4	-14.1	-16.2	-17.4

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

Table 4. Guinea-Bissau: Stocks, Production, and Uses of Cashew Nuts, 2000–05

	2000	2001	2002	2003	2004	2005
Stock at beginning of year	13,938.0	17,409.4	16,809.4	16,809.4	16,806.1	15,173.8
Production	77,000.0	78,334.6	84,930.6	88,385.3	106,681.1	110,982.9
Domestic consumption	-318.6	-334.6	-351.3	-368.8	-387.3	-406.7
Exports	-73,210.0	-78,600.0	-84,579.3	-88,019.8	-107,926.1	-112,278.2
Level of stocks	17,409.4	16,809.4	16,809.4	16,806.1	15,173.8	13,472.0
Change in stocks	3,471.4	-600.0	0.0	-3.3	-1,632.3	-1,701.9

Source: Guinea-Bissau authorities, and IMF staff estimates.

Table 5. Guinea-Bissau: Consumer Prices, 2000–05

	2000	2001	2002	2003	2004	2005
(Index, 1986=100)						
January	16,317	18,278	18,976	18,640	18,756	19,514
February	16,690	18,271	19,235	18,776	18,737	19,495
March	17,509	18,396	19,400	18,581	18,756	19,436
April	19,189	18,929	19,751	18,601	18,931	19,495
May	19,735	18,984	19,936	18,814	18,970	20,117
June	19,437	19,669	20,486	18,892	19,235	19,922
July	19,868	19,182	20,467	18,970	19,218	19,961
August	18,036	19,886	20,078	19,242	19,294	19,942
September	18,607	19,753	19,728	19,398	19,254	19,961
October	18,885	19,774	19,592	19,281	19,346	19,864
November	17,994	18,678	19,184	19,203	19,274	19,728
December	18,615	18,264	18,717	18,853	19,266	19,456
Average	18,407	19,005	19,629	18,938	19,086	19,741
Percentage change /1	8.6	3.3	3.3	-3.5	0.8	3.4
(12-month inflation rates, percent)						
January	-8.9	12.0	3.8	-1.8	0.6	4.0
February	-7.8	9.5	5.3	-2.4	-0.2	4.0
March	-3.0	5.1	5.5	-4.2	0.9	3.6
April	4.4	-1.4	4.3	-5.8	1.8	3.0
May	21.0	-3.8	5.0	-5.6	0.8	6.0
June	17.4	1.2	4.2	-7.8	1.8	3.6
July	17.8	-3.5	6.7	-7.3	1.3	3.9
August	9.1	10.3	1.0	-4.2	0.3	3.4
September	11.9	6.2	-0.1	-1.7	-0.7	3.7
October	16.8	4.7	-0.9	-1.6	0.3	2.7
November	13.1	3.8	2.7	0.1	0.4	2.4
December	16.7	-1.9	2.5	0.7	2.2	1.0
End-of-period rates	16.7	-1.9	2.5	0.7	2.2	1.0

Sources: Guinea-Bissau authorities.

1/ The percentage change in the average CPI reflects a break in the series due to a change in methodology. As a result, the figure reported for 2003 CPI inflation differs from that reported in the staff report and in the summary tables of this statistical appendix.

Table 6. Guinea-Bissau: Central Government Operations, 2000–05

	2000	2001	2002	2003	2004	2005
(Billions of CFA francs)						
Total revenue and grants	51.1	45.6	30.4	31.4	49.1	41.3
Total revenue	29.5	24.5	21.7	20.8	24.5	28.0
Tax revenue	17.5	14.8	11.9	11.9	11.8	18.3
<i>Of which: international trade taxes</i>	8.3	6.6	3.8	3.8	4.0	6.4
Nontax revenue	12.0	9.7	9.8	8.9	12.7	9.6
<i>Of which: fishing licenses</i>	7.6	1.6	2.6	3.2	3.1	2.1
Grants	21.6	21.1	8.7	10.6	24.5	13.4
Budget support	12.6	8.3	1.9	1.1	12.0	5.1
Project grants	9.1	12.9	6.8	9.5	12.5	8.3
Total expenditure and net lending	68.2	62.8	46.4	52.8	70.4	60.5
Current expenditure	51.9	41.1	33.7	34.9	42.1	44.0
Wages and salaries	10.5	11.0	10.5	13.6	16.2	21.3
Other goods and services	10.9	7.4	7.7	3.9	4.5	7.6
Transfers	5.3	7.2	7.4	5.1	5.0	6.1
Other current expenditures	16.4	3.3	1.2	4.5	7.7	2.4
Scheduled interest payments	8.8	12.2	6.9	7.7	8.7	6.7
External	8.8	11.6	6.1	7.3	6.0	6.3
Domestic	0.0	0.6	0.8	0.5	2.7	0.4
Capital expenditure	16.3	21.6	12.7	17.9	28.3	16.5
<i>Of which: domestically financed</i>	3.5	2.5	0.7	0.1	0.5	1.1
Net lending	0.0	0.0	0.0	0.0	0.0	0.0
<i>Of which: privatization revenues</i>	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance						
Excluding grants	-38.7	-38.3	-24.7	-32.0	-45.9	-32.5
Including grants	-17.0	-17.1	-16.1	-21.4	-21.4	-19.2
Changes in external interest arrears	-122.6	2.8	2.8	5.8	4.5	3.8
Changes in domestic arrears	0.0	1.9	1.4	14.8	1.5	-0.1
Float and errors and omissions (net)	-2.6	-2.8	1.5	0.7	2.6	-0.4
Overall balance (cash basis)	-142.3	-15.3	-10.3	0.0	-12.7	-15.9
Financing	142.3	15.3	10.3	0.0	12.7	15.9
(Percent of GDP)						
Total revenue	19.2	16.8	15.3	15.2	17.2	17.6
Total expenditure and net lending	44.4	43.0	32.7	38.5	49.4	38.1
Current expenditure	33.8	28.2	23.8	25.5	29.5	27.7
Capital expenditure	10.6	14.8	8.9	13.1	19.9	10.4
Domestic primary balance 1/	-11.1	-4.7	-4.2	-5.0	-7.6	-6.9
Overall balance (excluding grants)	-25.2	-26.2	-17.4	-23.3	-32.2	-20.5

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

1/ Defined as revenue (excluding grants) minus primary current expenditure, minus domestically financed capital expenditure.

Table 7. Guinea-Bissau: Central Government Revenue, 2000–2005

	2000	2001	2002	2003	2004	2005
(Millions of CFA francs)						
Budgetary revenue	29,500	24,502	21,665	20,844	24,529	27,978
Tax revenue	17,500	14,790	11,876	11,941	11,830	18,334
Direct taxes	3,153	2,804	2,285	2,925	2,870	4,113
Income taxes	3,132	2,736	2,267	2,907	2,838	4,074
Corporate tax	1,739	1,336	1,080	2,139	1,596	1,973
Individual taxes	1,383	706	590	587	605	1,338
Land tax	9	694	597	181	637	763
Indirect taxes	14,347	11,986	9,591	9,016	8,961	14,220
Tax on goods and services	5,398	5,850	5,023	5,005	4,612	7,797
Special consumption tax (IEC)	1,439	1,439	1,518	1,437	1,420	2,148
On imports	1,228	1,275	1,374	1,258	1,370	2,148
On local production	210	164	144	178	50	0
General sales tax	3,959	4,411	3,505	3,568	3,192	5,649
On imports	3,356	3,433	2,599	2,900	2,236	4,271
On local production	604	978	906	668	956	1,378
International trade	8,915	6,602	3,810	3,754	4,047	6,426
Import duties	3,702	2,544	2,187	2,583	2,347	3,754
Export taxes	4,166	4,058	1,623	1,171	1,699	2,010
Other	611	0	0	0	0	662
Other taxes	34	392	0	0	50	77
Nontax revenue	12,000	9,713	9,789	8,903	12,699	9,644
Business and property income	395	0	0	0	0	0
Fees and duties	8,336	8,202	8,652	8,142	9,101	7,558
Fishing licenses	7,625	7,561	8,477	7,977	8,988	7,515
Other fees	712	641	175	165	113	43
Other nontax revenues	3,269	1,511	1,137	760	3,597	2,087
(Percent of total revenue)						
Tax revenue	59.4	60.4	54.8	57.3	48.2	65.5
<i>Of which:</i>						
Income taxes	10.6	11.2	10.5	13.9	11.6	14.6
Taxes on goods and services	18.3	23.9	23.2	24.0	18.8	27.9
Taxes on international trade	28.1	26.9	17.6	18.0	16.5	23.0
Nontax revenue	40.6	39.6	45.2	42.7	51.8	34.5
<i>Of which:</i>						
Fishing licences	25.8	30.9	39.1	38.3	36.6	26.9
(Percent of GDP)						
Tax revenue	11.4	10.1	8.4	8.7	8.3	11.5
<i>Of which:</i>						
Income taxes	2.0	1.9	1.6	2.1	2.0	2.6
Taxes on goods and services	3.5	4.0	3.5	3.6	3.2	4.9
Taxes on international trade	5.4	4.5	2.7	2.7	2.8	4.0
Nontax revenue	7.8	6.7	6.9	6.5	8.9	6.1
<i>Of which:</i>						
Fishing licences	5.0	5.2	6.0	5.8	6.3	4.7

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

Table 8. Guinea-Bissau: Central Government Expenditure, 2000–05

(Millions of CFA francs)

	2000	2001	2002	2003	2004	2005
Total expenditure	68,173.8	62,761.0	46,408.9	52,829.5	70,417.5	60,523.7
Current expenditure	51,866.9	41,112.7	33,720.1	34,899.3	42,075.1	44,032.3
Current primary expenditure	43,066.9	28,886.3	26,868.1	27,190.8	33,347.5	37,316.7
Wages and salaries	10,499.1	10,992.0	10,527.0	13,645.4	16,168.1	21,256.8
Permanent staff	3,070.5	4,336.0	4,729.2	4,146.9	8,873.5	13,792.3
Temporary staff	2,908.4	1,956.0	1,903.1	1,187.4	1,294.7	2,529.7
Other expenditures on staff	4,520.2	4,700.0	3,894.8	8,311.1	5,999.9	4,934.9
Goods and services	10,900.0	7,392.5	7,695.5	3,921.9	4,495.5	7,605.9
Durables	481.2	228.8	449.9	1,709.1	184.6	409.9
Nondurables	1,272.0	0.0	219.0	0.0	3,044.9	5,024.4
Food and housing	4,356.8	1,643.0	2,300.2	2,713.8	711.7	1,225.6
Clothing	7.9	3.0	155.3	37.6	2.9	73.8
Transport	542.2	667.7	637.1	329.5	342.2	541.5
Other	4,239.9	4,850.0	3,934.0	99.7	209.2	330.6
Transfers	5,300.0	7,207.5	7,438.6	5,136.6	5,017.5	6,082.5
Civil servants	2,762.5	3,658.0	3,916.0	3,534.9	3,310.3	0.0
Public administration	1,693.4	319.0	1,809.0	319.0	1,350.8	0.0
Public enterprises	102.2	0.0	190.7	47.9	67.2	19.8
Other	741.9	3,230.5	1,522.9	1,234.8	289.2	6,062.6
Other current expenditures	16,367.9	3,294.3	1,207.0	4,486.8	7,666.4	2,371.5
Scheduled interest	8,800.0	12,226.3	6,851.9	7,708.5	8,727.6	6,715.6
Domestic	0.0	578.0	760.0	451.1	2,691.9	400.0
External	8,800.0	11,648.3	6,091.9	7,257.5	6,035.7	6,315.6
Capital expenditure	16,306.9	21,648.4	12,688.8	17,930.2	28,342.3	16,491.4
Foreign financed	12,836.9	19,175.0	11,998.0	17,869.6	26,344.2	15,438.5
Domestically financed	3,469.9	2,473.4	690.8	60.6	1,998.2	1,052.9

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

Table 9. Guinea-Bissau: Central Government Current Primary Expenditure by Agency, 2000–05  
(Millions of CFA francs)

	2000	2001	2002	2003	2004	2005
Presidency	866.2	1,244.6	966.9	852.2	...	698.9
National Assembly	1,152.8	1,715.4	1,225.4	0.0	...	1,000.0
Prime Minister's Office	419.2	291.7	438.3	330.5	...	308.4
Courts of law	295.3	429.1	427.3	428.5	...	386.5
State Attorney's Office	252.5	285.0	272.6	377.2	...	92.1
Ministries and Secretariats	18,798.9	15,674.8	14,373.3	17,128.3	...	23,249.3
Agriculture	414.9	381.6	398.7	322.8	...	509.4
Commerce and Handicrafts	69.6	141.5	113.1	112.3	...	193.2
Defense	6,786.1	4,532.5	4,435.1	4,361.7	...	6,390.5
Economy and Regional Development	92.2	...	...	...	...	...
Education	2,899.5	3,035.9	2,904.2	2,365.6	...	5,497.7
Employment and Poverty Reduction	112.1	111.5	73.8	55.6	...	197.1
Finance	2,816.2	1,676.6	1,217.3	6,006.7	...	1,771.7
Fisheries	293.8	175.4	158.3	412.6	...	216.2
Foreign Affairs and Guinean Communities	1,053.0	1,076.6	867.3	299.5	...	421.6
<i>Of which : embassies</i>	825.6	910.5	507.5	22.3	...	171.3
Home Affairs	1,930.9	1,808.1	1,704.2	1,852.0	...	3,975.0
Industry and Tourism	46.0	236.4	28.9	0.0	...	0.0
International Cooperation and Regional Integration	17.3	80.4	55.2	0.0	...	111.6
Justice	109.8	140.7	138.8	88.3	...	218.4
Natural Resources and Environment	117.9	164.0	140.7	116.5	...	167.5
Planning and Regional Development	103.3	106.3	75.7	0.0	...	111.6
Public Administration	83.5	144.3	152.0	98.7	...	266.7
Public Health	1,311.6	1,013.7	1,478.9	838.3	...	2,618.5
Social Infrastructure	99.3	114.7	...	...	...	...
Social Solidarity and Reinsertion of Combatants <sup>1</sup>	74.3	283.0	122.4	52.5	...	316.0
Transport	135.6	172.3	115.9	...	...	191.9
Youth, Culture, and Sports	232.0	279.3	192.8	145.2	...	256.5
Secretariat of State of Social Communications	151.1	175.0	231.1	103.0	...	170.7
Social security contributions	2,251.2	2,798.4	3,915.6	3,534.9	...	...
Other common expenditures	5,554.2	5,169.5	4,470.0	701.6	...	...
Unallocated expenditures	13,325.5	1,102.8	547.7	3,734.6	...	11,410.9
Total current primary expenditures	43,066.9	28,886.3	26,868.1	27,190.8	33,347.5	37,316.7

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

<sup>1</sup> For 2005 includes both the Ministry of Combatants and Ministry of Solidarity and Reduction of Poverty.

Table 10. Guinea-Bissau: Civil Service Employment, 2000–05  
(Number of staff; end of period)

	2000	2001	2002	2003	2004	2005
Total government payroll	26,112	29,359	...	20,784	18,938	19,090
Presidency <sup>1/</sup>	218	218	...	209	148	148
Council of Ministers	24	25	...	19	32	38
Fiscal Court	23	30	...	37	35	33
Supreme Court	157	169	...	142	150	148
State Attorney's Office	121	126	...	106	114	130
Ministries	25,569	28,791	...	20,271	18,459	18,593
Advancement of Women	159	...	...	...	...	22
Agriculture	1,118	1,061	...	956	959	932
Ministry of Defense (MDN) and Armed Forces <sup>2/</sup>	2,612	2,481	...	5,337	5,337	5,337
Economy and Regional Development	9	63	...	...	...	...
Education	5,067	5,606	...	5,215	5,166	5,136
Finance	794	802	...	751	719	143
Fisheries	162	165	...	126	122	119
Foreign Affairs and Guinean Communities <sup>3/</sup>	164	181	...	104	102	115
Justice	148	149	...	169	119	117
Natural Resources and Environment	191	255	...	254	114	129
Public Administration	86	102	...	106	97	101
Public Health	2,144	2,162	...	1,787	1,750	1,717
Social Infrastructure	343	344	...	274	255	...
Social Solidarity and Reinsertion of Combatants	71	69	...	...	...	...
Transport and Telecommunications	213	219	...	175	173	172
Secretariat of State of Commerce	123	160	...	...	...	...
Secretariat of State of Industry	103	...	...	...	...	...
Secretariat of State of Planning and Budgeting	71	77	...	59	56	...
Secretariat of State of Youth, Culture, and Sports	287	272	...	249	...	220
Demobilization Program	...	170	...	...	...	...
High Authority for Water and Energy	53	...	...	...	46	47
Not classified <sup>4/</sup>	...	438	...	...	3,444	3,768
Other <sup>5/</sup>	11,651	14,015	...	4,709	...	518

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

<sup>1/</sup> The military personnel assigned to the presidency are accounted for under the Ministry of Defense and the Ministry of Home Affairs.

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

<sup>3/</sup> Does not include embassy staff.

<sup>4/</sup> 2004–05 includes estimated number of paramilitary personnel.

<sup>5/</sup> Corresponds to an estimated number of contractual teachers whose situation is being regularized.



Table 11. Guinea-Bissau: Monetary Survey, 2000–05

	2000	2001	2002	2003	2004	2005
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
(Billions of CFA francs)						
Net foreign assets	28.5	31.5	48.3	13.7	32.5	37.5
Central bank	33.6	37.2	51.2	7.7	26.6	36.9
Deposit money banks	-5.1	-5.7	-3.0	6.0	5.9	0.5
Assets	6.0	2.8	5.5	6.0	6.5	3.8
Liabilities	-11.0	-8.5	-8.4	0.0	-0.5	-3.2
Net domestic assets	42.3	46.6	46.8	16.4	10.9	14.6
Net domestic credit	20.3	19.8	23.0	17.8	12.0	12.3
Net claims on government	15.8	15.4	18.8	15.2	9.7	9.0
Net claims on central government	15.8	15.4	18.8	15.2	9.7	9.0
Central bank	16.8	16.5	19.7	16.0	10.5	12.5
Claims	20.4	20.3	20.2	17.9	15.1	13.3
Advances to treasury	14.2	14.2	14.3	12.0	9.5	7.7
Statutory limit	2.5	2.5	2.8	2.6	2.1	1.9
Use of Fund credit	11.7	11.7	11.4	9.5	7.4	5.6
Consolidated loans	6.2	6.1	5.9	5.8	5.6	5.5
Deposits	-3.6	-3.7	-0.5	-1.9	-4.6	-0.7
Deposit money banks	-0.9	-1.1	-0.9	-0.8	-0.7	-3.5
Claims	0.0	0.0	0.3	0.5	1.0	0.1
Deposits	-0.9	-1.1	-1.2	-1.3	-1.7	-3.7
Credit to the economy	4.5	4.4	4.2	2.7	2.3	3.3
Other items (net)	22.0	26.8	23.8	-1.4	-1.1	2.3
Liabilities	64.0	70.1	87.0	30.2	43.4	52.0
Broad money (M2X)	64.0	70.1	87.0	30.2	43.4	52.0
Local currency	64.0	70.1	87.0	30.2	43.4	52.0
Currency in circulation	44.2	53.1	71.1	21.3	32.6	39.9
Demand deposits and quasi-money	19.8	17.1	15.9	8.9	10.9	12.1
Demand deposits	18.6	16.3	14.6	8.3	10.3	11.0
Quasi money	0.9	0.8	1.3	0.6	0.6	1.1
Foreign currency deposits	0.0	0.0	0.0	0.0	0.0	0.0
(Percent at beginning-of-period money stock, unless otherwise indicated)						
Net foreign assets	51.0	4.7	23.9	-39.7	62.4	11.4
Net domestic assets	34.3	6.7	0.3	-34.9	-18.4	8.5
Domestic credit	-1.5	-0.8	4.5	-6.0	-19.3	0.8
Credit to the government	17.8	-0.2	0.3	-2.4	-7.4	-6.2
Credit to the economy (in percent)	-19.3	-0.1	-0.3	-1.8	-1.3	2.5
Other items (net)	35.8	7.5	-4.3	-28.9	0.9	7.7
Broad money (M2X)	67.7	9.5	24.2	-65.3	44.0	19.9
Velocity (GDP/M2)	2.4	2.1	1.6	4.5	3.3	3.1

Sources: Central Bank of West African States; and IMF staff estimates.

Table 12. Guinea-Bissau: Central Bank of West African States (BCEAO), 2000–05 <sup>1/</sup>

	2000	2001	2002	2003	2004	2005
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
	(Billions of CFA francs)					
Net foreign assets	33.6	37.2	51.2	7.7	26.6	36.9
Net domestic assets	14.4	18.4	22.2	15.6	10.3	13.0
Net domestic credit	16.8	16.5	19.7	16.0	10.5	13.1
Net claims on the general government	16.8	16.5	19.7	16.0	10.5	13.1
Net claims on the central government	16.8	16.5	19.7	16.0	10.5	13.1
Claims	20.4	20.3	20.2	17.9	15.1	13.9
Statutory limit	2.5	2.5	2.8	2.6	2.1	1.9
Use of IMF credit	11.7	11.7	11.4	9.5	7.4	5.6
Consolidated loans	6.2	6.1	5.9	5.8	5.6	5.5
Deposits	-3.6	-3.7	-0.5	-1.9	-4.6	-0.7
Net claims on other government	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the rest of the economy	0.0	0.0	0.0	0.0	0.0	0.0
Other items, net	-2.4	1.8	2.5	-0.3	-0.1	-0.2
Monetary base	47.6	55.3	73.2	23.0	36.9	49.1
Reserves	3.4	2.3	2.1	1.7	4.3	9.2
Currency in circulation	44.2	53.1	71.1	21.3	32.6	39.9
Other liabilities	0.3	0.2	0.2	0.3	0.0	0.8

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

<sup>1/</sup> Since the BCEAO started its operations on May 2, 1997, the Guinea-Bissau peso (PG) was replaced by the CFAF at a rate of 1 CFAF = PG 65; earlier data have also been converted at this rate.

Table 13. Guinea-Bissau: Consolidated Accounts of the Deposit Money Banks, 2000–05  
(Billions of CFA francs)

	2000 Dec.	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec.	2005 Dec.
Net foreign assets	-5.1	-5.7	-3.0	6.0	5.9	0.5
Assets	6.0	2.8	5.5	6.0	6.5	3.8
Liabilities	-11.0	-8.5	-8.4	0.0	-0.5	-3.2
Net domestic assets	24.6	22.7	18.9	2.9	4.9	11.6
Reserves and cash	6.3	2.4	1.7	2.0	4.5	6.4
Net domestic credit	3.6	3.3	3.3	1.8	1.5	2.8
Net claims on the central government	-0.9	-1.1	-0.9	-0.8	-0.7	-0.5
Claims	0.0	0.0	0.3	0.5	1.0	2.7
Deposits	-0.9	-1.1	-1.2	-1.3	-1.7	-3.2
Credit to the economy	4.5	4.4	4.2	2.7	2.3	3.3
Private sector	4.5	4.4	4.2	2.7	2.3	3.3
Short-term credit	3.9	3.9	3.8	2.4	2.1	2.9
Medium- and long-term credit	0.5	0.5	0.4	0.2	0.2	0.4
Other items, net	14.7	17.1	13.9	-1.0	-1.1	2.4
Money and quasi money	19.5	17.1	15.9	8.9	10.9	12.1
Demand deposits (local currency)	18.6	16.3	14.6	8.3	10.3	11.0
Quasi money	0.9	0.8	1.3	0.6	0.6	1.1

Sources: Central Bank of West African States; and IMF staff estimates.

Table 14. Guinea-Bissau: Balance of Payments, 2000–05

	2000	2001	2002	2003	2004	2005
(Millions of U.S. dollars)						
Goods and services	-42.7	-68.3	-43.7	-33.4	-43.8	-52.6
Goods	-8.9	-28.3	-17.0	-8.6	-7.2	-18.2
Exports, f.o.b.	62.1	50.0	53.6	62.2	75.8	100.8
Of which: cashew nuts	59.8	47.2	47.3	55.7	72.8	93.5
Imports, f.o.b.	-71.0	-78.3	-70.6	-70.8	-83.0	-119.1
Of which: oil imports	-4.7	-5.5	-5.5	-8.7	-12.5	-15.1
Services (net)	-33.7	-40.0	-26.7	-24.8	-36.6	-34.4
Credit	6.4	7.3	7.3	8.6	7.8	12.7
Debit	-40.1	-47.3	-34.0	-33.4	-44.4	-47.1
Income (scheduled interest)	-12.4	-15.9	-8.8	-12.5	-11.4	-12.0
Current transfers (net)	42.9	40.1	30.7	39.3	63.5	43.2
Official	35.7	28.1	16.4	21.8	39.8	23.9
Of which: balance of payments support grants	17.7	11.3	2.7	2.0	22.7	9.6
fishing license fees	10.7	10.3	12.2	13.8	17.0	14.3
Private	7.2	12.0	14.3	17.5	23.7	19.3
Of which: NGO grants	5.0	2.2	0.3	0.3	0.3	0.3
worders' remittances	2.2	9.8	13.9	17.2	23.4	19.0
Current account						
Including official transfers	-12.2	-44.0	-21.8	-6.6	8.2	-21.4
Excluding official transfers	-37.2	-61.8	-26.0	-14.7	-14.5	-31.0
Excluding official transfers and interest payments	-24.8	-45.9	-17.3	-2.2	-3.1	-19.0
Capital and financial balance	32.8	6.1	6.2	-107.6	-17.9	-1.7
Capital account	23.4	12.4	39.2	16.3	29.2	19.6
Capital transfers	23.4	12.4	39.2	16.3	29.2	19.6
Financial account	9.3	-6.3	-32.9	-123.8	-47.1	-21.3
Official medium- and long-term disbursements	3.9	6.3	7.1	13.8	26.2	12.4
Balance of payments support	0.7	2.3	0.0	3.9	14.4	0.0
Projects	3.2	4.0	7.1	9.9	11.8	12.4
Scheduled amortization (excluding IMF)	-17.6	-23.8	-28.3	-32.8	-35.9	-34.3
Short-term capital (commercial)	0.0	0.0	0.0	0.0	0.0	19.0
Banks' net foreign assets (increase -)	-4.5	-0.9	4.2	16.9	-0.2	-10.3
Private capital; errors and omissions	27.6	12.0	-15.9	-121.7	-37.2	-8.2
Overall balance	20.6	-38.0	-15.6	-114.2	-9.6	-23.1
Financing	20.6	-38.0	-15.6	-114.2	-9.6	-23.1
Change in net foreign assets	-32.1	-5.0	-20.2	75.0	-35.8	-19.6
Of which: net IMF credit	8.3	-0.7	-1.6	-4.8	-5.3	-3.3
Debt relief	184.1	35.4	11.0	8.7	8.6	10.1
Change in debt-service arrears	-172.7	7.7	24.8	30.4	36.8	32.7
Memorandum items:	(Percent of GDP)					
Current account balance						
Including official transfers	-5.6	-22.1	-10.7	-2.8	3.1	-7.1
Excluding official transfers	-22.1	-36.2	-18.7	-12.0	-11.7	-10.3
Excluding official transfers and interest payments	-16.4	-28.2	-14.4	-6.7	-7.4	-6.3

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

Table 15. Guinea-Bissau: Trade and Exchange Rate Indicators, 2000–05

	2000	2001	2002	2003	2004	2005
<b>Trade indicators</b>						
Exports, f.o.b.						
Value (U.S. dollar terms)	21.3	-19.4	7.1	16.1	21.8	33.0
Volume	25.6	3.8	-0.5	7.3	15.0	9.8
Prices (U.S. dollar terms)	-3.4	-22.4	7.8	8.2	5.9	21.1
Imports, f.o.b.						
Value (U.S. dollar terms)	8.3	10.3	-9.8	0.2	17.2	43.4
Volume	12.0	10.0	-14.3	-12.9	1.0	30.2
Prices (U.S. dollar terms)	-3.3	0.3	5.3	15.1	16.1	10.2
Terms of trade (deterioration -)	0.0	-22.6	2.3	-6.0	-8.7	9.9
<b>Exchange rates</b>						
CFA franc per U.S. dollar						
Period average	709.9	732.4	694.6	580.1	527.6	526.6
End of Period	731.0	735.1	644.2	533.7	489.2	553.3
Effective exchange rates (period average, 2000=100)						
Nominal	100.0	100.9	103.8	112.0	116.2	115.0
Real	100.0	101.3	104.5	105.6	107.4	104.5
(In percent)						
Annual variations						
U.S. dollar per CFAF; end of period	30.0	0.6	-12.4	-17.2	-8.3	13.1
Effective exchange rates (depreciation -)						
Nominal	-5.9	0.9	2.9	7.8	3.8	-1.0
Real	-0.9	1.3	3.2	1.0	1.8	-2.7

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

Table 16. Guinea-Bissau: Merchandise Exports, f.o.b., 2000–05

	2000	2001	2002	2003	2004	2005
(Millions of U.S.dollars)						
Total merchandise exports	62.1	50.0	53.6	62.2	75.8	100.8
Agricultural products	60.7	48.5	49.0	56.7	73.2	94.4
Groundnuts	0.0	0.0	0.0	0.0	0.2	0.5
Cotton	0.5	1.3	1.6	0.9	0.1	0.2
Cashew nuts	59.8	47.2	47.3	55.7	72.8	93.5
Other	0.3	0.0	0.0	0.0	0.1	0.2
Fish products	0.2	0.8	0.1	0.2	0.3	0.7
Fish	0.0	0.0	0.1	0.1	0.2	0.5
Shrimp	0.1	0.8	0.0	0.1	0.1	0.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
Wood products	0.4	0.4	0.9	0.9	0.2	0.5
Sawn wood	0.1	0.0	0.6	0.6	0.2	0.5
Logs	0.3	0.4	0.3	0.3	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.8	0.2	3.6	4.5	2.1	5.1
Volume (Thousands of metric tons)						
Groundnuts	0.0	0.0	0.0	0.0	0.2	0.6
Cotton	7.8	27.5	34.1	13.6	1.6	4.4
Cashew nuts	73.2	78.6	84.6	88.0	107.9	112.3
Fish (frozen)	0.1	0.1	0.1	0.1	0.3	0.7
Shrimp (frozen)	0.0	0.3	0.0	0.0	0.0	0.1
Sawn wood	0.1	0.1	1.1	1.0	0.3	0.8
Logs	1.7	2.5	1.8	1.5	0.0	0.0
Unit prices (U.S. dollars per metric ton)						
Groundnuts	786	753	655	856	910	769
Cotton	59	48	46	63	62	55
Cashew nuts	817	600	559	633	674	832
Fish	452	530	646	650	693	744
Shrimp	3,029	3,098	3,121	3,304	3,304	3,304
Sawn wood	599	488	517	550	583	650
Logs	190	160	162	187	197	202

Source: Central Bank of West African States, and IMF staff estimates.

Table 17. Guinea-Bissau: Merchandise Imports, c.i.f., 2000–05

	2000	2001	2002	2003	2004	2005 Est.
	(Millions of U.S. dollars)					
Total merchandise imports	71.0	78.3	70.6	70.8	83.0	119.1
Foodstuffs	21.5	14.8	17.0	25.8	19.1	15.1
Rice	13.9	9.2	11.8	18.2	12.7	10.8
Wheat flour	1.5	1.2	1.4	2.5	1.8	0.9
Sugar	0.4	0.2	0.7	0.7	0.8	0.8
Oil	2.8	1.1	1.5	2.1	1.0	1.2
Dairy products	0.5	0.5	0.4	0.5	0.9	1.1
Others	2.5	2.7	1.1	1.8	1.9	0.3
Beverages and tobacco	6.0	4.9	4.9	5.5	4.9	6.0
Other consumer goods	4.7	4.1	3.9	5.0	9.8	15.0
Clothing and shoes	0.5	0.4	0.3	0.6	1.5	2.5
Durable consumer goods	2.8	3.7	3.7	4.5	5.7	5.4
Nondurable consumer goods	1.4	0.0	0.0	0.0	2.6	7.1
Petroleum products	4.7	5.5	5.5	8.7	12.4	15.8
Diesel and gasoline	4.4	5.1	5.0	7.7	8.8	13.7
Gas	0.1	0.2	0.2	0.3	1.4	1.9
Others	0.3	0.2	0.2	0.7	2.2	0.2
Construction material	6.5	2.8	4.2	7.2	12.5	20.6
Transport equipment	9.4	6.3	4.5	4.9	10.2	13.2
Passenger vehicles	5.2	4.5	3.2	3.4	7.5	8.2
Freight vehicles	3.4	1.4	1.0	1.1	2.1	3.5
Vehicle parts	0.9	0.3	0.3	0.5	0.6	1.5
Electrical equipment/machinery	5.4	3.7	2.3	6.0	10.6	12.0
Parts and accessories	0.2	1.0	0.7	1.6	0.2	5.7
Nonregistered trade	12.6	35.2	27.6	6.1	3.3	15.7

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

Table 18. Guinea-Bissau: Direction of Trade, 2000–05

	2000	2001	2002	2003	2004	2005
	(Percent of total)					
Exports						
Industrial Countries	4.2	3.8	9.8	13.0	27.4	4.3
France	0.7	0.0	0.2	0.3	0.0	0.0
Netherlands	0.1	0.0	0.0	0.2	0.4	0.3
Portugal	1.1	1.8	2.9	2.6	0.8	1.1
Spain	0.0	0.0	0.3	0.1	0.0	0.0
United States	0.4	0.0	0.0	2.6	22.2	0.2
Other	1.9	2.0	6.3	7.4	4.0	2.7
Africa	1.5	2.4	4.5	19.1	15.0	21.4
Cape Verde	0.0	0.0	0.1	0.1	0.1	0.1
Gambia, The	0.1	0.1	0.1	0.2	0.1	0.2
Guinea	0.2	0.5	0.8	1.9	0.2	0.3
Nigeria	0.7	0.4	2.5	15.7	13.2	19.0
Senegal	0.0	0.0	0.0	0.9	1.1	1.5
Other	0.5	1.4	1.1	0.3	0.2	0.4
Asia	48.0	77.0	61.7	62.5	54.1	69.7
China	0.0	0.0	0.0	0.1	0.0	0.2
Thailand	0.2	31.2	23.8	0.0	0.2	0.0
India	45.0	44.5	36.1	62.3	52.2	67.4
Other	2.9	1.2	1.8	0.0	1.6	2.1
Other	46.2	16.9	23.9	5.3	3.5	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Imports						
Industrial Countries	47.2	41.6	46.0	36.6	32.3	45.1
France	3.6	2.6	2.5	2.7	2.2	2.5
Germany	1.5	1.7	2.7	0.7	0.6	0.5
Italy	2.0	2.1	3.4	8.0	3.7	20.4
Netherlands	3.1	3.4	3.6	2.9	4.0	3.0
Portugal	26.8	20.7	20.9	13.3	13.8	12.7
Spain	1.2	1.8	2.5	4.4	2.3	1.2
Sweden	0.2	0.4	0.2	0.0	0.9	0.3
United Kingdom	1.8	2.2	1.8	0.9	0.8	0.3
Other	7.1	6.5	8.5	3.7	3.9	4.1
Africa	14.1	16.6	24.7	38.2	46.5	39.1
Cape Verde	0.0	0.0	0.0	0.0	0.0	0.0
Senegal	12.2	14.6	21.5	36.2	44.5	34.6
Other	1.8	2.0	3.3	1.9	2.0	4.5
Asia	27.6	30.0	15.2	13.8	8.2	5.5
China	0.8	0.5	0.5	0.0	0.1	0.0
Japan	1.6	1.3	1.5	0.8	0.1	0.1
Pakistan	0.2	0.1	0.2	0.3	1.9	1.4
India	13.6	14.6	6.2	2.0	0.8	0.6
Other	11.5	13.6	6.8	10.7	5.4	3.4
United States	0.6	0.8	2.6	0.8	0.7	0.9
Other	10.4	11.0	11.5	10.6	12.3	9.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Bank of West African States; Guinea-Bissau authorities;  
and IMF staff estimates.



Table 19. Guinea-Bissau: External Debt Outstanding, 2000–05 1/ 2/  
(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005
Total external debt outstanding (end of year including arrears)	762.3	776.9	853.9	915.2	1024.0	1002.1
Multilateral	436.3	441.3	450.3	491.5	517.2	493.7
African Development Bank Group	118.0	118.9	122.5	136.9	141.4	135.8
Arab Bank for Economic Development in Africa (BADEA)	8.7	8.8	9.7	12.8	9.2	9.2
Economic Community of West African States (ECOWAS)	3.1	3.1	3.8	5.1	3.9	3.9
European Investment Bank (EIB)	7.6	7.6	11.2	12.7	8.7	8.5
International Fund for Agricultural Development (FIDA)	9.2	9.3	11.4	12.5	11.1	10.9
International Development Agency (IDA)	238.0	243.2	231.7	258.1	301.3	289.8
Islamic Development Bank (IsDB)	13.7	13.5	15.3	17.6	15.6	15.3
OPEC Fund	8.0	8.0	14.8	8.2	8.1	8.1
Banque Ouest Africaine de Development (BOAD)	... ..		1.4	1.7	1.7	...
International Monetary Fund (IMF)	25.0	23.5	22.3	19.3	15.5	12.2
Bilateral creditors	352.0	359.9	493.0	523.9	506.0	507.1
Paris Club (cutoff date: December 1986)	240.0	246.5	345.4	375.6	366.5	362.0
Belgium	7.8	8.1	9.1	11.2	15.5	16.9
Brazil	23.1	24.0	26.3	28.7	17.4	18.1
France	8.9	9.3	14.4	15.4	14.4	13.5
Germany	4.3	4.4	1.1	1.3	1.3	1.3
Italy	117.8	120.5	190.9	199.7	198.8	194.6
Portugal	70.7	72.7	18.8	20.0	107.0	106.1
Russia	...	...	71.6	85.2	0.7	0.7
Spain	7.5	7.6	13.2	14.0	11.3	10.8
Other bilateral creditors	112.0	113.4	147.6	148.4	139.5	145.1
Commercial	0.6	0.6	0.6	0.7	0.8	1.3
Banque Franco-Portugaise	0.6	0.6	0.6	0.7	0.8	1.3

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

1/ Estimates are based on incomplete and unreconciled data provided by the Guinea-Bissau authorities and on IMF and World Bank staff estimates and projections

2/ Assuming a completion point under the Enhanced HIPC Initiative at end-2009. It also assumes (i) accumulation of arrears between December 2004 and September 2009; and (ii) for bilateral debt forgiveness of 90 percent and rescheduling of 10 percent of all debt outstanding. For multilateral debt, assuming reduction of 90 percent of all IDA and AfDB obligations.

Table 20. Guinea-Bissau: External Arrears Outstanding, 2000–05 1 / 2/  
(Millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005
Total stock of arrears outstanding (end of year)	141.7	137.5	169.1	206.4	293.8	327.0
Multilateral	29.3	17.5	22.2	28.5	31.8	33.8
African Development Bank Group	0.0	0.0	0.0	0.0	0.0	0.0
Arab Bank for Economic Development in Africa (BADEA)	5.5	5.6	4.6	8.3	8.1	8.5
Economic Community of West African States (ECOWAS)	1.9	2.0	2.0	3.1	3.3	3.4
European Investment Bank (EIB)	0.9	1.0	4.6	4.8	6.5	6.6
International Fund for Agricultural Development (FIDA)	0.9	1.0	2.0	2.2	3.1	3.4
International Development Agency (IDA)	0.0	0.0	0.0	0.0	0.0	0.0
Islamic Development Bank (IsDB)	12.5	0.3	0.8	1.7	2.6	3.7
OPEC Fund	7.6	7.6	8.2	8.2	8.1	8.1
Banque Ouest Africaine de Development	...	...	0.1	0.1	0.2	0.2
International Monetary Fund (IMF)	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	112.0	119.6	146.3	177.2	330.7	352.4
Paris Club (cutoff date: December 1986)	58.8	65.2	90.3	113.7	189.4	208.0
Belgium	1.8	2.1	0.6	1.0	3.6	5.0
Brazil	8.9	9.8	11.1	13.6	7.7	10.3
France	2.5	2.9	6.4	6.9	8.8	10.1
Germany	2.6	2.6	0.2	0.3	0.5	0.5
Italy	7.1	7.1	39.0	37.5	152.6	162.1
Portugal	9.1	11.1	13.1	15.1	16.2	19.8
Non-Paris Club	53.2	54.4	56.0	63.5	141.3	144.4
Abu Dhabi Fund for Arab Economic Development	0.2	0.2	0.2	0.2	0.2	0.2
Algeria	1.5	1.5	5.9	6.5	9.5	9.6
Angola	18.8	18.8	18.8	18.8	17.0	17.0
Kuwait	17.9	17.9	1.6	3.4	49.5	51.5
Libya	0.7	0.7	4.1	4.1	4.1	4.1
Pakistan	1.3	1.3	1.6	1.8	2.6	2.6
Saudi Arabia	4.7	4.8	9.9	10.7	15.5	15.6
Taiwan, P.C	8.1	9.2	13.9	18.0	43.0	43.9
Commercial						
Banque Franco-Portugaise	0.4	0.4	0.6	0.7	0.8	1.3

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

1/ Estimates based on incomplete and unreconciled data provided by the Guinea-Bissau authorities and on IMF and World Bank staff estimates and projections.

2/ Assuming a completion point under the Enhanced HIPC Initiative at end-2009. It also assumes (i) accumulation of arrears between December 2004 and September 2009; and (ii) for bilateral debt forgiveness of 90 percent and rescheduling of 10 of debt outstanding. For multilateral debt, assuming reduction of 90 percent of all IDA and AfDB obligations.