

**EXECUTIVE
BOARD
MEETING**

EBS/22/41
Correction 1

June 16, 2022

To: Members of the Executive Board

From: The Secretary

Subject: **Guinea-Bissau—Staff Report for the 2022 Article IV Consultation and Third Review Under the Staff-Monitored Program**

Board Action:

The attached correction to EBS/22/41 (6/3/22) has been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

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Questions:

Mr. Gijon, AFR (ext. 35400)
Mr. Zavarce, AFR (ext. 39656)
Mr. Juca Maciel, AFR (ext. 37308)
Mr. Tee, FAD (ext. 39926)

7. The improved economic situation and progress in revenue mobilization had a positive impact on the fiscal accounts, partially compensating pandemic-related spending pressures.

The overall fiscal deficit on commitment basis fell to 5.7 percent of GDP in 2021 from 9.6 percent in 2020. This adjustment reflected the unwinding of pandemic-related effects, greater revenue mobilization and expenditure controls adopted in the 2021 budget (Text Table 2). The January 2021 RCF disbursement contributed 1.1 percent of GDP toward financing needs, the CCRT debt service relief an additional 0.2 percent of GDP, and the August 2021 SDR allocation 2.4 percent of GDP. Other multilateral organizations and bilateral donors stepped in along with the IMF reducing the need for non-concessional regional financing (Table 2b).

8. External current account ~~improved slightly deteriorated~~ in 2021 ~~on the back~~despite of a record cashew nut campaign and remittances. Cashew nut exports have increased by 39.9 percent in 2021, compared to 13.2 percent growth of imports, and reduced the trade balance deficit. Workers' remittances reached a historical record level at 7 percent of GDP and contributed to the improvement in the secondary income account.¹¹ As a result, the current account deficit is estimated to have ~~declined-reached~~ to 3.2 percent of GDP. The August 2021 SDR allocation contributed to closing the external financing gap and enabled the authorities to pay debt service of BOAD—the regional development bank—for 2021 and 2022.

Text Table 2. Guinea-Bissau: Fiscal Performance in 2021
(Percent of GDP)

	SMP Request, Targets	1 st and 2 nd Review, Targets	3 rd Review, Estimates	Difference: 3 rd Review vs SMP Request	Difference: 3 rd Review vs 1 st and 2 nd Review
Revenue and grants	18.5	17.9	19.3	0.8	1.5
Revenue	13.1	12.8	13.0	-0.2	0.2
Of which: Tax revenue	10.1	9.9	9.9	-0.1	0.0
Nontax revenue	2.9	2.9	3.1	0.2	0.2
Grants	5.4	5.1	6.4	1.0	1.3
Expenditure	23.6	22.8	25.0	1.5	2.2
Expense	15.4	15.5	15.7	0.4	0.3
Of which: Wages and salaries	6.5	6.2	6.2	-0.3	0.0
Net acquisition of nonfinancial assets	8.2	7.4	9.3	1.1	1.9
Overall balance, including grants (commitment)	-5.0	-4.9	-5.7	-0.6	-0.8
Change in arrears	-1.6	-0.9	-1.0	0.6	-0.1
Overall balance, including grants (cash)	-6.6	-5.8	-6.6	0.0	-0.8
Domestic primary balance (commitment)	-1.8	-2.0	-1.9	-0.1	0.1
Domestically financed vaccination expenditure ¹	0.2	0.2	n.a.	n.a.	n.a.
Domestic primary balance (commitment, adjusted)	-2.0	-2.2	-1.9	0.1	0.3

Sources: Guinea-Bissau Authorities and IMF staff estimation
¹ See TMU paragraph 11

9. The stock of public debt increased slightly despite the improvement of the fiscal position. The stock of public debt increased by 2.0 percent of GDP in 2021 with an increase in

¹¹ The increase in the remittance's inflows reflect improvements in the collection of information due to the usage of digital technologies and is considered to have a permanent basis effect. In 2021, there was an additional higher inflow associated with the pandemic that is considered transitory.