

EBD/84/3

January 5, 1984

To: Members of the Executive Board  
From: The Acting Secretary  
Subject: Guinea-Bissau - Exchange Arrangements

Attached for the information of the Executive Directors is a paper on changes in Guinea-Bissau's exchange and trade system.

Att: (1)

Other Distribution:  
Department Heads



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INTERNATIONAL MONETARY FUND

Guinea-Bissau--Exchange Arrangements

Prepared by the African Department and the Exchange  
and Trade Relations Department

(In consultation with the Legal Department)

Approved by Oumar B. Makalou and W.A. Beveridge

January 5, 1984

In the attached communication dated December 27, 1983, the Governor of the National Bank of Guinea-Bissau has notified the Fund of certain changes in the exchange and trade system being undertaken in the context of an economic and financial stabilization program. With effect from December 23, 1983 the Guinea-Bissau peso has been devalued from PG 44 = SDR 1 to PG 88 = SDR 1, representing a devaluation of 50 percent in terms of the SDR to which it is pegged. Exchange rates for currencies used in transactions with foreign countries are to be determined on a daily basis. The exchange rate in terms of the SDR may be adjusted monthly by the National Bank on the basis of domestic price developments, external market conditions, export trends, and the overall balance of payments position.

Retail traders will receive imported products in proportion to their exports of agricultural products. Private traders undertaking exports of nontraditional products will be authorized to use a portion of their foreign exchange receipts to pay for merchandise imports. Import and export taxes have also been modified according to a new schedule, and the new export duty tariff establishes a special regime for goods destined for ECOWAS countries.

The staff report for the 1983 Article IV consultation with Guinea-Bissau, which was discussed by the Executive Board on June 8, 1983, noted that Guinea-Bissau maintains comprehensive and rigid restrictions operated through the exchange and trade systems. The authorities were urged to undertake adjustments to exchange rate and producer price policies, and to make progress towards eliminating the restrictions as part of a comprehensive adjustment process. The staff is of the opinion that the exchange rate action, as described above, is a step in the right direction, and encourages the authorities to support this by a range of adjustment measures, as discussed recently with a staff technical assistance mission that visited Bissau in October-November 1983. No further action by the Board is recommended at this time.

Attachment

TO: INTERFUND  
WASHINGTON, DC INTERNATIONAL MONETARY FUND

FROM: BISSAU Guinea-Bissau-Exchange Arrangements  
11/27/83

Prepared by the African Department and the Exchange  
and Trade Relations Department

We have the honor to inform you that in the context of the implemen-  
tation of the Economic and Financial Stabilization program formulated by  
our Government, our country's Council of Ministers decided to promulgate

the following legislative measures with effect from 12/23/83:

In the attached communication dated December 27, 1983, the Governor  
of the National Bank of Guinea-Bissau Decree No. 88/83 established the fund of certain  
changes in the exchange and trade system being undertaken in the context  
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December 27, 1983 the Guinea-Bissau peso has been devalued from 100  
of the SDR to which it is pegged. Exchange rates for currencies used  
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basis. The exchange rate in terms of the SDR may be adjusted monthly by  
market conditions, export trends, and the overall balance of payments  
shall fix daily the exchange rates to be applied for foreign currencies

Likewise, the National Bank  
exports of agricultural products. Private traders undertaking exports  
foreign exchange receipts to pay for merchandise imports. Import and  
the new export duty tariff establishes a special regime for goods  
Article 2. The exchange ratio between Guinea-Bissau pesoes and SDRs

The National Bank shall  
Bissau, which was discussed by the Executive Board on June 8, 1983,  
operated through the exchange and trade systems. The authorities were  
the  
policies, and to make progress towards eliminating the restrictions  
as part of a program of adjustment measures, as discussed recently with a staff  
opinion that the exchange rate action, as described above, is a step  
in the right direction, and encourages the authorities to support this  
by a range of adjustment measures, as discussed recently with a staff  
technical assistance mission that visited Bissau in October-November  
1983. No further action by the Board is recommended at this time.

Article 3. The National Bank shall issue regulations under this Decree within 30 days.

Article 4. This Decree shall enter into force on this date.

Decree No. 34/83

Article 1. As from January 1, 1984, the salaries of civil service employees shall be increased by 40 percent.

Article 2. Any doubt concerning the interpretation of this Decree shall be resolved by a Decision of the Minister of Economy and Finance.

Decree No. 35/83

Article 1. Imported products shall be distributed to retail traders in proportion to the agricultural products exported that were collected and delivered to the state marketing system in the preceding crop year.

Article 2. The Ministry of Commerce and Handicrafts shall authorize private traders to effect exports of nontraditional products, allotting to them a portion of the foreign exchange acquired in these operations for use in paying for merchandise imports.

Article 3. Within 30 days, the Minister of Commerce and Handicrafts shall present regulations concerning the application of this Decree.

Article 4. This Decree shall enter into force on this date.

Decree No. 36/83

Article 1. The rates shown in the Consumption Tax Schedule /Imposto de Consumo e de Fabricacoes approved by Decree No. 12/78 of May 20 are hereby altered in accordance with Schedule I annexed to this Decree.

Article 2. In Article 4 of the General Schedule for the Stamp Tax, Article 3. The National Bank shall issue regulations under this annexed to Decree No. 20/80 of May 10, in the portion pertaining to Decree within 30 days.

Customs, the rates are hereby altered in accordance with Schedule II Article 4. This Decree shall enter into force on this date. annexed to this Decree.

Article 3. The general customs emoluments shown in the schedule Decree No. 34/83 annexed to Decree No. 12/78 of May 20, the rates are hereby altered in Article 1. As from January 1, 1984, the salaries of civil service accordance with Schedule III annexed to this Decree. employees shall be increased by 40 percent.

Article 4. The rates of the tax on tonnage and the tax on maritime Article 2. Any doubt concerning the interpretation of this Decree trade shown in Articles 3 and 6 of Decree No. 13/79 of June 21 are hereby Article 1. shall be resolved by a Decision of the Minister of Economy and Finance. altered in accordance with Schedules IV and V, respectively, annexed to this Decree.

Decree No. 32/83

Article 5. The storage fees for merchandise handled in premises Article 1. Imported products shall be distributed to retail traders administered directly by Customs, established by Decree No. 49/75 of Sep- in proportion to the agricultural products exported that were collected and tember 24, are hereby updated in accordance with Schedule VI annexed to delivered to the state marketing system in the preceding crop year. this Decree.

Article 2. The Ministry of Commerce and Handicrafts shall authorize Article 3. Transit fees /taxas de tráfico/ are hereby created for private traders to effect exports of non-traditional products, according to merchandise handled in premises administered directly by Customs, as shown then a portion of the foreign exchange acquired in these operations for use in Schedule VII annexed to this Decree.

Article 7. (1) The export duty tariff established by Legislative Article 3. Within 30 days, the Minister of Commerce and Handicrafts shall present regulations concerning the application of this Decree. Instrument No. 1825 of January 4, 1965 is hereby abolished.

(2) A restricted tariff is hereby established on the Article 4. This Decree shall enter into force on this date. goods shown in Schedule VIII annexed to this Decree, except goods bound for areas of the Economic Community of West African States (ECOWAS). Decree No. 30/83

(2) Article 1. The rates shown in the Consumption Tax Schedule Imposto above, when bound for ECOWAS areas, the duty shall be guaranteed by a cash de Garantia e de Fianca approved by Decree No. 12/78 of May 20 are hereby altered in accordance with Schedule I annexed to this Decree.

deposit or a bond furnished under the terms provided for in the EOA until such time as the document proving consumption entry is submitted.

(4) The guarantee referred to in (3) above shall be valid for 90 days, which period may be extended by a further 30 days when duly justified.

(5) If the above-mentioned documents are not submitted within the periods stated, the deposits shall be forfeited and the bonds called by decision of the director or chief of the customs station, no formalities being required.

Article 8. This Decree shall enter into force on January 1, 1984.

REGARDS

PEDRO A. GODINHO GOMES  
GOVERNOR

