

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

FOR
AGENDA

MASTER FILES
ROOM C-130

0451

EBS/89/131
Correction 1

CONFIDENTIAL

July 14, 1989

To: Members of the Executive Board
From: The Secretary
Subject: Guinea-Bissau - Request for Second Annual Arrangement
Under the Structural Adjustment Facility

The following correction has been made in EBS/89/131 (6/28/89):

Page 58: Add para. #2 to Section VI.b. "2. The Fund takes...of SM/88/58."

A corrected page is attached.

Att: (1)

Guinea-Bissau - Relations with the Fund
(As of May 31, 1989)

I. Membership Status

Date of membership	March 24, 1977
Status	Article XIV

A. Financial Relations

II. General Department

General Resources Account

a. Quota	SDR 7.5 million
b. Total Fund holdings of Guinea-Bissau pesos	SDR 7.97 million (106.23 percent of quota)
c. Fund credit	SDR 0.47 million, (6.23 percent of quota)
d. Reserve tranche position	SDR 418 (zero percent of quota)

Special Disbursements Account

Structural adjustment facility	SDR 1.5 million
--------------------------------	-----------------

III. SDR Department

Net cumulative allocation	SDR 1.21 million
Holdings	SDR 0.00 million (zero percent of net cumulative allocations)

IV. Administered Accounts

Guinea-Bissau was not eligible for Trust Fund drawings (or distribution of gold or profits from gold sales), since it joined the Fund after August 1975.

Guinea-Bissau - Relations with the Fund (continued)

B. Nonfinancial Relations

V. Exchange System

On May 4, 1987 the exchange rate of the Guinea-Bissau peso was devalued against the U.S. dollar, the intervention currency, from PG 269 = US\$1 to PG 650 = US\$1. A flexible exchange rate policy has since been maintained. The exchange rate at end-April 1989 was PG 1,684.01 = US\$1.

VI. Latest Article IV Consultation

Guinea-Bissau is on the standard 12-month consultation cycle. The latest Article IV consultation discussions were held during the period December 5-21, 1987; the consultation was completed by the Executive Board on April 8, 1988. The following decision was taken:

a. 1988 Article XIV Consultation

1. The Fund takes this decision relating to Guinea-Bissau's exchange measures subject to Article VIII, Section 2, and in concluding the 1988 Article XIV consultation with Guinea-Bissau, in the light of the 1987 Article IV consultation with Guinea-Bissau, conducted under Decision No. 5392-(77/63), adopted April 29, 1977, as amended (Surveillance over Exchange Rate Policies).

2. As described in SM/88/65, Guinea-Bissau maintains restrictions on the making of payments and transfers for current international transactions, in accordance with Article XIV, Section 2. In addition, the restrictive features of a bilateral payments agreement with a Fund member are subject to Fund approval under Article VIII, Section 2(a). The Fund encourages Guinea-Bissau to continue reducing its reliance on exchange restrictions and to terminate the restrictive features of the bilateral payments agreement with a Fund member.

b. First Annual Arrangement Under the SAF

1. The Government of Guinea-Bissau has established revised program targets for end-March and end-June 1988 with respect to net credit to the Government and total domestic credit, as specified in the letter of December 21, 1987 from the Minister of Commerce of Guinea-Bissau, and requests that they be considered as benchmarks under the first annual arrangement under the structural adjustment facility.

2. The Fund takes note of the benchmarks for economic and financial performance as set out in the table to the attachment of SM/88/58.

VII. Technical Assistance

A CBD expert served as Advisor to the Governor of the National Bank for a three-year period, which ended on September 30, 1986. In addition, during October 1984-April 1985, CBD provided technical assistance to the