

**FOR
AGENDA**

SM/07/309

August 29, 2007

To: Members of the Executive Board

From: The Secretary

Subject: **Guinea-Bissau—Staff Report for the 2007 Article IV Consultation**

Attached for consideration by the Executive Directors is the staff report for the 2007 Article IV consultation with Guinea-Bissau, which will be brought to the agenda for discussion on **a date to be announced**. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Guinea-Bissau indicating that they consent to the Fund's publication of this paper.

Questions may be referred to Ms. McAuliffe (ext. 39826), Ms. Ocampos (ext. 37972), and Mr. Fernandez (ext. 39026) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Friday, September 7, 2007; and to the African Development Bank, the European Commission, the Islamic Development Bank, and the West African Economic and Monetary Union, following its consideration by the Executive Board.

This document, together with a supplement providing an informational annex, will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. The supplement, which is not being distributed in hard copy, will also be available in the Institutional Repository; a link can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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GUINEA-BISSAU

Staff Report for the 2007 Article IV Consultation

Prepared by the Staff Representatives for the
2007 Consultation with Guinea-Bissau

Approved by Robert Sharer and Michael T. Hadjimichael

August 28, 2007

Objectives: A mission visited Guinea-Bissau on May 23–June 6, 2007, for the 2007 Article IV consultation discussions and discussions on possible Emergency Post-Conflict Assistance (EPCA). Among key requirements to reach agreement on EPCA, the authorities need to secure financing assurances for the 2007 budget. If agreement is reached, a separate staff report will be issued covering EPCA discussions.

Mission Team: The team comprised C. McAuliffe (head), L. Ocampos, C. Fernandez, M. Sáenz, and L. Leony (all AFR). World Bank staff joined the mission.

Article IV consultation: The discussions focused on three challenges: (i) achieving macroeconomic stability, (ii) improving fiscal governance and transparency, and (iii) addressing key structural issues to encourage sustainable economic growth. The program for possible EPCA will be an essential first step in addressing these challenges. A low-income country debt sustainability analysis (DSA) was prepared with World Bank staff (Supplement 1). Data weaknesses continued to hamper surveillance (Supplement 2).

Exchange arrangements: Guinea-Bissau has accepted the obligations of Article VIII, Sections 2, 3, and 4. It shares a common currency (CFA franc), pegged to the euro, with other WAEMU members. The BCEAO conducts monetary and exchange rate policies for the region. Banks are supervised by the WAEMU Banking Commission.

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EXECUTIVE SUMMARY

- **Guinea-Bissau remains a fragile post-conflict country with a severely deteriorated fiscal stance.** The conflict and ensuing political instability have taken a toll on growth and economic policies, and most macroeconomic indicators have worsened in the post-conflict period.
- **Guinea-Bissau depends heavily on aid.** However, frequent changes in government, combined with lack of accountability and ownership of government policies, have in recent years eroded international support.
- **The discussions focused on the near-term challenge of halting fiscal deterioration.** Lack of fiscal controls has resulted in large deficits, domestic arrears, and unsustainable financing gaps. The recently appointed government has adopted an emergency program to address the main sources of fiscal slippages that have gained broad support both domestically and internationally, but significant donor support is still needed to fill the financing gap.
- **The authorities' emergency program formed the basis for initiating discussions, which are ongoing, on EPCA.** Among the key requirements to reach agreement, the authorities need to secure financing assurances for the 2007 budget. If agreement is reached, a separate staff report on EPCA discussions will be issued to the Board.
- **The authorities agreed that achieving fiscal sustainability depends critically on reining in nonpriority current spending and intensifying revenue mobilization.** The authorities intend to further strengthen budgetary controls, public expenditure management, and cash management systems.
- **Guinea-Bissau's overriding economic challenge in the medium term is to revive growth and achieve fiscal and external sustainability.** As agreed, policies to enhance growth and external competitiveness should focus on improving macroeconomic management and alleviating structural weaknesses within the existing exchange rate regime.
- **Guinea-Bissau is in severe debt distress.** Even after possible HIPC debt relief, Guinea-Bissau will need substantial external assistance, preferably in the form of grants, to support reforms and make progress toward the Millennium Development Goals (MDGs). Further donor support will depend on the authorities' commitment to improve governance, strengthen institutional capacity, and implement key structural reforms.

I. INTRODUCTION

1. **Guinea-Bissau remains a fragile post-conflict country.** Despite attempts to rebuild the government's administration and address economic problems, continued tensions among the major political parties, frequent changes in government, and lack of accountability and ownership of policies have worsened economic conditions.
2. **Since April 2007, in a clear break from the recent past, a newly appointed government has initiated steps to stem the economic deterioration.** A new prime minister and cabinet of ministers were appointed under pressure from a new coalition of political parties within parliament. In its first months, the new government adopted an emergency program to help restore fiscal stability.
3. **The new government has also taken steps to re-engage the donor community, and donors, signaling their support for the government's recent initiatives, have begun to disburse pledges made at the November 2006 donors' conference.** Discussions with the Fund have been ongoing since the new government requested early purchases under the Fund's EPCA. Among the key requirements for concluding these discussions, the authorities need to secure donor assurances to finance the 2007 budget. Satisfactory performance under EPCA could pave the way for a PRGF arrangement and, eventually, debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).

II. POST-CONFLICT CHALLENGES

4. **Guinea-Bissau faces enormous challenges after nearly a decade of conflict, political instability, and withdrawal of donor support.** Real GDP growth in recent years was less than half its pre-1998 levels, and per capita income is well below the averages for WAEMU and other countries in sub-Saharan Africa (Text Table 1 and Figure 1).

Text Table 1: Guinea-Bissau and WAEMU Economic Performance Indicators, 1993-2006

	1993-1997		1999-2006	
	GNB	WAEMU 1/	GNB	WAEMU 1/
Real GDP growth (percent changes)	4.7	5.9	2.0	2.6
Total Investment (% GDP)	24.6	16.0	13.8	17.7
CPI inflation (annual average percentage change) 2/	40.1	12.4	2.0	2.0
Fiscal Balance (including grants, % of GDP)	-8.4	-3.2	-12.2	-1.3
Government Revenue (excl. grants) % of GDP	15.6	12.7	17.2	14.8
Central government expenditure and net lending (%GDP)	35.1	19.5	39.9	19.6
External current account balance including grants (% GDP)	-12.3	-5.2	-6.9	-7.0
External current account balance excluding grants (% GDP)	-27.7	-9.3	-19.2	-9.0
External debt to official creditors (% GDP)	342.1	76.7	362.9	64.3

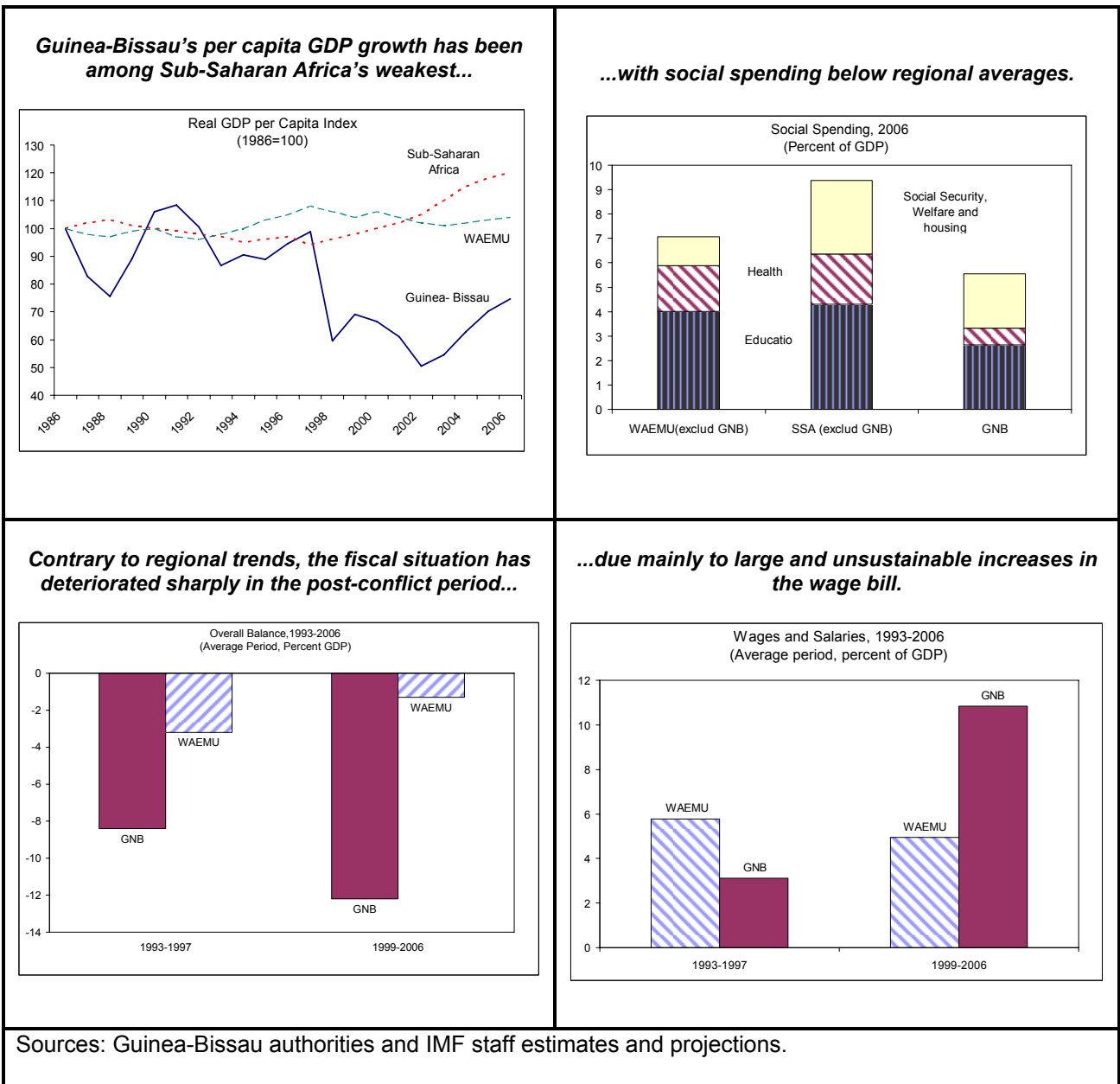
Source: World Bank Development Indicators, World Economic Outlook; IMF Staff estimates and projections.

1/ Excluding Guinea-Bissau.

2/ Guinea-Bissau joined the WAEMU in 1997

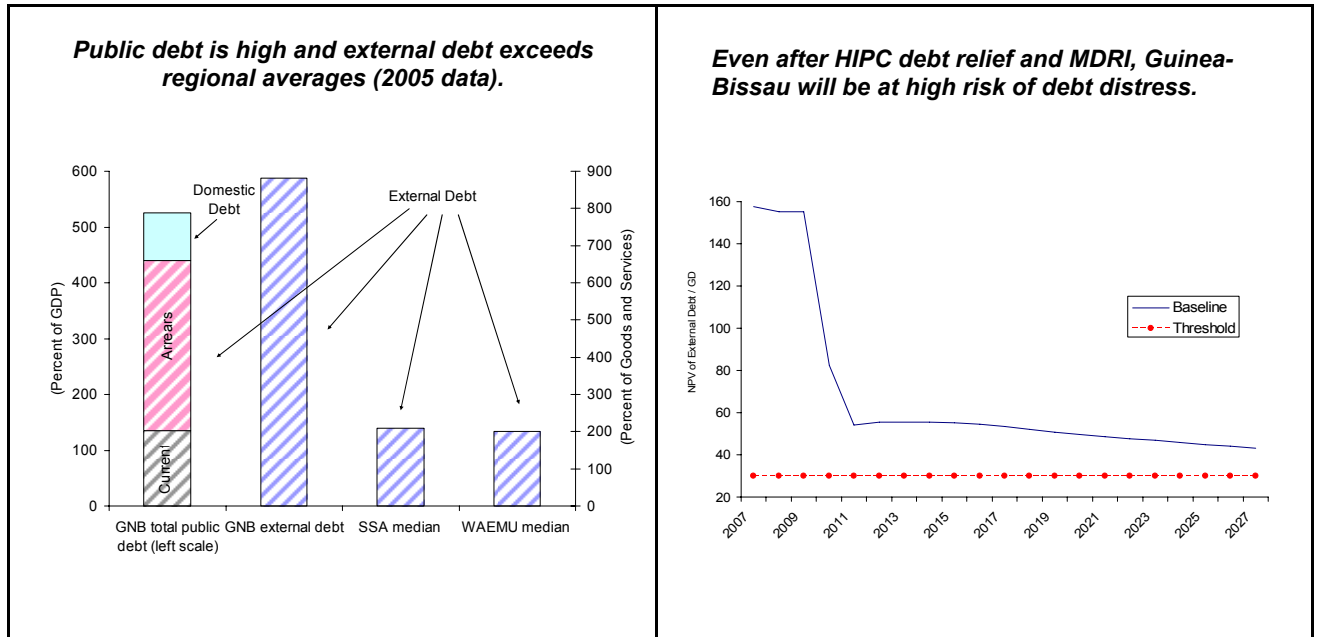
The fiscal balance has widened sharply—mainly because of an increase in the wage bill—while spending on health and education remained lower than the regional average. Progress toward meeting the MDGs has been slow, and some indicators have worsened (Table 1).

Figure 1. Guinea-Bissau: A Comparison with the WAEMU Area



5. Public debt is unsustainably high, and rapid accumulation of domestic arrears has stifled economic activity. As shown in the Debt Sustainability Analysis (DSA) (Supplement 1), Guinea-Bissau would remain at high risk of external debt distress even after possible HIPC and

MDRI debt relief, while additional donor support is needed to reduce the outstanding domestic debt burden.¹

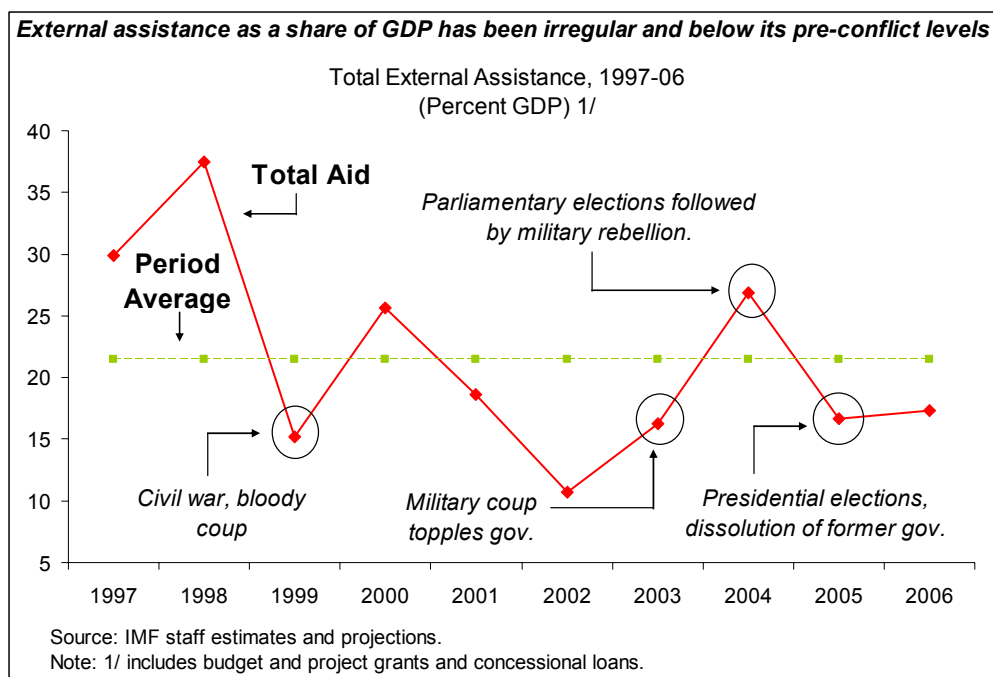


6. **Guinea-Bissau depends heavily on external assistance (Box 1), though aid levels have been lower and more erratic in the post-conflict period.** A number of earlier attempts to initiate EPCA discussions stalled. Performance under staff-monitored programs (SMP) for 2005 and 2006 was mixed, and the timing and magnitude of donor support were lower than expected.² At a donors' conference in November 2006, the first since 1999, a broad group of donors pledged financial assistance to support the authorities' economic and reform agenda. Disbursements at end 2006 and early 2007, however, were delayed when governance issues in the energy sector emerged.³ These issues have since been resolved, and donors are cautiously beginning to disburse pledged assistance.

¹ A preliminary DSA and its underlying assumptions were discussed with the authorities. The mission advised the authorities to contact their creditors and start conversations on rescheduling that will allow them to clear arrears by 2010, before a possible PRGF-supported program.

² See EBD/06/312 for a discussion of performance under the 2005 SMP. See ¶9 for details of the 2006 SMP.

³ The previous government entered into a nontransparent, noncompetitive, and costly electricity supply contract, contradicting the terms of its agreements with the World Bank. The World Bank and other donors suspended their support pending resolution of the issue, which was finally resolved at the end of March 2007.



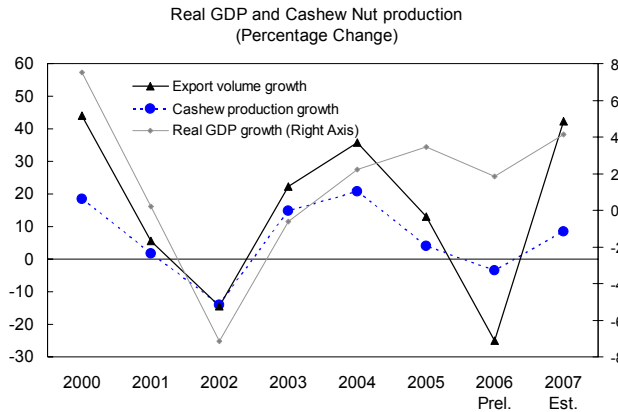
III. RECENT ECONOMIC DEVELOPMENTS AND NEAR-TERM OUTLOOK

7. **Economic activity in 2006 was weaker than expected, but is projected to recover in 2007 (Figure 2 and Table 2).** The economy weakened as the terms of trade deteriorated because of lower world prices for cashew nuts—Guinea-Bissau’s main export—and rising international oil prices. Government intervention in price-setting in the cashew market, which disrupted the export supply chain, also hurt economic growth and cashew exports.⁴ Cashew marketing arrangements are expected to normalize in 2007 and should help economic activity rebound. The external current account deficit (excluding grants) widened significantly in 2006 even though private remittances surged (Table 3).

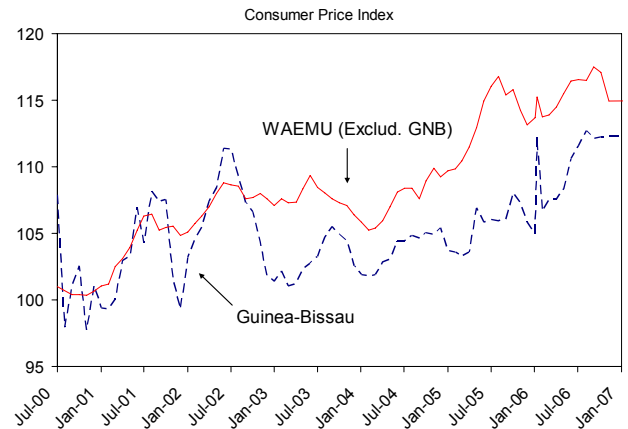
⁴ The government set reference prices both for producers and for calculating taxes on cashew exports at levels higher than traders were willing to pay given world prices. Initially farmers held out for the reference price and refused to sell. An excess supply of cashew eventually drove down the domestic price, discouraging farmers from marketing the nuts. Given the country’s precarious storage capacity, part of the 2006 production was eventually ruined.

Figure 2. Guinea-Bissau: Main Economic Trends, 2001–07

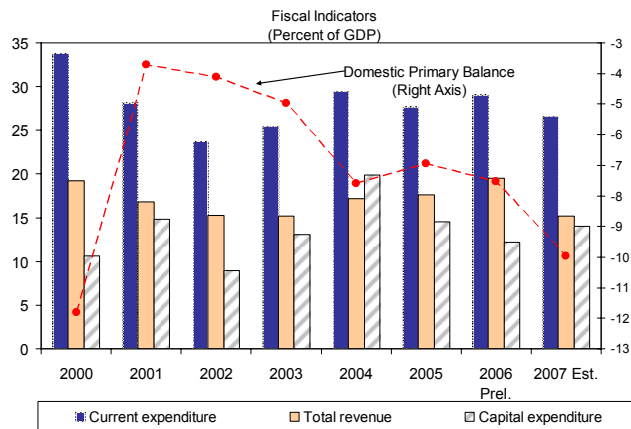
Economic activity was weak in 2006 as a result of poor performance in the cashew sector, but is expected to rebound in 2007



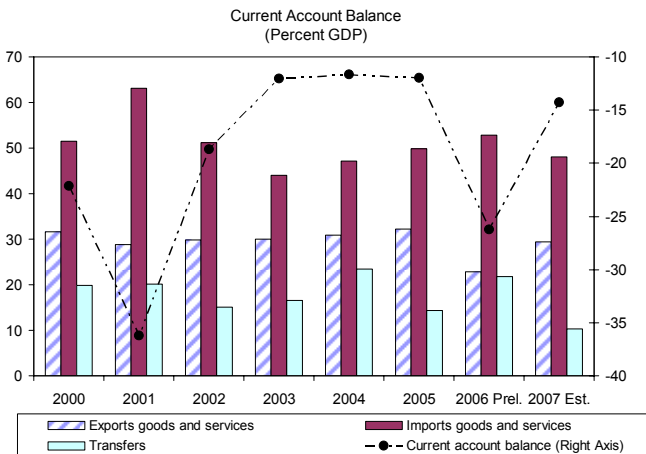
WAEMU membership has allowed inflation to remain low.



After improving in 2005, the fiscal situation has deteriorated, reflecting current expenditure overruns and lower revenues ...

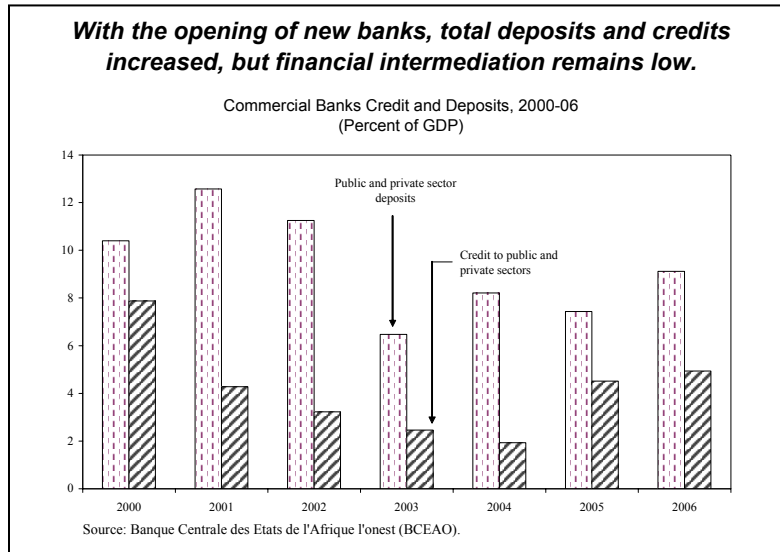


... while the external current account deficit (excluding grants) widened significantly, despite an increase in private remittances.



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

8. **Monetary conditions were stable in 2006, and inflation remained low.** Broad money growth slowed to 5 percent in 2006, as the deterioration in the external current account slowed the accumulation of net foreign assets (Table 4). Financial activity expanded



with the opening of three new banks since 2006,⁵ bringing the total to four banks. As elsewhere in the region, banks are very liquid.⁶ Despite an increase in bank deposits, financial intermediation remains low: credit to the public and private sectors is just 5 percent of GDP. A large informal sector, lack of proper financial accounting in most firms, insufficient collateral, and banks only located in the

capital Bissau are key obstacles to expanding bank lending.

9. **The fiscal stance deteriorated sharply in 2006, reflecting a severe breakdown in fiscal controls, and the government fell short of targets agreed under the 2006 SMP (Tables 5 and 6).⁷** Weak management led to expenditure overruns, particularly in travel and representation costs, as well as large unbudgeted expenditures, including payment of (unaudited) domestic arrears of previous years, and excessive incentives paid to tax collectors. The wage bill shrunk by almost 1 percent of GDP, but was higher than programmed because of delays in implementing planned civil service reforms. Shortfalls in expected donor support exacerbated cash flow difficulties, and the government resorted to short-term borrowing from commercial banks and issuing treasury bills.⁸ These borrowings were insufficient, however, and large additional domestic arrears were accumulated by the year's end.

⁵ Banco Regional de Solidaridade and Banco da União opened in 2006 and Ecobank opened in 2007.

⁶ WAEMU—Staff Report on Common Policies of Member Countries (SM/07/118).

⁷ Five out of seven quantitative SMP targets were not met for 2006 (revenue, wage bill, domestic primary balance, domestic financing of the budget, and accumulation of domestic arrears). Most structural benchmarks were met, albeit with delay.

⁸ The treasury bills (\$13 million or 4 percent of GDP)—backed by expected disbursements from the EU and the World Bank—were placed through the BCEAO in August, mostly with financial institutions in other WAEMU countries, at a rate of 5 percent. Short-term (uncollateralized) borrowing (\$5.4 million) from banks within WAEMU was obtained at much higher effective interest rates.

10. **The government's cash flow difficulties worsened in the first half of 2007, as fiscal controls weakened further and donors continued to delay much-needed assistance.** Tax revenues were lower than expected in the first four months of 2007: they dropped 15 percent from the same period a year ago, as revenue administration weakened and imports fell in the wake of political uncertainties. Nonetheless, the government continued to pay large arrears from previous years, and to make unbudgeted expenditures; meanwhile, substantial arrears, including four months of civil service salaries, accumulated for the current year.

11. **For 2007 as a whole, the fiscal stance is expected to deteriorate sharply; the overall balance (including grants) is projected to widen to 17 percent of GDP (Text Table 2 and Table 7).** Because of delays in concluding a new fishing agreement, the EU will not disburse annual compensation to Guinea-Bissau before early 2008 and government revenues are now projected to decline to 15 percent of GDP, some 4 percent of GDP lower than in 2006. The revenue shortfall will be partly offset by a decline in current primary expenditures (to 24 percent in 2007 from 26 percent in 2006), reflecting a slight decline in the wage bill as a share of GDP and better control of nonwage discretionary spending, including travel and representation costs and off-budget items.

Text Table 2. Guinea-Bissau: Central Government Operations, 2005–08
(Percent of GDP)

	2005	2006 SMP	2006 Prel.	2007 Est.	2008 Proj.
Revenue and grants	30.4	42.6	31.5	23.1	33.6
Revenue	17.6	21.7	19.5	15.2	20.9
Tax revenue	11.5	12.7	11.5	11.7	11.7
Nontax revenue	6.1	8.9	8.1	3.5	9.2
Grants	12.7	21.0	11.9	7.9	12.7
<i>of which:</i> Budget support (A)	3.2	12.4	6.4	2.0	4.7
Expenditure	42.2	40.3	41.2	40.8	38.7
Current expenditure	27.7	26.3	29.0	26.9	24.1
<i>Of which:</i> wages and salaries	13.4	11.9	12.8	12.5	11.8
Capital expenditure and net lending	14.5	14.0	12.2	14.0	14.6
Overall balance, including grants (commitment basis)	-11.9	2.4	-9.7	-17.7	-5.1
Overall balance, excluding grants (commitment basis)	-24.6	-18.6	-21.6	-25.6	-17.8
Change in domestic arrears	-0.1	-0.3	3.4	-2.6	0.0
Overall balance, including grants (cash basis)	-10.2	3.9	-4.3	-18.7	-3.8
Financing	10.2	-3.9	4.3	18.7	3.8
Domestic financing	-0.4	0.6	-0.5	-0.9	-3.4
Foreign financing (net)	10.6	-2.8	5.2	0.7	3.6
<i>Of which:</i> external arrears	8.4	5.9	5.4	4.6	4.0
Financing gap (+ = financing needs)	0.0	-1.8	-0.4	18.9	3.6
Identified budget support (B)		0.0	0.0	9.1	
Residual financing gap		-1.8	-0.4	9.7	
Domestic primary balance	-6.9	-3.9	-7.5	-10.0	-1.2
Realized plus identified budget support (A+B)	3.2	12.4	6.4	11.2	4.7

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

12. **The new government adopted, in April, an emergency fiscal program to help contain the 2007 fiscal stance.** Among the measures to control discretionary spending, the government immediately stopped paying incentives to tax collectors until the amounts remitted earlier are investigated. The authorities also took action to re-instate and strengthen the Treasury Committee, charged with regularly monitoring cash flow. The program also includes intensified revenue collection measures, including collection of tax arrears.

13. **Debt service due in 2007 on the treasury bills and (uncollateralized) commercial borrowing contracted in 2006 add financing pressures.** Budget support of CFAF 19.4 billion (11 percent of GDP)⁹ in outstanding pledges from the November 2006 donors' conference should help cover 2007 financing needs. The government has recently concluded an agreement with a regional commercial bank to borrow (CFAF 4.8 billion) until the EU disburses the 2007 fishing compensation (expected in early 2008), leaving a residual financing gap of CFAF 16.7 billion (\$33 million or, 9.7 percent of GDP).

14. **The government has taken measures to close the residual financing gap, including rescheduling CFAF 3 billion in debt service owed in 2007 to commercial banks, as well as CFAF 1.5 billion in debt payments owed to the BCEAO.**¹⁰ In addition, the authorities are discussing with regional partners additional budget support for 2007 and have separately identified some CFAF 1 billion in budgetary savings (expenditure and revenue). The discussions with regional partners are ongoing.

15. **Additional budgetary savings would be difficult to achieve in the short term.** Much of the fiscal deterioration was from unbudgeted expenditures earlier in the year, which would be difficult to offset with cuts elsewhere because of the heavy wage burden (more than half of current primary expenditures). Revenue projections reflect intensified efforts to redress the shortfalls.

16. **The fiscal stance is expected to improve in 2008 as the government's emergency fiscal program takes effect.** Government revenues are projected to increase by 6 percent of GDP to about 21 percent of GDP. Nontax revenues are expected to be above the norm in 2008, reflecting two disbursements from the EU for fishing compensation (corresponding to the 2008 and the delayed 2007 annual compensations). Tax revenues are projected to be roughly constant as a share of GDP. As discussed with the authorities, current expenditures are expected to decline by about 2 percent of GDP in 2008, reflecting a nominal freeze of the wage bill and strict control of nonwage discretionary outlays. With the increase in revenues,

⁹ Including European Union (CFAF 3.5 billion), World Bank (CFAF 4.9 billion), ECOWAS (CFAF 4.2 billion), WAEMU (CFAF 3 billion), and other bilaterals.

¹⁰ The authorities are submitting to Parliament, for approval, a revised 2007 draft budget which includes the expected financing.

the domestic primary deficit should decline to just 1.2 percent of GDP, much lower than in previous years.

IV. POLICY DISCUSSIONS

17. Discussions focused on the following key challenges:

In the near term,

- reversing the fiscal deterioration and
- avoiding the accumulation of new domestic arrears and

Over the medium term,

- achieving macroeconomic stability by reducing the fiscal deficit;
- improving governance and transparency; and
- fostering sustainable economic growth.

A. Near-Term Challenges

18. **Staff and the authorities agreed that actions were urgently needed to address fiscal slippages, stem the fiscal deterioration, and meet current expenditures, including full payment of 2007 civil service salaries. The measures adopted under the government's emergency fiscal program (paragraph 12), as well as those to close the 2007 financing gap (paragraphs 13 and 14) are important to this end.**

B. Medium-Term Outlook

19. **Given the unclear picture of the availability of adequate external support and the domestic economic constraints, the medium-term outlook is subject to a high degree of uncertainty. Nevertheless, the authorities and staff agreed that real GDP growth of about 3–4 percent a year could be sustained over the medium term** (Text Table 3 and Table 8). The authorities considered that sustaining these growth rates would be important given historical growth of less than 1 percent a year in (1991–2006). This would require (i) a commitment to policy reform, which would enable the authorities to implement stronger reform programs and achieve sustained donor support; (ii) a steady rebuilding of institutional capacity and infrastructure; and (iii) a recovery of donor and investor confidence. The fiscal position should improve over the medium term if fiscal controls are restored and nonpriority expenditures are reined in. The external current account deficit is projected to narrow, reflecting mainly a recovery of cashew nut exports, modest import growth as the fiscal stance tightens, and a slight recovery in the terms of trade. Real GDP growth would reach 4 percent by 2012 based on (i) continued expansion in agriculture, especially solid performance in the cashew nut sector; (ii) increased activity in construction and industry—particularly cashew nut processing and industrial fishing activities; and (iii) higher investments in basic services and infrastructure.

Text Table 3. Guinea-Bissau: Medium Term Scenario

	2005	2006 Prel.	2007 Est.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.
(Annual percentage change, unless otherwise indicated)								
National accounts and prices								
Real GDP at market prices	3.5	1.8	3.7	3.1	3.3	3.6	3.8	4.0
Real GDP per capita	0.2	-0.3	-0.4	-0.8	-0.7	-0.5	-0.2	-0.1
Consumer price index (end of period)	1.0	3.2	2.8	2.5	2.5	2.5	2.4	2.4
(Percent of GDP, unless otherwise indicated)								
Gross investment	14.6	12.2	15.6	16.0	16.1	16.1	16.2	16.5
Of which: government investment	14.1	10.8	13.4	13.3	13.3	13.3	13.3	13.3
Gross national savings	8.7	1.3	3.7	14.5	8.8	10.2	9.1	9.2
Government finances								
Budgetary revenue	17.6	19.5	15.2	20.9	18.0	18.0	18.0	18.0
Domestic primary expenditure	24.5	27.1	25.2	22.1	20.8	19.0	19.0	19.0
Of which: wages and salaries	13.4	12.8	12.5	11.8	10.4	10.4	10.4	10.4
Domestic primary balance	-6.9	-7.5	-10.0	-1.2	-2.8	-0.9	-0.9	-0.9
Overall balance (commitment basis)								
Including grants	-11.9	-9.8	-17.7	-5.1	-11.1	-9.2	-9.2	-9.1
Excluding grants	-24.6	-21.7	-25.6	-17.8	-19.0	-17.1	-17.0	-16.9
Overall balance, including grants (cash basis)	-10.2	-4.3	-18.7	-3.8	-10.0	-9.2	-9.2	-9.1
Financing	10.2	4.3	18.7	3.8	10.0	9.2	9.2	9.1
Domestic and Foreign Financing	10.2	4.7	-0.2	0.2	2.9	5.9	6.9	6.5
Financing Gap (+ = financing needs)	0.0	-0.4	18.9	3.6	7.2	3.3	2.3	2.6
External current account (including official current transfers)	-5.8	-10.9	-11.9	-1.5	-7.2	-5.9	-7.2	-7.3
Excluding official current transfers	-10.5	-24.3	-13.9	-11.5	-9.7	-8.4	-9.6	-9.8

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

20. **The authorities recognized that the sustainability of the baseline medium-term outlook requires significant concessional external assistance, including debt relief.** Specifically, the medium-term outlook requires, at a minimum:

- Project grants and loans of some 14 percent of GDP to finance a minimal level of capital expenditures mostly in the Public Investment Program, a level consistent with current absorptive capacity. More grants would be needed to increase priority spending on social sectors, infrastructure, and capacity building consistent with the reform agenda outlined in the government's PRSP¹¹ and MDG-related initiatives.
- Budget support of at least 3 percent of GDP in 2008–12, similar to the levels seen since 2000, to cover the domestic primary deficit, assuming the wage bill as a share of GDP is unchanged from 2009 onwards.
- Securing comprehensive debt relief under the HIPC initiative and MDRI, which by staff estimates would reduce annual scheduled public debt service from about 36 percent of government revenue and grants in 2006 to less than 12 percent from 2010 onwards (Supplement 1).

¹¹ See EBD/07/45.

21. **Over and above these requirements, additional external grant assistance would be needed to repay domestic arrears.**¹²

22. **There are considerable risks to the medium-term outlook, given the heavy reliance on donor support.** While the outlook assumes some fiscal adjustment, it includes only moderate cuts in the wage bill in the absence of a comprehensive donor-financed plan to implement civil and military service reforms. If external assistance falls short, more domestic arrears will accumulate, and prospects for civil service and military reforms will dim.

23. **The authorities acknowledged that securing the necessary external assistance will not be easy, given donor fatigue from the legacy of civil strife and weak governance and economic management.** Staff noted that renewed and sustained donor support will depend on the authorities' commitment to improve governance, strengthen institutional capacity, and implement strong and credible reforms. Slippages in any of these areas or political instability would jeopardize external assistance. In the next few years, the authorities must also make every effort to strengthen policies to ensure that they reach the HIPC completion point as envisaged in 2010.

24. **The authorities concurred with staff that without continued reforms, economic growth would be anemic.** Under a no-reform scenario, real GDP growth would revert to its historical average of less than 1 percent a year, and the fiscal and external positions would be unsustainable.

C. Achieving Macroeconomic Stability

25. **Sound fiscal policies, supported by structural reforms, will be critical to achieving macroeconomic stability.** Monetary and exchange management falls under the purview of the regional central bank; prudent fiscal and borrowing policies will thus be the main tools for ensuring macroeconomic stability. As the staff advised the authorities, there are four main avenues to strengthen fiscal performance: improve revenue collection, reduce current expenditures, eliminate domestic arrears, and avoid resorting to expensive commercial borrowing.

26. **Civil and military service reforms are crucial to contain the wage bill and ensure fiscal sustainability over the medium term.** Reforms in this area, however, have been slow, reflecting serious capacity constraints, delays in obtaining donor support, and continued

¹² The strategy for arrears clearance involves an external audit (financed by the EU) of the stock of domestic arrears accumulated in 2000–06 (CFAF 44 billion). Once audited, the authorities will seek external assistance, over and above normal budget support, to pay off the audited arrears. The authorities will also seek external assistance to pay the stock of pre-2000 arrears that were already audited (CFAF 20 billion). Paying off the audited arrears over the medium term (2008–10) could require some 8 percent of GDP per annum in additional external assistance (assuming about half of the 2000–06 arrears will be eliminated after the audit).

reluctance by the government to undertake reforms with political costs. Some progress has been made in completing the military census. For the civil service, the government finished merging two existing databases for public sector employees so that salary payments are now based on the unified database. Since October 2006, some 2,132 civil servants (out of about 15,000 civil servants) have been removed from the respective ministries payroll and their salaries paid by the State Secretariat of Reform. The government is planning to fully retrench these civil servants by the end of 2007, through a program financed by the EU.¹³ The authorities agreed that much more progress is needed. The next steps require firm commitment by the authorities to implement difficult measures and support from donors in taking the lead to coordinate the financing and technical aspects of the reforms.

27. **Increasing revenue is also important for achieving fiscal sustainability.** The authorities agreed with staff that the main measures needed to enhance revenue collection include expanding the tax base, strengthening tax administration, enforcing fishing licenses, and increasing the collection of other nontax revenues, such as oil and mining explorations. Staff urged the government to promptly implement the recommendations of the recent FAD and West AFRITAC technical assistance missions to (i) reinforce the recently created large taxpayers unit through better control of taxpayers' compliance, and (ii) strengthen customs administration by upgrading the automated customs system to ASYCUDA++ (Automated System for Customs Administration).

28. **Despite limited progress, the authorities remain committed to meeting WAEMU's convergence criteria.** Guinea-Bissau's revenues, wage bill, and fiscal balances fall far short of the WAEMU convergence criteria (Text Table 4). The authorities agreed that the 2007–08 fiscal framework will not be enough to put the convergence criteria within reach, and that much more effort is needed in the medium term.

¹³ The program envisages the payment of compensation for these civil servants, together with re-training and/or micro-credit schemes.

Text Table 4. WAEMU Convergence Criteria 1/

	Guinea- Bissau			WAEMU 3/		Countries meeting the criteria	
	2004	2005	2006 Est.	2005	2006	2005	2006
First- order criteria							
Basic Fiscal balance/GDP (≥ 0 percent) 2/	-32.2	-24.6	-15.9	-1.9	-1.6	1 out of 8	1 out of 8
Average consumer price inflation (≤ 3 percent)	0.8	3.4	2.0	5.3	2.8	2 out of 8	7 out of 8
Total debt/GDP (≤ 70 percent)	379.4	332.8	326.2	60.9	55.1	5 out of 8	5 out of 8
Change in domestic arrears, in billions of CFAF (≤ 0)	3.9	4.2	0.0	1	0	4 out of 8	8 out of 8
Change in external arrears, in billions of CFAF (≤ 0)	19.4	17.2	11.9	1.9	0.9	5 out of 8	7 out of 8
Second- order criteria							
Wages and salaries/fiscal revenue (≤ 35 percent)	65.7	76.1	65.8	35.5	34.8	3 out of 8	4 out of 8
Capital expenditure domestically financed/fiscal revenue (≥ 20 percent)	16.9	9.1	10.6	29.8	27.9	5 out of 8	6 out of 8
External current account balance, excluding grants/ GDP (≥ -5 percent)	-11.7	-6.9	-22.5	-10.2	-9.4	1 out of 8	1 out of 8
Tax revenue/GDP (≥ 17 percent)	8.3	11.5	11.6	14.9	15.1	1 out of 8	1 out of 8
Sources: Guinea-Bissau authorities, WAEMU, and IMF staff estimates and projections.							
1/ WAEMU countries are Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.							
2/ Total revenue (excluding grants) minus total expenditures, excluding foreign-financed capital spending.							
3/ Excluding Cote d'Ivoire, GDP at PPP-weighted average.							

D. Improving Governance and Fiscal Transparency

29. **There is an urgent need to improve fiscal transparency and accountability.** Adequate expenditure and cash management will help demonstrate the government's capacity to manage its fiscal resources (including donor support) and stem domestic arrears. Staff stressed that a serious weakening in fiscal controls mainly explained the recent fiscal deterioration. The authorities agreed on the need to re-establish credible and comprehensive budget preparation and execution procedures, as well as to re-implement adequate systems of cash and debt management, including proper functioning of the Treasury Committee. The government's emergency fiscal program includes measures to strengthen the Treasury by restoring to it sole responsibility to receive revenues and pay expenditures. In addition, bank accounts of all ministries and public entities will be centralized in a single treasury account at the BCEAO.¹⁴

30. **The mission also discussed ways to improve collection and transparency of revenues, including nontax revenues.** The authorities indicated that as part of their emergency fiscal program they are planning to undertake a financial audit of all sources of government revenue, including all nontax revenues, to be under the control of the Treasury. The mission encouraged the authorities to continue improving the enforcement and administrative control of fishing licenses. The authorities reported that they are making progress in acquiring equipment to monitor Guinea-Bissau's territorial waters, with support from the AfDB. Staff also discussed the status of oil and phosphate mining exploration and

¹⁴ The measures are also consistent with the recommendations of the March 2007 joint mission of FAD/West AFRITAC and World Bank Integrated Fiduciary Assessment Public Expenditure Review.

the authorities' plans to manage potential resource revenues.¹⁵ The authorities are exploring the possibility of participating in the Extractive Industries Transparency Initiative and are seeking donor assistance in this regard.

31. **Staff urged the authorities to seek financial and technical support from West AFRITAC and donors to promptly implement the expenditure and revenue measures included in its emergency fiscal program.** The authorities noted that a LICUS (Low Income Country Under Stress) grant from the World Bank would also support technical advisors in key revenue and expenditure departments, as well as a long-term resident macro fiscal advisor (Table 9).

E. Promoting Sustainable Economic Growth and Competitiveness

32. **Guinea-Bissau's overriding economic challenge is to revive growth.** The authorities attributed poor growth primarily to the long-lasting socio-political crisis and the related withdrawal of donor support, which have eroded public institutions, basic services, and infrastructure. Other obstacles to growth include the low skills of the labor force, weak fiscal policies, and mounting levels of domestic arrears, which have undermined the private sector and disrupted normal economic activity. Guinea-Bissau as a result has one of the weakest investment climates according to the World Bank's ranking of 175 countries.¹⁶

33. **Raising growth requires steps to restore external competitiveness, which was hurt by a 40 percent deterioration in the terms of trade in 2000–06 (Figure 3).** Movements in the real effective exchange rate did not offset the terms-of-trade deterioration. The real effective exchange rate appreciated slightly over this period, largely reflecting WAEMU-wide trends, and is now 8 percent higher than when Guinea-Bissau joined the common currency area in 1997. For the region as a whole, however, the real equilibrium exchange rate is still in line with its long-run equilibrium value.¹⁷

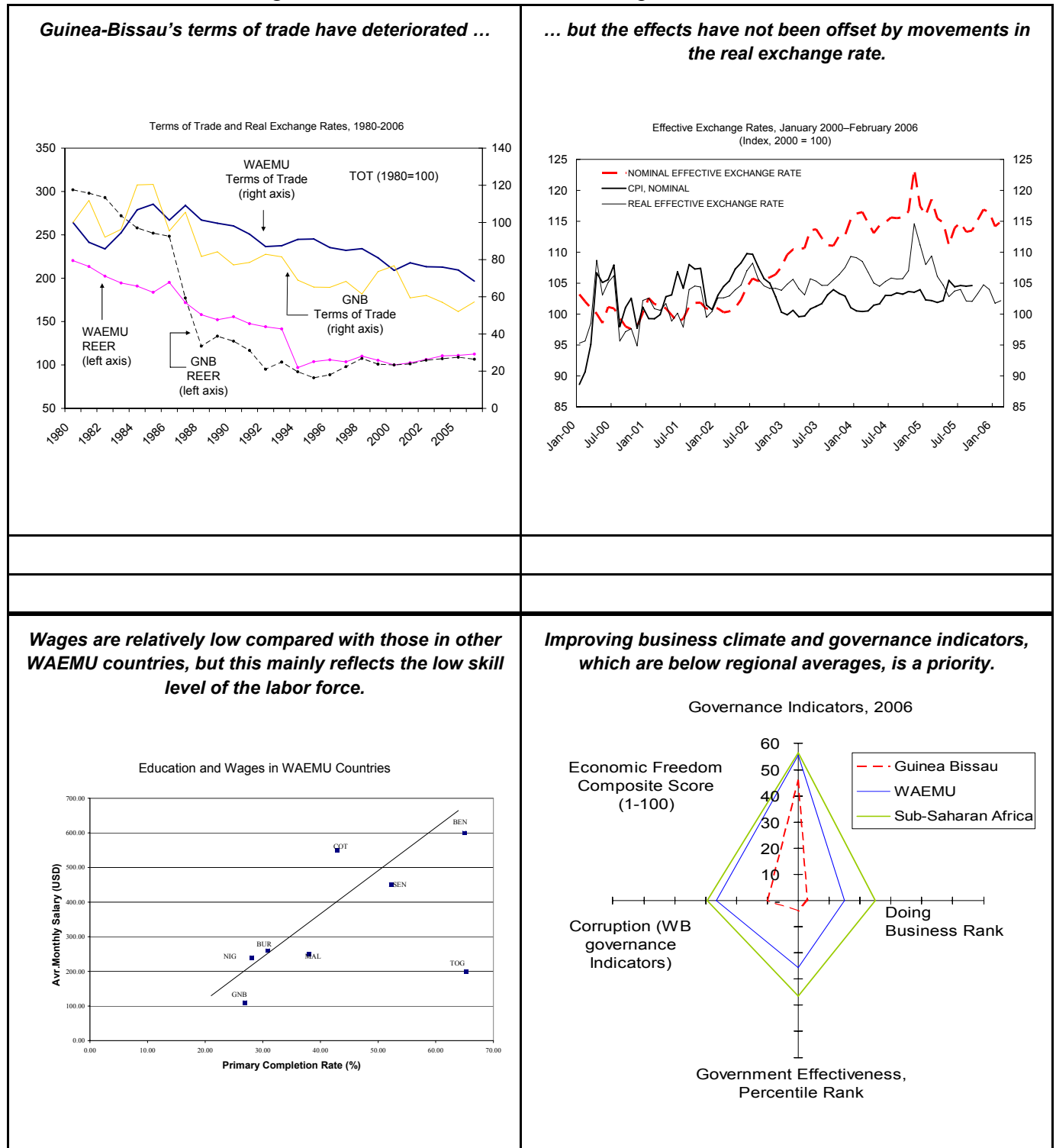
34. **The authorities and staff agreed that policies to boost growth and competitiveness should focus on improving macroeconomic management and removing infrastructure and regulatory bottlenecks.** Guinea-Bissau's wages are already comparatively low, mainly because of the labor force's limited skills. Steps are needed to (i) resolve the domestic arrears problem; (ii) reallocate spending toward productivity-

¹⁵ The government signed a 25-year, \$127 million contract with Guinea-Bissau Phosphate Mining Ltd (a multinational company based in South Africa). The company expects to start production in late 2008. The government has also granted two new concessions for oil exploration along the country's coastal areas. There are now five areas under concession, but so far no oil reserves have been found.

¹⁶ The World Bank's "Doing Business" report ranks Guinea-Bissau 173.

¹⁷ SM/07/118.

Figure 3. Guinea-Bissau: External Competitiveness



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

enhancing projects, including public infrastructure, education, and health, while reducing nonpriority outlays; (iii) raise the efficiency of public administration and strengthen fiscal governance; and (iv) simplify the regulatory framework and strengthen the judicial system to improve investor confidence.

35. **There was consensus among policymakers and private sector representatives that the poor electricity supply is one of the greatest obstacles to economic and social development.** Less than 6 percent of the population has access to electricity and the supply is irregular, partly because one of the three operating generation units was damaged in 2006. Staff advised the government to work closely with the World Bank to find a way to meet short-term power-generation needs and to quickly conclude all preparations to launch and implement the Multi-Sector Infrastructure Rehabilitation Project.

36. **Staff discussed the government's strategy for the cashew nut and fishing sectors.** To revive the cashew nut sector, a major revenue source (and income source for the rural population), the government has committed to refrain from again intervening in the price-setting mechanism of the market. Staff and the authorities agreed that, over the medium term, alternative sources of fiscal revenues need to be found in order to limit reliance on export taxes on cashew nuts. To develop the fishery sector, staff advised the authorities to collaborate with neighboring countries under ongoing regional fishery initiatives supported by the World Bank and the European Union.

V. STAFF APPRAISAL

37. **Guinea-Bissau is at a crucial juncture.** The new reform-oriented government has taken early steps to reverse its fiscal deterioration, with measures to improve revenue collection, rein in nonpriority expenditures and clear domestic arrears, including for wages. Early indications are that, if sustained, these reform efforts could generate urgently needed donor support, which are required to provide short-term financing. The authorities now need to seize this window of opportunity and maintain the reform momentum with a decisive push for much-needed structural reforms, particularly in the area of civil and military service and improving the environment for private sector development.

38. **A key priority is to improve economic management in order to restore confidence and shore up donor support.** In this regard, the re-establishment of fiscal discipline, transparent fiscal management, and improved fiscal performance will be essential, as will be efforts to improve the effectiveness of the public investment program.

39. **The government's emergency fiscal program is a promising start and needs to be fully implemented.** In particular, the Treasury Committee must be fully operational and ensure full and transparent management of Treasury operations. Budget execution and monitoring needs to be strengthened and the transparency of the budget improved, including the uses of such nontax revenues as fishing licenses.

40. **Over the medium term, a combination of domestic fiscal adjustment and higher external assistance will be needed to achieve Guinea-Bissau's economic and social objectives.** Continued reforms to strengthen fiscal governance will be critical to increase revenue collection and reallocate spending toward health, education, and infrastructure. Meaningful progress toward the MDGs will require a substantial increase in external assistance.

41. **Sizeable debt relief would also be needed to restore debt sustainability.** The DSA shows that Guinea-Bissau is in debt distress; key debt ratios are well above the country-specific thresholds.

42. **Several factors have adversely affected Guinea-Bissau's external competitiveness, including weak fiscal policy, infrastructure bottlenecks, and a difficult business environment.** Its real effective exchange rate has appreciated slightly in recent years, although the last WAEMU staff report found that, for the region as a whole, the REER is broadly in line with its long-run equilibrium value.¹⁸ The authorities need to focus on fiscal adjustment and productivity-enhancing reforms to boost growth and competitiveness within the existing exchange rate regime.

43. **There is an urgent need to improve the investment climate to foster private sector development.** Efforts must be made to address serious gaps in basic services, infrastructure bottlenecks, legal and regulatory uncertainty, and weaknesses in governance.

44. **Data weaknesses continue to hamper the effectiveness of surveillance.** Data quality is very poor in all sectors and reporting lags are long. More resources must go to the statistic institute. Staff recommends that the authorities seek technical further assistance in this area.

45. **It is proposed that the next Article IV consultation be held on the standard 12-month cycle.**

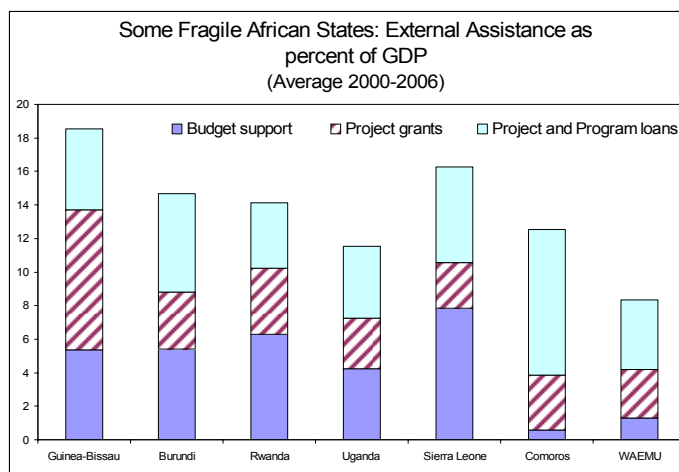
¹⁸ WAEMU—Staff Report, SM/07/118.

Box 1. External Aid Flows to Guinea-Bissau: How Much Is Enough?

Guinea-Bissau depends heavily on aid. Total external assistance (including grants and loans) averaged about 19 percent of GDP in 2000–06, much more than the average for the WAEMU region, although the level of budget support is similar to that of other fragile African states.

Most of the external assistance was used to finance capital expenditures. More than two-thirds of external assistance in 2000–06 (14 percent of GDP) was in project grants and loans that financed capital expenditures mainly through the Public Investment Program.

Nevertheless, external assistance for projects, which has surpassed levels in comparable countries, was not associated with an increase in the coverage and quality of basic services and the country's infrastructure continues to be extremely poor. This likely reflects two factors: (i) authorities' overestimation of project execution and financing, as most projects were financed and managed by multilateral agencies (e.g. EU, World Bank), and data was not tracked by the authorities; and (ii) low investment productivity during the protracted political conflict and the virtual collapse of the government's administrative capacity.¹ The amount of budget support received was about 5 percent of GDP on average, similar to other fragile states, and was used mainly to finance the wage bill, which increased rapidly.



Over the medium term, Guinea-Bissau will continue to depend on external assistance to finance its current and capital expenditures. Current levels of fiscal revenues are not sufficient to cover the government's financing needs, and there is little room to improve revenue collection.² As a result, in a basic scenario of limited reform to the government wage bill, the government will need budget support of about 3 percent of GDP to finance its operations. However, for this to materialize, the authorities would need to demonstrate a clear break with the past and firmly commit to implementing key structural reforms and effective expenditure management. In order to reduce its dependence on external budget support, the government has to implement serious reforms to sharply reduce the wage bill to levels commensurate with the country's revenue capacity. As for project support, the government would need to continue to rely on project grants and loans of some 14 percent of GDP over the medium term, a percentage similar to the recent past, to finance its capital expenditures.

Guinea-Bissau: Financing Gap and External Assistance
In percent of GDP

	Medium-Term	
	2000-2006	2008-2012
		Proj.
Revenue	17.3	18.6
of which: taxes	10.0	11.7
Primary expenditure	24.0	20.0
Current primary expenditure	22.8	19.6
of which: wages	9.9	10.6
Domestic primary balance	-6.7	-1.4
Overall Deficit (commit.basis - excl.grants) -A-	-24.3	-17.6
Financing Sources 1/-B-	2.7	0.5
Financing Gap (A-B)	-21.6	-17.0
Total External Assistance	18.9	17.0
Budget support	5.3	2.9
Project grants and loans	13.5	14.1

Note:

1/ it includes external arrears, debt relief, statistical discrepancies, foreign financing excluding: project and program loans and T-bills and regional financing, and domestic financing excluding commercial bank financing

¹ It should also be noted that ratios to GDP could be lower due to likely underestimation of nominal GDP.

² Guinea-Bissau's tax rates are already broadly in line with those in the rest of the WAEMU region and there is limited administrative capacity to implement significant tax-collection improvement, at least in the near-term.

Table 1. Guinea Bissau: Millenium Development Goals, 1990-2005

	1990	1994	1997	2000	2003	2005
Goal 1: Eradicate extreme poverty and hunger						
Income share held by lowest 20%	..	..	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	25.00	..	..
Poverty gap at \$1 a day (PPP) (%)	..	..	..	..	..	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..	..	..
Prevalence of undernourishment (% of population)	..	..	31.00	..	37.00	..
Goal 2: Achieve universal primary education						
Literacy rate, youth total (% of people ages 15-24)	..	..	..	..	..	..
Persistence to grade 5, total (% of cohort)	..	..	..	..	..	..
Primary completion rate, total (% of relevant age group)	..	..	..	26.96	..	..
School enrollment, primary (% net)	..	..	..	45.19	..	..
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliament (%)	20.00	..	10.00	..	8.00	14.00
Ratio of girls to boys in primary and secondary education (%)	..	..	..	64.65	..	..
Ratio of young literate females to males (% ages 15-24)	..	..	..	..	..	..
Share of women employed in the nonagricultural sector (% of total nonagric.emp)	10.80	..	..	..	..	..
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	53.00	68.00	51.00	59.00	61.00	80.00
Mortality rate, infant (per 1,000 live births)	153.00	..	..	132.00	..	124.00
Mortality rate, under-5 (per 1,000)	253.00	..	..	215.00	..	200.00
Goal 5: Improve maternal health						
Births attended by skilled health staff (% of total)	..	..	..	34.70	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	1100.00	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Contraceptive prevalence (% of women ages 15-49)	..	..	..	8.00	..	..
Incidence of tuberculosis (per 100,000 people)	161.03	172.02	180.75	189.92	199.56	206.26
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..	2.50
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..	3.81	3.79
Tuberculosis cases detected under DOTS (%)	..	..	..	46.23	54.81	79.05
Goal 7: Ensure environmental sustainability						
CO2 emissions (metric tons per capita)	0.21	0.20	0.19	0.19	0.18	..
Forest area (% of land area)	78.81	..	..	75.39	..	73.68
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..	..	..
Improved sanitation facilities (% of population with access)	..	..	..	..	..	..
Improved water source (% of population with access)	..	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..	..	..
Goal 8: Develop a global partnership for development						
Aid per capita (current US\$)	124.42	151.13	98.84	58.79	97.19	49.88
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittance)	22.11	18.43	16.14	19.13	7.99	4.39
Fixed line and mobile phone subscribers (per 1,000 people)	5.86	6.01	6.07	8.14	7.92	..
Internet users (per 1,000 people)	0.00	..	0.16	2.20	12.72	19.54
Personal computers (per 1,000 people)	..	..	..	..	..	..
Total debt service (% of exports of goods, services and income)	31.11	19.08	16.43	..	16.05	..
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	..	..	..
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	..	..	..
Other						
Fertility rate, total (births per woman)	7.10	..	7.10	7.10	..	7.08
GNI per capita, Atlas method (current US\$)	220.00	200.00	220.00	160.00	130.00	180.00
Gross capital formation (% of GDP)	29.93	21.77	24.00	11.30	12.60	14.60
Life expectancy at birth, total (years)	42.33	..	44.23	44.45	..	45.12
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	..	..
Population, total (in millions)	1.02	1.15	1.26	1.36	1.49	1.59
Trade (% of GDP)	46.97	50.76	60.90	83.35	77.23	92.89

Source: World Development Indicators

Table 2. Guinea-Bissau: Selected Economic and Financial Indicators

	2003	2004	2005	2006 Prel. 1/	2007 Est.	2008 Proj.
(Annual percentage change, unless otherwise indicated)						
National accounts and prices						
Real GDP at market prices	-0.6	2.2	3.5	1.8	3.7	3.1
Real GDP per capita ²	-3.6	-0.8	0.2	-0.3	-0.4	-0.8
GDP deflator	-2.8	2.7	7.7	-0.5	2.6	2.6
Consumer price index (annual average) ³	1.6	0.8	3.4	2.0	3.0	2.6
Consumer price index (end of period) ³	0.7	2.2	1.0	3.2	2.8	2.5
External sector						
Exports, f.o.b. (based on U.S. dollar values)	16.1	21.8	18.2	-31.4	49.8	9.0
Imports, f.o.b. (based on U.S. dollar values)	0.2	17.2	27.9	13.9	5.1	5.3
Export volume	7.4	12.1	0.2	-16.4	45.7	6.4
Import volume	-12.9	1.0	16.1	7.4	1.9	4.4
Terms of trade (deterioration -)	-6.1	-6.3	7.1	-22.6	-0.3	3.6
Real effective exchange rate (depreciation -)	1.6	1.6	-2.0	...	...	...
Nominal exchange rate (CFA francs per U.S. dollar; average)	580.1	527.6	526.6	522.4	...	...
Government finances						
Domestic revenue (excluding grants) ⁴	-4.1	17.7	14.1	12.4	-17.2	45.4
Total expenditure	13.8	33.3	-4.7	-1.3	5.5	0.1
Current expenditure ^{4 5}	3.5	20.6	4.7	5.8	-1.3	-5.0
Capital expenditure	41.3	58.1	-18.7	-14.8	21.9	10.0
Money and credit ⁶						
Credit to government (net)	-2.4	-7.4	1.8	-0.6	-7.5	-7.3
Credit to the rest of the economy	-1.8	-1.3	2.6	5.6	8.1	1.6
Broad money ⁷	-65.3	44.0	20.6	5.3	21.6	0.8
Velocity (GDP/broad money)	4.5	3.3	3.0	2.9	2.6	2.7
(Percent of GDP, unless otherwise indicated)						
Investments and savings						
Gross investment	12.6	13.2	14.6	12.2	15.6	16.0
Of which: government investment	11.1	11.1	14.1	10.8	13.4	13.3
Gross domestic savings	-1.6	-3.0	-3.1	-18.6	-4.8	-2.8
Of which: government savings	-16.7	-30.1	-16.7	-17.4	-20.9	-8.0
Gross national savings	9.8	15.5	8.7	1.3	3.7	14.5
Government finances						
Budgetary revenue ⁴	15.2	17.2	17.6	19.5	15.2	20.9
Total domestic primary expenditure ⁴	20.2	24.8	24.5	27.1	25.2	22.1
Domestic primary balance	-5.0	-7.6	-6.9	-7.5	-10.0	-1.2
Overall balance (commitment basis)						
Including grants	-12.9	-15.0	-11.9	-9.7	-17.7	-5.1
Excluding grants	-23.3	-32.2	-24.6	-21.6	-25.6	-17.8
External current account (including official current transfers)	-2.8	2.4	-5.8	-10.9	-11.9	-1.5
Excluding official current transfers	-9.7	-9.4	-10.5	-24.3	-13.9	-11.5
Excluding official transfers (other than fishing licenses)	-6.2	-6.1	-7.5	-21.4	-13.9	-6.2
Net present value of external debt/exports of goods and nonfactor services (in percent)			765.8	710.8	502.8	471.6
Nominal stock of debt, including arrears	474.5	487.7	440.6	436.1	402.9	
Memorandum items (millions of U.S. dollars unless otherwise indicated)						
Current account balance (including official current transfers)	-6.6	6.4	-17.6	-33.7	-40.9	-5.5
Overall balance of payments	-121.0	-10.8	-23.3	-37.6	-59.7	-38.1
Nominal GDP at market prices (billions of CFA francs)	137.1	142.6	158.8	160.9	171.2	181.1
Nominal stock of debt (end of period; excluding arrears)	915.2	1024.0	1002.1	993.3	1012.7	
Nominal stock of arrears, end of period	206.4	293.8	327.0	349.8	371.0	

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

¹ Based on staff updated projections for 2006.

² Projections based on population growth of 2.5 percent per year.

³ There is a break in the series in July 2002, when Guinea-Bissau adopted a new harmonized CPI index.

⁴ In 2004, domestic revenue includes CFAF 2,342 million in payments to Guinea-Bissau soldiers participating in the UN Liberia peacekeeping mission. The same amount is recorded in current expenditure under salaries.

⁵ In 2004 and 2005, includes CFAF 3.4 billion for legislative elections and CFAF 1.6 billion for presidential elections.

⁶ Change in percent of beginning-of-period stock of broad money.

⁷ In 2003, the BCEAO corrected its estimate of currency in circulation resulting in a large drop of base money.

Table 3. Guinea-Bissau: Balance of Payments, 2003–08

	2003	2004	2005	2006 Prel.	2007 Est. 1/	2008 Proj.
(Billions of CFA francs)						
Goods and services	-19.4	-23.1	-28.0	-49.5	-35.0	-34.0
Goods	-5.0	-3.8	-8.7	-31.0	-17.4	-16.5
Exports, f.o.b	36.1	40.0	47.2	32.1	45.9	49.9
Of which: cashew nuts	32.3	38.4	44.7	29.5	43.3	47.1
Imports, f.o.b	-41.1	-43.8	-55.9	-63.2	-63.3	-66.4
Services (net)	-14.4	-19.3	-19.3	-18.5	-17.6	-17.4
Credit	5.0	4.1	4.1	4.7	4.5	4.6
Debit	-19.4	-23.4	-23.4	-23.2	-22.1	-22.0
Income (interest scheduled)	-7.3	-6.0	-6.3	-4.9	-4.4	-4.0
Current transfers (net)	22.8	32.5	25.0	36.8	19.0	35.3
Official ^{2 3}	9.4	16.8	12.1	21.6	3.5	18.1
Of which: balance of payments support grants	4.8	12.0	5.1	10.2	3.5	8.6
Of which: EU fishing compensation	4.8	4.8	4.8	4.8	0.0	9.5
Private	13.4	15.7	12.9	15.3	15.5	17.2
Of which: fishing license fees	3.2	4.2	2.8	2.4	2.4	3.4
Current account						
Including official transfers	-3.8	3.4	-9.3	-17.6	-20.4	-2.7
Excluding official transfers ⁴	-8.5	-8.6	-16.6	-34.4	-23.8	-11.3
Excluding official transfers and interest payments ⁴	-1.2	-2.6	-10.3	-29.5	-19.5	-7.3
Capital and financial balance	-66.4	-9.0	-3.0	-2.1	-9.4	-16.2
Capital account	9.4	15.4	23.7	17.6	12.3	16.6
Financial account	-75.8	-24.5	-26.7	-19.6	-21.7	-32.8
Official medium- and long-term disbursements	8.0	13.8	6.2	8.8	11.6	11.3
Balance of payments support	2.3	7.6	0.0	0.0	0.0	0.0
Projects	5.7	6.2	6.2	8.8	11.6	11.3
Scheduled amortization	-19.0	-18.9	-18.0	-13.4	-12.7	-12.8
Treasury bills and regional financing	0.0	0.0	10.0	-1.1	-9.4	0.0
Commercial banks' net foreign assets	-9.8	0.1	5.9	-10.0	7.0	-6.5
Private net foreign assets and errors and omissions ⁵	-55.0	-19.4	-30.7	-3.9	-18.3	-24.8
Overall balance	-70.2	-5.7	-12.3	-19.7	-29.8	-18.9
Financing	70.2	5.7	12.3	19.7	29.8	18.9
Net foreign assets (increase -) ⁵	43.5	-18.9	-10.3	3.0	-17.0	2.0
Of which: net IMF credits	-2.8	-2.8	-1.1	-2.2	-1.9	-0.9
Purchases and loans	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases and repayments	-2.8	-2.8	-1.1	-2.2	-1.9	-0.9
Debt relief	5.1	4.5	5.3	5.4	3.8	0.7
Change in debt-service arrears (decrease -)	21.6	20.0	17.2	11.9	10.6	9.7
Financing gap	0.0	0.0	0.0	-0.6	32.3	6.5
<i>Memorandum items</i>						
Export volume growth (percent)	7.4	12.1	0.2	-16.4	45.7	6.4
Import volume growth (percent)	-12.9	1.0	16.1	7.4	1.9	4.4
Scheduled debt service						
In percent of exports and service credits	64.0	56.6	47.5	49.8	33.7	31.0
In percent of total government revenue	126.1	101.8	87.1	58.2	65.4	44.6
Current account balance (percent of GDP)						
Including official transfers	-2.8	2.4	-5.8	-10.9	-11.9	-1.5
Excluding official transfers	-9.7	-9.4	-10.5	-24.3	-13.9	-11.5
Stock of external arrears, end of period	119.9	140.0	157.2	169.1	179.7	189.4
Overall balance (percent of GDP)	-51.2	-4.0	-7.7	-12.2	-17.4	-10.4
Financing gap (percent of GDP)	0.0	0.0	0.0	-0.4	18.9	3.6

Sources: BCEAO; and IMF staff estimates and projections.

¹Based on staff updated projections for 2006²Including food aid and technical assistance to projects³In 2004, includes CFAF 2,342 million for remuneration to Guinea-Bissau soldiers for participation in the UN peace keeping mission in Liberia.⁴Does not exclude fishing licenses.⁵A drop in the level of net foreign assets in 2003 reflects a change in the methodology for the calculation of this series by BCEAO applied for 2003 and afterward. The counterpart of this break in the net foreign assets series in 2003 is included under errors and omissions.

Table 4. Guinea-Bissau: Monetary Survey, 2003–07

	2002	2003 ¹	2004	2005	2006 Prel.	2007 Est.
(Billions of CFA francs)						
Total assets	87.0	30.2	43.4	52.4	55.2	67.1
Net foreign assets	48.3	13.7	32.5	36.7	43.2	53.2
Central bank	51.2	7.7	26.6	36.9	33.9	50.9
Deposit money banks	-3.0	6.0	5.9	-0.2	9.3	2.3
Assets	5.5	6.0	6.5	4.3	10.0	
Liabilities	-8.4	0.0	-0.5	-4.6	-0.7	
Net domestic assets	38.8	16.4	10.9	15.7	12.0	13.9
Net domestic credit	23.0	17.8	12.0	15.9	18.6	18.8
Net claims on government	18.8	15.2	9.7	12.5	12.2	8.0
Net claims on central government	18.8	15.2	9.7	12.5	12.2	8.0
Central bank	19.7	16.0	10.5	13.2	12.4	8.5
Claims	20.2	17.9	15.1	13.9	13.0	8.8
Advances to the treasury	14.3	12.0	9.5	8.4	7.6	3.5
Statutory limit	2.8	2.6	2.1	1.9	1.6	1.4
Use of Fund credit	11.4	9.5	7.4	6.3	4.1	2.2
Other advances			0.0	0.2	1.9	0.0
Consolidated loans	5.9	5.8	5.6	5.5	5.4	5.3
Deposits	-0.5	-1.9	-4.6	-0.7	-0.6	-0.3
Deposit money banks	-0.9	-0.8	-0.7	-0.7	-0.1	-0.5
Claims	0.3	0.5	1.0	3.0	3.6	3.6
Deposits	-1.2	-1.3	-1.7	-3.7	-3.7	-4.1
Credit to the economy	4.2	2.7	2.3	3.4	6.3	10.8
Other items (net)	15.8	-1.4	-1.1	-0.2	-6.6	-4.9
Liabilities	87.0	30.2	43.4	52.4	55.2	67.1
Broad money	87.0	30.2	43.4	52.4	55.2	67.1
Local currency	87.0	30.2	43.4	52.4	55.2	67.1
Base money	71.1	21.3	32.6	40.5	39.7	42.6
Demand deposits and quasi money	15.9	8.9	10.9	11.8	15.5	24.5
Demand deposits	14.6	8.3	10.3	11.0	12.7	13.9
Quasi money	1.3	0.6	0.6	0.8	2.8	10.5
(Annual change as percent of beginning-of-period money stock, unless otherwise indicated)						
Net foreign assets	23.9	-39.7	62.4	9.5	12.4	18.1
Net domestic assets	0.3	-25.7	-18.4	11.1	-7.1	3.5
Domestic credit	4.5	-6.0	-19.3	8.9	5.2	0.4
Credit to the government	0.3	-2.4	-7.4	1.8	-0.6	-7.5
Credit to the economy (percent)	-0.3	-1.8	-1.3	2.6	5.6	8.1
Other items (net)	-4.3	-19.7	0.9	2.1	-12.3	3.1
Broad money	24.2	-65.3	44.0	20.6	5.3	21.6
Velocity (GDP/M2)	1.6	4.5	3.3	3.0	2.9	2.6

Sources: BCEAO and IMF staff estimates and projections.

¹In 2003, the BCEAO revised its estimate of currency in circulation, broad money, and net foreign assets.

Table 5. Guinea-Bissau: Quantitative Indicators under the 2006 Staff Monitored Program 1/
(in CFAF billions)

	2006					
	End-July		End-Oct.		End-Dec.	
	Actual	Prog	Actual	Prog	Actual	Prog.
Domestic financing of the budget 2/	-5.7	-6.0	-1.3	2.5	-1.8	-2.1
Domestic primary budget balance (commitment basis) 3/	-8.4	-4.4	-12.4	-7.2	-12.1	-6.3
Revenue 4/	15.0	18.0	20.0	27.0	31.5	34.9
Wage bill 5/	12.0	11.6	14.7	16.2	20.5	19.2
Accumulation of domestic arrears 5/	3.0	3.0	0.0	0.0	7.9	0.0
External public debt, maturities ≤ 1 year 5/	0.0	0.0	0.0	0.0	0.0	0.0
External non-concessional public debt, maturities > 1 year 5/	0.0	0.0	0.0	0.0	0.0	0.0

1/ Cumulative from January 1 of the corresponding year. The definition of the aggregates for 2006 is provided in the technical memorandum of understanding.

2/ Ceiling. If the actual amount of external budgetary assistance falls short of program forecasts, the ceiling will be increased for the full amount of the shortfall. The programmed amounts of external assistance in 2006 are (on a cumulative basis) CFAF 9.1 billions by end-July, CFAF 12.4 billion by end-October, and CFAF 19.9 billion by end-December. Definition applied in 2005 includes payment of previous years domestic arrears and therefore differs from definition applied in 2006 as stated in TMU.

3/ Floor. If the actual amount of external budgetary assistance surpasses program forecasts, the floor will be decreased by the full amount of the difference between actual and programmed external budgetary assistance. The programmed amounts of external assistance in 2006 are (on a cumulative basis) CFAF 9.1 billions by end-July, CFAF 12.4 billion by end-October, and CFAF 19.9 billion by end-December.

4/ Floor. This floor on revenue will be fully adjusted for advances or delays in the EU's compensation for fishing rights compared with the assumptions underlying the program. The program assumes payments of CFAF 4.8 billion in December 2006

5/ Ceiling.

Table 6. Guinea-Bissau: Structural Benchmarks Under the
Staff-Monitored Program,
April 1, 2006—December 31, 2006

Pre-conditions	Target date	Status as of October 23, 2006
Approval of organic laws of ministries by the Council of Ministers	Mid-May 2006	Done
Submission to Parliament of the government budget fully consistent with the fiscal program presented in this MEFP	Mid-May 2006	Done
Structural Indicators		
Launch of a test-based recruitment program of high-level civil servants	End-July 2006	Not met
Eliminate discretionary customs duty exemptions (i.e., those not set under international conventions)	End-July 2006	Partially met
Implement an excise stamp or banderole for alcoholic beverages and cigarettes	End-July 2006	Met
Implement military census	End-July 2006	Met with delay
Identify civil servants and military personnel to be laid off during 2006	End-July 2006	Met with delay
Enact the new electricity bill for the energy sector	End-September 2006	Partially met
Introduce an automatic adjustment mechanism for petroleum product prices	End-December 2006	Met
Bring three state-owned companies in the production and commercial sectors to the point of sale	End-December 2006	Partially met

Table 7. Guinea-Bissau: Central Government Operations, 2003–08

(in billions of CFA francs)

	2003	2004	2005	2006 SMP	2006 Prel.	2007 Est. 1/	2008 Proj.
Revenue and grants	35.1	49.1	48.2	68.6	50.6	39.6	60.8
Revenue	20.8	24.5	28.0	34.9	31.5	26.0	37.8
Tax revenue	11.9	11.8	18.3	20.5	18.5	20.1	21.2
Nontax revenue ²	8.9	12.7	9.6	14.3	13.0	5.9	16.6
Grants	14.3	24.5	20.2	33.7	19.1	13.6	22.9
Budget support	4.8	12.0	5.1	19.9	10.2	3.5	8.6
Project grants ³	9.5	12.5	15.2	13.8	8.9	10.1	14.3
Total expenditure	52.8	70.4	67.1	64.8	66.2	69.9	70.0
Current expenditure	34.9	42.1	44.0	42.3	46.6	46.0	43.7
Wages and salaries ²	13.6	16.2	21.3	19.2	20.5	21.3	21.3
Goods and services	3.9	4.5	7.6	5.6	7.9	6.5	6.8
Transfers	5.1	5.0	6.1	9.4	8.3	8.9	9.0
Other current expenditures ³	4.5	7.7	2.4	3.0	4.9	4.2	2.2
Capital expenditure and net lending	17.9	28.3	23.1	22.5	19.7	23.9	26.4
Public Investment Program	15.3	15.8	22.4	20.0	17.4	23.0	24.2
Domestically financed	0.1	0.5	1.1	2.3	0.4	1.2	0.7
Foreign financed	15.2	15.3	21.4	17.7	17.0	21.8	23.5
Other capital expenditure	2.7	12.5	0.6	2.5	2.3	1.0	2.2
Overall balance, including grants (commitment basis)	-17.7	-21.4	-18.9	3.8	-15.6	-30.3	-9.2
Overall balance, excluding grants (commitment basis)	-32.0	-45.9	-39.1	-30.0	-34.8	-43.9	-32.2
Net domestic arrears	14.8	1.5	-0.1	-0.5	5.5	-4.5	0.0
Accumulation current year	17.7	3.9	4.2	0.0	7.9	0.0	0.0
Payments previous years	-2.9	-2.4	-4.3	-0.5	-2.3	-4.5	0.0
External interest arrears current year	5.8	4.5	3.8	3.0	3.2	2.8	2.4
Float and statistical discrepancies	-6.9	2.0	-1.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash basis)	-4.0	-13.3	-16.2	6.3	-6.9	-32.0	-6.8
Financing	4.0	13.3	16.2	-6.3	6.9	32.0	6.8
Domestic financing	-5.4	-1.6	-0.7	1.0	-0.8	-1.6	-6.1
Bank financing ⁵	-4.5	-1.2	-0.8	0.5	0.5	-0.7	-6.1
Of which: IMF repayments/repurchases	-2.8	-2.8	-1.1	-2.2	-2.2	-1.9	-0.9
Nonbank financing	-1.0	-0.4	0.2	0.6	-1.3	-0.9	0.0
Foreign financing (net)	9.4	14.9	16.9	-4.4	8.3	1.3	6.5
Disbursements	8.0	13.8	6.2	4.6	8.8	11.6	11.3
Projects	5.7	6.2	6.2	4.6	8.8	11.6	11.3
Programs	2.3	7.6	0.0	0.0	0.0	0.0	0.0
Amortization (scheduled)	-19.0	-18.9	-18.0	-14.1	-13.4	-12.7	-12.8
Treasury bills and regional financing	0.0	0.0	10.0	-10.0	-1.1	-9.4	0.0
Of which: T-bills regionally placed			9.0	-9.0	0.7	-6.7	0.0
External arrears	15.8	15.5	13.4	9.5	8.7	7.9	7.3
Debt relief	4.7	4.5	5.3	5.6	5.4	3.8	0.7
Gross financing gap (+ = financing needs)	0.0	0.0	0.0	-2.9	-0.6	32.3	6.5
Identified budget support					0.0	15.7	0.0
Residual financing gap				-2.9	-0.6	16.7	6.5
Domestic primary balance ⁶	-6.8	-10.8	-11.0	-6.3	-12.1	-17.1	-2.1
Revenue	20.8	24.5	28.0	34.9	31.5	26.0	37.8
Primary expenditure	27.7	35.3	39.0	41.2	43.5	43.1	40.0
Current	27.2	33.3	37.3	37.1	41.6	40.9	39.3
Capital	0.5	2.0	1.7	4.1	2.0	2.2	0.7
Memo item: Effective plus identified budget support	4.8	12.0	5.1	19.9	10.2	19.1	8.6

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

Table 7. Guinea-Bissau: Central Government Operations, 2003–08 (concluded)

(Percent of GDP)

	2003	2004	2005	2006 SMP	2006 Prel.	2007 Est. 1/	2008 Proj.
Revenue and grants	25.6	34.4	30.4	42.6	31.5	23.1	33.6
Revenue	15.2	17.2	17.6	21.7	19.5	15.2	20.9
Tax revenue	8.7	8.3	11.5	12.7	11.5	11.7	11.7
Nontax revenue ²	6.5	8.9	6.1	8.9	8.1	3.5	9.2
Grants	10.4	17.2	12.7	21.0	11.9	7.9	12.7
Budget support	3.5	8.4	3.2	12.4	6.4	2.0	4.7
Projects ³	6.9	8.8	9.6	8.6	5.6	5.9	7.9
Expenditure	38.5	49.4	42.2	40.3	41.2	40.8	38.7
Current expenditure	25.5	29.5	27.7	26.3	29.0	26.9	24.1
Of which: wages and salaries ²	10.0	11.3	13.4	11.9	12.8	12.5	11.8
Interest	5.6	6.1	4.2	3.2	3.1	3.0	2.4
Domestic interest	0.3	1.9	0.3	0.2	0.1	0.4	0.2
External interest (scheduled)	5.3	4.2	4.0	3.0	3.0	2.5	2.2
Capital expenditure and net lending	13.1	19.9	14.5	14.0	12.2	14.0	14.6
Public Investment Program	11.1	11.1	14.1	12.4	10.8	13.4	13.3
Domestically financed	0.0	0.3	0.7	1.4	0.2	0.7	0.4
Foreign financed	11.1	10.8	13.5	11.0	10.6	12.7	13.0
Other capital expenditure	1.9	8.8	0.4	1.6	1.4	0.6	1.2
Domestically financed	0.3	1.1	0.4	1.1	1.0	0.6	0.0
Foreign financed (including DRRP ⁴)	1.7	7.7	0.0	0.4	0.4	0.0	1.2
Domestically-financed projects	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other domestically-financed capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign-financed projects	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (commitment basis)	-12.9	-15.0	-11.9	2.4	-9.7	-17.7	-5.1
Overall balance, excluding grants (commitment basis)	-23.3	-32.2	-24.6	-18.6	-21.6	-25.6	-17.8
Overall balance, including grants (cash basis)	-2.9	-9.3	-10.2	3.9	-4.3	-18.7	-3.8
Financing	2.9	9.3	10.2	-3.9	4.3	18.7	3.8
Domestic financing ⁵	-4.0	-1.1	-0.4	0.6	-0.5	-0.9	-3.4
Foreign financing (net)	6.9	10.5	10.6	-2.8	5.2	0.7	3.6
Of which: external arrears	11.5	10.9	8.4	5.9	5.4	4.6	4.0
Of which: debt relief	3.4	3.2	3.3	3.5	3.3	2.2	0.4
Financing gap (+ = financing needs)	0.0	0.0	0.0	-1.8	-0.4	18.9	3.6
Identified budget support				0.0	0.0	9.1	
Residual financing gap				-1.8	-0.4	9.7	
Domestic primary balance ⁶	-5.0	-7.6	-6.9	-3.9	-7.5	-10.0	-1.2
Revenue	15.2	17.2	17.6	21.7	19.5	15.2	20.9
Primary expenditure	20.2	24.8	24.5	25.6	27.1	25.2	22.1
Current	19.8	23.4	23.5	23.1	25.8	23.9	21.7
Capital	0.3	1.4	1.1	2.5	1.2	1.3	0.4
Effective plus identified budget support	3.5	8.4	3.2	12.4	6.4	11.2	4.7

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

¹Staff estimates based on draft budget version June 6, 2007.²In 2004, domestic revenue includes CFAF 2,342 million, representing payment to Guinea-Bissau soldiers for services to the peacekeeping mission in Liberia. The same is recorded in current expenditure under salaries.³In 2004, includes an amount of CFAF 3.4 billion in donor funding for legislative elections.⁴Demobilization, reinsertion, and reintegration program.⁵Capital contribution to the WAEMU not included.⁶Defined as revenue (excluding grants) minus primary current expenditure, minus domestically financed capital expenditure.

Table 8. Guinea-Bissau: Medium Term Scenario, 2003–12

	2003	2004	2005 Prel.	2006 Prel.	2007 Est.	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.
(Annual percentage change, unless otherwise indicated)										
National accounts and prices										
Real GDP at market prices	-0.6	2.2	3.5	1.8	3.7	3.1	3.3	3.6	3.8	4.0
Real GDP per capita 1/	-3.6	-0.8	0.2	-0.3	-0.4	0.6	0.9	1.2	1.4	1.4
GDP deflator	-2.8	2.7	7.7	-0.5	2.6	2.6	2.5	2.4	2.3	2.3
Consumer price index (annual average) 2/	1.6	0.8	3.4	2.0	3.0	2.6	2.5	2.5	2.4	2.4
Consumer price index (end-of-period) 2/	0.7	2.2	1.0	3.2	2.8	2.5	2.5	2.5	2.4	2.4
External sector										
Exports, f.o.b. (based on U.S. dollar values)	16.1	21.8	18.2	-31.4	49.8	9.0	7.1	7.6	7.8	7.8
Imports, f.o.b. (based on U.S. dollar values)	0.2	17.2	27.9	13.9	5.1	5.3	4.2	5.4	6.9	7.0
Export volume	7.4	12.1	0.2	-16.4	45.7	6.4	4.6	5.1	5.3	5.4
Import volume	-12.9	1.0	16.1	7.4	1.9	4.4	5.6	6.3	6.8	4.5
Terms of trade (deterioration -)	-6.1	-6.3	7.1	-22.6	-0.3	3.6	4.0	3.5	-0.2	-0.2
Government finances										
Domestic revenue (excluding grants) 3/	-4.1	17.7	14.1	12.4	-17.2	45.4	-8.8	6.1	6.2	6.3
Total expenditure	13.8	33.3	-4.7	-1.3	5.5	0.1	1.2	0.6	6.0	6.1
Current expenditure 3/ 4/	3.5	20.6	4.7	5.8	-1.3	-5.0	-1.2	-2.9	5.8	5.9
Capital expenditure	41.3	58.1	-18.7	-14.8	21.9	10.0	5.3	6.1	6.2	6.3
Money and credit 5/										
Credit to government (net)	-2.4	-7.4	1.8	-0.6	-7.5	-7.3	-2.0	-1.5	-0.8	-0.7
Credit to the rest of the economy	-1.8	-1.3	2.6	5.6	8.1	1.6	1.8	1.8	1.9	2.0
Broad money	-65.3	44.0	20.6	5.3	21.6	0.8	5.8	6.1	6.2	6.3
Velocity (GDP/broad money)	4.5	3.3	3.0	2.9	2.6	2.7	2.7	2.7	2.7	2.7
(In percent of GDP, unless otherwise indicated)										
Investments and savings										
Gross investment	12.6	13.2	14.6	12.2	15.6	16.0	16.1	16.1	16.2	16.5
Of which: government investment	11.1	11.1	14.1	10.8	13.4	13.3	13.3	13.3	13.3	13.3
Gross domestic savings	-1.6	-3.0	-3.1	-18.6	-4.8	-2.8	-1.2	0.2	-0.8	-0.5
Of which: government savings	-16.7	-30.1	-16.7	-17.4	-20.9	-8.0	-10.8	-7.6	-8.0	-10.8
Gross national savings	9.8	15.5	8.7	1.3	3.7	14.5	8.8	10.2	9.1	9.2
Government finances										
Budgetary revenue 3/	15.2	17.2	17.6	19.5	15.2	20.9	18.0	18.0	18.0	18.0
Total domestic primary expenditure 3/	20.2	24.8	24.5	27.1	25.2	22.1	20.8	19.0	19.0	19.0
Domestic primary balance	-5.0	-7.6	-6.9	-7.5	-10.0	-1.2	-2.8	-0.9	-0.9	-0.9
Overall balance (commitment basis)										
Including grants	-12.9	-15.0	-11.9	-9.7	-17.7	-5.1	-11.1	-9.2	-9.2	-9.1
Excluding grants	-23.3	-32.2	-24.6	-21.6	-25.6	-17.8	-19.0	-17.1	-17.0	-16.9
External current account (including official current transfers)	-2.8	2.4	-5.8	-10.9	-11.9	-1.5	-7.2	-5.9	-7.2	-7.3
Excluding official current transfers	-9.7	-9.4	-10.5	-24.3	-13.9	-11.5	-9.7	-8.4	-9.6	-9.8
(In billions of CFA francs, unless otherwise specified)										
Memorandum items (in millions of US dollars unless otherwise indicated)										
Current account balance (including official current transfer	-6.6	6.4	-17.6	-33.7	-40.9	-5.5	-28.1	-24.5	-31.4	-34.1
Overall balance of payments	-121.0	-10.8	-23.3	-37.6	-59.7	-38.1	-34.1	-22.7	-26.6	8.3
Nominal GDP at market prices (in billions of CFA francs)	137.1	142.6	158.8	160.9	171.2	181.1	191.5	203.2	215.8	229.4

Source: Guinea-Bissau authorities; and staff estimates and projections.

1/ Projections based on population growth of 2.5 percent per year.

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

3/ In 2004, domestic revenue includes CFAF 2,342 million in payments to Guinea-Bissau soldiers participating in the UN Liberia peace keeping mission. The same amount is recorded in current expenditure under salaries.

4/ In 2004, includes CFAF 3.4 billion for legislative elections. In 2005 includes CFAF 3.6 billion for presidential elections.

5/ Change in percent of beginning-of-period stock of broad money.

Table 9. Technical Assistance Needs of the Ministry of Finance

Department	Area	Long Term	Short Term	(Possible) Provider
Cabinet Minister	Macrofiscal advisor	X ¹		(WB LICUS/IMF)
Budget	Expert expenditure management	X		(EU)
	Expert expenditure management	X		(EU)
	Accounting system	X		(France)
	Computerization expenditure accounts	X ²		France/EU
	Public financial management		X	IMF/FAD
Treasury	Advisor to the Treasurer	X		BCEAO/WB LICUS
	Advisor		X	
Tax Department	Expert on tax code		X	(Portugal/IDB)
	Computerization of revenue accounting	X		
	Advisor Directorate of Large Enterprises		X (6 months)	(West AFRITAC)
Customs	Advisor for revising customs statute	X		IDB/WB LICUS
	Customs advisor	X		
	Advisor implementing ASYCUDA ++			AfDB
External debt	Debt management		X ³	DRI/IDB
Microfinance	Advisor		X	(West-AFRITAC)
Conjuncture	Advisor, fiscal analysis	X		
Planning	National accounts advisor	X		
	Implementation System of National Accounts 1993		X	IMF/AFRISTAT

¹ TA requested and under consideration.² TA in place.³ First mission conducted in January 2005.