

EBS/08/4  
Correction 1

February 12, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Guinea-Bissau—Use of Fund Resources—Request for Emergency Post-Conflict Assistance**

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The attached corrections to EBS/08/4 (1/10/08) have been provided by the staff:

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

**Page 13, Text Table 5, line 8 (Gross national savings):** new data

**Page 23, Table 2, lines 28 (Gross domestic savings), 29 (Government savings), and 30 (Gross national savings):** new data

**Page 28, Table 6, Fund credit outstanding, Fund obligations (SDR millions), Fund obligations (CFAF billions), and Gross official reserves under *Memorandum items*:** new data

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

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

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Department Heads



Text Table 5. Guinea-Bissau: Medium Term Scenario

	2005	2006	2007	2008	2009	2010
		Prel.	Est.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)						
National accounts and prices						
Real GDP at market prices	3.5	1.8	2.7	3.3	3.2	3.4
Real GDP per capita	0.3	-1.1	-0.4	0.3	0.2	0.4
Consumer price index (end of period)	1.0	3.2	4.3	2.4	2.5	2.5
(Percent of GDP, unless otherwise indicated)						
Investments and savings						
Gross investment	14.6	12.2	14.1	15.8	14.7	15.0
Of which: government investment	14.1	10.8	13.4	13.9	13.3	13.3
Gross national savings	9.5	0.9	12.4	22.7	17.5	17.7
	8.7	4.2	4.9	14.5	7.9	9.5
Government finances						
Budgetary revenue	17.6	19.6	16.1	20.7	18.0	18.0
Total domestic primary expenditure	24.5	27.1	25.7	24.9	21.9	21.2
Domestic primary balance	-6.9	-7.5	-9.6	-4.1	-3.9	-3.2
Overall balance (commitment basis)						
Including grants	-11.9	-9.7	-9.7	0.7	-4.9	-4.6
Excluding grants	-24.6	-21.6	-25.3	-20.9	-20.1	-19.3
Overall balance, including grants (cash basis)	-10.2	-4.7	-6.3	0.0	-3.8	-4.6
Financing	10.2	4.7	6.3	0.0	3.8	4.6
Domestic and Foreign Financing	10.2	4.7	6.3	-6.0	2.5	5.9
Additional Financing	0.0	0.0	0.0	5.9	0.0	0.0
Residual Financing gap ( + = financing needs)	0.0	0.0	0.0	0.0	1.3	-1.3
External current account (including official current transfers)	-5.1	-11.3	-1.7	7.0	2.8	2.7
Excluding official current transfers	-9.7	-24.7	-11.4	-12.0	-7.0	-6.7
Nominal stock of external debt, including arrears	440.6	436.3	403.2	389.2	305.3	197.3

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

### C. The Fiscal Framework

14. **The fiscal deficit is expected to narrow in 2008**, in line with the budget drafted after discussions with the staff and approved by Parliament.<sup>6</sup> The 2008 budget targets a deficit on a commitment basis (excluding grants) of 21 percent of GDP, a decline of nearly 5 percent for the year (Figure 2). This target is based on a revenue increase of 5 percent of GDP—nontax revenues are expected to be above normal in 2008 because of two disbursements from the E.U. for fishing compensation (compensation for 2008 and delayed compensation for 2007)—and restrained spending, notably a nominal freeze of current expenditures on wages and strict control of nonwage discretionary outlays, which should enable the authorities to avoid accumulating domestic arrears. Tax revenues are projected to remain roughly constant as a share of GDP, assuming no change in tax rates (which are already in line with rates elsewhere in the WAEMU) and limited administrative capacity to improve tax collection significantly in the short term.

<sup>6</sup> The 2008 budget was approved by the National Assembly on December 7, 2007. This was a prior action for submission of the EPCA request to the Board (MEFP Table 1).

Figure 2. Guinea-Bissau: Main Fiscal Indicators, 2000-08

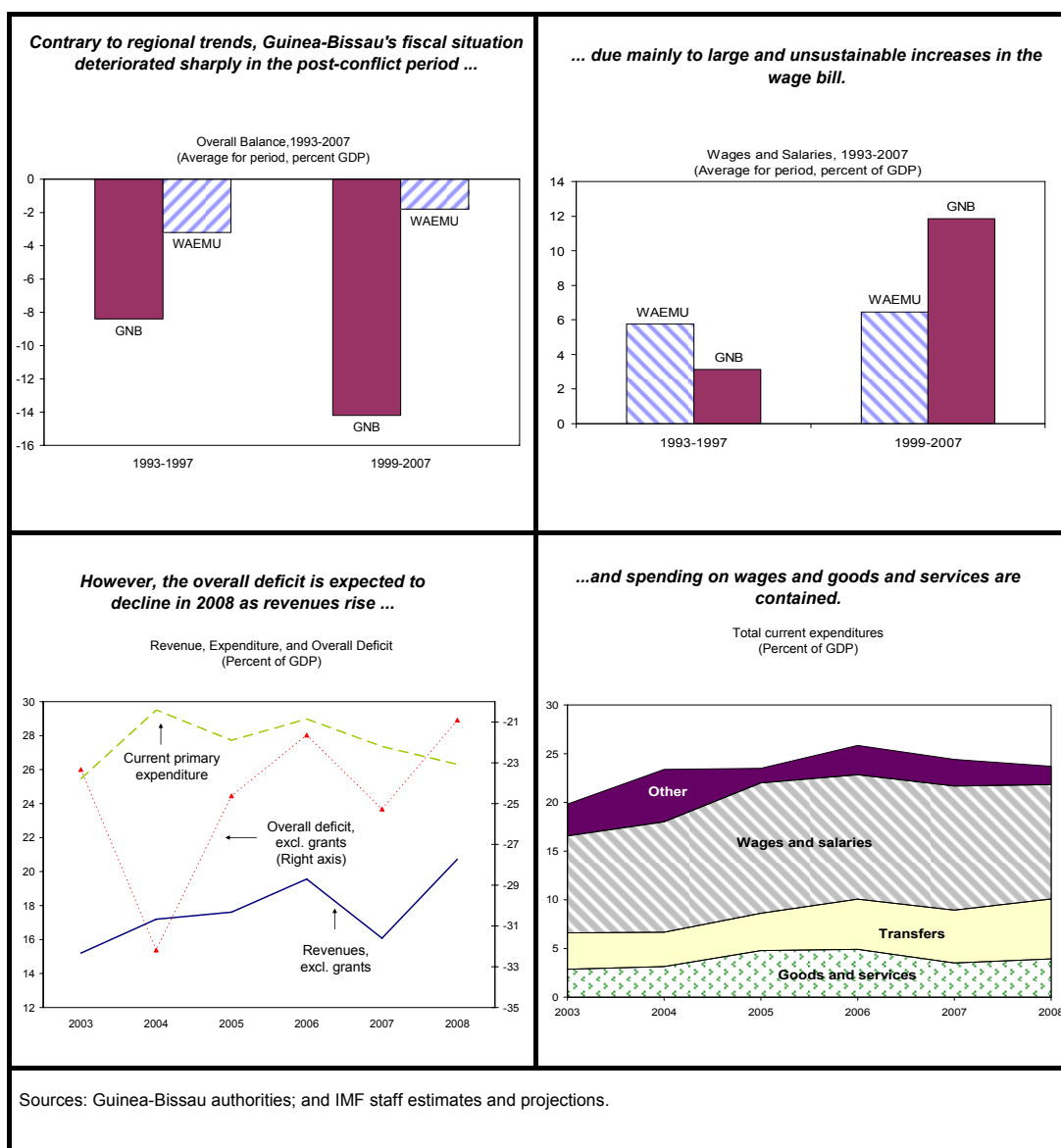


Table 2. Guinea-Bissau: Selected Economic and Financial Indicators, 2003-10

	2003	2004	2005	2006 Prel.1/	2007 Est.	2008 Proj.	2009 Proj.	2010 Proj.
(Annual percentage change, unless otherwise indicated)								
National accounts and prices								
Real GDP at market prices	-0.6	2.2	3.5	1.8	2.7	3.3	3.2	3.4
Real GDP per capita <sup>2</sup>	-3.4	-0.7	0.3	-1.1	-0.4	0.3	0.2	0.4
GDP deflator	-2.8	2.7	7.7	-0.5	3.6	3.3	2.5	2.5
Consumer price index (annual average) <sup>3</sup>	1.6	0.8	3.4	2.0	3.8	3.3	2.5	2.5
Consumer price index (end of period) <sup>3</sup>	0.7	2.2	1.0	3.2	4.3	2.4	2.5	2.5
External sector								
Exports, f.o.b. (based on US\$ values)	16.1	21.8	18.2	-32.5	53.6	-4.0	8.4	8.5
Imports, f.o.b. (based on US\$ values)	0.2	17.2	27.9	13.9	7.6	5.3	-4.2	8.4
Export volume	7.4	12.1	0.2	-17.7	49.3	-7.3	6.0	6.0
Import volume	-12.9	1.0	16.1	7.4	4.3	4.4	-2.9	9.3
Terms of trade (deterioration -)	-6.1	-6.3	7.1	-22.6	-0.3	3.6	4.5	4.0
Real effective exchange rate (depreciation -)	1.6	1.6	-2.0	...	...	...		
Nominal exchange rate (CFA francs per US\$; average)	580.1	527.6	526.6	522.4	498.4	498.4	496.5	494.5
Government finances								
Domestic revenue (excluding grants) <sup>4</sup>	-4.1	17.7	14.1	12.4	-12.5	36.6	-7.9	6.2
Total expenditure	13.8	33.3	-4.7	-1.3	7.0	6.6	-2.9	4.0
Current expenditure <sup>4 5</sup>	3.5	20.6	4.7	5.8	0.5	1.9	-4.7	2.7
Capital expenditure	41.3	58.1	-18.7	-14.8	21.9	16.1	0.2	6.2
Money and credit <sup>6</sup>								
Credit to government (net)	-2.4	-7.4	1.8	-0.5	3.2	-15.2	-2.9	-2.1
Credit to the rest of the economy	-1.8	-1.3	2.6	5.6	7.2	3.2	1.8	1.9
Broad money <sup>7</sup>	-65.3	44.0	20.6	5.3	16.0	8.3	4.0	5.9
Velocity (GDP/broad money)	4.5	3.3	3.0	2.9	2.7	2.6	2.7	2.7
(Percent of GDP, unless otherwise indicated)								
Investments and savings								
Gross investment	12.6	13.2	14.6	12.2	14.1	15.8	14.7	15.0
Of which: government investment	11.1	11.1	14.1	10.8	13.4	13.9	13.3	13.3
Gross domestic savings	-1.6	-3.0	-2.3	-19.0	-4.4	-4.9	-1.3	-0.6
Of which: government savings	-16.7	-30.1	-16.7	-17.4	-20.4	-12.6	-13.0	-12.2
Gross national savings	9.8	15.5	9.5	0.9	12.4	22.7	17.5	17.7
Government finances								
Budgetary revenue <sup>4</sup>	15.2	17.2	17.6	19.6	16.1	20.7	18.0	18.0
Total domestic primary expenditure <sup>4</sup>	20.2	24.8	24.5	27.1	25.7	24.9	21.9	21.2
Domestic primary balance	-5.0	-7.6	-6.9	-7.5	-9.6	-4.1	-3.9	-3.2
Overall balance (commitment basis)								
Including grants	-12.9	-15.0	-11.9	-9.7	-9.7	0.7	-4.9	-4.6
Excluding grants	-23.3	-32.2	-24.6	-21.6	-25.3	-20.9	-20.1	-19.3
External current account (including official current transfers)	-2.8	2.4	-5.1	-11.3	-1.7	7.0	2.8	2.7
Excluding official current transfers	-9.7	-9.4	-9.7	-24.7	-11.4	-12.0	-7.0	-6.7
Excluding official transfers (other than fishing licenses)	-6.2	-6.1	-6.7	-21.8	-11.4	-6.6	-4.6	-4.2
Net present value of external debt/exports of goods and nonfactor services (percent)	0.0	0.0	788.5	683.2	481.3	505.4	481.2	220.3
Nominal stock of external debt, including arrears	474.5	487.7	440.6	436.3	403.2	389.2	305.3	197.3
Memorandum items (millions US\$ unless otherwise indicated)								
Current account balance (including official current transfers)	-6.6	6.4	-15.3	-34.8	-5.8	25.6	10.8	11.4
Overall balance of payments	-121.0	-10.8	-21.0	-38.8	-15.6	-32.1	-6.7	-5.7
Nominal GDP at market prices (CFAF billions)	137.1	142.6	158.8	160.8	171.1	182.5	192.9	204.4
Nominal stock of external debt (end of period; excluding arrears)	915.2	1024.0	1002.1	993.3	1012.7	1038.3	1077.1	820.2
Nominal stock of external arrears, end of period	206.4	293.8	327.0	349.8	371.0	392.0	113.8	0.0

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

<sup>1</sup> Based on updated staff projections for 2006.

<sup>2</sup> Projections based on population growth of 2.5 percent per year.

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

<sup>4</sup> 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.

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

<sup>6</sup> Change in percent of beginning-of-period stock of broad money.

<sup>7</sup> 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, 2003–10

	2003	2004	2005	2006	2007 Est.	2008 Proj. <sup>1</sup>	2009 Proj.	2010 Proj.
( CFAF billions)								
Goods and services	-19.4	-23.1	-26.8	-50.1	-31.6	-37.7	-30.8	-31.9
Goods	-5.0	-3.8	-8.7	-31.5	-18.5	-23.7	-17.1	-18.4
Exports, f.o.b	36.1	40.0	47.2	31.6	46.3	44.3	47.8	51.6
Of which : cashew nuts	32.3	38.4	44.7	29.0	42.5	40.2	43.5	47.0
Imports, f.o.b	-41.1	-43.8	-55.9	-63.2	-64.8	-68.0	-64.9	-70.0
Services (net)	-14.4	-19.3	-18.1	-18.6	-13.1	-14.0	-13.8	-13.5
Credit	5.0	4.3	2.6	6.7	6.4	6.6	6.7	6.8
Debit	-19.4	-23.6	-20.7	-25.3	-19.5	-20.5	-20.5	-20.3
Income (interest scheduled)	-7.3	-6.0	-6.3	-4.9	-4.4	-4.0	-3.7	-3.8
Current transfers (net)	22.8	32.5	25.0	36.8	33.1	54.5	39.9	41.3
Official <sup>2,3,4</sup>	9.4	16.8	12.1	21.6	16.7	34.6	18.9	19.2
Of which: balance of payments support grants	4.8	12.0	5.1	10.2	16.7	24.8	14.2	14.2
Of which: EU fishing compensation	4.8	4.8	4.8	4.8	0.0	9.8	4.8	5.1
Private	13.4	15.7	12.9	15.3	16.4	19.9	21.0	22.1
Of which: fishing license fees	3.2	4.2	2.8	2.4	1.8	3.4	3.6	3.8
Current account	-3.8	3.4	-8.0	-18.2	-2.9	12.7	5.3	5.6
Including official transfers	-8.5	-8.6	-15.4	-35.0	-19.5	-12.0	-8.8	-8.6
Excluding official transfers	-1.2	-2.6	-9.1	-30.1	-15.2	-8.0	-5.1	-4.7
Capital and financial balance	-66.4	-9.0	-3.0	-2.1	-4.9	-28.7	-9.2	-8.3
Capital account <sup>5</sup>	9.4	15.4	23.7	17.6	12.3	16.6	17.5	18.6
Financial account	-75.8	-24.5	-26.7	-19.6	-17.2	-45.3	-26.7	-26.9
Official medium- and long-term disbursements	8.0	13.8	6.2	8.8	11.6	11.4	12.0	12.8
Balance of payments support	2.3	7.6	0.0	0.0	0.0	0.0	0.0	0.0
Projects	5.7	6.2	6.2	8.8	11.6	11.4	12.0	12.8
Scheduled amortization	-19.0	-18.9	-18.0	-13.4	-12.7	-12.8	-11.9	-11.0
Treasury bills and regional financing	0.0	0.0	10.0	-1.1	-1.3	-8.5	0.0	0.0
Commercial bank net foreign assets	-9.8	0.1	5.9	-10.0	1.5	-2.4	3.3	0.5
Private net foreign assets and errors and omissions <sup>5</sup>	-55.0	-19.4	-30.7	-3.9	-16.4	-32.9	-30.2	-29.2
Overall balance	-70.2	-5.7	-11.1	-20.3	-7.8	-15.9	-3.9	-2.7
Financing	70.2	5.7	11.1	20.3	7.8	15.9	3.9	2.7
Net foreign assets (increase -) <sup>6</sup>	43.5	-18.9	-10.3	3.0	-6.7	-5.3	-8.2	-5.0
Of which: net IMF credits <sup>7</sup>	-2.8	-2.8	-1.1	-2.2	-1.9	-0.9	-0.8	1.5
Purchases and loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3
Repurchases and repayments	-2.8	-2.8	-1.1	-2.2	-1.9	-0.9	-0.8	-0.8
Debt relief	5.1	4.5	5.3	5.4	3.8	0.7	0.7	11.1
Change in debt-service arrears (decrease -)	21.6	20.0	17.2	11.9	10.6	9.7	8.0	0.0
<i>Memorandum items</i>								
Export volume growth (percent)	7.4	12.1	0.2	-17.7	49.3	-7.3	6.0	6.0
Import volume growth (percent)	-12.9	1.0	16.1	7.4	4.3	4.4	-2.9	9.3
Scheduled debt service								
Percent of exports and service credits	64.0	56.4	48.9	47.8	32.3	33.2	28.7	25.4
Percent of total government revenue	126.1	101.8	87.1	58.2	61.8	44.9	45.1	40.3
Current account balance (percent of GDP)								
Including official transfers	-2.8	2.4	-5.1	-11.3	-1.7	7.0	2.8	2.7
Excluding official transfers	-9.7	-9.4	-9.7	-24.7	-11.4	-12.0	-7.0	-6.7
Stock of external arrears, end of period	119.9	140.0	157.2	169.1	179.7	189.4	197.4	197.4
Overall balance (percent of GDP)	-51.2	-4.0	-7.0	-12.6	-4.6	-8.7	-2.0	-1.3
Financing gap (percent of GDP)	0.0	0.0	0.0	0.0	0.0	5.9	1.8	-1.6

Sources: BCEAO and IMF staff estimates and projections.

<sup>1</sup>Based on updated staff projections for 2007.<sup>2</sup>Including food aid and technical assistance to projects.<sup>3</sup>In 2004, includes CFAF 2,342 million for remuneration to Guinea-Bissau soldiers for participation in the UN peace keeping mission in Liberia.<sup>4</sup>Official transfers excludes Angola.<sup>5</sup>Excludes proposed 2008 EPCA drawings.<sup>6</sup>Excludes the financing gap, BCEAO includes the financing gap in the capital account.<sup>7</sup>A 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 5. Guinea-Bissau: Central Government Operations, 2003–10 (concluded)

(Percent of GDP)

	2003	2004	2005	2006	2007 Est.	2008 Program	2009 Proj.	2010 Proj.
Revenue and grants	25.6	34.4	30.4	31.5	31.7	42.3	33.2	32.8
Revenue	15.2	17.2	17.6	19.6	16.1	20.7	18.0	18.0
Tax revenue	8.7	8.3	11.5	11.5	11.5	11.4	11.7	11.7
Nontax revenue	6.5	8.9	6.1	8.1	4.6	9.3	6.3	6.3
Grants	10.4	17.2	12.7	11.9	15.6	21.6	15.2	14.8
Budget support	3.5	8.4	3.2	6.4	9.7	13.7	7.4	6.9
Projects	6.9	8.8	9.6	5.6	5.9	7.9	7.8	7.8
Expenditure	38.5	49.4	42.2	41.2	41.4	41.6	38.1	37.4
Current expenditure	25.5	29.5	27.7	29.0	27.4	26.3	23.6	22.9
<i>Of which:</i> wages and salaries	10.0	11.3	13.4	12.8	12.8	11.8	10.8	10.2
interest	5.6	6.1	4.2	3.1	3.0	2.6	2.1	2.0
Capital expenditure and net lending	13.1	19.9	14.5	12.2	14.0	15.3	14.5	14.5
Public investment program	11.1	11.1	14.1	10.8	13.4	13.6	13.4	13.4
Other capital expenditure	1.9	8.8	0.4	1.4	0.6	1.7	1.1	1.1
Overall balance, including grants (commitment)	-12.9	-15.0	-11.9	-9.7	-9.6	0.7	-4.9	-4.6
Overall balance, excluding grants (commitment)	-23.3	-32.2	-24.6	-21.6	-25.3	-20.9	-20.1	-19.3
Overall balance, including grants (cash)	-2.9	-9.3	-10.2	-4.7	-6.3	0.0	-3.8	-4.6
Financing	2.9	9.3	10.2	4.7	6.3	0.0	3.8	4.6
Domestic financing	-4.0	-1.1	5.9	-1.1	0.1	-9.6	-1.0	-0.4
Foreign financing (net)	6.9	10.5	4.3	5.8	6.2	3.6	3.5	6.3
<i>Of which:</i> external arrears	11.5	10.9	8.4	5.4	4.6	4.0	3.0	0.0
debt relief	3.4	3.2	3.3	3.3	2.2	0.4	0.4	5.4
project and program loans	5.8	9.7	3.9	5.4	6.8	6.3	6.3	6.3
Financing gap (+ = financing needs)	0.0	0.0	0.0	0.0	0.0	6.0	1.3	-1.3
Additional financing				0.0	0.0	5.9	0.0	0.0
Residual financing gap				0.0	0.0	0.0	1.3	-1.3
Domestic primary balance	-5.0	-7.6	-6.9	-7.5	-9.6	-4.1	-3.9	-3.2
Revenue	15.2	17.2	17.6	19.6	16.1	20.7	18.0	18.0
Primary expenditure	20.2	24.8	24.5	27.1	25.7	24.9	21.9	21.2
Current	19.8	23.4	23.5	25.9	24.4	23.7	21.5	20.8
Capital	0.3	1.4	1.1	1.2	1.3	1.2	0.4	0.4
Effective plus identified budget support	3.5	8.4	3.2	6.4	9.7	19.6	7.4	6.9

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

Table 6. Guinea-Bissau: Indicators of Capacity to Repay the Fund, 2007–12

	2007 Actual	2008 Proj.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.						
Fund credit outstanding <sup>1</sup>												
SDR millions	3.28	-5.58	3.81	-4.64	2.79	-3.87	1.78	-3.10	1.11	-2.43	0.22	
CFAF billions	2.48	-4.20	2.87	-3.49	2.10	-2.94	1.34	-2.33	0.84	-1.82	0.17	
Percent of quota	23.1	-39.3	26.8	-32.7	19.6	-27.3	12.5	-21.8	7.8	-17.1	1.5	
Percent of exports of goods and services	5.3	-9.5	6.5	-7.3	4.4	-5.6	2.6	-4.2	1.5	-3.0	0.3	
Percent of fiscal revenue	9.0	-11.2	7.6	-10.1	6.1	-7.9	3.6	-6.0	2.1	-4.4	0.4	
Percent of gross official reserves	-39.9	4.3	-63.1	4.6	-42.9	2.7	-34.6	1.7	-27.1	1.0	-21.1	0.2
Percent of GDP	1.4	-2.3	1.6	-1.8	1.1	-1.4	0.7	-1.1	0.4	-0.8	0.1	
Fund obligations (SDR millions) <sup>1</sup>	4.71	2.24	-1.03	1.38	-0.85	1.15	-0.84	1.15	-0.72	0.79	-1.34	0.97
Total charges and interest (before subsidies)	0.07	-0.09	0.13	-0.08	0.13	-0.07	0.13	-0.05	0.12	0.0	0.08	
Existing drawings	0.07		0.06		0.05		0.04		0.04		0.04	
Prospective drawings	-		0.13		0.13		0.13		0.12		0.08	
Total repayments/repurchases	2.17		1.25		1.02		1.02		0.67		0.89	
Existing drawings	4.64	2.17	-0.94	1.25	-0.77	1.02	-0.77	1.02	-0.67	-	-1.3	-
Prospective drawings	-		1.25		1.02		1.02		0.67		0.89	
Fund obligations (CFAF billions) <sup>1</sup>	4.29	1.69	-0.78	1.04	-0.64	0.87	-0.63	0.86	-0.54	0.59	-1.01	0.73
Total charges and interest (before subsidies)	0.05	-0.07	0.10	-0.06	0.10	-0.05	0.10	-0.04	0.09	0.00	0.06	
Total repayments/repurchases	4.24	1.64	-0.71	0.94	-0.58	0.77	-0.58	0.77	0.50	-1.01	0.67	
Percent of quota	-12.0	15.8	-7.3	9.7	-6.0	8.1	-5.9	8.1	-5.1	5.6	-9.4	6.8
Percent of exports of goods and services	-2.8	3.6	-1.8	2.3	-1.3	1.8	-1.2	1.7	-1.0	1.1	-1.7	1.2
Percent of fiscal revenue	-4.7	6.1	-2.1	2.8	-1.8	2.5	-1.7	2.3	-1.4	1.5	-2.4	1.7
Percent of gross official reserves	-2.2	2.9	-1.2	1.7	-0.8	1.1	-0.8	1.1	0.7	-1.2	0.9	
Percent of GDP	-0.8	1.0	-0.4	0.6	-0.3	0.4	-0.3	0.4	-0.2	0.3	-0.4	0.3
Memorandum items:												
Total charges and interest (after subsidies) <sup>2</sup>	-		0.07		0.06		0.06		0.05		0.05	
Exports (CFAF billions) <sup>3</sup>	46.33		44.30		47.84		51.59		55.57		59.86	
Government fiscal revenue (CFAF billions)	27.53		37.61		34.65		36.80		39.13		41.65	
Quota (SDR millions)	14.20		14.20		14.20		14.20		14.20		14.20	
Quota (CFAF billions)	10.70		10.70		10.69		10.66		10.69		10.66	
Gross official reserves (CFAF billions)	57.87		62.31	-76.22	77.00	-78.80	79.45	-80.63	81.49	-80.96	81.99	
Exchange rate (CFAF/SDR; period average)	753.86		753.28		752.50		750.75		752.50		750.70	
GDP (CFAF billions)	171.07		182.48		192.92		204.39		217.45		231.59	

Sources: Data provided by the authorities; IMF staff estimates and projections.

<sup>1</sup>Includes EPCA purchase of SDR 1.775 millions (12.5 percent of quota) in January 2008.<sup>2</sup>Assuming that the rate of charge on EPCA purchase is subsidized down to 0.5 percent per annum plus adjustment for deferred charges. Subsidization is subject to the availability of resources.<sup>3</sup>Exports of goods and nonfactor services.