

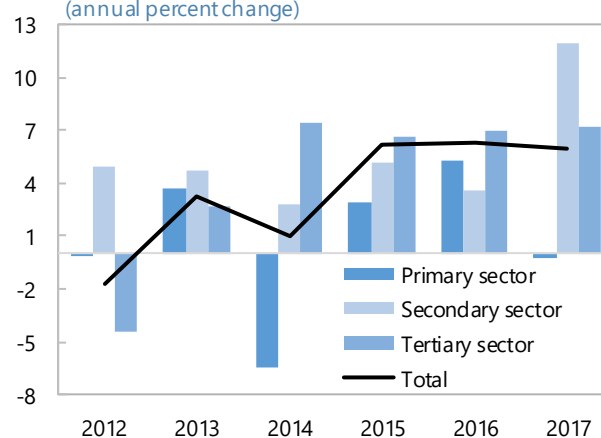
BACKGROUND AND RECENT ECONOMIC DEVELOPMENTS

1. The recent formation of government represents an important step in resolving the political crisis that has plagued the country. The appointment of Aristides Gomes as Prime Minister in mid-April 2018 followed ECOWAS-led intermediation efforts and reflected consensus among the key national political stakeholders. This led to the first sitting of Parliament in two and a half years, agreement on undertaking new Parliamentary elections in mid-November 2018, and formation of a government with broad support. Since the second half of 2015, frequent changes of government and the absence of a functioning Parliament had complicated policymaking and enactment of legislation.

2. Economic activity has remained robust (Table 1 and Figure 1). Real GDP growth was estimated at 5.9 percent in 2017, slightly higher than previously estimated and broadly maintaining the pace in place since 2015. While consumer price inflation remained subdued at 1.1 percent, cashew prices rose by about 40 percent in 2017, raising farmers' real incomes despite a decline in the volume of agricultural output. That stimulated economic activity generally, with construction particularly strong.

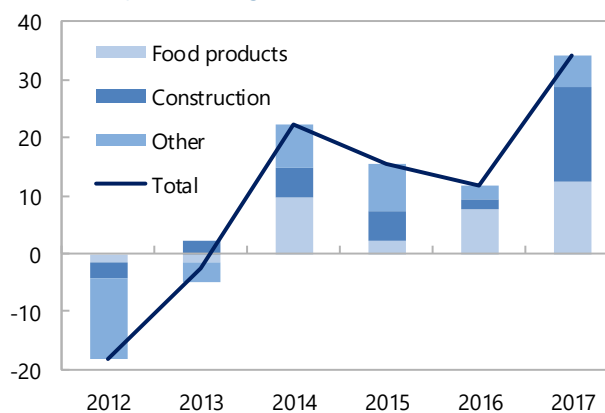
3. The external current account turned to a small deficit (Table 2). While exports benefited from higher cashew prices, imports increased even more rapidly due mainly to a doubling of construction material purchases. With lower income from fishing licenses resulting primarily from the still inconclusive negotiations with EU, the current account balance swung from a surplus of 1.3 percent of GDP in 2016 to an estimated deficit of 0.5 percent in 2017. Nevertheless, the overall balance was positive at 2.9 percent of GDP in 2017, contributing modestly towards reserves accumulation at the regional level (coverage at 4.2 months of imports at end-2017 (SM/18/56)).¹

Real GDP Growth by Sector
(annual percent change)



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

Contribution to Nominal Import Growth
(annual percent change)



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

¹ In addition, Côte d'Ivoire and Senegal issued Eurobonds in early 2018, which would have further benefitted regional reserves.

4. Government revenue and grants rose strongly (Tables 3a-3b). Buoyant economic activity and revenue mobilization efforts helped raise the tax-to-GDP ratio by 1.3 percentage points in 2017, 1.1 percentage points above the program target. The higher collection was mainly driven by corporate income tax, sales tax, and import duties. In addition, budget support from Saudi Arabia and increased project support from multilateral donors caused grants to increase by 1.5 percent of GDP. The main area of weakness was non-tax revenue, where the loss of fishing compensation from the EU drove a 0.6 percent of GDP decline compared to 2016. Continuing the positive trend from last year, tax revenue in the first quarter of 2018 was 13.3 percent higher than the same period in 2017. The recent performance of non-tax revenue has, however, been disappointing, with lower-than-planned receipts from fishing and from sale of seized illegally cut timber.²

Guinea-Bissau: Revenue Performance
(percent of GDP)

	2016	2017	
		Prog.	Prel.
Revenue and grants	16.0	15.9	18.3
Revenue	12.1	11.7	12.8
Tax revenue	9.1	9.3	10.4
Direct taxes	2.6	2.5	2.7
of which: Corporate income tax	1.4	1.3	1.7
Indirect taxes	6.5	6.8	7.6
Import duties	1.5	1.5	2.0
Domestic sales tax	2.9	3.1	3.6
Other indirect taxes	2.0	2.2	2.1
Nontax revenue	3.0	2.4	2.4
Grants	4.0	4.1	5.5

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

5. Expenditure fell relative to GDP but exceeded the program target for 2017. Current expenditure was 1.1 percent of GDP above the program target. This was mainly due to higher spending on goods and services and an increase in 'other' expenditure (partly the result of bonus payments relating to revenue collection), partly offset by reduced transfers to the public electricity and water utility (EAGB). Capital spending exceeded the program target as well as the 2016 outturn by 0.9 percent of GDP, with the increase driven by grant-financed projects in the social sector.

Guinea-Bissau: Expenditure Performance and Financing
(percent of GDP)

	2016	2017	
		Prog.	Prel.
Expenditure	20.7	17.6	19.6
Expense	14.6	11.5	12.6
Wages and salaries	5.0	4.3	4.5
Goods and services	1.7	2.4	2.8
Transfers	4.0	3.0	2.7
Interest	0.7	0.4	0.5
Other	2.9	1.4	2.0
Net acquisition of nonfinancial assets	6.1	6.1	7.0
Domestically financed	0.2	0.3	0.3
Foreign financed (including BOAD)	5.8	5.8	6.7
Overall balance, including grants (cash)	-4.2	-1.8	-1.5
Domestic financing (net)	3.8	1.5	1.4
Of which: Net domestic bank credit	2.3	-0.2	-0.2
External financing (net)	0.4	0.3	0.1

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

6. The overall deficit in 2017 was down sharply from 2016 and slightly lower than programed. The overall cash deficit in percent of GDP was 1.5 in 2017, compared to the program target of 1.8 and 4.2 in 2016. Financing was largely from within the region via issuance of treasury securities on the regional market and project lending from *Banque Ouest Africaine de Développement* (BOAD). Borrowing from domestic commercial banks declined.

² The number of ships fishing under license in Guinea-Bissau waters dropped following recent rules for refueling and other connected operations. Also, by the April 22nd end of the export window provided by CITES, receipts from timber sales were only about one third of the amount that the authorities originally planned (0.8 percent of annual GDP on gross basis).

7. Advances in revenue administration and public financial management helped secure the positive outcomes. The authorities stepped up collection of tax arrears (CFAF 0.6 billion) and raised tax compliance through extension and better use of tax identification numbers (TINs) and the rollout of uniform sales invoices. Moreover, the weekly meetings of the Treasury Committee helped improve budget execution and maintain control over expenditure amid the higher revenues. Notably, in a break from the past, government avoided non-regularized expenditures (“DNTs”) and incurrence of arrears. A series of audits of public entities also helped enhance transparency and accountability.

8. Financial intermediation remained weak amidst high non-performing loans (NPLs) and low profitability (Tables 4 and 5). Notwithstanding the robust economic growth, gross credit to the private sector is estimated to have declined by 2.9 percent in 2017. Credit net of provisions declined by 25.3 percent, reflecting the large provisions mandated by the Banking Commission in early 2017. The still weak evolution of credit is partly a reflection of banks curtailing lending in response to high NPLs (35.3 percent of loans at end-2017 on gross basis, 15.6 percent net of provisions). Low return on assets, 0.9 percent in 2017, has also been a factor. Moreover, uncertainties remain on the voiding of the 2015 bank bailout and the resolution of undercapitalization in one bank (Box 1).

Box 1. Status of Voided Bank Bailout and the Affected Banks

Legal uncertainty continues over the 2015 bailout of two banks that government subsequently voided. In late 2017, a lower court ruled itself not competent to try the civil case, considering among others an arbitration clause in the contract. Government appealed this decision to a higher court. Reaching a final court ruling could be a protracted process.

In December 2017, both banks were issued instructions by the regional Banking Commission (BC) to meet the minimum capital requirement by end-June 2018. The banks were also informed that they until then could not issue dividends and must report monthly on actions taken. While one of the two banks subsequently reached regulatory compliance, the other remains significantly undercapitalized.

PROGRAM PERFORMANCE

9. Program performance has been good, with all performance criteria and indicative targets for the fifth review met, as were six of eight structural benchmarks (Tables 6a and 7a).

- **Performance criteria (PCs):** The end-2017 target for tax revenue was exceeded by CFAF 12 billion (17.3 percent). Also, consistent with the respective zero-ceilings under the program, there was no new non-concessional or short-term external borrowing and no external arrears were accumulated. Net domestic bank credit to central government (NCG) was CFAF 0.2 billion below the program ceiling, notwithstanding two loan guarantees signed during the year.³
- **Indicative targets (ITs):** The domestic primary balance was CFAF 0.8 billion above the program floor for end-2017. At the same time, no new domestic arrears were accumulated, there was no

³ The loan guarantees comprised CFAF 1.8 billion to Bissau City for construction of a market, of which only CFAF 0.4 billion was disbursed; and CFAF 0.9 billion for a pilgrimage program.

non-regularized spending, and social and priority spending exceeded the program floor by CFAF 8.2 billion (26.5 percent). Preliminary data indicate that all ITs for March 2018 were met.

- **Structural benchmarks (SBs):** Six out of the eight SBs applicable to the fifth review were met. Two benchmarks were not completed on time (MEFP ¶11). First, the government could not complete as envisaged a draft bill for a new small taxpayer regime. This measure will be addressed as part of a broader tax policy reform underway (MEFP ¶18). Second, the upgrading of debt management software (DMFAS 6.0) was not completed by the December 2017 target date but only in early 2018. Along with technical assistance (TA) provided from UNCTAD and the World Bank, the authorities aim to start producing by end-2018 an enhanced quarterly debt report covering both domestic and external debt.

Guinea-Bissau: Quantitative Performance Criteria and Indicative Targets

(Billions of CFAF, unless otherwise indicated)

	2016	December, 2017		
		Prog.	Prel.	Status
Performance criteria¹				
Total domestic tax revenue (floor)	63.5	69.3	81.3	met
Net domestic bank credit to the central government (ceiling) ²	15.9	0.0	-0.2	met
Ceiling on new non-concessional external debt (US\$ millions) ³	0.0	0.0	0.0	met
Outstanding stock of external debt owed or guaranteed by the central government with maturities of less than one year (ceiling) ³	0.0	0.0	0.0	met
External payment arrears (ceiling) ³	0.6	0.0	0.0	met
Indicative targets				
New domestic arrears (ceiling)	4.0	0.0	0.0	met
Social and priority spending (floor)	32.2	31.0	39.2	met
Domestic primary balance (commitment basis, floor)	-14.2	3.1	3.9	met
Non regularized expenditures (DNTs, ceiling)	1.9	0.5	0.0	met
<i>Memorandum items:</i>				
Clearance of domestic payment arrears	6.1	2.2	2.4	
External budgetary assistance (US\$ millions) ⁴	0.4	4.8	4.8	
ECF disbursements (SDR millions)	5.1	6.1	6.1	
Concessional loans (US\$ millions) ⁵	7.1	12.0	9.5	

¹ The performance criteria and indicative targets are defined in the TMU.

² 2017 includes new loan guarantees (CFAF 0.4 billion for Bissau City and CFAF 0.9 billion for pilgrims).

³ These apply on a continuous basis.

⁴ Comprises budget support grants and program loans (for budget support).

⁵ Comprises project loans with grant elements exceeding or equal to 35 percent.

ECONOMIC OUTLOOK AND RISKS

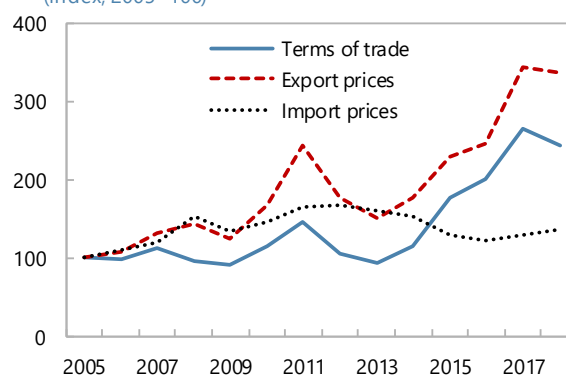
10. The economic outlook is broadly positive but involves new challenges. An ongoing scaling up of public investment will help advance growth by addressing gaps in critical infrastructure. Moreover, the recent progress on overcoming the country's political crisis should help advance the reform agenda and lessen uncertainty for private investors. At the same time, Guinea-Bissau's terms of trade have deteriorated, with higher prices of oil imports and likely lower prices for

cashew exports. This year's cashew campaign is also under pressure from the doubling of the official farmgate reference price, which was more than the market could support and delayed the onset of transactions.

11. The updated macroeconomic framework for 2018–19 underpins a favorable baseline outlook with sustained growth, low inflation, and moderate fiscal and external deficits.

- Economic growth is projected to average 5.3 percent a year, supported by enhanced electricity supply and improvements in the business climate, but moderating somewhat from earlier years given the less favorable terms of trade.
- Inflation is, given higher global oil prices, projected to rise to about 2 percent a year.
- The external current account deficit is projected to widen to 2-3 percent of GDP, given the worsened terms of trade as well as rising imports associated with the increased investment and expanding economic activity.
- The fiscal deficit is projected to widen due to the higher capital expenditure but to stay within the 3 percent of GDP WAEMU criterion.

Export, Import Prices and Terms of Trade
(index, 2005=100)



Sources: Guinea-Bissau authorities; IMF staff calculations.

Guinea-Bissau: Performance on WAEMU Convergence Criteria

	2017	2018	2019
First-order criteria			
Overall balance/GDP ¹ (≥ - 3 percent)	-1.5	-2.9	-2.6
Average consumer price inflation (≤ 3 percent)	1.1	2.0	2.2
Total debt/GDP (≤ 70 percent)	50.1	50.3	48.8
Second-order criteria			
Wages and salaries/tax revenue (≤ 35 percent)	43.1	38.2	39.0
Tax revenue/GDP (≥ 20 percent)	10.4	11.4	12.0

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

¹ Showing cash balance.

12. The baseline outlook is subject to significant risks (Annex I). The recent progress towards political stability could quickly derail in the still fragile environment. Spending pressures in the run-up to elections could lead to fiscal slippages. Cashew exports could be lower than projected if market disruptions from the high reference price are not quickly resolved or if international prices weaken. Growth generally could prove more sensitive to lower cashew prices than presumed. Reaching agreement on fishing compensation with the EU, assumed to be achieved 2019, could drag on. Upside risks include the possibility of positive terms of trade movements as well as large-scale donor support resulting from the resolution of the political crisis and renewed reform momentum.

Guinea-Bissau: Official Financial Assistance, ¹ 2015–19						
(Billions of CFAF, unless otherwise indicated)						
	2015	2016	2017		2018	2019
	Act.	Act.	EBS/17/116	Prel.	Projections	
Total	52.8	45.8	52.8	60.5	69.7	72.0
Grants	40.1	27.6	32.3	42.8	39.0	44.0
Budget	5.6	0.3	2.8	2.8	0.0	0.0
Project	34.5	27.4	29.5	40.1	39.0	44.0
Loans	12.7	18.2	20.5	17.7	30.6	28.0
Budget ²	2.3	4.2	4.9	4.9	4.6	2.2
Project	10.3	14.0	15.6	12.8	26.0	25.8
(USD Millions)						
Total	89.4	77.3	90.8	104.2	131.6	137.6
Grants	67.9	46.6	55.5	73.8	73.7	84.2
Loans	21.4	30.7	35.3	30.4	57.9	53.4
(Percent of GDP)						
Total	8.5	6.6	6.8	7.7	8.4	8.1
Grants	6.5	4.0	4.1	5.5	4.7	5.0
Loans	2.0	2.6	2.6	2.3	3.7	3.1
Miscellaneous items:						
Nominal GDP (US\$ millions)	1,048	1,179	1,342	1,350	1,562	1,699
Source: Guinea-Bissau authorities.						
¹ Includes only aid to the government sector (about 85–90 percent of total); the remainder goes to non-governmental organizations.						
² ECF financing.						

POLICY DISCUSSIONS

13. Policy discussions focused on: (i) maintaining fiscal discipline and mobilizing revenue to enable priority spending; (ii) raising investment to address essential infrastructure gaps and support growth; (iii) maintaining debt sustainability; (iv) safeguarding financial stability; and (v) improving economic statistics. The Fund is providing TA relating to all these areas (Annex II).

A. Fiscal Policy: Expanding Fiscal Space for Priority Spending

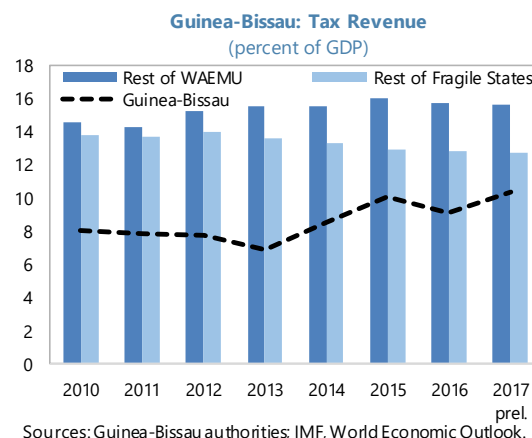
14. The key fiscal challenges for Guinea-Bissau are revenue mobilization and controlled scaling up of spending in priority areas. Although increased, the tax-to-GDP ratio remains well below that of comparators and the level needed to satisfy essential needs. Against the backdrop of uncertainties in donor support and nontax revenue, further increases in revenue are essential to make room for planned increases in priority spending while keeping the overall fiscal deficit within the 3 percent of GDP WAEMU target.

Enhancing Revenue Mobilization

15. Ongoing administrative reforms will support revenue mobilization (MEFP ¶¶16 and 17).

The use of TINs and uniform sales invoices can still be expanded. Moreover, the recent inclusion of the tax directorate (DGCI) in the tax exemptions committee and its plans to produce estimates of tax expenditure will help better control tax exemptions. In customs, the recent rollout of the SYDONIA software to three border posts and accompanying application of the general tariff regime for goods imported by land can further help collections, but systems still need to be fully established. To compensate for the underperformance in non-tax revenue and achieve the projected 1.2 percentage point increase in the overall revenue-to-GDP ratio in 2018, forceful implementation of recommendations from Fund TA will be required. Specifically:

- Using the statement of contributions and taxes to ensure that applicable taxes are withheld at source and transferred to the tax office.
- Ensuring that all Group A taxpayers file returns for industrial contribution.
- Extending the Integrated Tax Management System to all tax districts and departments.
- Stepping up collection of tax arrears by establishing a special tax collection working group to enforce tax collection from large debtors (proposed SB for September 2018).
- Requiring the use of TINs for payment of taxes and all related transactions with public agencies (proposed SB for September 2018).
- Reintroducing collection of stamp duty on air transportation.



16. Going forward, envisioned tax policy reforms would complement the administrative reforms (MEFP ¶18).

Following recent Fund TA, the authorities intend to undertake a fundamental reform to modernize and simplify the tax system. The first step will be to submit a reform plan to the Council of Ministers by July 2018 (proposed SB). The focus in the near term would be on strengthening and broadening indirect taxes by curtailing legislative and administrative exemptions. The next steps would be to streamline the range of fees and charges applicable to the cashew sector or otherwise levied by public bodies, fundamentally overhaul income taxes to put in place a system with clear and simple rules appropriate to the country context, and over time extend the coverage of recurrent property taxes based on market value. Establishing a dedicated tax policy unit in the Ministry of Finance will be key to taking the reforms forward.

Maintaining Fiscal Discipline while Scaling up Priority Spending

17. The authorities aim to make room for higher capital spending by containing current spending and strengthening public financial management (MEFP ¶21). Capital expenditure is now projected to increase by 1.5 percent of GDP in 2018, with the increase driven by a few large

investment projects in road and energy infrastructure. This would, along with revenue mobilization efforts, be enabled by keeping non-interest current spending broadly unchanged as a ratio to GDP. To ensure that the deficit remains within 3 percent of GDP, the Treasury Committee will align expenditure with available resources, guided by monthly cash-flow projections, and reducing capital and non-priority current spending (e.g., official travel) if needed.

18. Recent audits of state-owned enterprises have opened new avenues for enhancing fiscal transparency and forestalling contingent liabilities on public resources. Representing a major step forward, nine audits covering state-owned enterprises and other public bodies were completed in 2017. The audits revealed significant weaknesses in financial management, internal control, and procurement functions, with many instances of non-conformity or non-compliance on transactions related with procurement, asset management, and staff expenses. The authorities aim to use the audit results and follow-up investigations to address the shortcomings (MEFP ¶30). Moreover, another 15 audits are scheduled for completion by end 2018.

B. Raising Investment to Boost Growth

19. Addressing inadequacies in basic infrastructure is critical to sustaining Guinea-Bissau's recent growth performance. A key constraint is grossly insufficient electricity supply, with coverage limited to the capital and overall only 15 percent of the population having access. Moreover, where electricity is available, it is subject to frequent outages and is expensive at an average price of around US\$0.4 per kWh. Another major constraint is the port of Bissau, which lacks sufficient capacity and is in urgent need of repair. The planned scaling up of public investment in these and other areas can help remove bottlenecks to growth, but international experience highlights the importance of ensuring that the process is well managed (Box 2).

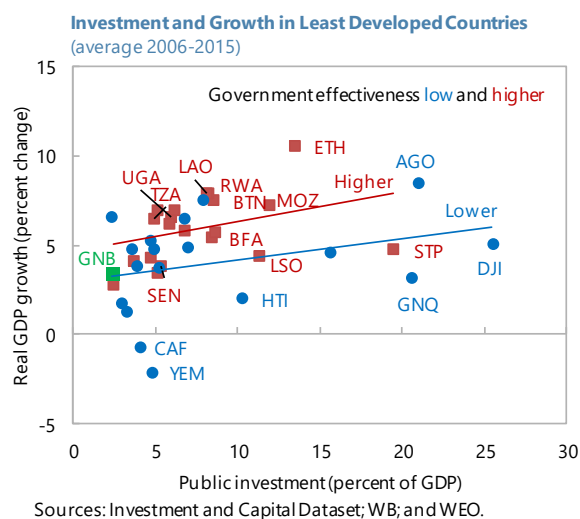
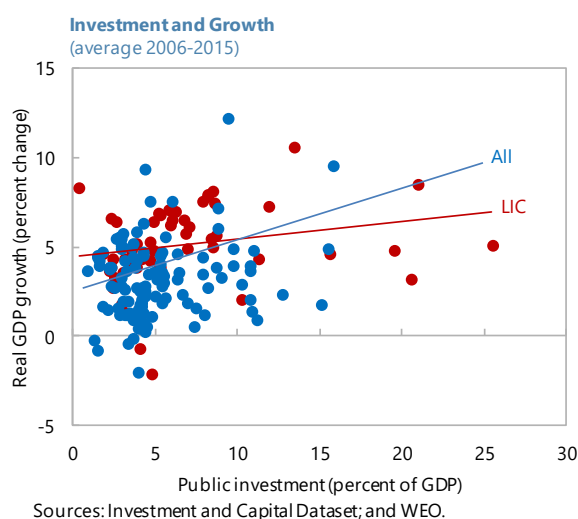
20. Public investment planning and management require strengthening. There are weaknesses along the project chain from initial identification to integration into budget frameworks. These were reflected in the about 10 percent of GDP of mostly non-concessional loans signed in 2017 for projects that, although well justified, were largely not reflected in budget plans (only 0.3 percent of GDP was included in the 2018 budget). While capacity constraints mean that disbursement of these loans is for the most part unlikely to start before 2019, their early signing does point to shortcomings in planning. Overcoming these weaknesses will require strengthening of project selection, appraisal, and procurement procedures, and improved coordination among the different agencies involved. Specifically, for the power sector, it will be essential to complete the management improvement plan for EAGB in line with the World Bank supported project (proposed SB for September 2018). The authorities are committed to taking steps in these areas (MEFP ¶20), and a donor roundtable on the energy sector planned to take place later this year should help with coordination and financing.

21. Higher private investment will also be critical to sustaining growth. While recent foreign direct investment in hotels and a cement factory mark an improvement, private investment levels in Guinea-Bissau remain exceptionally low, reflecting the history of political instability and poor governance. Further progress will require improvements in the business environment. A key element

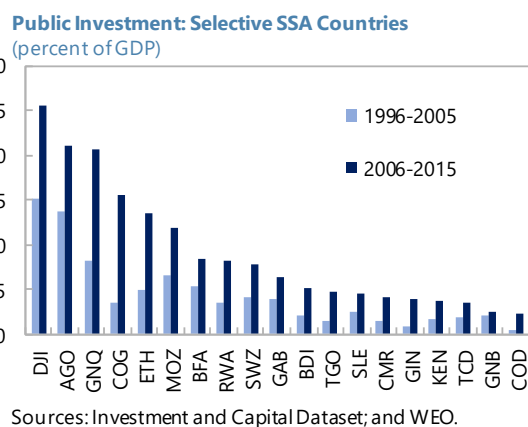
will be ensuring transparent and pro-competitive policies in the cashew sector, with prices set by market forces. Another key element will be to strengthen the legal and institutional framework to combat corruption and rent seeking, including implementation of a comprehensive asset disclosure regime for public officials (MEFP 1132-33),

Box 2. Scaling-up Public Investment¹

International experience shows that public investment can have a significant impact on growth depending on how it is carried out. Calderon and Serven (2010) estimated that African countries could boost annual economic growth by about 1.5 percentage points by cutting in half their infrastructure deficit with respect to other regions. However, the link between growth and public investment is stronger where government effectiveness is higher, and it depends on how the investment is financed. The efficiency with which low-income countries convert public investment into growth is generally lower than in more developed economies (Gupta and others, 2014).



In Guinea-Bissau, a history of low and volatile public capital spending, weak investment management, and poor maintenance have resulted in a large infrastructure deficit. Filling this gap will take many years of sustained investment and will require enhanced planning, improved project selection procedures, careful consideration of financing costs, and greater focus on management and maintenance of new assets. Without this, the added expenditure may not yield any tangible benefits, with failed past investments in domestic power generation being a cautionary example.

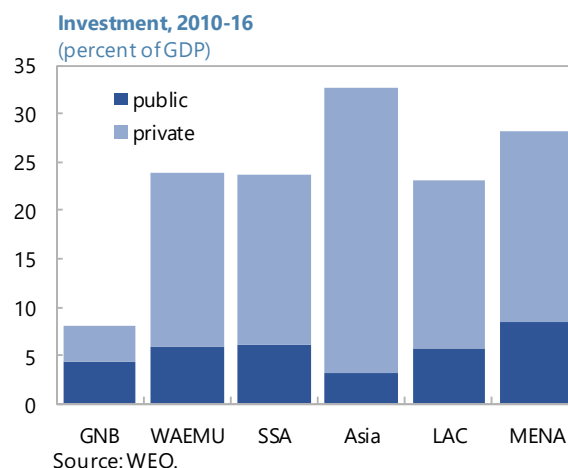


¹ Calderon, C., and L. Serven, 2010, "Infrastructure and Economic Development in Sub-Saharan Africa," *Journal of African Economies*, Vol. 19, pp. i13-i87.

Gupta, S., A. Kangur, C. Papageorgiou, and A. Wane, 2014, "Efficiency-Adjusted Public Capital and Growth," *World Development*, Vol. 57, pp. 164-178.

C. Maintaining Debt Sustainability

22. Risks to debt sustainability are being contained. The improved fiscal position helped lower government debt from 53.3 percent of GDP in 2016 to 50.1 percent in 2017. In addition, debt management has been strengthened by reduced recourse to expensive bank overdrafts and by the introduction of the new debt management software, with further improvements underway (MEFP ¶¶22 and 24). Debt sustainability analysis (Box 3 and attached) indicates moderate risk of external debt distress with heightened vulnerabilities on total public debt, reflecting high domestic debt (37.7 percent of GDP at end-2017).



23. The authorities plan to continue to limit borrowing in line with program targets (MEFP ¶¶15 and 24). In view of the risks to the economy (see ¶12 above) and cognizant of absorption and debt management constraints, the authorities are committed to avoiding non-concessional and short-term external debt. While the non-concessional project loans signed in 2017 (all from BOAD) are in domestic currency, and hence not subject to the PC on non-concessional external borrowing, the authorities are exploring ways to make the financing of these new projects more concessional. They are also proposing to expand the program ceiling for net domestic credit to central government to include all non-concessional borrowing in domestic currency.

24. Arrears and contingent liabilities are being tackled gradually (MEFP ¶¶23 and 25). Efforts towards addressing external arrears on pre-HIPC debts have among others resulted in debt relief on near-Paris Club terms on arrears to Exim Bank of Taiwan Province of China; clearance of arrears to the United Arab Emirates; and agreement (still to be ratified) on restructuring of arrears to Brazil. Negotiations with other bilateral creditors (Angola, Libya, Pakistan, and Russia) for the remaining legacy arrears are ongoing. On arrears to domestic suppliers, the authorities are seeking support from development partners to audit all outstanding claims (estimated at more than CFAF 100 billion) by end-2018, with a view to finalizing a strategy for settling the legitimate claims.

D. Safeguarding Financial Stability

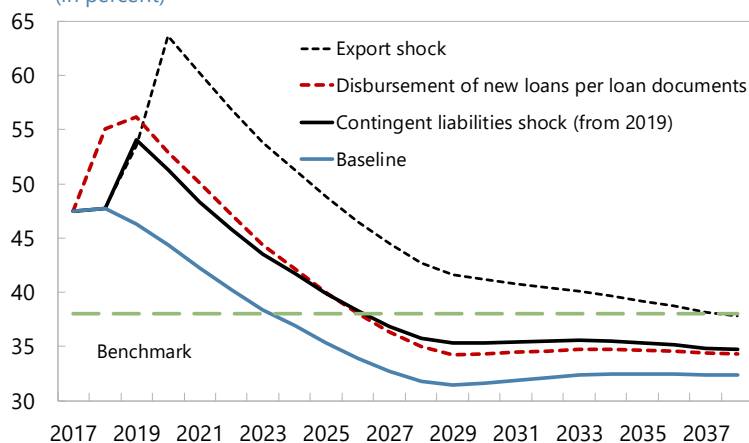
25. Recapitalizing banks as required and resolving high levels of NPLs is crucial to safeguarding financial stability and supporting healthy growth of the financial sector (MEFP ¶¶26 and 27). The still unresolved status of the 2015 bank bailout and the overhang of NPLs is impeding credit extension. Moreover, banks that do not meet the minimum capital requirement by the end-June deadline face intervention by the regional Banking Commission (BC). In its discussions with national and regional authorities, staff has stressed the importance of firm regulatory action and of ensuring that any rectification of undercapitalization minimizes costs to the economy and respects international best practices. Staff's expectation, backed by the strong warning

given by the BC, is that the BC will act resolutely towards any Guinea-Bissau bank that fails to meet the end-June deadline. This would likely involve the appointment of a temporary administrator and initiation of resolution procedures, in line with the BC's regulations. The national authorities have expressed full support for firm action by the BC, and their evaluation of options is being guided by Fund TA.

Box 3. Debt Sustainability

The current scaling up of government investment to address gaps in the country's infrastructure will need to be carefully managed to keep Guinea-Bissau's debt burden on a declining trajectory. Under the baseline scenario, where investment increases gradually and is counterbalanced by strengthening of revenues to keep the fiscal deficit below 3 percent of GDP, the overall debt-to-GDP ratio continues to decline. Reflecting constraints in implementation capacity and in line with the public investment plan for 2018, this scenario assumes that the new loans signed in 2017 mostly only start disbursing in 2019. The projects could then be largely executed within a three-year period, although this might require reprioritizing among projects in the pipeline.

Present Value of Public Debt-to-GDP Ratio
(in percent)



Sources: Guinea-Bissau authorities; IMF staff calculations.

1/ New loans (total CFAF 87.1 billion): solar power plant; emergency diesel power plant; 14 localities OMVG network expansion; road Buba-Catio phase III, rice value chain, port rehabilitation.

The baseline trajectory is subject to risks. These include a fall in cashew prices, which could cause export earnings to drop and weaken debt service capacity. Further, considering Guinea-Bissau's history of conflict, a reescalation of political tensions could frustrate prudent economic and fiscal policies. Another risk is materialization of contingent liabilities, estimated at about 10 percent of GDP in total.

In an alternative scenario where all the new loans from 2017 are disbursed within two years, as projected in loan documents, public debt would spike. Debt servicing costs would also rise sharply, given that the bulk of the new loans are on non-concessional terms. Such an outcome would put debt sustainability at risk.

Disbursement Scenarios for Loans Signed in 2017

Description	Total Cost (CFAF billion)	2018 (CFAF billion)	2021 Accumulated disbursements (percentage of total loan)
Total Central Government	64.0		
Baseline (per budget)		2.5	74.2
Per loan documents		56.9	100.0
Non-Central Government (SOEs)	22.6		
Baseline		0.0	50.1
Per loan documents		11.3	100.0

Sources: National Authorities; World Bank; and IMF estimates.

Guinea-Bissau: Borrowing Program, 2016–19(Disbursed public debt, in billions of CFAF, including guaranteed debt)¹

	2016	2017	2018 proj.		2019 proj.	
	Vol.	Vol.	Vol.	Present value	Vol.	Present value
Sources of debt financing	28.9	21.1	30.5	24.0	28.0	20.2
Foreign Currency	10.6	9.0	10.2	6.0	13.0	7.1
<i>Of which: Concessional</i>	10.6	9.0	10.2	6.0	13.0	7.1
AfDB	1.6	1.0	1.7	0.9	3.2	1.8
IDA	2.9	1.9	1.9	0.9	3.7	1.7
IMF	4.2	4.9	4.5	3.1	2.2	1.6
Other	1.9	1.2	2.0	1.1	3.9	2.0
Domestic Currency	18.2	12.1	20.4	18.0	15.0	13.1
Domestic banks (net)	0.7	-6.2	0.0	0.0	0.0	0.0
BOAD ²	7.6	8.7	20.4	18.0	15.0	13.1
Other regional (T-bills, net)	10.0	9.6	0.0	0.0	0.0	0.0
Uses of debt financing	28.9	21.1	30.5		28.0	
Infrastructure	9.9	10.0	17.7		18.7	
Social sector	0.0	0.0	0.0		0.0	
Rural development	2.9	0.5	7.6		4.6	
Budget financing ³	14.9	8.3	4.5		2.2	
Other	1.2	2.3	0.7		2.5	
<i>Memorandum items</i>						
Gov. guarantees (stock outstanding)	4.6	5.9	5.3		5.3	

Source: Guinea-Bissau authorities.

¹ Includes only loans to government. PV of all borrowing is evaluated at a 5-percent discount rate.² BOAD financing (shown on gross basis) is partly concessional.³ IMF, domestic banks, and regional T-bills.

26. Deepening financial markets while cleaning up balance sheets should rekindle lending to the private sector (MEFP 128). In consultation with commercial banks, the authorities are developing measures to help banks reduce NPLs, including by facilitating collection of collateral, which should help banks clean up their balance sheets and step up financial intermediation. Further, the authorities are updating their national plan for financial inclusion, following BCEAO recommendations, and will continue to implement incentives for small and medium-term enterprises in accordance with measures adopted by the WAEMU Council of Ministers in September 2015.

E. Improving Statistics

27. Weaknesses in statistics continue to hamper good economic management. There is a paucity of high frequency activity indicators, and significant inconsistencies between national accounts, fiscal, monetary, and balance of payments data. With help from development partners, the national statistics institute is enhancing coverage of economic statistics, with several projects (including enterprise and agricultural surveys) ongoing or in the developmental phase. Supported by

IMF TA, the authorities plan to publish by July 2018 revised national accounts with updated base year following a mini household survey. There is also progress in adopting new methodologies for monetary and balance of payments statistics, and in enhancing cooperation among official data producers. Nevertheless, much remains to be done to improve data consistency across and within different datasets.

PROGRAM MODALITIES

28. The authorities have requested a one-year extension and augmentation of the ECF arrangement through to July 2019. The extension would provide continuity and give the authorities time to articulate policies that could be supported by a new multi-year successor arrangement after the November 2018 elections. The augmentation is needed to meet balance of payments needs arising from higher oil prices and delays in EU fishing compensation, and is supported by the good program performance as well as the strong prospective revenue adjustment effort. The augmentation (two disbursements of 10 percent of quota each) would involve augmentation of access by SDR 5.68 million, bringing total access under the program to SDR 22.72 million (80 percent of quota) (Table 8).

29. Program performance will continue to be assessed semi-annually (MEFP ¶¶35-36, Tables 6b and 7b). For 2018, prospective program performance will be assessed relative to the proposed PCs for end-June PCs and end-December, as well as ITs and SBs. The sixth program review (following extension of the ECF-supported arrangement) will be based on the end-June 2018 PCs, and is scheduled to be completed on or after October 15, 2018. The PCs and ITs are defined in the attached Technical Memorandum of Understanding. To enhance oversight over expensive project loans, the PC on net domestic credit to government will be expanded to cover all non-concessional borrowing in local currency, including disbursements from the regional development bank, BOAD. Proposed new SBs include:

- By end-July 2018, submit to Council of Ministers a strategy for comprehensive tax reform, with coverage including small tax payers and with rules that are simple and minimize discretion in assessment.
- By end-September 2018: (i) establish a Special Tax Collection Working Group to enforce tax collection from large debtors; (ii) require the use of TINs for payment of taxes and all related transactions with public agencies; and (iii) start implementation of management service contract for EAGB.

30. Financing assurances: The program, including the proposed augmentation, is fully financed to July 2019. Guinea-Bissau owes arrears to Angola, Brazil, Libya, Pakistan, and Russia who have all consented to Fund financing notwithstanding these arrears. The country remains current on its remaining external debt service obligations. It meets its obligations to the IMF in a timely manner and has adequate repayment capacity (Table 9). Continued IMF engagement is mobilizing support from development partners, as seen by the increase in grants in 2017 and projected increases in project loans. Development partners have been considering budget support but the extended absence until recently of a functioning parliament has been an obstacle.

31. Safeguards assessment: The 2018 assessment, conducted on a four-year cycle for regional central banks, found that the BCEAO continues to maintain a strong internal control environment. Key recommendations from the last assessment in 2013 have been implemented. The bank adopted International Financial Reporting Standards in 2015 and the selection criteria for the external auditors has been strengthened. The audited financial statements in the period since the last assessment have had unmodified (clean) audit opinions and are published on a timely basis.

STAFF APPRAISAL

32. Guinea-Bissau's economy has registered strong growth for the third year in a row and the outlook remains broadly positive, although with new challenges. Increased fiscal space has enabled a scaling up of much needed public investment, and the recent appointment of a government of consensus offers the prospect of closing the door on the political crisis that has plagued the country since the second half of 2015. At the same time, the terms of trade gains that supported economic expansion for the past three years have partially reversed, and foreign exchange earnings are also under pressure from lower fishing-related receipts.

33. Fiscal management has continued to strengthen. Tax collection rose and the fiscal deficit narrowed sharply in 2017, enabling a significant reduction in the ratio of public debt to GDP and bolstering debt sustainability. Administrative reforms have contributed importantly to the improved outcomes, with the Treasury Committee since late 2016 playing a pivotal role in strengthening expenditure control while avoiding non-regularized transactions and incurrence of arrears. Moreover, a series of audits of public entities have helped enhance transparency and governance.

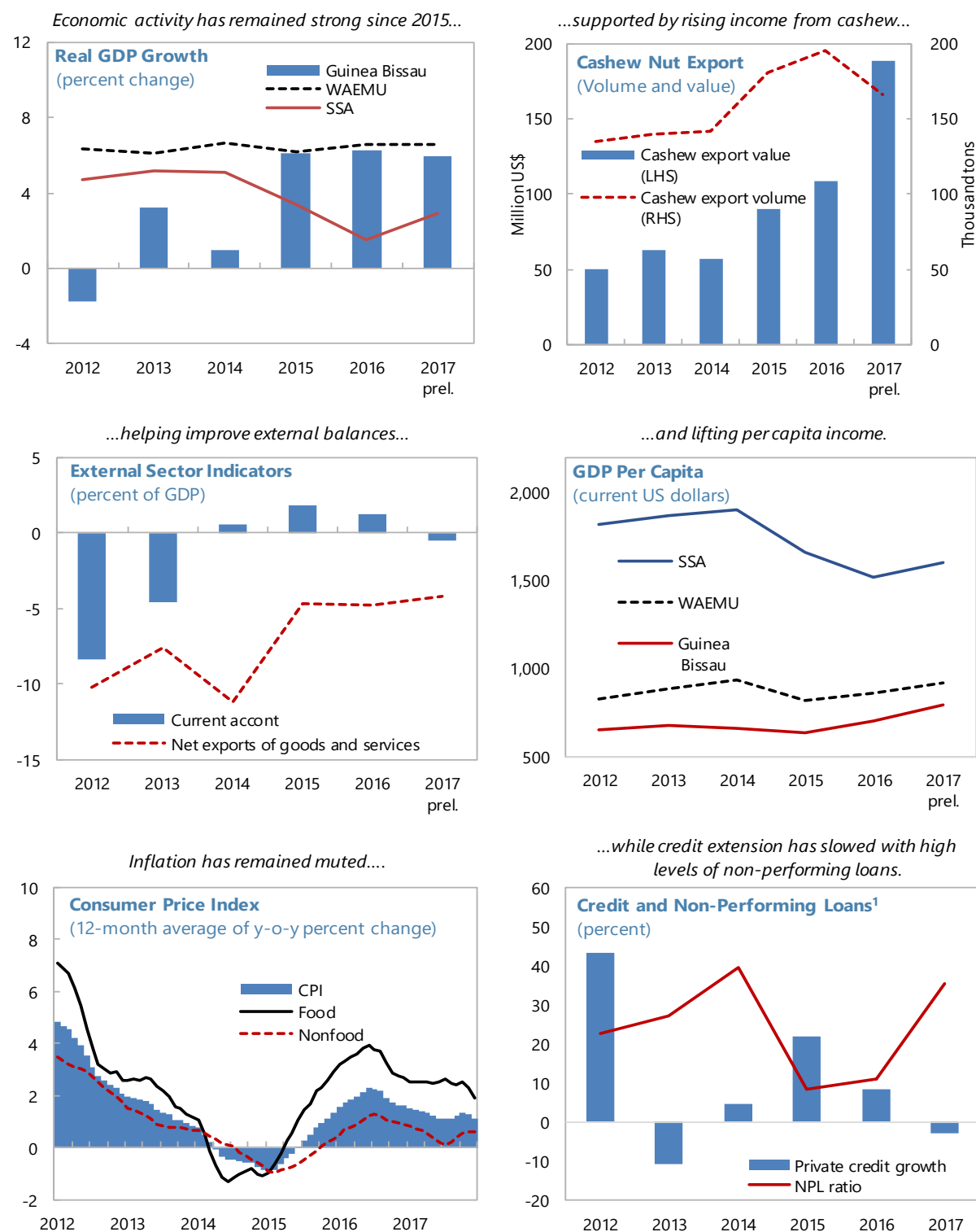
34. Maintaining the strong reform drive will be crucial for continued improvements in outcomes. The targeted increase in government revenue is critical to enabling higher priority spending, and it hinges on forceful implementation of planned reforms in tax and customs administration. Systems for collecting non-tax receipts and transferring proceeds to the main government account also need strengthening. This all requires close monitoring of progress. If revenue increases fall short of target, the authorities should be prepared to curtail capital spending to maintain the overall fiscal deficit within the 3 percent of GDP WAEMU criterion. On the spending side, achieving desired outcomes will require enhancing frameworks for budget formulation and execution. Quickly addressing shortcomings identified in the recent audits would help reinforce good governance.

35. The planned scaling up of public investment also requires supportive reforms. Investing in infrastructure can help remove obstacles to growth but demands careful preparation. Loans should not be signed if projects are not backed by a sector plan and ready to be executed. The authorities should work closely with development partners to improve coordination, strengthen procedures for project selection, and seek concessional financing. There is also need for greater focus on management aspects, especially in the power sector where avoiding repeats of past failures to improve electricity supply depends fundamentally on reforming the public utility, EAGB.

36. Achieving sustained and inclusive growth depends as well on improvements in other key areas. Strengthening service delivery in health and education is critical, as is improving the business environment for the private sector. In the cashew sector it is necessary to make clear that the official reference price is not a minimum price, so transactions can freely take place at levels determined by market forces. Another central aspect is combatting corruption by strengthening legislative and institutional frameworks (including by increasing the resources and capacity of relevant enforcement agencies) and enhancing transparency in public administration. Strengthening economic statistics will also be important and should be properly resourced.

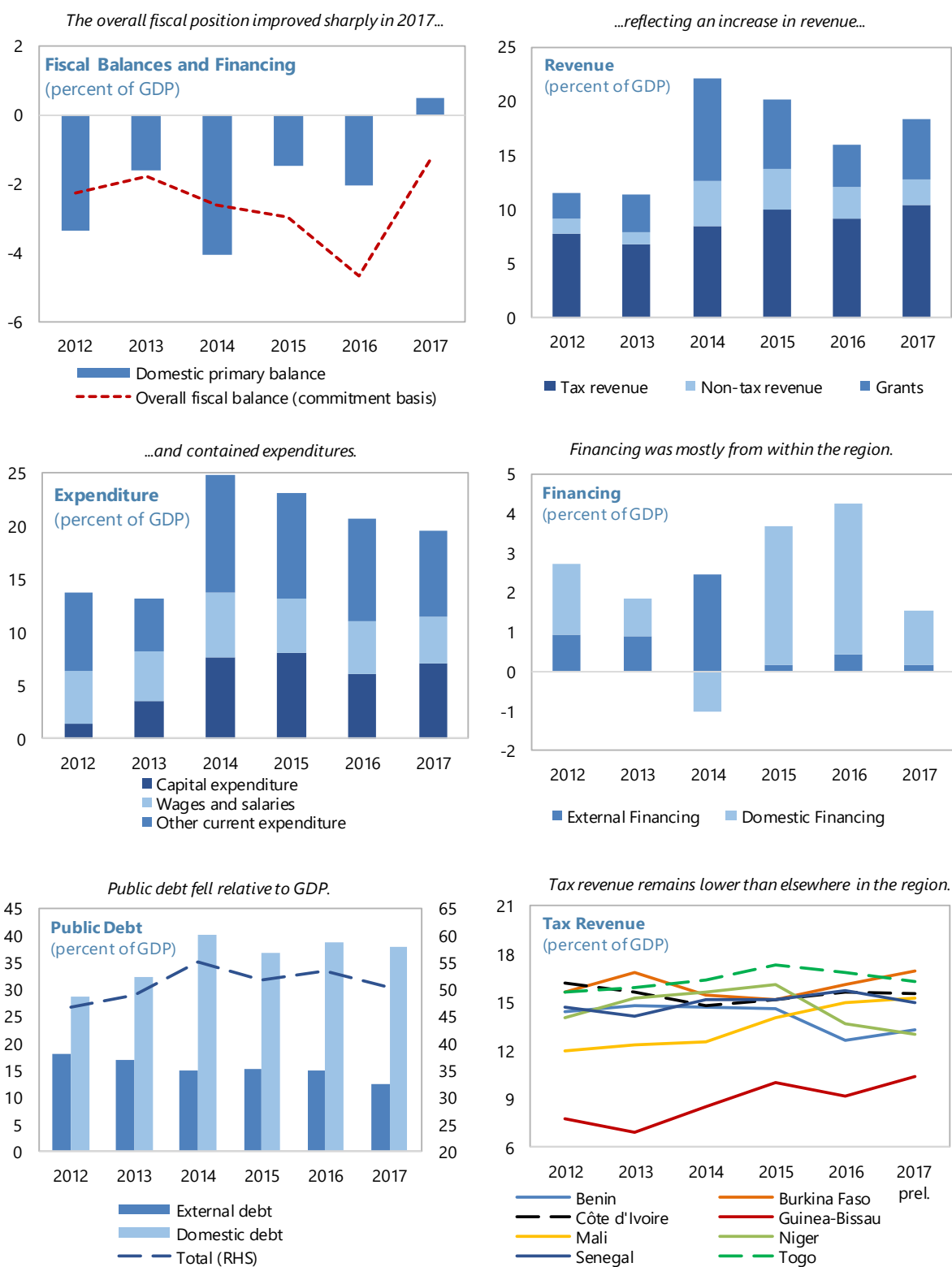
37. To safeguard financial sector stability, non-compliance with prudential norms should be quickly ended. Any bank that remains undercapitalized by the end-June deadline extended by the Banking Commission should promptly be placed under temporary administration and resolution procedures should be initiated. Actions taken in this direction should adhere to best international practices, including avoidance of market distortions and conflicts of interest.

38. Staff recommends completion of the fifth program review, extension and augmentation of access, and a financing assurances review. This recommendation is based on the progress made under the program and actions taken to address shortcomings. Moreover, the authorities' policy and reform plans, as articulated in their MEFP, would support attainment of macroeconomic stability and inclusive growth.

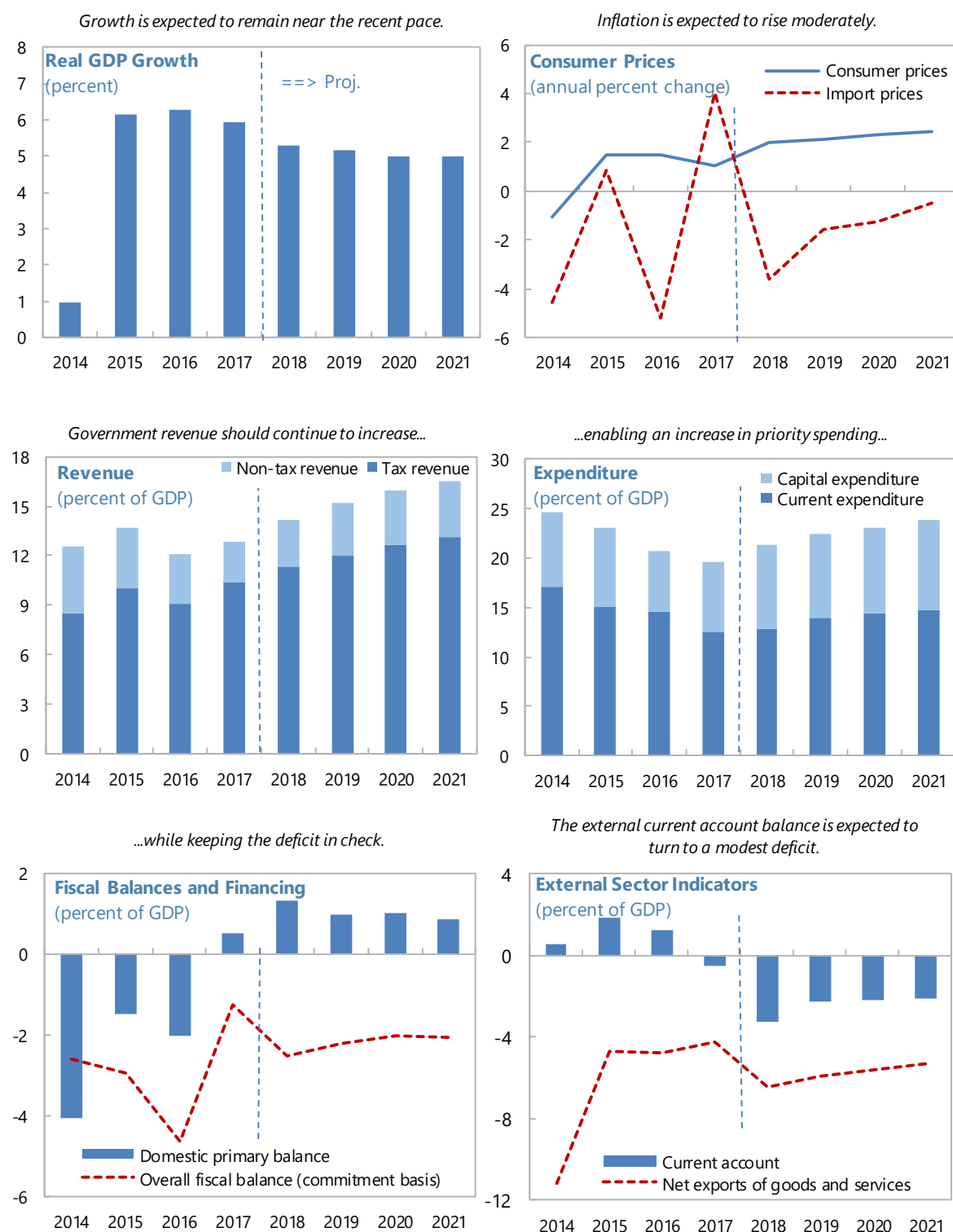
Figure 1. Guinea-Bissau: Economic Developments

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

¹ NPLs for 2015 and 2016 have not been adjusted for the voided bailout transactions.

Figure 2. Guinea-Bissau: Fiscal Developments

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

Figure 3. Guinea-Bissau: Medium-Term Outlook

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

Table 1. Guinea-Bissau: Selected Economic Indicators¹

	2015	2016	2017		2018		2019	2020	2021	2022	2023
		Prel.	EBS/17/116	Est.	EBS/17/116	Proj.	Projections				
(Annual percent change, unless otherwise indicated)											
National accounts and prices											
Real GDP at market prices	6.1	6.3	5.5	5.9	5.0	5.3	5.1	5.0	5.0	5.0	5.0
Real GDP per capita	3.8	4.0	3.2	3.6	2.7	3.0	2.9	2.7	2.7	2.7	2.8
GDP deflator	12.1	6.1	7.2	5.9	1.6	0.1	2.2	2.4	2.5	2.8	2.8
Consumer price index (annual average)	1.5	1.5	2.2	1.1	2.3	2.0	2.2	2.3	2.5	2.6	2.8
External sector											
Exports, f.o.b. (based on US\$ values)	51.8	9.6	24.5	18.7	7.1	4.0	9.5	8.8	8.4	8.5	8.4
Imports, f.o.b. (based on US\$ values)	-3.5	11.2	30.0	23.1	13.2	15.7	8.7	8.8	8.4	8.5	8.4
Terms of trade (deterioration = -)	54.4	13.9	28.7	31.2	-0.1	-7.4	2.4	2.4	2.3	2.7	2.9
Real effective exchange rate (depreciation = -)	-2.5	1.9	...	-0.1	...	...	...	...	...	...	...
Exchange rate (CFAF per US\$; average)	591.2	592.8	...	580.9	...	...	...	...	...	...	...
Government finances											
Domestic revenue (excluding grants)	29.4	-0.6	8.7	19.1	22.9	16.2	15.7	12.7	11.6	12.2	12.8
Domestic revenue (excluding grants and one-offs)	30.4	5.2	10.0	20.5	22.9	13.7	18.2	12.7	11.6	12.2	12.8
Total expenditure	11.3	0.9	-5.2	6.1	15.7	15.2	12.6	10.8	11.1	11.3	11.2
Current expenditure	5.0	8.8	-12.2	-3.5	12.3	8.2	16.0	10.9	10.7	12.7	11.9
Capital expenditure	25.5	-14.2	11.7	29.2	22.3	27.7	7.4	10.5	11.8	9.0	9.9
Money and credit											
Net domestic assets ²	18.2	-2.5	-9.7	6.1	0.6	-0.4	2.0	1.6	1.7	1.9	1.8
Of which:											
Credit to government	4.6	1.8	-0.5	-2.8	0.0	0.5	0.3	-0.4	-0.3	-0.4	-0.5
Credit to the economy	13.0	2.2	-8.3	-7.7	1.5	1.6	1.7	2.0	2.0	2.2	2.3
Velocity (GDP/broad money)	2.1	2.1	2.3	2.2	2.3	2.2	2.2	2.2	2.2	2.2	2.3
(Percent of GDP, unless otherwise indicated)											
Investments and savings											
Gross investment	8.1	7.8	8.5	10.5	8.7	12.7	12.8	13.3	13.7	13.8	14.0
Of which: government investment	8.0	6.1	6.1	7.0	7.0	8.5	8.5	8.7	9.1	9.1	9.3
Gross domestic savings	3.4	3.0	2.9	6.2	2.5	6.2	6.9	7.6	8.4	8.8	9.3
Of which: government savings	-0.5	-2.5	0.6	0.6	1.5	1.2	1.3	1.6	1.8	1.8	2.0
Gross national savings	9.9	9.1	7.8	10.0	6.4	9.4	10.6	11.1	11.6	11.8	12.1
Government finances											
Total revenue	13.7	12.1	11.7	12.8	13.5	14.1	15.2	15.9	16.5	17.2	17.9
Total domestic primary expenditure	15.2	14.1	11.3	12.3	12.8	12.8	14.2	14.9	15.6	16.4	17.2
Domestic primary balance	-1.5	-2.0	0.4	0.5	0.8	1.3	1.0	1.0	0.9	0.8	0.8
Overall balance (commitment basis)											
Including grants	-3.0	-4.7	-1.7	-1.3	-1.9	-2.5	-2.2	-2.0	-2.1	-2.1	-1.9
Excluding grants	-9.4	-8.6	-5.8	-6.7	-5.5	-7.3	-7.2	-7.1	-7.3	-7.4	-7.3
External current account	1.9	1.3	0.0	-0.5	-2.3	-3.2	-2.3	-2.2	-2.1	-2.0	-1.8
Excluding official current transfers	1.0	1.2	-0.4	-0.8	-2.3	-3.2	-2.3	-2.2	-2.1	-2.0	-1.8
Stock of central government debt	51.7	53.3	49.2	50.1	48.3	50.3	48.8	47.4	46.0	44.6	43.2
Of which: external debt	15.1	14.7	12.5	12.4	13.0	12.0	12.2	12.8	14.1	15.3	16.1
Memorandum item:											
Nominal GDP at market prices (CFAF billions)	619.7	698.7	780.7	784.0	832.7	826.5	888.6	955.4	1028.5	1110.0	1198.4
WAEMU gross official reserves (billions of US\$)	12.4	10.4	...	13.0	...	...	...	...	...	...	...
(percent of broad money)	43.8	35.0	...	35.3	...	...	...	...	...	...	...

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

¹ Excludes the 2015 bank bailout of CFAF 34.2 billion. A final determination by the courts on the legality of the bailout contracts remains pending.² Contribution to the growth of broad money in percent.

Table 2. Guinea-Bissau: Balance of Payments
(Billions of CFAF)

	2015	2016	2017		2018		2019	2020	2021	2022	2023
		Prel.	EBS/17/116	Est.	EBS/17/116	Proj.	Projections				
Current Account Balance	11.5	8.9	-0.1	-3.8	-19.0	-26.7	-20.4	-20.7	-21.8	-22.1	-22.2
Goods and services	-29.1	-33.5	-38.7	-33.2	-52.1	-53.4	-52.9	-53.6	-54.5	-55.3	-56.3
Goods	26.8	27.5	31.6	26.1	22.7	7.1	8.9	9.6	10.3	11.1	12.0
Exports, f.o.b	149.2	164.0	198.8	190.7	204.2	180.6	195.5	210.2	226.3	244.2	263.7
Of which: cashew nuts	90.5	108.7	195.6	188.4	200.8	173.2	179.9	187.3	196.4	206.7	218.4
Imports, f.o.b.	-122.4	-136.5	-167.2	-164.6	-181.5	-173.6	-186.6	-200.6	-216.0	-233.1	-251.7
Of which: food products	-48.7	-60.2	-67.0	-73.8	-71.5	-65.0	-57.0	-62.8	-64.7	-69.8	-75.3
petroleum products	-31.0	-28.0	-36.0	-38.0	-38.3	-46.8	-47.3	-48.7	-51.1	-54.7	-59.1
Services	-55.9	-61.0	-70.3	-59.3	-74.8	-60.5	-61.8	-63.2	-64.7	-66.4	-68.3
Credit	21.5	21.2	19.2	23.8	20.7	24.3	24.8	25.4	26.0	26.7	27.4
Debit	-77.4	-82.2	-89.5	-83.1	-95.5	-84.7	-86.6	-88.5	-90.7	-93.1	-95.7
Incomes	15.1	17.6	13.8	1.6	13.9	7.5	12.5	12.2	11.2	11.0	11.0
Credit	16.5	19.7	15.8	2.8	14.7	8.4	14.3	14.4	14.4	14.5	14.6
EU fishing compensation	4.1	4.1	0.0	0.0	5.9	0.0	5.9	5.9	5.9	5.9	5.9
Other license fees	8.7	8.1	8.8	7.6	8.8	8.4	8.4	8.5	8.5	8.6	8.7
Debit	-1.4	-2.0	-2.0	-1.2	-0.8	-0.9	-1.8	-2.2	-3.3	-3.6	-3.6
Of which: external interest	-1.4	-2.0	-2.0	-1.2	-0.8	-0.9	-1.8	-2.2	-3.3	-3.6	-3.6
Current transfers (net)	25.5	24.7	24.8	27.8	19.2	19.2	20.0	20.7	21.5	22.3	23.1
Official	5.6	0.3	2.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private	19.9	24.5	22.0	25.0	19.2	19.2	20.0	20.7	21.5	22.3	23.1
Of which: remittances	19.4	23.2	18.5	18.5	19.2	19.2	20.0	20.7	21.5	22.3	23.1
Capital account ¹	35.4	29.6	53.8	64.2	30.5	39.2	44.2	49.0	53.7	59.1	65.1
Of which: official transfers	34.5	27.4	29.5	40.1	30.3	39.0	44.0	48.8	53.5	58.9	64.9
Financial account	-11.5	23.4	11.2	37.3	-16.6	-13.4	3.4	7.5	11.1	16.1	22.0
FDI	-9.6	-14.0	-11.3	-21.6	-19.2	-22.9	-25.8	-23.9	-25.7	-27.7	-30.0
Other investment	-1.9	37.4	22.5	58.9	2.5	9.5	29.1	31.4	36.8	43.8	51.9
Official medium- and long-term disbursements	-10.0	-13.5	-15.6	-12.7	-18.8	-25.1	-23.2	-24.5	-26.1	-27.6	-28.0
Amortization	1.4	3.9	29.9	28.2	2.4	3.8	3.6	4.3	6.1	6.3	5.9
Treasury bills (regional financing)	-1.0	-10.0	-10.0	-9.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial bank net foreign assets	-23.5	40.5	0.0	-16.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other net foreign assets	31.2	16.5	18.2	69.8	19.0	30.8	48.8	51.6	56.8	65.2	74.0
Errors and Omissions	-19.1	-21.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	39.3	-6.4	42.4	23.1	28.1	25.9	20.5	20.7	20.9	21.0	21.0
Financing	-39.3	6.4	-42.4	-23.1	-28.1	-28.1	-22.7	-20.7	-20.9	-21.0	-20.0
Financing gap (ECF augmentation)	0.0	0.0	0.0	0.0	0.0	2.2	2.2	0.0	0.0	0.0	1.0
Net foreign assets (increase = -)	-39.3	6.4	-42.4	-23.1	-28.1	-28.1	-22.7	-20.7	-20.9	-21.0	-20.0
Debt relief	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>											
Cashew export quantity (thousands of tons)	181	195	177	166	186	171	177	182	187	193	199
Cashew export prices (US\$ per ton)	1,300	1,400	1,900	1,949	1,938	1,910	1,948	1,992	2,042	2,098	2,161
Import volume of goods (annual percentage change)	15.7	14.6	18.6	13.3	10.3	8.2	7.4	7.2	6.6	6.9	6.9
Oil prices (international, US\$ per barrel)	50.8	42.8	50.3	52.8	50.2	62.3	58.2	55.6	54.1	53.6	53.6
Scheduled debt service											
Percent of exports and service credits	0.6	1.1	1.5	1.5	1.3	1.7	1.2	1.4	1.3	1.4	1.7
Percent of total government revenue	1.2	2.4	3.6	3.2	2.5	3.0	2.0	2.2	2.0	2.0	2.3
Current account balance (percent of GDP)	1.9	1.3	0.0	-0.5	-2.3	-3.2	-2.3	-2.2	-2.1	-2.0	-1.8
Official transfers (percent of GDP)	6.5	4.0	4.1	5.5	3.6	4.7	5.0	5.1	5.2	5.3	5.4
WEMU gross official reserves (billions of US\$)	12.4	10.4	...	13.0	...	...	...	...	...	...	...
(percent of broad money)	43.8	35.0	...	35.3	...	...	...	...	...	...	...

Sources: BCEAO; and IMF staff estimates and projections.

¹ The figure for 2017 includes CFAF 25 billion in debt relief from Taiwan Province of China.

Table 3a. Guinea-Bissau: Central Government Operations¹
(Billions of CFAF)

	2015	2016	2017		2018				2019	2020	2021	2022	2023
		Prel.	December		June		December		Projections				
			EBS/17/116	Est.	EBS/17/116	Proj.	EBS/17/116	Proj.					
Revenue and grants	125.0	112.0	123.9	143.3	64.4	66.7	142.9	155.7	179.1	201.0	223.4	249.4	279.8
Tax revenue	61.9	63.5	72.9	81.3	42.3	42.3	92.6	94.0	106.7	120.5	134.6	153.0	174.1
Nontax revenue	22.9	20.8	18.8	19.1	7.1	9.4	20.1	22.8	28.3	31.7	35.2	37.5	40.8
Grants	40.1	27.6	32.3	42.8	15.0	15.0	30.3	39.0	44.0	48.8	53.5	58.9	64.9
Budget support	5.6	0.3	2.8	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	34.5	27.4	29.5	40.1	15.0	15.0	30.3	39.0	44.0	48.8	53.5	58.9	64.9
Expenditure	143.3	144.5	137.0	153.4	76.1	80.7	158.6	176.7	199.0	220.4	244.9	272.5	302.9
Expense	93.7	102.0	89.6	98.4	49.2	51.9	100.5	106.5	123.6	137.1	151.7	171.1	191.4
Wages and salaries	31.8	34.8	33.3	35.1	18.5	18.0	36.5	35.9	41.6	45.2	49.6	57.3	64.4
Goods and services	16.2	12.0	18.6	21.9	9.8	11.0	21.7	22.4	27.0	30.2	34.1	38.3	43.0
Transfers ²	18.9	28.3	23.3	21.5	9.8	9.6	19.7	21.9	25.9	30.1	32.4	37.2	42.0
Non regularized spending	2.7	1.9	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	4.6	5.1	3.3	4.1	1.6	3.7	3.1	6.5	5.4	4.4	4.3	4.3	4.3
Other	19.4	20.0	10.6	16.0	9.5	9.5	19.5	19.8	23.7	27.3	31.3	34.0	37.8
Net acquisition of nonfinancial assets	49.5	42.5	47.5	54.9	27.0	28.8	58.1	70.1	75.4	83.3	93.1	101.5	111.5
Domestically financed	4.9	1.6	2.4	2.2	4.0	2.5	8.9	6.0	8.1	10.1	13.5	14.9	18.5
Foreign financed (including BOAD)	44.6	40.9	45.1	52.7	23.0	26.3	49.1	64.1	67.3	73.3	79.7	86.6	92.9
Overall balance, including grants (commitment)	-18.3	-32.5	-13.1	-10.1	-11.7	-14.0	-15.7	-20.9	-19.9	-19.5	-21.5	-23.1	-23.1
Overall balance, excluding grants (commitment)	-58.4	-60.1	-45.3	-52.9	-26.7	-29.0	-45.9	-60.0	-63.9	-68.2	-75.0	-82.0	-88.0
Change in arrears	-6.1	-1.5	-3.0	-3.1	-1.8	-1.2	-3.2	-3.0	-3.3	-2.2	-2.0	-1.7	-1.2
Domestic arrears ³	-5.2	-2.1	-2.2	-2.4	-1.8	-1.2	-3.2	-3.0	-3.3	-2.2	-2.0	-1.7	-1.2
Accumulation current year	2.2	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment previous years (-)	-7.4	-6.1	-2.2	-2.4	-1.8	-1.2	-3.2	-3.0	-3.3	-2.2	-2.0	-1.7	-1.2
External arrears	-0.9	0.6	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	-0.4	0.3	-0.3	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-0.5	0.3	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancies	1.6	4.3	2.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash)	-22.7	-29.7	-14.1	-11.9	-13.5	-15.2	-18.8	-23.9	-23.2	-21.7	-23.5	-24.8	-24.3
Financing ⁴	22.7	29.7	14.1	11.9	13.5	15.2	18.8	23.9	23.2	21.7	23.5	24.8	24.3
Domestic financing (net) ⁵	21.8	26.6	11.9	10.8	10.3	15.0	10.7	21.2	13.5	5.2	-1.5	-1.9	-2.5
BCEAO credit	2.3	3.6	4.9	3.7	2.4	1.8	2.4	3.4	1.1	-1.6	-1.5	-1.7	-2.7
(o/w) IMF	2.3	3.6	4.9	3.7	2.4	1.8	2.4	3.4	1.1	-1.6	-1.5	-1.7	-2.7
Deposits at the BCEAO (- = build up)	2.7	5.3	0.0	-4.8	0.0	0.0	0.0	-1.7	0.0	0.0	0.0	0.0	0.0
Other domestic (net)	16.8	17.8	7.0	11.9	7.9	13.3	8.3	19.5	12.5	6.9	5.0	5.0	5.0
Local commercial banks	7.8	0.7	-11.7	-6.2	3.8	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional commercial banks (T-bills)	1.0	10.0	10.0	9.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional project financing (BOAD)	8.0	7.1	8.7	8.6	4.2	9.7	8.3	19.5	12.5	6.9	5.0	5.0	5.0
Foreign financing (net)	0.9	3.0	2.1	1.1	3.2	0.1	8.1	2.7	9.7	16.5	25.0	26.7	26.8
Disbursements	2.1	6.4	6.9	4.1	3.9	1.6	10.5	5.6	10.8	17.6	26.1	27.8	27.8
Projects	2.1	6.4	6.9	4.1	3.9	1.6	10.5	5.6	10.8	17.6	26.1	27.8	27.8
Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-1.1	-3.4	-29.9	-28.1	-0.6	-1.5	-2.4	-2.9	-1.1	-1.2	-1.1	-1.1	-1.1
Debt relief ⁶	0.0	0.0	25.1	25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
One-off revenues ⁷	5.6	1.0	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0
Net domestic credit to central government (cash) ⁸	11.5	15.9	-1.7	-1.5	7.9	13.3	8.3	17.8	12.5	6.9	5.0	5.0	5.0
Domestic primary balance (commitment) ⁹	-9.3	-14.2	3.1	3.9	-2.1	1.1	6.3	10.7	8.7	9.4	8.9	8.8	9.2

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

¹ Values exclude the voided 2015 bank bailout of CFAF 34.2 billion.

² Transfers in 2016 include a CFAF 10.0 billion debt repayment on behalf of Guinea-Telecom. In 2017, it includes a CFAF 6.6 billion debt repayment for EAGB.

³ Recorded as arrears when payments were not made for more than 30 days for wages and more than 90 days for other expenditures.

⁴ BOAD has been reclassified from foreign to domestic financing and figures for EBS/17/116 have been adjusted accordingly.

⁵ From 2016, domestic financing is sourced from the monetary survey.

⁶ In 2017 the government received 90 percent debt relief on loans from Exim Bank of Taiwan Province of China.

⁷ For 2015 sale of 3G licenses, sale of seized illegal timber, and Euroatlantic receipts; for 2016 sale of 3G licenses; for 2018 sale of seized illegal timber.

⁸ For 2017, NCG as shown does not include the loan guarantees (CFAF 1.8 billion to Bissau City, of which only CFAF 0.4 billion was disbursed; and CFAF 0.9 billion for pilgrims).

⁹ Excludes grants, foreign financed capital spending, and interest.

Table 3b. Guinea-Bissau: Central Government Operations¹
(Percent of GDP)

	2015	2016	2017		2018				2019	2020	2021	2022	2023
		Prel.	December		June		December		Projections				
			EBS/17/116	Est.	EBS/17/116	Proj.	EBS/17/116	Proj.					
Revenue and grants	20.2	16.0	15.9	18.3	7.7	8.1	17.2	18.8	20.2	21.0	21.7	22.5	23.3
Tax revenue	10.0	9.1	9.3	10.4	5.1	5.1	11.1	11.4	12.0	12.6	13.1	13.8	14.5
Nontax revenue	3.7	3.0	2.4	2.4	0.9	1.1	2.4	2.8	3.2	3.3	3.4	3.4	3.4
Grants	6.5	4.0	4.1	5.5	1.8	1.8	3.6	4.7	5.0	5.1	5.2	5.3	5.4
Budget support	0.9	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	5.6	3.9	3.8	5.1	1.8	1.8	3.6	4.7	5.0	5.1	5.2	5.3	5.4
Expenditure	23.1	20.7	17.6	19.6	9.1	9.8	19.0	21.4	22.4	23.1	23.8	24.6	25.3
Expense	15.1	14.6	11.5	12.6	5.9	6.3	12.1	12.9	13.9	14.4	14.8	15.4	16.0
Wages and salaries	5.1	5.0	4.3	4.5	2.2	2.2	4.4	4.3	4.7	4.7	4.8	5.2	5.4
Goods and services	2.6	1.7	2.4	2.8	1.2	1.3	2.6	2.7	3.0	3.2	3.3	3.4	3.6
Transfers ²	3.1	4.0	3.0	2.7	1.2	1.2	2.4	2.6	2.9	3.1	3.2	3.4	3.5
Non regularized spending	0.4	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.7	0.7	0.4	0.5	0.2	0.5	0.4	0.8	0.6	0.5	0.4	0.4	0.4
Other	3.1	2.9	1.4	2.0	1.1	1.1	2.3	2.4	2.7	2.9	3.0	3.1	3.2
Net acquisition of nonfinancial assets	8.0	6.1	6.1	7.0	3.2	3.5	7.0	8.5	8.5	8.7	9.1	9.1	9.3
Domestically financed	0.8	0.2	0.3	0.3	0.5	0.3	1.1	0.7	0.9	1.1	1.3	1.3	1.5
Foreign financed (including BOAD)	7.2	5.8	5.8	6.7	2.8	3.2	5.9	7.8	7.6	7.7	7.7	7.8	7.8
Overall balance, including grants (commitment)	-3.0	-4.7	-1.7	-1.3	-1.4	-1.7	-1.9	-2.5	-2.2	-2.0	-2.1	-2.1	-1.9
Overall balance, excluding grants (commitment)	-9.4	-8.6	-5.8	-6.7	-3.2	-3.5	-5.5	-7.3	-7.2	-7.1	-7.3	-7.4	-7.3
Change in arrears	-1.0	-0.2	-0.4	-0.4	-0.2	-0.1	-0.4	-0.4	-0.4	-0.2	-0.2	-0.2	-0.1
Domestic arrears ³	-0.8	-0.3	-0.3	-0.3	-0.2	-0.1	-0.4	-0.4	-0.4	-0.2	-0.2	-0.2	-0.1
Accumulation current year	0.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment previous years (-)	-1.2	-0.9	-0.3	-0.3	-0.2	-0.1	-0.4	-0.4	-0.4	-0.2	-0.2	-0.2	-0.1
External arrears	-0.1	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Float and statistical discrepancies	0.3	0.6	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance, including grants (cash)	-3.7	-4.2	-1.8	-1.5	-1.6	-1.8	-2.3	-2.9	-2.6	-2.3	-2.3	-2.2	-2.0
Financing ⁴	3.7	4.2	1.8	1.5	1.6	1.8	2.3	2.9	2.6	2.3	2.3	2.2	2.0
Domestic financing (net) ⁵	3.5	3.8	1.5	1.4	1.2	1.8	1.3	2.6	1.5	0.5	-0.1	-0.2	-0.2
BCEAO credit	0.4	0.5	0.6	0.5	0.3	0.2	0.3	0.4	0.1	-0.2	-0.1	-0.2	-0.2
(o/w) IMF	0.4	0.5	0.6	0.5	0.3	0.2	0.3	0.4	0.1	-0.2	-0.1	-0.2	-0.2
Deposits at the BCEAO (- = build up)	0.4	0.8	0.0	-0.6	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Other domestic (net)	2.8	2.6	0.9	1.5	1.0	1.6	1.0	2.5	1.7	1.0	0.5	0.4	0.4
Local commercial banks	1.3	0.1	-1.5	-0.8	0.5	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional commercial banks (T-bills)	0.2	1.4	1.3	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional project financing (BOAD)	1.3	1.1	1.1	1.1	0.5	1.2	1.0	2.5	1.7	1.0	0.5	0.4	0.4
Foreign financing (net)	0.2	0.4	0.3	0.1	0.4	0.0	1.0	0.3	1.1	1.7	2.4	2.4	2.2
Disbursements	0.3	0.9	0.9	0.5	0.5	0.2	1.3	0.7	1.2	1.8	2.5	2.5	2.3
Projects	0.3	0.9	0.9	0.5	0.5	0.2	1.3	0.7	1.2	1.8	2.5	2.5	2.3
Programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.2	-0.5	-3.8	-3.6	-0.1	-0.2	-0.3	-0.4	-0.1	-0.1	-0.1	-0.1	-0.1
Debt relief ⁶	0.0	0.0	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>													
One-off revenues ⁷	0.9	0.1	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Net domestic credit to central government (cash) ⁸	1.8	2.3	-0.2	-0.2	1.0	1.6	1.0	2.3	1.7	1.0	0.5	0.4	0.4
Domestic primary balance (commitment) ⁹	-1.5	-2.0	0.4	0.5	0.0	0.0	0.8	1.3	1.0	1.0	0.9	0.8	0.8

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

¹ Values exclude the voided 2015 bank bailout of CFAF 34.2 billion.

² Transfers in 2016 include a CFAF 10.0 billion debt repayment on behalf of Guinea-Telecom. In 2017, it includes a CFAF 6.6 billion debt repayment for EAGB.

³ Recorded as arrears when payments were not made for more than 30 days for wages and more than 90 days for other expenditures.

⁴ BOAD has been reclassified from foreign to domestic financing and figures for EBS/17/116 have been adjusted accordingly.

⁵ From 2016, domestic financing is sourced from the monetary survey.

⁶ In 2017 the government received 90 percent debt relief on loans from Exim Bank of Taiwan Province of China.

⁷ For 2015 sale of 3G licenses, sale of seized illegal timber, and Euroatlantico receipts; for 2016 sale of 3G licenses; for 2018 sale of seized illegal timber.

⁸ For 2017, NCG as shown does not include the loan guarantees (CFAF 1.8 billion to Bissau City, of which only CFAF 0.4 billion was disbursed; and CFAF 0.9 billion for pilgrims).

⁹ Excludes grants, foreign financed capital spending, and interest.

Table 4. Guinea-Bissau: Monetary Survey¹

	2015	2016	2017		2018		2019	2020
		Prel.	EBS/17/116	Est.	EBS/17/116	Proj.	Projections	

Sources: BCEAO; and IMF staff estimates and projections.

¹ End of period. Includes the bank bailout in the data for 2015-16 and does not include Bank Atlantique.² Gross of provisions and including Bank Atlantique.

Table 5. Guinea-Bissau: Financial Soundness Indicators of the Banking System¹
(Percent)

	2011	2012	2013	2014	2015	2016	2017
Capital Adequacy							
Capital to risk-weighted assets	17.4	21.0	17.3	25.8	28.9	4.8	5.5
Capital to total assets	4.3	5.2	9.5	11.5	8.8	3.5	28.9
Sectoral distribution of credit							
Agriculture and fishing	2.1	3.0	1.9	1.0	0.3	2.1	1.6
Extractive industries	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Manufacturing industries	1.4	1.5	1.3	1.0	1.3	1.0	1.4
Electricity, gas, and water	3.5	3.6	3.1	3.2	0.2	2.3	3.0
Building and construction	4.0	3.2	2.3	1.7	1.3	3.3	6.0
Commerce	52.9	52.3	53.8	54.2	58.0	54.3	64.0
Transport and communication	0.1	0.1	0.1	0.0	0.1	1.1	1.7
Insurance and enterprise services	0.6	0.5	0.3	0.0	0.0	2.5	3.1
Other activities	35.4	35.9	37.2	38.8	38.8	33.4	18.5
Asset quality							
Non-performing loans (gross) to total credit	6.7	22.6	27.0	39.4	8.2	10.8	35.3
Non-performing loans (net) to total credit	2.9	14.4	16.3	22.6	6.0	7.9	15.6
Non-performing loans (net) to capital	35.6	195.3	110.5	115.1	28.2	23.7	24.7
Provisions to gross non-performing loans	51.8	31.2	39.1	46.2	46.7	45.5	64.3
Provisions to gross loans	2.7	6.1	9.4	15.7	4.8	6.2	21.9
Earnings and profitability							
Net income to average assets (ROA)	2.5	0.1	-3.2	-1.4	0.2	1.0	0.9
Net income to average equity (ROE)	17.7	0.6	-21.2	-13.6	2.0	8.4	6.3
Liquidity							
Liquid assets to total assets	72.3	58.1	58.2	62.2	68.3	57.3	58.9
Liquid assets to short term assets	104.0	84.0	74.0	75.5	87.5	70.5	68.4
Ratio of deposits to assets	86.3	77.1	76.5	75.0	69.0	55.7	55.9
Ratio of loans to deposits	69.0	94.5	86.0	85.2	93.1	96.6	90.1
Memorandum items:							
Deposit rate (average)	4.2	4.6	4.7	4.6	4.5	4.2	4.0
Lending rate	9.9	10.1	9.5	9.4	10.7	10.8	10.2

Source: BCEAO.

Table 6a. Guinea-Bissau: Quantitative Performance Criteria and Indicative Targets for 2017
(Cumulative from beginning of calendar year to end of month indicated; billions of CFAF, unless otherwise indicated)

	2016	2017								
		Mar. ¹		Jun.		Sept. ¹		Dec.		
		Prog.	Prel.	Prog.	Prel.	Prog.	Prel.	Prog.	Prel.	Status
Performance criteria¹										
Total domestic tax revenue (floor)	63.5	16.3	13.0	33.4	41.4	48.9	63.0	69.3	81.3	met
Net domestic credit to the central government (ceiling) ²	15.9	8.0	11.3	6.4	-0.4	0.0	-1.2	0.0	-0.2	met
Ceiling on new non-concessional external debt (US\$ millions) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Outstanding stock of external debt owed or guaranteed by the central government with maturities of less than one year (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
External payment arrears (ceiling) ³	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Indicative targets										
New domestic arrears (ceiling)	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Social and priority spending (floor)	32.2	7.7	10.8	21.7	23.2	23.2	34.4	31.0	39.2	met
Domestic primary balance (commitment basis, floor)	-14.2	-6.4	-2.2	-5.1	6.2	-1.0	6.0	3.1	3.9	met
Non regularized expenditures (DNTs, ceiling)	1.9	0.3	0.0	0.4	0.0	1.0	0.0	0.5	0.0	met
<i>Memorandum items:</i>										
Clearance of domestic payment arrears	6.1	0.4	0.4	0.4	1.4	0.4	1.5	2.2	2.4	
External budgetary assistance (US\$ millions) ⁴	0.4	0.0	0.0	0.0	4.8	0.0	4.8	4.8	4.8	
ECF disbursements (SDR millions, flow)	5.1	0.0	0.0	3.0	0.0	0.0	3.0	3.0	3.0	
Concessional loans (US\$ millions) ⁵	7.1	4.6	2.4	5.4	4.8	5.4	8.0	12.0	9.5	

¹ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding. Targets for end-March and end-September are indicative.

² 2017 includes new loan guarantees (CFAF 0.4 billion for Bissau City and CFAF 0.9 billion for pilgrims to Mecca).

³ These apply on a continuous basis.

⁴ Comprises budget support grants and program loans (for budget support).

⁵ Comprises project loans with grant elements exceeding or equal to 35 percent.

Table 6b. Guinea-Bissau: Proposed Quantitative Performance Criteria and Indicative Targets for 2018

(Cumulative from beginning of calendar year to end of month indicated; billions of CFAF, unless otherwise indicated)

		2018				
	2017	Mar. ¹		Jun.	Sept. ¹	Dec.
		Prog.	Est.	Proposed targets		
Performance criteria¹						
Total domestic tax revenue (floor)	81.3	12.1	14.8	40.2	68.7	89.3
Net domestic credit to the central government (ceiling) ²	-0.2	13.7	3.9	13.3	13.6	19.1
Ceiling on new non-concessional external debt (US\$ millions) ³	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding stock of external debt owed or guaranteed by the central government with maturities of less than one year (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0
External payment arrears (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets						
New domestic arrears (ceiling)	0.0	0.0	0.0	0.0	0.0	0.0
Social and priority spending (floor)	39.2	7.8	7.8	26.0	33.0	42.0
Domestic primary balance (commitment basis, floor)	3.9	-11.7	2.9	1.1	10.0	10.7
Non regularized expenditures (DNTs, ceiling)	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>						
Clearance of domestic payment arrears	2.4	0.9	0.1	1.2	2.3	3.0
External budgetary assistance (US\$ millions) ⁴	4.8	0.0	0.0	0.0	0.0	0.0
ECF disbursements (SDR millions, flow)	6.1	0.0	0.0	3.0	0.0	3.0
Concessional loans (US\$ millions) ⁵	9.5	3.4	6.3	12.6	16.8	21.0

¹ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding. Targets for end-March and end-September are indicative.

² Coverage expanded for 2018 to include all non-concessional borrowing in domestic currency, including project financing from regional lenders (projected at CFAF 19.1 billion in 2018).

³ These apply on a continuous basis.

⁴ Comprises budget support grants and program loans (for budget support).

⁵ Comprises project loans with grant elements exceeding or equal to 35 percent.

Table 7a. Guinea-Bissau: Structural Benchmarks Under the ECF Program, 2015–June 2018

Measures	Timing	Macro Rationale	Status
Revenue Mobilization			
Implement an intra-trade post in SAFIM to reconcile invoice merchandise data with actual contents of the cargo.	September 2015	Strengthen revenue collection.	Met.
Draw up a strategic plan for improving infrastructure and working conditions of officials of the domestic tax and customs administration.	December 2015	Strengthen revenue collection.	Not met. A new strategic plan for the tax administration was finalized in April 2017.
Implement a new small taxpayer regime by the introduction of universal NIF (tax payer identification number).	December 2015	To improve tax administration and compliance.	Not met.
Extend the new uniform sales invoice to all taxpayers.	September 2017	To improve tax administration and compliance.	Met.
Complete the assignment of taxpayer identification numbers to all taxpayers.	September 2017	To improve tax administration and compliance.	Met.
Prepare a draft law, with technical assistance from the IMF, for a new small taxpayer regime that is simple and transparent, protects the revenue base, lowers compliance costs, and ensures global participation.	December 2017	To improve tax administration and compliance.	Not met. Benchmark replaced by new measure on tax reform (see Table 7b).
Expenditure management			
Prepare a monthly rolling Treasury cash flow projection table consistent with the 2015 budget.	July 2015 for August 2015 and monthly thereafter.	Enhance expenditure management.	Met.
Transition to the payment of the salaries, wages, and allowances of all public servants (including the security service) through the banking system.	September 2015	Reduce handling of cash by the Treasury and strengthen public financial management.	Not met. Implemented in October 2015.
Prepare a quarterly report on PIP execution. July 2015 for August 2015 and monthly thereafter.	December 2015 for Sept. 2015 Report, quarterly thereafter.	Enhance PIP execution and monitoring.	Met.
Prepare a monthly rolling Treasury cash flow projection table consistent with the 2017 budget.	December 2016 for January 2017, and monthly thereafter.	Enhance expenditure management.	Met.

**Table 7a. Guinea-Bissau: Structural Benchmarks Under the ECF Program, 2015–June 2018
(continued)**

Measures	Timing	Macro Rationale	Status
Prepare timely quarterly reports on ministry-level budget execution with details along economic classification of expenses.	December 2016, and quarterly thereafter.	Enhance budget execution and monitoring.	Met.
As a precursor of the planned Treasury Single Account, draw up a list (including 2015 accounts) of own-source revenues collected by ministries, departments and government agencies.	December 2016	Strengthen public expenditure management.	Met.
Debt Management			
Reinstall and operationalize debt management IT system.	July 2015	Enhance debt management capacity and borrowing policies.	Not met. Implemented with delay.
Prepare a quarterly report on external debt commitments, agreements and disbursements.	December 2015 for June 2015 Report, quarterly thereafter.	Enhance debt management capacity and transparency in external debt commitments.	Met.
Prepare a quarterly report on external debt commitments, agreements, and disbursements.	December 2016 for September 2016 Report, and quarterly thereafter.	Enhance debt management capacity and transparency in external debt commitments.	Met.
Council of Ministers to issue a decree to clarify the debt issuance authority and the procedure for the issuance of government guarantees, on-lending operations, and large liabilities.	December 2016	Bring Guinea-Bissau's debt management policy in line with the WAEMU regulation.	Not met. Completed in June 2017.
Prepare a quarterly report on external debt commitments, agreements, and disbursements.	December 2016 for September 2016 Report, and quarterly thereafter	Enhance debt management capacity and transparency in external debt commitments.	Met.
Install the newest version of the debt management software, DMFAS 6.0, and commence its use for effective debt analysis and debt service projections.	December 2017	Strengthen debt management and eschew payment arrears.	Not Met. The software was installed in early 2018.

**Table 7a. Guinea-Bissau: Structural Benchmarks Under the ECF Program, 2015–June 2018
(continued)**

Measures	Timing	Macro Rationale	Status
Business Environment and Overall Policy			
Complete an international and comprehensive audit of the fund for industrialization of agricultural products (FUNPI).	September 2015	To improve cashew nuts production and trade.	Not met. Completed in April 2016.
Prepare an audit plan for all State-owned Enterprises and autonomous funds.	December 2016	To improve service delivery by, and financial sustainability of, public enterprises.	Not met. Rescheduled for November 2016.
Design a strategy to promote cashew production and transformation based on results of the FUNPI audit.	June 2016	Reduce transaction costs.	Not met. Rescheduled for June 2017.
Prepare an audit plan for all State-owned Enterprises and autonomous funds.	November 2016	To improve service delivery by, and financial sustainability of, public enterprises.	Met.
EAGB will submit reports detailing its financial flows for the 2015 financial year, the first three quarters of 2016 and on monthly basis starting from October 2016.	December 2016	To instill transparency in EAGB operations and financial position.	Not met. Reset for July 2017 and completed in October 2017.
Complete, with assistance of the WAEMU Banking Commission, an assessment of the two banks affected by the bailout, and articulate an action plan to bring these banks into compliance with prudential norms.	April 2017	To strengthen the health of the banking system.	Met.
Design a strategy to promote cashew production and transformation based on results of the FUNPI audit.	June 2017	Reduce transaction costs.	Met.
EAGB will submit reports detailing its financial flows for the 2015 financial year, the first three quarters of 2016 and on a monthly basis starting from October 2016.	October 2017 and monthly thereafter	To instill transparency in EAGB operations and financial position.	Met. However, the quality of data remains poor.

**Table 7a. Guinea-Bissau: Structural Benchmarks Under the ECF Program, 2015–June 2018
(concluded)**

Measures	Timing	Macro Rationale	Status
Submission of a 2018 budget to Council of Ministers.	December 2017	Proper fiscal management.	Met.
Submit management improvement plan for EAGB to the Council of Ministers.	March 2018	To enhance efficiency in the utility, reduce electricity supply costs, and avoid contingent liabilities.	Met.

Table 7b. Guinea-Bissau: Proposed Structural Benchmarks Under the ECF Program, 2018

Measures	Timing	Macro Rationale	Status
Revenue Mobilization			
Submit to Council of Ministers a strategy for comprehensive tax reform, with coverage including small tax payers and with rules that are simple and minimize discretion in assessment.	July 2018	To improve tax administration and compliance.	New benchmark.
Establish Special Tax Collection Working Group to enforce tax collection from large debtors.	September 2018	To improve tax compliance and collection.	New benchmark.
Require the use of TINs for payment of taxes and all related transactions with public agencies.	September 2018	To improve tax administration and compliance.	New benchmark.
Expenditure Management			
Prepare a monthly rolling Treasury cash flow projection table consistent with the annual budget.	Ongoing, on monthly basis.	Enhance expenditure management.	Preexisting benchmark.
Prepare timely quarterly reports on ministry-level budget execution with details along economic classification of expenses.	Ongoing, on quarterly basis.	Enhance budget execution and monitoring.	Preexisting benchmark.
Debt Management			
Prepare a quarterly report on external debt commitments, agreements, and disbursements.	Ongoing, on quarterly basis.	Enhance debt management capacity and transparency in external debt commitments.	Preexisting benchmark.
Business Environment and Overall Policy			
EAGB will submit reports detailing its financial flows on a monthly basis.	Ongoing, on monthly basis.	To instill transparency in EAGB operations and financial position.	Preexisting benchmark.
Start implementation of service contract for EAGB management.	September 2018	To enhance efficiency in the utility, reduce electricity supply costs, and avoid contingent liabilities.	New benchmark.

Table 8. Guinea-Bissau: Proposed Schedule of Disbursements Under the ECF Arrangement,¹

Availability	Disbursements		Condition for Disbursement	Status
	In millions of SDR	In percent of Quota ²		
July 10, 2015	2.84	10.0	Approval of the three-year ECF arrangement.	Disbursed
October 15, 2015	2.84	10.0	Board completion of the first review based on observance of performance criteria for June 30, 2015.	Disbursed
April 15, 2016	2.272	8.0	Board completion of the second review based on observance of performance criteria for December 31, 2015.	Disbursed
April 15, 2017	3.030	10.67	Board completion of the third review based on observance of performance criteria for December 31, 2016.	Disbursed
October 15, 2017	3.030	10.67	Board completion of the fourth review based on observance of performance criteria for June 30, 2017.	Disbursed
April 15, 2018	3.028	10.66	Board completion of the fifth review based on observance of performance criteria for December 31, 2017.	
October 15, 2018 ³	2.84	10.0	Board completion of the sixth review based on observance of performance criteria for June 30, 2018.	
April 15, 2019 ³	2.84	10.0	Board completion of the seventh review based on observance of performance criteria for December 31, 2018.	
Total Disbursements	22.72	80.0		

Source: IMF staff estimates.

¹ The first and second ECF-reviews were combined and completed on December 2, 2016. The third review was completed on July 6, 2017. The fourth review was completed on December 11, 2017.

² Based on the new quota for Guinea-Bissau under the 14th General Quota Review.

³ Proposed additional disbursements under the extension of the ECF arrangement.

Table 9. Guinea-Bissau: Indicators of Capacity to Repay the Fund

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Projections									
	(SDR millions, unless otherwise indicated)									
Fund obligations based on existing credit										
Principal	1.45	1.45	1.45	1.29	1.59	2.80	2.80	2.80	2.23	1.21
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fund obligations based on existing and prospective credit										
Principal	1.45	1.45	2.16	2.00	2.30	3.51	3.82	4.26	3.98	2.95
Charges and interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total obligations based on existing and prospective credit										
SDR millions	1.45	1.45	2.16	2.00	2.30	3.51	3.82	4.26	3.98	2.95
CFAF billions	1.12	1.11	1.64	1.52	1.74	2.65	2.89	3.22	3.01	2.23
Percent government revenue	0.96	0.82	1.08	0.89	0.91	1.24	1.18	1.15	0.93	0.60
Percent exports of goods and services	0.54	0.50	0.70	0.60	0.64	0.91	0.92	0.96	0.83	0.57
Percent debt service	31.50	41.83	48.23	45.63	46.36	54.20	57.57	54.41	49.11	32.70
Percent GDP	0.13	0.12	0.17	0.15	0.16	0.22	0.22	0.23	0.20	0.14
Percent quota	5.11	5.11	7.61	7.04	8.10	12.36	13.45	15.00	14.01	10.39
Percent reserves	0.55	0.49	0.67	0.57	0.61	0.86				
Outstanding Fund credit										
SDR millions	21.18	25.60	26.28	24.28	21.98	18.47	14.65	10.39	6.42	3.46
CFAF billions	16.30	19.60	19.99	18.41	16.64	13.97	11.08	7.86	4.86	2.62
Percent government revenue	13.96	14.51	13.13	10.84	8.74	6.50	4.51	2.79	1.50	0.70
Percent exports of goods and services	7.95	8.90	8.49	7.30	6.14	4.80	3.54	2.34	1.34	0.67
Percent debt service	460.17	738.49	586.81	553.89	443.06	285.18	220.79	132.70	79.21	38.36
Percent GDP	1.97	2.21	2.09	1.79	1.50	1.17	0.86	0.56	0.32	0.16
Percent quota	74.58	90.14	92.54	85.49	77.39	65.04	51.58	36.58	22.61	12.18
Percent reserves	7.98	8.72	8.14	6.91	5.79	4.53				
Net use of Fund credit	4.42	1.39	-2.16	-2.00	-2.30	-3.51	-3.82	-4.26	-3.98	-2.95
Disbursements	5.868	2.840	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Repayments and repurchases	1.45	1.45	2.16	2.00	2.30	3.51	3.82	4.26	3.98	2.95
	(CFAF billions)									
Memorandum items:										
Nominal GDP	826.5	888.6	955.4	1,028.5	1,110.0	1,198.4	1,293.9	1,397.0	1,508.2	1,628.4
Exports of goods and services	204.9	220.3	235.5	252.3	270.9	291.1	312.8	336.3	361.6	388.8
Government revenue	116.7	135.0	152.2	169.8	190.5	214.9	245.5	281.2	322.9	371.6
Debt service	3.5	2.7	3.4	3.3	3.8	4.9	5.0	5.9	6.1	6.8
Net Foreign Assets Central Bank	204.3	224.8	245.6	266.4	287.4	308.4	...	...	...	...
CFAF/SDR (period average)	769.5	765.6	760.6	758.1	757.2	756.4	756.4	756.4	756.4	756.4
Quota (SDR)	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4	28.4
Source: IMF staff estimates and projections.										

Table 10. Guinea-Bissau: Table of Common Indicators Required for Surveillance

	Date of latest observation	Date received	Frequency of data ⁷	Frequency of reporting ⁷	Frequency of publication ⁷
Exchange Rates			D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	February 2018	April, 2018	M	M	M
Reserve/Base Money	February 2018	April, 2018	M	M	M
Broad Money	February 2018	April, 2018	M	M	M
Central Bank Balance Sheet	February 2018	April, 2018	M	M	M
Consolidated Balance Sheet of the Banking System	February 2018	April, 2018	M	M	M
Interest Rates ²	February 2018	April, 2018	M	M	M
Consumer Price Index	February 2018	April, 2018	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴					
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	December 2017	April, 2018	M	Q	Q
Stocks of Central Government Domestic Debt ⁵	December 2017	February, 2018	M	M	M
Stocks of Central Gov.-Guaranteed Domestic Debt ⁵	2017	April, 2018	A	I	I
External Current Account Balance	2017	February, 2018	A	A	A
Exports and Imports of Goods and Services	2017	April, 2018	M	M	M
GDP	2017	April, 2018	A	A	A
Gross External Debt	2017	April, 2018	M	Q	Q
International Investment Position ⁶	2016	October, 2017	A	I	I

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic banks, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA)

Annex I. Risk Assessment Matrix¹

Sources of Risk	Likelihood	Expected Impact	Recommendations
Domestic Risks			
Heightened political instability	High	High. Uncertainty and security concerns hurt private investment; setbacks to strengthening of public institutions.	Focus on maintaining macro-fiscal stability. Advance security sector reforms. Maintain essential spending to foster social cohesion.
Banking instability, arising from high NPLs, under-capitalization, and the unresolved bailout	Medium	High. Credit extension hampered, reducing investment and growth; possibility of contingent liabilities for government, adding to fiscal pressures.	Enhance banking supervision and enforce prudential regulations. Improve processes and procedures for banks' collection of debts and collateral.
Setbacks to PFM and revenue mobilization	Medium	High. Fewer resources for needed social and investment spending; public debt burden could increase.	Accelerate implementation of capacity development strategy. Raise efficiency of government spending.
Continued weaknesses in state-owned enterprises	Medium	Medium. Lacking and expensive electricity and water supply; contingent liabilities for government, adding to fiscal pressures.	Implement credible strategy to improve management of public enterprises. Strengthen monitoring and oversight.
External Risks			
Adverse terms of trade movements	Medium	High. Private sector incomes come under pressure, denting economic activity; government revenues diminish, leaving less room for priority spending.	Build buffers to enhance resilience. Ensure timely adjustments of retail fuel and electricity prices. Step up diversification efforts.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex II. Capacity Development Strategy Note Summary

1. **The Fund's engagement with Guinea-Bissau—through TA and the ECF-supported program entered in mid-2015—is helping spur the authorities' efforts to build institutional capacity and advance structural reforms.** Notwithstanding challenges stemming from political uncertainties and lingering capacity constraints, TA departments and AFRITAC West are successfully delivering TA and training in key areas identified in the ECF arrangement. This includes tax and customs administration, PFM (including Treasury management), debt management, banking, and economic statistics. The TA has, along with support from other development partners, contributed to an increasing trend in tax and customs revenues, and, more recently, improvements in PFM and debt management.
2. **TA in 2017 delivered encouraging results as it overlapped with a buoyant economy and added reform momentum since late 2016.** TA in 2017 was mainly geared towards tax and customs administration, where it along with strong economic growth and rising cashew prices, contributed to a 28 percent nominal increase in tax revenue. There were also notable accomplishments in PFM and debt management, including elimination of non-regularized expenditure, halting of arrears accumulation, reprofiling of debts, and reduced debt servicing costs. These advances helped secure a much-improved fiscal position. At the same time, TA faced significant constraints in absorption capacity, stemming from lack of needed equipment, undefined work procedures, and insufficiently trained staff. TA recommendations have generally been welcomed by the authorities but implementation has often been slow.
3. **For 2018, TA should continue to focus on revenue mobilization and public finances more generally.** Although increased, government revenue remains well below that of peer countries and is insufficient to address pressing social and infrastructure spending needs. To help enhance revenue mobilization, TA will need to continue to help build basic administration capacity but will also need to extend into tax policy where there has been little change in decades and there is scope for simplification and modernization. In addition, as enhanced fiscal space enables rising expenditure, stepped up TA in PFM will be important to improve budgeting and planning procedures. TA efforts should continue to consolidate and track budget execution and management.
4. **Other important TA areas include banking, economic statistics, and legal affairs.** In the financial sector, MCM is advising on how to address high NPLs and on securing compliance with prudential regulations. In statistics, real sector data will be the main area of focus, given plans to publish rebased national accounts. In addition, LEG would help the authorities strengthen capacity of the Financial Intelligent Unit (CENTIF) to undertake its core AML/CFT functions, and develop the capacity of the Ministry of Finance and Economy to undertake AML/CFT supervision of exchange houses.

TA Plan for 2018 (FY2019)

Priorities	Objectives
Public Financial Management	<p><i>Improve budget forecasting, execution, and control</i></p> <ul style="list-style-type: none"> Record all expenditures in the financial management system (SIGFIP) before payment. Strengthen the capacity of the new unit in the Directorate General of Budget and update early year projections in the second half of the year. Prepare budget proposal on a timely basis. Ensure that all items in the budget are classified correctly. Broaden the budget horizon by preparing a multi-year expenditure plan. Streamline budget execution procedure and leave financial verification within SIGFIP. Strengthen treasury management, and improve coordination between budget and cash management.
Tax Policy	<p><i>An overall assessment of the tax system</i></p> <ul style="list-style-type: none"> Simplifying the fragmented, complex, and outdated tax legislation. Assessing draft legislative proposals. Identifying improvements to Guinea-Bissau's approach to taxing the cultivation, processing and export of cashew nuts.
Customs Administration	<p><i>Enhance collection of duties and taxes, ensure customs control, and facilitate legitimate trade</i></p> <ul style="list-style-type: none"> Strengthen the capacity of the unit in charge of auditing goods value assessment. Strengthen core customs functions, including valuation and risk management.
Tax Administration	<p><i>Strengthen administrative performance, raise compliance and improve revenue collection.</i></p> <ul style="list-style-type: none"> Establish a risk compliance strategy. Guarantee necessary resources for the tax administration's operations. Implement the IT strategic plan to provide support for core processes. Ensure that taxpayers are registered and captured in the IT system. Develop and implement a policy to manage tax arrears. Strengthen fundamental processes, such as registration, filing and payment. Update auditing practices to enhance compliance. Strengthen the large tax payers office.
Debt Management	<p><i>Enhance capability of the Ministry of Finance's Debt Directorate and ensure consistency between debt projections and annual budgets/fiscal projections.</i></p> <ul style="list-style-type: none"> Build debt directorate workforce for middle office and public securities tasks. Redeploy personnel based on the new organization of services. Update the manual of procedures. Finalize a draft bill on the creation and functioning of a debt management committee. Install DMFAS 6.0 with assistance of the World Bank and UNCTAD.
Financial Sector	<p><i>Safeguard financial stability, improve financial intermediation.</i></p> <ul style="list-style-type: none"> Recapitalize banks to meet the minimum capital requirement. Reduce NPLs, including by facilitating collection of collateral. Bring legal closure to the 2015 bank bailout. Develop/design a national plan for financial inclusion.
Economic Statistics	<p><i>Enhance compilation and dissemination</i></p> <ul style="list-style-type: none"> Publish by July 2018 revised national accounts with updated base year. Strengthen INE institutional capacity. Design a template for CsPro to process survey data. Migrate to MS Excel for processing of survey data. Complete household survey on employment, informal sector, and expenditure. Use MS Excel template for processing financial statement developed by TA experts. Collect necessary data to produce the industrial production index. Involve Ministry of Finance to produce a revised organizational structure of INE. Strengthen BCEAO capacity in BOP compilation.

5. AFR staff, TA departments, and AFRITAC West observed that political instability, fragile institutions, and low absorption capacity are the key challenges to effective implementation of TA recommendations. Guinea-Bissau's history of conflict and pervasive rent seeking coupled with ongoing capacity constraints and weak policy coordination entail a high risk of suboptimal outcomes. To mitigate these risks, efforts are needed to insulate economic institutions from political interference. There is also the need to strengthen efforts to coordinate Fund TA with assistance provided by other development partners (such as World Bank, EU, and US Treasury who are also providing TA in the fiscal area) to minimize duplication and cost. The Fund encourages other TA providers to share their TA plans and recommendations through our Res Rep office.

Authorities' Views

6. The authorities agreed with the direction of Fund TA and the emphasis on revenue mobilization and PFM. However, the authorities noted that additional support would be desirable in some key areas, namely: improving the expenditure chain, budget preparation and control, treasury practices, public investment program, and improving financial intermediation. Regarding mode of delivery, the authorities prefer a mix of TA and training that is tilted more towards field presence of long-term resident advisors and with more Portuguese speaking experts.

Appendix I. Letter of Intent

Bissau, Guinea-Bissau
May 16, 2018

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Lagarde,

1. The Government of Guinea-Bissau remains strongly committed to the economic program supported by the three-year Extended Credit Facility (ECF) Arrangement that was approved by the IMF Executive Board on July 10, 2015. The arrangement, the fourth review of which was completed by the Executive Board on December 11, 2017, supports our economic program and aims to consolidate macroeconomic stability, accelerate growth, and reduce poverty.
2. The attached Memorandum of Economic and Financial Policies (MEFP) updates that of November 17, 2017. It describes recent economic developments and summarizes our progress in implementing policies and structural reforms under the ECF-supported program. The MEFP also outlines our macroeconomic policies and structural measures for the period ahead.
3. As explained in the MEFP, we observed all performance criteria and indicative targets for end-December 2017, and our performance relative to structural benchmarks was satisfactory. We met six out of eight structural benchmarks for this review, as we missed the installation and use of upgraded debt management software, and the preparation of a draft legislation for a small taxpayer regime. The first of these measures was subsequently completed. The second will be addressed as part of a broader tax policy reform in line with recommendations from IMF technical assistance, for which we will present a strategy to the Council of Ministers by July 2018.
4. Economic activity remained robust in 2017, supported by favorable developments in our terms of trade and prudent macroeconomic management. Fiscal balances improved sharply due to enhanced revenue mobilization and careful management of expenditures. The continued growth and improved investor confidence is supporting credit expansion and financial inclusion, despite lingering challenges from non-performing loans.
5. For the medium term, we expect real GDP growth to average around 5 percent a year, as we improve critical infrastructure and strengthen the business environment to support private activity. While the country remains vulnerable to adverse movements in cashew and oil prices, continued prudent economic policies will help ensure healthy external and fiscal positions. Moreover, we will work closely with development partners to ensure that investment projects are well coordinated.
6. To underpin macroeconomic stability and debt sustainability, we will vigorously pursue domestic revenue mobilization and control expenditure to keep the overall fiscal deficit within 3 percent of GDP. We will limit non-concessional domestic borrowing and maintain our policies of zero non-regularized

expenditures, zero new arrears, and zero short-term or non-concessional external borrowing. We will further continue to strengthen our debt management capacity and work to quickly resolve all outstanding domestic and external arrears.

7. To promote stability in the banking system, we remain committed to a speedy and transparent resolution of the voided bank bailouts of 2015. Any intervention in the sector will be in line best international practices, and any direct government involvement, should it be necessary, will be transient and with minimal risk to the treasury.

8. Based on our overall performance, as well as the strength of policies described in the attached MEFP, the government requests that the Executive Board of the IMF completes the fifth review under the ECF arrangement, and releases the sixth tranche in the sum of SDR 3.028 million. To support continuity in the face of the upcoming parliamentary election and to fill an emerging balance of payments gap, we request an extension of the current ECF arrangement by one year to July 9, 2019, and augmentation of the resources available under the arrangement by SDR 5.68 million.

9. The government believes that the measures and policies set out in the attached MEFP are adequate for achieving the objectives of the program, but stands ready to take any additional measures that may become necessary for this purpose. We will consult with the IMF on the adoption of these measures and in advance of revisions to policies contained in the MEFP, in accordance with IMF policies on such consultation. The government will continue to provide the IMF with all information necessary to ensure the implementation and regular monitoring of the program.

10. The government authorizes publication of this letter, its attachments, and the related staff report, including placement of these documents on the IMF website in accordance with IMF procedures.

Yours sincerely,

/s/

Aristides Gomes

Prime Minister, and Minister of Economy and Finance, Guinea-Bissau

Attachments: I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Bissau, May 16, 2018

BACKGROUND

1. Guinea-Bissau adopted a medium-term economic and financial program (2014–18) supported by an arrangement with the International Monetary Fund (IMF) under the Extended Credit Facility (ECF).¹ The program aims to entrench macroeconomic stability and advance structural reforms to support efficient public service delivery, private sector development, and inclusive growth. The fourth review under the program was completed in December 2017.² This Memorandum of Economic and Financial Policies (MEFP) supplements the MEFP of November 17, 2017. It presents our performance relative to the performance criteria and other targets under the three-year ECF-arrangement, and outlines economic and financial policies as well as structural reforms for 2018–19.

2. The security situation remains calm and there has been important progress on overcoming the country’s political crisis. In early 2018, Prime Minister Embaló was replaced by Mr. Artur Silva. Several political figures were then subjected to ECOWAS sanctions, as the appointment of Mr. Silva was considered a breach of the 2016 Conakry Accord. A new Prime Minister with broad support, Mr. Aristides Gomes, was appointed in mid-April, followed by the first sitting of Parliament since late 2015 and the formation of an inclusive government. Parliamentary elections have been scheduled for November 2018.

3. While the ECF-supported program has enabled a substantial improvement in our economy, vigilance is needed to ensure continued progress. A key objective for the year ahead is to further strengthen revenue mobilization to enable a large step up in capital spending while keeping the overall fiscal deficit within 3 percent of GDP in line with the WAEMU criterion. A recent weakening of our terms of trade has, however, contributed to balance of payments pressures, and the upcoming election period poses an additional challenge. To address these pressures and provide continuity, we are requesting a one-year extension of the ECF arrangement with a twenty percent of quota augmentation of access. We are also engaging other development partners to advance inclusive growth and poverty reduction.

RECENT ECONOMIC DEVELOPMENTS

4. Economic activity remained buoyant and consistent with program expectations. Real GDP growth is estimated at 5.9 percent in 2017, slightly higher than previously estimated and roughly the same level as in 2015–16. The growth performance was aided by high cashew prices that boosted exports (cashew accounted for more than 90 percent of exports) and farmers’ incomes.

¹ [IMF Country Report No. 15/194. Guinea-Bissau: Request for a Three-Year Arrangement under The Extended Credit Facility—Staff Report.](#)

² [IMF Country Report No. 17/380. Guinea-Bissau: 2017 Article IV Consultation and Fourth Review Under the Extended Credit Facility Arrangement—Staff Report.](#)

This, along with public investments in roads and other critical infrastructure, enabled a resurgence in economic activity. At the same time, consumer price inflation averaged just 1.1 percent in 2017.

5. Higher exports notwithstanding, the external current account turned a deficit in 2017.

Imports increased by 21 percent, reflecting higher demand for construction materials and consumer goods in the context of higher incomes and rising investment. Moreover, net factor income declined due to still inconclusive negotiations with the EU for fishing compensation. As a result, the current account swung from a surplus of 1.3 percent of GDP in 2016 to an estimated deficit of 0.5 percent in 2017. Nevertheless, the overall balance was positive at 2.9 percent of GDP in 2017, reflecting an increase in net foreign assets of the local BCEAO.

6. Government revenue mobilization in 2017 benefitted from favorable economic trends and stepped-up administrative reforms.

Supported by vigilant tax and customs administration, buoyant economic activity helped boost the tax-to-GDP ratio by 1.3 percentage points of GDP to 10.4, comfortably exceeding the program target. The gains were derived mainly from corporate income tax, sales tax, and import duties. Although collection of non-tax revenue slowed in the second half of the year, due mainly to absence of EU fishing compensation resulting from still inconclusive negotiations, the dividend payment from the regional central bank (BCEAO) during the first half of the year caused this category to be in line with the full-year target (2.4 percent of GDP). Grants, which were boosted by budget support from Saudi Arabia in the first half of the year, saw a further unanticipated increase during the second half of the year from higher project grants, mainly from the World Bank, Bill & Melinda Gates Foundation, and United Nations Systems. This caused total grants to exceed the program target by 1.4 percent of GDP. Altogether, total revenue and grants were 2.4 percent of GDP above the end-December target of 15.9 percent.

7. Further gains in public financial management helped consolidate administrative improvements.

The weekly Treasury Committee meetings have significantly strengthened expenditure control. During the year, we avoided non-regularized expenditures (*DNTs*) as well as domestic and external arrears. In addition, improvements in debt management helped reduce borrowing costs. While the ratio of spending to GDP was lower than in 2016, the higher than programmed revenue enabled an increase in spending relative to program while still achieving the targeted fiscal balances. Total spending was higher than programmed by 2.0 percent of GDP, mainly due to wages and salaries, goods and service, and other current spending. Nevertheless, the overall cash balance exceeded the program target by 0.4 percent of GDP.

8. High non-performing loans in the banking system continue to constrain financial intermediation.

Banks' earnings and profitability remain low, with return on banking system assets averaging just under 1 percent in 2016–17. At the same time, commercial bank credit to the private sector (gross of provisions and including all five banks) expanded by 8.2 percent in 2016 but fell by 2.9 percent (year-on-year) by end-2017. The overall weak evolution of credit reflects considerable heterogeneity, with some banks scaling back in the context of a large overhang of non-performing loans (NPLs) and others expanding more aggressively. At end-2017, NPLs gross of provisioning amounted to 35 percent of bank credit, still very high but slightly down from 39.4 percent at end-2014. Net NPLs declined during the same period by some 7 percentage points to 15.6 percent at

end-2017. This followed significant provisions made in early 2017 by banks affected by the voided 2015 bailout in accordance with recommendations by the WAEMU Banking Commission. One bank remains significantly undercapitalized.

PROGRAM PERFORMANCE

9. All performance criteria (PCs) for end-December 2017 were met (Table 1). The floor on domestic tax revenue was exceeded by CFAF 12 billion (17.3 percent). In addition, consistent with their zero-ceilings, there was no non-concessional nor short-term external borrowing, and no external arrears were accumulated. Net domestic credit to central government (NCG) was below the program ceiling, notwithstanding two guarantees, with bank disbursements totaling CFAF 1.3 billion, issued by the government to support priority initiatives.

10. Performance relative to indicative quantitative targets was also good, with all four indicators met. The floor on the domestic primary balance was above the program target by 0.1 percent of GDP. At the same time, we continued avoiding any new domestic arrears as well any non-regularized expenditures, reflecting our gains in public financial management. In addition, the floor on social and priority spending was exceeded by 26.5 percent.

11. Progress in implementing key structural measures was generally good (Table 3). Six out of eight structural benchmarks (SBs) earmarked for the fifth ECF review were observed as envisioned. The government:

- Submitted a 2018 budget to the Council of Ministers that was subsequently approved.
- Submitted to the Council of Ministers a management improvement plan for EAGB that was subsequently approved. The statutes for EAGB were, however, not in compliance with OHADA standards and are being revised.
- Prepared on a rolling basis (i) monthly cash-flow projections consistent with the annual budget; quarterly reports on (ii) ministry-level budget execution with details along economic classification of expenses and (iii) external debt commitments, agreements, and disbursements; and (iv) monthly reports from EAGB detailing the utility's financial flows.

Two structural benchmarks were not completed on time:

- The newest version of the debt management software (DMFAS 6.0) was installed, albeit after the deadline. Its effective use for debt analysis and debt service projections will allow the authorities to produce a draft quarterly debt report covering both, domestic and external debt by end October and a fully-fledged report by January 2019. The work is being supported by UNCTAD and the World Bank.
- Following recent IMF TA on tax policy, it has become clear that completion of a new regime for small tax payers is best achieved as part of a more comprehensive tax reform. We therefore intend to pursue vigorously a wide-ranging tax reform aimed at simplifying and modernizing the tax code. To this end, we aim to submit to the Council of Ministers by end-

July 2018 a plan outlining the reform, and propose this as a structural benchmark to replace the missed benchmark for the small tax payer regime.

12. More generally, the government remains fully committed to the structural reform agenda outlined in the previous MEFP. Our objectives for strengthening revenue mobilization, expenditure management, debt management, public service delivery, and the business environment all remain unchanged. Aspects of the agenda are being extended, and new measures are being proposed to advance progress in these areas (see below). We recommit to timely implementation of the envisioned structural reform agenda under the ECF-supported program over its extension period.

MEDIUM TERM ECONOMIC OUTLOOK AND POLICIES

A. Economic Outlook

13. The economic outlook remains favorable, albeit with somewhat weakened terms of trade and subject to significant risks. The updated macroeconomic framework projects real GDP growth at an average of 5.3 percent a year in 2018-19. This reflects increased public and private investment supported by prudent economic policies. Due to higher oil prices and a small projected decline in international cashew prices, however, Guinea-Bissau's terms of trade are projected to deteriorate by 7.4 percent in 2018. Along with rising imports associated with higher investment and with the negotiations on fishing compensation from the EU (previously around 0.6 percent of GDP) still ongoing, this is projected to cause a widening of the external current account deficit to an average of 2.8 percent of GDP in 2018-19. For the remainder of the medium term (2020-23), growth is projected at 5 percent per year, with strong activity in agriculture, construction, and services supported by expected improvements in electricity supply and the overall business environment. Private credit expansion is expected to recover to around 9 percent a year, in response to the continued strong GDP growth and measures to encourage financial intermediation and inclusion. Consumer price inflation would remain subdued but rise slowly to 2.8 percent by 2023 (below the WAEMU convergence criterion of 3 percent). Risks to the economic outlook emanate from the price of cashew and political instability.

14. As public investment steps up, vigilant tax administration and expenditure control would contain the fiscal deficit. Reflecting a determined push to address energy and other infrastructure gaps, government investment is projected to rise from 7 percent of GDP in 2017 to 8.5 percent in 2018 and then rise more gradually through the medium term. The fiscal deficit (cash basis) is projected to widen to 2.9 percent of GDP in 2018 and then gradually narrow, remaining below the WAEMU convergence criteria of 3 percent of GDP in all years. The projected fiscal trajectory will be supported by continued advances in domestic revenue mobilization and improvements in treasury management procedures and practices, all with a vigilant eye on the evolution of public debt. Infrastructure projects will continue to be financed mostly through concessional loans and grants. At the same time, social expenditure will be geared to support enhanced service delivery in health and education.

B. Economic Policies

15. The government's program for 2014-18 continues to guide our strategies for shared growth and prosperity. Our strategies are focused on (i) undertaking needed infrastructure and social spending while maintaining fiscal discipline; (ii) strengthening debt sustainability; (iii) ensuring financial sector stability while bolstering healthy financial intermediation and inclusion, and (iv) improving economic statistics. To underpin these objectives, the government will continue to foster private sector development and improvements in the business environment. Related reforms include steps to promote policy transparency, good governance, and the rule of law, and to improve the targeting of social support. Strengthened resource mobilization, including from our development partners, will be essential for adequate financing of the nation's development agenda.

Fiscal Policies

16. Domestic revenue mobilization remains a key priority. We will continue to build on earlier gains in domestic revenue mobilization, targeting total government revenue of 18.8 percent of GDP in 2018 (up from 18.3 percent in 2017) with further increases over the medium term. To this end, we have assigned taxpayer identification numbers (TINs) to more than 14,000 individuals and over 1,300 corporations as of end-December 2017, and the uniform sales invoices is now used by about 500 companies. We have extended SYDONIA to custom posts in three districts, done away with the practice of applying flat-rate customs fees for goods imported by land and moved to the general tariff regime, and have stepped up tax controls at the land border posts with enhanced focus on high-tax items. We have also moved forcefully to meet all required procedures as agreed with CITES for the export of the stock of seized timber. We continue to shun petroleum subsidies by regularly adjusting domestic fuel prices in line with the evolution of global fuel prices. We are also enforcing higher standards for customs clearing agents, strengthening coordination between the tax and customs administration, and vigorously pursuing irregularities and taking disciplinary actions as required.

17. Our revenue mobilization objectives will be underpinned by measures to strengthen tax and customs administration. With the support of Fund TA, we are working to (i) continue using the Statement of Contributions and Taxes Withheld at Source (DECIRF), to ensure that all taxes withheld at source are transferred to DGCI, (ii) ensure that all taxpayers with required formalization standards file returns for industrial contribution, (iii) extend the Integrated Tax Management System to all tax districts and departments, while combating non-filing of tax returns, (iv) enforce the use of standardized invoices and filing compliance, and (v) strengthen monitoring of large taxpayers. For the remainder of 2018 and beyond, the government will take steps to enhance revenue collection by:

- Fully implementing the IT master plan (Plano Diretor de Informatica – PDI) to create interfaces between DGCI and other entities' IT systems.
- Adopting a model for recording tax payments to ensure that they are expeditiously and consistently captured by the IT system.

- Requiring use of taxpayer identification numbers (TINs) for payment of taxes and all related transactions with public agencies (proposed SB for September 2018).
- Establishing a special tax collection working group to enforce tax collection from large debtors (proposed SB for September 2018). With the stepped-up enforcement, we aim to collect CFAF 1.2 billion in tax arrears in 2018.
- Preparing quarterly reports (starting September 2018 for performance as of end-June 2018, and quarterly thereafter) on progress in minimizing tax exemptions.

18. We will also work to enhance tax policies, including by launching a fundamental overhaul of the tax system. Largely unchanged for decades, the tax system in Guinea-Bissau is characterized by antiquated legislation, contradictions, a large compliance burden and pervasive administrative discretion. We aim to simplify and modernize the tax system by developing a new set of tax laws that are simple for taxpayers to understand and easier for the government to administer. We will prepare a tax reform strategy to be presented to the Council of Ministers (proposed SB for July 2018) for its endorsement. In line with the advice provided by technical assistance by the IMF, the proposed tax policy reform will include:

- A broader tax base for the goods and services tax (IGV) by putting a limited set of standard exemptions in legislation, while repealing or canceling all existing legislative and administrative exemptions from the IGV. In particular, we will: repeal the 2015 Budget Law amendments to the IGV Code and the Investment Code, and cancel all IGV exemptions already granted based on Article 12 of the Investment Code. The IGV would then impose a standard rate of 17 percent on imported goods and services and on domestic supplies of large taxpayers (such as those with turnover greater than 100 million FCFA), while exported goods and services would be zero-rated and exemptions limited to those that are legislated.
- Simplifying income taxes by repealing the current income tax legislation in its entirety and adopting a system with the following components.
 - A single tax on employment income imposed at source, applying reasonable tax rates to employment income defined as broadly as possible to encompass all forms of compensation, including: wages, employment benefits, and pension income.
 - A neutral and broad-based investment income tax.
 - A new tax on business income, including self-employment income, comprising of: (i) a zero rate on businesses and self-employed individuals with subsistence levels of turnover; (ii) a low flat tax (say, 10 percent) on turnover for micro businesses; (iii) a single tax for small and medium-sized businesses, with a moderate rate (say, 25 percent) on a simplified tax base of turnover minus the cost of inputs on which the business has already paid tax (wages and salaries on which personal income tax was paid, plus purchases of goods and services on which IGV was paid); and (iv) a standard corporate income tax for large businesses at the same moderate rate, designed to be fully compliant with UEMOA Directives.

- Rationalizing the taxation of cashew exports in line with the general income tax reform, with a view to, overtime, repealing both existing taxes and the large, complex, and overlapping sets of fees and charges. Cashew exports would then be subject to a simple, turnover-based income tax and only two fees – a phytosanitary certification fee and a customs fee – set at levels that recover the marginal cost of the inspection and verification services provided to an exporter.
- Gradually replacing the present property tax regime with a modern, comprehensive, and market-value based property tax. As a first step, technical assistance would be sought to develop a detailed multi-year roadmap and action plan concerning administrative reform and the development of a comprehensive fiscal cadaster. Property transfer taxes would be maintained, with some amendments, until a tax based on market values is implemented.

The overhaul of the tax system would be overseen and led by a new tax policy unit within the Ministry of Finance that we intend to create, with the DGCI tax reform office refocused on modernizing tax administration and readying the DGCI to implement a new tax system. In addition to embarking on these reforms, starting July 2018, we will recover stamp taxes collected by the National Aviation Agency from travel agencies, (15,000 CFAF per passenger), with a view to raising CFAF 1.5 billion in 2018.

19. Expenditures will be contained in line with the overall deficit target and the program PC on net domestic credit to central government. For 2018, we foresee total expenditure increasing to 21.4 percent of GDP mainly on the back of higher capital spending. To limit the expansion in debt and contingent liabilities, we continue to shun contingent liabilities and are vigilantly watching our non-concessional project borrowing from the regional development bank (BOAD). To this end, we are proposing expansion of the ceiling on net domestic credit to central government (NCG) to include non-concessional borrowings from BOAD, and will prioritize concessional loans and grants. The NCG ceiling for 2018 is foreseen at CFAF 19.1 billion, which is equal to net total non-concessional BOAD disbursements in the 2018 budget.

20. Our planned scaling up of public investments will be rigorously assessed, to foster efficiency and value for money. To improve the road network and electricity supply, we have contracted loans from BOAD, the Arab Bank for Economic Development (BADEA), and other development partners. These investments will help improve the business environment and boost economic growth. Ensuring their efficacy and efficiency will, however, require close coordination among the different agencies and ministries involved. For the electricity sector, we have with assistance from the World Bank drafted a management improvement plan for EAGB that lays out steps culminating with the implementation of a service contract (proposed SB for September 2018). As part of this process, new statutes for EAGB will be adopted (by July 2018) after which a new board will be appointed and a tender for the management service provider will be launched. More generally, to support the scaling up of investments, we are enhancing procedures for project selection and assessment, and we are reviewing the public investment plan to ensure its consistency with already contracted loans.

21. Gains in treasury management and broader institutional reforms will be extended to advance public financial management (PFM) and improve the quality of spending.

The government, through the Treasury Committee, will continue to strengthen compliance with PFM rules at the ministerial level and to align expenditures with available resources. In 2017, the government (i) tightened annual budget management procedures considerably, and (ii) rolled out monthly cashflow projections consistent with the budget, which aided budget execution. In early 2018, the Ministry of Finance adopted a calendar for the preparation of the budget that is in line with the WAEMU regulations and best international practices. Going forward, the government will:

- Continue to equip and task the Treasury Committee to ensure timely regularization of all expenses and avoid the use of DNTs.
- Continue to avoid any accumulation of domestic or external arrears.
- Consolidate medium-term payroll management reforms by instituting a wage policy to inform annual public-sector wage increases and to contain growth in the wage bill.
- Enhance management and prioritization of capital spending by strengthening the investment database, developing a matrix of short-term expenditure priorities, improving the system for formal project appraisal and evaluation, and integrating infrastructure maintenance needs into the annual budgets.
- Continue to prepare and review rolling monthly treasury cash-flow projection tables consistent with the 2018 budget (ongoing SB), to guide and inform our Treasury operations.
- Further the preparation of timely quarterly reports on ministry-level budget execution with details along economic classification of expenses (ongoing SB).
- Adopt a procedure to validate investment projects through circularization of the information available from SIGFIP, BCEAO, and donors and other financiers.
- Progressively improve budget projections and monitoring by: (i) requesting ministries to provide forecasts of financial needs for the quarter, and (ii) providing ministries with reliable information on commitment ceilings at least a quarter in advance.

Borrowing Policies and Debt Management

22. To better monitor and enhance our debt carrying capacity, the government will continue to strengthen debt management.

The Debt Directorate is now equipped with the latest version of the debt management software (DMFAS 6.0), which should help to improve debt service projections and enable production of detailed quarterly debt reports covering both domestic and external debt by January 2019. A Public Debt Management Strategy will be ready by September 2018. Moreover, we continue to strengthen information flow between the Debt Directorate and the Treasury, and we are enhancing the capacity of the staff. As we do so we will continue to provide on a rolling basis a quarterly report on external debt and a monthly report on EAGB financial flows (ongoing SBs).

23. We will also continue to work towards resolving all external legacy arrears. Progress in addressing external legacy arrears have yielded the following as of end-2017: (i) cancellation of our arrears to the erstwhile Franco-Portuguese bank, (ii) clearance of our arrears to the United Arab Emirates, and (iii) debt relief on near-Paris Club terms of our arrears to Exim Bank of Taiwan Province of China. Moreover, the terms for the restructuring of Guinea-Bissau's debt to Brazil have been negotiated and are being submitted to the Brazilian Senate for approval. Negotiations with other bilateral creditors (Angola, Libya, Pakistan, Russia) for resolving the remaining legacy arrears are continuing. The government remains current on its remaining external debt obligations.

24. Avoiding expensive domestic loans should help minimize the debt service burden. In 2017, the government shunned expensive loans from local commercial banks, following the cancellation of credit lines with these banks and a consolidation of claims into Treasury securities at lower interest rates. In addition, the government successfully rescheduled in two phases debt service arrears with BOAD. To further reduce the trajectory of expensive borrowing, we will align disbursements on already signed loans to absorptive capacity and will pursue higher grant elements (concessionality) in new loan contracts. To ensure consistency with program objectives, we have also expanded the program ceiling on net domestic credit to central government to include disbursements of non-concessional BOAD loans (see paragraph 19 above; and Table 2).

25. The government is dealing with domestic suppliers' arrears, while avoiding government guarantees. The total claims outstanding of the former exceed CFAF 100 billion, including 14 billion as the remaining balance from an audit covering claims from 1974-99 and 86 billion from a second audit for 2000-07 that has still to be validated. To provide clarity, the Government is seeking support from development partners to audit all outstanding claims as soon as possible. The Government will then draw up a reimbursement strategy with a view to settling the legitimate domestic arrears, after netting out any tax liability of the beneficiaries, by end 2018. Further, we will shun issuance of new government guarantees while vigilantly taking stock of all existing guarantees.

Financial Sector Policies

26. Recapitalizing banks as required and resolving high levels of NPLs is crucial to safeguarding financial stability and supporting healthy growth of the financial sector. With the support of the regional Banking Commission (BC), the government remains committed to promoting healthy financial intermediation. The government is focused on finding a solution to one problem bank, facilitating the injection of capital by a new proper-and-fit strategic investor to inject capital. We are also examining options to address the high level of NPLs in the banking system, including by encouraging banks to engage more actively in debt restructuring that is affordable to borrowers and by assessing the scope for accelerated collection of collateral. In any actions taken, we will adhere to best international practices, strive to avoid possible market distortions or conflicts of interest, and minimize risks to the budget.

27. The government remains committed to close monitoring of the financial system and steadfast implementation of prudential norms. In December 2017, the Banking Commission (BC)

issued instructions to two undercapitalized banks, requiring them to meet the minimum capital requirement by end-June 2018. The banks were at the same time barred from distributing dividends and required to report monthly on actions taken. The government fully supports the BC in its strong supervisory enforcement of prudential regulations. To help enhance oversight, we are stepping up our monitoring and analysis of developments in the banking system.

28. Deepening financial markets remains critical for financial inclusion. With the assistance of development partners, we continue to implement initiatives to broaden access to finance (including for SMEs), while encouraging use of the banking system (including for mortgages). The authorities are updating their national plan for enhancing financial inclusion, and will continue to implement incentives for SMEs in accordance with measures adopted by the WAEMU Council of Ministers in September 2015. The latter set of measures comprise (i) re-financing of BCEAO claims on eligible SMEs, and (ii) regulatory incentives to banks for credit to eligible SMEs, including reduced weighting of claims on these enterprises in reckoning compliance with prudential ratios. The government continues to maintain a credit registry to aid financing decisions of banks and to enhance access to credit.

Other Structural Reforms

29. Improving the business environment for private sector development and job creation is a key priority. The government will continue to refrain from interventions in the cashew sector that impede competition or otherwise prevent markets from functioning freely. Indeed, the recent removal of export taxes in a trading partner country, should help strengthen demand for our cashew exports and support prices for producers as well as exporters. In this connection, the increase in this year's reference farmgate price should be understood as a guide to producers and not a price floor. To stimulate private sector activity, we are taking steps to sell state assets that have been slated for privatization, including the fruit and vegetable processing plant near Safim that was constructed with a loan from Exim Bank of India. Moreover, we will continue to provide a one-stop shop for business registration and tax assessments and settlement.

30. To enhance transparency and forestall contingent liabilities on public resources, the government will continue to audit state-owned enterprises (SOEs) and agencies. In 2017, we performed for the first time financial audits of eight state enterprises. This effort to shed light on the finances of SOEs should be considered a major accomplishment given the capacity constraints. The audits cover (i) National Institute for Social Insurance, (ii) ANAC (Civil Aviation Administration), (iii) EAGB, (iv) *GuinéTelecom*, (v) *GuinéTel*, (vi) APGB (Sea Port), (vii) ARN (National Regulatory Authority for Communications), and (viii) *Fundo Rodoviário* (Road Fund). The audits revealed widespread weaknesses but also some areas of improvement. Highlights include: (i) at EAGB, improvements in accounting and control in 2017 compared to previous years; ii) at the National Institute for Social Insurance, efforts to improve revenues but also very high levels of administrative expenditure; (iii) at the Sea Port, impairment of ability to cover costs of services provided due to inherited debts. All eight reports revealed significant weaknesses in financial management, internal control, and procurement functions, with many instances of non-conformity or non-compliance on transactions related with procurement, financial and non-financial assets management, and staff expenses. All

reports recommend setting up or strengthening internal control bodies and establishing manuals of administrative and accounting procedures. These findings and recommendations will help us devise reform actions to ensure higher effectiveness, accountability, and fiscal compliance of SOEs. The *Tribunal de Contas* plans to follow-up with further investigations that might lead to sanctions and recovery of public funds. Another 15 audits of public entities, covering both financial and management aspects, are scheduled for completion by end 2018, and we are resourcing the *Tribunal de Contas* accordingly. In accordance with Decree 1/2017, all measures will be taken to ensure that all SOEs produce and publish annual accounts approved by their respective Administrative Councils from 2018 onwards.

31. The government will continue to ensure transparency in military spending. The undertaking of a first audit of military spending covering 2014 to the first half of 2017 is a significant achievement. The auditors' report confirms improvements in financial management and control, as DNTs were avoided in 2017 and almost all salary payments are now made by bank transfer directly to the beneficiaries. Military spending continues to be on budget and generally executed per normal expenditure procedures. The audit points to some irregularities in procurement and expenses associated with health and food, and it recommends further improving the internal control system in the Ministry of Defense. We intend to define follow-up actions to further increase the transparency in military spending. We will also take into consideration the recommendations of the World Banks' ongoing Public Expenditure Review in the Defense sector.

Combating Corruption and Rent Seeking

32. The government will continue to advance and strengthen its anti-corruption and anti-rent-seeking framework with assistance from development partners. We have approved the national strategic plan for Anti-Money Laundering/Combating of the Financing of Terrorism (AML/CFT), and have given the Financial Intelligence Unit (CENTIF) sufficient autonomy and financial resources to conduct its mandate. In response, CENTIF has developed a system to allow reporting entities to submit suspicious transaction reports (STRs) electronically. This new system, along with TA from the Inter-Governmental Group against Money Laundering in West Africa (GIABA), has led to an increase in the number of STRs received. Nonetheless, more needs to be done including (i) enacting the uniform WAEMU AML/CFT law, (ii) raising awareness of international AML/CFT standards among government AML/CFT agencies and reporting organizations, (iii) strengthening arrangements for interagency and international cooperation, (iv) further developing the capacity of CENTIF staff, including enhancing analytical tools, and (v) taking steps to enable supervisors in the Directorate-General for Supervision of Financial Activities and Insurance (DGSFAI) to commence supervisory operations.

33. To strengthen transparency and governance, the government will support implementation of a comprehensive asset disclosure regime for public officials. We will to this end (i) make available the resources and support that the *Inspeção Superior de Luta Contra a Corrupção* needs to effectively carry out its mandate, (ii) prepare a comprehensive template for the declaration of assets and interests by all officials concerned, (iii) prepare amendments to Law 7/99 to cover all politically exposed persons per Financial Action Task Force (FATF) standards, and (iv)

strengthen the capacity of law enforcement agencies to undertake corruption-related investigations.

Improving Economic Statistics

34. The government places high emphasis on improving the compilation and timely dissemination of economic statistics. The government will reinvigorate, with the assistance of external experts and local consultants, the unit responsible for identifying technical assistance needs and helping implement data-enhancing recommendations. We are also dedicating resources to strengthen staff capacity and improve relevant infrastructure. Supported by IMF technical assistance, we plan to publish by July 2018 revised national accounts with updated base year following a mini household survey. We are continuing regular coordination meetings among the BCEAO, the Ministry of Economy and Finance, the national cashew authority, the Ministry of Agriculture, the Ministry of Commerce, and the Bureau of National Statistics, to ensure consistency of datasets, especially between the balance of payments (BOP), monetary and financial statistics, and government finance statistics. We are also seeking to improve the timeliness of data, with, among others, quarterly BOP data disseminated within four months after the end of the reference period and annual BOP data within one year after the end of the reference period.

C. Program Monitoring

35. The program will continue to be monitored semi-annually, based on quantitative performance criteria, indicative targets, and structural benchmarks (Tables 1 and 2), covering the period to end-2018. The performance criteria and indicators are defined in the attached Technical Memorandum of Understanding (TMU) along with the relevant adjustors. The semi-annual reviews will be based on data at end-June and end-December. The sixth program review (following extension of the ECF-supported arrangement) will be based on the end-June 2018 performance criteria, and is scheduled to be completed on or after October 15, 2018. As noted above, we are proposing expansion of the quantitative NCG ceiling to include non-concessional borrowing amounts from the regional development bank, BOAD, which should help enhance oversight over expensive project loans and reduce eventually the debt service burden. In addition, we are proposing four new structural benchmarks: one (for July 2018) relating to tax reform; two (for September 2018) to improve tax compliance and collection; and one (for September 2018) for implementing the service contract for EAGB management.

36. The government believes that the policies and measures included in this memorandum are adequate to achieve the objectives of the economic program for 2018. It stands ready, however, to take any further financial and structural measures that may become necessary to ensure the success of its policies. It reaffirms its commitment to the ECF-supported program, and further undertakes:

- To refrain from accumulating any new domestic arrears other than those specified in the TMU, and from contracting non-concessional external loans; and
- Not to introduce or increase restrictions on payments and transfers related to current international transactions, to enter into any bilateral payment agreements not in conformity

with Article VIII of the IMF Articles of Agreement, or to impose or intensify any import restrictions for balance of payments purposes; and

- To adopt any additional financial and structural measures that may become necessary to ensure the success of its policies, only in consultation with the IMF.

Table 1. Guinea-Bissau: Quantitative Performance Criteria and Indicative Targets for 2017

(Cumulative from beginning year to end of month indicated; billions of CFAF, unless otherwise indicated)

	2016	2017								Status
		Mar. ¹		Jun.		Sept. ¹		Dec.		
		Prog.	Prel.	Prog.	Prel.	Prog.	Prel.	Prog.	Prel.	
Performance criteria¹										
Total domestic tax revenue (floor)	63.5	16.3	13.0	33.4	41.4	48.9	63.0	69.3	81.3	met
Net domestic credit to the central government (ceiling) ²	15.9	8.0	11.3	6.4	-0.4	0.0	-1.2	0.0	-0.2	met
Ceiling on new non-concessional external debt (US\$ millions) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Outstanding stock of external debt owed or guaranteed by the central government with maturities of less than one year (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
External payment arrears (ceiling) ³	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Indicative targets										
New domestic arrears (ceiling)	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	met
Social and priority spending (floor)	32.2	7.7	10.8	21.7	23.2	23.2	34.4	31.0	39.2	met
Domestic primary balance (commitment basis, floor)	-14.2	-6.4	-2.2	-5.1	6.2	-1.0	6.0	3.1	3.9	met
Non regularized expenditures (DNTs, ceiling)	1.9	0.3	0.0	0.4	0.0	1.0	0.0	0.5	0.0	met
<i>Memorandum items:</i>										
Clearance of domestic payment arrears	6.1	0.4	0.4	0.4	1.4	0.4	1.5	2.2	2.4	
External budgetary assistance (US\$ millions) ⁴	0.4	0.0	0.0	0.0	4.8	0.0	4.8	4.8	4.8	
ECF disbursements (SDR millions, flow)	5.1	0.0	0.0	3.0	0.0	0.0	3.0	3.0	3.0	
Concessional loans (US\$ millions) ⁵	7.1	4.6	2.4	5.4	4.8	5.4	8.0	12.0	9.5	

¹ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding. Targets for end-March and end-September are indicative.² 2017 includes new loan guarantees (CFAF 0.4 billion for Bissau City and CFAF 0.9 billion for pilgrims to Mecca).³ These apply on a continuous basis.⁴ Comprises budget support grants and program loans (for budget support).⁵ Comprises project loans with grant elements exceeding or equal to 35 percent.

Table 2. Guinea-Bissau: Quantitative Performance Criteria and Indicative Targets for 2018

(Cumulative from beginning year to end of month indicated; billions of CFAF, unless otherwise indicated)

		2018				
	2017	Mar. ¹		Jun.	Sept. ¹	Dec.
		Prog.	Est.	Proposed targets		
Performance criteria¹						
Total domestic tax revenue (floor)	81.3	12.1	14.8	40.2	68.7	89.3
Net domestic credit to the central government (ceiling) ²	-0.2	13.7	3.9	13.3	13.6	19.1
Ceiling on new non-concessional external debt (US\$ millions) ³	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding stock of external debt owed or guaranteed by the central government with maturities of less than one year (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0
External payment arrears (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets						
New domestic arrears (ceiling)	0.0	0.0	0.0	0.0	0.0	0.0
Social and priority spending (floor)	39.2	7.8	7.8	26.0	33.0	42.0
Domestic primary balance (commitment basis, floor)	3.9	-11.7	2.9	1.1	10.0	10.7
Non regularized expenditures (DNTs, ceiling)	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>						
Clearance of domestic payment arrears	2.4	0.9	0.1	1.2	2.3	3.0
External budgetary assistance (US\$ millions) ⁴	4.8	0.0	0.0	0.0	0.0	0.0
ECF disbursements (SDR millions, flow)	6.1	0.0	0.0	3.0	0.0	3.0
Concessional loans (US\$ millions) ⁵	9.5	3.4	6.3	12.6	16.8	21.0

¹ The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding. Targets for end-March and end-September are indicative.

² Coverage expanded for 2018 to include all non-concessional borrowing in domestic currency, including project financing from regional lenders (projected at CFAF 19.1 billion in 2018).

³ These apply on a continuous basis.

⁴ Comprises budget support grants and program loans (for budget support).

⁵ Comprises project loans with grant elements exceeding or equal to 35 percent.

Table 3. Guinea-Bissau: Structural Benchmarks under the ECF Program, 2017-18

Measures	Timing	Macro Rationale	Status
Revenue Mobilization			
Extend the new uniform sales invoice to all taxpayers.	September 2017	To improve tax administration and compliance.	Met.
Complete the assignment of taxpayer identification numbers to all taxpayers.	September 2017	To improve tax administration and compliance.	Met.
Prepare a draft law, with technical assistance from the IMF, for a new small taxpayer regime that is simple and transparent, protects the revenue base, lowers compliance costs, and ensures global participation.	December 2017	To improve tax administration and compliance.	Not met. Benchmark replaced by new measure below.
Submit to Council of Ministers a strategy for comprehensive tax reform, with coverage including small tax payers and with rules that are simple and minimize discretion in assessment.	July 2018	To improve tax administration and compliance.	Proposed benchmark.
Establish Special Tax Collection Working Group to enforce tax collection from large debtors.	September 2018	To improve tax compliance and collection.	Proposed benchmark.
Require the use of TINs for payment of taxes and all related transactions with public agencies.	September 2018	To improve tax administration and compliance.	Proposed benchmark.
Expenditure Management			
Prepare a monthly rolling Treasury cash flow projection table consistent with the 2017 budget.	December 2016 for January 2017, and monthly thereafter.	Enhance expenditure management.	Met.
Prepare timely quarterly reports on ministry-level budget execution with details along economic classification of expenses.	December 2016, and quarterly thereafter.	Enhance budget execution and monitoring.	Met.
Debt Management			
Prepare a quarterly report on external debt commitments, agreements, and disbursements.	December 2016 for September 2016 Report, and quarterly thereafter	Enhance debt management capacity and transparency in external debt commitments.	Met.

Table 3. Guinea-Bissau: Structural Benchmarks under the ECF Program, 2017-18 (concluded)

Measures	Timing	Macro Rationale	Status
Install the newest version of the debt management software, DMFAS 6.0, and commence its use for effective debt analysis and debt service projections.	December 2017	Strengthen debt management and eschew payment arrears.	Not Met. The software was installed in early 2018.
Business Environment and Overall Policy			
Complete, with assistance of the WAEMU Banking Commission, an assessment of the two banks affected by the bailout, and articulate an action plan to bring these banks into compliance with prudential norms.	April 15, 2017	To strengthen the health of the banking system.	Met.
Design a strategy to promote cashew production and transformation based on results of the FUNPI audit.	June 2017	Reduce transaction costs.	Met.
EAGB will submit reports detailing its financial flows for the 2015 financial year, the first three quarters of 2016 and on a monthly basis starting from October 2016.	October 2017 and monthly thereafter	To instill transparency in EAGB operations and financial position.	Met. However, the quality of data remains poor.
Submission of a 2018 budget to Council of Ministers.	December 2017	Proper fiscal management.	Met.
Submit management improvement plan for EAGB to the Council of Ministers.	March 2018	To enhance efficiency in the utility, reduce electricity supply costs, and avoid contingent liabilities.	Met.
Start implementation of service contract for EAGB management.	September 2018	To enhance efficiency in the utility, reduce electricity supply costs, and avoid contingent liabilities.	Proposed benchmark.

Attachment II. Technical Memorandum of Understanding

Bissau, Guinea-Bissau, May 16, 2018

INTRODUCTION

1. **This memorandum sets out the understandings between the Bissau-Guinean authorities and the International Monetary Fund (IMF),** regarding the definitions of the quantitative performance criteria (PCs) and structural benchmarks (SBs) for the program supported by the Extended Credit Facility (ECF) arrangement, as well as the related reporting requirements. Unless otherwise specified, all quantitative PCs and indicative targets will be evaluated in terms of cumulative flows from the beginning of the period, as specified in Table 2 of the Memorandum of Economic and Financial Policies (MEFP).
2. **Program exchange rates.**¹ For the purpose of the program, foreign currency denominated values for 2018 will be converted into local currency (CFA francs) using a program exchange rate of CFA 554.21/US\$ and cross rates as of end-December 2017.

QUANTITATIVE PERFORMANCE CRITERIA

A. Floor on Total Domestic Tax Revenue

3. **Definition.** Tax revenue is defined to include direct and indirect taxes as presented in the central government financial operations table, as well as programmed recovery of tax arrears.
4. **Adjustment clauses.** The floor on the total domestic tax revenue will be adjusted downwards (upwards) by the amount of any shortfall (excess) in programmed recovery of tax arrears. For the purposes of this adjustor, the programmed 2018 tax arrears recovery path is as follows (cumulative up to indicated month during the year): CFAF 0.64 billion (for end-March), CFAF 1.28 billion (end-June), CFAF 2.24 billion (end-September), and CFAF 3.2 billion (end-December).

B. Net Domestic Bank Credit to the Central Government (NCG)

5. **Definition.** NCG refers to the net banking system's claim on the central Government as calculated by the Treasury Department. It is defined as the sum of the following:
 - a. the net position of the Government with the national BCEAO, including: treasury bills and bonds (excluding on-lent IMF credit); less central Government deposits (excluding project-related deposits) at the BCEAO;
 - b. the net position of the Government with commercial banks, including: (a) treasury bills; (b) treasury bearer bonds; and (c) loan and advances of commercial banks to

¹ The source of the cross-exchange rates is International Financial Statistics.

the central Government; less central Government deposits (excluding project-related deposits) in commercial banks; and

- c. any other CFAF-denominated commercial credit, including net disbursement of project loans by the regional development bank, BOAD (excluding concessional loans with a grant element of at least 35 percent).

Any domestic loan guarantees issued by the government will be included in the net position of the government as defined above. The net position of government will exclude any transactions resulting from the voided bank bailout.

6. Adjustment clauses. The ceiling on NCG will be adjusted as follows:

- a) upwards (downwards) by up to the CFA value of the shortfall (excess) in external program grants and loans (both programmed at zero in 2018), including IMF drawings—the upward adjustment will be capped at the equivalent of CFAF 10 billion; and
- b) downwards (upwards) by the excess (shortfall) in the CFA value of any programmed privatization receipts (programmed at zero in 2018). In addition, central government deposits at the BCEAO and the commercial banks will be adjusted downwards by any clearance of domestic arrears (excluding any arrears accumulated during the program period, 2015-19) in excess of programmed levels. For the purposes of this adjustor, the programmed domestic arrears clearance path in 2018 is as follows (cumulative up to indicated month during the year): CFAF 0.9 billion (for end-March), CFAF 1.2 billion (end-June), CFAF 2.3 billion (end-September), and CFAF 3 billion (end-December).

7. Data source. The data source for the above will be the monetary survey (*Position Nette du Gouvernement (PNG)*) table, as amended to include net project borrowing from BOAD, submitted monthly to the IMF staff by the Ministry of Finance.

8. Definition of Central Government. Central government is defined for the purposes of this memorandum to comprise the central administration of the Republic of Guinea-Bissau and does not include any local administration, the central bank nor any other public or government-owned entity with autonomous legal personality not included in the government flow-of-funds table (TOFE).

C. New Non-Concessional External Debt Contracted or Guaranteed by the Central Government with an Original Maturity of One Year or More

9. Definition. Those are defined as all forms of new debt with original maturity of one year or more contracted or guaranteed by the central government. For this purpose, new non-concessional external debt will exclude normal trade credit for imports and debt denominated in CFA franc, but will include domestically held foreign exchange (non-CFA franc) debts. This PC applies not only to debt as defined in the Guidelines on Public Debt Conditionality in Fund Arrangements attached to Decision No. 15688-(14/107), adopted December 5, 2014, point 8, but also to commitments

contracted or guaranteed for which value has not been received. Excluded from this PC are disbursements from the IMF and those debts subject to rescheduling or for which verbal agreement has been reached. This PC will apply on a continuous basis.

10. Reporting requirement. The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the government, but no later than within two weeks of such external debt being contracted or guaranteed.

D. External Short-Term Debt Contracted or Guaranteed by Central Government

11. Definition. External short-term debt is defined as external debt stock with a maturity of less than one year contracted or guaranteed by central government. For this purpose, short-term debt will exclude normal trade credit for imports and debt denominated in CFA franc, but will include domestically held foreign exchange (non-CFA franc) debts. For the purposes of this PC, central government is as defined in paragraph 8 above. This PC will apply on a continuous basis.

E. External Payment Arrears of the Central Government

12. Definition. For the purposes of this performance criterion, external payment arrears, based on the currency test, are debt service payments that have not been paid on due dates (taking into account the contractual grace periods, if any) and that have remained unpaid 30 days after the due dates. Arrears not to be considered arrears for the performance criteria, or “non-program” arrears, are defined as: (i) arrears accumulated on the service of an external debt for which there is a request for rescheduling or restructuring; and/or (ii) the amounts subject to litigation which are not considered as arrears for the performance criteria. They are defined as “non-program” arrears.

QUANTITATIVE INDICATIVE TARGETS

A. New Domestic Arrears of Central Government

13. Definition. The ceiling on domestic arrears are defined as accounts payable (*resto-a-pagar*) accumulated during the year, and still unpaid by one month after the quarter for wages and salaries (including pensions), and three months for goods, services and transfers.

B. Social and Priority Poverty-Related Expenditures

14. Definition. Social and Priority Poverty-related expenditures are defined to include spending on health, education, and the gender ministry (MEFP Table 2).

C. Domestic Primary Balance (Commitment Basis)

15. The domestic primary fiscal deficit on a commitment basis is calculated as the difference between government revenue and domestic primary expenditure on commitment basis. Government revenue includes all tax and nontax receipts and excludes external grants. Domestic primary expenditure consists of current expenditure plus domestically financed capital expenditure, excluding all interest payments and all project loans. Government commitments include all expenditure for which commitment vouchers have been approved by the Ministry of Finance; automatic expenditure (such as wages and salaries, pensions, utilities, and other expenditure for which payment is centralized); and expenditure by means of offsetting operations.

D. Non-Regularized Expenditure (DNTs)

16. Definition. Any treasury outlay not properly accounted for by the National Budget Directorate and/or not included in the budget.

PROGRAM MONITORING

17. The extension and augmentation of access under the ECF Arrangement would allow two additional program reviews, the sixth and seventh reviews. The sixth review will be based on end-June 2018 performance criteria and is scheduled to be completed on or after October 15, 2018. The seventh review (the last after the extension of the Arrangement) will be based on end-December 2018 performance criteria and is scheduled to be completed on or after April 15, 2019. The Bissau-Guinean authorities shall recommend policy responses, inform the IMF monthly about the progress of the program, and transmit supporting information necessary for the evaluation of quantitative PCs and benchmarks in electronic format as indicated in the attached summary table to IMF staff (Table 1).

18. To properly monitor key macroeconomic variables (including performance indicators under the ECF), coordinate technical assistance, and monitor progress in implementation of reforms, the government will continue to adequately support its reform unit. This reform unit periodically reports to the Minister of Finance progress in achieving agreed performance indicators and development objectives. It will also keep an updated list of all its partners, prioritize technical assistance, and agree with partners on the division of labour in technical assistance. Finally, it will ensure the information sharing, including TA reports, with partners involved in the same area to avoid conflicting and/or overlapping advice.

Table 1. Guinea-Bissau: Summary of Reporting Requirements

Information	Frequency	Reporting Deadline	Responsible
Fiscal Sector			
Central Government budget and outrun	Monthly	30 days after the end of the month	DGPS ¹
Grants	Monthly	30 days after the end of the month	DGPS
Budgetary grants	Monthly	30 days after the end of the month	DGPS
Project grants	Monthly	30 days after the end of the month	DGPS
Change in the stock of domestic arrears	Monthly	30 days after the end of the month	DGPS
Unpaid claims	Monthly	30 days after the end of the month	DGPS
Interest arrears	Monthly	30 days after the end of the month	DGPS
Proceeds from bonds issued in the regional WAEMU market	Monthly	30 days after the end of the month	DGPS
Real and External Sector			
Updates on annual National Accounts by sector	Annually	30 days after approval	CSO/MEF ²
Balance of Payments data	Annually	30 days after approval	BCEAO/MEF
Balance of Payments data	Quarterly	60 days after the end of the quarter	BCEAO/MEF
Details of exports breakdown	Quarterly	45 days after the end of the quarter	BCEAO/MEF
Details of imports breakdown	Quarterly	45 days after the end of the quarter	BCEAO/MEF
CPI	Monthly	45 days after the end of the month	CSO/MEF
Debt sector			
External and domestic debt and guaranteed debt by creditor	Monthly	30 days after the end of the month	Debt Directorate
Disbursements	Monthly	30 days after the end of the month	Debt Directorate
Amortization	Monthly	30 days after the end of the month	Debt Directorate
Interest payments	Monthly	30 days after the end of the month	Debt Directorate
Stock of external debt	Monthly	30 days after the end of the month	Debt Directorate
Stock of domestic debt	Monthly	30 days after the end of the month	Debt Directorate
Arrears on interest and principal	Monthly	30 days after the end of the month	Debt Directorate
Exceptional domestic financing	Monthly	30 days after the end of the month	Debt Directorate
Copies of any new loan agreements	As occurring		Debt Directorate
Monetary/Financial sector			
Detailed balance sheet of the central bank (national BCEAO)	Monthly	45 days after the end of the month	BCEAO/MEF
Detailed bank-by-bank balance sheets	Monthly	45 days after the end of the month	BCEAO/MEF
Detailed consolidated balance sheet of commercial banks	Monthly	45 days after the end of the month	BCEAO/MEF
The monetary survey	Monthly	45 days after the end of the month	BCEAO/MEF
Detailed net position of central government (PNG)	Monthly	45 days after the end of the month	BCEAO/MEF
Financial soundness indicators	Monthly	45 days after the end of the month	BCEAO/MEF
Interest rates	Monthly	45 days after the end of the month	BCEAO/MEF
Deposit rates on all types of deposits at commercial banks	Monthly	45 days after the end of the month	BCEAO/MEF
Short- and long-term lending rates of commercial banks	Monthly	45 days after the end of the month	BCEAO/MEF
¹ Directorate General for Forecasts.			
² Central Statistics Office/Ministry of Economy and Finance.			