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INFORMATION NOTE



REPUBLIC OF
GUINEA-BISSAU

Presentation of Sovereign issuers of West African Monetary Union

December 2019

Quality review by **Deloitte.**



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GOVERNO DA
GUINÉ-BISSAU

Ministério da Economia e Finanças
Secretaria de Estado do Tesouro
Direção-Geral do Tesouro e da Contabilidade Pública

Attestation de l'émetteur

Je soussigné, Mamadu BALDE, Directeur Général du Trésor et de la Comptabilité Publique, agissant au nom et pour le compte de l'État de Guinée-Bissau, atteste que les données et informations contenues dans la présente Note d'Information sont conformes à la réalité et n'ai connaissance d'aucune information de nature à en altérer la portée.

L'objectif visé à travers cette Note d'Information est de porter à l'attention des investisseurs sur les titres publics émis par l'État de Guinée-Bissau, toutes les informations utiles à la prise de décisions d'investissement.

Toutefois, je rappelle que les informations et analyses prospectives présentées dans ce document, sont basées sur des projections établies à partir d'hypothèses qui sont entachées d'incertitudes pouvant entraîner des différences entre les réalisations effectives et les performances économiques attendues.

Cette note d'information publiée sera mise à jour chaque fois que nécessaire, afin de rendre compte :

- de l'évolution de la situation économique de la Guinée-Bissau ;
- de la disponibilité ou de la mise à jour des données économiques ;
- de quelques changements intervenus.

Mamadu BALDE

Directeur Général du Trésor
et de la Comptabilité Publique





ACRONYMS

ABEDA	: Arab Bank for Economic Development in Africa
ADF	: African Development Fund
AFC	: African Financial Community
AfDB	: African Development Bank
AGOA	: African Growth Opportunities Act
AIDS	: Acquired Immune Deficiency Syndrome
APPD	: Accord de Partenariat et de Peche Durable/Partnership and Sustainable Fisheries Agreement
BCEAO	: Central Bank of West African States
BEE	: Basic Elementary Education
CBE	: Complementary Basic Education
CENTIF	: Cellule Nationale de Traitement des Informations Financières/ National Financial Information Processing Unit
CFI	: Cost Insurance Freight Insurance
CML/TF	: Combating Money Laundering and Terrorist Financing
CSL	: Community Solidarity Levy
CV	: Current Value
DMAS	: Debt Management and Analysis System
DSF	: Debt Sustainability Framework
EBA	: Everything but Arms
ECF	: Extended Credit Facility
ECL	: ECOWAS Community Levy
ECOWAS	: Economic Community of West African States
EHF	: Ebola Hemorrhagic Fever
ESC	: Complementary Secondary Education
EST	: Estimates
EU	: European Union
FATF	: Financial Action Task Force
FDI	: Foreign Direct Investment
FOB	: Free On Board
GATT	: General Agreement on Tariffs and Trade
GDP	: Gross Domestic Product
GER	: Gross Enrolment Rate
GIABA	: Groupe Intergouvernemental sur le Blanchiment de Capitaux de l'Afrique de l'ouest/Intergovernmental Group on Money Laundering in West Africa
GSE	: General Secondary Education
HDI	: Human Development Index
HIV	: Acquired Immunodeficiency Virus
IDA	: International Development Association
IDB	: Islamic Development Bank
IFAD	: International Fund for Agricultural Development
IIAG	: Ibrahim Index of African Governance
ILO	: International Labor Office
IMF	: International Monetary Fund
INE	: Instituto Nacional de Estadística
INF	: Inferior
LIC	: Low Income Country
MEF	: Ministry of Economy and Finance

MFI	: Microfinance Institution
MFN	: Most Favoured Nation
MW	: Megawatt
OAT	: Obligation Assimilable du Trésor (French government bond)/ Fungible Treasury Bonds
OMVG	: Organisation pour la Mise en Valeur du Fleuve Gambie/Organisation for the Development of the Gambia River
PAIGC	: Parti Africain pour l'Indépendance de la Guinée et du Cap-Vert/African Party for the Independence of Guinea and Cab Verde
PCD	: Democratic Convergence Party
PINA	: Plan National d'Investissement Agricole/National Agricultural Investment Program
PND	: New Democracy Party
PNDS	: Plan National de Développement Sanitaire/National Health Development Plan
PPP	: Purchasing Power Parity
PREV	: Prevision
PROJ	: Projection
PRS	: Social Renovation Party
RAMSAR	: Convention on Wetlands of International Importance
SDR	: Special Drawing Right
SUP	: Superior
TFOS	: Table of the Financial Operations of the State
TIN	: Tax Identification Number
UM	: Union for Change
UN	: United Nations
UNCTAD	: United Nations Conference on Trade and Development
UNDP	: United Nations Development Program
UNESCO	: United Nations Educational, Scientific and Cultural Organization
UNICEF	: United Nations Children's Fund
UNIOGBIS	: United Nations Integrated Peacebuilding Office in Guinea-Bissau
UNODC	: United Nations Office on Drugs and Crime
USD	: US Dollar
BOAD	: West African Development Bank
WAEMU	: West African Economic and Monetary Union
WAMU	: West African Monetary Union
WB	: World Bank
WCO	: World Customs Organization
WHO	: World Health Organization
WTO	: World Trade Organization



EXECUTIVE SUMMARY

In 2017, Guinea Bissau's Human Development Index (HDI) value was 0.455, placing the country 177th out of 189 countries. Between 2007 and 2017, the value of Guinea Bissau's HDI rose from 0.41 to 0.45, an increase of 9.8%.

The evolution of the real GDP in 2017 showed that the national economic activity recorded a growth rate of 5.9% against 6.3% in 2016. The growth in economic activity over the period was mainly due to the production and export of cashew nuts to Brazil (with a favorable price on the international market).

In 2018, a reversal of the trend is expected due to the 10% decline in cashew nut production. This is mainly due to the decline in world prices. The dynamics observed with the cashew nuts have also produced a knock-on effect on the tertiary sector with a negative impact on the trade sub-sector. The budget deficit relative to the GDP worsened from 2010 to 2016. From 2017 onwards, it stabilizes at less than 3% (WAEMU norm). As regards the debt ratio, it showed a downward trend over the entire period. This is explained by the USD 1.2 billion in debt relief that the country has received from the Paris Club, multilateral donors, and private creditors.

According to the debt sustainability analyses, Guinea Bissau presents a moderate risk of external debt distress. In the baseline scenario, the present value of the external debt to the GDP will increase from 9% in 2018 to 15% in 2028. This will be due to the increase in the budget deficit as a result of public investments implemented by the government.

Reforms have been carried out to help the country achieve the objectives of the National Development Plan, the first step of which is known as "Terra Ranka 2015-2020". These reforms are designed to strengthen public infrastructure, energy, water, and sanitation.

A BRIEF OVERVIEW OF THE COUNTRY



GUINEA-BISSAU



Population :
1 874 309 inhabitants
(source : World Bank)

Area
36 125 km²

Official Language : **Portuguese**
Currency : **CFAF**



BCEAO
BANQUE CENTRALE DES ETATS
DE L'AFRIQUE DE L'OUEST



**Democratic
presidential system**

Capital : **Bissau**

50.2% of the population are
between the ages of **15 and 35**.
(Ministry of public health)



(source : National Services, BCEAO)

- ▶ Economy based on **agriculture** and **trade**
- ▶ Africa's **second** largest **cashew** producer



1- GENERAL PRESENTATION OF THE COUNTRY

The Republic of Guinea-Bissau is a Portuguese-speaking country in West Africa. Its capital is Bissau. Following a long war leading to independence in 1973, the country has experienced almost continuous political instability.

The economy is highly dependent on the political climate, the performance of the cashew nut sector and foreign aid.

An agreement with the IMF in 2014 aimed at restoring macroeconomic balances and carrying out reforms has helped boost donor confidence.

The policies adopted under this agreement focus on mitigating the fragility of the economy through the consolidation of public finances, tax reforms, the restoration of financial stability, long-term borrowing and debt sustainability policy, private sector development, and the improvement of inclusive growth. Besides, good governance and the restoration of security are at the heart of these policies.

The country has a significant potential in the mining sector to provide new opportunities to the Guinea-Bissau economy.

Guinea-Bissau is a republic with a presidential regime in which the President of the Republic, head of State, appoints a Prime Minister, head of Government. The country is administratively organized into an autonomous sector (the capital Bissau) and eight (8) regions: Bafata, Biombo, Bolama-Bijagos, Cacheu, Gabu, Oio, Quinara and Tombali. The regions are divided into thirty-eight sectors and the capital Bissau is divided into eight sectors.

1.1 Political system

A Portuguese colony since 1879, Guinea-Bissau became independent on 24 September 1973, after 11 years of civil war. This recognition by Portugal comes about one year after the unilateral proclamation of independence by the African Party for the Independence of Guinea and Cabo Verde (PAIGC), led by Luis Cabral.

In institutional terms, Guinea-Bissau is a sovereign, multiparty, democratic, secular and unitary Repu-

blic led by the President who is the Head of State. The President of the Republic is elected by universal suffrage for five years. The Government is placed under the supervision of the Prime Minister, who is appointed by the President. The executive power is exercised by the Government while the legislative power is shared between the Government and the National Assembly. The judicial power is represented by the Supreme Court, which is the highest judicial authority.

1.1.1 Executive power

The President is elected by direct universal suffrage with an absolute majority vote for a five-year term, renewable once. The current President, Mr. José Mário Vaz, was elected on 23 June 2014. In Guinea-Bissau, power is divided among four organs: the President of the Republic, the National People's Assembly, the Government and the Courts. A set of attributions of national sovereignty is given to each organ. The President of the Republic is the Head of State, the guardian of the Constitution, national unity and the normal functioning of institutions. The President of the Republic has the power to appoint the Prime Minister who is the head of Government and to dissolve Parliament. The current Prime Minister is Mr. Aristides GOMES (since 3 July 2019).

The Government is the supreme executive and administrative organ of Guinea-Bissau. The Government conducts the general policy of the country under its program, approved by the National Assembly.

According to article 71 of the Constitution, in the event of the death or permanent disability of the Head of State, the President of the National Assembly acts as President of the Republic and must organize presidential elections within 60 days.

Guinea-Bissau has had sixteen Presidents since its independence. Over the last decade, the successive Presidents are:

João Bernardo Vieira (1 October 2005-2 March

2009);
Raimundo Pereira (2 March 2009 - 8 September 2009); and
Malam Bacai Sanhá (8 September 2009 - 9 January 2012)
Raimundo Pereira (9 January 2012 - 12 April 2012)
Mamadu Ture Kuruma (12 April 2012 - 11 May 2012)
Serifo Nhamadjo (11 May 2012 - 23 June 2014)
José Mário Vaz (since 23 June 2014)

1.1.2 Legislative Power

The parliamentary chamber of Guinea-Bissau is the National People's Assembly. The Chamber has 102 members elected for a four-year term, in electoral constituencies defined by law. The President is elected during the first parliamentary session for the same term.

The parliament supervises the activities of the Government through written and oral questions, and an answer must be received during the same session, or within a maximum of 15 days, in writing, if investigations are necessary. The Constitution confers certain powers to the National People's Assembly, including ruling on the constitutionality of laws and other legislative texts, approval of the State budget, approval of treaties involving the participation of Guinea-Bissau in international organizations, treaties of friendship, peace, defense and adjustment of borders, and all other treaties that the Government intends to submit to the Assembly.

At present, the National Assembly is composed of the following parties: the African Party for the Independence of Guinea and Cabo Verde (PAIGC) with 47 seats, Movement for Democratic Change (MADEM G15) with 27 seats, Party for Social Renovation (PRS) with 21 seats, United People's Assembly - PDGB (APU) with 5 seats, Union for Change (UM) with 1 seat, New Democracy Party (PND) with 1 seat.

1.1.3 Judiciary Power

The legal system of Guinea-Bissau is essentially inspired by the Portuguese system. The overall architecture of the judiciary power of Guinea-Bissau is composed of: the Supreme Court, the regional people's courts and the sectional people's courts. The Supreme Court is the highest judicial authority.

It functions as a court of last resort and is composed of nine judges appointed by the President of the Republic.

Each of the nine regions has a Regional Court, which serves as the first court of appeal of the 24 courts of first instance and hears civil disputes over US\$ 1,000. The judges of first instance have jurisdiction over minor offenses and, in civil cases, when the amount in dispute does not exceed US\$ 1,000.

1.2 Administrative organization

The country is administratively organized into an autonomous sector (the capital Bissau) and eight (8) regions: Bafata, Biombo, Bolama-Bijagos, Cacheu, Gabu, Oio, Quinara and Tombali.

The regions are in turn divided into sectors (36 in total) and sections, composed of tabancas (villages). The regions and sectors are governed by state committees, headed by a president.

1.3 Geographical location

Guinea-Bissau has a surface area of 36,125 km². It is surrounded to the north by Senegal, to the south and east by the Republic of Guinea and to the west by the Atlantic Ocean (270 km of coastline). Its territory is 8% covered by mangroves. One-third of Guinea-Bissau territory is made up of islands, the Bolama-Bijagós archipelago, a natural site of nearly 80 islands and islets, recognized by UNESCO, and several islands are classified as RAMSAR (Wetlands of International Importance).

Numerous rivers and streams irrigate the country from north to south, including Cacheu, Mansoa, Geba, Corubal, Grande de Buba, Cumbijã, Tombali and Cacine. The country is rather flat except for the south-east, which peaks at 360 m of altitude, and has a hot and humid tropical climate characterized by the alternation of two seasons: a rainy season from June to November and a dry season from December to May. The vegetation is composed of savannah in the eastern part of the country extending the forest area.

1.4 Population

According to the latest population census conducted in 2009 by the National Institute of Statistics (INE) of

Guinea Bissau, the population of Guinea Bissau was approximately 1,449,230 inhabitants, 51.6 percent of whom were women. Young people between the

ages of 15 and 35 account for 50.2 percent of the country's population. According to INE estimates, the population will reach 1,584,791 in 2018.

Table 1. Guinea Bissau population in 2018

Category	Number	Proportion
Total Population	1 584 791	
Man	780 070	43.45%
Woman	804 721	56.55%
Urban	688 592	49.22%
Rural	896 199	50.78%
Muslim	714 741	45.10%
Christian	350 239	22.10%

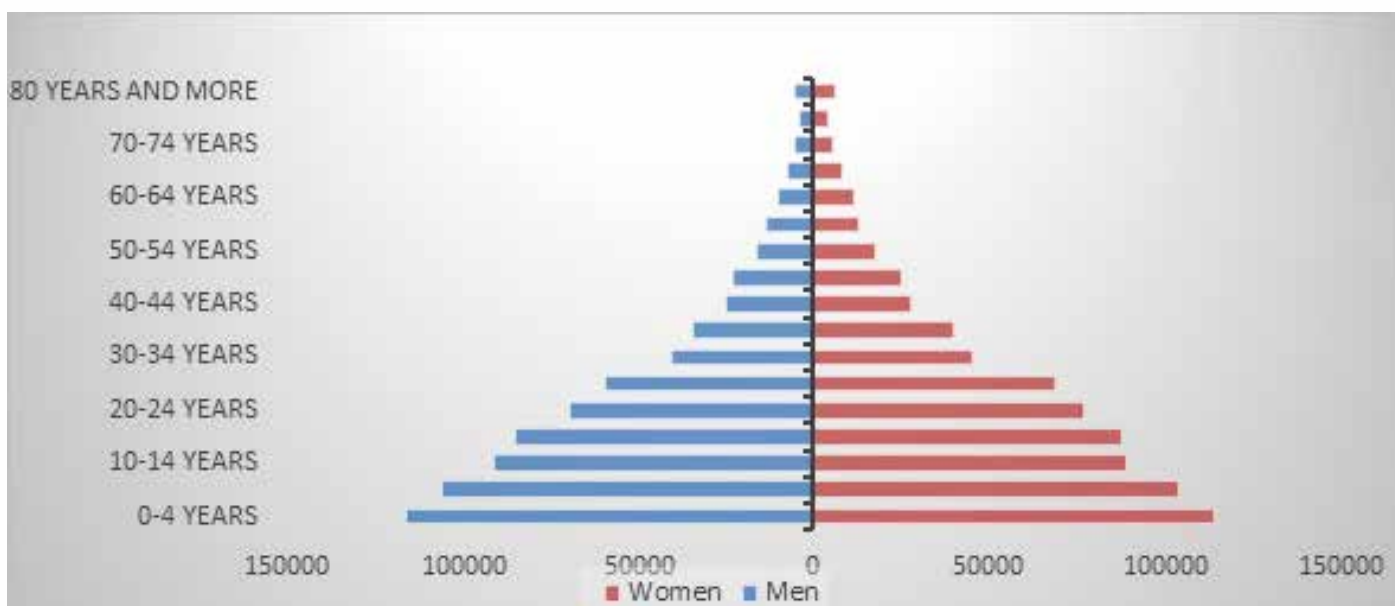
Source: INE, CIA factbook January 2018

In terms of geographical distribution, the capital Bissau accounts for 25 percent of the total population, followed by Oio (14.9 percent), Gabu (14.2 percent), Bafata (13.9 percent), Cacheu (12.8 percent), Biombo (6.4 percent), Tombali (6.3 percent), Quinara (4.2 percent) and finally Bolama/Bijagós with 2.2 percent. According to the INE (2015), the population density is 40 inhabitants/km² on average. It varies from 12.3 inhabitants/km² in Bolama/Bijagós to 4,711 inhabi-

tants/km² in Bissau and 110.9 inhabitants/km² in Biombo. This situation has consequences on housing, with high demand in the cities of Bissau and Biombo.

Over the last ten years, the population of Guinea-Bissau has grown at an average annual growth rate of 2.6 percent according to United Nations data. The population is very young, as shown by the age pyramid.

Figure 1. Age pyramid of the population of Guinean Bissau

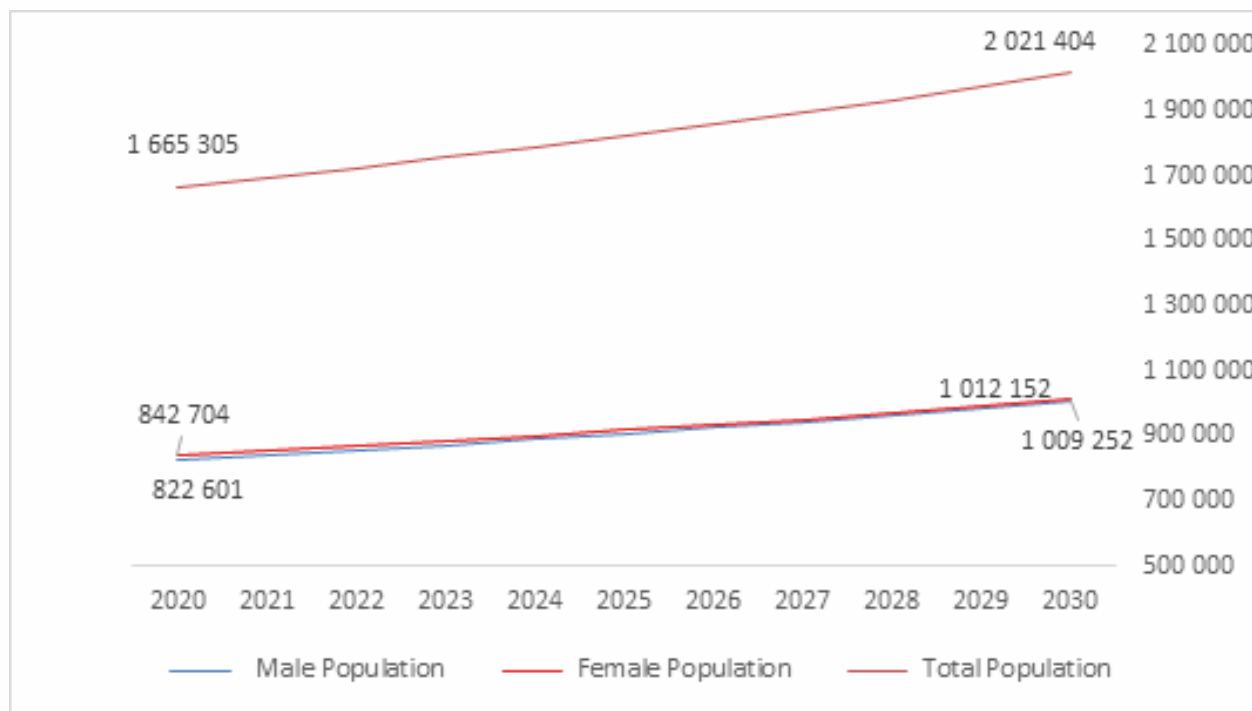


Source: INE (population projections in Guinea Bissau 2009 - 2030)

According to the United Nations, almost half of the population of Guinea-Bissau lives in urban areas (49.3 percent) compared to 50.7 percent in rural areas.

The January 2018 edition of the CIA World Factbook shows that 45.1 percent of the inhabitants are Muslims, 22.1 percent are Christians and 32.2 percent are animists or following traditional religions.

Figure 2. Population Projection by Gender



Source: INE (population projections in Guinea Bissau 2009 - 2030)

1.5 Education

The Guinea-Bissau Constitution stipulates that the State is responsible for the conduct of educational policy and the training of men and women. It guarantees that education is a fundamental right for all children and is compulsory and free for all on the national territory from the age of 6 years.

The education system is structured around two sub-sectors: formal and non-formal education.

i) Formal education consists of pre-school education, middle school education, secondary education, technical and vocational training and higher education.

ii) Non-formal education includes literacy, adult education and other types of education.

There is a special education unit for disabled children.

According to UNESCO, the literacy rate in Gui-

nea-Bissau for people over 15 years of age was 45.58% in 2015. The pre-school enrolment rate has undergone a very significant change, with the gross enrolment rate doubling between 2000 and 2006 (from 3% to 6%). However, it stagnated before reaching 5 % in 2010.

Over the same period, basic education also recorded a significant change, with an increase in the enrolment rate of about 67 % between 2000 and 2010.

The gross enrolment rate indicates the total number of enrolments in a specific level of education, regardless of age, in relation to the school-age population in that level. It stood at 117 % for basic education, with 139 % for Basic Elementary Education (EBE) and 71 % for Complementary Basic Education (EBC). EBE is intended for children between 7 and 12 years of age but includes children over 13 years of age. The imbalance between EBE and EBC continued between 1999/2000 and 2009/2010.

As regards secondary education, there is an even more significant evolution than that of basic education: the gross enrolment rate rose from 19% to 43% between 2000 and 2010 for the whole cycle. It increases more rapidly in Complementary Secondary Education (ESC) than in General Secondary Education (ESG), a sign of a readjustment between the two cycles of secondary education.

1.6 Health

Guinea-Bissau's national health system is structured

around three levels: central, regional and peripheral, and defines the different types of health care delivery structures. The structures are made up of two general departments, the service departments (including the coordination of national programs) and at the intermediate regional level by the regional health departments.

The country is divided into 11 health sectors (Bafata, Cacheu, Oio, Gabu, Quinara, Bolama, Tombali, Farim, Bubaque/Bijagos, Biombo, Autonomous Sector of Bissau) subdivided into a total of 114 health areas.

Table 2. General statistics indicating the population health status

Indicators	2000	2010	2016
Life expectancy of men	51.21	53.46	55.66
Life expectancy of women	53.3	56.62	59.13
Total life expectancy	52.27	55.05	57.4
Infant mortality rate per 1000 births	55.8	45.2	38.2
Infant and child mortality rate (0-5 years)	71.9	69.1	66.4
Maternal mortality ratio / 100,000 live births	N/A	N/A	900

Source: World Bank Data

Guinea-Bissau's health indicators have been improving since 2000 but are still low compared to the other countries of the Union. Life expectancy increased from 52 years in 2000 to 57 years in 2016. In 2016, under-five mortality was 66.4 per 1,000 and the maternal mortality rate was 900 per 100,000 live births according to World Bank data.

The Government's efforts helped improve indicators and access to health care for pregnant women and the reduction of infant mortality. According to the WHO, the government is in the process of finalizing its 2018-2022 National Health Development Plan (PNDS) to reorganize the health system so that it will be able to provide inclusive and integrated health services for its population.

The epidemiological profile of Guinea-Bissau is dominated by communicable diseases (such as HIV and other sexually transmitted diseases) and an increase in non-transmissible and emerging diseases aggravated by an unfavorable context.

The incidence of malaria per 1,000 people at risk was 89.3 according to the World Bank. Thanks to the Government's efforts, this rate has decreased by 30 % since 2005. Nevertheless, malaria remains the main source of child deaths. Tuberculosis incidence indicators show a controlled progression from 369 cases per 100,000 inhabitants in 2014 to 374 cases in 2016. The Simão Mendes National Hospital, the largest hospital in the country, and the Raoul Follereau Hospital detect about 60 % of tuberculosis cases.

HIV/AIDS still remains a major challenge for the country. According to World Bank indicators, HIV/AIDS prevalence among the population aged 15-49 years was 4.1% in 2008 and 3.4% in 2017.

In 2012, a cholera epidemic broke out in Guinea-Bissau and continued in 2013. Female genital mutilation (cutting) is still widely practiced and severely affects the well-being of women.

1.7 Employment

According to World Bank data, the active population, including informal employment, is estimated at 793,397 people in 2017 compared to 647,523 people in 2010. More than half of working-age men (52.3%) were in the labor market compared to 47.7% of women in 2017. According to World Bank projections, the labor force is expected to reach 842,073 people in 2020. The agricultural sector and agro-industry employ 85 % of the labor force and generate almost all exports.

With regard to the unemployment rate, the country has seen a steady decline since 2007, from 6.41 % to 6.10 % in 2017. According to World Bank projections, the rate is expected to continue to decline, reaching 6 percent in 2020. Unemployment affects women (6.68 %) more than men (5.58 %).

The government, with the support of the International Labor Office (ILO), has established a Decent Work Country Program for Guinea-Bissau for the 2012-2015 period. This program goals are as follows:

- (i) Contribute to the process of modernizing the administration in a climate of social dialogue and promotion of gender equality;
- (ii) promoting decent jobs for young men and women, in particular through business creation and vocational training;

ational training;

(iii) strengthening and expanding the social protection system, especially for women in the informal economy, for children in the worst forms of forced labor and taking into account HIV in the workplace.

1.8 Reminder of the main aggregates

The HDI is developed by the United Nations Development Program (UNDP). This indicator provides a summary measure to assess long-term progress along three basic dimensions of human development: a long and healthy life, access to education and a decent standard of living.

In 2017, Guinea Bissau's Human Development Index (HDI) value was 0.455, placing the country 177 out of 189 countries. Between 2007 and 2017, the value of Guinea Bissau's HDI rose from 0.41 to 0.45, an increase of 9.8%.

With regard to the GINI index, according to the World Bank, Guinea-Bissau was at 50.7 in 2010, a 15.1 point decrease compared to the 2002 level (35.6).

With regard to the real GDP per capita, it increased between 2014 and 2017 from CFAF 253 706 to CFAF 281 441. This evolution is explained by the improvement in the economic environment after periods of political and military tensions.

Table 3. Evolution of the real GDP per capita

	2013	2014	2015	2016	2017	2018
Real GDP per capita in CFAF	256810.5	253706.0	263468.3	272638.0	281441.4	290529.0
Real PPP GDP per capita	1533.3	1514.8	1573.0	1627.8	1680.3	1734.6

Source : IMF

Table 4. Summary Table

CFAF Billions	2013	2014	2015	2016	2017	2018
National Economy						
Nominal GDP	516.7	520.9	619.7	698.7	784.0	826.5
Real GDP growth (%)	3.3	1.0	6.1	6.3	5.9	5.3
Investment rate (% of GDP)	7.3	11.4	8.2	8	8.8	11.6
Inflation rate (in %)	0.8	-1.0	1.5	1.5	1.1	2.0
Balance of payments						
FOB Exports	76.0	82.0	149.0	173.0	191.0	194.0
FOB Imports	106.0	129.0	149.0	166.0	198.0	210.0
Balance	-39.0	-58.0	-29.0	-24.0	-45.0	-54.0
Current account balance	-25.0	3.0	12.0	19.0	-16.0	-19.0
Public Finances						
revenues and grants	61.0	105.9	124.9	111.1	143.6	159.9
Net Expenditures and Loans	70.2	118.1	141.1	138.4	155.7	165.6
Overall balance on a commitment basis	-9.2	-12.2	-16.2	-27.3	-12.1	-5.7
Public Debt						
Domestic Debt	158.2	232.1	213.8	254.2	289.6	274.3
External debt	142.7	87.0	87.6	93.4	90.6	90.4
Public debt as a % of the nominal GDP	52.3	55.0	52.3	53.6	51.2	44.8
Overall budget deficit including grants						
In value	14.4	14.0	33.4	14.9	12.1	14.4
As a percentage of the nominal GDP (%)	2.8	2.7	5.4	2.1	1.5	1.7

Source: BCEAO, IMF

2- RECENT ECONOMIC SITUATION AND OUTLOOK

2.1 Gross Domestic Product Assessment

2.1.1 Level of GDP (in billions of CFAF)

In 2018, Guinea-Bissau's nominal Gross Domestic Product (GDP) is estimated at CFAF 818.5 billion, against CFAF 784 billion in 2017. It could reach CFAF 947.8 billion in 2020. This increase is explained by government support through public expenditures, pay-

ment of arrears and cashew nut exports. The 2018 GDP estimate has been revised downwards due to the poor performance recorded in cashew nut production on which the economy is highly dependent. This decrease is mainly due to lower-than-expected prices.

Table 5. Nominal gross domestic product (GDP) of Guinea-Bissau

In billions of CFAF	2013	2014	2015	2016	2017	2018 Est	2019 Proj	2020 Proj
Nominal GDP	516.7	520.9	619.7	698.7	784.0	818.5	879.8	947.8

Source : IMF

2.1.2 Real GDP growth (in %)

The real GDP growth improved significantly over the period. It is estimated at 4.5 % in 2018 and projections indicate a level of 6.3 % and 6 % in 2019 and 2020 respectively.

The evolution of the real GDP in 2017 showed that national economic activity recorded a growth rate of 5.9 % against 6.3 % in 2016. The growth in econo-

mic activity over the period was mainly due to the production and export of cashew nuts to Brazil (with a good price on the international market).

In 2018, economic growth is estimated at 3.8 % due to a 10 % drop in the estimated production value of cashew nuts. This is mainly due to a fall in world prices. The dynamics observed for this product have also produced knock-on effects on the tertiary sector with a negative impact on the trade sub-sector.

Table 6. Real gross domestic product (GDP) growth in Guinea-Bissau

Guinea-Bissau	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP per sector						Est	Proj	Proj
Primary sector	3.7%	-6.5%	2.9%	5.3%	-0.3%	4.5%	6.3%	6.2%
Secondary sector	4.7%	2.8%	5.1%	3.6%	11.9%	8.1%	10.7%	9.4%
Tertiary sector	2.7%	7.4%	6.6%	7.1%	7.1%	3.2%	4.9%	4.5%
non-market GDP	13.2%	17.3%	7.1%	3.1%	16.6%	8.0%	1.1%	0.6%
Duties and Taxes	-1.8%	26.8%	20.4%	17.3%	21.3%	-1.3%	5.6%	5.5%
Real GDP	3.3%	1.0%	6.1%	6.3%	5.9%	3.8%	6.3%	6.0%

Source: BCEAO

2.1.3 Breakdown of GDP in structure (in %)

In 2017, the share of the primary sector in GDP was 35.7%. Between 2019 and 2020, it is projected to be 35.9%. The secondary sector contributed 14.5 % of GDP in 2017 against 13.8 % in 2016. In 2018, its contribution is estimated at 15.1%. Projections show that the contribution of this sector should be

15.8% and 16.3% respectively between 2019 and 2020.

In 2017, the tertiary sector accounted for 33.1% of GDP, with slight increases between 2013 and 2014, when its contribution rose from 30.9% to 31.6%. The projections for the years 2019 and 2020 are 31.9% and 32.1% respectively.

Table 7. Breakdown of GDP in structure (in %)

Guinea-Bissau	2013	2014	2015	2016	2017	2018	2019	2020
						Est	Proj	Proj
Total GDP	100%	100%	100%	100%	100%	100%	100%	100%
Primary sector	42.6%	39.4%	38.2%	37.9%	35.7%	35.9%	35.9%	35.9%
Secondary sector	14.0%	14.2%	14.1%	13.8%	14.5%	15.1%	15.8%	16.3%
Tertiary sector	30.9%	31.6%	32.5%	33.3%	33.1%	31.9%	31.9%	32.1%
No market GDP	10.5%	12.2%	12.3%	12.0%	13.2%	13.7%	13.0%	12.4%
Duties and taxes	2.0%	2.5%	2.8%	3.1%	3.6%	3.4%	3.4%	3.3%

Source : BCEAO

The trend observed in the primary sector is mainly explained by the progression of the agriculture sub-sector. As regards the secondary sector, the evolution is linked to the good performance of the production in the sub-sectors (mining, construction and other industries). As for the tertiary sector, the situation is explained by the good dynamics observed in the telecommunications sub-sector as well as other services.

2.2 Detail of Gross Domestic Product

2.2.1 GDP in volume, sectors detail

In 2018, the contribution of the primary sector to the GDP is estimated at CFAF 180 billion. The contribution of this sector to the GDP increased from CFAF 170 billion in 2013 and will reach CFAF 203 billion in 2020 according to forecasts. The secondary sector contributed CFAF 56 billion in 2013, CFAF 75.8 billion in 2018 and is expected to reach CFAF 91.9 bil-

lion in 2020. As for the tertiary sector, it contributed up to CFAF 160 billion. Between 2013 and 2018, its share rose from CFAF 124 to 160 billion. According to forecasts, it would reach CFAF 170 and 181 billion respectively in 2019 and 2020.

The increase in the primary sector in 2018 is mainly due to subsistence agriculture, which increased by 4.6%. The hunting/livestock and fishing sub-sectors stagnated while the forest sub-sector experienced a slight increase in 2018. As for the secondary sector, it increased by 8.5% in 2018 against 11.1% the previous year. This slowdown is mainly related to construction activity. The agribusiness and other industries sub-sectors are expected to maintain significant levels of growth.

For the tertiary sector, its contribution remains significant despite the slowdown in the trade sub-sector (-1.8%) between 2017 and 2018.

Table 8. Sectoral breakdown of GDP

Guinea-Bissau In billions of CFAF	2013	2014	2015	2016	2017	2018	2019	2020
						Est	Proj	Proj
Primary sector	170	159	164	173	172	180	191	203
Agriculture	128	116	124	132	130	136	146	156
Fishing	13	13	14	15	16	16	17	17
Forest	12	13	9	8	8	9	9	9
livestock and Hunting	17	17	18	18	19	19	20	20
Secondary sector	56	58	61	63	70	76	84	92
Agribusiness	43	43	47	49	51	54	59	64
Other Industries	5	5	5	6	6	7	8	9
Construction	6	6	5	4	9	10	12	12
Water – Electricity	2	3	4	3	4	4	5	6
Tertiary sector	124	128	139	152	160	160	170	181
Trade restaurant and hotels	85	87	93	103	107	105	110	117
Transports et Communications	25	27	30	31	33	36	39	42
Others services	14	14	16	17	19	18	21	22
Non-market GDP	42	49	53	55	64	69	69	70
Market GDP	350	345	364	387	402	416	445	476
Public Administration	42	49	53	55	64	69	69	70
Duties and taxes	8	10	12	14	17	17	18	19
Total GDP	400	404	429	456	483	501	533	565

Source : BCEAO

2.2.2 GDP in composition

The primary sector has seen favorable developments in recent years. These trends can be explained by the establishment of the National Agricultural Investment Program (PINA) for which the government received financing from the West African Development Bank (BOAD) of CFAF 10 billion. These actions combined with the increase in cashew nut production have strongly supported the primary sector growth. However, the primary sector experienced a decline in 2018 due to the poor cashew season.

As regards the secondary sector, good performance is attributable to the agribusiness sub-sector, which benefits from improved electricity and water production.

As for the tertiary sector, its slowdown is linked to difficulties in the transport and trade sector. The decline in trade is said to be the result of problems in cashew marketing due to the fall in international prices.

Table 9. Share of sectors and sub-sectors in the GDP (%)

Guinea-Bissau	2013	2014	2015	2016	2017	2018	2019	2020
						Est	Proj	Proj
Primary sector	42.6%	39.4%	38.2%	37.9%	35.7%	35.9%	35.9%	35.9%
subsistence farming	23.1%	19.0%	20.0%	19.8%	19.0%	19.8%	20.2%	20.6%
Cashew nuts	8.8%	9.6%	8.9%	9.1%	7.8%	7.3%	7.2%	7.1%
Fishing	3.4%	3.3%	3.2%	3.3%	3.4%	3.2%	3.1%	3.1%
Forest	3.0%	3.2%	2.0%	1.7%	1.6%	1.7%	1.7%	1.6%
livestock and hunting	4.3%	4.3%	4.1%	4.0%	3.8%	3.8%	3.7%	3.6%
Secondary sector	14.0%	14.2%	14.1%	13.8%	14.5%	15.1%	15.8%	16.3%
Agribusiness	10.7%	10.6%	11.0%	10.9%	10.5%	10.9%	11.1%	11.4%
Other industries	1.2%	1.2%	1.1%	1.3%	1.2%	1.3%	1.5%	1.6%
Construction	1.5%	1.6%	1.2%	0.9%	1.8%	2.1%	2.2%	2.2%
Water – electricity	0.6%	0.8%	0.8%	0.8%	0.9%	0.9%	1.0%	1.1%
Tertiary sector	30.9%	31.6%	32.5%	33.3%	33.1%	31.9%	31.9%	32.1%
Trade. Restaurants and hotels	21.2%	21.6%	21.6%	22.7%	22.2%	21.0%	20.7%	20.8%
Transports and communications	6.1%	6.6%	7.0%	6.9%	6.9%	7.2%	7.4%	7.5%
Other services	3.6%	3.4%	3.8%	3.7%	3.9%	3.7%	3.9%	3.9%
Non-market GDP	10.5%	12.2%	12.3%	12.0%	13.2%	13.7%	13.0%	12.4%
Market-GDP	87.5%	85.3%	84.9%	84.9%	83.3%	82.9%	83.6%	84.3%
Public Administration	10.5%	12.2%	12.3%	12.0%	13.2%	13.7%	13.0%	12.4%
Duties and taxes	2.0%	2.5%	2.8%	3.1%	3.6%	3.4%	3.4%	3.3%
Total GDP	100%	100%	100%	100%	100%	100%	100%	100%

Source : BCEAO

2.2.3 GDP by component

On the domestic demand side, growth is mainly driven by private consumption with a contribution of 7.4% in 2016 and 3.4% in 2017. The private and

public investments made a small contribution to growth in 2016 and 2017. With regard to external demand, the contributions to growth in 2016 and 2017 remained negative due to the large weight of imports in relation to exports.

Table 10. Breakdown of GDP according to expenditures (in billions of CFAF)

constant prices	2013	2014	2015	2016	2017	2018	2019
1. Internal demand	422.1	446.8	493.5	522.5	541.5	574.9	606.4
Total consumption	393.8	417.9	461.1	492.4	510.7	542.3	571.8
Private	335.1	342.7	376.8	410.5	426.9	453.6	477.9
Public	58.7	75.2	84.3	81.9	83.8	88.7	93.9
Gross Fixed Capital Formation	28.3	28.9	32.4	30.1	30.8	32.6	34.6
Private	13.1	9.8	9.8	10.6	9.3	11.5	11.9
Public	15.1	19.1	22.6	19.5	21.5	21.1	22.7
2. Total external demand	-24.7	-49.7	-58.2	-69.4	-72.4	-86.7	-85.9
3. Change in inventories	2.9	7.1	-6.4	0.5	11.2	19.6	15.8

Source : BCEAO

Table 11. Contribution to the growth of expenditure items (in %)

In %	2014	2015	2016	2017	2018	2019
1. Internal demand	6.1%	10.9%	6.4%	3.9%	6.7%	5.9%
Total consumption	6.0%	10.1%	6.9%	3.8%	6.3%	5.5%
Private	1.9%	7.9%	7.4%	3.4%	5.3%	4.6%
Public	4.1%	2.1%	-0.5%	0.4%	1.0%	1.0%
Gross Fixed Capital Formation	0.2%	0.8%	-0.5%	0.1%	0.4%	0.4%
Private	-0.8%	0.0%	0.2%	-0.3%	0.4%	0.1%
Public	1.0%	0.8%	-0.7%	0.4%	-0.1%	0.3%
2. Total external demand	-6.2%	-2.0%	-2.5%	-0.6%	-2.9%	0.2%
3. Change in stocks	1.0%	-3.1%	1.5%	2.2%	1.7%	-0.7%

Source : BCEAO

Perspectives

Growth in the primary sector is expected to rise from 5.3% in 2019 to 6.4% in 2021, an increase of one percentage point. This increase would be linked to the effectiveness of the “Terra Ranka”¹ program investments. The implementation of innovations in agriculture, livestock and the environment would support the primary sector. The actions envisaged are as follows:

- (i) increase and diversify agricultural production through the modernization and diversification of crops;
- (ii) strengthening of production under irrigation;
- (iii) Ensure the system of animal production and intensification.

The secondary sector is expected to grow by 18.7% in 2019, 7.2% in 2020 and 9.5% in 2021, with an annual average of 10.2% for the 2019-2023 pe-

¹ 2015-2018 Operational and strategic plan put in place by the government with the aim of achieving objectives in the areas of governance, peace, infrastructure, urban planning, human development and biodiversity.

riod. The secondary sector will benefit from the effects of major infrastructure and energy projects. Indeed, Guinea Bissau has received support from the World Bank and the West African Development Bank (BOAD). This support mainly concerns road and energy infrastructure.

The tertiary sector is expected to grow by 2.5% in 2019 to reach 5.6% in 2020 and 4.5% in 2021, with an average growth of 4.6% over the 2019-2023 period due to particularly favorable developments in activities related to telecommunications and public administration reforms. With regard to telecommunications, the country has received a World Bank loan of USD 31 million for the development of the optical submarine cable. This loan is supplemented by a USD 8 million financing provided by a consortium made up of the Bissau-Guinean government and telecommunications operators established in

the country.

Regarding demand, final consumption is expected to increase by an average of 21.7% between 2019 and 2023 and would contribute more to GDP. According to the 2018 budget, investments are projected to be on average 7.39% higher over the 2019-2023 period, with the focus on gross fixed capital formation driven mainly by private sector investment, which is expected to grow by an average of 8.9% over five years. This performance will be linked to the development of road, energy and telecommunication infrastructures.

Exports of goods over the 2019-2023 period should reach CFAF 79.7 billion and imports CFAF 189.3 billion. The increase in exports would be linked to the good performance of cashew nut products.

3- ANALYSIS OF THE NATIONAL DEVELOPMENT PLAN

In 2015, Guinea-Bissau adopted a new reference framework for the next decade's development policy: the Guinea-Bissau 2025 Vision. The first phase of this plan is known as "Terra Ranka, 2015-2020".

3.1 Recent achievements and realizations

3.1.1 Presentation of the national development plan

The Guinea-Bissau 2025 vision is

- (i) an in-depth economic and social transformation;
- (ii) The preservation of the country's unique biodiversity;
- (iii) A strengthening of the common identity.

Thus, in 2025, Guinea-Bissau should begin its transition towards a prosperous, inclusive and biodiversity-friendly society. The "Terra Ranka" plan essentially aims to achieve the following objectives:

- (i) Maintaining political stability;
- (ii) The implementation of public administration reforms and the improvement of public finance management;
- (iii) Institutional capacity building;

- (iv) Implementation of a policy of economic diversification, particularly in agriculture;
- (v) Strengthening investment in infrastructure.

All the projects are estimated at a total cost of CFAF 500 billion. Significant progress linked to the country's security context and political stability should be accompanied by the return of donors.

As part of the mechanisms to monitor the implementation of the national development plan, inter-ministerial committees have been set up to supervise its progress and accurately monitor cross-cutting projects requiring good synergy between administrations. To carry out this monitoring, a planning monitoring-evaluation office has been set up at the Prime Minister's Office. Its role is to monitor, assist the various actors, provide impetus and also to alert.

3.1.2 Recent reforms related to the national development plan

Reforms have been carried out to help the country achieve the objectives of the national development plan. These include reforms to strengthen public infrastructure, energy, water and sanitation. The table below summarizes some projects in these sectors.

Table 12. Structuring projects linked to the national development plan

Project	Donors	Type	Situation
Water, Sanitation and Hygiene Program	UNDP and UNICEF	Donation	Ongoing
15 MW Thermal Fuel Power Generation Capacity Enhancement Project	BOAD	Loan	Ongoing
Project to support the economic development of southern regions	IFAD	Donation/Loan	Ongoing
Quality Education for All Project	World Bank	Donation	Ongoing

Source : MEF

3.2 Future Achievements

jects will be launched in 2019. These projects mainly concern electrification and road construction.

To complete the reforms already launched, new pro-

Table 13. Future structuring projects linked to the national development plan

Project	Donors	Type	Situation
14 locations in OMVG projects l'OMVG	BOAD	Loan	Starting second quarter 2019
Project for the development of the electricity distribution system in the city of Bissau	AFDB	Donation/Loan	In preparation
Bissau-Safim Road Construction Project	People's Republic of China	Donation	In preparation

Source : MEF

4.1 Structural elements

4.1.1 Description of FRANC zone

The Franc zone is characterized by four (4) founding principles. These principles were set out in the monetary cooperation agreement between the Member States of the Bank of Central African States' area of issuance and France of 23 November 1972, as well as in the cooperation agreement between the member countries of the West African Monetary Union and France of 4 December 1973.

The four main principles of the Franc zone are:

- **A guarantee from the French Treasury for the unlimited convertibility of the Central Bank currency:** currencies issued by the issuing institutions of the Franc zone have unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-areas, an operations account is opened with the French Treasury by each Central Bank of the zone and on which the Central Banks have an unlimited drawing right in the event of the exhaustion of their foreign exchange reserves;
- **A fixed parity with the Euro of EUR 1 for CFAF 655.957:** the parity of the zone's currency with the Euro is fixed and defined for each sub-zone. The currencies of the zone are convertible among themselves, at fixed parities, without limitation of amounts. The changeover to the euro resulted in a simple substitution of the peg to the French franc by the peg to the euro, at an equivalent parity, i.e. CFAF 655.957 = 1 euro (the parity being identical for the West and Central African sub-areas).
- **Free and unlimited transfer of reserves:** transfers are, in principle, free within the Zone.
- **The centralization of reserves:** the States centralize their foreign exchange reserves in their Central Banks, while in return for the unlimited convertibility guaranteed by France, the Franc zone Central Banks are required to deposit a share of their net foreign assets (foreign exchange reserves) with the French Treasury in the operations account opened in the name of each of them. Since the reform of September 2005, BCEAO has been required to deposit 50% of its foreign assets in its operations account.

4.1.2 Description of BCEAO

Article 41 of the WAEMU Treaty designates the Central Bank of West African States (BCEAO) as an autonomous specialized institution of the Union. In full independence, BCEAO contributes to the achievement of the objectives of the Treaty.

Members

The eight (8) Member States of WAEMU are members of BCEAO. They are Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

The bodies

The bodies of the Central Bank are: the Governor, the Monetary Policy Committee, the Board of Directors, the Audit Committee, and the National Credit Councils, one in each of the WAMU member states.

Operation

The Central Bank, its organs, any member of its bodies, or its staff may not seek or receive instructions or directives from Community institutions or organs, from the governments of WAEMU member states, from any other body or any other person. Community institutions, bodies, and the governments of WAEMU member states shall undertake to respect this principle.

The main objective of the Central Bank's monetary policy shall be to ensure price stability. Without prejudice to this objective, the Central Bank shall support the economic policies of the West African Economic and Monetary Union (WAEMU) to achieve sound and sustainable growth.

Roles

The Central Bank has the following basic tasks:

- to define and implement the monetary policy within the WAEMU region,
- ensure the stability of the WAEMU banking and financial system,
- promote the smooth functioning and ensure the

oversight and security of payment systems in the WAMU region,

- implement WAEMU's exchange rate policy under the conditions set by the Council of Ministers,
- manage the official foreign exchange reserves of WAEMU member states.

The Central Bank may carry out, with due regard for monetary balance, specific missions or projects that contribute to the improvement of the monetary policy environment, diversification and strengthening of the WAEMU financial system and technical and professional capacities in the banking and financial sector.

The main objective of the Central Bank's monetary policy is to ensure price stability. As such, it defines the monetary policy which maintains the external coverage rate of the currency at a satisfactory level and to support the economic activity of the member countries without inflationary pressure².

BCEAO supervises the monetary policy of each member country through the elaboration of money supply and credit objectives set on an annual basis. Statutory advances to the national treasuries of member states were suspended in 2001 and abolished as of 2010.

For the conduct of the common monetary policy, BCEAO relies on market mechanisms and indirect instruments to regulate liquidity, in particular the management of interest rates and the system of minimum reserves.

4.1.3 Monetary policy

BCEAO has the exclusive privilege of issuing money in all member states of the West African Monetary Union. It issues monetary signs, notes and coins, which have legal tender status and have the power of discharge in all the member states of the Union. The creation, issue and canceling of monetary signs shall be decided by the Council of Ministers.

The management of the monetary policy of the Member States of the Union by the Central Bank

shall consist of adjusting the overall liquidity of the economy in line with developments in the economic situation to ensure price stability on the one hand and to promote economic growth on the other hand. The current money and credit management framework relies on market mechanisms and indirect liquidity regulation instruments, including interest rates and the reserve requirement system.

The functioning of BCEAO is based on:

- Open market operations: seven-day and twenty-eight-day refinancing (respectively weekly and monthly for banks subject to reserve requirements) attributed at variable rates; the minimum bid rate considered by BCEAO as its prime rate (currently 2.5%). Planned auctions are generally based on BCEAO's forecast of liquidity requirement over the maturity of the operations;
- permanent Loan window: the refinancing of 1 to 7 days or 90 to 360 days against government securities and requests for credit with maturities ranging from 5 to 20 years, at the request of banks (marginal lending window). The rates at these windows are above the prime rate by 200 basis points. As of June 2017, the use of the lending window has been limited to twice the counterpart's own funds.

The minimum bid rate for open market operations (call for tenders) and the interest rate applicable on the marginal lending window (pension rate), whose levels are set by the Monetary Policy Committee, are 2.50% and 4.50% respectively, and constitute the two main key rates of BCEAO.

4.1.4 Money supply in Guinea-Bissau

At the end of 2017, foreign assets increased by 3.17% compared to the same period in 2016 to reach CFAF 207.9 billion. Foreign assets were consolidated as a result of the good performance of cashew nut production and the strengthening of export prices as well as the increased mobilization of external resources to finance public investment projects. Foreign assets are estimated at CFAF 236 billion in 2018.

² The Monetary Policy Committee of BCEAO, at its first meeting held on 14 September 2010 in Dakar, defined the operational objective of price stability as an annual inflation rate in the Union within a margin of \pm one percentage point (1%) around 2%, over a twenty-four (24) month horizon.

Table 14. Monetary Situation

In billion of CFAF	2013	2014	2015	2016	2017	2018
						Est
Foreign Assets	94.9	160.7	167.4	201.5	207.9	236
Central Bank	72.1	135.5	159.5	153.1	176.2	204.3
In banks	22.8	25.2	7.9	48.4	31.5	31.6
Domestic assets	104.7	89.6	134	126.4	146.4	145
To the credit of the State	21.6	32.2	47.9	53.3	44.2	46
Central Bank	13	14.4	28	37.7	37	38.8
Bank	8.6	17.,8	19.9	15.6	7.2	7.2
To the credit of the economy	66.6	61.1	93.9	100.4	75	80.8
Others	16.5	-3.7	-7.7	-27.3	27.2	18.1
Money supply (M2)	186.9	244.1	301.4	327.9	353.3	381
Currencies in circulation	90.9	151.8	194.6	224.2	233.5	251.1
Total Deposits	96	92.3	106.8	103.8	12.8	129.9
% of increase observed as of 31 Dec from n-1 to n						
Net foreign assets	6.3	33.0	6.5	11.3	1.9	7.9
Net domestic assets	6.4	-11.4	18.2	-2.5	6.1	-0.4
Credit to the State	0.3	1.7	4.6	1.8	-2.8	0.5
Central bank	4.4	31.8	16.3	-2.1	7	7.9
Banks	2	1.2	-9.7	13.4	-8.1	0
Money supply (M2)	14.8	22.4	24.8	8.8	8.1	7.5

Source: IMF

Domestic assets reached CFAF 146.7 billion at the end of December 2017, an increase of 16% compared to the previous year mainly due to an increase in other posts.

4.2 Banking system

4.2.1 The banking environment

The banking system remains undeveloped, with five banks with very limited coverage. The banking penetration rate remains low (around 15%) including microfinance. This situation severely limits access to financial services for large sections of the population. The banking system faces several challenges to avoid a crisis similar to the one in 2015. At the time, the government transferred to the state the non-performing

loan portfolio of two commercial banks, amounting to CFAF 34 billion, or 5.6% of GDP. These two banks then accounted for about 50 % of the balance sheet and 55 % of the accounts of the country's banking system. The authorities have taken to court the de-

cision to rescue the banks and legal proceedings are in progress. In 2016, the WAEMU Banking Commission requested that the unsecured portion of the loan portfolios be fully provisioned by the two banks.

Table 15. Aggregated data from credit institutions

(in millions of CFAF)	2013	2014	2015	2016	2017
Treasury and interbank operations	41 236	43 380	45 658	44 389	51 834
Operations with customers	67 646	72 034	108 020	111 072	99 007
Securities transactions and others	26 275	34 546	26 892	55 040	63 536
Fixed assets	6 662	7 393	14 536	30 303	31 544
TOTAL ASSETS	141 819	157 353	195 106	240 804	245 921
Treasury Operations	25 532	28 982	46 092	84 790	82 512
Operations with customers	95 188	108 123	117 273	121 388	137 994
Securities transactions and others	2 992	3 794	5 572	5 174	9 458
Provisions for similar shareholders' equity	18 107	16 454	26 169	29 452	15 957
TOTAL LIABILITIES	141 819	157 353	195 106	240 804	245 921

Source: BCEAO

Over the past five years, total bank assets have developed favorably. The local subsidiary of the Eco-bank Group is the largest in terms of asset volume. Between 2016 and 2017, the total assets of banks in Guinea-Bissau increased from CFAF 240 billion to CFAF 245 billion. The banking sector in Guinea-Bissau recorded a profit of CFAF 2.6 billion in 2017, CFAF 2.58 billion in 2016, and CFAF 10 billion in 2015. From 2016, Guinea-Bissau banks increased their refinancing from BCEAO windows. Treasury operations increased from CFAF 46 billion in 2015 to CFAF 84 billion in 2016. These operations

made it possible to finance cashew nut production and marketing campaigns. The average lending rate was 9.35% in 2017 against 9.12% in 2016. The borrowing rate declined slightly over the year to 4.07% in 2017 against 4.24% in 2016. Long-term rates (maturing over 10 years) fell significantly from 7.76% in 2015 to 3% in 2016 and 2017 due to low inflation expectations. This situation is also explained when the Central Bank decides to curb inflation by raising its key rates while the rise in structural demand is pulling down long rates.

Table 16. Lending and borrowing rates in Guinea Bissau

Lending interest rate	2013	2014	2015	2016	2017
less than or equal to 1 month	9.68	11.48	11.06	8.71	9.31
more than 1 month and less than or equal to 3 months	9.9	9.45	9.12	8.01	7.83
more than 3 months and less than or equal to 6 months	9.85	9.48	9.46	8.81	10.34
more than 6 months and less than or equal to 1 year	9.36	9.06	8.47	9.09	7.86
more than 1 year and less than or equal to 2 years	9.09	9.26	10.09	10.59	8.99
more than 2 years and less than or equal to 5 years	8.97	9.35	9.83	10.56	9.08
over 5 years and under or equal to 10 years	8.71	5.89	8.73	8.36	8.43
More than 10 years	3.1	7.56	7.76	3	3
Total	9.3	9.32	9.72	9.12	9.35
borrowing rate					
less than or equal to 1 month	4.75	4.8	4.81	4.32	3.07
more than 1 month and less than or equal to 3 months	4.7	4.55	4.71	4.74	3.95
more than 3 months and less than or equal to 6 months	3.69	4.33	4.15	3.62	3.42
more than 6 months and less than or equal to 1 year	4.53	3.66	3.33	3.5	2.83
more than 1 year and less than or equal to 2 years	4.56	4.5	3.25	3.62	3.34
more than 2 years and less than or equal to 5 years	5.31	4.5	3.52	5.27	5.88
over 5 years and under or equal to 10 years	5				
Unspecified	4.25	3.64	3.5	3.66	4.36
Total	4.71	4.64	4.54	4.24	4.07

Source: BCEAO

4.2.2 Microfinance

In June 2017, Guinea-Bissau had 6 microfinance institutions (MFIs) throughout the country, representing 4% of such institutions in the WAEMU region. The network of MFIs of the institutions had about 10,000 customers and 17 service points. The credit offered by MFIs was CFAF 131 billion in June 2017 while deposits amounted to CFAF 215 billion. These data show the limited coverage of the microfinance

sector and confirm the lack of financial inclusion.

4.2.2 Financial markets

BRVM

The Regional Stock Exchange (BRVM) is a specialized financial institution created on December 18, 1996, in conformity with a decision of the Council of Ministers of the West African Economic and Moneta-

ry Union (WAEMU) taken in December 1993.

BRVM is a public limited company with a community public service mission. It is common to the 8 West African countries. BRVM/CC/SB started its activities on 16 September 1998 in Abidjan. Its main missions are the following:

- o the organization of the stock exchange market;
- o the publication of stock exchange transactions;
- o Dissemination of stock exchange information;
- o promotion and development of the market.

From 2016 to 2018, the WAEMU stock market (BRVM) has experienced successive declines of 3.87% in 2016, 16.81% in 2017 and 29.14% in 2018. This counter-performance shows that the WAEMU market has not fully withstood the general downward trend that has gripped the world's financial markets. The RSE's drop in 2018 is particularly marked. The stocks preferred values in 2015, oriented towards the Food and Beverage as well as Agro-Industry, Consumer, Automotive and Equipment and Banking sectors, experienced a decline.

The decrease in BRVM prices in 2018 could be explained, on the one hand, by the profit-taking of several large investors who had made significant capital gains on their investment, the decrease also comes

from the readjustment (correction) after four (4) years of intensive market increases (2012 to 2015) and, on the other hand, by the misunderstanding of the various segments made on the market. New investors are speculating and most listed companies have not reacted to the fall in their capitalization.

During the 2018 financial year, BRVM Composite Index dropped from 243.06 on 29/12/2017 to 172.24 on 31/12/2018. The market capitalization of the stock market went from CFAF 6,836.23 billion at the end of 2017 to CFAF 4,844.51 billion at the end of 2018. BRVM also reached the bar of CFAF 236 billion (CFAF 236.22 billion) of transactions in 2018. 117,303,543 securities were traded for a value of CFAF 174,449,217,023. The market capitalization of shares amounted to CFAF 4 844.51 billion in December 2018 against CFAF 6 836.23 billion in December 2017, i.e. a decrease of 29.14%.

Concerning the bonds segment, 6 359 442 bonds were traded for a value of CFAF 61 767 647 783 in 2018. The market capitalization of bonds amounted to CFAF 3 444.22 billion as of 31 December 2018 against CFAF 2 969.53 billion the previous year, i.e. an increase of 15.5%. This improvement was driven by the desire of WAEMU Member States to use the regional financial market to support their respective economies.

Table 17. Evolution of BRVM financial market

	2012	2013	2014	2015	2016	2017	2018
BRVM 10 indexes	184.0	246.3	267.5	290.4	262.0	219.7	154.4
BRVM composite indexes	166.6	232.0	258.1	303.9	292.2	243,06	172.2
Composite market capitalization (stocks and bonds) in billions of CFA francs	4 863.2	6 706.2	7 458.7	9 078.9	10 215.5	9 805.76	8 288.73
Shares Market	4 031.4	5 633.5	6 319.7	7 499.7	7 706.3	6 836.2	4 844.5
Bond Market	831.8	1 072.8	1 139.0	1 579.2	2 509.3	2 969.5	3 444.2
Number of listed companies	38	37	38	39	43	45	45

Source : BRVM

Bonds market

Since its creation in 1998, BRVM has not hosted any Bissau-Guinean companies, there are no listed companies or bond issues on the stock exchange.

4.2.3 Debt subscription mechanisms

Organization of auction markets

The auction market is a segment of the government securities market, on which WAEMU member states issue Treasury bills and bonds following an auction procedure to finance their budgets.

Unlike the syndication market, the auction market is driven by the following players:

- the Central Bank of West African States (BCEAO), which is the regulator of this market. As such, it enacts the applicable provisions, intervenes in the organization of auctions of public securities, performs the function of Central Depository / Settlement Bank, compensates, settles and delivers transactions between participants with an account in its books, through its electronic platform SAGETIL-UMOA³;
- the States which are the issuers of public debt securities on the Union's money market, under the responsibility of the Minister of Finance;
- The Agence UMOA Titres, a regional structure in charge of issuing and managing public debt securities, organizes material issues and assists Member States in mobilizing resources on the capital markets and managing their debt;
- investors which are credit institutions, SGI and regional financial organizations with a settlement account in the books of the Central Bank⁴;
- Treasury Securities Specialists (TSS), which are credit institutions and SGIs that have obtained the approval of the Ministers in charge of Finance of WAEMU member states to act in this capacity and thus benefit from the status of privileged partners of

one or more treasuries of the member state on public debt securities issued on the regional market.⁵

Securities issued by auction are traded on the secondary market, following the over-the-counter procedure.

Organization of syndication market and amount of subscriptions

When organizing syndicated issues, the States entrust the process of investing the securities to an underwriting syndicate, whose members are SGIs approved by the CREPMF. In addition, the issuer chooses a lead manager from among the syndicate members, in charge of specific tasks in the issuance process.

Since its creation, the main products present on the regional financial market have been shares and bonds. In recent years, several new products such as mortgage refinancing and securitization (Sukuk Debt Securitization Fund) have been introduced.

Securities issued by syndication are traded on the secondary market, on BRVM's electronic trading platform.

4.3 Inflation rate

The table below shows the inflation rates in Guinea-Bissau and the WAEMU region. Inflation measured by the consumer price index is estimated at 2.3 % in 2017, below the West African Economic and Monetary Union (WAEMU) threshold of 3 %. Between 2016 and 2017, inflation was driven mainly by housing, water and energy prices. However, food and beverage prices and the prices of health care services increased more slowly.

³ S The West African Monetary Union's Automated Securities and Liquidity Management System

⁴ All other investors wishing to participate will have to go through the authorized participants.

⁵ The operationalization of TSS in the WAEMU region started on 1 March 2016.

Table 18. Inflation rate

Inflation	2014	2015	2016	2017	2018	2019	2020
Guinea-Bissau	-1.00%	1.50%	1.50%	2.3%	2.00%	2.20%	2.30%
WAEMU	-0.10%	1%	0.30%	1.06%	1.70%	1.90%	2.00%

Source: IMF

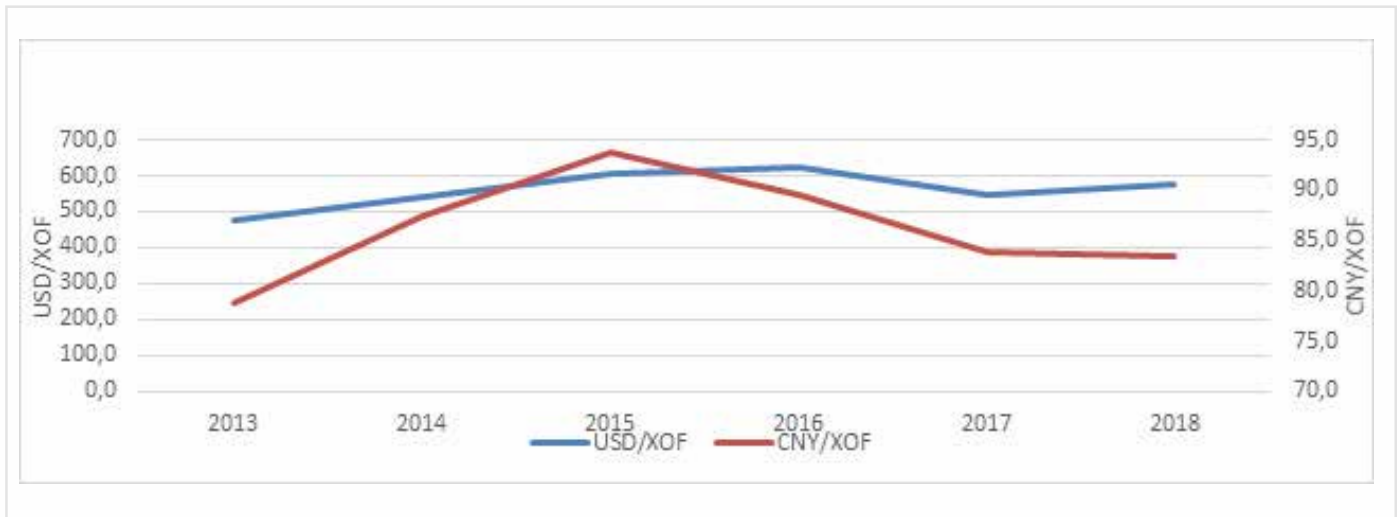
4.4 Exchange rate

Because of its membership in the WAEMU monetary zone, Guinea-Bissau applies an unrestricted exchange rate regime to all payments and transfers relating to international transactions. The common currency of the WAEMU region is the CFAF (which is indexed to the euro of 1 euro = 655.957 FCFA).

The Yuan is now the third most widely used curren-

cy for international trade. The inclusion of the Yuan in the SDRs (Special Drawing Rights) should generate more confidence in the Chinese currency and promote its globalization. The government of Guinea-Bissau is seeking to strengthen its relations with China to develop its foreign trade.

Figure 3. Evolution of the exchange rates of the US dollar and the Chinese Yuan in relation to the CFAF



Source: Cross-listing from Federal Reserve Board Data

4.5 Foreign reserves

Guinea Bissau's reserve assets stood at SDR 13.6 million in 2017 and remained constant over the years 2015, 2016 and 2017. It should be reminded that SDRs are international reserve assets created by the IMF to supplement the reserves of its member countries. SDRs are allocated to member countries in proportion to their respective quotas.

Guinea Bissau's quota increased by 100 % between 2015 and 2016 but remained constant in 2017 (SDR 28.4 million). The reserve position is the "reserve tranche", which is the amount of foreign exchange that a member country can obtain from the IMF on short notice. Guinea Bissau's reserve position increased from SDR 0.3 million in 2015 to SDR 4 million in 2016 and 2017.

Table 19. Table of Guinea Bissau's reserve

(in billions of CFAF)	2013	2014	2015	2016	2017
cash Circulation	90.9	151.4	194.6	224.2	169.7
(in millions of SDRs)					
<i>Department of SDRs</i>					
Allocations	13.6	13.6	13.6	13.6	13,6
Availabilities	12.4	12.4	12.4	13.2	17.8
<i>General Department</i>					
Proportionate Share	14.2	14.2	14.2	28.4	28.4
Reserve positions	5.6	5.7	0.3	4	4

Source : IMF

5- FOREIGN TRADE AND BALANCE OF PAYMENTS

5.1 Balance of payments

The evolution of the current account shows a clear improvement between 2013 and 2016. The current account balance of the balance of payments increased from CFAF -25.0 billion in 2013 to CFAF 19.1 billion in 2016.

During this period, the economic and financial environment was marked by a continuous and growing increase in cashew nut exports even though the balance of goods and services remained in deficit throughout this period. However, the deficit in the

trade balance has been offset since 2014 by the primary and secondary revenue balances, which also remain in surplus during this period.

From 2017 onwards, the country's situation deteriorated with a current account deficit of about CFAF 16 billion in 2017 and CFAF 19 billion in 2018 due to the deterioration in the terms of trade. The latter is linked to the country's heavy dependence on the marketing of raw cashew nuts, the price of which has declined.

Table 20. Guinea Bissau's balance of payments

Guinea Bissau in billions of CFAF	2013	2014	2015	2016	2017	2018	2019
					Est	Est	Proj
Current account	-25	3	12	19	-16	-19	-34
Balance of goods and services	-39	-58	-29	-24	-45	-54	-74
FOB Exports	76	82	149	173	191	194	181
CIF Imports	-106	-129	-149	-166	-198	-210	-213
Primary revenue balance	-4	19	15	18	2	1	8
secondary revenue balance (transfers)	17	43	26	26	28	34	32
Capital account	16	28	35	30	65	39	41
Acquisition and sale of non-financial assets	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Of which direct investments	-10	-13	-10	-14	-9	-9	-10
Of which others	-6	-14	19	18	43	17	11
Capital transfer	15.8	27.4	35.4	29.6	65.4	39.2	40.5
Statistical errors and omissions	5.0	6.1	-7.8	-12.5	-10.0	0.0	0.0

Source : BCEAO

The country's imports also weigh heavily on the balance of goods and services due to the economy's low level of industrialization. Imports are mainly composed of food, capital goods, intermediate goods and raw materials. Moreover, from 2013 to 2018, the financial account, especially the capital account, remains in surplus at a high level in 2016.

5.2 Regional trade

5.2.1 Regional trade policy

The regional trade policy under construction is governed by the provisions laid down by ECOWAS,

which for the most part includes those of WAEMU and extends them to all ECOWAS Member States by making adjustments.

This policy aims to promote the harmonious integration of the region into the world economy, taking into account the political choices and priorities of States in their efforts to ensure sustainable development and reduce poverty.

The process of developing this common trade policy consists first of all in defining its constituent elements: free trade area, CET, accompanying measures (rules of origin, investment and competition

legislation, safeguard measures, harmonization of customs procedures), as well as the various actions aimed at developing ECOWAS trade relations with the rest of the world.

Although there is no common commercial policy as such in ECOWAS today, in the sense of a Community text adopted by the Heads of State and Government, a number of measures have already been implemented which will serve as a basis for the common commercial policy:

- the trade liberalization scheme (TLS);
- the introduction of a Community levy (CL) of 0.5%;
- the TRIE Convention;
- the harmonization of rules of origin with those of the WAEMU;
- the harmonization of standards with WAEMU;
- the adoption of a law on competition;
- the harmonization of domestic indirect tax legislation;
- the adoption of the ECOWAS CET.

The ECOWAS Trade Liberalization Scheme (ETLS) is the main operational tool to promote the West African region as a Free Trade Area. The ETLS pursues the Community objective of creating a common market with "the liberalization of trade through the removal of customs duties levied on imports and exports and the removal of non-tariff barriers among the Member States (Article 3 of the ECOWAS Treaty).

The ECOWAS Trade Liberalization Scheme covers three (3) product groups: unprocessed products, handicraft products and industrial products.

With the inclusion of industrial products, it has proved indispensable to define the products "originating" in the ETLS region:

(i) fully processed goods; products where all the raw materials come from the region;

(ii) goods which are not fully processed but whose production requires the use of materials which will be classified under a different tariff subheading from that of the product;

(iii) goods which are not fully processed but whose production requires the use of materials that have undergone an added value of at least 30% of the ex-factory price of the finished products.

It should be noted, however, that goods processed in free zones or under special economic regimes involving the suspension or partial or total exemption from import duties cannot qualify as originating products.

In order to contribute to trade facilitation and the promotion of the private sector, ECOWAS is implementing actions to strengthen information systems and promote regional trade (ECOBIZ World Market Information System; West African Investment Promotion Agencies (APIAO); e-commerce through the ECOBIZ platform, Community Computer Centre (CCC), ALISA system (computerization of transit and interconnection of ECOWAS customs IT systems).

These results mark significant developments towards the establishment of a Community trade policy.

5.2.2 Regional trade by value

Guinea-Bissau's trade with WAEMU countries is relatively low. Guinea-Bissau's exports to the other seven countries amounted to CFAF 6.4 billion in 2017, or 3% of the country's total exports. Guinea-Bissau's exports in value terms to the WAEMU region decreased between 2013 and 2017 from CFAF 19.1 billion to CFAF 6.4 billion, a drop of more than 50%.

Table 21. Exports to WAEMU countries (CFAF billion)

	2013	2014	2015	2016	2017
Benin	0.7	0.2	0	0	0.2
Burkina Faso	0	0	0	0	0
Cote d'Ivoire	2.1	0	0	0	0
Mali	6.3	8.9	0	0.6	0
Niger	0	0	0	0	0
Senegal	3.6	3.7	3.8	3.9	6
Togo	6.3	0	0	0	0
Total	19.1	12.9	3.8	4.5	6.4

Source : BCEAO

In 2017, Guinea-Bissau's first partner in the subregion was Senegal. The country also exported to Benin, Cote d'Ivoire, Mali and Togo in 2017, but exports in value terms to these countries are limited.

Exports to other West African countries amounted to CFAF 1.3 billion in 2017 and declined by more than

half in value. Ghana was the leading partner among ECOWAS countries (excluding WAEMU) in 2017. This is linked to the fact that there are cashew processing industries in the country. Nigeria and Cabo Verde also imported from Guinea-Bissau in 2017 but the amounts remain low.

Table 22. Exports to Africa (in billions of CFAF)

	2013	2014	2015	2016	2017
WAEMU	19.1	12.9	3.8	4.5	6.4
ECOWAS (excluding WAEMU)	0.0	0.2	0.0	4.1	1.3
OTHER AFRICAN COUNTRIES	0.1	0.0	0.0	0.0	0.0
AFRICA	19.2	13.1	3.8	8.6	7.7

Source : BCEAO

Guinea Bissau's imports by value from WAEMU countries are more significant than its exports. However, they decreased between 2013 and 2017,

from CFAF 47.6 billion to CFAF 40.4 billion. The first and almost only supplier of Guinea Bissau in the WAEMU region is Senegal.

Table 23. Imports from WAEMU countries (in billions of CFAF)

	2013	2014	2015	2016	2017
Benin	0	0.1	0	0	0
Burkina Faso	0	0	0	0	0
Cote d'Ivoire	0.2	0.4	0.5	1.3	0.6
Mali	0.4	0.2	0.1	0	0,3
Niger	0	0	0	0	0
Senegal	46.9	52.8	48.1	35.6	39.3
Togo	0	0	1.3	0.4	0
Total	47.6	53.7	50.3	37.4	40.4

Source : BCEAO

Imports from other West African countries are also declining and amounted to only CFAF 1.2 billion in 2017.

Table 24. Imports from other African countries (CFAF billion)

	2013	2014	2015	2016	2017
WAEMU	47.6	53.7	50.3	37.4	40.4
ECOWAS (excluding WAEMU)	2.4	3.2	4.2	10.0	4.3
OTHER AFRICAN COUNTRIES	1.2	0.8	1.6	3.5	1.2
AFRICA	51.2	57.7	56.1	50.9	45.9

Source : BCEAO

5.2.3 Regional trade by value and by partner

Within the WAEMU region, Guinea-Bissau accounted for 1.7 % of imports and 0.2 % of exports in

2016. Senegal is by far its largest partner in terms of imports and exports. It is the only country to which Guinea-Bissau exports products. It also imports products from Cote d'Ivoire.

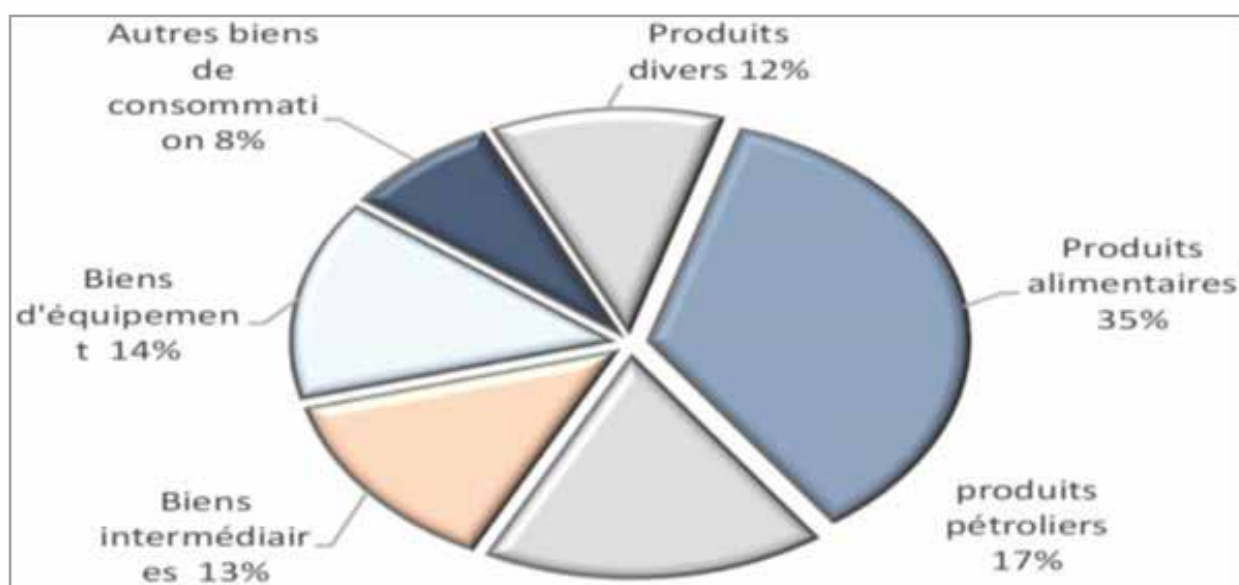
Table 25. Structure of intra-Community trade (%)

		Importers								
		Benin	Burkina Faso	Cote d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Exporters	Benin	X	0.2	0.4	0	2.3	2.1	0	0.8	5.8
	Burkina Faso	0.1	X	0.5	0	0.6	0.5	0.2	1.1	2.9
	Cote d'Ivoire	1.1	13.1	X	0.1	12.6	1.2	3.4	5.6	36.9
	Guinea-Bissau	0	0	0	X	0	0	0.2	0	0.2
	Mali	0.5	2.9	3.4	0	X	0.7	4.2	0.2	12
	Niger	0.5	0.9	0.2	0	2	X	0	0.5	4.1
	Senegal	0.6	1.5	3.6	1.6	12.9	0.8	X	0.7	21.6
	Togo	6.3	4.4	1.8	0	1.6	2.2	0.3	X	16,5
	WAEMU	9	22.9	10	1.7	32	7.3	8.2	8,8	100

Source : BCEAO

Guinea-Bissau mainly exports cashew nuts to its goods and intermediate goods. WAEMU partners. Its main imports from WAEMU countries are food products, oil products, capital

Figure 4. Structure of imports from other countries of the Union



Source : BCEAO

5.3 International Trade

5.3.1 Trade policy

Guinea-Bissau has been a member of the WTO since 31 May 1995 and a member of the GATT since 17 March 1994. Goods are subject to a customs procedure, both on imports and exports, and must be declared following the WAEMU/ECOWAS uniform model.

Guinea-Bissau shall also apply the other Community duties and taxes. Imports of products originating in the WAEMU/ECOWAS region shall benefit from Community preference (zero rate). In addition to the various duties, taxes and levies collected at the Community level, goods crossing the customs cordon are subject to the payment of staff and travel

allowances for customs services rendered.

Guinea-Bissau grants reductions and exemptions from duties and taxes under the Investment Code. Exemptions from duties and taxes at the customs cordon also apply to imports by State structures, public entities, non-governmental organizations and diplomatic representations. According to the authorities, the provisions on tax benefits have not been changed since 2005.

The Guinea-Bissau framework provides for several exemptions, including for the import and marketing of pharmaceutical products and all exports. The General Sales Tax (GST) levied at the customs cordon is calculated based on the Cost Insurance Freight (CIF) value plus customs duties and levies and, where applicable, excise duties. For sales on the domestic market, the tax base is the value of the transaction.

Table 26. Trade policy vis-à-vis trading partners

Trade partners	Specific rules
European Union (EU) countries	<p>-Guinea Bissau, like twelve other West African countries, benefits from duty-free and quota-free access to the EU market for all its exports (except arms and ammunition) under the EU's Everything But Arms (EBA) Initiative.</p> <p>-Sustainable Fisheries Partnership Agreement (SFP): landing of catches in Guinea-Bissau is not compulsory under the SFP.</p>
United States of America	<p>The African Growth and Opportunity Act (AGOA): allows duty-free, quota-free exports to the United States, from 6.400 product categories</p>
WAEMU countries	<p>Application of the WAEMU Harmonized Common External Tariff based on the Harmonized System, 2002 version of the World Customs Organization (WCO).</p>

Source : WTO

In addition, Guinea-Bissau has concluded traditional bilateral trade agreements with a number of countries. These agreements are based on the Most Favored Nation (MFN)⁶ clause and do not confer any particular tariff advantage. They have been concluded with: Guinea, China, Tunisia, Egypt, Turkey, Ivory Coast, Mali, Gambia, Iran and Ukraine.

5.3.2 International trade by value and by destination

Exports of goods (including regional trade) reached a total value of CFAF 197 billion in 2017 against CFAF 164 billion the previous year, an increase of 20%. The increase in the value of exports is mainly explained by the increase in export prices for cashew nuts, which rose from USD 1400 per ton in 2016 to

USD 1950 per ton in 2017. On the other hand, the volume of cashew exports recorded by official services fell by 13.2%.

The Asian continent is Guinea-Bissau's main export market. Exports to Asia grew, thanks to increased cashew nut exports mainly to India, Singapore, Vietnam and the United Arab Emirates.

The country also trades with the European continent. Exports consist mainly of raw cashew nuts and other nut products for an estimated value of CFAF 1.027 billion in 2017 against CFAF 50 million in 2016. Among the European partners, Portugal and the Netherlands have moved to the top of the list in 2017.

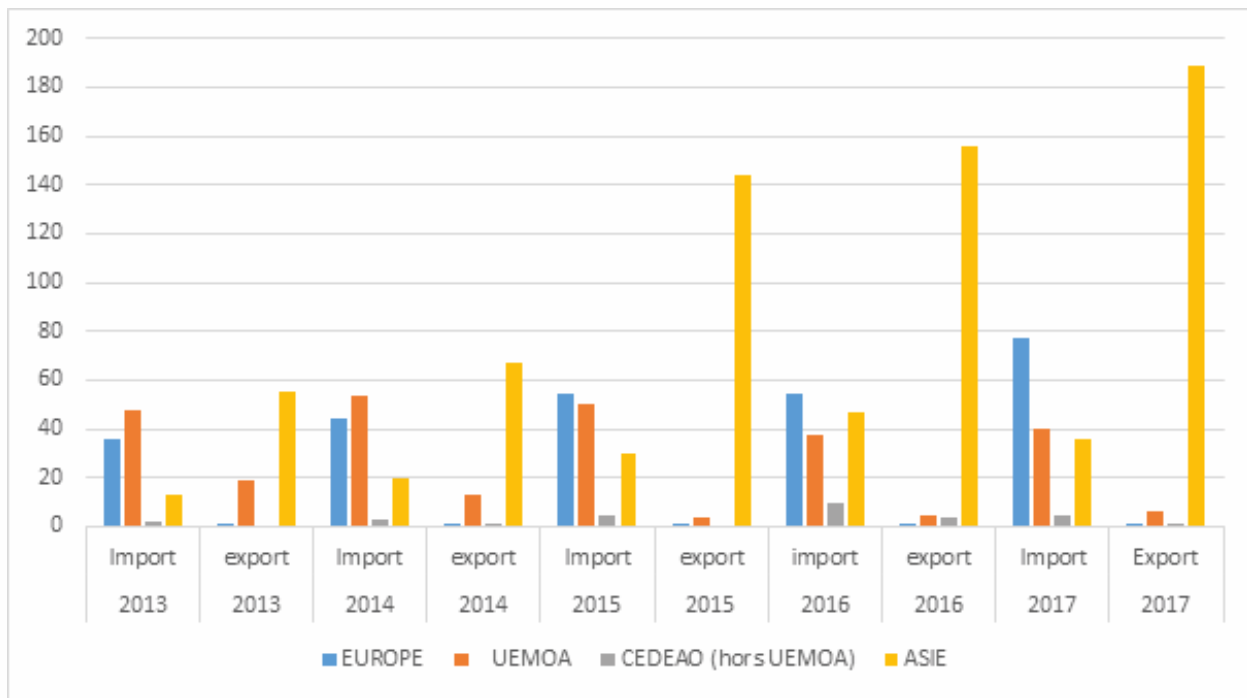
Table 27. Exports by destination (in billions of CFAF)

Geographical areas	2013	2014	2015	2016	2017
EUROPE	0.1	0.9	0.2	0.1	1.0
EUROPEAN UNION	0.0	0.0	0.0	0.0	0.0
EURO ZONE	0.1	0.9	0.2	0.1	1.0
France	0.0	0.0	0.0	0.0	0.0
Germany	0.0	0.0	0.0	0.0	0.0
Italy	0.0	0.0	0.0	0.0	0.0
The Netherlands	0.0	0.1	0.2	0.0	0.9
Belgium	0.0	0.0	0.0	0.0	0.0
Portugal	0.0	0.8	0.0	0.0	0.2
Spain	0.0	0.0	0.0	0.0	0.0
OTHER EU COUNTRIES	0.0	0.0	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0	0.0	0.0
AFRICA	19.2	13.1	3.8	8.6	7.7
WAEMU	19.1	12.9	3.8	4.5	6.4
ECOWAS (excluding WAEMU)	0.0	0.2	0.0	4.1	1.3
OTHER AFRICAN COUNTRIES	0.1	0.0	0.0	0.0	0.0
AMERICA	0.1	0.0	0.0	0.0	0.1
ASIA	55.2	67.2	144.3	155.4	188.5
Other countries	0.9	0.9	0,9	0,0	0,2
TOTAL	75.5	82.1	149.2	164.0	197.5

Source : BCEAO

⁶ « Non-discrimination trade clause. A country cannot grant a special favor to another partner country without granting it to all the other partner countries. »

Figure 5. Evolution of international trade (billions of CFAF)



Source : BCEAO

Regarding the value of imports, it reached CFAF 169 billion in 2017 against CFAF 136 billion in 2016. This evolution is explained by the consolidation of the growth recovery that began in 2015, which increased purchases (food goods, capital goods, intermediate goods).

In 2017, the eurozone was Guinea-Bissau's leading supplier. Its share of total imports rose to 45.5%, compared with 33.0% in 2016. The country's imports from this region come mainly from Portugal,

which is Guinea-Bissau's leading supplier with an estimated 35.4% of the shares in total imports (imports of vehicles, generators and electrical converters, machinery and electrical appliances).

Other imports from the euro area consist mainly of oil products (petroleum oils, gas oil, petrol, gas), food products (mainly wheat and beverages), and capital goods (transport materials, machinery and mechanical and electrical appliances).

Table 28. Imports by origin (in billions of CFAF)

	2013	2014	2015	2016	2017
	<i>Value</i>	<i>Value</i>	<i>Value</i>	<i>Value</i>	<i>Value</i>
EUROPE	35.4	44.2	54.5	54.6	77.0
	0.0	0.0	0.0	0.0	0.0
EUROPEAN UNION (EURO ZONE)	34.6	43.0	51.8	53.6	77.0
Belgium	0.1	0.0	0.6	0.2	0.6
France	0.7	1.6	1.3	1.2	1.1
Germany	0.6	0.5	0.7	0.3	0.8
Italy	0.7	3.6	4.8	3.5	1.5
The Netherlands	3.7	4.7	5.1	6.4	6.5
Portugal	26.8	27.6	34.5	38.3	59.9
Spain	2.0	5.0	4.9	3.6	6.6
Other EU countries	0.1	0.0	0.2	0.1	0.0
United Kingdom	0.1	0.0	0.2	0.1	0.6
OTHER EUROPEAN COUNTRIES	0.8	1.2	2.5	0.9	0.0
Switzerland	0.1	0.1	0.1	0.1	0.0
Turkey	0.7	1.1	2.4	0.9	
Russia	0.0	0.0	0.0	0.0	0.0
Sweden	0.0	0.0	1.6	1.0	0.0
AFRICA	51.2	57.7	56.1	50.9	45.9
	0.0	0.0	0.0	0.0	0.0
WAEMU	47.6	53.7	50.3	37.4	40.4
ECOWAS (excluding WAEMU)	2.4	3.2	4.2	10.0	4.3
OTHER AFRICAN COUNTRIES	1.2	0.8	1.6	3.5	1.2
AMERICA	1.0	1.1	1.0	0.7	1.0

Source : BCEAO

5.3.3 International trade by value and by product

The analysis of the export structure by product shows that cashew nuts continue to dominate the export structure. In 2017, cashew nut exports accounted for 99.3 % of the value of the country's total exports. This reflects the country's high dependence on cashew nut exports, which is explained by the

country's poorly diversified economic fabric.

In 2017, the other products exported are groundnuts, palm oil and fish products. However, their respective weights remain particularly low, not exceeding 0.1 %, according to official statistics. Timber exports were suspended by the government in 2016.

Table 29. International trade by product (CFAF billion)

Products	2013	2014	2015	2016	2017
Exports					
Cashew nut	62.4	57.2	90.5	108.7	114.3
Timber	0.3	0.0	11.8	0.0	0.0
Others	0.2	0.3	0.3	0.1	0.8
Re-export	0.1	0.0	0.0	0.0	0.0
Value Adjustment ⁷	2.6	11.9	42.9	50.7	74.8
Field Adjustment ⁸	9.9	12.6	3.8	4.5	7.6
Total FOB exports	75.,5	82.1	149.2	164.0	197.5
Imports					
Food products	35.9	46.0	48.7	60.2	72.8
Other daily consumer goods	8.4	7.8	9.2	13.4	15.9
Energy products	22.5	23.2	31.0	28.0	35.4
Raw materials and intermediate goods	12.3	16.9	20.3	21.7	27.5
Capital Goods	19.8	20.3	24.8	26.7	29.7
Various products	6.1	14.3	14.5	15.7	24.0
Total imports of CIF goods	105	128.5	148.5	165.7	205.3

Source : BCEAO

Imports in 2017 are composed in decreasing order by food goods (35.5%), energy products (17.2%), capital goods (14.5%), intermediate and raw material goods (13.4%), other miscellaneous goods (11.7%) and other daily consumer goods (7.7%).

5.3.4 International trade by type

The structure of trade by type indicates an overall predominance of primary products in Guinea-Bissau's trade and a relatively variable share of se-

condary and tertiary sector products depending on the year.

The main export products are cashew nuts and travel services, which account on average for 80 % and 15 % of total exports, respectively. Analysis of the structure of imports shows a preponderant share of products such as rice (on average 15%), oil and ferrous products (on average 19%) and services (on average 22%).

⁷ Customs statistics for the transition to balance of payments statistics. Thus, for each product, the market price is obtained from a weighted average of the prices declared by the operators. The difference between the market price and the price derived from customs statistics, applied to the quantities declared by customs for each product concerned, gives the amount of the adjustment to be made to the customs values.

⁸ Takes into account distortions due to the presence of non-residents on the territory and that of residents abroad (e.g. deduction of embassy imports). Also, under this "coverage adjustment" heading, the inclusion of non-controlled trade is also made.

Figure 6. Evolution of international trade by type



Source: INE Guinea-Bissau, Directorate of Economic and Financial Statistics

5.4 Foreign direct investment

5.4.1 FDI by country of origin

The evolution of FDI during the 2014-2016 period shows that it increased from CFAF 50.3 billion in 2014 to CFAF 76.7 billion in 2016. Luxembourg is among the countries investing the most in Guinea-Bissau (around 40% on average of FDI), followed by Senegal (21% on average), Portugal (17.4% on average) and to a lesser extent Togo (9.7% on average) and Mali (9.2% on average).

FDI from other countries such as Spain, France and India are relatively low. They represent on average 1.2%, 0.6% and 1.1% respectively. The ranking by continent thus shows that in Europe Luxembourg is the main provider of foreign direct investment, followed by Portugal. In Africa, FDI comes mainly from Senegal and to a lower extent from Togo and Mali. On the other hand, in Asia, India seems to be Guinea Bissau's only partner country in terms of foreign direct investment.

Table 30. Share of FDI by country of origin

Country of origin	2014		2015		2016	
	Millions of CFAF	%	Millions of CFAF	%	Millions of CFAF	%
Africa						
Mali	4 305	8.5%	5 219	8.3%	8 209	10.7%
Senegal	10 939	21.7%	13 203	20.9%	16 220	21.1%
Togo	4 589	9.1%	6 140	9.7%	7 987	10.4%
Europe						
Luxembourg	22 821	45.3%	23 794	37.6%	27 465	35.8%
France	226	0.4%	415	0.7%	539	0.7%
Portugal	6 290	12.5%	13 051	20.6%	14 517	18.9%
Espain	900	1.8%	1 032	1.6%	221	0.3%
Asia						
India	314	0.6%	359	0.6%	1 541	2.0%
Total	50 384	100%	63 214	100%	76 699	100%

Source: UNCTAD

5.4.2 FDI by sector

In recent years, Guinea Bissau has been able to attract relatively large amounts of foreign investment. According to UNCTAD's 2018 World Investment Report, FDI flows increased from USD 24 million to USD 17 million between 2016 and 2017. The stock of FDI increased from USD 63 million to USD 191 million between 2010 and 2017. In 2016, the FDI stock represented 12.9% of Guinea Bissau's GDP.

The fisheries sector attracts the majority of FDI. The new government's priority is to increase foreign investment in the agriculture and energy sectors, which are two key drivers of the economy. Chinese investment in Guinea-Bissau has been increasing since 2011. A canning factory and a fish distribution network have been developed with the support of the China International Fisheries Corporation (CO-

NAPEMAC). The Kaleba hydroelectric dam, financed to the amount of USD 536 million by the Chinese company China International Water & Electric Corp, became operational in October 2015. Chinese companies have also invested in real estate and bauxite mining. Apart from China, the main investing countries are the USA, Portugal and India.

Offshore oil exploration offers an investment opportunity for foreign investors. The country also has an untapped potential: significant mineral resources, fertile soils, the possibility of developing the tourism and fishing sectors. The State is aware of these advantages, particularly in the timber sector, offshore oil and mining (phosphates and bauxite). The tourism sector is also being developed and is receiving increasing investment (especially in the Bijagos Islands).

5.5 Regional integration

5.5.1 WAEMU convergence criteria

The following table shows the position of Guinea

Bissau with regard to WAEMU criteria. The three primary criteria are met, but the two secondary criteria are not - although they are gradually improving since 2013.

Table 31. Guinea-Bissau's position with respect to the WAEMU convergence criteria

Criteria (%)		2013	2014	2015	2016	2017	2018	2019
		Primary criteria						
Overall budget balance including grants/GDP	$\geq -3\%$	-2.8	-2.7	-5.4	-2.1	-1.5	-1.7	-2.2
Average annual inflation rate	$\leq 3\%$	0.7	-1.0	1.5	1.5	2.3	2.4	2.5
Outstanding domestic and external debt re	$\leq 70\%$	52.3	55.0	52.3	53.6	51.2	54.8	53.8_
		Secondary criteria						
Tax burden rate (in %)	$\geq 20\%$	6.9	8.8	10.0	9.1	9.6	8.3	10.3
Payroll/Tax revenue (in %)	$\leq 35\%$	68.9	71.1	50.0	49.2	43.4	46.8	36.2

Source: BCEAO

6.1 Business climate

Guinea Bissau was ranked 176th out of 190 countries in the 2018 World Bank's Doing Business report. For access to electricity, it is 180th, 178th business creation and 176th for obtaining a building permit.

In terms of tax payment, the country is ranked 155th, which highlights the low mobilization of tax revenue, which accounted for 9.6% of GDP in 2017 compared to the rate of at least 20% required by the WAEMU convergence criteria. This situation is linked to the weakness of the tax base and the size of the informal economy.

In the Doing Business 2018 report, Guinea-Bissau was ranked 141st for trade, due to the costs of complying with cross-border trade procedures for both exports (USD 585) and imports (USD 205). It should

also be noted that the costs of complying with documentation requirements are high for exports (USD 180) and imports (USD 250).

Access to electricity remains very limited with a rate of 17% in 2014. Electricity supply is unreliable with technical losses of up to 47%. The current installed power generation capacity in the country is limited to 15 MW leased from a private company.

Over the last three years (2016-2018), Guinea-Bissau's ranking in the Doing Business report has remained unchanged. As a result, far-reaching reforms are needed to improve the country's situation. The adoption of a country development policy defined by the "Terra Ranka" strategic and operational plan should enable Guinea-Bissau to return to development.

Table 32. Rating obtained by Guinea Bissau

Indicator	What is measured	Metric
business creation	Procedures, deadlines, costs and minimum capital contribution required to set up a limited liability company	Procedures (Number) 8,5
		Deadline (days) 8,5
		Cost (% Income per inhabitant) 48,9
		Minimum capital (% Income per inhabitant) 273,4
Building permits	Procedures, deadlines and costs involved in carrying out all the formalities required to build a warehouse and quality control and safety devices in the system for obtaining a building permit	Procedures 13
		Deadline (days) 143
		Cost 28,2
		Construction quality control index (0-15) 6,5
Electricity connection	Procedures, deadlines and costs of connection to the electricity grid, reliability of electricity supply and tariff transparency	Procedures 7
		deadline (days) 257
		costs 1398,8
		reliability of electricity supply and tariff transparency (0-8)
Property registration	Procedures, deadlines and costs for transferring title, and quality of the land administration system	Procedures 5
		Deadline (days) 48
		Cost (% value of the property) 5,5
		Index of the land quality (0-30) (0-30) 3

Cross-border trade	Deadlines and costs associated with exporting the product with a comparative advantage and importing auto parts	Exports cost (USD) 585 Exports deadline 60
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Indicator	What is measured	Metric
Obtaining loans	Personal Property Pledge Acts and Credit Reporting System	Legal index legal (0-10) 6 credit information quality index (0-6) 0 Public register on credit Coverage (% adults) 0.3 Private register Coverage (% adults) 0.1
Investor protection	Rights of minority shareholders in related party transactions and in corporate governance	Disclosure index (0-10) 7 leaders responsibility Index (0-10) 6 Ease of shareholders suits index (0-10)
Payment of taxes	Payments, deadlines and total to be paid for a company that fully applies post-tax return legislation and procedures	Payments (number by exercise) 46 deadline (hour by exercise) 218 Tax rate total (% of profits) 45.5
Enforcement of contracts	deadlines and costs of settling a commercial dispute and quality of legal proceedings	Deadline (days) 1785 Cost 28 Index relating to the quality of court proceedings (0-18) 7.5
Insolvency settlement	deadlines, costs, outcomes and recovery rates in insolvency cases and the soundness of legislation in this area	Saving rate (USD cents) 0.0 Periods (years) no practice Costs (% of assets) no practice

Source: Doing Business report (2018)

The Mo-Ibrahim Index was developed based on a 100 or so indicators divided into four main categories: security and the rule of law, participation and human rights, sustainable economic development,

and human development. Guinea-Bissau ranks 42nd out of 54 countries in the Mo-Ibrahim Index of African Governance (Mo-Ibrahim Index) for the year 2018. In 2016 it was ranked 43rd.

6.2 Financial Governance

Guinea-Bissau's performance in governance and the fight against corruption is very weak. The authorities have taken steps to strengthen the AML/CFT framework with the assistance of development partners according to the 2017 IMF report. They approved a national strategic plan and strengthened the autonomy of the National Financial Information Processing Unit (CENTIF).

The CENTIF has intensified the dissemination of information with the technical assistance of the West African Intergovernmental Group on Money Laundering (GIABA) resulting in some suspicious financial transaction reports. In addition, the technical assistance provided by the IMF is helping CENTIF to build up its capacity to carry out its core functions. The Ministry of Economy and Finance will be responsible

for the AML/CFT supervision of foreign exchange offices.

It is also recommended to further strengthen the legal and institutional framework to fight corruption. The authorities should:

- (i) ensure that the Higher Anti-Corruption Inspectorate has the resources and support necessary to carry out its mandate effectively, for the declaration of assets and interests of all officials concerned
- (ii) prepare amendments to Laws 7/99 covering politically exposed persons in line with Financial Action Task Force (FATF) standards.

6.3 Financial rating

The country does not have a rating from one of the international agencies.

7- PUBLIC FINANCES

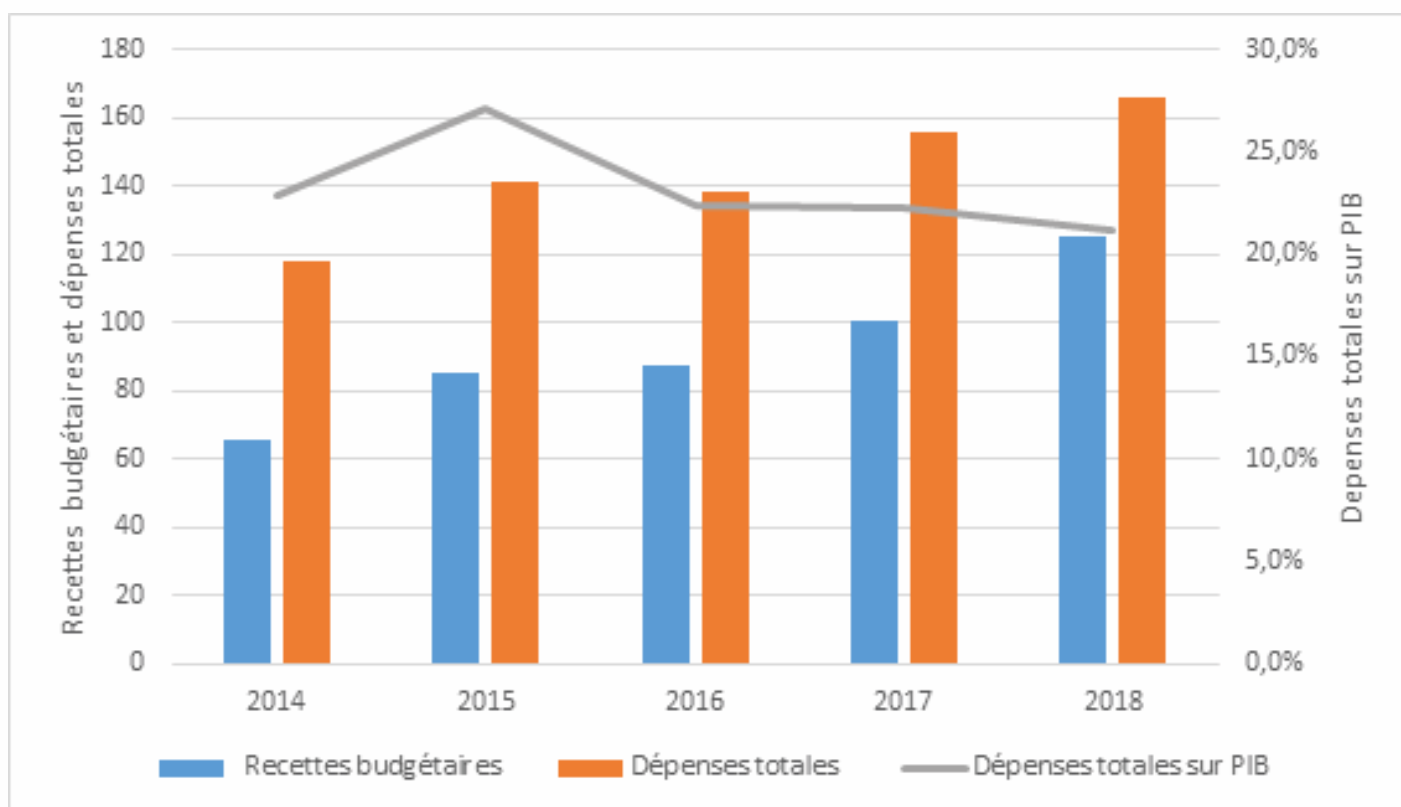
7.1 Budget

7.1.1 Expenditures and revenues

Guinea-Bissau's resources (revenues and grants) have certainly increased from CFAF 105 billion in 2014 to CFAF 159 billion in 2018, but it does not cover all its expenses. As a result, the budget balance

remains in deficit. This deficit, which was CFAF 14.4 billion in 2014, worsened in 2016 to CFAF 33.4 billion. This deterioration would be due to the start of the Guinea-Bissau 2025 Vision. The weight of expenditure as a percentage of GDP stood at 21% in 2018.

Figure 7. Evolution of revenues and expenditures



Source : BCEAO

Detailed presentation of expenditures and revenues

The State's financial operations are characterized by a continuous increase in resources and expenditures. The overall balance remained in deficit throughout the period. However, this balance improved between 2016 and 2017 from a deficit of CFAF 33 billion to CFAF 14.9 billion. On the resources side, budget revenue declined between 2015 and 2016 due to the

slowdown in current and capital grants. However, between 2016 and 2017 a more favorable trend is observed. This performance is linked to an increase in collected tax revenue. As for public expenditure, it experienced an upward trend over the entire period. Current expenditures increased due to the increase in the payroll and transfers granted to public enterprises. As regards capital expenditures, its progression is linked to the road infrastructure and energy programs undertaken by the government.

Table 33. Table of State Financial Operations (TSFO)

TSFO	2014	2015	2016	2017	2018
In billions of CFAF					Est
Total revenues and grants	105.9	124.9	111.1	143.6	159.9
Budgetary revenues	65.5	84.8	87.7	100.8	124.9
Tax revenues	44.2	61.9	68.4	81.3	93.7
Non-tax revenues	21.4	22.9	19.3	19.5	31.1
Grants	40.3	40.0	23.4	42.8	35.0
Project	26.2	34.5	23.4	40.1	30.0
Program	14.2	5.6	0.0	2.7	5.0
Total Expenses and Net Loans	118.1	141.1	138.4	155.7	165.6
Current Expenditures	78.1	92.7	99.9	100.8	107.1
Wages and salaries	31.4	31.0	31.5	33.8	37.1
Other Expenses	11.0	16.5	12.0	20.6	24.7
Current transfers	19.6	18.9	31.6	24.4	21.2
Current interests	3.2	6.4	4.8	5.2	5.5
Other current expenses	12.8	19.9	20.0	16.8	14.0
Special Account Expenditures	0.0	0.0	0.0	0.0	4.5
Investment expenditure	40.0	48.4	38.5	54.9	58.5
Investment on the national budget	0.8	4.1	1.6	2.2	14.1
Externally financed investments	39.2	44.3	36.9	52.7	44.4
Other expenditures	0.0	0.0	0.0	0.0	0.0
Net Loans	0.0	0.0	0.0	0.0	0.0
Primary Balance	-9.3	-1.5	-7.4	5.2	23.3
Balance based on commitment	-12.2	-16.2	-27.3	-12.1	-5.7
Change in arrears of payments	-2.2	2.2	-6.1	-2.8	-6.4
Overall balance (cash basis)	-14.4	-14.0	-33.4	-14.9	-12.1

Source : MEF

7.1.2 General presentation of the budget

Government expenses are mainly spent on education, health, housing, social policies, internal security and national defense. In 2017, education received 20.4% of the budget (CFAF 16.2 billion), health 12.3% (CFAF 9.8 billion), housing 12.1% (CFAF 9.6 billion), and the military 14.1% (CFAF 11.2 billion). The country has experienced a long period of po-

litical instability which has had a strong impact on these different sectors of the economy.

The contribution of the agricultural sector to the national budget declined significantly in 2017 while the share of energy almost doubled. This situation is explained by the reforms intended for the energy sector, in particular the electrification project for certain regions.

Table 34. Extract from the State Budget

Post	2016		2017 (Forecasts)	
	Value billions of CFAF	Structure (%)	Value billions of CFAF	Structure (%)
Education	14.7	20.2%	16.2	20.4%
Health	9.3	12.8%	9.8	12.3%
Housing	8.4	11.6%	9.6	12.1%
Social	1.7	2.3%	1.9	2.4%
Agriculture	8.7	12.0%	5.4	6.8%
Energy	3.2	4.4%	6.8	8.5%
Interior	7	9.6%	6.6	8.3%
Justice	2.1	2.9%	2.6	3.3%
Military	11	15.2%	11.2	14.1%
Fishing	4	5.5%	5.2	6.5%
Culture	0.7	1.0%	1.1	1.4%
Transport telecommunication	0.7	1.0%	2.1	2.6%
Natural Resources	1.1	1.5%	1.1	1.4%
Total	72.6	100.0%	79.6	100.0%

Source : MEF

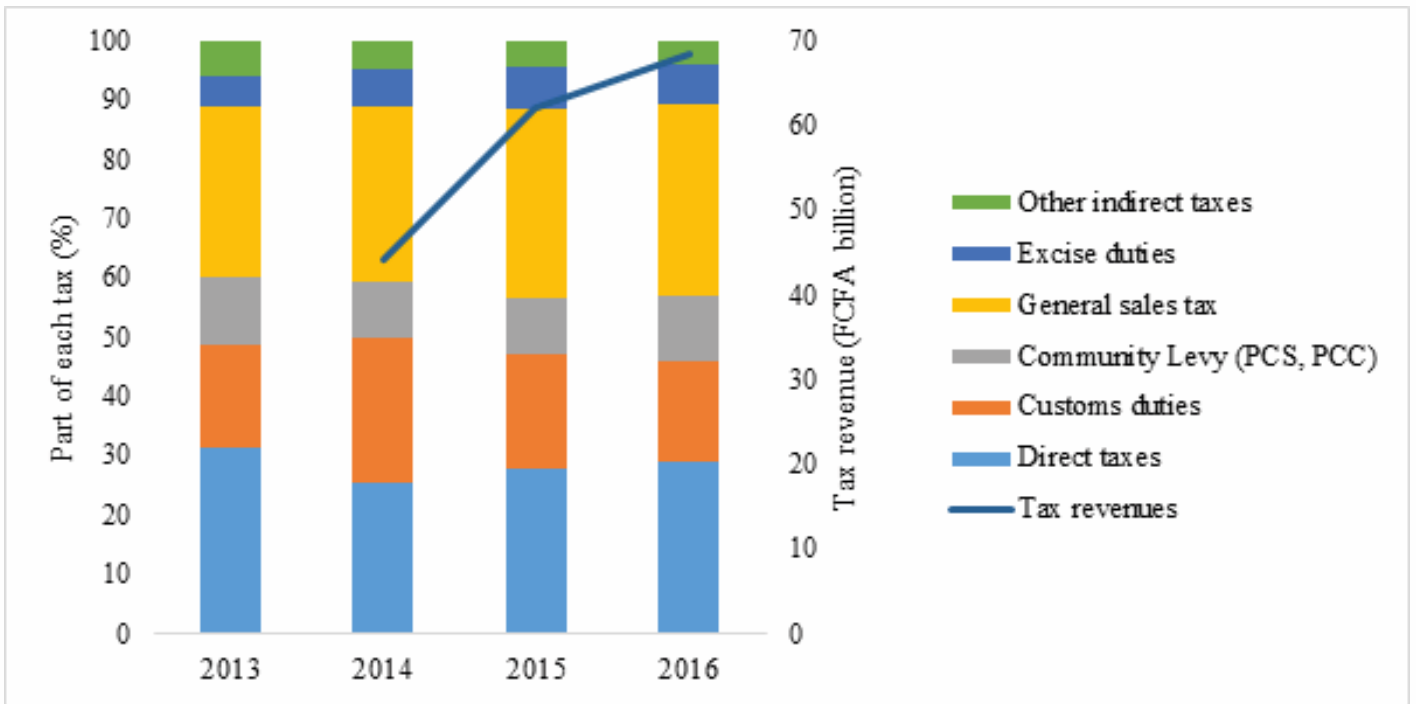
7.2 Tax policies

7.2.1 General budget revenue broken down by source

Tax revenues have increased. They rose from CFAF 44 billion in 2014 to CFAF 68 billion in 2016. These

increases can be attributed to a good collection of general sales tax, direct taxes, customs duties and the combination of the Community Solidarity Levy (CSL) and the ECOWAS Community Levy (ECL). The average income from the above-mentioned tax headings represents on average 89% of total revenue.

Figure 8. Composition of revenue



Source : BCEAO

7.3 Finance Bill

The increase in state revenues will depend on the success of the reforms implemented. These include reforms related to the Tax Identification Number (TIN), the computerization of certain tax procedures to facilitate revenue collection by the tax administration and customs, and the fight against corruption. These various measures should help the state to increase the tax base. According to the initial finance law of 2019, state revenue and grants should increase from CFAF 197 billion in 2019 to CFAF 220 billion in 2020.

Tax revenues should reach an average annual value of CFAF 125.1 billion. The tax burden rate (tax revenue/GDP) will remain relatively constant, going from 12.1% in 2019 to 11.8% in 2023, still below the community standard (20%).

As regards current public expenditures, they will average CFAF 115.4 billion during the 2019-2023 period. This evolution is explained by the increase in expenditure related to salaries, consumption of goods and services and investment expenditures on external financing.

Since the 2014 presidential elections, Guinea-Bissau has enjoyed favorable macroeconomic conditions, with an economic growth of 6.1 % in 2015, 6.3 % in 2016 and 5.9 % in 2017, but the country continues to face challenges that could impact its development. Political instability is the main obstacle to inclusive economic and social development.

8.1 Political and security risks

Election-related risks

The chronic political instability that has characterized the country for more than a decade is the main threat to its development. Guinea-Bissau has gone through a long period of political crisis characterized by coups, the destabilization of institutions and deteriorating security conditions with disastrous social and economic impact. However, since 2014, the country has been led by a new democratically elected President. This change has made the political situation more stable.

The military's influence in political life, persistent rivalries within the government itself and corruption, and crime linked to international drug trafficking explain Guinea-Bissau's chronic instability. The United Nations Office on Drugs and Crime (UNODC) describes the country as a "narco-state".

The Conakry agreement, negotiated with ECOWAS with the support of the United Nations, aims to create an environment conducive to the organization of legislative and presidential elections in 2018 and 2019, the reform of the electoral code and promulgation of a new law on political parties, which would strengthen the autonomy and internal democracy. The United Nations has demonstrated its commitment to supporting Guinea-Bissau in advancing key reforms, as outlined in the agreement.

Internal security risks

Although the political climate in Guinea-Bissau has improved since a newly elected government came to power in July 2014, there is still a risk of civil or military conflict. The last coup took place in April 2012. Casamance rebels are present at the border area

shared with Senegal, where the proliferation of small arms is contributing to banditry. The challenge of securing the transition involves mitigating a fluid and fragile political situation characterized by recurrent interference by the military hierarchy in political life. The United Nations Office on Drugs and Crime (UNODC), in conjunction with the United Nations Integrated Peacebuilding Office in Guinea-Bissau (UNOGBIS), supported the Government to increase its intervention in the regions through the establishment of new police stations.

The 88-island Bijagós Archipelago exposes Guinea-Bissau to criminal activity because of the difficulty in controlling the vast territorial waters.

In April 2018, UNODC launched a new project in Guinea-Bissau on cross-border organized crime in the Gambia, Guinea-Bissau and Senegal to build national capacity and foster closer regional cooperation in detection and investigation.

Following the attacks in Mali, Mauritania and Burkina Faso, Islamist terrorist groups also remain a threat to Guinea-Bissau because of its proximity to the countries attacked.

8.2 Social risks

Protests occasionally occur in Guinea-Bissau. Even protests that are meant to be peaceful can suddenly lead to violence.

Strikes have also taken place without causing any particular disturbance. Judicial police officers went on strike in February 2018, and the National Union of Workers of Guinea-Bissau (União Nacional dos Trabalhadores da Guinea-Bissau) called for a general strike of civil servants from 7 to 9 May, 12 to 14 June and 26 to 28 June 2018, to obtain the payment of salary arrears, the readjustment of salaries and the introduction of retirement pensions.

8.3 Macroeconomic risk

Guinea-Bissau derives its main budgetary resources from cashew nut agricultural exports (99 %). This reflects the economy's high vulnerability to fluctua-

tions in international cashew prices and rainfall. The country is considered at moderate risk of indebtedness according to the IMF's 2016 debt sustainability analysis, due to Guinea-Bissau's vulnerability to external shocks, the poor financial situation of its public companies and poor debt management.

8.4 Resource mobilization risks

Tax revenue mobilization remains a major challenge in Guinea-Bissau. Over the last decade, domestic revenue has lagged far behind that of other countries in the Union. In 2016, tax revenue represented only 9.2% of GDP according to the IMF. The country needs to make efforts not to compromise the sustainability of public finances.

Guinea-Bissau exports mainly agricultural products (coconuts, Brazil nuts, cashew nuts) and fish products (shellfish, fresh fish). The prices of these products follow an unstable trend in the international market. The poor cashew nut season in 2018 resulted in the economic growth downward revision from 5.1% to 3.8%. In addition, foreign exchange risk can impact trade to the extent that these exports are made in foreign currency.

Guinea-Bissau is highly dependent on international aid and the lack of stability has led to a sharp contraction in financing projects.

8.5 Health risks

Guinea-Bissau has been experiencing cyclical cholera epidemics for the past decade. This situation threatens to undermine the government's develop-

ment efforts. In addition, the country shares its borders with Guinea Conakry, one of the centers of the Ebola Hemorrhagic Fever (EHF) epidemic. It is therefore not immune to imported contagion.

8.6 Environmental risks

According to the United Nations, Guinea-Bissau is the second most exposed country in the world to the effects of climate change. With 270 km of coastline on the Atlantic Ocean, the country is exposed to the phenomenon of coastal erosion.

This situation is shared by the coastal states of West Africa. On 18 May 2011, in Dakar, a conference bringing together the environment ministers of the eleven coastal states from Mauritania to Benin validated the results of a monitoring study of the coastline and West Africa coastal master plan. This study paints a realistic and prospective picture of the current state of the 10,000 km of West African coastline and the trends that characterize its evolution. Recommendations based on four program axes are formulated to prevent and control coastal risks.

On 27 June 2018, the country was hit by violent winds from 80 km to 120 km/h and strong heavy storms that destroyed several houses and public infrastructure (schools, hospitals, roads). A coastal protection plan and an adaptation and mitigation plan will be implemented to address the risks faced by the population and the territory.

9- THE DEBT SITUATION

9.1 General description

9.1.1 Overview

Guinea Bissau's debt ratios have remained stable as a result of donors' debt relief. The total public debt-to-GDP ratio went from 55% in 2014 to 53.6% in 2016. According to IMF estimates, this ratio is expected to decline to 51.2% in 2017. External public debt is estimated by the IMF at 15% of GDP in 2014

and 12.2% in 2017.

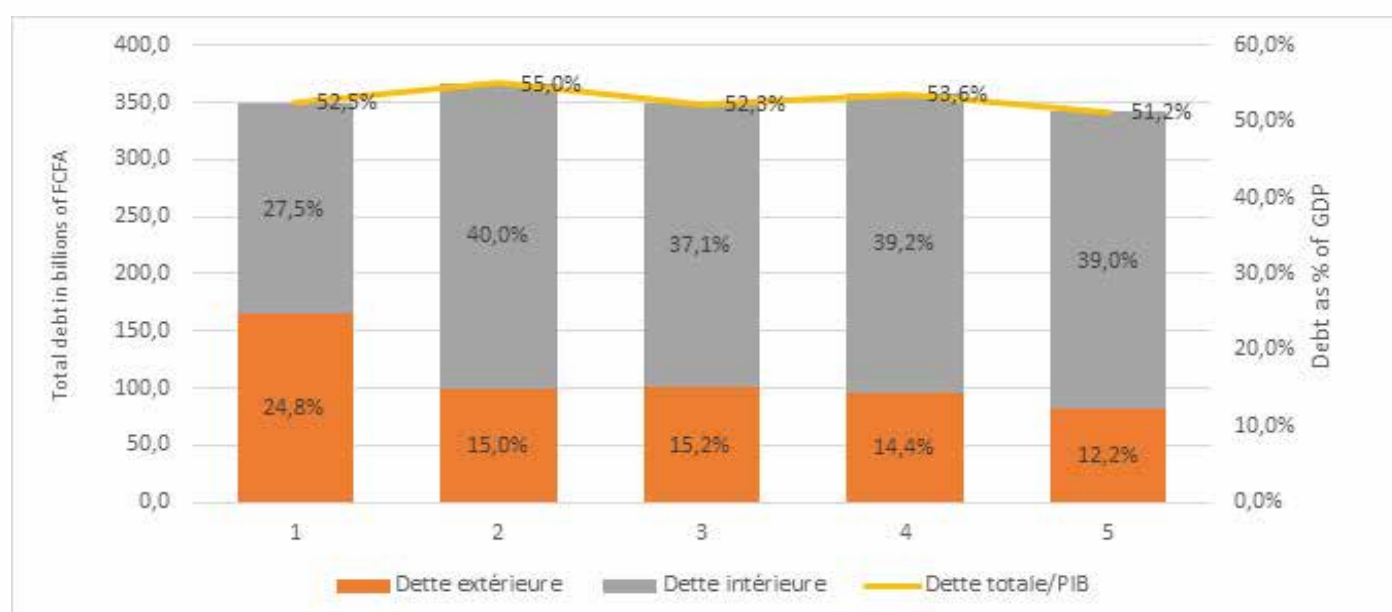
Domestic debt went from 39.2% of GDP in 2016 to 39% in 2017. Guinea Bissau's external debt is mainly made up of concessional loans from multilateral and bilateral donors. External debt declined in 2014 due to debt relief received from donors.

Table 35. Distribution of Guinea Bissau's public debt

Guinea Bissau	2013	2014	2015	2016	2017
Total debt (% of GDP)	52.3	55,0	52.3	53.6	51.2
Total debt (in billions of CFAF)	300.9	319.1	301.4	347.6	380.2
External debt (in billions of CFAF)	142.7	87	87.6	93.4	90.6
Domestic debt (in billions of CFAF)	158.2	232.1	213.8	254.2	289.6
Nominal GDP (current prices) in billions of CFAF	516.7	520.9	619.7	698.7	784.0

Source: IMF and World Bank

Figure 9. Breakdown of public debt into external debt and domestic debt relative to GDP



Source: IMF and World Bank

Short- and medium-term debt represented almost 57% of the total debt in 2017

term debt, the highest maturity is 37 years according to the World Bank's International External Debt Statistics.

and its weight has increased since 2013. For long-

Table 36. Debt maturity profile in 2013 and 2017

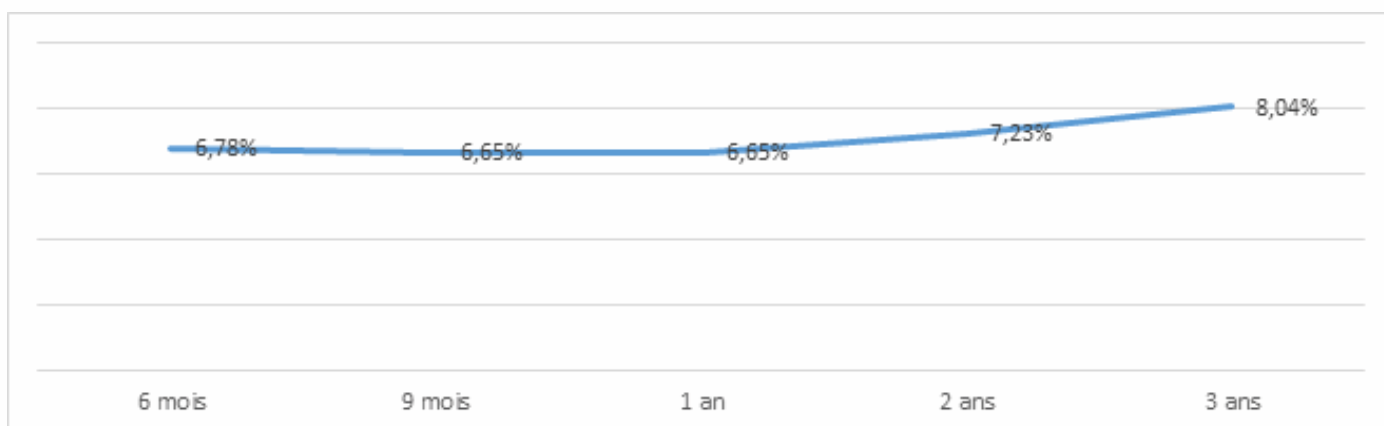
Expressed in % Allocation initially planned	2013	2017
Short and medium-term (1 month to 5 years)	54.1	56.8
Long term (> 5 years)	45.9	43.2
Total	100	100

Source: MEF and World Bank

The zero-coupon rate curve for Treasury bill and bond issues estimated by the Agence UMOA Titres is rising. The longest maturity for domestic debt is 3

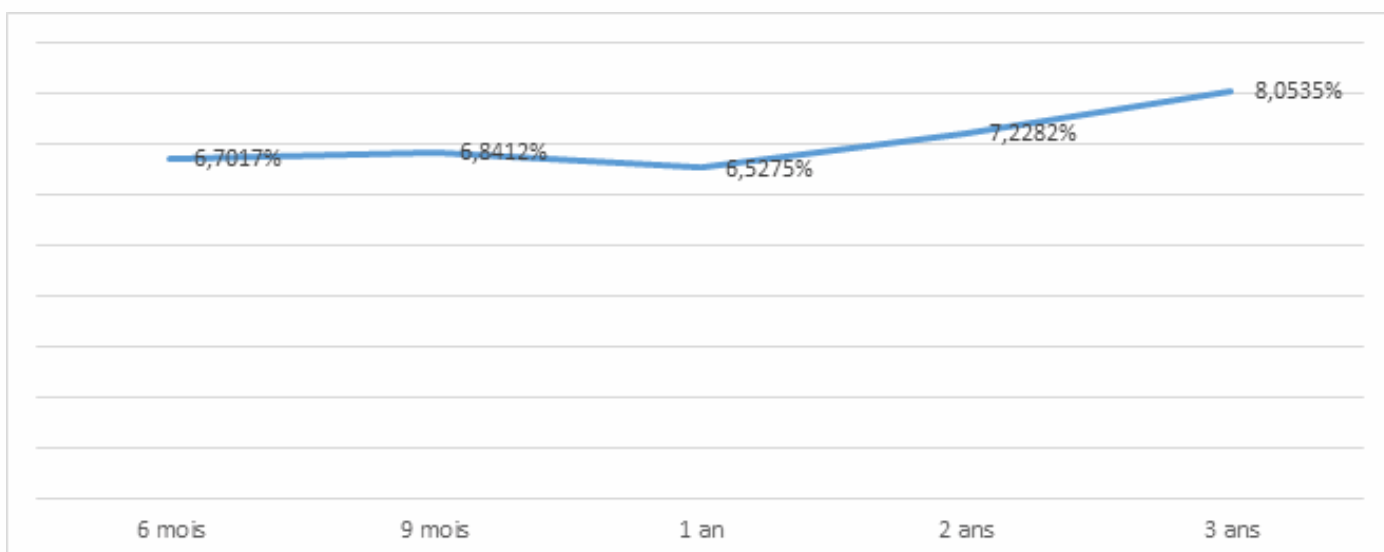
years. Within that time-frame, zero-coupons have a yield of 8.05% as of January 25, 2019.

Figure 10. Zero-coupon rate curve of Guinea Bissau as of 31 December 2018 (Treasury bills and bonds in local currency)



Source : Agence UMOA-Titres

Figure 11. Zero-coupon rate curve of Guinea Bissau as of 25 January 2019 (Treasury bills and bonds in local currency)



Source : Agence UMOA-Titres

9.2 Debt Strategy and Debt Sustainability

9.2.1 Description of the strategy

At present, Guinea Bissau does not have a debt strategy, but the Ministry of Economy and Finance is in the process of reorganizing itself to make the debt management service more operational. The debt management department was transformed into a general directorate in 2018 to deal with specific issues related to external and domestic debt. As such, two departments were created, one dealing with external debt and the other with domestic debt. The information system has been improved with the recent acquisition of the Debt Management and Analysis System (DMAS).

9.2.2 Debt sustainability according to the World Bank and IMF

The IMF and the World Bank have developed a framework to guide the borrowing decisions of low-income countries. The underlying assumptions used in the IMF DSF published in the fifth review of the Extended Credit Facility (ECF) on 16 May 2018 are as follows:

(i) Real GDP growth is estimated at 5.9% in 2017 and projected at 5.3% in 2018. In the medium and long term, the growth rate is expected to stand at 5%. The good growth performance in 2017 is explained by the high incomes obtained by cashew nut farmers and the good performance of the construction sec-

tor. The resulting projections are based on increased public and private investment in the water, electricity and roads sectors. This performance will also be explained by the structural reforms implemented by the state;

(ii) Inflation remains low in 2017, averaging 1.1%. In the medium term, the increase in economic activity and the instability linked to oil prices should lead to a 2% increase in inflation which will remain below the multilateral surveillance criterion (3%);

(iii) The government budget balance is projected at -2.1% of GDP in 2018 and is expected to remain at that level. Reforms related to debt management will accompany the trends observed in tax revenue collection;

(iv) The current account balance of the balance of payments is estimated at -0.3% of GDP in 2017. This scenario is explained by the good performance of cashew nut exports. In 2018, the current account deficit is projected at 3.1% of GDP due to the fall in cashew nut prices, the increase in oil prices and imports associated with the rise in investment activities.

(v) Official financing flows in relation to the GDP are projected to increase by 4.7 percent in the short term and 5 percent in the long term. Concessional loan rates will be set at 0.75 % for 30 years (IDA) and 20 years (AfDB). These loans will have a 6-year grace period. As for rates on bilateral loans (Paris Club and others), they will be fixed at 1.2% and 2% on average for terms of 23 and 20 years with grace periods of 6 and 10 years.

Table 37. Guinea Bissau's performance under the DSF (Baseline Scenario)

Year	PV of external debt (%)		External debt servicing (%)		PV of total public debt (%)	Debt servicing (%)
	GDP	Exports	Exports	Revenues	GDP	Revenues
2018	9	36	2	4	48	8
2019	9	37	2	3	46	7
2020	9	38	2	3	44	6
2021	10	40	2	2	42	6
2022	10	43	2	2	40	5
2023	11	44	2	3	38	5
2028	15	62	2	2	32	3
2030	8	36	3	2	32	2

Source : IMF

According to the results, Guinea Bissau presents a moderate risk of external over-indebtedness. In the baseline scenario, the Present Value (PV) of external debt to GDP will increase from 9% in 2018 to 15% in 2028. This development is linked to the increase in the budget deficit as a result of the public investments implemented by the state.

As regards the PV ratio of public debt to GDP, it will gradually decrease from 48% in 2018 to 32% in 2028 as a result of reforms relating to public debt management and the tax administration modernization. The achievements under the DSF are closely linked to the authorities' commitment to implement structural reforms and improve the business environment

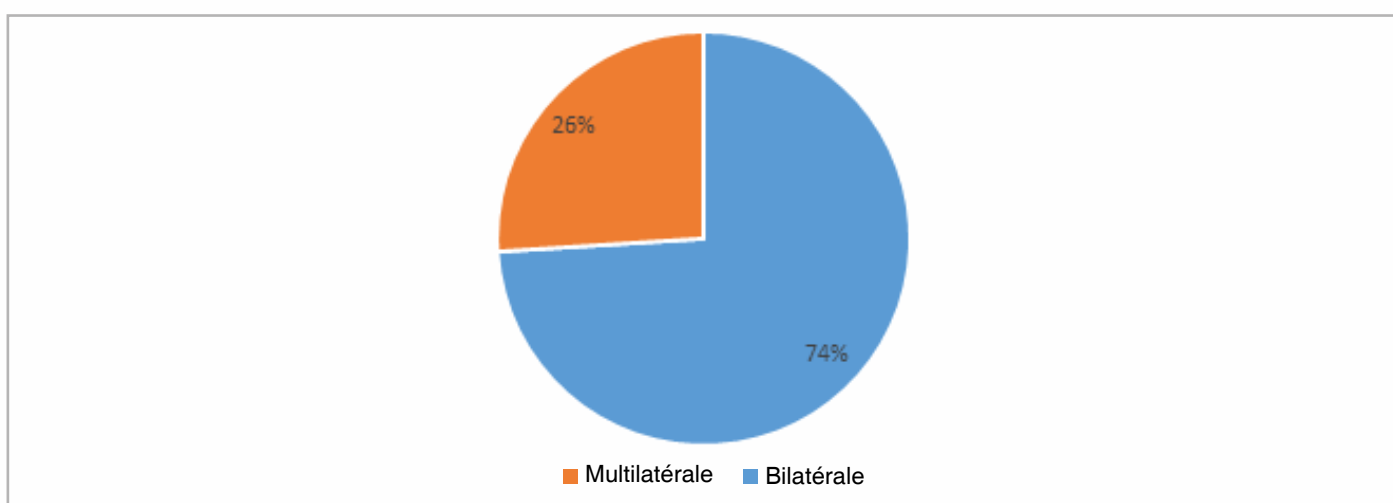
to boost production and exports. The composition of financing through concessional loans and grants is also a determining factor.

9.3 External debt

9.3.1 Holders

According to public debt statistics published by the Ministry of Economy and Finance (MEF), 74% of external debt is composed of multilateral borrowing and 26% of bilateral loans. Multilateral debt is dominated by loans granted by ECOWAS, BOAD and the World Bank.

Figure 12. Breakdown of external debt in 2018



Source : MEF

Table 38. External debt composition in 2018

Guinea Bissau 2018 (Projection)	Total debt (expressed in value, billions of CFAF)	as a % of the total external debt	as a % of the nominal GDP
External debt	264.7	100.0	33.0
Multilateral	195.1	74.0	24.0
AfDB	3.2	1.0	0.0
ADF	5.9	2.0	1.0
ABEDA	6.1	2.0	1.0
ECOWAS	90.9	34.0	11.0
IFAD	2.0	1.0	0.0
IDA	27.3	10.0	3.0
IDB	1.4	1.0	0.0
BOAD	55.9	21.0	7.0
IMF	2.4	1.0	0.0
Bilateral	69.6	26.0	9.0
ANGOLA	25.5	10.0	3.0
BRAZIL	1.1	0.0	0.0
INDIA	13.4	5.0	2.0
KOWETIAN FUND	15.4	6.0	2.0
LYBIA	3.2	1.0	0.0
PAKISTAN	1.8	1.0	0.0
RUSSIA	0.4	0.0	0.0
SAUDI FUND	7.2	3.0	1.0
TAIWAN	1.7	1.0	0.0

Source : MEF

9.3.2 External debt payment situation

represents more than 90% of the amount to be repaid to multilateral lenders.

External debt servicing is mainly linked to multilateral creditors. The amount of BOAD

Table 39. External debt servicing

The situation as of December 2017 in millions of CFAF	Multilateral			Bilateral			Total		
	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total
Service due	2633	4020	6653	298	115	413	2931	4135	7066
Service paid			6653			413			7066

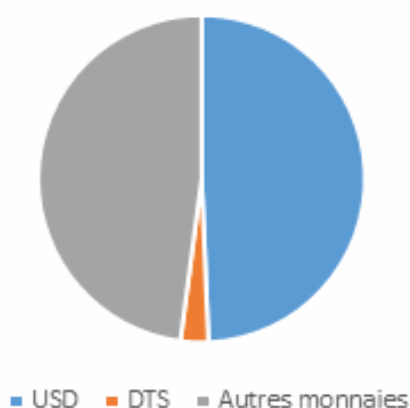
Source : MEF

9.3.3 Debt currency

Guinea Bissau's external debt is mainly denominated in USD. Other currencies account for 47% of

total external debt. The country is exposed to foreign exchange risk related to the fluctuation of the US dollar. The existence of a current account deficit can make it difficult to manage the exchange rate risk.

Figure 13. Breakdown of the external debt in foreign currency



Source: World Bank

Table 40. Distribution of the external debt in foreign currency

Currency	Total debt originally denominated in this currency	Exchange rate CFAF as of 31 December 2017	Total debt expressed in billions of CFAF	Exchange rate in EUR as of 31 December 2017	Total debt expressed in millions of EUR	Distribution of debt by currency (%)
USD	0.1	561.0	43.9	0.9	0.1	48.4
SDR	0.1	774.0	2.4	1.2	0.0	2.7
Others currencies (Exc. CFAF)			42.6			47.0

Source: World Bank

9.4 Domestic debt

Guinea Bissau's domestic debt is mainly composed

of arrears to domestic banks and companies. Issues of Assimilable Treasury Bills (BATs) represent the second source of domestic financing.

Table 41. Composition of domestic debt

Guinea Bissau situation as of 31 December 2018 (projection)	Domestic debt expressed in value (CFAF billion)	Domestic debt expressed in % of total domestic debt	Domestic debt expressed in % of nominal GDP for the year 2018
Total domestic debt	274.3	100	33.7
Securities			
Treasury bills	36.0	12.4	4.4
OAT	24.0	8.3	2.9
Others	214.4	79.3	26.3

Source : MEF

Table 42. Domestic Debt Servicing

	Domestic debt in billions of CFAF		
	Principal	Interest	Total
Debt servicing due at the end of December 2017	39.6	2.8	42.4

Source : MEF

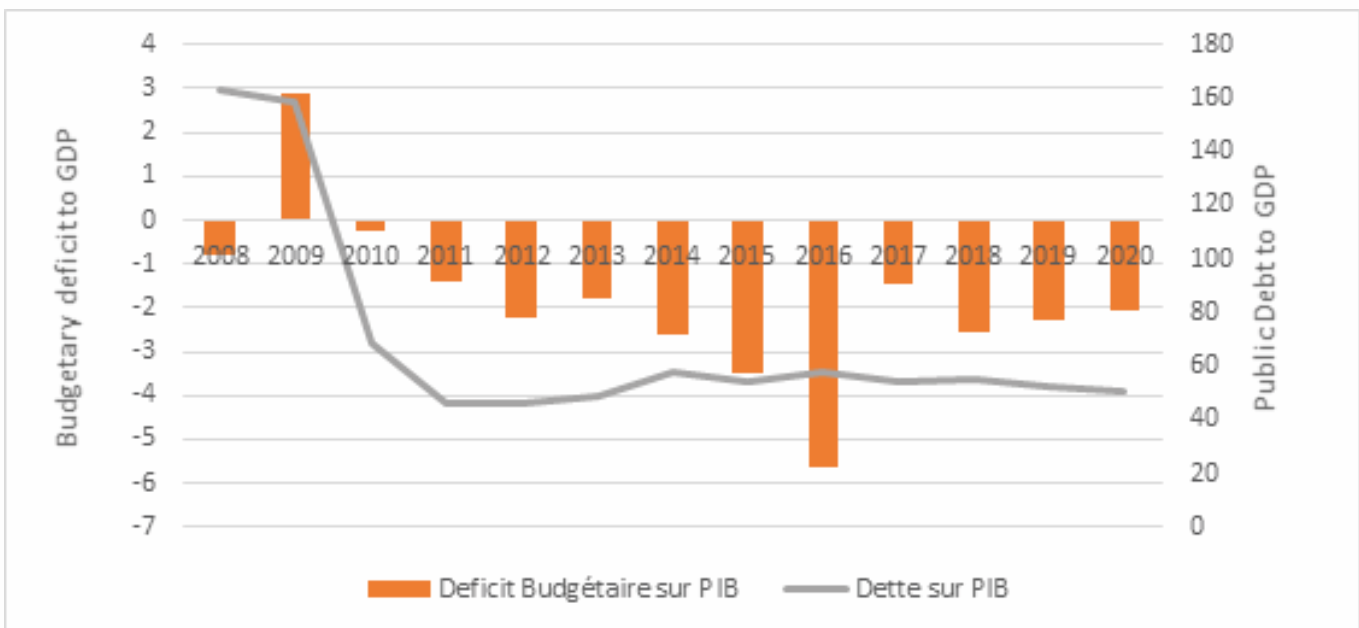
9.5 Viability and sustainability

The budget deficit/GDP deteriorated from 2010 to 2016. From 2017 onwards, it stabilizes at less than 3% (WAEMU standard). As regards the debt ratio, it has been on a downward trend throughout the period. This is explained by the USD 1.2 billion in debt relief that the country has received from the Paris Club, multilateral donors and private creditors. A

joint analysis of the fiscal balance and public debt shows that the government's fiscal position is sustainable.

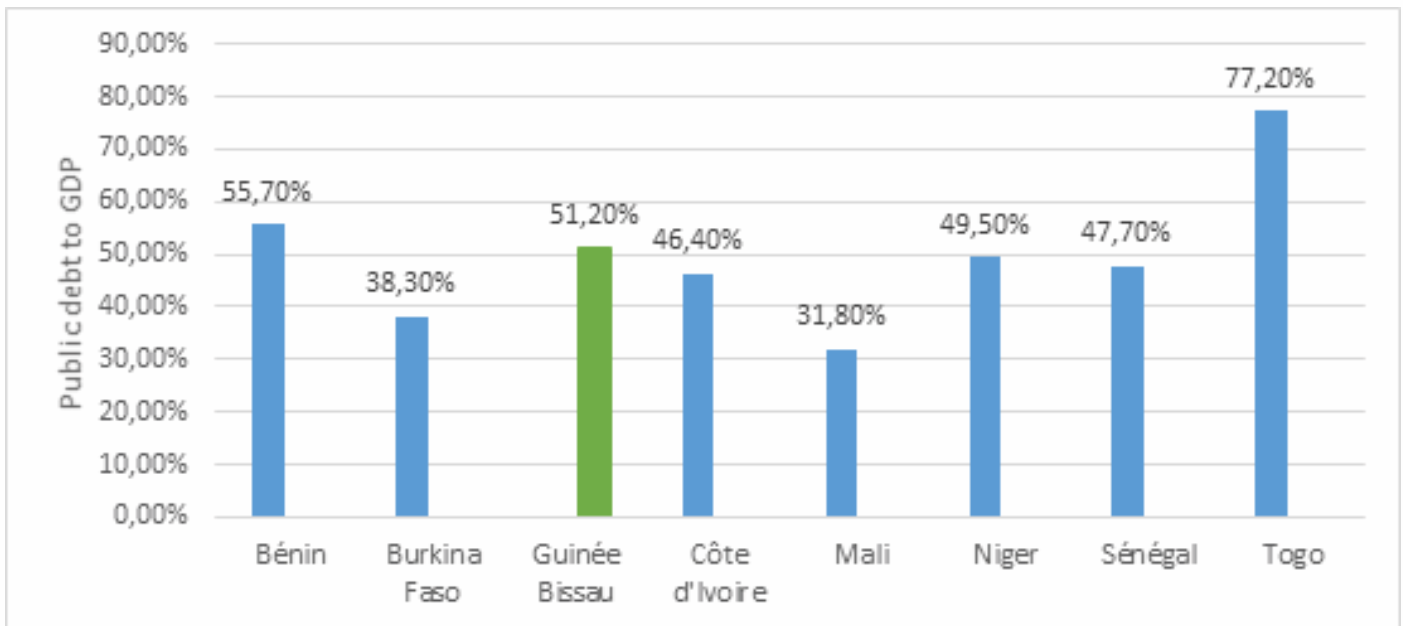
This trend will be maintained over the projection period (2018 to 2020). A comparison of debt ratios with other WAEMU countries shows that Guinea Bissau is the third most indebted country in the zone. However, its debt ratio remains below the multilateral surveillance criterion of 70 %.

Figure 14. Evolution of the budget deficit and public debt (% of GDP)



Source : IMF

Figure 15. Public debt to GDP of WAEMU countries in 2017



Source : IMF

10- APPENDICIES

Table 43. Details of Guinea-Bissau's emissions from 2013 to 2018 (Debt in million of CFAF)

Year	Issuer	ISIN	Instrument	Process	Maturity	Date of issue	Expiry date	Withheld amount	TM	TMP
2017	Guinea-Bissau	GW0000000111	OT	Auction	3	10/04/2017	11/04/2020	9 183.00	8.243	7.7649
2017	Guinea-Bissau	GW0000000111	OT	Auction	3	06/10/2017	11/04/2020	4 505.40	7.111	6.8286
2018	Guinea-Bissau	GW0000000129	BT	Auction	1	13/02/2018	12/02/2019	4 350.00	6.499	6.281
2018	Guinea-Bissau	GW0000000137	BT	Auction	1	05/04/2018	04/04/2019	5 512.00	6.75	6.6206
2018	Guinea-Bissau	GW0000000145	OT	Auction	3	05/04/2018	06/04/2021	5 235.16	7.847	7.6508
2018	Guinea-Bissau	GW0000000152	OT	Auction	3	28/08/2018	29/08/2021	6 072.87	8.448	7.9621
2018	Guinea-Bissau	GW0000000160	BT	Auction	1	25/09/2018	24/09/2019	5 500.00	6.19	6.0602
2018	Guinea-Bissau	GW0000000178	OT	Auction	3	08/11/2018	09/11/2021	3 327.35	8.045	7.9772
2018	Guinea-Bissau	GW0000000186	BT	Auction	0.5	20/12/2018	20/06/2019	5 239.00	6.5	6.3125

Source : Agence UMOA-Titres

Auction (for government securities): the auction of securities issued by the central government. In the WAEMU region, it is organized by BCEAO and only banks and other regional financial institutions with accounts with BCEAO can participate. Other entities can only subscribe to auctions through WAEMU banks.

Depreciation or maturity: The period between the disbursement of a loan and its final repayment, consisting of the grace period and the repayment period.

Public offering: competitive bidding on the financial market for public securities through an SGI. It is open to all investors.

Net external assets (NEA): net external claims or liabilities of monetary institutions (Central Bank and banks). This item corresponds to all items in the balance sheets of the Central Bank and banks relating to their external operations. It is calculated by deducting from gross external assets all external liabilities, including medium- and long-term liabilities.

State financing requirement: overall amount needed to cover the primary budget deficit and the interest and amortization charges associated with the debt.

Treasury bills: short-term public securities with a maturity of between 7 days and 2 years, issued by a WAEMU member state.

Paris Club: an informal group of creditor countries (usually OECD countries) that meet in Paris to negotiate debt restructuring agreements with debtor countries facing debt service problems.

Bilateral creditors: governments, central banks, agencies and export credit agencies, which lend to a debtor government on an intergovernmental basis.

Multilateral creditors: international institutions that lend funds on concessional and/or non-concessio-

nal terms, such as the IMF, World Bank and regional development banks.

Credits to the economy (CE): all loans granted to the economy by banks (refinanced or not), financial institutions (partly refinanced by the Central Bank) and the Treasury (through the acceptance of customs drafts).

Domestic credit: Credit to the economy + Government Net Position (see GNP).

Disbursement: payment of all or part of the amount contracted under a loan.

Budgetary deficit: the difference between total revenue, total expenditure and net lending.

Current account deficit: current account deficit balance of the balance of payments.

Primary deficit: the negative difference between revenue and expenditure, excluding interest payments.

External public debt: central government loans from non-residents.

Domestic public debt: central government loans from residents.

Non-concessional debt: debt issued on market terms.

Public debt: the sum of all central government debt (external and domestic).

Economic data :

- **Achievements:** Economic data for past years, calculated based on comprehensive economic information collected on the economic activity by national administrations. They should correspond more or less to the data in the final accounts for year last three years ;

- **Estimates:** correspond to semi-final or provisional accounts, drawn up based on economic information for a given year. They are generally non-exhaustive

and/or not fully validated;

- Economic projections or forecasts: correspond to economic data calculated based on hypotheses formulated on the future development of the economic activity. These projections may partially cover certain accounts for which only provisional and/or partial data are available.

Donation component: the difference between the nominal value (NV) and the present value (PV) of the debt service expressed as a percentage of the loan nominal value $((NV-PV)/NV)$.

Concessional loan: Loans and credits that have a long depreciation period and/or below-market interest rates, such that they have a donation component of at least 35%.

Eurobond: a foreign currency bond at the London financial market level.

Inflation: a generalized increase in consumer prices. This results in a loss of purchasing power of the currency.

Multilateral Debt Relief Initiative (MDRI): initiative launched in June 2005 to accelerate progress towards the Millennium Development Goals (MDGs).

HIPC Initiative: a framework adopted by the World Bank and the IMF in 1996 to address the external debt problems of heavily indebted poor countries, which aims to provide comprehensive debt relief sufficient to achieve debt sustainability.

Money supply (MS): All claims held by the rest of the economy on monetary institutions. It comprises available monetary (currency in circulation + sight deposits) and quasi-monetary (savings accounts and term deposits) resources.

Treasury bonds: medium- and long-term government securities issued through auctions or public offerings.

conditional liabilities: debts contracted by other public entities except for the central government (local authorities and the para-public sector).

Government Net Position (GNP): net claims or net liabilities of the Treasury to the rest of the economy. The government's net position consists of the difference between the Treasury's debts and its claims on the Central Bank, banks and individuals and companies.

By convention, a crediting GNP is preceded by a sign (-) while a debtor GNP is preceded by a sign (+).

Tax Burden: the ratio of tax revenue to GDP.

Refinancing risk: the risk associated with the renewal of maturing debt. It may relate to the cost of refinancing or the inability to obtain the desired amounts.

Interest rate risk: Interest rate risk refers to the vulnerability of the debt portfolio and the cost of the Government's debt to high market interest rates, at the point where maturing fixed-rate debt and variable-rate debt are revalued.

Foreign exchange risks: Risks associated with fluctuations in exchange rates.

Debt servicing: Any payment to be made on account of the principal, interest and fees of a loan.

Primary balance: (see primary deficit).

Stock of public debt: the amount at a given date of disbursements of outstanding debt.

Exchange rate: the price of one currency in terms of another.

Debt ratio: the ratio of the stock of public debt to GDP.

Investment rate of a country's economy: a ratio that indicates the gross fixed capital formation of all economic agents (government, businesses, households) expressed as a percentage of GDP. For a country, GFCF is the sum of hardware and software investments made during one year in that country.

The terms of trade: express for a country the link between the price of exports and the price of imports. They are generally calculated from price in-

dexes and indicate a change in relation to a baseline year ($T = [\text{export price index} / \text{import price index}] \times 100$).

The terms of trade improve over time ($T > 100$) if an economy exports a smaller quantity of goods to purchase the same quantity of imported goods (in other words, the same quantities exported buy more imported goods): export revenues improve in this case.

In contrast, the terms of trade deteriorate ($T < 100$).

This price ratio thus reflects the evolution of the purchasing power of exports into imports, for a given volume of trade (the structure of trade is fixed): it reflects the price-competitiveness of a country (independently of the quantity effect).



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