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REPUBLIC OF
GUINEA-BISSAU

Presentation of sovereign issuers of
West Africa Monetary Union (WAMU)

September 2020



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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'Etat 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'Etat 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.

Mamadou BALDE
12/2020
[Nom, cachet]



ACRONYMS

AGOA	: AFRICAN GROWTH OPPORTUNITIES ACT
SFPA	: SUSTAINABLE FISHERIES PARTNERSHIP AGREEMENT
BADEA	: ARAB BANK FOR ECONOMIC DEVELOPMENT OF AFRICA
BCEAO	: CENTRAL BANK OF WEST AFRICAN STATES
UNIOGBIS	: UNITED NATIONS INTEGRATED PEACE-BUILDING OFFICE IN GUINEA-BISSAU
AfDB	: AFRICAN DEVELOPEMENT BANK
BAT	: FUNGIBLE TREASURY BILLS
IDB	: ISLAMIC DEVELOPMENT BANK
ILO	: INTERNATIONAL LABOUR OFFICE
WB	: WORLD BANK
BOAD	: WEST AFRICAN DEVELOPEMENT BANK
ECOWAS	: ECONOMIC COMMUNITY OF WEST AFRICAN STATES
CIF	: COST OF FREIGHT INSURANCE
NFIPU(CENTIF)	: NATIONAL FINANCIAL INFORMATION PROCESSING UNIT
UNCTAD	: UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
DSF	: DEBT SUSTAINABILITY FRAMEWORK
CFA	: AFRICAN FINANCIAL COMMUNITY (CFA)
SDR	: SPECIAL DRAWING RIGHTS
CBE	: COMPLEMENTARY BASIC EDUCATION
EBE	: ELEMENTARY BASIC EDUCATION
CSE	: COMPLEMENTARY SECONDARY EDUCATION
GSE	: GENERAL SECONDARY EDUCATION
EST	: ESTIMATION
FOB	: FREE ON BOARD
ADF	: AFRICAN DEVELOPEMENT FUND
ECF	: EXTENDED CREDIT FACILITY
EHF	: EBOLA HEMORRHAGIC FEVER
IFAD	: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
IMF	: INTERNATIONAL MONETARY FUND
GATT	: GENERAL AGREEMENT ON TARIFFS AND TRADE
FAG	: FINANCIAL ACTION GROUP
GIABA	: The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)
IDA	: INTERNATIONAL DEVELOPMENT ASSOCIATION
FDI	: FOREIGN DIRECT INVESTMENT
HDI	: HUMAN DEVELOPMENT INDEX
IIAG	: IBRAHIM INDEX OF AFRICAN GOVERNANCE
MFI	: MICROFINANCE INSTITUTION
NIS	: NATIONAL INSTITUTE OF STATISTIC
INF	: INFERIOR
FML/TF	: FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING
MEF	: MINISTRY OF ECONOMY AND FINANCE
MW	: MEGAWATT
TIN	: TAX IDENTIFICATION NUMBER
NPF/MFN	: MOST FAVOURED NATION
OAT	: FUNGIBLE TREASURY BOND
WTO	: WORLD TRADE ORGANISATION

ACRONYMS

WCO	: WORLD CUSTOMS ORGANISATION
WHO	: WORLD HEALTH ORGANISATION
ODGR (OMVG)	: ORGANISATION FOR THE DEVELOPMENT OF THE GAMBIA RIVER (ODRG)
UN	: ORGANISATION DES NATIONS UNIES /UNITED NATIONS
ONUDC	: UNITED NATIONS OFFICE ON DRUGS AND CRIME
APIGC	: AFRICAN PARTY FOR THE INDEPENDENCE OF GUINEA AND CAPE VERDE
ECL	: ECOWAS COMMUNITY LEVY
DCP	: DEMOCRATIC CONVERGENCE PARTY
CSL	: COMMUNITY SOLIDARITY LEVY
LIC	: LOW-INCOME COUNTRIES
GDP	: GROSS DOMESTIC PRODUCT
NAIP	: NATIONAL AGRICULTURAL INVESTMENT PROGRAMME
NDP	: NEW DEMOCRACY PARTY
NHDP	: NATIONAL HEALTH DEVELOPMENT PLAN
UNDP	: UNITED NATIONS DEVELOPMENT PROGRAMME
PROJ	: PROJECTION
SPP	: SPENDING POWER PARTNERSHIP
FORC	: FORECAST
SRP	: SOCIAL RENOVATION PARTY
RAMSAR	: CONVENTION ON WETLANDS OF INTERNATIONAL IMPORTANCE
AIDS	: ACQUIRED IMMUNODEFICIENCY SYNDROME
SUP	: SUPERIOR
DMFAS	: DEBT MANAGEMENT AND FINANCIAL ANALYSIS SYSTEM
GSR	: GROSS SCHOOLING RATE
SFOT (TOFE)	: STATE FINANCIAL OPERATIONS TABLE
EBA	: EVERYTHING EXCEPT WEAPON
EU	: EUROPEAN UNION
WAEMU	: WEST AFRICAN ECONOMIC AND MONETARY UNION
UC	: UNION FOR CHANGE
WAMU	: WEST AFRICAN MONETARY UNION
UNESCO	: UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANISATION
UNICEF	: UNITED NATIONS CHILDREN'S FUND
USD	: AMERICAN DOLLAR
VA	: CURRENT VALUE
HIV	: THE HUMAN IMMUNODEFICIENCY VIRUS

EXECUTIVE SUMMARY

In 2018, Guinea Bissau's Human Development Index (HDI) value was 0.461, ranking the country 178th out of 189 countries. Between 2008 and 2018, the value of Guinea Bissau's HDI rose from 0.413 to 0.461, an increase of 11.62%.

In 2019, the nominal Gross Domestic Product (GDP) of Guinea-Bissau is estimated at CFAF 850.2 billion, compared to CFAF 836.0 billion in 2018. The increase in GDP in 2019 is mainly due to private consumption and cashew nut exports. Nevertheless, COVID-19 is expected to have a strong economic impact on Guinea-Bissau. In 2020, real GDP is expected to contract by 1.9%.

The budget deficit as a percentage of GDP deteriorated between 2017 and 2018. It increased from 1.4 % to 4.3 %. This deterioration is related to the decline in government revenues. The IMF estimates that the COVID-19 crisis, which is expected to lead to an increase in health spending (+1.2 % of GDP) and a decline in domestic revenue (-1.1 % of GDP), is expected to widen the overall budget deficit to more than 6 % of GDP in 2020.

The debt ratio increased from 50.1 % in 2017 to 55.9 % in 2019. According to projections taking into account the COVID-19 crisis, the ratio is projected to be 63.9 % and 41.9 % respectively in 2020 and 2021, below the multilateral surveillance criterion set at 70 %.

According to the latest IMF debt sustainability analysis (2018), Guinea-Bissau has a moderate risk of external debt distress and a moderate risk of overall debt distress.

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



Republic of Guinea-Bissau Guinée-Bissau



Surface

196 722 km²



Population

1 604 561 Hbts



Capital

Bissau



Political System

Presidential



Currency

CFAF



Official Language

Portuguese



850.2 billions
of CFAF

(source : BCEAO and national services)

- ▶ Economy based on agriculture **agriculture** and **trade**
- ▶ **50.2%** of the population aged between 15 and 35 years (RGPH 2009)
- ▶ **Second** african producer of **cashew nut**
- ▶ **Indebtness** rate in 2019 : **55.9%** of GDP
- ▶ Fiscal deficit in 2019 : **4.2%** of GDP

1- GENERAL PRESENTATION OF THE COUNTRY



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

The economy is heavily dependent on the political climate, the performance of the cashew nut sector and external 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 in the framework of this agreement focus on :

- Mitigating the fragility of the economy through the consolidation of government finances;
- Fiscal reforms;

- Restoration of financial stability;
- Borrowing policy and long-term debt sustainability;
- Private sector development;
- Improving inclusive growth.

In addition, good governance and the restoration of security are at the heart of these policies.

The country has significant potential in the mining sector to provide new opportunities for Guinea-Bissau's 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 organised 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 gained independence on 24 September 1973 after 11 years of civil war. This recognition by Portugal comes about a year after the unilateral proclamation of independence by the African Party for the Independence of Guinea and Cape Verde (APIGC), led by Luis Cabral.

At organisational level, Guinea-Bissau is a sovereign, multiparty, democratic, secular and unitary republic led by the President who is the head of state. The President of the Republic is elected by universal suffrage. His term of office is five years.

The government is headed by the Prime Minister, who is appointed by the President. Executive power is exercised by the government, while legislative power is shared between the government and the National Assembly. The judiciary is represented by the Supreme Court, which is the highest judicial body.

The President is elected by direct universal suffrage by an absolute majority vote for a five-year term, renewable once.

The current President, Mr Umaro Sissoco Embaló, was elected on 27 February 2020.

In Guinea-Bissau, power is divided among four organs: the President of the Republic, the Popular National Assembly, the Government and the Courts.

A set of attributions of national sovereignty is given to each body. The President of the Republic is the Head of State, the guarantor 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. Nuno Gomes Nabiam (since 29 February 2020).

The Government is the supreme executive and administrative organ of Guinea-Bissau. It conducts the general policy of the country in accordance with its programme, 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 different Presidents that have succeeded one another are:

- João Bernardo Vieira (1 October 2005 - 2 March 2009) ;
- Raimundo Pereira (2 March 2009 - 8 September 2009)
- 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 (23 June 2014 - 27 February 2020)
- Umaro Sissoco Embaló (since 27 February 2020)

1.1.2 Legislative power

The parliamentary chamber of Guinea-Bissau is the Popular National Assembly. The chamber has 102 members elected for a four-year term in electoral districts defined by law. The President is elected during the first session of the legislature for the same term.

The parliament supervises the activities of the Government by means of written and oral questions, and an answer must be given to it during the same sitting, or within a maximum period of fifteen days, in writing, in the event that investigations are necessary. The Constitution confers certain powers on the Popular National Assembly, including the decision on the constitutionality of laws and other legislative texts, the approval of the state budget, the approval of treaties that involve the participation of Guinea-Bissau in international organisations, treaties of friendship, peace, defence and rectification of borders and all other treaties that the government intends to submit to it.

Presently, the National Assembly is composed of the following parties: African Party for the Independence of Guinea and Cape Verde (APIGC) 47 seats, Movement for Democratic Alternative (MADEM G15) 27 seats, Party for Social Renovation (PSR) 21 seats, Popular National Assembly - PDGB (APU) 5 seats, Union for Change (UC) 1 seat, New Democracy Party (NDP) 1 seat.

1.1.3 Judicial power

The judicial system of Guinea-Bissau is essentially inspired by the Portuguese system. The overall architecture of the judiciary in Guinea-Bissau is composed of: the Supreme Court, the Regional People's Courts and the People's Section Courts.

The Supreme Court is the highest judicial body. It functions as a court of last resort and is composed

of nine judges appointed by the President of the Republic.

Each of the 9 regions has a Regional Court that serves as the first Court of Appeal of the 24 trial courts and hears civil disputes over US\$1.000. Trial judges have jurisdiction over minor torts and, in civil cases, where the amount in dispute does not exceed US\$1.000.

1.2 Administrative organisation

The country is administratively organised into one 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 led by state committees, headed by a president.

1.3 Geographical location

Guinea-Bissau has an 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). 8% of its territory is covered by mangroves. One third of the territory of Guinea-Bissau is made up of islands, the Bolama-Bijagós archipelago, a natural site of nearly 80 islands and islets, recognised by UNESCO. Several islands are classified as RAMSAR (Wetlands of International Importance).

Many 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 above sea level, and enjoys a hot and humid tropical climate characterised 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 zone.

1.4 Population

According to the latest population census carried out in 2009 by the National Institute of Statistics (NIS) of Guinea Bissau, the population of Guinea Bissau was approximately 1.449.230 inhabitants, of which

51.6% were women and 50.2% were young people between 15 and 35 years old. According to NIS estimates, the population would reach 1.584.791 inhabitants in 2018.

Table 1. Population of Guinea-Bissau in 2018

Category	2018	
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 : NIS

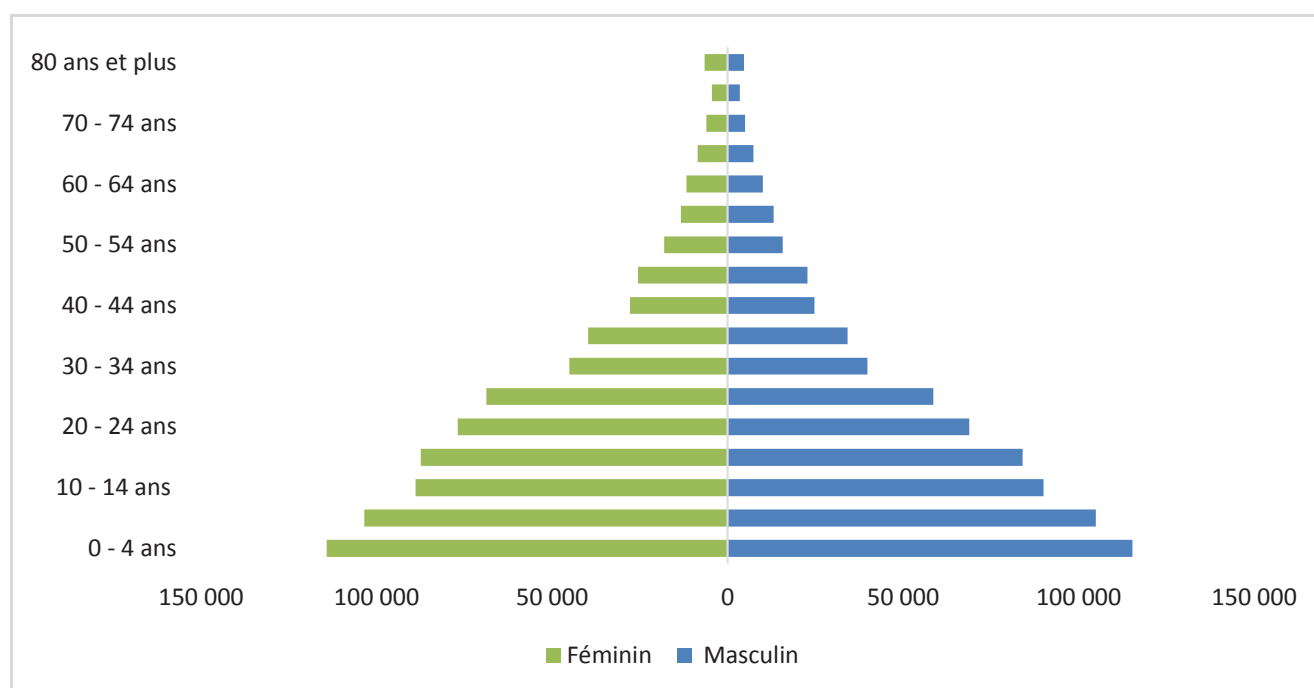
In terms of geographical distribution, the capital Bissau accounts for 25% of the total population, followed by Oio (14.9%), Gabu (14.2%), Bafata (13.9%), Cacheu (12.8%), Biombo (6.4%), Tombali (6.3%), Quinara (4.2%) and finally Bolama/Bijagós with 2.2% (NIS).

According to NIS (2015), the population density is 40 inhabitants/km² on average. It is estimated by the World Bank at 67 inhabitants per km² in 2018.

The density varies from 12.3 inhabitants/km² in Bolama/Bijagós to 4,711 inhabitants/km² in Bissau and 110.9 inhabitants/km² in Biombo. This situation is not without consequences on housing, with high demand in the cities of Bissau and Biombo.

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

Figure 1. Age pyramid of the population in Guinea Bissau



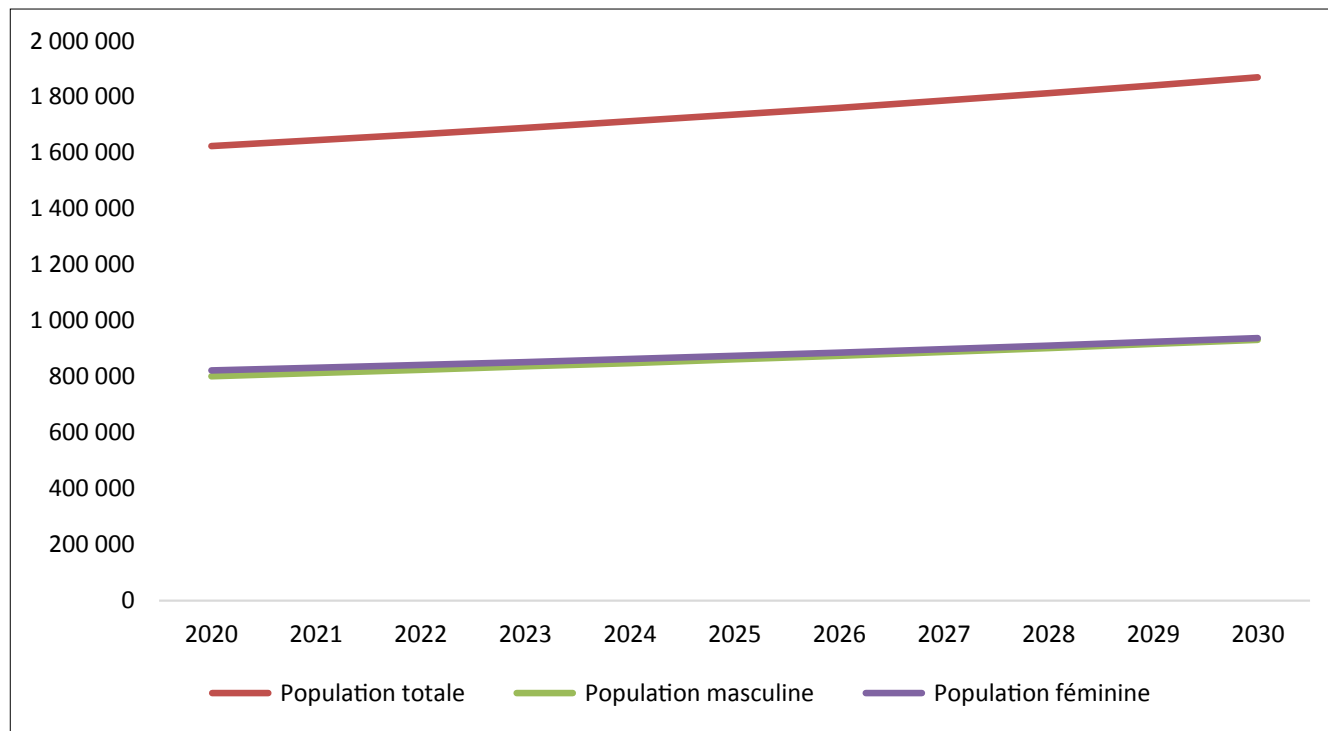
Source : NIS (population projections in Guinea Bissau 2009 - 2030)

According to NIS estimates, 49.22% of the population of Guinea-Bissau lived in urban areas compared to 50.78% in rural areas in 2018.

The January 2018 edition of the CIA World Factbook revealed that 45.1 % of the population are Muslims, 22.1% Christians and 32.2% animists or of traditional religions.

According to the NIS, the population is expected to grow from 1.6 million people in 2020 to 1.9 million in 2030. The projections for the female population do not differ from those for the male population.

Figure 2. Population projection by gender (medium scenario)



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

1.5 Education

The constitution of Guinea-Bissau stipulates that the state is responsible for the conduct of education 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 in the country from age 6.

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

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

ii) Non-formal education includes literacy, adult education and other types of education. Il existe une cellule d'enseignement spécial pour les enfants handicapés.

According to UNESCO, the literacy rate in Guinea-Bissau for people over 15 years old was 45.58% in 2015. The pre-school enrolment rate has undergone a very significant evolution since the gross enrolment rate doubled between 2000 and 2006 (from 3% to 6%). However, it stagnated or even decreased to 5% in 2010.

Over the same period, there has also been a significant development in basic education, with a growth of about 67% between 2000 and 2010.

The Gross School Enrolment Ratio indicates the total number of enrolments in a specific level of education, regardless of age, in relation to the population of school age in that level. It stands at 117% for basic education, with 139% for Elementary Basic Education (EBE) and 71% for Complementary Basic Education (CBE). EBE/CBE is for children aged 7 to 12, but includes children aged 13, 14 and so on.

The imbalance between EBE and CBE continued between 1999/2000 and 2009/2010.

For secondary education, there is an even greater change than for basic education: the gross rate for the whole cycle increased from 19% to 43% between 2000 and 2010. It increased more rapidly in Complementary Secondary Education (CSE) than in General Secondary Education (GSE), indicating a rebalancing between the two levels of secondary education.

1.6 Health

Guinea-Bissau's national health system is structured around three levels: central, regional and peripheral, and defines different types of care delivery structures. The structures are made up of two general directorates, the service directorates (including the coordination of national programmes) and at the intermediate regional level by the regional health directorates.

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 state of health of the population

Indicators	2000	2010	2014	2018
Men's Life expectancy	47.58	52.23	54.30	55.97
Women's life expectancy	53.10	56.90	58.69	59.91
Total life expectancy	50.37	54.63	56.56	58.00
Infant mortality rate (per 1.000 live births)	105.5	72.3	61.6	54
Infant mortality rate, under 5 years (per 1.000)	174.8	113.8	94.8	81.5
Maternal death ratio (national estimate, per 100.000 live births)	N/A	N/A	900	N/A

Source : world bank data

Guinea Bissau's health indicators have been improving since 2000. However, they are still low compared to other EU countries. Life expectancy increased from 50 years in 2000 to 58 years in 2018. In 2018, under-five mortality was 81.5 per 1 000 and the maternal mortality rate was 900 per 100 000 live births in 2014.

The government's efforts have led to improved indicators and access to health care for pregnant women and a reduction in child mortality. According to the WHO, the government is in the process of

finalizing its National Health Development Plan (NHDP) 2018-2022 in order 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-communicable and emerging diseases aggravated by an unfavourable context.

The incidence of malaria per 1.000 people at risk was 58.01 in 2017 according to the World Bank. It was 295.28 in 2000. Nevertheless, malaria remains the main source of child deaths. For tuberculosis, the incidence indicators of the disease show a controlled evolution, around 360 cases per 100.000 inhabitants since 2005 according to the WHO. The Simão Mendes national hospital, the largest hospital in the country, and the Raoul Follereau hospital detect around 60% of tuberculosis cases.

HIV/AIDS still remains a major challenge for the country. According to World Bank indicators, the

prevalence of HIV/AIDS in the population aged 15-49 was 3.8% in 2008 and 3.5% in 2018. Prevalence is higher among women (1.4% of the total population in 2018) than among men (0.9% in 2018).

In the course of 2012, a cholera epidemic broke out in Guinea-Bissau and continued in 2013. Female genital mutilation (FGM) is still widely practiced and heavily affects the well-being of women. The prevalence of FGM is estimated at 44.9% in 2014 by the World Bank.

1.7 Employment

According to data from the World Bank and the International Labour Organization, the labour force, including informal employment, was estimated at 799.520 people in 2019 compared to 619.191 people in 2010. 78.65% of men over 15 years of age were economically active compared to 65.84% of women in 2019. 68.14% of jobs were in the agricultural sector in 2019.

Concerning the unemployment rate, it has been stable since 2000, estimated at 2.5 % of the labour force in 2019 by the ILO. Unemployment affects men (2.7% of the male labour force) more than women (2.21% of the female labour force).

The government, with the support of the International Labour Office (ILO), has also put in place a Decent Work Country Programme for Guinea-Bissau

for the period 2012-2015. This programme has set itself the priority of:

- i) to contribute to the process of modernisation of the administration in a climate of social dialogue and promotion of gender equality;
- ii) promote decent jobs for young men and women, in particular through enterprise creation and vocational training;
- iii) strengthening and expanding the social protection system, especially for women in the informal economy, for children in the worst forms of child labour and addressing HIV in the workplace.

1.8 Reminder of the main aggregates

The HDI is developed by the United Nations Development Programme (UNDP) and 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 2018, Guinea Bissau's Human Development Index (HDI) value was 0.461, ranking the country 178th out of 189 countries. Between 2008 and 2018, the value of Guinea Bissau's HDI rose from 0.413 to 0.461, an increase of 11.62%.

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

As for the real GDP per capita, it increased between 2014 and 2017, from 253 706 CFA Francs to 281 441 CFA Francs, and reached 290 529 CFA Francs in 2018. This evolution is explained by the improvement in the economic environment after periods of political and military tensions.

Table 3. Evolution of 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 GDP PPP per capita	1533.3	1514.8	1573.0	1627.8	1680.3	1734.6

Source : IMF

Table 4. Summary table

Billions CFA Francs	2014	2015	2016	2017	2018	2019
National economy						
Nominal GDP	560.5	681.1	737.8	853.6	836.0	850.2
Real GDP	641.9	681.1	718.3	752.1	777.4	812.3
Real GDP growth	1.0	6.1	5.5	4.7	3.4	4.5
Investment rate (% of GDP)	17.0	15.0	18.1	18.1	14.5	15.6
Inflation rate (in %)	-1.0	1.5	1.5	1.0	0.3	0.2
Balance of payments						
Exports of goods FOB	82.1	149.2	164.0	197.5	188.6	130.4
Imports of goods FOB	105.9	122.4	136.5	169.2	157.9	183.8
Property balance	-23.8	26.8	27.5	28.3	30.7	-53.3
Services balance	-34.4	-55.9	-61.0	-69.8	-69.4	-74.0
Current account balance	3.1	12.4	10.0	2.3	-25	-56.8
Government finances						
Income and grants	106.0	124.9	112.2	143.7	128.6	130.0
Net expenditure and lending	122.3	176.3	152.3	155.4	164.3	165.8
Overall balance on a commitment basis	-16.3	-51.4	-40.1	-11.7	-35.7	-35.8
Public debt						
Domestic debt	42.0	198.7	224.4	190.2	218.8	104.2
External debt	146.9	153.5	168.1	237.4	264.7	370.9
Public debt as % of nominal GDP	33.7	51.7	53.2	50.1	57.8	55.9
Overall budget deficit including grants						
In value terms	-16.3	-51.4	-40.1	-11.7	-35.7	-35.8
As a percentage of nominal GDP (%)	-2.9	-7.5	-5.4	-1.4	-4.3	-4.2

Source : BCEAO, MEF

2.1 Gross Domestic Product Assessment

2.1.1 Level of GDP (in billions of CFA Francs)

In 2019, the nominal Gross Domestic Product (GDP) of Guinea-Bissau is estimated at CFAF 850.2 billion, up from CFAF 836.0 billion in 2018. The increase in GDP in 2019 was driven mainly by private consumption and cashew nut exports.

According to projections, GDP is projected to decline in 2020 due to the adverse consequences of the COVID-19 pandemic. However, it is projected to rebound in 2021 in line with the expected recovery of economic activity both nationally and internationally.

Table 5. Nominal Gross Domestic Product (GDP) of Guinea-Bissau

Guinea-Bissau	2014	2015	2016	2017	2018	2019	2020	2021
In billions CFA FRANCS								
GDP at current prices	560.5	681.1	737.8	853.6	836.0	850.2	798.6	1176.6

Source : BCEAO

2.1.2 Real GDP growth (in %)

The GDP is highly dependent on the economic conditions of the cashew nut market. The 4.7% growth recorded in 2017 is mainly due to the production and export of cashew nuts to Brazil (with a favourable price on the international market).

The slowdown in economic activity observed in 2018 (1.3 percentage points) is partly due to lower prices on the international market and the deterioration in production and exports. This slowdown has also produced effects in the tertiary sector with a negative impact on the trade sub-sector. In 2019, the GDP growth rate was 4.5%, thanks in particular to the reduction in export taxes on cashew nuts.

With 1038¹ cases recorded in May 2020, the country is not escaping the health crisis of COVID-19. The Guinea-Bissau authorities have put in place restrictive measures to curb the spread

of the virus. These include the closure of borders, restaurants, bars, places of worship and schools, a ban on gatherings and movement of people and the introduction of a curfew.

If the total impact on the country's economy is not yet assessed, the GDP growth rate would be negative in 2020 (-1.9%) due to the decline in international demand for cashew nuts (90% of the country's exports) and containment measures. For 2021², growth is estimated at 3.0% by the IMF.

Before the COVID-19 crisis, Guinea Bissau's real GDP growth rate was projected at 5.6 per cent in 2020, compared to 4.5 % in 2019 and 3.4 % in 2018. Growth in 2019 is driven by the primary sector with a growth of 7.1% against 2.4% and 3.3% respectively for the secondary and tertiary sectors. Growth in the primary sector would be 5.4% in 2020, while growth in the secondary and tertiary sectors would be negative.

¹ French Embassy

² FMI – Regional Economic Outlook, 2020

Table 6. Guinea-Bissau's real gross domestic product growth (%)

Guinea-Bissau	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP by sector						Est	Est	Proj
Primary sector	4.8	-8.4	8.6	4.3	3.9	1.3	7.1	5.4
Secondary sector	11.8	10.8	11.1	-14.8	8.2	4.0	2.4	-5.0
Tertiary sector	0.0	5.7	3.0	12.6	4.4	4.6	3.3	-6.0
Non-market GDP	3.2	16.2	6.4	-29.6	0.7	10.4	15.9	1.7
Duties and taxes	-19.2	7.1	12.9	-1.4	-2.8	9.4	-4.3	-26.1
Real GDP	3.3	1.0	6.1	5.4	4.7	3.4	4.5	-1.9

Source : BCEAO

2.1.3 Decomposition of GDP in structure (in %)

Over the past five years, the share of the primary sector in GDP averaged 35.0%. According to the 2020 projections, this sector would contribute 38.0% of GDP. The secondary sector, for its part, contributed 12.6% of GDP in 2019, compared with 15.3% five years earlier. In 2020, its contribution would be 12.2%.

As for the tertiary sector, its contribution has increased over the last five years, rising from 30.4% of GDP in 2015 to 37.5% of GDP in 2019.

According to projections, the contribution of the tertiary sector would be 36.4% in 2020.

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

Guinea-Bissau	2013	2014	2015	2016	2017	2018	2019	2020
						Est	Est	Proj
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary sector	38.6	35.0	35.9	35.5	35.2	34.5	35.4	38.0
Secondary sector	13.3	14.6	15.3	12.4	12.8	12.9	12.6	12.2
Tertiary sector	32.0	32.4	30.4	38.0	38.7	38.4	37.5	36.4
Non-market GDP	10.0	11.6	11.6	7.7	7.4	7.9	8.8	9.1
Duties and taxes	6.0	6.4	6.8	6.4	5.9	6.3	5.7	4.3

Source : BCEAO

The trend observed in the primary sector is mainly explained by the progress of the agriculture sub-sector. As for the tertiary sector, the situation is

explained by the good dynamics observed in the telecommunications and other services sub-sectors.

2.2 Detail of the gross domestic product

2.2.1 GDP in volume, sector detail

In 2019, the contribution of the primary sector to GDP is estimated at CFA Francs 287.1 billion. The contribution of this sector to the GDP has increased from 245.6 billion CFA Francs in 2013 and will reach, according to forecasts, 302.6 billion CFA Francs in 2020. The secondary sector in general contributed

up to 102.5 billion CFA Francs in 2019 against 84.8 billion CFA Francs in 2013. The contribution of the sector would come out at 97.4 billion CFA Francs in 2020, a drop of 5.0% compared to 2019.

The tertiary sector, for its part, contributed 304.6 billion CFA Francs in 2019. Between 2013 and 2018, its contribution increased from 203.3 to

298.9 billion CFA Francs. According to forecasts, the contribution of the tertiary sector should drop by 4.7 in 2020 to reach 290.2 billion CFA Francs. Guinea-Bissau's growth in 2019 is driven by the primary sector. The primary sector grew by 7.1% in 2019 after 1.3% in 2018. This acceleration is mainly due to the performance recorded in the agricultural sector.

The secondary sector grew by 2.4% in 2019 compared to 4.0% in the previous year. This

slowdown is mainly related to the contraction in construction activity (-4.3%). The sub-sectors of the manufacturing industry and the water and power generation industries maintained significant growth levels.

With regard to the tertiary sector, its contribution remains significant despite a slight slowdown in 2019 of 0.9 points of growth.

Table 8. Sectoral breakdown of GDP

Guinea-Bissau In billions CFA Francs	2013	2014	2015	2016	2017	2018	2019	2020
						Est	Est	Proj
Primary sector	245.6	225.0	244.4	254.9	264.7	268.1	287.1	302.6
Agriculture, Livestock, Forestry, Fisheries	245.6	225.0	244.4	254.9	264.7	268.1	287.1	302.6
Secondary sector	84.8	93.9	104.3	88.9	96.2	100.1	102.5	97.4
Extractive industries	3.2	3.6	3.3	2.8	2.9	3.0	3.0	2.8
Manufacturing Industry	56.3	59.7	67.4	63.1	64.5	66.4	69.2	65.5
Electricity and Water	5.8	8.4	1.1	8.2	8.2	8.7	9.2	9.7
Construction	19.5	22.2	32.4	14.9	20.6	22.0	21.1	19.4
Tertiary sector	203.3	207.7	207.2	273.3	290.8	298.9	304.6	290.2
Trade Restaurants and Hotels	110.6	110.4	153.4	123.0	126.0	118.7	120.7	119.5
Transport and Communications	54.7	56.1	14.6	61.4	64.4	66.5	68.8	63.4
Banking, Insurance and other Services	37.9	41.2	39.2	88.8	100.5	113.7	115.0	107.2
Non-market GDP	63.8	74.2	78.9	55.5	55.9	61.7	71.5	72.7
Market GDP	572.0	567.8	602.4	662.8	696.3	715.7	740.8	724.5
Government administration	63.8	74.2	78.9	55.5	55.9	61.7	71.5	72.7
Duties and taxes	38.4	41.1	46.4	45.8	44.5	48.7	46.6	34.4
GDP Total	635.8	641.9	681.3	718.3	752.1	777.4	812.3	797.2

Source : BCEAO

2.2.2 GDP in composition

The primary sector has seen favourable developments in recent years. These trends can be explained by the implementation of the National Agricultural Investment Programme (NAIP) for which the government has received financing from the West African Development Bank (BOAD) to the tune of CFAF 10 billion. These actions, combined with the increase in cashew nut production, have strongly supported the growth of the primary sector. However, the primary sector experienced a

downturn in 2018 due in particular to the collapse of cashew nut prices and the drop in production. For the secondary sector, the good performance is attributable to the manufacturing sub-sector, which benefits from the improvement in electricity and water production.

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

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

Guinea-Bissau	2013	2014	2015	2016	2017	2018	2019	2020
						Est	Est	Proj
Primary sector	38.6	35.0	35.9	35.5	35.2	34.5	35.4	38.0
Agriculture, Livestock, Forestry, Fisheries	38.6	35.0	35.9	35.5	35.2	34.5	35.4	38.0
Secondary sector	13.3	14.6	15.3	12.4	12.8	12.9	12.6	12.2
Extractive industries	0.5	0.6	0.5	0.4	0.4	0.4	0.4	0.4
Manufacturing Industry	8.9	9.3	9.9	8.8	8.6	8.5	8.5	8.2
Electricity and Water	0.9	1.3	0.2	1.1	1.1	1.1	1.1	1.2
Construction	3.1	3.5	4.8	2.1	2.7	2.8	2.6	2.4
Tertiary sector	32.0	32.4	30.4	38.0	38.7	38.4	37.5	36.4
Commerce, Restaurants and Hotels	17.4	17.2	22.5	17.1	16.7	15.3	14.9	15.0
Transport and Communications	8.6	8.7	2.1	8.5	8.6	8.6	8.5	8.0
Banking, Insurance and other Services	6.0	6.4	5.8	12.4	13.4	14.6	14.2	13.5
Non-market GDP	10.0	11.6	11.6	7.7	7.4	7.9	8.8	9.1
Market GDP	90.0	88.4	88.4	92.3	92.6	92.1	91.2	90.9
Government administration	10.0	11.6	11.6	7.7	7.4	7.9	8.8	9.1
Duties and taxes	6.0	6.4	6.8	6.4	5.9	6.3	5.7	4.3
GDP Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : BCEAO

2.2.3 GDP by component

On the domestic demand side, growth in 2019 is mainly driven by private consumption with a contribution of 4.7%. Both private and public investment made a small

contribution to growth in 2019. On the external demand side, its contribution to growth declined from 7.8% in 2018 to -0.2% in 2019.

Table 10. Breakdown of GDP according to expenditure (in billions of CFA Francs)

	2013	2014	2015	2016	2017	2018	2019	2020
Constant prices								
1. Internal demand	627.7	644.6	718.8	765.1	810.9	822.5	878.5	911.6
Total consumption	524.5	537.1	608.4	644.0	662.7	669.5	722.7	760.5
Private	448.3	445.5	504.9	522.9	536.8	539.5	576.3	601.3
Public	76.3	91.7	103.5	121.1	125.9	130.0	146.5	159.2
Gross Fixed Capital Formation	103.2	107.5	110.3	121.1	148.2	153.0	155.7	151.2
2. Total external demand	-2.4	-15.6	-29.1	-48.1	-59.9	-1.2	-3.0	-92.0
3. Change in inventories	10.5	12.9	-8.3	1.4	1.2	-43.9	-63.2	-22.5
GDP	635.8	641.9	681.3	718.3	752.1	777.4	812.3	797.2

Source : BCEAO

Table 11. Contribution to the growth of expenditure items

	2013	2014	2015	2016	2017	2018	2019	2020
In %								
1. Internal demand	-1.8	2.6	11.5	6.8	6.4	1.5	7.2	4.1
Total consumption	-0.2	2.0	11.1	5.2	2.6	0.9	6.8	4.6
Private	-0.4	-0.4	9.3	2.6	1.9	0.4	4.7	3.1
Public	0.2	2.4	1.8	2.6	0.7	0.5	2.1	1.6
Gross Fixed Capital Formation	-1.6	0.7	0.4	1.6	3.8	0.6	0.4	-0.6
2. Total external demand	3.5	-2.1	-2.1	-2.8	-1.6	7.8	-0.2	-11.0
3. Change in stocks	1.6	0.4	-3.3	1.4	0.0	-6.0	-2.5	5.0
GDP	3.3	1.0	6.1	5.4	4.7	3.4	4.5	-1.9

Source : BCEAO

PERSPECTIVES

Growth in the primary sector should increase from 7.1% in 2019 to 5.4% in 2020, a deceleration of 1.7 points. Despite this deceleration, the sector is expected to limit the contraction of Guinea-Bissau's GDP in 2020. The growth of the primary sector, in a context marked by the negative impact of the current health crisis on activity, would be linked to the effectiveness of the investments

of the "Terra Ranka³" programme. The implementation of innovations in the fields of agriculture, animal husbandry and the environment would support the primary sector. The actions envisaged are the following:

- (i) The increase and diversification of agricultural production through the modernization and diversification of crops;

³ Operational and strategic plan 2015-2020 put in place by the government with the aim of achieving the objectives of governance, peace, infrastructure, urban planning, human development and biodiversity.

- (ii) The strengthening of production under irrigation;
- (iii) The assurance of the system of animal production and intensification.

The secondary sector is projected to decline 5.0% in 2020 after rising 2.4% in 2019. The sector has grown by an average of 4.9% over the past three years. This sector has benefited 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 infrastructures

As for **the tertiary sector**, it should contract by 6.0% in 2020 after an average growth of 4.1% recorded over the period 2017-2019. This growth is attributable to the particularly favourable development of activities related to telecommunications and public administration reforms. With regard to telecommunications The country has received a 31 million USD loan from the World Bank for

the development of the optical submarine cable. This credit is complemented by an 8 million USD financing provided by a consortium made up of the Bissau-Guinean government and the telecommunications operators established in the country.

On the demand side, final consumption should increase by 5.2% in 2020 against 7.9% in 2019. Its contribution to GDP growth is expected to increase from 6.8 to 4.6 percentage points between 2019 and 2020. On the other hand, investment is expected to decline slightly in 2020 with a negative contribution to growth (-0.6 points). Over the period 2017-2019, investments increased on average by 9.1%. According to the 2018 budget, investment was projected to be 7.39% higher on average (2019-2023), 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 telecommunications infrastructures.

In 2015, Guinea-Bissau adopted a new reference framework for its development policy for the next decade: the Guinea-Bissau Vision 2025. The first

phase of this plan is known as "Terra Ranka, 2015-2020".

3.1 Recent Achievements and Completions

3.1.1 Presentation of the national development plan

The Guinea-Bissau 2025 vision is to:

- i) 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) Implementing public administration reforms and improving government finances management;
- iii) Institutional capacity building;
- iv) The establishment of a policy of economic diversification, in particular agriculture ;
- v) Strengthening investment in infrastructure.

All the projects are evaluated at a global cost of 1305 billion CFA Francs. Significant progress linked to

the country's security context and political stability should be accompanied by the return of donors.

Within the framework of the mechanisms for monitoring the implementation of the national development plan, inter-ministerial committees have been set up to supervise its progress and to closely monitor cross-cutting projects requiring a good synergy between administrations. To carry out this monitoring, a plan monitoring-evaluation office has been set up at the Prime Minister's Office. It is responsible for monitoring, assisting the various players, providing impetus and also issuing alerts.

3.1.2 Recent reforms linked 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 summarises some projects in these sectors.

Table 12. Structuring projects linked to the national development plan

Project	Donors	Type	Situation
Water, Sanitation and Hygiene Programme	UNDP and UNICEF	Grant	In progress /
15 MW Thermal Fuel Power Generation Capacity Enhancement Project	BOAD	Loan	In progress
Project to support the economic development of southern regions	IFAD	Grant / Loan	In progress
Quality Education for All Project	WB	Grant	In progress
Buba Catio Road Construction Project	BOAD	Loan	In progress

Source : MEF

3.2 Future achievements

In order to continue the reforms already underway, projects mainly concern electrification and road new projects have been launched in 2019. These construction.

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

Project	Donors	Type	Situation
Projects 14 locations in ODRG (OMVG)	BOAD	Loan	Start of second quarter 2019
Project for the development of the electricity distribution system in the city of Bissau	AfDB	Grant / Loan	In preparation
Bissau-Safim Road Construction Project	Republic of China	Grant	In preparation
Boke-Quebo Road Development Project	AfDB	Grant / Loan	In preparation

Source : MEF

4.1 Structural elements

4.1.1. Description of the Franc zone

The Franc zone is characterised 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' issuing zone and France of 23 November 1972, as well as in the cooperation agreement between the Member States of the West African Monetary Union and France of 4 December 1973.

The 4 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 issuing institutions in 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 case of exhaustion of their foreign currency reserves ;
- A fixed parity with the Euro of 1 Euro for 655.957 CFAF : the parity of the zone's currency with the Euro is fixed and defined for each subzone. The currencies of the zone are convertible between them, 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. $655.957 \text{ CFAF} = 1 \text{ euro}$ (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.
- Centralisation of reserves : the States centralise their foreign exchange reserves in their Central Banks, while in return for the unlimited convertibility guaranteed by France, the Central Banks of the franc zone 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 on its operations account.

A new monetary agreement was signed in December 2019 by WAEMU member states and France to reform the CFAF. It lays the foundations for the accession of member countries to the ECO, the single currency project of ECOWAS. In order to enable WAEMU economies to prepare for the ECO, the monetary cooperation agreements linking member states of the zone to France have been profoundly revised. Three decisions were taken :

- The change of the name of the currency from CFA Franc to ECO, when the WAEMU countries join the new ECOWAS ECO zone ;
 - The end of the centralisation of foreign exchange reserves at the French Treasury, the closure of the operations account and the transfer to BCEAO of the resources available in the account ;
 - The withdrawal of all French representatives in the decision-making and management organs of WAMU (BCEAO Board of Directors, Banking Commission and Monetary Policy Committee).
- Two key elements of monetary stability have been retained :
- Maintaining the fixed exchange rate against the euro (which ensures the current parity).
 - The guarantee of unlimited convertibility of the currency by France.

In May 2020, the bill ratifying the end of the CFA franc was adopted by France in the Council of Ministers. It validates the transformation of the CFA franc, which will become the ECO, by maintaining a fixed parity with the Euro and the end of the centralisation of foreign exchange reserves of West African states with the French Treasury.

4.1.2 Description of BCEAO

WAEMU Treaty Article 41 designates the Central Bank of West African States (BCEAO) as an autonomous specialised institution of the Union. Completely independent, BCEAO contributes to the achievement of the treaty's objectives.

Members

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

Bodies

The Central Bank's bodies are : the Governor, the Monetary Policy Committee, the Board of Directors, the Audit Committee, the National Credit Councils, with one Council in each of the WAMU Member States

How does it works ?

The Central Bank, its bodies, 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 from any other person. Community institutions and bodies and the governments of WAEMU member states undertake to respect this principle.

The main objective of the Central Bank's monetary policy is to ensure price stability. Without prejudice to this objective, the Central Bank supports the economic policies of the West African Economic and Monetary Union (WAEMU) with a view to achieving sound and sustainable growth.

Roles

The Central Bank is entrusted with the following fundamental missions :

- Defining and implementing monetary policy within WAEMU ;
- Ensure the stability of the WAEMU banking and financial system ;
- Promote the smooth functioning and ensure the supervision and security of payment systems in WAMU ;
- Implement WAEMU's exchange rate policy in accordance with the conditions laid down by the Council of Ministers ;
- Manage the official foreign exchange reserves of WAEMU member states.

The Central Bank may carry out, while respecting the monetary balance, specific missions or projects that contribute to improving the monetary policy environment, diversifying and strengthening 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. To this end, it defines the monetary policy that makes it possible to maintain the external coverage rate of the currency at a satisfactory level and to support the economic activity of the member countries without inflationary pressure .

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

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

4.1.3 Monetary policy

BCEAO benefits from the exclusive privilege to issue money in all member states of the West African Monetary Union. It issues monetary signs, banknotes and coins, which are legal tender and discharge power in all member states of the Union. The creation, issue and cancellation of monetary signs are decided by the Council of Ministers.

The management of the monetary policy of the Member States of the Union by the Central Bank consists of adjusting the overall liquidity of the economy in accordance with the evolution of the economic situation in order to ensure price stability on the one hand and to promote economic growth on the other.

The current money and credit management system relies on market mechanisms and indirect instruments to regulate liquidity, 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 every week and every month for banks subject to compulsory reserves) allocated at variable rates ; the minimum bid rate considered by BCEAO as its key rate (currently 2.0%). Planned auctions are generally calibrated

according to BCEAO's forecasts of liquidity needs over the maturity of the operations ;

Permanent lending windows : refinancing for 1 to 7 days or 90 to 360 days against government securities and credit applications with maturities ranging from 5 to 20 years, at the request of banks (marginal lending window). The rates of these windows are above the key rate of 200 basis points. As of June 2017, recourse to the lending window has been capped at twice the counterparty's own funds.

The minimum interest rate for bidding in open market operations (tenders) and the interest rate applicable on the marginal lending window (repo rate), the levels of which are set by the Monetary Policy Committee, are 2.00% and 4.00% respectively, and constitute the two main key rates of BCEAO.

Money supply

This section summarises the monetary statistics of BCEAO and the banks of Guinea Bissau. It presents the situation of net external assets, domestic credit composed of credit to the state and credit to the economy at the end of December each year.

Net Foreign assets fell from CFAF 233.7 billion in 2018 to CFAF 217.5 billion in 2019, a decline of 7.0%. This decline is linked to the deterioration of cashew nut exports and the fall in prices.

Domestic assets amounted to CFAF 197.73 billion at the end of December 2019, against CFAF 173.04 billion in 2018.

Table 14. Monetary situation

In billions of CFA Francs	2013	2014	2015	2016	2017	2018	2019
Net external assets	94.03	153.40	168.56	202.19	224.46	233.72	217.52
Central Bank	56.39	120.26	159.53	153.12	176.22	169.75	182.38
In banks	37.64	33.14	9.02	49.07	48.23	63.96	35.14
Domestic receivables	94.29	117.72	150.94	167.56	163.98	173.04	197.73
Net receivables from Central Administration	21.44	36.82	94.08	111.33	63.57	70.00	58.84
BCEAO	27.21	24.73	27.97	37.66	37.10	43.85	42.65
Banks	-5.77	12.08	66.11	73.67	26.47	26.16	16.19
Receivables from other sectors	72.84	80.91	56.87	56.23	100.42	103.03	138.89
BCEAO	2.97	2.83	2.82	3.01	3.22	4.08	4.63
Banks	69.87	78.08	54.05	53.22	97.19	98.95	134.25
Money supply (M2)	161.79	240.71	306.16	334.76	344.18	365.03	365.96
Currencies in circulation	90.956	151.417	194.616	224.153	227.144	234.913	235.263
Total Transferable deposits	48.62	59.37	79.62	79.99	78.31	84.21	74.29

Source : BCEAO

4.2.1 The banking environment

The banking system remains underdeveloped, with five banks with very limited coverage. The banking rate remains low (around 15%) including microfinance. This situation severely limits access to financial services for large sections of the population.

This 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 portfolio of non-performing loans of two commercial banks,

for an amount of 34 billion CFA Francs or 5.6% of GDP. These two banks then represented about 50% of the balance sheet and 55% of the accounts of the country's banking system.

The authorities have taken the bank rescue decision to court and legal proceedings are ongoing. 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

ASSETS	2017 2018	
	Millions of CFA francs	
Cash office, Central Bank, Postal account	13547	9116
Government securities and similar securities	54562	43901
Interbank and similar receivables	22010	12138
Interbank and similar receivables	65452	80021
Bonds and other fixed-income securities	4389	9085
Bonds and other fixed-income securities	54	54
Shareholders or associates	0	0
Other assets	5388	6171
Adjustment accounts	1549	1770
Investments and other securities held on a long-term basis	83	80
Shares in affiliated companies	0	0
Subordinated loans	0	0
Intangible assets	594	664
Tangible assets	5125	5864
TOTAL ASSETS	172753	168864
LIABILITIES		
Central Banks, CCP	0	0
Interbank and similar debts	59800	51242
Debts owed to customers	97465	102950
Debts evidenced by certificates	0	0
Other liabilities	7247	9094
Adjustment accounts	1463	747
Provisions	3205	2921
Borrowings and subordinated securities	387	104
Equity and similar resources	3186	1806
Subscribed capital	26478	26478
Additional paid-in capital	0	0
Reservations	1533	1738
Revaluation differences	0	0
Regulated provisions	0	0
Retained Earnings (+/-)	-22583	-25768
Profit for the year (+/-)	-2242	-642
TOTAL LIABILITIES	172753	168864

Source : BCEAO

Between 2017 and 2018, the total assets of banks in Guinea-Bissau fell from CFAF 173 billion to CFAF 169 billion, a decline linked in particular to a decrease in interbank and similar claims. Guinea-Bissau's banking

sector recorded a negative result in 2017 and 2018, but the situation improved between the two years from CFAF -2.2 billion to CFAF -0.6 billion.

The loan rate is slightly lower in 2019. It stood at 4.61% in 2019 compared with 4.62% in 2018. The lending rate also fell from 9.23% in 2018 to 8.48% in 2019. Long-term lending rates (maturing over 10

years) fell significantly from 7.76% in 2015 to 3% in 2016 and 2017. They rose again in 2018 and reached 6.02% in 2019.

Table 16. Debit and credit rates in Guinea Bissau

	2013	2014	2015	2016	2017	2018	2019
Debit interest rate							
less than or equal to 1 month	9.68	11.48	11.06	8.71	9.31	9.25	8.22
more than 1 month and less than or equal to 3 months	9.9	9.45	9.12	8.01	7.83	9.29	9.54
more than 3 months and less than or equal to 6 months	9.85	9.48	9.46	8.81	10.34	9.54	9.39
more than 6 months and less than or equal to 1 year	9.36	9.06	8.47	9.09	7.86	8.56	7.31
more than 1 year and less than or equal to 2 years	9.09	9.26	10.09	10.59	8.99	10.16	9.49
more than 2 years and less than or equal to 5 years	8.97	9.35	9.83	10.56	9.08	9.04	8.19
more than 5 years and less than or equal to 10 years	8.71	5.89	8.73	8.36	8.43	9.20	7.53
More than 10 years old	3.1	7.56	7.76	3	3	3.65	6.02
Total	9.3	9.32	9.72	9.12	9.35	9.23	8.48
Credit rate							
less than or equal to 1 month	4.75	4.8	4.81	4.32	3.07	3.24	2.67
more than 1 month and less than or equal to 3 months	4.7	4.55	4.71	4.74	3.95	5.15	5.33
more than 3 months and less than or equal to 6 months	3.69	4.33	4.15	3.62	3.42	3.97	3.71
more than 6 months and less than or equal to 1 year	4.53	3.66	3.33	3.5	2.83	4.01	4.04
more than 1 year and less than or equal to 2 years	4.56	4.5	3.25	3.62	3.34	5.07	5.25
more than 2 years and less than or equal to 5 years	5.31	4.5	3.52	5.27	5.88	5.65	3.99
more than 5 years and less than or equal to 10 years	5					4.96	4.68
Non-determined	4.25	3.64	3.5	3.66	4.36	2.70	
Total	4.71	4.64	4.54	4.24	4.07	4.62	4.61

Source : BCEAO, Report on Banking Conditions in the WAEMU 2019

4.2.1 Microfinance

As at December 2019, Guinea-Bissau had 6 microfinance institutions (MFIs) throughout the country, less than 2% of such institutions in the WAEMU. The MFI network had 10.638 clients and 6 service points.

The outstanding loans of MFIs were CFAF 74 million in December 2019 and deposits of CFAF 93 billion. Outstanding loans decreased by 29% in comparison with 2018 as did outstanding deposits which declined by 6.2%.

4.2.2 Financial markets

The WAEMU financial market is structured around the debt securities market (public and private bonds) and the equity market. The regional public securities market has two (2) components : the auction market and the syndication market.

The public securities auction market is organised and regulated by BCEAO through Agence UMOA-Titres ; while the public securities syndication market, private bonds and shares are regulated by the Regional Council for Public Savings and Financial Markets (CREPMF) and organised by the Regional Stock Exchange (BRVM) and the Central Custodian/Settlement Bank (CC/BS).

REGIONAL SECURITIES EXCHANGE : Presentation and roles

The Regional Stock Exchange (BRVM) is a specialised financial institution created on 18 December 1996, in accordance with a decision of the Council of Ministers of the West African Economic and Monetary Union (WAEMU) taken in December 1993.

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

- The organisation of the stock market ;
- The publication of stock exchange transactions ;
- Dissemination of information on the stock exchange ;
- The promotion and development of the market.

EVOLUTION OF BRVM BOND AND EQUITY MARKET

Since 2016, the WAEMU stock market (BRVM) has been experiencing successive declines that accelerate until 2018 and then slow down in 2019.

It fell from -3.8% in 2016 to -16.81% in 2017 and -29.14% in 2018. However, the decline slows to -3.4% in 2019.

This underperformance shows that the WAEMU market did not fully withstand the general downward trend that gripped the world's financial markets. The BRVM's decline in 2018 is particularly marked. The stocks preferred in 2015, oriented towards the food and beverage as well as agribusiness, consumer, automobile and equipment and banking sectors, have experienced a decline.

The fall in BRVM prices 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 drop also comes from the readjustment (rectification) after four (4) years of intensive market increases (2012 to 2015) and, on the other hand, from the misunderstanding of the different splits made on the market. New investors are speculating and most listed companies have not reacted to the fall in their capitalization.

During the 2019 financial year, the BRVM Composite Index rose from 172.2 on 31/12/2018 to 159.2 on 31/12/2019. The market capitalisation of the stock market fell from CFAF 4.845 billion at the end of 2018 to CFAF 4.741 billion at the end of 2019, a drop of 2%. The BRVM also reached the CFAF 236 billion mark in transactions in 2018 and 117.303.543 shares were exchanged for a value of CFAF 174.449.217.023.

Concerning the bond compartment, 6.359.442 bonds were traded for a value of CFAF 61.767.647.783 in 2018. The market capitalisation of bonds amounted to CFAF 4.233 billion as at 31 December 2019 against CFAF 3.444 billion the previous year, an increase of 23%. This improvement was driven by the appetite of WAEMU member states to use the regional financial market to support their respective economies.

Table 17. Evolution of BRVM financial market

	2013	2014	2015	2016	2017	2018	2019
BRVM 10 index	246	268	290	262	220	154	149
BRVM composite index	232	258	304	292	243	172	159
Composite market capitalisation (shares and bonds) in billions of CFA francs	6 706	7 459	9 079	10 216	9 806	8 289	8 973
Equity Market	5 634	6 320	7 500	7 706	6 836	4 845	4 741
Bond Market	1 073	1 139	1 579	2 509	2 970	3 444	4 233
Number of listed companies	37	38	39	43	45	45	46

Source : BRVM

Since its creation in 1998, the The Regional Stock Exchange (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

Any investor based in or outside the WAEMU may invest in public securities issued by auction or syndication. Orders are placed through authorised market participants : an underwriting syndicate or any MIC operating in the Union in the case of issues by syndication, and credit institutions based in the Union or MICs having an account in the books of the Central Bank in the case of issues by auction. Transactions on the BRVM share market are carried out through stock exchange intermediaries, in particular MIC.

Organisation of market by auction and amount of subscriptions

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

Unlike the syndication market, the auction market is led 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, acts as Central Custodian / Settlement Bank, clearing, settlement and delivery of transactions between participants with an account in its books, through its electronic platform SAGETIL-UMOA ;

- States which are the issuers of public debt securities on the Union's money market, under the responsibility of the Minister of Finance ;

- Agence UMOA-Titres, a regional structure in charge of issuing and managing public debt securities, materially organises issues and, in this capacity, provides assistance to Member States in mobilising resources on the capital markets and managing their debt ;

- Investors which are credit institutions, IMS and regional financial bodies with a settlement account in the books of the Central Bank ;

- Specialists in Treasury Securities (STs) which are credit institutions and IMSs 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 Member States on transactions on public debt securities issued on the regional market.

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

Organisation of the markets by syndication and amount of subscriptions.

The WAEMU regional financial market is characterised by a mixed organisation. Indeed, it is composed of a public sector consisting of the Regional Council for Public Savings and Financial Markets (CREPMF) and a private sector which includes the central structures of the Regional Stock Exchange (BRVM) and the Central Custodian/Bank of Settlement (CC/BS) on the one hand, and the commercial players on the other.

CREPMF is the WAEMU's regional financial market regulator (FMR). Its missions are, among others, to :

- To ensure the authorisation and control of public offering procedures ;
- Authorise market management structures and approve commercial operators ;
- Approve the tariffs of commercial operators ;
- Regulating the operation of the market ;
- Ensure the supervision of the regularity of stock exchange operations.

BRVM is organised at a central site based in Abidjan (Côte d'Ivoire) and represented in each member state by a National Stock Exchange Antenna (NSEA). The main responsibilities of BRVM are :

- Authorisation of the scholarship holders to carry out their activity ;
- The management of the market, in particular ensuring the centralization of buy or sell orders, the management of the coast, the dissemination of market information, as well as the promotion and

popularization of financial culture within the WAEMU ;
- The management of unsettled transactions.

The Central Custodian/Settlement Bank (CC/BS) is a financial institution whose role is to :

- To clear applicants for the position of account keeper ;
- Ensuring the settlement of negotiations and the management of the financial service of securities ;
- Ensure the maintenance of current accounts for securities opened by Management and Intermediation Companies (MIC) in its books ;
- To ensure the safekeeping and the scriptural circulation of securities ;
- Proceed to the payment in cash, in its capacity as settlement bank, of the balances of stock exchange transactions.

When organising issues by syndication, the States entrust the process of placing the securities to an underwriting syndicate, whose members are MICs approved by CREPMF. In addition, the issuer chooses a lead manager from among the syndicate's members to carry out specific tasks in the issuance process.

Since its creation, the main products present on the regional financial market have been equities and bonds. In recent years, several new products such as mortgage refinancing and securitisation (Sukuk Debt Securitisation Fund) have been introduced. Securities issued by syndication are traded on the secondary market on BRVM's electronic trading platform.

Table 18. Evolution of the inflation rate in Guinea-Bissau (%)

Inflation	2014	2015	2016	2017	2018	2019	2020 *
Guinea-Bissau	-1.0 %	1.5 %	1.5 %	1.0 %	0.3 %	0.2 %	1.8%
WAEMU	-0.1%	1.0%	0.3%	1.0%	1.2%	-0.8%	1.8%

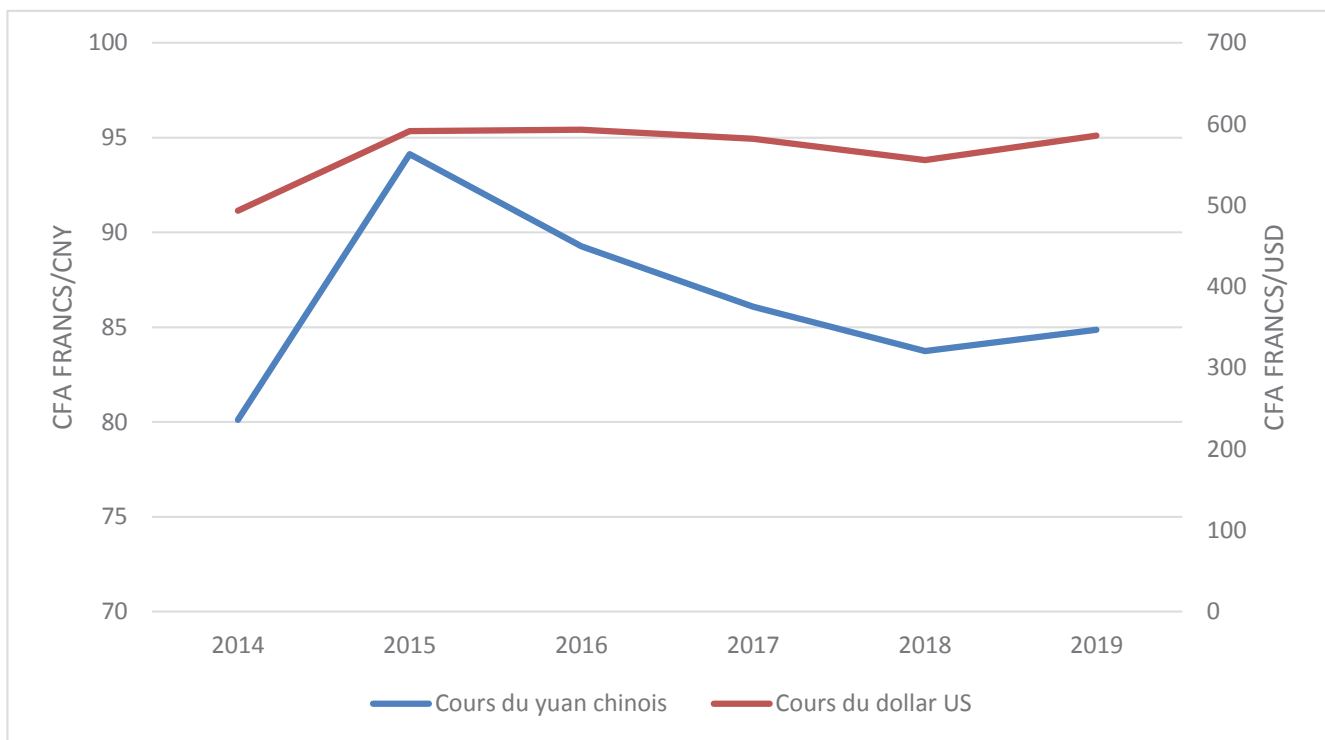
Source : BCEAO,

4.4 Exchange rate

Because of its membership of 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 is the CFA Francs (which is indexed to the euro of 1 euro = 655.957 CFA Francs).

The Yuan is now the third most widely used currency 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 internationalisation. The government of Guinea-Bissau is seeking to strengthen its relations with China in order to develop its foreign trade.

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



Source : BCEAO

4.5 Foreign reserves

Guinea Bissau's official reserve assets stood at CFAF 18.176 million in 2019, of which SDR 14.461 million, 2.901 million in IMF reserve position and 0.814 in foreign currencies. Official reserve assets stood at CFAF 20.767 million in 2018.

SDRs are international reserve assets that the IMF has created to supplement the official foreign exchange reserves of its member countries. SDRs are allocated to member countries in proportion to their respective quotas.

Table 19. Table of Guinea Bissau's reserves

	2013	2014	2015	2016	2017	2018	2019
Official reserve assets	9.152	11.034	11.197	15.523	17.896	20.767	18.176
Monetary Gold	0	0	0	0	0	0	0
Foreign Currencies	0.161	0.397	0.402	0.643	1.969	1.666	0.814
Deposits and securities included in official reserves	0	0	0	0	0	0	0
Reserve position in the IMF	-0.086	0.944	0.456	3.822	2.027	3.573	2.901
Assets in SDRs	9.077	9.693	10.339	11.059	13.9	15.528	14.461

Source : BCEAO

5.1 Balance of payments

The current account balance of the balance of payments has deteriorated sharply since 2015. It fell from CFA Francs 12.4 billion in 2015 to -56.8 billion in 2019.

This is mainly due to the fall in the price of cashew nuts for export, the country's main source of income.

Table 20. Balance of payments of Guinea Bissau

	2015	2016	2017	2018	2019
a- current transactions account (1+2+3)	12.4	10.0	2.3	-25.0	-56.8
1-Goods and services	-29.1	-33.5	-41.5	-38.7	-127.3
Balance of goods	26.8	27.5	28.3	30.7	-53.3
Exports of goods FOB	149.2	164.0	197.5	188.6	130.4
Imports of goods FOB	-122.4	-136.5	-169.2	-157.9	-183.8
Imports of goods CIF	-148.5	-165.7	-205.4	-191.6	-223.0
Balance of services	-55.9	-61.0	-69.8	-69.4	-74.0
2-Primary income	15.1	17.6	8.4	-28.4	12.1
3-Secondary income	26.4	25.9	35.4	42.1	58.4
Government administration	6.5	1.4	9.6	10.2	14.8
Other sectors	19.9	24.5	25.8	31.9	43.6
b- Capital account (4+5)	35.4	29.6	60.6	23.4	45.8
4- Acquisition/disposal of non-financial assets	0.0	0.0	-0.7	-0.4	0.0
5- Capital transfers	35.4	29.6	61.3	23.8	45.8
c. Current and capital account balance (a+b)	47.8	39.6	62.8	-1.6	-11.0
d- Financial account (6+7+8+9)	4.1	-6.8	42.7	-19.6	-4.5
6- Direct investment	-9.6	-14.0	-8.9	-11.6	-17.3
7- Portfolio investments	-5.0	-10.8	-8.5	-18.2	-9.0
8- Financial derivatives	0.0	0.0	0.0	0.0	0.0
9- Other investments	18.7	18.0	60.1	10.3	21.8
e- Net errors and omissions	-7.8	-12.5	-8.9	-4.0	-9.0
f-Global balance (a+b-d+e)	35.8	33.8	11.2	13.9	-15.5
g-Evaluation gap	-20.6	-0.2	11.1	-7.1	0.0
h-Variation of net foreign assets	-15.2	-33.6	-22.3	-6.8	15.5
Current account balance excluding grants/GDP (%)	1.0	1.1	-0.1	-2.6	-6.6

Source : BCEAO

The country's imports also weigh heavily on the balance of goods and services due to the low level of industrialisation of the economy. Imports are mainly

composed of food, capital goods, intermediate goods and raw materials.

5.2.1 Regional trade policy

West African countries are engaged in numerous trade negotiations at the regional (integration process), bilateral (Interim Economic Partnership Agreement - IEPAi) and multilateral (World Trade Organisation - WTO and regional EPAs) levels.

Good articulation between the various negotiations at regional and international level (CET; EPAs; WTO, AGOA, etc.) is essential to achieve the trade performance objectives of WAEMU member states. National and regional trade policies in West Africa depend on different spaces. Indeed, the regional negotiating space is articulated around the following elements :

- The finalisation of the Common External Tariff (CET) at ECOWAS level, and thus the constitution of a Customs Union ;
- A space for bilateral negotiations, particularly between the West African region and the union, on the EPA ;
- A multilateral negotiating space, which refers to the rules of the WTO, of which all West African states are members (with the exception of Liberia, which has observer status). It should be noted that each country negotiates individually and that WAEMU and ECOWAS have only ad hoc observer status in the WTO Trade and Development Commission.

With regard specifically to the WAEMU, it has a common commercial policy based in particular on :

- A common market was established on 1 July 1996 for local and unprocessed products (animal, mineral and plant products of the Union) and traditional crafts, and until 1 January 2000 for approved industrial products. This common market was extended to all ECOWAS countries in 2004 ;
- A customs union set up on 1 January 2000, based on a CET applicable to all WAEMU member countries, comprising four categories of products, taxed from 0 to 20%, in force until 1 January 2015, the date on which the WAEMU CET was replaced by the ECOWAS CET, which enshrines the enlargement of the customs union to the 15 ECOWAS countries.

- Common rules of origin and competition, harmonisation of VAT and excise duties, harmonisation and mutual recognition of standards, common safeguards and protection measures (degressive protection tax (DPT), cyclical export tax (CET), reference values and anti-dumping duty)

WAEMU also has a regional trade promotion programme, a "Regional Strategy for the Implementation of the WAEMU Aid for Trade Programme" and a "Logical Framework for the Implementation of the WAEMU Aid for Trade Programme".

The overall objective of the Aid for Trade strategy is to help Member States increase their exports of goods. The logical framework provides the basis for a programme that involves international donors, as well as national and regional financial institutions. It identifies five specific objectives corresponding to the categories of Aid for Trade :

- Ensuring ownership and control of trade policies and regulations by experts from Member States and the Commission ;
- To develop intra-regional and international trade of the Member States ;
- Strengthen trade-related infrastructure in the sub-region ;
- Diversify and increase the production capacities of Member States ;
- Make necessary adjustments and take into account other trade-related needs.

The needs and priorities were identified on the basis of the Regional Economic Programme (REP) which constitutes the reference framework for the WAEMU integration process, as well as existing capacity building programmes in the States.

The Common External Tariff

The rules in force at ECOWAS borders in terms of customs policy are those laid down in the ECOWAS Common External Tariff (CET). The applicable rules of origin are defined by the Trade Liberalisation Scheme (TLS).

The CET aims to harmonise customs duties and taxes with a view to deepening economic integration through the establishment of a Customs Union, providing a platform for building the common trade policy and regional trade negotiations such as the EPA ; boosting regional production and investment capacity, and consolidating the regional market.

The CET is organised around an architecture including :

(i) A Tariff and Statistical Nomenclature (TNS), i.e. a common customs nomenclature based on the Harmonised System for the Description and Coding of Goods (HS) of the World Customs Organisation (WCO) adopted by the Community ;

(ii) A schedule of duties and taxes applicable to imported products and which includes : customs duty (CD), statistical fee (SF) and the ECOWAS Community Levy (ECOWAS CL) ;

(iii) Trade defence measures or additional protective measures, where appropriate, which may generate duties which may affect the final price of products imported into the Community from third countries ;

(iv) The statistical royalty rate set at 1% applicable equally to all imported products, whether exempt or not ;

(v) The tax base for the application of the Common External Tariff is ad valorem.

The tariff structure of the CET is presented in the following table:

Category	Description	Rate
0	Essential social goods	0 %
1	Basic raw materials and capital goods	5 %
2	Intermediate products	10 %
3	Final consumer goods	20 %
4	Specific goods for economic development	35 %

The CET has been established in accordance with the requirements of the World Customs Organisation's (WCO) Harmonised System and those of the World Trade Organisation (WTO) relating to Regional Trade Agreements (Article 24 of the GATT).

Specific rules applicable to external trade in goods of ECOWAS countries

Several trade regimes are in force within ECOWAS. The following table presents the existing regimes according to trading partners.

PARTNERS	SPECIFIC REGIMES
European Union (EU)	IEPA, GSP, GSP +, TSA
ECOWAS	CET, TLS
Rest of AFRICA	Bilateral agreements
USA	AGOA
ASIA	Bilateral Agreements
Other industrialised countries	Generalised System of Preferences (GSP)
Rest of the world	Bilateral agreements, GSP

Pending the implementation of the EPA, different tariff regimes apply depending on the status of the countries in the framework of trade between ECOWAS and the union :

- **Côte d'Ivoire and Ghana** ratified interim EPAs in 2016. Côte d'Ivoire's EPA has been in provisional application since 4 September 2016 and Ghana's EPA applies since 15 December 2016. These IEPAs guarantee both countries full access to the European market and provide for the eventual liberalisation of 80% of tariff lines by Côte d'Ivoire and Ghana over a period of 15 years⁸ ;

- Under the GSP, **Nigeria** benefits from a reduction of the union customs duties on about 1/3 of tariff lines and total exemption from customs duties on an additional 1/3 of tariff lines.

- **Cabo Verde** benefits from the GSP+ which grants exemption from European customs duties on about 2/3 of the tariff lines ;

- **The other 12** countries (including the seven WAEMU countries outside Côte d'Ivoire), because of their LDC status, benefit from the Everything But Arms GSP, which gives them access to the European market for all their exports to the union without duties or quotas.

5.2.2 Regional exchanges in value

Guinea-Bissau's trade with WAEMU countries is relatively low. Guinea-Bissau's exports to the other seven countries amounted to CFAF 5 billion in 2017, or 3% of the country's total exports.

Guinea Bissau's exports to the WAEMU declined between 2013 and 2018 from CFAF 19.1 billion to CFAF 5.4 billion, a decline of more than 50%.

Table 21. Exports to WAEMU countries (in billions CFA Francs)

	2013	2014	2015	2016	2017	2018
Benin	0.7	0.2	0	0	0.2	0.0
Burkina Faso	0	0	0	0	0	0.0
Côte d'Ivoire	2.1	0	0	0	0	0.0
Mali	6.3	8.9	0	0.6	0	1.1
Niger	0	0	0	0	0	0.0
Senegal	3.6	3.7	3.8	3.9	6	3.9
Togo	6.3	0	0	0	0	0.0
Total	19.1	12.9	3.8	4.5	6.4	5.0

Source : BCEAO - Balance of Payments and International Investment Position - Guinea-Bissau 2018

Guinea-Bissau's first partner in the sub-region is Senegal.

Exports to other West African countries have fallen sharply in 2018. They fell from CFAF 1.3 billion in 2017 to CFAF 19 million in 2018. Cape Verde is the leading partner among ECOWAS countries (excluding WAEMU) in 2018.

Table 22. Exports to Africa (in billions CFA Francs)

	2013	2014	2015	2016	2017	2018
WAEMU	19.1	12.9	3.8	4.5	6.4	5.0
ECOWAS (excluding WAEMU)	0.0	0.2	0.0	4.1	1.3	0.0
OTHER AFRICAN COUNTRIES	0.1	0.0	0.0	0.0	0.0	0.0
AFRICA	19.2	13.1	3.8	8.6	7.7	5

Source : BCEAO - Balance of Payments and International Investment Position - Guinea-Bissau 2018

⁸ Over 11 years (2019-2029) currently for Côte d'Ivoire.

With regard to regional trade, Guinea-Bissau's trade balance is in deficit. Imports from WAEMU countries increased between 2017 and 2018, from CFAF 40.4 billion to CFAF 51.7 billion. Among WAEMU countries, Senegal is by far the country's largest supplier.

Table 23 : Imports from WAEMU countries (in billions CFA Francs)

	2013	2014	2015	2016	2017	2018
Benin	0	0.1	0	0	0	0.2
Burkina Faso	0	0	0	0	0	0.0
Côte d'Ivoire	0.2	0.4	0.5	1.3	0.6	1.0
Mali	0.4	0.2	0.1	0	0.3	0.3
Niger	0	0	0	0	0	0.0
Senegal	46.9	52.8	48.1	35.6	39.3	49.9
Togo	0	0	1.3	0.4	0	0.4
Total	47.6	53.7	50.3	37.4	40.4	51.7

Source : BCEAO - Balance of Payments and International Investment Position - Guinea-Bissau 2018

As for imports from other West African countries, they are rather declining. They fell from CFAF 4.3 billion in 2017 to CFAF 3.9 billion in 2018.

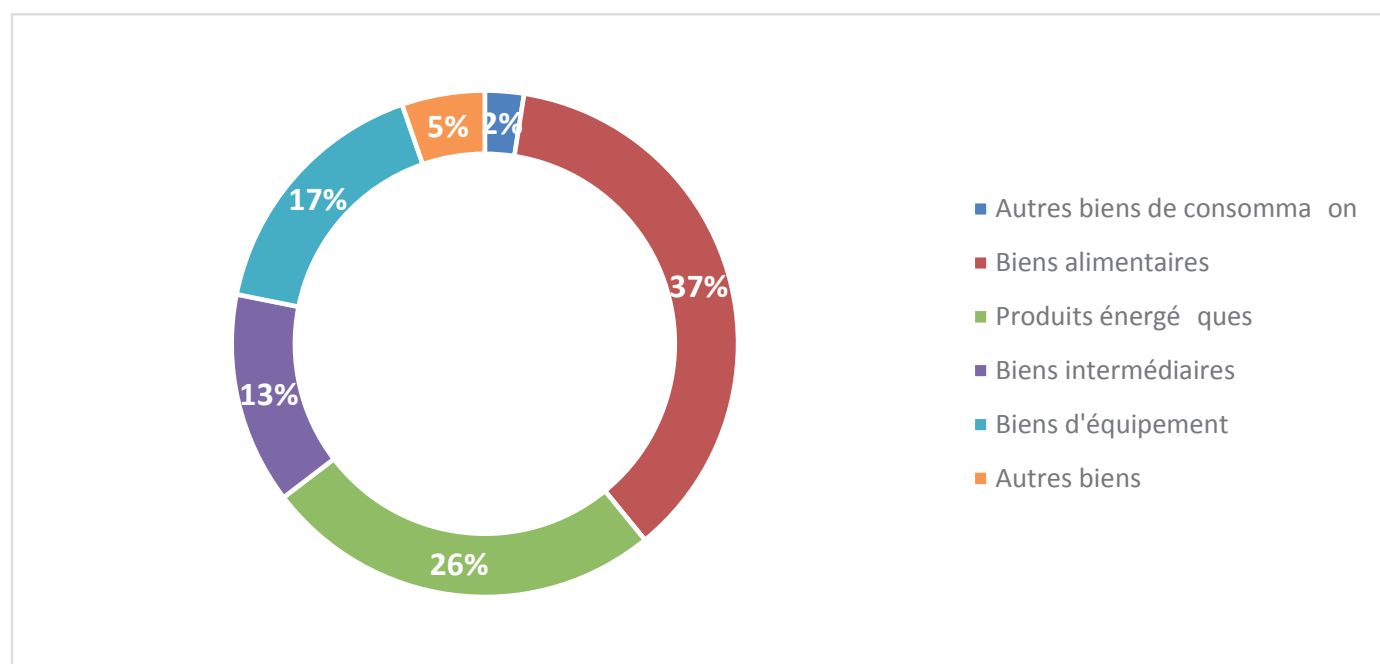
Table 25. Structure of intra-community trade in 2018 (millions CFA Francs)

		Importers								
		Benin	Burkina	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Exports	Benin		6 820.2	7 083.6	203.8	73 390.3	56 533.6	518.6	17 171.4	161 721.5
	Burkina	2 818.5		13 750.2	26.4	11 313.9	12 489.1	5 905.1	34 750.8	81 053.9
	Côte d'Ivoire	34 716.6	348 326.8		958.7	320 507.3	59 606.2	68 838.8	53 347.2	886 301.6
	Guinea-Bissau	21.7	0.0	0.0		1 065.1	0.0	3 914.7	0.0	5 001.4
	Mali	20 088.4	49 389.0	58 323.4	263.2		19 233.8	126 079.6	7 280.4	280 657.9
	Niger	15 162.9	15 638.1	4 885.7	9.6	43 523.0		1 111.3	12 663.5	92 994.1
	Senegal	12 062.0	39 155.6	75 205.1	49 881.0	401 119.0	9 082.9		11 740.9	598 246.5
	Togo	154 521.3	100 679.5	46 242.9	392.7	36 716.8	45 912.0	5 487.6		389 952.8
	WAEMU	239 391.4	560 009.1	205 490.9	51 735.4	887 635.3	202 857.6	211 855.6	136 954.3	2 495 929.7

Source : BCEAO - BALANCE OF PAIEMENTS AND GLOBAL EXTERNAL POSITION, Guinea Bissau 2018

Guinea-Bissau mainly exports cashew nuts to its WAEMU partners. It mainly imports from WAEMU countries food products, petroleum products, capital goods and intermediate goods.

Figure 4. Structure of imports from other countries of the Union in 2018



Source : BCEAO - Report on WAEMU Foreign Trade in 2018

5.3 International trade

5.3.1 Trade policy

Guinea-Bissau has been member of the WTO since 31 May 1995 and a member of the GATT since 17 March 1994. The goods are under a customs procedure, both on import and export, and must be subject to a customs declaration in accordance with the WAEMU/ECOWAS uniform model.

Guinea-Bissau also applies other Community duties and taxes. Imports of products originating in the WAEMU/ECOWAS area benefit from a Community preference (zero rate). In addition to the various duties, taxes and levies collected at 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 within the framework of the investment code. Exemptions from duties and taxes at

the customs cordon also apply to imports made by state structures, public entities, non-governmental organisations and diplomatic representations. According to the authorities, the provisions on tax benefits have not been modified since 2005.

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

Table 26. Commercial policy towards business partners

Business / Commercial Partners	Specific rules
European Union (EU) countries	-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. -Sustainable Fisheries Partnership Agreement (SFPA): unloading of catches in Guinea-Bissau is not compulsory under the SFPA.
United States of America	The African Growth and Opportunity Act (AGOA): authorises duty-free, quota-free exports to the African Growth and Opportunity Act (AGOA) market. United States, from 6,400 product categories
WAEMU countries	Application of the WAEMU Harmonized Common External Tariff based on the Harmonized System, 2002 version of the World Customs Organization (WCO).

Source : WTO

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

5.3.2 International exchanges in value and by destination

Exports of goods (including regional trade) reached a total value of 193.8 billion CFA Francs in 2018 against 197.5 billion CFA Francs the previous year, a drop of 2%. This result is partly explained by the fall in export prices of cashew nuts, which fell from 850 CFA Francs /kg in 2017 to 474 CFA Francs /kg in 2018. In

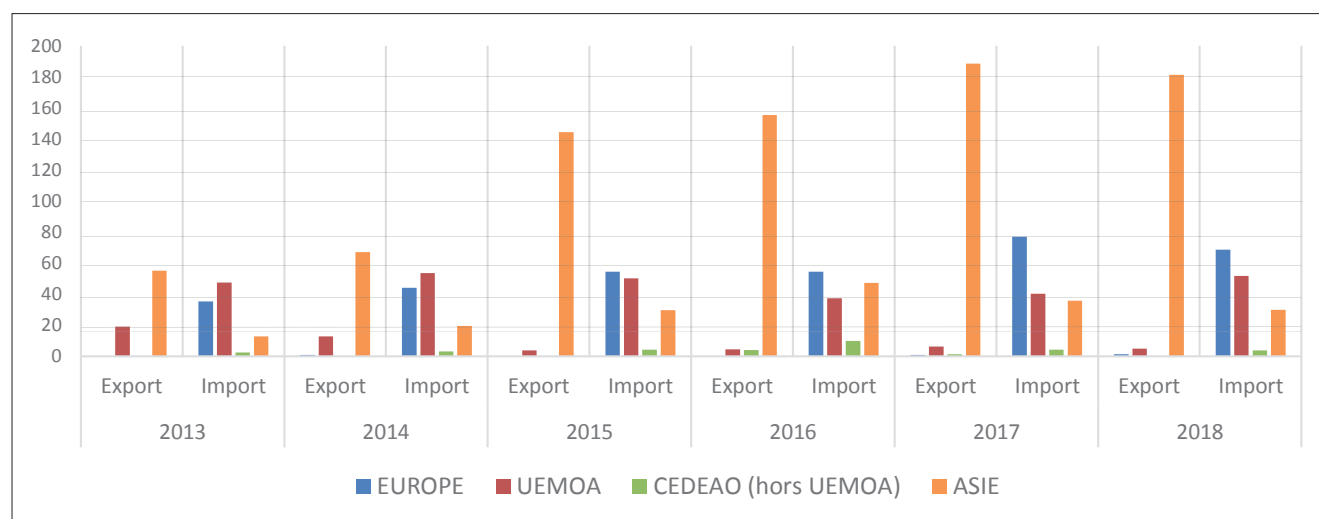
addition, the volume of cashew nut exports recorded by the official services fell by 2.7% .

With regard to the distribution of international trade by destination, the Asian continent is Guinea-Bissau's main export outlet. Exports to Asia have grown, thanks to the increase in 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 with an estimated value of CFA FRANCS 1.3 billion in 2018. Among the European partners, Portugal and the Netherlands have moved to the forefront in 2018.

⁹ BCEAO Statistical Yearbook, 2018

Figure 5. Evolution of the international exchange of goods (billions of CFA Francs)



Source : BCEAO

The imports reached 162.9 billion CFA francs in 2018 against 169.2 billion CFA francs in 2017. This decrease is explained by the drop in domestic demand which resulted in a decline in acquisitions of the main products, except for petroleum products.

In 2018, the euro zone will remain Guinea-Bissau's leading supplier. Its share of total imports amounted to 42.0%, compared with 45.5% in 2017. The country's imports from Europe come mainly from Portugal, which is Guinea-Bissau's main supplier,

with an estimated 53.5% of total imports (imports of vehicles, generators and electrical converters, machinery and electrical appliances). The decline in the euro zone market share recorded in 2018 is attributable to imports from Portugal.

The other imports from the euro area consist mainly of petroleum 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 of goods by origin (in billions CFA Francs)

	2013	2014	2015	2016	2017	2018
EUROPA	35.4	44.2	54.5	54.6	77	68.8
EUROPEAN UNION (EURO ZONE)	34.6	43	51.8	53.6	77	65.7
Belgium	0.1	0	0.6	0.2	0.6	0.6
France	0.7	1.6	1.3	1.2	1.1	1.3
Germany	0.6	0.5	0.7	0.3	0.8	0.8
Italia	0.7	3.6	4.8	3.5	1.5	1.4
The Netherlands	3.7	4.7	5.1	6.4	6.5	6.3
Portugal	26.8	27.6	34.5	38.3	59.9	53.5
Spain	2	5	4.9	3.6	6.6	1.8
Foreign direct investment	0.1	0	0.2	0.1	0	0.3
United Kingdom	0.1	0	0.2	0.1	0.6	0.3
OTHER EUROPEAN COUNTRIES	0.8	1.2	2.5	0.9	0	2.9
Switzerland	0.1	0.1	0.1	0.1	0	0
Turkey	0.7	1.1	2.4	0.9	0.7	2.8
Russia	0	0	0	0	0	0.6
Sweden	0	0	1.6	1	0	0.6
AFRICA	51.2	57.7	56.1	50.9	45.9	57
WAEMU	47.6	53.7	50.3	37.4	40.4	51.7
ECOWAS (excluding WAEMU)	2.4	3.2	4.2	10	4.3	3.9
OTHER AFRICAN COUNTRIES	1.2	0.8	1.6	3.5	1.2	1.5
AMERICA	1.8	1.1	1.6	0.7	1.8	2.9
ASIA	12.8	19.6	29.7	47.2	35.9	29.9
OTHER COUNTRIES	3.8	5.9	6.5	12.3	8.6	4.2
TOTAL	105	128.4	148.5	165.7	169.2	162.9

Source : BCEAO - Balance of Payments and International Investment Position - Guinea-Bissau 2018

5.3.3 International exchanges by value and by product

The analysis of the structure of exports by product shows that it remains dominated by cashew nuts. In 2018, cashew nut exports accounted for 84% of the value of the country's total exports compared to 99% in 2017. The decline in cashew nut prices is partly responsible for this result. This reflects the country's high dependence on cashew nut exports,

which can be explained by the poor diversification of the economic fabric.

In 2018, other exported products are groundnuts, palm oil, fish products and wood. The weight of other products remains particularly low, not exceeding 0.1%, according to official statistics. Timber exports were suspended by the state in 2016 but resumed in 2018. They accounted for 12.4% of total exports of goods in 2018.

Table 29. International exchanges by product (in billions CFA Francs)

Products	2014	2015	2016	2017	2018
Cashew nuts	69.2	129.1	159.5	196.1	162.8
Wood	1.8	11.8	0.0	0.0	24.0
Others	10.9	7.8	4.5	1.4	6.5
Total exports FOB	82.1	149.2	164.0	197.5	193.8
Food products	46.0	48.7	60.2	72.8	46.0
Other daily consumer goods	7.8	9.2	13.4	15.9	7.8
Energy products	23.2	31.0	28.0	35.4	23.2
Raw materials and intermediate goods	16.9	20.3	20.7	27.5	16.9
Capital goods	20.3	24.8	23.7	29.7	20.3
Miscellaneous products	14.3	14.5	19.7	24.0	14.3
Total imports of goods CIF	128.5	148.5	165.7	205.4	128.5

Source : BCEAO

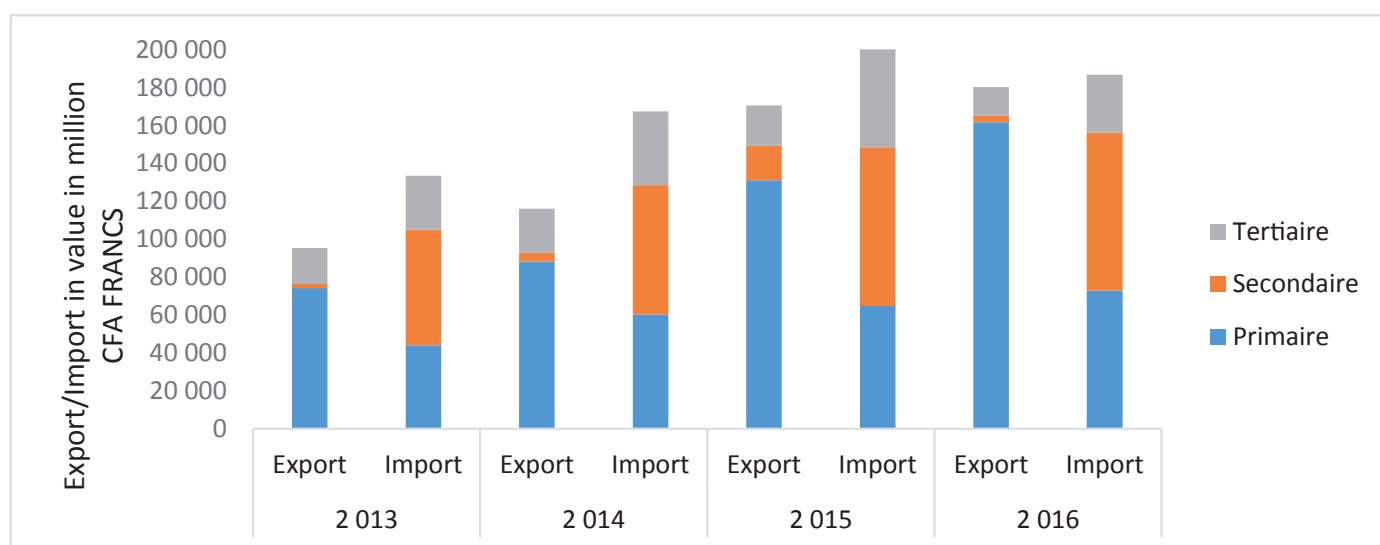
The imports in 2018 are composed, in decreasing order of importance, of food goods (35%), energy products (17%), capital goods (14%), intermediate and raw material goods (13%), other miscellaneous goods (12%) and other consumer goods (8%).

5.3.4 International exchanges by type

The structure of exchanges by type indicates an overall predominance of primary products in Guinea Bissau's exchanges and a relatively variable share of secondary and tertiary sector products depending on the year.

The main export products are cashew nuts and travel goods, which represent on average 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%), petroleum and ferrous products (on average 19%) and services (on average 22%).

Figure 6. Evolution of international exchanges by type



Source : NIS Guinea-Bissau, Directorate for Economic and Financial Statistics

5.4 Foreign direct investment

5.4.1 FDI by country of origin

Foreign Direct Investment (FDI) inflows into Guinea-Bissau are estimated at USD 17 million in 2018

compared to USD 16 million in 2017. The stock of FDI therefore increased from \$190 million to \$199 million between 2017 and 2018.

Table 30. FDI in Guinea Bissau (millions of dollars)

	2015	2016	2017	2018	2019
Flux					
Entering	19	24	16	21	31
Going out	2	0	0	0	1
Stock					
Entering	134	153	190	202	229
Going out	9	9	11	10	11

Source : UNCTAD

The FDI in Guinea Bissau comes mainly from African countries. 14.7% of FDIs came from Senegal in 2017, 8.5% from Cote d'Ivoire, 8.4% from Mali, 8.1% from Equatorial Guinea, 8% from South Africa, 7.8% from

Togo and 3.9% from Kenya. The United States and Lebanon are also significant investors, representing 9.9% and 7.9% of FDI in Guinea Bissau respectively.

Table 31. FDI stock in Guinea Bissau by country of origin (2017)

Investor	%
Senegal	14.7
United States	9.9
Côte d'Ivoire	8.5
Mali	8.4
Equatorial Guinea	8.1
South Africa	8
Libanon	7.9
Togo	7.8
Kenya	3.9
United Kingdom	2.7
Ireland	2
The Netherlands	1.4
Canada	1.3
Luxembourg	1.3
Marocco	1.3
Spain	1,1
Switzerland	1.1
Others	6
Total bilateral	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 World Investment Report 2019, FDI flows increased from USD 24 million to USD 17 million between 2016 and 2018. The stock of FDI increased from USD 63 million to USD 199 million between 2010 and 2018. In 2018, the FDI stock represented 13.6% of Guinea Bissau's GDP.

The fisheries sector attracts the majority of FDI. The priority of the new government 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 (CONAPEMAC).

The Kaleba hydroelectric dam, financed to the tune of USD 536 million by the Chinese company China International Water & Electric Corp, came into service in October 2015. Chinese companies have also invested in real estate and bauxite mining. Apart from China, the main investing countries are the United States, Portugal and India. Offshore oil exploration offers an investment opportunity to foreign investors.

The country also has an untapped potential: important mining resources, fertile soils, the possibility of developing the tourism and fishing sectors. The State is aware of these advantages, particularly in the wood sector, offshore oil and mining (phosphates and bauxite). The tourism sector is also being developed and is receiving increasing investments (especially in the islands of Bijagos).

5.5 Regional integration

5.5.1 WAEMU convergence criteria

The following table presents the position of Guinea Bissau with regard to WAEMU criteria over the period 2013-2019. The three primary criteria are met with the exception of the fiscal deficit criterion.

On the other hand, none of the two second-tier benchmarks are met - although progress has been made since 2013.

Table 32. Guinea-Bissau's position with regard to the WAEMU convergence criteria

		2013	2014	2015	2016	2017	2018	2019
Criteria (%)		First-rank criteria						
Overall budget balance including grants/GDP	$\geq -3\%$	-2.3	-3.8	-7.5	-5.4	-1.4	-4.3	-4.2
Average annual inflation rate	$\leq 3\%$	0.7	-1.0	1.4	1.5	1.0	0.4	0.2
Outstanding domestic and external debt	$\leq 70\%$	58.5	33.7	51.7	53.2	50.1	57.8	55.9
		Second rank criteria						
Tax burden rate (in %)	$\geq 20\%$	6.5	7.9	9.1	8.6	9.5	9.3	9.3
Payroll/Tax revenue (in %)	$\leq 35\%$	68.9	71.1	50.0	49.6	41.6	47.7	57.5

Source : WAEMU Commission, *Biannual Implementation Report on Multilateral Surveillance (June 2020).*

6- SIGNATURE QUALITY

6.1 Business Climate

Guinea Bissau was ranked 176th out of 190 countries in the World Bank's Doing Business 2018 report. In 2020, it is ranked 174th out of 190. For access to electricity, it is 182nd, business creation 161st and 132nd for obtaining a building permit.

In terms of tax payment, the country is ranked 155th, which highlights the low mobilisation of tax revenue, which represented 9.6% of GDP in 2017 compared with a 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 2020 report, Guinea-Bissau was ranked 146th for trade, due to the costs of complying with cross-border trade procedures for both

exports (USD 585) and imports (USD 550). It should also be noted that the costs of complying with documentation requirements are high for exports (USD 160) and imports (USD 205).

Access to electricity remains very limited with a rate of 28.7% in 2018. Electricity supply is unreliable with technical losses of up to 47.0%. The current installed power generation capacity in the country is limited to the leasing of 11 MW from a private company.

In recent years, the country's ranking in the Doing Business report has improved from 181 in 2015 to 174 in 2020. This improvement is linked to the adoption of a development policy for the country defined through the "Terra Ranka" strategic and operational plan.

Table 33. Scores obtained by Guinea Bissau

Indicator	What is measured	Metric
Setting up a company	Procedures, deadlines, costs and minimum capital contribution required to set up a limited liability company	Procedures (Number) 8.5
		Delay (days) 8.5
		Cost (% Income per capita) 88,8
		Minimum capital (% Income per capita) 5.8
Building permits	Procedures, timescales and costs involved in carrying out all the formalities required to build a warehouse and quality control and safety devices in the building permit system	Procedures 13
		Delay (days) 143
		Cost 23.7
		Control index of the quality of the buildings (0-15) 7.0
Electricity connection	Procedures, deadlines and costs for connection to the electricity grid, reliability of electricity supply and tariff transparency	Procedures 7
		Delay (days) 257
		Cost 1177,7
		Reliability of the supply of electricity and transparency rates (0-8) 0

Property registration	Procedures, timeframes and costs for transferring title, and quality of the land administration system	Procedures	5
		Delay (days)	48
		Cost (% value of property)	5.4
		quality index of the land (0-30)	3
Cross-border trade	Delays and costs associated with exporting the product with a comparative advantage and importing auto parts	Export cost (USD)	585
		Export delay	60
Obtaining loans	Laws on the pledging of movable property and credit information system	rights index legal (0-10)	6
		quality index of information on credit (-0.6)	0
		Coverage of the credit register (% adults)	0.0
		Coverage of credit bureau (% adults)	1.2
Investor protection	Rights of minority shareholders in related party transactions and corporate governance	disclosure index of information (0-10)	7
		Index of the responsibility of managers (0-10)	1
		Index of ease of prosecutions by the shareholders (0-10)	6
Paiment of taxes and duties	Paiments, time limits and total to be paid for a company that fully applies the post-tax return legislation and procedures	Paiement (number per exercise) delay	46
		(hour per exercise)	218
		Tax rates	45.5
		total (% of profits)	
Execution of contracts	Delays and costs of settling a commercial dispute and quality of legal proceedings	Delay (days)	1785
		Cost	28
		Index relating to the quality of legal proceedings (0-18)	8.5
Insolvency Regulation	Time limits, costs, results and recovery rates in insolvency cases and the strength of legislation in this area	Recovery rate (cents of a American dollar)	0.0
		Time (years)	No
		Cost practice	
		(% of heritage) practice	No practice

Source : Doing Business report (2020)

The Mo-Ibrahim Index was developed on the basis of around 100 indicators divided into four main families: 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 has a very weak performance in governance and the fight against corruption. The authorities have taken steps to strengthen the framework for the Fight against Money Laundering and Terrorist Financing (FML/TF) with the help of development partners according to the IMF report of 2017. 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 the capacity to carry out its core

functions. The Ministry of Economy and Finance will be responsible for AML/CFT supervision of bureaux de change.

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

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

6.3 Financial rating

The country does not benefit from any ratings from international agencies.

7.1 Budget

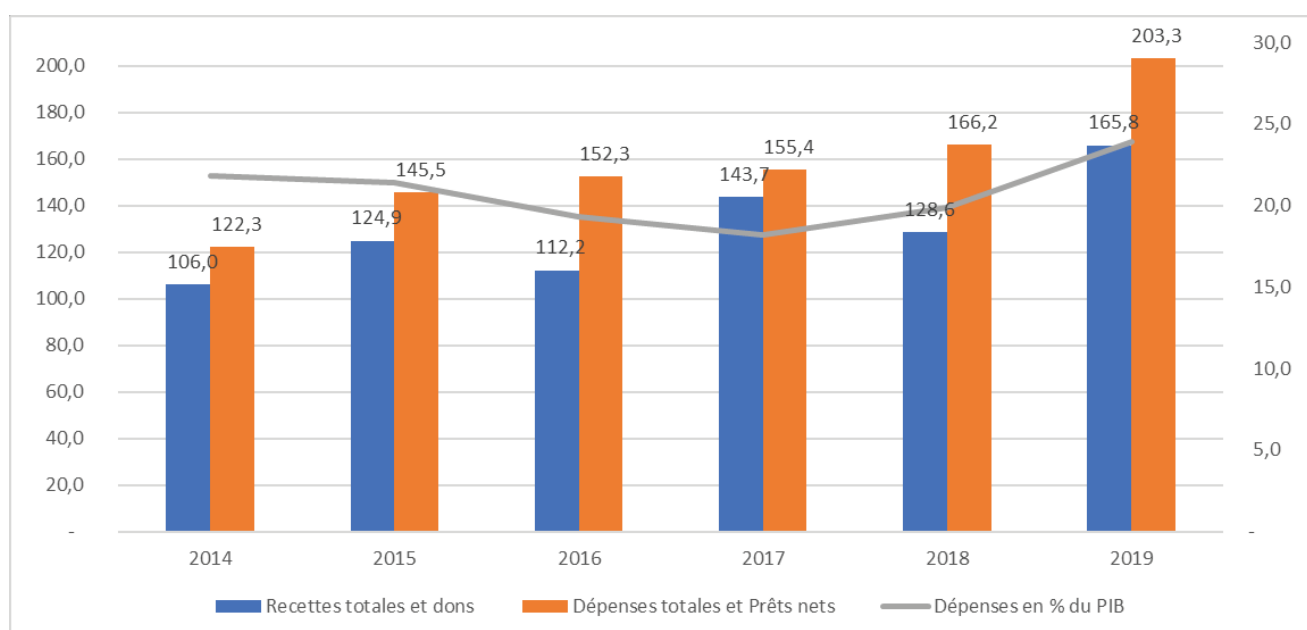
7.1.1 Expenditure and revenue

The budget balance has been in deficit since 2014. It deteriorated sharply between 2014 and 2016 (from 16.3 billion CFA Francs in 2014 to nearly 40 billion CFA Francs in 2016). This deterioration would be due to the launch of the Guinea-Bissau Vision 2025.

The budget balance then improved in 2017 before deteriorating again in 2018 and 2019. It rose from CFAF 11.7 billion in 2017 to nearly CFAF 30 billion in 2018 and CFAF 37.5 billion in 2019. This is mainly due to the slowdown in current and capital grants.

The weight of expenditure as a percentage of GDP was 23.9% in 2019 compared with 19.9% in 2018.

Figure 7. Evolution of revenue and expenditure (in billions of CFA Francs)



Source : BCEAO

Detailed presentation of expenditure and revenue

The State's financial operations are characterised by a continuous increase in resources and expenditure. The overall balance remained in deficit throughout the period. However, this balance improved between 2016 and 2017 from a deficit of CFAF 40.1 billion to CFAF 11.7 billion. From the point of view of resources, budget revenue declined between 2015 and 2016 due to the slowdown in current and capital grants.

However, between 2016 and 2017 a more favourable trend is observed. This performance is linked to an increase in the tax revenue collected. Resources fell again in 2018 before rebounding in 2019 when they reached CFAF 165.8 billion. As for public expenditure, it experienced an upward trend over the entire period.

Current expenditure increased due to the increase in the wage bill and transfers granted to public enterprises. Concerning capital expenditure, their progression is linked to the road infrastructure and energy programmes undertaken by the state.

Table 34. Table of State Financial Operations (TOFE)

In billions of CFAF Francs	2014	2015	2016	2017	2018	2019
Total income and grants	106.0	124.9	112.2	143.7	128.6	165.8
Budgetary revenue	65.6	84.8	84.6	100.8	98.3	108.9
Tax revenues	44.2	61.9	63.5	81.3	77.6	81.8
Non-tax revenues	21.4	22.9	21.1	19.5	20.7	27.1
Grants	40.4	40.0	27.6	42.8	30.3	56.9
Project	26.2	34.5	27.4	40.1	30.3	46.5
Programme	14.2	5.6	0.3	2.8	0.0	10.4
Total Expenditure and Net Loans	122.3	145.5	152.3	155.4	166.2	203.3
Current expenditure	122.3	145.5	142.4	155.4	166.2	203.3
Current expenditure	78.0	92.8	99.9	100.4	105.5	120.9
wages and salaries	31.4	31.0	31.5	33.8	37.0	45.2
Transfers and subsidies	23.8	37.8	43.6	61.4	63.6	66.1
Other current expenses	0.0	19.4	20.0	0.0	0.0	0.0
Interest due	3.2	4.6	4.8	5.2	4.9	9.6
Capital expenditure	40.0	52.7	42.5	55.0	60.7	82.4
On internal financing	0.8	4.9	1.6	2.2	2.1	2.5
On external financing	39.2	47.8	40.9	52.8	58.6	79.9
Expenditure of special funds and related funds	4.2	0.0	0.0	0.0	0.0	0.0
Loans less recoveries	0.0	0.0	9.9	0.0	0.0	0.0
Balance based on commitment (excluding grants)	-56.7	-60.7	-67.7	-54.5	-67.9	-94.4
Balance based on commitment (including grants)	-16.3	-20.6	-40.1	-11.7	-37.6	-37.5
Balance based on commitment (excluding grants)	-16.3	-20.6	-40.1	-11.7	-37.6	-37.5

Source : BCEAO

7.1.2 General presentation of the budget

The government spends most of its money on education, health, housing, social policies, internal security and national defence. 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 army 14.1% (CFAF 11.2 billion). The country has experienced a long period of political instability which has strongly impacted these different sectors of the economy.

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

Table 35. Extract from the State Budget

Post	2016		2017 (forecast)	
	Value billions CFA Francs	Structure (%)	Value billion CFA FRANCS	Structure (%)
Education	14.7	20.2	16.2	20,4
Health	9.3	12.8	9.8	12,3
Accommodation	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
Army	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

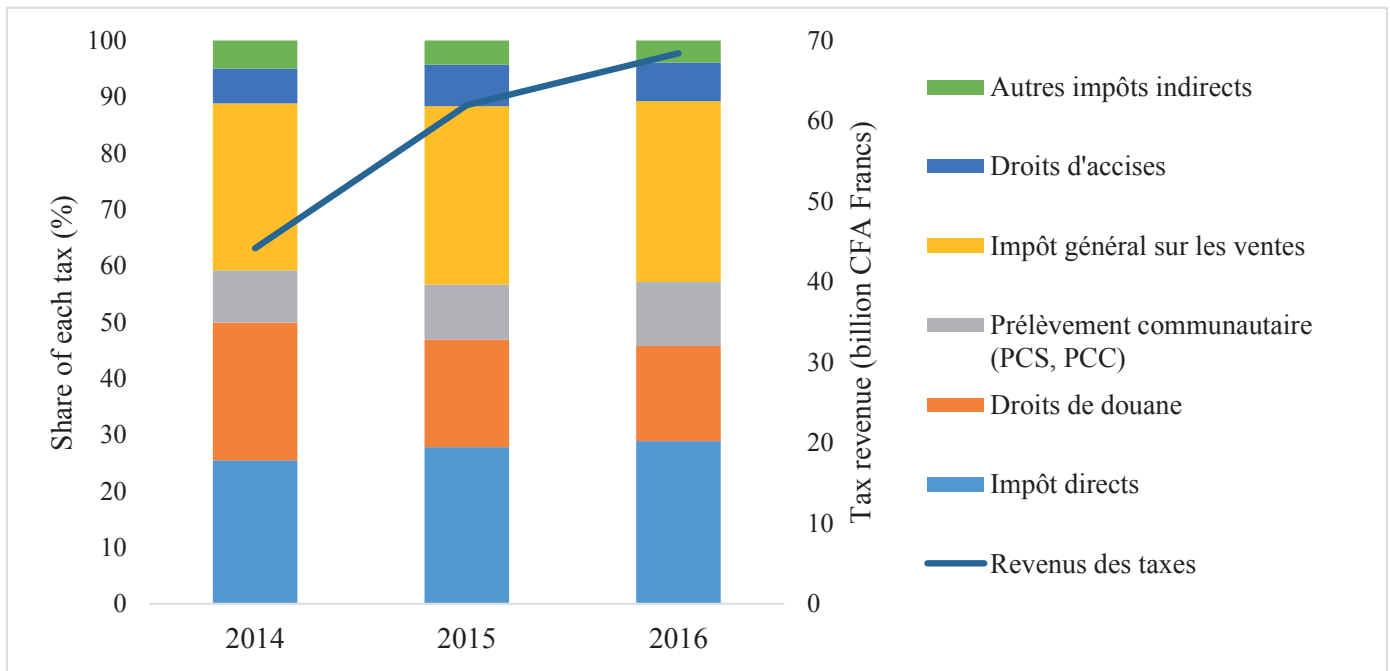
7.2 Tax policies

7.2.1 General budget revenue broken down by source

Tax revenues increased from CFAF 44 billion in 2014 to CFAF 77 billion in 2018. This increase 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 tax headings represents on average 89% of 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 Fiscal Identification Number (NIF), the computerisation of certain tax procedures to facilitate revenue collection by the tax and customs administration, 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 estimated at CFAF 197 billion in 2019, should reach CFAF 220 billion in 2020.

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

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

Despite the favourable macroeconomic conditions in Guinea-Bissau, with economic growth maintained at between 3% and 6% over the period 2015-2019, the country continues to face challenges that may impact on its development. Political instability is the main obstacle to its economic and social development.

8.1 Political and security risks

Risks related to elections

The chronic political instability that has characterised the country for more than a decade is the main risk to its development. Guinea-Bissau has experienced a long period of political crisis characterised by coups d'état, destabilisation of institutions, deteriorating security conditions with disastrous social and economic impact. However, since the election of a new democratically elected President in 2014, the political situation has become more stable.

The weight of the military in political life, persistent rivalries within the government itself, as well as corruption and crime linked to international narco-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 in 2016 with the support of the United Nations, aimed to create an environment conducive to the organisation of legislative and presidential elections in 2018 and 2019, reform the electoral code and promulgate a new law on political parties, which would strengthen autonomy and internal democracy. The United Nations has shown its commitment to support Guinea-Bissau in advancing key reforms, as outlined in the agreement.

The confirmation of the election of President Umaro Sissoco Embaló at the end of the second round of the presidential elections in December 2019 should enable the political climate to improve further.

Risks related to internal security

The Casamance rebels are present in the border area with Senegal, where the proliferation of small arms fuels banditry. The challenge of securing the transition lies in mitigating a fluid and fragile political situation characterised by the recurrent interference of the military hierarchy in political life.

The United Nations Office on Drugs and Crime (UNODC), together with the United Nations Integrated Peacebuilding Office in Guinea-Bissau (UNIPOG), 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 due to the difficulty of controlling 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.

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

8.2 Social risks

Demonstrations occasionally occur in Guinea-Bissau. Even demonstrations that purport 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 7-9 May, 12-14 June and 26-28 June 2018 to obtain the payment of salary arrears, the readjustment of salaries and the introduction of retirement pensions.

8.3 Macroeconomic risks

Guinea-Bissau derives its main budgetary resources from cashew nut agricultural exports (90% of exports). This reflects the high vulnerability of the economy to fluctuations in international cashew prices and rainfall. According to the IMF's latest debt sustainability analysis (2018), Guinea-Bissau presents a moderate risk of external debt distress, due to its vulnerability to external shocks, the difficult financial situation of its public enterprises and poor debt management.

Nevertheless, COVID-19 has had a strong economic impact on Guinea-Bissau. In 2020, the IMF expects GDP to contract by 1.5%, compared to a pre-crisis growth projection of 4.9%, due in particular to the

decline in international demand for cashew nuts, as well as the impact on domestic activities of containment measures and border closures.

According to the IMF, government finances are also under significant pressure. The projected increase in health expenditure (1.2% of GDP) and a decline in domestic revenue (1.1% of GDP) are expected to widen the overall budget deficit to more than 6% of GDP in 2020. Prior to the pandemic, the balance of payments was projected to be in surplus. Currently, a current account deficit of 7.4% of GDP is projected by the IMF (compared to 4.5% of GDP in the pre-pandemic baseline).

8.4 Resource mobilisation risk

Tax revenue mobilisation remains a major challenge in Guinea-Bissau. Over the last decade, domestic revenue has lagged far behind that of other WAEMU countries. In 2018, tax revenue represented only 10% of GDP according to BCEAO. The country needs to make efforts not to compromise the sustainability of government finances.

Guinea-Bissau exports mainly agricultural products (coconuts, Brazil nuts, cashew nuts) and seafood (shellfish, fresh fish). The prices of these products

follow an unstable trend on the world market. The poor cashew nut season in 2018 resulted in the downward revision of economic growth 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 funding 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 development efforts. In addition, the country shares its borders with Guinea Conakry, one of the foci of the Ebola Hemorrhagic Fever (EHF) epidemic. It is therefore not immune to imported contagion.

Concerning COVID-19, 1,195 cases have been identified and confirmed as of 29 May 2020 according to the WHO. Guinea Bissau had 42 recoveries and 8 deaths on that date.

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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 coastal master plan of West Africa. This study defines a realistic and prospective picture of the current state of

the 10.000 km of West African coastline and the trends that characterise its evolution. Recommendations based on four programme axes have been formulated with a view to preventing and controlling coastal risks.

On 27 June 2018, the country was hit by violent winds of 80 km at 120 km/h and strong torrential storms that caused the destruction of 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.

9.1 General description

9.1.1 Global overview

Guinea Bissau's debt ratios deteriorated between 2015 and 2018. The total public debt-to-GDP ratio rose from 51.7% in 2015 to 57.8% in 2018 before falling to 55.9% in 2019. External public debt also increased over the period 2015-2018 from CFAF 153.5 billion in 2015 to CFAF 264.7 billion in 2018. In

relation to GDP, the external debt rose from 22.5% in 2015 to 31.7% in 2018. External debt is estimated at CFAF 475.3 billion in 2019, or 43.6% of GDP.

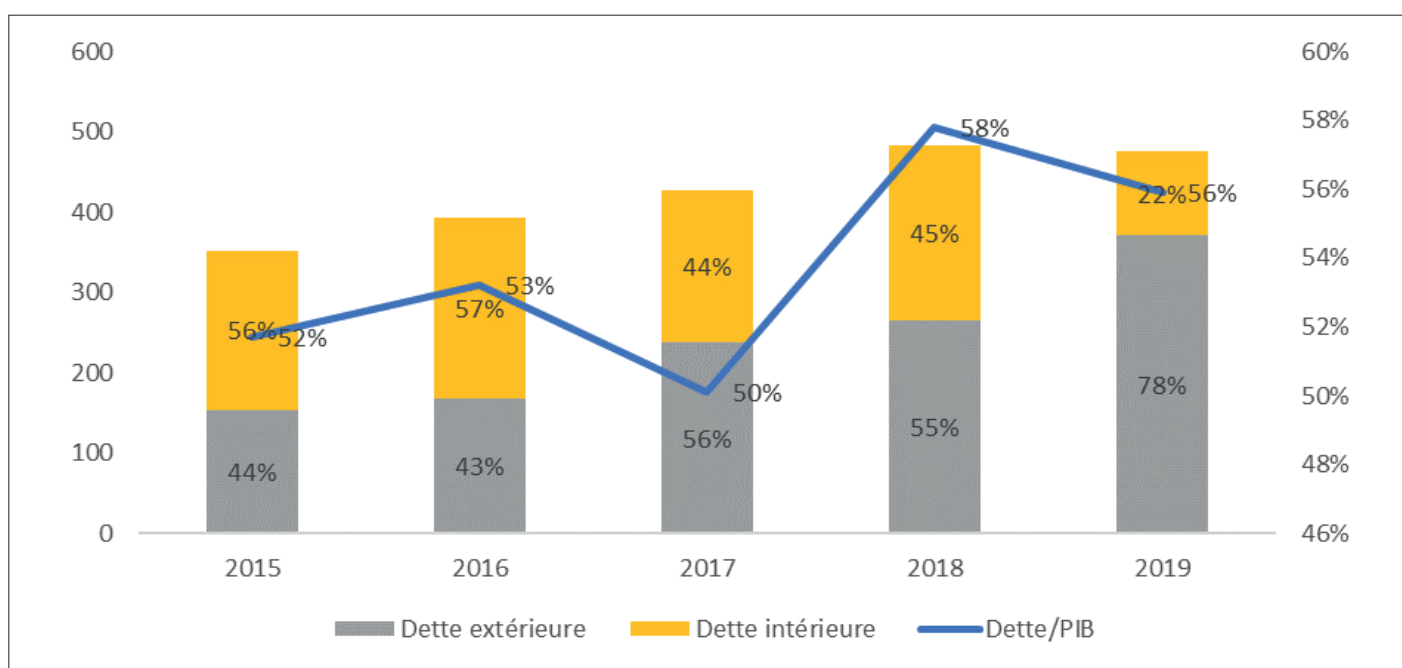
Guinea Bissau's external debt is mainly composed of concessional loans obtained from multilateral and bilateral donors.

Table 36. Distribution of the public debt of Guinea Bissau

(Billions of CFA Francs)	2015	2016	2017	2018	2019
Debt/GDP	51.7%	53.2%	50.1%	57.8%	55.9%
Total debt stock	352.2	392.5	427.6	483.2	475.3
External debt	153.5	168.1	237.4	264.7	370.9
Domestic debt	198.7	224.4	190.2	218.5	104.4
Nominal GDP	681.1	737.8	853.6	836.0	850.2

Source : MEF

Figure 9. Distribution of government debt into foreign and domestic debt in relation to GDP



Source : MEF

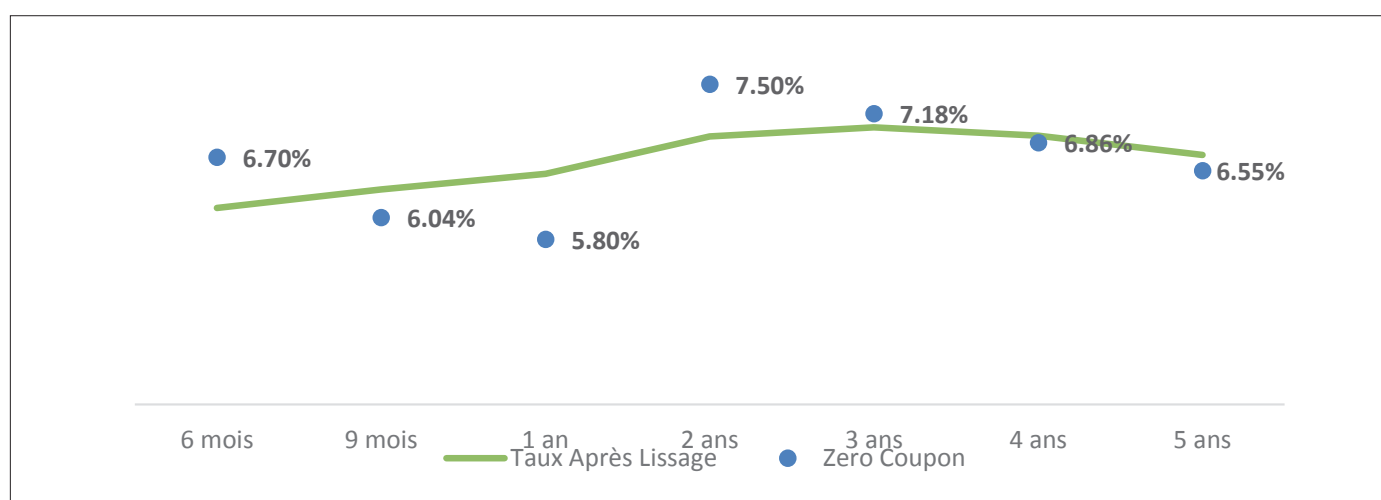
The highest long-term debt maturity is 37 years according to the World Bank's International External debt Statistics. The longest maturity for domestic debt is 5 years. At this time horizon, zero-coupons have a yield of 6.55%.

Table 37. Debt maturity profile in 2014 and 2018

	2014	2015	2016	2017	2018
Short term	1.2%	0.6%	1.3%	1.5%	1.2%
Long term	98.8%	99.4%	98.7%	98.5%	98.8%

Source : MEF

Figure 10. Zero-coupon rate curve of Guinea Bissau as at 1 May 2020 (Bonds and Treasury bills in local currency)



Source : Agence UMOA-Titres

9.2 Indebtedness strategy and debt sustainability

9.2.1 Description of the strategy

Guinea Bissau does not currently have a debt strategy, however the Ministry of Economy and Finance is in the process of reorganising itself to make the debt management service more operational. The debt management service was transformed into a general directorate in 2018 to take charge of specific issues related to external and domestic debt. As such, two departments have been created. One deals 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 (DMFAS).

9.2.2 Debt sustainability according to the World Bank and the IMF

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

i) The real GDP growth rate is 5.9% in 2017 and projected to 5.3% in 2018. The good growth performance in 2017 is explained by the strong income earned by cashew nut farmers and the good performance of the construction sector. 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) The inflation rate remains low in 2017, averaging 1.1%. In the medium term, rising economic activity and oil-price-related instability are expected to lead to an increase in inflation to 2%, which will still remain below the multilateral surveillance criterion of 3%;

iii) The government budget balance (including grants) is projected to be -2.1% of GDP in 2018 and is projected to remain at that level. Debt management reforms will accompany the trends 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 lower cashew nut prices, higher oil prices and higher imports associated with increased investment activity;

v) Official financing flows relative to GDP are expected to increase by 4.7% in the short term and 5% 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 the rates on bilateral loans (Paris Club and others), they will be set at 1.2% and 2% on average for terms of 23 and 20 years with grace periods of 6 and 10 years.

Table 38. Guinea Bissau's performance under the DSF (Baseline Scenario)

Year	AV of external debt (percentage)		External debt service (percentage)		AV of total public debt (percentage)	Debt service (in%)
	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 external debt-to-GDP ratio increases from 9% in 2018 to 15% in 2028. This evolution is linked to the increase in the budget deficit as a result of public investments implemented by the state.

As regards the AV of public debt in relation to GDP, it should gradually decrease from 48% in 2018 to

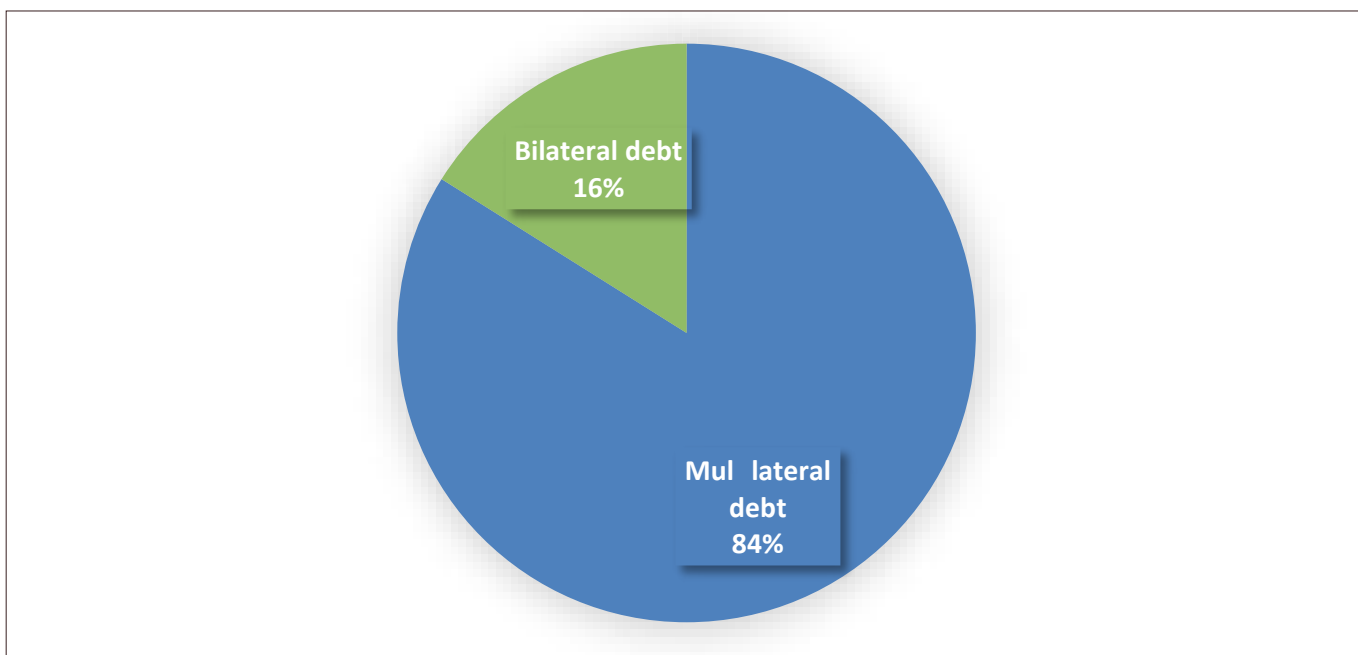
32% in 2028 as a result of reforms relating to public debt management and the modernisation of the tax administration.

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 key determinant.

9.3.1 The holders

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

Figure 11. Breakdown of external debt in 2018



Source : MEF

Table 39. Composition of external debt

(Billion of CFA Francs)	Stock of external debt					% Total external debt	%GDP
	2014	2015	2016	2017	2018	2018	2018
Total external debt	177.4	184.9	195.8	248.4	265.8	100%	35%
Multilateral debt							
AfDB	0.0	3.1	3.0	3.2	3.7	1%	0%
BADEA	6.9	6.7	6.6	6.4	6.3	2%	1%
IDB	8.0	7.7	7.4	7.1	6.8	3%	1%
BOAD	48.6	52.3	57.9	95.0	104.4	39%	14%
ECOWAS	2.6	2.4	2.3	2.3	2.1	1%	0%
ADF	29.6	28.0	27.3	30.1	29.0	11%	4%
IFAD	1.6	1.6	1.6	2.3	2.2	1%	0%
IDA	47.4	47.3	47.4	59.7	66.0	25%	9%
OPEC	2.0	2.5	2.5	2.5	2.5	1%	0%
Bilateral debt							
China	3.7	3.7	3.7	0.0	0.0	0%	0%
EXIM BANK - India	2.6	5.8	12.5	13.9	14.1	5%	2%
EXIM BANK - Taiwan	0.0	0.0	0.0	2.0	1.4	1%	0%
Kuwait	16.8	16.2	16.1	16.3	16.2	6%	2%
Libya	0.0	0.0	0.0	0.0	3.4	1%	0%
Saudi	7.6	7.6	7.6	7.6	7.6	3%	1%

Source : MEF

9.3.2 External debt payment situation

External debt service is mainly linked to multilateral creditors. BOAD and IDA represent 47% and 30% respectively of the amount to be repaid to multilateral donors. Reforms related to public debt management

should take this dimension into account. As BOAD loans are denominated in CFA francs, they are not subject to exchange rate risk.

Table 40. External debt service

Situation at December 2017 in CFA Francs	Multilateral			Bilateral			Total		
	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total
Service due	2633	4020	6653	298	115	413	2931	4135	7066
Paid Service			6653			413			7066

Source : MEF

9.3.3 Debt currencies

Guinea Bissau's external debt is mainly denominated in USD. Other currencies account for 47% of total external debt at end-2017. The country is exposed to

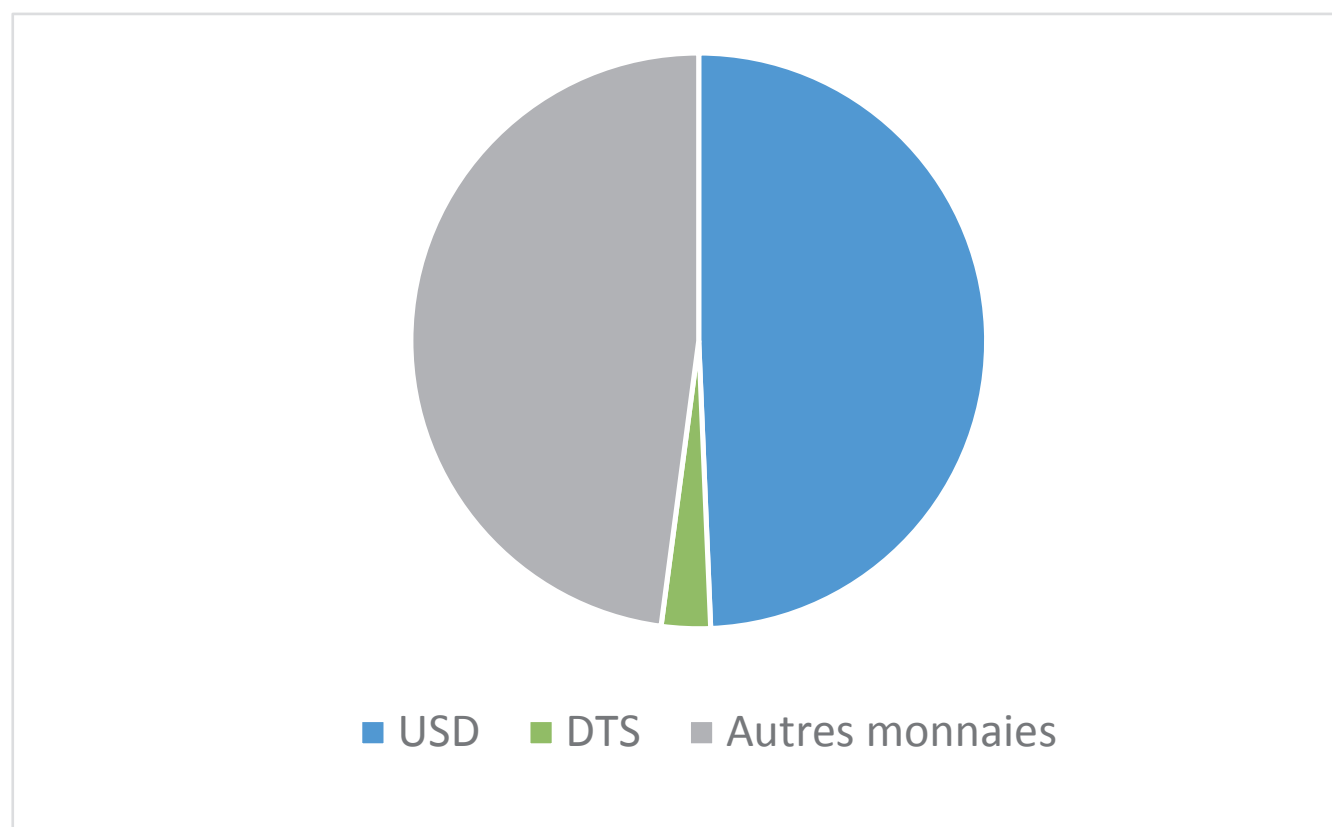
external exchange risk related to the fluctuation of the US dollar. The existence of a current account deficit can make it difficult to manage foreign exchange risk.

Table 41. Breakdown of external debt in foreign currency (31 December 2017)

Currency	Total debt originally denominated in this currency	Exchange rate CFA FRANCS at 31 December 2017	Total debt expressed in billions CFA FRANCS	EUR exchange rates at 31 December 2017	Total debt expressed in EUR million	Debt distribution 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
Other currencies (Exc. CFA Francs)			42.6			47.0

Source : World Bank

Figure 12. Breakdown of external debt in currency at 31 December 2017



Source : World Bank

9.4 Domestic debt

Guinea Bissau's domestic debt increased from CFAF 35 billion to CFAF 89 billion between 2014 and 2018. Guinea Bissau's domestic debt is mainly made up of arrears of payments to domestic banks and companies. Issues of Assimilable Treasury Bonds (ATBs) represent the second source of domestic financing.

In 2018, government securities accounted for 67% of domestic debt, of which 56% were Treasury bonds and 11% Treasury bills. BCEAO accounted for 30% of domestic debt and commercial banks only 3%.

Table 42. Composition of domestic debt

Billions of CFA Francs	2014	2015	2016	2017	2018
Total domestic debt	35.24	36.55	64.17	94.70	89.41
BCEAO	10.24	10.55	10.87	27.68	27.13
Commercial banks*	-	-	-	4.59	2.35
Atlantic Bank	-	-	-	0.47	-
BAO	-	-	-	1.19	0.69
BDU	-	-	-	1.87	1.08
ECOBANK	-	-	-	1.05	0.58
Government securities	25.00	26.00	53.30	62.44	59.92
Treasury bonds	10.00	26.00	53.30	51.99	50.06
Treasury bills**	15.00	-	-	10.45	9.86

Source : MEF

Table 43. Domestic debt service at December 31, 2017

	Domestic debt in billions CFA Francs		
	Principal	Interest	Total
Debt service due at the end of December 2017	39.6	2.8	42.4

Source : MEF

* All debt arrears (2014-2016) to commercial banks have been restructured in 2017.

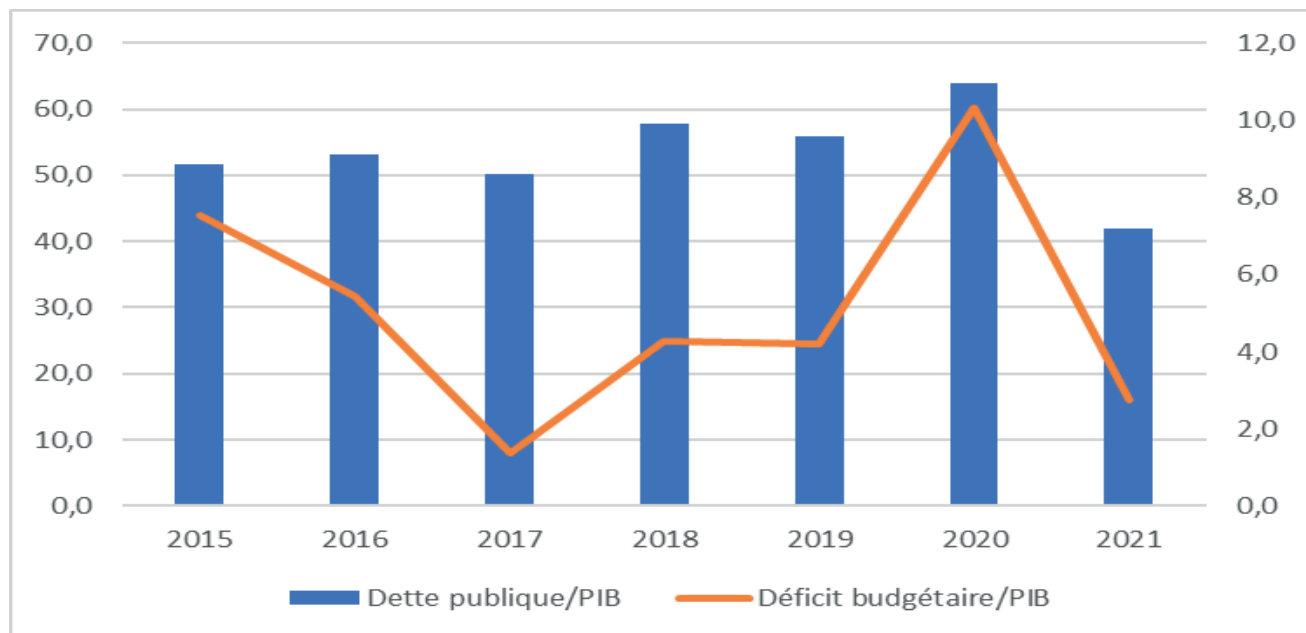
** Treasury bills are mainly issued in support of the budget.

9.5 Viability and sustainability

According to projections, the budget deficit relative to GDP is expected to improve in 2021 after peaking in 2020 due to the COVID crisis.¹⁹ The budget deficit is projected to improve in 2021 after peaking in 2020

due to the COVID crisis.²⁰ It will rise from 4.2% in 2019 to 10.3% in 2020 before reaching 2.7% in 2021. Guinea-Bissau is expected to meet the WAEMU norm (3%) from 2021 onwards.

Figure 13. Evolution of the budget deficit and public debt (% of GDP)

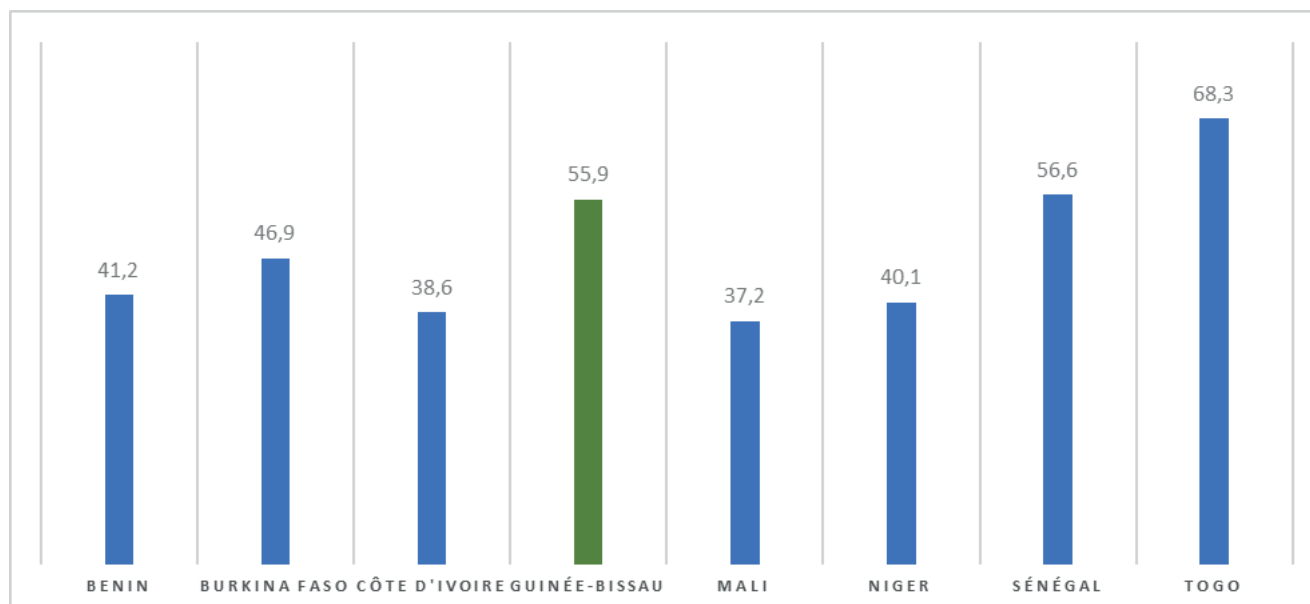


Source : WAEMU Commission - Biannual Implementation Report on Multilateral Surveillance, June 2020

The debt ratio increased from 51.7% in 2015 to 55.9% in 2019. It is expected to rise to 63.9% in 2020 in line with the increase in the budget deficit before reaching 41.9% in 2021. However, the debt ratio will remain below the EU norm of 70.0%.

A comparison of debt ratios with other WAEMU countries shows that Guinea Bissau is the third most indebted country in the zone. It is at the limit of the multilateral surveillance criterion set at 70%.

Figure 14. Public debt to GDP in 2019 of WAEMU countries (in %)



Source : WAEMU Commission - Biannual Implementation Report on Multilateral Surveillance, June 2020

Table 44 : Details of Guinea Bissau's emissions from 2014 to 2020 (debt in local currency)

Guinea-Bissau - Agence UMOA-Titres						
Instrument	Issuing date	Value date	Maturity	Amount announced (millions of CFA Francs)		
BAT	23/06/2020	--	--	10 000		
BAT	23/06/2020	--	--	10 000		
BAT	09/06/2020	--	--	5 000		
BAT	07/05/2020	08/05/2020	06/08/2020	15 000		
OAT	22/04/2020	23/04/2020	23/04/2023	10 000		
BAT	07/04/2020	08/04/2020	06/04/2021	10 000		
OAT	24/03/2020	25/03/2020	30/01/2023	10 000		
OAT	24/03/2020	25/03/2020	30/01/2025	10 000		
BAT	18/02/2020	19/02/2020	19/05/2020	10 000		
BAT	18/02/2020	19/02/2020	16/02/2021	10 000		
OAT	29/01/2020	30/01/2020	30/01/2023	10 000		
OAT	29/01/2020	30/01/2020	30/01/2025	10 000		
OAT	08/10/2019	09/10/2019	18/09/2022	15 000		
OAT	08/10/2019	09/10/2019	09/10/2024	15 000		
OAT	17/09/2019	18/09/2019	18/09/2022	10 000		
OAT	17/09/2019	18/09/2019	18/09/2024	10 000		
OAT	11/06/2019	12/06/2019	12/06/2022	10 000		
BAT	02/04/2019	03/04/2019	31/03/2020	8 000		
OAT	12/03/2019	13/03/2019	13/03/2022	6 000		
BAT	05/02/2019	06/02/2019	04/02/2020	6 000		
BAT	20/12/2018	21/12/2018	20/06/2019	10 000		
OAT	08/11/2018	09/11/2018	09/11/2021	5 000		
BAT	25/09/2018	26/09/2018	24/09/2019	5 000		
OAT	28/08/2018	29/08/2018	29/08/2021	6 000		
BAT	05/04/2018	06/04/2018	06/04/2019	10 000		
OAT	05/04/2018	06/04/2018	06/04/2021	10 000		
BAT	05/04/2018	06/04/2018	06/04/2019	10 000		
OAT	05/04/2018	06/04/2018	06/04/2021	10 000		
BAT	13/02/2018	14/02/2018	12/02/2019	6 000		
OAT	06/10/2017	09/10/2017	11/04/2020	5 000		

BAT	10/04/2017	11/04/2017	09/10/2017	16 500
BAT	10/04/2017	11/04/2017	09/04/2018	16 500
OAT	10/04/2017	11/04/2017	11/04/2020	16 500
BAT	22/02/2017	23/02/2017	21/02/2018	13 000
OAT	11/07/2016	12/07/2016	12/07/2019	11 000
BAT	15/07/2015	16/07/2015	13/07/2016	10 000
BAT	14/04/2015	15/04/2015	11/04/2017	15 000
BAT	22/07/2014	23/07/2014	21/07/2015	15 000

Source : Agence UMOA-Titres

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

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

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

Net foreign assets (NFA): net claims or liabilities of monetary institutions (Central Bank and banks) on the outside. This item corresponds to all the headings of the Central Bank and banks' positions relating to their external operations. It is obtained by deducting from gross external assets all external liabilities, including medium and long-term liabilities.

Government borrowing requirement: the overall amount needed to cover the primary budget deficit and the interest and amortisation charges linked to the debt.

Treasury bills: short-term government 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 meets in Paris to negotiate debt restructuring agreements with debtor countries experiencing debt service problems.

Bilateral creditors: governments, central banks, agencies and export credit agencies that lend to a debtor government on an intergovernmental basis. Multilateral creditors: international institutions that lend funds on concessional and/or non-concessional terms, such as the IMF, World Bank and regional development banks.

Credit to the economy (CE): all financing granted to the economy by banks (refinanced or not), financial institutions (part refinanced by the Central Bank) and by the Treasury (through the acceptance

of customs drafts).

Domestic credit : Credit to the economy + Net position of the Government (see PNG).

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

Budget deficit: difference between total revenue and total expenditure and net lending.

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

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

Foreign public debt: central government borrowing from non-residents.

Domestic public debt: central government borrowing from residents.

Non-concessional debt: debt contracted at market conditions.

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

Economic data:

- **Achievements:** Economic data for past years, calculated on the basis of comprehensive economic information collected on economic activity by national administrations. They should correspond more or less to the data in the final accounts for the year N-3.

- **Estimates:** correspond to semi-final or provisional accounts, drawn up on the basis of economic information for a given year. They are generally non-exhaustive and/or not fully validated;

- **Economic projections or forecasts:** economic data calculated on the basis of assumptions about the future development of [economic activity]. These projections may partially cover certain accounts for which only provisional and/or partial data are available.

Grant element: difference between the nominal

value (NV) and the present value (PV) of the debt service expressed as a percentage of the nominal value of the loan $((NV-AV)/V'N)$.

Concessional borrowing: Loans and credits that have a long repayment period and/or below-market interest rates, such that they have a grant element of at least 35%.

Eurobond (or Eurobond): a foreign currency bond on the London Financial Market.

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

Multilateral Debt Relief Initiative (MDRI): an 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 the Heavily Indebted Poor Countries (HIPC), 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 includes cash in hand (banknotes in circulation + sight deposits) and quasi-monetary assets (savings accounts and time deposits).

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

Contingent liabilities: debts contracted by other public entities with the exception of central government (local authorities and the para-public sector).

Net Government Position (NGP): net claims or net liabilities of the Treasury in relation to the rest of the economy.

The Government's net position is made up of the difference between the Treasury's debts and its claims on the Central Bank, banks and individuals and companies.

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

Tax pressure: the ratio of tax revenue to GDP.

Refinancing risk: risk linked to the renewal of debt that has reached maturity. It may relate to the cost of refinancing or the impossibility of obtaining the desired amounts.

Interest rate risk: Interest rate risk refers to the vulnerability of the debt portfolio and the cost of government debt to high market interest rates, to the point where maturing fixed rate debt and floating rate debt are revalued.

Currency risks: risks related to exchange rate fluctuations.

Debt service: any payment to be made in respect of the principal, interest and commission on a loan. Primary balance : (see primary deficit).

Stock of public debt: amount at a given date of disbursements of debts not yet repaid.

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

Debt ratio: 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, enterprises, 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 ratio between the price of exports and the price of imports. They are usually calculated from price indices and indicate a change from a base 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 earnings improve in this case. Conversely, the terms of trade deteriorate (T).

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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