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INFORMATION NOTE



Republic of
Guinea-Bissau

Presentation of Sovereign issuers of
West African Monetary Union (WAMU)

September 2022

Quality review by **Deloitte.**



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Summary

ACRONYMS	5
EXECUTIVE SUMMARY	8
COUNTRY PROFILE	9
1. COUNTRY OVERVIEW	10
1.1 Political system.....	10
1.2 Administrative organization	11
1.3 Geographic location	11
1.4 Population.....	12
1.5 Education.....	13
1.6 Health.....	13
1.7 Employment.....	14
1.8 Reminder of the main aggregates	15
2. RECENT ECONOMIC SITUATION AND OUTLOOK.....	17
2.1 Gross Domestic Product Assessment.....	17
2.2 Gross Domestic Product Details.....	18
3. ANALYSIS OF THE NATIONAL DEVELOPMENT PLAN.....	22
3.1 Recent Achievements and Completions	22
3.2 Future Achievements	23
4. MONETARY SYSTEM AND FINANCIAL MARKETS	24
4.1 Structural elements.....	24
4.2 Banking system	26
4.3 Inflation rate	31
4.4 Exchange rates	31
4.5 Foreign Reserves.....	32
5. FOREIGN TRADE AND BALANCE OF PAYMENTS	33
5.1 Balance of payments	33
5.2 Regional trade.....	33
5.3 International trade.....	38
5.4 Foreign direct investment	44
5.5 Regional integration	45

6.	CREDIT QUALITY	47
6.1	Business climate.....	47
6.2	Financial Governance	49
6.3	Financial rating.....	49
7.	GOVERNMENT FINANCE.....	50
7.1	Budget	50
7.2	Tax policies	52
7.3	Finance Bill	52
8.	RISK FACTORS	53
8.1	Political and security risks	53
8.2	Social risks	53
8.3	Macroeconomic risks.....	54
8.4	Risks to resource mobilization.....	54
8.5	Health risks	54
8.6	Environmental risks.....	54
9.	THE DEBT SITUATION	56
9.1	General description.....	56
9.2	Debt Strategy and Sustainability	57
9.3	External debt.....	58
9.4	Domestic debt	60
9.5	Viability and Sustainability	61
10.	APPENDICES	63
11.	LEXICON	66

ACRONYMS

AfDB	: African Development Bank
ADF	: African Development Fund
AGOA	: AFRICAN Growth OPPORTUNITIES ACT
AIDS	: Acquired Immunodeficiency Syndrome
AML/CFT	: Anti-Money Laundering and Countering Financing of Terrorism
BADEA	: Arab Bank for Economic Development in Africa
BCEAO	: Central Bank of West African States
BOAD	: West African Development Bank
CENTIF	: National Financial Information Processing Unit
CFA	: African Financial Community
CIF	: Cost Insurance and Freight
CSL	: Community Solidarity Levy
DMFAS	: Debt Management and Financial Analysis System
DSF	: Debt Sustainability Framework
EBC	: Additional Basic Education
EBE	: Basic Education
ECF	: Extended Credit Facility
ECL	: Ecowas Community Levy
ECOWAS	: Economic Community of West African States
ESC	: Complementary Secondary Education
ESG	: General Secondary Education
EST	: Estimate
EU	: European Union
EVD	: Ebola Virus Disease
FATF	: Financial Action Task Force
FOB	: Free on Board
GATT	: General Agreement on Tariffs and Trade
GDP	: Gross Domestic Product
GIABA	: Inter-Governmental Action Group Against Money Laundering in West Africa
HDI	: Human Development Index
HIV	: Acquired Immunodeficiency Virus
IDA	: International Development Association
FDI	: Foreign Direct Investment
IFAD	: International Fund for Agricultural Development
IIAG	: Ibrahim Index of African Governance
ILO	: International Labor Office
IMF	: International Monetary Fund
INF	: Inferior
IsDB	: Islamic Development Bank
LIC	: Low-Income Countries
NSO	: National Statistical Office
MEF	: Ministry of Economy and Finance

MFI	: Microfinance Institution
MFN	: Most Favored Nation
MW	: Megawatt
OMVG	: Gambia River Development Organization
PAIGC	: African Party for The Independence of Guinea and Cape Verde
PCD	: Democratic Convergence Party
PINA	: National Agricultural Investment Program
PND	: New Democracy Party
PNDS	: National Health Development Plan
PPA	: Purchasing Power Parity
PROJ	: Projection
PRS	: Social Renovation Party
PV	: Present Value
RAMSAR	: International Treaty for The Conservation and Sustainable Use of Wetlands
SDR	: Special Drawing Right
SFPA	: And Sustainable Fisheries Partnership Agreement
SUP	: Superior
T-Bill	: Treasury Bill
T-Bond	: Treasury Bond
TBS	: Gross Enrolment Rate
TIF	: Tax Identification Number
TOFE	: Table of Financial Operations of The State
TSA	: Everything but Arms Initiative
UEMOA	: West African Economic and Monetary Union
UM	: Union for Change
UN	: United Nations
UNCTAD	: United Nations Conference on Trade and Development
UNDP	: United Nations Development Program
UNESCO	: United Nations Educational, Scientific and Cultural Organization
UNICEF	: United Nations Children's Fund
UNIOGBIS	: United Nations Integrated Peacebuilding Office in Guinea-Bissau
UNODC	: United Nations Office on Drugs and Crime
USD	: American Dollar
WAMU	: West African Monetary Union
WB	: World Bank
WCO	: World Customs Organization
WHO	: World Health Organization
WTO	: World Trade Organization



GOVERNO DA
GUINÉ-BISSAU

MINISTÉRIO DAS FINANÇAS
Secretaria de Estado do Tesouro
Direção-Geral do Tesouro e da Contabilidade Pública

Attestation de l'émetteur

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

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

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

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

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



Mamadu BALDÉ

[Handwritten signature]
01/07/2022

Directeur Général du Trésor et de
la Comptabilité Publique

In 2019, Guinea-Bissau's Human Development Index (HDI) value was 0.48, placing the country in 175th place out of 189 countries. Between 2009 and 2019, Guinea-Bissau's HDI value rose from 0.42 to 0.48, an increase of 14.3%.

In 2021, Guinea-Bissau's nominal Gross Domestic Product (GDP) is estimated at CFAF 997.0 billion, up from CFAF 915.7 billion in 2020. Guinea-Bissau's economy has regained its pre-COVID-19 momentum in 2021 with real GDP growth estimated at 6.4% after 1.5% a year earlier.

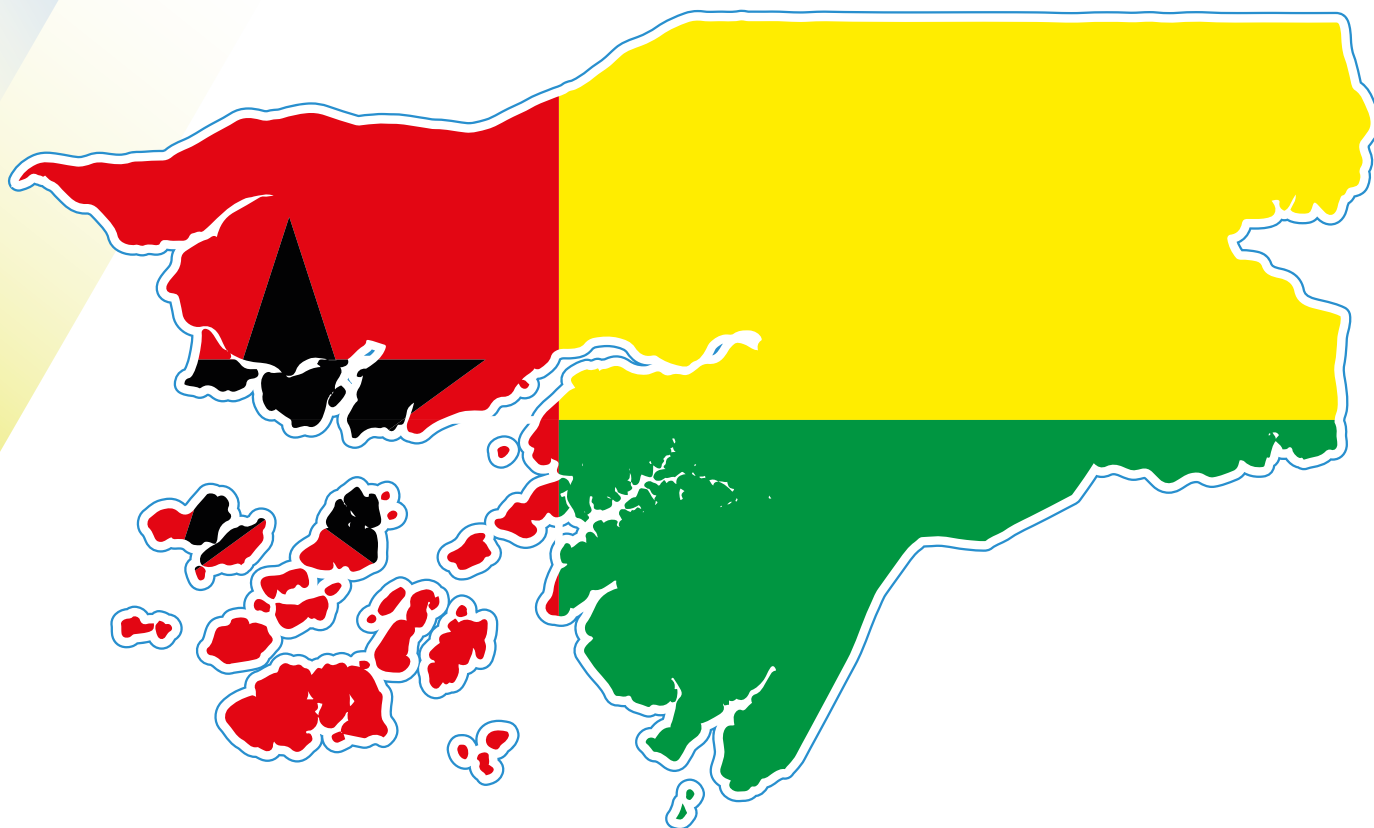
The budget deficit as a percentage of GDP deteriorated between 2019 and 2020. It increased from 3.6% to 9.3%. This deterioration is linked to the fall in public revenue and the increase in expenditure attributable to COVID-19. In 2021, it has decreased to a level of 7.5%.

According to data from the Ministry of Finance, the ratio of outstanding domestic and external debt to nominal GDP will be 70.2% in 2020, compared with 61.1% in 2019. In 2021, it is estimated at 72.2%.

According to the latest joint IMF-World Bank debt sustainability analysis, Guinea-Bissau has a high risk of external debt distress and a high risk of overall debt distress.

Reforms are being carried out to help the country achieve the objectives of the national development plan, the Guinea-Bissau Vision 2025. These reforms are based on four growth drivers: agriculture and agribusiness, fisheries, tourism, and mining.

Republic of Guinea-Bissau



Area
36 125 km²



Population in 2021 :
2 015 000Hbts
(Source : World Bank)



Capital
Bissau



Political system
Presidential



Currency
CFAF



Official Language
Portuguese



Nominal GDP in 2021
997,0 billions
of CFAF

(Source : National services, BCEAO)

- ▶ Economy based on **agriculture** and **trade**
- ▶ **Second** african producer of cashew nut
- ▶ Real GDP growth rate in 2021 : **6,4 %**
- ▶ Fiscal deficit, including grants, in 2021 : **7,5 % of GDP**
- ▶ Debt to GDP rate in 2021 : **72,2 % of GDP**

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

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

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

Policies adopted under this agreement focus on:

- Mitigating the fragility of the economy through the consolidation of public finances
- Tax reforms
- Restoring financial stability

1.1 Political system

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

Organizationally, Guinea-Bissau is a sovereign, multiparty, democratic, secular, and unitary republic headed by the President, who is the Head of State. The President of the Republic is elected by universal suffrage. The 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 court.

1.1.1 Executive power

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 Sis-

- Borrowing Policy and Long-Term Debt Sustainability
- Private Sector Development
- Improving inclusive growth.

In addition, good governance and the restoration of security are central to these policies.

The country has significant potential in the mining sector offering new perspectives to the Guinea-Bissau economy.

Guinea-Bissau is a republic with a presidential regime in which the President of the Republic, Head of State, appoints a Prime Minister, head of government. The country is administratively organized into one 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.

soco Embaló, was elected on February 27, 2020. In Guinea-Bissau, power is divided among four bodies: The President of the Republic, the National Popular Assembly, the Government, and the Courts.

A set of attributions of national sovereignty is given to each organ. The President of the Republic is the Head of State, guarantor of the Constitution, national unity, and the normal functioning of the institutions. He has the power to appoint the Prime Minister, who is the head of the government, and to dissolve the Parliament. The current Prime Minister is Mr. Nuno Gomes Nabiam (since February 29, 2020).

The government is the supreme executive and administrative body of Guinea-Bissau. It conducts the general policy of the country, in accordance with its program, approved by the National Assembly.

According to the Constitution, in Article 71, in the event of the death or permanent disability of the Head of State, the President of the National Assembly assumes the role of 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 various Presidents who succeeded each other are:

- João Bernardo Vieira (October 1, 2005 -2 March 2009)
- Raimundo Pereira (March 2, 2009 - September 8, 2009)
- Malam Bacai Sanhá (September 8, 2009 - January 9, 2012)
- Raimundo Pereira (January 9, 2012 - April 12, 2012)
- Mamadu Ture Kuruma (April 12, 2012 - 11 May 2012)
- Serifo Nhamadjo (May 11, 2012 - June 23, 2014)
- José Mário Vaz (June 23, 2014 - February 27, 2020)
- Umaro Sissoco Embaló (since February 27, 2020)

1.1.2 Legislative power

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

The Parliament supervises Government actions by means of written and oral questions and a reply must be given during the same sitting, or within a maximum of fifteen days, in writing, if investigations are necessary.

The constitution confers on the National People's assembly certain powers, including the decision on the constitutionality of laws and other legislation, approval of the State budget, approval of treaties involving the participation of Guinea-Bissau in international organizations, treaties of friendship, peace, defense and border rectification, and all other treaties that the government intends to submit to.

Currently, following the March 10, 2019 legislative elections, the National Assembly is composed of the following parties: African Party for the Independence of Guinea and Cape Verde (PAIGC) 47 seats, Movement for Democratic Change (MADEM G15) 27 seats, Social Renovation Party (PRS) 21 seats, Assembly of the United People - PDGB (APU) 5 seats,

Union for Change (UM) 1 seat, New Democracy Party (PND) 1 seat.

1.1.3 Judicial Branch

The legal system of Guinea-Bissau is essentially inspired by the Portuguese system. The overall architecture of the judiciary of Guinea-Bissau is composed of the Supreme Court, regional people's courts, and sectional people's 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 nine regions has a Regional Court, which serves as the first court of appeal from the 24 trial courts and hears civil cases over \$ 1 000. Trial judges have jurisdiction over petty crimes and civil disputes up to \$ 1 000.

1.2 Administrative organization

The country is administratively organized 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 governed by State committees, supervised by a president.

1.3 Geographic 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, recognized by UNESCO. Several islands are classified 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 southeast which culminates at 360 meters of altitude and enjoys a hot and humid tropical climate characterized by the alternation of two seasons: a rainy season from June to November and a dry season from December to May. The vegetation is composed

of savannah in the eastern part of the country extending the forest zone.

1.4 Population

According to the last population census carried out in 2009 by the National Statistical Office (NSO) of

Guinea-Bissau, the population of Guinea-Bissau was approximately 1 449 230, of which 51.6 percent were women and 50.2 percent were young people aged between 15 and 35. According to World Bank projections, the population of Guinea-Bissau will rise to 2 063 000 in 2022 from 2 015 000.

Table 1: Population of Guinea-Bissau in 2022

Category	2022	
Total Population	2 063 000	
Male	1 011 000	48.9%
Female	1 052 000	51.0%
Urban	929 000	45.0%
Rural	1 134 000	55.0%

Source: World Bank, April 2022

In terms of geographic breakdown, the capital, Bissau, accounts for 20 percent of the total population. The rest of the population lives in the other eight regions, which are mostly rural (World Factbook, CIA).

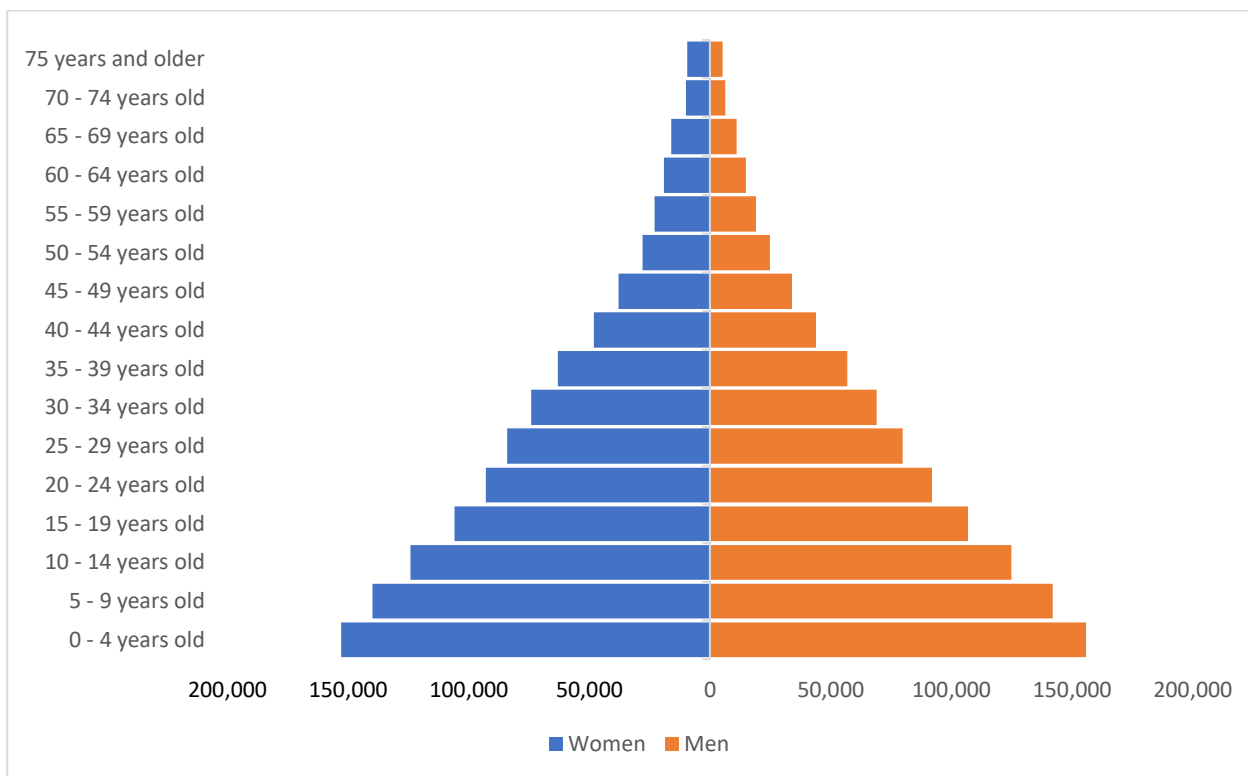
According to the (NSO) National Statistical Office, the population density would be 50 inhabitants/ km2 on average in 2020.

The density varies from 12.3 inhabitants/km2 in Bolama/Bijagos to 4 711 inhabitants/km2 in Bissau and

110.9 inhabitants/km2 in Biombo. This situation is not without consequences on the habitat, with a strong demand in the cities of Bissau and Biombo.

Between 2010 and 2019, the population in Guinea-Bissau grew at an average annual rate of 2.58 percent and 2.42 percent for 2020 according to World Bank data. The population is very young as shown by the age pyramid.

Figure 1: Age pyramid of the population in Guinea Bissau in 2022



Source: World Bank, April 2022

According to World Bank estimates, in 2022, 54.96 percent of Guinea-Bissau's population will live in rural areas, compared to 45.04% in urban areas.

According to the CIA World Factbook, 46.1 percent of the population is Muslim, 18.9 percent is Christian, and 30.6 percent is animist or has a traditional religion.

According to the World Bank, the population is expected to grow from 2.015 million in 2021 to 2.461 million in 2030.

1.5 Education

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

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

- i. Formal education is composed of preschool education, middle school education, secondary education, technical education and vocational training, and higher education.
- ii. Non-formal education includes literacy, adult education, and other types of education.

There is a special education unit for disabled children.

According to the results of the Integrated Regional Survey on Employment and Sector (ERI-ESI), the literacy rate in Guinea-Bissau for persons aged 15 years and older was 80.7% in 2017. This rate was 86.9% for men and 75.4% for women.

According to MICS-6 data, there has been a limited improvement in pre-school attendance. The pre-school attendance rate for 3–4-year-olds increased to only 14.3 percent (from 13 percent in 2014). On the other hand, about 45 percent of 5-year-olds attended pre-school or another form of primary preparatory program. However, overall, only 32.8 percent of Grade 1 pupils entered primary school having spent the previous year in pre-school - a proportion that has remained unchanged since 2010 (31 percent in 2010, 29 percent in 2014), (UNICEF GBCO, 2015).

Late entry, high repetition and dropout rates mean that Guinea-Bissau has a primary school completion

rate of less than 30 percent (29 percent in 2014 and 27.2 percent in 2019). Equally concerning is the fact that one-third of children aged 6-11 can be classified as 'out-of-school', having never attended school or having entered school but subsequently dropped out (Cambridge Education, 2018). A review of the school career of a cohort of pupils in 2013 showed that 23 percent of children never entered school and 18 percent of those who did enter school dropped out before the final year (6th) of primary education (MEN, 2015). MICS-6 data confirms this picture, indicating that 27.7 percent of primary school-age children are not in school (over 10 percent in urban areas and over 36 percent in rural areas). The glaring inequalities between urban and rural areas are a recurring theme in the education sector that is also highlighted by the MICS-6 data.

Although access to lower secondary education (EB-3: grades 7, 8 and 9, equivalent to lower secondary education) increased from 29 percent in 2010 to 39 percent in 2013 (MEN, 2015), as measured by the effective transition to EB-3, access to lower secondary education stagnated between 2014 (73.4 percent) and 2019 (75 percent) (MICS-6, 2018). According to MICS-6 data, the adjusted net attendance rate for lower secondary education is only 9 percent, 17.3 percent in urban areas and only 4 percent in rural areas. At entry (grade 7), only a quarter (26.6 percent) of students are the correct age for the grade, and in the final grade (grade 9), six out of seven students are two or more years older than the correct age for the grade. Drop-out rates are high, with 38 percent of young people leaving school before completing this cycle (MEN, 2015). This feeds into the number of out-of-school secondary students, especially in underserved rural areas where the rate is 30 percent (Oio) and over 40 percent (Gabú). As for higher education, the number of students has increased considerably over the last decade, both at public and private level (3 122 students in 2005 and 10 439 in 2013). However, this level of education faces problems of organization and adaptation to the needs of economic and social development (MEN, 2017).

1.6 Health

Guinea-Bissau's national health system is organized around three levels: central, regional, and peripheral, and defines the different types of health care delivery structures. Establishments are made up of two general directorates, the service directorates (including the coordination of national programs) 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 114 health areas in total.

Table 2 : General statistics indicating the health status of the population

Indicators	2000	2010	2015	2019
Life expectancy of men	47.58	52.23	54.77	56.3
Life expectancy of women	53.10	56.90	59.02	60.2
Total life expectancy	50.37	54.63	56.96	58.3
Infant mortality rate (per 1 000 live births)	105.5	72.3	59.5	52.32
Infant mortality rate, under 5 years (per 1 000)	174.8	113.8	91.2	78.47

Sources: World Bank data, United Nations Development Program

Guinea-Bissau's health indicators have improved since 2000. However, they are still low compared to other WAEMU countries. Life expectancy increased from 50 years in 2000 to 58 years in 2019. In 2019, the under-five mortality rate was 78.47 for 1 000.

The government's efforts have improved indicators and access to health care for pregnant women and reduced infant mortality. According to WHO, it is working on the next stage of the National Health Development Plan (PNDS) to reorganize the health system to provide inclusive and integrated health services for its population.

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

The incidence of malaria per 1 000 people at risk was 123.3 in 2018 according to the World Health Organization. It reached 295.28 in 2000. Nevertheless, malaria remains the main source of death among children under five. As for tuberculosis, the indicators of the incidence 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 in the country, and the Raoul Follereau Hospital detect about 60% of tuberculosis cases.

HIV/AIDS remains a major challenge for the country. According to World Bank indicators, the prevalence of HIV/AIDS in the population aged 15-49 years was 3.9% in 2009 and 3% in 2020. Prevalence is higher among women aged 15 to 24 (1.20% in 2020) than among men of the same age (0.6% in 2020).

During 2012, a cholera epidemic broke out in Guinea-Bissau and continued into 2013. Female genital mutilation (FGM) is still widely practiced and heavily affects the well-being of women. The prevalence of female genital mutilation was estimated at 52.1 percent in 2019 by the World Bank.

1.7 Employment

According to data from the World Bank and the International Labor Organization (ILO), the labor force, including informal employment, was estimated at persons 806 753 in 2020 compared to 618 942 in 2010. 79 % of men over 15 years of age were economically active, compared to 67.2 % of women in 2019. 60.5% of jobs were in the agricultural sector in 2019.

As regards the unemployment rate, it has been rather stable since 2000, with a moderate increase linked to the COVID-19 pandemic, estimated at 6.6% of the active population in 2022 by the ILO. Unemployment affects more women (7.5% of the female labor force) than men (5.8% of the male labor force).

The government, with the support of the International Labor Office (ILO), has also set up a Decent Work Country Program for Guinea-Bissau for the period 2012-2015. This program's priorities are to:

- i. contribute to the process of modernizing the administration in a climate of social dialogue and promotion of gender equality
- ii. promote decent jobs for young men and women, through enterprise development and vocational training

- iii. strengthen and expand the social protection system, especially for women in the informal economy, for children in the worst forms of labor, and for HIV in the workplace.

1.8 Reminder of the main aggregates

The HDI is developed by the United Nations Development Program (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 2019, Guinea-Bissau's Human Development Index (HDI) value was 0.48, placing the country in 175th place out of 189 countries. Between 2009 and

2019, Guinea-Bissau's HDI value rose from 0.42 to 0.48, an increase of 14.28 percent.

According to the World Bank, Guinea-Bissau's GINI index was 34.8 in 2018, an improvement of 15.9 points compared to the 2010 level (50.7).

Real GDP per capita increased between 2015 and 2019, from CFAF 246 919 to CFAF 266 017. This evolution is explained by the improvement of the economic environment after periods of political and military tension. In 2020, real GDP per capita decreased by 4.73% to CFAF 253 421.2, in connection with the Covid-19 pandemic and associated health restrictions.

Table 3 : Real GDP per capita

	2015	2016	2017	2018	2019	2020
Real GDP per capita in CFAF	246 919	255 725	264 089	260 892	266 017	253 421.2
Real GDP per capita (constant 2011 international PPP\$)	1 800	1 864	1 925	1 902	1 939	1 847.5

Source: World Bank

Table 4 : Summary table

CFAF Billions	2014	2015	2016	2017	2018	2019	2020	2021 (Estimates)
National economy								
Nominal GDP	560.5	681.3	737.8	853.6	854.5	885.1	915.7	997.0
Real GDP growth (%)	1.0	6.1	5.4	4.7	3.4	4.5	1.5	6.4
Investment rate (% of GDP) *	18.6	15.0	16.6	17.5	11.2	22.3	25.3	24.1
Inflation rate (in %) *	-1.0	1.5	1.5	1.0	0.4	0.2	1.5	3.3
Balance of payments								
Exports of goods FOB (BCEAO, MFE)	82.1	149.2	164.0	197.5	188.6	145.7	123.1	119.0
Imports of goods FOB (BCEAO, MFE)	105.9	122.4	136.5	169.2	157.9	196.4	171.9	196.8
Balance of goods	-23.8	26.8	27.5	28.3	30.7	-50.7	-48.8	-77.8
Balance of services	-34.4	-55.9	-61.0	-69.8	-69.4	-72.6	-65.6	-76.5
Current account balance (excluding public grants) *	3.1	12.4	10.0	2.3	-25.0	-74.7	-22.7	-65.5
Public Finance								
Revenues and grants	106.0	124.9	112.2	143.7	128.6	140.5	134.5	144.5
Overall Expenses	122.3	176.3	152.3	155.4	166.2	172.2	219.7	219.6
Overall balance	-16.3	-51.4	-40.1	-11.7	-37.6	-31.7	-85.3	-75.1

As a% of nominal GDP	-2.9	-7.6	-5.4	-1.4	-4.4	-3.6	-9.3	-7.5
Public debt								
Outstanding public debt	200.5	228.2	276.0	330.1	442.5	540.5	642.6	719.9
Domestic debt	35.2	36.6	64.2	94.7	175.3	214.2	293.2	361.6
External debt	165.3	191.6	211.8	235.4	267.2	326.3	349.4	357.9
Public debt as% of GDP	35.8	33.5	37.4	38.7	51.8	61.1	0.7	72.2

Source: BCEAO-MEF, Directorate-General for Forecasting and Economic Studies

2.1. Gross Domestic Product Assessment

2.1.1 Level of GDP (in CFAF billions)

During the period 2014-2021, Guinea Bissau's gross domestic product rose from CFAF 560.5 billion to CFAF 1 005 billion, an increase in wealth of CFAF

444.5 billion. This economic dynamic is expected to continue in 2022 and 2023, when GDP is expected to reach CFAF 1 052.1 billion and 1 103.6 billion respectively.

Table 5 : Guinea-Bissau's nominal gross domestic product (GDP)

Guinea-Bissau In CFAF billions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GDP at current prices	560.5	681.3	737.8	853.6	854.5	885.1	919.1	997.0	1 063.2	1 138.1

Source: MEF, Directorate-General for Forecasting and Economic Studies

2.1.2 Real GDP growth (%)

After five consecutive years of sustained growth (4.8 percent on average over 2015-2019), the Guinea-Bissau economy slowed down in 2020 with a growth rate of 1.5 percent. This slowdown is explained by the collapse of cashew nut prices, much lower foreign direct investment than in previous years and the impact of containment measures on consumption and investment, aggravated by severe flooding. Economic activity recovered in 2021 with an estimated real GDP growth of 6.4 percent. Growth in the Guinea-Bissau economy is expected to consolidate in 2022 with an expected real GDP growth rate of 4.6 percent.

The primary sector grew by only 3.2 percent in 2020 after 5.3 percent in 2019. This slowdown is explained by the major floods that affected the country and especially by the effects of the Covid-19 pandemic. Indeed, the closure of borders as well as the restriction of traffic delayed the launch of the cashew season in 2020, which strongly impacted the agricultural sector employing 70% of the labor force. The volume of cashew nuts shipped was less than 160 000 tons, compared to the usual 200 000 tons per year.

Nevertheless, good food crop production would offset the decline in cashew production. Food crop production increased by 10.1 percent due to favorable weather conditions and government support to farmers. Gross grain production increased by 7.0 percent over 2019 to 257 504 tons in 2020.

The primary sector is estimated to have grown by 5.4 percent in 2021, driven by a 9.0 percent in cashew nut production and a 4.0 percent increase in food production. The primary sector's contribution to real GDP growth is estimated at 2.3 percentage points in 2021, compared with 1.1 percentage points in 2020.

The secondary sector grew by 1.1 percent in 2020 after a decline of 0.1 percent in the previous year. This is mainly due to growth in the energy sub-sector in 2020 (+10.7 percent) (MEF). Growth in the secondary sector would be 5.7 percent in 2021.

As for the tertiary sector, it would have grown by +1.4% in 2020 after an increase of 5.9% in 2019. In 2021, the growth of the tertiary sector would be 6.4%.

Table 6 : Guinea-Bissau real gross domestic product growth (%)

Guinea-Bissau Real GDP by sector	2016	2017	2018	2019	2020	2021
Primary sector	2.3	1.4	1.2	1.9	1.1	2.3
Secondary sector	0.1	1.0	1.6	0.0	0.2	0.9
Tertiary sector	2.8	2.4	0.3	2.3	-0.1	1.9
Non-market GDP	0.4	0.1	0.3	0.3	1.2	0.6
Fees and taxes	-0.1	-0.2	-0.1	-0.1	-0.9	0.7
Real GDP	5.4	4.7	3.4	4.5	1.5	6.4

Source: MEF, Directorate-General for Forecasting and Economic Studies

2.1.3 Breakdown of GDP by structure (in %)

During the period 2015-2021, the share of the primary sector in GDP averaged 34.7%. The secondary sector, on the other hand, accounted for an average of 12.5% of GDP over the same period.

As for the tertiary sector (including public administration services or non-market GDP), its contribution to the formation of GDP rose from 45.1% in 2015 to 48.0% in 2021, i.e., an average share of 46.9% over the period.

Table 7 : Breakdown of GDP by structure (in %)

Guinea-Bissau	2015	2016	2017	2018	2019	2020	2021
Total GDP	100	100	100	100	100	100	100
Primary sector	35.2	36.3	36.4	34.7	33.0	32.9	34.5
Secondary sector	12.9	12.0	11.7	13.4	12.6	12.4	12.5
Tertiary sector	34.1	34.4	33.4	32.9	33.5	33.6	30.9
Non-market GDP	11.0	11.0	11.7	12.8	15.1	17.0	17.1
Import duties and taxes	6.8	6.2	6.9	6.2	5.8	4.1	5.0

Source: MEF, Directorate-General for Forecasting and Economic Studies

The trend observed in the primary sector is explained mainly by the growth of the agriculture subsector. As for the tertiary sector, its situation is explained by the good dynamics observed in the telecommunications and other services subsectors.

2.2 Gross Domestic Product Details

2.2.1 GDP in volume, detail of sectors

Based on the analysis of the various sectors of the Guinea-Bissau economy, the contribution of the primary sector to GDP is estimated at CFAF 316.8 billion (at current prices) in 2021, as against CFAF 298.0 billion in 2020.

The secondary sector in general contributed CFAF 117.1 billion to wealth creation in 2021, against CFAF 109.7 billion in 2020.

The tertiary sector, for its part, contributed to the formation of GDP to the tune of CFAF 401.3 billion in 2021 against CFAF 381.0 billion in 2020, an increase of 5.3%.

Table 8 : Sectoral breakdown of GDP

Guinea-Bissau	2015	2016	2017	2018	2019	2020	2021
Value added in constant CFAF billion							
Primary sector	239.5	254.9	264.7	274.1	288.8	298.0	316.8
Secondary sector	88.1	88.9	96.2	108.3	108.2	109.7	117.1
Tertiary sector	307.3	328.8	346.7	351.1	371.8	381.0	401.3
Total value added	634.9	672.6	707.7	733.5	768.8	788.6	835.3
Net taxes on products	46.4	45.8	44.5	43.9	43.5	35.8	41.4
Gross Domestic Product	681.3	718.3	752.1	777.4	812.2	824.4	876.7

Source: MEF, Directorate-General for Forecasting and Economic Studies

2.2.2 GDP in composition

The composition of Guinea-Bissau's GDP shows that the tertiary sector is the main source of wealth creation in the country. This sector alone accounts for 48.0% of GDP in 2021, an increase of 2.9 percentage points compared to 2015. This sector accounted for only 45.1% of GDP in 2015.

The primary sector saw its contribution to GDP formation decrease overall between 2017 and 2020,

from 36.4% to 32.9%, i.e., a drop of 3.5 points. This contribution would be 34.5% in 2021, up by 1.6 points compared to 2020.

Regarding the contribution of the secondary sector to the formation of GDP, after an increase in 2018, it decreased to 12.5 percent in 2020. It is expected to decrease slightly in 2021 to 12.7 percent.

In 2022, the contributions of all three sectors would be of the same order of magnitude as in 2021.

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

Guinea-Bissau	2017	2018	2019	2020	2021	2022
Current prices						
Primary sector	36.4	34.7	33.0	32.9	34.5	34.7
Secondary sector	11.7	13.4	12.6	12.4	12.5	12.7
Extractive activities	0.4	0.4	0.4	0.4	0.4	0.4
Agri-food	5.5	5.8	5.2	4.5	4.5	4.5
Other industries	2.6	3.5	3.5	3.7	3.9	4.0
Electricity - Water - Sanitation	1.1	1.1	1.2	1.3	1.3	1.4
Construction	2.1	2.6	2.4	2.5	2.5	2.5
Tertiary sector	45.1	45.7	48.6	50.6	48.0	47.5
Trade and repair	17.1	15.9	15.7	15.3	13.3	13.1
Transportation and warehousing	4.6	4.9	4.9	5.3	5.3	5.4
Information and communication	2.9	3.0	3.2	3.2	3.1	3.2
Financial Services and Insurance	2.1	2.2	2.5	2.6	2.6	2.6
Other services	6.7	6.9	7.2	7.1	6.6	6.4
Public Administration Services	11.7	12.8	15.1	17.0	17.1	16.9
Total value added	93.1	93.8	94.2	95.9	95.0	95.0
Import duties and taxes	6.9	6.2	5.8	4.1	5.0	5.0
Nominal GDP	100	100	100	100	100	100

Source: MEF, Directorate-General for Forecasting and Economic Studies

2.2.3 GDP by component

In 2021, final consumption is still mainly made up of private consumption, which accounts for 76.9 % and amounts to CFAF 584.1 billion. Public consumption, nevertheless, increased significantly over the 2017-2021 period, rising from CFAF 125.9 to 174.9 billion.

Gross fixed capital formation has increased steadily over the past four years, reaching CFAF 201 billion in 2021. According to MEF forecasts, it is expected to continue this trend, reaching CFAF 2 074 billion in 2022. Finally, the change in inventories amounted to CFAF 41.6 billion in 2020 after CFAF 41.5 billion a year earlier.

Table 10 : Breakdown of GDP by expenditure (CFAF billions)

Constant prices	2017	2018	2019	2020	2021	2022
Internal demand	833.1	845.1	940.2	953.5	1 001.3	1 033.0
Final consumption	683.7	690.8	724.5	715.4	759.1	773.8
Private	557.9	563.9	589.6	558.5	584.1	604.7
Public	125.9	126.9	134.9	156.9	174.9	169.1
Investment	149.4	154.3	215.7	238.1	242.2	259.2
Gross Fixed Capital Formation	148.2	184.3	193.1	196.9	201.0	207.4
Change in inventories	1.2	-30.0	22.8	41.5	41.6	51.5
Total external demand	-59.9	-67.7	-128.0	-129.1	-124.6	-124.7
Export	183.0	166.8	131.8	94.7	118.5	121.3
Importation	242.9	234.5	259.8	223.9	243.1	245.9
GDP	773.2	777.4	812.2	824.4	876.7	908.3

Sources: MEF, Directorate-General for Forecasting and Economic Studies

Table 11 : Contribution to growth of expenditure items (%)

	2017	2018	2019	2020	2021	2022
1. Internal demand	9.4	1.6	12.2	1.6	5.9	3.9
Total consumption	5.7	0.9	4.3	-1.1	5.3	1.6
Private	5.0	0.8	3.3	-3.8	3.1	2.4
Public	0.7	0.1	1.0	2.7	2.2	-0.7
Investment	3.8	0.6	7.9	2.8	0.5	2.4
Gross Fixed Capital Formation	3.8	4.7	1.1	0.5	0.5	0.7
Change in inventories	0.02	-4.0	6.8	2.2	0.01	1.2
2. Total external demand	-1.6	-1.0	-7.8	-0.1	0.6	0.0
Exports	1.5	-2.1	-4.5	-4.6	2.9	0.3
Imports	3.2	-1.1	3.3	-4.4	2.3	0.3
GDP	7.8	0.5	4.5	1.5	6.3	3.6

Source: MEF, Directorate General of Forecasting and Economic Studies - Estimates

Outlook

Growth in the **primary sector** is expected to be 4.1 percent in 2022 after 6.3 percent in 2021, driven by the cashew nut sector and food production. Growth in the cashew sector is expected to consolidate in 2022 at 5.0 percent after a decline of 9.0 percent in 2021 (MEF).

Growth in the **secondary sector** is expected to be 4.0% in 2022 compared with 6.8% in 2021. This sector has benefited in recent years from the effects of major infrastructure and energy projects. Indeed, Guinea-Bissau has received support from the World Bank and the West African Development Bank (BOAD). This support mainly concerns road and energy infrastructure. For example, in 2021 the country benefited from a loan of CFAF 5 billion from BOAD for the development and asphaltting of the Buba-Catiò road to contribute to the opening of the southern region and facilitate trade.

As for the **tertiary sector**, it should grow by +2.9% in 2022 after +5.3% in 2021. This rate is explained by the expected increase in activity in the commercial sector, hotels, and transport. In the field of telecommunications, the World Bank's financing to provide the country with fiber optic infrastructure will be a considerable asset.

On the demand side, growth in 2021 was fueled by the rise in final consumption and exports, the former increasing by 6.1%, under the effect of both its private component (+4.6%) and its public component (+11.5%). Gross capital formation (GFCF) increased by 2.0% in 2021. Net exports would increase by 3.5%, which would be explained by the renewed dynamism of the cashew nut sector. According to the IMF¹, for the whole of 2021, the volume of cashew nut exports is projected at 240 thousand tons against 155 thousand tons a year earlier, an increase of 85 thousand tons. The price of a ton of cashew nuts is also expected to rise from USD 1 000 in 2020 to USD 1 148 in 2021.

1. GUINEA-BISSAU SECOND REVIEW UNDER THE STAFF MONITORED PROGRAM-PRESS RELEASE; AND STAFF REPORT, IMF Country Report No. 22/42, February 2022

3. ANALYSIS OF THE NATIONAL DEVELOPMENT PLAN

Guinea-Bissau adopted in 2015, a new reference framework for its development policy for the next decade: the Guinea-Bissau Vision 2025. This plan is known as "Terra Ranka".

3.1 Recent Achievements and Completions

3.1.1 Overview of the national development plan

The Guinea-Bissau 2025 vision is "A positive, politically stabilized Guinea-Bissau through inclusive development, good governance and biodiversity conservation". This plan is based on four growth drivers: agriculture and agro-industry, fishing, tourism, and mining.

The objectives of this plan are:

- Growth and emergence of a diversified economy
- Peace and Good Governance
- Biodiversity and Natural Capital
- Infrastructure and Urban Development
- Human Development and
- Simplification of the business environment and private sector development.

More specifically, for the period 2021-2025, the main objectives are

- Achieve an average annual economic growth rate of 5.4%
- Improve tax revenue collection to achieve an average tax burden rate of 9.8%
- Contain the outstanding debt to 33% of GDP on average over the period
- Continue to control the wage bill to gradually reduce the ratio to tax revenue to an average of 48.7%. (WAEMU)

3.1.2 Recent reforms related to the national development plan

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

Table 12 : Structuring projects related to the national development plan

Project	Donors	Type
Water, Sanitation and Hygiene Program	UNDP and UNICEF	Grant
Project to build the capacity to produce electrical energy using thermal fuel 15 MW	BOAD	Loan
Project to support the economic development of the southern regions	IFAD	Grant/ Loan
Quality Education for All Project	WB	Grant
Buba Catio Road Construction Project	BOAD	Loan

Source: MEF

3.2 Future Achievements

To continue the reforms already underway, new projects were launched in 2020. The 2020-2023 Plan,

aligns with the government's agenda and is structured around 6 strategic objectives and a central objective, as follows:

Strategic objectives	Areas of intervention
Central objective	Combating COVID-19; seen as an opportunity for a new economic start
Strategic Objective 1	Consolidate the democratic rule of law, reform and modernize public institutions
Strategic Objective 2	Reforming the economy and promoting growth and jobs
Strategic Objective 3	Develop the country's productive sector and infrastructure
Strategic Objective 4	Enhance human capital and improve the living conditions of the population
Strategic Objective 5	Mastering foreign policy, promoting regional integration, and developing the Guinean diaspora
Strategic Objective 6	Preserve biodiversity, fight climate change, and enhance natural capital

Source: MEF

The government, through the Ministry of the Economy, Planning and Regional Integration, presented the National Development Plan (NDP) for 2022 to parliament in December 2021, which provides for an investment of CFAF 71 billion in 247 projects in various sectors.

²According to Mónica Buaró, Secretary of State for Planning and Regional Integration, who presented the document, of the CFAF 71 billion budgeted, 35.6 billion will be grants, 20 billion loans to Guinea-Bissau and 15.75 billion internal financing. The NDP is included in the state budget for 2022 and its strategic objectives are aligned

with existing plans, such as the National Strategic Document for the Eradication of Poverty (DENARP) and "Terra Ranka", among other strategic plans for the economic promotion of the country. Mónica Buaró also said that next year some sectors would see an increase in investment, including the health sector, from 4.75% to 5.12%, and the ministries of public works, from 29.29% to 39.44%, education, from 2.17% to 7.62%, and natural resources, from 6.35% to 12.6%, due to the launch of projects requiring government participation.

4.1. Structural elements

4.1.1 Description of the Franc Zone

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

The 4 main principles of the Franc zone are:

- **A guarantee from the French Treasury for unlimited convertibility of the Central Bank currency:** currencies issued by the issuing institutions of the franc zone have unlimited convertibility guaranteed by the French Treasury. To ensure the free convertibility of each of the sub-zones, an operating account is opened with the French Treasury by each Central Bank of the zone, and on which the Central Banks have an unlimited right to draw in the event of exhaustion of their foreign exchange reserves.
- **A fixed parity with the euro of 1 euro for 655.957 FCFA:** the parity of the zone's currency with the euro is fixed and defined for each subzone. The currencies of the zone are convertible among themselves, at fixed parities, without limitation of amounts. The switch to euro resulted in a simple substitution of the peg to the French franc by the peg to the euro, at equivalent parity, i.e., $FCFA\ 655.957 = 1\ \text{euro}$ (the parity being identical for the West and Central Africa sub-zones).
- **Free and unlimited transfer of reserves:** Transfers are, in principle, free within the Zone.
- **Centralization of reserves:** governments centralize 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 portion of their net external assets (foreign exchange reserves) with the French Treasury in an operating account opened in the name of each of them. Since the September 2005 reform, BCEAO

has had to deposit 50% of its external assets in its operating account.

A new monetary agreement was signed in December 2019 by WAEMU member States and France to reform the West African FCFA. It lays the groundwork for member countries to join ECO, ECOWAS' single currency project. To enable WAEMU economies to prepare for ECO, the monetary cooperation agreements linking the member States of the zone to France were thoroughly revised. Three decisions were taken:

- Names change of the currency from CFA Franc to ECO, when WAEMU countries will integrate the new ECO zone of ECOWAS.
- End the centralization of foreign exchange reserves at the French Treasury, closing the operations account and transferring available resources into BCEAO's account.
- Withdrawal of all French representatives from the decision-making and management bodies of WAMU (BCEAO Board of Directors, Banking Commission and Monetary Policy Committee).

Two key pillars 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 the French Council of Ministers. It validates the transformation of the FCFA, which will become the ECO, by maintaining a fixed parity with the euro as well as the end of the centralization of foreign exchange reserves of West African States at the French Treasury.

4.1.2 Description of the BCEAO

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

Organs

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

Operation

The Central Bank, its organs, any member of its organs or staff may not seek or receive orders or instructions from community institutions or organs, from any government of WAEMU Member States, from any other organization or from any other person. Community institutions and bodies and the governments of WAEMU member States undertake to respect this principle.

The primary 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 has the following fundamental missions:

- ✓ Define and implement monetary policy within WAEMU.
- ✓ Ensure the stability of WAEMU banking and financial system.
- ✓ Promote proper functioning and ensure the supervision and security of payment systems in WAMU.
- ✓ Implement the WAEMU exchange rate policy under the conditions set by the Council of Ministers.
- ✓ Manage the official foreign exchange reserves of WAEMU member States.

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

The main objective of the Central Bank's monetary policy is to ensure price stability. As such, it defines the monetary policy to keep the currency's external coverage rate at a satisfactory level, and to support the economic activity of member countries without inflationary pressure³.

BCEAO oversees the monetary policy of each member country by setting money supply and credit targets on an annual basis. Statutory advances to member States national treasuries were suspended in 2001 and abolished as of 2010.

To conduct its common monetary policy, the BCEAO relies on market mechanisms and indirect liquidity regulation instruments, in particular interest rate management and the reserve requirement system.

4.1.3 Monetary policy

BCEAO has the exclusive privilege of issuing money for all the member States of the West African Monetary Union. It issues monetary signs, banknotes, and coins, which are legal tender with discharging effect in all the member States of the Union. The creation, issue and cancellation of monetary signs are decided by the Council of Ministers.

The Central Bank's management of member States monetary policy consists in adjusting the global liquidity of the economy according to economic trends, to ensure price stability, on the one hand, and to promote economic growth, on the other hand.

The current money and credit management system relies on market mechanisms and indirect liquidity regulation instruments, notably interest rates and the reserve requirement system.

The functioning of BCEAO is based on:

- Open market operations: seven-day and twenty-eight-day refinancing (weekly and monthly, respectively, for banks subject to reserve requirements) allotted at variable rates; the minimum bid rate considered by BCEAO as its key rate

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

(currently⁴ 2.25%). Planned auctions are generally calibrated according to BCEAO's forecast of liquidity needs over the maturity of operations.

- Standing loan windows: refinancing from 1 to 7 days or 90 to 360 days against government securities and credit requests with maturities ranging from 5 to 20 years, at the request of banks (marginal lending window). Rates at these windows are 200 basis points above the policy rate. As of June 2017, the use of the lending window was capped at two times the counterparty's equity.

The minimum bidding rate for open market operations (tenders) and the interest rate applicable to the marginal lending window (repo rate), whose levels are set by the Monetary Policy Committee, are 2,25% and 4,25% respectively, and constitute BCEAO's two main key rates.

Money supply

This section summarizes monetary statistics from the BCEAO and Guinea-Bissau banks. It presents the situation of net foreign assets, domestic credit composed of credit to the government and credit to the economy at the end of December of each year.

The money supply stood at CFAF 429.7 billion in 2021, up by 7.6% (+ CFAF 30.5 billion) compared to 2020, driven by domestic claims.

Net foreign assets rose from CFAF 270.3 billion in 2020 to CFAF 275.9 billion in 2021, an increase of 2.1%. This evolution is mainly linked to the increase in the net foreign assets of banks.

Domestic claims amount to CFAF 230.33 billion in 2021, compared with CFAF 194.4 billion in 2020. This evolution is mainly explained by the increase in the outstanding net claims of the BCEAO on the Central Public Administration.

Table 13 : Monetary situation

In billions of CFAF	2014	2015	2016	2017	2018	2019	2020	2021	2022 (p)
Net foreign assets	153.4	168.6	202.2	226.2	233.0	217.5	270.3	275.9	258.8
Central Bank	120.3	159.5	153.1	176.2	169.8	182.4	163.0	163.3	147.1
In the banks	33.1	9.0	49.1	50.0	63.3	35.1	107.3	112.6	111.7
Domestic receivables	117.7	150.9	167.6	162.2	173.7	197.7	194.4	230.3	222.2
Net receivables from Central Government	36.8	94.1	111.3	61.8	51.7	58.8	47.2	72.5	69.5
BCEAO	24.7	28.0	37.7	37.1	43.8	42.6	40.2	66.8	64.2
Banks	12.1	66.1	73.7	24.7	7.9	16.2	7.0	5.6	5.3
Credit to other sectors	80.9	56.9	56.2	100.4	122.0	138.9	147.1	157.9	152.7
BCEAO	2.8	2.8	3.0	3.2	4.1	4.6	4.5	4.1	4.1
Banks	78.1	54.0	53.2	97.2	118.0	134.3	142.7	153.8	148.5
Money supply (M2)	240.7	306.2	334.8	344.2	365.0	365.9	399.2	429.7	422.1

Source : BCEAO

4.2 Banking system

4.2.1 The banking environment

The banking system remains underdeveloped. As of 31 December 2021, according to the BCEAO, it comprised five banks with very limited coverage. The strict banking rate, at 17.55% in 2020, remains

lower than the WAEMU average (19.27% in 2020), although it has increased slightly (16.77% in 2019). This situation severely limits access to financial services for large sections of the population.

This banking system must meet several challenges to avoid a crisis like that of 2015. At that time, the

4. BCEAO decided to raise its main policy rates by 25 basis points on 1 June 2022, effective 15 June 2022. Thus, the minimum bidding rate for liquidity injection tenders was reduced from 2.50% to 2.25% and the interest rate for the marginal lending window was reduced from 4.50% to 4.25%. As a reminder, the Central Bank cut its main policy rates by 50 basis points on June 24, 2021.

government transferred the non-performing loan portfolio of two commercial banks to the state, amounting to CFAF 34 billion or 5.6% of GDP. At the time, these two banks represented about 50% of the balance sheet and 55% of the accounts of the country's banking system.

The authorities have taken the decision to rescue the banks to court and the legal process is ongoing. In 2016, the WAEMU banking commission requested that the unsecured portion of the loan portfolios be fully provisioned by the two banks.

Table 14 : Aggregate data from credit institutions

BALANCE SHEET	2018	2019	2020
ASSETS	CFAF Million		
TREASURY AND INTERBANK TRANSACTIONS	32 394	45 510	47 214
TRANSACTIONS WITH CUSTOMERS	132 609	138 290	140 829
SECURITIES AND OTHER TRANSACTIONS	87 758	107 930	137 331
FIXED ASSETS	9 056	14 504	17 265
SHAREHOLDERS OR PARTNERS	0	0	0
TOTAL ASSETS	261 817	306 234	342 639
LIABILITIES	CFAF Million		
TREASURY AND INTERBANK TRANSACTIONS	76 468	105 657	111 273
TRANSACTIONS WITH CUSTOMERS	157 147	161 152	196 169
SECURITIES AND OTHER TRANSACTIONS	15 694	129 96	6 652
OUTSTANDING PAYMENTS ON FINANCIAL ASSETS	0	0	0
EQUITY AND SIMILAR	12 508	26 429	28 545
RESULT FOR THE YEAR	2 244	12 538	2 767
TOTAL LIABILITIES	261 817	306 234	342 639
OFF-BALANCE SHEET	CFAF Million		
DONATED FUNDING COMMITMENT	4 041	3 318	3 548
GUARANTEE COMMITMENT GIVEN	70 788	27 047	23 800
COMMITMENTS ON SECURITIES TO BE DELIVERED	0	4 652	4 684
COMMITMENTS ON FOREIGN CURRENCY TRANSACTIONS TO BE DELIVERED	0	0	0
COMMITMENTS ON FORWARD FINANCIAL INSTRUMENTS	0	0	0
OTHER COMMITMENTS GIVEN	0	0	0
DOUBTFUL COMMITMENTS	250	257	250

Source: Banking Commission report 2020

Between 2018 and 2020, the total assets of banks in Guinea-Bissau increased from CFAF 261.8 billion to CFAF 342.6 billion. This increase is notably linked to an increase in securities and miscellaneous operations, which rose by 27.2% between 2019 and 2020 due to the dynamism recorded in investment securities and investments. In addition, the growth in banks' assets is also driven by fixed assets, which increased by 19% between 2019 and 2020. The banking sector in Guinea-Bissau experienced a decline in its previous momentum by recording a 77.9% decline in its result in 2020 compared to the result recorded in the previous year.

The lending rate was down slightly in 2020 for the second year in a row. It came in at 4.59 % in 2020 compared to 4.61 % and 4.62% in 2019 and 2018. The lending rate also declined from 9.23 % in 2018 to 8.48 % in 2019 before settling at 8.42 % in 2020. Longer lending rates (maturity over 10 years) fell significantly between 2015 and 2018 from 7.76 % in 2015 to 3 % in 2016 and 2017. They rose again from 2018 and reached 6.20 % in 2020.

Table 15 : Lending and borrowing rates in Guinea-Bissau (%)

	2014	2015	2016	2017	2018	2019	2020
Lending rate							
less than or equal to 1 month	11.48	11.06	8.71	9.31	9.25	8.22	8.39
more than 1 month and less than or equal to 3 months	9.45	9.12	8.01	7.83	9.29	9.54	8.52
more than 3 months and less than or equal to 6 months	9.48	9.46	8.81	10.34	9.54	9.39	9.64
more than 6 months and less than or equal to 1 year	9.06	8.47	9.09	7.86	8.56	7.31	6.56
more than 1 year and less than or equal to 2 years	9.26	10.09	10.59	8.99	10.16	9.49	7.54
more than 2 years and less than or equal to 5 years	9.35	9.83	10.56	9.08	9.04	8.19	7.66
more than 5 years and less than or equal to 10 years	5.89	8.73	8.36	8.43	9.20	7.53	8.63
More than 10 years	7.56	7.76	3.00	3.00	3.65	6.02	6.20
Total	9.32	9.72	9.12	9.35	9.23	8.48	8.42
Lending rate							
less than or equal to 1 month	4.80	4.81	4.32	3.07	3.24	2.67	4.89
more than 1 month and less than or equal to 3 months	4.55	4.71	4.74	3.95	5.15	5.33	4.01
more than 3 months and less than or equal to 6 months	4.33	4.15	3.62	3.42	3.97	3.71	4.51
more than 6 months and less than or equal to 1 year	3.66	3.33	3.50	2.83	4.01	4.04	3.00
more than 1 year and less than or equal to 2 years	4.50	3.25	3.62	3.34	5.07	5.25	5.24
more than 2 years and less than or equal to 5 years	4.50	3.52	5.27	5.88	5.65	3.99	6.19
more than 5 years and less than or equal to 10 years	-	-	-	-	4.96	4.68	3.50
Not determined	3.64	3.50	3.66	4.36	2.70	-	3.41
Total	4.64	4.54	4.24	4.07	4.62	4.61	4.59

Source: BCEAO

4.2.2 Microfinance

As of September 2020, Guinea-Bissau had 6 microfinance institutions (MFIs) throughout the country, less than 2% of the total number of MFIs in the WAEMU. The MFI network had 10 638 clients and 6 service points.

The number of deposits collected by decentralized financial systems fell by 45.3% at the end of December 2021 compared to the level of December 2020, i.e., a deterioration amounting to CFAF 40 million. In the WAEMU zone, Niger and Guinea-Bissau are the only countries not to have recorded an increase in the number of deposits collected.

Similarly, although activities affected by the health crisis will resume in 2021, households and SMEs in Guinea-Bissau, which were heavily affected by the

crisis, still seem reluctant to borrow to carry out their investment projects. In fact, outstanding loans from decentralized financial systems fell by 12.1% in December 2021 compared to their level a year earlier, i.e., a drop of CFAF 8.4 million.

The Central Bank of West African States (BCEAO) has taken a series of measures to mitigate the impact of the Covid-19 pandemic on the banking system and the financing of economic activity in the West African Monetary Union (WAMU), particularly in favor of microfinance institutions (MFIs).

4.2.3 Financial markets

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 market for public securities by auction is organized and regulated by BCEAO through the UMOA-Titres (WAMU Securities Agency), while public securities by syndication, private bonds and shares are regulated by the Regional Council for Public Savings and Financial Markets (CREPMF) and organized by the Regional Securities Exchange (BRVM) and the Central Depository/Settlement Bank (DC/BR).

Regional Stock Exchange: Presentation and roles

Regional Stocks Exchange (BRVM) is a specialized financial institution created on December 18, 1996, pursuant to 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. This stock exchange is common to the 8 countries of West Africa. BRVM/DC/BR started its activities on September 16, 1998 in Abidjan. Its main missions are the following:

- The organization of the stock market.
- Publication of stock market transactions.
- Dissemination of information on the stock market.
- Promotion and market development.

The dynamic recovery of activities within the region during the year 2021 brought a new lease of life to the sub-regional stock market, putting an end to several years of underperformance. To this end, during the 2021 trading year, the BRVM composite index rose from 145.4 points on 31/12/2020 to 202.3 points on 31/12/2021. The market capitalization of the equity market increased from FCFA 4,368 billion at the end of 2020 to FCFA 6,085 billion at the end of 2021, i.e., an increase of 39%.

As regards the market capitalization of bonds, it stood at FCFA 7 247 billion as of 31 December 2021 against FCFA 6 051 billion the previous year, an increase of 20%. This increase is the result of the continuity of the efforts of the States in the support of their respective economies in a context strongly marked previously by the consequences at the world level of the pandemic of COVID-19.

Over the period 2015-2020, the underperformance of the WAEMU stock market (BRVM) showed that the regional market had not fully resisted the general downward movement that gripped the world's financial markets. The decline in 2018 of the BRVM was particularly marked. The preferred stocks in 2015, which were oriented towards the agri-food and beverage, agro-industry, consumer, automotive and equipment sectors, and banks, fell.

The fall in prices on the BRVM could be explained on the one hand by the profit-taking of several large investors who had made significant capital gains on their investment. It also comes from the readjustment (rectification) after four (4) years of intensive rise that the market has experienced (2012 to 2015) and on the other hand, the misunderstanding of the various splits made on the market. New investors are speculating, and most listed companies have not reacted to the fall in their capitalization.

The year 2020 negatively impacted the BRVM, as it did all financial markets, following the outbreak of the coronavirus. The regional market recorded its largest quarterly decline (-15.79% in the first quarter of 2020) in the last 10 years. However, investors showed continued confidence in the potential of the BRVM, which posted one of the best balances since 2016, despite the pandemic and the presidential election in Côte d'Ivoire. More than 35% of listed companies ended the year in the green.

Table 16 : BRVM financial market trends

	2015	2016	2017	2018	2019	2020	2021
BRVM 10 Indexes	290	262	220	154	149	131	154
BRVM composite Indexes	304	292	243	172	159	145	202
Composite market capitalization (stocks and bonds) in billions of CFA francs	9 079	10 216	9 806	8 274	8 973	10 419	13 332
Equity Market	7 500	7 706	6 836	4 845	4 741	4 368	6 085
Bond market	1 579	2 509	2 970	3 430	4 233	6 051	7 247
Number of listed companies	39	43	45	45	46	46	46

Source: BRVM

4.2.4 Debt underwriting mechanisms

Any investor based inside or outside WAEMU can invest in public securities issued by way of auction or syndication. Orders are placed through authorized market participants: investment syndicate or any brokerage firms operating within the Union as part of issues by syndication, and credit institutions established in the Union or brokerage firms having an account in the books of the Central Bank as regards issues by auction. Transactions on the BRVM's stock market are made by stock exchange intermediaries, notably brokerage firms.

Organization of the market by tender

The auction market is a segment of the public securities market, in which WAEMU member State's issue Treasury bills and bonds through an auction procedure to finance their budgets.

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

- The Central Bank of West African States (BCEAO), which is the regulator of this market. As such, it issues the applicable provisions, intervenes in the organization of auctions of public securities, ensures the function of Central Depository / Settlement Bank, the clearing, settlement, and delivery of transactions among participants with an account in its books, through its electronic platform SAGETIL-UMOA⁵;
- States which are the issuers of public debt securities on the Union's money market, under the responsibility of the Minister of Finance.
- UMOA-Titres (WAMU Securities Agency), the regional agency in charge of issuing and mana-

ging public debt securities, physically organizes issues and aids member States in mobilizing resources on the capital markets and managing their debt.

- Investors, which are credit institutions, MFIs (Micro Financing Institution), and regional financial organizations with a settlement account in the books of the Central Bank⁶;
- Primary dealers (SVTs), which are credit institutions and SGIs that have obtained the approval of the Ministers of Finance of WAEMU Member States to act in this capacity and thus benefit from the status of privileged partners of one or more Member States Treasuries in operations on public debt securities issued on the regional market⁷.

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

Syndicated market organization

The WAEMU regional financial market is characterized by a mixed organization. Indeed, it is composed of a public pole made up of the Regional Council for Public Savings and Financial Markets (CREPMF) and a private pole comprising, on the one hand, central agencies such as the Regional Stocks Exchange (BRVM) and the Central Depository/Settlement Bank (DC/BR), and, on the other hand, the market participants.

CREPMF is the regulator of the WAEMU regional financial market. Its missions are, among others, to:

- Ensure the authorization and control of public offering procedures.

5. Automated Securities and Liquidity Management System of the West African Monetary Union.

6. All other investors wishing to participate will have to go through the approved stakeholders.

7. The operationalization of primary dealers within WAEMU started on March 1, 2016.

- Empower market management agencies and accrediting market participants.
- Approve commercial stakeholder rates.
- Regulate market operation.
- Monitor the regularity of stock market transactions.
- To make cash payments, as settlement bank, of the balances of stock exchange transactions.

As part of organizing issues by syndication, States entrust the securities placement process to a placement syndicate, whose members are made up of primary dealers approved by the CREPMF. In addition, the issuer chooses a lead manager from among the members of the syndicate, who oversees specific missions in the issue process.

BRVM is organized in a central site based in Abidjan (Côte d'Ivoire) and represented in each member State by a National Stock Exchange (ANB). The main attributions of the BRVM are:

Since its inception, the main products on the regional financial market have been equities and bonds. In recent years, several new products such as mortgage refinancing and securitization (Sukuk debt securitization funds) have been introduced. Securities issued through syndication are traded on the secondary market on the BRVM's electronic trading platform.

- Authorization of stock market participants to carry out their activities.
- Management of the market, in particular the centralization of buy or sell orders, listing management, dissemination of market information, as well as the promotion and popularization of the financial culture within WAEMU.
- Management of unsettled transactions.

4.3 Inflation rate

The Central Depository/Settlement Bank (DC/BR) is a financial institution, whose role is:

Like other WAEMU member states, between 2014 and 2020, inflation in Guinea-Bissau remained relatively low and below the community norm of 3.0%. The country's inflation rate remained below 2.0% during these years. Inflation, as measured by the consumer price index, is estimated at 3.3% in 2021, up from 1.5% in 2020. This increase in inflation corresponds to an overall trend linked to the economic recovery.

- To proceed with the clearance of the applicants for the function of account holder.
- To ensure the settlement of negotiations and the management of the financial service of the securities.
- To ensure the maintenance of current accounts of securities opened by primary dealers (SGI) in its books.
- To ensure the safekeeping and the scriptural circulation of securities.

The origin of this evolution can be found in the rise in prices of the function "Food" (+5.1%), the other functions increasing at a moderate level: "Clothing" (+0.3%), "Furnishing" (+1.5%), "Housing" (+0.4%), "Health" (+0.7%), "Transport" (+0.4%) and "Education" (+0.8%). This would be mitigated by the fall in prices of the functions "Alcoholic beverages, tobacco and drugs" (-2.7%) and "Communication" (-0.3%) and "Other goods and services" (-0.2%) (BCEAO).

Table 17 : Evolution of inflation (in %)

Inflation	2015	2016	2017	2018	2019	2020	2021
Guinea-Bissau	1.5	1.5	1.0	0.4	0.2	1.5	3.3
WAEMU	1.0	0.3	1.1	1.2	-0.7	2.1	3.6

Source: BCEAO

4.4 Exchange rates

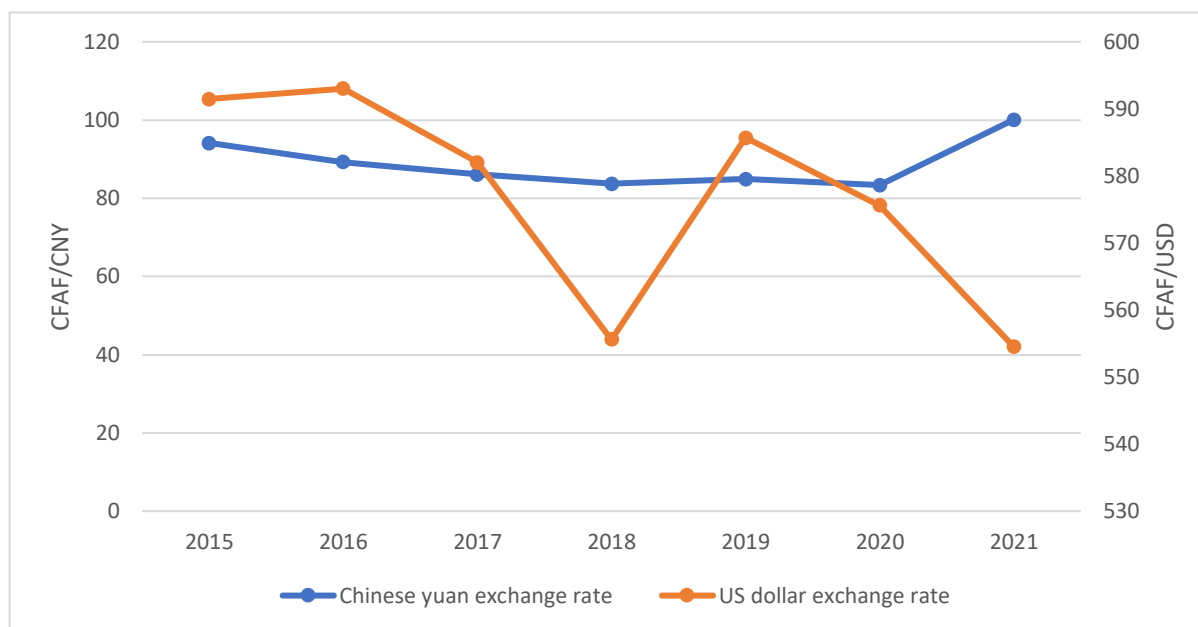
Because of its membership in the WAEMU monetary zone, Guinea-Bissau has an unrestricted exchange rate regime for all payments and transfers related to

international transactions. The common currency of WAEMU is the CFAF (which is pegged to the euro at 1 euro = CFAF 655.957).

The Yuan is now the third most used currency for international trade. The inclusion of the yuan in the SDR (Special Drawing Rights) should generate more confidence in the Chinese currency and promote its internationalization. The government of Guinea-Bissau is seeking to strengthen its relations with China to develop its foreign trade.

After a decline between 2015 and 2018, the Chinese yuan and the US dollar rose against the CFAF in 2019, before falling again in 2020. In 2021, the yuan's exchange rate against the CFAF increased considerably, while the US dollar's exchange rate did not.

Figure 2 : Exchange rates of US dollar and the Chinese Yuan againsts the CFAF



Source: BCEAO

4.5 Foreign Reserves

Guinea-Bissau's official reserve assets stood at CFAF 53.384 billion in 2021, of which SDR 48.376 billion, IMF reserve position 4.085 and the equivalent of CFAF 0.922 billion in foreign currencies. Official reserve assets stood at CFAF 18.540 billion in 2020.

This 188% increase is mainly due to the rise in SDR assets.

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

Table 18 : Guinea Bissau's reserves table (CFAF billion)

	2014	2015	2016	2017	2018	2019	2020	2021
Official reserve assets	11.034	11.197	15.523	17.896	20.767	18.167	18.540	53.384
Monetary Gold	0	0	0	0	0	0	0	0
Foreign Currencies	0.397	0.402	0.643	1.969	1.666	0.814	2.46	0.922
Deposits and securities included in the official reserves	0	0	0	0	0	0	0	0
Reserve position at the IMF	0.944	0.456	3.822	2.027	3.573	2.901	1.98	4.085
SDR Holdings	9.693	10.339	11.059	13.9	15.528	14.461	14.110	48.376

Source: BCEAO

5. FOREIGN TRADE AND BALANCE OF PAYMENTS

5.1 Balance of payments

According to the BCEAO, the current account balance showed a deficit of CFAF 65.5 billion in 2021 compared to CFAF 22.7 billion in 2020, a deterioration of CFAF 42.8 billion.

In 2022, the current account deficit will increase to CFAF 86.2 billion, in line with the decline in government revenue.

Table 19 : Balance of payments of Guinea Bissau (CFAF billion)

	2015	2016	2017	2018	2019	2020	2021	2022
a- Current account (1+2+3)	12.4	10.0	2.3	-25.0	-74.7	-22.7	-65.5	-86.2
1-Goods and services	-29.1	-33.5	-41.5	-38.7	-123.3	-119.4	-154.3	-183.0
Balance of Goods	26.8	27.5	28.3	30.7	-50.7	-53.8	-77.8	-97.2
Exports of goods FOB	149.2	164.0	197.5	188.6	145.7	123.1	119.0	132.4
Imports of goods FOB	122.4	136.5	169.2	157.9	196.4	176.9	196.8	229.6
Imports of goods CIF	148.5	165.7	205.4	191.6	225.8	208.0	-237.4	-282.5
Balance of services	-55.9	-61.0	-69.8	-69.4	-72.6	-65.6	-76.5	-85.8
2-Primary income	15.1	17.6	8.4	-28.4	15.5	14.5	13.9	18.2
3-Secondary income	26.4	25.9	35.4	42.1	33.1	82.1	75.0	78.6
Public administrations	6.5	1.4	9.6	10.2	10.0	27.8	19.7	21.7
Other sectors	19.9	24.5	25.8	31.9	23.1	54.3	55.3	56.9
b- Capital account (4+5)	35.4	29.6	60.6	23.4	16.3	9.1	35.3	38.4
4- Acquisition/disposal of non-financial assets	0.0	0.0	-0.7	-0.4	0.0	0.0	0.0	0.0
5- Capital transfers	35.4	29.6	61.3	23.8	16.3	9.1	35.3	38.4
c. Current and capital account balance (a+b)	47.8	39.6	62.8	-1.6	-58.4	-13.7	-30.2	-47.7
d- Financial account (6+7+8+9)	4.1	-6.8	42.7	-19.6	-46.6	-71.5	-90.6	-72.9
6- Direct investment	-9.6	-14.0	-8.9	-11.6	-41.8	-11.9	-13.1	-15.6
7- Portfolio investments	-5.0	-10.8	-8.5	-18.2	-17.6	-52.2	-37.1	-52.5
8- Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9- Other investments	18.7	18.0	60.1	10.3	12.8	-7.3	-40.4	-4.8
e-Net errors and omissions	-7.8	-12.5	-8.9	-4.0	-3.5	-5.2	0.0	0.0
f-Global balance (a+b-d+e)	35.8	33.8	11.2	13.9	-15.3	52.6	60.4	25.2
g-Evaluation gap	-20.0	-0.2	11.1	-7.1	0.0	0.0	0.0	0.0
h-Variation of external assets	-15.8	-33.6	-22.3	-6.8	15.3	-52.6	-60.4	-25.2
Current account balance excluding grants/ GDP (%)	1.8	1.4	0.3	-2.9	-8.4	-2.5	-6.6	-8.1

Source: BCEAO, MEF

The country's imports also weigh heavily on the balance of goods and services because of the low level of industrialization of the economy. Imports are mainly composed of foodstuffs, capital goods, intermediate goods, and raw materials.

5.2 Regional trade

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 - IEPA) and multilateral (World Trade Organization - WTO and regional EPA) levels.

Good coordination between the various negotiations at the regional and international levels (CET; EPA; WTO; AGOA; etc.) is essential to achieving 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 finalization of the Common External Tariff (CET) at ECOWAS level, and thus the constitution of a Customs Union.
- A bilateral negotiation area, notably between the West African region and the EU, concerning the EPA.
- A multilateral negotiating area, 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 UEMOA and ECOWAS only have ad hoc observer status in the WTO Trade and Development Committee.

With regard specifically to WAEMU, it has a common trade policy based on :

- A common market set up on 1 July 1996 for local and unprocessed products (Union products from the animal, mineral and plant kingdoms) 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, which includes four categories of products, taxed from 0 to 20%, in force until 1 January 2015, when 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 safeguard and protection measures (degressive protection tax (DPT), short-term export tax (TCI), reference values and anti-dumping duty).

WAEMU also has a regional trade promotion program, "*a regional strategy and a logical framework for the implementation of the WAEMU aid-for-trade program*".

The overall objective of the aid for trade strategy is to enable member States to increase their exports of

goods. The logical framework serves as the basis for an agenda for international donors, as well as national and regional financial institutions. It identifies five specific objectives corresponding to the categories of aid for trade:

- Ensure 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 essential adjustments and consider other business needs.

The needs and priorities were identified based on the Regional Economic Program (REP), which is the reference framework for the WAEMU integration process. as well as existing capacity building programs in the States.

• **The Common External Tariff**

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

The CET aims to harmonize tariffs and taxes to deepen economic integration through the establishment of a customs union; provide a platform for building the common trade policy and regional trade negotiations such as the EPA; stimulate regional production and investment capacity; and consolidate the regional market.

The CET is organized around an architecture including:

- i. A Tariff and Statistical Nomenclature (TSN) i.e., a common customs nomenclature based on the Harmonized Commodity Description and Coding System (HS) of the World Customs Organization (WCO) adopted by the Community.
- ii. A table of duties and taxes applicable to imported products which includes: the customs duty (CD).

the statistical fee (SF) and the ECOWAS community levy (CL ECOWAS).

- iii. Trade defense measures or supplementary protective measures, if any, which may generate duties that may affect the final price of products imported into the Community from third countries.

- iv. The statistical royalty rate is set at 1% and applies 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	Rates
0	Essential social goods	0 %
1	Basic raw materials and capital goods	5 %
2	Intermediate products	10 %
3	Final consumer goods	20 %
4	Specific assets for economic development	35 %

The CET was established in accordance with the requirements of the World Customs Organization's Harmonized System and the World Trade Organization's Regional Trade Agreements (Article 24 of GATT).

- **Specific rules applicable to ECOWAS countries' foreign trade of goods**

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

PARTNERS	SPECIFIC SCHEMES
European Union (EU)	APEI. SPG. SPG+. TSA
ECOWAS	TEC. SLE
Rest of AFRICA	Bilateral agreements
USA	AGOA
ASIA	Bilateral Agreements
Other industrialized countries	Generalized 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 countries in the framework of trade between ECOWAS and the EU:

- **Côte d'Ivoire and Ghana** ratified interim EPAs in 2016. Côte d'Ivoire's EPA has been provisionally applied since September 4, 2016. and Ghana's EPA has been applied since December 15, 2016. These interim EPAs guarantee both countries full access to the European market and provide for eventual liberalization of 80% of tariff lines by Côte d'Ivoire and Ghana, spread over a period of 15 years⁸.
- Under the GSP, **Nigeria** benefits from a reduction in European customs duties on approximately 1/3 of tariff lines and a total exemption from customs duties on 1/3 of additional tariff lines.

- **Cape Verde** benefits from the GSP+ which grants an exemption from European customs duties on about 2/3 of the tariff lines.
- **The other twelve** countries (including the seven WAEMU countries besides of Côte d'Ivoire), because of their LDC status, benefit from the GSP on everything except arms; which gives them access to the European market for all their exports to the EU without duty or quota.

5.2.2 Regional trade in value

Guinea-Bissau's trade with WAEMU countries is relatively low. Guinea-Bissau's exports to the seven other countries amounted to CFAF 4.1 billion in 2020, or 3.37% of the country's total exports. They increased between 2016 and 2019 from CFAF 4.49 billion to CFAF 6.18 billion, before falling by almost CFAF 2 billion between 2019 and 2020.

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

Table 20 : Exports to WAEMU countries (in CFAF millions)

	2016	2017	2018	2019	2020
Benin	0	279	21.7	85.1	497.7
Burkina Faso	1.3	0	0	0	0
Côte d'Ivoire	0	84.8	0.0	103.2	0
Mali	573.9	79.7	1 065 .1	324.9	288.9
Niger	19.7	0	0	0	6.6
Senegal	3 890.2	6 044.7	3 914.7	5 669.4	3 348.9
Togo	0	6.5	0	0.0	0
Total	4 485.2	6 494.7	5 001.5	6 182.6	4 142.1

Source: BCEAO - Balance of payments and international investment position - Guinea-Bissau 2020

Guinea-Bissau's main partner in the sub-region is Senegal. CFAF 762.6 million in 2019 to CFAF 547.2 million in 2020. The Gambia is the leading partner among ECOWAS countries (outside the WAEMU).

Exports to other West African countries (ECOWAS excluding UEMOA) decreased in 2020. They fell from

Table 21 : Exports to Africa (in CFAF billions)

	2016	2017	2018	2019	2020
WAEMU	4 485.2	6 431.5	5 001.5	6 182.6	4 142.1
ECOWAS (except WAEMU)	4 110.9	1 280.8	18.8	762.6	547.2
OTHER AFRICAN COUNTRIES	8	3.8	6	29.4	158.4
AFRICA	8 604.1	7 718.1	5 026.3	6 975.6	4 862.2

Source: BCEAO - Balance of payments and international investment position - Guinea-Bissau 2020

Regarding regional trade, Guinea-Bissau's trade balance is in deficit. Imports from WAEMU countries were CFAF 45.5 billion in 2020, down 12% on 2019. Among these countries, Senegal is by far the largest supplier to Guinea-Bissau, with imports from this partner amounting to CFAF 39.9 billion in 2020.

Table 22 : Imports from WAEMU countries (in millions of CFAF)

	2016	2017	2018	2019	2020
Benin	9.0	32.30	203.80	140.70	79.2
Burkina Faso	13.0	1.90	26.40	6.20	0.0
Côte d'Ivoire	1 299.40	654.90	958.70	1 031.30	815.9
Mali	80.80	309.90	263.20	219.0	244.7
Niger	1.90	70.10	9.60	0.0	0.0
Senegal	35 583.60	39 307.0	49 881.0	49 972.10	39 917.1
Togo	455.0	49.90	392.70	162.20	4 475.6
Total	37 442.70	40 426.0	51 735.40	51 531.5	45 532.5

Source: BCEAO - Balance of payments and international investment position - Guinea-Bissau 2020

As for imports from other West African countries, they are on the rise. They have, in fact, fallen from CFAF 7.5 billion in 2019 to CFAF 3 billion in 2020.

Table 23 : Imports from other African countries (in CFAF millions)

	2016	2017	2018	2019	2020
WAEMU	37 442.70	40 426.60	51 735.40	51 531.50	50 532.5
ECOWAS (except WAEMU)	9 972.20	7 200.90	6 539.00	7 538.20	2 995.6
OTHER AFRICAN COUNTRIES	3 481.60	1 480.80	1 707.50	769.60	912
AFRICA	50 896.50	49 108.30	59 981.90	59 839.30	49 813.7

Source: BCEAO - Balance of payments and international investment position - Guinea-Bissau 2020

5.2.3 Regional trade in value and by partner

Within the WAEMU, Guinea-Bissau accounted for 1.7% of imports and 0.16% of exports in 2020. Se-

negal is by far its most important partner in terms of imports and exports.

Table 24 : Structure of intra-community trade in 2020 (CFAF millions)

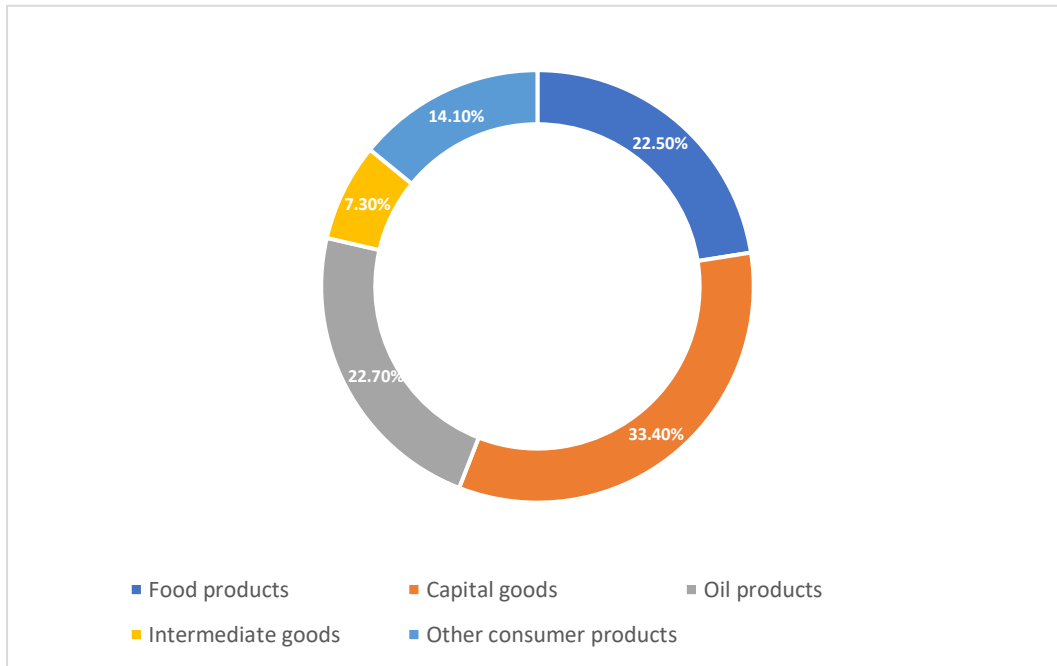
		Importers								
		Benin	Burkina	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Exporters	Benin	0.0	19 675.6	6 390.0	79.2	24 631.6	35 858.5	1 112.1	16 198.6	103 945.5
	Burkina	3 506.8	0.0	28 793.0	0.0	45 011.3	31 134.6	6 632.9	13 836.2	128 914.8
	Côte d'Ivoire	32 678.6	296 701.3	0.0	815.9	383 920.7	67 522.6	78 426.8	31 382.5	891 448.4
	Guinea-Bissau	497.7	0.0	0.0	0.0	288.9	6.6	3 348.9	0.0	4 142.1
	Mali	11 984.3	42 044.1	42 000.7	244.7	0.0	10 783.0	102 474.8	10 255.8	219 787.3
	Niger	17 611.9	52 859.9	5 118.0	0.0	62 458.1	0.0	1 476.2	8 957.2	148 481.2
	Senegal	11 725.6	30 433.9	119 456.8	39 917.1	493 013.5	12 238.9	0.0	11 061.1	717 846.7
	Togo	143 277.4	101 971.9	38 306.2	4 475.6	75 041.5	50 717.1	35 592	0.0	449 382.2
	WAE-MU	221 282.2	543 686.7	240 064.6	45 532.5	5	208 261.2	229 064.3	91 691.3	2 663 948.3

Source: BCEAO - BALANCE OF PAYMENTS AND GLOBAL EXTERNAL POSITION, Guinea Bissau 2020

In terms of products traded in 2020, imports from other WAEMU countries consisted mainly of capital goods (33.4%), petroleum products (22.7%), food products (22.5%), other current consumption goods

(7.9%) and intermediate goods (7.3%). In 2020, imports of capital goods mainly concerned transport equipment, machinery, and mechanical appliances. Imported foodstuffs are mainly rice and wheat.

Figure 3 : Structure of imports from other WAEMU countries in 2020



Source: BCEAO

5.3 International trade

5.3.1 Commercial policy

Guinea-Bissau has been a member of GATT since 17 March 1994 and a member of the WTO since 31 May 1995. Goods are subject to customs procedures, both for import and export, and must be declared 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 the community level, goods crossing the customs cordon are subject to the payment of staff and travel bonuses for customs services rendered.

Guinea-Bissau grants reductions and exemptions from duties and taxes under the investment code. Exemptions from duties and taxes at the customs cordon also apply to imports by state structures, public entities, nongovernmental organizations, and diplomatic representations. According to the authorities, there have been no changes to the provisions on tax benefits since 2005.

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

Table 25 : Trade policy towards business partners

Business Partners	Specific rules
European Union (EU) countries	<ul style="list-style-type: none"> - Guinea-Bissau, like 12 other West African countries, has duty-free and quota-free access to the EU market for all exports (except arms and ammunition) under the EU's Everything but Arms (EBA) initiative. - Sustainable Fisheries Partnership Agreement (SFPA): the landing of catches in Guinea-Bissau is not obligatory under the SFPA.
United States of America	The African Growth and Opportunity Act (AGOA) allows for duty-free, quota-free exports to the U.S. market for 6 400 categories of products.
WAEMU countries	Application of the WAEMU Common External Tariff based on the Harmonized System, 2002 version of the World Customs Organization (WCO).

Source: WCO

In addition, Guinea-Bissau has concluded traditional bilateral trade agreements with a few countries. These agreements are based on the Most Favored Nation (MFN) clause⁹ and do not confer any tariff advantage. They have been concluded with: Guinea, China, Tunisia, Egypt, Turkey, Côte d'Ivoire, Mali, Gambia, Iran, and Ukraine.

5.3.2 International trade in value and by destination

Exports of goods (including regional trade) reached a total value of CFAF 123 billion in 2020, compared to CFAF 145.8 billion in 2019, a drop of 15.58%. This is due to the contraction in global demand for cashew nuts, linked to the closure of factories, particularly in the main countries of destination of Guinea-Bissau's exports (India and Vietnam). This, combined with internal movement restrictions, has led to a decline in the international price of cashew nuts, which stood

at USD 700-800 in 2020 compared to USD 950-1415 the previous year.

In terms of the distribution of international trade by destination, the Asian continent is Guinea-Bissau's main export outlet. Exports to Asia fell by 14.5% compared to 2019, reaching CFAF 115.5 billion in 2020, due to the increase in the volume and price of cashew nut exports, mainly to India, Singapore, Vietnam, and the United Arab Emirates.

The country also trades with the European continent. Exports to the European continent consist mainly of raw cashew nuts and other nut products. These exports increased from CFAF 2 044.0 million in 2019 to CFAF 2 691.0 million in 2020 in relation to the increase in exports of processed cashew nuts and fruits and other products in shell to Portugal, the Netherlands, Belgium, and Germany.

Table 26 : Exports by destination (in CFAF millions)

GEOGRAPHIC AREAS	2016	2017	2018	2019	2020
EUROPE	50	1 027.9	1 292.5	2 044	2 691
EUROPEAN UNION					
EURO ZONE	50	1 026.2	1 292.5	2 041	2 499.7
France	32	0	6.4	1.5	0
Germany	0	0	0	7.8	114.2
Italy	0	0	5.2	0	28.8
Netherlands	0	874.4	1 004.5	186.3	937.2
Belgium	0	0	6.4	36.5	133.8
Portugal	16	151.8	190	1 466 .5	1 257.6
Spain	2	0	80	342.4	28.2
OTHER EU COUNTRIES	0	1.7	0	0	18.2
Andorra	0	0	0	0	6.2
Cyprus	0	0	0	0	11.9
United Kingdom	0	1.7	0	0	0

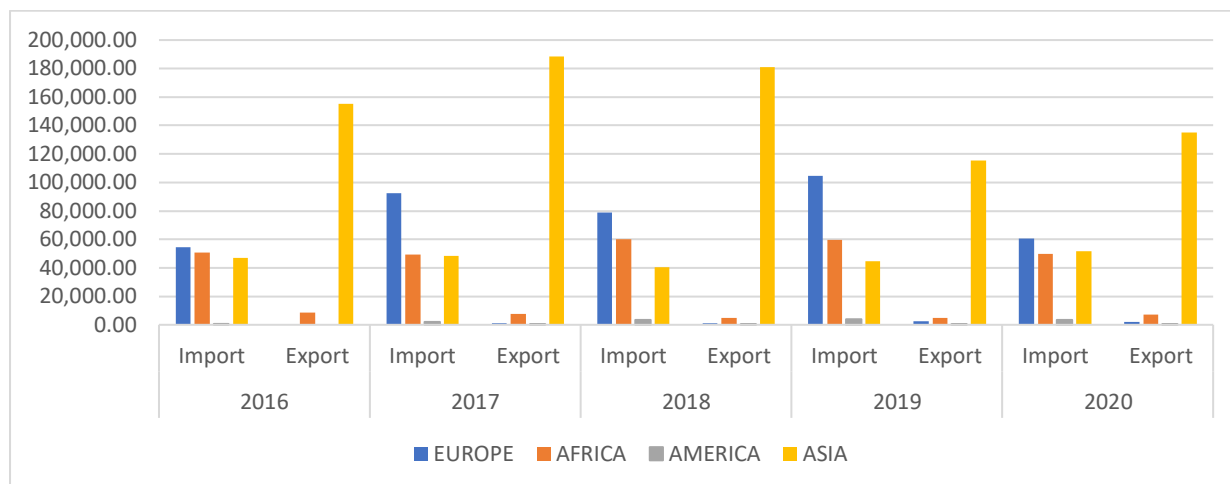
9. "Trade non-discrimination clause. A country may not grant a special favour to another partner country without granting it to all other partner countries."

OTHER EUROPEAN COUNTRIES	0	0	0	3	173.1
Switzerland	0	0	0	1	0
Russia	0	0	0	1	23.9
Turkie	0	0	0	1	149.2
AFRICA	8 604.1	7 718.1	5 026.3	6 975.6	4 862.2
WAEMU	4 485.2	6 431.5	5 001.5	6 182.6	4 142.1
Benin	0	279	21.7	85.1	497.7
Burkina	1.3	0	0	0	0
Côte d'Ivoire	0	84.8	0	103.2	0
Mali	573.9	76.2	1 065 .1	324.9	288.9
Niger	19.7	0	0	0	6.6
Senegal	3 890.2	5 985	3 914.7	5 669.4	3 348.9
Togo	0	6.5	0	0	0
ECOWAS (except WAEMU)	4 110.9	1 280.8	18.8	762.6	547.2
Nigeria	0	23.5	0	0	0
Ghana	4 102.89	1 237.7	0	0	0
Cape Verde	0	10.1	18.8	38.4	130.3
Gambia	8	9.5	0	722.2	366.5
Sierra Leone	0	0	0	1	2.7
Liberia	0	0	0	0	21.3
R.Guinea	0	0	0	1	26.3
CEMAC	0	2	0	1	14.4
Cameroon	0	0	0	1	0
Congo	0	0	0	0	14.4
Gabon	0	2	0	0	0
OTHER AFRICAN COUNTRIES	8	3.8	6	29.4	158.4
South Africa	0	0	4	24	15.5
Morocco	8	0	1	0	2.7
Namibia	0	0	0	0	0.9
Tanzania	0	0	0	0	0.9
Egypt	0	0	0	1	75.2
Angola	0	0	1	1.4	63.2
AMERICA	0	66.3	118.8	70.5	37
USA	0	31.2	9.7	66.2	35.8
Canada	0	0.1	0	0.3	0
Brazil	0	35	109.1	0	0
Antigua	0	0	0	1	0
Argentina	0	0	0	1	0
Cuba	0	0	0	1	1.2
Panama	0	0	0	1	0
ASIA	155 354.1	188 456.1	181 212.9	135 013.7	115 469.1
China	1 169.4	1 908.6	42 756.5	56.7	96.9
Japan	0	0	0	1	0
India	123 920.8	148 517.2	102 330.9	81 288.7	76 806.2
Pakistan	0	6.5	0	34	352
United Arab Emirates	4 914.8	2 394.9	2 373.5	7 240	0
Thailand	0	0	0	1	0
South Korea	0	30	508.2	199.9	387.4
Lebanon	0	0	2.3	0	721.5

Singapore	18 854.6	19 590.7	24 754.2	22 369.4	20 428.5
Vietnam	6 494.6	15 669.7	8 487.3	23 823	15 391.4
Saudi Arabia	0	0	0	0	1 285.3
Indonesia	0	338.5	0	0	0
TOTAL	164 008.2	197 516.1	188 591.9	145 768.1	123 059.2

Source: BCEAO - Balance of payments and international investment position - Guinea-Bissau 2020

Figure 4 : International trade in goods (CFAF millions)



Source: BCEAO

Imports amounted to CFAC 176.9 billion in 2020 against CFAC 205.9 billion in 2019. They would be CFAC 209.7 billion in 2021. This increase is attributable to the revival of domestic demand in connection with the control of the pandemic.

In 2020, the euro zone remained Guinea-Bissau's leading supplier. Its share of total imports amounted to 32.0% against 31.1% in 2019. The country's im-

ports from Europe come mainly from Portugal, which is Guinea-Bissau's leading supplier country with an estimated 26.0% of total imports.

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 equipment).

Table 27 : Merchandise imports by origin (in CFAC millions)

	2016	2017	2018	2019	2020	%
EUROPE	54 595.10	92 406.70	78 923.10	104 732.30	60 374.60	34.10
EUROPEAN UNION (EU ZONE)	53 570.20	92 406.70	75 233.40	70 279.70	56 596.50	32.00
Belgium	191	769.2	706.9	172.70	259.1	0.10
France	1 220.80	2 313.30	1 559.60	1 455.30	1 252.10	0.70
Germany	308.4	953.6	971.8	899.10	467.8	0.30
Italy	3 514.40	2 813.80	1 679.70	1 348.10	636.3	0.40
Netherlands	6 436.20	7 848.10	6 364.70	6 415.10	5 640.80	3.20
Portugal	38 283.70	69 744.60	58 877.90	57 478.40	46 059.50	26.00
Spain	3 615.80	7 964.10	5 072.80	2 511.00	2 280.90	1.30
OTHER EU COUNTRIES	80	0	335.5	148.60	1 169.20	0.70
Dinamarca	0	0	0	0.00	79.9	0.00
Poland	0	0	0	0.00	1.5	0.00
Sweden	1 016.80	0	678.8	533.80	774	0.40
United Kingdom	75.5	604.2	335.5	148.60	313.8	0.20

OTHER EUROPEAN COUNTRIES	944.9	0	3 354.30	34 304.00	2 608.90	1.50
Turkey	874.4	678.6	3 317.20	34 300.00	1 975.60	1.10
Russia	0	0	3.5	4.00	0	0.00
AFRICA	50 896.50	49 108.30	59 981.90	59 839.30	49 813.70	28.20
WAEMU	37 442.70	40 426.60	51 735.40	51 531.50	45 532.50	25.70
Benin	9	32.3	203.8	140.70	79.2	0.00
Burkina Faso	13	1.9	26.4	6.20	0	0.00
Côte d'Ivoire	1 299.40	654.9	958.7	1 031.30	815.9	0.50
Mali	80.8	309.9	263.2	219.00	244.7	0.10
Niger	1.9	70.1	9.6	0.00	0	0.00
Senegal	35 583.60	39 307.60	49 881.00	49 972.10	39 917.10	22.60
Togo	455	49.9	392.7	162.20	4 475.60	2.50
ECOWAS (excluding UEMOA)	9 972.20	7 200.90	6 539.00	7 538.20	2 995.60	1.70
Cape Verde	1 010.24	2.4	10.2	118.30	599	0.30
Gambia	8 130.96	6 991.50	6 244.60	7 040.70	843.9	0.50
Ghana	143.08	112.7	25.4	0.00	441.9	0.20
R. Guinea	668.73	53.9	258.8	379.20	1 110.70	0.60
Nigeria	19.23	40.3	0	0.00	0.1	0.00
CEMAC	3.9	0	0	1.70	0	0.00
Cameroon	2.37	0	0	0.00	0	0.00
Gabon	1.49	0	0	1.70	0	0.00
OTHER AFRICAN COUNTRIES	3 477.70	1 480.80	1 707.50	767.90	912	0.50
Algeria	0.00	0	0	1.00	414.8	0.20
Angola	46.92	22.5	0	12.50	0	0.00
Libya	0.00	0		1.00	0	0.00
Mauritania	34.58	58.6	3.3	8.80	66.1	0.00
Morocco	3 044.43	1 034.70	1 678.70	411.20	232.4	0.10
South Africa	238.8	128	6.6	227.60	198.7	0.10
AMERICA	659.4	2 204.50	3 356.90	3 936.20	3 556.70	2.00
Antigua	0	0	0	1.00	94.1	0.10
Argentina	0	0	0	1.00	0	0.00
Brazil	625.14	1 959.00	3 071.50	3 759.10	472.1	0.30
Canada	34.25	1.6	9.6	0.00	63.7	0.00
Cuba	0	0	0	1.00	0	0.00
Panama	0	0	0	1.00	0	0.00
Peru	0	0	0	0.00	146.1	0.10
Colombia	0	0	0	0.00	12	0.00
Mexico	0	0	0	0.00	78.4	0.00
United States	0	243.9	275.7	173.10	2 690.30	1.50
ASIA	47 226.30	48 204.80	40 331.20	44 855.40	51 498.20	29.10
China	9 721.90	12 947.10	10 456.50	10 558.60	16 514.20	9.30
India	8 294.40	10 693.70	8 673.70	8 385.80	8 398.90	4.70
Japan	0	17.4	0	393.80	7.2	0.00
Korea	220	0	0	69.70	0	0.00
Lebanon	2 294.00	129.6	0	72.70	411.7	0.20
Malaysia	3 402.90	1 298.20	1 007.30	823.80	195.6	0.10
Singapore	2 345.30	1 934.60	1 456.20	4 995.50	3 383.60	1.90
Vietnam	0	0	7.2	45.10	654.1	0.40
Thailand	2 664.80	782.1	743.6	2 606.10	4 759.60	2.70

United Arab Emirates	2 708.70	2 545.90	3 043.50	2 139.60	4 329.10	2.40
Indonesia	855.9	536	162.7	97.40	44.7	0.00
Saudi Arabia	0	0	0	0.00	969.2	0.50
Bangladesh	0	0	0	0.00	68.6	0.00
Israel	0	0	0	0.00	1.4	0.00
Qatar	0	0	0	0.00	29.2	0.00
East Timor	0	0	0	1.00	0	0.00
OTHER COUNTRIES	12 300.00	13 433.60	8 991.60	12 487.20	11 622.60	6.60
TOTAL GENERAL	165 677.30	205 357.80	191 584.80	225 850.40	176 865.90	100.00
EUROPE	54 595.10	92 406.70	78 923.10	104 732.30	60 374.60	34.10
AFRICA	50 896.50	49 108.30	59 981.90	59 839.30	49 813.70	28.20
AMERICA	659.4	2 204.50	3 356.90	3 936.20	3 556.70	2.00
ASIA	47 226.30	48 204.80	40 331.20	44 855.40	51 498.20	29.10

Source: BCEAO - Balance of payments and international investment position - Guinea-Bissau 2020

5.3.3 International trade in value and by product

An Analysis of the structure of exports by product shows that it remains dominated by cashew nuts. In 2020, cashew nut exports accounted for 47.0% of the value of the country's total exports, compared with 75.2% in 2019. The 20.8% reduction in cashew nut export volumes partly explains this decline.

The Herfindal-Hirschmann Index of Exports (HHI), used to assess Guinea-Bissau's export diversification efforts, is expected to be at 0.98 in 2020 as in 2019, reflecting a strong concentration of exports on the same products, notably cashew nuts. Over the last three (03) years, the index has not varied. (WAE-MU)

Table 28 : International trade by product (in CFAF millions)

Products	2016	2017	2018	2019	2020
Cashew nuts	108 720.8	114 310.9	95 258.8	109 687.9	57 786.3
Wood	0.0	0.0	44 864.2	31.2	0.0
Cashew nuts	214.1	157.9	270.2	353.7	318.0
Fish	430.8	300.4	561.2	789.3	796.4
Peanuts and cereals	120.0	149.9	90.0	86.3	81.8
Palm oil	3.5	6.8	0.1	16.1	0.2
Other fruits and vegetables	76.2	11.3	141.1	199.2	0.0
Other	66.1	56.5	169.1	10 895.3	6 447.0
Re-exportation	0.0	142.0	308.3	2 732.5	2 067.1
Total official statistics	109 631.3	115 135.7	141 663.0	124 791.5	67 496.8
Value Adjustment ¹⁰	50 736.1	74 819.2	39 858.3	16 318.9	51 420.3
Field Adjustment	3 640.8	7 561.2	7 070.6	4 657.5	4 142.1
Total	164 008.2	197 516.1	188 591.9	145 767.9	123 059.2

Source: BCEAO - Balance of Payments and International Investment Position - Guinea-Bissau 2020

Imports in 2021 are composed, in decreasing order of importance, of foodstuffs (33.2%), energy products (17.5%), miscellaneous products (17.1%),

capital goods (16.3%), raw materials and intermediate goods (8.5%) and other current consumer goods (7.3%).

10. Cashew nut exports are valued by customs at a reference price set by the state. This price is different from the market price, which explains the value adjustments made in the framework of the balance of payments.

Table 29 :

Imports of goods

Post	2016	2017	2018	2019	2020
Food products	60 204.5	72 847.4	64 280.9	68 722.0	69 101.6
Other current consumption goods	13 382.6	15 871.7	10 613.6	16 230.3	15 222.3
Energy products	28 014.2	35 415.9	39 415.2	38 074.6	36 431.2
Raw materials and intermediate goods	20 678.8	27 544.1	25 898.9	26 374.3	17 687.5
Capital goods	23 727.7	29 683.4	30 737.6	52 910.7	33 974.4
Various products	19 668.3	23 995.3	20 638.6	23 538.5	35 611.6
Total imports of goods CIF	165 676.0	205 357.8	191 584.8	225 850.4	20 8028.6
Total imports of goods FOB	136 517.0	169 214.8	162 885.4	196 407.2	176 865.9

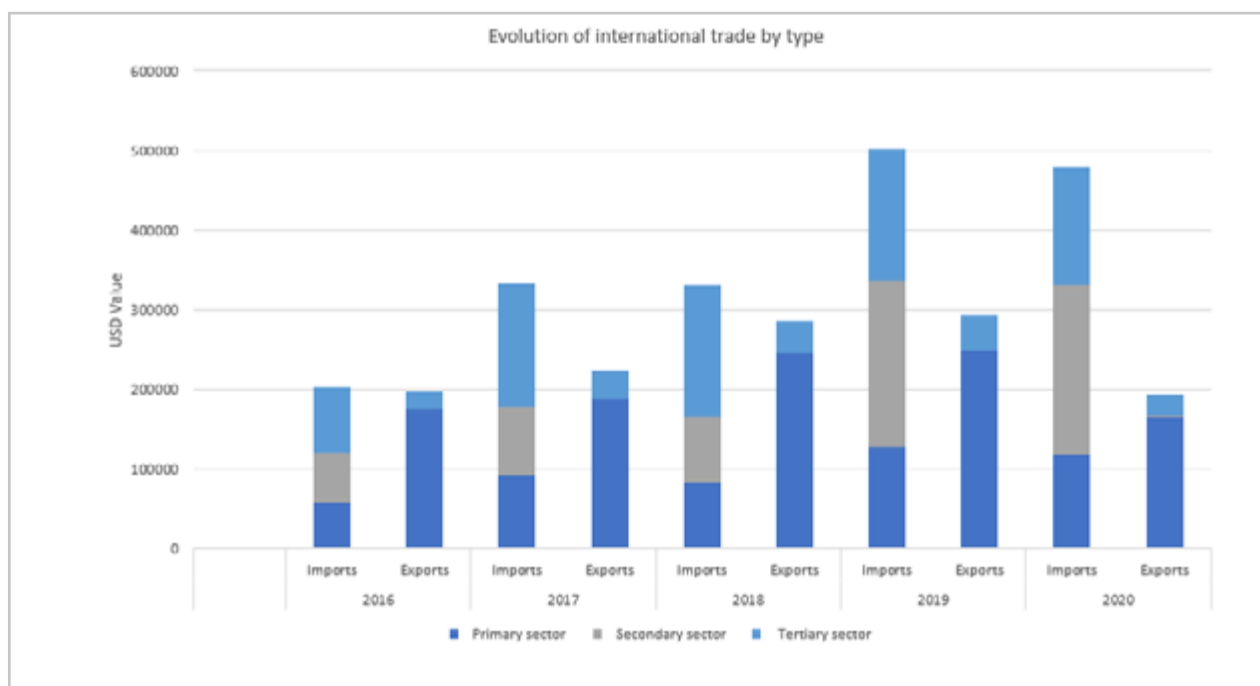
Source: BCEAO - Balance of Payments and International Investment Position - Guinea-Bissau 2020

5.3.4 International trade by type

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

The main export products are cashew nuts, gold, fishery products, and wood. An analysis of the structure of imports shows a preponderant share of products such as rice (12.4%), petroleum products (15%) (OEC.world) and services.

Figure 5 : International trade by type



Source: Based on Trade map data (ITC, UNCTAD, WTO, IMF)

5.4 Foreign direct investment

5.4.1 FDI by country of origin

Foreign direct investment (FDI) inflows to Guinea-Bissau are estimated at USD 20 million in 2020

compared with USD 72 million in 2019. The stock of FDI has therefore increased from USD 270 million to USD 317 million between 2019 and 2020.

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

	2016	2017	2018	2019	2020
Flow					
Entering	24	16	21	72	20
Outgoing	0	0	-0	0	0
Stock					
Entering	153	190	202	270	317
Outgoing	9	11	10	10	11

Source: UNCTAD

FDI in Guinea-Bissau comes mainly from African and European countries. In 2020, 39% of FDI came from other WAEMU countries, 21% from the Eurozone,

16% from Europe outside the EU, 10% from Africa outside ECOWAS, 5% from CEMAC, 5% from America and 3% from Asia.

Table 31 : Share of FDI stock by region of origin, 2020

Region of origin	Share of FDI stock
Other WAEMU countries	39%
Euro zone	21%
Europe outside EU	16%
Africa outside ECOWAS	10%
CEMAC	5%
America	5%
Asia	3%
Total	100 %

Source: Balance of payments and international investment position of Guinea-Bissau in 2020, BCEAO

5.4.2 FDI by sector

In recent years, Guinea-Bissau has been able to attract relatively large amounts of foreign investment. According to the World Investment Report 2021 published by UNCTAD, FDI flows fell from USD 72 million to USD 20 million between 2019 and 2020. This significant decline is consistent with a global trend of FDI flows plunging by 35% worldwide in line with health restrictions and associated recessionary expectations. The stock of FDI has increased since 2010, from USD 63 million to USD 317 million in 2020.

The government's efforts to diversify the country's economy and natural resources are other positive factors. The majority of FDI is directed to the fisheries sector. The new government wants 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. As such, a cannery and a fish distribution network have been developed with the

support of the China International Fisheries Corporation (CONAPEMAC).

In addition, the Kaleba hydroelectric dam, funded by China International Water & Electric Corp, has been in operation since October 2015. Chinese companies are also investing in real estate and bauxite. In addition to China, the main investor countries are the United States, Portugal, and India.

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

5.5 Regional integration

5.5.1 WAEMU Convergence Criteria

The following table presents Guinea Bissau's position about the WAEMU criteria over the period 2015-

2021. The three first-tier criteria are respected over the period 2015-2020, except for the criterion relating to the budget deficit. However, over the same period, none of the two second-tier criteria are met

- although progress has been made since 2015. In 2021, of all the convergence criteria, only the inflation criterion has been met.

Table 32 : Guinea-Bissau's position with respect to the WAEMU convergence criteria

Criteria (%)		2015	2016	2017	2018	2019	2020	2021
Overall budget balance including grants/nominal GDP	$\geq -3\%$	-2.4	-4.1	-4.1	-4.3	-3.6	-9.3	-6.6
Average annual inflation rate	$\leq 3\%$	1.4	1.5	1.0	0.4	0.2	1.5	3.0
Outstanding domestic and foreign debt	$\leq 70\%$	51.7	43.4	40.9	44.4	61.1	69.9	73.1
Wage bill/tax revenue (in %)	$\geq 20\%$	50.0	49.6	41.6	47.7	57.5	78.1	62.4
Tax pressure rate (in %)	$\geq 20\%$	9.1	8.6	9.5	9.3	9.2	7.4	9.3

Source: WAEMU Commission, Semi-annual report on the implementation of multilateral surveillance (December 2021)

6.1 Business climate

Guinea-Bissau was ranked out of 174th out of 190 countries in the latest World Bank Doing Business report for 2020, moving up one position from 2019. Among the 48 countries in Sub-Saharan Africa, it is ranked 38th. For starting a business, it is in 161st position, in 182nd for access to electricity and in 152nd for obtaining loans.

In terms of tax payments, the country is ranked 155th which highlights the low mobilization of tax revenues, which fell by 19.4% in 2020, resulting in a tax pressure rate of 7.4% compared to 9.2% in 2019 (WAEMU). 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 cross-border trade because of the costs of complying with cross-border trade

procedures for both exports (US\$585) and imports (US\$550). It is also worth noting that the costs of complying with documentation requirements are high for exports (US\$160) and imports (US\$205).

Access to electricity remains very limited with an access rate of 28.7% in 2018 (World Bank). Electricity supply is unreliable, with technical losses of up to 47.0 percent. The country's current installed power generation capacity is limited to an 11MW lease 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 strategic and operational plan "Terra Ranka".

Table 33 : Scores obtained by Guinea Bissau

Indicator	What is measured	Metric	
Creation of a company	Procedures, time limits, costs and minimum capital contribution required to create a limited liability company	Procedures (Number)	8.5
		Delay (days)	8.5
		Cost (% Per Capita Income)	88.8
		Minimum Capital (% Per Capita Income)	5.8
Building Permits	Procedures, time, and costs associated with the completion of all formalities required to build a warehouse and quality and safety controls in the building permit system	Procedures	13
		Time frame (days)	143
		Cost	23.7
		Control index of quality	7.0
		Control index of constructions	(0-15)
Connection to electricity	Procedures, time, and cost of connection to the electricity grid, reliability of electricity supply and tariff transparency	Procedures	7
		Time frame (days)	257
		Cost	1177.7
		Reliability of the supply of electricity and transparency rates (0-8)	7

Property registration	Procedures, time, and cost of title transfer. and quality of the land administration system	Procedures	5
		Delay (days)	48
		Cost (% value of property)	5.4
		quality index of the earth (0-30)	3
Cross-border trade	Time and costs associated with exporting the product of comparative advantage and importing automotive parts	Export cost (USD)	585
		Time to export	60
Obtaining loans	Pledge of personal property legislation and credit information system	rights index Legal (0-10)	6
		quality index of credit information (0-6)	0
		Cover of the credit register (% adults)	0.0
		Credit bureau coverage (% adults)	1.2
Investor protection	Rights of minority shareholders in related party transactions and corporate governance	Information disclosure index (0-10)	7
		Index of the responsibility of executives (0-10)	1
		Ease of use index prosecution by the shareholders (0-10)	6
Payment of taxes	Payments, deadlines and total payable for a company that fully applies the post-tax return legislation and procedures	Payment (number per year)	46
		deadline (hours per year)	218
		Tax rate total (% of profits)	45.5
Contract enforcement	Time and cost of settling a commercial dispute and quality of legal proceedings	Time frame (days)	1785
		Cost	28
		Index for the quality of legal proceedings (0-18)	8.5
Settlement of insolvency	Timeliness, costs, outcomes and recovery rates in insolvency cases and the strength of the legislation in this area	Recovery rate (cents of dollar American)	0.0
		Time (years)	none practice
		Cost (% of assets)	none practice

Source: Doing Business Report (2020)

The Mo-Ibrahim Index was developed from approximately 100 indicators across four broad families: security and rule of law, participation and human rights, sustainable economic development, and human development. Guinea-Bissau ranks 41st out of 54 countries in the Mo-Ibrahim Index of African Governance (IIAG) 2020, gaining one position from the 2019 ranking. It ranks 24th and 29th in terms of Security and Rule of Law and Participation and Human Rights respectively.

6.2 Financial Governance

Guinea-Bissau has a very weak record in governance and anti-corruption, in part due to the lack of a national strategy to address these issues. According to the IMF's 2020 report, which makes key short- and medium-term recommendations, the authorities have taken steps to strengthen the AML/CFT framework with the assistance of development partners. A national strategic plan has been approved and the autonomy of the National Financial Information Processing Unit (CENTIF) has been strengthened.

CENTIF has intensified its dissemination of information with technical assistance from the Intergovernmental Group on Money Laundering in West Africa (GIABA) resulting in some suspicious financial transaction reports. In addition, the technical assistance provided by the IMF is helping the CENTIF build its capacity to carry out its core functions.

The Ministry of Economy and Finance will be responsible for AML/CFT supervision of foreign exchange offices.

It is also recommended to further strengthen the supervision of preventive measures against money laundering and terrorist financing for politically exposed persons.

6.3 Financial rating

The country has no rating from international agencies.

7.1 Budget

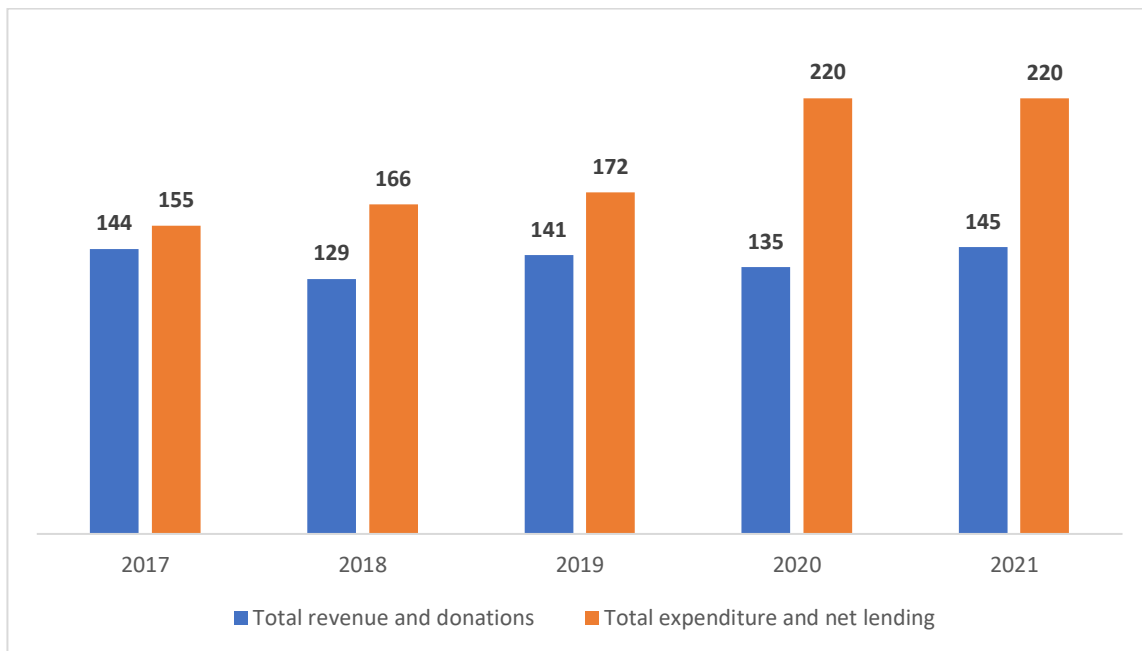
7.1.1 Expenditure and revenue

The overall balance is in deficit over the period 2017-2021 and deteriorated between 2019 and 2020 to reach a level of CFAF -85.3 billion in 2020, before improving in 2021 with a deficit of CFAF 75.1 billion, remaining however more than twice its pre-pande-

mic level. The deficit is expected to narrow gradually in the coming years.

The weight of expenditure as a percentage of nominal GDP has been reduced to 22.0 percent in 2021 from 24.0 percent in 2020.

Figure 6 : Revenues and expenditures (in CFAF billions)



Source: MEF

Detailed presentation of expenses and revenues

The state's financial operations are characterized by a continuous increase in resources and expenditure over the period 2018-2021 except in 2020. The overall balance remained negative over the period.

On the resource side, budgetary revenues declined between 2015 and 2016 due to the slowdown in grants. However, between 2016 and 2017, a more favorable trend was observed. This performance is linked to an increase in tax revenues collected. Resources fell again in 2018 before rising again in 2019.

The health crisis led to a further decline in 2020 followed by a rebound in 2021. This upward trend is expected to continue in 2022 and 2023.

Public expenditure has been on an upward trend since 2016. Current expenditure has risen due to the increase in the wage bill and transfers granted to public enterprises. Capital expenditure has risen in line with the government's road and energy infrastructure projects. In 2021, total expenditure stagnated and is expected to fall slightly in 2022 before rising again in 2023.

Table 34 : Financial operations of the State

TOFE n billions of CFAF	2015	2016	2017	2018	2019	2020*	2021*	2022**	2023**
1- REVENUE AND GRANTS	124.9	112.2	143.7	128.6	140.5	134.5	144.5	170.9	185.4
1.1 BUDGETARY REVENUES	84.8	84.6	100.8	98.3	105.6	99.8	108.2	134.2	148.4
Tax revenues	61.9	63.5	81.3	77.6	79.1	67.8	92.4	102.4	115.1
Non-tax revenues	22.9	21.1	19.5	20.7	26.5	32	15.8	31.8	33.4
1.2 DONATIONS	40	27.6	42.8	30.3	34.9	34.7	36.4	36.7	37
Project donations	34.5	27.4	40.1	30.3	22.6	23.6	33.5	34	36
Budget support (BP aid & food aid)	5.6	0.3	2.8	0	12.3	11	2.9	2.7	1
2 - TOTAL EXPENSES	141.1	142.4	155.4	166.2	172.2	219.7	219.6	217.7	221.6
2.1.1 CURRENT EXPENDITURE	92.7	99.9	100.4	105.5	134	148.7	155	148.4	149.8
Wages and salaries	31	31.5	33.8	37	45.5	52.9	57.9	60.4	61.6
Other operating expenses	36.4	43.6	61.4	63.6	80.3	83.3	83.2	71.6	72.7
Interest payable	6.4	4.8	5.2	4.9	8.2	12.5	13.9	16.4	15.5
2.1.2 CAPITAL EXPENDITURE	48.4	42.5	55	60.7	38.2	71	64.6	69.2	71.7
On internal resources	4.1	1.6	2.2	2.1	1.8	9.9	7.1	15.2	15.2
On external resources	44.3	40.9	52.8	58.6	36.4	61.1	57.5	54	56.5
3 - GLOBAL BALANCE (commitment basis) (excluding grants)	-91.5	-67.7	-54.5	-67.9	-66.6	-119.9	-111.5	-83.5	-73.1
4 - GLOBAL BALANCE (commitment basis) (including grants)	-51.4	-40.1	-11.7	-37.6	-31.7	-85.3	-75.1	-46.8	-36.1
5 - PRIMARY BALANCE BASE	-1.5	-10.5	5.6	-2.4	-20.2	-36.4	-32.9	2.1	14.1

Source: UMOA-Titres, IMF, National Services (* estimate ** forecast)

7.1.2 Overview of the budget

State expenditure is mainly on education, health, housing, social policies, internal security, and national security. In 2021, education received 9.81% of the budget (CFAF 17 billion), health 6.89% (CFAF

17.1 billion), housing 3.8% (CFAF 9.7 billion), and the army 5.8% (CFAF 12 billion). The country has experienced a long period of political instability which has had a strong impact on these different sectors of the economy.

Table 35 : Extract from the State Budget

Expenditure incurred	2020		2021	
	Amount (Thousands of CFAF)	%	Amount (Thousands of CFAF)	%
Justice	4 653 261	2.35	3 683 427	2.12
Interior	7 283 376	3.68	5 295 093	3.04
National Education and Higher Education	22 491 247	11.36	17 074 520	9.81
Social	830 749	0.42	4 454 310	2.56
Public Works, Housing and Urban Planning	9 431 527	4.76	7 793 665	4.48
Environment and Biodiversity	66 832	0.03	142 172	0.08
Natural Resources and Energy	115 458	0.06	18 481 328	10.62
Agriculture and Rural Development	764 583	0.39	3 370 376	1.94
Fishing	1 469 363	0.74	155 634	0.09
Trade and Industry	255 353	0.13	155 294	0.09
Transport and Communications	86 917	0.04	1 232 760	0.71
Youth and Sports	532 448	0.27	685 056	0.39

Army	14 037 271	7.09	7 824 246	4.49
Health	31 370 362	15.84	11 992 337	6.89
Sub-total	93 388 747	47.15	82 340 218	47.30
Other	104 663 987	52.85	91 730 728	52.70
Total	198 052 734	100.00	174 070 946	100.00

Source: MEF

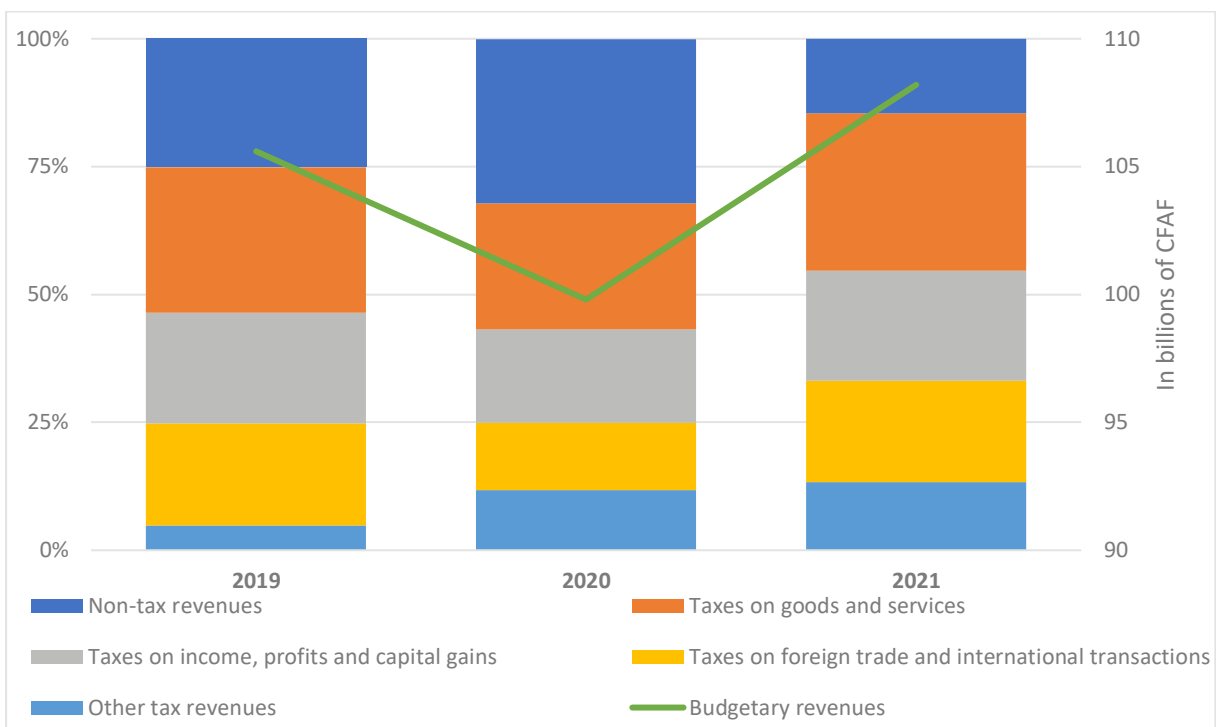
7.2 Tax policies

7.2.1 General budget revenues by source

Guinea-Bissau's budgetary revenues fell in 2020 to CFAF 99.8 billion from CFAF 105.6 billion in 2019. It has increased again in 2021 and is estimated at CFAF 108.2 billion, an increase of 8% year-on-year.

The composition of revenues is largely dominated by tax revenues, which are estimated at 92.4 billion in 2021, an increase of almost 25 billion compared to 2020. Taxes on goods and services are the largest contributor to tax revenue, at 33.2 billion in 2021, followed by taxes on income, profits, and capital gains (23.3 billion).

Figure 7 : Composition of the revenues



Source: MEF

7.3 Finance Bill

The growth of government revenues will depend on the success of the reforms implemented. These include reforms related to the Tax Identification Number (TIN), the computerization of certain tax procedures to facilitate revenue collection by the tax and customs authorities, and the fight against corruption. These various measures should help the state to increase the tax base. According to the general state budget, current state revenue, estimated at CFAF 88.6 billion in 2020, should have reached CFAF 120.0 billion by 2021.

Tax revenues are expected to reach CFAF billions 88.5 in 2021. The projected tax burden (tax revenue/GDP) is 10.12% (MEF), still below the EU standard (20%).

As for current public expenditure, it should have reached CFAF 130 billion by 2021. It should be noted that containment and rationalization measures have contributed to savings of CFAF 4.5 billion in terms of total expenditure in 2020. (MEF)

While Guinea-Bissau has shown favorable macroeconomic conditions with economic growth maintained between 3% and 6% over the period 2015 - 2019 and a slowdown in pandemic-related activity

in 2020 (MEF), the country continues to face challenges that may impact 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 characterized the country for more than a decade constitutes the main risk to its development. Guinea-Bissau has experienced a long period of political crisis with coups, destabilization of institutions, deteriorating security conditions, and disastrous social and economic impact. However, since the election of a democratically elected President in 2014, the political situation has become somewhat more stable.

The weight of the military in political life, persistent rivalries within the government, and corruption and criminality linked to international drug trafficking have nevertheless created chronic instability in Guinea-Bissau. The country is described as a "narco-state" by the United Nations Office on Drugs and Crime (UNODC).

The Conakry Agreement, negotiated with ECOWAS in 2016, with the support of the United Nations, aimed to create an enabling environment for the 2018 and 2019 legislative and presidential elections, reform the electoral code, and enact a new law on political parties that would strengthen autonomy and internal democracy. The UN has demonstrated its commitment to supporting Guinea-Bissau in advancing key reforms, as outlined in this agreement.

The election of President Umaro Sissoco Embaló, who has a strong anti-narcotics agenda, in the runoff presidential elections in December 2019 could further improve the political climate. However, political instability remains in the country, with a failed coup attempt killing at least six people in February 2022.

Homeland Security Risks

The Casamance rebels are present in the border area with Senegal, where the proliferation of small arms fuels banditry.

The United Nations Office on Drugs and Crime (UNODC), together with the United Nations Integrated Peacebuilding Office in Guinea-Bissau (UNIOGBIS), supported the government to increase its intervention in the regions through the creation of new police stations.

The Bijagós archipelago, made up of 88 islands, exposes Guinea-Bissau to criminal activity because of 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 on 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 are intended to be peaceful can suddenly turn violent.

Strikes also occurred without causing any unrest. Judicial police officers went on strike in February 2018, and the União Nacional dos Trabalhadores da Guinea-Bissau (UNTG, National Union of Workers of Guinea-Bissau) called a general strike of civil servants from May 7 to 9, June 12 to 14, and June 26 to 28, 2018, to demand payment of salary arrears, salary readjustment, and the establishment of retirement pensions. In September 2020, the Union of Nurses and Health Technicians of Guinea-Bissau initiated a strike to demand career regularization, payment of arrears and better working conditions.

At the end of 2021, the UNTG announced its intention to continue the strike action it had begun a year

earlier following the failure of negotiations with the government.

8.3 Macroeconomic risks

Guinea-Bissau's main budgetary resources are derived from agricultural exports of cashew nuts (58% of exports in 2018). This reflects the high vulnerability of the economy to fluctuations in international cashew prices and rainfall.

According to the latest IMF debt sustainability analysis (2021), Guinea-Bissau is at high risk of external debt distress, due to the rising fiscal deficit, increased borrowing for projects, and additional financing needed to deal with the COVID-19 pandemic.

COVID-19 has had a strong economic impact on Guinea-Bissau. In 2020, real GDP growth was 1.5%, compared to a pre-crisis growth projection of 4.9%. This decline would be explained mainly by the decline in value added in the tertiary sector. In 2021, the country again experienced strong growth with an increase in real GDP of 6.3%.

According to the IMF, public finances are also under significant pressure. The effects of the pandemic persisted into 2021, reflecting the need to maintain imports for consumption and essential investments to build capacity and infrastructure in the health sector, which was again weakened by severe flooding in September 2020.

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8.4 Risks to resource mobilization

Tax revenue mobilization remains a major challenge in Guinea-Bissau. Over the past decade, domestic revenue has lagged far behind that of other WAE-MU countries. In 2021, tax revenues will represent only 10% of GDP according to the MEF. The country needs to make efforts to avoid compromising the sustainability of public finances.

Guinea-Bissau exports mainly agricultural products (coconuts, Brazil nuts, cashew nuts) and seafood products (shellfish, fresh fish). In 2019, the country also exported nearly USD 70 million worth of gold

(28.2% of total exports) according to the Economic Complexity Observatory. The prices of these products follow an unstable trend on the world market. The contraction in cashew demand and prices in 2020 has resulted in a downward revision of economic growth. In addition, the exchange rate risk may impact trade as these exports are made in foreign currency.

Guinea-Bissau is very dependent on international aid and the lack of stability has caused a sharp contraction in funding projects.

8.5 Health risks

Guinea-Bissau has been experiencing cyclical cholera outbreaks for a decade. This situation risks undermining the government's development efforts. In addition, the country shares its borders with Guinea Conakry, one of the hotbeds of the Ebola virus disease (EVD). It is therefore not immune to imported contagion.

Concerning COVID-19, 8 071 cases have been identified and confirmed as of 17 March 2022 according to WHO. At that date, Guinea Bissau had 7077 cured cases and 169 deaths.

The government took the decision to impose a negative Covid-19 PCR test for entry and exit, to ban gatherings in closed spaces and to close bars and restaurants.

On 7 March 2022, the government extended the state of health alert for a further 14 days, but lifted some restrictions on social, cultural, and partisan activities. The decree maintains the obligation to wear a mask on public roads and inside public spaces, as well as certain rules to encourage vaccination.

Regarding travel, Guinea-Bissau maintains the requirement for RT-PCR testing for persons entering the country and for boarding international flights, whether the destination country requires testing.

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 coastal erosion.

This situation is shared by the coastal states of West Africa. On May 18, 2011, in Dakar, a conference bringing together the environment ministers of eleven

coastal states from Mauritania to Benin validated the results of a study of monitoring the coastline and coastal master plan of West Africa. This study defines a realistic and prospective image of the current state of the 10 000 km of West African coastline and the trends that characterize its evolution. Recommendations that are articulated on four axes-programs have been formulated to prevent and control coastal risks.

On June 27, 2018, the country was hit by strong winds of 80 Km to 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.

In 2020, the country faced major flooding due to heavy rains. This phenomenon has had a severe impact on agriculture.

9.1 General description

9.1.1 Overview

Guinea Bissau's debt ratios deteriorated between 2015 and 2020. The total public debt to GDP ratio increased from 33.5% in 2015 to 69.9 % in 2020. The total debt stock also increased over the 2015-2020 period from CFAF 228.2 billion in 2015 to CFAF 642.6 billion in 2020.

Guinea Bissau's debt ratios deteriorated between 2016 and 2021. The total public debt to GDP ratio increased from 37.4% in 2016 to 72.2% in 2021. The total debt stock also increased over the period 2016-2021 from CFAF 276 billion in 2016 to CFAF 719.9 billion in 2021.

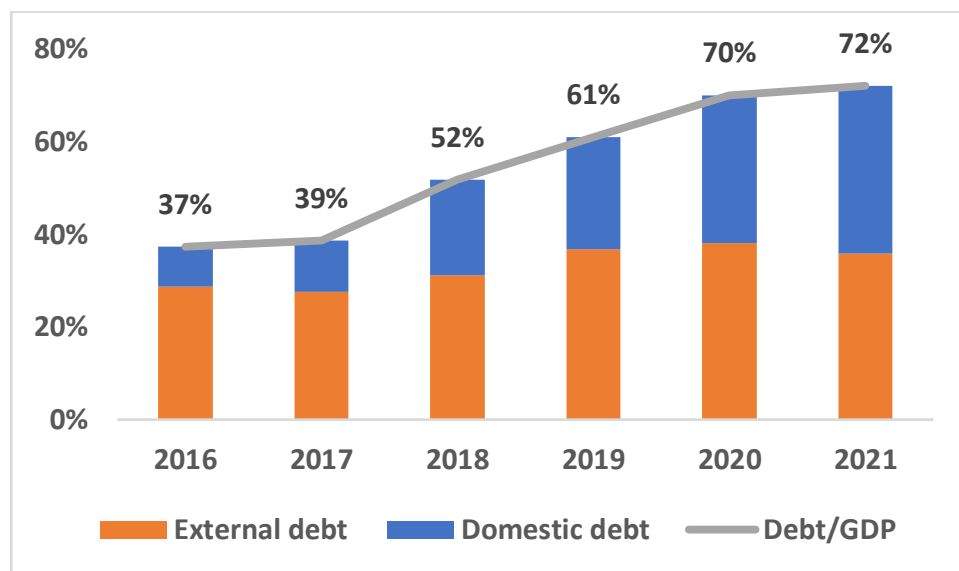
Guinea Bissau's external debt is mainly composed of concessional loans obtained from multilateral and bilateral donors.

Table 36 : Breakdown of Guinea Bissau's public debt

(CFAF billions)	2016	2017	2018	2019	2020	2021
Total debt (% of GDP)	37.4	38.7	51.8	61.1	70.2	72.2
Total debt stock	276.0	330.1	442.5	540.5	642.8	719.9
External debt (% of GDP)	28.7	27.6	31.3	36.9	38.2	35.9
External debt	211.8	235.4	267.2	326.3	349.8	357.9
Domestic debt (% of GDP)	8.7	11.1	20.5	24.2	32.0	36.3
Domestic debt	64.2	94.7	175.3	214.2	293.0	361.9
Nominal GDP	737.8	853.6	854.5	885.1	915.7	997.0

Source: MEF

Figure 8 : Breakdown of public debt into external and domestic debt in relation to GDP



Source: MEF

Guinea-Bissau's public debt is mainly composed of concessional debt, contracted with multilateral and bilateral creditors, associated with long maturities. Thus, medium/long-term debt represents the bulk

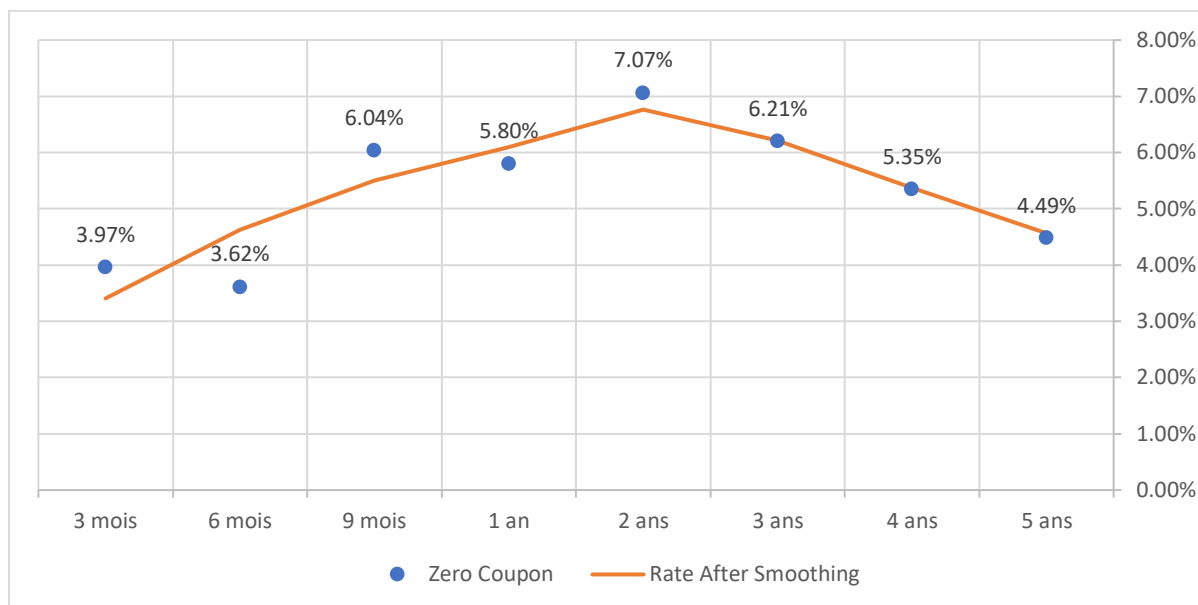
of Guinea-Bissau's debt portfolio. On the regional market, the longest maturity for Guinea-Bissau is 5 years. Currently horizon, zero-coupons have a yield of 4.49%.

Table 37 : Debt maturity profile in 2019 and 2021 (in %)

	2019	2020	2021
Short term	2.4	3.1	1.8
Long term	97.6	96.9	98.2

Source: MEF

Figure 9: Guinea Bissau zero-coupon rate curve as of March 04, 2022 (Bonds and Treasury bills in local currency)



Source: UMOA-Titres

9.2 Debt Strategy and Sustainability

9.2.1 Description of the strategy

Currently, Guinea Bissau does not have a debt strategy, however the Ministry of Economy and Finance is reorganizing to make the debt management department more operational. The debt management department was transformed into a directorate general in 2018 to take charge of specific issues related to external and domestic debt. As such, two departments were 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 IMF

The IMF and World Bank have developed a framework to guide borrowing decisions by low-income countries. The issues identified in the IMF's Debt Sustainability Analysis (DSA) published at the time of Guinea-Bissau's request for disbursement under the Rapid Credit Facility (RCF) on 1st February 2021 are as follows:

External debt

Guinea-Bissau's external debt risk is high, down from moderate in the 2018 report. The share of external debt remains relatively low at 27.1 percent of GDP at end-2019, and all external debt indicators remain below the relevant indicative thresholds throughout the projection (2020-2040) under the baseline scenario. However, Guinea-Bissau faces significant additional vulnerabilities that are not reflected in this rating and warrant a "high" external risk rating. These include macroeconomic risks due to the nature of the current COVID-19 crisis.

Public debt

Guinea-Bissau's overall debt risk is considered high. The present value of the total public debt to GDP ratio is above its indicative threshold until 2040. Moreover, the ratio of debt service to revenue and grants is projected to worsen from 54.8% in 2019 to 56.3% in 2020. This mainly reflects: the impact of the COVID-19 crisis on revenue performance, short-term amortization of Treasury issues and debt service payments following the end of the grace period for several loans. To ease this burden, the West

African Development Bank provided a program loan equivalent to 8% of revenue and the IMF provided debt service relief through the Catastrophe Contain-

ment and Relief Trust (CCRT) which represents 1.4 percent of revenue.

Table 38 : Results obtained by Guinea Bissau under the DSF (Baseline scenario)

Year	PV of external debt (percentage)		External debt service (percentage)		PV of total public debt (percentage)	Debt service (percentage)
	GDP	Exports	Exports	Recipes	GDP	Recipes
2019	13.2	65.1	2.5	4.0	55	54.8
2020	15.2	105.7	3.8	4.7	65.7	56.3
2021	15.4	92.4	4.1	5.2	65.9	47.5
2022	14.7	84.2	4.1	5.5	65.2	42.3
2023	13.8	75.3	4.9	6.7	63.9	46.0
2024	13	71.4	4.7	6.4	62.2	54.0
2025	12.3	67.8	4.7	6.3	60.6	66.7
2030	9.4	57.8	5.0	5.9	53.5	47.6

Source: IMF

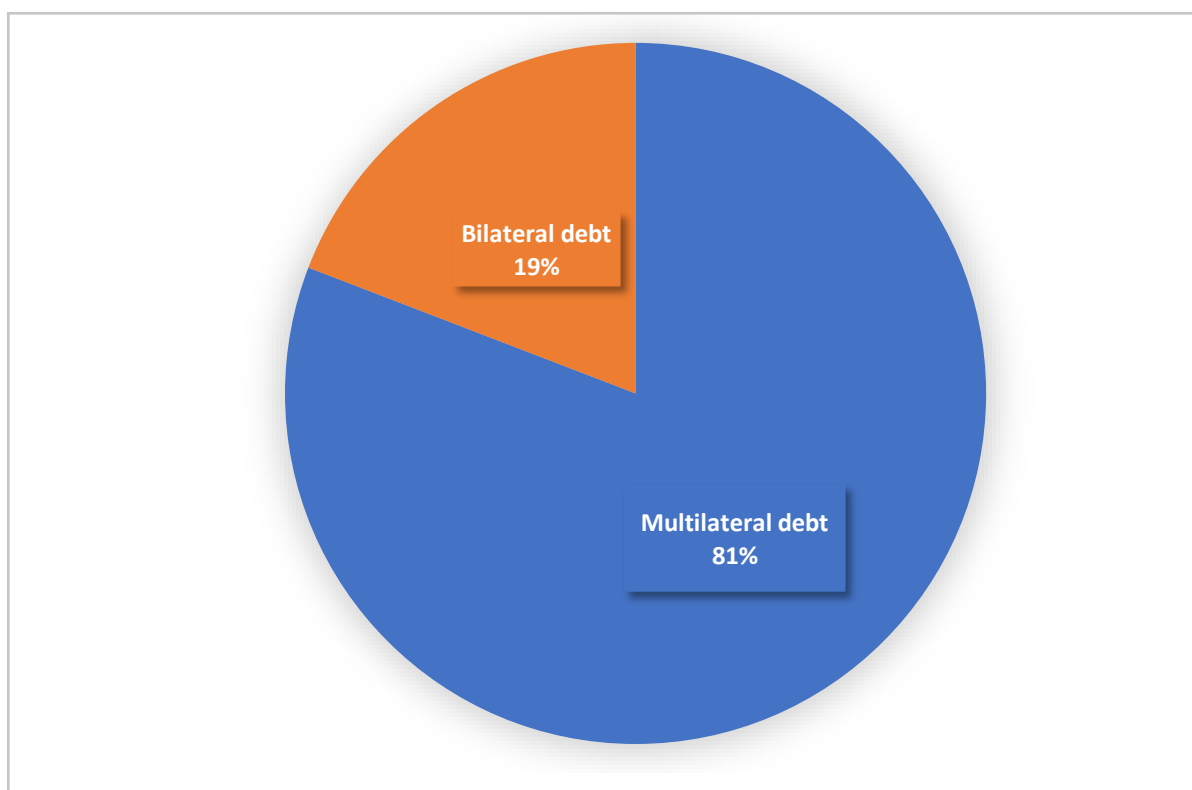
9.3 External debt

9.3.1 Holders

According to Ministry of Finance statistics, in 2021, 80.8% of the external debt is composed of multila-

teral loans and 19.2% of bilateral loans. Multilateral debt is dominated by loans granted by BOAD and the World Bank, which account for more than 75.0% of loans granted by multilateral donors.

Figure 10 : Breakdown of external debt in 2021



Source: MEF

Table 39 : Composition of the external debt

(CFAF billions)	2016	2017	2018	2019	2020	2021	% of GDP in 2021
Multilateral debt	241.2	294.3	349.3	443.5	532.8	567.5	31.6
Bilateral debt	58.6	77.5	115.5	115.3	115.3	122.8	6.8
Paris Club	2.2	16.0	2.8	3.4	3.4	3.7	0.2
No Paris	51.1	56.2	88.3	87.4	86.9	92.6	5.2
No Sovereign	5.3	5.3	24.4	24.5	25.0	26.6	1.5
Total	299.7	371.8	464.8	558.8	648.1	690.3	38.4

Source: MEF

9.3.2 Status of external debt payments

External debt service is mainly related to multilateral creditors. The amount of debt service repaid to

multilateral creditors represented 68.9 percent of the amount to be repaid to external donors.

Table 40 : External debt service

Situation as of December 2021 in millions of CFAF	Multilateral			Bilateral			Total		
	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total
Service Due	14 456.6	5 018.5	19 475.1	759.7	1 203.3	1 963.0	15 216.3	6 221.8	21 438.1
Paid service			19 475.1			1 963.0			21 438.1

Source: MEF, Directorate General of Public Debt, Statistical Bulletin of Public Debt 2021

9.3.3 Debt currency

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

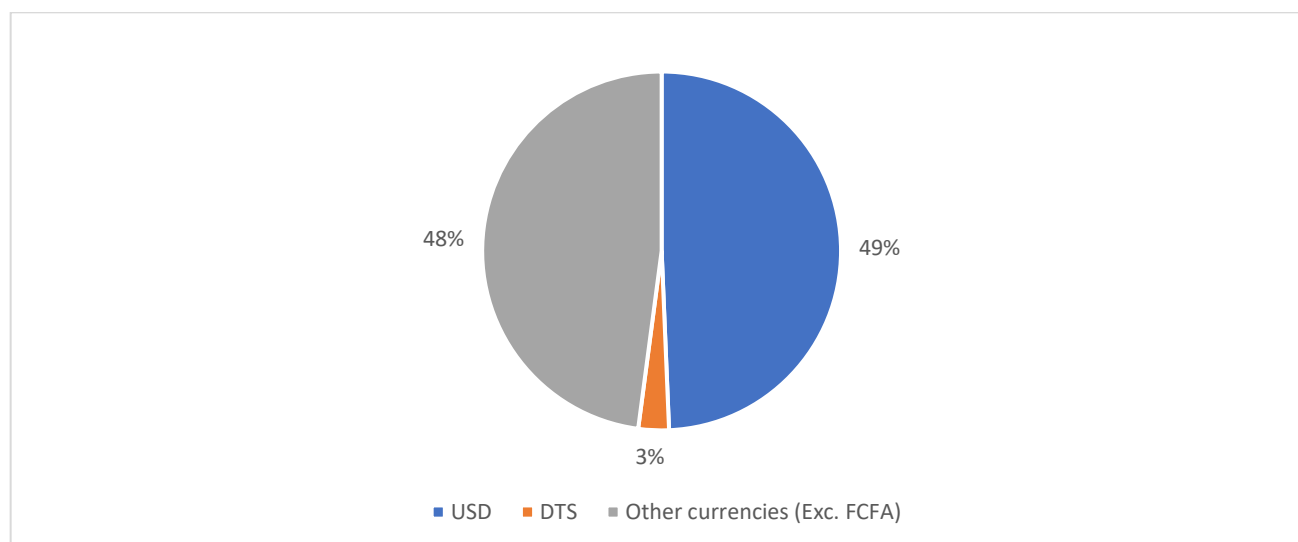
is exposed to foreign exchange risk related to the fluctuation of the US dollar. The existence of a current account deficit can make it difficult to manage foreign exchange risk.

Table 41 : Breakdown of external debt in currency (December 31, 2017)

Currency	Total debt originally denominated in this currency	CFAF exchange rate as of December 31, 2017	Total debt in CFAF billions	Exchange rates in EUR at December 31, 2017	Total debt in EUR million	Debt distribution by currency (%)
USD	0.1	561.0	43.9	0.9	0.1	48.4
DTS	0.1	774.0	2.4	1.2	0.0	2.7
Other currencies (Exc. CFAF)			42.6			47.0

Source: World Bank

Figure 11 : Breakdown of external debt in foreign currency as of December 31, 2017



Source: World Bank

9.4 Domestic debt

According to statistics from the Directorate General of Public Debt (DGDP), Guinea Bissau's domestic

debt increased from CFAF 217.4 billion to CFAF 314.3 billion between 2019 and 2021.

Table 42 : Composition of domestic debt

(Million CFAF)	2019	2020	2021
Monetary authorities	110 283.84	109 460.10	108 910.94
BCEAO	94 632.77	94 632.77	94 632.77
BOAD - Membership fees	15 651.07	14 827.33	14 278.17
Commercial banks and other financial institutions	20 939.60	33 288.85	12 023.31
Atlantic Bank	448.00	4 803.65	692.30
BAO	9 092.10	14 176.55	7 705.58
BDU	771.60	5 715.00	1 906.17
ECOBANK	3 010.90	5 540.00	1 622.50
ORABANK	7 617.00	3 053.65	96.76
Government securities	86 198.21	140 059.51	193 320.00
Treasury Bonds	73 390.21	118 989.51	180 450.00
Treasury bills	12 808.00	21 070.00	12 870.00
Total	217 421.65	282 808.46	314 254.25

Source: MEF, Public Debt Directorate, Statistical Bulletin of the Public Debt for 2021

As of 31 December 2021, the structure of Guinea-Bissau's domestic debt was dominated by government securities, which accounted for 61.5 percent of outstanding domestic debt.

As of 31 December 2021, domestic debt service paid amounted to CFAF 79.9 billion, of which CFAF 76.2 billion was for capital repayment and CFAF 3.7 billion for interest payments. The payment of debt service linked to government securities represents 73.0 percent of the amount of domestic debt service.

Table 43 : Domestic debt service as of December 31, 2021

Situation in December 2021 (Millions de CFAF)	Commercial banks and other financial institutions			Government securities			Total		
	Capital	Interest	Total	Capital	Interest	Total	Capital	Interest	Total
Service due	20 650.7	931.6	21 582.3	55 575.0	2 750.5	58 325.5	76 225.7	3 682.1	79 907.8
Paid service	21 582.3			58 325.5			79 907.8		

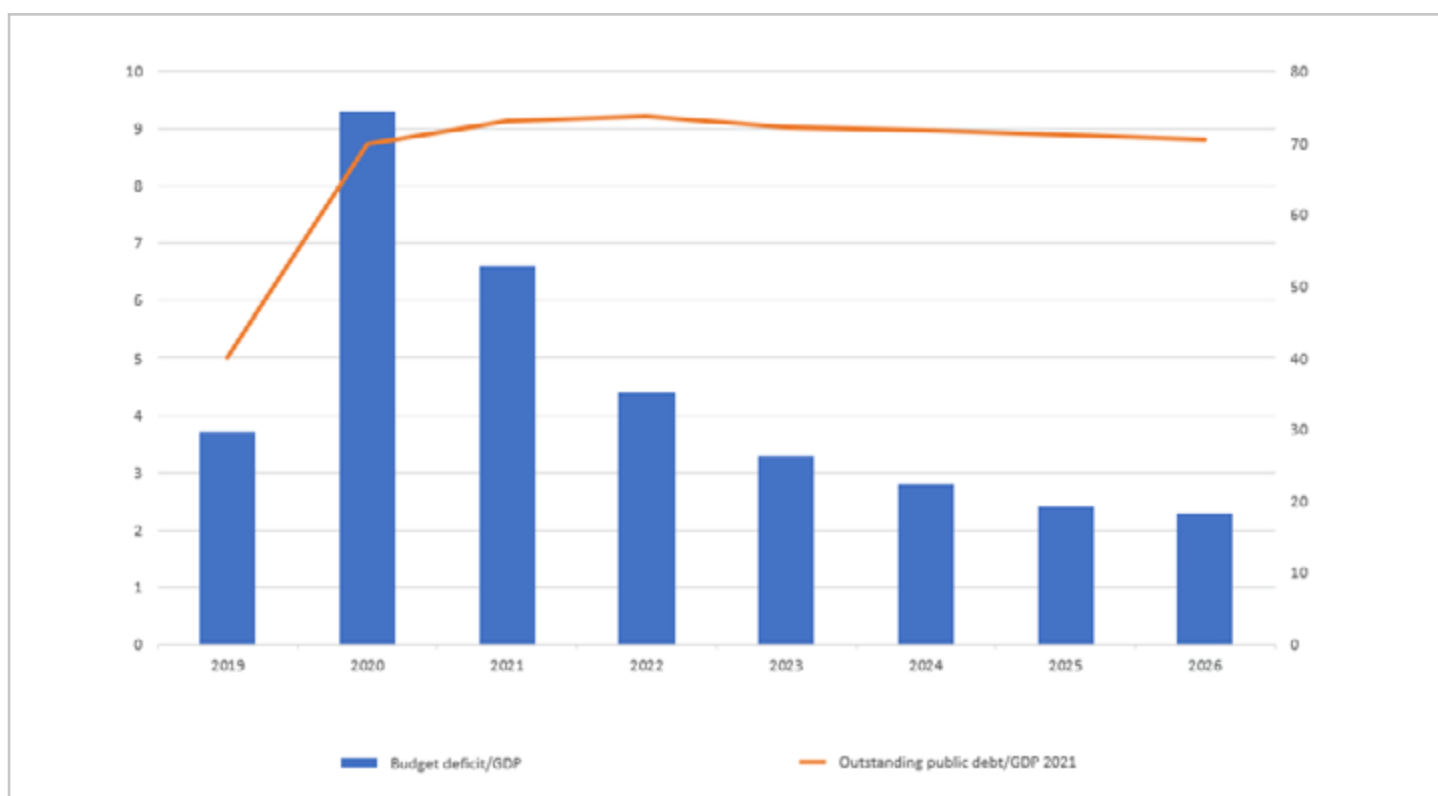
Source: MEF, Public Debt Directorate, Statistical Bulletin of the Public Debt for 2021

9.5 Viability and Sustainability

According to the projections of the Ministry of Economy and Finance, the budget deficit in relation to GDP would gradually decline to below 3.0 percent of GDP from 2024, compared with a level of 9.3 percent

in 2020. The stock of government debt in relation to GDP would be above the EU threshold of 70 percent over the period 2021-2024. However, the debt-to-GDP ratio is expected to decline from 2023 onwards in line with the reduction in the budget deficit.

Figure 12 : Budget deficit and public debt (% of GDP)



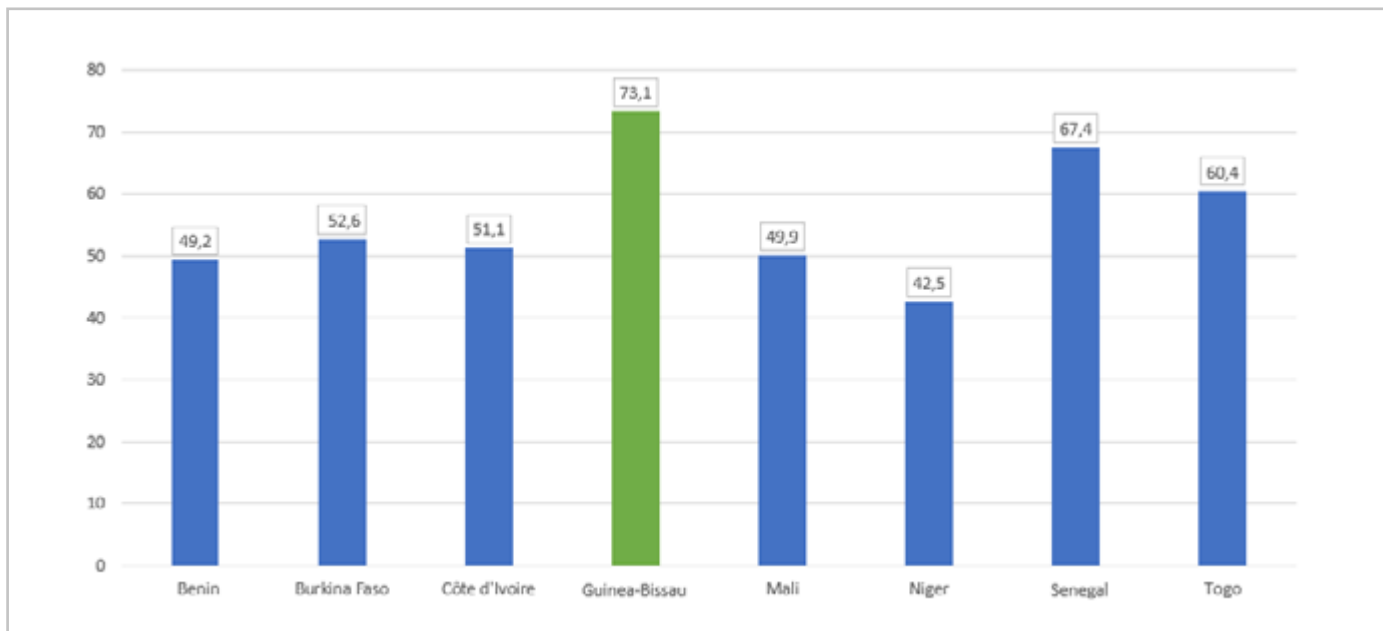
Source: WAEMU Commission - Semi-annual report on the implementation of multilateral surveillance, December 2021

The debt ratio rose from 51.7% in 2015 to 61.1% in 2019, an increase of almost 10 percentage points in five years. The debt ratio increased remarkably between 2019 and 2020 from 61.1% to 69.9% due to the increase in the budget deficit in relation to the

COVID-19 pandemic. In 2021, the debt ratio is estimated at 73.1%.

According to WAEMU commission statistics, Guinea Bissau is the most indebted country in the WAEMU zone and the only one to have a debt ratio above the community standard of 70% in 2021.

Figure 13 : Public debt to GDP in 2020 of WAEMU countries (%)



Source: WAEMU Commission - Semi-annual report on the implementation of multilateral surveillance, December 2021

Table 44 : Details of Guinea-Bissau's emissions from 2015 to 2021

Label	ISIN	Track	Maturity (Year)	Date of issue	Amount withheld (Million CFAF)	TMP
GB -BT - 24 month - 27. April.15	GW0000000012	Adjudication	2	29/04/2013	10 000	6.21
GB -BT - 12 month - 21. July.15	GW0000000020	Adjudication	1	22/07/2014	15 000	6.08
GB -BT - 24 month - 11. April.17	GW0000000038	Adjudication	2	14/04/2015	15 000	6.17
GB -BT - 12 month - 13. July.16	GW0000000046	Adjudication	1	15/07/2015	11 000	5.12
GB -BT - 6 month - 27. October.16	GW0000000053	Adjudication	0.5	28/04/2016	13 000	4.61
GB - 5.5% - 3 years - 12. July.19	GW0000000061	Adjudication	3	11/07/2016	11 000	6.91
GB -BT - 24 month - 23. October.18	GW0000000079	Adjudication	2	25/10/2016	14 300	6.00
GB -BT - 12 month - 21. February.18	GW0000000087	Adjudication	1	22/02/2017	5 450	6.38
GB -BT - 6 month - 09. October.17	GW0000000095	Adjudication	0.5	10/04/2017	3 648	6.76
GB -BT - 12 month - 09. April.18	GW0000000103	Adjudication	1	10/04/2017	5 000	6.75
GB - 6.5% - 3 years - 11. April.20	GW0000000111	Adjudication	3	10/04/2017	9 183	7.76
GB - 6.5% - 3 years - 11. April.20	GW0000000111	Adjudication	3	06/10/2017	4 505	6.83
GB -BT - 12 month - 12. February.19	GW0000000129	Adjudication	1	13/02/2018	4 350	6.28
GB -BT - 12 month - 04. April.19	GW0000000137	Adjudication	1	05/04/2018	5 512	6.62
GB - 6.5% - 3 years - 06. April.21	GW0000000145	Adjudication	3	05/04/2018	5 235	7.65
GB - 6.5% - 3 years - 29. August.21	GW0000000152	Adjudication	3	28/08/2018	6 073	7.96
GB -BT - 12 month - 24. September.19	GW0000000160	Adjudication	1	25/09/2018	5 500	6.06
GB - 6.5% - 3 years - 09. November.21	GW0000000178	Adjudication	3	08/11/2018	3 327	7.98
GB -BT - 6 month - 20. June.19	GW0000000186	Adjudication	0.5	20/12/2018	5 239	6.31
GB -BT - 12 month - 04. February.20	GW0000000194	Adjudication	1	05/02/2019	4 008	6.48
GB - 6.5% - 3 years - 13. March.22	GW0000000202	Adjudication	3	12/03/2019	6 566	7.84
GB -BT - 12 month - 31. March.20	GW0000000210	Adjudication	1	02/04/2019	8 800	6.34
GB - 6.5% - 3 years - 12. June.22	GW0000000228	Adjudication	3	11/06/2019	11 000	7.18
GB - 6.65% - 5 years - 18. September.24	GW0000000236	Adjudication	5	17/09/2019	7 059	7.22

Label	ISIN	Track	Maturity (Year)	Date of issue	Amount withheld (Million CFAF)	TMP
GB – 6.5% - 3 years - 18. September.22	GW0000000244	Adjudication	3	17/09/2019	3 941	6.80
GB – 6.5% - 3 years - 18. September.22	GW0000000244	Adjudication	3	08/10/2019	6 200	6.91
GB – 6.65% - 5 years - 09. October.24	GW0000000251	Adjudication	5	08/10/2019	10 300	7.28
GB – 6.25% - 3 years - 30. January.23	GW0000000269	Adjudication	3	29/01/2020	4 119	6.20
GB – 6.5% - 5 years - 30. January.25	GW0000000277	Adjudication	5	29/01/2020	6 842	6.79
GB -BT - 12 month - 16. February.21	GW0000000293	Adjudication	1	18/02/2020	11 000	5.00
GB – 6.25% - 3 years - 30. January.23	GW0000000269	Adjudication	3	24/03/2020	2 259	7.04
GB – 6.5% - 5 years - 30. January.25	GW0000000277	Adjudication	5	24/03/2020	3 425	6.82
GB -BT - 12 month - 06. April.21	GW0000000301	Adjudication	1	07/04/2020	10 070	5.42
GB – 6.25% - 3 years - 23. April.23	GW0000000319	Adjudication	3	22/04/2020	11 000	7.16
GB -BT - Covid - 3 month - 06. August.20	GW0000000327	Adjudication	0.25	07/05/2020	15 500	3.05
GB -BT - 6 month - 08. December.20	GW0000000335	Adjudication	0.5	09/06/2020	5 500	5.00
GB – 6.25% - 3 years - 29. July.23	GW0000000343	Adjudication	3	28/07/2020	10 332	7.16
GB -BT - Covid - 3 month - 05. November.20	GW0000000350	Adjudication	0.25	06/08/2020	10 000	2.24
GB – 6.25% - 3 years - 16. September.23	GW0000000360	Adjudication	3	15/09/2020	4 750	6.23
GB – 6.5% - 5 years - 16. September.25	GW0000000378	Adjudication	5	15/09/2020	6 250	6.50
GB – 6.25% - 3 years - 16. September.23	GW0000000360	Adjudication	3	05/11/2020	2 275	6.23
GB – 6.5% - 5 years - 16. September.25	GW0000000378	Adjudication	5	05/11/2020	8 035	6.57
GB -BT - 3 month - 27. April.21	GW0000000384	Adjudication	0.25	26/01/2021	12 100	3.83
GB OdR – 6.1% - 3 years - 10. March.24	GW0000000392	Adjudication	3	09/03/2021	6 303	5.87
GB OdR – 6.25% - 5 years - 10. March.26	GW0000000400	Adjudication	5	09/03/2021	10 197	6.16
GB OdR – 6.25% - 5 years - 14. April.26	GW0000000418	Adjudication	5	13/04/2021	14 533	6.17
GB OdR – 6.1% - 3 years - 14. April.24	GW0000000426	Adjudication	3	13/04/2021	8 567	5.90
GB OdR – 6.4% - 7 years - 05. May.28	GW0000000434	Adjudication	7	04/05/2021	15 919	6.36
GB OdR – 6.1% - 5 years - 05. May.26	GW0000000442	Adjudication	5	04/05/2021	6 081	6.01
GB -BT - 6 month - 30. November.21	GW0000000459	Adjudication	0.5	01/06/2021	10 225	3.48

Label	ISIN	Track	Maturity (Year)	Date of issue	Amount withheld (Million CFAF)	TMP
GB OdR – 6.1% - 5 years - 08. September.26	GW0000000467	Adjudication	5	07/09/2021	5 000	5.33
GB OdR – 6.4% - 7 years - 08. September.28	GW0000000475	Adjudication	7	07/09/2021	9 492	5.76
GB -BT - BSR - 12 years - 15. November.22	GW0000000483	Adjudication	1	16/11/2021	12 870	2.70

Source: UMOA-Titres

(*) Average weighted rate

Table 45 : Living securities as of 31 December 2020

Labeled	ISIN	Maturity (year)	Outstanding (Billion CFAF)	Maturity
GB – 6.5% - 3 years - 13. March.22	GW0000000202	3	7	13/03/2022
GB – 6.5% - 3 years - 12. Juin.22	GW0000000228	3	11	12/06/2022
GB – 6.65% - 5 years - 18. September.24	GW0000000236	5	7	18/09/2024
GB – 6.5% - 3 years - 18. Sep-tember.22	GW0000000244	3	10	18/09/2022
GB – 6.65% - 5 years - 09. October.24	GW0000000251	5	10	09/10/2024
GB – 6.25% - 3 years - 30. January.23	GW0000000269	3	6	30/01/2023
GB – 6.5% - 5 years - 30. Ja-nuary.25	GW0000000277	5	10	30/01/2025
GB – 6.25% - 3 years - 23. April.23	GW0000000319	3	11	23/04/2023
GB – 6.25% - 3 years - 29. July.23	GW0000000343	3	10	29/07/2023
GB – 6.25% - 3 years - 16. September.23	GW0000000360	3	7	16/09/2023
GB – 6.5% - 5 years - 16. Sep-tember.25	GW0000000378	5	14	16/09/2025
GB OdR – 6.1% - 3 years - 10. March.24	GW0000000392	3	6	10/03/2024
GB OdR – 6.25% - 5 years - 10. March.26	GW0000000400	5	10	10/03/2026
GB OdR – 6.25% - 5 years - 14. April.26	GW0000000418	5	15	14/04/2026
GB OdR – 6.1% - 3 years - 14. April.24	GW0000000426	3	9	14/04/2024
GB OdR – 6.4% - 7 years - 05. May.28	GW0000000434	7	16	05/05/2028
GB OdR – 6.1% - 5 years - 05. May.26	GW0000000442	5	6	05/05/2026
GB OdR – 6.1% - 5 years - 08. September.26	GW0000000467	5	5	08/09/2026
GB OdR – 6.4% - 7 years - 08. September.28	GW0000000475	7	9	08/09/2028
GB -BT - BSR - 12 month - 15. November.22	GW0000000483	1	13	15/11/2022

Source: UMOA-Titres

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

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

Public offering: a call for competition on the financial market for government securities through an IMS. It is open to all investors.

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

State financing requirement: the overall amount needed to cover the primary budget deficit and the interest and amortization charges associated with 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: informal group of creditor countries (usually OECD countries) that meet 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.

Loans to the economy (EC): all loans 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 + Government net position (see NGP).

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

Budget deficit: difference between total revenues and total expenditures and net lending.

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

Primary deficit: negative difference between revenues and expenditures, excluding interest payments.

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

Domestic public debt: central government borrowing from residents.

Non-concessional debt: debt contracted on market terms.

Public debt: sum of all central government debts (external and internal).

Economic data:

- **Realizations:** economic data for past years, calculated based on exhaustive economic information collected on economic activity by national administrations. They should correspond to the final accounts data for year N-3;
- **Estimates:** correspond to semi-final or provisional accounts, based on the economic information of a given year. They are generally not exhaustive and/or not fully validated.
- **Economic projections or forecasts:** correspond to economic data calculated based on assumptions made about the future evolution 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 (VN) and the present value (PV) of the debt ser-

vice expressed as a percentage of the nominal value of the loan $((VN-VA)/V'N)$.

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

Eurobond (or Eurobond): a bond denominated in foreign currency on the London financial market.

Inflation: generalized 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 IMF in 1996 to address the external debt problems of heavily indebted poor countries, with the objective of providing sufficient overall debt relief to achieve debt sustainability.

Money supply (MS): all claims held by the rest of the economy on monetary institutions.

It covers monetary assets (cash in circulation + sight deposits) and quasi-monetary assets (savings accounts and term deposits).

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

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

Net government position (NGP): net claims or liabilities of the Treasury vis-à-vis the rest of the economy.

The government's net position is 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 debiting PNG is preceded by a (+) sign.

Tax burden: the ratio of tax revenues to GDP.

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

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

Foreign exchange risks: risks related to fluctuations in exchange rates.

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

Primary balance: (see primary deficit).

Public debt stock: amount of outstanding debt disbursements at a given date.

Exchange rate: 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, businesses, households) expressed as a percentage of GDP. For a country, GFCF is the sum of hardware and software investments made during one year in that country.

The terms of trade: express the ratio between the price of exports and the price of imports for a country. They are generally calculated based on price indices and indicate a change in relation to a reference 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 obtain the same quantity of imported goods (in other words, the same quantities exported allow for the purchase of an increased quantity of imported goods): in this case, export earnings improve. In the opposite case, the terms of trade deteriorate (T).

This price ratio thus reflects the evolution of the purchasing power of exports over 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).

BUILDING A BENCHMARKED GOVERNMENT SECURITIES MARKET FOR DEVELOPMENT OF WAMU STATES



*Together, let's build
the WAMU of tomorrow*



Benin



Burkina



Côte d'Ivoire



Guinea-Bissau



Mali



Niger



Senegal



Togo