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The Macroeconomic Context for Trade in Guinea Bissau

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Abstract

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This paper surveys the current macroeconomic situation in Guinea Bissau in light of proposals to increase the integration of the country with international markets. Major issues are continuing instability in the government, poor infrastructure (particularly the port) and a very high degree of dependence on one export – cashew.

The Macroeconomic Context for Trade In Guinea Bissau[1]

I. Introduction

Guinea Bissau is a small country of 1.6 million and 36,120 square kilometers located on the west coast of Africa between Senegal on the north and Guinea on the south and east. (See map in Figure 1) Both cross-border and sea-borne trade are important with exports amounting to more than 40% of GDP and imports more than 50%. .

The case of Guinea Bissau is much influenced by four important facts. First, Guinea Bissau has an extremely high level of dependence on a single export - cashew, which is grown by the vast majority of peasant farmers in the country, covers close to 5% of the total land area, and accounts for 98% of export revenue as well as 17% of government revenue. Second, Guinea Bissau suffers from an extremely degraded infrastructural base, with both roads and port facilities receiving little maintenance or improvement in the years since independence in 1975 and still suffering from the effects of the civil war that took place in 1998-99. Third, Guinea Bissau is heavily dependent on imports of its most important staple food, rice, and has therefore been hit hard by the recent spike in world rice prices. Fourth, fish exports are a major source of government revenues, even though they do not figure in trade data. Licensing of foreign flagged vessels fishing in Guinea Bissau waters but landing their catch in other countries has accounted for over 50% of government revenues in the recent past.

II. The Macroeconomic Context for Trade, Growth, and Poverty Reduction

A. Poverty and Growth

Guinea Bissau is one of the poorest countries in the world, with more than two thirds of the population falling below $2/day income and more than 21% below $1.[2] It is 175 out of 177 on the Human Development Index. Literacy is low at approximately one third of the population and while primary school enrollment is between 55 and 60% there is a much lower primary school completion rate than these figures might suggest. At 45 years, life expectancy is among the lowest anywhere. Table 1 shows summary data for key social and economic indicators over the past several years.

The government has produced a strategy to reduce poverty in the country called the DENARP (Documento de Estrategia de Reducao da Pobreza) issued in 2006. While some updating would be useful in this document, on the whole the situation today is

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[1] This paper was written as a contribution to Guinea Bissau's forthcoming Diagnostic Trade Integration Study.

[2] See UNDP Human Development Report 2006

largely unchanged and the DENARP is still an accurate statement of the government's intentions. In the most general terms, the strategy endorses four pillars: modernizing public administration while improving governance and working to ensure macroeconomic stability; promoting economic growth; increasing access to social services and public infrastructure; and improving the living conditions of the most vulnerable. However, with two thirds of the population living in poverty it is clear that this is a major undertaking and will take time to accomplish.

The majority of the extremely poor live in rural areas; almost three quarters of the poorest third of Guineans earn their primary income from agriculture and almost all of the remainder in this tercile list agriculture as their second most important source of income. The middle tercile of the income distribution also is predominantly agricultural, with more than 60% listing this as their primary source of income. (See Boubacar-Sid et al. 2007)

Thus it is essential to improve agricultural incomes if poverty is to be addressed in any meaningful and sustainable way. The intersection of poverty and trade is clear. The main cash crop in the country, cashew, is also the main export. The main staple grain, rice, is one of the main imports. The Government's trade policy with respect to these two crops will be key to its success in reducing poverty. Indeed, as can be seen in Figure 2, overall growth in the economy tracks growth in cashew production quite closely.

The vast majority of the cashew crop is produced by small farmers. Indeed, in many areas it is hard to find small farmers who do not grow at least some cashew. This is extremely important in that it means that changes in the farm gate price or production of cashews have a greater impact on the incomes of the poorest than any other variable in the economy. One study by Boubacar-Sid et al. concluded that a 15% increase in the farm gate price of cashew could result in an increase in consumption of the extreme poor of 9.5% and by the poor of 3.3%.

Rice is the traditional staple grain and accounts for nearly two thirds of the grain production in the country and three quarters of consumption, with the difference being made up by imports. Rice production has stagnated in recent years and it has been observed that many farmers have switched to cashew production, preferring to barter this for rice rather than grow it themselves. Clearly, labor requirements for cashew production are far less than those for rice production, but there is in principle no reason why the two crops should conflict in terms of land allocation, particularly given the ready availability of fallow land in many parts of the country. However, as noted in other parts of this report, rice production could easily surpass domestic needs given yield improvements which would seem to be within reach.

Of particular importance, however, is the obvious responsiveness of poor farmers to price and market incentives that are available to them. As the cashew sector took off during the 90's many farmers switched to this crop, with a consequent negative effect on growth in rice production. The current spike in world grain prices, including rice, should produce a response from small farmers in terms of their own output as the terms of trade between cashew and rice deteriorates.

B. Recent Economic Performance

Guinea Bissau suffered a short but intense civil war in 1998/99 which is estimated to have destroyed 40% of the economy. A period of political instability followed until the President was removed through a bloodless coup in 2003. Fresh Presidential elections were held in 2005 after which the country has begun to rebuild. In 2008, the country is still recovering from the destruction and economic dislocation that resulted. Indeed, large parts of the countryside remain inaccessible during the rainy season and access is difficult even at the best of times.

The economy recovered strongly in 1999 and 2000, before stagnating again in the period 2001-03. Average economic growth picked up to 3.4% by the end of 2005, but deteriorated sharply in 2006 due to problems in marketing the country's cashew crop. In 2007 growth was just 2.7% due to late rains and consequently lower rice production, but rose to 3.1% in 2008.

Declining terms of trade also took a toll, with declining cashew prices and higher oil prices. (See Figure 3) This problem has worsened further in 2008 as world oil prices and rice import prices have spiked higher. With population growth close to 3%, per capita income declined over the period from 2001-2007. Overall, Guinea Bissau is growing significantly more slowly than other countries in the WAEMU region.

Inflation has been low, thanks largely to Guinea Bissau's membership in the CFAF monetary zone, though it has risen somewhat in the past year. Inflation was 4.6% in 2007 but increased to10.5%, in 2008, significantly higher than other members of the WAEMU region. Broad money growth amounting to 25% in 2007 played an important role in generating this result, and the same figure registered growth of 22% at the end of November 2008. As can be seen in Figure 4, increases in food prices played a major role in inflation.

The government remains heavily indebted with external debt amounting to more than $670 million as of the end of 2006 – if domestic obligations are added to this, debt service falling due in 2007 amounted to 84% of budgetary revenues and 130% of tax revenues not counting arrears from previous periods. The authorities have concentrated efforts in the second half of 2007 and in early 2008 on stabilizing the fiscal situation of the government by improving budgetary controls and increasing revenue, particularly from customs. High public sector wage bills have been identified as a particular problem needing to be addressed. In spite of progress in this area, the country remains dependent on donors to bridge remaining financial gaps. See Figure 5

Table 2 shows the sectoral distribution of GDP for the years since 2003. Agriculture is by far the most important sector, accounting for about 60% of the total. Commerce is next in importance at about 16% while industry (which includes utilities) amounts to a maximum of 9%, only slightly more than public administration. These facts underscore the observation that higher GDP growth requires adequate growth in

agriculture, even if there is success in diversifying into other sectors. This is equally true for poverty reduction since 80% of the population and the vast majority of the poorest are engaged in agriculture.

The government's fiscal balance is still quite precarious in that expenditures financed from donors or outstanding obligations to the BCEAO have remained quite large. The financing gap in 2007 amounted to 21.3 billion CFAF and was projected to remain at approximately this level in 2008 unless additional measures could be implemented. In discussions with external donors the government pledged to make additional efforts to improve tax collection and to minimize recourse to domestic bank financing. Extremely tight spending limits have been imposed in all areas as well as improved expenditure controls through the Treasury and the BCEAO. Donor support is, however, essential to closing remaining financing gaps. The high prices for cashew in 2008 will help relieve some of the pressure being felt.

In order to address issues requiring investment in key sectors such as infrastructure, it will be important for fiscal restraint to be quite tight in other areas. Recent discussions with the IMF have focused on the extent to which the public sector wage bill may crowd out other needs such as those that may be identified in this study. Table 3 shows figures on the sources of tax revenue in recent years. Tax receipts are relatively stable compared to total revenue and amounted to about three quarters of total receipts in the most recent year for which information is available.

Also important will be the role of the government's internal and external debt overhang in crowding out priority expenditures. Though Guinea Bissau is a candidate for debt relief it is likely that there will be a substantial burden even after relief is achieved. Long term international debt amounted to approximately $830 million at year end 2007, though debt relief amounting to $180 million was reportedly approved by the Paris Club in February 2008. Even the lower debt remaining after relief is still quite high when compared to GDP at slightly more than $300 million. (See Africa Research Bulletin March 2008) Table 4 shows Guinea Bissau's current situation in terms of external debt.

C. Trade Performance

Tables 5, 6 and 7 show recent trade performance in Guinea Bissau. Table 8 and Figure 6 show the Balance of Payments. On the export side the importance of cashew nuts is obvious, with no other export item amounting to even 1% of the value of this crop[3]. On the import side food is the most important, particularly rice and flour. Next in importance are petroleum products, a figure that is undoubtedly larger in 2007 and 2008 due to the massive price increases over the past year. Non-registered trade is nearly a third of the total.

[3] However, fishing licenses do account for significant revenue though they are not counted as merchandise exports.

Table 5 shows trading partners for Guinea Bissau. On the export side, India is by far the largest as it is the destination of the bulk of cashew exports. Nigeria is next in importance followed by a variety of other countries. On the import side Portugal is the most important, followed by Italy. The European Union is the dominant import source overall.

Guinea Bissau is a member of ECOWAS and the West African Economic and Monetary Union (WAEMU). It shares the common currency of WAEMU, the CFA franc, which is pegged to the Euro, and the Central Bank of WAEMU, the BCEAO. Accordingly, there is no scope for exchange rate management by policy makers. However, there remains the potential for significant third party exchange rate effects given the sharp deterioration of the US dollar over the past several years – indeed, the dollar is now 50% lower than it was only a little more than five years ago. Insofar as Guinea Bissau trades with the US or other countries which link their currencies to the US dollar, this can be expected to have an effect on international trade. In addition, the principal export crop, cashew, is priced in dollars on international markets and there may be some tendency for a decline in its CFAF price as the dollar falls.

WAEMU has a clear agenda of long term regional economic integration, having adopted a common external tariff in 2000 and an internal free trade zone. Guinea Bissau has adopted the common external tariff but has exempted rice imports from the normal levy in order to lower food prices. Implementation of the free trade zone still has some distance to go in terms of completely freeing cross border trade from all impediments.

The other immediate priorities in trade policy are the negotiation of a common external tariff for ECOWAS, and the negotiation of an Economic Partnership Agreement (EPA) between ECOWAS and the European Union. ECOWAS is considering adoption of the WAEMU common external tariff, but Nigeria has proposed the addition of a fifth tariff band, possibly as high as 50%. In the case of the EPA, the December 31, 2007 deadline for expiry of the trade preferences in the Cotonou Agreement has past, with a compromise arrangement that has LDCs including Guinea Bissau reverting to the Everything But Arms agreement. However, ECOWAS remains committed to a full EPA which would involve considerable liberalization of EU imports. Guinea Bissau will need to examine carefully the risks and options available in both of these cases.

D. Exchange Rate and Real Exchange Rate

The real exchange rate is probably the single most important macroeconomic variable affecting incentives to export and import. In Guinea Bissau the government's ability to affect the real exchange rate is limited by its membership in the BCEAO and its use of the CFA, which has a fixed exchange rate vis a vis the euro. This means that changes in the real exchange rate can come from only two sources – First and most

important is changes in the domestic price level which result in inflation differentials between Guinea Bissau and its trading partners. The second is third party effects where changes in exchange rates between the euro/CFA area and e.g. the dollar, alter incentives to trade.

Overall, the real exchange rate for Guinea Bissau has remained stable for the past decade as the value of the RER for Guinea Bissau has tracked closely that of the rest of the WAEMU area. As noted above, this is in line with inflation performance, which has been quite close to that of its monetary partners, though these are not its major trading partners (See Figure 7). However, inflation surged at the end of 2007 and in 2008, largely due to increases in the world prices of food and oil, with a figure of 10.5% registered in 2008 after a much lower 3.7% average during the first 11 months in 2007.

However, though inflation is typically a major issue in real exchange rate movements and relative competitiveness vis a vis other countries, to the extent Guinea Bissau's inflation stems from factors affecting all of its trading partners, its relative position will remain largely the same insofar as imports are equally important in each of the countries. Clearly this is the case in both world oil and grain markets, though of course governments have some ability to affect actual domestic prices of the commodities involved, and the extent of pass-through to domestic prices may vary across countries.

To the extent that Guinea Bissau's inflation is greater than other WAEMU countries, it will lose competitiveness vis a vis its neighbors (but not necessarily with its major trading partners since Guinea Bissau's exports consist mainly of cashew, which is not the case with its neighbors). Inflation in the EU zone is well below that in GB, indicating that a real appreciation has in fact occurred vis a vis one of the country's most important trading partners. Given the sharp appreciation of the Euro vis a vis the dollar, it is also clear that GB has experienced a sharp appreciation vis a vis the USA and dollar-linked currencies.

Looking at the historical record (See Figures 2 and 3), Guinea Bissau has been largely free from major shifts in its RER since 1994, a period spanning its civil war and the consequent massive economic upheaval. The post-war period has seen major inflows of foreign assistance, something which would in ordinary circumstances give rise to some symptoms of Dutch Disease. That this did not happen can be attributed to the large amount of excess productive capacity resulting from the approximately 40% drop in GDP during the war. As long as most sectors are in a position to easily expand supply, and/or aid is heavily import-intensive, foreign funded increases in aggregate demand could take place with relatively small inflationary impacts.

This phase is evidently coming to an end given the inflation performance of the past year. Some supply side bottlenecks are becoming apparent and the risk of inflation is consequently higher than before and likely to remain so, particularly given the sharp increases in the prices of important traded goods on the both the export and import sides.

E. Mineral Income and Macroeconomic Stability

The prospect of significant mineral income from phosphate mining, bauxite and possibly oil gives the question of real exchange rate movements particular importance in looking toward the future. Given the estimates that income from these sources could amount to as much as 30% of GDP the possibility of Dutch Disease or Resource Curse distortions are not at all academic – rather, they are a virtual certainty.

Judging from conversations with various government officials, there is no awareness of these issues. Several were aware of the issues associated with transparency in the disposal of mineral income (adherence to the EITI recommendations is discussed below in the context of mineral income) but the idea that even perfectly transparent accounting could nevertheless result in economic problems given the size and distribution of spending was not something that was at all understood.

Briefly, a common pattern would be to see increasing expenditure in the central apparatus of the government and in the capital city, while the inflation occasioned by these expenses resulted in an appreciation of the real exchange rate. The increased costs of inputs such as labor and transport would in turn adversely affect producers of other traded goods (e.g. cashew and rice) who would not themselves benefit from the mineral revenue. Commonly suggested solutions to this problem are to smooth the time profile of expenditures through some offshore savings mechanism and to focus on investments with a major import content and/or that can reduce costs and preserve the viability of activities in which the country has an underlying comparative advantage.

However, a first step is to engage in awareness-raising and educational efforts to alert the government's leading economic policy makers to the issues involved. Seminars using examples from the recent history of other Sub Saharan countries could be quite productive.

III. The Policy Reform Process

A. Policy Reform – The Importance of an Effective Process

While there is a general consensus that significant improvements are required in the policy and regulatory environment in order to facilitate private sector investment and growth, specific efforts for improvement have rarely met with success. Key factors that contribute to the impasse in the reform process include:

1. The internal instability of the Government with frequent changes of ministers and ministerial staffs. This tendency has accelerated since the civil war with several

ministries, including the Ministry of Commerce, experiencing an almost yearly turnover;

2. The ambiguous distribution of power, with the executive authority being split between the elected President and a Prime Minister who is appointed by parliament;

3. The lack of adequate analytical and technical capability within the Government to prepare solid and well reasoned proposals for policy reform;

4. The absence of a structured public-private sector consultative mechanism to achieve consensus on reform priorities and monitor the implementation of reform policies.

A recent World Bank study[4] analyzes the policy reform process in a number of countries (Botswana, Cape Verde, Malaysia, Mauritius, and Taiwan) which have experienced rapid growth and poverty reduction, and concludes that the key element which these countries had in common was the presence of a small dedicated and empowered reform team. These teams shared certain characteristics in that they were apolitical in nature and enjoyed a high degree of autonomy, engaged the private sector but kept them at arm's length, remained one step removed from the political frontline, and had access to resources. This way they were able to avoid being captured by private sector interest groups or by government political factions, and could ensure follow-up on their proposals. This is particularly important in Guinea Bissau given the very high turnover in virtually all high level government positions. The functions of these teams typically included:

- Designing reform strategies which focus on a select number of policy obstacles; the key turned out to be the ability to agree on a set of priority reforms and focus on them, as the capacity to implement many policy reforms at once usually is not present;
- Facilitating and leading an effective policy reform dialogue with the private sector to create a consensus for reform and in the process, identifying and nurturing "champions for change";
- Coaching political leaders and providing them with technical support to enable them to become more effective agents for change;
- Bringing to bear their expertise in conducting critical policy negotiations with and on behalf of domestic and international companies;
- Providing support in mobilizing and allocating resources for the implementation of strategies, particularly by coordinating donor support; and
- Compelling the administration to act by agreeing with the implementing agencies on specific targets, budgets and responsibilities, monitoring their progress and suggesting corrective actions to the national leadership.

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[4] Alberto Criscuolo and Vincent Palmade: *Reform Teams – How the Most Successful Reformers Organized Themselves, World Bank Public Policy for the Private Sector, Note No. 318, February 2008*

The study identifies three key success factors shared by these teams which are: an appropriate mix of skills, an assured and continued access to key government decision makers, and adequate resources. Also, in several of these countries the authorities had decided to install such reform teams during a period of profound change, following independence or civil war.

Currently, there is no such reform entity in Guinea Bissau. At one time, the most closely comparable institution would have been the INEP (*Instituto Nacional de Estudos e Pesquisa* – National Institute for Studies and Research) which played a key role in the preparation of "*Djitu Ten*", the long-term Government Strategy Paper which was formulated in 1996 with a development vision covering a period until 2025. As with other government institutions, INEP has suffered greatly from the civil war and continues to suffer from a lack of financial and human resources; being part of the Ministry of Education it enjoys limited independence or influence and its stability is undermined by frequent turnovers in the Ministry.

The National Cashew Council (NCC) is the institution responsible for advising Government on all issues related to the development of the most important sector of the economy. However, due to its ambiguous organizational structure and inadequate resources it has so far been unable to play an effective coordinating role in developing a development strategy for the sector. Moreover, as a sectoral organization it cannot be counted on to develop proposals for the reform of the general policy and regulatory environment.

The Project Implementation Unit of the Private Sector Rehabilitation and Development Project (PSRDP) increasingly has contributed to the preparation of reform proposals, reaching out to different ministries and constituencies. It has been given the responsibility for review and follow-up of the annual "Doing Business Survey" and so far, it has succeeded in reducing the startup time for new businesses and reducing the corporate income tax. Its role in the reform process has become more visible since its organization of the 2007 public-private sector investment forum. However, this forum has remained without significant follow-up and it is unclear whether the unit can sustain its work beyond the closing date of PSRDP, scheduled for early 2009.

B. Recent Developments

A proposal has been submitted with the African Capacity Building Foundation (ACBF)[5] to establish a "Center for Strategic Transformation and Leadership" which

[5] ACBF was established in 1991 by the World Bank, the African Development Bank and UNDP, and its membership comprises the IMF and 41 African and non-African countries. Its mission is to build and strengthen indigenous capacity in macro-economic policy analysis and development in order to improve the quality of public policy and promote good governance and sustainable development. It has helped set up and finance many of the think tanks and policy units across the continent.

would capitalize on the policy expertise that has been built up in the course of the PSRDP. The proposal calls for the creation of a private, independent and non-partisan center that would:

- Conduct strategic analyses and, through a participatory process involving sectoral organizations and stakeholders, design sectoral development strategies and action plans;
- Conduct regional planning analyses and formulate regional development strategies;
- Analyze public finance procedures to improve budget formulation and public revenue generation;
- Advocate for the implementation of existing recommendations by mobilizing stakeholders; and
- Serve as a repository and custodian of national institutional memory in an environment of frequent changes in government structures.

The mission and role of this center would be directly in line with the vision of *Djitu Ten* which has identified the need for the creation of such a capacity to achieve an improved policy environment. The proposed governance structure of the center calls for linkages with members of the Diaspora, an approach which has proven to be particularly effective in a number of successful reforming countries. If implemented as planned, this center could develop into a solid building block for a sustainable policy reform process.

During its initial phase, the center would be largely dependent on outside financing but as the private sector develops and gains strength, it could evolve into a self-sustaining, independent reform entity, much like the Mauritius Joint Economic Council (JEC) and the *Confederação das Associações Económicas de Moçambique* (Mozambique Federation of Business Associations – CTA). Both these organizations have established themselves as essential and effective partners to their Governments in the pursuit of economic development, and are largely financed by the contributions of their members which include multi-sectoral institutions such as the chambers of commerce, industry and agriculture, and sectoral associations.

C. Next Steps for Continued Policy Reform

The key element that is currently missing in Guinea Bissau's policy reform process and which has led to a situation where reform priorities fail to get addressed or adopted measures fail to get implemented, is the presence of a small dedicated and permanent team of experts that has been tasked to get the job done. The investment in human and physical resources required to make such a team effective would be relatively limited. Far more important would be the buy-in among the highest levels of policy decision makers into the concept and their commitment to make it work.

Once this commitment has been made, it would be useful to examine agencies with a similar mission, ranging from APIX (the *Agence Nationale Chargée de la*

Promotion de l'Investissement et des Grands Travaux) in neighboring Senegal, to the CTA in Mozambique and the JEC in Mauritius. Given the Guinea Bissau environment, the entity should probably consist of a small team of experts with the resources to outsource specific technical assignments to domestic and international experts. The lessons learned from the experiences elsewhere should be adapted to the context of the Guinea Bissau environment and this process should lead to decisions on such key aspects as the appropriate institutional set-up and governance structure, operating procedures, and a work plan for the startup phase.

An essential part of the process would be that the work plan is regularly reviewed and updated and based on a consensus between the administration and the private sector on reform priorities. The reform team should be charged with turning the public-private investment forum into a periodic event to monitor progress achieved on previously adopted reform proposals, and formulate a limited set of specific proposals for policy reform in the upcoming period.

The 2006 DENARP includes a budget line for the reinforcement of macro-economic management capacity. A portion of this budget provision could be allocated to the reform team to be leveraged with donor funding. While it can be envisioned that a combination of government and donor funding would finance the team during its initial years, a financing plan should be developed from the start to provide for the continuation of the team's work once initial donor support has run out. Given the interests at stake and the fact that the business community is an essential stakeholder to the reform process, it should be expected that the private sector gradually takes over an increasing portion of the budget.

Table 1 - Basic Social and Economic Data for Guinea Bissau

	2000	2005	2006
People			
Population, total	1.4 million	1.6 million	1.6 million
Population growth (annual %)	2.8	3.0	2.9
Life expectancy at birth, total (years)	44.5	45.1	..
Fertility rate, total (births per woman)	7.1	7.1	..
Mortality rate, infant (per 1,000 live births)	132.0	124.0	..
Mortality rate, under-5 (per 1,000)	215.0	200.0	..
Births attended by skilled health staff (% of total)	34.7	..	..
Malnutrition prevalence, weight for age (% of children under 5)	25.0	..	..
Immunization, measles (% of children ages 12-23 months)	59.0	80.0	..
Prevalence of HIV, total (% of population ages 15-49)	..	3.8	..
Primary completion rate, total (% of relevant age group)	27.0	..	..
School enrollment, primary (% gross)	69.8	..	..
School enrollment, secondary (% gross)	17.8	..	..
School enrollment, tertiary (% gross)	0.4	..	..
Ratio of girls to boys in primary and secondary education (%)	64.9	..	..
Environment			
Surface area (sq. km)	36,120.0	36,120.0	36,120.0
Forest area (sq. km)	21,200.0	20,720.0	..
Agricultural land (% of land area)	57.9	..	..
CO2 emissions (metric tons per capita)	0.2	..	..
Improved water source (% of population with access)	58.0	..	..
Improved sanitation facilities, urban (% of urban population with access)	57.0	..	..
Economy			
GNI, Atlas method (current US$)	217.4 million	282.4 million	306.9 million
GNI per capita, Atlas method (current US$)	160.0	180.0	190.0
GDP (current US$)	215.5 million	301.1 million	304.5 million
GDP growth (annual %)	7.5	3.5	4.2
Inflation, GDP deflator (annual %)	3.3	7.6	-3.8
Agriculture, value added (% of GDP)	56.4	60.3	61.8
Industry, value added (% of GDP)	13.0	11.7	11.5
Services, etc., value added (% of GDP)	30.6	28.1	26.8
Exports of goods and services (% of GDP)	31.8	37.7	42.2
Imports of goods and services (% of GDP)	51.6	50.8	53.2
Gross capital formation (% of GDP)	11.3	14.6	17.2
States and markets			
Time required to start a business (days)	..	..	233.0
Military expenditure (% of GDP)	4.4	..	..
Fixed line and mobile phone subscribers (per 1,000 people)	8.1	..	..
Internet users (per 1,000 people)	2.2	19.5	..
Roads, paved (% of total roads)	..	..	..
Global links			

Merchandise trade (% of GDP)	56.2	72.4	60.8	
Net barter terms of trade (2000 = 100)	100.0	86.1	..	
Foreign direct investment, net inflows (BoP, current US$)	702.3 thousand	10.0 million	..	
Long-term debt (DOD, current US$)	715.5 million	671.3 million	..	
Present value of debt (% of GNI)	..	289.8	..	
Total debt service (% of exports of goods, services and income)	..	..	..	
Official development assistance and official aid (current US$)	80.3 million	79.1 million	..	
Workers' remittances and compensation of employees, received (US$)	2.0 million	28.0 million	28.0 million	
Source: *World Development Indicators database*, April 2007				

Table 2. Guinea-Bissau: Real Gross Domestic Product by Sector, 2003-06
(Constant 1986 prices)

	2003	2004	2005	2006
	(Percent of GDP)			
Agriculture, fishing and forestry	61.2	59.9	60.3	59.6
Industry (including water and electricity)	9.0	8.9	8.7	9.0
Construction	3.0	3.0	3.0	3.1
Commerce, restaurants, and hotels	16.0	16.6	16.8	16.8
Transport and communications	2.7	2.8	2.7	Banks,
insurance, and other services	0.4	0.4	0.4	0.4
Public administration	7.8	8.4	8.2	8.3
GDP at factor cost	100.0	100.0	100.0	100.0

Source: Ministry of Finance and IMF Staff estimates

Table 3: Tax Revenue 2005-2007 (Millions of CFA)

	2005	2006	2007
Total Receipts	**27,978.0**	**32,106.3**	**26,618.3**
Tax Receipts	**18,333.7**	**18,473.6**	**18,793.0**
Direct Taxes	**4,113.4**	**4,621.7**	**4,710.4**
	0.0		
Indirect Taxes	**14,220.2**	**13,851.8**	**14,082.6**
Taxes on International Transactions	**6,426.0**	**6,807.1**	**7,027.5**
Tariffs (DI)	3,754.4	**4,479.3**	4207.4
Fuel	858.6		
Rice	678.4		
Other Imports	2,217.4		
Export Taxes	0.0		
Cashew export tax	2,009.8	**1,606.2**	1897.9
Customs Services Tax	0.0	**721.6**	
Others	661.8		922.2
Community Solidarity Tax (ICS)	254.1		101.0
Computer Tax (RS-1%)	266.9		102.0
Economic Community Tax (PC-CDEAO)	140.9		51.6

Source: Ministry of Finance and IMF Staff Estimates

Table 4 Guinea-Bissau--External Debt Service
(in millions of CFAF)

	2002	2003	2004	2005	2006	2007
				Budget	Projections	
Exchange rate CFAF/US$ (p.a.)	580.1	527.6	526.6	522.4	478.6	445.9
Scheduled interest	**7,155**	**6,699**	**6,088**	**5,515**	**4,496**	**3,918**
IMF	132	98	64	35	25	15
IDA	1,024	1,032	1,227	1,152	1,034	988
AfDB/ADF	324	292	302	541	487	440
Others	5,675	5,277	4,495	3,787	2,950	2,474
BOAD				25		
BID				179		
BADEA				30		
SAUDI FUND				24		
Others	5,675	5,277	4,495	3,529	2,950	2,474
Scheduled amortization	**16,469**	**19,856**	**21,716**	**19,443**	**14,189**	**12,800**
IMF	910	2,558	2,815	1,545	1,887	1,473
IDA	1,867	2,133	2,625	2,928	2,849	2,874
AfDB/ADF	1,023	782	767	1,633	1,499	1,401
Others	12,669	14,383	15,509	13,337	7,955	7,051
Nigeria Trust Fund				58		
BADEA				70		
SAUDI FUND				79		
KUWAIT FUND				268		
Others	12,669	14,383	15,509	12,862	7,955	7,051
Actual interest	**1,480**	**1,422**	**1,593**	**1,986**	**1,546**	**1,444**
IMF	132	98	64	35	25	15
IDA	1,024	1,032	1,227	1,152	1,034	988
AfDB/ADF	324	292	302	541	487	440
Others	0	0	0	258	0	0
BOAD				25		
BID				179		
BADEA				30		
SAUDI FUND				24		
Others	0	0	0	0	0	0

Actual amortization	**3,816**	**5,487**	**6,221**	**6,581**	**6,246**	**5,749**
IMF	910	2,558	2,815	1,545	1,887	1,473
IDA	1,867	2,133	2,625	2,928	2,849	2,874
AfDB/ADF	1,023	782	767	1,633	1,499	1,401
Others	15	14	14	475	12	0
Debt relief	**4,239**	**4,239**	**4,536**	**5,846**	**5,481**	**5,333**
Interest	***1,348***	***1,324***	***1,406***	***1,578***	***1,418***	***1,345***
IMF	0	0	0	0	0	15
IDA	1,024	1,032	1,104	1,037	931	889
AfDB/ADF	324	292	302	541	487	440
Others	0	0	0	0	0	0
Principal	***2,890***	***2,914***	***3,130***	***4,268***	***4,063***	***3,988***
IMF	**0**	**0**	**0**	**0**	**0**	**0**
IDA	1,867	2,133	2,363	2,635	2,564	2,587
AfDB/ADF	1,023	782	767	1,633	1,499	1,401
Others						0
Change in arrears	18,329	19,646	19,990	16,391	10,893	9,526
Interest	***5,675***	***5,277***	***4,495***	***3,529***	***2,950***	***2,474***
IMF	0	0	0	0	0	0
IDA	0	0	0	0	0	0
AfDB/ADF	0	0	0	0	0	0
Others	5,675	5,277	4,495	3,529	2,950	2,474
Principal	***12,653***	***14,370***	***15,495***	***12,862***	***7,943***	***7,051***
IMF	0	0	0	0	0	0
IDA	0	0	0	0	0	0
AfDB/ADF	0	0	0	0	0	0
Others	12,653	14,370	15,495	12,862	7,943	7,051

Table 5. Guinea-Bissau: Merchandise Exports, f.o.b., 2000-06

	2000	2001	2002	2003	2004	2005	2006 Prel.
			(Millions of U.S. dollars)				
Total merchandise exports	62.1	50	53.6	62.2	75.8	89.6	61.5
Agricultural products	60.7	48.5	49	56.7	73.2	85.1	56.7
Groundnuts	0	0	0	0	0.2	0.1	0.1
Cotton	0.5	1.3	1.6	0.9	0.1	0	0
Cashew nuts	59.8	47.2	47.3	55.7	72.8	84.9	56.5
Other	0.3	0	0	0	0.1	0.1	0.1
Fish products	0.2	0.8	0.1	0.2	0.3	0.9	1
Fish	0	0	0.1	0.1	0.2	0.6	0.7
Shrimp	0.1	0.8	0	0.1	0.1	0.3	0.3
Other	0	0	0	0	0	0	0
Wood products	0.4	0.4	0.9	0.9	0.2	0.2	0.2
Swan wood	0.1	0	0.6	0.6	0.2	0.2	0.2
Logs	0.3	0.4	0.3	0.3	0	0	0
Other	0	0	0	0	0	0	0
Miscellaneous	0.8	0.2	3.6	4.5	2.1	3.4	3.6
Unit prices			(U.S. dollars per metric ton)				
Groundnuts	786	753	655	856	910	769	829
Cotton	59	48	46	63	62	55	58
Cashew nuts	817	600	546	581	721	747	613
Fish	452	530	646	650	693	744	1,074
Shrimp	3,029	3,098	3,121	3,304	3,304	3,304	4,769
Swan wood	285	283	273	284	324	328	342
Logs	181	158	146	146	174	182	187

Table 6. Guinea-Bissau: Merchandise Imports, c.i.f.., 2000-06

	2000	2001	2002	2003	2004	2005	2006 Est.
			(Millions of U.S. dollars)				
Total merchandise imports	86.3	95.2	85.4	85.8	116.2	123.4	134.1
Foodstuffs	21.5	14.8	17	25.8	19.1	26.5	31.2
Rice	13.9	9.2	11.8	18.2	12.7	16.8	14.8
Wheat flour	1.5	1.2	1.4	2.5	1.8	3.4	5.5
Sugar	0.4	0.2	0.7	0.7	0.8	1.3	3.8
Oil	2.8	1.1	1.5	2.1	1	1.3	1.8
Dairy products	0.5	0.5	0.4	0.5	0.9	0.8	1.9
Others	2.5	2.7	1.1	1.8	1.9	3	3.4
Beverages and tobacco	6	4.9	4.9	5.5	4.9	6.9	6.6
Other consumer goods	4.7	4.1	3.9	5	9.8	9.3	10.4
Clothing and shoes	0.5	0.4	0.3	0.6	1.5	0.8	0.5
Durable consumer goods	2.8	3.7	3.7	4.5	5.7	3.7	4.7
Nondurable consumer goods	1.4	0	0	0	2.6	4.8	5.2
Petroleum products	4.7	5.5	5.5	8.7	12.5	16.7	21.1
Diesel and gasoline	4.4	5.1	5	7.7	8.9	13.8	19.2
Gas	0.1	0.2	0.2	0.3	1.4	0	0
Other	0.3	0.2	0.2	0.7	2.2	2.8	1.9
Construction material	6.5	2.8	4.2	7.2	12.5	7.6	7.4
Transport equipment	9.4	6.3	4.5	4.9	10.2	7.5	8
Passenger vehicles	5.2	4.5	3.2	3.4	7.5	5	5.8

Freight vehicles	3.4	1.4	1	1.1	2.1	2	1.5
Vehicle parts	0.9	0.3	0.3	0.5	0.6	0.5	0.7
Electrical equipment/machinery	5.4	3.7	2.3	6	10.6	7.4	5.4
Parts, accessories, and others	0.2	1	0.7	1.6	0.2	1	3.4
Nonregistered trade	27.9	52.1	42.4	21.1	36.4	40.6	40.5

Source: Central Bank of West African States, and IMF staff estimates.

Table 7. Guinea-Bissau: Direction of Trade, 2000-06
(Percent of total)

	2000	2001	2002	2003	2004	2005	2006
Exports							
Industrial Countries	4.2	3.8	9.8	13	27.4	4.3	2.8
France	0.7	0	0.2	0.3	0	0	0
Netherlands	0.1	0	0	0.2	0.4	0.3	0
Portugal	1.1	1.8	2.9	2.6	0.8	1.1	1
Spain	0	0	0.3	0.1	0	0	0
United States	0.4	0	0	2.6	22.2	0.2	0.3
Other	1.9	2	6.3	7.4	4	2.7	1.5
Africa	1.5	2.4	4.5	19.1	15	21.4	18.4
Cape Verde	0	0	0.1	0.1	0.1	0.1	0.1
Gambia, The	0.1	0.1	0.1	0.2	0.1	0.2	0.2
Guinea	0.2	0.5	0.8	1.9	0.2	0.3	0.3
Nigeria	0.7	0.4	2.5	15.7	13.2	19	17.3
Senegal	0	0	0	0.9	1.1	1.5	0
Other	0.5	1.4	1.1	0.3	0.2	0.4	0.6
Asia	48	77	61.7	62.5	54.1	69.7	74.7
China	0	0	0	0.1	0	0.2	0
Thailand	0.2	31.2	23.8	0	0.2	0	0
India	45	44.5	36.1	62.3	52.2	67.4	72.7
Other	2.9	1.2	1.8	0	1.6	2.1	2
Other	46.2	16.9	23.9	5.3	3.5	4.5	4.1

Total	100	100	100	100	100	100	100
Imports							
Industrial countries	47.2	41.6	46	36.6	32.3	45.1	43.3
France	3.6	2.6	2.5	2.7	2.2	2.5	2.9
Germany	1.5	1.7	2.7	0.7	0.6	0.5	0.9
Italy	2	2.1	3.4	8	3.7	20.4	12.2
Netherlands	3.1	3.4	3.6	2.9	4	3	3.5
Portugal	26.8	20.7	20.9	13.3	13.8	12.7	17.6
Spain	1.2	1.8	2.5	404	2.3	1.2	1.6
Sweden	0.2	0.4	0.2	0	0.9	0.3	0.5
United Kingdom	1.8	2.2	1.8	0.9	0.8	0.3	0.7
Other	7.1	6.5	8.5	3.7	3.9	4.1	3.5

Source: IMF Article IV Statistical Annex, November 2007

Table 8: Balance of Payments 2005-2007 (Billions of CFA)

	2005	2006	2007
Goods and services	-26.8	-54.8	-35.6
Goods	-8.7	-34.2	-23.4
Exports, f.o.b	47.2	29.0	31.7
Of which: cashew nuts	44.7	26.6	29.0
Imports, f.o.b	-55.9	-63.2	-55.1
Of which: food products	-26.7	-34.3	-27.1
Of which: petroleum products	-16.8	-23.2	-19.3
Services (net)	-18.1	-20.6	-12.2
Credit	2.6	4.7	4.4
Debit	-20.7	-25.3	-16.5
Income (interest scheduled)	-6.3	-4.5	-3.3
Current transfers (net)	25.0	35.8	30.2
Official [1, 2]	12.1	21.6	17.0
Of which: balance of payments support grants	5.1	10.2	17.0
Of which: EU fishing compensation	4.8	4.8	0.0
Private	12.9	14.2	13.2
Of which: fishing license fees	2.8	2.4	0.0
Current account			
Including official transfers	-8.0	-23.5	-8.7
Excluding official transfers	-15.4	-40.3	-25.7
Excluding official transfers and interest payments	-9.1	-35.8	-22.4
Capital and financial balance	-5.4	4.8	7.3
Capital account [3]	23.7	17.4	12.1
Financial account	-29.1	-12.6	-4.7
Official medium- and long-term disbursements	6.2	8.8	11.6
Balance of payments support	0.0	0.0	0.0
Projects	6.2	8.8	11.6
Scheduled amortization	-17.9	-12.3	-11.3
Treasury bills and regional financing	10.0	-1.1	-1.3
Commercial bank net foreign assets	3.1	-4.6	1.1
Private net foreign assets and errors and omissions [4]	-30.5	-3.4	-4.8
Overall balance	-13.4	-18.7	-1.3
Financing	13.4	18.7	1.3
Net foreign assets (increase -) [4]	-10.3	3.0	-10.5
Of which: net IMF credits	-1.1	-2.2	-1.9
Purchases and loans	0.0	0.0	0.0
Repurchases and repayments	-1.1	-2.2	-1.9
Debt relief	5.3	4.9	3.4

Change in debt-service arrears (decrease -)	17.1	10.9	9.5
Gross Financing gap	0.0	-0.1	-1.1
Of which: net IMF credits			
Memorandum items			
Export volume growth (percent)	0.8	-18.3	14.1
Import volume growth (percent)	16.7	16.3	-15.5
Scheduled debt service			
Percent of exports and service credits	48.5	49.8	40.6
Percent of total government revenue	86.4	53.3	55.0
Trade balance (Percent of GDP)	-16.9	-34.1	-20.7
Current account balance (percent of GDP)			
Including official transfers	-5.1	-15.9	-5.6
Excluding official transfers	-9.8	-30.6	-16.7
Stock of external arrears, end of period	152.6	163.4	173.0
Overall balance (percent of GDP)	-8.4	-11.6	-0.8
Gross Financing gap (percent of GDP)	0.0	-0.1	-0.6

Sources: BCEAO and IMF staff estimates and projections.

[1] Including food aid and technical assistance to projects.
[2] For 2007, official transfers excludes Angola.
[3] Excludes proposed 2008 EPCA drawings.
[4] Excludes the financing gap, BCEAO includes the finacing gap in the capital account .

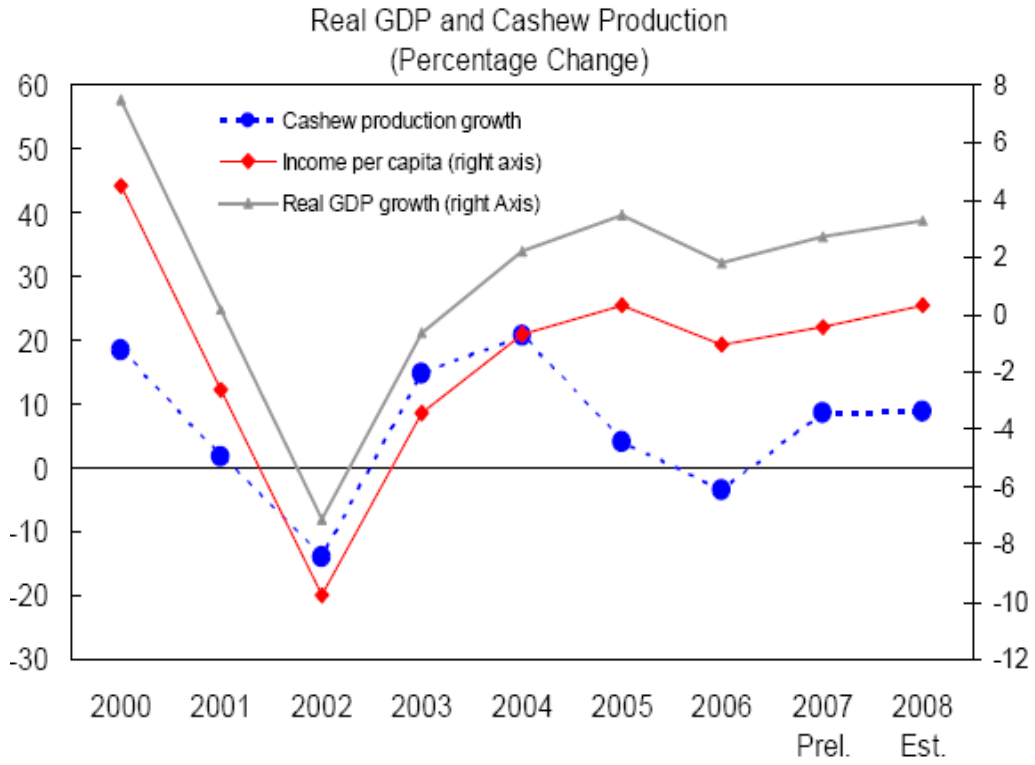
Table 9. Guinea-Bisaau: Output of Main Crops, 1997-2006
(Thousands of metric tons)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Rice	137.8	124	138.7	80.2	88.4	87.9	88.3	89.1	98.3	106
Other cereals	61.8	55.6	59.4	62	75.8	66.8	58.9	75.4	79.5	83.6
Manioc	31.7	32	32	32	34	34	38	38	38	38
Sweet potatoes	22.5	14.6	25.7	26.8	27.8	29.2	29.6	29.3	29.3	29.3
Coconut	45	45	45	45	45	45	45	45	45	45
Sugarcane	72.5	48.4	24.4	25	25.6	26.9	27.2	28.3	29.4	30.4
Vegetables	9.2	7	7.4	7.5	7.7	7.9	8	8.2	8.3	8.5
Fresh fruit	327.4	278.3	333.9	283.9	340.6	289.5	247.4	295.3	354.4	301.2
Of which:										
cashews	258.5	195	308	87.6	91.1	94.8	98.6	102.5	106.6	103
Cashew nuts	51.7	39	65	77	78	87.9	87.9	87	97	93.7
Groundnuts	15.8	12	12.5	16.2	16.7	17.2	17.7	18.2	18.8	19.3
Cotton	0.6	1.8	1.4	1.9	1.6	1.6	4.5	4.5	2.7	2.7

Source: Ministry of Agriculture and IMF Article 4 report, November 2007

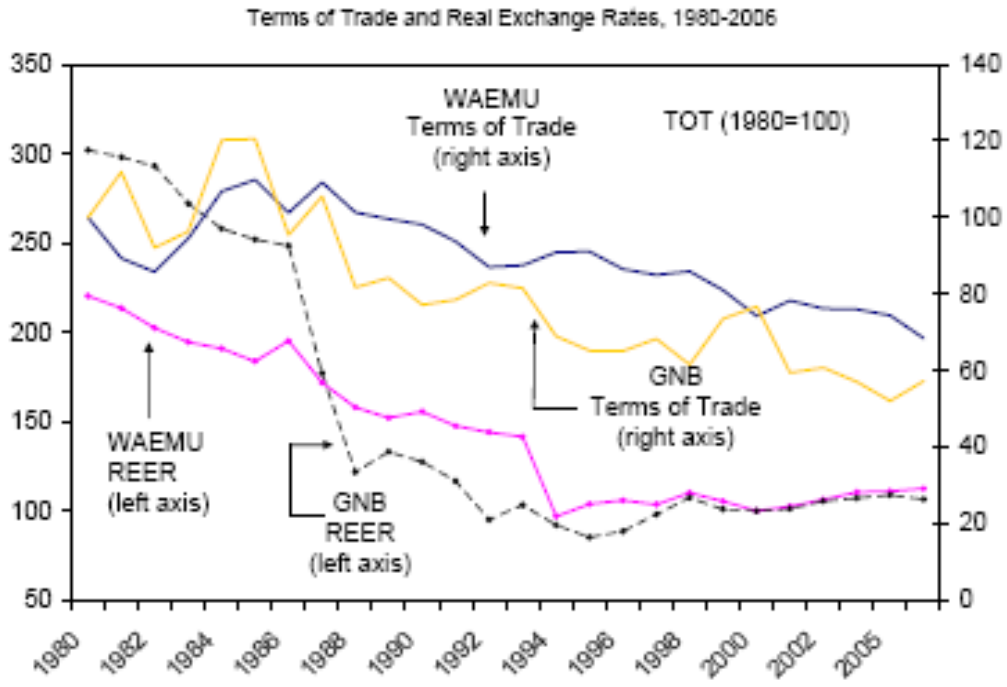
Figure 1: Map of Guinea Bissau

Figure 2



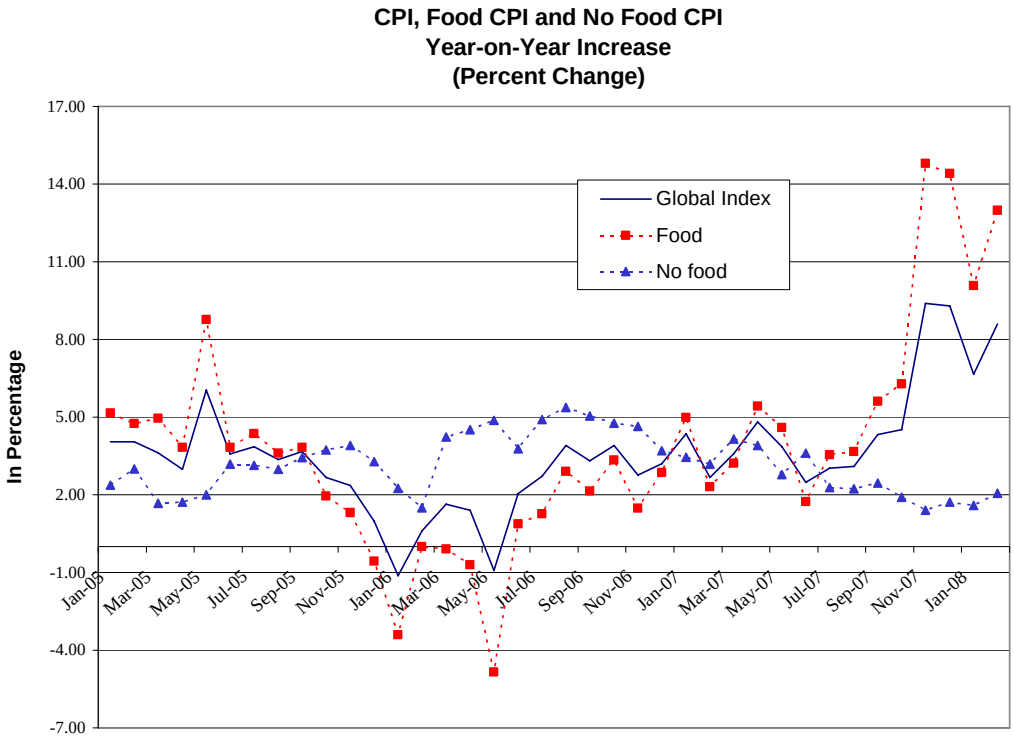
Source: IMF

Figure 3



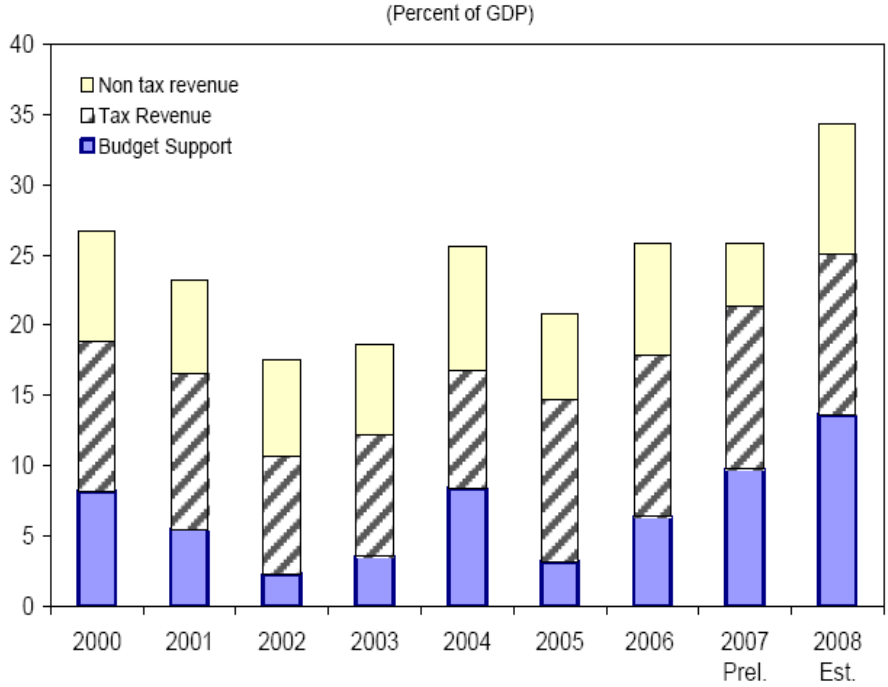
Source: IMF Article IV Report, August 2007

Figure 4



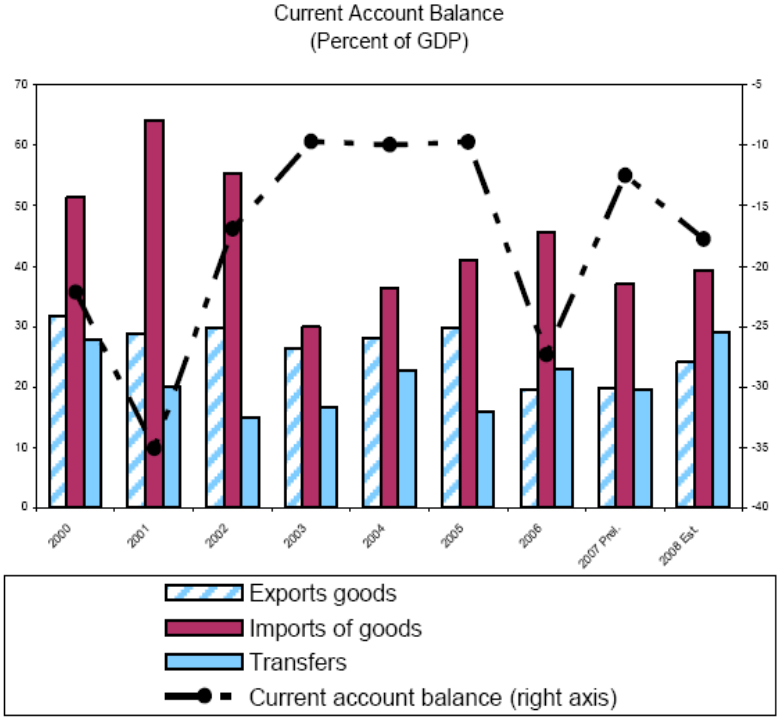
Source: IMF

Figure 5 Sources of Revenue



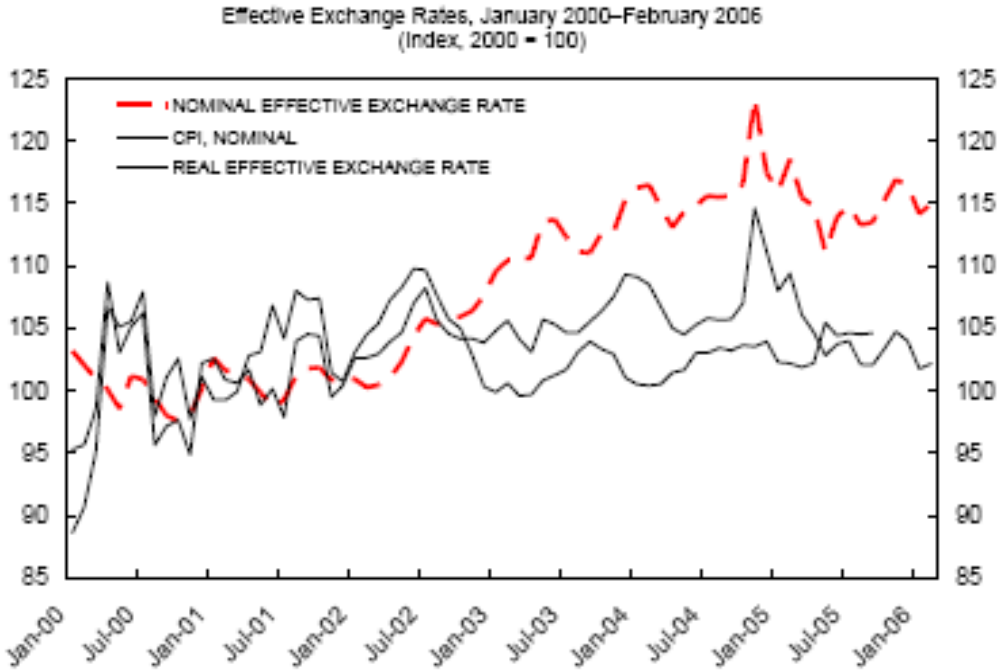
Source: IMF

Figure 6



Source: IMF

Figure 7



Source: IMF Article IV Report, August 2007

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