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GUINEA-BISSAU

Decision Point Document Under the Enhanced Initiative for Heavily Indebted Poor Countries

Prepared by the Staffs of the Fund and IDA[1]

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Guinea-Bissau: List of Acronyms and Abbreviations

Acronym	Meaning
AfDB	African Development Bank
AfDF	African Development Fund
BADEA	Banque Arabe pour le Développement Economique en Afrique
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BOAD	West African Development Bank
CFAF	*le franc de la Communauté financière africaine*
DDRO	Domestic Debt-Reduction Operation
DRRP	Demobilization, Reinsertion, and Reintegration Program
DSA	Debt-Sustainability Analysis
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
ERRC	Economic Rehabilitation and Recovery Credit
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FUNDEI	Small and Medium Enterprises Development Fund
HIPC	Heavily Indebted Poor Country
ICOF	*Inquérito ao Consumo e Orçamentos Familiares (Household Survey)*
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
I-PRSP	Interim Poverty Reduction Strategy Paper
IsDB	Islamic Development Bank
MDB	Multilateral Development Bank
NHDP	National Health Development Program
NPV	Net Present Value
OHADA	Organisation pour l'Harmonisation en Afrique du Droit des Affaires
OPEC	Organization of the Petroleum Exporting Countries
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SSA	Sub-Saharan Africa
UICN	Union Internationale pour la Conservation de la Nature
WEO	World Economic Outlook
WAEMU	West African Economic and Monetary Union

I. INTRODUCTION

1. This paper presents a decision point assessment of Guinea-Bissau's eligibility for assistance under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC). The Executive Boards of the IDA and IMF discussed the preliminary HIPC document for Guinea-Bissau (IDA/SecM98-126 of 3/27/98 and EBS/98/62 of 3/30/98) on April 3 and 6, 1998, respectively, and the update on the preliminary HIPC document (IDA/R2000-192 of 11/9/2000 and EBS/00/218 of 11/7/2000) on November 16 and 20, 2000, respectively. During the discussion of the preliminary HIPC document and its update, Directors made a preliminary determination that Guinea-Bissau is eligible for assistance under the enhanced HIPC Initiative in view of its (a) high level of indebtedness and external vulnerability; (b) satisfactory track record under the three successive annual ESAF arrangements between 1995 and 1998; (c) broadly satisfactory performance under the program supported by the Fund's post-conflict assistance in 1999-2000 and the progress made under the IDA-financed ERRC. Directors noted that Guinea-Bissau was one of the poorest countries in the world, with social indicators that were among the weakest in sub-Saharan Africa. Directors stressed the importance of maintaining sound macroeconomic policies and emphasized the need for improving governance, carrying out the demobilization and reintegration of ex-combatants, developing the private sector, and reallocating public expenditures towards activities that promote growth, reduce poverty and enhance access to social services.

2. A second ESAF arrangement for the period 1998-2001 could not be presented to the Board owing to the brief but violent conflict that erupted in June 1998. However, after the conflict, the Fund's Executive Board approved emergency post-conflict assistance in two stages (on September 14, 1999 and January 7, 2000), for a total of SDR 3.55 million (25 percent of quota),[2] and the IDA Board approved the Economic Rehabilitation and Recovery Credit (ERRC) on May 16, 2000, for SDR 18 million, to support Guinea-Bissau's National Reconciliation and Reconstruction Program.[3]

3. The remainder of the document is organized as follows. Section II presents an assessment of eligibility under the enhanced HIPC Initiative and an overview of the macroeconomic and structural adjustment record. Section III discusses the medium-term policy challenges and outlook. Section IV summarizes the recent evolution of poverty and presents the main elements of the authorities' overall strategy for poverty reduction. In Section V, an update of the debt sustainability analysis (DSA) is provided, while Section VI outlines the profile of assistance under the enhanced HIPC Initiative, summarizes the proposed floating completion point triggers, which have been agreed with the authorities, and reports on the consultation with Guinea-Bissau's bilateral and multilateral creditors. Finally, Section VII contains issues for discussion by Executive Directors.

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[2] See EBS/99/163 of August 23, 1999; EBS/99/238 of December 27, 1999.
[3] IDA/R2000-59 of April 25, 2000.

II. ASSESSMENT OF ELIGIBILITY

A. PRGF and IDA Status

4. Guinea-Bissau is currently a Poverty Reduction and Growth Facility (PRGF)-eligible and IDA-only country; GDP per capita in 1999 was US$185. Poverty in Guinea-Bissau is widespread and severe. The country ranks 169th (out of 174 countries) in terms of the United Nations Development Program 2000 Human Development Index. The latest Poverty Assessment (1994)[4] found that about 88 percent of the population in Guinea-Bissau subsists on less than US$1 per day and that 26 percent of Guineans live in extreme poverty.[5] The majority of the poor live in rural areas and are mostly self-employed. Finally, income distribution is highly unequal; the share of income held by the poorest 20 percent was estimated at about 2 percent in 1994.[6] Very limited access to basic social services further aggravates poverty in Guinea-Bissau: about 94 percent of the poor live more than one hour away from primary schools, health centers, food markets, or bus/taxi stands, while about 80 percent of the poor (70 percent of the population) have never had any access to formal education.

B. Macroeconomic and Structural Adjustment Record

5. Guinea-Bissau made significant progress in stabilizing its macroeconomic and financial situation under the 1995-98 ESAF, which was implemented in a satisfactory manner. In the area of structural reform, the authorities introduced a comprehensive tax reform (including the adoption of a generalized sales tax), adopted a new customs tariff scale, improved public expenditure management, rationalized the civil service, progressed on public enterprise reforms, and made banking laws and regulations consistent with those in the CFA franc zone. Public expenditure was reallocated to social sectors to help address the deteriorating trends in socioeconomic indicators. At the same time, the institutional framework for monetary stability was strengthened by membership in the West African Economic and Monetary Union (WAEMU) in May 1997. Under the program, as a result of structural reforms and restored macroeconomic stability, annual real GDP growth reached 2 percent on a per capita basis during 1995-97, about twice the rate in sub-Saharan Africa.

6. After the end of the 11-month conflict that erupted in mid-1998, there has been important progress on the economic and political fronts. On the economic front, the Government has concentrated its efforts on restoring macroeconomic stability, rebuilding its administrative capacity, reconstructing infrastructures, and advancing with structural reforms. On the political front, significant progress has been achieved in terms of domestic reconciliation and political stability particularly through legislative and presidential elections held as planned in November 1999 and January 2000; a new administration, headed by a leader of the opposition Social Renovation Party, took office in February 2000 on the basis of a broad political coalition with other parties.

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[4] World Bank: Republic of Guinea-Bissau*:* Poverty Assessment and Social Sectors Strategy Review (3 volumes), 1994.

[5] Extremely poor are defined as those with mean per capita expenditures of less than one-third of the national mean.

[6] On the basis of the 1992 Priority Survey, the Gini coefficient was 0.56.

7. Performance under the program supported by the Fund's post-conflict assistance and IDA's ERRC has been broadly satisfactory. As of June 2000, Guinea-Bissau met all program quantitative indicator targets except for those on external debt service and made progress in the area of structural reform. Structural reform policies focused on tax policy, budget management, demobilization, and domestic debt reduction. In the area of tax policy, the Government resumed the implementation of the comprehensive reforms enacted prior to the conflict. In addition, the authorities made significant efforts to reestablish the administrative capacity of customs and made progress regarding convergence towards the WAEMU common external tariff. In March and October 2000, a review of public expenditure procedures and budget management practices was finalized and measures identified to strengthen budgetary execution. Moreover, in order to strengthen public sector procurement, an action plan for its comprehensive reform was approved in June 2000 and is in the process of being implemented. As for the Demobilization, Reinsertion, and Reintegration Program (DRRP), necessary upstream work was concluded in March 2000, and actions launched for mobilization of required technical assistance and financial support. With regards to the Domestic Debt Reduction Program, the required institutional context was established and the preparation of a sound manual of procedures was launched. The authorities also made significant progress in reconstruction activities, which allowed most of the displaced population to return to their places of origin, and gradually resume the provision of basic services.

8. As a result of the implementation of the authorities' post-conflict economic and financial program, economic indicators improved after the end of the conflict. After contracting by 28 percent in 1998, real GDP recovered in 1999 by almost 8 percent; at the same time, the consumer price index declined by about 2 percent. The current primary fiscal deficit of over 6 percent of GDP recorded in 1998 turned into a surplus of over 3 percent of GDP in 1999. Exports recovered strongly, although rapid import growth and a large outflow of private sector capital led to a loss of net foreign assets. At the same time, however, owing mainly to the difficult fiscal situation, domestic and external payments arrears continued to accumulate; as of end-1999, domestic arrears amounted to about 9 percent of GDP and external arrears reached US$214 million, equivalent to almost 100 percent of GDP (of which about one-sixth is owed to multilateral institutions).

9. Progress has continued in 2000, particularly after the approval of the ERRC and in part as a reflection of measures taken by the authorities in anticipation of their request for a three-year PRGF arrangement. In the area of structural reform, the authorities have taken measures to start addressing the problems in the banking and energy sectors; enhance budget implementation and monitoring; strengthen revenues; initiate the demobilization and reinsertion program; and improve the business environment in the cashew sector. Real GDP growth in 2000 is expected to reach almost 9 percent. An increase in spending related to the regularization of conscripts into the army at end-1999, and essential spending in reconstruction and the social areas will result in a worsening of the fiscal balance. In addition, a temporary deterioration of the fiscal stance during the first quarter—related to a large net repayment of domestic arrears—and the associated rapid monetary expansion resulted in upward pressure on prices between December 1999 and April 2000. Tighter financial policies have been in place in the last few months, leading to a drop in the level of consumer prices after May 2000; as of September 2000, the 12-month inflation rate stood at 11.9 percent. Net foreign assets expanded in the first half of 2000.

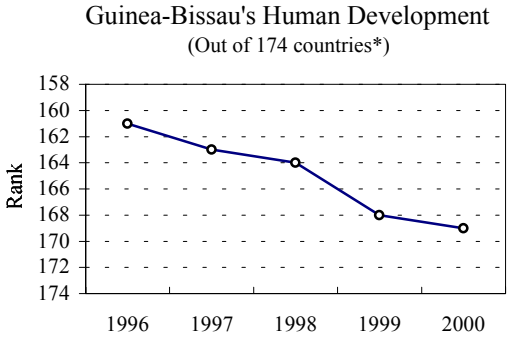
10. Bank and Fund staffs believe that the authorities have established a sound track record of policy implementation. The programs supported by the Fund's Enhanced Structural Adjustment Facility (ESAF) and post-conflict assistance and under the IDA-financed ERRC were implemented in a broadly satisfactory manner, despite the country's difficult circumstances. At the same time, the commitments and objectives established by the authorities in requesting a new three-year program supported by the Poverty Reduction and Growth Facility (PRGF) provide a solid policy framework for the medium term. An I-PRSP aimed at reducing poverty, promoting sustainable growth, and ensuring lasting peace has been prepared, based on a broadly-based participatory process, and submitted to the Boards of IDA and the Fund. The I-PRSP proposes policies that, if properly implemented, should enable the authorities to achieve the stated objectives.

III. MEDIUM-TERM POLICY CHALLENGES AND OUTLOOK

A. Policy Challenges

11. In designing their medium-term policy framework, the authorities of Guinea-Bissau had to address three major challenges: the severity of poverty, the adverse impact of the 1998–99 conflict, and the economic vulnerability inherent to the country's extremely narrow production and export base.

12. **The poverty challenge:** Even within the regional context, the country's average income is very low, aggravated by its highly uneven distribution (see Section IV below). The reduction of poverty in a lasting manner will take time. Against this background, immediate emphasis needs to be placed on increasing access to and the quality of basic social services, improving governance, and establishing the macroeconomic and structural framework for achieving sustained broad-based, private sector-led growth.



Source: UNDP, *Human Development Reports 1996-2000.*
* In 1997, the Human Development Index included 175 countries.

13. **The post-conflict challenge:** Following the military conflict in 1998–99, legislative and presidential elections were held—widely considered to have been free and fair—and a broad coalition of former opposition parties was formed in late February 2000. The new Government had to immediately address a large array of pressing economic problems, a task that was complicated by the fact that, following the 1998–99 events, (a) public finances were burdened with higher military outlays (largely caused by the regularization of conscripts); (b) the country's infrastructure was severely damaged; (c) and the provision of basic public goods was interrupted. The quality of the commercial banking system's assets deteriorated significantly, and the resulting lack of credit severely curtailed economic activity, already hampered by frequent and lengthy power outages. In addition, in spite of progress achieved on the political front, the situation remains fragile due to the still visible influence of the military and apparent unease in

relations between the civilian elected Government and part of the military establishment, noticeably tense relations within the existing coalition, and an unstable regional environment.

14. **The vulnerability challenge:** Guinea-Bissau's economic development over the last 15 years has largely hinged on the exports of cashew nuts, which have grown between 1985 and 2000 at an average annual rate of about 15 percent, and today represent almost 95 percent of export revenues. Consequently, any negative exogenous shock in the cashew nut sector would reverberate throughout the entire economy. Thus, in order to reduce the country's exposure to external risks, the Government is committed to pursuing policies that are aimed at broadening the country's economic base by creating a framework that is conducive to private sector investments and, hence, diversification and sustainable economic growth.

B. The Medium-Term Policy Framework

15. In view of its current situation, Guinea-Bissau's medium-term policy framework consists of two distinct periods. The first year of the program (2000–01) will be a transition period, during which the fiscal balance is expected to worsen, owing to (a) essential reconstruction efforts; (b) investments in social priority sectors; and (c) the temporary increase in military spending, reflecting the 1999 regularization of conscripts into the army (which the authorities consider a crucial element in their efforts to maintain peace). At the same time, the demobilization and civil service reform programs will be initiated and structural reform will be pursued in the areas of divestiture of public enterprises, banking, and energy. During the subsequent phase (2002–03), the fiscal balance is expected to improve, even as social expenditures continue to increase, based on (a) improved revenue collection; (b) savings made on account of both the demobilization and civil service reform programs; and (c) increased resources due to assistance under the enhanced HIPC Initiative.

16. Guinea-Bissau's I-PRSP presents an overall medium-term strategy that takes into account the policy challenges discussed above. The authorities' overall objectives are to ensure sustainable growth, reduce poverty and enhance access to social services, and achieve a sustainable external position. In particular, the key elements of the authorities' strategy are (a) the implementation of prudent demand-management policies; (b) the reorientation of the budget toward poverty-reducing expenditures; (c) the adoption of a structural reform program; and (d) the regularization of relations with external creditors.

17. The quantitative objectives of the program for 2000-03 are to (a) achieve GDP growth of 8-9 percent a year; (b) reduce average annual inflation from an expected 10 percent in 2000 to a level consistent with Guinea-Bissau's membership in the CFA franc zone; and (c) contain the external current account deficit. Projected real GDP growth during 2001-03 is in line with growth rates observed in 1999 and expected in 2000, and would bring real GDP back to its 1997 level by 2003. The projected growth of real GDP in 2001-03 reflects (a) the recovery after the armed conflict; (b) the strengthening of private sector confidence—both domestic and foreign—on the basis of the prudent macroeconomic policies; (c) the removal of bottlenecks to growth in the energy and banking sectors (on the basis of the structural reform program); (d) the normalization of relations with external creditors; and (e) the positive effects of entry into the WAEMU zone. Investment is expected to expand strongly in 2001 to over 23 percent of GDP—also reflecting intense reconstruction activity—and is expected to increase in line with GDP thereafter. Although gross domestic dissaving is projected to increase temporarily in 2000 as

consumption continues to recover after the war, savings will improve later and will reach positive levels in 2002 as private confidence continues to build up. Foreign savings are expected to increase to about 25 percent of GDP in 2001, reflecting intensified donor assistance—related in part to reconstruction efforts—and it will decline to about 21 percent of GDP in 2002-03. Stronger savings and investment will allow real GDP to grow by about 4 percent per year in per capita terms in the medium term.

IV. POVERTY REDUCTION POLICIES

A. Recent Poverty Trends

18. Following improved economic policies and structural reform measures since 1994, the authorities were able to achieve an improvement in key socioeconomic indicators. Real per capita GDP growth averaged more than 2 percent annually during 1995–97, about twice the SSA average rate. The gross primary school enrollment ratio increased by about three percentage points, to 62 percent in 1998. The immunization coverage was broadened and infant mortality dropped. However, and in spite of this initial progress, the country's situation continued to be very difficult, and most indicators still remained well below the average recorded for the rest of SSA (see Box 1). Lack of more recent poverty data prevents a more detailed assessment of the effect on poverty of the important events of the past decade, including reforms, integration into the WAEMU, and the recent conflict.

Box 1. Selected Comparative Basic Social Indicators, 1997

	Guinea-Bissau	SSA
Life expectancy at birth (in years)	44	50
Infant mortality (per 1,000 live births)	130	92
Access to safe water (in percent of population)	53	47
Of which: rural population	57	32
Access to sanitation facilities (in percent)	21	47
Of which: rural population	17	…
Illiteracy (percent of population >15 years)	66	42
Male	50	34
Female	82	50
Gross primary enrollment (percent of school-age population)	62	72
Male	79	84
Female	45	69

Source: World Bank, African Development Indicators 2000.

19. The improvement in key macroeconomic and social indicators was reversed by the effects of the armed conflict in 1998–99. In addition to the strong contraction of GDP, which led to a decline in real income per capita of about 30 percent in 1998, rural income-generating activities came to a halt and the provision of basic social services was significantly disrupted. The gross primary school enrollment ratio fell by about five percentage points to 57 percent, and the proportion of vaccinated infants dropped significantly. Moreover, problems of hygiene, sanitation, and nutrition drastically intensified, while the incidence of sexually transmitted diseases increased considerably. The authorities' efforts to restore a stable political situation, to rehabilitate damaged infrastructure, and to encourage economic recovery following the end of the armed conflict have helped to arrest the deterioration in social indicators and poverty conditions. Real GDP growth recovered and is estimated to have reached 8 percent in 1999, while food supplies improved noticeably. Nevertheless, much remains to be done regarding the reconstruction of social infrastructure, the clearance of mines and the resumption of basic social services, including water and energy.

B. Overall Strategy for Poverty Reduction

20. The Government's strategy for 2000–03 is laid out in the I-PRSP and the associated policy matrix. The Government plans to implement a four-pronged strategy focused on (a) creating conditions for rapid and sustained growth; (b) increasing access to basic social goods; (c) implementing targeted programs aimed at mitigating poverty; and (d) promoting good governance. The medium-term policy framework will be elaborated in more detail in the context of the preparation of the full PRSP, which will also include an action plan to improve the statistical database on poverty conditions, establish expenditure monitoring mechanisms, and full costing of priority programs.

Creating conditions for rapid and sustained growth

21. For the medium and long term, the authorities expect average annual growth to remain at about 6 percent per year, on the basis of a strategy to promote a broad-based private sector-led growth, export diversification, and structural reform. This rate is considered possible in view of the low degree of utilization of available resources. However, as indicated by the authorities in their I-PRSP, even with these rapid growth rates, poverty levels would still remain high in the medium and long term.

22. The Government's strategy emphasizes rapid and sustained growth with equitably distributed benefits as a way to tackle poverty reduction. In particular, the authorities recognize that there are many areas with significant growth potential that remain undeveloped. At present, for example, only about one-third of arable—and typically quite fertile—land is cultivated, usually in small, manually cultivated family plots. Moreover, unexplored comparative advantages, for example in tropical fruits, also offer interesting business opportunities. The planned introduction of the land law and the revision of the 1997 Letter of Agricultural Development Policy are expected to create an appropriate policy framework to promote rural development, which will imply the mobilization of considerable donor support. In this context, the Government plans to take action to (a) address human capital limitations imposed by the farmers' skill shortages and their poor health status; and (b) improve access to productive assets related to land tenure, technology, rural infrastructure, and the availability of farm credits. The

authorities will also need to implement measures to prevent environmental degradation associated with deforestation, fisheries depletion, and soil and coastal degradation. In the medium and long term, agriculture, including fishing and forestry, agri-business, and tourism offer attractive growth opportunities to achieve much needed diversification of the country's productive and export base, critical for the reduction of poverty and the attenuation of vulnerability.[7]

23. Sustained long-term and broad-based economic growth will depend on achieving adequate levels of private sector investment. The Government has initiated a policy program aimed at (a) improving the environment for private sector development; and (b) promoting enhanced competitiveness. In this context, legal and regulatory reforms are being prepared that will streamline business registration procedures, eliminate unnecessary bureaucratic obstacles to private sector activities and modernize business laws; they will also ensure compatibility with OHADA provisions. Moreover, the authorities plan to take a series of medium-term actions targeted at raising the competitiveness of the private sector, including (a) improving the availability, quality, and cost of public infrastructure services, particularly in the energy, port, and telecommunications sectors (through increased private participation); (b) reducing the cost of doing business (by means of improved public/private interface in key areas such as the courts and customs); (c) creating new opportunities for the private sector in areas previously reserved for the state, including the privatization or liquidation of remaining public enterprises, as well as contracting out selective public services; (d) laying the foundations of a sound financial system, by ensuring compliance with prudential ratios, addressing the difficult situation of the largest commercial bank, and developing micro-finance schemes; and (e) implementing a comprehensive plan to settle audited and validated domestic arrears under the framework established by the recently approved manual of procedures. Significant donor support has been mobilized in order to assist the Government in these areas.

Increasing access to basic social services

24. Improvement in the delivery and in the quality of education and health services is a key component of the authorities' strategy to strengthen human development and reduce poverty. To meet its objectives, the Government has decided to focus its policy actions on increasing the population's access to primary education and basic health care services, recognizing that this will imply an important reallocation of public resources to shift priorities away from the military and increasingly toward poverty-related spending: as a share of GDP, current primary fiscal expenditures in the social sectors, mainly on education and health, are planned to double from 2.4 percent in 1999 to 4.8 percent in 2003 (see Box 2). As a share of current primary fiscal expenditures, spending on education and health is expected to increase from less than 17 percent in 1999 to approximately 29 percent in 2003.

[7] As for tourism development, the authorities could develop new income and employment opportunities while conserving bio-diversity, particularly given the richness of natural endowments; see for example, the 1997 study of the Bijagos Biosphere Reserve, prepared with the support of the International Finance Corporation (IFC).

Box 2. Guinea-Bissau: Change in Budget Composition, 1999-2003

(In percent of GDP)

	1999 Act.	2000 Prog.	2001 Proj.	2002 Proj.	2003 Proj.
I. Without program and HIPC Initiative support:					
Current expenditures in social sectors	2.4	2.6	2.9	2.9	2.7
Current expenditures in military	3.8	4.1	3.8	3.6	3.4
Capital expenditures in poverty related activities	9.4	10.3	7.1	5.1	4.9
Of which: demobilization	0.0	0.9	0.0	0.0	0.0
II. With program and HIPC Initiative support:					
Current expenditures in social sectors 1/	2.4	3.0	3.9	4.4	4.8
Current expenditures in military	3.8	4.1	3.5	2.9	2.7
Capital expenditures in poverty-related activities 2/	9.4	10.3	12.7	11.9	12.3
Of which: demobilization	0.0	0.9	3.2	1.0	0.6

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

1/ Current budget expenditures essentially in the education and health sectors.
2/ Capital budget expenditures in education, health, demining, and other poverty-related activities such as rural development.

25. **Education:** The Government has declared education to be its main priority, in line with the findings of the participatory National Long Term Perspective Study, concluded in 1996. In June 2000, the authorities approved an action plan designed to restore basic education to the pre-conflict level, by increasing primary enrollment and retention rates. A specific program will target the expansion of girls' enrollment to reduce the existing gender disparities. With a view to achieve the goals as specified in the I-PRSP, the authorities are gearing their efforts toward (a) improving service delivery at the primary level (by raising the number of schools offering full primary education[8] and by eliminating fees of school books at grades 1-4, and providing teacher manuals in Portuguese and mathematics); (b) improving the infrastructure and administrative capacity of the education sector (by, inter alia, repairing essential war-damaged facilities, building new ones, reinforcing staff and budget management, and updating statistical databases); and (c) implementing pilot actions to better identify future policy actions to be incorporated in a medium-term program to be formulated by 2002 (by, inter alia, prioritizing recruitment of female primary school teachers and testing a primary school cafeteria program).

[8] Currently, about 75 percent of rural schools only offer the first two grades.

Health: Improving the health status of the population, particularly of women and children, is a major concern of the Government. Its main near-term goals are to at least double to 40 percent the proportion of children (0-11 months) who are fully vaccinated and to launch a battle against malaria. As discussed in the I-PRSP, and in line with the ongoing National Health Development Program (NHDP), the authorities are committed to (a) increasing the coverage and quality of primary health care services and referral centers; (b) improving equity in access to the services by shifting resources toward rural areas and providing a minimum package of health care; and (c) implementing a rollback malaria program. The Government intends to carry out a public expenditure review, by September 2001, which will help refine the NHDP.

AIDS/HIV: As pointed by the authorities in their I-PRSP, the fight against the epidemic poses a major developmental challenge. The current AIDS/HIV program is significantly constrained by its heavy urban bias, which leaves rural areas at a great disadvantage. Health facilities for AIDS/HIV patients are inadequate in the cities and absent in the rural areas and drugs and condoms are not available. In addition, sociocultural constraints impose behavioral challenges to the fight of the epidemic. Against this background, the authorities have decided to develop a strategic framework based on a multisectoral approach, with a view to reinforce awareness of AIDS/HIV transmission and prevention methods, create decentralized supporting and counseling services, and strengthen the institutional and implementation capacity at the national and regional levels. In this regard, with donor support the authorities will prepare their strategic framework and will apply for assistance under the IDA-financed Multicountry AIDS/HIV Program.

Implementing targeted programs to mitigate poverty

26. The Government is committed to launching low-cost, income-generating initiatives specifically targeted at those most in need. In this process, it will build on lessons learned from several successful community-based initiatives, namely those financed by FUNDEI and UICN. The Government is preparing a youth employment generation program and plans to finalize the preparation of a labor-intensive feeder roads program for which it will seek donor financing. In addition, the Social Action Fund is planned to be reactivated to help finance low-cost activities at the community level. In view of the threat posed by the existing18,000 land mines, mostly around Bissau, the Government is also planning to conduct a far-reaching demining operation, for which it needs to mobilize donor support. In carrying out these actions targeted to vulnerable groups, the Government will need to emphasize their gender dimension to reflect the importance of women in the country's development. With a view to improving the country's understanding of poverty and better target actions to reduce it, during the preparation of the full PRSP, the Government will carry out selected surveys to update the poverty profile and fill critical information gaps needed to establish a baseline for poverty monitoring.

27. **Demobilization**: The demobilization, reinsertion and reintegration program (DRRP) is one of the I-PRSP's cornerstones, and the most important targeted program of the authorities' strategy, and will be instrumental in laying the foundations for durable peace, while helping the Government to reduce military expenditures. This program comprises three phases: (a) demobilization, during which participants will be formally discharged from the armed forces; (b) reinsertion, involving a transitional safety net to help the eligible, demobilized personnel to return to civilian life; and (c) reintegration, to help demobilized personnel to attain a sustainable way of life. The detailed action plan for the DRRP was approved in early 2000, with assistance

from the World Bank. The basic institutional framework of the DRRP has been formally approved by the Government in March 2000, and external experts to advise on program preparation have been hired in July. The Government envisages setting up a credible independent financial management and procurement system, which is in the process of being negotiated with a foreign entity. In the meantime, the census of personnel to benefit from the DRRP was concluded in mid-November and the Government will set the final target of soldiers to be demobilized in early 2001. This, plus the expected approval, before end-2000, of decrees establishing criteria for demobilization and vulnerability criteria for eligibility to assistance under the program, will allow the pilot demobilization to be launched in January 2001. The full program is scheduled to proceed immediately afterwards. To facilitate the mobilization of donor financing, a multidonor trust fund administrated by IDA has been set up in November 2000, and a bilateral donor (the Netherlands) has already made an important contribution.

Promoting good governance

28. Improving governance is a prerequisite for the success of Guinea-Bissau's economic growth and poverty reduction efforts. To this end, the Government has begun preparing a National Program for Good Governance, which is expected to be approved in March 2001. This program will focus on (a) building capacity of central and local Government institutions; (b) enhancing transparency in economic management; (c) reforming and modernizing the judicial system; and (d) promoting a participatory approach to decision making. The program is also expected to define ways to deepen the fight against corruption.

29. Within this framework, the authorities have already taken a number of initiatives. First, with assistance from IDA, the International Trade Center, and the Netherlands, an action plan to reform the public procurement system is being implemented and will be installed in all ministries by September 2002. Moreover, the authorities have decided to carry out an external audit to the 1997–99 budget outturns, including military expenditures, to be completed by September 2001, the results of which will be submitted to Parliament along with an action plan with corrective measures. The Government has also decided to make public, twice a year starting in 2001, a comprehensive report on the execution of the budget, which will allow monitoring of education, health and military expenditures. The Government is also taking strong action to improve budgetary management, in line with the recommendations of reviews on the Government's budgetary processes, completed in March and October 2000, through (a) improvements in the treasury system, with technical assistance from the IMF; (b) a strengthening of the budget implementation process, including at the level of line ministries, with bilateral and multilateral support; (c) reinforcement of budget execution processes by implementing WAEMU's manual of regulations on supporting budget documentation, starting in 2001; and (d) the launching of country-led public expenditure reviews, with emphasis on the education and health sectors.

30. As indicated above, the authorities are committed to promoting a participatory approach to decision-making. In this regard, the Government recognizes that a participatory approach is an essential component of poverty diagnosis, strategy design, policy implementation, and monitoring. The I-PRSP has been prepared with extensive participation of civil society, the military, and external development partners, including the World Bank and the IMF staffs. In their I-PRSP, the authorities emphasize the importance, in the formulation of the full PRSP, of a broad participatory process involving the Parliament and representative groups from both domestic stakeholders and external partners. A detailed action plan to map out and cost plans for

the technical and participatory processes is expected to be defined promptly, and the authorities intend to finalize the full PRSP by end-2001.

V. DEBT SUSTAINABILITY ANALYSIS

31. The debt sustainability analysis (DSA) presented in the preliminary document under the original HIPC Initiative in March 1998[9] was updated jointly by the staffs of the Fund and IDA and the authorities of Guinea-Bissau on the basis of loan-by-loan data for the debt outstanding as of December 31, 1999. About 92 percent of Guinea-Bissau's debt was validated with creditors' data. A satisfactory reconciliation has been achieved as far as the multilateral and Paris Club creditors are concerned. The net present value (NPV) of debt at end-1999, after the hypothetical application of Naples terms, stood at US$487 million, thus exceeding the amount presented in the original preliminary decision point document by about 20 percent. At the same time, the three-year 1997–99 export average (US$47 million) is about 16 percent lower than that presented in the original preliminary decision point document. The underlying reasons explaining these changes are summarized in Box 3.

Box 3. Factors Explaining the Revisions Made to Debt and Export Data Since the 1998 Preliminary Document

Three main developments have led to an increase in the net present value of Guinea-Bissau's debt as of end-1999 and in the NPV of debt-to-exports ratio.

First, the revised results incorporate the **revision of the country's debt records**, following a debt reconciliation effort particularly on outstanding loans to Paris and non-Paris Club creditors and the previously rescheduled debt.

Second, the **decline in the commercial interest reference rates** (CIRR) used for the purpose of NPV calculations. The CIRR are lower in 1999 than in 1997 reflecting the decline in market interest rates since the 1998 preliminary document.

Third, **the three-year export average (1997–99) was lower** than initially projected in the 1998 preliminary document—mainly because of lower than originally estimated exports, following their significant decline in 1998 in the wake of the armed conflict.

32. As a result, the NPV of debt-to-exports ratio at end-1999 (after traditional debt relief), using three-year backward averages of exports, stood at 1,029 percent, significantly higher than the figure presented in the original preliminary decision point document in March 1998 (729 percent). It should be noted that in the preliminary document under the original HIPC framework with debt sustainability defined as the NPV of debt–to-exports ratio of no more than 200 percent, total proposed assistance amounted to US$300 million at the completion point

[9] EBS/98/62 (March 30, 1998) and IDA/SecM98-126 (March 27, 1998).

(which had been assumed to be attainable in 2003). In the present document, a total assistance of US$416 million is proposed, based on the debt sustainability target relative to exports under the enhanced HIPC framework of 150 percent in 1999.

A. Debt Structure

33. Before traditional debt relief through an hypothetical stock-of-debt operation on Naples terms, the external public and publicly guaranteed debt amounted to US$944 million, in nominal terms, at end-1999. This amount includes external arrears equivalent to US$275 million, of which US$35 million are arrears owed to multilateral institutions and US$240 million to bilateral and commercial creditors. The NPV of debt stock before traditional debt relief is estimated at US$709 million, or about three times GDP, fifteen times the three-year average exports of goods and services and eighteen times central Government revenue excluding grants. After traditional debt relief, the total stock of external debt, at end-1999, is estimated at US$791 million in nominal terms and, as mentioned above, US$487 million in NPV terms.[10] In NPV terms, multilateral debt constitutes 49 percent of the total stock of external debt; IDA is by far the most important multilateral creditor, with 22 percent of the total stock, followed by the African Development Bank group (15 percent) and the IMF (3 percent). Debt owed to Paris Club creditors amounts to 36 percent of the total stock of external debt, if measured in NPV terms, while that of other bilateral creditors makes up the remaining 15 percent (Table 2 and Figures 1 and 2).

34. Guinea-Bissau has benefited from Paris Club rescheduling agreements in 1987, 1989 and 1995. Paris Club creditors agreed to extend the consolidation period under the 1995 agreement to end-July 1998. Guinea-Bissau is requesting another concessional flow rescheduling to cover the proposed PRGF-supported program period. In view of Guinea-Bissau's strong needs for interim assistance under the HIPC Initiative, Paris Club creditors have agreed to consider its request for rescheduling after it has reached its decision point under the enhanced HIPC Initiative.

35. With a view to address the major problem posed by arrears to multilateral development banks (MDBs), a meeting with multilateral creditors of Guinea-Bissau took place in Washington, D.C. in October 2000.[11] The MDBs' representatives recognized that, in light of Guinea-Bissau's very limited debt-servicing capacity, a sustainable solution to its debt situation would require substantial reduction in debt service and a resolution of its outstanding arrears through long-term and highly concessional restructuring or refinancing and, where not feasible, through the mobilization of additional external grants. Moreover, the participants stated their willingness to propose to their respective decision-making bodies appropriate debt-reduction or restructuring options consistent with the overall macroeconomic framework and the debt-servicing capacity of the Government. As reflected in the aide-mémoire summing up the understandings of the meeting with the MDBs, the concessional elements in an arrears clearance operation would be

[10] This amount includes external arrears of US$76 million on multilateral debt and post-cutoff-date bilateral debt, which are not consolidated under traditional debt-relief mechanisms. For illustrative purposes, it is assumed that those arrears are subject to a non-concessional deferral in 2000.

[11] The meeting was hosted by the World Bank and attended by the Government of Guinea-Bissau, the AfDB, BADEA, the EIB, IFAD, the IMF, and the IsDB.

recognized as assistance under the enhanced HIPC Initiative (see Joint Bank/Fund Note on the HIPC Initiative, March 2, 1998).

B. Baseline Assumptions

36. The baseline scenario for the balance of payments and the debt outlook is based on a post-conflict situation of economic recovery and reconstruction, sound economic and financial policies, the implementation of the structural reforms committed in the context of the PRGF- and IDA-supported program and a marked increase in social spending, particularly for health, education and poverty alleviation. The projection assumes favorable climatic conditions for cashew exports and fisheries, and active support from external donors. The key assumptions underlying the projection are summarized in Annex I and Table 3.

37. Based on the above assumptions, the current account deficit, excluding (including) official transfers, is projected to narrow from 26¼ (18¼) percent of GDP in 2000 to 15 (12) percent of GDP in 2010 and to 11 (9) percent of GDP in 2019. This projection takes into account a possible slowdown in cashew export expansion, some progress in export diversification, and a possible erosion of fishing license receipts. The capital account is also expected to improve substantially over the projection period, reflecting the assumed debt relief and the normalized relationships with external creditors. The import cover of net official reserves will increase gradually from 3.5 months in 2000 to 4 months after 2003. However, even after the full application of traditional debt relief mechanisms, a financing gap will remain throughout the entire projection period. The projected financing gap is expected to be covered by debt relief, additional grants, and concessional loans (Tables 3 and 4).

38. The baseline scenario assumes full recourse to traditional debt relief mechanisms. It is assumed that a hypothetical stock-of-debt operation on Naples terms (67 percent NPV reduction) at end-1999, covering eligible Paris Club pre-cutoff debt and eligible arrears. Arrears on post-cutoff-date claims and arrears on the previously rescheduled debt owed to the Paris Club creditors are assumed to be rescheduled through a nonconcessional deferral with a 10-year maturity including a 5-year grace period in 2000. It is also assumed that other bilateral creditors and commercial creditors would provide comparable treatment. Arrears to multilateral institutions are assumed to be subject to non-concessional deferrals on similar terms in 2000.

C. Debt Sustainability and Sensitivity Analysis

39. After traditional debt relief, the NPV of the debt-to-exports and the NPV of debt-to-Government revenue ratios are projected to be 1,029 percent (as mentioned above) and 1,254 percent in 1999, respectively. The ratios of debt in NPV terms to exports and to Government revenue would thus remain well above the sustainability thresholds under the enhanced HIPC Initiative, or 150 percent and 250 percent, respectively (see Tables 5 and 6). The average annual debt service after traditional debt relief—US$39 million for 2000–09—is projected to be higher than the original average annual debt service—US$37 million for the same period—reflecting assumed consolidation of accumulated arrears (see Tables 7 and 8). Guinea-

Bissau's external debt situation would remain above sustainable levels even after full application of traditional debt-relief mechanisms (Figures 3 and 4).[12]

40. As discussed above, the concentration of over 90 percent of Guinea-Bissau's exports in the cashew sector poses an important risk for the economy. Staff estimates indicate that a sustained drop of cashew exports of 20 percent, if financed by additional grants and concessional bilateral borrowing, would increase the NPV of debt-to-export ratio in 2019 by almost 43 percentage points (from 165 percent to 208 percent) and the debt-service ratio by about 4 percentage points (from 11 percent to 15 percent).[13] A deterioration in external financing conditions would also have a significant impact; if Guinea-Bissau were to rely on nonconcessional loans to fill half of the projected financing gap, instead of relying fully on concessional loans (i.e., on IDA-comparable terms), the average NPV of debt-to-export ratio would increase by 90 percentage points in 2019 (from 165 percent to 255 percent) and would leave the debt-service ratio about 23 percentage points higher. The sensitivity analysis indicates that Guinea-Bissau would continue to be seriously exposed to external shocks, even after the assumed traditional debt relief, underscoring the need for additional debt relief in the framework of the enhanced HIPC Initiative (Table 9).

VI. ASSISTANCE UNDER THE ENHANCED HIPC INITIATIVE

A. Required Assistance and Delivery

41. Total debt relief of US$416 million in 1999 NPV terms would be required to attain the sustainability target of 150 percent of exports. Based on proportional burden sharing, multilateral and bilateral creditors would provide 49 percent and 51 percent of assistance, respectively (Table 10). For calculation purposes, the completion point is assumed to be reached in October 2003, approximately three years from the possible decision point, by which time the authorities estimate that Guinea-Bissau could fulfill all the conditions for a floating completion point. In calculating the relevant amounts of assistance, the following assumptions were made:

Paris Club and other bilateral creditors: Paris Club creditors are expected to agree to a flow rescheduling on the -cutoff-date debt on Cologne terms (90 percent NPV reduction) immediately following the decision point. It will be furthermore assumed that they accept a deferral on arrears on post-cutoff-date debt and previously rescheduled debt on non-concessional terms. In addition, a major creditor has indicated its willingness to apply Naples terms to post-cutoff-date arrears and maturities on an exceptional basis. It is assumed that the remaining amount of assistance will be delivered at the completion point through a stock-of-debt operation. The calculation shows that the delivery of assistance would require a treatment going beyond the pre-cutoff-date debt, given the substantial debt burden. With a reduction factor of 85 percent the Paris Club creditors would have to provide assistance equal to 117 percent of pre cutoff-date non-ODA debt. Thus, in order to provide their full share of assistance it will be necessary to

[12] However, Guinea-Bissau would not qualify for HIPC debt relief under the fiscal/openness criteria: the exports-to-GDP ratio (three-year average through 1997-99) is 21 percent and the fiscal revenue-to-GDP ratio (three-year average through 1997-99) is 13 percent. Both figures are below the thresholds (30 percent and 15 percent, respectively).

[13] In this section, the traditional debt-relief scenario is used as the baseline scenario for comparison.

reduce claims on ODA and post-cutoff-date debts. The impact of some Paris Club creditors going beyond their assistance under the HIPC Initiative would be small. For other bilateral creditors, preliminary calculations indicate that the projected NPV of debt remaining at the completion point will fall short of the required assistance. Thus, it is assumed that the maturities on post-cutoff claims falling due during the interim period would be rescheduled so as to deliver the required assistance.

IDA: It is assumed that IDA delivers interim assistance from December 2000 onwards, which will amount to US$13.3 million in net present value terms (Table 11). Given the countries' very limited debt servicing capacity and the post-conflict situation, it is proposed that during the interim period IDA provides 90 percent debt service relief and utilizes donor resources from the HIPC Trust Fund to cover the remaining 10 percent of the debt service due, so that from the decision point to the completion point no debt service payments would be due on amounts disbursed and outstanding as of end-1999[14]. From the completion point onwards, IDA will provide relief at 90 percent until November 2025. In total, IDA relief will amount to US$181.1 million in nominal terms, and US$93.3 million in NPV terms. Debt service will resume in 2025 and be in the vicinity of US$8–9 million annually (in nominal terms).

IMF: Interim assistance, which will amount to US$..1 million, will be delivered from the fourth quarter of 2000 onwards. The delivery of assistance is expected to follow a profile that smoothes out the debt service due to the Fund (Table 12). In view of extremely limited payment capacity of the country, a front-loaded pattern of interim assistance delivery is proposed to enable 100 percent coverage for principal payments to the Fund during 2001-02. The full amount of assistance will be delivered over a 10-year period, and will amount to US$15 million in nominal terms. Debt service on current obligations after HIPC assistance is projected to remain at about US$0.5 million after 2003.

African Development Bank/Fund (AfDB/AfDF): The authorities have identified enough donor resources to clear their arrears vis-à-vis the AfDB group in 2000. The AfDB group is assumed to provide relief in the form of a 93 percent reduction in the debt service due from the decision point until 2026.

All other multilateral creditors: In line with the Aide-Mémoire agreed in the October 2000 MDBs meeting, Guinea-Bissau's other multilateral creditors are assumed to provide their debt relief via one or a combination of the following modalities: (a) significant levels of cancellation of arrears; (b) concessional rescheduling of arrears; (c) considerable levels of interim relief; and (d) substantial levels of reduction of the debt-service requirement upon reaching the completion point.

B. Impact of Enhanced HIPC Assistance and Monitoring Mechanism

42. After debt relief under the enhanced HIPC Initiative, Guinea-Bissau's external debt at end-1999 would be reduced to US$71 million in NPV terms (see Table 13 and Figure 9); this would be equivalent to 150 percent of exports (assuming a hypothetical delivery at end-1999). The total debt relief would be about US$ 790 million in nominal terms. As a result of the relief

[14] The debt-service reduction (on debt service as it comes due) is calculated using end-December 1999 SDR-U.S. dollar exchange rates.

under the enhanced HIPC Initiative, Guinea-Bissau's NPV of debt-to-exports ratio is projected to stay below 150 for the projected period, averaging 133 percent from 2003-13. The debt service-to-revenue ratio is projected to average 9 percent during this period. These assumptions are based on a continued recourse to grants and very concessional financing, and a diminishing reliance on cashews.

43. On the basis of the assumptions above, the debt-service relief under the enhanced HIPC Initiative would exceed the traditional debt relief by an average annual amount of about US$30 million for 2001–03, and about US$32 million for the ten years starting in 2004.[15] These would be equivalent to approximately 10 and 5 percent of GDP in the corresponding periods (Table 13). During the same periods, the debt service ratio to exports of goods and services (including debt service on new borrowing) would be reduced by an average of about 32 and 20 percentage points, respectively, being lowered to a range between 4 and 6 percent (Table 13 and Figure 5). Figure 6 illustrates the dramatic reduction of the debt service to Government revenue ratio.

44. However, the cash savings of the relief under the enhanced HIPC Initiative will be much smaller than the headline figures because, in recent years, Guinea-Bissau has been paying limited debt service only to selected multilateral organizations, frequently with generous donor assistance. As a result, although scheduled debt service will be significantly reduced after reaching the decision point, cash outlays on debt service will remain slightly higher than in 1999 and at about the same level as in 2000 (excluding the settlement of arrears and current obligations with the African Development Bank group). Nonetheless, reaching the decision point under the HIPC Initiative will be essential to help the country to (a) prevent a further accumulation of external arrears, penalties, and fees associated from not having met its obligations; (b) normalize relations with all creditors, which should lead to a net inflow of resources; and (c) mobilize and reallocate substantial concessional resources to be able to implement its poverty reduction strategy as specified in the I-PRSP.

45. Although cash payments on external debt will not decline after the decision point, the **net inflow of resources** to Guinea-Bissau is expected to increase by an annual average of US$16 million in 2001-03 relative to 1999, as additional grants and concessional loans will more than offset debt-service obligations (Table 14). Encouraging donor support in this regard was received by the authorities in meetings held with bilateral and multilateral creditors in Bissau, Dakar, and Washington during October 2000.

46. **Use of HIPC Interim Relief**. On the basis of the increased inflow of resources (see paragraph 45), which critically depends of assistance under the enhanced HIPC Initiative, and the lower scheduled debt service, the 2000-03 macroeconomic framework plans for a significant reallocation of expenditures towards activities that effectively reduce poverty and enhance access to social services, including primary education, basic health care, and rural development. In particular, in line with the I-PRSP, the program prioritizes programs focusing on basic education, primary health care, demobilization, demining, and rural development (see Box 2). Current expenditures in health, education and targeted social programs will increase from 2.4 percent of

[15] The debt relief under the enhanced HIPC Initiative framework is calculated as the difference between debt service after traditional debt relief and after HIPC assistance on existing debt as of end-1999. Total future debt service relief is projected at about US$ 790 million.

GDP in 1999 to 3 percent of GDP in 2000 and 4.8 percent of GDP in 2003, while current military expenditures will decrease from 4.1 percent of GDP in 2000 to 2.7 percent of GDP in 2003. A large share of foreign resources will finance poverty-related investment programs, including in health, education, water and sanitation, housing reconstruction, infrastructure and rural development; capital expenditures in these areas will increase from 9.4 percent of GDP in 1999 to 12.3 percent of GDP in 2003. In view of the preliminary stage of costing the various programs—and the associated need of better evaluating their budgetary impact— the medium-term macroeconomic framework described above might need to be refined while preparing the full PRSP.

47. **Monitoring the Use of HIPC Resources**. The authorities are determined to continue improving efficiency, transparency and accountability in public expenditure management. They assign particular importance to ensuring that resources, including those made available under the enhanced HIPC Initiative framework, are used effectively in attaining the stated objective of increasing pro-poor and reducing military outlays. In this regard, the following measures have been identified, which will be carried out in 2000-01 with identified donor support: (a) revamp the administration of the treasury system, with technical assistance from the Fund; (b) enhance budget-monitoring procedures by implementing WAEMU manual of regulations on supporting budget documentation; (c) implement an ambitious reform of the public procurement system by installing a fully operational system, including its legal and regulatory framework, in five ministries by end-2001 (and in all ministries by mid-2002); (d) implement country-led public expenditure reviews, with emphasis in education and health, with assistance from the World Bank; and (e) submit to Parliament and the public detailed comprehensive budget execution reports twice a year, which will facilitate monitoring basic education, primary health care and military spending. In addition, the authorities intend to carry out in-depth audits of the 1997-99 budgets (including military expenditures) by the independent office of the Court of Accounts, with technical assistance from a reputable auditing firm, share the results with Parliament and implement corrective measures. As a complement to these measures, in the context of the preparation of the full PRSP, a framework will be developed in 2001 to monitor expenditures and assess their impact on the poor.

C. Conditions for Floating Completion Point

48. The Government is committed to addressing poverty by firmly implementing the policies and measures spelled out in its I-PRSP. Consequently, the formulation of the full PRSP and its satisfactory implementation (for one year) is proposed to form one of the key conditions for reaching the completion point. Moreover, as indicated in the authorities' I-PRSP, recently submitted to the Executive Boards of the IMF and IDA, and in recognition of the great challenges that face the country in its efforts to overcome widespread poverty, the Government has set as its main goal the creation of conditions for rapid and sustained growth. This fundamental goal is reflected by the completion point trigger of the implementation of sound macroeconomic policies and structural reforms, which will be evidenced by the performance under the PRGF.

49. While the goal of economic growth is essential to long-term poverty reduction, the Government has recognized, as set out in the I-PRSP, the importance of working immediately to increase access to essential social goods, and of implementing programs aimed at mitigating poverty (see paragraphs 20-30). In this vein, a key indication of the Government's success in

implementing its poverty reduction strategy, and proposed condition for attainment of the completion point, would be the improvement in governance, expanded access to social services, and progress in demobilization as indicated in Box 4.

Box 4. Key Reforms and Objectives to be Achieved Before the Completion Point

Poverty Reduction Strategy Paper

A full PRSP has been prepared through a participatory process and satisfactorily implemented for one year, as evidenced by the joint staff assessment of the country's annual progress report.

Macroeconomic stability

Continued maintenance of macroeconomic stability as evidenced by satisfactory implementation of the PRGF-supported program.

Governance

- Satisfactory progress in strengthening public expenditure management, assessed by the release to the Parliament and the public, twice a year starting in 2001, of comprehensive budget execution reports. These reports also will allow monitoring of basic education, primary health care and military expenditures.
- The action plan to reform the public procurement system has been implemented and the new system has been installed in all ministries.
- The findings of the external audit to the 1997-99 budgets outturns have been submitted to Parliament and an action plan of corrective measures has been adopted.

Social Sectors and Structural Reforms

Education Sector

- Elimination of fees for school books for all primary education students (grades 1–4) implemented in public schools.
- Satisfactory implementation of the basic education action plan, measured by an increase in the gross primary school enrollment ratio to 61 percent.

Health Sector

- Satisfactory implementation of the National Health Development Program, measured by an increase to at least 40 percent the proportion of children under one year fully vaccinated.
- Adoption of an action plan for malaria and its satisfactory implementation measured by an increase to 15 percent in the use of insecticide impregnated bed-nets by pregnant woman.

HIV/AIDS

- Adoption of a strategic framework to fight against AIDS/HIV.
- At least 50 percent of the population at increased risk (age 14–29) made aware of transmission and prevention methods.

Demobilization Program

- Demobilization has been successfully completed and discharged combatants are being reinserted into civilian life as established in the DRRP.[1]

[1] The authorities' preliminary estimates point to about 12,000 soldiers being demobilized. This will be confirmed through an ongoing census, whose results are expected by end-December 2000.

50. The Government believes that poor governance has been a major impediment to Guinea-Bissau's growth in the past, particularly in the area of public resource management; the authorities therefore are committed to establish a transparent and open budget management system, with measures which are reflected in the governance criteria set out in Box 4 and which are designed to establish greater institutional safeguards against the misallocation of resources. In the area of social services, where significant progress could be very beneficial to the poor in the short term, the authorities have targeted (a) an increase in primary education enrollment rates (following their significant decline during the hostilities); (b) the elimination of fees for school books for primary school students; and (c) an increase in vaccination rates and use of insecticide-impregnated bed nets by pregnant women. Finally, the country's legacy of conflict is being addressed through a demobilization, reinsertion and reintegration program which aims to ensure the reduction of the weight of the military in the economy and to promote national reconciliation and increased political stability. The completion of demobilization is also proposed as a key indication of the readiness of the country to reach the completion point. The Government aims at attaining all targets discussed in Box 4 before the last quarter of 2003; it expects that the completion point would be reached by that time. Compliance with the proposed completion point triggers is considered feasible and monitorable on the basis of the top priority attached to their implementation by the Government and the considerable multilateral and bilateral technical and financial assistance already mobilized by the Government.

D. Consultations with Creditors

51. Consultations have intensified over the last few months with Guinea-Bissau's external creditors concerning their participation in the enhanced HIPC assistance. With the exception of the ECOWAS Fund (representing one percent of the NPV of debt), all multilateral creditors have formally agreed to participate in the enhanced HIPC Initiative.[16] Specific delivery of relief to Guinea-Bissau will be decided by these multilateral creditors once the Decision Point Document has been approved by the Boards of the Bank and the Fund. The Paris Club, representing 36 percent of the total relief, indicated its willingness to consider providing relief to Guinea-Bissau, including a flow rescheduling under Cologne terms. These creditors represent over 80 percent of the relief to be provided to Guinea-Bissau. The staff recommends that the Boards consider giving interim assistance by IDA and the Fund as soon as the decision point is reached.

VII. CONCLUSION AND ISSUES FOR DISCUSSION

52. The Executive Directors' views and guidance are sought on the following issues:

- **Decision point under the enhanced HIPC Initiative:** Do Directors agree that Guinea-Bissau is eligible for relief under the enhanced HIPC Initiative, based on the country's track record in social and structural reforms, including the performance under the program supported by the Fund's post-conflict assistance and progress under the IDA-financed ERRC, the policy commitments presented in the I-PRSP document, and the approval by the Executive Board of the Fund of a new PRGF-supported-

[16] See "HIPC Debt Initiative: The Chairman's Summary of the Multilateral Development Banks' Meeting", IDA/SecM2000-594, October 23, 2000.

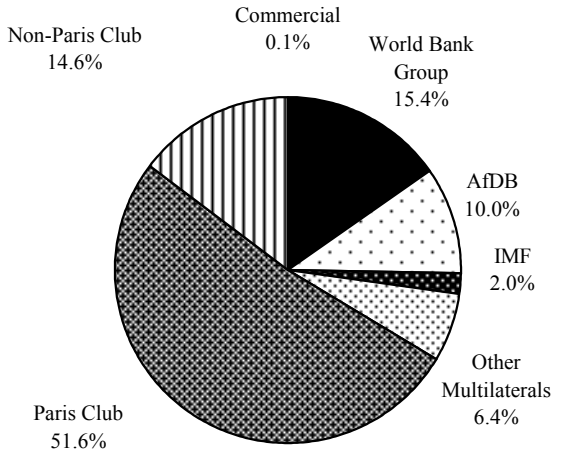
program? Do Directors agree that Guinea-Bissau has met the conditions for a decision point under the enhanced HIPC Initiative?

- **Debt sustainability target and delivery of assistance:** Consistent with a reduction in Guinea-Bissau's debt-to-export ratio to 150 percent, total assistance under the enhanced HIPC Initiative is estimated to be US$416 million in NPV terms. Of this amount, US$93.3 million is to be provided by IDA, and US$11.9 million by the IMF. Do Directors agree that Guinea-Bissau should receive these amounts to help reduce the NPV of end–1999 debt-to-exports ratio to 150 percent? Do Directors endorse the recommended amounts of assistance and delivery profiles for IDA and the IMF, respectively, as set forth in paragraph 41?

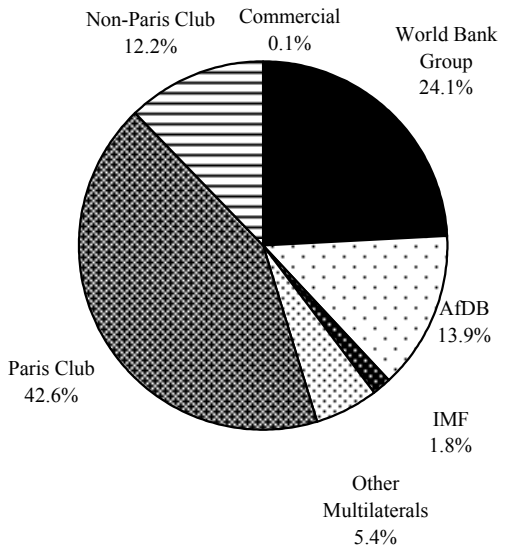
- **Conditions for the floating completion point:** Do Directors agree that the conditions described in Box 4 are appropriate triggers for the floating completion point under the enhanced HIPC Initiative?

Figure 1. Guinea-Bissau: Stock of External Debt, End-December 1999 1/

Present value of debt: US$709 million



Nominal value of debt: US$944 million

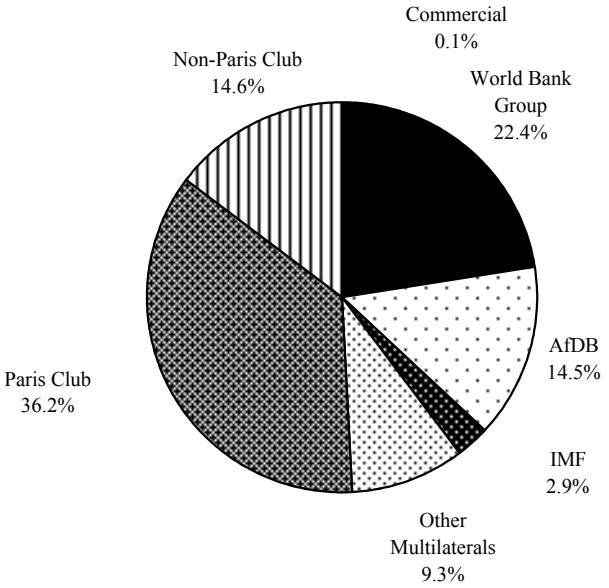


Sources: Guinean authorities; and staff estimates.

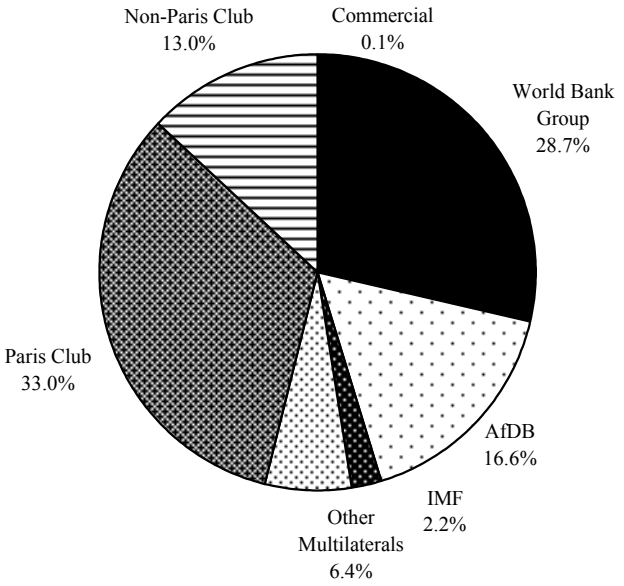
1/ Before assumption of Naples stock-of-debt operation.

Figure 2. Guinea-Bissau: Stock of External Debt, End-December 1999 1/

Present value of debt: US$487 million



Nominal value of debt: US$791 million



Sources: Guinean authorities; and staff estimates.

1/ After full use of traditional debt relief mechanisms.

Figure 3. Guinea-Bissau: NPV of Debt-to-Export Ratio After Traditional Debt Relief and After Enhanced HIPC Initiative Assistance, 2001-10

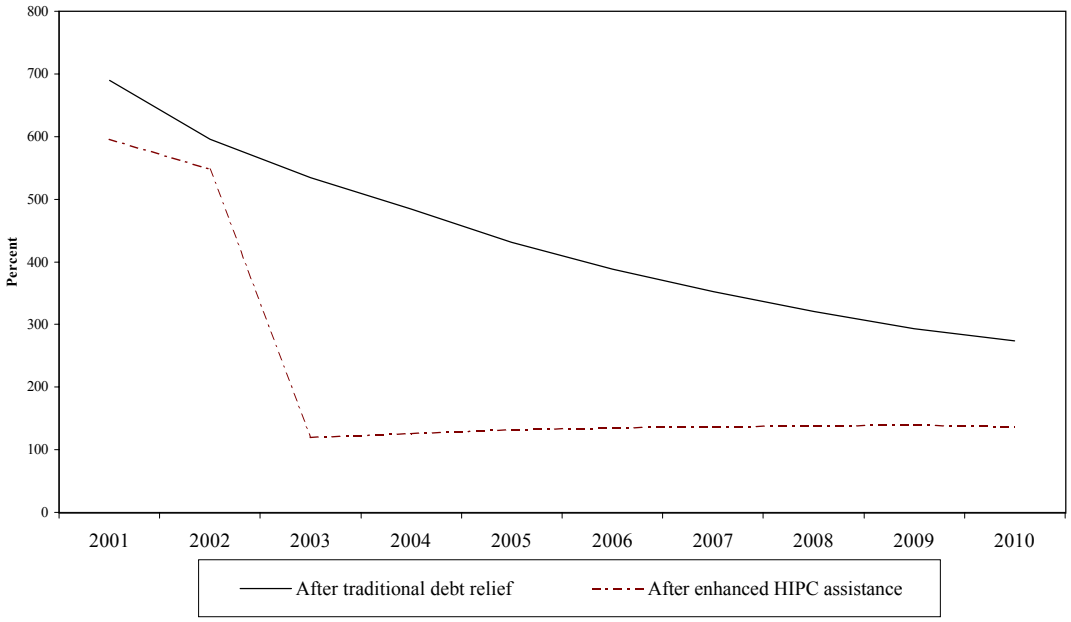


Figure 4. Guinea-Bissau: NPV of Debt to Revenue Ratio After Traditional Debt Relief and After Enhanced HIPC Initiative Assistance, 2001-10

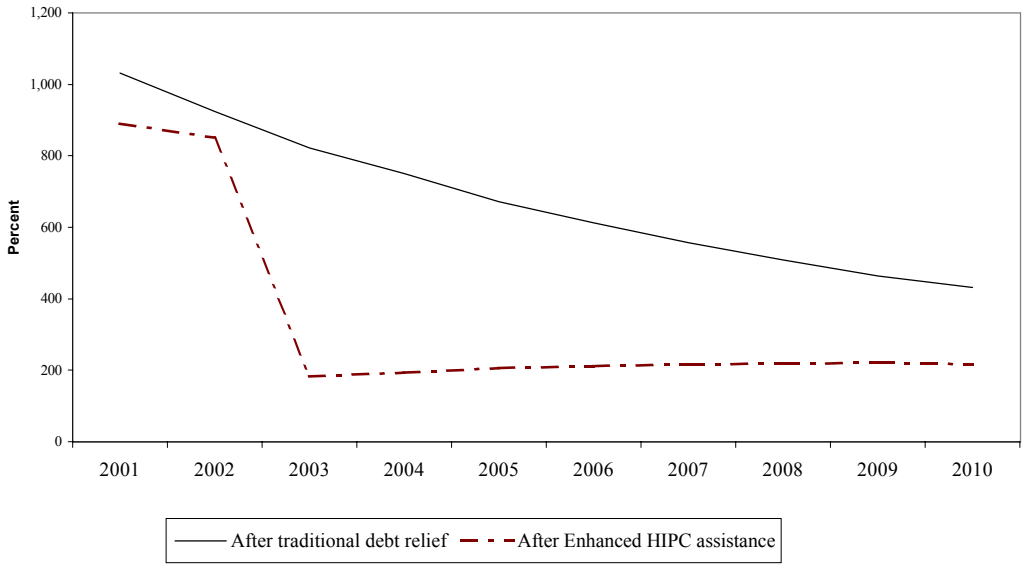


Figure 5. Guinea Bissau: Debt Service Before and After Enhanced HIPC Initiative Assistance, 2001-10 (In percent of exports)

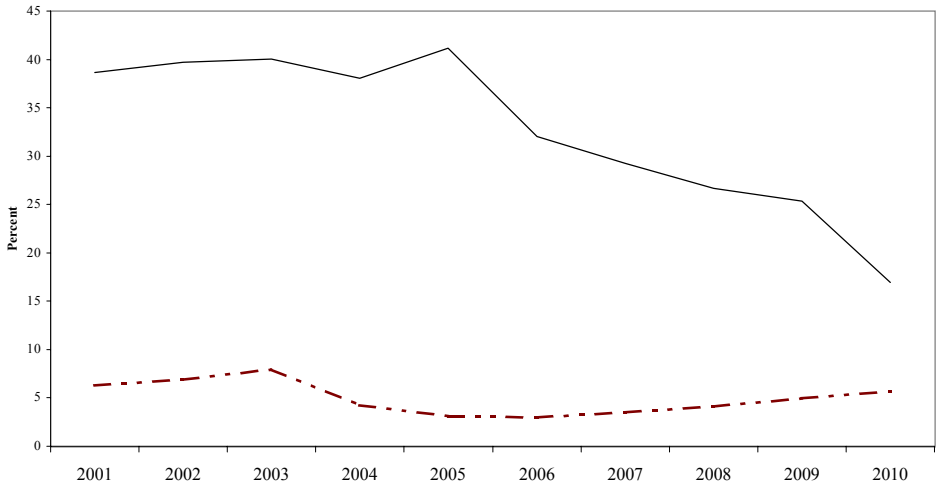


Figure 6. Guinea Bissau: Debt Service Before and After Enhanced HIPC Initiative Assistance, 2001-10 (In percent of government revenues)

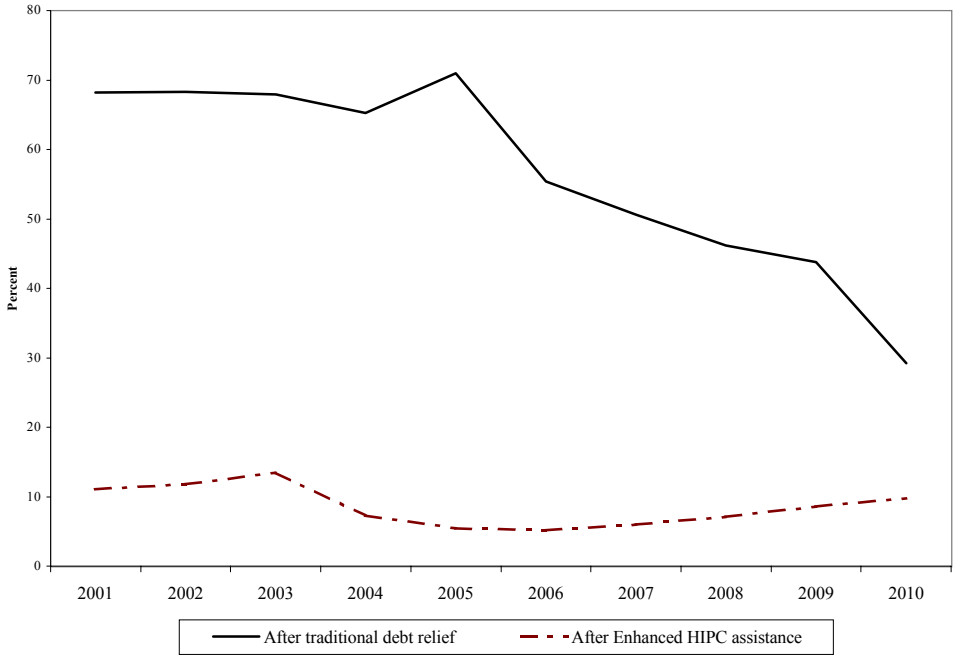


Figure 7. Guinea Bissau: Debt Service with Lower Cashew Exports, 2001-10
(In percent of exports)

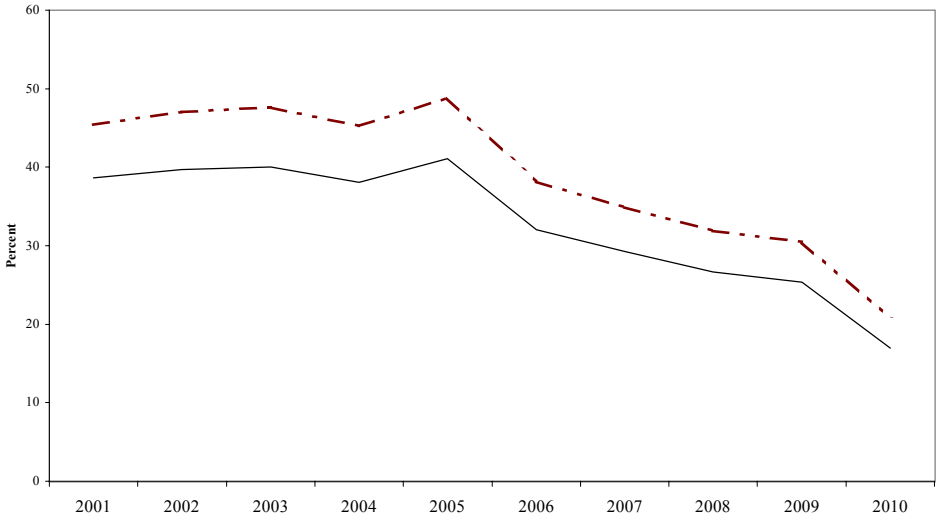


Figure 8. Guinea-Bissau: Debt Service with Less Concessional Financing, 2001-10
(In percent of exports)

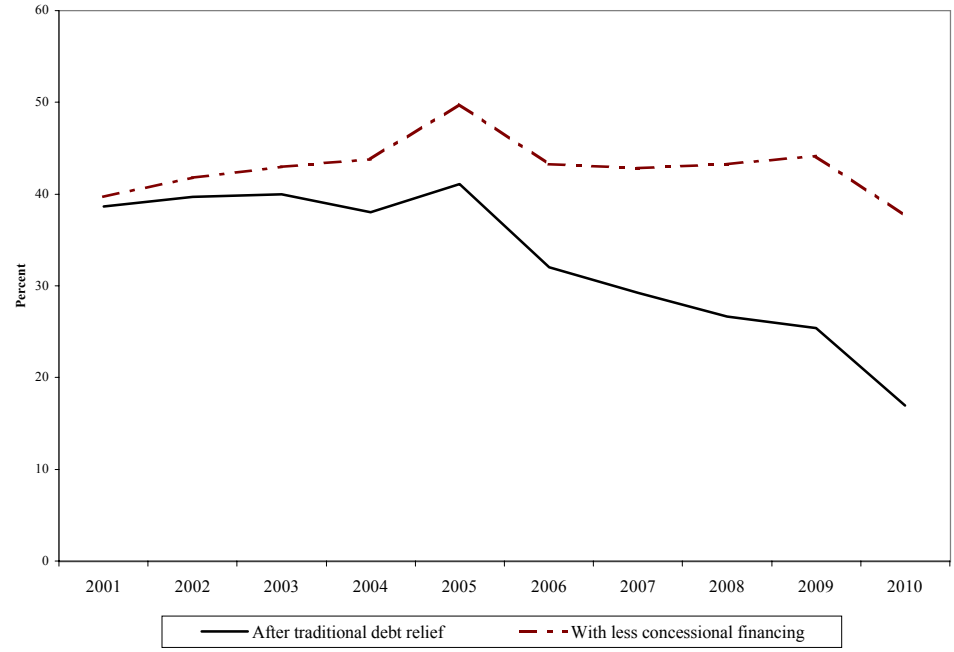
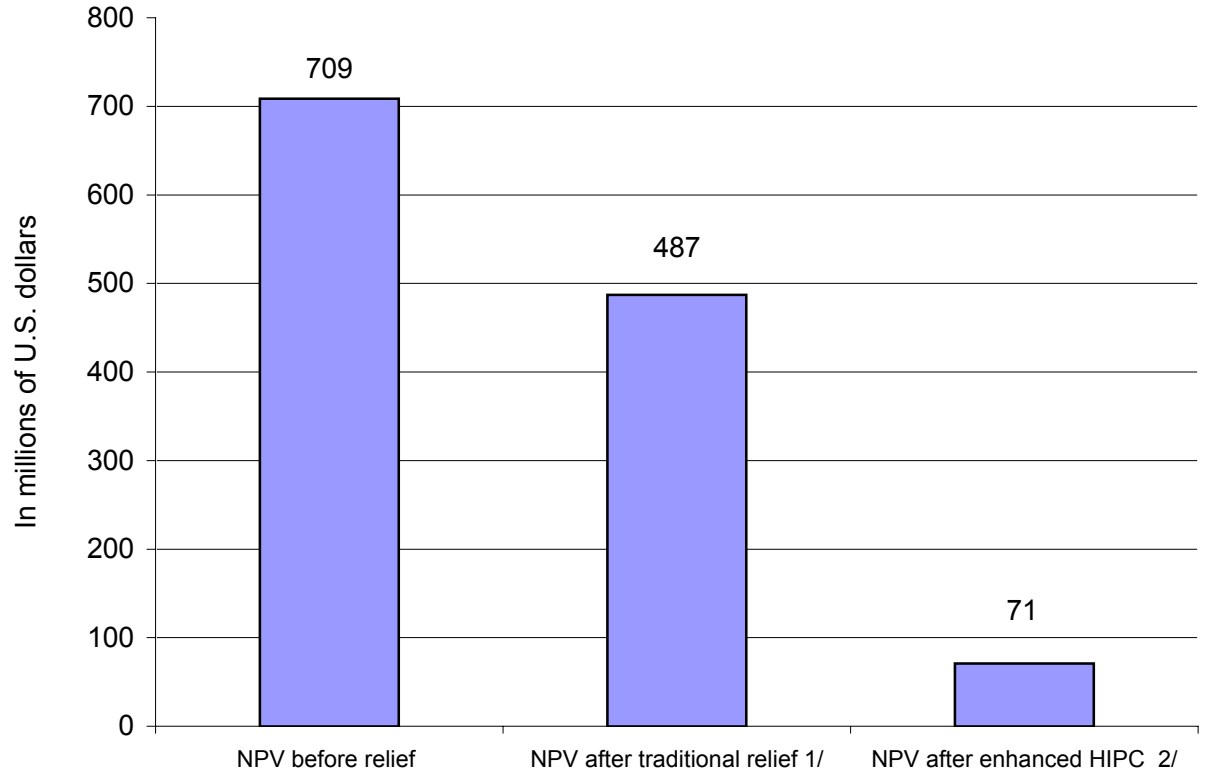


Figure 9. Guinea-Bissau: Net Present Value of Debt, 1999



1/ Assumes a hypothetical Naples Stock-of-Debt reduction.
2/ Assumes that all assistance under the enhanced HIPC Initiative is delivered unconditionally in 1999.

Table 1. Guinea-Bissau: Selected Economic and Financial Indicators, 1997-2003

	1997	1998	1999		2000	2001	2002	2003
	Actual	Actual	Prog.	Actual	Prog.	Prog.	Proj.	Proj.
			(Annual percentage change, unless otherwise indicated)					
National accounts and prices								
Real GDP at market prices	4.8	-28.1	8.7	7.8	8.7	8.5	8.2	8.6
GDP deflator	7.4	7.6	3.1	2.8	9.4	3.5	3.3	3.0
Consumer price index, period average	49.1	8.0	-0.9	-2.1	10.2	4.1	3.5	3.0
Consumer price index, end of period	16.7	7.9	-2.1	-7.9	19.5	4.0	3.0	3.0
Money and credit 1/								
Claims on the government (net) 2/	3.9	15.5	16.7	14.8	-10.3	0.3	...	...
Credit to the economy	-9.5	62.9	7.2	8.7	6.8	17.2	...	...
Broad money	101.8	0.2	6.9	7.8	16.4	15.1	...	...
Six-month deposit rate (percent per annum; end of period)	5.0	5.0	...	...	...	...	...	...
Velocity (GDP/broad money)	4.3	3.3	3.2	3.4	3.5	3.4	...	...
Net official reserves (in U.S. dollar)	27.4	29.8		23.5	37.9	44.3	51.4	58.2
(in months of the current year's imports of goods and services)	3.1	4.8		2.9	3.5	3.5	3.9	4.0
External sector								
Exports, f.o.b.(based on U.S. dollar values)	124.5	-46.5	80.0	97.4	28.9	13.2	10.3	11.0
Imports, f.o.b. (based on U.S. dollar values)	28.7	-30.1	14.6	28.4	37.2	23.2	4.7	13.0
Export volume	115.6	-37.3	61.1	63.5	18.9	8.5	7.0	7.7
Import volume	29.7	-26.1	20.1	27.0	27.5	23.1	6.1	11.0
Terms of trade (deterioration -)	4.9	-9.8	17.1	19.5	0.7	4.3	4.4	1.3
Real effective exchange rate (depreciation -)	12.4	6.6	...	-5.1	...	...	...	...
			(In percent of GDP, unless otherwise indicated)					
Investments and savings								
Gross domestic investment	21.8	11.4	13.7	16.3	19.2	23.7	23.5	23.9
Of which: government investment	15.6	6.2	8.8	11.1	13.9	18.1	17.5	17.4
Of which: private investment	6.2	5.2	4.9	5.2	5.3	5.6	6.0	6.5
Of which: restructuring programs 3/	0.0	0.0	0.0	0.0	0.9	3.8	1.7	0.6
Gross domestic savings	2.9	-10.0	-5.4	-2.2	-4.5	-3.1	0.9	1.3
Of which: government savings	-2.9	-14.8	-6.2	-5.6	-7.0	-9.0	-8.1	-7.7
Of which: private savings	5.8	4.8	0.8	3.4	2.4	5.9	9.0	9.0
Gross national savings	13.0	-1.8	2.7	3.9	1.1	1.0	4.7	5.2
Government finances								
Budgetary revenue	15.3	5.4	15.1	17.8	15.9	16.4	16.4	16.5
(excluding fishing licenses)	9.6	4.8	9.0	11.5	11.2	12.0	12.4	12.8
Total primary expenditure	27.6	18.1	21.4	25.7	28.8	33.6	32.7	32.8
Current primary balance	5.4	-6.5	2.5	3.2	1.1	0.8	1.3	1.1
Overall balance (commitment basis)								
Including grants	-13.8	-16.2	-7.1	-9.9	-7.4	-13.4	-10.2	-8.8
Excluding grants	-17.8	-19.4	-12.8	-14.4	-17.9	-22.7	-20.9	-20.2
External current account (including official current transfers) 4/	-8.8	-13.2	-11.0	-12.4	-18.5	-22.9	-19.1	-18.8
Excluding official current transfers	-23.4	-20.5	-20.0	-22.9	-26.5	-29.7	-25.1	-24.6
Excluding official transfers other than fishing licenses	-17.7	-19.9	-13.9	-17.1	-21.8	-25.3	-21.0	-20.9
Net present value of external debt								
(In percent of exports of goods and nonfactor service) 5/	...	...	...	1,028.8	902.7	689.9	595.3	534.5
Memorandum items:				(In units indicated)				
Exchange rate								
CFA franc/U.S. dollar (period average)	583.7	590.0	610.0	615.7	697.7	707.6	699.3	692.7
Nominal GDP at market prices								
In billions of CFA francs	156.7	121.3	135.9	134.4	159.9	179.6	200.8	224.7
In millions of U.S. dollars	268.6	205.7	222.8	218.3	229.2	253.8	287.2	324.4
GDP per capita (in U.S. dollars)	238.0	178.6	188.7	185.0	189.4	204.7	225.9	249.0

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

1/ In 1997, at constant exchange rates and excluding recapitalization of the Central Bank of Guinea-Bissau (BCGB).
2/ In percent of beginning-of-period stock of broad money.
3/ Includes cost of demobilization and public service reform.
4/ For 2000-03, only includes project grants.
5/ After application of traditional debt-relief mechanisms.

Table 2. Guinea-Bissau: Nominal and Net Present Value (NPV) of Public and Publicly-Guaranteed Debt Outstanding
(At end-December 1999, in millions of U.S. dollars)

	Before application of traditional debt relief 1/				After application of traditional debt relief 2/ 3/			
	Nominal		NPV		Nominal		NPV	
	US$ millions	Percent of total debt	US$ millions	Percent of total debt	US$ millions	Percent of total debt	US$ millions	Percent of total debt
Total Public and Publicly Guaranteed Debt	944	100	709	100	791	100	487	100
Multilateral Creditors	427	45	239	34	427	54	239	49
IDA	227	24	109	15	227	29	109	22
African Development Group	131	14	71	10	131	17	71	15
AfDB	4	0	4	1	4	0	4	1
AfDF	127	13	67	9	127	16	67	14
Islamic Development Bank	14	1	13	2	14	2	13	3
IMF	17	2	14	2	17	2	14	3
IFAD	9	1	6	1	9	1	6	1
BADEA	9	1	8	1	9	1	8	2
OPEC Fund	8	1	8	1	8	1	8	2
EU/EIB	8	1	6	1	8	1	6	1
ECOWAS	3	0	3	0	3	0	3	1
Bilateral Creditors								
Paris Club Creditors	402	43	366	52	261	33	176	36
Pre-cutoff date debt	328	35	292	41	187	24	103	21
Of which: ODA	7	1	7	1	7	1	3	1
Post-cutoff date debt	74	8	73	10	74	9	73	15
Of which: ODA	7	1	6	1	7	1	6	1
Italy	115	12	100	14	115	15	94	19
Portugal	69	7	52	7	69	9	48	10
Brasil	22	2	22	3	22	3	7	2
Russia 4/	169	18	166	23	34	4	8	2
France	8	1	9	1	5	1	5	1
Belgium	7	1	7	1	7	1	4	1
Spain	7	1	6	1	7	1	6	1
Germany	4	0	4	1	2	0	2	0
Other Bilateral Creditors	115	12	103	15	103	13	71	15
Pre-cutoff date debt	50	5	49	7	38	5	17	3
Of which: ODA	31	3	30	4	31	4	11	2
Post-cutoff date debt	65	7	55	8	65	8	55	11
Of which: ODA	58	6	49	7	58	7	49	10
Taiwan Province of China	36	4	31	4	36	5	31	6
Kuwait	28	3	26	4	28	3	15	3
Angola	19	2	19	3	6	1	6	1
Saudi Arabia	15	2	12	2	15	2	10	2
Algeria	6	1	5	1	6	1	4	1
China	6	1	6	1	6	1	1	0
Pakistan	3	0	2	0	3	0	2	0
Cuba	2	0	2	0	2	0	0	0
Libya	1	0	1	0	1	0	1	0
United Arab Emirates	0	0	0	0	0	0	0	0
Commercial	1	0	1	0	1	0	1	0

Sources: Guinea-Bissau authorities; and staff estimates.

1/ Including US$275.2 million of arrears.
2/ Including US$76.2 million of arrears on multilateral claims and post-cutoff date bilateral claims.
3/ Traditional debt relief assumes a stock of debt operation on Naples terms (67% NPV reduction) of eligible debt (including eligible arrears) by bilateral creditors at end-1999. Arrears on multilateral claims and post-cutoff date bilateral claims are assumed to be deferred in 2000.
4/ Converted by the exchange rate of SUR 0.6 per US dollar. The amount is before the application of the upfront discount of 80% in line with 1997 memorandum of understanding between Russia and other Paris Club creditors.

Table 3 . Guinea-Bissau: Main Assumptions on Macroeconomic Framework, 1999-2019
(In percent of GDP, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2015	2019	2000-09	2010-19
																Average	
Economic growth and prices																	
Real GDP (percentage change)	7.8	8.7	8.5	8.2	8.6	7.0	6.5	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	7.2	6.0
Nominal GDP (in millions of U.S. dollars)	218	229	254	288	325	394	436	485	525	569	615	666	721	989	1356	412	975
GDP deflator (annual percentage change)	2.8	9.4	3.5	3.3	3.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	3.2	2.1
Balance of payments																	
Exports of goods and services 1/	25.5	32.2	33.0	32.0	31.4	28.9	28.9	28.5	28.8	29.1	29.4	29.7	29.9	30.4	30.8	30.2	30.3
Imports of goods and services 1/	-44.0	-55.9	-59.7	-54.6	-54.0	-48.7	-46.4	-45.7	-45.5	-45.3	-45.1	-44.9	-44.8	-43.4	-41.9	-50.1	-43.6
Export volume growth (percentage change) 2/	63.5	18.9	8.5	7.0	7.7	7.7	7.3	7.0	6.9	6.7	6.5	6.3	6.1	5.6	5.3	8.4	5.8
Import volume growth (percentage change) 2/	27.0	27.5	23.1	6.1	11.0	7.6	3.6	8.2	6.0	6.0	6.1	6.1	6.1	5.5	5.6	10.5	5.7
Terms of trade (percentage change)	19.5	0.7	4.3	4.4	1.3	0.9	1.0	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.2	1.6	1.1
Net official reserves (in months of imports) 3/	2.9	3.5	3.5	3.9	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.9	4.0
Grant elements of new money (percent)	…	58	57	55	54	54	53	53	52	52	51	51	50	48	46	54	48

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

1/ Exports (imports) of goods and nonfactor services as defined in IMF, Balance of Payments Manual (5th ed.), 1993.
2/ Merchandise exports (imports).
3/ Imports of goods and nonfactor services.

Table 4. Guinea-Bissau: Balance of Payments, 1999-2019
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2019	2000-09 average	2010-19 average
		Projection														
Goods and services	-40	-54	-68	-65	-73	-78	-76	-84	-88	-92	-97	-102	-129	-151	-77	-126
Goods	-14	-24	-36	-34	-40	-43	-40	-45	-46	-47	-49	-51	-59	-59	-40	-57
Exports, f.o.b.	51	66	75	82	91	102	112	124	136	150	165	180	278	392	110	275
Of which: cashew nuts	49	60	66	73	80	88	97	106	116	126	138	150	227	314	95	224
Imports, f.o.b.	-66	-90	-111	-116	-131	-144	-152	-168	-182	-197	-213	-231	-337	-451	-151	-331
Of which: oil imports	-6	-11	-12	-12	-13	-10	-11	-12	-13	-15	-16	-18	-28	-41	-13	-28
Services (net)	-26	-30	-32	-31	-34	-35	-36	-39	-42	-45	-48	-51	-70	-91	-37	-69
Credit	5	8	9	10	11	12	14	14	15	16	16	17	22	27	12	22
Debit	-30	-38	-41	-41	-44	-48	-50	-53	-57	-60	-64	-68	-92	-118	-50	-91
Income (scheduled interest)	-14	-12	-15	-14	-13	-10	-9	-9	-8	-8	-8	-8	-9	-10	-11	-9
Current transfers (net)	28	24	24	24	25	27	27	28	28	29	30	30	34	38	27	34
Official	23	18	17	17	19	20	20	20	21	21	21	21	23	24	19	23
Of which: balance of payments support grants	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
fishing license fees	13	11	11	12	12	13	13	13	13	14	14	14	15	15	13	14
Private	5	6	7	7	7	7	7	8	8	8	9	9	12	14	7	11
Of which: nongovernmental organization grants	1	2	2	2	2	2	2	2	2	2	2	2	2	3	2	2
Current account																
Including official transfers	-27	-42	-58	-55	-61	-62	-58	-65	-68	-71	-75	-79	-103	-123	-61	-100
Excluding official transfers	-50	-61	-75	-72	-80	-81	-78	-85	-88	-92	-96	-100	-126	-146	-81	-123
Capital and financial balance	-7	23	24	16	23	24	27	15	22	33	38	42	64	79	25	61
Capital account (including transfers)	21	23	26	34	41	42	44	46	48	49	51	53	65	76	40	64
Of which: debt forgiveness	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial account	-28	0	-2	-18	-17	-18	-17	-30	-26	-17	-13	-11	-1	3	-16	-3
Official medium- and long-term disbursements	2	16	18	7	8	7	8	8	6	8	12	13	20	30	10	20
Balance of payments support	0	12	13	0	0	0	0	0	0	0	0	0	0	0	3	0
IDA	0	12	13	0	0	0	0	0	0	0	0	0	0	0	3	0
African Development Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Projects	2	4	5	7	8	7	8	8	6	8	12	13	20	30	7	20
Scheduled amortization	-20	-18	-20	-25	-25	-25	-25	-38	-32	-25	-25	-24	-22	-27	-26	-23
Commercial banks' net foreign assets	4	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private capital; errors and omissions	-15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overall balance	-34	-19	-34	-39	-38	-37	-32	-49	-46	-38	-36	-37	-39	-43	-37	-39
Financing	34	8	21	25	29	-6	-3	-7	-6	-6	-7	-7	-6	-13	5	-9
Net foreign assets (increase -) 1/	6	-16	-6	-7	-7	-6	-3	-7	-6	-6	-7	-7	-6	-13	-7	-9
Of which: net IMF credit	4	5	4	3	2	-2	-2	-2	-2	-1	-1	-1	0	0	0	0
Possible debt relief	0	197	28	32	35	0	0	0	0	0	0	0	0	0	29	0
Change in debt-service arrears (decrease -)	28	-172	0	0	0	0	0	0	0	0	0	0	0	0	-17	0
Financing gap (+) 2/	0	11	13	14	9	43	35	56	52	44	43	44	46	56	32	48
Memorandum items:								(In percent of GDP)								
Current account balance (in percent of GDP)																
Including official transfers	-12.4	-18.5	-22.9	-19.1	-18.8	-15.7	-13.4	-13.3	-12.9	-12.5	-12.1	-11.9	-10.4	-9.0	-16	-11
Excluding official transfers	-22.9	-26.5	-29.7	-25.1	-24.6	-20.7	-18.0	-17.5	-16.8	-16.1	-15.5	-15.1	-12.7	-10.8	-21	-13

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

1/ Traditional debt relief scenario: Assumes a hypothetical stock-of-debt operation on eligible debt (including arrears on pre-cutoff-date debt) on Naples terms in 1999, and at least comparable action by other official bilateral and commercial creditors. Assumes also non-concessional deferral with 10 year repayments including 5 year grace period on arrears on multilateral claims and bilateral post-cutoff-date claims in 2000.
2/ The financing gap for 2000 will be covered by contributions from bilateral donors. For subsequent years, the financing gaps could be covered by debt relief (including possible HIPC Initiative assistance) and a combination of grants and borrowing.

Table 5. Guinea-Bissau: External Debt Indicators, 1999-2019 1/
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-09	2010-19
							Projections						Average	
Nominal debt stock after traditional debt relief 2/	791	797	818	827	829	838	841	845	849	855	862	871	836	960
Multilateral	427	439	452	454	451	457	450	440	427	416	407	404	439	417
Official Bilateral	364	357	366	373	378	380	390	405	422	439	454	468	397	543
Of which: Paris Club	261	256	249	241	230	216	202	195	188	181	173	170	213	153
Of which: Post cutoff date	74	69	63	55	45	33	21	16	12	7	3	3	32	2
Of which: ODA	7	7	6	6	5	5	4	3	2	1	1	0	4	0
Commercial	1	1	0	0	0	0	0	0	0	0	0	0	0	0
Nominal debt before traditional debt relief	944	917	890	857	821	782	750	726	702	681	664	644	779	521
NPV of debt after traditional debt relief 2/	487	479	491	496	496	497	491	489	488	487	487	497	490	563
Multilateral	239	239	248	254	256	262	258	253	247	241	236	236	249	249
Official Bilateral	247	240	242	242	239	235	232	236	241	246	251	261	240	314
Of which: Paris Club	176	172	167	161	152	141	130	125	121	116	112	112	140	108
Of which: Post cutoff date	73	67	61	53	44	31	20	16	11	7	3	3	31	2
Of which: ODA	6	5	5	5	4	4	3	2	2	1	1	0	3	0
Commercial	1	1	0	0	0	0	0	0	0	0	0	0	0	0
NPV of debt before traditional debt relief	709	692	675	653	627	599	577	562	548	536	528	519	600	487
							(In percent of exports of goods and services) 3/							
NPV of debt (after traditional debt relief) 3/	1029	903	690	595	534	484	431	389	352	321	294	274	499	214
Debt service (after traditional debt relief)	61	39	39	40	40	38	41	32	29	27	25	17	35	12
							(In percent)							
NPV of debt-to-revenue ratio 4/	1,254	1,157	1,031	925	823	750	672	612	558	509	465	433	750	333
NPV of debt-to-GDP ratio	223	209	193	172	153	126	112	101	93	86	79	75	132	60

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

1/ All debt indicators refer to public and publicly guaranteed debt and are defined after rescheduling, unless otherwise indicated.
2/ Assumes a stock-of-debt operation on eligible debt on Naples terms at end-1999 and non-concessional deferral on arrears on multilateral claims and bilateral post-cutoff claims in 2000.
3/ Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).
4/ Revenues are defined as central government revenues, excluding grants.

Table 6. Guinea-Bissau: Net Present Value of Debt After Traditional Debt Relief, 1999-2019 1/
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2015	2019	2000-09 Average	2010-19 Average
NPV of total debt 2/	487	479	491	496	496	497	491	489	488	487	487	497	507	569	640	479	550
NPV of old debt	487	471	465	455	440	422	395	375	355	335	315	307	301	277	241	392	265
Official bilateral and commercial	248	241	235	226	214	200	183	172	161	150	139	135	133	131	120	180	117
Paris Club	176	172	167	161	152	141	130	125	121	116	112	112	112	109	100	127	96
Post-cutoff date	73	67	61	53	44	31	20	16	11	7	3	3	2	2	2	26	0
Of which: ODA	6	5	5	5	4	4	3	2	2	1	1	0	0	0	0	3	0
Pre-cutoff date	103	104	106	107	108	109	110	110	110	109	109	109	110	107	98	102	96
Of which: ODA	3	3	3	3	3	3	3	4	4	4	4	4	4	4	4	3	4
Other official bilateral	71	68	68	65	62	59	53	46	40	33	27	23	21	22	21	52	22
Post-cutoff date	55	51	50	47	44	41	34	28	21	14	7	4	1	1	1	34	1
Of which: ODA	49	46	45	43	40	37	31	25	19	13	7	4	1	1	1	31	1
Pre-cutoff date	17	17	17	17	18	18	18	19	19	19	20	20	20	21	20	18	21
Of which: ODA	11	11	11	11	12	12	12	12	13	13	14	14	14	16	17	12	16
Commercial	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multilateral	239	230	230	229	226	222	213	203	194	185	176	172	167	146	121	212	148
African Devolpement Bank	4	3	2	2	2	2	1	1	1	0	0	0	0	0	0	2	0
African Devolpement Fund	66	65	65	65	65	65	64	63	62	61	60	58	57	50	43	63	51
IDA	109	111	112	114	114	115	115	114	114	113	111	108	105	92	75	113	93
International Monetary Fund	14	14	14	13	10	6	4	2	0	0	0	0	0	0	0	7	0
Others	46	37	36	35	35	34	29	23	18	12	6	5	5	3	3	27	4
NPV of new debt	0	8	26	41	56	75	95	114	133	152	173	189	207	291	399	87	285
Multilateral	0	8	18	25	30	40	46	50	53	56	60	64	68	102	154	39	101
Bilateral (Gap filling)	0	0	8	16	26	35	50	64	80	96	112	125	138	189	245	49	184
Memorandum items:																	
Exports of goods and services 3/	56	74	84	92	102	114	126	138	151	166	181	197	215	300	418	123	297
Three-year export average 4/	47	53	71	83	93	103	114	126	138	152	166	181	198	277	387	110	273
NPV of debt-to-exports ratio 5/	1029	903	690	595	534	484	431	389	352	321	294	274	256	205	165	487	209

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

1/ Refers to public and publicly guaranteed external debt only and assumes full use of traditional debt relief mechanisms, i.e. a Paris Club stock-of-debt operation on eligible debt (including arrears on pre-cutoff-date debt) on Naples terms (67 percent NPV reduction) in 1999, and at least comparable action by other official bilateral and commercial creditors.
Assumes also non-concessional deferral in 2000 with 10 year repayments including 5 year grace period on arrears on multilateral claims and bilateral post-cutoff-date claims.
2/ Discounted on the basis of the average Commercial Interest Reference Rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (base-date of end-1999). The conversion of currency-specific NPV into U.S. dollars occurs for all years at the base date exchange rate.
3/ As defined in IMF Balance of Payments Manual, 5th edition, 1993.
4/ Backward-looking average (e.g. average over 1997-99 for exports in 1999).
5/ NPV of debt in percent of three-year average of exports of goods and services.

Table 7. Guinea-Bissau: Debt Service before Hypothetical Traditional Debt Relief, 2000-2019 1/
(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2019	2000-09 Average	2010-19 Average
Total debt service on existing debt (before rescheduling)	41	41	44	47	48	40	31	30	27	22	22	19	19	37	19
Principal	27	28	32	37	38	32	24	24	21	17	18	15	16	28	16
Multilateral	8	9	10	12	13	11	11	11	10	10	12	12	12	10	12
African Devolpement Bank	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
African Devolpement Fund	2	2	2	2	2	3	3	3	3	3	3	4	4	2	4
IDA	3	3	3	4	5	5	5	6	6	7	7	8	8	5	8
International Monetary Fund	0	1	2	4	4	3	2	2	0	0	0	0	0	2	0
Others	2	2	2	2	2	1	1	1	0	0	1	0	0	1	0
Official bilateral	19	19	23	24	26	21	14	13	12	7	6	3	4	18	4
Paris Club	16	15	17	19	20	15	9	8	7	3	2	3	4	13	3
Post-cutoff date	5	6	8	10	12	8	0	0	0	0	0	0	0	5	0
Of which: ODA	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0
Pre-cutoff date	11	9	9	9	8	8	8	8	7	3	2	3	4	8	3
Of which: ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other official bilateral	3	4	6	6	6	5	5	5	5	4	4	0	0	5	1
Post-cutoff date	1	3	5	5	5	4	4	4	4	4	4	0	0	4	1
Of which: ODA	1	2	4	4	4	4	4	4	4	4	4	0	0	4	1
Pre-cutoff date	2	1	1	1	1	1	0	0	0	0	0	0	0	1	0
Of which: ODA	2	1	1	1	1	1	0	0	0	0	0	0	0	1	0
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	14	13	12	11	9	8	7	6	6	5	5	4	3	9	4
Multilateral	3	3	3	3	3	3	3	2	2	2	2	2	1	3	2
African Devolpement Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
African Devolpement Fund	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1
IDA	2	2	2	2	2	2	2	1	1	1	1	1	1	2	1
International Monetary Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Official bilateral	10	10	9	8	6	5	4	4	3	3	3	2	2	6	2
Paris Club	9	8	7	6	5	4	4	3	3	2	2	2	2	5	2
Post-cutoff date	2	2	2	1	1	0	0	0	0	0	0	0	0	1	0
Of which: ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pre-cutoff date	6	6	5	5	5	4	4	3	3	2	2	2	2	4	2
Of which: ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other official bilateral	2	1	1	1	1	1	1	1	0	0	0	0	0	1	0
Post-cutoff date	1	1	1	1	1	1	1	1	0	0	0	0	0	1	0
Of which: ODA	1	1	1	1	1	1	1	1	0	0	0	0	0	1	0
Pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which: ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum item:															
Debt service on new borrowing	0	0	1	1	1	1	2	3	5	7	9	13	21	2	14
Principal	0	0	0	0	0	0	0	1	2	4	6	8	14	1	9
Interest	0	0	1	1	1	1	2	2	2	3	3	5	7	1	5

Sources: Guinea-Bissau authorities; and staff estimates and projections.
1/ On a scheduled basis; debt service is shown before hypothetical stock of debt operation, exclusive of debt service on rescheduled debt and new borrowing.

Table 8. Guinea-Bissau: Debt Service After Hypothetical Traditional Debt Relief, 2000-2019
(In millions of U.S. dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2019	2000-09 Average	2010-19 Average
Total debt service after debt relief 1/ 2/	28	32	36	40	42	50	42	41	39	39	25	22	24	39	23
Principal	15	18	23	28	31	40	33	33	32	32	18	17	20	28	18
Multilateral	8	9	10	12	13	18	18	18	17	17	12	12	12	14	12
African Devolpement Bank	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
African Devolpement Fund	2	2	2	2	2	3	3	3	4	3	3	4	4	3	4
IDA	3	3	3	4	5	5	5	6	6	7	7	8	8	5	8
International Monetary Fund	0	1	2	4	4	3	2	2	0	0	0	0	0	2	0
Others	2	2	2	2	2	7	7	7	6	6	1	0	0	4	0
Official bilateral	7	9	13	16	18	22	15	15	15	15	7	5	8	14	6
Paris Club	5	7	9	11	13	14	7	7	7	8	3	4	6	9	4
Post-cutoff date	5	6	8	10	12	12	5	5	4	4	0	0	0	7	0
Of which : ODA	0	0	0	0	0	1	1	1	1	1	0	0	0	1	0
Pre-cutoff date	0	1	1	1	1	2	2	3	3	3	2	4	6	2	4
Other official bilateral	1	3	5	5	5	8	8	8	8	8	4	0	1	6	1
Post-cutoff date	1	3	5	5	5	8	8	8	8	7	4	0	0	6	1
Of which : ODA	1	2	4	4	4	7	7	7	7	7	4	0	0		
Pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
Of which : ODA	0	0	0	0	0	0	0	0	0	0	0	0	0		
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
post-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
pre-cutoff date	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	14	13	13	12	11	10	9	8	8	7	6	5	4	11	5
Multilateral	4	4	4	4	3	3	3	3	3	2	2	2	1	3	2
African Devolpement Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
African Devolpement Fund	1	1	1	1	1	1	1	1	1	1	1	1	0	1	1
IDA	2	2	2	2	2	2	2	1	1	1	1	1	1	2	1
International Monetary Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	1	1	1	1	1	1	1	0	0	0	0	0	0	1	0
Official bilateral	10	10	9	9	8	7	6	6	5	5	4	4	3	7	4
Paris Club	7	7	6	6	5	5	4	4	4	3	3	3	2	5	3
Post-cutoff date	3	3	3	2	2	1	1	0	0	0	0	0	0	2	0
Of which : ODA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pre-cutoff date	4	4	4	4	4	4	3	3	3	3	3	3	2	4	3
Other official bilateral	3	3	3	3	2	2	2	2	1	1	1	1	1	2	1
Post-cutoff date	2	2	2	2	2	1	1	1	1	0	0	0	0	1	0
Pre-cutoff date	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Commercial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum item															
Debt service on new borrowing	0	0	1	1	1	1	2	3	5	7	9	13	21	2	14
Principal	0	0	0	0	0	0	0	1	2	4	6	8	14	1	9
Interest	0	0	1	1	1	1	2	2	2	3	3	5	7	1	5

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

1/ Debt service is shown after traditional debt relief through a hypothetical stock of debt operation, inclusive of debt service on rescheduled debt.
2/ Assumes a stock-of-debt operation on Naples terms at end-1999 and at least comparable treatment from other official bilateral creditors.
Assumes also non-concessional deferral in 2000 on arrears on multilalteral claims and bilateral post-cutoff-date claims on the term of 10 year repayments including 5 year grace period .

Table 9. Guinea-Bissau: Sensitivity Analysis, 2000-2019
(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2015	2019	2000-09 average	2010-19 average
Baseline (traditional debt relief scenario) 1/															
Nominal debt	797	818	827	829	838	841	845	849	855	862	871	964	1,074	792	905
NPV of debt	479	491	496	496	497	491	489	488	487	487	497	569	640	476	536
Debt service	29	32	37	41	43	52	44	44	44	46	34	35	45	40	36
NPV of debt to export ratio	903	690	595	534	484	431	389	352	321	294	274	205	165	532	204
NPV of debt to revenue ratio	1,157	1,031	925	823	750	672	612	558	509	465	433	316	256	774	317
Debt service ratio	39	39	40	40	38	41	32	29	27	25	17	12	11	34	13
Debt service to revenue ratio	69	68	68	68	65	71	55	51	46	44	29	19	18	95	34
Lower cashew export scenario 2/															
Nominal debt	…	825	840	850	868	881	896	912	930	951	977	1,170	1,395	835	1,107
NPV of debt	…	493	501	505	510	509	513	517	523	530	547	671	803	495	637
Debt service	…	32	37	41	43	52	45	45	45	47	35	38	52	42	39
NPV of debt to export ratio	…	694	602	544	497	446	407	373	345	319	302	242	208	575	283
NPV of debt to revenue ratio	…	1,037	935	838	770	697	641	591	546	505	477	373	322	836	373
Debt service ratio	…	45	47	48	45	49	38	35	32	31	21	15	15	40	16
Debt service to revenue ratio	…	68	68	68	66	71	56	51	47	45	30	21	21	58	23
Less concessional scenario 3/															
Nominal debt	…	819	828	832	843	849	857	866	877	891	908	1,052	1,220	805	985
NPV of debt	…	501	518	531	545	558	575	594	613	634	659	820	985	539	765
Debt service	…	33	38	44	50	63	60	65	72	80	74	107	141	54	99
NPV of debt to export ratio	…	705	623	572	531	490	457	429	404	382	363	296	255	546	287
NPV of debt to revenue ratio	…	1,054	967	881	822	765	720	679	640	604	574	455	395	890	447
Debt service ratio	…	40	42	43	44	50	43	43	43	44	38	35	34	42	34
Debt service to revenue ratio	…	70	72	73	75	86	75	74	75	76	65	59	56	73	57
Memorandum item															
Exports of goods and service (3 year average, US$ million)															
Baseline scenario	53	71	83	93	103	114	126	138	152	166	181	277	387	104	273
Lower export scenario	…	67	74	79	87	96	107	117	129	141	154	235	329	94	232
Average grant elements of new money (in percent)															
Baseline scenario	58	57	55	54	54	53	53	52	52	51	51	48	46	54	48
Less concessional scenario	…	40	32	27	26	23	21	19	18	17	17	16	16	25	17

Source: Guinea-Bissau authorities; staff estimate and projections.
1/ Assumes a stock-of-debt operation on Naples terms at end-1999 and at least comparable treatment from other official bilateral creditors.
Assumes also non-concessional deferral in 2000 on arrears on multiralteral claims and bilateral post-cutoff date claims on the term of 10 year repayments including 5 year grace period .
2/ Assumes cashew export prices after 2001 are lower by 20 percent than in the baseline scenario.
3/ Assumes that a half of the residual financing gap is financed on nonconcessional terms (10 year including 2-year grace, 5.59 % Interest rate).

Table 10. Guinea-Bissau—Projected Assistance Under the Enhanced HIPC Inititiative 1/
(In millions of U.S. dollars, unless otherwise indicated)

NPV of debt-to-exports-target (in percent)	EXPORT CRITERION				Required NPV debt reduction on Paris Club debt assuming comparable action of non-multilateral creditors 5/
	Total Assistance at the completion point on the basis of decision point data 2/				
	Total	Bilateral 3/	Multilateral	Common Reduction Factor 4/ (In percent)	
	(In millions of US dollars)				
150	416	212	204	85.4%	
Memorandum items:					
NPV of debt 6/	487	248	239		
Multilateral institutions	239				
Paris Club	176				95%
Of which : pre-cod date non-ODA debt	100				117%
Non-Paris Club bilaterals	71				95%
Of which : pre-cod date non-ODA debt	6				396%
Commercial creditors	1				
3-year average of exports 7/	47				
Current-year exports	56				
NPV of debt-to-exports ratio 7/	1,029				

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

1/ The proportional burden sharing approach is described in "HIPC Initiative-Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).
2/ Assumes a hypothetical stock-of-debt operation on Naples terms and appropriate comparable treatment by other official bilateral and commercial creditors at the end of 1999.
3/ Includes official bilateral creditors and commercial debt.
4/ Each creditor's NPV reduction at the decision point in percent of its exposure at the decision point.
5/ Include traditional debt relief.
6/ Based on latest data available at decision point after full application of traditional debt relief mechanisms.
7/ Based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1997-1999).

Table 11. Guinea Bissau: Possible Delivery of IDA Assistance Under the Enhanced HIPC Initiative [1/ 2/]
(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Service to IDA before HIPC Assistance 2/	4.49	4.88	4.92	5.56	6.11	6.61	6.87	7.10	7.46	8.21	8.66	8.87	8.87
of which principle	2.79	3.20	3.26	3.93	4.51	5.05	5.34	5.61	6.02	6.81	7.32	7.58	7.64
of which interest	1.70	1.68	1.65	1.63	1.60	1.56	1.53	1.49	1.44	1.40	1.34	1.29	1.23
Debt Service to IDA after HIPC Assistance	3.63	-	-	0.17	0.61	0.66	0.69	0.71	0.75	0.82	0.87	0.89	0.89
of which principle	2.21	-	-	0.12	0.45	0.51	0.54	0.56	0.60	0.68	0.73	0.76	0.77
of which interest	1.42	-	-	0.05	0.16	0.16	0.15	0.15	0.14	0.14	0.13	0.13	0.12
Assistance provided by HIPC Trust Fund 3/	0.09	0.49	0.49	0.43									
Relief in nominal terms	0.86	4.88	4.92	5.39	5.50	5.95	6.18	6.39	6.71	7.38	7.79	7.98	7.98
Relief in NPV terms	0.86	4.70	4.48	4.66	4.50	4.61	4.53	4.43	4.41	4.59	4.59	4.45	4.22
Percentage reduction in Nominal terms	0.5%	2.7%	2.7%	3.0%	3.0%	3.3%	3.4%	3.5%	3.7%	4.1%	4.3%	4.4%	4.4%
Percentage reduction in NPV terms	0.9%	5.0%	4.8%	5.0%	4.8%	4.9%	4.9%	4.7%	4.7%	4.9%	4.9%	4.8%	4.5%

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt Service to IDA before HIPC Assistance	8.96	8.99	9.10	9.22	9.17	9.12	9.06	8.99	8.93	8.87	8.81	8.75	8.69
of which principle	7.79	7.88	8.05	8.22	8.23	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25
of which interest	1.17	1.11	1.06	0.99	0.93	0.87	0.81	0.75	0.69	0.62	0.56	0.50	0.44
Debt Service to IDA after HIPC Assistance	0.90	0.90	0.91	0.92	0.92	0.91	0.91	0.90	0.90	0.89	0.88	0.88	2.64
of which principle	0.78	0.79	0.81	0.82	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.83	2.52
of which interest	0.12	0.11	0.11	0.10	0.09	0.09	0.08	0.07	0.07	0.06	0.06	0.05	0.12
Relief in nominal terms	8.07	8.09	8.19	8.29	8.25	8.20	8.15	8.09	8.04	7.98	7.93	7.87	6.05
Relief in NPV terms	4.03	3.83	3.67	3.52	3.31	3.12	2.93	2.76	2.59	2.44	2.29	2.16	1.57
Percentage reduction in Nominal terms	4.5%	4.5%	4.5%	4.6%	4.6%	4.5%	4.5%	4.5%	4.4%	4.4%	4.4%	4.3%	3.3%
Percentage reduction in NPV terms	4.3%	4.1%	3.9%	3.8%	3.6%	3.3%	3.1%	3.0%	2.8%	2.6%	2.5%	2.3%	1.7%
Memorandum item:													
Interim Assistance 4/	13.3												
Interim relief as percent of total	14.2%												

Source: IDA staff estimates and projections

1/ The IDA assistance is assumed to be delivered from December 2000 to November 2025 covering 90 percent of debt service due. During the interim period 100% debt service relief will be provided, with 10% of this debt service relief to be covered from donor resources in the HIPC Trust Fund
2/ The projected debt service is based on disbursed amounts at end-December 1999.
3/ During the interim period 90% of the debt service due is being provided by IDA, and the remaining 10% by donor resources in the HIPC Trust Fund.
4/ In net present value (NPV) terms; assuming a decision point in December 2000 and a completion point in October 2003.

Table 12. Guinea-Bissau: Possible Delivery of IMF Assistance under the HIPC Initiative 1/

(In millions of US dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
		0	1	2	3	4	5	6	7	8	9
(Based on the US$/SDR exchange rate as of December 11, 2000)											
Delivery schedule of IMF assistance (in percent of total assistance)	0.00	5.69	10.24	13.00	14.00	10.00	19.00	15.00	6.00	3.63	3.45
Debt Service due on current IMF obligations 2/	0.0	0.8	1.4	2.5	2.8	2.6	3.1	2.5	1.3	1.0	1.0
Of which : Principal	0.0	0.7	1.2	2.4	2.7	2.5	2.9	2.4	1.2	0.9	0.9
Interest	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
IMF assistance--deposits into Guinea-Bissau's account											
Interim assistance 3/	0.7	1.2	1.5								
Completion point assistance 4/				8.5							
IMF assistance--drawdown schedule 5/	0.0	0.7	1.2	2.1	2.3	2.2	2.6	2.0	0.8	0.5	0.5
Of which : IMF assistance without interest	0.0	0.7	1.2	1.5	1.7	1.2	2.3	1.8	0.7	0.4	0.4
Estimated interest earnings	0.0	0.0	0.0	0.6	0.6	1.0	0.3	0.2	0.1	0.1	0.0
Debt service due on IMF obligations after IMF assistance 5/	0.0	0.2	0.1	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Share of debt service due on IMF obligations after IMF assistance (in percent) 5/	0.0	80.2	90.6	84.0	81.1	83.8	84.7	80.9	64.5	50.0	46.5
Proportion of each repayment falling due during the period to be paid by HIPC Initiative assistance from the principal deposited in Guinea-Bissau's account	0.0	100.0	100.0	64.4	61.5	47.5	76.7	74.2	58.5	47.1	44.8
Memorandum items: **(Based on debt service data and exchange rates as of end-1999) 6/**											
Total debt service due 7/	28.5	32.0	35.9	40.0	42.1	50.3	42.1	41.0	39.4	39.0	24.6
of which: due to the IMF	0.4	0.9	1.9	4.2	4.1	2.7	2.2	1.6	0.3	0.0	0.0
Debt service due on IMF obligations after IMF assistance 5/	0.4	0.2	0.6	2.0	1.8	0.5	0.0	0.0	0.0	0.0	0.0
(in percent of exports)	0.6	0.3	0.7	2.0	1.5	0.4	0.0	0.0	0.0	0.0	0.0
Share of total debt service covered by IMF assistance (in percent) 5/	0.0	2.1	3.5	5.3	5.5	4.4	6.1	4.9	2.1	1.3	1.9

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

1/ Total IMF assistance under the enhanced HIPC Initiative is US$ 11.9 million calculated on the basis of data available at the decision point, excluding interest earned on Guinea-Bissau's account and on committed but undisbursed amounts as described in footnotes 4 and 5.

2/ Based on a special run, as of August 31, 2000, which assumes SDR 3.55 million outstanding for emergency assistance is early repurchased in December 2000, and is replaced by additional access under PRGF of same amount. Interest obligations include net SDR charges and assessments. Data for 2000 covers the last two weeks of December.

3/ Interim assistance to be deposited into Guinea-Bissau's account in December 2000, December 2001, and December 2002, to cover obligations falling due to the Fund in the coming 12 months in each case. As Guinea Bissau has no principal obligation falling due in December 2000, the first interim disbursement covers repayments in 2001.

4/ Remaining amount of assistance assumed to be disbursed into Guinea-Bissau's account at the completion point in October 2003, which is reflected in the calculation of interest.

5/ Includes estimated interest earnings on: (1) amounts held in Guinea-Bissau's account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point.

6/ After traditional debt relief mechanisms.

7/ Excludes charges in the SDR department of the IMF and debt service on new debt.

Table 13. Guinea-Bissau: Key External Debt Indicators After Enhanced HIPC Assistance, 1999-2013
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2001-03 Average	2004-13 Average
After traditional debt relief 1/																	
NPV of debt	487	479	491	496	496	497	491	489	488	487	487	497	507	521	535	494	500
Bilateral	248	241	243	242	240	235	232	236	241	246	251	261	272	284	296	241	255
Multilateral	239	239	248	254	256	262	258	253	247	241	236	236	236	237	239	253	245
Nominal debt	791	797	818	827	829	838	841	845	849	855	862	871	885	901	920	825	867
Bilateral	364	358	366	374	378	381	391	405	422	439	454	468	483	500	517	373	446
Multilateral	427	439	452	454	451	457	450	440	427	416	407	404	402	401	403	452	421
Total debt service 2/	34	29	32	37	41	43	52	44	44	44	46	34	33	32	33	37	40
Bilateral	19	17	19	23	25	27	30	22	22	22	22	14	14	13	14	22	20
Multilateral	15	12	13	14	16	17	22	22	22	22	24	19	20	19	19	14	21
NPV of debt to export ratio	1,029	903	690	595	534	484	431	389	352	321	294	274	256	241	228	607	327
NPV of debt to revenue ratio	1,254	1,157	1,031	925	823	750	672	612	558	509	465	433	404	379	356	926	514
Debt service ratio	61	39	39	40	40	38	41	32	29	27	25	17	15	14	13	39	25
Debt service to revenue ratio	87	69	68	68	68	65	71	55	51	46	44	29	26	23	22	68	43
After enhanced HIPC assistance 3/																	
NPV of debt	…	403	424	456	110	129	150	169	189	209	231	248	266	286	307	330	218
Bilateral	…	195	196	213	35	45	59	74	89	106	122	135	148	160	173	148	111
Multilateral	…	208	227	243	75	84	90	96	100	104	109	113	118	125	134	182	107
Total debt service 2/	…	…	5	6	8	5	4	4	5	7	9	11	12	13	13	7	8
Bilateral	…		3	4	4	1	1	2	2	2	3	4	5	5	7	4	3
Multilateral	…	…	2	2	4	4	3	3	4	5	6	8	7	7	7	3	5
NPV of debt to export ratio	…	…	596	548	119	126	131	135	137	138	139	137	135	132	131	421	134
NPV of debt to revenue ratio	…	…	891	851	183	194	205	212	216	219	220	216	212	208	204	642	211
Debt service ratio	…	…	6	7	8	4	3	3	3	4	5	6	6	5	5	7	4
Debt service to revenue ratio	…	…	11	12	13	7	5	5	6	7	9	10	10	9	9	12	8
After enhanced HIPC assistance assumed unconditional delivery 4/																	
NPV of debt	71	77	95	105	110	129	150	169	189	209	231	248	266	286	307	104	218
Bilateral	36	40	47	50	35	45	59	74	89	106	122	135	148	160	173	44	111
Multilateral	35	38	48	55	75	84	90	96	100	104	109	113	118	125	134	59	107
Total debt service 2/	…	…	5	6	8	5	4	4	5	7	9	11	12	13	13	7	8
Bilateral	…	…		3	4	4	1	1	2	2	2	3	4	5	5	4	3
Multilateral	…	…	2	2	4	4	3	3	4	5	6	8	7	7	7	3	5
NPV of debt to export ratio	150	146	134	126	119	126	131	135	137	138	139	137	135	132	131	126	134
NPV of debt to revenue ratio	183	187	200	195	183	194	205	212	216	219	220	216	212	208	204	193	211
Debt service ratio	…	…	6	7	8	4	3	3	3	4	5	6	6	5	5	7	4
Debt service to revenue ratio	…	…	11	12	13	7	5	5	6	7	9	10	10	9	9	12	8
Memorandum items:																	
Debt Service before traditional debt relief	34	41	41	44	47	48	40	31	30	27	22	22	21	19	19	44	28
Exports of goods and services	56	74	84	92	102	114	126	138	151	166	181	197	215	234	255	93	178
Exports of goods and services (3-year average)	47	53	71	83	93	103	114	126	138	152	166	181	198	216	235	82	163
Government revenue excluding grants	39	41	48	54	60	66	73	80	88	96	105	115	126	137	150	54	104

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

1/ Assumes a stock-of-debt operation on eligible debt (including arrears on pre-cutoff date debt) on Naples terms (67 percent NPV reduction) in 1999, and at least comparable action by other official bilateral and commercial creditors. Assumes also non-concessional deferral with 10 year repayments including 5 year grace period on arrears on multilateral claims and bilateral post-cutoff date claims.

2/ Include debt service on existing debt and new borrowing.

3/ Assumes a Paris Club flow rescheduling covering arrears on pre-cutoff date debt and maturities falling due during 2000-2003 on Cologne terms and at least comparable actions by other bilateral creditors. A major creditor has also indicated its willingnes to apply Naples terms to post cutoff date arrears and maturities on an exceptional basis. Multilateral relief is provided through a concessional rescheduling of arrears and /or debt service reduction and rescheduling. HIPC assistance is assumed to be delivered in October 2003, once the completion point is reached.

4/ Assumes that all assistance under the HIPC Initiative is delivered in 1999.

Table 14. Guinea-Bissau: External Debt Service and Resource Transfer 1999-2013
(In millions of U.S. dollars)

	Arrears as of end-1999	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2001-03 Average	2004-13 Average
Debt Service on existing debt																		
Scheduled Debt Service 1/	275	34	41	41	44	47	48	40	31	30	27	22	22	21	19	19	44	28
Multilateral creditors	35	12	11	12	13	15	15	14	13	13	12	12	14	14	14	14	13	14
IMF/World Bank	0	4	5	6	7	10	10	9	9	9	8	8	9	9	9	9	7	9
Other multilaterals	35	8	6	7	6	5	5	4	4	4	4	4	5	5	5	5	6	5
Paris Club creditors	181	19	25	23	24	25	25	20	12	11	10	5	4	4	4	5	24	10
Other bilaterals	59	3	4	5	7	7	7	6	6	5	5	5	4	2	0	0	6	4
Commercial creditors	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
After traditional debt relief 1/ 2/	76	…	…	28	32	36	40	42	50	42	41	39	39	25	24	22	32	36
Multilateral creditors	35	…	…	12	13	13	16	16	21	21	20	19	19	14	14	14	13	17
IMF/World Bank	0	…	…	5	6	7	10	10	9	9	9	8	8	9	9	9	6	9
Other multilaterals	35	…	…	7	7	7	6	6	12	12	12	11	11	5	5	5	7	9
Paris Club creditors	24	…	…	12	14	15	17	19	19	11	11	11	11	6	6	6	14	12
Other bilaterals	17	…	…	4	5	7	7	7	10	10	9	9	9	5	3	1	6	7
Commercial creditors	0	…	…	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
After enhanced HIPC assistance 1/ 3/	0	…	…	5	6	7	4	2	2	2	2	2	2	2	2	2	6	2
Multilateral creditors	0	…	…	2	2	3	3	2	2	2	2	2	2	2	2	2	2	2
IMF/World Bank	0	…	…	0	1	2	2	1	1	1	1	1	1	1	1	1	1	1
Other multilaterals	0	…	…	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Paris Club creditors	0	…	…	2	2	2	0	0	0	0	0	0	0	0	0	1	2	0
Other bilaterals	0	…	…	1	1	1	0	0	0	0	0	0	0	0	0	0	1	0
Commercial creditors	0	…	…	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service on New Borrowing	…	…	…	0	1	1	1	1	2	3	5	7	9	10	10	11	1	6
Total Debt Service (Cash basis) 4/ 5/ 6/ 7/	…	**4**	**15**	**5**	**6**	**8**	**5**	**4**	**4**	**5**	**7**	**9**	**11**	**12**	**13**	**13**	**7**	**8**
Total external resources (gross)	…	**35**	**62**	**60**	**49**	**53**	**52**	**65**	**69**	**75**	**81**	**86**	**87**	**90**	**94**	**98**	**54**	**80**
Total grants	…	28	37	42	31	37	38	40	42	43	45	47	49	51	53	55	36	46
Projects	…	20	21	24	31	37	38	40	42	43	45	47	49	51	53	55	31	46
Non-projects	…	9	16	18	0	0	0	0	0	0	0	0	0	0	0	0	6	0
Disbursements of new loans	…	7	16	18	7	8	8	8	8	6	8	12	13	14	15	17	11	11
Projects 5/	…	2	5	5	7	8	8	8	8	6	8	12	13	14	15	17	7	11
Non-projects	…	5	12	13	0	0	0	0	0	0	0	0	0	0	0	0	4	0
Financing gap (uncommited grants) 5/ 8/	…	…	10	…	12	8	5	17	20	25	28	28	26	26	26	27	10	23
Net inflows of resources 9/	…	**32**	**47**	**55**	**43**	**45**	**47**	**61**	**65**	**70**	**75**	**77**	**76**	**78**	**81**	**85**	**48**	**71**

Sources: Guinea Bissau authorities; and staff projections.

1/ Includes debt service on existing debt only.
2/ Assumes a stock-of-debt operation on eligible debt (including arrears on pre-cutoff date debt) on Naples terms (67 percent NPV reduction) in 1999, and at least comparable action by other official bilateral and commercial creditors. Assumes also non-concessional deferral with 10 year repayments including 5 year grace period on arrears on multilateral claims and bilateral post-cutoff date claims.
3/ Assumes a Paris Club flow rescheduling covering arrears on pre-cutoff date debt and maturities falling due during 2000-2003 on Cologne terms and at least comparable actions by other bilateral creditors. A major creditor has also indicated its willingnes to apply Naples terms to post cutoff date arrears and maturities on an exceptional basis. Multilateral relief is provided through a concessional rescheduling of arrears and /or debt service reduction and rescheduling. HIPC assistance is assumed to be delivered in October 2003, once the completion point is reached.
4/ After 2001, the projected debt service after the enhanced HIPC assistance and debt service on new borrowing are included. In 2000, cash payments to clear arrears to African Development Bank group (US$9.5 million) is included.
5/ In 1999, project grants recorded in the balance of payments include emergency assistance provided through nongovernment organizations not recorded in fiscal data.
6/ Historical debt service: in 1997 and 1998 annual cash payments of debt service were US$7.5 million and US$6.5 million respectively. Cash payments are inclusive of significant donor assistance through the Multilateral Debt Fund. Scheduled debt service in 1997 and 1998 was US$32.6 million and US$31.9 million respectively.
7/ In 2000, cash payment requirements for arrears to AfDB group (US$9.5 million) and expected bilateral contribution to this are included.
8/ After the projected assistance under the enhanced HIPC Initiative.
9/ Total disbursements of grants and loans minus debt service on a cash basis.

Table 15: Guinea-Bissau - Discount and Exchange Rate Assumptions as of End-1999

Currency Name	Discount Rates 1/	Exchange Rates 2/ (Per U.S. dollar)
Austrian Shillings 3/	5.47	13.70
Belgian Franc 3/	5.47	40.16
IsDB Unit of Account 4/	5.59	0.73
Canadian Dollar	6.67	1.44
CFA Franc 3/	5.47	652.95
Swiss Franc	4.27	1.60
Chinese Yuan	7.04	8.28
Deutsche Mark 3/	5.47	1.95
Korean Wang	9.85	1138.40
Luxemburg Franc 3/	5.47	40.16
Irish Pounds 3/	5.47	0.78
Danish Kroner	5.32	7.40
European Currency Unit 3/	5.47	1.00
Spanish Peseta 3/	5.47	165.62
Euro	5.47	1.00
Finnish Markaa 3/	5.47	5.92
French Franc 3/	5.47	6.53
Pound Sterling	6.70	0.62
Italian Lira 3/	5.47	1927.40
Japanese Yen	1.98	102.20
Kuwaiti Dinar 4/	5.59	0.30
Netherland Guilders 3/	5.47	2.19
Norwegian Kroner	6.64	8.04
Portugese Escudo 3/	5.47	199.56
Special Drawing Rights	5.59	0.73
Algerian Dinnar 4/	5.59	69.31
Saudi Ryal	7.04	3.75
Swedish Kroner	5.80	8.53
United Arab Emirate Dirham 4/	5.59	3.67
Former Soviet Union Ruble	7.04	0.60
United States Dollar	7.04	1.00
UCF-BAD/FAD Unit of Account (=SDR) 4/	5.59	0.73
Memorandum item:		
Cut-off-date for the Paris Club debt relief		December 31,1986

Sources: OECD; and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates for the respective currencies over the six-month period ended December 1999.
2/ The exchange rates are those at the base date (end-1999).
3/ Apply the discount rate for euro.
4/ Apply the discount rate for SDR.

Table 16. Guinea-Bissau Arrears Before and After Traditional Debt Relief, End-1999
(In millions of U.S. dollars)

Arrears (Principal+Interest)	Before Naples	After Naples
	275.2	76.2
Multilateral Creditors	35.2	35.2
African Devolpement Bank Group	5.4	5.4
IDA	0.0	0.0
International Monetary Fund	0.0	0.0
European Union	0.9	0.9
IFAD	1.1	1.1
BADEA	5.5	5.5
OPEC Fund	7.7	7.7
ECOWAS	1.9	1.9
IsDB	12.7	12.7
Non-Paris Club Creditors	58.9	16.9
United Arab Emirates	0.2	0.0
Angola	18.8	0.0
Algeria	1.4	0.3
Cuba	2.2	0.0
China	5.1	0.1
Libya	0.7	0.7
Kuwait	17.8	3.9
Taiwan, Province of China	6.9	6.9
Pakistan	1.3	1.3
Saudi Arabia	4.6	3.7
Paris Club Creditors	180.7	23.7
Russia	128.8	0.0
Spain	2.9	2.9
Brazil	7.9	0.0
France	2.1	0.0
Portugal	7.1	0.0
Belgium	1.5	0.0
Italy	27.9	20.8
Germany	2.5	0.0
Commercial Creditors	0.4	0.4

Sources: Guinea-Bissau authorities; and staff estimates.

Table 17. HIPC Initiative: Status of Country Cases Considered Under the Initiative, December 11, 2000

Country	Decision Point	Completion Point	Target NPV of Debt-to- Export (in percent)	Target NPV of Debt-to- Gov. revenue (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)
Completion point reached under enhanced framework											
Uganda					1,003	183	820	160	517	50	1,950
original framework	*Apr. 97*	*Apr. 98*	*202*		*347*	*73*	*274*	*69*	*160*	*20*	*650*
enhanced framework	*Feb. 00*	*May 00*	*150*		*656*	*110*	*546*	*91*	*357*	*37*	*1,300*
Decision point reached under enhanced framework											
Benin	Jul. 00	*Floating*	150		265	77	189	24	84	31	460
Bolivia					1,302	425	876	84	194		2,060
original framework	*Sep. 97*	*Sep. 98*	*225*		*448*	*157*	*291*	*29*	*53*	*14*	*760*
enhanced framework	*Feb. 00*	*Floating*	*150*		*854*	*268*	*585*	*55*	*141*	*30*	*1,300*
Burkina Faso					398	56	342	42	162		700
original framework	*Sep. 97*	*Jul. 00*	*205*		*229*	*32*	*196*	*22*	*91*	*27*	*400*
enhanced framework	*Jul. 00*	*Floating*	*150*		*169*	*24*	*146*	*20*	*71*	*27*	*300*
Cameroon	Oct. 00	Floating	150		1,260	874	324	37	179	27	2,000
Gambia, The	...	...	150		67	17	49	2	22	27	90
Guyana					585	220	365	74	68		1,030
original framework	Dec. 97	May 99	107	280	256	91	165	35	27	24	440
enhanced framework	*Nov. 00*	*Floating*	*150*	*250*	*329*	*129*	*200*	*40*	*41*	*40*	590
Honduras	Jun. 00	Floating	110	250	556	215	340	30	98	18	900
Mali					523	162	361	58	182		870
original framework	*Sep. 98*	*Sep. 00*	*200*		*121*	*37*	*84*	*14*	*44*	*9*	*220*
enhanced framework	*Sep. 00*	*Floating*	*150*		*401*	*124*	*277*	*44*	*138*	*28*	*650*
Mauritania	Feb. 00	Floating	137	250	622	261	361	47	100	50	1,100
Mozambique					1,970	1,235	736	140	434		4,300
original framework	*Apr. 98*	*Jun. 99*	*200*		*1,716*	*1,076*	*641*	*125*	*381*	*63*	*3,700*
enhanced framework	*Apr. 00*	*Floating*	*150*		*254*	*159*	*95*	*16*	*53*	*9*	*600*
Senegal	Jun. 00	Floating	133	250	488	193	259	45	124	19	850
Tanzania	Apr. 00	Floating	150		2,026	1,006	1,020	120	695	54	3,000
Zambia	Dec. 00	Floating	150		2,499	1,168	1,331	602	493	63	3,820
Decision point reached under original framework											
Côte d'Ivoire	Mar. 98	Mar. 01	141	280	345	163	182	23	91	6 3/	800
Total assistance provided/committed					**13,908**	**6,255**	**7,555**	**1,487 4/**	**3,443**		**23,930**
Preliminary HIPC document issued 5/											
Chad	...	...	150		157	34	123	15	65	27	250
Ethiopia	...	...	200		636	225	411	22	214	23	1,300
Guinea 6/	...	...	150		545	215	328	31	152	32	800
Guinea-Bissau 6/	...	...	150		416	212	204	12	93	85	790
Madagascar 6/	...	...	150		814	457	357	22	252	40	2,000
Malawi 6/	...	...	150		643	163	480	30	331	44	1,000
Nicaragua 6/	...	...	150		3,267	2,145	1,123	82	189	72	4,500
Niger 6/	...	...	150		521	211	309	28	170	54	890
Rwanda	...	...	150		447	56	391	43	227	71	800
Sao Tome & Principe 6/	...	...	150		97	29	68	--	24	83	200

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.
2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.
3/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPVof debt at the completion point in the calculation of this ratio.
4/ Equivalent to SDR 1,141.7 million at an SDR/USD exchange rate of 0.7676.
5/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance level for Ethiopia is based on the original framework and applied at the completion point; for the other countries, targets are based on the enhanced framework and assistance levels are at the assumed decision point.
6/ Data reflect Decision Point documents which have been issued but not yet approved by the Board.

Guinea-Bissau: Main DSA Assumptions

For the 20-year baseline scenario underlying the debt sustainability analysis, the following assumptions regarding the key macroeconomic variables have been made.

Economic growth

Real GDP is expected to grow at 6 percent per year on average during 2004-19.

Exports and imports

- The annual export growth rates is projected to be, on average and in volume terms, 7¾ percent in 2001-03 and at 6¾ percent in 2004-19. The terms of trade are expected to improve steadily at a moderate rate throughout the projection period.

- The baseline scenario assumes a favorable outcome for agriculture and stable development in world market prices for Guinea-Bissau's traded goods. Buoyant cashew export growth, maintenance of macroeconomic stability, progress in other structural reforms, and a recovery in external aid to the post-conflict level are also assumed.

- It is furthermore assumed that import volume will grow at an average annual rate of 13½ percent in 2001-03 —driven by economic recovery and reconstruction—and 7 percent in 2004-19. Import prices are forecast to increase at an average of 2 percent, in line with the Fund's World Economic Outlook (WEO) projections and the World Bank's commodity division.

Capital account

- During the first decade, multilateral institutions (mainly IDA and African Development Fund) are expected to resume their lending activities to finance post-conflict reconstruction and capacity building projects.

- The projected financing gaps are assumed to be filled, with equal weights, with additional grants and concessional bilateral and multilateral loans (on IDA-comparable terms, with 40 years maturity, including a 10-year grace period and 0.75 percent interest rate).

External debt and foreign reserves

- Under traditional debt relief, it is assumed that all official bilateral creditors granted a hypothetical stock-of-debt operation on Naples term (which implies a 67 percent reduction in NPV terms on pre-cutoff date non-ODA debt, including arrears) in 1999.

- Multilateral institutions are assumed to grant a nonconcessional deferral on arrears on their claims; bilateral creditors have granted nonconcessional deferral on arrears on their post-cutoff date claims and previously rescheduled claims in 2000.

- Net foreign reserves are expected to recover from 3.5 months of imports to 4 months over the projection period.

Guinea-Bissau: Debt Management Issues

1. In September 1997 the Ministry of Economy and Finance began to strengthen its debt-management capabilities with technical assistance from UNCTAD, funded by Switzerland. Unfortunately, the conflict broke out before the system became fully operational, and the system suffered major damage during the war. The Government is currently planning the reinstallation of the system with UNCTAD.

2. Whilst awaiting the installation of the UNCTAD database, the Government designed and operates an excel database which has served as a basis for negotiations with its creditors. The Debt Division of the Ministry of Economy and Finance has made vigorous efforts since the end of the conflict to contact Guinea-Bissau's creditors in order to reconcile their primary debt data. Debt data was originally recorded manually but often proved inaccurate or incomplete, largely due to communication problems between the debtors and creditors. The reconciliation process is advanced, with the result that the Division's database now provides sufficiently accurate projections of future debt service obligations. The system is also compatible with debtpro, which has also been installed at the Debt Department of the Ministry of Finance.

3. Capacity building has also been achieved through the involvement of the Debt Capacity Building Program (Debt Relief International), which has provided training and assistance at a number of levels, including the provision of a Swedish-financed technical consultant. A National Workshop, involving a number of senior figures from the Government, was held in August 2000 in Bissau which produced a report on the future debt strategies for the country.

4. For the foreseeable future, Guinea-Bissau will require highly concessional debt-financing, and, wherever possible, grant financing. Given Guinea-Bissau's very limited debt-servicing capacity, the Government is determined to continue to pursue a prudent external debt policy and will not contract or guarantee any external loans on nonconcessional terms (at least 50 percent grant element). The Ministry of Finance will continue to have the sole authority over the contracting or guaranteeing of all public external borrowing.

5. With a view to revitalize the economy, the Government is committed to gradually repay its audited and validated domestic debt which was accumulated over time owing to the difficult fiscal situation. Preliminary estimates indicate that, as of end-1999, the domestic debt amounted to an estimated 9 percent of GDP. With donor support, the authorities concluded needed upstream work and approved a sound manual of procedures for a critically important domestic debt reduction program which should be launched soon.