

INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL MONETARY FUND

GUINEA-BISSAU

Joint Bank-Fund Debt Sustainability Analysis

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and the International Monetary Fund

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The 2010 debt sustainability analysis for low-income countries (LIC DSA) indicates that in the absence of HIPC and MDRI debt relief, Guinea-Bissau is expected to remain in debt distress, even though debt ratios would improve modestly in the medium-term. The latter reflects the government medium-term macroeconomic program of reforms and fiscal adjustment. HIPC and MDRI debt relief, which would flow if the HIPC completion point were reached in 2010, together with additional debt relief by the Paris Club and other bilateral donors, could help significantly alleviate the debt burden. Under such circumstances, some debt indicators are expected to remain below policy dependent thresholds after the completion point. Over the longer run, stronger export growth associated with economic reforms and continued reliance on highly concessional financing is expected to lead to a gradual decline in debt ratios to levels below the indicative thresholds. The inclusion of domestic public debt in the analysis reinforces the conclusions of the external DSA. The government's economic program should focus on strengthening its fiscal stance; on avoiding nonconcessional debt, securing foreign aid on highly concessional terms; and on improving the political and business environment.

I. BACKGROUND

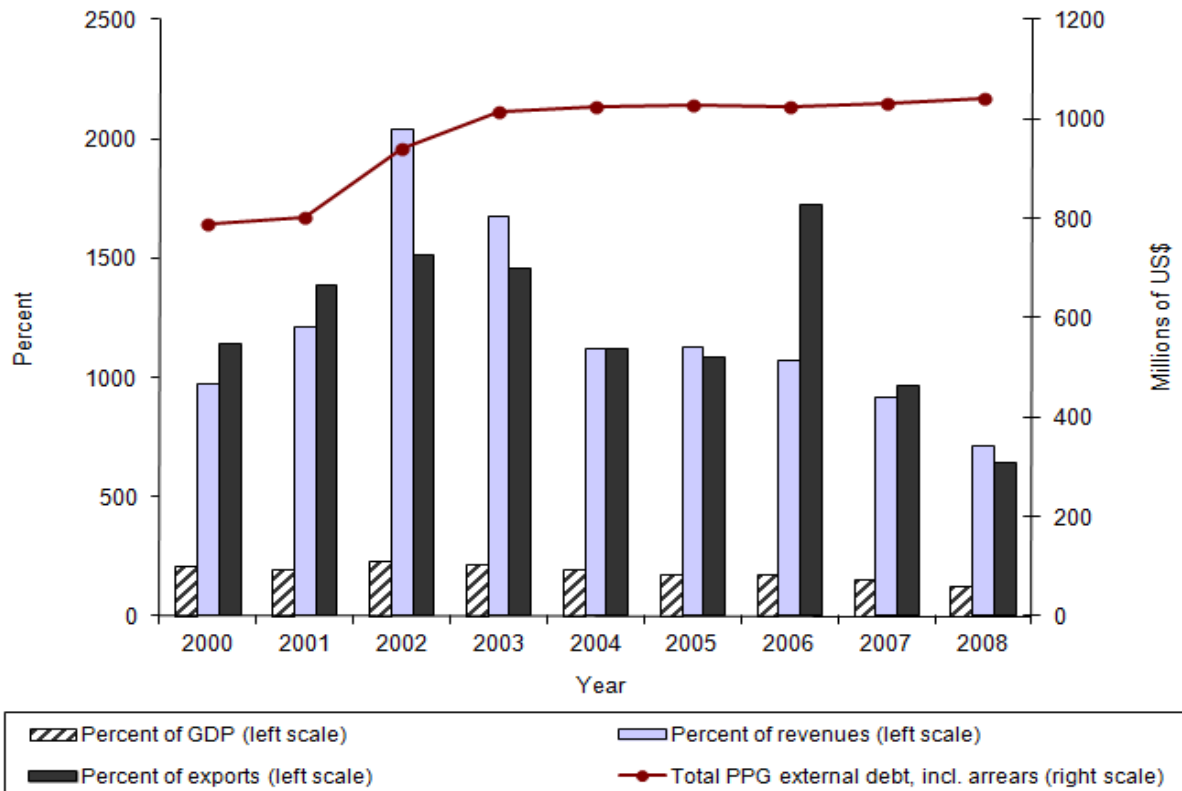
1. **At end-2008, Guinea-Bissau's total public debt amounted to US\$1,340 million or 157 percent of GDP in nominal terms (170 percent of GDP in PV terms).** Its largest component is still public and publicly guaranteed external debt (77.6 percent of total public debt) despite of public domestic debt having substantially risen over the last years (currently 22.4 percent of total public debt up from 19.7 percent in 2006 and 13.7 percent in 2000). Public domestic debt declined in late 2009, however, as the government paid arrears to commercial banks and the BCEAO using externally provided grants. Private external debt is negligible.

Box 1. Impact of Revisions to Guinea-Bissau's National Accounts

This DSA incorporates recently revised National Accounts data. The government will publish the revised national account data for 2003-08, based on the SNA93, in the second quarter of 2010. The new data has a broader coverage of all the sectors in the economy, including in particular the non-cashew agricultural sector which had been significantly underestimated in previous data. The result is an approximate doubling of the level of GDP. Accordingly, GDP ratios cannot be directly compared to those in previous DSA exercises. As an approximation, the isolated impact of the revision will be to reduce GDP ratios by approximately half. Export ratios are less affected, as the revisions to export data were much smaller than for domestic sectors of the economy.

2. **The stock of public and publicly guaranteed (PPG) external debt amounts to US\$1.040.3 million (122 percent of GDP), of which US\$382.8 million are in arrears (Figures 1 and 2).** In terms of composition, multilateral debt accounts for 48.6 percent of total PPG external debt, whereof 28.1 percent is owed to IDA, 14 percent to AfDB/AfDF and 0.9 percent to IMF. The remaining 51.4 percent is held by bilateral creditors (whereof 37.0 percent of total PPG are Paris Club creditors).

Figure 1. Stock of External Debt, 2000-2008

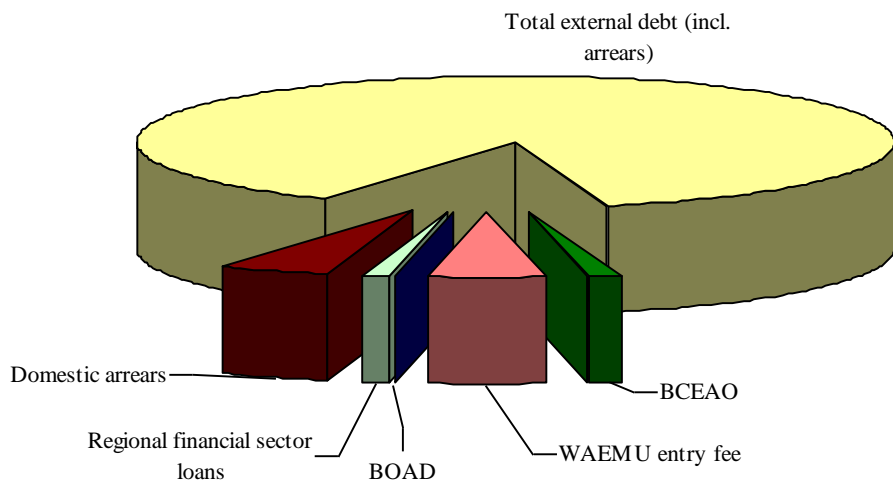


Source: IMF staff estimates.

3. **Public domestic debt stood at CFAF 144.1 billion at end-2008 (or 38 percent of 2008 GDP) from CFAF 125.1 billion in 2006 (and CFAF 91.1 billion in 2000), mainly as a result**

of new domestic arrears and new regional borrowing. By end-2008, the PV of public sector debt had risen to 143 percent of GDP (up from 40 in 2006) and its ratio to revenue and grants to 828 percent (up from 251 in 2006). Almost half of the domestic debt stock represents a required capital contribution of CFAF 70 billion (21 percent of 2008 GDP) to join WAEMU in 1998,¹ which was agreed to be paid over 25 years starting in 2005 and of which CFAF 58.8 billion were left to be paid off. However, as the government has regularly only made around 10 percent of the annual payments using distributed dividends, it had accumulated CFAF 9.5 billion in obligations to the central bank (BCEAO). Another CFAF 6.2 billion in arrears was outstanding to the BCEAO because of unsettled budgetary payments. The second largest component of domestic debt is domestic arrears to the non-bank private sector, that by end-2009 amounted to CFAF 71.8 billion.² In addition, a commercial debt of CFAF 11.8 billion was outstanding to WAEMU banks, whereof CFAF 7.6 billion were Treasury bills (issued in August 2006 at a face value of CFAF 6.7 billion). The obligation to the regional development bank (BOAD) stood at CFAF 1.7 billion.

Figure 2. Composition of Public Debt (Debt Stock at end-2008; millions of CFAF)



Source: IMF staff estimates.

4. Although Guinea-Bissau already reached the decision point under the HIPC Initiative in 2000, it has failed to reach the completion point since. In 2000, the

¹ Under the terms of its accession to the WAEMU in 1998, Guinea-Bissau agreed to contribute an equal share as all other members in the capital contribution of the central bank (BCEAO) and the regional development bank (BOAD).

² In gross terms, audited arrears account for CFAF 17 accumulated before 2000 and CFAF 54.8 billion accumulated during 2000–06.

government engaged in a Poverty Reduction and Growth Facility (PRGF) program from the Fund that could have paved the way to the completion point.³ Failure to maintain macroeconomic stability caused the PRGF-supported program to go off track at a very early stage. In 2005, the government agreed to a new timeline to re-engage in programs supported by the IMF and the World Bank. Two Fund Staff-Monitored Programs (SMPs) followed in 2005 and 2006 as well as three disbursements under the IMF's Emergency Post-Conflict Assistance (EPCA) policy in 2008–09. Progress under both SMPs and the initial EPCAs was mixed, although performance in 2009 improved significantly, allowing staff to recommend IMF Executive Board approval of an arrangement under the IMF's Extended Credit Facility (ECF). Satisfactory performance under the ECF-supported program in the first half of 2010 would provide the necessary track record for reaching the HIPC completion point in the fourth quarter of 2010. A full Poverty Reduction Strategy Paper (PRSP) was finalized in 2006 after many delays owing to political instability and capacity constraints. An Annual Progress Report on PRS implementation was prepared in December 2009, and a new PRSP is under preparation.

5. With the completion point not having been reached since 2000, Guinea-Bissau has not benefited from most of the debt relief committed at decision point. At the decision point in 2000, creditors representing 80 percent of Guinea-Bissau's external debt pledged to provide HIPC relief amounting to US\$415 million in PV terms (currently estimated at about US\$579.9 million in nominal terms).⁴ But as Guinea-Bissau has failed to reach the completion point since then, it has had to service a large share of external debt in full since 2001. Many agreements signed with other multilateral and bilateral creditors have not been implemented because the country failed to remain current on debt service obligations.⁵ The Paris Club declared null and void any debt rescheduling agreements beyond end-2001 and the IMF suspended interim debt relief after the 2000 PRGF had gone off track. The African Development Bank (AfDB)⁶ and IDA⁷ have committed to provide interim relief up to early 2011. Since 2000, only China and Cuba have cancelled all outstanding claims.

³ A number of conditions must be met before a country can reach the completion point under the HIPC Initiative, including satisfactory performance under an ECF or SCF arrangement. In particular, this requires satisfying the Fund's nontolerance of arrears policy (i.e. agreement must be reached on a repayment schedule of all remaining arrears, among others the post-cut-off-date arrears with Paris Club creditors).

⁴ Additional US\$71 million in PV terms (currently estimated at about US\$133.3 million in nominal terms) should come from an agreement with other bilateral creditors.

⁵ See *Guinea-Bissau, Selected Issues and Statistical Appendix*, November 2004, (IMF Country Report No. 05/93) Box 10, for a comprehensive list of debt.

⁶ The statutory ceiling for the delivery of interim relief was reached by AfDB in January 2007, so that only a fraction of the scheduled debt service payments was covered through January 2007, and stopped thereafter. In July 2008, the AfDB extended 100 percent debt service relief to January 2011 after having raised the interim relief ceiling from 40 percent to 50 percent.

6. **After the decision point in 2000, Guinea-Bissau could not service its external debt and accumulated arrears to most of its external creditors.** Since 2001, the country has not repaid any creditor that did not provide interim relief, with the exception of the IMF. The stock of external arrears has increased from US\$141.7 million before decision point in December 2000 to US\$382.8 million at end-2008.

II. UNDERLYING ASSUMPTIONS

7. **The macroeconomic framework underlying the DSA is based on the implementation of sound macroeconomic and structural policies, and external financing (mainly through grants and highly concessional loans).** Box 2 summarizes the corresponding key macroeconomic assumptions. Growth projections average about 4.5 percent over 2009 to 2029. This reflects a stabilization of the political environment and the government's intention to raise the growth potential of the economy, mainly through investments in agriculture, infrastructure and energy provision as well as efforts to improve the business environment and to attract FDI related to investments in the mining sector. Over the medium and long term, these efforts are expected to lead to fiscal consolidation and to stimulate significant export growth that also outpaces any FDI-related import growth. Besides inflation, grants and loans from donors as a percentage of GDP are projected to remain at historical levels.

8. **The DSA assumptions underlying the baseline scenario differ slightly from the previous DSA undertaken in June 2009.** They stem from updating key macroeconomic variables in the short and medium term based on recent evidence, a newer global economic outlook, stronger donor support, and indications of the authorities' policy intentions in the context of a prospective medium-term IMF program. The improvement in the fiscal balance projected in the previous DSA for the medium-term is now expected to begin sooner, reflecting the success of recent efforts to raise revenues and contain spending. The most noteworthy medium-term difference is a more positive outlook for the external sector, with the current account balance significantly stronger over the medium-term than was previously assumed. In particular, long-term growth assumptions for the period beyond 2015 assume a somewhat stronger growth rate of the dominant export—cashews.

9. **The simulations also assume that Guinea-Bissau receives financial assistance in the form of a medium-term IMF arrangement.** Assistance provided under the

⁷ Interim relief from IDA amounted to 100 percent of debt service falling due between December 2000 and October 2003 on debt disbursed before end-1999 (October 2003 was the originally assumed completion point date). From November 2003, annual nominal reduction on debt service to IDA was 90 percent. In order to further assist the country in reaching its completion point, IDA increased its limit on interim relief from 1/3 to 1/2 of the PV of debt relief to be provided. This interim limit of 50 percent of the PV of debt relief is expected to be reached by March 2011.

arrangement is expected to equal 157.5 percent of quota (SDR 22.4 million) of which 37.5 percent of quota is used to immediately repay previous credit provided under the Fund's Emergency Post-Conflict Assistance Program. Disbursements under the arrangement are approximately equally phased over the period from early 2010 to early 2013.

Box 2. Macroeconomic Assumptions Underlying the DSA Baseline Scenario

The macroeconomic assumptions over the period 2008 to 2029 are as follows:

Real GDP growth is expected to first drop from 3.5 percent in 2008 to about 3.0 percent in 2009 and then to gradually recover until it reaches 4.5 percent over the long term. This exceeds the historical average by roughly one percentage point, reflecting a past marked by great political instability and inappropriate macroeconomic policies which are expected to improve in the period ahead. Growth is also expected to be supported by average growth over the 2015–2029 period of about 4.5 percent in cashew production.

Inflation, as measured by the GDP deflator, is assumed to grow at a rate slightly below CPI inflation, reflecting a continuous worsening in the terms of trade. Over the long term, both GDP deflator and CPI are projected to return to their historical level of 2½ percent.

The noninterest **current account surplus** (including grants) is expected to decline gradually from about 1½ percent in 2009 to about ½ percent in 2015—an improvement relative to the deficit of 2 percent of GDP observed over the 2000-2008 period. Over the longer term to 2030, real export volumes are projected to grow at around 6 percent per year, contributing to a widening of the surplus to about 4 percent of GDP before the end of the projection period in 2030.

The **domestic primary fiscal deficit** (i.e. revenue, excluding grants, minus interest expenditure, excluding foreign-financed investment projects) is assumed to gradually decrease from 3 percent of GDP in 2009 to about 2.5 percent from 2019 on, due to stronger revenues as a percentage of GDP and improved public expenditure management.

Net aid flows (grants and concessional loans) are expected to moderate from the high levels seen in 2009. Budget support grants are projected to decline from the 7 percent of GDP received in 2009 to about 4 percent over the medium term. Nonconcessional borrowing is expected to remain negligible on the grounds that the country will not have continued access to commercial debt. Fiscal financing gaps will thus have to be filled through grants or highly concessional loans, especially since running further domestic arrears over the medium and long term is an unsustainable alternative. The grant element in new disbursements is assumed to remain above 50 percent. Concessional loans are assumed to be on standard terms. It is assumed that most of the current arrears to the regional central bank and to domestic commercial banks will be repaid using externally-provided grants in the course of 2010.

10. **Assumptions governing the use of Guinea-Bissau’s SDR allocation (SDR 12.4 million or 4.3 percent of GDP) in the DSA reflect institutional arrangements prevailing in the WAEMU area.** In September 2009, pursuant to a decision by the WAEMU Council of Ministers, it was agreed that the regional central bank would lend an amount in domestic currency equivalent to the general portion of their SDR allocation to WAEMU members to be used to clear domestic arrears. While such financing is loosely associated with the SDR allocation—domestic financing by the BCEAO is linked to the CFA franc counterpart of members’ SDR allocations—BCEAO loans to member countries do not automatically trigger a drawdown of their holdings held at the SDR Department. The SDR allocation held by the BCEAO has thus not been drawn down. The BCEAO domestic financing has a grace period of 3 years, an interest rate of 3 percent and a repayment period of 10 years. Accordingly, the DSA treats the funds provided by the BCEAO as domestic borrowing, on the terms specified above. As the BCEAO continues to hold the SDRs provided as part of the August and September 2009 general and special allocation, the DSA does not assume any change in external debt service obligations resulting from the allocation.

A. Baseline: Interim Relief

11. **Under the baseline scenario, all PPG external debt indicator ratios fall relative to their historical levels, but remain well above the policy-dependent debt burden thresholds (Tables 1a, 1b and Figure 1a).**⁸ The baseline presumes full delivery of traditional debt relief as well as interim HIPC assistance, but that real GDP growth averages almost 5 percent per annum in the long term.^{9,10} Despite the concessional nature of most of the external debt, the debt burden indicators far exceed the relevant policy dependent debt thresholds (Text Table 1).¹¹ In terms of PV, external debt stands at US\$847.7 million or 103 percent of GDP and 523 percent of exports. The downward trend in debt ratios through the projection period is mainly driven by the assumption that Guinea-Bissau only takes out highly concessional loans to finance fiscal gaps.¹²

⁸ Compared to the previous DSA, completed in June 2009, key debt ratios have improved significantly, owing to the upward revision in GDP. That ratios still remain above policy-dependent thresholds based on the revised data is testament to the level of debt vulnerabilities.

⁹ Traditional debt relief is assumed to take the form of a Naples flow rescheduling over the 2010–2012 period.

¹⁰ The underlying growth rates are approximately 2 percent higher than the historical average, with the historical average calculated to exclude the sharp drop in GDP associated with the 1999 internal conflict. The reason is that the past was marked by great political instability and inappropriate macroeconomic policies which are expected to improve in the period ahead.

¹¹ According to the World Bank Country Policy and Institutional Assessment (CPIA), Guinea-Bissau is classified as a country with poor quality of policies and institutions. Its average CPIA rating for 2003–08 is 2.58 on a scale from 1 to 6 and below the operational cutoff of 3.25 for poor performers.

¹² The grant element of new external borrowing is projected to decline in 2010–14, owing to the lower concessionality of the proposed borrowing under the IMF’s ECF.

Text Table 1. Summary of Baseline External Debt Sustainability Indicators 1/					
	Indicative Threshold 2/	2009	2019	2029	Average
PV of debt-to-GDP	30	103	55	18	60
PV of debt-to-exports	100	523	279	92	305
PV of debt-to-revenues	200	1144	526	173	596
Debt service-to-exports	15	14	14	6	11
Debt service-to-revenue	25	31	26	10	22

Source: IMF staff estimates.

1/ Debt indicators refer to Guinea-Bissau's public and publicly guaranteed external debt.

2/ Threshold over which countries considered as poor performers according to their CPIA would have at least a 25 percent chance of having a prolonged debt distress episode in the coming year. Guinea-Bissau lies within the bottom quintile of countries ranked by CPIA.

B. Alternative Scenarios and Stress Tests

12. **Assuming that Guinea-Bissau reaches the HIPC completion point in 2010 helps to significantly alleviate the debt burden, but some debt burden indicators remain at or above thresholds consistent with a high risk of debt distress.** (Table 1b, Scenario A3). This alternative scenario assumes full delivery of HIPC, MDRI, and Paris Club “beyond HIPC” assistance after the completion point. Over the longer run, stronger export growth associated with economic reforms and continued reliance on highly concessional financing is expected to lead to a gradual decline in debt ratios to below sustainability thresholds by the end of the projection.

13. **Standard stress tests to the baseline scenario confirm the external debt position's vulnerability to unexpected shocks.**¹³ Given current debt levels, the first stress test exhibits the enormous impact of a one-time 30 percent devaluation in the nominal exchange rate in 2010 (Table 1b, Scenario B6): the PV of debt would increase by 39 percentage points of GDP in that year. That makes the devaluation by far the most extreme shock in terms of PV/GDP, debt/revenue, and debt service/revenue (Figure 1a). The prospect that such an adverse shock would be realized, however, is limited by Guinea-Bissau's membership in the CFA franc zone, whose currency is pegged to the euro. The stability of the CFA franc versus the euro is buttressed by high levels of reserves. At the same time, movements in the euro versus other currencies in which Guinea-Bissau's debt may be denominated (such as the US dollar) could have a significant impact on debt burdens.

¹³ The 10-year historical averages used in the stress tests exclude the steep drop in GDP and disruptions to other economic variables associated with the 1999 internal conflict.

III. PUBLIC DSA

A. Baseline: Interim Relief

14. **The baseline scenario, adapted from the same assumptions and consistent with the external DSA, shows domestic debt indicators remaining elevated (Table 2a, 2b and Figure 2a).** Total public debt (domestic and external) as a percent of GDP declines steadily through the projection period. The PV of total public debt to GDP ratio exhibits a similar pattern. The debt service to revenue ratio rises in the second half of the next decade, reflecting in part the repayment of the domestic credit provided by the regional central bank in connection with the SDR allocation.

B. Alternative Scenarios and Stress Tests

15. **Under the assumption of the HIPC/MDRI completion point being attained in 2010 and the corresponding external debt relief being fully delivered (including MDRI), debt vulnerabilities significantly decline (Table 2b, Scenario A4)¹⁴.** The PV of debt would fall to 50 percent of GDP in 2010, which amounts to a debt reduction of 76 percentage points of GDP in PV terms with respect to the baseline scenario. Despite this reduction, the PV of public debt to GDP would still remain high.

16. **Assuming that GDP growth and the primary balance move to their historical averages (Table 2b, Scenario A1) has a modest adverse impact on debt ratios.** By the end of the projection period, the PV of debt to GDP ratio is elevated by about 47 percent of GDP.

17. **Standard stress tests to the baseline scenario confirm that also the public debt position remains vulnerable to economic shocks.** As with the scenario assuming only interim relief, the largest impact results from imposing a one-time 30 percent depreciation in the exchange rate (Table 2b, Scenario B4), which severely impacts all debt burden indicators. Perhaps the largest impact is with respect to the debt-to-revenues ratio, which rises by 178 percentage points (relative to the baseline) in the first year of the shock.

IV. CONCLUSION

18. **In sum, based on staffs' analysis, in the absence of HIPC and MDRI debt relief, Guinea-Bissau is expected to remain in debt distress, even though debt ratios would improve modestly in the medium-term reflecting the government medium-term macroeconomic program of reforms and fiscal adjustment.** HIPC and MDRI debt relief, which would flow if the HIPC completion point were reached, expected in 2010, and

¹⁴ The assumptions for debt relief from multilateral and bilateral creditors are the same as those described in paragraph 12 above.

comprehensive debt relief by the Paris Club and other bilateral donors, would help significantly alleviate the debt burden, with most debt indicators below policy dependent thresholds after the completion point. Over the longer run, stronger export growth associated with economic reforms and continued reliance on highly concessional financing is expected to lead to a gradual decline in debt ratios to below indicative thresholds by the end of the projection period. The inclusion of domestic public debt in the analysis reinforces the conclusions of the external DSA.

19. **Prudent macro policies are highly crucial for reining in debt ratios and for performing under a potential new ECF, which is necessary to reach the HIPC/MDRI completion point.** The government's economic program, for which it is requesting Bank and Fund support, should focus on strengthening its fiscal stance; on avoiding nonconcessional debt, securing foreign aid on highly concessional terms; and on improving the political and business environment. The latter would not only be conducive for additional investment, but also for a more stable inflow of external aid than in the past. Containing the wage bill and avoiding off-budget expenditures will be key to reduce the current fiscal imbalance in a sustainable fashion.

Table 1. Guinea-Bissau: External Debt Outstanding, 2000–08¹
(In millions of U.S. dollars, including arrears)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total external debt outstanding (end of year; including arrears)	787.9	801.0	941.4	1,013.5	1,023.5	1,029.0	1,024.6	1,031.4	1,040.3
Multilateral	435.3	440.5	447.8	488.8	514.9	513.7	507.5	506.2	504.7
African Development Bank Group	121.9	123.4	128.3	143.2	141.4	140.7	142.2	143.6	145.3
Arab Bank for Economic Development in Africa (BADEA)	8.7	8.8	9.7	12.8	9.2	9.5	9.9	9.7	9.7
Economic Community of West African States (ECOWAS)	3.1	3.1	3.8	5.1	3.9	3.9	4.0	4.0	4.0
European Investment Bank (EIB)	7.6	7.6	11.2	12.7	9.4	9.4	9.4	9.4	9.4
International Fund for Agricultural Development (FIDA)	9.2	9.3	11.4	12.5	11.1	11.2	11.3	11.0	11.0
International Development Agency (IDA)	238.0	243.2	231.1	257.5	301.3	303.4	298.9	299.8	292.7
Islamic Development Bank (IsDB)	13.7	13.5	15.3	17.6	15.6	15.6	15.6	15.6	15.6
OPEC Fund	8.0	8.0	14.8	8.2	8.1	8.1	8.2	8.2	8.2
International Monetary Fund (IMF)	25.0	23.5	22.3	19.3	15.1	11.9	8.0	5.0	8.8
Bilateral creditors	352.0	359.9	493.0	523.9	507.8	514.5	516.3	524.4	534.7
Paris Club (cutoff date: December 1986)	240.0	246.5	345.4	375.6	366.5	371.1	372.9	378.0	385.4
Pre-cutoff date (rescheduled Paris Club III-1995)	191.0	196.4	264.9	291.1	285.0	289.3	291.1	296.1	303.3
Belgium	7.8	8.1	9.1	11.2	15.5	15.8	15.9	16.1	18.4
Brazil	23.1	24.0	26.3	28.7	17.4	18.0	18.4	18.7	18.9
France	8.9	9.3	14.4	15.4	14.4	14.5	15.4	16.7	17.5
Germany	4.3	4.4	1.1	1.3	1.3	1.4	1.4	1.6	1.7
Italy	76.2	78.0	123.5	129.2	128.7	129.0	129.2	129.5	129.9
Portugal	70.7	72.7	18.8	20.0	107.0	109.3	109.3	111.7	114.4
Russia	...	...	71.6	85.2	0.7	1.3	1.3	1.7	2.5
Post-cutoff date	49.0	50.1	80.5	84.5	81.5	81.8	81.8	82.0	82.1
Italy	41.6	42.5	67.4	70.5	70.2	70.4	70.4	70.4	70.4
Spain	7.5	7.6	13.2	14.0	11.3	11.4	11.4	11.6	11.7
Other bilateral creditors	112.0	113.4	147.6	148.4	141.3	143.4	143.4	146.3	149.4
Abu Dhabi Fund for Arab Economic Development	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Algeria	6.5	6.6	10.9	11.5	9.5	9.6	9.6	9.7	9.8
Angola	18.8	18.8	18.8	18.8	17.0	17.0	17.0	17.0	17.0
Kuwait	27.8	27.9	45.0	40.0	49.5	50.1	50.1	51.2	52.4
Libya	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Pakistan	2.6	2.6	3.8	4.0	2.6	2.6	2.6	2.6	2.6
Saudi Arabia	15.1	15.2	22.1	22.9	15.5	15.7	15.7	16.0	16.4
Taiwan P.C.	36.9	38.0	42.8	46.8	43.0	44.1	44.1	45.5	46.9
Commercial	0.6	0.6	0.6	0.7	0.8	0.8	0.8	0.8	0.8
Banque Franco-Portugaise	0.6	0.6	0.6	0.7	0.8	0.8	0.8	0.8	0.8

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

1/ Estimates are based on incomplete and unreconciled data provided by the Guinea-Bissau authorities and on IMF and WB staff estimates and projections

Table 2. Guinea-Bissau: External Arrears Outstanding, 2000–08¹
(In millions of U.S. dollars)

	1992	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total stock of arrears outstanding (end of year)	189.3	141.7	137.5	197.3	224.5	293.8	322.2	330.7	353.5	382.8
Multilateral	25.7	29.3	17.5	22.1	28.3	31.6	34.2	36.8	37.8	39.4
African Development Bank Group	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arab Bank for Economic Development in Africa (BADEA)	4.1	5.5	5.6	4.6	8.3	8.1	8.8	9.7	9.6	9.6
Economic Community of West African States (ECOWAS)	0.2	1.9	2.0	2.0	3.1	3.3	3.4	3.5	3.5	3.6
European Investment Bank (EIB)	0.5	0.9	1.0	4.6	4.8	6.5	6.5	6.5	6.5	6.5
International Fund for Agricultural Development (FIDA)	0.1	0.9	1.0	2.0	2.2	3.1	3.4	3.8	3.7	4.1
International Development Agency (IDA)	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Islamic Development Bank (IsDB)	10.3	12.5	0.3	0.8	1.7	2.6	4.0	5.1	6.3	7.5
OPEC Fund	7.1	7.6	7.6	8.2	8.2	8.1	8.1	8.2	8.2	8.2
International Monetary Fund (IMF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	163.2	112.0	119.6	174.6	195.4	261.5	287.2	293.1	314.8	342.5
Paris Club	133.4	58.8	65.2	118.6	131.9	193.3	212.4	218.3	230.3	248.5
Pre-cutoff date 1986 (rescheduled Paris Club III-1995)	73.5	32.0	35.6	72.6	77.8	101.3	110.7	116.6	127.5	144.6
Belgium	0.8	1.8	2.1	0.6	1.0	3.6	4.3	4.8	5.1	9.1
Brazil	7.3	8.9	9.8	11.1	13.6	7.7	10.2	12.9	15.8	18.9
France	2.1	2.5	2.9	6.4	6.9	8.8	9.3	10.8	13.0	16.7
Germany	0.0	2.6	2.6	0.2	0.3	0.5	0.5	0.6	0.8	0.9
Italy	25.5	7.1	7.1	39.0	37.5	64.5	65.7	66.8	68.0	69.2
Portugal	37.8	9.1	11.1	13.1	15.1	16.2	19.1	19.1	22.4	26.2
Russia	...	...	...	2.1	3.4	0.1	1.6	1.6	2.5	3.6
Post-cutoff date	59.9	26.8	29.6	46.0	54.1	91.9	101.7	101.7	102.8	103.9
Italy	59.7	23.8	26.5	44.6	51.8	88.1	96.5	96.5	96.5	96.5
Spain	0.2	3.0	3.1	1.5	2.3	3.9	5.2	5.2	6.3	7.4
Non-Paris Club	29.8	53.2	54.4	56.0	63.5	68.2	74.8	74.8	84.5	94.1
Abu Dhabi Fund for Arab Economic Development	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Algeria	3.6	1.5	1.5	5.9	6.5	5.9	6.5	6.5	7.1	7.7
Angola	18.8	18.8	18.8	18.8	18.8	17.0	17.0	17.0	17.0	17.0
Kuwait	4.2	17.9	17.9	1.6	3.4	7.3	8.5	8.5	10.9	13.1
Libya	0.0	0.7	0.7	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Pakistan	0.5	1.3	1.3	1.6	1.8	2.0	2.2	2.2	2.2	2.2
Saudi Arabia	2.5	4.7	4.8	9.9	10.7	9.7	10.2	10.2	11.4	12.6
Taiwan, P.C	--	8.1	9.2	13.9	18.0	22.0	26.0	26.0	31.5	37.1
Commercial	0.4	0.4	0.4	0.6	0.7	0.8	0.8	0.8	0.8	0.8
Banque Franco-Portugaise	0.4	0.4	0.4	0.6	0.7	0.8	0.8	0.8	0.8	0.8

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

1/ Estimates are based on incomplete and unreconciled data provided by the Guinea-Bissau authorities and on IMF and WB staff estimates and projections.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2006-2029 1/
(In percent of GDP, unless otherwise indicated)

	Actual											Historical		Projections							2009-2014		2015-2029		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average	Standard Deviation	2009	2010	2011	2012	2013	2014	Average	2019	2029	Average		
External debt (nominal) 1/	...	...	211.8	195.4	209.4	195.8	177.1	182.8	163.0	139.9	132.0	...	...	123.8	117.5	112.0	106.9	101.0	95.2	...	64.6	17.2	...	...
o/w public and publicly guaranteed (PPG)	...	...	211.8	195.4	209.4	195.8	177.1	182.8	163.0	139.9	132.0	...	...	123.8	117.5	112.0	106.9	101.0	95.2	...	64.6	17.2	...	...
Change in external debt	...	...	...	-16.4	14.0	-13.5	-18.7	5.7	-19.8	-23.0	-8.0	...	...	-8.1	-6.4	-5.5	-5.1	-5.9	-5.8	...	-5.7	-4.2	...	...
Identified net debt-creating flows	...	...	...	-8.0	-0.4	-24.3	-27.3	-18.0	0.6	-30.5	-29.7	...	...	-6.9	-6.1	-6.3	-6.6	-6.8	-6.8	...	-5.9	-4.0	...	...
Non-interest current account deficit	4.4	-4.2	-5.8	3.8	0.2	0.3	-5.5	-1.5	4.5	-7.0	-4.0	-1.7	4.2	-1.6	-0.1	-1.0	-1.2	-1.8	-2.0	...	-2.3	-2.1	...	-2.2	
Deficit in balance of goods and services	8.1	8.1	8.6	12.8	8.0	8.6	6.0	7.1	14.9	9.1	6.8	...	...	8.7	8.3	8.6	8.0	7.7	7.6	...	6.7	5.0	...	...
Exports	5.4	14.1	18.0	14.1	14.9	14.6	17.1	16.0	9.9	15.4	19.0	...	...	19.6	19.5	19.8	20.4	20.3	20.2	...	19.8	19.8	...	...
Imports	13.5	22.2	26.6	26.8	22.9	23.2	23.1	23.1	24.8	24.6	25.8	...	...	28.2	27.7	28.4	28.4	28.0	27.8	...	26.5	24.9	...	...
Net current transfers (negative = inflow)	-6.2	-15.9	-14.0	-9.8	-7.4	-8.3	-11.5	-8.9	-10.3	-15.9	-10.7	-11.3	3.0	-11.5	-10.6	-9.3	-8.9	-8.9	-9.0	...	-8.7	-7.0	...	-8.1	
o/w official	-2.5	-10.8	-9.3	-6.3	-3.0	-3.4	-5.9	-3.9	-6.9	-10.3	-6.4	...	...	-8.0	-7.1	-5.9	-5.6	-5.6	-5.6	...	-5.4	-4.5	...	...
Other current account flows (negative = net inflow)	2.6	3.6	-0.4	0.8	-0.4	-0.1	0.0	0.2	0.0	-0.3	0.0	...	...	1.2	2.2	-0.3	-0.3	-0.6	-0.6	...	-0.4	-0.1	...	...
Net FDI (negative = inflow)	0.0	0.0	-0.2	-0.4	-0.5	-0.7	-1.8	-1.3	-3.0	-2.6	-1.2	-1.2	1.0	-1.1	-1.0	-1.0	-1.0	-1.0	-1.0	...	-1.0	-1.1	...	-1.1	
Endogenous debt dynamics 2/	...	...	...	-11.4	-0.2	-23.8	-20.0	-15.1	-0.8	-20.8	-24.5	...	...	-4.2	-5.0	-4.3	-4.4	-4.0	-3.8	...	-2.5	-0.8	...	...
Contribution from nominal interest rate	...	...	...	3.2	2.5	2.2	1.8	1.6	1.0	1.6	1.5	...	...	-0.1	-1.0	0.5	0.4	0.8	0.7	...	0.5	0.1	...	...
Contribution from real GDP growth	...	...	...	-7.3	-3.5	6.5	-5.3	-8.1	-4.0	-0.4	-4.0	...	...	-4.1	-4.0	-4.8	-4.8	-4.8	-4.5	...	-3.0	-0.9	...	...
Contribution from price and exchange rate changes	...	...	...	-7.3	0.8	-32.5	-16.5	-8.6	2.2	-22.0	-22.1	...	...	...	...	...	...	...	...	...	...	...	...	...
Residual (3-4) 3/	...	...	...	-8.4	14.4	10.7	8.6	23.6	-20.5	7.4	21.7	...	...	-1.3	-0.3	0.9	1.4	0.9	1.0	...	0.2	-0.1	...	...
o/w exceptional financing	...	...	...	-1.9	-5.1	-7.2	-5.5	-6.2	-3.2	-4.7	-3.0	...	...	-1.2	0.2	0.0	0.0	0.0	0.0	...	0.0	0.0	...	...
PV of external debt 4/	...	...	...	...	...	...	...	...	...	...	96.8	...	...	102.5	97.2	93.2	89.4	84.7	80.2	...	55.2	18.3	...	...
In percent of exports	...	...	...	...	...	...	...	...	...	...	510.2	...	...	523.4	499.5	470.4	437.7	416.4	396.7	...	278.8	92.1	...	...
PV of PPG external debt	...	...	...	...	...	...	...	...	...	...	96.8	...	...	102.5	97.2	93.2	89.4	84.7	80.2	...	55.2	18.3	...	...
In percent of exports	...	...	...	...	...	...	...	...	...	...	510.2	...	...	523.4	499.5	470.4	437.7	416.4	396.7	...	278.8	92.1	...	...
In percent of government revenues	...	...	...	...	...	...	...	...	...	...	1062.1	...	...	1144.4	946.9	942.6	904.4	837.0	785.1	...	526.0	173.2	...	...
Debt service-to-exports ratio (in percent)	0.0	0.0	59.4	68.6	47.5	57.7	38.9	43.1	41.3	36.9	27.5	...	...	14.0	8.7	10.6	10.1	13.0	12.6	...	14.0	5.8	...	...
PPG debt service-to-exports ratio (in percent)	...	...	59.4	68.6	47.5	57.7	38.9	43.1	41.3	36.9	27.5	...	...	14.0	8.7	10.6	10.1	13.0	12.6	...	14.0	5.8	...	...
PPG debt service-to-revenue ratio (in percent)	...	...	102.2	112.1	94.4	111.7	79.2	77.2	41.7	71.0	57.3	...	...	30.6	16.5	21.2	20.8	26.1	25.0	...	26.5	10.9	...	...
Total gross financing need (Millions of U.S. dollars)	...	...	...	...	28.4	37.9	-3.2	23.8	33.3	-27.3	0.7	...	...	0.6	5.4	9.5	7.3	6.8	3.5	...	-0.5	-52.9	...	...
Non-interest current account deficit that stabilizes debt ratio	...	...	...	20.2	-13.7	13.8	13.2	-7.2	24.3	16.0	4.0	...	...	6.6	6.2	4.5	3.9	4.0	3.8	...	3.3	2.0	...	...
Key macroeconomic assumptions	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Real GDP growth (in percent)	4.4	-28.0	7.2	3.7	1.8	-3.5	3.1	5.0	2.2	0.3	3.5	2.6	3.0	3.0	3.5	4.3	4.5	4.7	4.7	4.1	4.5	4.5	4.5	4.5	
GDP deflator in US dollar terms (change in percent)	11.3	-0.8	-9.4	3.6	-0.4	18.4	9.2	5.1	-1.2	15.6	18.7	6.6	9.4	-5.6	5.1	1.6	1.2	1.1	0.8	0.7	2.0	2.0	2.0	2.0	
Effective interest rate (percent) 5/	...	...	...	1.6	1.3	1.2	1.0	1.0	0.5	1.1	1.3	1.1	0.3	-0.1	-0.9	0.4	0.4	0.8	0.8	0.2	0.7	0.6	0.7	0.7
Growth of exports of G&S (US dollar terms, in percent)	-47.2	87.0	23.6	-16.0	7.4	11.8	31.8	3.3	-37.3	80.0	51.2	17.3	34.9	0.3	8.0	7.9	9.2	5.4	4.9	6.0	6.5	6.8	6.5	6.5	
Growth of imports of G&S (US dollar terms, in percent)	-31.0	17.8	16.2	8.4	-13.5	15.6	12.4	10.2	8.4	14.9	28.9	11.3	11.2	6.5	6.8	8.6	5.8	4.6	4.6	6.1	5.8	6.0	5.8	5.8	
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	46.9	44.4	42.8	42.9	45.6	50.9	45.6	50.9	50.9	50.9	50.9
Government revenues (excluding grants, in percent of GDP)	1.8	9.4	10.5	8.6	7.5	7.5	8.4	8.9	9.8	8.0	9.1	...	...	9.0	10.3	9.9	9.9	10.1	10.2	...	10.5	10.6	...	10.5
Aid flows (in Millions of US dollars) 7/	13.3	12.2	44.2	34.8	21.9	34.5	58.3	50.2	53.4	81.1	94.4	...	...	137.3	125.6	126.5	130.8	134.3	135.5	...	167.5	283.9	...	...
o/w Grants	6.7	9.8	41.1	30.8	14.8	24.6	46.5	38.4	36.7	56.8	68.9	...	...	126.7	115.5	115.7	119.4	122.2	122.8	...	150.0	283.9	...	...
o/w Concessional loans	6.7	2.4	3.2	4.0	7.1	9.9	11.8	11.8	16.8	24.3	25.5	...	...	10.7	10.2	10.8	11.4	12.1	12.7	...	17.6	0.0	...	...
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	...	...	...	...	...	...	...	...	...	...	16.4	14.1	13.3	12.9	12.3	11.6	...	10.2	8.7	...	9.7
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	...	...	...	...	...	...	...	...	...	...	93.1	89.8	89.6	89.9	92.6	94.7	...	95.5	111.3	...	100.8
Memorandum items:
Nominal GDP (Millions of US dollars)	551.9	394.3	383.0	411.4	417.1	476.1	535.9	591.5	597.4	692.7	851.1	...	...	827.2	899.4	953.6	1009.0	1068.1	1127.5	...	1533.3	2940.6	...	...
Nominal dollar GDP growth	...	-28.6	-2.9	7.4	1.4	14.2	12.5	10.4	1.0	15.9	22.9	...	...	-2.8	8.7	6.0	5.8	5.9	5.6	4.9	6.6	6.6	6.6	6.6
PV of PPG external debt (in Millions of US dollars)	...	...	...	...	...	...	...	...	...	...	824.2	...	...	847.7	874.2	888.3	902.2	905.0	904.2	...	857.6	537.7	...	...
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...	...	...	...	...	...	...	...	...	...	...	2.8	3.2	1.6	1.5	0.3	-0.1	1.5	-1.1	-1.9	-1.2	-1.2

Source: Staff simulations.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - r(1+g)] / (1+g+r)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and r = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

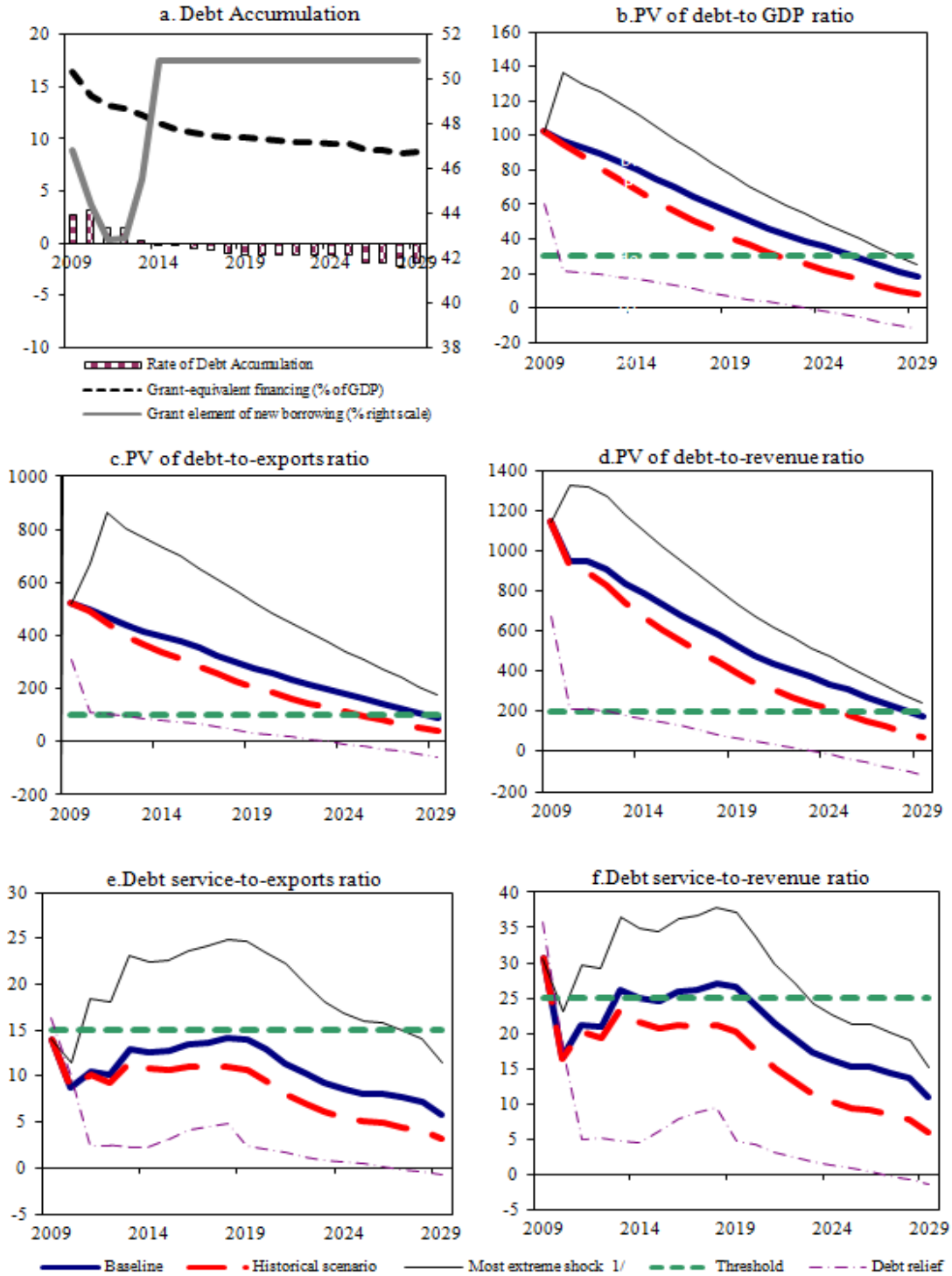
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Guinea-Bissau: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029 (In percent)								
	Projections							
	2009	2010	2011	2012	2013	2014	2019	2029
PV of debt-to-GDP ratio								
Baseline	102	97	93	89	85	80	55	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	102	96	88	82	75	68	41	8
A2. New public sector loans on less favorable terms in 2009-2029 2	102	98	95	92	87	83	60	19
A3. HIPC completion point attained in 2010	102	22	21	20	18	17	7	-12
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	102	101	101	97	92	87	60	20
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	102	100	100	96	91	86	61	21
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	102	105	106	102	96	91	63	21
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	102	99	96	92	87	83	57	19
B5. Combination of B1-B4 using one-half standard deviation shocks	102	105	106	101	96	91	63	21
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	102	136	130	125	119	112	77	26
PV of debt-to-exports ratio								
Baseline	523	500	470	438	416	397	279	92
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	523	492	446	399	367	337	207	39
A2. New public sector loans on less favorable terms in 2009-2029 2	523	504	478	448	429	411	301	98
A3. HIPC completion point attained in 2010	523	111	105	96	89	83	34	-57
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	523	499	470	438	416	397	279	92
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	523	671	865	806	768	734	525	179
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	523	499	470	438	416	397	279	92
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	523	508	484	450	429	409	290	97
B5. Combination of B1-B4 using one-half standard deviation shocks	523	550	572	532	507	484	343	115
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	523	499	470	438	416	397	279	92
PV of debt-to-revenue ratio								
Baseline	1144	947	943	904	837	785	526	173
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	1144	932	894	826	738	667	390	73
A2. New public sector loans on less favorable terms in 2009-2029 2	1144	954	957	925	862	814	567	184
A3. HIPC completion point attained in 2010	1144	211	210	198	179	165	66	-114
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	1144	984	1026	985	911	855	573	188
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	1144	970	1010	970	900	846	577	196
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	1144	1026	1071	1028	951	892	598	197
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	1144	963	970	931	862	809	546	182
B5. Combination of B1-B4 using one-half standard deviation shocks	1144	1019	1068	1025	950	892	604	202
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	1144	1325	1319	1266	1171	1099	736	242
Table 1b. Guinea-Bissau: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029 (continued) (In percent)								
Debt service-to-exports ratio								
Baseline	14	9	11	10	13	13	14	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	14	9	10	9	12	11	11	3
A2. New public sector loans on less favorable terms in 2009-2029 2	14	9	11	11	14	13	14	6
A3. HIPC completion point attained in 2010	16	16	2	2	2	2	2	-1
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	14	9	11	10	13	13	14	6
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	14	11	18	18	23	22	25	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	14	9	11	10	13	13	14	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	14	9	11	10	13	13	14	6
B5. Combination of B1-B4 using one-half standard deviation shocks	14	9	12	12	15	15	17	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	14	9	11	10	13	13	14	6
Debt service-to-revenue ratio								
Baseline	31	17	21	21	26	25	27	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	31	16	20	19	23	22	20	6
A2. New public sector loans on less favorable terms in 2009-2029 2	31	17	22	22	27	27	27	12
A3. HIPC completion point attained in 2010	36	31	5	5	5	4	5	-2
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	31	17	23	23	28	27	29	12
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	31	17	22	22	27	26	27	13
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	31	18	24	24	30	28	30	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	31	17	21	21	26	25	27	12
B5. Combination of B1-B4 using one-half standard deviation shocks	31	17	23	23	29	28	29	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	31	23	30	29	37	35	37	15
Memorandum Item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	48	48	48	48	48	48	48	48

Source: Staff projections and simulations.

- 1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicit); an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Figure 1a. Guinea-Bissau: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2009-2029 1/



Source: Staff projections and simulations.

1/ The most extreme stress test is the test that yields the highest ratio in 2019. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in picture f. to a One-time depreciation shock

Table 2a Guinea-Bissau: Public Sector Debt Sustainability Framework, Baseline Scenario, 2006-2029
(In percent of GDP, unless otherwise indicated)

	Actual				Standard Deviation	Projections									
	2006	2007	2008	Average		2009	2010	2011	2012	2013	2014	2009-14 Average	2019	2029	2015-29 Average
Public sector debt 1/	203.1	179.6	170.0			158.4	146.5	138.6	131.2	121.3	113.6		87.2	43.2	
o/w foreign-currency denominated	163.0	139.9	132.0			123.8	117.5	112.0	106.9	101.0	95.2		64.6	17.2	
Change in public sector debt	-15.5	-23.5	-9.6			-11.6	-11.9	-7.9	-7.4	-9.9	-7.7		-5.0	-3.8	
Identified debt-creating flows	-16.0	-22.4	-11.4			-14.6	-10.8	-7.8	-6.9	-6.4	-5.2		-3.6	-1.0	
Primary deficit	3.7	3.9	2.0	3.0		-1.8	1.8	0.8	0.9	0.1	0.5	0.4	1.2	1.5	1.3
Revenue and grants	16.0	16.2	17.2			24.3	23.1	22.0	21.7	21.6	21.1		20.2	20.2	
of which: grants	6.1	8.2	8.1			15.3	12.8	12.1	11.8	11.4	10.9		9.7	9.7	
Primary (noninterest) expenditure	19.6	20.1	19.3			22.5	24.9	22.8	22.6	21.6	21.6		21.4	21.7	
Automatic debt dynamics	-18.3	-24.6	-12.2			-11.4	-9.4	-7.8	-7.2	-6.5	-5.8		-4.9	-2.5	
Contribution from interest rate/growth differential	-8.7	-5.5	-10.6			-7.4	-8.9	-7.7	-7.9	-7.5	-6.9		-4.9	-2.5	
of which: contribution from average real interest rate	-4.0	-4.9	-4.6			-2.5	-3.6	-1.6	-1.9	-1.5	-1.4		-0.9	-0.5	
of which: contribution from real GDP growth	-4.8	-0.6	-6.1			-4.9	-5.3	-6.1	-6.0	-5.9	-5.4		-4.0	-2.0	
Contribution from real exchange rate depreciation	-9.5	-19.1	-1.5			-3.9	-0.5	-0.1	0.7	1.0	1.1		...	...
Other identified debt-creating flows	-1.4	-1.7	-1.3			-1.5	-3.1	-0.8	-0.5	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.5	-0.1	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-1.8	-1.6	-1.3			-1.5	-3.1	-0.8	-0.5	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	0.5	-1.1	1.8			3.0	-1.1	-0.1	-0.5	-3.4	-2.5		-1.3	-2.8	
Other Sustainability Indicators															
PV of public sector debt	40.1	39.6	142.6			134.2	126.4	120.0	114.1	105.5	99.0		78.1	44.3	
o/w foreign-currency denominated	0.0	0.0	104.6			99.7	97.4	93.5	89.8	85.2	80.6		55.5	18.4	
o/w external	...	...	104.6			99.7	97.4	93.5	89.8	85.2	80.6		55.5	18.4	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	19.7	27.1	24.3			23.5	24.8	18.6	17.6	17.3	14.2		18.0	20.8	
PV of public sector debt-to-revenue and grants ratio (in percent)	250.9	244.4	828.3			552.9	547.1	545.2	525.1	489.1	469.2		387.3	219.3	
PV of public sector debt-to-revenue ratio (in percent)	407.4	494.0	1564.1			1498.5	1231.4	1214.6	1153.8	1041.9	969.3		743.7	419.9	
o/w external 3/	...	...	1147.4			1112.9	948.7	945.7	908.1	841.3	789.2		528.7	174.1	
Debt service-to-revenue and grants ratio (in percent) 4/	11.5	30.1	22.5			15.1	16.8	11.3	11.2	18.1	13.9		16.5	7.6	
Debt service-to-revenue ratio (in percent) 4/	18.7	60.9	42.5			41.0	37.8	25.1	24.5	38.5	28.8		31.6	14.6	
Primary deficit that stabilizes the debt-to-GDP ratio	19.2	27.4	11.7			9.8	13.6	8.7	8.3	9.9	8.2		6.2	5.4	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.2	0.3	3.5	2.6		3.0	3.5	4.3	4.5	4.7	4.7	4.1	4.5	4.5	4.5
Average nominal interest rate on forex debt (in percent)	0.5	1.1	1.3	1.1		0.3	-0.1	-0.2	0.4	0.8	0.8	0.2	0.7	0.6	0.7
Average real interest rate on domestic debt (in percent)	2.1	-5.3	-9.2	-1.6		5.3	-1.1	-2.2	-1.8	-1.7	-1.6	-1.5	-1.6	-0.3	-0.7
Real exchange rate depreciation (in percent; + indicates depreciation)	-5.5	-12.0	-1.2	-4.5		7.8	-3.1	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-2.0	5.9	10.6	2.8		4.9	1.1	2.4	2.1	2.0	2.0	1.9	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	0.0	0.0	0.0		0.2	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	...		46.9	44.4	42.8	42.9	45.6	50.9	45.6	50.9	50.9	50.9

Sources: Country authorities; and Fund staff estimates and projections.

1/ Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2b. Guinea-Bissau: Sensitivity Analysis for Key Indicators of Public Debt 2009-2029

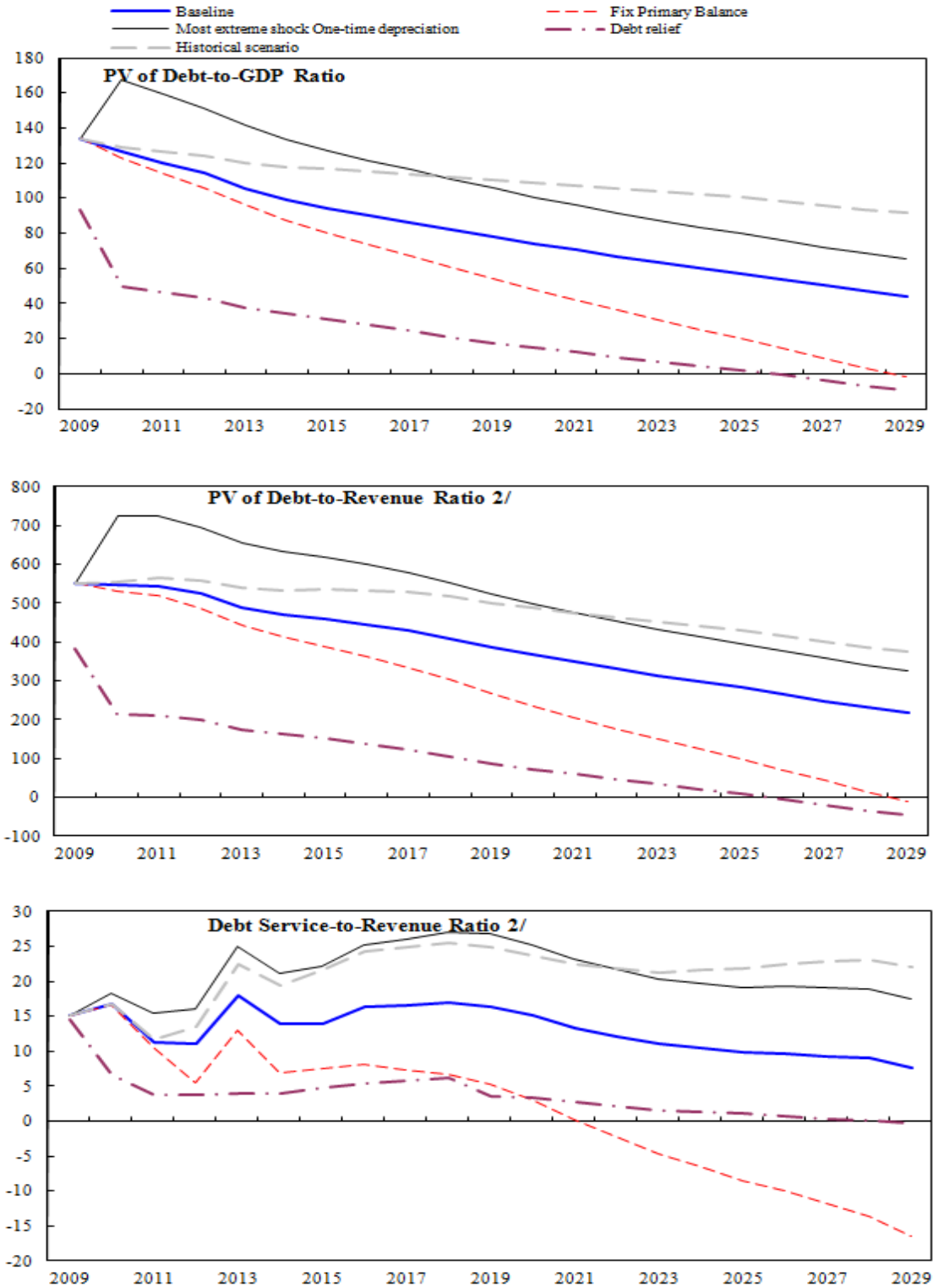
	Projections							
	2009	2010	2011	2012	2013	2014	2019	2029
PV of Debt-to-GDP Ratio								
Baseline	134	126	120	114	105	99	78	44
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	134	129	126	124	120	118	111	91
A2. Primary balance is unchanged from 2009	134	123	114	106	96	87	54	-2
A3. Permanently lower GDP growth 1/	134	127	122	117	109	103	86	63
A4. HIPC completion point attained in 2010	134	50	46	43	38	35	18	-9
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	134	132	132	126	118	111	92	62
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	134	129	126	120	111	105	83	48
B3. Combination of B1-B2 using one half standard deviation shocks	134	131	131	126	117	111	90	58
B4. One-time 30 percent real depreciation in 2010	134	168	159	152	141	134	106	66
B5. 10 percent of GDP increase in other debt-creating flows in 2010	134	136	129	123	114	108	86	51
PV of Debt-to-Revenue Ratio 2/								
Baseline	553	547	545	525	489	469	387	219
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	553	554	565	558	539	534	502	374
A2. Primary balance is unchanged from 2009	553	533	519	488	444	414	268	-9
A3. Permanently lower GDP growth 1/	553	549	549	531	498	480	416	291
A4. HIPC completion point attained in 2010	576	215	211	198	175	164	87	-46
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	553	558	571	554	521	505	439	295
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	553	558	572	552	516	496	413	239
B3. Combination of B1-B2 using one half standard deviation shocks	553	560	579	561	526	509	437	281
B4. One-time 30 percent real depreciation in 2010	553	725	723	698	656	633	524	325
B5. 10 percent of GDP increase in other debt-creating flows in 2010	553	587	587	566	530	510	426	250
Debt Service-to-Revenue Ratio 2/								
Baseline	15	17	11	11	18	14	16	8
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	15	17	12	14	22	19	25	22
A2. Primary balance is unchanged from 2009	15	17	11	6	13	7	5	-16
A3. Permanently lower GDP growth 1/	15	17	11	11	19	15	19	14
A4. HIPC completion point attained in 2010	15	15	4	4	4	4	4	0
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	15	17	12	12	20	16	21	15
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	15	17	12	16	24	16	18	11
B3. Combination of B1-B2 using one half standard deviation shocks	15	17	12	15	23	17	20	14
B4. One-time 30 percent real depreciation in 2010	15	18	15	16	25	21	27	17
B5. 10 percent of GDP increase in other debt-creating flows in 2010	15	17	13	25	20	20	19	12

Sources: Country authorities; and Fund staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Figure 2a. Indicators of Public Debt Under Alternative Scenarios, 2009-2029 1/



Sources: Country authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019.

2/ Revenues are defined inclusive of grants.