INTERNATIONAL MONETARY FUND

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

GUINEA-BISSAU

Joint IMF/IDA Debt Sustainability Analysis

Prepared by the Staffs of the International Monetary Fund and the International Development Association

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The 2009 debt sustainability analysis (DSA) indicates that Guinea-Bissau remains in debt distress.[1] *External debt ratios have been roughly constant over the past few years, while domestic debt ratios have been deteriorating owing to the accumulation of new domestic arrears and increased borrowing from regional financial institutions. Debt dynamics under the baseline scenario are projected to remain unfavorable, but to significantly improve should the country reach completion point, as expected in 2010, and receive HIPC and MDRI debt relief.*

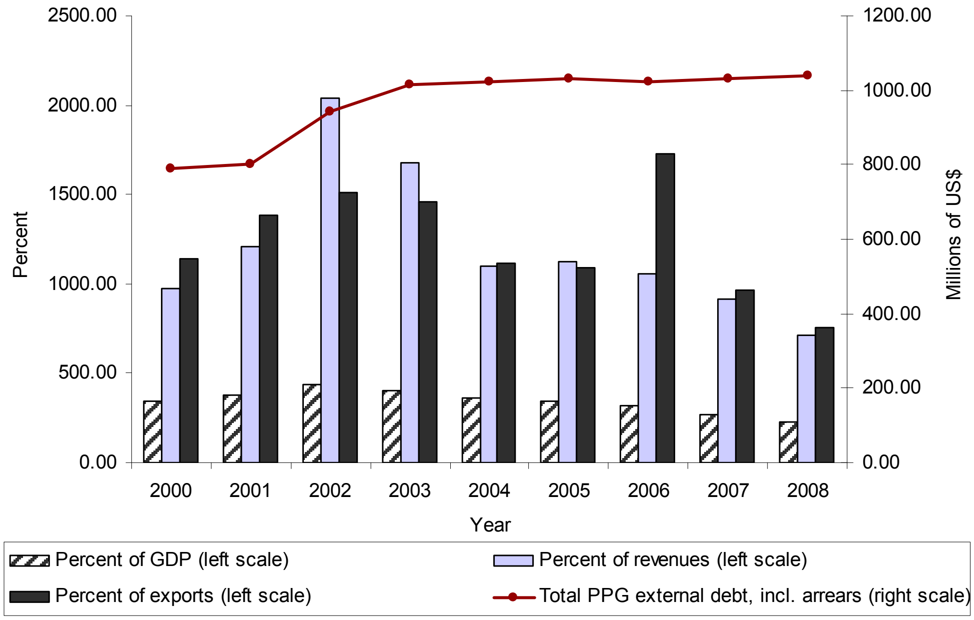
III. BACKGROUND

1. **At end-2008, Guinea-Bissau's stock of public and publicly guaranteed (PPG) external debt amounted to US$1,040 million (246 percent of GDP), of which US$383 million were in arrears** (Figure 1 and Tables 1 and 2). Bilateral debt accounts for about 51 percent of total PPG external debt (37 percent is owed to Paris Club creditors). Multilateral debt accounts for about 49 percent of total PPG external debt (28 percent is owed to IDA, 14 percent to AfDB/AfDF and 0.9 percent to the IMF), with a marginal amount outstanding to commercial creditors. In end-2008 Present Value (PV) terms, external debt was US$788 million or 171 percent of GDP and 573 percent of exports. Despite the

[1] The DSA was produced jointly by IMF and World Bank staffs, and in consultation with the African Development Bank (AfDB), using the joint Fund-Bank framework for DSA for low-income countries. The bilateral external and multilateral debt data underlying this DSA were provided by the Guinea-Bissau authorities, whereby the multilateral debt data were reconciled with information obtained from the creditors. The fiscal year for Guinea-Bissau is January 1 to December 31.

concessional nature of most of the external debt, the debt burden indicators far exceed the relevant policy dependent debt thresholds (Text Table 1).[2]

Figure 1. Stock of External Debt, 2000–08



Source: World Bank and IMF staff estimates.

2. **Domestic debt has continued to increase in recent years**, reaching CFAF 144 billion (70 percent of GDP) at end-2008, from CFAF 125 billion in 2006, and CFAF 91.1 billion in 2000, mainly as a result of steady accumulation of arrears on government wages, goods and services, and new regional borrowing. A large amount of domestic debt corresponds to outstanding arrears on wages, goods and services (CFAF 56 billion at end- 2008) (Figure 2).[3] Other large domestic debt corresponds to a required capital contribution to join WAEMU. Under the terms of its accession to the WAEMU in 1998, Guinea-Bissau agreed to a contribution of CFAF 70 billion to be paid over 25 years starting in 2005, but only a small fraction has been paid using distributed dividends.[4] At end-2008, some CFAF 58.8 billion remains to be paid. Other components of domestic debt include commercial debt (CFAF 14 billion) outstanding to WAEMU banks, of

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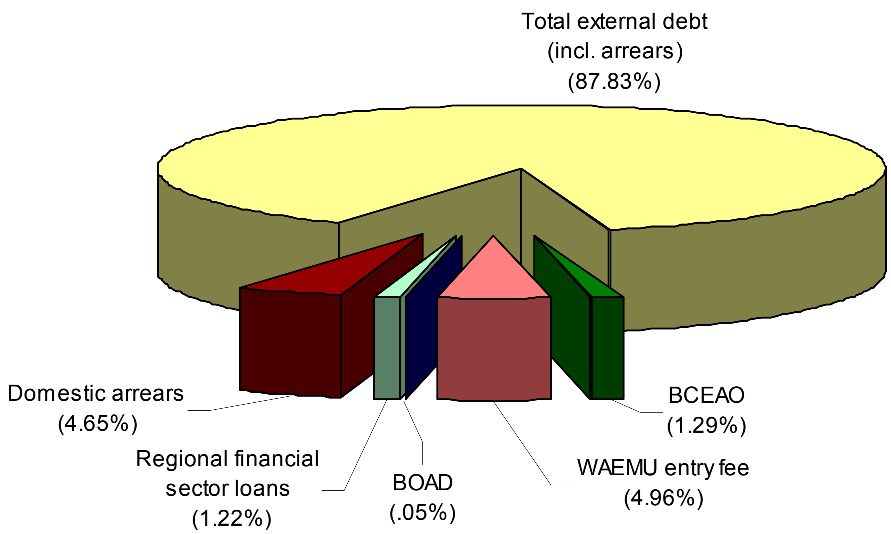
[2] According to the World Bank Country Policy and Institutions Assessment (CPIA), Guinea-Bissau is classified as a country with poor quality of policies and institutions. Its average CPIA rating for 2005–07 is 2.62 on a scale from 1 to 6 and below the operational cutoff of 3.25 for poor performers.

[3] These include CFAF 11 billion that were accumulated in 2008.

[4] 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).

which CFAF 7.2 billion are Treasury bills outstanding since 2006. The government has also accumulated some CFAF 15 billion in arrears owed to the central bank (BCEAO), including to compensate the BCEAO for repayments to the IMF made on behalf of the government. Including the domestic debt, the PV of total public sector debt stood at 256 percent of GDP and 807 percent of government revenue and grants at end-2008.

Figure 2. Composition of Public Debt (Debt Stock at end-2008



Source: World Bank and IMF staff estimates.

3. **Guinea-Bissau reached the decision point under the HIPC Initiative in 2000, but has so far not reached the completion point.** In 2000, the government failed to maintain macroeconomic stability causing its PRGF supported program to go off track at a very early stage.[5] Two Fund staff-monitored programs (SMP) followed, in 2005 and 2006. Progress under both SMPs was mixed.[6] A full Poverty Reduction Strategy Paper (PRSP) was finalized in 2006 after delays owing to political instability and capacity constraints.[7] In 2008, the

[5] A number of conditions must be met before a country can reach the completion point under the HIPC Initiative, including satisfactory performance under a PRGF-supported program. In particular, this requires satisfying the Fund's nontoleration 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).

[6] See IMF Country Report No. 06/312.

[7] See Guinea-Bissau Poverty Reduction Strategy Paper 2007–10 (IMF Country Report No. 07/339, September 2007, and IDA/SecM2007-0253, 4/19/07).

government agreed to a new timeline to re-engage in a program supported by the IMF. The Fund approved two purchases under Emergency Post-Conflict Assistance (EPCA) in 2008. A third EPCA purchase is scheduled for Fund Board discussion in June 2009. A PRSP Progress Report is under preparation. Contingent on satisfactory performance under the 2009 EPCA-supported program, discussions for a new PRGF arrangement could be initiated in the second half of 2009. Satisfactory performance under a PRGF arrangement, in turn, is a necessary condition for reaching the HIPC completion point in the first half of 2010.

4. **Since the completion point has not been reached, Guinea-Bissau has not benefited from most of the debt relief committed at decision point.** At the decision point in 2000, external creditors of Guinea-Bissau were expected to provide HIPC relief amounting to US$416 million in end-1999 PV terms (currently estimated at about US$579.9 million in nominal terms).[8] But as Guinea-Bissau went off-track with its PRGF program, it has been liable for servicing a large share of external debt in full since 2001. Many agreements signed with multilateral and bilateral creditors have not been implemented because the country failed to remain current on debt service obligations.[9] 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)[10] and IDA[11] are currently providing interim debt relief which is expected to continue until 2011. Since 2000, only China and Cuba have cancelled all outstanding claims.

5. **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$142 million before decision point in December 2000 to US$383 million at end-2008.

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[8] Additional US$71 million in PV terms (currently estimated at about US$133.3 million in nominal terms) could come from an agreement with other bilateral creditors.

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

[10] 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 end-2011 after having raised the interim relief ceiling from 40 percent to 50 percent.

[11] 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.

IV. Underlying Assumptions

6. **The macroeconomic framework underlying the DSA is based on the implementation of sound macroeconomic and structural policies, and external financing (grants and highly concessional loans).** Box 1 summarizes the key macroeconomic assumptions.[12] Growth projections average 4.2 percent over 2009 to 2028. 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 outpace any FDI-related import growth. Grants and loans from donors as a percentage of GDP are projected to remain at historical levels. Going forward, the entire financing gap is assumed to be filled through multilateral grants and loans.

7. **The DSA assumptions underlying the baseline scenario differ slightly from the previous DSA in 2007.[13]** They stem from updating key macroeconomic variables in the short and medium term based on recent evidence and a newer global economic outlook. For this reason, projections for growth and exports have worsened in the near term, in line with current global economic conditions. Further differences arise as the evolution of the domestic borrowing situation requires adjusted repayment assumptions.[14] Long-term growth assumptions for 2015–29 remain broadly unchanged.[15] But with fiscal consolidation still under way, the domestic primary fiscal deficit is now assumed to decline less rapidly relative to previous projections. Without access to non-concessional loans and the regional financial market, any remaining gap will have to be covered by higher budget grants. These are expected to slightly increase relative to the average levels observed over the last few years, stimulated by the ongoing political and macroeconomic stabilization. Moreover, the external sector outlook has been revised downwards, mainly because of slow progress in achieving export diversification.

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[12] Also see Section III of main text of the IMF Staff Report.

[13] Joint World Bank/IMF Debt Sustainability Analysis, 8/28/07 in IMF Country Report No. 07/370, November 2007.

[14] The 2007 DSA assumed that domestic debts to the banking sector would be repaid before end-2008 and domestic arrears by 2010. Both have not been repaid, but have risen further.

[15] The 2007 DSA already lowered the long-term growth rate from 5 percent in the 2006 DSA to 4.5 percent in order to account for greater uncertainties about the development of the cashew sector and more conservative assumptions about the implementation of needed structural reforms, including civil service reforms.

Box 1. Macroeconomic Assumptions Underlying the DSA Baseline Scenario

The macroeconomic assumptions over the period 2009 to 29 are as follows:

Real GDP growth is expected to first drop from 3.3 percent in 2008 to 1.9 percent in 2009 and then to gradually recover until it reaches 4.5 percent over the period from 2016 onward. This exceeds the historical average by roughly one percentage point, reflecting an assumed stabilization following a history marked by great political instability and inappropriate macroeconomic policies which are expected to improve in the period ahead.

Inflation, as measured by the GDP deflator, is assumed to grow at a rate slightly below CPI inflation in the medium term, reflecting a worsening in the terms of trade. Over the long term, both GDP deflator and CPI are projected to return to their historical level of 2 percent.

The non-interest **current account deficit** (including grants) is expected to deteriorate over the medium term from 0.2 percent of GDP in 2008 to about 7 percent by 2015, reflecting projected sustained weakness in cashew prices, Guinea-Bissau's dominant export. This is significantly above the deficit of 2 percent of GDP observed over the 2000–08 period. Over the longer term to 2029, real export volumes are projected to grow at around 4.5 percent per year, contributing to a reduction in the current account deficit back to under 3 percent of GDP. Growth in overall exports also reflects in part expected strong growth in non-cashew exports over the medium term, as structural reforms and a more stable political environment contribute to an improved investment climate.

The **domestic primary fiscal deficit** (i.e. revenue, excluding grants, minus non-interest expenditure, excluding foreign-financed investment projects) is assumed to gradually decrease from 8.3 percent of GDP in 2009 to 5.3 percent from 2019 onwards, due to stable revenues as a percentage of GDP and improved public expenditure management.

Net aid flows (grants and concessional loans) are expected to slightly increase in line with GDP. Budget support grants are projected at 10 percent of GDP per annum. Project grants are projected at nearly 27 percent of GDP during the period of 2009–11 due to large foreign-supported projects (e.g., new government office complex, hospitals and schools). They will gradually decrease to 19 percent of GDP in 2017, reflecting continued implementation of public investment programs. It is assumed that there will be no nonconcessional borrowing, in an environment in which the country will not have meaningful access to commercial debt markets. It is expected that all borrowing would be from multilateral sources. Fiscal financing gaps will thus have to be filled through highly concessional loans, especially since running further domestic arrears over the medium and long term would not be feasible. The grant element in new disbursements is assumed to remain above 50 percent. Concessional loans are assumed to be on standard terms.

Access to **public sector domestic borrowing** will remain difficult in view of the sizeable arrears. It is assumed that the part owed to the regional banking sector will be rescheduled in the course of 2009 and then gradually repaid by end-2028. Annual capital contributions to WAEMU are expected to be fully made from 2010 onwards, and to continue until arrears accumulated up to then are fully paid off. Domestic arrears owed to commercial banks, in turn, are projected to be fully rescheduled in 2010 and, along with other domestic arrears, repaid by 2029 using concessional loans.

V. External DSA

A. Baseline: No Debt Relief

8. **Under the baseline scenario, all PPG external debt indicator ratios decline from their historical levels, but remain well above the policy-dependent debt burden thresholds (Tables 1a, 1b and Figure 1a).** The baseline presumes that the HIPC completion point is not attained, but that real GDP growth converges to the long-run average of about 4.5 percent per annum.[35] Both, in nominal and PV terms, external debt indicators persist at very high levels. All debt indicators stay far above the indicative thresholds for poor performers (Text Table 1). Any downward trend is mainly driven by the assumption that Guinea-Bissau only takes out highly concessional loans to finance fiscal gaps.

Text Table 1. Summary of Baseline External Debt Sustainability Indicators 1/

	Indicative Threshold 2/	2009	2019	2029	*Average*
PV of debt-to-GDP	*30*	196	129	76	*134*
PV of debt-to-exports	*100*	666	514	288	*489*
PV of debt-to-revenue	*200*	1388	721	410	*840*
Debt service-to-exports	*15*	28	19	14	*20*
Debt service-to-revenue	*25*	57	26	20	*35*

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

9. **Should Guinea-Bissau reach the HIPC completion point in the first half of 2010, its debt burden will be significantly alleviated, although most debt burden indicators will continue to remain high (Table 1b, Scenario A3).** Satisfactory performance under the PRGF arrangement as well as achievement of other completion point triggers would help the country reach completion point in the first half of 2010. This alternative scenario assumes total debt relief —including HIPC, MDRI and additional rescheduling of arrears—of US$620 million in end-2010 PV terms.[36] In this context, the NPV of external debt to GDP falls significantly due to the assumed clearance of external arrears, and the lower debt service after HIPC and MDRI debt relief (down by about 5 percent of GDP per year). Yet even in the

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[35] The underlying growth rates are less than one percent higher than the historical average. 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.

[36] MDRI alone amounts to almost US$100 million in end-2010 PV terms.

long run, the PV of debt stays above the relevant indicative thresholds (except for PV of debt-to-revenue in 2029), irrespectively of whether debt is measured relative to GDP, exports or government revenues. Only debt service is expected to decline to below-threshold levels, reflecting highly concessional terms of existing debt and the terms assumed for the treatment of arrears and new borrowing.[37]

10. **Standard stress tests to the baseline scenario confirm the vulnerabilities to unexpected shocks.** The external debt of Guinea Bissau is extremely vulnerable to a one-time 30 percent depreciation in the nominal exchange rate (Table 1b, Scenario B6): the PV of debt would increase by 77 percentage points of GDP in 2010, relative to the baseline in that year. Nominal exchange rate depreciation is the most extreme shock in terms of PV/GDP, debt/revenue, and debt service/revenue (Figure 1a). The other shock that the country is highly vulnerable to is a one-standard deviation negative export shock (Table 1b, B2): shocks on exports can have a large impact on both the PV debt/exports and debt service/export ratios. All other stress tests (Table 1b, B1 and B3 to B5) confirm these vulnerabilities from different angles.

VI. PUBLIC DSA

A. Baseline: No Debt Relief

11. **The baseline scenario, adapted from the same assumptions and consistent with the external DSA, shows a deterioration of domestic debt indicators in the short term (Table 2a, 2b and Figure 2a).** Over the long run, total public debt (domestic and external) as a percent of GDP decreases, similar to the behavior of external debt described in the previous section. Despite a long run downward trend, the PV of total public debt to GDP ratio remains very high. This points to a highly vulnerable debt position, particularly in view of the possibility that any deterioration in the underlying fiscal stance or limited access to concessional loans could further deteriorate the situation. Shocks to the economy are also likely to significantly increase the debt burden.

B. Alternative Scenarios and Stress Tests

12. **Under the assumption of the HIPC completion point being attained in 2010 and the corresponding external debt relief being fully delivered, the risk of debt distress declines significantly (Table 2b, Scenario A4).** The PV of debt would fall to 108 percent of GDP in 2010, which amounts to a debt reduction of nearly 150 percentage points of GDP in

[37] Further tests (not shown here) confirm that the same vulnerabilities persist even if, in addition to total debt relief after the completion point in 2010, Guinea-Bissau would obtain grants to pay off its stock of domestic arrears.

PV terms with respect to the baseline scenario. Despite this reduction, the PV of public debt to GDP would still remain at high levels.

13. **Assuming that GDP growth remains permanently below the baseline level (Table 2b, Scenario A3) or that the primary balance persists at its 2009 level (Table 2b, Scenario A2) has a major impact on debt ratios.** In both cases, the PV of debt to GDP ratio stays well above 150 percent through 2019, although both moderate thereafter. Debt service remains high at over 10 percent of revenues despite the assumption of highly concessional loans to finance the fiscal gaps.

14. **Standard stress tests to the baseline scenario confirm that the public debt position remains highly vulnerable to economic shocks.** The first stress test simulates a negative GDP shock (Table 2b, Scenario B1) and finds that the PV of debt-to-GDP and debt service-to-revenue ratios are most affected. The shock to GDP amounts to assuming negative growth of 3.9 percent for two years (2010-11), which translates into a 27 percentage point difference in PV of debt-to-GDP with respect to the baseline in 2011. Another stress test imposes a one-time 30 percent depreciation in the exchange rate (Table 2b, Scenario B4), which adversely effects the PV of debt-to-fiscal revenues ratio.[38] It translates into a 141 percentage point increase in the PV of debt-to revenues ratio in 2011 compared with the baseline.

VII. CONCLUSION

15. **Guinea-Bissau remains in debt distress.** External debt burden ratios are well above the country-specific indicative thresholds during the complete projection period, even after assuming full delivery of MDRI and HIPC Initiative debt relief. In addition, the public DSA suggests that Guinea-Bissau's overall public sector debt dynamics are unsustainable in light of the current size and the evolution of the domestic debt stock. The risk rating therefore remains unchanged with respect to the previous DSA.

16. **Prudent macro policies, especially under the 2009 EPCA-supported program and a potential new PRGF, are critical to reach the HIPC completion point and in turn reduce debt ratios.** The country's debt strategy should focus on strengthening its fiscal stance; on avoiding nonconcessional debt, securing foreign aid on highly concessional terms and increasing the grant content of aid received; and on providing a stable political and business environment. The latter would not only be conducive to additional investment, but also to 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.

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[38] Based on PV of debt and debt service ratios projected ten years ahead.

Table 1. Guinea-Bissau: External Debt Outstanding, 2000–08[1]
(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 Province of China	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, 2000–08[1]
(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 Province of China	--	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 6/ Average	Standard 6/ Deviation	Projections									
	2006	2007	2008			2009	2010	2011	2012	2013	2014	2009-2014 Average	2019	2029	2015-2029 Average
External debt (nominal) 1/	**306.7**	**254.2**	**245.9**			**267.3**	**255.9**	**247.0**	**236.6**	**226.6**	**220.9**		**189.8**	**116.8**	
o/w public and publicly guaranteed (PPG)	306.7	254.2	245.9			267.3	255.9	247.0	236.6	226.6	220.9		189.8	116.8	
Change in external debt	-50.8	-52.5	-8.3			21.4	-11.4	-8.9	-10.4	-10.0	-5.7		-6.3	-8.5	
Identified net debt-creating flows	-12.5	-66.1	-42.8			-4.2	-6.8	-9.1	-6.6	-6.8	-5.4		-5.0	-6.1	
Non-interest current account deficit	**8.4**	**-12.4**	**0.2**	**-2.1**	**7.5**	**0.2**	**1.3**	**0.0**	**3.3**	**3.3**	**4.2**		**3.9**	**0.6**	2.9
Deficit in balance of goods and services	28.0	16.6	20.0			22.0	20.8	19.5	22.7	22.8	23.6		22.8	19.2	
Exports	18.7	28.0	29.8			29.4	26.3	27.4	24.9	24.8	24.8		25.2	26.5	
Imports	46.7	44.6	49.8			51.3	47.1	46.9	47.6	47.6	48.4		47.9	45.7	
Net current transfers (negative = inflow)	-19.6	-28.8	-19.8	-20.7	4.8	-21.6	-20.1	-20.1	-20.0	-20.0	-20.0		-19.3	-17.9	-18.9
o/w official	-13.0	-18.6	-11.8			-13.4	-11.7	-11.7	-11.7	-11.7	-11.7		-11.6	-11.5	
Other current account flows (negative = net inflow)	0.0	-0.2	0.0			-0.1	0.5	0.6	0.6	0.6	0.5		0.4	-0.7	
Net FDI (negative = inflow)	**-5.7**	**-4.7**	**-2.2**	**-2.2**	**1.9**	**-2.1**	**-1.8**	**-1.8**	**-1.8**	**-1.8**	**-1.8**		**-1.9**	**-2.1**	-1.9
Endogenous debt dynamics 2/	**-15.1**	**-49.1**	**-40.8**			**-2.3**	**-6.2**	**-7.3**	**-8.1**	**-8.2**	**-7.8**		**-7.0**	**-4.6**	
Contribution from nominal interest rate	1.9	2.8	2.8			2.8	1.8	1.7	1.6	1.5	1.5		1.3	0.7	
Contribution from real GDP growth	-1.9	-6.9	-7.0			-5.1	-8.1	-9.0	-9.7	-9.8	-9.3		-8.3	-5.3	
Contribution from price and exchange rate changes	-15.0	-45.0	-36.6			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**-38.3**	**13.6**	**34.5**			**25.6**	**-4.7**	**0.2**	**-3.8**	**-3.2**	**-0.3**		**-1.2**	**-2.4**	
o/w exceptional financing	-9.5	-11.4	-8.2			-7.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	170.9			195.5	186.7	179.7	171.6	163.8	157.8		129.3	76.2	
In percent of exports	...	...	573.2			666.2	710.3	655.8	690.1	659.4	636.3		513.7	287.7	
PV of PPG external debt	**...**	**...**	**170.9**			**195.5**	**186.7**	**179.7**	**171.6**	**163.8**	**157.8**		**129.3**	**76.2**	
In percent of exports	**...**	**...**	**573.2**			**666.2**	**710.3**	**655.8**	**690.1**	**659.4**	**636.3**		**513.7**	**287.7**	
In percent of government revenues	**...**	**...**	**1015.4**			**1388.4**	**1251.3**	**1170.3**	**1101.7**	**1011.1**	**955.7**		**721.1**	**409.9**	
Debt service-to-exports ratio (in percent)	**41.3**	**36.9**	**32.3**			**27.5**	**27.1**	**23.3**	**23.7**	**22.0**	**20.9**		**18.6**	**14.0**	
PPG debt service-to-exports ratio (in percent)	**41.3**	**36.9**	**32.3**			**27.5**	**27.1**	**23.3**	**23.7**	**22.0**	**20.9**		**18.6**	**14.0**	
PPG debt service-to-revenue ratio (in percent)	**40.7**	**70.9**	**57.2**			**57.4**	**47.8**	**41.6**	**37.8**	**33.7**	**31.4**		**26.2**	**19.9**	
Total gross financing need (Millions of U.S. dollars)	32.9	-25.7	35.2			26.4	29.6	21.8	37.4	37.9	43.7		53.2	33.4	
Non-interest current account deficit that stabilizes debt ratio	59.2	40.2	8.5			-21.2	12.7	8.9	13.7	13.3	9.9		10.2	9.1	
Key macroeconomic assumptions															
Real GDP growth (in percent)	0.6	2.7	3.3	2.3	3.9	1.9	3.2	3.7	4.2	4.4	4.3	3.6	4.5	4.5	4.5
GDP deflator in US dollar terms (change in percent)	4.4	17.2	16.8	5.7	9.6	-9.5	2.7	2.3	2.5	2.5	2.0	0.4	2.0	2.0	2.0
Effective interest rate (percent) 5/	0.5	1.1	1.3	1.1	0.3	1.0	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.6	0.7
Growth of exports of G&S (US dollar terms, in percent)	-37.3	80.0	28.7	22.0	38.5	-9.2	-5.1	10.6	-3.0	6.9	6.2	1.1	7.1	7.1	7.0
Growth of imports of G&S (US dollar terms, in percent)	8.4	14.8	34.9	12.5	11.9	-4.9	-2.8	5.7	8.3	7.1	8.2	3.6	6.0	6.1	6.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	57.6	55.7	56.7	58.0	59.5	59.5	57.8	59.5	59.5	59.5
Government revenues (excluding grants, in percent of GDP)	19.0	14.6	16.8			14.1	14.9	15.4	15.6	16.2	16.5		17.9	18.6	18.0
Aid flows (in Millions of US dollars) 7/	53.4	81.1	94.4			177.7	176.8	181.9	184.0	192.6	198.5		252.1	447.5	
o/w Grants	36.7	56.8	68.9			167.5	166.3	170.9	172.4	180.4	185.8		236.4	447.5	
o/w Concessional loans	16.8	24.3	25.5			10.2	10.6	11.0	11.5	12.1	12.6		15.7	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			51.7	42.5	42.9	40.5	39.7	38.9		35.2	30.9	34.1
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			85.1	90.5	88.6	89.3	89.7	89.1		90.3	97.2	92.1
Memorandum items:															
Nominal GDP (Millions of US dollars)	317.4	382.0	461.2			425.3	450.7	478.1	510.8	546.6	581.6		798.6	1511.8	
Nominal dollar GDP growth	5.0	20.4	20.7			-7.8	6.0	6.1	6.8	7.0	6.4	4.1	6.6	6.6	6.6
PV of PPG external debt (in Millions of US dollars)			788.3			831.7	841.2	859.0	876.5	895.3	917.5		1032.6	1152.3	
(PVt-PVt-1)/GDPt-1 (in percent)						9.4	2.2	4.0	3.7	3.7	4.1	4.5	3.1	-0.3	2.0

Source: IMF and World Bank staff simulations.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - r(1+g)]/(1+g+r+gr) 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	196	187	180	172	164	158	129	76
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	196	181	170	157	146	135	89	28
A2. New public sector loans on less favorable terms in 2009-2029 2/	196	189	186	181	176	173	157	111
A3. HIPC completion point attained in 2010	140	46	47	47	48	49	50	37
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	196	196	198	190	181	174	143	84
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	196	188	185	177	169	163	134	78
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	196	199	204	195	186	179	147	87
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	196	189	185	176	168	162	133	78
B5. Combination of B1-B4 using one-half standard deviation shocks	196	196	199	190	182	175	144	85
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	196	264	254	242	231	223	183	108
PV of debt-to-exports ratio								
Baseline	666	710	656	690	659	636	514	288
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	666	689	619	633	587	546	353	105
A2. New public sector loans on less favorable terms in 2009-2029 2/	666	721	678	728	710	699	625	420
A3. HIPC completion point attained in 2010	478	174	172	191	192	197	199	140
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	666	710	656	690	659	636	514	288
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	666	813	1016	1070	1023	987	799	445
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	666	710	656	690	659	636	514	288
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	666	720	674	709	678	655	530	295
B5. Combination of B1-B4 using one-half standard deviation shocks	666	657	659	694	663	640	517	289
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	666	710	656	690	659	636	514	288
PV of debt-to-revenue ratio								
Baseline	1388	1251	1170	1102	1011	956	721	410
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	1388	1213	1105	1010	901	820	495	150
A2. New public sector loans on less favorable terms in 2009-2029 2/	1388	1269	1211	1162	1088	1050	877	599
A3. HIPC completion point attained in 2010	996	307	307	305	295	295	279	199
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	1388	1312	1292	1217	1117	1056	797	453
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	1388	1260	1205	1135	1042	986	746	422
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	1388	1336	1330	1252	1149	1086	820	467
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	1388	1268	1202	1132	1040	983	744	421
B5. Combination of B1-B4 using one-half standard deviation shocks	1388	1312	1297	1221	1121	1060	801	455
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	1388	1768	1653	1556	1428	1350	1019	580

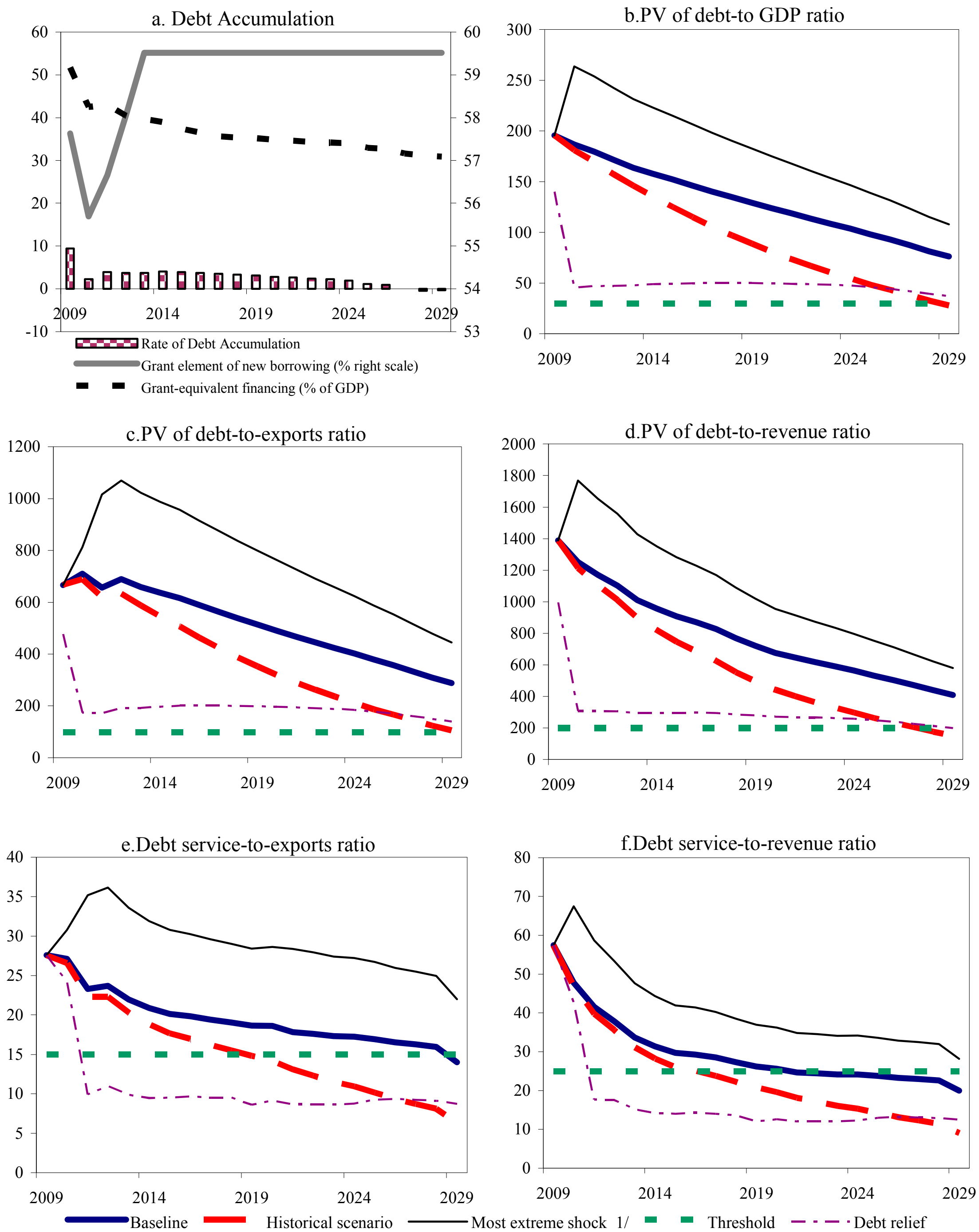
Table 1b.Guinea-Bissau: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029 (continued)
(In percent)

	Projections							
	2009	2010	2011	2012	2013	2014	2019	2029
Debt service-to-exports ratio								
Baseline	28	27	23	24	22	21	19	14
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	28	27	22	22	20	19	15	6
A2. New public sector loans on less favorable terms in 2009-2029 2/	28	27	23	25	24	24	23	22
A3. HIPC completion point attained in 2010	28	24	10	11	10	9	9	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	28	27	23	24	22	21	19	14
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	28	31	35	36	34	32	28	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	28	27	23	24	22	21	19	14
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	28	27	23	24	22	21	19	15
B5. Combination of B1-B4 using one-half standard deviation shocks	28	25	23	24	22	21	19	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	28	27	23	24	22	21	19	14
Debt service-to-revenue ratio								
Baseline	57	48	42	38	34	31	26	20
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2009-2029 1/	57	47	40	36	31	28	21	9
A2. New public sector loans on less favorable terms in 2009-2029 2/	57	48	42	40	37	35	33	31
A3. HIPC completion point attained in 2010	57	43	18	17	15	14	12	12
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	57	50	46	42	37	35	29	22
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	57	48	42	38	34	32	27	21
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	57	51	47	43	38	36	30	23
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	57	48	42	38	34	32	26	21
B5. Combination of B1-B4 using one-half standard deviation shocks	57	50	46	42	37	35	29	22
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	57	67	59	53	48	44	37	28
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	57	57	57	57	57	57	57	57

Source: IMF and World Bank 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 (implicitly assuming 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: IMF and World Bank 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			Average 5/	Standard 5/ Deviation	Estimate	Projections							
	2006	2007	2008			2009	2010	2011	2012	2013	2014	2009-14 Average	2019	2029
Public sector debt 1/	382.2	326.1	316.0			328.3	317.6	304.6	290.0	276.2	266.8	297.2	221.2	132.4
o/w domestic	75.5	71.9	70.1			61.0	61.7	57.6	53.4	49.6	45.9	54.9	31.4	15.6
o/w external	306.7	254.2	245.9			267.3	255.9	247.0	236.6	226.6	220.9	242.4	189.8	116.8
Change in public sector debt	-45.3	-56.1	-10.1			12.3	-10.7	-13.0	-14.6	-13.8	-9.4		-8.8	-9.2
Identified debt-creating flows	-46.7	-53.6	-13.9			-1.7	-17.2	-18.5	-18.8	-19.1	-15.4		-13.6	-8.9
Primary deficit	6.4	7.7	3.8	5.6	2.9	0.5	0.2	-0.1	0.5	-0.3	-0.4	0.1	-0.6	-0.8
Revenue and grants	30.5	29.4	31.8			53.5	51.8	51.1	49.3	49.2	48.5		47.5	48.2
of which: grants	11.5	14.9	14.9			39.4	36.9	35.8	33.8	33.0	32.0		29.6	29.6
Primary (noninterest) expenditure	37.0	37.1	35.5			54.0	52.0	51.0	49.9	48.9	48.1		46.9	47.4
Automatic debt dynamics	-50.5	-58.3	-14.8			1.6	-17.4	-18.4	-19.3	-18.8	-15.0		-13.0	-8.0
Contribution from interest rate/growth differential	-14.0	-19.5	-18.0			-6.0	-10.9	-13.1	-15.2	-15.9	-15.1		-9.3	-5.7
of which: contribution from average real interest rate	-11.6	-9.4	-7.5			-0.1	-0.7	-1.7	-2.9	-3.6	-3.6		0.6	0.4
of which: contribution from real GDP growth	-2.4	-10.1	-10.5			-5.9	-10.2	-11.4	-12.3	-12.3	-11.5		-9.9	-6.1
Contribution from real exchange rate depreciation	-36.6	-38.8	3.2			7.6	-6.5	-5.3	-4.2	-2.9	0.1		...	...
Other identified debt-creating flows	-2.6	-3.0	-2.8			-3.9	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Privatization receipts (negative)	0.8	-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)	-3.4	-2.9	-2.8			-3.9	0.0	0.0	0.0	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	1.4	-2.5	3.8			14.0	6.5	5.5	4.2	5.4	6.0		4.8	-0.4
Other Sustainability Indicators														
PV of public sector debt	...	...	256.4			258.4	249.2	236.5	222.9	210.2	200.6		158.2	90.3
o/w domestic	...	...	70.1			61.0	61.7	57.6	53.4	49.6	45.9	0.0	31.4	15.6
o/w external	...	...	186.3			197.4	187.5	178.9	169.5	160.6	154.7		126.8	74.7
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	41.8	52.1	48.2			49.7	40.8	42.8	41.2	38.1	36.2		28.4	18.0
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	806.9			483.2	481.1	462.8	451.8	427.1	413.9		332.8	187.5
PV of public sector debt-to-revenue ratio (in percent)	…	…	1523.4			1834.4	1670.7	1540.3	1431.0	1297.5	1215.0		882.3	485.9
o/w external 3/	…	…	1106.9			1401.5	1257.2	1165.1	1088.2	991.2	936.9		707.0	401.9
Debt service-to-revenue and grants ratio (in percent) 4/	28.3	38.2	33.1			16.8	15.1	13.8	13.2	12.3	11.8		10.6	8.1
Debt service-to-revenue ratio (in percent) 4/	45.5	77.2	62.5			63.9	52.4	45.9	41.7	37.3	34.7		28.1	20.9
Primary deficit that stabilizes the debt-to-GDP ratio	51.8	63.8	13.8			-11.8	10.9	12.9	15.2	13.4	9.0		8.2	8.4
Key macroeconomic and fiscal assumptions														
Real GDP growth (in percent)	0.6	2.7	3.3	2.3	3.9	1.9	3.2	3.7	4.2	4.4	4.3	3.6	4.5	4.5
Average nominal interest rate on forex debt (in percent)	0.5	1.1	1.3	1.1	0.3	1.0	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.6
Average real interest rate on domestic debt (in percent)	-3.4	-6.6	-7.7	-1.6	4.1	-0.9	-1.9	-1.7	-1.8	-1.8	-1.8	-1.7	...	...
Real exchange rate depreciation (in percent, + indicates depreciation)	-10.6	-13.2	1.3	-4.0	10.3	3.2	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.6	7.4	8.8	3.0	4.3	1.3	2.1	1.9	2.0	1.9	2.0	1.9	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	0.5	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	…	…	57.6	55.7	56.7	58.0	59.5	59.5	57.8	59.5	59.5

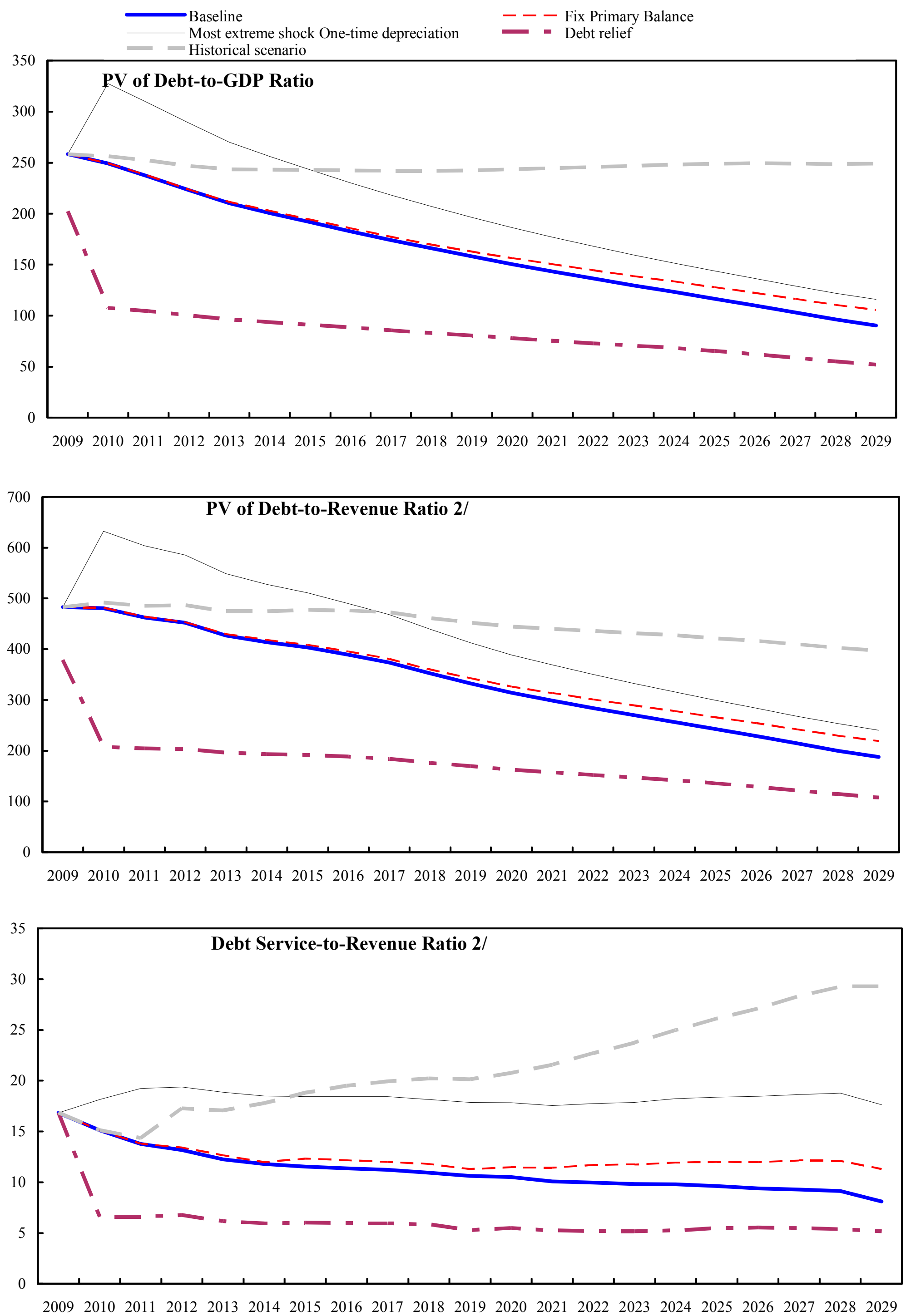
Sources: Guinea-Bissau authorities; and IMF and World Bank staff estimates and projections.
1/ Gross general government debt (external and domestic).
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.
3/ Revenues 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	258	249	236	223	210	201	158	90
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	258	256	252	247	244	243	242	249
A2. Primary balance is unchanged from 2009	258	250	237	224	212	203	163	106
A3. Permanently lower GDP growth 1/	258	251	241	229	218	211	178	134
A4. HIPC completion point attained in 2010	203	108	105	100	96	94	81	52
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	258	262	263	250	237	228	189	127
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	258	257	252	238	225	215	171	101
B3. Combination of B1-B2 using one half standard deviation shocks	258	263	264	250	237	228	186	120
B4. One-time 30 percent real depreciation in 2010	258	328	309	289	270	256	196	116
B5. 10 percent of GDP increase in other debt-creating flows in 2010	258	258	246	232	219	209	166	96
PV of Debt-to-Revenue Ratio 2/								
Baseline	483	481	463	452	427	414	333	187
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	483	492	486	487	475	475	453	397
A2. Primary balance is unchanged from 2009	483	482	464	453	430	419	343	219
A3. Permanently lower GDP growth 1/	483	482	466	457	434	423	357	251
A4. HIPC completion point attained in 2010	379	208	205	203	196	193	169	108
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	483	489	480	473	451	440	373	248
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	483	496	493	482	456	443	360	209
B3. Combination of B1-B2 using one half standard deviation shocks	483	497	495	487	463	451	377	240
B4. One-time 30 percent real depreciation in 2010	483	632	604	585	549	528	413	241
B5. 10 percent of GDP increase in other debt-creating flows in 2010	483	499	481	470	444	431	349	200
Debt Service-to-Revenue Ratio 2/								
Baseline	17	15	14	13	12	12	11	8
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	17	15	14	17	17	18	20	29
A2. Primary balance is unchanged from 2009	17	15	14	13	13	12	11	11
A3. Permanently lower GDP growth 1/	17	15	14	13	13	12	12	14
A4. HIPC completion point attained in 2010	17	14	7	7	6	6	5	5
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	17	15	14	14	14	14	14	14
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	17	15	15	19	18	15	12	11
B3. Combination of B1-B2 using one half standard deviation shocks	17	15	15	18	18	15	14	14
B4. One-time 30 percent real depreciation in 2010	17	18	19	19	19	18	18	18
B5. 10 percent of GDP increase in other debt-creating flows in 2010	17	15	15	20	13	14	12	10

Sources: Guinea-Bissau authorities; and IMF and World Bank 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. Guinea-Bissau: Indicators of Public Debt Under Alternative Scenarios, 2009-2029 1/



Sources: Guinea-Bissau authorities; and IMF and World Bank 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.