

# Guinea-Bissau



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## Basic information about the country<sup>12</sup>:

The Republic of Guinea-Bissau is a country in western Africa, and one of the smallest states in continental Africa. It is bordered by Senegal to the north, and Guinea to the south and east, with the Atlantic Ocean to its west. Its size is nearly 37,000 km<sup>2</sup> with an estimated population of almost 1,600,000. Formerly the Portuguese colony of Portuguese Guinea, upon independence, the name of its capital, Bissau, was added to the country's name to prevent confusion with the Republic of Guinea.

Since independence from Portugal in 1974, Guinea-Bissau has experienced considerable political and military upheaval. In 1980, a military coup established authoritarian dictator Joao Bernardo 'Nino' Viera as president. Despite setting a path to a market economy and multiparty system, Viera 's regime was characterized by the suppression of political opposition and the purging of political rivals. Several coup attempts through the 1980s and early 1990s failed to unseat him. In 1994 Viera was elected president in the country's first free elections. A military mutiny and resulting civil war in 1998 eventually led to Viera 's ouster in May 1999. In February 2000, a transitional government turned over power to opposition leader Kumba Yala, after he was elected president in transparent polling. In September 2003, after only three years in office, Yala was ousted by the military in a bloodless coup, and businessman Henrique Rosa was sworn in as interim president. In 2005, former President Viera was re-elected president pledging to pursue economic development and national reconciliation. He was assassinated in March 2009; new elections were set to take place in April 2009 but this will likely be pushed to the end of 2009.

## Demographics<sup>3</sup>:

At 13,945 sq mi. (36,120 km<sup>2</sup>), Guinea-Bissau is nearly identical in size to Taiwan, and somewhat larger than the US state of Maryland. This small, tropical country lies at a low altitude; its highest point is 984 feet (300 m). The interior is savanna, and the coastline is swampy plain. Its monsoon-like rainy season alternates with periods of hot, dry harmattan winds blowing from the Sahara. The Bijagos Archipelago extends out to sea.

### Cities in Guinea-Bissau

<sup>1</sup> CIA World Factbook

<sup>2</sup> <http://news.bbc.co.uk/2/hi/africa/7967614.stm>

<sup>3</sup> Anuario Estatístico da Guinea-Bissau. 2005.

Rank	City	Population		Region
		1979 Census	2005 estimate	
1	Bissau	109,214	388,028	Bissau
2	Bafatá	13,429	22,521	Bafatá
3	Gabú	7,803	14,430	Gabú
4	Bissorã	N/A	12,688	Oio
5	Bolama	9,100	10,769	Bolama
6	Cacheu	7,600	10,490	Cacheu
7	Bubaque	8,400	9,941	Bolama
8	Catió	5,170	9,898	Tombali
9	Mansôa	5,390	7,821	Oio
10	Buba	N/A	7,779	Quinara
11	Quebo	N/A	7,072	Quinara
12	Canchungo	4,965	6,853	Cacheu
13	Farim	4,468	6,792	Oio
14	Quinhámel	N/A	3,128	Biombo
15	Fulacunda	N/A	1,327	Quinara

## Economy<sup>4</sup>

Guinea-Bissau is among the world's least developed nations and one of the 10 poorest countries in the world, and depends mainly on agriculture and fishing. Cashew crops have increased remarkably in recent years, and the country now ranks sixth in cashew production. Guinea-Bissau exports fish and seafood along with small amounts of peanuts, palm kernels, and timber. License fees for fishing provide the government with some revenue. Rice is the major crop and staple food.

The country is highly dependent on the export of one product, namely cashew nuts, which are exported with little or no value added. The dominance of cashew as the major source of foreign exchange (95 per cent of export revenues) has made the country's export-earning capacity highly sensitive to price fluctuations. Indeed, the price of cashew nuts fell by 30 per cent in 2001 and was followed by a decline in production by 10 per cent in 2002, underlining

<sup>4</sup> UN

the country's vulnerability to one commodity. Other sources of its limited foreign exchange inflows come in the form of royalties from fishing rights and from remittances from nationals living abroad.

Part of the weakness in the country's economy derives from the fact that it's very small private sector only began to emerge from a centrally planned system in the late 1980s and was essentially decapitalized 10 years later during the civil war. It is operating in a difficult environment with little supporting economic infrastructure, including little or no access to credit internally or externally, poor economic policies, limited and erratic access to energy supplies, including electricity, a poor and limited network of roads and air transportation links, a non-functioning port and the lack of a modern telecommunications sector. As a result of these difficulties, many economic activities are being shifted to the informal sector, thus depriving the Government of important sources of revenue.

Overall, there is a fundamental problem related to the absence of an effective separation of the executive, legislative and judiciary powers, which makes it difficult for the effective functioning of the State and the norms of good governance.

Economy of Guinea-Bissau	
Currency	CFA Franc
Fiscal year	Calendar Year
Trade organizations	AU, WTO
Statistics [1]	
GDP ranking	191st (2004) [2]
GDP	\$1.008 billion (2004)
GDP growth	2.6% (2004)
GDP per capita	\$700 (2004)
GDP by sector	Agriculture (62%), industry (12%), services (26%) (1999)
Inflation	4% (2002)
Pop below poverty line	N/A (2004)
Labor force	480,000 (1999)
Labor force by occupation	agriculture (82%)(2000)

Unemployment	N/A (1998)
Main industries	agricultural products processing, beer, soft drinks
Trading Partners [3]	
Exports	\$54 million (2002)
Export - Commodities	cashew nuts, shrimp, peanuts, palm kernels, sawn lumber
Main partners	India 54.9%, U.S. 24.2%, Nigeria 12.7%, Italy 4.1% (2004)
Imports	\$104 million (2002)
Imports - Commodities	foodstuffs, machinery and transport equipment, petroleum products
Main Partners	Senegal 23.4%, Portugal 20.4%, the People's Republic of China 8.2%, Netherlands 5.8% (2004)
Public finances [4]	
Public debt	N/A (2004)
Revenues	N/A (2004)
Expenses	N/A (2004)
Economic aid	\$115.4 million (recipient)(1995)

## Financial Sector Overview<sup>5</sup>

Guinea Bissau is a member of the West African Economic and Monetary Union (UEMOA) established in January 1994, and comprising eight West African countries (Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, Togo, and Guinea Bissau) which are members of the Franc Zone and use the CFA Franc (XOF) issued by the Central Bank (BCEAO). The UEMOA financial markets are administered through the following institutions:

- The Conference of Heads of State, which decides on the accession of new members.
- The Council of Ministers, which defines, among others, the monetary and credit policy of the Union to safeguard the value of the CFA Franc.

<sup>5</sup> World Bank

- The UEMOA Commission, as delegated by the Council of Ministers, is in charge of the day-to-day administration of the Union.
- The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.
- Micro-finance institutions are governed by a separate law, the PARMEC (Projet d'Appui à la Réglementation des Mutuelles d'Epargne et de Crédit) Law, which regulates microfinance activities in all WAEMU countries.

Guinea-Bissau is also a signatory to the OHADA Treaty, which harmonizes business law in 16 countries in Sub-Sahara Africa, including all the UEMOA countries. The main objective of the monetary policy as defined by the UEMOA and implemented by the BCEAO, is to ensure price stability and safeguard the domestic and foreign value of the CFA Franc through appropriate coverage of currency issue by foreign exchange reserves.

The country's financial sector has developed since end-2005 with the opening of three additional financial institutions: the Regional Bank of Solidarity (BRS) specialized in microfinance activities; the Bank of Union (BDU); and Ecobank, which provides commercial credit services. As a member of the West African Economic and Monetary Union, Guinea-Bissau's inflation rate has remained aligned with that of the other members, i.e., around 2 percent a year. The real exchange rate has been stable but has appreciated on average by about 1 percent per year vis-à-vis the trading partners due to a relatively stronger Euro.

Banking system<sup>6</sup>

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<sup>6</sup> World Bank

The banking system is rudimentary but in the process of change. The Banque Centrale des États de l'Afrique de l'Ouest (BCEAO), headquartered in Dakar, Senegal, controls the money supply and has financed government deficits by expanding the supply.

Currently, there are five banks located in Guinea-Bissau. The total balance sheets of the financial system in Guinea-Bissau amounted to XOF 23.3 bn at the end of 2005. The resources of banks and financial institutions amount to XOF 20.8bn, including XOF 4.4 bn as net equity capital. The tables on the following pages give an outline of the banking sector development.

Dates	Type	Monetary Authority	Source	Remarks
1902 -12 September 1974	private monopoly issue (as part of a currency union from 1953)	Banco Nacional Ultramarino (headquarters Lisbon, Portugal)	Portugal, law of 16 May 1864 chartering Banco Nacional Ultramarino, reprinted in Banco Nacional Ultramarino (1977: 20-2)	The Banco Nacional Ultramarino received permission to operate in Portuguese colonies (except, initially, Macau and East Timor). The bank had separately marked note issues for each colony. Guinea-Bissau was administratively part of Cape Verde until 1879. The Banco Nacional Ultramarino established a branch in Bissau in 1902. It was the first commercial bank, and the only one to have an office in Guinea-Bissau in this period, although savings banks were also established (BCEAO 2000, v. 2: 556). The first coins were issued in 1933.
13 September 1974 - 27	de facto central bank (with commercial banking)	Banco Nacional Ultramarino (headquarters Lisbon, Portugal)	Portugal, Decree-Law 451/74, 13 September 1974	The Portuguese government nationalized Portuguese-owned banks in Portugal and Portuguese colonies after a coup by democratic-minded

February 1975	functions)			left-wing military officers in Lisbon on 25 April 1974.
28 February 1975  -second half of 1990	central bank (with commercial banking functions)	Banco Nacional da Guiné-Bissau (headquarters Bissau, Guinea-Bissau)	Lobban and Mendy (1997: 82); BCEAO (2000, v. 2: 556)	Soon after Guinea-Bissau's independence was recognized, its government took over the local operations of the Banco Nacional Ultramarino. Guinea-Bissau joined the IMF on 24 March 1977. There was no other bank, so the system perhaps came close to a monobank until around 1986, when the government moved away from socialist economic policies. Apparently the central bank had responsibility for coins as well as notes.
second half of 1990  -1 May 1997	central bank	Banco Central da Guiné-Bissau (headquarters Bissau, Guinea-Bissau)	Guinea-Bissau, Decree No. 32/89, 1989, cited in BCEAO (2000, v. 2: 557); government announcement of 19 July 1990	The commercial banking operations of the Banco Nacional da Guiné-Bissau were spun off to become the Banco de Crédito Nacional (headquarters Bissau, Guinea-Bissau); that bank was liquidated in 1990. In March 1990, the Banco Internacional da Guiné-Bissau (headquarters Bissau, Guinea-Bissau), with minority government ownership, opened in Bissau. The Banco Totta e Açores (headquarters Lisbon, Portugal) opened in Bissau in March 1992, marking the first time Guinea-Bissau had two banks competing (BCEAO 2000, v. 2: 557).
2 May	joint central	Banque	Union Monétaire	Guinea-Bissau joined the

1997 -present	bank (as part of a currency union)	Centrale des États de l'Afrique de l'Ouest (BCEAO) (headquarters Dakar, Senegal)	Ouest Africaine, agreement of heads of state, Ouagadougou, 10 May 1996; Guinea-Bissau, consent by legislature to agreement, November 1996; both cited in BCEAO (2000, v. 2: 559)	Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) to improve its monetary stability. The BCEAO issues coins as well as notes. Notes for different member countries were issued with different serial number codes to provide a basis for calculating each country's share of seigniorage.
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Currently Operating Banks	Year of Entry	Ownership
Banco Internacional da Guinea Bissau SARL	1990	49% Banco Santander <sup>7</sup> , Government
Banco Totta & Acores SA	1992	100% Banco Santander <sup>8</sup>
Banco Da Africa Ocidental	1997	Private
Ecobank <sup>9</sup>	2007	Public
Banco da Uniao	2005	Banque de Developpement du Mali - SA (30%); CRRRAE-UMOA - Caisse de Retraite par Repartition Avec Epargne de l'Union Monetaire Ouest Africaine (55%); Guinea Foundation for Industrial Development (10%); West African Assets Management Company (5%)

## Insurance companies and other financial institutions

<sup>7</sup> Banco Santander Annual Report

<sup>8</sup> Banco Santander Annual Report

<sup>9</sup> Ecobank. [www.ecobank.com](http://www.ecobank.com).

The insurance sector in Guinea-Bissau is regulated and supervised by the Inter-African Conference of Insurance Markets (CIMA) established on 10 July 1992 in Yaounde (Republic of Cameroon). It includes the following countries: Benin, Burkina Faso, Cameroon, Central African Republic, the Comoros, Côte d'Ivoire, Gabon, Equatorial Guinea, Guinea Bissau, Mali, Niger, Senegal, Chad and Togo. The CIMA Treaty came into effect on 15 February 1995. The regulatory body of the CIMA is the Regional Commission of Insurance Control (CRCA), whereas the Council of Ministers is its highest body.

There is one insurance company in Guinea-Bissau: Aliança Seguradora.

### **Central bank and its role in the economy<sup>10</sup>**

The Central Bank of West African States (BCEAO) is the central bank and controls the Banking Commission (Commission Bancaire) responsible for overseeing and supervising banks and financial institutions. The BCEAO also controls the Savings and Financial Markets Regional Council (CREPMF). The capital of BCEAO, currently called up in the amount of XOF 134 bn, is entirely subscribed by the member States and shared equally among them.

### **Government bond market<sup>11</sup>**

The benchmark issuer in the UEMOA zone is the West African Development Bank (BOAD), a regional multilateral bank. Since 1999, BOAD accounts for close to 22% of all the public debt issues in the market, i.e. XOF 102 bn. In the absence of a government yield curve, BOAD bonds are used as benchmarks.

Title	Face Amount (XOF billion)	Year of Listing	Frequency	Expiration Date
Listed Bonds				
BOAD 6,25%	1999-2009	20.12	1999 Annual	1-Feb-09
BOAD 6,30%	1999-2007	17.05	2000 Annual	27-Oct-07
BOAD 5.85%	2001-2008	11,95	2003 Annual	4-Jan-08

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<sup>10</sup> World Bank

<sup>11</sup> World Bank

BOAD 5.35%, 2004-2011 22.70 2005 Annual 5-Nov-11  
BOAD 5% 2005-2013 18,60 2005 Annual 28-Dec-13  
BOAD 4,5%, 2005-2011 6,404 2005 Annual 28-Dec-11

As of December 2006, the Government of Guinea-Bissau has XOF 6.7 bn outstanding in treasury bills, and no bond outstanding.

#### Other Types of Finance<sup>12</sup>

Guinea-Bissau has seven micro-finance institutions: Action pour le Développement, ; Association Inter Economique de Développement Local, in Gabu; Association pour le Commerce, l'Industrie et l'Agriculture de Buba; Banque Rurale d'Epargne et de Crédit; Cellule de Promotion de l'Epargne et du Crédit; General Directorate of Microfinance; and Institution Financière non Bancaire BAMBARAM.

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<sup>12</sup> AfDevInfo

## Additional Data Sources

Noticias Lusofonas <http://www.noticiaslusofonas.com/>

Upenn African Studies Center [http://www.africa.upenn.edu/Country\\_Specific/G\\_Bissau.html](http://www.africa.upenn.edu/Country_Specific/G_Bissau.html)

AllAfrica <http://allafrica.com/guineabissau/>

World Bank

[http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/GUINEABISEXTN/0,,  
menuPK:356675~pagePK:141159~piPK:141110~theSitePK:356669,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/GUINEABISEXTN/0,,menuPK:356675~pagePK:141159~piPK:141110~theSitePK:356669,00.html)

The Guardian <http://www.guardian.co.uk/world/2008/mar/09/drugstrade>

IMF <http://www.imf.org/external/country/GNB/index.htm>

Republica da Guine Bissau <http://www.republica-da-guine-bissau.org/>

CIA Fact Book <https://www.cia.gov/library/publications/the-world-factbook/geos/pu.html>

Guinea Bissau Government [http://www.guineabissau-government.com/portuguese/index-  
portuguese.php](http://www.guineabissau-government.com/portuguese/index-portuguese.php)

Bank for International Settlements <http://www.bis.org/cbanks.htm>

Central Bank of West African States

<http://www.bceao.int/internet/bcweb.nsf/english.htm?OpenFrameSet>

Banco da Uniao [http://www.afdevinfo.com/htmlreports/org/org\\_65754.html](http://www.afdevinfo.com/htmlreports/org/org_65754.html)

Banco da África Ocidental

MacauHub <http://www.macauhub.com.mo/en/other.php?ID=222>

African Development Information <http://www.afdevinfo.com/>

Ecobank <http://www.ecobank.com/>

Santander Totta <http://www.santandertotta.pt/>

Guinea Monetary System Profile <http://users.erols.com/kurrency/gw.htm>