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THE WORLD BANK

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Guinea - Boke - Economic Reports and Letters - 1965 to 1966 - Lester Nurick



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**FOR  
EXECUTIVE  
DIRECTORS'  
MEETING**

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**MAY 17 2016**

WBG ARCHIVE

For consideration on  
March 29, 1966.

FROM: The Secretary

R66-36

March 15, 1966

PROPOSED LOAN - GUINEA

1. The attached President's Report and Recommendation (P-470) on a proposed engineering loan to the Republic of Guinea for the Boke' infrastructure project will be considered by the Executive Directors at a meeting to be held on Tuesday, March 29, 1966.
2. Attached to the President's Report and Recommendation is a report entitled "Engineering Loan for Boke' Infrastructure Project - Republic of Guinea" (TO-506c) dated March 14, 1966.
3. A report entitled "The Economy of Guinea" (AF-41c) was distributed on March 14, 1966 (R66-35).
4. A draft Loan Agreement and the Statutory Committee Report are being circulated as report R66-36-L.

Distribution:

Executive Directors and Alternates  
President  
President's Council  
Executive Vice President, IFC  
Department Heads (Bank and IFC)

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Report No. P-470

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED ENGINEERING  
LOAN TO  
THE REPUBLIC OF GUINEA  
FOR THE BOKE INFRASTRUCTURE PROJECT

March 14, 1966



REPORT AND RECOMMENDATION OF THE PRESIDENT  
TO THE EXECUTIVE DIRECTORS ON A  
PROPOSED ENGINEERING LOAN TO THE REPUBLIC OF GUINEA  
FOR THE BOKE INFRASTRUCTURE PROJECT

---

1. I submit the following report and recommendation on a proposed loan in an amount in various currencies equivalent to US\$1.7 million to the Republic of Guinea to finance the foreign exchange cost of the field surveys and detailed engineering of the railroad, port and townsite to be built by the Government of Guinea in connection with the exploitation of a bauxite deposit in the Boké region.

PART I - HISTORICAL

2. Guinea became a member of the Bank on September 28, 1963. Guinea has also applied for IDA membership but the necessary formalities are not yet completed. A report on the Economy of Guinea (AF-41c) was distributed to the Executive Directors (R66-35) on March 14, 1966.

3. In October 1963, the Government of Guinea entered into an agreement with HALCO (Mining) Inc., an affiliate of Harvey Aluminum (Incorporated) of Torrance, California, concerning the exploitation of a large bauxite deposit in the region of Boké in Northwest Guinea. Compagnie des Bauxites de Guinée (CBG), a corporation jointly owned by the Government of Guinea and HALCO, was set up to exploit the deposit, which is believed to be one of the richest in the world. While CBG would own and be responsible for setting up the mining facilities and HALCO has undertaken to make arrangements to provide the necessary funds, mainly by way of advances, it was agreed that the Boké infrastructure, namely, a railway, port and townsite, made necessary by the project would be constructed and owned by the Government of Guinea. Construction and operation of the infrastructure would be the responsibility, in the first instance, of an autonomous agency of the Republic of Guinea, the Office d'Aménagement de Boké.

4. Since the middle of 1965, discussions have been taking place between Harvey and a number of other aluminum companies in North America and Europe with regard to the participation of these companies in the exploitation of the Boké deposits either through the taking of some form of equity or through making arrangements for long-term sales contracts.

5. As described in paragraph 3 of the report TO-506b (attached), in 1961 the Government of Guinea terminated the concession it has previously granted to the Compagnie des Bauxites du Midi, alleging failure by that Company to meet its obligations under that concession. In 1965, a claim for compensation was filed by Bauxites du Midi, but the Bank has been informed that further action on the claim has been suspended in view of the negotiations presently being conducted on purchase of bauxite from Boké. Under the circumstances, I think the Bank should not regard this claim as a barrier to proceeding with the proposed engineering loan, although it will, of course, continue to follow the matter and will reassess this situation at such time as a proposal to make a construction



loan is ready for consideration.

6. In June 1964, the Government of Guinea approached the Bank with a view to securing financing for the foreign exchange cost of the Boké infrastructure. The Bank made a preliminary review of the whole project, including the mining aspects, and reached the tentative conclusion that the project, subject to certain conditions, could have a decisive impact on the development and balance of payments of Guinea and could be suitable for Bank financing. A Bank mission visited Guinea in April 1965. After a review of the available engineering studies, it became clear that additional engineering work is needed before a project for the construction of the infrastructure could be appraised by the Bank. A tentative estimate for the construction of this infrastructure is about \$50 million, of which \$40 million in foreign exchange.

7. The Government of Guinea has requested that the foreign exchange cost of the necessary additional engineering work be financed through an engineering loan from the Bank. The detailed arrangements for the studies required and the conditions of the proposed loan were subject of negotiations which took place in Washington in January and February 1966 with the Ambassador of the Republic of Guinea.

8. The proposed loan would be the first operation by the Bank in Guinea, as well as the first loan made by the Bank for purely engineering purposes.

PART II - DESCRIPTION OF THE PROPOSED LOAN

<u>Borrower:</u>	The Republic of Guinea
<u>Amount:</u>	The equivalent in various currencies of \$1.7 million.
<u>Purpose:</u>	To finance the foreign exchange cost of the engineering services required for the design of, and the preparation of contract documents for the construction of, the railroad, port and townsite to be built by the Government of Guinea in connection with the exploitation of a bauxite deposit in the Boké region.
<u>Amortization:</u>	By semi-annual payments beginning March 15, 1969 and ending March 15, 1976.
<u>Interest Rate:</u>	6% per annum.
<u>Commitment Charge:</u>	3/8 of 1% per annum.
<u>Term:</u>	10 years.



PART III - PURPOSE

9. The purpose of the proposed engineering loan is to provide Guinea with detailed engineering designs for the Boké infrastructure and with estimates of construction costs accurate enough to enable the Bank to make an appraisal for a possible loan to construct the infrastructure. The engineering project for the railroad, port and townsite would cover:

- i. Field surveys for the railroad, port and townsite;
- ii. Final engineering design for the construction project and preparation of contract documents, specifications and construction drawings for the railroad, port and townsite;
- iii. Preparation of a final engineering estimate of construction cost and of a detailed time schedule for the construction;
- iv. Prequalifications of contractors.

10. The Project will be undertaken by the Office d'Aménagement de Boké, an autonomous agency of the Republic of Guinea. To carry out the detailed engineering, the Office will retain the Belgian firm TRACTIONEL which has already done the preliminary engineering for the project. Since the Office and the Government of Guinea do not have sufficiently qualified personnel available, the Office will retain other consultants as technical advisers to help administer the Project and review the engineering work by TRACTIONEL.

11. About nine months will elapse before the engineering work would be sufficiently advanced for an appraisal to be made of the construction project. It is hoped that during this interval solutions can be found to a number of outstanding issues concerning the construction project. Of particular importance is the question of obtaining assurances on a sufficient volume of bauxite sales at adequate prices to provide an acceptable economic justification for the project and to ensure its financial viability.

12. The total cost of the engineering project is estimated at \$1.9 million, of which \$1.7 million is foreign currency to be financed under the engineering loan. The proposed loan would have a duration of 10 years, including 3 years of grace. It would subsequently be incorporated into the construction loan if such a loan were to be made. The Government of Guinea is negotiating with US AID for a loan covering the local currency part of the engineering work.

PART IV - LEGAL INSTRUMENTS AND AUTHORITY

13. The Draft Loan Agreement between the Republic of Guinea and the Bank and the Report of the Committee provided for in Article III, Section 4(iii) of the Articles of Agreement are being distributed to the Executive Directors separately. Generally speaking, the Draft Loan Agreement follows the pattern of the usual Bank loan agreements except that the provisions relating to Bonds and premium on prepayment have been deleted.

14. Particular attention is drawn to the following provisions:

- (a) Section 3.02 setting forth the conditions under which the Office shall carry out the Project.
- (b) Section 4.02 which enables the Bank to suspend disbursements under the loan and, in certain circumstances, to premature the loan if the Borrower, the Office or CBG fail to comply with the agreements or arrangements made to carry out the Project.

PART V - COMPLIANCE WITH ARTICLES OF AGREEMENT

15. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

16. I recommend that the Executive Directors adopt the following resolution:

RESOLUTION NO.

Approval of Loan to the Republic of Guinea (Boké Engineering Project)  
in the amount of US\$1, 700,000.

RESOLVED:

That the Bank shall grant a loan to the Republic of Guinea in an amount in various currencies equivalent to one million seven hundred thousand United States dollars (US\$1,700,000) to mature on and prior to March 15, 1976, to bear interest at the rate of six per cent (6%) per annum, and to be upon such other terms and conditions as shall be substantially in accordance with the terms and conditions set forth in the form of Loan Agreement (Boké Engineering Project) between the Republic of Guinea and the Bank, which has been presented to this meeting.

Washington, D.C.  
March 14, 1966

George D. Woods  
President









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Report No. TO-506c

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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ENGINEERING LOAN  
FOR  
BOKE INFRASTRUCTURE PROJECT  
REPUBLIC OF GUINEA

March 14, 1966

Projects Department

CURRENCY EQUIVALENTS

US \$1	=	GFs 247
GFs 1	=	US \$0.004
GFs 1 million	=	US \$4,049



ENGINEERING LOAN FOR  
BOKE INFRASTRUCTURE PROJECT  
REPUBLIC OF GUINEA

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TABLE 1: Estimates of Engineering Cost

Map: Guinea

# ENGINEERING LOAN FOR BOKE INFRASTRUCTURE PROJECT

## REPUBLIC OF GUINEA

### I. BACKGROUND

1. The Government of the Republic of Guinea has requested Bank financial assistance for a project in the Boke region, involving the construction of a new railroad, a port, and a townsite, which together constitute the transportation infrastructure for a proposed bauxite mining operation. A Bank mission composed of Messrs. Brechot and Engelmann visited Guinea in April, 1965. It is proposed at this stage to help finance field surveys and detailed engineering for the infrastructure project through an engineering loan.

#### The Boke Mining Project

2. The bauxite deposits in the Boke region of Guinea are known to be among the most abundant reserves of high grade bauxite in the world. The concession held by the Campagnie des Bauxites de Guinee (hereinafter called CBG) consists of 114 specific permits, each covering an area of 5 square kilometers. Available data on the deposits were reviewed on behalf of the Bank by a mining geologist, who concluded that the first permit area to be exploited, at Sangaredi, covers "at least a quarter of a billion natural metric tons of bauxite with a dry available alumina content of more than 57%." The geologist concluded that the bauxite meets U.S. Government's specifications for stockpile metallurgical bauxite and that a considerable amount of the ore is of a grade suitable as raw material for premium calcine. The deposits at Sangaredi are located approximately 130 kilometers east of the coastal village of Dougoufissa, where transshipment of the ore from rail to ocean carrier is contemplated.

3. Between 1957 and 1961 a previous concessionaire, Compagnie des Bauxites du Midi, a French company wholly owned by Aluminium Limited (Alcan) undertook a project for large scale mining of bauxite and the production of alumina. By 1961, it had constructed a small pier at Dougoufissa and completed 55 km. of railroad bed and structures. In connection with this project, Alcan set up a consortium with other aluminum companies. In 1961, the Government of Guinea terminated Compagnie des Bauxites du Midi's concession alleging failure by that Company to meet its obligations under the concession and took over its assets in Guinea. No construction work has been done since 1961. In spring 1965, Bauxite du Midi filed a claim for compensation but the Bank has been informed that further action on the claim has been suspended in view of negotiations between Alcan and Harvey Aluminum Incorporated (hereafter called Harvey) on purchase of bauxite from Boke and settlement of claims arising from termination of the concession.

4. In 1963, the Government of Guinea entered into a long-term convention with Halco (Mining) Inc. (hereinafter called HALCO), a subsidiary of Harvey, with respect to the exploitation of the Boke deposits. Under the agreement, the parties undertook to create a mixed corporation, CBG, in which the Government owns 49% of the shares and HALCO 51%; on the board of directors of the corporation, each party is represented by five



directors, the Government designating one of its directors as chairman. The president and chief executive officer of CBG is designated by HALCO: he is not a member of the board, but may attend meetings and cast the deciding vote in case of a tie. Under the agreement, HALCO is entitled to dividends while the Government of Guinea will receive tax payments of 65% on the profits of CBG, but in view of the composition of the board, decisions bearing upon the availability of profits and distribution of dividends will to a large extent be controlled by HALCO. A particular feature of the agreement is that CBG will construct the mining facilities whereas the Government of Guinea will provide the infrastructure consisting of a railroad between Dougoufissa and the mine, a townsite at Dougoufissa, and port facilities for ocean carriers.

5. Harvey is one of six producers of primary aluminum in the United States. It accounts for 3 to 4 percent of the U.S. aluminum market and operates a reduction plant (85,000 tons per year) and two extrusion and forging plants (75,000 tons per year). An alumina plant on the island of St. Croix, W.I. (500,000 tons per year) and a rolling mill (60,000 tons per year) are under construction and the company's investment program includes a second reduction plant (100,000 tons per year) and participations in joint ventures in Norway for aluminum production and in Guinea for bauxite mining.

6. Harvey's total capitalization on September 30, 1964 was \$145 million and its equity \$84 million. HALCO's investment in CBG's shares in an amount of \$1,020,000 and additional contributions up to \$1,480,000 have been guaranteed against certain risks (including incorvertibility, expropriation and war) by U.S. A.I.D. which has also agreed to guarantee further investments by HALCO in CBG to finance the construction of the mining facilities, subject to the fulfillment of certain conditions regarding the terms and conditions of the financing of both the mining facilities and the infrastructure, adequate volume of sales and price of bauxite, and adequate profitability for Guinea.

#### Proposed Production of Bauxite

7. The total volume of bauxite to be produced by CBG during the initial years of operation has not yet been determined. Harvey proposes to buy one million tons of bauxite per year for its own use. Negotiations are in progress with other North American and European companies for the purpose of selling additional quantities of bauxite, but no firm commitments for such sales have as yet been obtained.

8. It is proposed to ship most of the mined bauxite in its natural state, but up to 11% of the ore will be calcined at the storage facilities proposed to be constructed by CBG, near the terminal at Dougoufissa. The bauxite in the natural state and the calcined bauxite would be handled at the same port loading facilities. Local production of alumina and



refining facilities for production of metallic aluminum are not contemplated in connection with the present Boke mining project, but the possibility of such developments may be explored in the future.

Proposed Transportation Infrastructure

9. The facilities to be provided by the Government of Guinea under the present concession agreement with CBG will comprise the following:

- (a) a single track, standard gauge railroad line, approximately 137 km. long, from the proposed bauxite mine at Sangaredi to a port to at Dougoufissa;
- (b) a port at Dougoufissa consisting of an ore pier with ship-loading equipment having a capacity of 2,000 tons of bauxite per hour, and ancillary port facilities;
- (c) an access channel, approximately 18 km. long, to be dredged in the Rio Nunez, and a turning basin at the site of the ore pier; and
- (d) a townsite with housing, roadways and ancillary facilities for an estimated population of approximately 1,600 persons, and with community facilities and connecting services (water, power and sewerage) designed for a total population of approximately 4,000 persons.

10. The capacity of the proposed infrastructure will be five million tons of bauxite per year, with provisions for future expansion if greater volumes are produced by the mining operation. It is contemplated that the ore trains would be operated by CBG, who would supply, own, and maintain all rolling stock and locomotives for the bauxite movement; the Government of Guinea would make the infrastructure available to CBG and would be compensated for the cost of construction by revenues from CBG.

11. In addition to the benefits to be derived from the mining operations, the Government of Guinea also attaches great importance to the potential developmental effect of the railroad on the Boke region. While the prospective volume of agricultural products and passengers to be carried on the railroad is not yet known, such traffic would be moved with rolling stock and locomotives used for construction and some additional coaches which are proposed to be provided as a part of the infrastructure project.

12. The construction cost of the railroad, port, and townsite is at present estimated at about US\$50 million, including contingencies of 15% and allowances for price escalation and interest during construction. Of this total, approximately US\$40 million would be in foreign exchange and approximately US\$10 million equivalent in local currency. As indicated below, however, this cost estimate is still very rough, and one of the main



purposes of the Engineering Loan is to remove some of the existing uncertainties and thereby arrive at more reliable estimates.

13. Administrative arrangements for construction, maintenance, and operation of the proposed railroad, port and townsite are still being worked out. In preliminary discussions with the Government of Guinea and HALCO, the Bank has suggested consideration of an arrangement whereby CBG would construct and maintain the transportation infrastructure for and on behalf of the Government of Guinea, but the Government has expressed its interest in exploring alternative arrangements for construction, before final decisions are reached on administration.

#### Engineering Considerations

14. Preliminary engineering studies for the infrastructure project have been made in 1964 and 1965 for CBG by the consulting firm Societe de Traction et d'Electricite (TRACTIONEL) of Brussels, Belgium. Except for visual inspection of the site and review of available engineering data, no field surveys have been made by TRACTIONEL. The preliminary engineering studies completed by TRACTIONEL to date are considered inadequate to serve as a basis for estimating construction cost. Additional data are required on the following:

- (a) topography of terrain and foundation conditions for the 82 kilometers of railroad route on which construction has not yet started;
- (b) hydraulic and sub-surface conditions in the estuary of the Rio Nunez, where an 18-kilometer access channel is to be dredged; and
- (c) foundation conditions at the site of the proposed bauxite loading docks and at the townsite.

15. The uncertainties resulting from inadequate field information on the above items are of such a nature that it would not be possible to cover them by a reasonable percentage of contingencies on preliminary estimates of construction cost; for instance, from available data it is impossible to determine the type of material to be dredged in the access channel, the quantities of earthwork to be moved for the railroad, or the foundation conditions at the railroad bridges, the ore pier, and the townsite.

#### Economic and Financial Considerations

16. A preliminary analysis of the future mining and infrastructure project, involving an investment of about \$83-million for the bauxite mining facilities and the infrastructure combined (including the investment previously made in the existing 55 km. of railroad), indicates that the operation would yield an economic return in the order of 13% at a level of production of 2.5 to 3.0 million tons of bauxite per year.



17. Other potential benefits from the project as a whole to the Republic of Guinea cannot be quantified at this time; they include the possible development of agriculture in the Boke region and any build-up of general commerce and of service industries that might be induced by the mining project.

18. Funds for the local currency component of the infrastructure construction cost are expected to be supplied to the Government of Guinea by U.S. A.I.D. and would be relented by the Government to the proposed Government Authority for the project on terms identical to Bank loan terms for the foreign currency component.

## II. THE NEED FOR AN ENGINEERING LOAN

19. The information presently available to the Bank on the Boke mining operation indicates the probability of a project suitable for Bank financing, consisting of the construction of the proposed railroad, port and townsite. However, before a loan to finance the construction of this project can actually be made, numerous agreements will have to be concluded among various parties, as was the case in other loans made by the Bank involving large mining or industrial complexes, to give adequate assurances on financial and administrative matters such as the construction and operation of the mining facilities and the infrastructure, volume of sale and price of bauxite, reasonable return on the investment, profitability for Guinea, arrangements to secure the Bank loan, and other related matters.

20. Before the Bank is in a position to make a final study of the construction project and before negotiations for a construction loan may be started, it will be necessary to have:

- (a) firm estimates of construction costs; and
- (b) additional information on the sources of financing of the mining project and the probable volume of bauxite sales.

21. It is estimated that field surveys necessary to provide acceptable estimates of construction cost would require eight to nine months (but wave and current observations would be continued, to obtain complete records for at least one year). Detailed engineering work on final designs and contract documents for construction could be completed within the same eight to nine months' period.

22. Harvey is holding extensive discussions with other aluminum producers in the United States, Canada and Europe, to obtain firm contracts for additional sales of bauxite. In view of the attractiveness of the Guinea deposits, there is a likelihood that additional sales ranging in total amount up to 1,500,000 or 2,000,000 tons could be negotiated.



However, these negotiations are proceeding slowly, since they also concern (a) possible participation by various firms in the Boke operation, (b) claims relating to the previous concession, and (c) uncertainties about the time when the project will go forward, as governed by international financing of the transportation infrastructure. In this situation, the Bank's willingness to finance the detailed engineering, which would set the stage for carrying out the transportation investment and clarify the matter of transportation costs, could act as a catalyst in obtaining satisfactory arrangements for the exploitation of the bauxite deposits. It is recognized that to grant an engineering loan in the absence of firm commitments entails a certain amount of risk, but in view of the importance of the project, it is recommended that the Bank accept this calculated risk.

23. It would be difficult for the Government of Guinea to obtain funds for financing the foreign exchange cost of the field surveys and final engineering from its own resources at this time.

24. In summary, the Engineering Loan would enable the Government of Guinea to proceed with the project in the most expeditious manner and would permit advancement of the project to a point where appraisal of a loan for construction of the infrastructure can be made on a sound basis.

### III. THE ENGINEERING PROJECT

25. The engineering project for the railroad, port and townsite will cover all work required prior to the issuance of tender documents for the construction work, including field surveys, final engineering design, preparation of contract documents and prequalification of contractors.

26. The Government of Guinea has established a new agency, the Office d'Amenagement de Boke (hereinafter called the Office) to carry out the engineering project on behalf of the Government. The Office, which is attached to the Ministry of Economic Development, will be responsible for general administration of the project and will retain the services of consulting firms, as indicated in paragraph 27, to do the engineering work under contracts acceptable to the Bank.

27. In view of the work done by TRACTIONEL in preliminary studies for this project, it has been agreed that this firm will continue with the field surveys and detailed engineering required to complete the project design. To assist the Office in administering the technical aspects of the project, and in reviewing the work done by TRACTIONEL, it has been agreed that another consulting firm will be retained as engineering advisors to the Office. Selection of this firm has not yet been made, but will be on a basis acceptable to the Bank.



28. Arrangements have been made with the Government of Guinea to ensure that (a) the Office will be adequately organized and staffed to fulfill its functions efficiently, (b) the retention of the engineering advisors to the Office will coincide with the start of the main field work by TRACTIONEL, (c) the Office and CBG will cooperate to ensure that the work done by TRACTIONEL satisfies the requirements of the mining operation, and (d) the Government will make available to the Office all funds required by it to carry out the project, and for this purpose will transfer to it the proceeds of the Engineering Loan. The foreign exchange costs of the consulting services for the project would be met by the Engineering Loan and the local currency cost by the Government, which is negotiating a loan with U.S.A.I.D. for this purpose.

29. The estimated costs of the engineering work for this project are \$1.92 million, of which \$1.70 million would be in foreign exchange. These estimates are based on preliminary quotations by TRACTIONEL, which appear reasonable. A detailed breakdown is given in Table 1.

#### Services to be Provided by TRACTIONEL

30. The engineering services to be performed by TRACTIONEL would include the following:

- (1) Field surveys for the railroad, port, and townsite, comprising -
  - (a) detailed inspection of all existing construction;
  - (b) topographic surveys and test borings at bridge locations for approximately 82 kilometers of railroad line from Km. 55 to the proposed mine at Sangaredi;
  - (c) soundings and measurement of currents and wave action in the river estuary;
  - (d) observation of tidal variations;
  - (e) studies of siltation and of littoral drift; and
  - (f) sub-surface investigations in the areas of the proposed access channel, ore loading pier and townsite.
- (2) Final engineering design for the total project and preparation of contract documents, specifications, and construction drawings for the railroad, port and townsite.
- (3) Preparation of a final engineer's estimate of construction costs and of a detailed time schedule for the construction.
- (4) Prequalification of contractors.



31. Under the proposed contract for the above services, TRACTIONEL would also provide equipment required by its own staff and by the engineering advisors to the Office during the field surveys in the Boke region. This equipment would include vehicles, trailers for residential purposes, office trailers, and technical instruments. It has been agreed that the Office will safeguard and maintain this equipment after completion of the engineering project and keep it available for possible future use by the consultants to be engaged to supervise the construction of the infrastructure.

Services to be Provided by the Engineering Advisors to the Office

32. The services to be provided by the engineering advisors to the Office would consist of inspection and review of the work by TRACTIONEL outlined in paragraph 31 above and assistance to the Office in the technical administration of the project.

IV. RECOMMENDATIONS

33. It is recommended that the Bank make an Engineering Loan of \$1.70 million to the Republic of Guinea, to finance the foreign exchange cost of the field surveys and detailed engineering for the transportation infrastructure of the Boke project. Suggested terms for repayment are ten years, including a three year period of grace.

34. Assurances have been obtained from the Government of Guinea that it will:

- (1) enter into an agreement with the Office satisfactory to the Bank, setting forth the terms and conditions under which the Office will carry out the project and providing for the transfer of the proceeds of the Loan to the Office (para. 28); and
- (2) engage the services of two consulting firms, through the Office, under conditions acceptable to the Bank (paras. 26, 27 & 28); and
- (3) provide the local currency for the engineering project as and when required (para. 29).

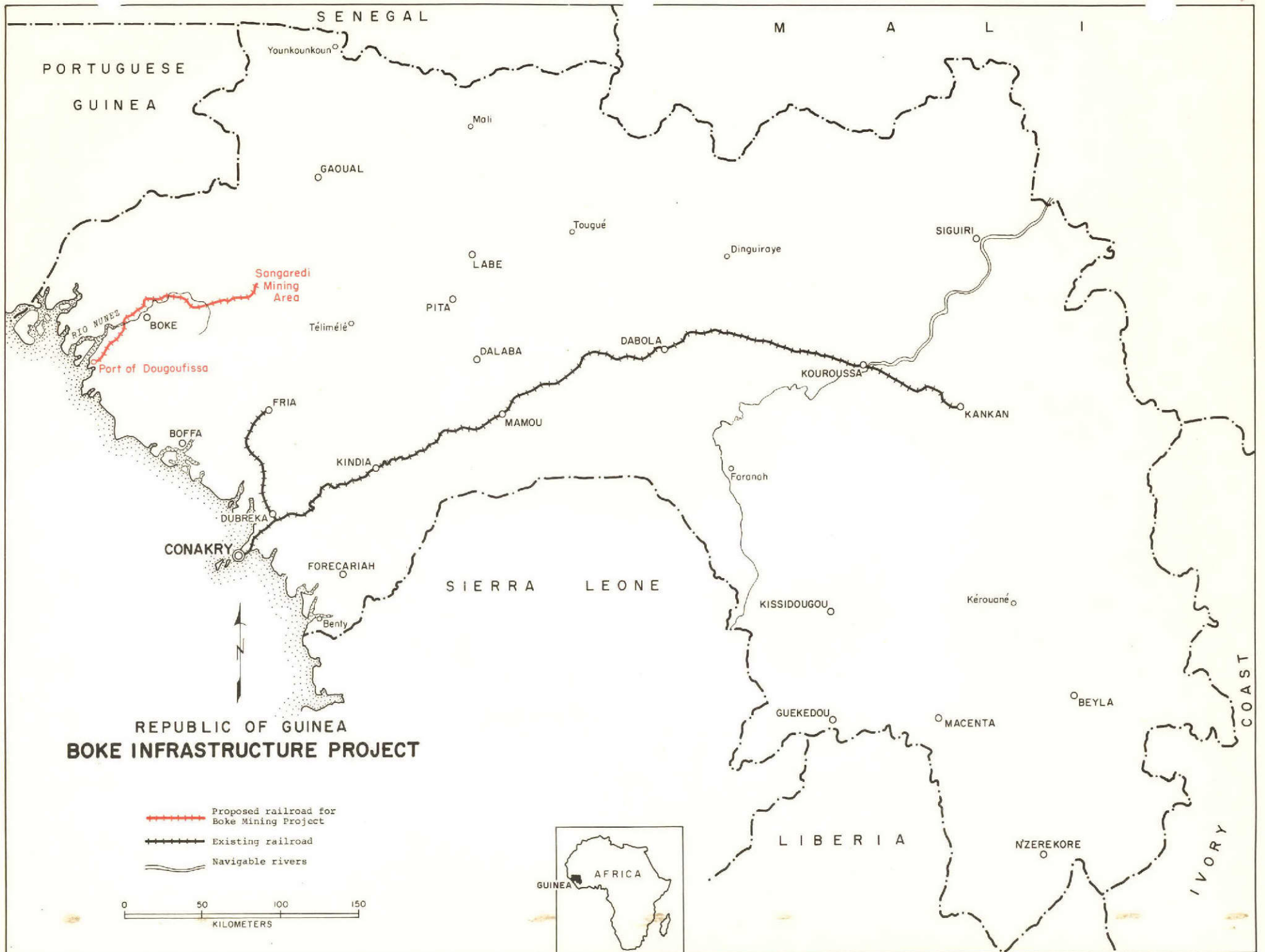
March 14, 1966

TABLE I

ESTIMATES OF ENGINEERING COST

		<u>US Dollars</u> (Thousands)		
		<u>Foreign</u> <u>Exchange</u>	<u>Local</u> <u>Currency</u>	<u>Total</u>
1.	<u>Cost of Engineering Services by TRACTIONEL:</u>			
	(a) Field Survey and Investigations ....	1,000	180	1,180
	(b) Final Design, Preparation of Contract Documents and Prequalification of Contractors .....	<u>410</u>	-	<u>410</u>
	Subtotal:	<u>1,410</u>	<u>180</u>	<u>1,590</u>
2.	<u>Cost of Engineering Services by Engineering Advisors to the Office:</u>			
	(a) Supervision of Fieldwork (20 man-months) .....	100	20	120
	(b) Review of Final Design and Contract Documents (4 man-months)	15	-	15
	(c) Review of Engineer's Estimate and Prequalification Process .....	<u>15</u>	-	<u>15</u>
	Subtotal:	<u>130</u>	<u>20</u>	<u>150</u>
	Contingencies:	<u>160</u>	<u>20</u>	<u>180</u>
	Total:	<u>1,700</u>	<u>220</u>	<u>1,920</u>









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**FOR  
EXECUTIVE  
DIRECTORS'  
MEETING**

**DECLASSIFIED**

**MAY 17 2016**

**WBG ARCHIVES**

For consideration on  
March 29, 1966.

FROM: The Secretary

R66-36-L

March 15, 1966

PROPOSED LOAN - GUINEA

In connection with the President's Report and Recommendation (R66-36) on a proposed engineering loan to the Republic of Guinea for the Boko' infrastructure project to be considered by the Executive Directors on Tuesday, March 29, 1966, one copy of each of the legal documents is attached:

1. Draft Loan Agreement
2. Statutory Committee Report

Distribution:

Executive Directors and Alternates  
President  
President's Council  
Executive Vice President, IFC  
Department Heads (Bank and IFC)





March 14, 1966

CONFIDENTIAL DRAFT

Legal Department

Loan Number \_\_\_\_ GUI

**DECLASSIFIED**

MAY 31 2023

**WBG ARCHIVES**

Loan Agreement  
(Boké Engineering Project)

between

REPUBLIC OF GUINEA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated \_\_\_\_\_, 1966

LOAN AGREEMENT

AGREEMENT, dated \_\_\_\_\_, 1966, between REPUBLIC OF GUINEA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower has requested the Bank to assist in financing engineering services required for the design and preparation of contract documents for the construction of a railroad line, a port and a townsite related to a project for the exploitation of bauxite deposits in the region of Boké;

WHEREAS the Bank, on the basis of the foregoing, has agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE, it is hereby agreed as follows:



ARTICLE I

Loan Regulations; Special Definitions

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961, subject, however, to the following modifications thereof, with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations):

(a) Paragraph (c) of Section 2.05, paragraph (b) of Section 3.03, Section 4.01, Article VI, paragraph (b) of Section 9.02, Section 9.04, paragraph 8 of Section 10.01 and Schedules 1 and 2 are deleted;

(b) any reference to Bonds in Sections 2.05, 2.06, 3.03, paragraphs (a), (c) and (d) of Section 5.02, Sections 5.05, 7.01, 7.03, 8.02 and 9.05 is deleted; and

(c) any reference to premium in paragraph (b) of Section 2.05 is deleted.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Loan Agreement have the following meanings:

(a) the term "Office" means the Office d'Aménagement de Boké, an agency of the Borrower created by Decree No. 425 PRG of December 31, 1965; and

(b) the term "CEG" means the Compagnie des Bauxites de Guinée, a corporation organized and existing under the laws of the State of Delaware, USA, and registered in the Registry of Commerce of Conakry, Republic of Guinea, pursuant to the laws of the Borrower relating to the sociétés d'économie mixte.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to one million seven hundred thousand dollars (\$1,700,000) .

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement.

Section 2.03. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Loan Agreement, to withdraw from the Loan Account:

(a) such amounts as shall have been paid to the consultants under the contracts referred to in paragraph (b)(i)(2) of Section 3.02 of this Agreement but not exceeding in the aggregate such amounts as shall be agreed upon between the Borrower and the Bank; and

(b) if the Bank shall so agree, such amounts as shall be required to meet payments under the foregoing paragraph;

provided, however, that no withdrawals shall be made on account of

(i) expenditures prior to May 27, 1965 or (ii) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower or (iii) expenditures in the territories of any country which is not a member of the Bank (other



than Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Notwithstanding anything to the contrary contained in this Loan Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account after May 15, 1966 or in excess of an amount equivalent in the aggregate to \$650,000 until the consultants referred to in paragraph b(i)2 of Section 3.02 of this Agreement for Part B of the Project shall have been retained.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ( $3/8$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of  
per annum on the principal amount of the Loan  
so withdrawn and outstanding from time to time.

Section 2.07. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $1/2$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE III

Particular Covenants

Section 3.01. The Borrower shall cause the Project described in Schedule 2 to this Agreement to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

Section 3.02 (a) The Borrower shall enter into an agreement (hereinafter called the "Office Agreement") with the Office setting forth the terms and conditions under which the Office shall carry out the Project on behalf of the Borrower.

(b) The Office Agreement shall include provisions which will enable the Borrower to carry out its obligations under this Loan Agreement and shall include without limitation:

- (i) on the part of the Office, the obligation: (1) to carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices under the supervision of competent management; (2) to retain separate consultants acceptable to, and to an extent and upon terms and conditions of contracts satisfactory to, the Borrower and the Bank, to carry out respectively Part A and Part B of the Project; (3) to maintain or cause to be maintained records adequate to show the use of the proceeds of the Loan, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial



condition of the Office; (4) to ensure the right on the part of the Borrower and the Bank to inspect any goods, properties, equipment, operations, records and documents relevant to the carrying out of the Project; (5) to furnish or cause to be furnished to the Borrower and the Bank a description of the overall planning and the work schedules for the Project, and any material modifications subsequently made therein, in such detail as the Borrower and the Bank shall reasonably request; (6) to furnish or cause to be furnished to the Borrower and the Bank copies of the reports covering the surveys and investigations forming part of the Project and the plans, designs, specifications and other documents required for the construction of the proposed railroad line, port and townsite described in Schedule 2 to this Agreement; and (7) to ensure the right of the Borrower and the Bank to obtain all such information as they shall reasonably request relating to any of the foregoing and to the administration of the Office; and

(ii) on the part of the Borrower, an obligation to make payments on behalf of the Office for any amounts due under the contracts referred to in paragraph (b)(i)(2) of this Section or to make reimbursements for payments made under such contracts.

(c) The Borrower shall exercise its rights in relation to the Office in such manner as to protect the interests of the Borrower and the Bank and to cause the Office to carry out its obligations under the Office Agreement.

(d) The Borrower shall make arrangements with CEG, in form and substance satisfactory to the Bank, setting forth the terms and conditions under which CEG shall make available to the Office qualified and experienced personnel acceptable to the Borrower and the Bank and shall cooperate with the Office in the carrying out of the Project. The Borrower shall provide or cause the Office to be provided with additional qualified personnel in adequate number to enable it to carry out its obligations under the Office Agreement.

(e) The Borrower shall not amend, assign, waive, suspend or terminate the Office Agreement in any material respect without prior agreement of the Bank.

Section 3.03. The Borrower shall make arrangements, satisfactory to the Bank, to make available promptly as needed, all funds required for the prompt and diligent carrying out of the Project.



Section 3.04. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 3.05. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Banque Centrale de la République de Guinée or any institution performing the functions of a central bank.



Section 3.06. The principal of, and interest and other charges on, the Loan, shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 3.07. The Loan Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan is payable or laws in effect in the territories of such country or countries.

Section 3.08. The principal of, and interest and other charges on, the Loan, shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

ARTICLE IV

Remedies of Bank

Section 4.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 4.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

Section 4.02. The following additional events are specified for the purposes of Section 5.02 (h) of the Loan Regulations:

(a) The Borrower or the Office shall have failed to perform any of their respective covenants or agreements under the Office Agreement;

(b) The Borrower, the Office or CBG shall have failed to perform any of their respective covenants or agreements under the arrangements referred to in paragraph (d) of Section 3.02 of this Agreement; and

(c) The provisions of Decree No. 425 PRG of December 31, 1965 shall have been amended, suspended or terminated without prior approval of the Bank.



ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations:

(a) The Office Agreement shall have been entered into on terms and conditions satisfactory to the Bank and shall have become effective in accordance with its terms;

(b) The consultants referred to in paragraph (b)(i)(2) of Section 3.02 of this Agreement for Part A of the Project shall have been retained; and

(c) The arrangements provided for in paragraph (d) of Section 3.02 of this Agreement shall have been duly and validly executed and shall have become valid and binding obligations of the parties thereto in accordance with their terms.

Section 5.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

(a) That the Office Agreement shall have been duly and validly executed, that all acts, consents and approvals necessary therefor have been duly and validly performed or given and that such Office Agreement constitutes a valid and binding obligation

of the parties thereto in accordance with its terms; and

(b) That the arrangements provided for in paragraph (d) of Section 3.02 of this Agreement shall have been duly and validly executed, that all acts, consents and approvals necessary therefor have been duly and validly performed or given and that such arrangements constitute valid and binding obligations of the parties thereto in accordance with their terms.

Section 5.03. If this Loan Agreement shall not have come into force and effect by May 31, 1966, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower of such later date.



ARTICLE VI

Miscellaneous

Section 6.01. The Closing Date shall be August 31, 1967 or such other date as shall be agreed between the Borrower and the Bank.

Section 6.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Ministère du Développement Economique  
Conakry  
Guinea

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms:

Intbafrad  
Washington, D.C.

Section 6.03. The Ministre du Développement Economique of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF GUINEA

By \_\_\_\_\_  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By \_\_\_\_\_  
President



SCHEDULE 1

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
March 15, 1969	\$ 90,000
September 15, 1969	95,000
March 15, 1970	95,000
September 15, 1970	100,000
March 15, 1971	105,000
September 15, 1971	105,000
March 15, 1972	110,000
September 15, 1972	110,000
March 15, 1973	115,000
September 15, 1973	120,000
March 15, 1974	125,000
September 15, 1974	125,000
March 15, 1975	130,000
September 15, 1975	135,000
March 15, 1976	140,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

SCHEDULE 2

Description of Project

The Project consists of engineering services required for the design of, and preparation of contract documents for the construction of, (a) a single track, standard gauge railroad line, approximately 137 km. long, from the proposed bauxite mine at Sangaredi to a port to be located near Dougoufissa, (b) a port near Dougoufissa consisting of an ore pier with ship-loading equipment having a capacity of 2,000 tons of bauxite per hour, and ancillary port facilities, (c) an access channel, approximately 18 km. long, to be dredged in the Rio Nunez for ocean vessels, and a turning basin at the site of the ore pier, and (d) a townsite with housing, roadways and ancillary facilities for an estimated population of approximately 1600 persons, and with community facilities and connecting services (water, power and sewerage) designed for a total population of approximately 4000 persons, (hereinafter collectively called the Boké infrastructure).

The Project is divided in two parts as follows:

(A) Engineering services including:

- (i) Field surveys for the Boké infrastructure comprising (1) detailed inspection of all existing construction, (2) topographic surveys and test borings at bridge locations for approximately 82 km. of railroad line from km. 55 to the proposed mine at Sangaredi, (3) soundings and measurement of currents and wave action in the estuary of the Rio Nunez, (4) observation of tidal variations, (5) studies of siltation and of littoral drift and (6) sub-surface investigations in the areas of the proposed access channel, ore loading pier and townsite;



- (ii) Preparation of and other services connected with plans, specifications, construction drawings, and all documents required for international competitive bidding for contracts for the construction of the Boké infrastructure.
  - (iii) Preparation of cost estimates and schedules of construction of the Boké infrastructure . . . .
  - (iv) Prequalification of contractors for the construction of the Boké infrastructure.
- (B) Inspection and review of the services under Part A above.

The Project is expected to be completed by May 31, 1967.



## STATUTORY COMMITTEE REPORT

To: The President, International Bank for Reconstruction and Development

Report of Committee under Section 4(iii) of Article III of the Articles of Agreement on the Proposed Loan (Boké Engineering Project) to the Republic of Guinea

The undersigned Committee constituted under Section 7 of Article V of the Articles of Agreement of International Bank for Reconstruction and Development (the Bank) hereby submits its report pursuant to Section 4(iii) of Article III of said Articles in respect of the proposal that the Bank grant to the Republic of Guinea a loan in an amount in various currencies equivalent to U.S. \$1,700,000. The purpose of said loan is to assist in financing engineering services required for the design and preparation of contract documents for the construction of a railroad line, port and townsite related to a project for the exploitation of bauxite in the region of Boké.

1. The Committee has carefully studied the merits of the proposal to grant such a loan, and of the purposes to which the proceeds of the loan are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such loan are to be applied comes within the purposes of the Bank as set forth in Article I of said Articles of Agreement, and that said project is designed to promote the development of the productive facilities and resources of the Republic of Guinea and is in the interests of the Republic of Guinea and of the members of the Bank as a whole.



3. Accordingly, the Committee finds that said project merits financial assistance from the Bank, and hereby recommends said project for such assistance.

COMMITTEE

/S/ S. R. Cope  
Deputy Chairman of the Loan Committee

/S/ P. Faber  
Expert selected by Governor for the  
Republic of Guinea

/S/ J. H. Williams  
Deputy Director, Africa Department

/S/ A. Broches  
General Counsel

/S/ B. Chadenet  
Associate Director, Projects Department

/S/ Francis R. Poore  
Deputy Treasurer

Dated at Washington, D.C.

March 15, 1966

# LOAN COMMITTEE

*M. Durick*

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**MAY 17 2016**

**WBG ARCHIVES**

March 14, 1966

MEMORANDUM TO THE LOAN COMMITTEE

Guinea - Engineering Loan

Attached for information is a memorandum from the Deputy Director of the Africa Department to the Chairman of the Loan Committee, dated March 7, 1966, transmitting for approval the draft Report and Recommendation of the President on the proposed loan of \$1.7 million to the Republic of Guinea for financing the engineering work of the Boke infrastructure project.

Henry G. Hilken  
Secretary  
Loan Committee

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Director, Economic Development Institute  
Director, European Office  
Special Advisers to the President  
Special Representative for UN Organizations  
Executive Vice President (IFC)

OFFICE MEMORANDUM

March 7, 1966

TO: Mr. J. Burke Knapp

FROM: J. H. Williams

SUBJECT: GUINEA - Engineering Loan of \$1.7 million for the Infrastructure of Boké

1. In connection with this project I am sending you the following documents:

- the draft President's Report and Recommendations to the Executive Directors proposing to make a \$1.7 million loan to the Republic of Guinea for financing the engineering work of the Boké infrastructure Project;
- the draft Loan Agreement and supplementary letter;
- the draft Appraisal Report (TO-506b);

a copy of the economic report, in grey cover, for your clearance before distribution to the Executive Directors is being sent to you separately.

2. Since the Loan Committee considered the Project on December 14, 1965<sup>a/</sup> the amount of the loan has been increased from \$1.3 to \$1.7 million to take account of increases in the estimated cost due to:

- (a) The need for adequate housing for consultant staff in the region of Boké to be met by the purchase of trailers at a cost of about \$120,000. These trailers could also be used during construction.
- (b) An expected interruption in work during the rainy season (July -September), and a corresponding extension of the length of time required by field personnel. The original cost estimates proposed by TRACTIONEL were based on the assumption that work would be carried out without interruption.
- (c) Escalation in consultants' costs since their original proposal, resulting from general salary increases scheduled for 1966 in Belgium.

3. At the request of the Government of Guinea there have also been changes in the organizational arrangements. The draft Loan Agreement submitted to the Loan Committee contemplated that the engineering works would be carried out on behalf of the Government by Compagnie des Bauxites de Guinée (CBG), a mixed company formed by the Government of Guinea and HALCO (mining) Inc., an affiliate of Harvey Aluminum. On the basis of an early suggestion by the Bank, when we were still considering the possibility of a construction loan, the Government has set up the Office d'Aménagement de Boké, an autonomous agency to be responsible for the Boké

a/ See LC/A/65-20 and minutes of the LC meeting (LC/M/65-20).



March 7, 1966

infrastructure. The Government took the position that the Office should be brought into the picture from the beginning, and hence be responsible for the final engineering. This position is reasonable enough in itself, but has lost time because it required a certain number of changes in the various documents. These changes are less in the substance of the various contracts which have been negotiated than in the parties between whom they were made. As now agreed, the arrangements will be as follows:

- a) The Office will be responsible for the engineering work on behalf of the Government;
- b) TRACTIONEL will be retained by the Office and not by CBG, as previously contemplated;
- c) CBG will cooperate with the Office during the design stage and will provide it with one engineer and accounting personnel. Guinea will provide staff as required;
- d) The Office will retain consultants to inspect and review the work of TRACTIONEL.

4. The selection of consultants referred to in paragraph 3d) above will take about 2 months. Since their presence in Guinea is not required until TRACTIONEL has started field work, it is no longer considered necessary to make their appointment a condition of effectiveness and thereby further hold up arrangements for the studies; however, it has been provided that no withdrawals will be made after May 1966 or in excess of the amount required for the preliminary expenditures (field equipment etc) incurred by TRACTIONEL unless these consultants have been retained.

5. The Appraisal Report has been redrafted to take into account the changes mentioned in the present memorandum. It has also been reviewed in the light of various comments made by the members of the Loan Committee.

6. This memorandum and the papers mentioned herein have been cleared with the Working Party.

7. Subject to your approval and comments, and subject to clarification of the Sekou Touré-N'Krumah situation (which may call for some redrafting of the political paragraphs of the Economic Report), I plan to distribute these documents to the Executive Directors for early consideration.

#### Attachments

cc: Loan Committee (no attachments)  
Mr. Cope



# Record Removal Notice



<b>File Title</b> Guinea - Boke - Economic Reports and Letters - 1965 to 1966 - Lester Nurick		<b>Barcode No.</b>  1850543		
<b>Document Date</b> Feb. 24, 1966	<b>Document Type</b> Agreement			
<b>Correspondents / Participants</b>				
<b>Subject / Title</b> Draft Loan Agreement				
<b>Exception(s)</b> Attorney-Client Privilege				
<b>Additional Comments</b>		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.</p> <table border="1"><tr><td><b>Withdrawn by</b> Ann May</td><td><b>Date</b> 17-May-16</td></tr></table>	<b>Withdrawn by</b> Ann May	<b>Date</b> 17-May-16
<b>Withdrawn by</b> Ann May	<b>Date</b> 17-May-16			

*Mr. Broches  
per. Hilken*

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# LOAN COMMITTEE

**DECLASSIFIED**

**MAY 17 2016**

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LC/A/65-22

December 14, 1965

## NOTICE OF MEETING

### Guinea - Engineering Loan

The meeting of the Loan Committee to consider the memorandum of December 3, 1965 from the Africa Department entitled "Engineering Loan for Boke Infrastructure Project - Republic of Guinea" (LC/O/65-77), has been rescheduled for 4:00 p.m. this afternoon in the Board Room.

Attached for information are the Economic Committee's "Conclusions and Recommendations on the Economy of Guinea". (EC/M/65-41) December 13, 1965.

Henry G. Hilken  
Secretary  
Loan Committee

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DIRECTOR, ECONOMICS DEPARTMENT  
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Special Representative for UN Organizations  
Executive Vice President (IFC)



# ECONOMIC COMMITTEE

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EC/M/65 - 41

December 13, 1965

## Conclusions and Recommendations on the Economy of Guinea

### I. Introduction

1. The Government of Guinea has requested the Bank to finance the construction of the railroad and port required for a proposed bauxite mining operation in the region of Boko. The possible Bank loan is estimated at \$35-40 million. However, additional engineering studies are first required to complete the appraisal of the project; a Bank loan of \$1.3 million has been proposed to finance the foreign exchange cost of these studies. The Economic Committee met on December 7, 1965 to consider the economic aspects of this proposal. It also had before it the report<sup>1/</sup> on the economy of Guinea. The conclusions and recommendations of the Economic Committee are given in Section III below.

#### Members of the Economic Committee present:

Messrs. Irving S. Friedman, Chairman  
Andrew M. Kamarck  
J. H. Adler  
Dragoslav Avramovic  
William Gilmartin  
Samuel Lipkowitz  
C. H. Thompson  
Mervyn Weiner  
John Williams

#### Other participants:

Messrs. Rudolf Hablutzel  
Enrique Lerda  
Evangelos A. Calamitsis  
(IMF)  
Nassim N. Saliba  
(IMF)

1/ Draft report "The Economy of Guinea" (Report AF-41 dated November 29, 1965)

### D I S T R I B U T I O N

#### Committee:

The Economic Adviser to the President, Chairman  
Director, Economics Department  
Director, Special Economic Studies  
Director, EDI  
Special Adviser to the President (Mr. Rist)  
Senior Adviser, Economics Department  
Economic Advisers, Area and  
Projects Departments

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Special Adviser to the President (Mr. Schmidt)  
Secretary  
Treasurer  
Director, Office of Information  
Director, European Office  
Secretary, Loan Committee  
Executive Vice President (IFC)



## II. Statement of Issues

2. Creditworthiness and Economic Performance: Guinea's economic performance to date has been disappointing. Despite intensive efforts in certain sectors, overall growth has not been commensurate with the volume of investment undertaken. This is due to a combination of factors, notably the legacy of abrupt independence from France and badly managed aid programs from Eastern Bloc countries. Moreover, Guinea's own efforts in key areas, notably monetary and price policies, and attempts at over-rapid nationalization of various sectors of the economy have inhibited the growth of agricultural production and exports. Some signs of improvement are appearing--these include restraint in credit expansion and the Government's informal approach to the IMF for assistance. Despite policies favoring substantial government control of the economy, the Government appears aware that Guinea's mineral resources can only be developed effectively with the aid of large private foreign investors. Both the Bank and the IMF consider that the Government's budgetary performance has been good, but the debt burden remains practically unmanageable. The annual service on the total external public debt, including undisbursed, will amount to about \$14.6 million equivalent in 1965, representing one-fourth of Guinea's foreign exchange earnings from exports, and pension payments received from France, in 1964. If the \$21 million of export earnings which are generated by, and are retained for, the Fria alumina company are deducted, there remained in 1964 \$37 million available for other needs, of which debt service represented almost 40%. Guinea has negotiated a roll-over of part of its debt, and intends to continue the discussions, particularly with its Eastern Bloc creditors.

3. The Africa Department recognized that Guinea's economic performance was unsatisfactory, but believed that there were indications that improvements in performance were taking place. In any case, the Department intended to undertake a much more thorough study of the economy, and a mission was tentatively scheduled for June-July 1966. It would then be possible to make a more specific evaluation of performance and of the improvements in policy that would be necessary to provide a basis for a more satisfactory rate of economic growth.

4. Infrastructure Project: Concern was expressed that the making of the proposed \$1.3 million loan for the engineering studies connected with a port and railway for the Boke project could imply a moral commitment on the part of the Bank to make a second loan, of the estimated \$35-40 million, for the construction of the railroad and port. The Committee decided it was premature to determine whether the Boke infrastructure project could be regarded as an "enclave project", and possibly dealt with as a separate matter from the general creditworthiness of the country. The Committee further decided that there were a number of important policy matters to be considered in relation to enclave



projects in general, and agreed to discuss this subject at a subsequent meeting. It was agreed to deal with the proposed loan as an immediate issue separate from the issue of the financing of the construction loan.

5. Engineering Studies - Alternatives in Financing: The question of possible alternative sources of financing was reviewed in the light of Guinea's lack of creditworthiness and the possible implication of a Bank loan being made to a country which was not creditworthy. It was argued that it was urgent that the field work for the studies be started before March, otherwise, because of the rainy season, there could be the loss of a year in completing the appraisal, and that this urgency precluded Guinea seeking any assistance from the U.N. Special Fund. Financing of the studies by Harvey Aluminum Company, although possible, was regarded by the Africa Department as undesirable because it was an interested party. Assistance from IDA was not possible, as Guinea had not completed procedures for membership of the Association. There was a consensus in the Committee that, in view of the potential importance of the Boke project to the development of Guinea, it was desirable that some means be found to finance the studies. Several members suggested that if no other financing could be found, the possibility of a reimbursable grant technique by the Bank might be considered (i.e. a financing of the studies on a basis that if a project resulted, the cost would then be incorporated in the loan or credit, and if a project did not result, the financing of the studies would be a grant.)

### III. Conclusions and Recommendations

6. The Economic Committee agreed that:

(1) Guinea could not be considered creditworthy for Bank lending at this time. This applied to the proposed \$1.3 million engineering study loan, as well as to any project financing.

(2) Guinea's performance in the field of economic policy, while improving, was still unsatisfactory.

(3) The Guinean authorities should be informed of the Bank's support for the position being taken by the IMF, and that the entire matter of economic policy performance would be reviewed at the time of the next Economic Mission to Guinea now scheduled for the summer of 1966. At that time an attempt would be made to reach agreement with the Guinean authorities on desirable economic policies. The Guinean authorities would be informed that such agreement was necessary before the Bank Group could consider project financing in Guinea.



(4) It might be desirable to proceed with the engineering studies of the railway and harbor because of the contribution the Boke project might make eventually to Guinean development. However, it was not desirable that this be done on a straight Bank loan basis because of Guinea's lack of creditworthiness. If at all possible, other ways of financing the studies should be found, and if none could be found, the possibility was suggested of a consideration of a conditional reimbursable grant by the Bank.

(5) If for overwhelming reasons of member relations, it were decided that the Bank should make a loan for these studies, then it should be made clear to the Executive Directors and the investment community that the project was receiving exceptional treatment, only because the loan was part of the technical assistance program and that the loan would be considered distinct from the regular lending operations of the Bank and not falling under the Bank's criteria of creditworthiness and performance.

(6) If the studies were financed by the Bank, the Guinean authorities should be informed in unmistakable terms that this did not change the Bank's attitude on project lending as summarized above.

C. F. Owen  
Secretary

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December 3, 1965

LOAN COMMITTEE

Memorandum from Africa Department

Engineering Loan for Boke Infrastructure Project - Republic of Guinea

1. The Government of the Republic of Guinea has requested the Bank to finance the construction of the railroad and port required for a proposed bauxite mining operation in the region of Boke. The mining operation would be carried out by Bauxites de Guinee, a company in which the Harvey Aluminum Company holds 51% of the capital stock and the Government of Guinea 49%. The Government would own the rail and port infrastructure; special arrangements would be made to assure adequate supervision of construction and operation.

2. The substantial preparatory work already carried out indicates that the project is likely to be suitable for Bank financing, on the basis of special arrangements to secure the Bank's position in view of the weak balance of payments position of Guinea. However, engineering is not sufficiently advanced in certain areas to provide cost estimates of the degree of reliability required for an appraisal. Additional engineering studies are therefore necessary. Since the Government does not have the foreign exchange to finance these studies, and Bank supervision of them is highly desirable, the attached report TO 506 recommends, and I concur, that the Bank should make an engineering loan. *do it anyway*

3. Before a construction loan could be finalized, Bauxites de Guinee would have to assure the Bank that production and sales of bauxite would be high enough to provide an adequate economic and financial return on the total investment involved. Negotiations are under way between Harvey Aluminum and other aluminum producers for firm long-term contracts for bauxite in amounts likely to be sufficient. It is probable that the terms of these contracts will take account of compensation claims by the former concessionaire of the Boke deposits, a subsidiary of Aluminium Limited. To conclude these contracts will probably require some months and negotiations are obviously hampered by uncertainty surrounding the timetable of operations. I consider that the proposed loan would help to advance negotiations, as well as enable progress to be made on the project at the same time that the various legal, administrative and organizational arrangements for the project and a possible Bank loan for construction were worked out. It is thus hoped that the conclusion of the final engineering could be followed by construction without interruption. *?*

4. The loan would provide for a repayment period of seven years including a two-year period of grace, on the understanding that if a



loan for the construction of the project is made at a later date the engineering loan would be incorporated in it.

5. The Appraisal Report as it stands assumes that the proposed loan would finance the analysis of bids. This has been excluded and the loan would cover the cost of all work required prior to the issuance of tender documents. That is, it would finance field surveys, final engineering design, preparation of contracts, documents and pre-qualification of contractors. It is contemplated that the contract with the consultants would, in addition, make provision for their undertaking the analysis of bids, if bids are in fact invited. This would mean that the cost of bid analysis would be included in any construction loan that the Bank may make.

6. Since this would be the first engineering loan made by the Bank, a draft of the loan agreement is attached. It is contemplated that no bonds should be asked for. The Table of Premiums on Prepayment has been deleted. Also the standard Article III (use of proceeds of loans) has been deleted. The loan will only finance consultants' services on the basis of consultants' contracts, as in the usual cases of technical assistance. The basis for disbursement has been provided for in Section 2.03.

7. A report - The Economy of Guinea (AF-41) dated November 29, 1965 - has been distributed separately and will be considered by the Economic Committee at a meeting on December 7.

#### Recommendation

8. I recommend that we invite the Government of Guinea to negotiate a Bank loan for \$1.3 million to finance the foreign exchange cost of the field survey and detailed engineering for the transportation infrastructure of the Boke project. I further recommend that the loan provide for repayment over seven years including a two-year period of grace. Other conditions would conform substantially to those set forth in paragraph 33 of the attached Appraisal Report.

J.H. Williams  
Deputy Director  
Africa Department

*Aid Finance*



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