

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Country Files - Guinea - Clausen - Correspondence

Folder ID: 1774792

Series: Country Files

Dates: 06/29/1982 - 09/17/1985

Subfonds: Records of President A. W. Clausen

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-09-3965S

Digitized: 03/22/2023

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

Clansen's: Guinea



DECLASSIFIED
WBG Archives

 **Archives**
A1990-013 Other #: 9 **1774792**
Country Files - Guinea - Clansen - Correspondence **209492B**

OFFICE MEMORANDUM

For MC information
Mr. Clausen

E-1227

DATE: March 11, 1985

OPS/MC85-12

TO: The Managing Committee

FROM: Ernest Stern *ES*

EXT.: 72004

SUBJECT: GUINEA Country Program Paper*Crowder A File*
★

1. Attached for your information is the Guinea CPP which was reviewed by the Operations Policy Sub-Committee on February 19, 1985. The Agenda for that meeting and the Postscript are also attached.

2. The new Government of Guinea has announced its intention to address its serious economic difficulties through a major rehabilitation and reform program. If the program is implemented, it will be supported by an IDA Structural Adjustment Credit as well as project credits to fund investment in the productive sectors and in economic infrastructure. If the reform program is not implemented, the Bank strategy will be modified accordingly.

Attachments

cc: Mr. Southworth

GUINEA

Country Program Paper

DECLASSIFIED

FEB 17 2017

WBG ARCHIVES

Postscript

60. The OPSC Review Meeting was held on February 19, 1985. The discussion focused on the commitment and capacity of the new leadership of Guinea to implement the proposed rehabilitation and reform program, the prospects for securing the necessary financing for the program, and the Bank strategy should the program not be implemented.
61. The Region briefed the Committee on the recent developments. Although the IMF was ready to begin negotiations on a Standby agreement, and the Bank to support a program of rehabilitation and reform, the President and some advisors were reportedly not yet fully convinced of the need for these programs. However, the perception of the Region was that the leadership's understanding of the critical nature of the situation was improving and a decision to negotiate should be forthcoming. The Committee expressed concern regarding the weak administrative capacity and leadership ability of the regime. The Region responded that although the leadership was slow to make decisions it remained determined to pursue the goals established once a decision had been reached. On the question of the weakness of the administration, the Region's strategy for providing support included the mobilization of technical assistance from several sources to supplement what was available in the country. It was noted, however, that further postponement of critical decisions added to the difficulties of implementing the reform program as presumably special interest groups which profit from present distortions would build up defenses against changes.
62. The Chairman asked the Region to identify the possible sources for the financing of the balance of payments deficit. The Region responded that the scope for rescheduling service payments in arrears and falling due was wide if a program with the IMF could be arranged. Eastern European debt had been rescheduled in the past and could be rescheduled again; in addition, a Paris Club rescheduling for the remaining portion of the official debt was possible in principle. Initial discussions with major donors regarding balance of payments support have been favorable; further aid coordination initiatives from the Bank were dependent on the policy decisions of the government. The Chairman commented on the importance of tying aid to specific reform initiatives, and identified the proposed Rehabilitation Import Credit (or SAL) as an appropriate vehicle for this purpose.
63. The Chairman expressed approval for the proposed lending program under the broad policy reform scenario (as per para. 11 of the CPP). If these reforms were not forthcoming, however, the meeting agreed that IDA lending would be scaled back to a minimal holding program in the vicinity of \$10 million per year. On the other hand, he noted that if the reform program was implemented, supplementary financing could be available from the Special Facility for Sub-Saharan Africa.

OFFICE MEMORANDUM

DATE February 13, 1985

TO Operations Policy Sub-Committee

FROM Vinod Dubey, Acting Director, CPD

EXTENSION 60061

SUBJECT Guinea CPP - OPSC Review

1. The Sub-Committee will meet on Tuesday February 19, 1985 at 2:30 p.m. in Room E-1208 to discuss the above paper. A summary of the issues is attached. Suggested agenda items for discussion are as follows:

- a) Recent Political Developments;
- b) The Economic Situation and Prospects; and
- c) Bank Assistance Strategy, specifically the response to recent developments.

Attachments

cc: Messrs. Baneth, Clements, Kopp, Ryrie, Jansen
Ms. Donovan

cc: Regional Office: Messrs. O'Brien, Serageldin, Hablutzel,
Landell-Mills, Cadario, Daniel, T. Husain

GUINEA CPP

Topics for Discussion

Recent Developments

1. With the death of President Sekou Toure in March 1984 and the overthrow of his successors on April 3 by a group of military officers, prospects for economic reform appear to have improved dramatically. The new leaders quickly announced their determination to reverse the two-decade legacy of neglect, corruption, and pervasive misallocation of resources through the preparation and implementation of a major rehabilitation program, and have requested Bank assistance to meet this goal. However, the deterioration which began in the 1960s continued into 1984. Despite considerable mining, agricultural and hydroelectric resources, the economy remains stagnant; balance of payments problems, chronic shortages and a rampant black market persist, investment levels have remained low, and arrears on debt servicing continue to accumulate.

2. The CPP is optimistic as to the prospects for change but acknowledges that the task which the new Government has set for itself is formidable. A prototype structural adjustment and policy reform program proposed by the Bank (page 11) contains three phases and includes a monetary reform, a debt rescheduling, price decontrol, an end to government trading monopolies, major reductions in the parapublic and public sector work forces, rationalization of a parapublic enterprises through a program of closures, privatizations and joint ventures, social sector reform and integration into the CFA Franc Zone at some early stage in the process. This program is to be carried out by a regime which has yet to be tested politically and is supported by weak and ineffective institutions which are staffed by technicians with ingrained "dirigiste" attitudes. In addition, the regime proposes to energize a private sector which has been repressed for over two decades. Yet the CPP argues that the direction of new leadership, the openness of the new regime to Bank assistance and advice, and the seriousness of the situation, justify a major Bank effort to assist in the rehabilitation program. The Region may want to elaborate the basis for this judgement and to provide an update on the country's progress towards agreement on a comprehensive reform program and recent policy actions, including the status of negotiations with the IMF.

The Balance of Payments and Economic Prospects

3. The balance of payments tables and projections (shown on page 5 and Attachment 3) clearly indicate the depth of the economic decline and the resource constraints facing the new Government. At the close of 1984, arrears on debt service were estimated US\$213 million (about one-half of the same year's estimated exports); additional short-term liabilities estimated at US\$205 million could only be identified as net negative foreign assets whose repayment obligations are at this point unclear. ^{1/} Amortization payments (on

^{1/} See Balance of Payments, Attachment 3c. The CPP text (footnote 4) citis a higher figure; however, a rescheduling of \$213 million occurred in 1981-82 and this MLT debt is reflected in projected debt service. It is assumed that the obligations incurred since the rescheduling are due mainly to Eastern bloc countries.

debt currently identified) are projected at \$127 million per annum (constant) throughout the projection period. The projections assume a rescheduling of arrears only (para. 13); a more likely scenario would include the rescheduling of payments falling due. At the same time, imports are projected to grow to a level of 31 percent of GDP (compared with 33 percent in 1973), and investment rises from 10.1 percent of GDP to 12.8 percent, substantially lower than the 20 percent level which existed in 1970. In addition, the projections do not allow for a build-up of reserves; on the contrary, the reserve position continues to deteriorate.

4. This scenario raises several important issues. First, it should be noted that the projections represent an austerity scenario for Guinea. Can the new government maintain this austerity and implement necessary reforms? Second, the level of capital inflow required to support even this austerity program is unclear at this time, partly because the total amount of debt and arrears owed to Eastern bloc countries is not identified in the CPP. Nevertheless, under any reasonable assumption regarding debt rescheduling, large capital inflows will be required in the medium term simply to keep the economy going. Unfortunately, the sources for the required capital have yet to be fully identified. Even after allowing for increases in concessional aid flows, and IMF and IDA balance of payments support, a financing gap averaging at least \$40 million per annum remains. Assuming the reform program does not encounter major obstacles (i.e. agreements with the IMF on a Standby and the Bank on a Rehabilitation Imports Credit), the CPP proposes that the Bank coordinate an effort to mobilize approximately US\$100 million in additional financing from major donors in 1985. The Committee may wish to consider (i) the feasibility of mobilizing this additional aid including eligibility for the newly-created Special Facility for sub-Saharan Africa, and (ii) the consequences for the rehabilitation and reform effort if the anticipated level of aid does not emerge. For example, can entrance into the CFA franc zone be achieved with large negative reserve levels?

Bank Strategy and the Lending Program

5. The strategy outlined in the CPP manages to be simultaneously cautious and ambitious. The proposed lending program for FY85-89 of \$200 million (Attachment 1), a balanced one which supports the rehabilitation program through project, program and technical assistance lending, is to be linked to the responsiveness of the Guinean authorities to policy recommendations. Institutional weaknesses which hinder economic management and structural adjustment will be addressed under the FY85 Technical Assistance Project. Phase I of the macroeconomic reform consists of the effectiveness conditions for the Rehabilitation Imports Credit programmed for early FY86. Later stages of the reform program would be supported by additional program lending, modestly estimated at \$10 million for a SAC in FY88. Rehabilitation of infrastructure -- a major requirement for renewed economic growth -- will be addressed early in the program, as will two of the

key sectors for export expansion/import substitution: minerals and agriculture. Project lending to support expansion, building on the rehabilitated base, are featured in the later years of the program. As noted above, aid coordination and cofinancing are prominent features of the proposed lending program.

6. The CPP admits the possibility that the reform program may not be implemented. Indeed, it is stated in para. 33 that "the size and content of the lending program will depend on the Government translating its intentions for reform into concrete actions". However, the paper is somewhat vague on what the Bank strategy should be if the ambitious reform program is not implemented in its entirety. The alternative lending program is labeled "No Macroeconomic Reform", yet it contains as many projects (9) in the period FY85-88 as the reform-based lending program (though the level of funding is 20% lower). Surprisingly, the alternative program actually accelerates the proposed IBRD enclave project. Given the persuasive case in the first section of the CPP on the need for macroeconomic reform, it is hard to imagine that in the absence of such reform (especially Phase I) the conditions would exist for successful IDA projects, especially ones in the rice and livestock sectors, which have suffered significantly under past policies.

7. More likely is the possibility that some, but not all of the reforms outlined on page 11 will be implemented, and/or that the timing will slip. What would the Bank strategy and lending program be should this "intermediate" scenario develop? The Region may wish to elaborate on the modalities of the "alternative" lending program.

The Economic and Sector Work Program

8. The CPP notes that support of the major reform program will require substantial Bank resources, both administrative and technical. Although the TA project will provide some technical support (especially in the critical area of data base improvement), the Region has wisely programmed an active ESW for the period. Technical support for the rationalization of the public sector and for improvements in macroeconomic data should be given a very high priority.

Aid Coordination

9. The importance attached to ensuring effective aid coordination, including the establishment of a Consultative Group if the reform program proceeds as scheduled, is sound. The request for the establishment of a Bank Resident Office also should be given early consideration in light of the level of support the new government probably will need.

Cost Sharing

10. The proposals for cost sharing (para. 53) are consistent with both the needs of Guinea and those for countries of comparable per capita income.

Timing of Future Strategy Reviews

11. Given the uncertainties surrounding the implementation of the proposed reform program and the current data inadequacies, we suggest that the next strategy review take place in about 18-24 months. If the reform program is on track, an abbreviated strategy paper would be sufficient.

Annex I compares the lending program for Guinea presented in this CPP with programs previously approved.

Annex II presents a comparison of various country performance indicators.

		Actual				Current	Program				Five-Year Total		
		FY81	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY81-85	FY84-88	FY85-89
<u>Operations Program (No.)</u>													
Approved, June 1981		2	2	5	3	2	4	..	..	..	14	..	..
Proposed, January 1985		2	1	2	3	3	3	2	6	3	11	17	17
<u>Lending Program (No.)</u>													
Approved, June 1981		2	2	3	2	3	3	..	..	..	12	..	..
Standard Table IVa, Nov. 1984		2	1	2	3	1	3	3	2	4	9	12	13
Proposed, January 1985		2	1	2	3	1	3	3	2	4	9	12	13
<u>Lending Program (Cur.Sm)</u>													
Approved, June 1981	IDA	46.0	22.0	75.0	20.0	45.0	55.0	..	..	..	208.0	..	..
Standard Table IVa, Nov. 1984	IBRD	-	-	-	-	-	-	-	-	50.0	-	-	50.0
	IDA	46.0	19.0	24.0	46.7	8.9	38.4	43.0	18.0	42.2	144.6	155.0	150.5
	Total	46.0	19.0	24.0	46.7	8.9	38.4	43.0	18.0	92.2	144.6	155.0	200.5
Proposed, January 1985	IBRD	-	-	-	-	-	-	-	-	50.0	-	-	50.0
	IDA	46.0	19.0	24.0	46.7	9.5	37.8	43.0	18.0	42.2	175.0	221.0	150.5
	Total	46.0	19.0	24.0	46.7	9.5	37.8	43.0	18.0	92.2	145.2	155.0	200.5
<u>Lending Program (Const. FY85 Sm)</u>													
Approved, June 1981	IDA	57.0	26.4	85.8	21.5	45.0	51.3	..	..	..	235.7	..	..
Standard Table IVa, Nov. 1984	IBRD	-	-	-	-	-	-	-	-	39.0	-	-	39.0
	IDA	57.0	22.8	27.5	50.1	8.9	35.8	37.6	14.8	32.9	166.3	147.2	130.0
	Total	57.0	22.8	27.5	50.1	8.9	35.8	37.6	14.8	71.9	166.3	147.2	169.0
Proposed, January 1985	IBRD	-	-	-	-	-	-	-	-	39.0	-	-	39.0
	IDA	57.0	22.8	27.5	50.1	9.5	35.3	37.6	14.8	32.9	166.9	147.3	130.1
	Total	57.0	22.8	27.5	50.1	9.5	35.3	37.6	14.8	71.9	166.9	147.3	169.1
Commitment Deflator (FY85 = 100)		80.7	83.2	87.4	93.2	100.0	107.2	114.4	121.4	128.2			

Note: November 1984 Review Group Decision: FY85-89 - IBRD \$50.0 million
IDA SDR 150 million.

COMPARATIVE COUNTRY ANALYSIS

	<u>GUINEA</u>	<u>BENIN</u>	<u>BURUNDI</u>	<u>HAITI</u>				
<u>Economic Structure</u>								
Population 1982 (millions)	5.7	3.7	4.3	5.2				
GNP Per Capita 1982	299.0	310.0	280.0	300.0				
% Agriculture in GDP 1982	40.4a/	44.0	56.0	n.a.				
% Industry in GDP 1982	23.2a/	13.0	17.0	n.a.				
% Services in GDP 1982	36.4a/	43.0	27.0	n.a.				
Debt Service Ratio 1982	29.8	n.a.	n.a.	5.1				
<u>Economic Performance</u>								
Real GDP Growth Rate 1970-82	3.8	3.3	3.5	3.4				
Gross Domestic Investment/GDP 1982	13.6	37.0	14.0	11.0				
Exports GNFS/GDP 1982	25.4	30.0	n.a.	15.0				
Current Account Balance/GDP 1982	-3.6	n.a.	n.a.	-5.7				
Gross Domestic Savings/GDP 1982	9.0 ^{b/}	n.a.	1.0	2.0				
<u>Recent Social Indicators</u>								
Population Growth Rate	2.8	2.7	2.2	1.7				
% Change in Crude Birth Rate 1960-82	1.8	-2.5	2.9	-17.4				
% Change in Crude Death Rate 1960-82	-22.6	-32.2	-23.7	-35.7				
Infant Mortality Rate (per 1,000) 1982	190.0	117.0	123.0	110.0				
Life Expectancy (years) 1980-82	37.5	48.0	47.0	54.0				
Adjusted Education Enrollment Ratio								
- Primary	33.0	65.0	32.0	69.0				
- Secondary	16.0	18.0	3.0	13.0				
Adult Literacy Rate (1980-82)	20.0	27.9	25.0	23.0				
	<u>FY80-84</u>	<u>FY85-89</u> ^{c/}	<u>FY80-84</u>	<u>FY85-89</u> ^{d/}	<u>FY80-84</u>	<u>FY85-89</u> ^{d/}	<u>FY80-84</u>	<u>FY85-89</u> ^{d/}
<u>Lending Program</u>								
Nominal IDA US\$M	159.1	150.5	132.5	90.0	128.1	110.0	114.3	140.1
Nominal IBRD US\$M	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
p.c.p.a. Lending US\$	5.5	5.2	7.0	4.7	5.7	4.9	4.3	5.3
p.c.p.a. IDA Equivalent US\$	5.5	5.6	7.0	4.7	5.7	4.9	4.3	5.3
p.c.p.a. IDA Eq. Cons. 1985 US \$	6.4	4.8	8.2	4.1	7.0	4.4	5.0	4.6

Sources: Guinea CPP
 1984 World Development Report
 Social Indicators Data Sheets, EPD, June 1984

a/ CPP projection for 1985

b/ Gross National Saving

c/ CPP and Table IVa

d/ Table IVa

DECLASSIFIED

FEB 17 2017

WBG ARCHIVES

Country Program Paper

G U I N E A

January 9, 1985

Western Africa Regional Office

Distribution

Operations Policy Sub-Committee

Senior Vice President, Operations
Regional Vice Presidents
Vice President, Operations Policy Staff
Vice President, Energy and Industry Staff
Vice President, Co-Financing
Vice President, Financial Policy,
 Planning and Budgeting
Assistant General Counsel, Operations
Director, Economic Analysis and Projections
 Department, ERS
Director, International Relations Department

Other Attendance

Executive Vice President, IFC
Director, Planning and Budgeting Department
Director, Country Policy Department
Chief, Bank Assistance Policy Division, CPD
Chief, Country Program Review Division, PBD

For Information

Senior Vice President, Finance
Vice President, Finance and Planning, IFC
Vice President, Operations, IFC concerned
Directors, Operations Policy Staff
Directors, Energy and Industry Staff
Co-Financing Coordinator, Energy and Industry Staff
IMF, Area Department concerned

A Country Program Paper has a restricted distribution and may be used by recipients only in the performance of their official duties. Neither the reproduction of copies of this document nor distribution outside The World Bank is permitted. When the paper is no longer needed it should be sent to the appropriate Country Programs Division for disposal.

DECLASSIFIED

FEB 17 2017

WBG ARCHIVES

CONFIDENTIAL
REVIEW DRAFT
January 9, 1985Country Program PaperGUINEA

		<u>FY79-83</u>	<u>FY84-88</u>	<u>FY85-89</u>
1983 Population: 5.7 million	IBRD	0.0	0.0	50.0 ^{b/}
1983 per capita GNP: \$299 ^{a/}	IDA	<u>132.9</u>	<u>155.0</u>	<u>150.5</u>
		139.9	155.0	200.5

Current population
growth rate: 2.8% p.a.

No. of Loans/Credits	10	12	13
No. of Loans/Credits per million population	1.75	2.11	2.28

Current Exchange rate:
24.4 Syllis = US\$1.00

Average Lending Per Capita per Annum: Current \$ (Constant FY84 Commitment \$)

IBRD/IDA	4.7 (5.5)	5.4 (4.8)	7.0 (5.4)
IDA	4.7 (5.5)	5.4 (4.8)	5.3 (4.2)

IBRD: Present Status of Subscription
Under Resolution No. 346 (GCI) and
Other Authorized Subscriptions as of September 30, 1984

Subscription became effective August 22, 1984.

^{a/} World Bank Atlas Methodology, base 1980-82

^{b/} The FY85-89 lending program proposed in the CPP compares with the program for the same period approved at the last Bankwide lending program review (November 1984) as follows:

	<u>FY 85-89</u>		<u>Percentage Change</u> <u>Proposed/Approved</u>
	<u>Lending Program</u> <u>Approved</u>	<u>Proposed</u>	
No. of loans and credits	12	13	+8%
Current \$ millions	200.5	200.5	+0%
Constant FY84 Commitment \$	154.6	154.6	+0%
Per capita p.a. (constant FY84 Commitment \$)	5.42	5.42	+0%

GUINEA

COUNTRY PROGRAM PAPER

A. OVERVIEW

1. The death of President Sékou Touré in late March, 1984, and the overthrow of his successors on April 3 by a group of military officers largely unknown to the outside world, mark the end of a political era. Despite the country's considerable mining, agricultural, energy, and human resource potential, and after making due allowance for the difficult circumstances under which Independence was attained in 1958, a quarter-century of mismanagement had led Guinea to the brink of economic collapse. Industrial infrastructure works at less than 10 percent of installed capacity. Rural areas are isolated from Conakry, the capital and port, by a severely degraded road network and an aged trucking fleet. Power and water supplies, even in Conakry, remain unreliable. School enrollments are the lowest in Africa, access to safe water less than seven percent of the population, and health indicators, including infant mortality, among the worst in the world. Statistical improvements in national income - largely due to exports from the enclave bauxite sector - mask a stagnation in living standards since 1960.

2. Yet there are new hopes for the future. The new leaders quickly announced their determination to reverse the legacy of mistakes, neglect, and corruption that had accumulated since 1958, and to confront the staggering external debt and distorted economy they had inherited. They have appealed to the Bank to help them in this formidable task. Now before this momentum falters under bureaucratic and other inertia, the Bank has a unique opportunity and a heavy responsibility to lead the donor community in providing substantial and urgently required assistance tailored to Guinea's realistic needs and capacities. Such increased efforts, and the associated risks, are justified by the potential payoff in restoration of long-term creditworthiness and by the catalytic effect of Bank leadership in aid coordination and in mobilizing cofinancing.

3. In this context, the Bank's strategy has three objectives. The first objective is to help initiate a phased program of economic reform, based on a monetary adjustment developed with the International Monetary Fund and supported by pricing and other policy measures. Such economic reforms would set the stage for a greatly expanded program in agriculture, the key domestic sector and one in which macroeconomic policy changes will have the greatest short-term impact. Second, the Bank will continue efforts to rehabilitate important economic infrastructure and ensure its efficient maintenance and operation by capable institutions. Concurrently, support will be given to efforts to improve first education and, later, health services, while encouraging high priority new investment developed by the private sector. Third, building on the success of the first two goals, overall encouragement must be given to the building of the institutional framework necessary to support sustained recovery and long-term development. This will be promoted in all sectoral projects and through a special effort to improve the quality of

FEB 17 2017

- 2 -

WBG ARCHIVES

economic decision-making through technical assistance and our country dialogue.

4. If the present opportunity is to be seized in a manner commensurate with Guinea's needs and capacities, its economic potential, and assuming responsiveness to Bank advice, an increasingly diversified lending program is required. This also implies, as performance improves, an increase in the administrative resources devoted to the Guinea program. The following discussion first reviews the current status of the Guinean economy, emphasizing the political and policy context and long-term strategic requirements if sustainable recovery from the present crisis is to be achieved. It draws on, and updates, two major recent economic reports 1/ and the general conceptual guidance of the Bank's recent report on Sub-Saharan Africa 2/. The Bank's assistance strategy is then outlined; a three-phased approach to structural adjustment and policy reform is proposed with the main focus on the first phase of rehabilitation, on technical assistance, and on coordination with other donors and cofinancers. Finally, proposed lending operations are examined in the light of project performance, the FY85-89 strategy, plans for the key sectors, and, in conclusion, expected impact and resource implications.

B. THE GUINEAN ECONOMY: STATUS AND PROSPECTS

The Political Context

5. Few now dispute that the regime under which Guinea languished from 1958 until its downfall was incompetent and corrupt. Its political and economic policies drove over a million people -- almost one in six of the current population -- into exile, reduced the rural sector, 85 percent of the population, to bare subsistence, and established an inefficient and bloated state bureaucracy and public enterprise sector. After 1979, and mindful of a revolt of market women in 1977, the Government indeed began to reassess many of its past policies, and increasingly permitted a private sector to develop. But this was only a quasi-liberalization. As it proceeded, the extent of the problems and the magnitude of the changes needed became more obvious. The elite began to realize -- and fear -- that the price of economic development would inevitably be a loosening of their own tight political control.

6. This fear was rudely realized on April 3, 1984. The new leaders -- middle-level military officers largely unknown to the outside world -- have projected themselves as liberal and pro-Western in orientation and appear to enjoy wide popular support. However, as end-1984 approached, the regime had not had to make major politically difficult decisions, and public cynicism

1/ Guinea: The Conditions for Economic Growth - A Country Economic Memorandum (Report No. 4690-GUI: February 15, 1984) and Guinea: Agricultural Sector Review (Report No. GUI-4672: April 15, 1984).

2/ Towards Sustained Development in Sub-Saharan Africa: A Joint Program of Action (Washington, D. C.: The World Bank, September 1984).

might be expected to grow in the absence of firm action and the persistence of dubious past practices in the new environment.

7. The new authorities clearly recognize their bleak economic inheritance. They justifiably argue that despite Guinea's relative prosperity at the time of independence and its potential for rapid development, their predecessors' failure to invest in the human capital needed to stimulate development, and their pursuit of expensive and unproductive public investment in a collectivized framework, left the country worse off than in 1958. They have made encouraging pronouncements reaffirming commitment to stimulating the private sector, and removing many of the barriers to exploiting Guinea's considerable resources. They have initiated the preparation of a major rehabilitation program. But the most difficult actions will lie ahead.

Present Status of the Economy

8. The most constraining reality is the present status of the economy, which is rampantly dualistic. Per capita income is about US\$300 at the official exchange rate, but only US\$200 based on an estimated equilibrium exchange rate in 1983 of 170 Syllis to the dollar ^{3/}. Basic data on production and population are so poor, however, that quantitative estimates of living standards are unreliable.

9. The official sector, which accounts for an estimated 28 percent of GDP and 45 percent of the monetized sector, operates mainly in Conakry, the capital, via an elaborate system of administered prices linked to the official exchange rate of 24 Syllis to the US dollar. Rice rations are made available at 20 Syllis/kg (approximately one-third the free market price) for civil servants and their families. Consumer goods such as motor fuel, imported frozen meat and fish, and cloth, available in special stores at official prices, are not imported in quantities sufficient to supply the entire population, and sugar and oil are only intermittently available to the broad urban masses. Most civil servants accordingly have outside employment during working hours to meet basic family needs. The banking system is totally inadequate for the banking needs of the monetized economy or for trade activities. Indeed, the commercial banks are no more than subsidiaries of the Central Bank, the staff of which have a very poor understanding of their work.

10. The other 72 percent of GDP is represented by an active non-official sector operating in an open black market. Studies in 1981 indicated that this black market supplied over 80 percent of urban population needs and virtually all consumption (apart from self-produced farm products) outside of Conakry. This market is supplied by smuggled imports and thefts from the official sector, including the \$15 mn annual food imports of the mining companies and

^{3/} As all estimates of the national accounts are based on official prices, per capita income estimates have been adjusted by dividing the estimated value of the non-traded part of GNP - about 40 percent - by the equilibrium exchange rate rather than the official rate.

FEB 17 2017

- 4 -

WBG ARCHIVES

pilferage from Conakry and Kamsar ports and from state enterprise and ministry warehouses.

11. Tables updating the February 1984 CEM, and showing trends and current status of the national accounts, balance of payments, trade and public finance, are summarized in Attachment 3. In spite of the Government's post-1979 efforts, domestic production grew at less than the rate of population growth, and the mining sector (which grew at about 10 percent annually from 1975 to 1979) showed declining output in the early 1980s because of weakening external demand for bauxite. Trade, construction, transport and services benefitted from liberalization to grow at about 4 percent annually, while the public sector stagnated. Domestic savings, however, declined from 14 percent of GDP in 1980 to only 7 percent in 1984, owing to the high public sector deficits and the inability of the banking system to mobilize private savings.

12. Strict control of aggregate demand and imports permitted Guinea to achieve a trade surplus of over US\$60 mn annually from 1979 to 1981, and to reduce the current account deficit to 4 percent of GDP -- half the earlier figure. But lack of creditworthiness, lagging absorptive capacity, international recession and investor reluctance owing to confusing signals from the authorities kept capital inflows down. The overall balance of payments deficit of about US\$100 mn annually (6 percent of GDP) was financed by drawing down reserves and accumulating arrears in debt service payments. Quantitative restrictions on official imports and strict control of foreign exchange allocation have limited the growth in imports in recent years; indeed the volume of imports actually declined. This, together with the good performance of the mining sector, enabled the trade balance to show a regular surplus (about 16% of global exports) over the same period. But important net negative transfers, both public (covering mainly interest payments) and private (workers' remittances, reinvestment earnings, etc.) as well as capital outflows have led to persistent deficits in the balance of payments, with a peak of \$109 million in 1981, some 5% of GDP and about 20% of exports. With large amortization obligations, Guinea has been unable to attract higher capital inflows, so that overall deficits have been financed through accumulation of debt arrears and an increase in net foreign liabilities. Consequently public finances and the balance of payments deteriorated sharply in 1982-84.

13. The Debt Situation and the Balance of Payments. Guinea's overall external debt at the end of 1983 was US\$1538 million, with accumulated arrears of US\$202 million. External debt outstanding and disbursed is US\$1215 million, of which \$647 million is owed to Western creditors ^{4/}. Over the last five years, Guinea has been able to cover only about US\$70 million per year, on average, some 60 percent of its annual obligations of nearly US\$120

^{4/} Guinea's balance of payments and debt statistics show negative foreign assets of about US\$347 million at end-1983. This figure mainly reflects the consolidation, in 1981, of debts to the Eastern bloc, and might more appropriately be categorized as MLT debt. The accounting treatment is now under review by Guinea's Central Bank, and Fund and Bank staff. Debt service and interest have been incorporated in the Attachment 3 tables and projections.

FEB 17 2017

- 5 -

WBG ARCHIVES

million. Guinea's difficult debt situation and lack of creditworthiness limit its access to external financing needed for economic recovery, and increase the cost of what is available. To restore its creditworthiness and create possibilities for new borrowings, Guinea will first have to pay its arrears. The following table shows Guinea's payments from 1985 to 1988 under one scenario of rescheduling, 5/ while balance of payments forecasts are shown below:

	Debt service projections (US\$ millions)				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Total service payments	<u>124.0</u>	<u>175.9</u>	<u>198.1</u>	<u>160.7</u>	<u>177.9</u>
Principal	<u>93.7</u>	<u>124.0</u>	<u>146.1</u>	<u>128.5</u>	<u>126.6</u>
Concessional	<u>49.2</u>	<u>80.8</u>	<u>107.2</u>	<u>94.6</u>	<u>94.9</u>
Non-concessional	<u>44.5</u>	<u>43.2</u>	<u>38.9</u>	<u>33.9</u>	<u>31.7</u>
Interest	<u>30.3</u>	<u>51.9</u>	<u>52.0</u>	<u>52.2</u>	<u>51.3</u>
Concessional	<u>12.5</u>	<u>14.6</u>	<u>16.4</u>	<u>31.2</u>	<u>18.8</u>
Non-concessional	<u>17.8</u>	<u>37.3</u>	<u>35.6</u>	<u>17.3</u>	<u>32.5</u>

5/ Projections take into account new commitments and rescheduling of arrears only. Arrears have been assumed to be reschedulable on 100 percent of suppliers credits, 80 percent of financial institution credit, 85 percent of Paris Club debt, and 100 percent of Eastern bloc debt (based on the limited experience of other countries which have rescheduled Eastern bloc debt after a Paris Club exercise), with a grace period of four years.

DECLASSIFIED

CONFIDENTIAL

MAR 30 2023

- 6 -

WBG ARCHIVES

	<u>Balance of payments projections (US\$ millions)</u>				
	<u>1984 6/</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>Exports</u>	535	586	674	762	873
<u>Imports</u>	-428	-475	-558	-654	-772
<u>Balance of Trade</u>	107	111	116	108	101
<u>Services and private transfers (net)</u>	-171	-203	-208	-202	-200
of which interest due	-52	-76	-68	-62	-58
<u>Current Account Deficit excluding official transfers</u>	-64	-92	-92	-94	-99
<u>Official Transfers</u>	19	23	28	34	40
<u>Current Account Balance</u>	-45	-69	-64	-60	-59
Net foreign investment	34	40	45	50	55
Net MLT borrowings	49	32	-15	-32	-30
Short-term capital, net	-12	-12	-10	-6	-
Use of IMF resources	-	27	8	-	-
Errors and omissions	-100	-40	-	-	-
<u>Overall deficit</u>	-84	-22	-36	-48	-34
<u>Overall deficit without IMF and IDA non-project resources</u>	-84	-69	-54	-48	-34

This table assumes that exports will increase slightly in 1985 (mining company projections of one million ton increase), while there will be a slight decrease in the rice import bill owing to increased official food aid. Balance of payments support (which reduces the overall deficit) in 1985 and 1986 is assumed to permit higher imports of petroleum products and intermediate goods for agriculture and industry. In 1986, bauxite mining exports are expected to reach a peak of 11 mtpy, AREDOR diamond and gold exports to reach US\$40 million and officially recorded coffee exports to rise to 4,000 tons (compared to only 2,000 tons in 1984). By 1986 rice imports are projected to drop slightly because of increased supply and trading of local rice (first effects of incentives), and improved transport. The initial set of reforms in the parapublic sector would lead to higher capacity utilization by remaining enterprises, increasing imports of intermediate goods and raw materials.

6/ Preliminary estimates.

FEB 17 2017

- 7 -

WBG ARCHIVES

14. As the table indicates, the two critical years for the adjustment program are 1985 and 1986, where long pent-up demand for consumer goods and imported inputs for the productive sectors will strain the current account. In the short term, the import constraint will need to be relaxed, so that the private sector will have access to raw materials, equipment and spare parts for production, with increased availability of consumer goods to provide needed and long-absent incentives. Following the stabilization phase of three years, during which Guinea will need increased external assistance from the international community, the Guinean economy should be able to restore equilibrium of its balance of payments by: (i) expanding mining sector exports and rehabilitating enterprises capable of import substitution; (ii) facilitating private capital inflows and transfers from Guinean expatriates; and (iii) stimulating exports of cash crops and reducing imports of foodstuffs. This is likely only if Guinea succeeds at: (i) putting in place the incentives for the private sector, including the legal and institutional framework for production; (ii) creating a favorable investment climate, which will bring sorely-needed foreign management, marketing and technical skills; and (iii) generating domestic savings for investment by creating a functioning banking system and controlling consumption, especially in the public sector. Achieving these goals given the long downward trend since independence is a difficult and long-term task. Generating an adequate supply response is critical for the success of the reform program and is an aspect that will be closely examined during the appraisal of the proposed Rehabilitation Imports Credit. Particular attention will be given to Guinea's potential for regaining its export markets for agricultural products.

The Longer-term Development Strategy

15. Resource Potential and the Pace of Development. Guinea's potential is indisputable. Its varied climatic zones and topography make it well-favored agriculturally (in comparison with other Sub-Saharan countries) to approach food self-sufficiency and to generate agricultural exports, given the right policy environment. Agricultural export markets lost after Independence could be regained, along with self-sufficiency in rice production. ^{7/} In industry and mining, too, foreign investors have expressed renewed interest. The domestic consumer market remains untapped, but the right policies are not in place, and the effects of isolation and stalled modernization must be overcome. The massive deposits of bauxite and iron ore are well-known, and there appears considerable potential for the exploitation of other minerals ranging from gold and diamonds to uranium and phosphates. Less than 1 percent of the 30,000 Gwh/year hydroelectric potential estimated in the 1982 Water Resources Master Plan has been realized, while the previous regime's preoccupation with the Konkouré dam and aluminum smelter project precluded review of priority, low-cost dam sites in the coastal region. Industrial development was in turn hampered by lack of reliable energy supplies, poor planning of

^{7/} The Agricultural Sector Review, p. 20, estimated that current rice imports (60,000 tpy) could be replaced by yield improvements on 30,000 ha of currently cultivated lowlands plus a 6 percent (30,000 ha) expansion of the existing rice area).

MAR 30 2023

- 8 -

WBG ARCHIVES

intersectoral linkages, and the swollen parapublic bureaucracy. But even with the will to develop these resources, a remarkable lack of data means that likely benefits and costs can as yet be only approximately identified.

16. The speed at which Guinean development can, and should, proceed is severely constrained by the weak administration. Reduction of the public (and encouragement of the private) sector may be the goal, and enjoy popular support, but Guinea's technicians are poorly trained and inexperienced, its entrepreneurs familiar only with operating under the economic and financial distortions of the past, and its officials have ingrained "dirigiste" proclivities. The skills and work habits needed for a profound change are simply lacking; thus the speed and efficiency of reform will depend critically on the willingness of the new authorities to rely on imported expertise. At present the leadership readily accepts the need for substantial technical assistance.

17. Policy Priorities. There are four main development priorities. First, the Government (with the assistance of the IMF) must grapple with the exchange rate issue, and adjust prices accordingly. The Government will need to establish a functioning banking system, an essential prerequisite for the monetary reform. Second, the rehabilitation program must include measures to improve the seriously dilapidated transport, power and water supply, and social service (especially educational, and, later, health) infrastructure, which, under greatly improved maintenance and management, figure importantly in the resumption of economic development. Stemming the rate of population growth is a longer-term goal. Third, the public sector must be reorganized, and its management improved. Fourth, export earnings should be boosted by diversification out of minerals, and rice imports cut by augmented domestic production. These objectives would be assisted by the introduction of a sound investment code and other measures to stimulate private investment.

18. Economic Projections presented in Attachment 3 make clear that massive investment flows will be needed to rehabilitate the Guinean economy and create new productive infrastructure, well beyond Guinea's internal savings capacity or its ability to borrow on commercial terms. Although estimates of total investment needs must be speculative at this stage, it is clear that substantial concessional aid commitments and foreign capital inflows will be required. Guinea will need to seek a debt rescheduling to reduce debt service to no more than 15-20 percent of export revenues to ensure sufficient capacity to import spare parts and raw materials to underpin the economic recovery. Even with rescheduling of Eastern as well as Western debt, the overall balance of payments will remain difficult (deficit rising from a projected US\$41 mn in 1985 to \$67 mn in 1986 and \$52 mn in 1987) because of the imports necessary to support recovery. Balance of payments support will be urgently needed for 1986 and 1987, when increased needs for imported productive inputs will continue to strain the current account until long-term creditworthiness is attained in the 1990s, and as consumer demand continues to increase.

19. The structure of the Guinean economy in 1990 is expected to be dramatically different from that bequeathed by President Sékou Touré. In response to the monetary, price and administrative reforms, and with more prudent investment and debt practices, overall GDP growth is projected to rise

FEB 17 2017

- 9 -

WBG ARCHIVES

from the low growth observed in the past. Although the economic reform program is not expected to have any immediate impact in agriculture, industrial growth should increase relatively quickly from the expansion of the mining sector (mainly diamonds) and from the rehabilitation of selected industrial enterprises under IDA and EEC finance. In commerce and services, free access by private entrepreneurs to activities previously handled by state monopolies, and removal of price distortions will subsequently generate sustained growth. From 1986, the price incentives and the regular supply of inputs and consumer goods in rural areas are expected to have their first impact on smallholder production, increasing agriculture's growth rate to 3.5 percent over the remainder of the decade. Further increases in bauxite production, development of the AREDOR diamond project and recovery of the building industries will boost industrial production, so that by 1990, its share of GDP will rise from 23 to 26 percent. Increasing privatization of trading activities, and divestiture of public enterprises, will accelerate growth in the tertiary sector. These changes - the result of the recapture of transactions into official channels following the freeing up of trade and prices - are expected to have a dramatic impact on the balance of payments and public finances, which will enter the 1990s in a strong position as the Government builds up foreign reserves and is able to finance an increasing portion of investment from domestic savings, whose low current rate (less than 8 percent of GDP) is a major constraint to higher investment levels. A well-functioning financial sector will play its important role in resource mobilization.

20. Time and resources, as well as sound policies, are prerequisites if Guinea is to escape its debt burden, encourage private investment and initiative to create wealth, employment, and public revenues, and implement public sector programs to improve human capital. The challenge to the Bank and other donors is not only to help Guinea define the reforms that are necessary and possible, but also to bolster implementation capacity so that the reforms take root. The corrupt legacy of the old regime, and the influx of entrepreneurs promoting dubious deals since its demise, have led to a reticence on the part of many investors, banks, and donors. This is in spite of an acknowledgement of Guinea's potential. The burden of debt, the problems of the past, the untested intentions of the new leaders, who appear to lack obvious ideological allies and whose country is lacking in strategic importance to major powers, combine to reinforce this hesitancy. In short, a special effort is needed to raise the substantial external financial and technical resources needed for Guinea's recovery. The Bank's assistance strategy must be seen in this context.

C. THE BANK'S ASSISTANCE STRATEGY

Basic Objectives

21. The Bank is well-placed, together with the Fund, to play a major role in helping the Guinean authorities to remove the obstacles to sustained development. We have the largest (followed by the European Development Fund and the African Development Bank group), most-diversified and longest-established program of any of the donors, and are perceived by the Guinean authorities as a source of neutral expertise. The Fund, too, is now active in Guinea after a first Standby Agreement foundered on exchange rate issues early in 1983, and after a post-coup hiatus when the Guinean executive director was

MAR 30 2023

- 10 -

WBG ARCHIVES

detained because of his association with the previous regime. Other donors have minimal resources budgeted for Guinea, and little policy dialogue.

22. We propose that the Bank should pursue a selective approach linked to the responsiveness by the Guinean authorities to policy recommendations. Our analytical work and related lending operations would help the authorities: (i) to prepare, finance and implement an economic stabilization program; (ii) to rehabilitate key economic, physical, and social infrastructure; and (iii) to establish the public institutions needed to manage (but not dominate) the development process. This will be achieved through a balanced IDA lending program providing both immediate balance of payments support for economic policy reform and assistance for priority sectors where a combination of policy and instrumental reforms and selective investment programs will attract the support of other donors and encourage complementary activity by the private sector.

Structural Adjustment and Policy Reform

23. The first priority is to correct macroeconomic distortions and begin the structural adjustment process. Work is well advanced on the reforms that the Bank and the Fund have already indicated to the new Government as being required. However, sustainable development will only be achieved over the long term, and will require considerable resolve on the part of the authorities, substantial technical and financial assistance from the donor community, and a positive response by the local and foreign private sector to the economic reforms and incentives that are offered.

24. Three phases can be identified for this rehabilitation effort, and are displayed on page 11. In Phase I, to be undertaken during 1985, the major policy reform is the devaluation agreed upon by the new authorities in conjunction with the Fund, with a floating exchange rate to follow an eight- to ten-fold devaluation and be accompanied by implementation of a range of monetary and fiscal measures. The main elements of this reform program are:

- (i) price adjustments to align parallel and official prices for rice and petroleum products, and decontrol of all other prices;
- (ii) a multilateral debt rescheduling to complement the devaluation and stricter control of credit and the money supply;
- (iii) a program of such urgent imports as agricultural inputs, industrial products, primary raw materials and intermediate goods, transport equipment, petroleum products, food and other consumer imports;
- (iv) measures to increase tax collection, and to control public expenditures through reduced transfers to public enterprises and controlled public sector employment;
- (v) a core public investment program to rehabilitate and complete ongoing projects with assured viability and economic returns;

Phase I - 1985

MONETARY REFORM

Devaluation with complementary measures:

1. Decontrol of producer prices
2. Adjustment of consumer prices with compensatory salary adjustments
3. Reduction in public sector employment
4. Public expenditure limits
5. Credit ceilings
6. Floating exchange rate

Debt Rescheduling

Banking reform, including opening of a foreign bank in Conakry

PRICE AND TRADE REFORM

Liberalization of commerce and transport to allow private sector access and end state monopolies

Opening of "one-stop investment bureau" to implement Investment Code

PUBLIC INVESTMENTS

Public investments limited to completing on-going projects with assured viability

Preparation of new sectoral strategies and investment plans

Hold sector donor meetings and start CG process

PUBLIC SECTOR MANAGEMENT

First restructuring of core economic management ministries and agriculture and commerce agencies

PARAPUBLIC SECTOR

Start parapublic sector reduction

SOCIAL SECTOR REFORM

Prepare education and health sector reforms

Phase II - 1986-88

Join CFA Franc Zone

Further reduction of public sector employment

Expand credit available to private sector through banking system

Phase out Government sales of "strategic goods"

Begin rehabilitation of export agriculture

Public investments limited to rehabilitation/renovation projects, plus limited number of highly justified new projects supporting private sector activities

Introduce three-year rolling investment plans

Aid coordination using CG

Restructuring of other government departments and program of staff retraining

Rationalization of parapublic enterprises with program of closures, privatizations, joint ventures. Introduction of enterprise plans for continued state-owned companies.

Begin to implement qualitative improvement and expansion of primary education and expanded program of primary health care. Retraining of medical and education sector staff.

Phase III - 1989 -

Limited commercial bank borrowing by Government

Expansion of modern smallholder agricultural technology

Consolidation of industrial sector

Start large mining and hydroelectric projects, feeder road program

Consolidate public administrative reforms

Consolidate privatization program. New manufacturing sector investment to be undertaken by private sector.

Continue qualitative improvement and expansion of secondary and technical education.

DECLASSIFIED

CONFIDENTIAL

MAR 30 2023

- 12 -

WBG ARCHIVES

- (vi) a new investment code and other fiscal and administrative measures to encourage private investment without Government guarantees or participation, reform of private import/export procedures, and opening of a foreign bank in Conakry to handle trade transactions; and
 - (vii) preparation before mid-1986 of an industrial sector policy and a parapublic sector diagnostic facilitating either sales or closure.
25. An IMF mission will negotiate a Standby Arrangement in early 1985 in support of Phase I, and we propose that this program be supported by an FY86S Rehabilitation Import Credit (RIC), contingent upon significant action towards implementing the macroeconomic policy reform program. The Bank would also wish to see institutional reforms to improve economic management. A first priority of IDA's program will therefore be to strengthen the core economic management institutions with which IDA and other donors will conduct policy dialogue through the FY85 Technical Assistance Project for Economic Management, oriented primarily to the Ministry of Planning and Natural Resources. France would cofinance parallel support to the Ministry of Economy and Finance, and the Fund would undertake a diagnosis and reform of the Central Bank and the banking system. To meet the important goal of strengthening investment planning and programming, sectoral strategies and investment programs will also be prepared by other technical ministries under IDA-supported projects detailed in the following section; these will be assembled into a coherent public investment program with the help of the TA project. The Bank's own CESW program (Attachment 4), building on the good reception accorded our recent CEM and Agricultural Sector Review, will examine critical issues in a number of sectors, including agricultural pricing policies and institutional reforms, manpower and educational planning, health and population policy, and energy.
26. Close Bank-Fund cooperation will continue to be essential. Successful monetary adjustments will depend on a whole range of preliminary and complementary investment, pricing, and public finance measures where the Bank has demonstrable expertise. Also, other donors have traditionally looked to the Bank for leadership, given our long association with Guinea and accumulated information, making us well-placed to mobilize balance-of-payments support from other donors in parallel with the Fund program.
27. Phase II of the rehabilitation effort (1986-88) would continue the reorientation of the economy to the new exchange rate and pricing system. Growth in the private commercial, agricultural, services and manufacturing sectors as incentive structures take hold would mitigate some of the effects of the deliberate shrinkage in the public sector and its employment. Public investment, as defined in sectoral strategies and promoted in a Consultative Group process, would be oriented to rehabilitation and renovation of infrastructure, and complementary institutional development, to support this private sector growth and strengthened banking institutions would play an expanded role in liberalizing trade and investment. Reflecting recent undertakings by the French authorities, Guinea's return to the Franc Zone could be foreseen during Phase II, thus further stimulating capital flows. The Bank will continue to encourage the Guinean authorities to come to agreement with

the Fund and pursue discussions with France and its African neighbors about a return to the West African Monetary Union, UMOA.

28. In Phase III, the private sector would play the major role in employment creation following public sector rationalization and the expansion of smallholder agriculture and consumer demand. New or rehabilitated physical and social infrastructure should be supporting this growth, and limited borrowing at commercial terms could be envisaged during the 1990s. Until then, and until the large outstanding debt arrears are paid, Guinea remains uncreditworthy for all except enclave lending operations, guaranteed by the projects' foreign partners and export earnings.

Aid Coordination and Cofinancing

29. In the past the Government's efforts to coordinate donor activity were largely unsuccessful because of its weak staff and the entrepreneurial activity of various ministers. World Bank and EEC review of the documents for a 1983 UNDP Round Table led to its indefinite postponement. We have stressed to the donors that donor coordination is essential, preferably under Government aegis, but, if not, in private among the donors themselves. We have told the Government that donor coordination would be most effective if the Guineans integrated the planning function with a systematic approach to seeking finance and organized formal, Government-led aid coordination. The Bank's objective will be to use the TA project to encourage this merging and streamlining of responsibility in strengthened Ministries of Finance and Planning.

30. In early 1985 we propose to organize a meeting of selected donors to mobilize some US\$100 mn cofinancing to the IDA RIC and the IMF Standby to support the economic reform program. The Bank will also help the Government convene during 1985 selective meetings of donors to review the key sectoral strategies and investment programs. The main targets of this exercise in information-sharing, which is already underway, will be Caisse Centrale and FAC, West Germany, the European Commission, CIDA, AfDB, and USAID. Arab funding agencies will also be approached as their support is essential for successful financing of large projects. If sectoral meetings are successful, from mid-1986 we would organize a Consultative Group to examine regularly Guinea's external financing needs and progress in reform.

31. An expanded and diversified IDA program should attract cofinancing from a variety of donors who are not as yet prepared to increase their exposure substantially or to take the lead in a particular project or sector. Given the dimension of Guinea's needs, cofinancing will become increasingly important. We envisage parallel financing by other donors with IDA in specific projects; and the sharing out of financing for investment programs based on agreed sector strategies in which the Bank would play the lead role in institutional development. Past experience, however, would indicate that only France and the Fund would be prepared to join the Bank in a policy discussion, although the EEC might add Guinea to the group of countries (such as Mali and Zimbabwe) where the FED's agricultural program is based on policy change.

MAR 30 2023

- 14 -

WBG ARCHIVES

D. LENDING OPERATIONSProject Performance

32. Project performance in Guinea has been generally satisfactory, with our operations leading to a frank sector dialogue with technical ministries. Physical execution continues to outstrip lagging institutional performance (aid for which was resisted until about 1980) given the poor public sector staff performance already noted. Yet progress toward the strategy outlined in the 1982 DCB -- promoting growth in productive sectors through improved resource allocation, and the encouragement of policy reform -- has been substantial, and even before the coup institutional upgrading and policy reform was marked in education and transport, even as it was slow and sometimes difficult in other sectors.

33. The new authorities have displayed a more realistic view of what needs to be done institutionally, and acknowledge the need for reorganization and training, as evidenced by bold actions planned to strengthen the Central Bank and the Ministries of Planning and Finance. Institutional studies are at last underway for public utilities, sector-wide educational planning is taking hold, and managers of Bank-supported projects are given more autonomy. Institutional obstacles to livestock development were removed in April 1984 and, in line with the Agricultural Sector Review recommendations, a regrouping of agricultural services into a single Ministry of Rural Development is now planned. Procurement problems (generally delays due to misapplied central interventions) are being resolved. A permanent solution will emerge from the upcoming TA project with the long-overdue abolition of the Central Studies Office and the creation of more workable procedures. In short, project implementation, while generally good, can be expected to improve in coming years. Access to resources has also been improved as cofinancing became the rule with all IDA-financed operations: three FY84 projects totalling US\$46.7 mn were complemented by US\$26.8 mn of cofinancing, which is also foreseen for all FY85 and 86 projects. A wide range of contacts with other donors has also laid the foundation for expanded future cooperation as well as improving cofinancing prospects. Since an expanded IDA program involves the full support of other donors, it will be important to involve them in the policy definition phase, and gather their agreement on sector and investment strategies. We also plan to encourage some of the larger and more experienced cofinancing partners, such as France and Germany, to take up some of this sector work themselves.

The FY85-89 Strategy

34. While the two FY85 and FY86S programs-managed operations (RIC, TA) will promote our key macroeconomic policy change and improved economic management objectives, the IDA FY85-89 lending program will also include vital complementary project lending, which will be increasingly policy-oriented, highlighting pricing and institutional reforms and sectoral strategies and investment programs. The size and content of the lending program will depend on the Government translating its intentions for reform into concrete actions. The recommended lending program discussed below assumes that major economic reforms are undertaken immediately. A strong reserve program is foreseen, with standby projects being advanced as the policy dialogue proceeds and

codonors are found, and reserve projects will be moved into the program depending on IDA resource availability and implementation progress.

35. Within the context of ongoing technical assistance and our policy dialogue and sectoral work focussing on the public sector 8/, project lending will support the economic rehabilitation process. The on-going project portfolio supports infrastructure critical for the recovery effort -- rehabilitation and consolidation efforts in rural transport (Highways III), power (Power I) and water supply (Water Supply and Sanitation I) -- while laying the foundation for sound economic growth in productive sectors (Petroleum Exploration Promotion, Industrial Rehabilitation and Promotion, and Rice I). Lending directly focussed on poverty alleviation is and will remain limited, as the former regime's policies successfully distributed poverty to all urban and rural income levels; the ongoing Education II, Water Supply and Sanitation I, and Conakry Urban projects address basic urban needs while the increased focus on agriculture made possible by pricing changes will increase the incomes of the rural poor. Once rehabilitation and stabilization are well underway, expansion projects in power, water supply, and mining would be considered, and IDA projects in other sectors would support new investments.

36. There remains a risk that the Government's determination to undertake reform may weaken. Attachment 1 therefore also presents a second, smaller program, should the Government not be prepared to initiate early reform. In this case, we should not be able to proceed with the RIC and an FY88 SAC, the policy thrust for agriculture would be in doubt, and lending for industry would be virtually ruled out, although follow-on projects addressing basic educational and water supply needs would continue, with limited sectoral reform impact. In power and highways, the focus would be on rehabilitation, although in all sectors doubts would arise about recurrent cost financing capacity and, in the absence of a macroeconomic reform to elicit a higher level of donor support, cofinancing leverage - and therefore project size - would be smaller. In short, much depends on the Government's resolve to undertake major macroeconomic reforms in the immediate future, and on complementary donor willingness to provide technical and financial support.

The Key Sectors

37. The following discussion amplifies the proposed strategy with respect to the key sectors: agriculture, industry, mining (including the role of IFC), power and energy, water supply, urban development, transport, education, and health and population.

38. Agriculture. IDA's expanded agricultural program will support the recent shift (in line with the Agricultural Sector Review recommendations) from collectivism towards market pricing and smallholding by emphasizing

8/ The EEC has agreed to keep IDA informed of the progress of a public service study it will initiate in 1985; future organizational studies and project preparation will address public sector management issues across the board, and link them to our overall policy dialogue.

MAR 30 2023

- 16 -

WBG ARCHIVES

increased food production. There is considerable potential for import substitution (rice, maize, fonio), expanded livestock production, and exports of

coffee, tropical fruits, and possibly palm products. Emphasis will be on a coordinated national program in which many donors will participate.

39. With the abolition by the new Government of the forced marketing system that led to the cancellation of the First Livestock Development Project (Sept. 1983) a second such project (FY87S), updating the first in the new environment, is being prepared for appraisal as soon as preparation is completed early in 1985. Private sector involvement will be sought in distribution of medicines and inputs, and in establishing an efficient vaccination service. The Second Rice Development Project (FY87S) will strengthen successful smallholders and its design will include production closer to Conakry (the main consumption center) and promote the new institutional strategy focussed on the unified and streamlined new Ministry of Rural Development (18,000 staff currently burden the Ministry of Agriculture and the ex-Ministry of FAPAs). Based on experience elsewhere in Africa with semi-enclave projects, whose long-term impact has been questioned, project field activities will be closely integrated with MDR's need for research, seed production, farmer support and overall monitoring capabilities.

40. Preparation of a detailed long-term sector strategy will begin in early 1985, following contacts with interested donors, under a First Agricultural Technical Services project that will be appraised and processed as a supplemental project paralleling Rice II. MDR's longer-term institutional development will be promoted through a follow-up FY88S National Agricultural Services Project II, including creation of a national extension service. An agricultural research program linked to this effort would be prepared for donors able to make a long-term commitment.

41. Sector work in FY87 will review the impact of reform on agricultural production, and begin to examine other topics (forestry, credit, producer behavior, farm budgets, and agroindustry) needed to focus Government strategy and to refine the sectoral investment program; subsector interventions would be defined and prepared subsequently by IDA and other donors. Consistent with the emphasis on smallholders, the reserve Seeds Project (FY88) would eventually be required, depending on the progress under earlier projects. Tree crops and tropical fruits, where the private sector has a clear advantage, will not be targeted for IDA intervention. Because of land erosion problems, sector work in forestry will be undertaken, possibly leading to an FY89R project.

42. Industry. The Government has announced that the private sector is now to be charged with industrial and commercial development. But defects in physical and social infrastructure and a general administrative unfamiliarity with investment promotion will remain obstacles to development even after the exchange rate problem is resolved. The studies needed to fill in our patchy knowledge of the sector and to help Government formulate a policy framework are outlined in Attachment 4, starting with a manufacturing census undertaken

via the ongoing IDA project. ^{9/} They represent a minimal 30 staffweeks of effort. Further rehabilitation of industrial enterprises will await the results of a Government review of the parapublic sector to be undertaken under the IDA TA project. The Bank will nevertheless provide input to UNDP-financed review of overall industrial strategy by UNIDO, and tighten supervision of the ongoing project in light of the disappointing performance of the line of credit for small and medium enterprises. We will continue to press Government to strengthen investment promotion, and coordinate efforts with the program of the UN Center for Transnationals. Should good progress be made, the FY88 Second Industrial Development Project, which was placed in reserve, could be reinstated, subject to overall program constraints, with a special focus on privatization of viable public enterprises.

43. Mining. The FY86 Mineral Development Project will promote diversification in this important sector. The Bank will continue to advise Government on enhancing revenue potential for the bauxite sector. The Government realizes that the multibillion-dollar Konkouré dam and aluminum project is not viable in the foreseeable future, and difficult negotiations with Guinea's foreign partners in CBG and FRIGUIA would be involved. Complex organizational and financial problems, and depressed iron ore markets, make prospects for the Mifergui-Nimba Iron Ore Project (FY89) highly uncertain, although Government is realistically examining its options with LAMCO for a smaller project (3-5 mtpy) to take advantage of the existing transport infrastructure in Liberia. In the light of these uncertainties, we have agreed with Government that other mineral and gem prospects should be examined, to see how private sector development might lead to higher (and more rapid) returns to Guinea than bauxite and iron ore, which require larger investment and greater risk-sharing by Government. The Mineral Development Project, which will emphasize technical assistance as well as entrepreneurial approaches to mining promotion, will be processed in FY86 in parallel with preparation of a sector review.

44. Power and Energy. Rehabilitation of the existing power system is proceeding well under Power I, but slow progress is evident in strengthening the utility, SNE, and its finances. A component of FY84 Petroleum Exploration Promotion Project extends the operating and technical assistance to SNE, and the Government now seems receptive to the need for reform. The FY86S Power II Engineering and Technical Assistance Project, cofinanced by CCCE and KfW (partners under Power I), and by CIDA, will include an institutional study and a least-cost investment program to meet electrical energy needs into the early 1990s, for which a demand forecast will be made. The power sector investment plan, which should be ready in mid-1985, will complement sector work and an Energy Assessment planned for FY85 in parallel with project preparation, and would be the basis for a donors' conference. If agreement is reached with the Government on making the utility technically competent and managerially autonomous, a Second Power Project (FY89S) would finance a hydroelectric plant and necessary transmission and distribution facilities; as much as US\$300 mn in cofinancing would have to be mobilized.

^{9/} Industrial Rehabilitation and Promotion Project.

MAR 30 2023

- 18 -

WBG ARCHIVES

45. Water Supply. Physical progress of the FY79 Water Supply and Sanitation I focussing on Conakry has again greatly surpassed institutional performance: as with Power I the impediments have been interference in utility management and tariff setting. The institutional study currently underway must be implemented before any further IDA involvement in the sector can be considered. Needs are however great, with access to safe water a major factor in health problems, and the Government has expressed interest in secondary center and rural water supply needs as a matter of priority. Although there is considerable donor interest in the sector, the Bank's leadership is necessary if least-cost solutions and full attention to institutional development are to be given priority. Since IDA resources will remain limited, involvement in an FY87 Second Water Supply Project would be justified only in an overall sector investment program with carefully-defined institutional and financial targets, fully supported by other donors.

46. Urban Development. The FY84 Conakry Urban Development Project is oriented toward technical assistance to improve urban management and its fiscal base. Implementation will receive special attention (i) because sound development of Conakry has great political and economic importance and (ii) because urban housing, small-scale contracting, and building services have a high local content, will be important for employment generation, and, if private initiative is encouraged, have strong backward and forward linkages. With other donors, we will seek to limit Government's role in urban development to planning and organization, rather than direct intervention; this is in line with the new Government's announced intentions.

47. Transport. The institutional arrangements under Highways III correct many earlier project implementation problems, and establish a unit that could be the basis for a local public works enterprise. The Conakry Port project removes a major bottleneck to Guinean development, and introduces an organizational model for an autonomous public enterprise which could be used elsewhere (e.g., the new airport). The FY84 Transport Sector Memorandum will be discussed with Government in FY85, and, along with the Transport Plan study financed under Highways III, will be the basis for a medium-term investment and rehabilitation program to be reviewed with other donors on its completion at end-1985. A reserve Highway Sector Project (FY88R) would adopt a sectoral approach and depend on the progress of sectoral dialogue and agreement on an investment program and especially in stimulation of a local civil works industry. In the interim, no transport investment will be initiated prior to completion of the IDA-financed study; the future of the Conakry-Kankan railroad, about whose viability IDA (but not FAC, which is currently studying it) has doubts, will be discussed at that time.

48. Role of IFC. Following its first investment in the AREDOR diamond and gold mining venture in 1982, IFC is stepping up efforts to identify other opportunities for private sector participation, including a granite quarrying and exporting venture with a French partner. IFC is also promoting projects in industry and agro-industry processing local raw materials for export. To provide an effective climate for investment, IFC expects to work with the Bank in providing advice on the new investment code and its application, and generally on measures to stimulate private investment.

FEB 17 2017

- 19 -

WBG ARCHIVES

49. Education. The education sector has not only been identified as the top priority of the new Government, but also is the one where the Bank's dialogue and projects have been most successful. Education II makes good progress in spite of procurement delays, and UNESCO-assisted sector work during FY85 has been advanced to provide policy advice on primary and technical education reform, manpower requirements, and costing and financing. France has been asked -- and seems willing -- to take the lead in sector reform, and is coordinating its plans with the Bank. A Third Education Project (FY89) would address sector priorities. There remains the need to define long-run manpower policies, train staff for new private sector employment opportunities (which may overburden the system further with new and unforeseen skill demands if private sector growth takes hold), retrain civil servants in the light of public sector rationalization plans, and broaden access to quality primary education. Upcoming sector work will examine these issues.

50. Health and Population. A joint IDA/WHO FY85 sector mission found the situation very difficult. There have been few visible signs of the efforts of other donors in generously supplying ambulances (soon inoperative) and equipment, due to weak management in the Ministry of Health, outright theft of these items, poorly trained medical and paramedical staff, inadequate recurrent cost support, and insufficient health facilities, even in the capital (the former regime relied on foreign treatment for the elite). Although a 1982 population commission was created as a magnet for donor support, the previous regime had a strongly pronatalist approach. Bank involvement would be justified if a health sector strategy were to be adopted for setting up basic rural health care, for training staff, and facilitating private sector involvement in drug supplies. Senior ministry staff seem supportive of family planning activities. A FY89S Health/Population project would be prepared should the Government accept the sector review conclusions and agree on an appropriate strategy, including population policy, during discussions of the sector review in mid-1985.

Impact and Resource Implications

51. Projects in Guinea will continue to require careful and above-normal supervision if the institutional objectives central to our program are to be achieved. Attachment 4 sets out a CESW program for FY85-87; the recommended reinstatement of an industrial sector strategy (to be completed in 1987) is noteworthy as a synthesizing exercise drawing on the work of others, our project work, and a review of the financial sector. Once industrial policy is agreed with the Government, the content of industrial lending (for which an FY88R project is envisaged) can be determined. More generally, increased Government responsiveness would support an increase in Guinea's IDA allocation in line with other Sub-Saharan countries with similar responsiveness. In turn, the Bank's ability to influence Government policy will continue to depend on the size and diversity of its lending program. At its current per capita income level, Guinea is clearly far from being an IBRD country, but if reform takes hold and growth is stimulated, access to commercial resources should become possible, and IBRD blend lending might be envisaged for larger projects by the end of the decade under the proposed Guarantee Fund.

MAR 30 2023

- 20 -

WBG ARCHIVES

52. The Bank is uniquely placed to help the new Government at a critical juncture as it seeks to mobilize international support for a rehabilitation program. The Bank can assure that such a program is well-conceived, and that external support fosters a dynamic private sector as well as needed institutional and policy reforms. In the key agricultural sector, given Government responsiveness, extra IDA resources would attract significant cofinancing. Similarly, IDA can play a leadership role in mobilizing support for the large investment programs that will be needed in transport, energy, and water, and monitor implementation. A FY84-89 IDA lending program of US\$150.5 mn is therefore proposed, with a US\$50 mn IBRD loan for the Mifergui project, should studies demonstrate its viability.

53. The proposed program would support 12 IDA operations, covering in addition to non-project lending (2) and technical assistance (1), agriculture (3), energy (2), industry (1), education (1), health/population(1) and water supply (1). The IDA program depends on, and indeed is partly justified by, the Bank's being able to mobilize significant cofinancing for sector investment programs and for the balance of payments support needed for the rehabilitation of the economy. The proposed IDA allocations for energy, highways (in reserve) and water supply would need to be joined by cofinanced amounts reaching possibly US\$300 mn, US\$200 mn and US\$75 mn respectively in support of sector programs in which IDA took the lead in supporting sector institutional development. The needs of the agricultural sector will also be substantial: IDA would be joined by other donors for complementary and parallel operations supporting the agreed sectoral strategy and long-range development program. We propose that the donors continue to finance a high proportion of project cost. Although the foreign exchange component (which in the past often exceeded 85 percent of total project cost) is likely to fall with an opening of the economy after monetary reform, to support economic reform and continued good project performance, we propose that IDA continue to finance the full foreign cost of all projects, or up to 80 percent of total costs, whichever is higher, and with cofinancing, all foreign costs or up to 90 percent of total costs

54. The proposed program has a core of traditional projects where preparation is well-advanced and the conditionality acceptable to Government (Technical Assistance, Mineral Development, Rice II, Livestock II). But the bulk of the proposed lending program depends on substantial progress toward institutional reforms, liberalizing markets, and on economic reform ending the price distortions that have made suitable projects in the productive sectors difficult to identify. If the FY89 Mifergui project does not materialize, the released IBRD resources should be converted to an increase in Guinea's FY85-89 IDA allocation to maintain it (as recommended) at the FY79-83 real level of IBRD/IDA resources, US\$5.4 per capita per year. Should the Government move more swiftly to carry out the reform program, the next CPP would argue for an increase in Guinea's real per capita IDA allocation. This would permit the expected inclusion in the program of four outer year reserve projects.

55. The reserve program has a three-fold operational thrust: (i) to support larger sub-sectoral efforts in which other donors would finance the bulk of program costs, but where a small IDA presence would provide an institutional linkage to other closely-related operations in the sector where IDA was involved (e.g. Seeds, Forestry); (ii) where the policy framework and the role of other donors and the private sector remains to be defined (e.g. IDF

II); and (iii) where the need is evident, but the relative roles of IDA and other donors requires clarification (e.g. Highways IV). Preparation for reserve projects in the agricultural sector will emerge at relatively low cost from other activities planned in the core program, from preparation included under on-going operations, or from sector work building on the experience of other donors.

56. In recognition of the additional resources that our program in industry and PHN will require (in these sectors, unlike agriculture and industry, we lack a long-term involvement and reasonably clear ideas on desired action areas), we intend: (i) to orient industrial and PHN sector and economic work toward practical issues of project preparation and defining policy content; (ii) to "piggyback" the preparation of these operations on others; and (iii) to view IDA's role as being a "junior partner" in some operations, using the resources of other agencies in project development and implementation. For example, we have agreed to follow the UNIDO industrial sector work, and have noted the AfDB request that we participate in a health project for which they would finance the preparation, following Bank sector work.

57. The policy-oriented lending and sector work program proposed will require a related expansion in Bank administrative resources. The proposed opening of a resident mission in Conakry, as requested by the new Government, will greatly strengthen our operations and dialogue, particularly the latter. As aid coordination becomes more important, it would also allow better communication with the other donors represented in Conakry. Although overall budget restraints may limit such a mission to one staff member, ideally two are needed -- one to handle operational issues, and the other to handle economic analysis. At Headquarters, an additional economist would follow important education and industry sector work, and strategies and lending operations in those sectors.

58. We also envisage the secondment of Bank staff under the IDA-only Technical Assistance program. Although the former Government did not take up repeated offers of advisors in the Ministry of State Control or the Central Bank, the new authorities are interested. Assistance for agricultural, health and industrial planning are clear priorities, and the rationalization of the parapublic sector (to be initiated under the Technical Assistance Project) may require direct Bank involvement. IFC is considering how to help the Government screen prospective industrial and services investors, and their intervention should be coordinated with the Bank's, whether it is additional support through joint missions with regional programs staff, or a staff secondment.

59. In combination, increased administrative resources and a diverse lending program will respond to Guinea's needs at a critical juncture in the country's history as well as to the repeated requests of the new authorities, who have so far demonstrated their openness to reform. Although the challenges arising from a quarter-century of mismanagement are great, and sustainable development will only be achieved in the longer-term, Guinea does have potential for a return to creditworthiness. The catalytic effect of Bank leadership in aid coordination and mobilization of cofinancing, coupled with a carefully formulated and monitored reform and rehabilitation program, can assure that these goals are achieved sooner rather than later, and that a historic opportunity is grasped rather than fumbled.

GUINEA

COUNTRY PROGRAM PAPER

I. Proposed Lending Program (As recommended by CPP, based on November 1984 country allocations)

	FY85		FY86		FY87		FY88		FY89		TOTAL	
	IDA		IDA		IDA		IDA		IBRD	IDA	IBRD	IDA
TA Econ Mgt	9.5	S Power II Eng	5.4	S Livestock II	12.0	SAC	10.0	Educ III		11.0		
		Mineral Devt	3.0	S Rice II	19.0			S Power II		25.0		
		S Rehab Import	29.4	Water II	12.0	S Ntn.Ag.Serv	8.0	S Pop/Health Mifergui		6.2		
	9.5		37.8		43.0		18.0		50.0	42.2	50.0	150.5

Reserve Program

R Hwy Sector	20.0	R Forestry	10.0
R Seeds	10.0		
R IDF II	10.0		

II. Alternative Lending Program (No Macroeconomic Reform)

	FY85		FY86		FY87		FY88		FY89		TOTAL	
	IDA		IDA		IDA		IBRD	IDA	IBRD	IDA	IBRD	IDA
TA Econ Mgt	9.5	Mineral Devt	3.0	Educ III	10.0	Power II	15.0	S Hwy IV		15.0		
Power Eng	5.4	Rice II	15.0	Water II	15.0	Mifergui	50.0					
		Livestck II	10.0									
	14.9		28.0		25.0		50.0	15.0		15.0	50.0	82.9

Reserve Program

R Agric. TA	5.0	R TA II	5.0	R Rehab Import	10.0
R IDF II	5.0	R Rur. Health	5.0		
	10.0		10.0		10.0

GUINEA : ACTUAL AND PROPOSED PROGRAM OF LENDING OPERATIONS THROUGH FY89
(US\$ million)

Population : 5.7 million
GNP Per Capita : US\$299
Area : 245,900 km²
Literacy Rate : 20 percent

		Through FY79	FY80	FY81	FY82	FY83	FY84	Current FY85	FY86	Program FY87 FY88		FY89	TOTAL FY80-84	TOTAL FY85-89	TOTAL FY86-89	Reserve Projects	
Daboya Pineapple Dev't.	IDA	7.0															
Rice Development I	IDA		10.4														
Rice Development II	IDA																
Livestock Dev't. I	IDA			17.5							19.0*						
Livestock Dev't. II	IDA										12.0*						
Nat'l. Agric. Services I	IDA											8.0*					
Seeds	IDA																10.0(88)
Forestry	IDA																10.0(89)
Education I	IDA	8.0															
Education II	IDA					11.0											
Education III	IDA											11.0					
Power I Eng. & Repair	IDA	1.13															
Power I	IDA			28.5													
Power II Engineering	IDA																
Power II	IDA								5.4*								
Petroleum Expl. Promo.	IDA						8.0										
Water Supply I & Sanitation	IDA	12.5															
Water Supply II	IDA										12.0						
Highway I	IDA	14.0															
Highway II	IDA		13.0														
Highway III	IDA							28.0									
Highway Sector	IDA																
Conakry Port	IDA					13.0											20.0(88)
Industrial Rehab. & Promo.	IDA				19.0												
IDF II	IDA																10.0(88)
Boke Eng. & Infrastructure	IBRD	1.7															
Boke Bauxite	IBRD	64.5															
Boke Bauxite (Extension)	IBRD	9.0															
Mineral Development	IDA								3.0								
Mifergui-Nimba Iron Ore	IBRD											50.0					
Conakry Urban Dev't.	IDA						10.7										
Population/Health	IDA											6.2*					
Technical Asst. I	IDA							9.5									
Rehabilitation Imports	IDA								29.4*								
Structural Adjustment	IDA										10.0						
Lending Program	IBRD	75.2	-	-	-	-	-	-	-	-	-	50.0	-	50.0	50.0		
	IDA	42.63	23.4	46.0	19.0	24.0	46.7	9.5	37.8	43.0	18.0	42.2	111.4	150.5	141.0		
Total		117.83	23.4	46.0	19.0	24.0	46.7	9.5	37.8	43.0	18.0	92.2	111.4	200.5	191.0		
Number		8	2	2	1	2	3	1	3	3	2	4					
(o/w IDA)		(5)	(2)	(2)	(1)	(2)	(3)	(1)	(3)	(3)	(2)	(3)					
Lending Program in Constant FY84 Commitment \$			28.6	54.8	21.7	25.8	46.7	8.8	32.5	34.5	13.5	65.3	177.6	154.6	145.8		
Commitment Deflator (FY84 = 100)			81.9	83.9	87.5	93.0	100.0	108.0	116.3	124.6	132.8	141.1					
Standby Projects	IBRD								-	-	-	-					
	IDA								34.8	31.0	8.0	31.2					
Total									34.8	31.0	8.0	31.2					
Number									2	2	1	2					

* Standby Projects.

WA2DB
November 30, 1984

GUINEA

Proposed FY85-89 Lending Program

<u>Sector</u>	<u>Key Objectives and Sector Conditionality</u>	<u>Traditional Program</u>	<u>Expanded Program</u>	<u>Reserve Program</u>
Economic Management	Support program for economic reform and structural adjustment of the economy through policy changes and strengthened economic management	Technical Assistance FY85 9.5	Rehabilitation Imports Credit FY86S 29.4 SAC FY88S 10.0	
Agriculture	Formulate and implement long-run institutional strategy, supported by other donors, to increase production for local consumption and export.	Rice II* FY87S 19.0 Livestock II FY87S 12.0	National Agricultural Services FY88S 8.0	Seeds FY88 10.0 Forestry FY89 10.0
Industry	In line with future decision on industrial policy and strategy, support efforts to increase private sector role.	Mineral Development FY86 3.0	Mifergui Iron Ore (IBRD) FY89 50.0	IDF II FY88 10.0
Energy	Prepare and implement with support of other donors least cost national power investment program managed by capable sector institutions.	Power II Engineering and Technical Assistance FY86S 5.4	Power II FY89 25.0	
Water Supply	Prepare and implement national water investment program, supported by other donors and managed by capable sector institutions.		Water Supply II FY87 12.0	
Education	Following review of manpower issues, support program to increase access to quality primary and technical education	Education III FY89 11.0		
Transport	Support policy-based investment program to improve access to rural areas and ensure proper maintenance of infrastructure			Highway Sector FY88 20.0
Population and Health	Improve health conditions, particularly in rural areas, through sectoral strategy and investment/training program including attention to population issues.		Health/Population FY89S 6.2	
		TOTAL:		
		IDA: (6) 59.9	IDA (7) 90.6 IBRD (1) 50.0	IDA (4) 50.0

* Rice II may be split into two projects, one an area development project focussing on rice and coffee production, the other a supplemental technical assistance operation for the Ministry of Rural Development (ex-agriculture ministries). In this case, the FY88S project would be National Agricultural Services II.

GUINEA	- SOCIAL INDICATORS DATA SHEET				
	1960/b	1970/b	MOST RECENT ESTIMATE/b	REFERENCE GROUPS (WEIGHTED AVERAGES) /a (MOST RECENT ESTIMATE) /b LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA S. OF SAHARA
AREA (THOUSAND SQ. KM)					
TOTAL	245.9	245.9	245.9	.	.
AGRICULTURAL	44.0	45.7	45.7	.	.
GNP PER CAPITA (US\$)	80.0	120.0	310.0	249.1	1112.9
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF OIL EQUIVALENT)	35.0	58.0	55.0	62.8	529.0
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	3850.0	4490.0	5704.0 /c	.	.
URBAN POPULATION (% OF TOTAL)	9.9	13.9	20.3	19.2	29.7
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILL)			8.7	.	.
STATIONARY POPULATION (MILL)			28.0	.	.
POPULATION MOMENTUM			1.8	.	.
POPULATION DENSITY					
PER SQ. KM.	15.7	18.3	22.7	32.5	55.8
PER SQ. KM. AGRI. LAND	87.5	98.2	122.0	119.2	111.5
POPULATION AGE STRUCTURE (%)					
0-14 YRS	42.0	42.5	44.0	45.6	45.4
15-64 YRS	55.1	54.7	53.0	51.5	51.7
65 AND ABOVE	2.8	2.8	2.9	2.9	2.9
POPULATION GROWTH RATE (%)					
TOTAL	1.1	1.5	2.0 /c	2.8	2.8
URBAN	7.0	4.9	5.1	6.2	5.2
CRUDE BIRTH RATE (PER THOUS)	48.3	49.3	49.1	48.6	47.0
CRUDE DEATH RATE (PER THOUS)	34.9	31.8	27.0	17.7	15.2
GROSS REPRODUCTION RATE	3.2	3.2	3.1	3.2	3.2
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUS)	..	..	..	.	.
USERS (% OF MARRIED WOMEN)	..	..	..	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PROD. PER CAPITA (1969-71=100)	97.0	101.0	89.0	85.8	91.6
PER CAPITA SUPPLY OF					
CALORIES (% OF REQUIREMENTS)	74.0	78.0	75.0	86.4	98.2
PROTEINS (GRAMS PER DAY)	37.0	38.0	36.0	49.9	56.7
OF WHICH ANIMAL AND PULSE	7.0	6.0	7.0 /d	18.3	17.0
CHILD (AGES 1-4) DEATH RATE	65.0	58.0	50.0	23.8	18.7
HEALTH					
LIFE EXPECT. AT BIRTH (YEARS)	32.3	34.4	37.5	48.4	51.7
INFANT MORT. RATE (PER THOUS)	222.0	208.0	190.0	117.5	102.7
ACCESS TO SAFE WATER (%POP)					
TOTAL	..	..	10.0 /e	21.8	35.6
URBAN	..	..	44.0 /e	61.5	54.1
RURAL	..	..	2.5 /e	14.2	27.3
ACCESS TO EXCRETA DISPOSAL (% OF POPULATION)					
TOTAL	..	13.0	..	32.0	..
URBAN	..	70.0	..	69.2	..
RURAL	..	2.0	..	24.8	..
POPULATION PER PHYSICIAN	33770.0	35460.0	17110.0 /d	27477.8	11948.3
POP. PER NURSING PERSON	4040.0	2220.0	2570.0 /d	3396.2	2248.9
POP. PER HOSPITAL BED					
TOTAL	1410.0	670.0	660.0 /e	1089.0	986.9
URBAN	260.0	240.0	400.0 /e	395.2	368.7
RURAL	2760.0	960.0	760.0 /e	3094.0	4012.1
ADMISSIONS PER HOSPITAL BED	..	16.0	..	..	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
AVERAGE NO. OF PERSONS/ROOM					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECT. (% OF DWELLINGS)					
TOTAL	..	..	5.0 /e	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

GUINEA	- SOCIAL INDICATORS DATA SHEET				
	1960/b	1970/b	MOST RECENT ESTIMATE/b	REFERENCE GROUPS (WEIGHTED AVERAGES) /a (MOST RECENT ESTIMATE) /b LOW INCOME AFRICA SOUTH OF SAHARA MIDDLE INCOME AFRICA S. OF SAHARA	
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	30.0	33.0	33.0	69.2	91.0
MALE	44.0	45.0	44.0	78.8	90.5
FEMALE	16.0	21.0	22.0	57.6	73.6
SECONDARY: TOTAL	2.0	13.0	16.0	13.1	17.4
MALE	3.0	21.0	23.0	17.6	23.7
FEMALE	..	5.0	9.0	8.3	14.8
VOCATIONAL (% OF SECONDARY)	21.7	3.2	2.7	7.2	5.3
PUPIL-TEACHER RATIO					
PRIMARY	66.0	44.0	36.0	46.1	38.6
SECONDARY	26.0	23.0	24.0 /e	25.9	24.3
ADULT LITERACY RATE (%)	7.0	9.0 /g	20.0 /h	44.3	35.6
CONSUMPTION					
PASSENGER CARS/THOUSAND POP	1.4	2.2	..	3.8	20.7
RADIO RECEIVERS/THOUSAND POP	10.2	20.3	22.2	41.9	100.8
TV RECEIVERS/THOUSAND POP	..	..	1.1	2.0	18.5
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	0.2	1.1	3.7 /h	5.4	17.2
CINEMA ANNUAL ATTENDANCE/CAPITA	..	..	..	1.4	0.3
LABOR FORCE					
TOTAL LABOR FORCE (THOUS)	1910.0	2140.0	2494.0	.	.
FEMALE (PERCENT)	40.4	40.3	40.5	36.5	33.8
AGRICULTURE (PERCENT)	88.0	85.0	82.0	77.4	57.1
INDUSTRY (PERCENT)	6.0	8.0	11.0	9.8	17.4
PARTICIPATION RATE (PERCENT)					
TOTAL	49.6	47.7	43.7	41.0	36.3
MALE	59.4	57.4	53.6	52.1	47.6
FEMALE	39.9	38.1	34.4	30.2	25.1
ECONOMIC DEPENDENCY RATIO	0.9	1.0	1.1	1.2	1.4
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5% OF HOUSEHOLDS	..	..	..	..	..
HIGHEST 20% OF HOUSEHOLDS	..	..	..	..	..
LOWEST 20% OF HOUSEHOLDS	..	..	..	..	..
LOWEST 40% OF HOUSEHOLDS	..	..	..	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	..	168.3	525.3
RURAL	..	..	..	90.8	249.0
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	70.0 /e	107.7	477.4
RURAL	..	..	..	65.0	186.0
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)					
URBAN	..	..	..	34.7	..
RURAL	..	..	..	65.4	..

.. NOT AVAILABLE
. NOT APPLICABLE

NOTES

- /a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.
- /b Unless otherwise noted, "Data for 1960" refer to any year between 1959 and 1961; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1980 and 1982.
- /c Recent Government estimates from Administrative Census indicate a resident population (excluding non-Guineans) of 4.53 million in 1977 and population growth rate of 2.7 p.a.; /d 1977; /e 1978; /f 1976; /g 1965; /h 1979.

JUNE, 1984

Population and health indicators for 1970, as well as the most recent estimates, call for great caution as there has been no reliable demographic survey between 1958 and 1983.

GUINEA - ECONOMIC INDICATORS

Population : 5700 (mid-1983, thousands)
 GNP Per Capita : US\$299 (1983)

Indicator	Amount million of GS in 1982	Annual growth rate at 1982 constant prices									
		Actual					Projected				
		1980	1981	1982	1983	1984(b)	1985	1986	1987	1988	1989
NATIONAL ACCOUNTS											
Gross domestic product (a)	39113	2.6	0.6	1.8	1.3	1.6	2.7	4.1	4.7	4.8	4.8
Agriculture	16056	3.7	1.2	2.3	1.0	1.7	1.7	3.0	3.5	3.5	3.5
Industry	9115	7.4	-2.9	1.3	0.6	1.6	4.0	6.2	7.5	8.0	8.0
Services	13942	-1.9	2.2	3.0	2.1	1.4	3.5	4.5	5.0	5.0	5.0
Consumption	32375	2.0	5.3	5.2	5.8	4.0	1.5	3.6	4.6	4.1	4.0
Gross Investment	5315	+27.0	-9.0	-2.0	-15.0	-10.0	3.0	7.0	10.0	12.0	15.0
Exports of GNFS	9924	12.9	-12.2	-2.6	6.3	6.4	9.0	8.5	6.5	7.9	5.8
Imports of GNFS	9302	-6.8	27.3	-11.2	3.9	9.9	5.6	8.5	8.1	8.6	7.4
Gross National Savings	3533	+98.7	-28.0	-10.4	5.5	-29.3	10.3	18.4	17.1	18.0	15.1

PRICES

GDP deflator	87.6	95.8	100.0	115.0	127.0
Exchange rate GS/\$	18.97	20.93	22.36	23.09	24.29(b)

	Share of GDP at Market Prices (%) (at constant prices)					Average Annual Growth			
	1973	1975	1980	1985	1989	1973/75	1975/80	1980/85	1985/89
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	5.5	3.5	1.6	4.6
Agriculture	46.3	43.3	40.5	40.4	38.7	2.1	1.5	1.6	3.4
Industry	20.0	22.0	23.6	23.2	25.7	7.7	4.9	0.9	7.4
Services	33.7	34.7	35.9	36.4	35.6	3.1	4.2	2.4	4.9
Consumption	101.5	80.8	74.5	87.4	85.6	-5.5	1.8	4.4	6.1
Gross investment	19.8	17.6	15.0	10.1	12.8	-1.0	0.1	-7.0	11.0
Exports GNFS	11.8	24.1	30.9	29.6	32.6	50.0	8.7	1.1	7.2
Imports GNFS	33.1	22.5	20.3	27.1	31.0	n/a	1.4	6.6	8.2
Gross National Savings	3.3	8.3	14.0	7.0	11.1	-	-	-	17.1

PUBLIC FINANCE

	(As % of GDP)				Projections		
	1973	1975	1980	1983	1984	1985	
						(c)	(d)
Current revenue	12.1	14.4	21.0	15.3	17.7	17.3	29.2
Current expenditures	16.7	13.6	26.3	17.7	17.2	19.4	24.7

OTHER INDICATORS

	1975/80	1980/85	1985/89
GNP growth rate %	3.2	2.0	5.9
GNP/capita growth rate %	0.4	-0.8	3.0
Population growth %	2.8	2.8	2.8

(a) At market prices, components may be expressed at factor cost and will not add due to exclusion of net indirect taxes and subsidies.

(b) Preliminary estimates.

(c) In the absence of any devaluation of the Guinean syli (GS).

(d) With a devaluation of the GS from 24 GS per US\$ to 150 GS per US\$.

GUINEA - EXTERNAL TRADE
(In millions of US dollars)

<u>COMPOSITION OF IMPORTS</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
(current prices)										
Total imports, c.i.f.	395	445	380	380	428	475	558	654	772	908
Foodstuffs	58	62	32	61	66	74	91	106	124	143
Other consumer goods	68	70	35	49	74	78	84	88	93	107
Petroleum products	84	97	86	83	87	97	120	144	174	210
Intermediate goods	89	103	95	73	86	98	114	134	158	185
Capital goods	96	113	132	114	115	128	150	182	223	263
(constant 1982 prices)										
Total imports, c.i.f.	392	434	380	396	438	463	504	546	594	640
Foodstuffs	58	61	32	56	62	69	77	82	87	92
Other consumer goods	68	68	35	51	74	78	82	86	90	95
Petroleum products	83	95	86	95	101	108	121	132	145	159
Intermediate goods	88	100	95	75	86	90	97	104	112	122
Capital goods	95	110	132	119	115	118	127	142	160	172
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1	2	6	12	25	28
Other	12	6	5	4	5	6	10	11	17	22
(constant 1982 prices)										
Total exports, f.o.b.	401	500	444	472	502	547	593	632	681	721
Bauxite	271	343	314	338	355	390	423	445	469	493
Alumina	113	148	114	118	121	124	128	131	135	139
Diamond	1	-	10	10	19	24	29	35	44	53
Coffee	6	2	1	1	1	2	5	11	21	22
Other	10	7	5	5	6	7	8	10	12	14
(constant 1982 prices)										
(current prices)										
Total exports, f.o.b.	496	493	444	503	535	586	674	761	873	984
Bauxite	335	339	314	368	380	418	480	535	598	665
Alumina	140	146	114	122	128	131	141	153	165	179
Diamond	1	-	10	9	21	29	37	50	68	90
Coffee	8	2	1	1	1</					

GUINEA - BALANCE OF PAYMENTS

(Millions of US\$)

	Projections									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Exports of goods	496	493	444	503	535	586	674	762	873	984
Imports of goods	395	445	380	380	428	475	558	654	772	908
Trade Balance	101	48	64	123	107	111	116	108	101	76
Services and private transfers (net)	-127	-158	-153	-165	-171	-203	-208	-202	-200	-192
of which: workers remittances	(-8)	(-9)	(-9)	(-9)	(-10)	(-12)	(-12)	(-)	(10)	(20)
interest due on MLT	(-51)	(-52)	(-54)	(-46)	(-52)	(-76)	(-68)	(-62)	(-58)	(-50)
Current account excl. off. transfers	-26	-110	-89	-42	-64	-92	-92	-94	-99	-116
Official transfers	17	16	26	18	19	23	28	34	40	46
Current account balance	-9	-94	-63	-24	-45	-69	-64	-60	-59	-70
Foreign investment	22	30	28	31	34	40	45	50	55	60
Net MLT borrowing	-2	27	-3	43	49	32	-15	-32	-30	-57
Disbursements	150	148	108	135	176	189	164	137	138	125
Amortization (scheduled)	-152	-121	-111	-92	-127	-157	-179	-169	-168	-182
Short-term capital, net	1	11	31	-3	-12	-12	-10	-6	-	-
Use of IMF Resources	-	-	-	-	-	27	8	-	-	-
SDR allocation	4	4	-	-	-	-	-	-	-	-
Errors and Omissions	-74	-86	-37	-132	-100	-40	-	-	-	-
<u>Overall Balance</u>	<u>-58</u>	<u>-108</u>	<u>-44</u>	<u>-85</u>	<u>-74</u>	<u>-22</u>	<u>-36</u>	<u>-48</u>	<u>-34</u>	<u>-67</u>
Financing:										
Increase in arrears	25	37	33	24	11	-	-	-	-	-
Change in Reserves	33	71	11	61	63	22	36	48	34	67
Net reserve level	-240	-76(1)	-87	-142	-205	-227	-263	-311	-345	-412

(1) \$213 million, consisting of a debit balance under bilateral repayment arrangements, was converted in 1981-82 into an MLT loan.

GUINEA - MEDIUM & LONG-TERM EXTERNAL DEBT

(Millions of US\$)

	Projections									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Gross Disbursements	169.4	168.8	134.1	153.5	194.6	239.2	200.0	170.9	196.7	171.2
Official grants	17.0	16.0	26.0	18.0	19.0	23.0	28.0	34.0	40.0	46.0
Public and Publicly Guaranteed	118.8	140.8	86.5	79.2	157.6	212.2	172.0	136.9	137.7	125.2
Concessional Loans	61.7	96.5	61.8	47.1	85.4	165.5	143.8	122.5	123.6	106.7
DAC	11.6	20.0	8.0	21.0	12.1	39.4	29.4	28.0	26.6	24.6
OPEC	2.8	25.2	27.5	-	8.5	35.0	36.6	34.3	34.1	31.3
IDA	9.8	13.5	11.4	16.0	20.1	47.0	44.0	29.2	29.8	24.8
Other	37.5	37.8	14.9	10.1	44.7	44.1	33.8	31.0	33.1	26.0
Non-Concessional Loans	57.1	44.3	24.7	32.1	72.2	46.7	28.2	14.4	14.1	18.5
Suppliers Credits	31.0	19.6	13.5	9.3	50.0	2.1	1.4	0.7	-	-
IBRD	-	-	-	-	-	-	-	-	-	3.5
Other	26.1	24.7	11.2	22.8	22.2	44.6	26.8	13.7	14.1	15.0
Private non-guaranteed	33.6	12.0	21.6	56.3	18.0	4.0	-	-	-	-
Total Service Payments	178.4	136.6	132.4	116.5	179.0	233.0	246.9	231.8	225.1	231.6
Public and Publicly Guaranteed	94.9	82.6	79.4	69.8	119.7	171.8	192.9	176.0	173.9	208.6
Principal	71.9	60.8	54.7	48.1	93.7	121.1	143.3	127.3	125.1	162.0
Concessional	39.6	42.0	34.6	25.8	49.2	68.8	95.4	94.6	94.6	87.0
Non-concessional	32.3	18.8	20.1	22.3	44.5	52.3	47.9	32.7	30.5	75.0
Interest	23.0	21.8	24.7	21.7	26.0	50.7	49.6	48.7	48.8	46.6
Concessional	11.6	11.6	12.0	10.4	11.6	12.5	13.7	14.3	16.1	16.6
Non-concessional	11.4	10.2	12.7	11.3	14.4	38.2	35.9	34.4	32.7	30.0
Private non-guaranteed	83.5	54.0	53.0	46.7	59.3	61.2	54.0	55.8	51.2	23.0
Principal	59.1	28.5	29.8	28.4	33.2	36.0	35.5	42.1	42.8	20.1
Interest	24.4	25.5	23.2	18.3	26.1	25.2	18.5	13.7	8.4	2.9
External Debt										
Debt outstanding & disbursed, public	1019.7	1248.9	1231.1	1215.5	1122.1	1224.2	1263.9	1273.5	1286.1	1296.3
Debt outstanding & disbursed, private	190.0	173.6	165.9	194.3	179.1	147.1	111.6	69.5	26.7	6.6
Undisbursed	515.3	431.2	308.4	322.9	358.6	335.8	305.8	257.9	216.2	262.2
Payments as % of exports	36.0	27.7	29.8	23.2	33.5	39.8	36.6	30.4	25.8	23.5

Explanatory Notes to Tables
on
Balance of Payments and External Debt

1. Recording of payments on external debt. The recording of principal and interest payments on medium- and long-term debt in the balance of payments table is done on the basis of scheduled payments. The table on medium- and long-term external debt, on the other hand, shows actual principal and interest payments in past years (1980-83) and scheduled payments in years for which projections are made (1984-89). As a result, debt service payments projected in the table on external debt are fully reflected in the balance of payments table. For the years 1980 to 1983, the difference between the actual and scheduled service payments corresponds, in the balance of payments table, to the entry "increase in arrears".

2. Private non-guaranteed debt. Private non-guaranteed debt consists exclusively of borrowing by the three private mining companies that does not carry any official guarantees. IBRD loans to CBG (bauxite) and some Caisse Centrale and European Investment Bank lending to FRIGUIA (alumina) are the only ones that are publicly guaranteed. The remainder of external borrowing by CBG, FRIGUIA and AREDOR (diamond), representing the preponderant majority of borrowing by these companies, is not recorded in the data base of the external debt division and is shown separately in the table on external debt. Projections on future borrowing and service payments were based on information provided by the companies themselves and assume a disbursement pattern of 100% in the first year.

3. Rescheduling of arrears on public and publicly guaranteed MLT debt. Service payments arrears at end-1983 were as follows (in \$ million):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Total	157.2	44.0	201.2
of which:			
OECD countries	97.8	36.3	134.1
Centrally Planned Economy	26.2	1.2	27.4
Other	31.9	5.9	37.8
Multilateral debt	1.4	0.5	1.9

Assuming an increase in arrears by the end of 1984 of \$11 million and excluding arrears on multilateral debt, the total of reschedulable debt at end-1984 is \$210 million. The projections of service payments on external debt include a rescheduling of arrears with the following assumptions:

- (a) 85% of OECD arrears are rescheduled;
- (b) 100% of Centrally Planned Economy and others (mainly China and Saudi Arabia) arrears are rescheduled;
- (c) the principal is paid back starting in 1989 in 8 equal biannual installments;
- (d) the interest on the consolidated loan is 12% on OECD arrears and 4% on the rest; and
- (e) arrears on multilateral debt and 15% of unrescheduled OECD arrears are paid back in four bi-annual installments starting in 1985.

4. Breakdown of external debt by creditor:

- (a) Concessional
 - DAC : bilateral lending by member countries of the OECD.
 - OPEC : bilateral lending by member countries of OPEC and by the OPEC Fund.
 - IDA : includes RIC in 1985 and 1986.
 - Other: African Development Fund, European Development Fund, European Investment Bank and bilateral lending by centrally planned countries and China.
- (b) Non-concessional
 - Other: African Development Bank, Islamic Development Bank, bilateral lending by centrally planned countries, DAC, OPEC and other countries as well as IMF in 1985 and 1986.

5. Worker's remittances. The projections on workers' remittances are based on the assumption that a modest proportion of the now unofficially remitted earnings of Guineans working abroad will be captured in official transactions starting in 1987.

6. Short-term capital flows. The entry represents short-term borrowing and/or repayment by the enclave mining sector. No provisions for such borrowing are made in the projections, which may prove to be optimistic.

7. Error and omissions. The large negative figures recorded in this entry are presumed to reflect (i) statistical errors in recording of international transactions and (ii) capital flight. As far as the projections for this item are concerned, there is no reason to assume that there has been any change in 1984 in these two factors underlying the large negative entries. With the institution of the Bank and Fund programs in 1985, however, it is assumed that capital flight will be prevented and statistical recording techniques will improve. The projections, thus, make provisions for capital flight and errors in recording for the first 4-5 months of 1985 and assume no "errors and omissions" for the rest of the period included in the balance of payments table.

8. Net reserve level, 1980-84. There is no information on who holds these liabilities and the intentions of the government with respect to repayment are unknown. It is important to emphasize here the unreliability of monetary statistics provided by the Government.

GUINEA
 FY85-87 Economic and Sector Work Program
 (in staff-weeks)

Attachment 4
 Page 1 of 8

TASKS	AIMS AND COVERAGE	AUDIENCE	FY85		FY86	FY86	FY87	FY87
			REVISED IS	WORK PROGRAM	BUDGET	BUDGET CORE PROGRAM	PLAN	PLAN CORE PROGRAM
I. REGIONALLY-MANAGED - ESM								
A. ECONOMIC REPORTS (EAR)								
1. GER	UPDATE MACROECONOMIC INFORMATION AND SUBSTANTIATE POLICY DIALOGUE WITH GOVERNMENT	GOVERNMENT/BANK	0.0	0.0	40.0	40.0	20.0	20.0
2. SPECIAL REPORTS								
4. REHABILITATION IMPORT CREDIT	SUPPORT ECONOMIC REFORM POLICY IN THE PRODUCTIVE SECTORS	GOVERNMENT/BANK	0.0	20.0	0.0	0.0	0.0	0.0
5. PARAPUBLIC SECTOR REVIEW	ANALYSIS OF PARASTATALS' FINANCIAL TRANSACTIONS WITH THE GOVERNMENT; POLICY RECOMMENDATIONS TO IMPROVE PERFORMANCE; INPUT TO PUBLIC FINANCE REVIEW	GOVERNMENT/BANK	21.0	2.0	8.0	8.0	0.0	0.0
6. PUBLIC EXPENDITURE REVIEW	REVIEW OF INVESTMENT PROGRAMS; PROPOSALS TO RE-ORIENT PUBLIC INVESTMENT TO REHABILITATION AND OPERATION OF EXISTING ASSETS	GOVERNMENT/BANK	12.0	8.0	17.0	17.0	0.0	0.0
8. NATIONAL ACCOUNTS ESTIMATES	DOCUMENTATION OF NATIONAL ACCOUNTS ESTIMATES	FAIR	1.0	0.0	8.0	8.0	5.0	5.0
9. INSTITUTIONS AND ECONOMIC MANAGEMENT	IMPACT OF POLITICAL AND ADMINISTRATIVE INSTITUTIONS ON ECONOMIC MANAGEMENT; RESTRUCTURING OF CORE ECONOMIC MANAGEMENT MINISTRIES	BANK	0.0	0.0	17.0	0.0	5.0	5.0
10. PUBLIC EMPLOYMENT POLICY REVIEW	REVIEW OF PUBLIC EMPLOYMENT POLICIES IN THE GOVERNMENT AND PARASTATALS TO REDUCE OVERSTAFFING AND INCREASE PRODUCTIVITY	GOVERNMENT/BANK	0.0	0.0	10.0	0.0	15.0	15.0
11. PUBLIC FINANCE REVIEW	CONSOLIDATE PUBLIC FINANCE PICTURE AND PROJECTIONS; RECOMMENDATIONS ON REDUCING DEFICIT	GOVERNMENT/BANK	0.0	0.0	0.0	0.0	15.0	15.0
SUBTOTAL - EAR			37.0	40.0	100.0	77.0	50.0	50.0
B. SECTOR REPORTS (SRA)								
1. AGRICULTURAL SECTOR REVIEW	FORMULATION OF SECTOR STRATEGY AND POLICY RECOMMENDATIONS	GOVERNMENT/BANK	20.0	20.0	11.0	11.0	20.0	20.0
2. POWER SECTOR MEMORANDUM	STANDARDS: FORMULATION OF SECTOR STRATEGY	GOVERNMENT/BANK	0.0	0.0	0.0	0.0	0.0	0.0
3. EDUCATION SECTOR	REVIEW OF SECONDARY, TECHNICAL, VOCATIONAL AND MANPOWER UPGRADING NEEDS, AND OF THE DEVELOPMENT AND FINANCING OF PRIMARY EDUCATION	GOVERNMENT/BANK	26.0	12.0	12.0	12.0	18.0	10.0
4. TRANSPORT SECTOR MEMORANDUM	STANDARDS: UPGRADING OF EXISTING ISM	GOVERNMENT/BANK	0.0	5.0	0.0	0.0	0.0	0.0
5. MANUFACTURING SECTOR:								
6. SUBSECTOR ISSUES			11.0	0.0	10.0	10.0	0.0	0.0
7. SECTOR MEMORANDUM	STANDARDS: STATE AND SME		0.0	0.0	0.0	0.0	20.0	20.0
SUBTOTAL - SRA			78.0	55.0	53.0	53.0	60.0	60.0
C. CPM/CSF/DCB								
			0.0	4.0	0.0	0.0	0.0	0.0
D. OTHER ESM								
EMO			17.0	15.0	0.0	0.0	12.0	12.0
SWO			4.0	4.0	12.0	12.0	0.0	0.0
SAC/SAL			24.0	5.0	6.0	6.0	20.0	20.0
SUBTOTAL - OTHER ESM			45.0	24.0	18.0	18.0	42.0	42.0
TOTAL REGIONALLY-MANAGED - ESM			160.0	121.0	171.0	144.0	170.0	170.0
II. COPM-MANAGED								
1. ENERGY SECTOR ASSESSMENT	FORMULATION OF SECTOR INVESTMENT STRATEGY	GOVERNMENT/BANK	22.0	40.0	45.0	45.0	10.0	10.0
2. INDUSTRIAL SECTOR STRATEGY PAPER	SECTOR STRATEGY: MANUFACTURING, SME, POWER AND MINING	GOVERNMENT/BANK	16.0	0.0	0.0	0.0	20.0	20.0
3. HEALTH AND POPULATION	ANALYZE ISSUES AND CONSTRAINTS IN POPULATION, HEALTH AND NUTRITION IN PREPARATION FOR PROJECT IDENTIFICATION	GOVERNMENT/BANK	17.0	25.0	12.0	12.0	10.0	10.0
4. MINING SECTOR REVIEW	REVIEW: PROSPECTS FOR EXTENDING EXISTING OPERATIONS AND OPENING NEW PROJECTS	GOVERNMENT/BANK	18.0	0.0	0.0	0.0	18.0	18.0
TOTAL COPM-MANAGED			73.0	65.0	57.0	57.0	58.0	58.0
III. OTHER USES OF ECONOMIC MANPOWER								
1. RECOVERY IMPORT CREDIT (POST INITIATING MEMO)			10.0	15.0	15.0	15.0	20.0	20.0
2. OTHER (AOC, IA)			10.0	5.0	5.0	5.0	7.0	7.0
TOTAL OTHER USES OF ECONOMIC MANPOWER			20.0	20.0	20.0	20.0	27.0	27.0

Economic and Sector Work Program for FY85-87

Bank Strategy

1. The opening created by Guinea's political and economic liberalization following the assumption of power by the new military regime has greatly broadened the scope of our possible intervention. The Bank has been heavily involved in the preparation of the reform program and its advice has been repeatedly sought by the new Government. The Guinean authorities have also asked the Bank to take the lead role in aid coordination to mobilize the massive assistance Guinea needs to implement successfully its reform program. Following the substantial devaluation to be determined by the Government in agreement with IMF, and the negotiation of a standby agreement, the reform program would be supported by a Rehabilitation Imports Credit (RIC) contingent on further progress in macroeconomic policy reform. The impact of our technical assistance and the success of the program are very much dependent on mobilizing sufficient foreign exchange support from other donors and on alleviating the debt burden through a Paris Club rescheduling. An expanded IDA lending program would follow in all productive sectors, where project-financed studies will provide the basis for sectoral strategies. Implementation and supervision of the reform program will be supported by our Technical Assistance Project for Economic Management which will help strengthen the core economic management institutions.

2. The ESW program is therefore aimed at providing the analytical basis for our dialogue in the economic reform program leading eventually to structural adjustment lending.

Status of CESW and Policy Dialogue - Developments in FY84/85

3. The program presented in last year's Indicative Statement was for the most part carried out except in the industrial sector. The Country Economic Memorandum and the Agricultural Sector Review were discussed with the Government in December 1983. The discussions were frank and wide-ranging and the Guinean authorities agreed on the necessity of reforms. Following these discussions an Aide-Mémoire was submitted to the Guinean authorities proposing a coherent set of measures to support an exchange rate adjustment.

4. The Agricultural Sector Review proposed measures to reverse the trends of declining production, putting the main focus on smallholder farming to achieve self-sufficiency in cereals and revitalize export crops mainly coffee, palm kernels and pineapple.

5. A WA2DB mission in July 1984 provided assistance to the Guinean Government committee by establishing work programs for the sectoral working groups charged with preparing the economic reform program. On the basis of this work a joint World Bank-IMF mission in October submitted to the Guinean authorities an aide-mémoire incorporating the main results and conclusions: the aide-mémoire highlights the need for major devaluation as part of an overall first-phase adjustment program to be carried out between February and June 1985. The Guinean authorities are currently discussing

the program and the phasing of its implementation. If they come to an agreement with the IMF in early 1985, a Bank mission will negotiate a Rehabilitation Imports Credit to support the reform program.

6. The Transport Sector Memorandum started in FY83 was completed in FY84 but could not be discussed with the Government as scheduled in April 1984 because of the political events. Following slippages owing to lending work in other countries, the discussion is now scheduled for January 1985. The main issues raised in the memorandum concern the need to improve sector management and planning, strengthen sector institutions and define investment priorities in support of agriculture and mining.

7. In the education sector, the Government has received a UNESCO study on the strategy of education and employment as well as a study of education and training issues in the agricultural sector. Education seems the top priority of the new authorities. During FY85 WAPED will undertake a review of secondary technical and vocational education as well as primary education development on which the new authorities have put the main focus.

8. In the health and population sector a reconnaissance mission was conducted in December 1983. It was followed by a sector review in October 1984 to analyze issues and constraints in population, health and nutrition and prepare the way for identification of a project.

9. In the industrial sector, owing to lack of staff resources the manufacturing sector survey had to be cancelled. Consequently, the industrial sector strategy paper was also cancelled. UNIDO/UNDP sent a mission in June 1984 to review overall industrial strategy. UNDP has sought and received Bank's agreement for our input in this study. The ongoing industrial survey, with the assistance of a consultant financed under the IDA Industrial Rehabilitation and Promotion Project, will provide basic information on the sector. This will be complemented by a Power Sector Note and an Energy Assessment planned for late FY85 and to be completed in FY86, all inputs to an Industrial Sector Strategy Paper.

10. We have kept other donors aware of the general economic situation in Guinea and the progress in our dialogue with the view to coordinate efforts in FY85 to mobilize massive assistance to support the economic reform program. Meeting with French officials in the Ministry of Cooperation, with EEC and with UNDP were quite encouraging in this respect. Bank staff will help the Government convene during CY85 meetings of donors to review sectoral strategies and investment programs. Considering the size of Guinea's needs, cofinancing with other donors will become increasingly important.

Needs and Objectives for FY86-87

11. In line with the strategy outlined above the main objective of the FY86-87 program will be to assist the Government in implementing and monitoring the economic reform program. The second phase of the adjustment program is that of stabilization and rehabilitation. The main goals to be achieved during this phase are the following:

- (a) Promote growth in the agricultural sector to reach food self-sufficiency by the end of the eighties and boost export production of cash crops. An agricultural sector study will be undertaken as a follow-up to the 1983 Review;
- (b) Revive the viable segment of the manufacturing sector to produce consumer goods for the domestic market;
- (c) Reinforce and maintain existing infrastructure. Power and transport sector memos are planned to update our sectoral analysis and an energy assessment study is also scheduled;
- (d) Reform the primary and technical education, orienting it more specifically to address manpower requirements. To assist in this area we are planning a review of education policy;
- (e) Establish an orderly institutional environment to assure coherent economic management and attract foreign and domestic investors. A parapublic sector review scheduled for FY86 will contribute to this goal.

12. Monitoring the reform program should also imply a review of the financial sector, and of the public investment program. Finally a public sector employment review under the TA project will follow up the Education/Manpower sector work.

13. The achievement of these objectives would require the level of economic manpower to be increased in FY86 and FY87. Our dialogue with the Government of Guinea and the supervision and monitoring of economic reform program would be greatly facilitated by the opening of a resident mission in Conakry, as the new Government requested in May 1984, with a second staff member to handle economic work and dialogue.

FY86 CESW - Summary description of tasks

14. Economic Work (ERA)

(a) Carry over Activities from FY85

i) Parapublic Sector Review

- Responsible division:	WA2DB
- Staff-weeks required:	8
- Mission date:	NS
- Completion date:	FY86

Reform of the parapublic sector is a prerequisite to any further IDA lending in the industrial sector. The study will be mainly carried out as the first phase of the parapublic rationalization exercise to be financed under the TA project with input from the division. The review will include a classification of the parapublic enterprises and a program of rehabilitation in order to ease the public finance burden.

ii) Public Expenditure Review

- Responsible division: WA2DB
- Staff-weeks required: 17
- Mission date: 1/86
- Completion date: 5/86

Overhaul of Investment Program, first evaluation of investment program following preparation of sector strategies and investment programs (during 1985). Mid-term review of the recovery program. Review of new expenditure control measures and need for public service reform and staff reduction.

(b) Activities starting in FY86

i) Country Economic Memorandum

- Responsible Division: WA2DB
- Staff-weeks required: 40
- Mission date: 1/86
- Completion date: FY87

Update macroeconomic information and substantiate the policy dialogue with GOG including results of the first phase of reform program. Effectiveness of exchange rate adjustment and public finance and balance of payments, performance of the agricultural sector. Effectiveness of the public investment program and donor support and analysis of its relevance to the reform program. Effectiveness of liberalization and promotion of private sector activities. Propose measures to carry through the further rehabilitation effort including further policy conditionality in a possible FY88 SAC.

ii) National Accounts Estimates

- Responsible Division: WA2DB
- Staff-weeks required: 8
- Mission date: 09/85
- Completion date: 06/86

Provide updated estimate of national accounts with improved coverage of parallel market transactions. Following the major economic reform program estimates should be thoroughly revised. Output of TA project will be major input to our review.

iii) Institutions and Economic Management

- Responsible Division: WA2DB
- Staff-weeks required: 17
- Mission date: 12/85
- Completion date: 4/86

Revision of document on political institutions and economic management in the light of political changes in Guinea and institutional reforms under

preparation. Public management review after first-stage restructuring of economic management ministries and ministries of agriculture and commerce.

iv) Public Employment Policy Review

- Responsible Division: WA2DB
- Staff-weeks required: 20
- Mission date: 10/85
- Completion date: 6/86

Overall review of public employment policies in the Government and parastatals to reduce overstaffing and increase productivity. Update statistics on public sector employment.

15. Regionally-managed sector work

(a) Carry-over activities from FY85

i) Education Sector

- Responsible Division: WAPED
- Staff-weeks required: 6
- Mission date: NS
- Completion date: FY87

Follow-up of FY85 sector review. Assist Government in implementing new sector policy supported by a Third Education project programmed for FY89.

ii) Agricultural Sector Issues / Input Supply and Farmer Organization

- Responsible Division: WAPAA
- Staff-weeks required: 31
- Mission date: FY86
- Completion date: To be determined

Follow-up on developing a workable rural sector strategy. The emphasis will be to define priority areas for investment and priority issues requiring Government attention. Particular attention will be on pursuing the re-organization and strengthening of the rural development ministry to make it more efficient and on establishing a strong planning and investment review unit. Other issues that will be pursued are marketing of food and cash crops, pricing and farmer incentives and subsector (research, seeds, tree crops, irrigation) development potential. As part of the process of strengthening agricultural services, this task will involve defining the conditions for putting in place a workable credit and input supply system. Farmer organization issues will be investigated, including the formation of farmer groups to facilitate credit and extension services.

iii) Manufacturing sector: Subsector issues

- Responsible division: WAPID
- Staff-weeks required: 10
- Mission date: NS
- Completion date: FY86

Short Studies in selected issues: Investment Code, public enterprise reform, private sector development.

16. COPD managed sector work

(a) Carry-over activities from FY85

i) Energy sector assessment

- Responsible division: EGY
- Staff-weeks required: 15
- Mission date: NS
- Completion date: FY87

Follow up of work started in FY85. Formulation of a sector strategy leading possibly to a second power project, depending on SNE's institutional development.

ii) Health and Population

- Responsible Division: PHN
- Staff-weeks required: 12
- Mission date: NS
- Completion date: FY87

Follow up of FY85 sector review. Assist GOG in formulating sector strategy possibly leading to sectoral investment program and a possible IDA rural health/population project in FY89.

FY87

17. Work program will be highly contingent on developments during FY85 particularly for the macroeconomic policy dialogue and preparation of a SAC.

18. Economic Work ERA

(a) Follow up of activities carried out in FY86.

- i) Follow up of economic reform program and evaluation of results achieved.
- ii) Publication of a new CEM.

- (b) New activities
 - i) Preparation of a structural adjustment credit (SAC).
 - ii) Public finance review.
 - iii) Study on institutions and economic management.

19. Regionally-managed

- (a) Agricultural sector: Review of effectiveness of reform program and study of national development plan for agriculture.
- (b) Manpower development policy.

20. COPD managed

- (a) Energy assessment
- (b) Industrial sector strategy paper
- (c) Health and population strategy
- (d) Mining sector review.



This map has been prepared by The World Bank's staff exclusively for the convenience of the readers and is exclusively for the internal use of The World Bank and the International Finance Corporation. The denominations used and the boundaries shown on this map do not imply, on the part of The World Bank and the International Finance Corporation, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.

REGIONAL DEVELOPMENT AMENAGEMENT DU TERRITOIRE

GUINEA COUNTRY ECONOMIC MEMORANDUM

- Paved Roads
- Unpaved Roads
- Paved Roads Maintained under the First and Second Highway Projects
- - - Paved Roads maintained under the Second Highway Project
- Gravel Roads rehabilitated under the First Highway Project
- - - Gravel Roads of the First Highway Project Rehabilitation Program completed under the Second Highway Project
- - - Gravel Roads of the Second Highway Project Rehabilitation Program
- - - Gravel Roads of the First Highway Project Rehabilitation Program maintained under the Second Highway Project
- - - Other Gravel Roads maintained under the Second Highway Project
- - - Pre-investment Study
- Mining Projects
- ⊗ Proposed Bauxite Mining
- ⊗ Proposed Iron Ore Mining
- Forest
- ⚓ Fishing Port
- Railways
- ✈ International Airport
- ✈ Airfields
- Rivers
- ★ National Capital
- CGR Headquarters
- International Boundaries

0 20 40 60 80 100
KILOMETERS



To Abidjan

BCG3

Sa. Oct. 5
6:30



ANNUAL MEETING BRIEF

SUPPLEMENTARY INFORMATION

Name of Country: GUINEA

Date: September 17, 1985

Status of the Economic Reform Program

An IMF mission came to agreement with the Government on September 12 on a stabilization program which would be supported by an IMF Stand-by Agreement equivalent to about US\$40 mn. The steps in the timetable are: (i) suspension of foreign exchange operations by the existing commercial banks and the granting of special foreign exchange licences by the Central Bank (September 11, 1985) to curtail further illicit profits from the current exchange rate distortions; (ii) opening of the "Second Window" for foreign currency purchases, and start of sale of local currency investment certificates carrying a high rate of interest in order to attract currency into the banking system (September 30, 1985); (iii) start of auction sales of foreign exchange (November 1, 1985); (iv) unification of the exchange rate around the auction-determined rate (around the equivalent in CFA Francs of US\$1=300 Guinean Francs) on December 1, 1985, with increases in the prices of rice (to GFr 80/kg from 20) and motor fuel (to GFr 100/litre from 30) and compensatory salary adjustments for civil servants of record (that is those determined to exist following an SPPF-financed census). Public enterprise liquidations will start in mid-October, and public enterprise employees will no longer be considered civil servants.

Confirmation that the Second Window had been opened, and subsequent adherence to the calendar for exchange rate and price adjustments, would allow processing of the IMF Stand-by for consideration by the Fund Board in the first days of January. On the assumption of parallel measures to liberalize imports, we plan to follow a similar schedule for processing of SAC I, with Board presentation targeted for the first half of January 1985.

The Guinean delegation has been asked to bring to Seoul explicit news on the progress of reform, including opening of the Second Window.

Amman

Sa. Oct. 5
6:30

ANNUAL MEETING BRIEF

Name of Country: GUINEA

Date: September 6, 1985

Meeting with: Captain Jean Traoré, State Minister for Planning and Natural Resources

Mr. Saidou Diallo, Vice Governor of the Central Bank

Population: 5.7 million (mid-1983); estimated growth rate: 2.7% (1984)

GNP per capita: US\$300 (1984)

	(\$million)		(\$million)
Total Commitments:	276.2	FY85: Commitments	\$17.5
of which: 3 Bank	73.5	Disbursements	18.8
16 IDA	202.7	Amortization	4.0
		Total Undisbursed	72.0
Lending Program: FY86-87	62.5 IDA		
	31.0 SAF		

Background : (Text provided in attached.)

<u>Summary Data</u>	<u>Avg 82-84</u>	<u>85 (est)</u>	
Real GDP growth	1.6%	2.7%	Aid Group Meeting: none (CG planned for late 1986)
Export growth	3.3%	9.0%	IMF status as of October 1984:
Import growth	0.8%	5.6%	Article IV; Stand-by under negotiation
Current Acct Deficit:%GDP	6.0%	6.0%	
Gross Debt Service Ratio	31.0%	40.0%	
Annual inflation rate	10.0%	12.0%	

Issues likely to be raised by the Delegation

1. Need for continued IDA support for the economic reform program, as well as expanded IDA presence in agriculture

Issues to be raised by Bank Management

1. Need to face difficult policy choices squarely and carry them out as agreed
-

Attachments

- I. Lending Program
- II. Biographical Sketches
- III. Status of Capital Subscriptions

Background

The military Government that overthrew President Sékou Touré's successors on April 3, 1984 resisted a coup attempt on July 4, 1985 led by ambitious members of the ruling Military Committee who apparently intended to release some members of the old Government and slow down the progress of economic reform. Since the 1984 coup, the dirigiste economic role of the state has been replaced by an extremely laissez-faire behaviour by the private sector, taking advantage of the distortions in the economy. The Government continues to work with Bank and IMF staff to prepare an economic reform program, the first elements of which -- the major devaluation and reform of the banking system -- are (expected to be) in place by end-September. Work is proceeding well on the "supply-side" measures that will support production and the shift of economic activities to the private sector, measures that will be supported by an IDA Structural Adjustment Credit and parallel operations by other donors. But the Government needs to move more quickly to deal with the economic chaos they have inherited and which continues. Rehabilitation and maintenance of the country's infrastructure, and reform of the educational system, are top priorities for which the Government must mobilize donor support, but only after a major devaluation removes price distortions, permits the growth process to resume, and allows Guinea to seek debt relief. The Government remains firmly committed politically to carrying out the difficult liberalization task, and is mobilizing public support for the difficult steps ahead as it puts the final touches to the program. But the mounting of the reform program that we have outlined will require them to face squarely some very difficult issues, including the speed and magnitude of public sector employment reduction.

Issues likely to be raised by the Delegation

IDA's support for agriculture was recently confirmed by negotiation of the important Guéckédou Agricultural Development Project and the (first) Agricultural Services Project, which will be presented to the Board in November after the economic reform program is firmly launched. When giving final approval to the negotiated documents, the Government confirmed its decision to no longer subsidize the consumer price of imported rice, and to raise the producer price of coffee to a remunerative level, two issues on which we had sought agreement in the context of the broader macroeconomic reforms. We plan negotiations in early December for a Livestock Sector Rehabilitation Project, which will restart our collaboration in this important sector (where the First Livestock Project was cancelled). A PPF-financed master plan for agriculture will be completed by year-end. We are also actively supporting sector rehabilitation programs in Power, Transport and Water Supply. Management may wish to emphasize, however, that IDA's ability to support these sector programs, and help mobilize the financial aid of other donors, will depend on the success of the overall economic reforms that are underway, as well as on the Government's ability to choose selectively from among its options and present a single, modest, "wish-list" to the donor community.

Issues to be Raised by Bank's Management

IDA, the IMF and the other donors have grown impatient over the length of time it has taken to get the program started. (The long-awaited "second window" for foreign exchange transactions at a market rate, was to open on August 31, with the start-up of operations by two foreign-managed banks, BIAG and BICIG (with BIAO and Banque Nationale de Paris, respectively, as the partners.) After asking for an

update on the progress of reform, including the likelihood that the foreign exchange auctions will begin in early November (a prerequisite for the IMF Stand-by going to its Board in early December), and that the other liberalization measures will proceed to their completion by January 1, 1986, management may wish to underline, again, the urgency of proceeding as agreed. For background, the success of President Conté and his team in putting down the July 4 attempted coup could permit somewhat quicker action on the far-reaching and at times painful reforms that are called for. These would in particular include liquidation of the most uneconomic public enterprises, reduction of excess civil service employment by enforcing the retirement age and removing from the payroll those improperly hired, and controlling waste and fraud throughout the Government.

Management may wish to confirm to the Delegation that, if the Government makes good progress on the policy changes and liberalization (to be) agreed with the September IDA mission to negotiate the Statement of Development Policy, the Structural Adjustment Credit could be negotiated before the end of November, 1985, in Washington. SAC I would include a US\$25 million IDA Credit, a \$25 million Special Africa Facility Credit, and SJF operations by Japan (\$2 million) and Germany (\$2 million). We would also be prepared to help convene a small meeting of main donors, either at the end of October or in early December, to mobilize complementary balance of payments support.

To maintain this momentum and Guinea's reputation for reform and change among the donors, it is important the Guinea continue to exercise the utmost strictness in new external commitments and contracts, and make greater efforts to remain current in its servicing of its debt to IDA (disbursements were suspended July 31, 1985, for arrears of less than \$240,000, the second such event since the last Annual Meeting; disbursements were reinstated August 26, 1985).

Status of IBRD Capital Subscription (Annex III). Guinea was the first country in Sub-Saharan Africa to subscribe its 713 shares on account of resolutions 168, 314, 346 and 347, for which formalities were completed before last year's Annual Meeting. To subscribe its 12 remaining shares on account of Resolution 395 of September 1984, Guinea should pay \$12,670 in US\$ or gold. For the local currency portion, GS114,000, this can be paid in or added to the US\$3.8 million already subscribed by Guinea on account of early capital subscriptions but still unreleased. The Delegation should be asked to subscribe to the remaining shares and should be given the packet of documents that explain the procedures in detail. They should also be asked to release the balance of the paid-in capital.

ATTACHMENT IGUINEALending Program FY85-89
(US\$ million)

	<u>FY85</u>	<u>FY86</u>		<u>FY87</u>	<u>FY88</u>	<u>FY89</u>		<u>Total</u>		
	<u>IDA</u>	<u>IDA</u>	<u>SAF</u>	<u>IDA</u>	<u>IDA</u>	<u>IDA</u>	<u>IBRD</u>	<u>IDA</u>	<u>SAF</u>	<u>IBRD</u>
<u>Agriculture/Livestock</u>										
Guéckédou Agric. Dev.		6.6						6.6		
Agricultural Services I		7.5						7.5		
Agricultural Services II					8.0(S)			8.0		
Livestock Sector Rehab.				7.5(S)				7.5		
Sub-total								<u>29.6</u>		
<u>Utilities and Energy</u>										
Power Engineer. II	8.0							8.0		
Power II						25.0(S)		25.0		
Mineral Development		3.9						3.9		
Mifergui-Nimba							50.0			50.0
Water II				12.0				12.0		
Sub-total								<u>48.9</u>		<u>50.0</u>
<u>Education</u>										
Education III						11.0		11.0		
Sub-total								<u>11.0</u>		
<u>Social Sectors</u>										
Population/Health						6.2(S)		6.2		
Sub-total								<u>6.2</u>		
<u>Other</u>										
Technical Assistance	9.5							9.5		
Structural Adjustment I		25.0	31.0					25.0	31.0	
Structural Adjustment II					10.0			10.0		
Sub-Total								<u>44.5</u>	<u>31.0</u>	
<u>Grand Total</u>	<u>17.5</u>	<u>43.0</u>	<u>31.0</u>	<u>19.5</u>	<u>18.0</u>	<u>42.2</u>	<u>50.0</u>	<u>140.2</u>	<u>31.0</u>	<u>50.0</u>

Lending Program as of 8/31/85

ATTACHMENT IIBiographical Sketch

Captain Jean Traoré
Minister of State for Planning and Natural Resources

A member of the minority Kissi tribe from the forest region, Minister Traoré was promoted from Minister of Mines and Geology to one of the four state ministers following the December 1984 Government reorganization. He speaks all major Guinean languages as well as Russian, German and English. Trained in the Soviet Union as a civil engineer, he commanded the Army Corps of Engineers and the Economic Action group of the Armed Forces. He was chief of army construction from 1973 to 1977, and was promoted to attaché at the Ministry of Defence in charge of foreign cooperation. He has also received military training in France, and recently in the United States, where he was termed one of the most outstanding foreign students ever enrolled. Close to President Conté and considered incorruptible, he is emerging as the number two man in the Military Committee. He has become the Government's principal spokesman and coordinator on economic matters, as well as the main interlocutor with the Bank and the IMF as Chairman of the powerful National Committee for Economic and Financial Coordination.

Minister Traoré has rapidly learned his responsibilities, and has developed considerable confidence and technical skills in his important portfolio. During the visit of Messrs. Clausen and Thalwitz in June 1985, Minister Traoré was the host and main interlocutor.

Mr. Saidou Diallo
Vice Governor of the Central Bank
(Acting World Bank Governor for Guinea)

Mr. Diallo, a Peuhl, has risen through the Guinean banking system, holding the post of Director General of the main commercial bank, CNCIH, before promotion to the Vice-Governor's job following the April 1984 coup. He is capable, as Guinean technicians go, but not technically on par with most African central bank managers. De facto he is the Governor of the Bank, following the removal of his predecessor, Captain Kabiné Kaba (who attended the Annual Meetings last year) for corruption. He serves on the National Committee for Economic and Financial Coordination, the only civilian.

ATTACHMENT III

IBRD CAPITAL SUBSCRIPTIONS AND RELEASES

(AS OF 03/31/93)

WESTERN AFRICA
GUINEA

RESOLUTION NO.	ADOPTED	SHARES ALLOCATED		AMOUNTS TO BE PAID IN FOR THE SUBSCRIPTION OF SHARES NOT YET SUBSCRIBED (000S) 3/		LOCAL CURRENCY UNRELEASED FOR SHARES SUBSCRIBED \$ MILLION C/	
		SUBSCRIBED NO.	\$ MILLION A/	UNSUBSCRIBED NO.	\$ MILLION A/		US\$ A/	LOCAL CURRENCY
168	62/09/18	200	24.13	0	.00	.00	.00
SUBTOTAL		200	24.13	0	.00	.00	.00
314	77/02/09	39	4.70	0	.00	.00	.00
346	80/01/04	224	27.02	0	.00	.00	.00
347	80/01/04	250	30.13	0	.00	.00	.00
395	84/09/12	0	.00	12	1.45	12.67	114.00
SUBTOTAL		513	86.89	12	1.45	12.67	114.00
TOTAL		713	111.01	12	1.45	12.67	114.00

3.88

ACTION REQUIRED: REQUEST SUBSCRIPTION TO UNSUBSCRIBED BALANCE, AND AN EARLY RELEASE OF THE LOCAL CURRENCY FOR SHARES ALREADY SUBSCRIBED.

- A/ ON THE BASIS OF THE CURRENT SUBSCRIPTION PRICE OF \$100,630 PER SHARE.
 B/ AT THE TIME OF SUBSCRIPTION THE SUBSCRIBING MEMBER IS REQUIRED TO PAY TO THE BANK, ON ACCOUNT OF THE PRICE OF EACH ADDITIONAL SHARE A) A PORTION IN GOLD OR US\$, AND B) A PORTION IN ITS LOCAL CURRENCY. THE LOCAL CURRENCY PORTION MAY NOT BE USED IN THE BANK'S LENDING OPERATIONS OR EXCHANGED FOR OTHER CURRENCIES WITHOUT THE CONSENT OF THE MEMBER. UNLESS SUCH CONSENT IS OBTAINED, THE LOCAL CURRENCY IS SAID TO BE 'UNRELEASED,' AND MAY BE USED TO MEET THE ADMINISTRATIVE EXPENSES ARISING IN THAT MEMBER'S CURRENCY, AND/OR FOR EMERGENCY RECOURSE TO MEET THE BANK'S OBLIGATIONS AS BORROWER OR GUARANTOR.
 C/ AS OF DECEMBER 31, 1991, THE LOCAL CURRENCY PORTION OF THE ADDITIONAL SUBSCRIPTION IS PAYABLE IN THE NATIONAL CURRENCY OF THE SUBSCRIBING MEMBER TO BE COMPUTED AT THE MARKET RATE OF EXCHANGE IN EFFECT AT OR IMMEDIATELY PRIOR TO THE DATE OF PAYMENT. THE US\$ AMOUNT SHOWN IS AT THE MARKET RATE OF EXCHANGE AT DECEMBER 31, 1994.

Sa. Oct 5
6:30

GUINEA

Guinea belongs to Mr. Girukwigomba's constituency who has supported the approval of the Convention in the Board meeting on September 12.

You might wish to express your satisfaction about the agreement reached by the Executive Directors on the draft Convention establishing MIGA and your appreciation for the active and constructive role which Mr. Girukwigomba played in the negotiations. You might note that the Convention represents a balanced package serving well the interests of developing countries and emphasize that MIGA is now placed under a duty to screen investments and cover only sound investments which contribute to host countries' development, meet their developmental objectives and are consistent with their laws and regulations. You might suggest that MIGA ties in with other efforts of the Bank and IFC to stimulate investment to developing countries and, in particular, to increase the regrettably low share of Africa in worldwide investment flows.

You might request Capt. Traore's support for the approval of the proposed resolution on MIGA and express your hope that Guinea will sign the Convention soon.

Problem

Mining Sector Partners

wanted to do ^{anything} ^{mining} ^{the} ^{town} ^{on}
Bancroft

Washington, D. C.
September 26, 1983

H. E. Ahmed Sékou Touré
President of the Revolutionary People's Republic of Guinea
Conakry, Guinea

Mr. President:

I would like to offer you my sincere congratulations and best wishes on the occasion of your celebration of a quarter-century of independence. For us 1983 is also an anniversary; twenty years ago Guinea and several other new African states joined the World Bank. This dual anniversary gives us the opportunity to look back and reflect on the events of these two past decades, on the political and economic evolution in Africa and your country, on the expanding relations between the Guinean government and the World Bank, and on the quality of the cooperation our institutions extended to Guinea to promote its economic and social development.

I am not yet familiar with your country, and I hope to have the opportunity of visiting it during one of my future trips to Africa; but I remember well the short but fascinating exchange of views, which we had in Washington in July 1982. At that meeting I was impressed with your lucid analysis, your strong political convictions, your dedication to the Guinean people and, I believe, your strong resolve to undertake the necessary reforms to bolster Guinea's permanent economic recovery and further its social progress.

It is in this spirit that I would like to share with you some thoughts prompted by the analysis conducted by my staff on Guinea's economic situation and perspectives. I am sending you a first draft of an Economic Memorandum which details this analysis, and which also summarizes the main findings of a Study of the Agricultural Sector (that will be sent to you shortly); these two documents present the tentative recommendations of recent general and sectoral economic missions. These reports will be finalized taking into account your government's comments on their form and content; but they already provide a solid basis for a useful and concrete discussion on the difficult economic policy decisions which the Guinean government has to envisage.

I have to admit that the two reports offer a rather pessimistic view of Guinea's present economic situation and its short-term perspectives. We are all aware of Guinea's considerable natural and human resources; but the last 25 years showed how difficult it is to define and implement the economic policies that can mobilize these resources efficiently and to promote the steady economic growth needed to increase the welfare of the population and its standards of living. In hindsight we can also see some lapses in our past analysis of Guinea's economic situation and in the operational strategy of our cooperation program in your country. I believe that we should now admit these lapses and have the courage to recommend the reforms which, given the existing circumstances, could help Guinea break the present economic and financial deadlock.

We are aware of the difficult conditions under which Guinea acquired its independence, of your struggle to defend your country's national identity and autonomy against external influences and interventions. But towards the mid-1970s we had put too much hope in a policy centered on the exploitation of mineral resources and public sector development as the basis for inducing stable growth and improving the balance of payments. It is true that this policy was successful for a while. The Government was remarkably successful in mobilizing substantial public and private capital for mineral projects; bauxite production had briefly stimulated the overall economic activity and supplied foreign exchange resources whose lack had for so long adversely affected the economy. Also, the Guinean government appeared determined to face public finance, monetary, and balance of payments problems. To avoid a devaluation (the Guinean currency was trading on the parallel market at one-tenth of its official value and domestic price distortions were paralyzing exports and encouraging non-priority imports), the government introduced restrictive budgetary and monetary policies aimed at keeping under control domestic demand, reducing the money supply and restoring macroeconomic equilibria. We were greatly impressed by these efforts and their results: by 1979 the gap between the official and parallel market exchange rates was considerably smaller. We were equally impressed by the quality of new projects proposed for World Bank financing and by their responsible implementation; we were convinced that Guinea had decided to concentrate its investment on the rehabilitation of priority infrastructure and was going to allocate a major part of the new resources produced by mining projects to the previously neglected agricultural sector.

But our disappointment was as great as our hopes were high. And I am sure, Mr. President, that you and your close collaborators share our disappointment and anxiety. It is now obvious that the mining projects gave only a brief stimulus to the economy. These projects are now producing close to capacity and their immediate expansion appears unlikely. The Government is of course right in pursuing the preparation of new operations such as Mifergui-Nimba and Konkouré. But given the present situation of the steel industry, even economically viable projects such as Mifergui-Nimba face serious difficulties. As for the Konkouré project, an in-depth analysis recently concluded shows that its realization appears to be premature: this project carries high financial risks and its cash-flow remains negative for some 15 years even when using relatively optimistic assumptions. The mining sector is important for the long term of the Guinean economy; but recent experience and short- and medium-term projections highlight the fact that bauxite, iron ore or aluminum production cannot alone fuel stable economic growth.

It should also be noted that the short-lived effectiveness of increased bauxite production was in part due to Government's inability to apply efficiently the new resources to other sectors' development. Investment allocation has given a high priority to the agricultural sector (foodstuff production), but most of the funds were applied to develop state and collective farms, which in Guinea as anywhere else in the world use considerable means but have a productivity well below that of the smallholder farming.

The experience of Guinea's financial and monetary policies illustrates the difficulty of imposing austerity measures over a long period of time and the limits of deflationary policies in removing exchange rate and domestic price distortions. It is true that, for a time, Guinea attempted to

stabilize Government expenditures while expanding a parapublic sector whose increasing deficits and hastily prepared investments created strong inflationary pressures and increased external debt without providing additional resources for debt service. Thus the initial good results of government's monetary policies were quickly impaired. Guinea's debt and balance of payments difficulties are today about as serious as they were before mining production expanded; the gap between official and parallel market exchange rates widened again; and after a short-lived period of economic growth and improved standards of living Guinea now faces stagnation and critical economic decline.

Despite these economic problems I remain confident that the situation can be corrected and that Guinea has a bright future. My confidence is based on several political and economic factors.

The first and most important is my conviction that the political leader who guided his country to independence has the vision to appreciate the need for far-reaching economic reforms, and will be able to convince his people to accept the sacrifices and make the effort required by this adjustment policy. This is indeed, Mr. President, the impression I gained during our meeting last year.

On the economic front, there are three promising elements:

A first element is our confidence in the potential of the Guinean agriculture, and notably in the economic efficiency of the smallholder farming. During the 1960s, we had all tended to criticize the African farmers as being backward and unproductive, and we underestimated their ability to change, to respond to economic incentives and price signals, as well as their ability to absorb new technological packages which not only are modest and relatively cheap, but also avoid the need for massive interventions of the Government and have a multiplying effect on other sectors such as transport, trade, some services and industries. We believe that Guinea is a good example of the errors committed in this respect and of the tremendous opportunities for the development of smallholder agriculture. Our review of the agricultural sector strongly supports this, highlighting the relative efficiency of smallholder farmers vis-à-vis state and collective farms. A quick recovery of agricultural exports is unlikely because of the deterioration of plantations and cash crops; however, the recovery of foodcrops appears feasible given a favorable economic environment and the introduction of adequate incentives, and this could represent important progress towards one of your main economic goals, food self-sufficiency. The Guinean agriculture could grow fast if supported by quality agronomic research, well maintained infrastructure, and efficient input delivery systems; the key to this growth remains however the proper compensation of farmers' efforts which, as analysed in our two reports, requires the adjustment of domestic prices, the elimination of economic distortions hampering production, and a drastic adjustment of the exchange rate.

A second economic factor is your decision to liberalize the economy and to encourage private investment. Your intentions and the measures taken so far have yet to yield the expected results. We believe that these measures were too limited and their application was often hampered by awkward or inadequate implementation by political and administrative agencies reluctant to relinquish the influence and power they derived from the use of old rules. We remain convinced that a persevering economic liberalization policy,

where the State would improve the economic environment rather than control production, could promote growth. In the present circumstances we do not foresee massive direct foreign investment, but rather the blossoming of the Guinean private sector, which has already demonstrated its resiliency under difficult conditions and could undoubtedly seize the new opportunities that would arise from expansion of the agricultural sector, economic liberalization, and, once again, the adjustment of exchange rates and domestic prices.

A third reason for optimism lies with the mobilization of larger external aid in support of economic reforms and to assist a realistic rehabilitation program of the public and parapublic sector. We welcome the Government's decision to convene a donors' conference which could increase the role of public aid sources in Guinea's economic development. We are ready to support this initiative. Given the economic situation in the industrialized countries an overall expansion of public aid flows is unlikely; however, the modest level of aid now received by Guinea is also due to the uncertainty surrounding Guinean economic policies. If the Government were to clearly express its willingness to undertake reforms, notably in the areas of the exchange rate and agricultural policies, if it were to propose to the donors a realistic investment program (aimed less at expanding infrastructure and the public sector, and more at rehabilitating and maintaining existing assets,) we are convinced that external donors would be responsive, and even more important, would direct their aid to priority projects rather than to oversized projects and to mismanaged enterprises which are unable to make good use of the resources already available.

Here, Mr. President, are some general results of our analysis of Guinea's economic situation and prospects, and some suggestions regarding the major reforms yet to be undertaken, along the lines of the economic policy objectives defined by your Government. The two draft reports attached were drawn up in this spirit. Given the complexity and the political implications of the problems raised by them, we would welcome their discussion with a small group of Guinean officials authorized not only to criticize our analysis but also, and more importantly, to review the content and the scope of the proposed reforms. To this end we propose to send a mission to Conakry soon with a mandate not only to take note of any disagreements and amendments to these reports, but also to discuss with the Guinean government the nature of the assistance we might provide to your country in support of a rigorous and forceful program of economic and financial reform.

Sincerely yours,


A. W. Clausen

September 27, 1983

Mr. Clausen (through Mr. Stern) *ED*

We are submitting an Economic Memorandum and an Agricultural Sector Review to the Guinean Government. We hope that these documents will help Guinea introduce badly needed economic reforms. Guinea has a highly centralized system where the President decides all economic policies on the basis of a limited knowledge of the economic situation. If our dialogue is to be effective, it is critical that we bring our reports to the President's attention. It is the concensus of all those familiar with Guinea (both senior Government officials and Bank staff) that a direct message from you would carry great weight with the President. Thus we have drafted the attached letter which we would like the Governor to hand-carry back to the President. The Governor plans to leave Washington at the end of this week.

Town
ok to
sign
French
text for
signature
underneath
A bit long but
appropriate
ED
9/27
A



A. David Knox

Mr. Scantle
(Knox office)

Washington, D. C.
September 26, 1983

H. E. Ahmed Sékou Touré
President of the Revolutionary People's Republic of Guinea
Conakry, Guinea

Mr. President:

I would like to offer you my sincere congratulations and best wishes on the occasion of your celebration of a quarter-century of independence. For us 1983 is also an anniversary; twenty years ago Guinea and several other new African states joined the World Bank. This dual anniversary gives us the opportunity to look back and reflect on the events of these two past decades, on the political and economic evolution in Africa and your country, on the expanding relations between the Guinean government and the World Bank, and on the quality of the cooperation our institutions extended to Guinea to promote its economic and social development.

I am not yet familiar with your country, and I hope to have the opportunity of visiting it during one of my future trips to Africa; but I remember well the short but fascinating exchange of views, which we had in Washington in July 1982. At that meeting I was impressed with your lucid analysis, your strong political convictions, your dedication to the Guinean people and, I believe, your strong resolve to undertake the necessary reforms to bolster Guinea's permanent economic recovery and further its social progress.

It is in this spirit that I would like to share with you some thoughts prompted by the analysis conducted by my staff on Guinea's economic situation and perspectives. I am sending you a first draft of an Economic Memorandum which details this analysis, and which also summarizes the main findings of a Study of the Agricultural Sector (that will be sent to you shortly); these two documents present the tentative recommendations of recent general and sectoral economic missions. These reports will be finalized taking into account your government's comments on their form and content; but they already provide a solid basis for a useful and concrete discussion on the difficult economic policy decisions which the Guinean government has to envisage.

I have to admit that the two reports offer a rather pessimistic view of Guinea's present economic situation and its short-term perspectives. We are all aware of Guinea's considerable natural and human resources; but the last 25 years showed how difficult it is to define and implement the economic policies that can mobilize these resources efficiently and to promote the steady economic growth needed to increase the welfare of the population and its standards of living. In hindsight we can also see some lapses in our past analysis of Guinea's economic situation and in the operational strategy of our cooperation program in your country. I believe that we should now admit these lapses and have the courage to recommend the reforms which, given the existing circumstances, could help Guinea break the present economic and financial deadlock.

We are aware of the difficult conditions under which Guinea acquired its independence, of your struggle to defend your country's national identity and autonomy against external influences and interventions. But towards the mid-1970s we had put too much hope in a policy centered on the exploitation of mineral resources and public sector development as the basis for inducing stable growth and improving the balance of payments. It is true that this policy was successful for a while. The Government was remarkably successful in mobilizing substantial public and private capital for mineral projects; bauxite production had briefly stimulated the overall economic activity and supplied foreign exchange resources whose lack had for so long adversely affected the economy. Also, the Guinean government appeared determined to face public finance, monetary, and balance of payments problems. To avoid a devaluation (the Guinean currency was trading on the parallel market at one-tenth of its official value and domestic price distortions were paralysing exports and encouraging non-priority imports), the government introduced restrictive budgetary and monetary policies aimed at keeping under control domestic demand, reducing the money supply and restoring macroeconomic equilibria. We were greatly impressed by these efforts and their results: by 1979 the gap between the official and parallel market exchange rates was considerably smaller. We were equally impressed by the quality of new projects proposed for World Bank financing and by their responsible implementation; we were convinced that Guinea had decided to concentrate its investment on the rehabilitation of priority infrastructure and was going to allocate a major part of the new resources produced by mining projects to the previously neglected agricultural sector.

But our disappointment was as great as our hopes were high. And I am sure, Mr. President, that you and your close collaborators share our disappointment and anxiety. It is now obvious that the mining projects gave only a brief stimulus to the economy. These projects are now producing close to capacity and their immediate expansion appears unlikely. The Government is of course right in pursuing the preparation of new operations such as Mifergui-Nimba and Konkouré. But given the present situation of the steel industry, even economically viable projects such as Mifergui-Nimba face serious difficulties. As for the Konkouré project, an in-depth analysis recently concluded shows that its realization appears to be premature: this project carries high financial risks and its cash-flow remains negative for some 15 years even when using relatively optimistic assumptions. The mining sector is important for the long term of the Guinean economy; but recent experience and short- and medium-term projections highlight the fact that bauxite, iron ore or aluminum production cannot alone fuel stable economic growth.

It should also be noted that the short-lived effectiveness of increased bauxite production was in part due to Government's inability to apply efficiently the new resources to other sectors' development. Investment allocation has given a high priority to the agricultural sector (foodstuff production), but most of the funds were applied to develop state and collective farms, which in Guinea as anywhere else in the world use considerable means but have a productivity well below that of the smallholder farming.

The experience of Guinea's financial and monetary policies illustrates the difficulty of imposing austerity measures over a long period of time and the limits of deflationary policies in removing exchange rate and domestic price distortions. It is true that, for a time, Guinea attempted to

stabilize Government expenditures while expanding a parapublic sector whose increasing deficits and hastily prepared investments created strong inflationary pressures and increased external debt without providing additional resources for debt service. Thus the initial good results of government's monetary policies were quickly impaired. Guinea's debt and balance of payments difficulties are today about as serious as they were before mining production expanded; the gap between official and parallel market exchange rates widened again; and after a short-lived period of economic growth and improved standards of living Guinea now faces stagnation and critical economic decline.

Despite these economic problems I remain confident that the situation can be corrected and that Guinea has a bright future. My confidence is based on several political and economic factors.

The first and most important is my conviction that the political leader who guided his country to independence has the vision to appreciate the need for far-reaching economic reforms, and will be able to convince his people to accept the sacrifices and make the effort required by this adjustment policy. This is indeed, Mr. President, the impression I gained during our meeting last year.

On the economic front, there are three promising elements:

A first element is our confidence in the potential of the Guinean agriculture, and notably in the economic efficiency of the smallholder farming. During the 1960s, we had all tended to criticize the African farmers as being backward and unproductive, and we underestimated their ability to change, to respond to economic incentives and price signals, as well as their ability to absorb new technological packages which not only are modest and relatively cheap, but also avoid the need for massive interventions of the Government and have a multiplying effect on other sectors such as transport, trade, some services and industries. We believe that Guinea is a good example of the errors committed in this respect and of the tremendous opportunities for the development of smallholder agriculture. Our review of the agricultural sector strongly supports this, highlighting the relative efficiency of smallholder farmers vis-à-vis state and collective farms. A quick recovery of agricultural exports is unlikely because of the deterioration of plantations and cash crops; however, the recovery of foodcrops appears feasible given a favorable economic environment and the introduction of adequate incentives, and this could represent important progress towards one of your main economic goals, food self-sufficiency. The Guinean agriculture could grow fast if supported by quality agronomic research, well maintained infrastructure, and efficient input delivery systems; the key to this growth remains however the proper compensation of farmers' efforts which, as analysed in our two reports, requires the adjustment of domestic prices, the elimination of economic distortions hampering production, and a drastic adjustment of the exchange rate.


A second economic factor is your decision to liberalize the economy and to encourage private investment. Your intentions and the measures taken so far have yet to yield the expected results. We believe that these measures were too limited and their application was often hampered by awkward or inadequate implementation by political and administrative agencies reluctant to relinquish the influence and power they derived from the use of old rules. We remain convinced that a persevering economic liberalization policy,

where the State would improve the economic environment rather than control production, could promote growth. In the present circumstances we do not foresee massive direct foreign investment, but rather the blossoming of the Guinean private sector, which has already demonstrated its resiliency under difficult conditions and could undoubtedly seize the new opportunities that would arise from expansion of the agricultural sector, economic liberalization, and, once again, the adjustment of exchange rates and domestic prices.

A third reason for optimism lies with the mobilization of larger external aid in support of economic reforms and to assist a realistic rehabilitation program of the public and parapublic sector. We welcome the Government's decision to convene a donors' conference which could increase the role of public aid sources in Guinea's economic development. We are ready to support this initiative. Given the economic situation in the industrialized countries an overall expansion of public aid flows is unlikely; however, the modest level of aid now received by Guinea is also due to the uncertainty surrounding Guinean economic policies. If the Government were to clearly express its willingness to undertake reforms, notably in the areas of the exchange rate and agricultural policies, if it were to propose to the donors a realistic investment program aimed less at expanding infrastructure and the public sector, and more at rehabilitating and maintaining existing assets, we are convinced that external donors would be responsive, and even more important, would direct their aid to priority projects rather than to oversized projects and to mismanaged enterprises which are unable to make good use of the resources already available.

Here, Mr. President, are some general results of our analysis of Guinea's economic situation and prospects, and some suggestions regarding the major reforms yet to be undertaken, along the lines of the economic policy objectives defined by your Government. The two draft reports attached were drawn up in this spirit. Given the complexity and the political implications of the problems raised by them, we would welcome their discussion with a small group of Guinean officials authorized not only to criticize our analysis but also, and more importantly, to review the content and the scope of the proposed reforms. To this end we propose to send a mission to Conakry soon with a mandate not only to take note of any disagreements and amendments to these reports, but also to discuss with the Guinean government the nature of the assistance we might provide to your country in support of a rigorous and forceful program of economic and financial reform.

Sincerely yours,


A. W. Clausen

THE WORLD BANK
Washington, D. C. 20433
U. S. A.

A. W. CLAUSEN
President

Washington, D. C.
le 26 septembre 1983

A Son Excellence Monsieur Ahmed Sékou Touré
Président de la République Populaire Révolutionnaire de Guinée
Conakry, Guinée

Monsieur le Président,

Je tiens à vous adresser mes plus vives félicitations et mes vœux les plus sincères à l'occasion des importantes cérémonies qui célébreront les vingt cinq ans d'indépendance guinéenne. Je me permettrai d'ajouter que pour nous aussi 1983 est un grand anniversaire; c'est en effet il y a vingt ans que la Guinée et plusieurs autres jeunes Etats africains nouvellement indépendants sont devenus membres de la Banque Mondiale. Il me semble que ce double anniversaire peut être pour nous tous l'occasion d'un retour en arrière et d'une réflexion approfondie sur tous les événements qui ont marqué cette longue période, sur l'évolution politique et économique de l'Afrique et de votre pays, sur l'expansion des relations entre le gouvernement guinéen et la Banque Mondiale et sur la qualité des services que nos institutions ont rendus à la Guinée dans la promotion de son développement économique et social.

Je ne connais pas encore votre pays, que j'espère pouvoir visiter lors de l'un de mes futurs voyages en Afrique; mais j'ai gardé un excellent souvenir des échanges de vue, brefs mais passionnants, que j'ai pu avoir avec vous, lors de votre passage à Washington en juillet 1982. Tout au long de cet entretien, j'ai été fortement impressionné par la lucidité de vos analyses, votre courage politique, l'amour profond que vous portez à votre peuple et, je pense, votre volonté très ferme d'entreprendre les réformes nécessaires pour favoriser une reprise durable de l'activité économique et assurer le progrès social de la Guinée.

Encouragé par la qualité de cet entretien, je me permets de vous écrire pour vous faire part à mon tour de certaines réflexions que m'inspirent les analyses faites par mes collaborateurs sur la situation et les perspectives de l'économie guinéenne. Le détail de ces analyses figure dans un mémorandum économique dont je vous envoie une première version et qui reprend les principales conclusions d'une étude du secteur agricole dont la version française vous parviendra incessamment; ces deux documents présentent les recommandations provisoires de missions économiques générales et sectorielles récentes. Leur texte ne manquera pas d'être révisé sur la base des critiques de fond et de forme qui nous seront communiquées par les autorités guinéennes; mais, à mon avis, ces deux rapports constituent déjà un bon point de départ pour un débat utile et concret sur les choix difficiles de politique économique qui s'imposent désormais au gouvernement guinéen.

Je ne vous cacherai pas que les deux rapports présentent un tableau assez pessimiste de la situation et des perspectives immédiates de l'économie guinéenne. Certes, nous savons tous que la Guinée dispose de ressources naturelles et humaines considérables; mais l'histoire des vingt cinq dernières années montre combien il est difficile de définir et de mettre en oeuvre les politiques économiques et les techniques qui permettront de mobiliser efficacement ces ressources et de stimuler une croissance durable de l'activité économique en vue d'améliorer le niveau de vie et le bien être de la population. Cette histoire montre également les erreurs que nous avons pu faire nous même dans notre analyse de la situation guinéenne et dans notre stratégie opérationnelle au service du développement économique de votre pays. Je pense qu'aujourd'hui nous devons reconnaître ces erreurs et avoir le courage de vous indiquer l'ampleur des réformes qui, dans les circonstances actuelles, nous paraissent indispensables pour que la Guinée puisse sortir de l'impasse économique et financière dans laquelle elle se trouve actuellement.

Il va de soi que dans notre examen des problèmes guinéens, nous sommes conscients des conditions exceptionnellement difficiles dans lesquelles votre pays a acquis son indépendance et a voulu défendre son autonomie et son identité contre les influences et les interventions extérieurs de toutes sortes. Mais, vers le milieu des années 70, nous avons probablement eu tort d'espérer qu'une politique basée d'une part sur l'exploitation des ressources minières, d'autre part sur une stratégie volontariste d'expansion du secteur public et parapublic parviendrait à stimuler une croissance adéquate et durable de l'activité économique et à assurer le redressement de la balance des paiements. Il est vrai que cette politique a, pendant quelque temps, remporté certains succès. Avec beaucoup de talent et beaucoup d'empirisme, le gouvernement a su mobiliser des capitaux publics et privés considérables pour l'exploitation de ses ressources minières; le développement de la production de bauxite n'a pas manqué de déclencher une reprise temporaire de l'activité économique globale et a procuré au pays des ressources en devises qui, dans le passé, manquaient si cruellement au développement de l'économie guinéenne. De son côté, le gouvernement guinéen paraissait résolu à attaquer avec courage les problèmes de finances publiques, d'inflation monétaire et de balance des paiements. Pour éviter une dévaluation qui paraissait urgente (le cours de la monnaie guinéenne sur les marchés parallèles n'était que le dixième du cours officiel et les distorsions des prix intérieurs paralysaient les exportations et encourageaient des importations non prioritaires), le gouvernement a pratiqué une politique budgétaire et monétaire restrictive, visant à freiner la demande intérieure, à dégonfler la masse monétaire et à faciliter le redressement des grands équilibres. Nous n'avons pas manqué d'être fortement impressionnés par la qualité de ces efforts et des résultats obtenus: en 1979 l'écart entre le cours de syli sur les marchés officiel et parallèle avait très considérablement diminué. Dans un autre domaine, également, nous étions favorablement impressionnés par la qualité des nouveaux projets que le gouvernement guinéen présentait au financement de la Banque Mondiale et par le sérieux qu'il apportait dans leur exécution; nous avons le sentiment que la Guinée allait désormais mettre l'accent sur des projets hautement prioritaires de remise en état de l'infrastructure existante et affecterait au secteur agricole -- jusqu'alors négligé -- une grande partie des nouvelles ressources créées par l'exploitation du secteur minier.

Mais, notre déception a été d'autant plus grande que nos espoirs étaient importants. Et je suis certain, Monsieur le Président, que vous même et vos proches collaborateurs partagez notre déception et notre inquiétude. Aujourd'hui il est évident que l'exploitation minière a seulement donné un bref coup de fouet à l'activité économique globale. La production des grands projets a atteint son rythme de croisière et son expansion prochaine est improbable. Certes, le gouvernement guinéen poursuit, à juste titre, l'étude et la négociation de nouvelles opérations telles que Mifergui-Nimba et Konkouré. Mais, dans la conjoncture actuelle de la sidérurgie mondiale, même des projets très économiques comme Mifergui-Nimba ont bien du mal à démarrer. Quant au projet de Konkouré, l'analyse approfondie qui vient d'être entreprise montre que sa réalisation est très prématurée: les risques financiers sont énormes et, même sur la base d'hypothèses relativement favorables, le cash-flow de l'opération restera négatif pendant près de quinze ans. Loin de nous la pensée que le secteur minier ne doive jouer aucun rôle dans le développement à long terme de l'économie guinéenne; mais l'expérience récente et l'analyse des perspectives à court et à moyen termes prouvent que la production de bauxite, de fer et d'aluminium ne peut pas, à elle seule, être le moteur d'un essor durable de l'activité économique.

Il convient cependant de reconnaître que l'expansion de la production de bauxite a eu des effets d'autant moins durables que le gouvernement guinéen n'a pas toujours su utiliser les nouvelles ressources au développement efficace d'autres secteurs de l'économie. Certes, une haute priorité a été officiellement accordée au secteur agricole et à la production vivrière; mais l'essentiel des crédits réservés à l'agriculture a en fait été affecté à des exploitations publiques et des fermes collectives, qui en Guinée comme dans tous les pays du monde consomment aisément des moyens considérables mais produisent des rendements très inférieurs à ceux de la petite exploitation paysanne.

L'expérience de la politique financière et monétaire de la Guinée montre également combien il est difficile de maintenir l'austérité au delà d'une certaine durée et de réaliser une politique déflationniste efficace pour effacer les distorsions des taux de change et des prix intérieurs. Il est vrai que la Guinée a, pendant quelque temps, combiné une politique de stabilisation des dépenses budgétaires avec l'expansion d'un secteur parapublic dont les déficits croissants et les investissements hâtifs ont accru les pressions inflationnistes et alourdi la dette extérieure du pays sans générer les ressources nécessaires pour financer le service des emprunts. Aussi bien les résultats très favorables initialement obtenus par la politique monétaire du gouvernement ont-ils rapidement été compromis. Les problèmes d'endettement et de balance des paiements du pays sont pratiquement aussi graves aujourd'hui qu'avant l'expansion de la production minière; l'écart entre les taux de change officiels et les cours du marché parallèle s'est à nouveau fortement creusé; après une brève période de croissance économique et de relèvement du niveau de vie, la Guinée paraît s'enfoncer dans une situation de stagnation et de récession économique extrêmement critique.

Malgré l'acuité des problèmes économiques que rencontre actuellement la Guinée, j'ai cependant confiance en l'avenir de votre pays et en ses possibilités de redressement. Cet espoir est fondé sur les facteurs politiques et économiques suivants.

Tout d'abord je suis persuadé -- et ceci est le plus important -- que l'homme politique visionnaire qui a si courageusement conquis et défendu l'indépendance politique de son pays comprend la nécessité d'une réforme plus radicale de la politique économique et saura persuader son peuple d'accepter les sacrifices et de faire les efforts qu'imposent aujourd'hui les impératifs de l'ajustement économique. Telle est en effet, Monsieur le Président, l'impression très vive que j'ai conservée de nos entretiens de l'an dernier.

Sur le plan économique, nous avons trois grandes raisons d'espérer.

La première est notre confiance dans le potentiel considérable de l'agriculture guinéenne et surtout dans l'efficacité économique de la petite exploitation paysanne. Dans les années 60, nous avons tous eu le tort de dénigrer le caractère arriéré et improductif de la petite exploitation africaine et de sous-estimer son aptitude au changement, sa capacité de répondre aux incitations économiques et aux signaux de prix et sa faculté d'absorber progressivement des innovations techniques d'autant plus importantes, sur le plan économique et financier, qu'elles sont modestes et relativement peu coûteuses, ne nécessitent pas de grands aménagements ou des interventions massives de la puissance publique et entraînent à leur tour un essor considérable d'autres activités auxiliaires telles que les transports, le commerce et certains types de services et d'industries. A notre avis, la Guinée est un bon exemple des erreurs commises dans ce domaine et des formidables "opportunités" que le développement de l'exploitation paysanne représente aujourd'hui pour le pays. C'est ce que montre notre étude du secteur agricole, qui souligne avec force l'efficacité relative et les rendements élevés de cette petite exploitation par rapport aux gaspillages des formes étatiques et collectives de production agricole. Certes la disparition progressive des cultures pérennes et de l'agriculture de rente traditionnelle ne permet plus d'espérer une relance immédiate et efficace de l'exportation agricole; mais la mise en place d'un environnement économique favorable et d'un système d'incitations approprié peut, à notre avis, déclencher une reprise importante des cultures vivrières et restaurer une plus grande "autosuffisance alimentaire", l'un des objectifs principaux de votre politique économique. Appuyée par une recherche agronomique de qualité, par une infrastructure soigneusement entretenue, par une logistique efficace de mise en place des facteurs de production (engrais et pesticides), l'agriculture paysanne guinéenne a devant elle un brillant avenir; mais, encore une fois, la principale condition de cet avenir est une rémunération adéquate de l'effort paysan qui, pour toutes les raisons indiquées dans nos deux rapports, nécessite un ajustement radical des prix intérieurs, l'élimination des distorsions profondes qui paralysent le système productif et une forte dévaluation de la monnaie.

Un deuxième facteur d'espoir, sur le plan économique, est la volonté du gouvernement guinéen de libéraliser le système économique et de stimuler l'investissement privé. Des mesures ont été prises et des intentions affirmées qui n'ont pas encore eu l'effet souhaité. A notre avis les mesures étaient trop modestes et leur application a souvent été contrecarrée par des maladresses et des initiatives inopportunes des autorités politiques et des services administratifs qui renoncent avec difficulté aux réglementations et aux contrôles dont ils tirent leur influence et leur pouvoir. Mais nous restons convaincus qu'appuyée par des interventions légères de l'Etat visant plus à recréer un environnement favorable qu'à influencer directement la production, une politique persévérante de libéralisation économique aura des effets importants sur la croissance de l'économie. Dans les circonstances actuelles, nous ne comptons guère sur des apports massifs de capitaux privés étrangers, mais beaucoup plus sur l'éclosion d'un secteur privé guinéen, qui a déjà fait preuve d'une grande vitalité dans une conjoncture difficile et saura saisir les opportunités que représenteront pour lui l'expansion du secteur agricole, la libéralisation du système économique et, encore une fois, l'ajustement des taux de change et des prix intérieurs.

Un troisième motif d'espoir, nous le voyons dans la mobilisation d'une aide extérieure plus importante au service des réformes économiques qui seront entreprises et du redressement d'un secteur public et parapublic aux ambitions réalistes. Nous avons noté avec satisfaction la décision du gouvernement de convoquer une réunion de bailleurs de fonds et de stimuler l'intérêt des organismes d'aide publique pour le développement économique de la Guinée. Pour notre part, nous sommes très favorables à cette initiative à laquelle nous apporterons tout l'appui que vous pourrez souhaiter. Certes, la situation présente de l'économie mondiale n'est pas propice à l'expansion de l'aide publique; mais le volume modeste de l'assistance financière que reçoit actuellement la Guinée s'explique également par les incertitudes de la politique économique guinéenne. Si le gouvernement manifeste de façon plus concrète sa volonté de réformes, notamment dans la domaine des taux de change et de la politique agricole, s'il propose aux bailleurs de fonds un programme d'investissement réaliste dont l'objectif sera moins l'expansion de l'infrastructure et des activités du secteur public et parapublic qu'une remise en état, un entretien adéquat et une gestion optimale du patrimoine existant, nous sommes persuadés que l'aide extérieure réagira de façon positive et -- ce qui est plus important encore -- affectera ses fonds à des opérations prioritaires, au lieu de les disperser sur des projets surdimensionnés et des entreprises mal gérées et incapables d'exploiter sainement les moyens dont elles disposent déjà.

Voici donc, Monsieur le Président, quelques indications sur notre analyse de la situation économique et du potentiel de développement économique guinéen et sur les réformes profondes et radicales qui doivent encore être accomplies, dans le cadre des objectifs de politique économique que vous avez d'ailleurs vous même définis. C'est dans cet esprit qu'ont été rédigés les deux projets de rapports que nous vous faisons parvenir. Compte tenu de la complexité technique et des implications politiques des problèmes posés, nous émettons le voeu que ces rapports soient discutés avec un petit groupe de responsables guinéens ayant l'autorité nécessaire non seulement pour critiquer notre analyse mais encore et surtout pour revoir avec nous la nature et la portée des réformes recommandées. A cette fin, nous comptons envoyer

prochainement à Conakry une mission dont l'objet sera non seulement de noter les points de désaccord et les amendements qui devront être apportés au texte de nos rapports, mais aussi d'évoquer avec les autorités guinéennes la nature de l'assistance que nous pourrions apporter à votre pays dans le cadre d'une politique vigoureuse et rigoureuse de réforme économique et financière.

Veillez agréer, Monsieur le Président, l'expression de ma très haute considération.

A handwritten signature in dark ink, consisting of a stylized, overlapping loop and a horizontal line extending to the right.

A. W. Clausen

August 10, 1982

Dear Mr. Wentz:

I wish to acknowledge receipt of your letter dated August 4, 1982 concerning a livestock project you have been sponsoring in Guinea. I understand that you have requested IFC to finance this venture and in support of it submitted a study which you have discussed with the staff at several occasions.

In more than two decades of activity in developing countries, IFC has always tried to assist to the greatest extent possible the private sector and foster projects which are both profitable for the recipient country and the private investment community. The experience which has been accumulated in this process has led to policies and procedures which we believe to be prerequisites for the success of a project. They include among others a careful planning process and a strong financial and managerial commitment by the sponsor and form the basis for IFC's consideration of a project.

If you feel that the discussions about your proposal and the exchanges of views which were held in this light were not entirely satisfactory to you, and particularly if some new elements such as a larger financial commitment by the sponsoring group are now being introduced, I would be glad to ask my associates in IFC to make themselves available to review the matter again with you at your convenience.

I am confident of the experience and competence of the IFC staff and the backup it can call upon if necessary from the Bank Group as a whole, and I am sure that your project will be dealt with promptly and competently.

Sincerely,



A.W. Clausen

Mr. Evans N. Wentz
President
Agrotech International Inc.
601 West 11th Street
Suite 227
Austin, Texas 78701

cc: Messrs. Wuttke
Parmar
Damiba
Keyserlingk

GHKreuter:ar


THE WORLD BANK

ROUTING SLIP

Date

August 9, 1982

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Kassum

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

XX

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

For reply if possible by c.o.b. August 12.
(I think Mr. Clausen would like to see a
fast turnaround on this one.)

Roy Southworth

From

1982 AUG -9 PM 2: 56

IPC OFF. EX V.P.

333

4197

AgroTech International Inc.

601 West 11th St., Suite 227
Austin, Texas 78701

tel: (512) 474-4891

Telex 77-6427-ITI AUS

August 4, 1982

Mr. A. W. Clausen, President
The World Bank and
The International Finance Corporation
1818 "H" Street, N.W.
Washington, D. C. 20433

Dear Mr. Clausen:

AgroTech has been in negotiations with the International Finance Corporation for some time concerning the financial requirements of proposed large scale commercial livestock and ranching operations in Guinea, West Africa. Our extensive knowledge of Guinea and the livestock industry have led us to view this project as very important, both from the promise it offers for development of commercial livestock production in tropical Africa as well as for the development of the free market concept in Guinea.

As may be seen from the copy of our latest letter to IFC, which is herewith attached, we have agreed to their demand for a substantial capital financing position in the ranching operations for the Guinea project. We sincerely trust that this commitment on AgroTech's part will insure IFC's participation and that this much needed project can now go on quickly into the operational stage.

It would be improper, however, not to bring to your attention as president of IFC our perceptions gained from the past six months of negotiations with IFC staff. We were first encouraged to seek IFC participation because of its announced principles supporting private investment and joint ventures between private concerns and host governments. It is apparent that IFC staff have little experience in commercial banking and lack appreciation for entrepreneurial activity, being more attuned to analytical theory and support of governmental, bureaucratically managed projects, making it difficult if not impossible to relate to the concerns expressed by IFC staff toward the ranching project. Further, the staff assigned to review the ranching project were admittedly not experienced in the economics or management of livestock operations. In fact, we encountered no staff or staff consultants with background in successful large scale livestock management.

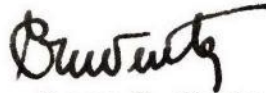
RECEIVED

1982 AUG -6 PM 5: 51

OFFICE OF THE PRESIDENT

Rather than being encouraged, we were openly and frequently discouraged by individuals who certainly had less experience in African operations and in livestock management than our own staff and officers. We are left with the feeling that there is more of an interest within IFC in documentation and research studies than in practical business evaluation and support of venture capitalism.

Sincerely,

A handwritten signature in black ink, appearing to read "E. N. Wentz", written in a cursive style.

Evans N. Wentz
President

bcc:
a.w. Clausen

AgroTech International Inc.

601 West 11th St., Suite 227
Austin, Texas 78701

tel: (512) 474-4891

Telex 77-6427-ITI AUS

August 4, 1982

Mr. Pierre Damiba
International Finance Corporation
1818 H Street
Washington, D.C. 20433

Dear Mr. Damiba:

During the past two years we have conducted a detailed feasibility study concerning large scale livestock ranching in Guinea. As you are aware, earlier this year AgroTech International signed an agreement with the government of Guinea in which AgroTech assumed responsibility for developing the financing required for implementation of this project.

On March 12th, 1982, it was my pleasure to meet with you and other representatives of the International Finance Corporation, including Mr. J. Olivier Fraisse, and to present a general outline of the ranching project. Subsequent to the March 12th meeting and several other conferences occurring during the following weeks, the formal application for a loan to cover the hard currency needs of the ranching project was presented to IFC on May 27, 1982.

Shortly before the formal loan request was presented, AgroTech was informed that the IFC would most likely insist on a substantial capital participation in the project by AgroTech itself. This position was later confirmed on July 2nd in a meeting between myself and Mr. Fraisse, IFC investment officer. AgroTech's planning of the project had not included provision for specific capital participation except for the cost of the feasibility study and related development expenses, calculated to be some \$500,000. The inflexibility of IFC policy was indeed an unpleasant surprise and we left the July 2nd meeting and our discussions with Mr. Fraisse very much pessimistic about the future development of this most needed and promising venture.

It should also be noted that although AgroTech officials have had both telephone and personal meetings with IFC staff since the loan application was presented as of this date AgroTech has yet to be furnished with either a technical or financial critique of the formal loan request, but simply been informed that the request does not meet IFC criteria.

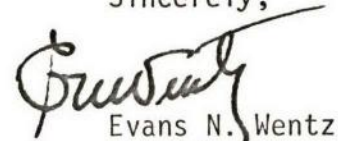
After the July 2nd meeting at IFC headquarters and upon return to Texas, a comprehensive review of the project estimates was undertaken. Due to the commitment that AgroTech had developed to the implementation and successful operation of this ranch, we also reviewed in detail the financial resources available to us that could be marshalled to meet the unexpected, substantial IFC demand for AgroTech's financial participation. As explained to Mr. Fraisse during the July 2nd meeting, AgroTech was not in a position to fund, immediately, a suggested \$2,000,000 investment in the project. However, after a full analysis of the resources at our disposal, AgroTech would be able to commit to such an amount of financial investment on the basis of approximately \$500,000 per year, over the first four years.

Therefore, AgroTech International now proposes to join in the financing of the development of the Boke Ranch in an amount of some two million dollars (\$2,000,000), being part of the foreign currency requirements as set forth in the budget estimates. Specifically, AgroTech proposes and is prepared to carry the financial burden for the below mentioned budget items over the first four years.

- expatriate personnel salaries
- consultant fees
- U.S. office/purchasing/commissions
- trial breeding stock

We are informing the Guinean government of our offer of increased financial participation with the firm hope that the International Finance Corporation will now see its way clear to participate actively in the financing of this most important and critical project.

Sincerely,


Evans N. Wentz
President

cc: Mr. J.O. Fraisse, IFC

EXPRESS MAIL
NEXT DAY SERVICE[®]

POST OFFICE TO ADDRESSEE



B 08258368

FROM:

Angelo Tech International
601 W. 11th 1227
Austin, Tex 78701

Customer Number, if any:

TO:

A. M. Christy, President
World Bank
1818 N. Street, N.W.
Washington, DC 20433

ORIGIN:

Initials of Receiving Clerk:

P.O. ZIP Code:

Date in:

Time in:

Return Receipt Service

To Whom & Date Del.

To Whom, Date & Address of Del.

Weight:

Postage & Fees:

Lbs.

\$

DESTINATION:

Date of Delivery:

Time of Delivery:

Initials of Delivering Employee:

Signature of Addressee or Agent:

DELIVERY WAS ATTEMPTED

Date

Time:

Notice Left By:

TO REMOVE PEEL BACK HERE



EXPRESS MAIL SERVICE

THE WORLD BANK

Office of the President

7/1

Mr. Clausen:

Re this afternoon's meeting with the President of Guinea, Sékou Touré:

1) It has been learned that the President will only be accompanied at the meeting by Ambassador Condé and the Chief of Protocol.

In view of this, it has been decided that only Mr. Abdulai and Xavier (za v yā) de la Renaudière, Acting Regional Vice President, should accompany you. Mr. Abdulai will come by for you at 2:10 and Mr. de la Renaudière will meet you at the car.

2) You should go to the 24th Street entrance at the Sheraton Washington. Either the Ambassador or Ian Harvey (the Loan Officer for Guinea) or both will meet you there.

3) According to the region, this meeting is primarily a courtesy call.

MH



OFFICE MEMORANDUM

1287

TO: Mr. A. W. Clausen, President
 THROUGH(Mr. Ernest Stern, SVPOP) *ES*
 FROM: Xavier de la Renaudière, Acting RVP, Western Africa Region

DATE: June 29, 1982

SUBJECT: GUINEA - Visit of President Sékou Touré



1. President Ahmed Sékou Touré is visiting the United States this week. The primary purpose of his visit is to address an Investment Forum for Guinea organized by the Chase Manhattan Bank following David Rockefeller's visit to the country a few months ago. This Investment Forum was held in New York on Monday, June 28; Bank and IMF staff attended as observers. A meeting with you has been scheduled for Thursday, July 1 at 2:30 p.m. at the Sheraton Washington Hotel.

2. The President is likely to take the opportunity of this meeting to bring you up-to-date on recent significant changes in Guinea's economic direction, and to seek the Bank's assistance in helping his country deal with its macroeconomic problems. He may also want to comment on a number of pending operational issues, including the prospects for Bank financing of two large mining and hydropower projects, Mifergui-Nimba iron ore and Konkouré power.

Macroeconomic Dialogue: Changes in Guinea's economic direction.
Need for exchange rate adjustment and increase in agricultural producer prices.

3. Guinea is now very much at a turning point in its development. The country is known to have great mineral and agricultural potential, but its economic performance has been declining over the past twenty years, largely because of continuing "mismanagement" of the economy. The Government is now reassessing many of its past policies, and changing several of them. In recent years, it has re-oriented its external policies from the Eastern Bloc closer to the West, has actively promoted private (including foreign) investment, liberalized private trade and prices, and granted autonomy to selected public enterprises. These measures represent major changes from previous policies and are certainly positive, but substantial problems remain. These include:

- a) ~~serious over-valuation of the local currency~~ (by a factor of between 3 and 5), together with price and wage distortions;
- b) ~~neglect of smallholder farming~~ because of the emphasis put on mechanized state collective agriculture;
- c) ~~poor investment planning and misallocation of resources~~; and
- d) ~~a large public sector~~ which functions inefficiently.

The cumulative effect of these circumstances means severe balance of payments difficulties, lack of creditworthiness, minimal levels of imports, and insufficient inflows of development capital (public and private).

4. For many years, Bank staff found it almost impossible to have full and frank discussion with Guinean officials on these issues, because of the ideological attachment of the Party and the Government to Socialist economic policy, and their "hostile" reaction to any recommendation which might imply adjustments in the exchange rate. More recently, there has been a marked opening up and a willingness to consider and implement change. Young technocrats are gaining influence in this opening up, and are aware of the major development problems facing the country and the need to seek effective solutions to these problems. The President himself is much more open than hitherto. Nevertheless, the position of the old guard who dominate the Party (and who could stand to lose much political influence and financial security through the liberalism process) are an uncertain element. We now find a growing responsiveness within the Government to our efforts at conducting a fairly open macroeconomic dialogue, and you may wish to comment to the President on our satisfaction in this respect. M.N.B.

5. Particularly in the vital agricultural sector, we are hopeful that through an expanded program of economic and sector work (a full sector review mission is planned for end 1982), followed by frequent discussion at all levels of Government, we shall be able to influence an increase in agriculturaleal producer prices and other incentives, and to redirect part of the public investment program toward smallholder farming which has considerable potential for increasing production and exports. At the same time, however, it is not sure that we shall succeed in our ongoing campaign for exchange rate adjustments, although it appears increasingly necessary to remove the distortions created by over-valuation of the Syli so as to promote a more dynamic agriculture and small-scale industry sector.

6. During last year's Annual Meetings in Washington, and more recently on the occasion of a Bank economic mission to Conakry, the possibility of Structural Adjustment Assistance was discussed with Government, but only on a highly tentative basis. Should President Sékou Touré raise this issue, you may wish to indicate that the Bank is ready to work with the Government and the IMF in helping formulate appropriate adjustments in policies governing public investments, agricultural incentives, and exchange rates. A SAL program in support of appropriate adjustments could be envisaged at some later stage when Government has developed (and started to implement) the broad lines of a recovery program, including appropriate measures to help resolve the critical exchange rate problem. An IMF mission is scheduled to visit Guinea from July 11, and they have indicated that they will raise the exchange rate issue with the expectation that a program with the Government, to be implemented starting early 1983, would include some measure of adjustment.

Operational Issues. Prospects for increased Bank/IDA assistance to Guinea.
Status of Mifergui-Nimba and Konkouré Projects.

7. The Bank's first operation in Guinea provided financial and technical assistance for the Boké bauxite mining project (operational since 1973) which is responsible for about 80% of Guinea's net foreign exchange earnings, and which has been instrumental in bringing about the changing economic orientation. Ongoing Bank/IDA operations include projects for rice cultivation and livestock development; rehabilitation of the road network and institution-building in the transport sector; improvement of utilities in power and water supply; strengthening of educational programs and facilities; and an IDF project for industrial rehabilitation (of state enterprises) and promotion (of private enterprises).

8. The size and the nature of our future lending program in Guinea will obviously depend on three main factors: (i) the economic policies which Government chooses to follow; (ii) the country's overall performance in project implementation (which so far has been reasonably good); and of course (iii) the level of available Bank/IDA resources (which in Guinea can be fairly easily supplemented by co-financing with other public aid agencies, and particularly the Arab Funds which appear eager to expand operations in this country which is about 80% Moslem).

9. Our operations pipeline now includes projects for exploration promotion of oil and minerals; development of the port of Conakry and a Third Highway Project; further assistance to the vital education and training sector; and a technical assistance project to help Government with its economic and financial planning. But the two largest projects on which we have been working are for Konkouré hydropower and Mifergui-Nimba iron ore mining, as discussed in the following paragraphs.

10. The Konkouré hydropower and aluminum smelter project is a US\$3 billion operation that has been Guinea's priority and the President's dream for the past twenty years. Following a persuasive request from Government and from the management of the Kuwait Fund (which is strongly committed to financing part of the power component of the Konkouré investment), the Bank has agreed to advise on project preparation, and has accepted to be executing agency for the aluminum smelter study. Final feasibility reports are expected by October 1982, and these will enable an assessment of the project's viability by Government, the Bank, and other financiers and technical partners. However, given the relatively high cost of the proposed hydropower dam, together with the depressed state of the world aluminum market, we have serious (and growing) doubts about the economic justification of the proposed investment.

11. The Mifergui-Nimba project (at an estimated cost of US\$1 - 1.5 billion) would mine iron ore in Guinea and transport the production through Liberia for shipment. The project has been under preparation for many years, but has

recently taken a new life since US Steel became technical and operating manager. Now, there is considerable interest being expressed by European steel interests who would like to maintain diverse sources of ore supply, including Latin America and Australia, as well as West Africa. Final feasibility studies are expected in early 1983.

12. In answer to any possible questions by President Sékou Touré on these projects, we would suggest the following as guidelines for your reply:

- (i) Konkouré: We would not wish to take a final position until the feasibility studies are available. We are worried by the implications of adverse changes in the world aluminum industry. Our final judgment on the project will therefore depend not only on its viability, but also on the interest of potential partners in the aluminum industry.
- (ii) Mifergui-Nimba: Now that US Steel is formally committed to the project and European iron ore purchasers have expressed a stronger interest, it is important for Government to start moving ahead in preparing a "Bankable" project -- for example, the project scope will need to be finalized, feasibility study updated, financing sources identified, and marketing arrangements established. In helping the project move forward on these fronts, Government should emphasize to potential financiers and iron ore purchasers the importance of the operation and its priority in national development plans.

13. As supporting information for your meeting with President Sékou Touré, we are providing the following as attachments to this memorandum:

Annex 1	Biographical Sketch
Annex 2	Economic & Social Data Sheets
Annex 3	Lending Program
Annex 4	Projects under Preparation
Annex 5	Projects under Supervision.
Annex 6	General Background

X.de la Renaudière/I.Harvey:lk

cc: Messrs. Knox (o/r), El Darwish, de Azcarate, Kpognon, Palein

RECEIVED
1982 JUN 30 AM 8:52
OFFICE OF THE PRESIDENT

MEMORANDUM FOR THE PRESIDENT
SUBJECT: [Illegible]

[Illegible text]

[Illegible text]

[Illegible text]

[Illegible text]

*See Budget re
P.W. Clinton
Release to
Univ. of*

Annex 1

Biographical Notes

1. President Ahmed Sekou Toure
Secretary-General of the Party (Parti Democratique de
Guinee, PDG)
Responsable Supreme de la Revolution

President and leader of the Party since Independence in 1958, Mr. Ahmed Sekou Toure was born on February 9, 1922 at Faranah (Upper Guinea). His roots can be reportedly traced to a Guinean hero of the fight against coloniation, Almamy Samory Toure. Mr. Toure had his elementary education at the French School and the Islamic School. After being refused admittance to the higher elementary school (reportedly for failing to conform to the French view of Guinea's history and for confronting the school management), he entered but did not finish a vocational training school and started working as an apprentice mason and a fitter in 1939. He became a clerk in 1940, and an accountant in 1948. Starting in 1945, Mr. Toure became active in union work. He created the first African Union in Guinea (March 1945), co-founded the Rassemblement Democratique Africain (RDA, presided by Mr. Houphouet-Boigny), and participated in numerous other union activities. In 1952 he became Secretary-General of the Parti Democratique Guinee (PDG), the local section of the RDA. Later he joined the colonial administration as Mayor of Conakry (November 1956) and Vice-President of the Cabinet (May 1957). It is in this quality that he headed the independence movement culminating on the 2nd of October 1958 with the rejection of de Gaulle's offer to remain in the French community. He thus became the first President of Guinea and was re-elected to this position without opposition in 1961, 1968 and 1974. President Toure is in firm and absolute control of Guinea's economic, political and military institutions, and takes all important or even less important decisions.

TABLE 3A
GUINEA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	GUINEA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/d}			
	1960	/b	1970	MOST RECENT ESTIMATE	/b	LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA
TOTAL	245.9						
AGRICULTURAL	71.7						
GNP PER CAPITA (US\$)	110.0		150.0	280.0		238.3	794.2
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	67.2		95.3	87.0		70.5	707.5
POPULATION AND VITAL STATISTICS							
POPULATION, MID-YEAR (THOUSANDS)	3067.0		4069.0	5275.0/c		.	.
URBAN POPULATION (PERCENT OF TOTAL)	9.9		13.8	17.6		17.5	27.7
POPULATION PROJECTIONS							
POPULATION IN YEAR 2000 (MILLIONS)				8.9		.	.
STATIONARY POPULATION (MILLIONS)				23.0		.	.
YEAR STATIONARY POPULATION IS REACHED				2130		.	.
POPULATION DENSITY							
PER SQ. KM.	12.5		16.5	21.5		27.7	55.0
PER SQ. KM. AGRICULTURAL LAND	45.0		58.0	71.5		73.7	130.7
POPULATION AGE STRUCTURE (PERCENT)							
0-14 YRS.	42.1		42.5	43.7		44.8	46.0
15-64 YRS.	55.1		54.7	53.4		52.4	51.2
65 YRS. AND ABOVE	2.8		2.8	2.9		2.9	2.8
POPULATION GROWTH RATE (PERCENT)							
TOTAL	2.2		2.8	2.9/c		2.6	2.8
URBAN	8.1		6.2	5.6		6.5	5.1
CRUDE BIRTH RATE (PER THOUSAND)							
	46.8		46.8	45.9		46.9	46.9
CRUDE DEATH RATE (PER THOUSAND)							
	29.9		23.9	20.1		19.3	15.8
GROSS REPRODUCTION RATE							
	3.0		3.0	3.0		3.1	3.2
FAMILY PLANNING							
ACCEPTORS, ANNUAL (THOUSANDS)	..		..	..		.	.
USERS (PERCENT OF MARRIED WOMEN)	..		..	..		..	..
FOOD AND NUTRITION							
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	97.0		100.0	82.0		89.5	89.9
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)							
	86.0		90.0	84.0		90.2	92.3
PROTEINS (GRAMS PER DAY)							
	43.0		44.0	42.7		52.7	52.8
OF WHICH ANIMAL AND PULSE	8.0		7.0	8.0		17.8	16.1
CHILD (AGES 1-4) MORTALITY RATE	44.8		35.4	28.3		27.3	20.2
HEALTH							
LIFE EXPECTANCY AT BIRTH (YEARS)	34.7		40.0	44.4		45.8	50.8
INFANT MORTALITY RATE (PER THOUSAND)	141.0/f		..	..		..	..
ACCESS TO SAFE WATER (PERCENT OF POPULATION)							
TOTAL	..		..	10.0/e		23.9	27.4
URBAN	..		..	44.0/e		55.0	74.3
RURAL	..		..	2.5/e		18.5	12.6
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)							
TOTAL	..		13.0	..		26.2	..
URBAN	..		70.0	..		63.5	..
RURAL	..		2.0	..		20.3	..
POPULATION PER PHYSICIAN							
	48000.0		32519.4	16626.7		31911.8	13844.1
POPULATION PER NURSING PERSON							
	3255.4		2031.5	2494.0		3674.9	2898.6
POPULATION PER HOSPITAL BED							
TOTAL	1121.8		611.7/g	634.0		1238.8	1028.4
URBAN	205.3		216.0/g	380.9		272.8	423.0
RURAL	2201.8		880.4/g	730.6		1745.2	3543.2
ADMISSIONS PER HOSPITAL BED	..		16.0	..		..	..
HOUSING							
AVERAGE SIZE OF HOUSEHOLD							
TOTAL	..		..	..		..	..
URBAN	..		..	..		..	..
RURAL	..		..	..		..	..
AVERAGE NUMBER OF PERSONS PER ROOM							
TOTAL	..		..	..		..	..
URBAN	..		..	..		..	..
RURAL	..		..	..		..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)							
TOTAL	..		..	5.0		..	..
URBAN	..		..	..		..	..
RURAL	..		..	..		..	..

TABLE 3A
GUINEA - SOCIAL INDICATORS DATA SHEET

	GUINEA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}	
	1960 ^{/b}	1970 ^{/b}	MOST RECENT ESTIMATE ^{/b}	LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	30.0	33.0	34.0	56.4	73.7
MALE	44.0	45.0	46.0	70.7	96.8
FEMALE	16.0	21.0	22.0	50.1	79.0
SECONDARY: TOTAL	2.0	13.0	16.0/d	10.0	16.2
MALE	3.0	21.0	26.0/d	13.6	25.3
FEMALE	0.4	5.0	6.0/d	6.6	14.8
VOCATIONAL ENROL. (% OF SECONDARY)	..	3.2	3.1	8.0	5.3
PUPIL-TEACHER RATIO					
PRIMARY	50.5	37.1	39.3	46.5	36.2
SECONDARY	41.1	26.8	24.1	25.5	23.6
ADULT LITERACY RATE (PERCENT)	7.0	9.0/h	20.0	25.5	..
CONSUMPTION					
PASSENGER CARS PER THOUSAND POPULATION	2.0	2.4	2.0	2.9	32.3
RADIO RECEIVERS PER THOUSAND POPULATION	12.7	22.4	24.1	32.8	69.0
TV RECEIVERS PER THOUSAND POPULATION	..	..	..	1.9	8.0
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	0.2	1.2	2.1	2.8	20.2
CINEMA ANNUAL ATTENDANCE PER CAPITA	..	..	..	1.2	0.7
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	1521.6	1939.6	2366.3	..	..
FEMALE (PERCENT)	40.4	40.3	39.8	34.1	36.7
AGRICULTURE (PERCENT)	88.2	85.0	82.2	80.0	56.6
INDUSTRY (PERCENT)	6.1	8.0	10.6	8.6	17.5
PARTICIPATION RATE (PERCENT)					
TOTAL	49.6	47.7	44.9	41.7	37.2
MALE	59.4	57.4	54.5	54.3	47.1
FEMALE	39.9	38.1	35.4	29.2	27.5
ECONOMIC DEPENDENCY RATIO	0.9	1.0	1.0	1.2	1.3
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	..	..	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	..	..	..	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	..	..	..	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	..	136.0	381.2
RURAL	..	..	..	84.5	156.2
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	70.0	99.1	334.3
RURAL	..	..	..	61.2	137.6
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	..	39.7	..
RURAL	..	..	..	68.8	..

.. Not available
 . Not applicable.

NOTES

- ^{/a} The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.
- ^{/b} Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1976 and 1979.
- ^{/c} Recent Government estimates from Administrative Census indicate a resident population (excluding non-Guineans) of 4.53 mill. in 1977 and population growth rate of 2.7% p.a.; ^{/d} Combined upper and lower secondary; ^{/e} WHO report May, 1980 quotes total access 11-12%. However, this does not match reported service in urban and rural areas; ^{/f} 1955-60 average; ^{/g} Government hospitals only; ^{/h} 1965.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq. km.)

Total - Total surface area comprising land area and inland waters.
Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1978 data.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1979 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1979 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1979 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1979 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size has been reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970 and 1979 data.
Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1979 data.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1979 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-79.
Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-79.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1979 data.
Crude Death Rate (per thousand) - Annual deaths per thousands of mid-year population; 1960, 1970, and 1979 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1979.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-49 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969=100) - Index of per capita annual production of all food commodities. Production includes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1979 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.
Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1979 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1979 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.
Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO's principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.
Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION**Adjusted Enrollment Ratios**

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1979 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1979 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1979 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1979 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.
Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

REVOLUTIONARY PEOPLE'S REPUBLIC OF GUINEA

ECONOMIC INDICATORS

	<u>GROSS NATIONAL PRODUCT IN 1980 ^{1/}</u>		<u>ANNUAL RATE OF GROWTH (% constant prices)</u>			
	<u>US\$ Mln.</u>	<u>%</u>	<u>1973-79</u>	<u>1976-79</u>	<u>1979 ^{1/}</u>	<u>1979-85 Projected</u>
GNP at Market Prices	1,534.1	100.0	3.4	0.6	0.4	3.8
Gross Domestic Investment	184.7	12.0	0.9	-0.7	8.4	6.6
Gross National Savings	134.3	10.0	5.4 ^{2/}	3.5	14.7	. .
Current Account Balance	-30.4	-2.0	19.8	10.2	7.0	. .
Export of Goods, NFS	577.1	37.6	15.6	-1.0	-7.1	2.7
Import of Goods, NFS	522.5	-34.1	-0.3	-8.1	-8.0	1.9

OUTPUT, LABOR FORCE AND PRODUCTIVITY, 1976-79

	<u>Value Added Constant 1973 Prices</u>							
	<u>US\$ Million</u>				<u>Percentages</u>			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Agriculture	556.1	558.5	523.9	499.7	51.7	49.2	46.2	44.3
Industry and Mining	180.8	192.8	198.0	206.2	16.8	17.0	17.4	18.3
Services	337.7	383.9	413.4	422.3	31.4	33.8	36.4	37.4
GDP at Market Prices	1,074.6	1,135.2	1,135.1	1,128.2	100.0	100.0	100.0	100.0

GOVERNMENT FINANCE

	<u>General Government ^{3/}</u>							
	<u>Billion Syllis</u>				<u>% of GDP</u>			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Current Receipts	8.49	8.85	9.72	11.19	31.8	30.8	33.0	35.4
Current Expenditures	4.42	5.23	7.33	9.22	16.7	18.2	24.9	29.1
Current Surplus	4.07	3.62	2.39	1.97	15.3	12.6	8.1	6.2
Capital Expenditures ^{4/}	2.54	1.79	6.92	1.77	9.5	6.2	23.5	5.6
External Assistance (net) ^{5/}	0.09	1.38	1.39	0.12	0.3	4.8	4.7	0.4

	<u>Central Government</u>							
	<u>Billion Syllis</u>				<u>% of GDP</u>			
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Current Receipts	7.65	8.23	9.18	10.30	28.7	28.6	31.2	32.5
Current Expenditures	3.87	4.72	6.84	8.53	14.5	16.4	23.2	26.9
Current Surplus	3.78	3.51	2.34	1.77	14.2	12.2	8.0	5.6
Capital Expenditures ^{4/}	2.23	1.66	6.82	1.55	8.4	5.8	23.2	4.9
External Assistance (net) ^{5/}	0.09	1.38	1.39	0.12	0.3	4.8	4.7	0.4

MONEY, CREDIT and PRICES

	<u>Billion Syllis</u>			
	<u>Dec. 1977</u>	<u>Dec. 1978</u>	<u>Dec. 1979</u>	<u>June 1980</u>
Money ^{6/}	9.02	8.50	8.38	11.41
Quasi-Money	0.67	0.45	0.63	1.02
Overall Money Supply	9.69	8.95	9.01	12.43
Bank Credit to Public Sector	16.26	18.20	13.67	19.85
Bank Credit to Private Sector	0.69	0.70	0.76	0.72
	<u>(Percentages)</u>			
	<u>1975</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Money and Quasi-Money as % of GDP ^{6/}	36.3	31.1	30.9	36.0
General Price Index (1973=100) ^{7/}	119.9	122.4	125.2	135.5
Annual % changes in:				
Bank Credit to Public Sector	14.3	11.9	-24.9	45.2
Bank Credit to Private Sector	-13.0	1.2	7.5	-4.9

REVOLUTIONARY PEOPLE'S REPUBLIC OF GUINEA

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS
(Preliminary Estimates)

	1977	1978	1979	1980
	(US\$ Million)			
Export of Goods, NFS	309.8	348.2	390.6	577.1
Import of Goods, NFS	-296.3	-357.8	-417.3	-522.5
Resource Gap (deficit = -)	13.5	-9.6	-26.7	54.6
Interest Payments	-38.9	-43.8	-46.1	-53.1
Workers' Remittances	-5.6	-6.4	-7.0	-7.9
Other Factor Payments (net)	-8.0	-10.1	-15.0	-39.4
Net Transfers	15.7	32.8	8.9	15.4
Balance on Current Account	-23.3	-37.1	-85.9	-30.4
Direct Foreign Investment	NA	NA	NA	NA
Net MLT Borrowing				
Disbursements, Public Borrowing	50.7	105.1	130.9	69.3
Amortization, Public Debt	-97.8	-94.5	-116.2	-112.8
Subtotal, Public Borrowing	-47.1	10.6	14.7	-43.5
Private Sector (net)	-19.1	-19.9	-15.8	-4.3
Total Borrowing	-66.2	-9.3	-1.1	-47.8
Capital Grants 8/	NA	NA	NA	NA
Other Capital (net)	7.6	4.0	-0.9	1.4
Other Items (increase in arrears)	50.3	51.6	58.0	49.7
Increase in Reserves	31.8	52.5	28.4	37.8
Gross Reserves (end year)	73.2	59.0	66.4	98.7
Net Reserves (end year)	-114.3	-117.2	-208.2	-238.6
Fuel and Related Materials				
Imports	..	44.5	90.1	111.0
of which: Petroleum	..	44.5	90.1	111.0
Exports	-	-	-	-

RATES OF EXCHANGE

	Through 1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Syllis/US\$	24.7	24.6	22.7	20.7	20.5	20.3	21.4	21.1	19.7	19.1	19.0

MERCHANDISE EXPORTS (Average 1978-80)

	US\$ Mln	%
Bauxite	275.7	67.6
Alumina	110.2	27.0
Agr. Commodities	13.3	3.3
Other Commodities	8.6	2.1
Total	407.8	100.0

EXTERNAL DEBT, December 31, 1980 /1

	US\$ Mln
Public & Private Debt Guaranteed, Incl. Undisbursed	1,747.7
Total Outstanding & Disbursed	1,074.0

DEBT SERVICE RATIOS FOR 1980

	%
Scheduled Service Payments	
- public debt & private debt guaranteed	24.1
- private debt now guaranteed	14.1
- total debt outstanding & disbursed	38.2
Actual Service Payments	
- public debt & private debt guaranteed	16.4
- private debt now guaranteed	14.1
- total debt outstanding & disbursed	30.5

IBRD/IDA LENDING (Sept. 30, 1981) (Million US\$)

	IBRD	IDA
Outstanding and Disbursed	54.9	32.8
Undisbursed	-	27.1
Outstanding including undisbursed	54.9	64.9

- 1/ Preliminary estimates
- 2/ 1974-79.
- 3/ Local administration not included.
- 4/ Including capital transfers to, and investment on behalf of, state enterprises.
- 5/ Disbursements less scheduled amortization plus increase in arrears.
- 6/ Including demand deposits of state enterprises and import prepayments.
- 7/ GDP implicit deflator
- 8/ Included in net transfers.

GUINEALENDING PROGRAM

<u>Project</u>	<u>FY</u>	<u>Amount</u> \$Million	<u>IDA/IBRD</u>
<u>Past Operations</u>			
Boke Bauxite Mining	66/68	74	IBRD
Daboya Pineapple	76	7	IDA
<u>Ongoing Operations</u>			
Education I	79	8	IDA
Water Supply and Sanitation	79	12.5	IDA
Rice Development	80	10.4	IDA
Highways II	80	13.0	IDA
Livestock Development	81	17.5	IDA
Power I	81	28.5	IDA
Industrial Rehabilitation and Promotion	82	19.0	IDA ^{1/}
<u>Proposed Lending Program</u>			
Conakry Port	83	10.0	IDA
Education II	83	11.0	IDA
Oil and Minerals Exploration Promotion	84	10.0	IDA
Technical Assistance for Financial and Economic Planning	84	5.0	IDA
Mifergui-Nimba	85(s)	50.0	IBRD
Highways III	85(s)	15.0	IDA
Urban	85(s)	10.0	IDA
Industrial Development	86(s)	21.0	IDA
Rice Development II	86	20.0	IDA
Agriculture Unidentified	86	15.0	IDA
		<u>136.0</u>	IDA
	Total 82/86	50.0	IBRD

^{1/} Not yet effective

Guinea

Projects Under Preparation

Under Preparation

Conakry Port FY83. The project was appraised in February 1982. Initial preparation was financed by GTZ. Subsequent to appraisal continued assistance is being provided under a \$600,000 PPF advance. Project objectives would be:

- a) short-term rehabilitation of the general cargo facilities to enable the port to handle efficiently present traffic requirements;
- b) institutional development through a reorganized port administration, technical assistance and improved financial performance.

Project costs are estimated at \$38.0 million of which \$35 million in foreign exchange. Financing is expected of IDA - \$10 million, KfW/GTZ - \$10 million, AfDB - \$25 million. The President has just signed the decree creating an autonomous Port Authority. ~~You may wish to note favorably in passing, Government's commitment to, and implementation of, this (for Guinea) radical new structure.~~ There are no issues.

Education II FY83. We support the Government's overall sector policy, in which the key objectives are:

- i) to match education output more closely to manpower requirements, to strengthen human resource planning;
- ii) to extend elementary/lower secondary enrollment and to increase female participation;
- iii) to develop vocational training;
- iv) to reduce higher education enrollment; and
- v) to improve education quality, particularly at primary level.

The proposed project would:

- a) expand vocational training;
- b) strengthen manpower and education planning; and
- c) improve the quality of primary education.

The project was appraised in February 1982. Project costs are estimated at \$30.3 million of which \$26 million in foreign exchange. Financing is expected of IDA - \$10 million, AfDB - \$12 million, CIDA \$3 million. Discussion are underway for a diamond mining joint venture, AREDOR, which will start operations in 1983, to finance part of the vocational training component in return for an assured supply of trained technicians. There are no issues.

Oil and Minerals Technical Assistance Project FY84(M). Recent geophysical aerial surveys have indicated possible mineral and oil potential in addition to the major iron ore and bauxite deposits which have hitherto dominated the mining sector. The Government has already signed concessions for oil, uranium, gold and diamond exploration. We understand from concession sources that gold and diamond deposits are likely to be rich and to have a significant positive impact on Guinea's balance of trade. Guinea's capacity to utilize new data and to plan and implement a mining development strategy is poor. A PPF advance of \$220,000 has been approved to finance preparation, recruitment of consultants is underway. Possible components might be: petroleum - a geological field survey, a near offshore seismic survey and technical assistance for promotion of exploration, minerals - preparation of a 3-5 year minerals exploration program, possible strengthening of exploration capacity and technical assistance for exploration promotion. Estimate of \$10 million IDA credit.

Technical Assistance for Financial and Economic Planning FY84. Government has requested assistance for planning and resource allocation, external debt management, improvement of public sector financial management and for study and implementation of new agricultural policies and price structure. Preparation financed under a PPF advance of \$200,000 is almost complete and appraisal is scheduled for September 1982.

Mifergui-Nimba Project FY85(s). The project would mine high grade iron ore from an area close to the Liberian border in southeast Guinea. Initially Government proposed evacuation of the ore through a Trans Guinean railroad linking Nimba to Conakry (1200 km). The prohibitive cost (estimated \$2.5 mbillion) forced an alternative solution. As now formulated, the ore would be transported over a short length of new railroad to the head of the existing Lamco railroad in Liberia and thence to the port of Buchanan in Liberia. Both railroad and port would require upgrading, requiring investments in both Guinea and Liberia.

In the mid 70's a consortium of potential partners financed feasibility studies by Kaiser Engineering (completed in 1979) which showed the project to be moderately attractive with a return of about 13% before or 10% after royalties.

Until recently Lamco had blocked the project over the rail tariff for the use of Lamco's existing assets. Although somewhat higher than desirable from the Mifergui viewpoint, a tariff has now been agreed. Most importantly, US Steel has finalized agreements to participate in, construct and operate the project.

Next steps will be:

- i) US Steel to undertake an update and revision of the feasibility studies (expected early 1983);
- ii) identification of financing sources;
- iii) improving the financial structure of the project;
- iv) finalizing the legal and operational structure; and,
- v) establish appropriate marketing arrangements.

Issues are: i) the interrelationships between Guinean and Liberian interests. Guinea would like to see a totally "Guinean project. We have said that Bank operations would be required in both countries to provide adequate safeguard.

ii) the situation and prospects for Lamco, whose current iron-ore deposits will be depleted in 1985-87, and the future structure of iron-ore mining in Liberia are unclear and could slow down the project.

Highways 3 FY84(s). Preparation was financed under the Highways II project. The project would:

- i) continue the maintenance and rehabilitation of both paved and gravelled roads undertaken under Highways 1 & 2;
- ii) reconstruct or rehabilitate sections of the Conakry-Mamou road and certain feeder roads;
- iii) provide technical assistance to continue strengthening road maintenance management and to establish a transport sector planning unit; and
- iv) provide assistance to the private sector transporters for spare parts, fleet renewal and expansion.

Appraisal originally scheduled for February 1982, has been deferred pending approval of Highways II implementation

Urban Development Project FY83 (r). This project was first identified in 1977 and feasibility studies were financed jointly by a PPF Advance of \$250,000 and by UNDP in 1979/80. The project scope, would focus on improving urban services and developing basic urban planning. Housing/sites and services has not been included following an extended discussion with Government over housing standards.

GuineaOngoing Operations.

1. First Power Project. FY81 \$28.5 million. The credit became effective in May 1981 and the project has got off to a reasonably good start. The credit finances rehabilitation of the Conakry II power distribution network and technical assistance to the power utility. The project was prepared through an earlier Engineering Credit, which also financed emergency repairs to the power system, which had all but collapsed. Project management is good. Procurement is well underway. Employment of consultants was delayed due to difficulties between the Government and its initial choice, EDF. Hydro-Quebec has since made an acceptable proposal and, consultants are expected to be in place by late-1982. Recently Government restructured the power sector into about 30 autonomous entities which was unacceptable to the Bank. Government has proposed to rescind the decrees and will shortly start a bank-financed study to reorganize the sector. The project is part of an overall program of about \$70 million cofinanced with Caisse Centrale and KfW for repairs to the Grandes Chutes dam, river flow studies, diesel generator installation and repair, and transmission networks. These components are proceeding satisfactorily.

2. Water Resources Master Plan. UNDP FY81 \$2.1 million. Financed by UNDP, the Bank is Executing Agency. The project has three objectives:

- a) to study and classify the water resources of Guinea and to prepare draft water management programmes for Guinée Maritime, Haute Guinée and Guinée Forestière;
- b) establish a financial and economic planning program for the phased development of water resources;
- c) institutional strengthening.

The project is closely linked with the First Power Project and the Konkouré Project for the optimal development of hydro-electric resources. The work of the consultants, Coyne et Bellier and Sir Alexander Gibb is progressing well and preliminary results are expected by end 1982. There are no issues.

3. Rice Project. FY80 \$10.4 million. The project will develop the rice sector through: (i) a pilot rice development at Gueckedou (Northeast Guinea) for 2700 small holdings and 12 cooperatives; (ii) establishing ONADER as a unit in the Ministry of Agriculture to promote rice development; (iii) applied rice research; (iv) a study of agricultural producer incentives; and, (v) follow-up project preparation. Early implementation has been difficult due to the inexperience of Guinean managerial and technical staff, fuel shortages, poor performance by the construction contractor and illness in the pilot project consultant team. The project is being intensively supervised. The project is succeeding well in developing external contacts with external research agencies.

The Agricultural Incentives Study financed under the project has been completed and its findings discussed and largely agreed with Government. Government has tentatively proposed to implement the recommendations through a central unit, with further complementary studies to follow up price changes, to be financed under the proposed TA project.

Our view that low cost replicable improvements for smallholders provide the quickest and most efficient way of increasing agricultural growth is at variance with Guinea's emphasis on collectivisation and mechanisation (FAPAs). In theory FAPAs and smallholders coexist, in practice FAPAs preempt agricultural investment. Although data are poor, we believe that FAPAs are as unsuccessful as similar efforts in other countries and we are attempting to discourage their role as productive units. In the Pilot Rice Development Project, the entire emphasis to date has been on smallholder development and we are not explicitly encouraging any efforts towards the cooperatives included in the original project design. There could be a role for FAPAs in institutional/structural development of the sector, which we will be study in the agricultural sector mission tentatively planned for end-1982.

4. Livestock Development Project. FY81 (Effective July 31, 1981). \$17.5 million. The project builds on UNDP financed/FAO executed pilot projects through: (i) national development of animal health and husbandry services; and (ii) institutional strengthening and staff training. The new Minister (M. Fofana) has dealt effectively with problems in the pilot projects which caused us to delay credit effectiveness. The technical assistance team from BDPA/IEMVT is in place. There have recently been several problems concerning: i) proposed award of civil works contract against procurement guidelines; (ii) insufficient local currency; (iii) the official procurement system at official, is low, prices. We have been forthright with Government and we believe that (i) and (ii) are close to resolution. Point (iii) has not yet been resolved and we are awaiting results from a recent supervision mission.

5. Education I. FY 79 \$8.0 million. The credit financed technical teacher training and secondary polytechnics, education planning and project preparation. Project implementation has been excellent. Our policy dialogue on manpower and education planning has resulted in significant changes in Guinea's education policy (which will reduce higher education enrolment), but substantial further work remains. A key issue affecting all sectors is the overproduction of semi-trained graduates which, as a result of hitherto guaranteed employment, causes major inefficiencies in overmanned (and under-attended) Ministries and state owned enterprises. This is being addressed through reduction in those secondary streams leading to university education. A complementary issue is the need to increase technical skills through vocational training. Both would be addressed in the proposed Education 2 project.

6. Second Highway Project. FY80. \$13.0 million IDA and \$4.0 million EEC. Following a successful First Highway Project, the credit finances a three year program of rehabilitation and maintenance including: (i) purchase of equipment and spares; (ii) rehabilitation of 1500 km of gravel roads (iii) maintenance of 3500 km of gravel and 1100 km paved roads

and (iv) a prefeasibility study of the Conakry-Mamou road. Progress has been disappointing with low equipment availability and very low project output. A supervision mission in February 1982 made strong representations to Government following discovery to conceal project operations. The Minister concerned has been stripped of his rank, the convicted of other related offenses (illegal import of materials) and sentenced to fifteen years imprisonment. The Ministry has been reorganized along lines proposed by the Bank. The Government has sought our help in this restructuring and to prevent recurrences in other projects. The project performance is not yet entirely satisfactory; but given the magnitude of the initial problem and the efforts of the Government to remedy the situation we continue to work closely with Government to restructure the project. Appraisal of Highways III is dependent on satisfactory performance in this project.

7. Water Supply and Sanitation Project. FY79. \$12.5 million IDA and \$6.0 million AfDB. The credit financed rehabilitation of water production, treatment and transmission facilities; extension of distribution facilities; construction of reservoirs, offices etc; strengthening of the water utility (DEG) and feasibility studies for secondary centers. Implementation, which was initially delayed due to difficulties in recruiting consultants, has been progressing slowly. Results from drilling suggest that Conakry will be short of water sooner than anticipated (1983-84) and a feasibility study to establish the least cost alternative is expected to be financed by GTZ. The technical assistance experts so far in place have had limited impact, but appear to have solved organizational and managerial issues hampering implementation. DEG is particularly hampered by the problem of overmanning which we have discussed with Government mainly in the context of manpower planning. The changes required to bring employment down to sensible levels will have substantial social, employment and financial repercussions and we can expect only steady progress in the medium-term.

Completed Projects.

1. Boké Project. The Boké mine of Compagnie des Bauxites de Guinée (CBG) mines 8 to 9 million tons per year of high grade bauxite at Sangaredi and exports it through the port of Kamsar to the five western aluminum producers who own 51% of CBG (the Halco consortium comprises Alcan, Alcoa, Pechiney, Martin Marietta, VAW & Alumetal). The Bank assisted through two loans for engineering and infrastructure in 1966 and 1968, totalling about \$74 million. Production has not yet reached nominal capacity, due to lower take by the partners rather than production failure. It is possible that there may be tensions within Halco as to mining plans and total output plans. The project is regarded by both sides as being very successful - it provides Guinea with about 80% of its foreign exchange earnings. The ore is of high quality, the deposit is homogeneous. It can be mined cheaply with no stripping and direct loading into railcars. Operations are efficient, the equipment is in good condition and well-maintained. The railroad is operated by a Government agency, OFAB, which to some extent limits production flexibility at the mine. Africanization has progressed well with about 2200 Guinean employees and 170 expatriates. Due to poor world market conditions Halco has just negotiated a reduction in offtake for the next four years. Financial arrangements have been made to minimize the budgetary impact on Guinea, but the effect is expected to remain significant.

2. Daboya Project. FY76. \$7 million. Closed in July 1981, the project was to establish an irrigated pineapple estate to be managed by a parastatal, to provide support services to pineapple outgrowers, to conduct growing trials, to provide transport and marketing studies and to prepare projects in the livestock and rice sectors. Project performance was mixed. The feasibility studies resulted in our two ongoing projects. Physical works, although delayed due to problems with the contractor (outside Guinea's control) were completed satisfactorily. Early failure to import floral inducers and fertilizers has limited production to about 65% of that expected. Failure of the exporting system reduced exports to about 20% of that expected. Government at the central level is concerned to make the process a success, and has taken financial action to provide the necessary inputs. Because both sides now agree that the state export agency has little potential for improvement, Government has requested IFC to find a private partner for Daboya, to provide both inputs and marketing services. We have been working closely with IFC in the effort to restructure the project into a "societe mixte". The economic return of the project is estimated at 6.5%. A US potential private partner has now been identified by Government - Regional Development Corporation. Negotiations are underway to create a "societe mixte" and the Bank and IFC are actively involved in advising both sides.

GENERAL BACKGROUND

A. POLITICAL SITUATION

1.1. Guinea became independent in October 1958. It was the first French colony in black Africa to do so, rejecting General de Gaulle's offer to remain in the French Community. The break from France was guided by Ahmed Sékou Touré, then Vice-President of the Colonial Government and leader of the Parti Démocratique de Guinée (PDG). Independence triggered an instant end to the French financial and technical assistance, (depriving Guinea of essential elements of normal economic life) as well as to Guinea's preferential trade treatment on the French market.

1.2 Soon after Independence the PDG became the sole political party and all opposition movements were severely repressed. The PDG is closely interwoven with the Government in a so-called Party-State structure controlling political, economic, social and religious life. The part is particularly strong in towns where inter alia it controls distribution of food rationing cards and rationed consumer goods. Sékou Touré has been President of Guinea and Secretary-General of the Party since 1958 and was reelected in 1961, 1968 and 1974 without opposition. He survived several coup d'état attempts first from the extreme left, later from the right (teachers' union soon after independence, the army at least twice, exiled Guineans in 1970, Fulas ^{1/} in 1976). All these attempts failed but gave rise to swift reprisals that spurred massive flights abroad, particularly by middle and high level cadres, so that today an estimated 20% of Guinea's population lives abroad. Recently the repressive tendencies appear to have moderated.

1.3 On November 22, 1970, Portuguese colonial troops and a number of Guinean exiles landed in Conakry in a successful attempt to liberate some Portuguese prisoners held in Guinean jails on behalf of Guinea-Bissau's liberation front. In 1976, an assassination attempt on President Touré failed and was followed by a severe crack-down on the Fula tribe, accused of having instigated it. In September 1977 widespread discontent with the suppression of private trade and the deteriorating supply situation in larger towns led to major disturbances in Conakry and N'Zérékore, led primarily by women; several police stations were burned down in Conakry, and the President promised to review the situation. He later took action, including private trade liberalization and stronger promotion of women in the political life of Guinea. The most recent attempt to eliminate Sékou Touré took place in May 1980, when a grenade aimed at him failed to explode.

^{1/} The Fulas (Peul) herdsmen have been historically in conflict with sedentary farmers (to which President's own ethnic, the Malinké, belongs) because of acute competition for grazing and farmlands.

1.4 Despite these signs of opposition, the President's uninterrupted rule reflects his strong hold of the country. This hold stems from his direct control over the Party-State structure and to some extent from the support he enjoyed during the campaign against the colonial power. Although there is widespread disillusion with government policies, the prospects are for continued control of the Party and government by President Touré.

1.5 Dissatisfaction with the standards of living and a sizeable expatriate Guinean opposition have put the regime on the defensive. Fighting for its own survival, it uses the bulk of resources at its disposal to preserve political status-quo thus relegating until recently economic development to a secondary position. As a logical consequence Party hierarchy has become more important than regular Government administration. In recent months this trend appears to have been reversed, and there is increasing emphasis on productive investment and economic development.

1.6 The last decade witnessed the emergence of a large number of middle and higher level technocrats, up to the level of junior ministers, as well qualified as any in West Africa. To the extent to which their activities and decisions do not interfere with basic policy concerns, they are able to operate and sometimes challenge on technical grounds political decisions submitted to the President. The President however makes the final decisions in all matters of great or not so great importance.

1.7 In its foreign policy, Guinea has always tried to strike a balance between East and West and has avoided being absorbed by the Eastern Block. The void left by the abrupt departure of the French in 1958 was to a large extent willingly filled by the Soviet Union, People's Republic of China, and Eastern European countries. However, since 1977-78 we have witnessed a renewal of diplomatic and economic relations with Western European countries (particularly France and Germany), and lately with neighboring francophone countries (notably Ivory Coast and Senegal). Private companies from the US, France, Belgium and other Western Countries, as well as very conservative Arab countries are Guinea's main partners in the development of several mining and ore-processing projects under discussion. Since 1975 most clearing agreements with Eastern Block countries have been terminated, including the bilateral agreement with the Soviet Union, whose termination in July 1980 is estimated to have increased the average export price of bauxite to that country by 21% in 1981. We understand that relations with the Soviet Union have deteriorated markedly, due in part to their failure to meet commitments in the Soviet financed OBK mine and for petroleum supply, and strongly rumored underweighing of bauxite exports and smuggling of diamonds from the Soviet-assisted diamond mines.

1.8 Guinea strongly supports international and regional economic and financial integration arrangements. It joined the Lomé I Convention in 1975 and Lomé II in 1979, as well as the Niger River Authority (June 1979), the Gambian River Authority (June 1981), the Mano River Union (October 1980), the ECOWAS (November 1976), the West African Clearing

House (May 1977) and the Rice Growing Development Association of West Africa (1978). The shipment of the iron ore to be exported from the proposed Mifergui-Nimba project is expected to use Liberian railway and port infrastructure. Relations with neighboring countries are good, with the exception of friction with Guinea-Bissau over the rights of off-shore petroleum exploration.

B. ECONOMIC SITUATION

2.1 Guinea is potentially one of the richest countries in West Africa, well endowed with arable land, with large and varied mineral resources, and with a substantial hydroelectric potential. A variety of ecological regions and a favorable climate allow diversified crop production besides cattle raising and forestry.

2.2 At the time of Independence Guinea was a major exporter of agricultural products and the leading African exporter of bananas. Domestic production satisfied most of the domestic demand for basic foodstuffs. The country had then quite minor mineral exports; bauxite was exported as raw ore, as the Fria alumina plant was still under construction. Manufacturing industries were virtually non-existent.

2.3 Following Independence Guinea undertook an ambitious development program, centered on state-owned manufacturing industries and transport infrastructure. Trade, banking, transports, public utilities and partly mining enterprises were nationalized. Expenditures for the massive investment program, together with the capital requirements and current deficits of public enterprises soon exceeded budgetary savings and external borrowing. The Government resorted to credit expansion to cover the ensuing gap, thus causing severe inflation, the virtual collapse of the national currency, and rapidly rising balance of payments deficits.

2.4 The serious balance of payments constraints led to cutbacks of imports, affecting both the production of the local manufacturers deprived of raw materials and spare parts, and the availability of consumer goods and agricultural inputs. If urban wage earners - traditionally the backbone of the Party - were able to maintain some access to basic foodstuffs and imported goods supplied by the State trade system at low fixed official prices, demand in rural areas and smaller towns was increasingly met by the parallel market at much higher prices. Limited access to consumer goods, increasingly unrealistic official producer prices, the sharply reduced purchasing power of the domestic currency and an inefficient state marketing and distribution system left few incentives for farmers to produce beyond subsistence needs. Agricultural production declined, and official agricultural exports became negligible (though some border areas were able to maintain a flourishing trade with neighboring countries through smuggling).

2.5 The overall result was a disappointing economic performance. Gross domestic product increased slower than population between 1960-73 and real per capita income declined, notably in rural areas. By 1972/73 the current account deficit represented 18% of GDP, exports were barely

covering one-third of imports, public debt stood at 75% of GDP and debt service obligations reached 72% of exports. Arrears on debt service were accumulating and foreign reserves were dwindling.

2.6 1973/74 marks a turning point in Guinea's economy. The opening of two major bauxite mines ^{1/} stimulated domestic output and exports. Increased exports and improved terms of trade allowed Guinea to improve its balance of trade and record consistent trade surpluses. Gross national product is estimated to have increased at 3.4% p.a. between 1973-79 in real terms, current account deficits were sharply reduced (at about 4% of GDP over the past five years) and public debt service obligations declined to about 39% of exports in 1979, and to 25% in 1980 (owing to a very favorable export performance of CBG and FRIGUIA).

2.7 Over the past five years there have been significant though still modest improvements in Guinea's economic performance in various areas. The Government has increasingly recognized the need for rehabilitation of existing assets before expansion (in manufacturing, transports, and education sectors). Consistent deflationary policies to reduce the monetary overhang and to check inflation have been followed. Excessive controls for domestic and foreign trade have been relaxed: small scale commerce was liberalized with dramatic effects on the import of consumer goods financed with merchants' own foreign exchange. External debt management and debt service performance have been improved. Technical assistance for planning, project preparation, and management has been more readily accepted. There is increasing recognition of the need for better investment programming and in the Guinean submission to the UNCTAD LLDC conference, emphasis was placed on directly productive investment with a cutback in "softer" sectors. The role of foreign and domestic private investment and of small and medium enterprises has been increasingly recognized. The controls of public enterprises have been tightened, their access to domestic credit has been restricted and they will reportedly be soon granted full autonomy. Recognition of the role of prices and interest rates in resource allocation and the importance of incentives to revitalizing smallholders' production has been gradually gaining ground.

2.8 However, Guinea's additional resources from mining exports continue to be syphoned off by inefficient public enterprises, heavy import bills for fuel and foodstuffs, high factor payments abroad, misguided public investment policies, and above all failure to encourage agricultural production and exports through appropriate incentive structures. Pervasive distortions of prices and exchange rates and an inadequate absorptive capacity led to below average capital inflows and rather unusual (for a developing country) deficits on the capital account.

^{1/} The Boké mine and infrastructure, developed with the assistance of the Bank (two IBRD loans totalling US\$73.5 million i.e. about 20% of the total investment) is a joint venture with North-American and West European interests, and managed by a foreign consortium. And the OBK mine at Debele, built and managed with Soviet assistance and serving the Soviet market.

Thus Guinea continues to face overall balance of payments difficulties and it fails to repay its external obligations though the situation has recently improved (it serviced only about 59% of its public debt abroad, in 1979 and 72% of it in 1980).

2.9 Public finance difficulties and low capital inflows contribute to low investment levels. Moreover, the decision to host the 1983 OAU Conference directed much of the recent and ongoing investment to non directly productive projects, and beyond Guinea's present needs and means. 1/ In general, investment was historically aimed at establishing socio-economic infrastructure and national institutions to replace those lost at the time of independence, rather than raising output and productivity. In the aggregate, it lacked sufficient resource generating capacity to service the foreign loans contracted to finance it. Many projects resulted in higher import demand.

2.10 Productive investment does not address sufficiently the needs of the economy, particularly of the rural sector. Though an increasing proportion of public investment is devoted to agriculture, it is directed almost exclusively to cooperative-type mechanized farming. Between 1975-77 the Government created 2,098 mechanized brigades and endowed them with over 4,000 tractors. These brigades failed to produce and much of their mechanical support has deteriorated beyond recovery. Since 1979 the Government has created 332 so-called agro-pastoral farms (Fermes AgroPastorales d'Arrondissement, FAPAs). These FAPAs employ young graduates of the agricultural schools (of which there is a chronic surplus). Their present staff of about 12,000 is expected to increase to 17,000 by the end of the current academic year. The Government will pay their wage bill for at least 3 years, as well as finance other current and capital expenditure. The FAPAs are intended to stem rural migration by young people, to serve as centers of applied agronomic work using modern technology, and to provide extension services to the local cooperatives and individual farmers. Given their inadequate capital and financial means, their lack of access to foreign assistance and to imports of inputs, their unseasoned management and technical staff, the distorted price and marketing climate in which they have to operate, and past experience in this area both in Guinea and in other countries - Government's expectations appear overly optimistic.

2.11 In short, despite some progress, Guinea is at present confronted with stagnation and a serious balance of payments problem. Its economy can neither generate enough foreign exchange to satisfy domestic consumption, service debt and finance capital and recurrent costs of existing and new projects, nor attract sufficient capital inflows to cover its current account deficit and debt amortization. The domestic currency remains seriously overvalued perpetuating a grossly distorted price system

1/ The Government stated that it will make sure that investment will be limited to a minimum and financed to the extent possible by grnats and by domestic resources. So far the construction program has been quite modest compared to other African hosts of the Conference.

and an unattractive environment for producers and investors, affecting output and export performance. The main productive sector - agriculture - produces essentially at subsistence levels because of inadequate producer incentives, inputs, extension services, infrastructure and marketing facilities. Guinea's pace of economic development permits neither an increase in the standard of living of the population nor the generation of domestic savings for self-sustained growth and development. With a per capita GNP of under \$300 Guinea remains one of the least developed countries.

2.12 And yet, the considerable natural resources of which the country disposes could be exploited in a relatively short-term perspective. Adequate producer incentives could lead to a substantial increase in farmers' production and exports; mineral ventures for the exploration of iron ore, gold, diamonds, uranium, and possibly oil could start producing very sizeable new revenues; 1/ and the public sector (manufacturing, utilities, construction) offers a great scope for improvement.

2.13 Particularly critical is the need for improved economic management. Planning and administration of the economic and financial system suffer from inadequate data collection and processing, lack of coordination between physical and financial planning, insufficient project preparation and supervision capabilities, uncertainty surrounding external assistance for investment. Guinea's development prospects hinge critically upon its ability to adapt economic policies to the medium term resource constraints and to effectively recycle resources that will be eventually generated by new mining projects. The country needs also to remove some of the political overtones of the decision-making process, and to rely more on technical advice for economic management.

C. DEVELOPMENT STRATEGY

3.1 A recent Economic Memorandum was discussed with the Government in June and issued in grey cover in August. (We recommend reading the attached BTO including the aide-mémoire to Government). The CEM proposed a strategy addressing two urgent issues:

- (a) Guinea's capacity to generate, manage, and use foreign exchange;
- (b) the need to revitalize and expand rural production.

This two-pronged approach tries to prevent a further deterioration of the formal public sector by improving Guinea's balance of payments and public finance situation; and at the same time initiate measures to revitalize the informal (traditional) sector, particularly the rural sector.

1/ One "guesstimate" of potential revenues from current gold and diamond concessions is that by 1985 Guinea might well be producing 15 tons of gold and 1 million carats of rough diamonds annually. Annual incremental foreign exchange earnings as high as \$500 million would triple current net revenues and transform Guinea's external finance situation.

3.2 The first task can best be handled by enhancing foreign exchange generation (new export projects e.g. iron ore mining, diamonds, gold, oil, uranium, plantations, livestock), import substitution (foodstuffs, construction materials, skilled labor) and better management of resources (economic pricing, planning, programming, budgeting).

3.3 The second task encourages the transfer of a larger share of the incremental national income to smallholders through policies directed at raising rural production and output (producer incentives, marketing and distribution of goods).

3.4 To achieve these tasks the Government should concentrate its efforts in three directions:

- (a) optimization of investment toward directly productive projects;
- (b) reduction of wasteful public expenditure; and
- (c) effective income redistribution.

A more detailed presentation of these issues is to be found in Guinea-CEM (July 20, 1981 para. 4.19-4.30).

D. BANK GROUP STRATEGY

4.1 Guinea joined IMF and the Bank in 1963. The Bank Group has so far financed nine projects in Guinea: one (two loans in 1968 and 1971 totalling US\$73.5 million) to finance infrastructure for a large bauxite enclave project near Boké, and eight IDA credits approved since FY75 (totalling US\$112 million) for agricultural projects (three credits), road rehabilitation (two projects), utilities rehabilitation (two projects) and vocational training. The CPP reviewed in June 1981 proposes a 1982-86 lending program of US\$217 million, of which US\$167 million for 12 IDA projects and US\$50 million as IBRD financing for the Mifergui-Nimba iron ore project.

4.2 The Senior Management Review (and of course the Regional Review) of the CPP endorsed its proposed strategy consisting of promoting growth, easing balance of payments constraints and introducing substantive policy reforms (particularly the transfer of purchasing power to the rural sector), and it approved the proposed lending program. The CPP also recommended to continue limiting IBRD operations to enclave projects in mining and ore processing, which can service their debt out of export proceeds, thus recognizing Guinea's continued lack of creditworthiness. For a more detailed presentation of Bank Group strategy, please see the CPP paras. 35-40.

E. EXTERNAL DEBT

5.1 Guinea has a considerable external debt and high debt service obligation. As a mineral exporting country, with exports both stable in

volume terms and in real value, Guinea can probably afford to have a higher debt service ratio than, for example, Sahelian countries subject to climatic vagrancies. It is however, obvious that its obligations exceed the debt service capability, at least given its present allocation of foreign exchange resources.

5.2 As of end 1980 Guinea's external public debt outstanding reached US\$1,734 million, of which US\$1,068 million disbursed. Private debt non-guaranteed contracted by the para-public mining companies (Compagnie des Bauxites de Guinée, CBG and FRIGUIA) added about US\$200 million to this amount. External debt outstanding disbursed represents about 76% of the GDP.

5.3 Debt service obligations amounted to about US\$226 million in 1980 (of which US\$143 million public debt and US\$83 million private debt nonguaranteed), i.e. about 43% of the merchandise exports or 39% of the exports of goods and non-factor service. Public debt service represents 25% of the exports of goods and non-factor services. This is a clear improvement over past years, when debt service declined from 80% of merchandise exports in 1973 to 54% in 1979. However, Guinea cannot meet its external obligations. If the private debt non-guaranteed is automatically repaid directly out of the export proceeds of CBG and FRIGUIA, and if the Soviet Union gets repaid through the bauxite exports of OBK, most other official donors and private suppliers are repaid only in part. Despite massive rescheduling in recent years, totalling US\$280 million over the past five years, Guinea recorded arrears of over US\$100 million at the end of 1980. In 1980 it paid about 72% of its obligations on public and private debt guaranteed, an improvement over recent years when the proportion of debt serviced rose from 42% in 1973 to 59% in 1979.

5.4 The improved debt performance is due to (i) the good results of the mining companies in 1980 (or more specifically of CBG and FRIGUIA, because the Soviet-managed OBK performed well below capacity), (ii) to the higher prices for bauxite and alumina, and (iii) to the improved debt management by the Central Bank. It should be mentioned here that we assisted in this by training some Guinean staff and by helping to update the situation, with positive results.

5.5 Guinea's main creditors are presented below. About 43% of the public debt outstanding disbursed is owed to the Soviet Union, China and Eastern European countries, and this continues the past trend for the diversification of assistance sources. At the end of 1973, some 63% of Guinea official debt and private debt guaranteed outstanding disbursed and 85% of its bilateral debt originated with the communist countries. This proportion fell to 43% and 68% respectively at the end of 1980. The Soviet debt represented 46% of Guinea's public debt outstanding disbursed 1973 compared to only 18% in 1980 (see table below).

Guinea-Main Creditors (Preliminary)

	million US\$		percentage	
	end 1973	end 1980	end 1973	end 1980
Total debt outstanding disbursed	605	1,068	100.0	100.0
Official	<u>521</u>	<u>836</u>	<u>86.1</u>	<u>78.3</u>
Bilateral, of which	448	675	74.0	63.2
USSR	279	192	46.1	18.0
China	82	176	13.6	16.5
USA	30	65	5.0	6.1
W. Germany	21	44	3.5	4.1
Yugoslavia	-	40	-	3.7
France	5	25	0.8	2.3
Romania	2	22	0.3	2.1
Libya	2	20	0.3	1.9
Multilateral, of which	73	161	12.1	15.1
IBRD	73	55 } 88	12.1	5.1
IDA	-	33	-	3.1
IMF	-	30	-	2.8
EDF	-	12	-	1.1
Private guaranteed	<u>85</u>	<u>231</u>	<u>14.0</u>	<u>21.6</u>
Suppliers' Credits, of which	63	189	10.4	17.7
France	11	73	1.8	6.8
Switzerland	3	58	5.0	5.4
Spain	13	27	2.1	2.5
Japan	14	15	2.3	1.4
Financial institutions, of which	22	42	3.6	3.9
France	-	25	-	2.3
Italy	21	7	3.5	0.7
Switzerland	-	3	-	0.3
Japan	-	3	-	0.3