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THE WORLD BANK  
Washington, D.C.

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The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

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*McKamara Papers*

*Contacts  
Guinea-Bissau (1975)*

THE PRESIDENT JOHN F. KENNEDY  
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Contacts with member countries: Guinea-Bissau - Correspondence 01

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GUINEA-BISSAU

GUINEA-BISSAU

1. 5/12/76 Gil Fernandes, Ambassador to the UN



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
(through Mr. Sven Burmester)  
FROM: Roger Chaufournier *h*  
SUBJECT: GUINEA-BISSAU - Your meeting with the Ambassador to the UN

DATE: May 11, 1976

1. Guinea-Bissau's Ambassador to the United Nations, Mr. Gil Fernandes, will be meeting with you in your office on Wednesday, May 12, at 6:30 p.m. Mr. de la Renaudière will attend the meeting.

2. As you know, on April 9, 1976, Guinea-Bissau applied for membership in the Bank, Corporation and Association. Ambassador Fernandes has been advised that the applications will be processed when the IMF has determined an appropriate quota for Guinea-Bissau. Because of the paucity of information available in Washington, an IMF mission will be required. This, however, may still permit the country to become a member before the end of calendar year 1976.

3. Political Developments. Guinea-Bissau (with an estimated 800,000 inhabitants in 1976) gained independence in August 1974; the Cape Verde Islands (about 300,000 inhabitants) became independent in July 1975. The two Republics are both governed by the same political party, the PAIGC 1/ which led each colony to independence. Large segments of the party seem to favor creating a single state. However, for the time being there is no strong move in this direction, although a special commission has been appointed in each of the two national assemblies to study how to bring about eventual union.

4. The Economy. Information on Guinea-Bissau's economy is scant. A two-year development plan is now under consideration by the Government. Based on partial information, the following picture emerges. Current GNP per capita may not exceed \$150, which puts total GNP at approximately \$120 million. Agriculture, largely in the form of subsistence farming, is the dominant economic activity, sustaining more than 80 percent of the population. There is no mining or manufacturing industry other than a brewery and a few simple oil and saw mills. The country reportedly has 300 km of paved roads and this situation seems to be representative of the quality of infrastructure in general. Exports consist mainly of groundnuts, coconuts and timber, with an estimated value of \$3 million in 1973. The first budget (July 1975 - June 1976) amounted to about \$20 million. For the country's future, it is important to note that bauxite deposits of 110 million tons have been proven, with more than enough hydro-electric potential to process it. Phosphate and iron ore deposits have been identified, but size and other characteristics remain to be determined. Petroleum exploration is continuing.

5. Post-independence negotiations with Portugal reached an impasse in January 1976 over the questions of transfer of foreign currency from the Portuguese Overseas Bank in Lisbon to the Guinea-Bissau National Bank, and

1/ The African Party for the Independence of Guinea - and the Cape Verde Islands



payment of public debt, most contracted by the Portuguese Colonial Administration and for which the new Government does not feel responsible. The country replaced the escudo with its own currency, the peso, in February 1976, whereupon the Portuguese Government "froze" Guinean holdings in Portugal.

6. After concentrating on Eastern Europe, Algeria and Cuba during its struggle for independence (1963-1974), one of the Government's aims is now to diversify its international aid partners. Some possibilities are: EEC interest in road construction, UN emergency aid, West German industrial investment, and Swedish financial and technical assistance, while relations with Brazil and France are developing.

7. Bank Group Involvement. Depending on the processing of the country's membership application, we could have a small identification/fact-finding mission in the field in the first or second half of FY77. Being a "least developed" country, Guinea-Bissau would initially qualify for IDA assistance. Its creditworthiness could substantially improve if and when mineral exploitation got underway; this, however, seems a long way off. The Government's attitude appears favorable to Bank Group operations, but the lack of qualified people at the working level may be a major obstacle in creating a project pipeline. Priority sectors for our involvement could be the highly underdeveloped road network, as well as rural development in accordance with the Government's primary objective of reconstructing and developing the countryside.

BdenTuinder:tp

cc. Messrs. de la Renaudière  
de Azcarate  
Payson