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REPUBLIC OF GUINEA

NATIONAL RECOVERY PROGRAM

MEDIUM-TERM DEVELOPMENT PROSPECTS

1987-1991

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ABBREVIATIONS

CIDA	Canadian International Development Agency
BCRG	Banque Centrale de la République de Guinée (Central Bank of the Republic of Guinea)
BND	Budget National de Développement (National Development Budget)
CCCE	Caisse Centrale de Coopération Economique (a French aid agency)
CCEF	Comité de Coordination Economique et Financière (Economic and Financial Coordination Committee)
CNPG	Centre National de Perfectionnement à la Gestion (National Center for Management Training)
DEG	Distribution d'Eau de Guinée (Water Distribution of Guinea)
FF	French francs
GNF	Guinean francs
FINEX	Financement Extérieur (External Financing)
IDA	International Development Association
ONCFG	Office National des Chemins de Fer de Guinée (National Railroads Company of Guinea)
PIP	Public Investment Program
PME	Petites et Moyennes Entreprises (Small and Medium Enterprises - SMEs)
PREF	Programme de Redressement Economique et Financier (Economic and Financial Recovery Program) 1985-87
SMEs	Small and Medium-scale Enterprises
SNE	Société Nationale d'Electricité (National Electricity Corporation)

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FOREWORD

This document, which has been prepared to facilitate the work of the Consultative Group, is principally designed to show how, in light of our still delicate economic situation, we are planning:

- on the one hand, to mobilize our own resources and those of our international partners, enabling us to carry out operations that are of top priority and essential to the implementation of a cohesive and determined economic policy;

- on the other hand, to pursue and broaden the scope of the management and rationalization efforts already under way, with a view to restricting public expenditures to the bare essentials, so as to restore the country's major financial equilibria with the least possible delay.

We are aware that the success of such an undertaking is closely linked to developments in the international environment and also to the correct utilization of the assistance furnished to us.

In the final analysis, however, our results will depend on the efforts made by the Guinean people themselves. To this end, our country's authorities have decided to mobilize all of the nation's energies in support of the development strategy set forth below.

Edouard Benjamin
Ministre Délégué à la Présidence de la République,
Chargé du Plan et de la Coopération Internationale

INTRODUCTION

0.01 With the advent of the Second Republic, the Guinean authorities and people started to take a hard look at their situation and to wake up to reality.

Background

0.02 Despite its considerable and varied assets (vast expanses of cultivable and fertile land, abundant fish stocks in its territorial waters, exceptional subsoil potential), Guinea is one of the world's least advanced countries (LACs), with a per capita GDP of less than \$300. The life expectancy of a Guinean citizen is 39 years, one of the world's lowest, and in 1984 his food ration provided only 80% of his calorie requirements.

0.03 This paradoxical situation is largely explained by the structures set up and the economic and social policy implemented for a quarter of a century by the leaders of the First Republic. The seizure by the State of virtually the entire system of production and its repeated and disorganized interventions, had ruinous effects. Practically all of the country's savings went into public investments of often questionable usefulness and mediocre economic return.

0.04 The public enterprises were run according to unorthodox rules by a large influx of civil servants without any real responsibilities. Through these, the State exercised cumbersome and ineffective control over all key sectors. Production, trade, transportation and the financial system were subject to direct, day-to-day government control, while the structure of the Guinean economy was, and still is, based essentially on the small individual business, particularly in the areas of agriculture and commerce. Lastly, exchange rates, prices and wages were fixed by the government authorities, more often than not on the basis of uneconomic criteria.

0.05 Since this policy was incapable of maintaining the level of economic activity, let alone stimulating growth, it had disastrous consequences on the country's economic and financial equilibria, on the system of production, and on Guineans themselves.

0.06 The official rate of exchange, bearing no relation to the real value of the currency, encouraged a large influx of imports and a flight of foreign exchange, both phenomena harmful to the economy. Domestic savings and inflows of foreign capital very soon proved inadequate to cover the operating losses of the enterprises and to finance ill-conceived public investment programs. Consequently, the State was unable to honor its commitments, in particular to foreign lenders, and the banking system practically collapsed.

0.07 Agricultural production, the keystone of the economy, suffered serious deterioration over the years as a result of low producer prices, inefficient distribution circuits controlled by the government, and the highly unusual characteristics of the tax system. The purchasing power of the farmers

naturally dropped to intolerable levels, and the rural dwellers turned more and more to subsistence farming and the unofficial market.

0.08 The State manufacturing sector gradually deteriorated for lack of regular supplies of raw materials and spare parts, on both the local and the international market. Production represented only 15% to 20% of the nominal capacity of the enterprises.

The awakening

0.09 Fully aware of the gravity of the situation and of the structural nature of the deficiencies, the leaders of the Second Republic reacted on two fronts. First of all, it was necessary to stop the hemorrhage of the country's financial resources and to honor the State's unavoidable obligations. Secondly, a process of reactivating the economic machinery had to be set in motion.

0.10 In September 1985, the Government launched its PREF (Economic and Financial Recovery Program). The aim of this approximately 30-month program was twofold: to bring the financial situation under control, and to lay the foundation for a radical change in the operating rules of the economy. The PREF progress report contained in Chapter I of the present document reveals that, encouraging results have been obtained, despite the obstacles encountered, reinforcing the Government's determination to continue with the program.

0.11 In parallel with the launching of the PREF, and in the same spirit, the Government has prepared the elements of a medium-term development strategy, whose objectives and practical conditions of application are developed in Chapter II, and whose twofold guiding principle may be summarized as follows:

- (a) encourage the development of private enterprises (individual and collective), in line with the government's general policy to stimulate private initiative;
- (b) pursue State disengagement from the productive system, but strengthen its essential responsibilities as pilot, arbitrator, and promoter of the investments necessary to the emergence and development of productive activities.

0.12 Within five years, if pursued with determination, this strategy will lay the solid foundations that are essential to the establishment of a real and continuing development process. By 1991, Guinea will be proud of having made considerable progress toward achieving its basic goals: food security, liberalization of economic activities, reduced dependence on bauxite, establishment of minimum basic infrastructure, development of the necessary social and educational services to meet the essential needs of the population, and, lastly, creation of an affective government.

CHAPTER I

**THE ECONOMIC AND FINANCIAL RECOVERY PROGRAM
1985-87**

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Overall Objectives

1.01 The analysis made by the new leaders soon pointed to the need to proceed quickly with a number of priority operations to reactivate production, particularly in the agricultural sector, and to redress the country's economic and financial situation.

1.02 Overall objectives set by the authorities naturally focused on several essential points:

- (a) laying the groundwork for gradual development of private and trouble-free initiatives in all aspects of production and trade;
- (b) restoring to the rural sector its role as driving force, by freeing the farmer from the many constraints that have deprived him of the fruits of his labors and discouraged him from producing beyond his own on-farm consumption needs;
- (c) attracting the necessary aid and external capital to restore and develop the production capacity, and the infrastructure essential to the sound operation of the economy.

1.03 The Government's initiative encountered numerous economic and financial obstacles calling for rapid action. Moreover, Guinea's situation at the outset of the Second Republic called for radical structural and legislative reforms, which needed to be addressed by the PREF.

Economic and Financial Measures

1.04 The non-convertibility of Guinea's currency, the distortions created by the artificial pricing structure, and the intolerable external debt burden were major obstacles that needed to be removed as soon as possible to re-establish a minimum of activity and restore confidence within the international economic and financial community.

1.05 Currency adjustment and convertibility: Following devaluation and the renaming of the currency on January 6, 1986, with the Guinean franc (GNF) replacing the syli, a system of foreign exchange purchases with weekly auctions was instituted. After a rather slow start, the volume of foreign exchange traded rapidly picked up in the second and third quarters of 1986, due mainly to the replenishment of liquidities as a result of repayment of the deposits of the former banks. The monthly volume of transactions fluctuated at around US\$7 million in the last quarter of 1986. US dollars were purchased at the official rate of exchange of GNF 360 in June 1986 and at GNF 400 in December 1986.

1.06 Despite this slippage, the Guinean franc fell by almost 20% against the US dollar on the unofficial market last December. Recognizing the dangers of exchange rate slippage, the Government took measures designed both to increase the supply of foreign exchange (liberalization of transactions and intervention by the commercial banks were decided on in the case of gold, with actual implementation under study), and to expand the range of operations (in particular to include invisible transactions) accepted for financing through auctions organized by BCRG. Alongside this action on the exchange rate, the

monetary discipline that is part of government policy should limit trends toward further depreciation of the currency.

1.07 After one year, we note that the adjustment and controlled convertibility of the Guinean franc has produced immediate and lasting positive results, as has the simplification of import procedures. In particular, monetary reform has made it possible for capital goods and current consumer goods to be imported without major difficulty at domestic prices reflecting their true value.

1.08 Price adjustment: The measures taken in this area were applied to a selected and limited number of strategic products. They were designed to establish a gradual process of real cost pricing and to introduce the first elements of "normal taxation" with respect to products and services furnished by public agencies.

1.09 The price of imported rice, which was 20 sylis per kg in 1985, was set at GNF 80 for Conakry on January 4, 1986, then at GNF 100 per kg on June 1 of that year. In the provinces, the price of imported rice was set at GNF 120/130 per kg, a range equivalent to that of local rice in the area of production (i.e. a five-fold increase in current prices since 1984). Today, the Comité de Coordination Economique et Financière (CCEF) recommends the setting of a floor producer price.

1.10 The price per liter of gasoline went up in a similar manner, rising from 30 sylis in 1985 to GNF 115 in January 1986, and to GNF 140 in June. A new adjustment will be made in a few months time, since the tax on gasoline, the price of which in Guinea is still far below that charged in neighboring countries, could represent a major source of revenue for the State.

1.11 At the same time, water and electricity charges went up considerably. Differentiated pricing is now being prepared, both by type of customer and by taking account of precise commercial objectives. Other prices were adjusted upward during 1986: those of Air Guinée's domestic flights, urban transportation, postal services and telecommunications.

1.12 Despite an inflation rate on the order of 25% to 35% in 1986 (after deducting the impact of "catch-up" price adjustments), which should slow down considerably in 1987, this pricing policy should contribute significantly to a return to equilibrium for the public enterprises, to the diversification of State tax revenues, and to the reduction of imports, in particular of basic food products. Nevertheless, a number of problems remain to be solved. Not least of these are the recovery of unpaid debts and the systematic organization of recovery operations within the water and electricity corporations.

1.13 Reform of customs tariffs: The new customs tariff, which came into force on January 15 and was amended on July 1, 1986, is considerably simpler than the preceding ones. It includes a 10% tax applicable to nearly all imports (exceptions: rice, various basic food products, pharmaceuticals). This significant increase in the customs duty base, despite a reduction in nominal rates, should provide the State with a more lucrative and reliable source of revenue.

1.14 The results obtained to date have not, however, reached the targets set, and a major effort of rationalization of procedures and reorganization

needs to be made within the Customs Department if the reform is to be completely successful. This effort will be undertaken this year within the framework of the technical assistance operations at the Ministry of the Economy and Finance.

1.15 Credit policy: With a view to fostering the development of savings by assuring appropriate rates to savers and a better use of credit resources, the monetary authorities have decided to apply a credit policy which takes inflation and the exchange rate slippage into account.

1.16 Depositor interest rates (term deposits: 15% p.a. minimum) have been raised and fixed according to the amount and term of the deposit. The banks' lending rates (rediscount rate plus 5%) have been established on the basis of BCRG's rediscount rates (normal rediscount rate: 15%, preferential rate: 10%). Also, three lines of credit (IDA, EEC, and CCCE) have been opened on preferential terms (varying from 8-13%) for the SMEs and for agricultural enterprises. These provisions will take effect during the next few weeks.

1.17 External debt: Following an inventory and systematic analysis of Guinea's debts, that part of the total debt owed to Paris Club members (approximately 40% of the total) was renegotiated in April 1986. Guinea obtained the consolidation and rescheduling of arrears as of December 31, 1985, and of maturities due or falling due between January 1, 1986 and February 28, 1987. By December 31, 1986, the status of Guinea's agreements with the 11 countries involved was as follows: two had been signed (with France and Switzerland), six initialed (with Austria, Belgium, Spain, Great Britain, Norway, and FRG), and three were still in process of negotiation (with Italy, Japan, and the United States). A total of \$168 million has been renegotiated to date.

1.18 For the balance of Guinea's debt, essentially composed of obligations toward the Eastern bloc, the Arab countries, and unsecured lenders, the negotiations started during the last quarter of 1986 and will continue during the first half of 1987. These negotiations, which are not following any standardized procedure and are not being conducted through official institutional channels, are obviously more complex and will take longer to conclude.

Introduction of Radical Structural Reforms

1.19 The Government believes that the way to unleash the country's dynamism is to provide for prompt State disengagement from most of the country's productive activities, as well as for radical restructuring of all key sectors.

1.20 Reform of the banking sector: Since there was no likelihood of engineering the recovery of the State banks, they were liquidated on December 23, 1985. As a parallel measure, three new banking establishments set up with the participation of qualified foreign partners have started business activities, operating alongside the one small, completely private bank that came into being in 1983.

1.21 As things now stand, we may say that this reform has taken place satisfactorily since, despite the laborious process of liquidating the former banks - not yet fully completed - the new banking system is working and expanding. A dozen branches will be established in various provincial cities over the next two years.

1.22 Restructuring of trade, transportation and services. This involved liquidating all non-viable State enterprises and rehabilitating those enterprises deemed viable, either through privatization or through conversion into mixed-capital companies.

1.23 This particularly ambitious component of the program is taking longer to execute than originally hoped, since many technical and institutional difficulties still remain to be overcome, in particular the lack of human resources and the absence of any services to manage the personnel laid off. However, some encouraging results have already been obtained: most of the inventories and evaluations of assets have been completed, many stocks have been liquidated, and the list of enterprises to be converted into mixed-capital companies (5 companies) or simply liquidated (12 companies), has been finalized. The Government believes that privatization should take the form of the creation of new private companies to replace public enterprises, and not of the private sector taking over existing public enterprises.

1.24 The foundations have therefore been laid to ensure that these sectors (which, to provide the services expected of them, must charge market prices) operate satisfactorily and are instrumental in eliminating many of the irregular and even illegal practices that became current as a result of almost constant shortages.

1.25 Restructuring of the industrial sector: Many of the public enterprises in the industrial sector are outdated, another situation that calls for radical reforms. In the spirit of disengagement, the government decided to liquidate those that were non viable and to privatize most of the others. Only a small number of institutions providing public services will remain under State control: the railroads (ONCF), electricity (SNE), water distribution (DEG), and the National Bureau of Printing (Imprimerie Nationale).

1.26 The decisions taken have been partially implemented (two agreements have been signed, one of which, with BONAGUI, has been ratified, while several other important ones are now being finalized), but this substantial and complex process of restructuring will take longer than initially planned. On our side, it has taken longer than expected to set up precise procedures (this problem has been solved by the creation of a privatization commission). With the changes in governments the authorities have sometimes been led to think twice about certain agreements, while they are sometimes reluctant to even partially relinquish direct State control over the system of production. Furthermore, the proposals emanating from the private sector are sometimes inappropriate: documentation offering little basis for comparison, excessive demands, such as the suggestion of replacing public monopolies by de facto private monopolies, inadequate offers for the takeover of assets, and demands regarding staff dismissals, while the problem of evaluating the references of potential partners is also extremely serious. Because of the mediocre quality of the documentation, certain submission procedures have had to be started over again. Lastly, in the case of those agreements that have been concluded, a certain wait-and-see attitude has been noted on the part of the new owners (due to a shortage of financing or a lack of confidence?), which has also been one of the factors delaying completion of the industrial privatization program.

1.27 Administrative Reform: The administration inherited from the First Republic was overstaffed, interfering and often of limited competence. It represented a considerable drag on the growth and development of a

free-enterprise economy. Pruning and reorganization have thus been the order of the day in this area, but it has also been necessary to ensure that those civil servants who are to constitute the new administration can earn a decent living and receive high-quality vocational training.

1.28 In view of the large number of positions (around 30,000) slated for abolition and the social and psychological consequences of such a move, it was necessary (i) to set up a complex, attractive and even-handed scheme for trimming the staff: special arrangements for assignment to non-active status, automatic retirement, early retirement, financial incentives for voluntary departure, and (ii) to devise a differentiated and indisputable selection and training process for workers continuing their career in the new civil service.

1.29 The results obtained to date bear witness to the complexity of the exercise. The census was completed in May 1986. Out of a total of approximately 88,000 civil servants or State enterprise employees, 10,000 left the civil service in 1986. However, the process of selecting managers and other staff to be retained in the civil service got off to a slow start. Progress is being made despite obstacles in terms of attitudes inherited from the past (reluctance to take competency tests, reluctance on the part of the government departments to see their staffs reduced), actual opportunities for reinsertion into the private sector, and the magnitude of the task itself, which was certainly incorrectly assessed at the time the operation was launched.

1.30 Vocational training has not been neglected. Specialized upgrading programs have been drawn up, while the institutions responsible for conducting these programs have been designated and are preparing to get the training cycles under way. This applies in particular to CNPG, which is responsible for training economic and financial managers, and also to the Office National de Formation Professionnelle et de Perfectionnement (ONFPP), which offers technical training.

1.31 However, much remains to be done to complete the process of staff reduction within the civil service. It will be pursued with determination, and also with extreme care, since, in this area perhaps more than in any other, undue haste might produce effects quite the opposite of those intended.

Reforms to the Legislative and Regulatory Framework

1.32 The Government is working on a large number of legislative and regulatory texts designed to restore a state of law through codes and laws governing economic activity.

1.33 The Petroleum Code and the Mining Code were enacted in 1986. With the promulgation of the Investment Code on January 3, 1987, one of the principal obstacles to the take-off of the private sector has now been eliminated. The drafting of the Fisheries Code and the Code of Government Contracting has been completed; these documents will be issued in the near future. A draft commercial law, nearing completion, will be submitted to the authorities for approval in the coming weeks. A new Accounting Plan, setting forth the rules of management for the enterprises, is under preparation.

1.34 A considerable and possibly unprecedented effort has thus been made over a very short period. However, it will still be necessary to get people used to this new legislative approach and to publicize the methods and

techniques of its application. A major effort of persuasion, training and organization will be needed, in particular for those civil servants who will be responsible for interpretation and implementation of the new texts.

1.35 Conclusions. In view of their magnitude and structural implications, the effectiveness and repercussions of the decisions taken and the actions initiated since the advent of our young Second Republic cannot be definitively assessed after so short a time.

1.36 The program is encountering a number of obstacles as it progresses, mainly due to the inertia inherited from the former system, the reluctance of certain government officials to implement the reforms, and above all to the considerable dearth of adequate material and human resources. We shall not deny that, in some areas, our work has hardly begun. The problems mentioned above, namely those connected with the restructuring of public sector enterprises and the cutbacks in the civil service, are revealing in this respect.

1.37 Nevertheless, the results so far have been encouraging and have confirmed the merit of the reforms undertaken, since (i) the rural sector very quickly responded by increasing production and quality and by retoring livestock holdings; (ii) imported commodities and equipment are now readily available at correct prices; and (iii) inflation, though relatively high, is not exceeding acceptable and predictable levels.

1.38 This interim program is, however, only the first phase in a longer process that will still require much effort, determination and patience. Over the next five years there will be a need for the closest possible management, organization of government departments, training of staff, and selective investment in the State's new areas of responsibility, leaving it to private enterprise to develop a productive, prosperous and competitive sector. The medium-term development strategy, of which the main directions have now been developed, is the expression of that determination.

CHAPTER II

MEDIUM-TERM DEVELOPMENT STRATEGY 1987-91

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2.01 Coming between a break with the previous system and a period of sustained and coordinated development, the next four or five years will mark a turning point for Guinea. The PREF now being implemented is, in fact, no more than a preliminary phase that must be followed by coordinated efforts to achieve clearly defined development objectives. These longer term objectives have been decided in light of three sets of strategic parameters.

Strategic Parameters

2.02 The demographic context: The most recent complete population census was made in 1983. The official total at that time was 5,781,014 inhabitants. The urban population was calculated to be 30% of the total, and the number of Guinean nationals resident abroad was about one million. The average growth rate (about 2.8% per year) ranged from 4.8% for the urban population to 1.8% for the rural population. According to these figures, the total population is likely to rise from 6.1 million in 1985 (with 1.8 million in urban areas and 4.3 million in rural areas) to 7 million in 1990 (with 2.3 million in urban areas and 4.7 million in rural areas).

2.03 These demographic trends will have two effects on economic policy over the next five years. First, in spite of the currently low standard of living and the expected economic recovery, population growth will prevent any large increase in per capita GDP, which is projected to increase moderately from about US\$266 in 1986 to about US\$310 in 1991 (para. 3.15). In addition, high growth in the urban population will make the need to create paid employment in urban areas more acute. In fact, if the optimistic view is taken that economic activity will recover at the end of 1987 and that the informal sector will rapidly develop, unemployment in urban areas will, nevertheless, increase from about 200,000 in 1985 to about 500,000 in 1990.

2.04 Operational constraints: Any realistic medium-term strategy must take account of the importance of several constraints that have been inherited from the previous government and still exert a considerable influence. The following are some of these predominantly financial and organizational constraints:

- (a) a production system in need of recovery, and a private sector still lacking in boldness because of long years of being held in check;
- (b) human resources that have remained untapped because of an ineffective educational and vocational training system;
- (c) very inefficient government services;
- (d) medium-term debts that cannot be sustained by the Guinean economy's own resources;
- (e) infrastructures that are either nonexistent or in very poor condition;
- (f) institutions geared to operating a socialist system and quite unsuitable for the free-enterprise economy to which Guinea aspires.

2.05 Prerequisites for development: The success of any economic policy in the Republic of Guinea depends on the establishment of a suitable legislative and regulatory framework and the provision of at least a minimum of infrastructure investment; these are the logical prerequisites for successful development.

2.06 The necessary legislation will be finalized over the next 18 months. In order to supplement and fine tune the legislative and regulatory measures already adopted as part of the PREF, before the end of June 1988 the Government intends to provide Guinea with the legal framework necessary for promoting the full development of agricultural, industrial and commercial activities. In addition to a body of commercial law, legislation will be issued governing property and commercial disputes, together with regulations on fiscal matters, customs, prices, weights and measures, and the accounting system to be used by public and private enterprises.

2.07 This legal framework is essential if the private sector is to take over the vast majority of economic activities, and it will be planned in such a way as to facilitate Guinea's integration into the subregional economy, since regional cooperation is a major element in government policy. As a result, Guinean economic agents will easily be able to escape from the comparative isolation to which the former government's policies confined them.

2.08 Infrastructure is another prerequisite calling for sustained efforts, and the present condition of infrastructure relating to transportation, telecommunications and electric power constitutes a major obstacle to Guinea's economic development. Improving the road system (through construction, repairs and maintenance) and establishing satisfactory telecommunications (i.e. telex and telephone systems) are indispensable for the harmonious development of both internal and external trade. In addition, industry and services require an electric power supply that is reliable (as regards both voltage and scheduling), and Guinea does not yet possess this.

Objectives

2.09 In line with the overall decision to liberalize the economy, the purpose of the medium-term development strategy presented here is to achieve sustained growth in the 1990s, so that, by the year 2000, Guineans will be fully enjoying the benefits of their country's natural resources.

2.10 In light of these constraints and prerequisites for development, and in accordance with the guidelines indicated in the Head of State's speech of December 22, 1985 presenting the program, the Government has chosen objectives for the period 1987-91 that center on the following two major goals:

- (i) providing for the population's basic needs, which continue to be quite considerable because of population pressure and the current level of food intake; and
- (ii) achieving the gradual and structural reestablishment of the major macroeconomic and financial equilibria affecting the State and the nation.

2.11 Providing for the population's basic needs: Quantitatively, this objective calls for an increase in consumption of about 3% per year in real

terms. However, achieving this modest increase in consumption will require that a careful watch be kept on the scale of the import component of consumption.

2.12 The following qualitative goals will have to be achieved in order to provide for the population's basic needs:

- (a) achieving food security: this objective is realistic, particularly in view of the rural sector's potential and the farmers' capacity for reacting positively when permitted to act freely and obtain a just reward for their efforts. Increases in food crops and meat output, together with the exploitation of fish stocks, will each contribute to a qualitative and quantitative improvement in the diet of Guineans;
- (b) providing the population with reorganized and more efficient public services in the following main areas: public health, education and vocational training, sanitation, water supply and electric power;
- (c) job creation, particularly in urban areas: This essential step, in the demographic context described above, will involve speeding up the recovery of the manufacturing sector and promoting the development of commerce, services and crafts; and
- (d) improving housing: The current volume of construction activities is negligible, even though the needs of individuals are enormous. The expansion of construction, supported by appropriate economic and financial measures, will improve the standard of living of Guineans, and will also create a considerable number of jobs.

2.13 Progressive and structural reestablishment of the major macroeconomic and financial equilibria affecting the State and the nation: The set of structural disequilibria currently affecting public finance and the balance of payments is one of the main factors limiting development. In spite of all the efforts Guinea plans to make, it will still need external assistance in the coming years to enable it to cover public expenditure, honor its external commitments and implement the investment policy necessary for achieving economic recovery.

2.14 The following secondary objectives are an inevitable consequence of the attempt to achieve macroeconomic and financial equilibrium:

- (a) reducing the relative importance of bauxite and alumina in government revenue and exports and diversifying sources of export revenue, particularly by relying to a greater degree on agricultural products and minerals other than bauxite;
- (b) introducing a tax reform in order to diversify and broaden the tax base and ensure that all categories of taxes are regularly collected;
- (c) controlling the level of indebtedness during this difficult period by applying mainly for concessional financing (i.e. on a grant and quasi-grant basis);

- (d) continuing efforts to improve the management of public funds, particularly by defining and enforcing rigorous procedures for managing current and capital budgets, and strengthening activities relating to project appraisal and monitoring;
- (e) other complementary approaches will also be examined, such as the study and establishment of mechanisms for providing local authorities, particularly municipalities, with significant amounts of resources.

Instruments

2.15 The Government has identified a number of instruments and methods for overcoming constraints and achieving its objectives. Government policy will be consistent with the measures adopted under the PREF, providing unwavering support for family farms, the promotion of the private sector, the development of an education system adapted to economic conditions in Guinea, and the establishment of efficient government services.

2.16 Family farms: The revised legislative framework, gradually improved infrastructure and increased electric power output can be effective only if the structures of production are efficient. Since experience with collectivization has definitely shown it to be inappropriate for Guinea, family farms will serve as the instrument for developing agriculture and livestock. In the next five years, the essential element in government promotion of agriculture will be the individual unit, integrated into the social structure of the village community.

2.17 Promotion of the private sector: Based on the new legislative and regulatory framework referred to above (para. 1.32 to 1.34), the medium-term strategy objectives call for a policy of actively promoting the private sector, whether Guinean or non-Guinean. As regards the larger enterprises (i.e. in mining and agroindustry) the Government will seek to attract qualified foreign investors, since advantageous conditions for all parties concerned are guaranteed by the Investment Code. As regards small and medium-sized enterprises, Guinean entrepreneurs will be given priority (through the revitalization of Chambers of Commerce and Industry, and the provision of assistance to SMEs in the identification, preparation and launching of investment projects).

2.18 Education and vocational training: The process of enabling Guinea to manage its own development by the year 2000 will require an immediate reorganization of the education system and the retraining of many of the personnel concerned. Training will therefore be a major component in all development projects so that in-service training and retraining can be strengthened. In addition, the reforms already initiated in Primary and Secondary Education will be continued and extended to include Higher Education, the purpose being to revitalize Primary Education and to expand Technical Education and the training of teachers and instructors.

2.19 The new role for the State: Although the principle behind Guinea's development strategy is that the private sector should take over the vast majority of economic activities, it also requires the State to assume major responsibilities as a consequence of its new role of promoting, organizing, regulating and supporting those activities essential to efficient public

services. The State, therefore, relieved of the direct management of many enterprises, will serve as a fundamental instrument for attaining the country's objectives. It will be responsible for defining economic policies and priorities, mobilizing resources for infrastructure investment, deciding on and applying incentives to trade and production, and maintaining the major economic and financial equilibria.

2.20 To enable the State to fulfill its new responsibilities, the Government will complete the reforms that already have been undertaken in two areas. First, the administrative reform launched as part of the PREF will be continued and completed. By the end of 1987, the reduction in the government work force will be concluded, opening the way for the training and advanced training of the remaining personnel.

2.21 The second area in which decisive reforms will be made is economic management methods. From 1987, a nomenclature and procedures conforming to international practice will be applied to the preparation, execution and monitoring of the budget. In the coming months, the techniques for medium-term planning and project identification, appraisal and monitoring will also be refined.

2.22 In this respect, the PIP (Public Investment Program) presented in this report (and constituting a complete innovation in Guinea) is a clear illustration of current changes in the management methods applied to the national economy.

Methods

2.23 In addition to a series of economic, financial, legal and organizational measures, the most important of which have been referred to above, there are three methods that the State can use for implementing its economic policy: (i) a pricing policy favorable to the development of economic activities; (ii) the planning and implementation of a public investment policy organized into projects grouped according to a three-year rolling investment program; (iii) selective use of first-class external technical assistance.

2.24 Pricing policy: The 1986 price adjustments undoubtedly affected economically and socially important goods, but did not, in themselves, constitute a real pricing policy. The Government considers that pricing policy will, from now on, be a particularly useful means of rapidly increasing the economic efficiency of the private sector and government activities.

2.25 Currently, the Government is preparing a bill to institute the pricing system applicable in the Republic of Guinea. It expects to promulgate this law in June 1987. By solemnly affirming the principle of unregulated prices, this bill reflects the Government's desire for a system capable of: (i) providing producers (especially farmers) with sufficiently attractive profits to produce the necessary increase in output; (ii) eliminating any distortions likely to render resource allocation inefficient.

2.26 Public investment policy: As a particularly important instrument of medium-term development strategy, a policy of sustained public investment will be essential over the next five years in order to provide for the development

of the private sector investment necessary for growth. The 1987-89 Public Investment Program presented in Annex A has been planned on the assumption that macroeconomic conditions will be in equilibrium, and in light of the government's objectives and the constraints identified above.

2.27 However, the Government has inherited from the First Republic a number of operations of doubtful profitability, and one of the first tasks facing the Second Republic has therefore been to consider whether such projects launched before 1985 should be continued. Although most have been cancelled or reorganized, a few have been continued, mainly for technical and financial reasons.

2.28 The policy behind new operations is much clearer. The Government will take action essentially to provide or improve the environment for the development of productive activities. In addition, the emphasis now placed on the identification of economically viable projects and their efficient execution will rapidly increase the effectiveness of public investment policy.

2.29 Naturally, the State's role with respect to social welfare has not been neglected. However, present circumstances preclude any short-term allocation of resources proportionate to needs. Current and projected financial constraints, together with the still low absorptive capacity of the Guinean economy, require such investments to be limited to essentials.

2.30 Current projections indicate that, overall, the three-year Public Investment Program will consist of the following elements:

- (a) **Economic:** Expenditure over the three years will total about US\$670 million (US\$175 million in 1987, US\$234 million in 1988, and US\$261 million in 1989), an average of 12% of GDP. This is relatively modest in light of the needs identified, and in comparison with the level of resources allocated to public investment in many similar countries.
- (b) **Financial:** About 90% of the financing will be provided in the form of external assistance at very favorable conditions, commercial borrowings now being very exceptional.

2.31 Guinea intends to mobilize grants and concessional credit to the maximum degree possible, these being the only forms of financing with interest rates and repayment conditions that can be met on schedule using the country's resources. From 1987 to 1989, the breakdown of financing will be as follows: concessional lending will amount to 57% of the PIP; IDA-type quasi-grants, 16%; grants, 26%; and conventional commercial loans, 0.6%. These figures illustrate the considerable efforts made by Guinea to limit the repayment burden to an absolute minimum. The impact, therefore, of PIP financing on debt servicing will be small and, over this period, will impose no extra charge on the Government's efforts to meet its commitments, particularly as regards paying off the arrears of debts incurred by the previous government.

2.32 Close study confirms that the 1987-89 PIP is in line with the Government's development strategy, since the authorities have emphasized that priority should be given to rural development in order to improve food intake

and restore equilibrium in export resources. In addition, the total lack, or very poor condition, of surfaced or earth roads providing access to production areas have been shown to be the main bottlenecks to development. About 24% of the PIP is allocated to rural development as such, and 25% to infrastructure rehabilitation or construction.

2.33 As further priorities, energy and telecommunications are each allocated 8% of the PIP. Action on social problems absorbs 14% and mining 6%, a major share of which is allocated to bauxite mining (OBK). The rest of the PIP is divided among industry, water supply, urban development and general government services.

2.34 Technical assistance: It must be acknowledged that the First Republic's policy on education and vocational training, like its economic activities, has had particularly harmful effects on the level of expertise shown by much of the work force, especially in government employees. Because of their long isolation from the scientific and technical progress made in other countries, Guinean managerial staff need operational support and the provision of advanced courses to enable them to participate effectively in the implementation of projects and reforms.

2.35 To this end, the Government wishes to mobilize first-class external technical assistance under precisely defined conditions that will ensure success. The aim will be to upgrade the knowledge and skills of certain managerial staff and also train them in modern techniques and methods in all fields affected by the development program.

2.36 So that application of this technical assistance will be as efficient as possible, the Government has laid down the following principles:

- (a) the assistance must serve to mitigate the effects of operational inadequacies at sector level and in overall economic and financial management; and
- (b) it must contribute to institution building and rapidly enable Guinean nationals to take over even the most intricate and complicated operations.

2.37 All forms of assistance, provided that they comply with the above criteria, will be used. However, too little use has so far been made of twinning arrangements, and also of volunteers, even though the latter have made notable contributions at a perfectly acceptable level of competence and at an average cost significantly lower than that of other experts. It is therefore intended to increase the use of these two forms of technical assistance, both as a result of bilateral agreements and through international organizations. The technical assistance component of all investment projects will, of course, be directly determined in light of the potential for training the Guinean nationals involved and the national priorities with respect to human resource development.

2.38 Direct technical assistance and miscellaneous studies constitute about 20% of the Investment Program. These relate to the priorities identified; i.e. management of the national economy, development of the rural

sector, training and education, and the energy sector. Optimum effectiveness has probably not yet been achieved. As soon as the new structures have been established and personnel has been reduced in the main ministries, the government will conduct an in-depth study of the suitability of current technical assistance for the real needs of the administration and the economy.

CHAPTER III

MEDIUM-TERM ECONOMIC PROJECTIONS 1987-91

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3.01 Based on the state of the Guinean economy in 1986, this chapter examines the prospects for growth in output and presents budgetary and balance of payments projections for the next five years. These projections, which illustrate quantitatively the results of the development strategy outlined above, indicate, among other things, the financing needs of the economy up to 1991.

The Guinean Economy in 1986

3.02 Breakdown of GDP: The following description is based on national accounts figures. The provisional accounts for 1985, drawn up in sylis, have been projected (in US\$ at 1986 prices) to show estimated trends for 1986.

GUINEA'S GDP IN 1986 (ESTIMATED TRENDS)

Sources	US\$ millions		Uses	US\$ millions	
	(At 1986 Prices)	%		(At 1986 Prices)	%
Agriculture	748	45%	Consumption		
Mining	378	22%	Public	129	8%
			Private	1,255	75%
Primary	1,121	67%	GFCF	217	13%
Manufacturing	21	1%	Exports	538	32%
Electric Power	13	1%	Imports	-472	-28%
Construction & Public Works	51	3%			
Secondary	85	5%			
Transportation	30	2%			
Other Services	42	3%			
Commerce	318	18%			
Government	77	5%			
Tertiary	459	28%			
GDP	1,685	100%	GDP	1,685	100%
			Factor Income	-142	
			GDI	1,523	91%

3.03 The foregoing figures reveal not only the preponderance of the rural sector and the importance of mining, but also the extreme underdevelopment of the manufacturing sector. Per capita GDP is about US\$270. Consumption accounts for 83% of GDP and gross fixed capital formation for 13%. The savings rate is 9.6% of gross disposable income.

3.04 Foreign trade flows: The 1986 current account, which clearly reflects Guinea's dependence on bauxite, is as follows (in US\$ millions):

Current Account
(in US\$ millions)

<u>Uses</u>		<u>Sources</u>	
Imports (CIF)	472	Exports (FOB)	536
Foodstuffs	69	Agriculture	29
Energy	52	Bauxite	373
Industrial products		Alumina	67
- Final consumption	68	Gold, diamonds	48
- Intermediate consumption	145	Services	5
- GFCF	88		
Services	54	Balance of goods and services	-64
Net factor income	-142	Grants	38
		Current Balance	-42

3.05 Central government finances in 1986: Total resources are 16.5% of GNP, 71% of which consists of mining revenue. The following aspects of the government's financial situation should be highlighted:

- (a) the breakdown of expenditures into three main categories: current expenditures accounting for 50% of the budget, interest payable on loans accounting for 11% and the investment program accounting for 39%;
- (b) the size of the current budget proper (i.e. excluding interest), which totals US\$155 million and accounts for 9% of GDP;
- (c) the budget deficit of US\$35.5 million, which is covered almost totally by external borrowing.

Central Government Finances
(in US\$ millions)

<u>Uses</u>		<u>Sources</u>	
Wages and salaries	47	Mining revenue	194
Equipment	79	Other income tax	3
		Various taxes	13
Subsidies and transfers	29	Other (indirect) taxes	22
Interest	34	Non-fiscal revenue	7
Investments	121	Grants	35
		Financing needs	35
Total applications	316	Total	316
<hr/>			
Financing needs	35.5	Net domestic financing	-11
Financing surplus	22.5	Net external financing	69
		New loans	215.6
		Amortizations	-146.6
Total	58	Total Financing	58

* Including new drawings, the effects of rescheduling, and balance of payments support operation (IMF, IDA, etc).

3.06 The debt situation: As of December 31, 1985, Guinea's foreign debt was close to US\$1,300 million, including US\$300 million in payment arrears of both principal and interest. In other words, its debt was equivalent to almost three fourths of Guinea's GDP and two and a half years' worth of gross export earnings, with the following breakdown:

Category	Total outstanding	of which principal arrears	Interest arrears	Total debt
Suppliers' credits	178.8	164.7	34.3	205.1
Financial institutions	45.1	27.7	8.1	53.2
Multilateral organizations	262.6	7.1	2.0	264.6
Bilateral credits	813.7	103.2	22.3	836.8
TOTAL	1292.2	242.7	66.7	1358.9

(in US\$ millions)

3.07 As a result of the reschedulings already negotiated or shortly to be negotiated, debt service on medium and long-term commitments will total US\$77 million in 1986.

Foreseeable Growth

3.08 Economic trends: 1987-91: The projections for 1987-91 were based on an analysis of trends in each sector and of the probable impact of the PIP and the reforms now planned or already in progress. A new dynamism is therefore assumed, characterized by the revitalization of the private sector. The resultant increase in GDP is expected to average 4.6% per year over the period, with cyclical variations for the mining sector in 1987 and 1988 (see Annex B).

3.09 The most dynamic sectors will be fishing (with new equipment and support infrastructure), industry (recovering after an almost complete stand-still), construction and public works. Agriculture is expected to show a 3.6% average annual increase in response to the population increase, and will benefit from improvements in capital goods, transportation and marketing. The output of certain products--such as rice (+6%), cotton (+14%) and coffee (+10%)--will increase much more rapidly. In contrast, mining as a whole and forestry are expected to show a decline or remain at their present levels.

3.10 By the end of the period economic activities are expected to start coming into balance : the share of manufacturing in GDP (including energy, construction and public works) is expected to rise from 5.1% to about 7.9%. Domestic final demand will increase by slightly more than 5% per year. Household consumption will rise by 3.3% per year, projected demographic trends making this a per capita growth rate of 0.5% per year. By the end of the period, investment will be equivalent to 17% of GDP and total consumption will be 85% of GDP.

3.11 External trade: The development strategy drawn up by the Government will affect exports. The total volume of exports is expected to increase by 5.3%--despite declines in alumina and bauxite--thanks to increased exports of other products (26% per year). The structure of Guinea's sales to other countries will therefore change significantly because bauxite and alumina will account for only 63% of the total, compared to 87% at the start of the period.

3.12 At current prices, bauxite and alumina exports will decline by about US\$100 million in 1988, rising again slightly in 1991. However, considerable increases in gold and diamond exports are projected. All these trends combined will result in a total volume of mining exports of US\$565 million in 1991, compared to US\$496 million in 1986.

3.13 Coffee exports, which will increase from 6,000 tons to 12,000 tons, together with improved international trade in various products, such as mangoes, grapefruit and cocoa, should result in significant growth in agricultural exports. This income, together with revenue from fishing, will total about US\$99 million in 1991.

3.14 Imports are expected to show an average annual increase of 6.3% in volume and 8.5% in value. Significant differences are expected from year to year. At the start of the period the increase in value will be 10.7%, resulting from increased investment and demand for consumer goods not yet produced /

locally. By the end of the period, however, intermediate goods for industry will exceed final consumption goods and investment. Since by then agriculture and livestock will be more capable of satisfying the needs of the population, particularly as regards rice and meat, public investment is expected to stabilize at about US\$300 million per year.

3.15 Analysis of the Guinean economy underscores the need for sustained investment in an economic system that remains fragile and dependent on foreign exchange earnings from mining. This being so, 1986 definitely marks the beginning of a new era of moderate but lasting growth, the results of which will not become apparent until the end of the period. Growth in the next two or three years will be slower, and the nation's resources will be called upon to provide considerable amounts of investment financing. Final consumption in 1988-91 will increase only moderately; i.e. by 22% in real terms, compared to the 63% increase in investments. Imports will thus be maintained at the level of increase in GDP. Per capita GDP will remain low; i.e. about US\$310 in 1991.

3.16 Guinea will, nevertheless, enter the nineties with a growth rate for output of more than 4%. The export trade will be more firmly based because of greater diversification, and the country will possess the large volume of capital accumulated during the period 1987-91.

Budgetary projections

3.17 The following table summarizes projected government budget trends, (detailed in Annex B):

(in US\$ millions)

	1986		1991		Annual Rate % share
INCOME	<u>274.5</u>		<u>435.2</u>		<u>+9.7%</u>
of which mining	194.5	71%	229.2	53.0%	+3.3%
other indirect taxes	34.3	12%	121.2	28.0%	+28.7%
grants	36.0	13%	69.0	16.0%	+13.6%
EXPENDITURE	<u>310.0</u>		<u>527.2</u>		<u>+11.2%</u>
of which operating costs	189.0	61%	222.2	42.0%	+3.3%
investment	121.0	39%	305.0	58.0%	+29.2%
AGGREGATE BALANCE	<u>-35.5</u>		<u>-92.0</u>		
expenditures not covered		11%		17.0%	
NET FINANCING	<u>59.0</u>		<u>39.7</u>		
of which external*	69.0		18.3		
internal	-11.0		12.4		
FINANCING NEEDED	<u>-22.5</u>		<u>61.3</u>		

* External financing allows for the impact throughout the period of the 1988 rescheduling, together with net drawings on the IMF of US\$11 million in 1988, and balance of payments assistance totaling US\$32 million provided in 1988 by IDA and various cofinancing agencies.

3.18 Income and expenditure: The trends summarized above clearly reflect the Government's options. In terms of income, balance is restored among the various sources, with a shift toward indirect taxation, necessitated by trends in bauxite prices and logical changes in the tax structure. In terms of expenditure a slowdown will be evident in the level of operating expenses, together with sustained investment efforts to rehabilitate as quickly as possible the infrastructure supporting economic activities.

3.19 Government revenue increases by an average of 9.7% during the period. However, the breakdown changes considerably. Mining revenue falls from 71% to 53% of the total because of the combined effects of a significant increase in revenue from gold and diamonds and a sharp drop in revenue from bauxite and alumina. However, thanks to the recovery efforts undertaken and the new regulations, the contribution of indirect tax receipts (including imports) will increase from 12% to 28% of the total. In addition, the share of grants is expected to increase from 13% to 15% of the total.

3.20 Expenditures increase at a slightly higher average rate than income, i.e. 11.2% per year. Here too one can see a structural change, with the share of operating expenses declining (from 61% in 1986 to 42% in 1991), with a shift towards the investment budget, the annual amount of which is 39% of the total in 1986 and 58% in 1991.

3.21 Overall balance: The Government's overall financial balance continues to be negative, increasing from US\$35.5 million in 1986 (i.e. 11% of expenditures not covered) to US\$92 million in 1991 (i.e. 17% of expenditures not covered). 1988 and 1989 will be particularly critical, with an annual deficit of about US\$130 million, i.e. more than 30% of expenditures not covered. This is the result of the dramatic fall in bauxite revenue following the renegotiation of contracts expiring at the end of 1987.

3.22 Net financing, estimated for the period at US\$300 million, will, however, leave a total financing requirement still to be met of US\$273 million, including US\$85.9 million in 1988 alone. Drawings on external financing will rise from US\$97.6 million in 1986 to US\$199.8 million in 1991, i.e. an average annual increase of 15.4%. In addition, loans already negotiated will provide balance of payments assistance over the period 1986-88 amounting to US\$134 million. Debt amortization, including rescheduling, is expected to increase from US\$77 million in 1986 to US\$170 million in 1991.

Balance of Payments Projections

3.23 The balance of payments projections show a net surplus in mining, accompanied by a much higher net deficit for the public sector. The overall balance shows a clear improvement during the period 1986-91.

3.24 Current account: In 1988, the decline in the net surplus of the mining sector attributable to falling bauxite exports will result in a deterioration in the trade balance, which will take some time to recover. 1988 and 1989 will be the most difficult years because import volume will be large and exports will not yet have sufficiently increased. The balance of goods and services for these two years is expected to amount to -US\$40 million and -US\$51 million, respectively. These results should not, however, be allowed to

conceal the positive trends, since projections indicate that the trade balance will improve somewhat toward the end of the period. However, the current account deficit will probably worsen, going from US\$42.5 million in 1986 to US\$124 million in 1991, following a parallel path to the balance in goods and nonfactor service.

3.25 Capital transactions: The balance of capital movements is expected to improve considerably during the period, rising from -US\$48 million in 1986 to +US\$108 million. The size of these movements is primarily due to public borrowings in connection with the implementation of the PIP.

3.26 The explanation for this improvement definitely lies in the public sector because, although amortizations exceeded borrowings at the beginning of the period, debt service on principal accounts for half the drawings by the end of the period, the difference amounting to US\$100 million. An increase of US\$120 million is thus expected in the difference between borrowings and amortizations between the start and the end of the period, resulting in a substantial increase in outstanding debt, but without significantly worsening the debt servicing position.

3.27 The mining sector is responsible for regular withdrawals of capital for debt amortization. In contrast, "other private sectors" receive net capital inflows that finance new investment. The call on the private sector and the immediate results of the PREF will probably bring this inflow of private capital up to US\$36 million by 1991, i.e. triple the initial amount.

3.28 The balance of payments position: The balance of payments will be in need of considerable amounts of financing at the start of the period, but by 1991 it should show a clear improvement because of the increase in export resources. The overall balance (-US\$90 million in 1986) will be only slightly negative by the end of the period, i.e. -US\$16 million, if the effects of the 1986 rescheduling are excluded.

Financing Requirements

3.29 Examination of the balance of payments structure resulting from implementation of the Government's development strategy confirms that Guinea will, in the coming years, need substantial amounts of external financial assistance. This assistance will be vital not only for implementing the PIP but also for maintaining the overall balance in Guinea's financial relationships with other countries.

3.30 Financing the 1986 deficit: Cumulative arrears at the end of 1985 amounted to about US\$300 million, i.e. 23% of total outstanding public debt. As indicated above, the Government was unable at that time to make its scheduled amortization payments (including US\$119 million in principal) and undertook two initiatives with the aim of absorbing the deficit. The first consisted of rescheduling the debt (para. 1.17), although this would inevitably increase the need for financing for the rest of the period by US\$200 million in interest and principal. The second consisted of applying for balance of payments assistance (from the IMF, IDA and cofinancing agencies), these drawings totaling about US\$43 million in 1986.

3.31 In all, about US\$118 million in additional financing was provided in 1986, helping absorb the deficit for the year. This short-term solution must not be allowed to conceal the structural problem posed by the debt inherited from the First Republic or the problem of finding an amortization scheme compatible with the projected resources of the Guinean economy.

3.32 Financing the 1987 deficit: Projections for 1987 indicate relatively small financing needs, i.e. US\$18 million, despite the deficit of the overall balance, which amounts to US\$80 million, and the effects of the 1986 reschedulings (US\$26 million). This results from the intensive use (about US\$80 million) of the balance of payments assistance provided in 1986, drawings on which have not yet exceeded 25% of the amounts authorized during the commitment year.

3.33 Financing requirements from 1988 to 1991: The divergent trends in the position of the overall balance and financing requirements in 1988-91 clearly show the long-term repercussions of the 1986 rescheduling. Regardless of the impact of the rescheduling, the reduction of the deficit in the overall balance from US\$80 million in 1988 to US\$1 million in 1991, reflects definite progress toward establishing a balanced relationship with other countries. During the same period, financing needs will, allowing for the effects of the 1986 rescheduling, increase from US\$89 million to US\$100 million.

3.34 In 1988 and 1989 the Government will give priority to mobilizing additional balance of payments assistance of about US\$100 million per year. Obtained on concessional terms, this assistance should go a long way toward improving the financial position over the period. Guinea will also probably have to take advantage of any opportunities it may have for rescheduling, but in proportions that will not jeopardize its capacity for servicing its debts in the 1990s.

3.35 In conclusion, the success of the current recovery program and of the reform policies underlying the Government's development strategy will require substantial external financial assistance. Guinea will invest approximately US\$1.2 billion during the five years from 1987 to 1991, and 90% of this will be financed from external sources on essentially concessional terms. Investments during the first three years will total US\$670 million, 78% of which was already committed as of December 31, 1986, leaving 22% of the financing still to be obtained. The second major category of external financial assistance, without which the country's efforts would be severely undermined, is direct transfers of balance of payments and government budget assistance (more than US\$300 million between 1987 and 1991).

3.36 The attendance of representatives of many friendly governments and international organizations at this Consultative Group meeting is an invaluable demonstration of encouragement for the reform policy undertaken by the government. We feel confident, as a result, that we will be able to mobilize the assistance needed to assure the Guinean economy of sustained growth during the coming decade.

**CHAPTER IV
SECTOR STRATEGIES**

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I. TRANSPORTATION AND RELATED INFRASTRUCTURES

A. Roads

Background

4.01 Guinea's road network consists of 14,000 km of classified roads, 1,145 km of them paved and approximately 9,000 km unpaved. It is used by some 25,000 vehicles, most of them light and in poor condition. Except for a very few stretches of main highway, the network has not been properly maintained, so that most roads are in a deplorable state, making access to centers of activity, particularly farming and forestry areas, very difficult and therefore expensive. Accordingly, rehabilitation and construction of both main and access roads should be regarded as prerequisites for the development of most economic activities, but particularly those which are predominantly rural.

4.02 The Government has in fact assigned top priority to road building and reconditioning, and the resources earmarked for these purposes for the period 1987-1989, although inadequate when compared to actual needs, will absorb a major share of public investment funds. Donors taking an interest in the transportation sector will be invited to attend a conference in the next few months to discuss the coordination of their contributions and operations.

Government strategy

4.03 With the exception of urban mass transit services, to be provided mainly by parapublic companies, road transportation will be in private hands. The authorities will introduce legislation regulating vehicle weights and sizes and provide lines of credit through the commercial banks to enable transport companies to purchase vehicles and spare parts.

4.04 The necessary infrastructure must be provided and kept in good condition by the Government. To that end, a transportation plan has been developed which assigns priorities in respect of both major and secondary roads and prescribes what feasibility studies are to be undertaken without delay as the first step toward actual programs.

4.05 Currently, the main concern is the 126 km Guakédou-Sérédou road, designed to provide access to Guinea's Forest Region. In 1987, the problems associated with the Conakry-Mamou road and the need to reinforce the country's paved roads will be tackled. OPR (Office des Projets Routiers) is pushing ahead with an unpaved roads rehabilitation program, which also calls for routine maintenance arrangements to be made with local government bodies, and SETP (Secrétariat d'Etat aux Travaux Publics/Ministry of Civil Works) is drawing up a complementary program for the repair of timber bridges and ferries. In addition, the streets of Conakry, now in a lamentable state of repair, are to be reconditioned urgently. Finally, studies are to be either undertaken or updated on certain priority road projects: the Dubréka-Boké, Mamou-Kankan, and Sérédou-Nzérékoré highways.

4.06 The most important projects included in the Public Investment Program (PIP) are:

(GNF billions)

Project	Expected Duration	Year Launched	Disbursements		Status of Financing
			1987-89		
			BND	FINEX	
Third Highway Project Incl. Conakry/Mamou Rd, Resurfac., Maintenance	4 years	1985	2.328	17.185	Confirmed
Guékédou/Sarédou Road	4 years	1986	0.795	19.868	Confirmed
Dubraka/Beké Road	4 years	1985	1.258	5.645	Confirmed
Ferries and small bridges	3 years	1987		4.657	Confirmed
Mamou/Kankan Road (implementation)	4 years	1989	1.152	4.688	Unidentified
Rehabilitation of Conakry Streets	5 years	1987	0.750	3.800	Confirmed
Kankan/Nzérékoré Road (studies)	1 years	1989	0.150	0.700	Unidentified
Mamou/Kankan Road (studies)	1 year	1987	800	352	Confirmed

B. Port and Airport Facilities

Present situation

4.07 In Conakry, Guinea has a full-scale port consisting of an ore loading dock, five cargo wharves, and areas for mooring of small vessels. However, from the medium-term standpoint the capacity of the port is inadequate. In addition, its present structure and organization leave room for improvement. The country's second deepwater port, Kamsar, is used exclusively by mining companies. Finally, there are a number of small ports scattered the length of the coast line. As far as civil aviation is concerned, the ongoing development works at Conakry international airport need to be finished.

Government strategy

4.08 In this sphere, organization and restructuring are at least as important as physical investments. As far as port facilities are concerned, transfer of many operations at the port of Conakry into private hands will begin in 1987. Proposals for extensions to the port will be formulated during the preparation of the proposed Transport Sector Project to be cofinanced by AfDB, KfW, and IDA.

4.09 As far as civil aviation is concerned:

the operation financed by CIDA for Air Guinée, which has now stopped its international flights and sold two of its larger passenger

aircraft, will be continued in 1987. The restructuring of the domestic company and the establishment of clear contractual relations between Air Guinée and the government, is under study;

- Conakry airport management will be reorganized in early 1987, and urgent investments to improve air traffic safety will be executed following discussions between Guinea, IDA, CCCE; and
- a program for the upgrading of regional airfields will be drawn up in 1987 (funding of the necessary study) and carried out subsequently within the framework of the IDA sector project.

4.10 The most important project in the PIP is the expansion of the port of Conakry, expected to begin in 1988, take four years, and cost US\$60 million. Financing will come from IDA, AfDB, and KfW. The other operations programmed are essentially organizational and restructuring measures.

C. Rail Service: A Particular Problem

4.11 Guinea's rail network, apart from providing a means of moving bauxite and aluminum ores, plays no more than a marginal role in passenger and freight transportation. Moreover, existing rolling stock, workshops, and equipment are in poor condition, and, like the track network itself, could be rehabilitated early at considerable cost. Given the road building investments being made in the Conakry-Mamou-Kankan corridor, it would seem hardly logical to assign priority to reconditioning the rail line.

4.12 Nevertheless, the Conakry transportation study now under way will establish whether serious consideration should be given to passenger transportation over the first 37 km of this line (Conakry-Dubréka).

II. ENERGY AND COMMUNICATIONS

4.13 As is the case with roads, reliable energy supplies and a minimal telecommunications network are two prerequisites for the overall development of the economy that will also make a major contribution to the well-being of the population. Since creation of the corresponding infrastructure is so clearly necessary if manufacturing, commerce and services are to be revitalized, it will be accorded priority over the medium term.

A. Energy

Background

4.14 The overall energy picture today in Guinea is as follows: total consumption in 1984 amounted to 2.43 million tons of oil equivalent (toe), or 0.41 toe per capita. Fuelwood and charcoal account for approximately 87% of all energy consumed, hydropower for 1.5%, and petroleum products for 11.7%; the two latter sources represent 0.32 million toe or 0.054 toe per capita. The importance of the traditional kinds of energy reflects the low level of development of modern systems, itself a reflection of the obsolescence and high breakdown rates of existing installations.

4.15 Item-by-item analysis reveals the part played by the country's mining concerns in the consumption of energy for commercial purposes and at the same time the degree of under-consumption in other sectors.

Catégories	Total Energy Consumption	Commercial Energy Consumption
	%	%
Domestic	72,7	6,7
Mines	7,8	57,6
Transports	3,6	27,6
Industries	6,5	4,1
Commerce and Administration	15,5	2,6
Other	6,2	1,4
Total	100,8	100,6

4.16 There are three major electric power networks in Guinea:

- the network supplying the country's mining operations and the aluminum plant at Fria; the former consume approximately 230 GWh per annum;
- a Government-owned enterprise, Société Nationale d'Electricité (SNE), which operates the network supplying Conakry from the hydroelectric stations on the Grandes Chutes and at Donkèa, or the fuel-powered station at Tombo, and also manages the local networks supplied from the hydro stations at Tinkisso or from generating plants; in 1985, SNE production appears to have been 190 GWh, of which 136 GWh of hydroelectricity. Fuel generated power is important but at a considerably higher cost than the hydroelectricity; and
- numerous privately-owned generating plants account for the rest of the electric power produced.

4.17 SNE supplies only 6% of the population. Supply cannot match demand. In 1984, for instance, estimated supply in the Conakry-Kindia zone was 200 GWh, although there was demand for 341 GWh. In addition to the physical limitations under which it works (inadequacy and obsolescence of facilities), SNE is affected by serious management problems, caused mainly by overstaffing and a recovery rate of less than 70%.

Government strategy

4.18 Over the next four years, SNE will be put on a new footing. A program contract is to be negotiated with it before the end of 1987. The priority works program approved at the June 1986 donors' conference and which is to be completed by mid-1988, will enable SNE to meet the full demand for electric power from the Conakry urban area. In addition, it calls for a series of supplementary studies in 1987 to fill the present information gap and provide the basis for proposals to the Government and donors on an investment program designed mainly with the long term in mind but including such medium-term components as construction of a hydropower station and electric power transmission and distribution facilities.

4.19 With grant financing, the Government would also be prepared to launch a further supplementary studies program in 1987, designed to examine the possibility of utilizing some of the new small-dam technologies, provided their cost effectiveness can be demonstrated.

Public investments

4.20 Out of a total of US\$58 million, energy sector investments represent 7% of the PIP. Over and above electric power production, they include measures in support of oil search, promotion of solar energy, and research to improve household cooking stoves. The major projects (requiring over GNF 1 billion each) are as follows:

(GNF billions)

Project	Duration	Year Launched	Elaborations		Status of Financing
			1987-89		
			BND	FINEX	
Tombo Station	2 years	1987	0.840	2.880	Confirmed
2nd Power Project (Technical Assistance)	5 years	1988		2.378	Confirmed
SNE office building	2 years	1987	0.380	1.800	Unidentified
Dam Project	6 years	1989	0.100	1.780	Unidentified
CNK II and III, Boké Kindia networks	2 years	1987	-	1.152	Unidentified
Rehabilitation/Extension of 13 prefectorate stations	2 years	1987	0.119	1.194	Unidentified
Petroleum exploration promotion	4 years	1985	0.885	1.231	Confirmed

B. Communications

Present situation

4.21 Postal services in Guinea fall far short of satisfying the needs of the population and the economy. There is a full-service post office for every 100,000 inhabitants and a postal agency for every 10,000 inhabitants. The larger urban areas are attended to at the expense of the already poorly served rural zones. International service is nevertheless of an acceptable level.

4.22 Telephone and telex services, concentrated for the most part in Conakry, are very inadequate. Demand far exceeds the level of service provided, whether on the domestic plane (a few reliable lines) or at the international level (some manual lines).

Government strategy

4.23 The initial actions undertaken will be organizational in character: the telecommunication service is to be restructured and made autonomous, while postal services in Conakry are to be the focus of technical assistance arrangements and a general reorganization. The kind of reorganization contemplated is needed to ensure satisfactory distribution of mail within the country and to points abroad.

4.24 Needs for the future will be identified through the results of the studies now being carried out. Additional studies planned for 1987 are designed to provide a basis on which to program the 1988-91 investments but will require concessional financing.

4.25 The major investments contemplated are as follows:

(GNF billions)

Project	Duration	Year Launched	Disbursements		Status of Financing
			1987-89		
			BND	FINEX	
Satellite earth station standard A	3 years	1988	0.752	3.763	Confirmed
Microwave links 2nd phase	3 years	1989	0.150	3.000	Confirmed
Telex exchange and Conakry local network	4 years	1985	0.897	2.833	Confirmed
Telephone exchanges in Conakry	3 years	1987	0.250	1.800	Unidentified
Telephone exchanges in 14 provincial towns	3 years	1989	0.400	1.250	Unidentified
Extension Wonkifong station	3 years	1988	0.857	1.250	Confirmed
Kankan telephone exchange	2 years	1988	0.225	0.958	Unidentified

III. RURAL SECTOR

Background

4.26 Food and export crops and livestock, fishery and forest products are of primary importance in Guinea's medium-term development strategy by reason of their expected contribution to the goals of bringing the trade balance back into equilibrium and improving diet and nutrition for the Guinean population.

4.27 Once means of access to the country's farming areas are available, the considerable agricultural potential present in most regions can be taken advantage of.

- In the first place, Guinea's peasant farmers, who make up about 80% of the population, have already demonstrated their ready adaptability by reacting very positively to the measures introduced recently, namely the right of free enterprise and the return to normal marketing conditions. As examples of this it may be noted that the national livestock population is now beginning to build up again, and coffee sales have increased significantly, totaling 6,000 tons in 1986, up from 450 tons in 1985.
- Crop production, considering the yields being obtained today and the areas of arable land not being worked, is still very much below what it could be. Throughout the country, significantly less land is kept under crops than the actual arable lands : 30% less in Coastal Guinea, 56% in Middle Guinea, 15% in Upper Guinea and 29% in the Forest Region. On average, therefore, 27% less than the total of 6 million hectares of arable land available throughout the country is not cultivated.
- Existing plantations, often very run down, could be rehabilitated with relatively modest but carefully tailored measures, especially coffee plantations.
- Guinea's continental shelf, extending over an area of 56,000 km², affords the possibility of an annual deep-sea catch of 220,000 tons, consisting of a range of types of fish with very high commercial values. Today, these resources are exploited mainly by foreign enterprises, since Guinea's own very small-scale fishing activity produces an annual catch of no more than about 26,000 tons.
- According to FAO, Guinea's forests appear to cover an area in excess of 148,000 km², including 3 million hectares of dense forest.

Government strategy

4.28 The Government's first concern will be to provide farmers with advice and support. Extension services will become available progressively throughout the country, with responsibility for carrying out programs in each Prefecture. There will be three main components to this extension program:

- (a) advisory services, seed supply, and applied research, all to be organized by the offices of the Ministry of Rural Development in each Prefecture;
- (b) advisory services for farmers and groups of farmers/livestock breeders, the intention being to assist them to organize themselves into cooperatives, livestock groups, or other types of association;
- (c) the private sector will be encouraged to take over inputs supply (fertilizer, plant health products, farm implements); at the same time credit policies will be formulated for implementation through the developing multi-purpose banks.

4.29 Projects in the regions will be carried out by a Ministry of Rural Development reorganized to carry out its support functions more effectively. This implies a net reduction in staffing. Staff who are let go will be able to apply for severance allowances to enable them to take up agricultural production activities again.

4.30 A donors' conference on development of the rural sector will be held before the end of 1987. The Government will be seeking two kinds of support: for the establishment of an extension system and its associated services (seed, applied research), together with the necessary support arrangements; and for programs to be started in the regions through the newly organized Ministry of Rural Development (MDR) and its branch offices.

4.31 The Development Strategy and Support Bureau (BSD) of the MDR will play a central role in the preparation, appraisal and follow-up of Government action in the sector. Each donor will be asked to work closely with BSD on the execution of its own projects. Being very much aware of the recurrent expenses associated with the administration of rural development, the Government insists that all activities in the sector be carefully appraised so that the most effective and economical formulas can be found.

4.32 As far as livestock is concerned, the program set up in late 1986 with support from IDA, France and BADEA consists of a full range of veterinary health activities plus measures designed to encourage the privatization of production and better supplies of inputs. All other programs set up by the Department of Livestock will be integrated within this overall operation.

4.33 Where fisheries activity is concerned, the artisanal fisheries project will be redesigned, with part of the financing reallocated to providing installations in the port of Conakry that will facilitate the activities of independent fishermen. The Government intends to improve its policing of Guinean waters (and, as part of this move, to set about training Guinean nationals for the job), its aim being to ensure that these waters are fished by Guinea itself and the appropriate revenues collected. The taxation provisions applicable to industrial-scale fisheries activity will be amended in the course of 1987, and current agreements with foreign interests will be renegotiated.

4.34 Hand in hand with expansion of the private sector role in supplying inputs and banking system expansion in the regions, farm credit arrangements will be introduced in 1987 following a study on producer prices. Between now and April 1987, BSD is to make an urgent examination of the policies and

procedures required to enable Guinea's private sector to take over the distribution of inputs financed by USAID and IDA.

4.35 Alive to the pressing environmental problems there, the Government will complete the studies on the Fouta-Djallon before mid-1988. In addition, it will launch studies on rural development projects to be undertaken in the 90s in zones where river blindness is still rife and the campaign to eradicate it is going ahead.

4.36 The next few years will also provide an opportunity to set up a system for gathering reliable statistics on activities on which the authorities today possess only sketchy, mainly qualitative information.

Public Investments

4.37 The main investment projects in this sphere are as follows:

(GNF billions)

Project	Duration	Year Launched	Disbursements		Status of Financing
			1987-89		
			BND	FINEX	
<u>Agriculture</u>					
Yomou Rubber Oilpalm Project (First phase)	3 years	1987	1.282	5.885	Confirmed
Guéckedou Development Project	5 years	1988	0.988	5.891	Confirmed
Micro projects	1 year	1987	1.158	4.884	Confirmed
Forecariah Integrated Development Project	5 years	1988	0.632	3.168	Unidentified
Siguiri Rice Operation Program	8 years	1988	0.275	2.788	Confirmed
Special Program of Rural Work in Himo	5 years	1987	0.232	2.788	Confirmed
Agricultural Development in Upper Guinea (ex Cotton)	8 years	1982	0.689	2.284	Confirmed
Agricultural Development in Maritime Guinea	5 years	1987	0	2.888	Confirmed
Technical Assistance (BSO)	6 years	1985	0.488	1.749	Confirmed
<u>Livestock</u>					
Livestock Development	3 years	1988	0.425	3.888	Confirmed
<u>Forestry and Environment</u>					
Second stage of land development in Fouta	5 years	1987	0.185	2.388	Unidentified
Reforestation	5 years	1988	0.228	954	Unidentified
<u>Rural Water Supply</u>					
Wells in Maritime Guinea Village rural water supply	4 years	1986	0.848	3.888	Confirmed
SNAP pilot project	3 years	1987	0.841	2.288	Confirmed
	9 years	1979	0.538	2.158	Confirmed
<u>Fishery</u>					
SOGUIPECHE	3 years	1987	0	0.488	Confirmed
Traditional fishing	5 years	1988	0.588	3.988	Confirmed

IV. MINING

Background

4.38 Although mining, particularly of aluminum and bauxite, is currently the source of 80% of government revenue and 83% of export earnings, the present situation is an unfavorable one, with production figures and prices both

expected to drop appreciably over the medium term. The following table provides a set of realistic projections for the period 1986-91:

<u>Bauxite and Alumina - Prospects 1986-1991</u>						
<u>Products</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
<u>Bauxite</u>						
CBG: production in Mt	8,84	9,80	7,2	7,2	7,85	8,1
CBG price (in US\$)	34,59	31,27	29,13	29,67	29,67	30,23
OBK: production in Mt	2,7	3,0	3,0	3,0	3,0	3,0
OBK price (in US\$)	25	25	25	25	25	25
Total in US\$ millions	373	383	285	289	302	320
<u>Alumina</u>						
Production in Mt	0,6	0,6	0,6	0,6	0,6	0,6
Price in US\$	150	150	150	155	160	165
Total in US\$ millions	87	87	87	90	96	99

4.39 Bauxite production by CBG can be expected to decline sharply in 1988 and 1989 owing to renegotiation of the agreement between the corporation and the Republic. The international market recovery expected after that should pave the way for a gradual return toward higher production levels. It is assumed bauxite production by OBK will remain stable at 3 million tons and aluminum production at 0.6 million tons.

4.40 On the other hand, gold and diamond mining, as a result of both inherent potential and planned improvements in the organization of production and marketing, will offset some of the losses on bauxite and aluminum. Gold exports, for instance, following increased prospecting and the reincorporation of parallel circuits into the official stream, are expected to total 8 tons in 1991 (compared to the official 1985 figure of 1.5 tons).

4.41 Whereas diamond mining produced 120,000 carats in 1986, the expected figure for 1991 is 220,000 carats (against a 1985 figure of approximately 88,000 carats). Production potential of the deposits mined by AREDOR is estimated at 300,000 carats per annum.

Government strategy

4.42 Since mining is a production activity, the Government first wishes to rely on private enterprise to develop the natural resources in question. The new Mining and Petroleum Codes, issued in 1986, provide the right framework within which to accomplish this objective, and since they specify the rights and

obligations of contracting parties clearly they should prove invaluable in promoting private investment in these two sectors. The Government will limit itself to its monitoring and supervision functions, strengthening and revitalizing the Departments concerned so they are well equipped to carry out their new missions.

Public investments

4.43 The main focus of the investment activity planned is OBK (Office des Bauxites de Kindia), an agency operated since the early 1970s under bilateral agreements with the USSR. Although the main function of these arrangements is to improve productivity, they should also help reduce costs and raise production capacity.

4.44 PIP also allocates funding for the identification and development of other mineral resources: evaluation of deposits, geology, mapping, laboratories, etc.:

(GNF billions)

Project	Duration	Year Launched	Disbursements		Status of Financing
			1987-89		
			BND	FINEX	
OBK	4 years	1985	0	11.038	Confirmed
Mineral Sector Management Project	4 years	1985	0.108	1.891	Confirmed

V. MANUFACTURING

Background

4.45 The manufacturing sector accounts for less than 2% of GDP and its output has continuously declined since 1980. Since a figure of less than 10% of GDP is one of the indicators characterizing least developed countries, Guinea can be considered one of the world's most under-industrialized nations.

At the end of 1985, Guinea's manufacturing sector consisted of:

- public enterprises with large staffs, producing at only 15-20% of capacity and accumulating losses;
- approximately 360 small private concerns, engaged for the most part in producing bread, brickmaking, carpentry, and boilermaking/metalwork;
- approximately 10,000 small non-industrial (i.e. artisanal) units employing some 25,000 individuals in informal status in a very wide range of occupations: garment-making, dyeing, weaving, pottery, carpentry, metalworking, etc.

4.46 Considering the very low level of manufacturing activities, the present disorganized state of the sector, and the availability of local raw materials, it appears reasonable to conclude that the return to private

enterprise is likely to give significant results relatively quickly. Imports of a wide range of essential products should drop and the sector contribution to national value added and job creation, particularly in urban areas, should increase sharply. Overall, the removal of the constraints on the private sector and improvement of its economic environment justify an expectation of industrial growth at an annual rate of 5%. Industrial value added would then increase from US\$23 million in 1986 to US\$69 million in 1991, or 3.4% of GDP.

Government strategy

4.47 One of the major goals of the Government strategy is to institute a range of measures that will enable private enterprise to employ whatever initiatives are needed to create a manufacturing network on a par with the country's needs. A new Investment Code, already drawn up, is to come into effect immediately. Banking has been reorganized and an accounting system suited to the new liberalized situation is in the course of being set up.

4.48 The reform of the Customs tariff and the introduction of simplified import procedures will facilitate the bringing in of raw materials, intermediate products, and equipment. The planned public investment in power and water supply will make these factors of production more readily available, while reform of the petroleum products distribution system should do away with fuel shortages. Improvements in the country's road network and transportation system will facilitate both deliveries of inputs and access to domestic non-urban markets. On the economic plane, studies will be made to ascertain how the manufacturing sector can be better integrated with the other economic sectors, particular mining and agriculture.

4.49 Nevertheless, much more remains to be done, particularly in eliminating unnecessary red tape and reorganizing the former State sector. On this score, it should be noted that implementation of the measures opted for under the Economic and Financial Recovery Program has been delayed for numerous reasons, but, given the cost to the economy of having the country's enterprises at a near standstill, the transfers envisaged are now to be made without delay.

Public investments

4.50 In view of the fact that the Government intends to intervene in the manufacturing sector only marginally, the public funding which PIP earmarks for that sector is very low, namely GNF 1.165 billion, or US\$3.2 million (0.4% of the PIP) and is concentrated on reorganization of the Centre Pilote (metallurgical industry) and the textile complex (manufacturing); these changes will take place for the most part in 1987 and are needed to facilitate the privatization process.

VI. EDUCATION AND TRAINING

Background

4.51 At the advent of the Second Republic in Guinea, the situation in this sector was marked by: very low school enrollment rates (27% among children of primary school age and less than 15% among those of secondary school age); a shortage of primary and secondary school teachers and other educational

personnel, who anyhow possessed only limited knowledge and experience; a vocational training system ill adapted to the real needs of the economy; and a glaring lack of suitable school premises and teaching aids. Although some improvements have already been made, the deep-rooted nature of the difficulties means that a return to normality will still require much determination and effort.

4.52 An educational system in these conditions can send only underqualified young people to the labor market, so that full access to modern production and management methods is not available to Guinea. A significant portion of the labor force must be retrained as quickly as possible if the country is to be able to get its production apparatus back on track and manage it effectively.

Government strategy

4.53 In order to deal with the most pressing problems in education, the Government has decided to take action on a priority basis in two spheres: general primary schooling; and basic and refresher vocational training. This will be supplemented by mainly administrative and organizational measures and by extensive reflection on the goals and structures of higher education.

4.54 Basic education: There will be a reconcentration of effort on the informal education system and literacy campaigns. As part of the move to decentralize the responsibility for primary education by transferring it to the Provinces and Prefectures, the Government will begin in 1987 to support construction of primary schools by local authorities (through reimbursement of a proportion of the building costs met by Parents Associations, to be funded from the proceeds of IDA financing). If this "pilot operation" proves satisfactory, it will be replicated and expanded.

4.55 At the same time, the Government will take steps to improve teacher qualifications and ensure that appropriate school curricula and teaching aids are developed in Guinea itself by Guinean educators.

4.56 Vocational training: Equipping of vocational training centers will go ahead in conjunction with the training of trainers in specialized institutions and as the funds needed to cover the associated recurring costs become available. Studies will be made of incentives that would encourage the private sector to set up centers and schools to provide technical apprenticeship training. On-the-job retraining and refresher training will be encouraged or organized in Government departments and enterprises. The training components of investment and technical assistance projects will be emphasized so as to ensure that transfers of technology take place under the best possible conditions.

4.57 Improved administration of the education system: The first step will be to assemble an extensive body of pertinent data on the activities of the education sector; in other words, the Education Department's information system will be upgraded. At the same time, the necessary steps should be taken to design and set up the administrative structures that will make it possible both to program education so that it is in line with real needs and available resources and to monitor system performance accurately. Obviously, training for education system personnel in their new duties will have to be made available at the same time.

4.58 Higher education: This part of the education system remains under the direct control of the Government, which has already withdrawn its guarantee of employment for university graduates, who are now expected to find their own jobs through the labor market. The new economic options taken up by Guinea, together with the fact that its education system is not synchronized with the absorption capacity of the economy, mean that urgent, searching thought must be given to the objectives and organization of higher education and to ways of bringing the training it provides firmly into line with the country's real technical requirements. The obviously essential reform process should take proper account of the cost-benefit aspect of the various educational streams, and make judicious use of training opportunities available abroad, as Guinea itself is often not able to provide these. Since a major concern is to ensure that the higher education system will provide directly usable kinds of know-how, it is clear that the quality of instruction, and therefore the competence of faculty and teaching staff, need to become one of the strong points of the reorganized university.

Public investments

4.59 The main projects in the field of education included in the Public Investment Program are as follows:

(GNF billions)

Project	Duration	Year Launched	Disbursements		Status of Financing
			1987	89	
			BND	FINEX	
Second Education Project	7 years	1983	0.816	5.644	Confirmed
University of Kankan	3 years	1987	2.000	1.997	Confirmed

VII. HEALTH AND SOCIAL WELFARE

Background

4.60 Health conditions in Guinea are worse than in most African countries. Life expectancy, at 39 years, is low, partly because of the high infant mortality rate (approximately 186/1000) and partly because of the high morbidity, with a wide range of diseases present, including those for which cheap, effective vaccines exist. Vaccination coverage is very limited, and 40-50% of infants and children die before age 5. Malnutrition, poor hygiene, inadequate clean water supply, unhealthy housing, and problems of transportation and communication exacerbate the shortcomings of the health system.

4.61 The organization of health care services, geared to the administrative regions into which the country is divided, leaves much to be desired. In addition to the hospitals at Kamsar and Fria and the two university hospital centers in Conakry, there is one hospital in each Prefecture and one primary health care center in each Subprefecture. For the most part, these facilities are obsolete, ill equipped, and poorly supplied with essential pharmaceutical

products. Despite a relatively high number of doctors (about 500 graduates from the Faculty of Medicine between 1980 and 1983) and health technicians (600 graduates from nursing schools), the effectiveness of health care is undermined by the poor organization of both the administrative system itself and the pharmaceutical product distribution circuits, by the debatable quality of the training medical personnel receive, and by the poor supervision of subordinate personnel.

4.62 Until the move toward privatization was introduced recently, the production, supply and distribution of all types of pharmaceutical products and medical equipment was a government monopoly. The permanent shortages that grew out of this system encouraged the sale of products on the parallel market. The September 1984 decision to move the wholesale and distribution operations of the pharmaceutical sector into private hands should produce significant improvements. However, despite the recent organization of the government departments responsible for implementing official health policy, much remains to be done before health services can be brought up to a minimal level of efficiency and before enough reliable data become available to provide a basis for the planning and monitoring of the types of action that are essential if the health sector is to be put on a firm footing.

Government strategy

4.63 The Government's first concern is to provide basic health services for the population by giving priority to the rehabilitation of existing facilities over the construction of new ones and by concentrating attention on the following major elements of a health-care system focused on primary needs:

- broad general education with regard to health problems, their prevention, and the best treatments;
- promotion of healthy dietary and nutritional practices;
- provision of adequate clean water supplies and basic water treatment measures;
- maternal and infant health care, including family planning and vaccination against infectious diseases;
- prevention and control of endemic diseases;
- treatment of already apparent diseases and conditions; and
- setting up of adequate stocks of essential pharmaceutical products.

4.64 Relying on pilot operations (maternal and infant health care in the Prefectures, measures to improve management by the Ministry of Health and Social Affairs, health services, etc.), the Government hopes to bring into place a network of well-operated health centers and through them to achieve a significant improvement in basic health care coverage. Merging of the government departments responsible for public health will facilitate achievement of this objective.

Public investments

4.65 The Government hopes that it will rapidly be able to find the financing, through grants, needed to fund studies on setting up decentralized facilities at a modest cost and developing practicable methods of managing them with participation from users and private intermediaries.

4.66 One project (IDA and other agencies) involving five Prefectures will be launched in the course of 1987. The renovation of Ignace Deen Hospital will go hand in hand with the introduction of modern, efficient management methods and refresher training programs for supervisory staff. The Government is equally intent on rapidly finding the funds for reconditioning the Donka Hospital and strengthening it institutionally. Hospitals will be built in major provincial towns gradually, depending on how soon the necessary financing can be arranged on concessional terms and on the flow of personnel from retraining and refresher training courses. As far as supply of pharmaceutical products is concerned, the Government will look to the private sector.

4.67 The Public Investment Program allocates GNF 16 billion to the health sector, where the major projects planned are as follows:

(GNF billions)

<u>Project</u>	<u>Expected Duration</u>	<u>Year Launched</u>	<u>Disbursements BND/FINEX</u>	<u>Status of Financing</u>
Health Project to be identified	3 years	1986	49.5 1.988	Confirmed
Expanded vaccination program	3 years	1987	0.327 1.989	Confirmed
Rebuilding, Koumbia	4 years	1985	- 1.811	Confirmed
Construction of 18 health centers	3 years	1988	0.155 1.755	Confirmed
Construction of health centers in Farounah	2 years	1987	0.138 1.674	Confirmed
Rehabilitation of prefectoral health centers	5 years	1988	0.533 1.388	FINEX not yet identified

VIII. WATER SUPPLY, HOUSING, URBAN DEVELOPMENT

A. Rural Water Supply

Background

4.68 Rural clean water supply, inadequate today in many regions of the country, is one of the prerequisites if the Government's goal of meeting the basic needs of all population groups is to be accomplished. Settlement of rural population groups, and their subsistence, depends largely on how the water supply problem is resolved, particularly in such regions as Upper Guinea, which, provided there is adequate water supply, would afford arable land areas capable of sustaining a population much larger than at present.

4.69 SNAPE (Société Nationale d'Aménagement des Points d'Eau) is the agency which has the major role in the Government's policy on village water supply. Since its creation in 1982, it has built a significant number of small dams, has arranged for or itself carried out drilling tests at 400

Government strategy

4.70 The Government aims to provide all Guineans with access to clean water under acceptable conditions eventually, but its initial primary concern is to solve those problems which have the most serious repercussions on the health status on the population.

4.71 Village water supply programs will absorb GNF 10.9 billion of Public Investment Program funds (i.e. US\$30.3 million, or 3.8% of PIP itself and 17% of all rural development funds). However, in view of present shortcomings and the additional requirements for clean water to be expected as a result of population growth, the effort still to be made is a considerable one. Accordingly, the Government is inviting lenders to contribute to continuation and expansion of the present program, (which is proving very satisfactory), its aim being to reduce the unit price of wells and ensure adequate maintenance by beneficiary villagers.

Public investments

4.72 The major projects in this sphere included in the PIP are as follows:

(GNF billions)

Project	Duration	Year Launched	Disbursements		Status of Financing
			1987-89		
			BDE	FINEX	
Guinée Maritime drilling	4 years	1986	0.840	3.880	Confirmed
Rural water	3 years	1987	0.841	2.268	Confirmed
SNAPE pilot project	9 years	1979	0.530	2.158	Confirmed

B. Urban Water Supply

Background

4.73 Water supply in Guinea's urban areas is unreliable at the present time, with approximately 70% availability in Conakry and 50% in the provincial centers. Water for the capital is piped over a distance of 80 km from the Grandes Chutes pilot station, while the other six urban areas are supplied from bore wells and river pumping stations.

4.74 DEG (Entreprise Nationale de Distribution des Eaux en Guinée) is responsible for supplying water to all urban districts except mining centers. Its operations, however, leave much to be desired. Its facilities are obsolete, for one thing, and it has to cope with power supply difficulties and shortages of both spare parts and chemical inputs.

Government strategy

4.75 DEG's present mode of organization is being completely reviewed, and strict management procedures will be introduced shortly in order to reduce operating costs and pave the way for satisfactory recovery of debts due from customers. The problem of the sale price of water is also being examined. This radical restructuring will be made easier by DEG's becoming financially autonomous, which it is to do very shortly under new legislation introduced in 1986. A donors' conference is to be held in May/June 1987 in connection with the second water supply project now under preparation with IDA assistance. The questions associated with full sanitation service for the city of Conakry will be examined in detail in the context of the long-term urban development program. The scope of this program means that all renovation and reorganization investments will be coordinated and that special attention will be paid to the problem of direct and recurrent costs.

Public investments

4.76 Approximately GNF 13 billion (i.e US\$35.4 million and 4.8% of the Public Investment Program) will be allocated to the upgrading of urban water supply. The projects expected to cost in excess of GNF 1 billion each during the period in question are as follows:

(GNF billions)

Project	Duration	Year Launched	Amount		Status of Financing
			1987-89		
			BND	FINEX	
Secondary centers water supply	4 years	1987	0.248	5.340	Unidentified
Water supply and extension: Conakry, Pita and Kankan	1,5 years	1987	0.341	5.100	Confirmed
Sanitation Conakry (sewage)	2 years	1988	0.200	1.800	Unidentified
Second Conakry/Kindia Project	3 years	1988	0.080	1.862	Unidentified
Kankan water supply	2 years	1988	0.544	1.440	Unidentified
Kissidougou water supply	2 years	1988	0.012	1.378	Confirmed

C. Urban Development

Background

4.77 About 1.6 million Guineans live today in urban areas, and the expected future rate of growth of the urban population is 5% per annum. Conakry, with its 700,000 or more inhabitants, remains particularly attractive to migrants from other parts of the country. Given the state of deterioration of the city and the probable influx of more inhabitants, its considerable problems should be addressed specifically.

4.78 The older sections of the city are overcrowded, their infrastructure is inadequate and/or not in working condition, and existing facilities are poorly maintained. Clean water and electric power are available to no more than a minority of the city population, and then under sometimes difficult conditions. For lack of maintenance, the sewerage and drainage system is beyond repair for the most part, while severe flooding damages the paving of roadways and streets and closes certain streets to traffic. Trash collection is inadequate and therefore increases health risks, while public transportation services are irregular and costly to run, mainly because of excessive wear and tear ascribable to the poor condition of roadways.

Government strategy

4.79 Gradual rehabilitation of city infrastructures and reorganization of utility services, together with concerted planning activity on the part of all agencies responsible for meeting the collective needs of urban dwellers, constitute the two main areas of action by the Government in this sphere. Construction of housing will be left, except in some isolated instances, to the private sector.

4.80 In Conakry, problems and funding needs overlap to such a degree that a 10-year master development plan for the city is needed to allow better programming of the various indispensable development operations. For obvious reasons, the problems associated with the financing of maintenance and service expenses should be dealt with together, mainly by giving extensive consideration to the question of city resources (tax revenues) and methods of urban management.

4.81 The Ministry of Infrastructure and Urban Development is to draw up a precise timetable for the introduction of new legislative and regulatory provisions governing matters like land tenure, title registration, etc., which are of such importance in the management of urban areas, particularly Conakry. As often as possible, the solving of problems will be put in the hands of mixed agencies. In this connection, the pilot sites and services scheme decided upon for Conakry will provide an opportunity to test the validity of this approach and, beginning in 1988, to replicate it and similar ventures in urban areas outside the capital.

Public investments

4.82 The funds allocated under the 1987-1989 Public Investment Program to urban development (water supply excluded) amount to GNF 10.7 billion (or US\$20 million), 14% of which has been earmarked for other urban areas besides Conakry. The major projects in this sphere included in PIP are as follows:

(In GNF billions)

Project	Duration	Year Launched	Amount 1987-89		Status of Financing
			BND	FINEX	
Secondary cities urban development	2 years	1986	0.181	1.464	Confirmed
Conakry: urban development	4 years	1986	0.058	1.446	Confirmed
Conakry: traffic improvement	1 year	1987	0.062	1.258	Confirmed
Housing for technical assistance personnel	2 years	1986	0	1.161	Confirmed
Conakry Sites and Services Project	4 years	1986	0.152	1.128	Confirmed

ANNEXES

A. Public Investment Program: 1987-89

- A1. Estimated annual expenditures by economic sector**
- A2. Breakdown by type of financing**

B. Economic projections

- B1. Hypotheses underlying the economic projections**
- B2. Sources and Uses of Goods and Services**
- B3. GDP: breakdown by sector**
- B4. Exports (in millions of US\$ at current prices)**
- B5. Imports by major categories (in millions of US\$ at current prices)**
- B6. Debt Outstanding**
- B7. Central government financing**
- B8. Balance of payments**

ESTIMATED ANNUAL EXPENDITURES BY ECONOMIC SECTOR
(IN US\$ MILLIONS)

	TOTAL EXPENDITURES 1987	TOTAL EXPENDITURES 1988	TOTAL EXPENDITURES 1989	PERCENT SHARE 1987	PERCENT SHARE 1988	PERCENT SHARE 1989
RURAL DEVELOPMENT (1)						
Agriculture	25.7	29.7	29.8	14.7	12.3	11.4
Livestock	1.0	2.0	4.2	0.9	1.2	1.6
Fisheries	7.1	13.0	19.3	4.1	5.6	3.9
Hydrau-Meteo Forests	9.5	13.0	17.5	5.4	5.8	6.7
Sub-total (1)	43.0	58.1	61.6	25.2	24.8	23.7
MIN-IND-EGY-WATER (2)						
Mines	12.5	13.8	12.0	7.2	5.9	4.6
Industry-SME's	2.3	4.4	3.6	1.3	1.9	1.4
Urban, Water	4.7	11.5	16.5	2.7	4.9	4.0
Energy	12.0	15.5	21.3	7.3	6.6	8.2
Commerce	0.0	0.3	0.0	0.0	0.1	0.0
Sub-total (2)	32.2	45.5	47.4	15.5	19.4	18.2
INFRASTRUCTURES (3)						
Urban Development	8.5	9.0	2.0	4.9	3.4	1.0
Public Works	49.3	49.9	73.4	23.1	21.3	28.1
Transportation	0.2	5.5	18.7	4.7	2.3	7.2
Telecommunications	14.0	19.4	21.3	6.8	8.3	8.2
Information	0.7	0.6	0.3	0.4	0.3	0.1
Administrative Infrastructure	3.1	3.6	3.6	1.8	1.5	1.4
Sub-total (3)	74.8	87.0	119.9	42.9	37.1	46.6
SOCIAL						
Health and Social Welfare	12.8	17.5	15.3	7.3	7.5	5.9
Education	10.9	19.0	12.3	6.3	8.1	4.7
Other Social Sectors	4.7	0.4	0.0	2.7	0.2	0.0
Sub-total (4)	28.4	36.9	27.6	16.3	15.8	10.6
ADMINISTRATION AND OTHER						
Plan-Stat-Fin-Adm. Ref.	5.9	4.5	1.5	3.4	1.9	0.6
Decentralization	2.1	2.2	2.6	1.2	0.9	1.0
Sub-total (5)	8.0	6.7	4.1	4.6	2.9	1.6
TOTAL (1+2+3+4+5) = (6)	174.4 1/	234.2	289.8	100.0	100.0	100.0

1/ After deduction of 12.9 US\$ millions in investments financed by exceptional loans or counterpart funds, which are not included in "Capital Expenditures" at the level of Central Government Budget. (See Annex B.7)

BREAKDOWN OF THE PIP BY TYPE OF FINANCING
(In millions of F0)

Category	1987		1988		1989		Total 1987-89	
	Amount	%	Amount	%	Amount	%	Amount	%
Grants	14834.8	26.9	15617.0	26.7	11811.1	25.2	41462.9	26.3
Quasi-grants	8317.4	15.9	9027.8	15.4	8169.7	17.4	25514.9	16.2
Concessional Loans	28386.1	56.4	33816.8	57.4	26659.6	56.8	88872.9	56.9
Non-conc. Loans	416.5	0.8	333.2	0.6	275.4	0.6	1025.1	0.7
Total external financing committed	52163.8	100.0	58696.8	100.0	46915.2	100.0	157675.8	100.0

Category	1987		1988		1989		Total 1987-89	
	Amount	%	Amount	%	Amount	%	Amount	%
Total external financing comm.	52163.8	77.3	58696.8	69.5	46915.2	59.6	157675.8	64.2
External financing gap	4713.2	7.0	14967.0	17.7	34167.7	36.4	53848.9	21.9
Financing, National Budget	10615.8	16.7	10797.0	12.8	12779.4	13.0	34192.2	13.9
Total, PIP	67492.8	100.0	84361.7	100.0	93862.3	100.0	245716.8	100.0

HYPOTHESES UNDERLYING THE ECONOMIC PROJECTIONS

Calculation of Data for Base Year 1986

Sectoral accounts

Output: Except for goods determined by specific uses (e.g. exports, construction and public works, and government services) figures are taken from the 1985 provisional accounts, prices being adjusted by 144% with respect to 1985, except in the case of energy costs (x8).

Intermediate consumption: Adjusted in proportion to output volume and prices.

Value added: Calculated as a residual.

Import duties: Based on projected budget revenue.

Uses of output

Public consumption: Based on estimated performance in 1981.

Gross fixed capital formation: By agent, based on PIP and import data.

Exports: Estimated by product, based on government data.

Imports: Based on import declaration forms.

Budgetary data

Projected expenditure and revenue, taken from the current budget and the PIP.

Balance of payments

Operations reconstructed from data on economic agents such as mining enterprises, the State, etc.

HYPOTHESES REGARDING INCREASES IN OUTPUT FROM 1986 TO 1991, BY SECTOR

Volume of output

Agriculture:

Growth rate of output = 3.3% per year, except in the case of rice (6%, the objective being to reduce imports by 15%), cotton (objective = 4,000 tons) and coffee (objective = 12,000 tons).

Livestock:

Growth rate = 4.5%.

Hunting:

Growth rate = 2.3% per year.

Fishing:

Objective = 55,000 tons from industrial fishing and 54,000 tons from artisanal fishing.

Wood:

Timber = 5% per year; fuelwood = 2.3% per year.

Mining:

Output objectives: diamonds = 240,000 carats; gold = 8 tons; alumina output level to be maintained; bauxite output subject to sharp decline in 1988-89 followed by slight increase in 1990-91..

Manufacturing:

Maximum utilization of existing capacity of the public sector. Growth in the private sector = 4.8% per year.

Energy:

Growth rate = 9.6% per year.

Construction and public works:

Average annual growth rate = 16.2%, paralleling rate of increase in public investment.

Transportation and commerce: Average annual growth rate = 5%.

Other services:

Growth = 4%.

Administration:

Growth = 10%.

Producer prices

Dollar prices increasing over the period by 8.6%, except for exports, prices for which are based on World Bank projections.

Structure of production

(product mix):

Reductions in the rates of value added in agriculture and commerce.

HYPOTHESES REGARDING INCREASES IN FINAL DEMAND AND EXTERNAL TRADE: 1986-91

Final consumption:
 households: Growth rate = 3.3% in real terms for each year of
 the period, with 1.7% for prices and 0.6% for
 taxes on consumption.

Final consumption:
 government: Increase = 8.2%, together with the increase
 resulting from reallocation of 14% of the capital
 budget to current expenditure.

Gross fixed capital
 formation:
 Administration: Overall growth from 12% to 15% of GDP.
 Based on assumption that approximately 70% of
 PIP constitutes GFCF, the remaining 30% covering
 the cost of studies, technical assistance, and
 consumption. Average growth rate = 13.4% at
 constant prices.

Enterprises: Investment in mining will remain stable, while
 investment in public enterprises will be reduced.
 Annual growth in other enterprises = 15.7%.

Household: Increase in housing investment = 9.3%.

Exports: Increases in volume will depend on the goods
 concerned. Price changes will be in line with
 Bank projections.

Imports: Reductions in rice imports, with meat imports
 remaining stable, and increases in intermediate
 goods as changes are introduced in the pattern of
 production. Dollar price increases = 1.7% per
 year.

SOURCES AND USES OF GOODS AND SERVICES
PROJECTIONS AT CURRENT PRICES IN US\$ MILLIONS

	1986	1987	1988	1989	1990	1991	ANNUAL AVERAGE
GDP	1,865.0	1,810.7	1,852.7	1,960.9	2,088.8	2,223.8	1,860.0
IMPORTS	472.0	531.0	570.0	623.0	660.0	709.0	1,005.0
TOTAL RESOURCES	2,137.0	2,341.7	2,422.7	2,583.9	2,748.8	2,932.8	1,865.0
FINAL CONSUMPTION	1,384.0	1,517.5	1,607.4	1,697.9	1,786.2	1,879.5	1,093.0
PUBLIC	129.0	181.6	200.4	217.9	226.2	233.5	1,126.0
PRIVATE	1,255.0	1,336.0	1,407.0	1,480.0	1,560.0	1,646.0	1,056.0
GFCF	217.0	247.4	285.0	314.2	340.9	383.4	1,121.0
PUBLIC	126.0	149.5	180.6	195.7	208.9	227.0	1,125.0
PRIVATE	91.0	97.9	104.4	118.5	134.0	156.4	1,114.0
EXPORTS	536.0	576.0	580.0	571.0	621.7	669.7	1,846.0
TOTAL USES	2,137.0	2,341.7	2,422.7	2,583.9	2,748.8	2,932.8	1,865.0

	1986	1987	1988	1989	1990	1991	AVERAGE YEARLY GROWTH	1987	1988	1989	1990	1991	1991 / 1986
PRIMARY SECTOR	745.0	772.0	838.0	886.4	886.0	894.0	3.74%	1.036	1.041	1.033	1.037	1.048	1.281
AGRICULTURE	488.0	501.7	516.7	534.0	556.2	581.2	3.56%	1.028	1.030	1.035	1.040	1.045	1.191
LIVESTOCK	128.0	131.8	135.0	140.0	144.4	148.0	3.06%	1.028	1.037	1.031	1.031	1.030	1.103
FISHERIES	12.0	10.0	27.0	27.7	29.3	29.0	19.29%	1.500	1.500	1.026	1.022	1.025	2.410
FORESTRY (WOOD, CHARCOAL)	117.0	120.5	124.1	128.0	132.0	135.0	3.64%	1.033	1.030	1.031	1.031	1.038	1.102
SECONDARY SECTOR	451.0	531.5	608.5	699.5	669.2	663.0	5.52%	1.153	0.947	1.072	1.055	1.059	1.308
MINING (BAUXITE, GOLD, DIAMONDS)	878.0	429.0	388.5	461.4	416.7	437.5	3.88%	1.148	0.888	1.055	1.038	1.050	1.104
MANUFACTURING	21.0	22.1	24.3	29.4	35.5	36.0	11.05%	1.052	1.100	1.210	1.267	1.039	1.759
WATER, ELECTRICITY	13.0	14.2	15.0	17.0	18.0	20.4	9.43%	1.092	1.099	1.090	1.094	1.097	1.509
CONSTRUCTION, PUBLIC WORKS	51.5	65.4	62.9	91.7	90.4	109.2	10.23%	1.282	1.268	1.106	1.073	1.100	2.122
TERTIARY SECTOR	459.0	499.0	524.1	547.1	667.0	590.0	5.15%	1.069	1.049	1.044	1.030	1.039	1.285
COMMERCE	310.0	319.3	329.0	342.0	355.7	370.0	3.00%	1.030	1.030	1.040	1.040	1.040	1.193
TRANSPORTATION	50.0	51.0	53.3	55.1	57.0	59.0	5.30%	1.030	1.054	1.054	1.054	1.054	1.300
PUBLIC ADMINISTRATION	77.0	105.1	110.4	122.5	125.7	129.4	15.94%	1.308	1.100	1.052	1.029	1.029	1.031
OTHER	42.0	48.8	45.0	47.5	49.5	51.0	4.20%	1.040	1.041	1.042	1.042	1.042	1.229
GDP AT MARKET PRICES	1,665.0	1,698.3	1,831.0	1,917.0	1,997.0	2,007.0	4.05%	1.060	1.015	1.047	1.042	1.045	1.254
GROWTH RATE %		0.31	1.54	4.70	4.22	4.60							

GDP : BREAKDOWN BY SECTOR
(in current US\$)

EXPORTS IN MILLIONS OF CURRENT US\$

	1986	1987	1988	1989	1990	1991
BAUXITE	373.2	393.2	284.7	289.0	302.0	319.9
CBG	305.7	300.2	289.7	213.6	227.0	244.9
OBK	67.5	75.0	75.0	75.0	75.0	75.0
ALUMINA	87.0	87.0	87.0	89.0	96.0	99.0
DIAMONDS	36.0	40.0	42.0	44.0	46.0	48.0
GOLD	12.3	30.9	61.5	73.8	86.1	98.4
COFFEE	18.6	15.2	16.7	19.7	25.3	31.4
FISHERIES	0.0	3.1	23.8	37.8	43.7	45.9
OTHER	3.9	6.2	9.4	12.7	17.2	21.7
GOODS	531.0	571.0	525.1	566.5	610.3	664.3
SERVICES	5.0	5.2	5.2	5.3	5.4	5.4
TOTAL - GOODS AND SERVICES	536.0	576.0	530.3	571.8	621.7	669.7

DEBT OUTSTANDING
(in US\$ millions)

	1985	1986	1987	1988	1989	1990	1991
Drawings on loans		97.6	125.6	151.0	167.6	178.6	193.0
Exceptional financing		28.6	52.6	17.6			
Amortization 1/		65.6	119.7	119.6	104.6	101.1	97.3
Rescheduling of interest arrears		66.7					
Debt service on 1986 consolidation		6.0	39.9	28.2	27.9	46.3	72.1
Interest payment		9.6	33.5	21.8	21.5	19.8	19.0
Amortization		0.6	6.4	6.4	6.4	26.5	53.1
Debt outstanding, end of period	1292.2	1416.5	1467.4	1516.6	1566.6	1617.6	1659.6

1/ The amount of payment in principal for 1988 is an estimate. For the other years the figures represent the amounts due.

CENTRAL GOVERNMENT BUDGET
(IN US\$ MILLIONS)

	1986	1987	1988	1989	1990	1991
	-----	-----	-----	-----	-----	-----
Fiscal Revenues	231.4	258.7	249.6	275.9	319.2	359.2
Mining Revenues	194.5	209.2	182.9	198.5	213.2	229.2
Bauxite	181.5	191.5	157.7	169.7	169.7	179.7
Alumina	10	10	10	10	12	13
Gold and Diamonds	3	7.7	15.2	22.8	31.5	36.5
Import tax	12.6	17.3	23.7	32.6	44.7	61.4
Other direct taxes	2.6	3.2	4.6	5.6	6.3	7.8
Other indirect taxes	21.7	29.0	39.0	44.8	55.0	59.8
of which: petroleum	5.0	15.0	16.1	16.8	20.0	20.8
Non-fiscal revenue	7.1	7.5	7.8	8.2	8.5	9.0
Grants	36.0	42.0	53.0	59.0	63.0	68.0
Total revenues	274.5	308.2	316.4	343.1	390.7	435.2
Operating expenses	-189.0	-212.4	-203.4	-211.4	-217.1	-222.2
Salaries	-46.0	-63.6	-63.3	-64.4	-65.5	-66.6
Goods and services	-79.4	-73.3	-70.7	-78.3	-78.0	-78.6
Subsidies and transfers	-29.0	-43.6	-17.0	-17.0	-17.0	-17.0
Interest payments	-34.0	-32.5	-32.4	-33.7	-36.0	-40.0
Capital expenditure	-121.0	-174.0	-234.0	-263.0	-262.0	-305.0
Total expenditure	-310.0	-386.4	-437.4	-474.4	-499.1	-527.2
Total deficit	-35.5	-78.3	-121.0	-131.3	-108.4	-92.0
Financing	69.0	79.3	41.1	51.9	39.4	30.7
External	69.0	66.5	29.1	39.8	27.1	18.3
Drawings on loans	97.0	125.0	153.3	175.7	186.7	199.8
Amortization	-118.0	-119.7	-119.0	-104.0	-101.1	-97.3
Paris Club resch., 1986	30.0	-13.7	-16.0	-15.0	-27.4	-43.0
Other rescheduling, 1986	45	-12.1	-12.2	-12.1	-19.1	-29.2
IMF, net	11.0	5.0		-4.0	-12.0	-12.0
IDA and cofinanciers	32.0	82.0	29.0			
Change in arrears	-28.0					
Internal, banking system	-11.0	11.8	12.0	12.1	12.3	12.4
Financing gap	-22.5	0.0	85.9	79.4	69.0	61.3

	BALANCE OF PAYMENTS (In US\$ millions)					
	1986	1987	1988	1989	1990	1991
Trade Balance	118.1	108.0	19.1	14.6	31.8	36.8
Exports, fob	531.0	571.0	525.1	566.0	610.3	664.3
Bauxite	373.2	383.2	284.7	288.0	302.0	319.9
Alumina	87.0	87.0	87.0	90.0	90.0	90.0
Diamonds	36.0	40.0	42.0	44.0	46.0	48.0
Gold	12.3	30.9	61.5	73.8	80.1	98.4
Coffee	10.0	15.2	16.7	19.7	25.3	31.4
Fisheries	0	3.1	23.0	37.0	43.7	46.0
Other exports	3.9	6.2	9.4	12.7	17.2	21.7
Imports, cif	-417.8	-463.0	-506.0	-552.0	-585.0	-628.0
Foodstuffs	-87.3	-86.0	-93.9	-97.8	-97.8	-96.6
Consumer goods	-47.4	-46.9	-55.9	-59.1	-61.6	-62.6
Intermediate goods	-144.9	-160.0	-200.0	-237.0	-257.0	-283.0
Petroleum products	-52.3	-58.5	-64.3	-65.1	-66.0	-66.0
Capital equipment	-88.0	-85.0	-80.0	-94.0	-102.0	-110.0
Private services & transfers	-200.7	-222.0	-189.2	-200.4	-212.2	-228.3
Non-factor services, net	-49.3	-62.8	-58.8	-65.7	-69.6	-75.0
Credit	5.2	5.2	5.2	5.3	5.4	5.4
Debit	-54.5	-68.0	-64.0	-71.0	-75.0	-81.0
Factor services, net	-142.0	-129.5	-104.4	-109.3	-117.9	-125.4
Interest on public debt	-34.0	-32.3	-31.9	-33.1	-35.9	-39.4
Mining companies	-90.4	-72.1	-39.9	-40.7	-43.4	-44.2
Other private	-17.6	-25.1	-32.6	-36.0	-38.6	-41.8
Private transfers, net	-9.4	-29.7	-26.0	-24.9	-24.7	-27.3
Mining companies, net	0.0	11.0	-10.0	-10.0	-10.0	-10.0
Other	-17.4	-18.7	-16.0	-14.9	-14.7	-17.3
Credit	5.7	9.0	14.0	10.0	10.0	10.0
Debit	-23.1	-29.3	-30.0	-31.5	-31.3	-33.9
Public transfers	45.0	50.4	59.9	59.0	63.0	68.0
Food aid	9.0	8.4	6.9			
Grants, investment budget	36.0	42.0	53.0	59.0	63.0	68.0
Current Balance	-42.6	-63.0	-110.2	-120.8	-117.9	-124.0
Capital movements	-47.8	-17.0	29.7	69.4	80.5	100.2
Public, MLT	-21.0	5.3	37.3	71.7	85.0	102.5
Drawings, investment budget	74.0	115.0	151.0	167.0	178.0	193.0
Drawings, other	23.0	10.0	5.3	8.7	8.7	0.8
Amortization	-118.0	-119.7	-119.0	-104.0	-101.1	-97.3
Public, short term	-15.0	-10.0				
Mining companies	-23.0	-20.3	-25.0	-27.3	-27.1	-30.3
Other private	12.0	14.0	18.0	24.0	30.0	30.0
Total deficit	-90.4	-89.0	-80.5	-58.4	-29.4	-15.8
Financing	90.3	61.2	-8.2	-31.9	-58.5	-94.2
IDA and cofinanciers	32.1	32.0	20.0			
IMF, net	11.0	5.0		-4.0	-12.0	-12.0
Change in arrears	-28.0					
Paris Club rescheduling, 1986	30.2	-13.7	-10.0	-15.0	-27.4	-43.0
Other Rescheduling, 1986	45.0	-12.1	-12.2	-12.1	-19.1	-29.2
Financing gap	0.1	18.8	88.7	90.3	87.9	100.0
Debt service as % of export earnings						
Before 1986 rescheduling	28.5	28.4	28.5	24.0	22.0	20.4
After 1986 rescheduling	14.4	30.9	33.0	20.9	29.5	31.2