Statement by Balmiki Prasad Singh
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Guinea: Country Assistance Strategy Progress Report and Fourth Structural Adjustment Credit

1. We welcome the discussion on the Guinea CAS. Guinea remains one of the poorest countries in the world and some of its social indicators, notably under-5 infant mortality and maternal mortality figures, are amongst the worst in the world. There is absolutely no doubt that this is a country in which the Bank must play a catalytic role in boosting poverty reducing growth.

Macroeconomy

2. The CAS characterizes the recent economic performance as "broadly satisfactory". However, Guinea failed to meet many of its targets of the article IV consultations with the IMF of November 2000. Previously too, Guinea has had three breakdowns in policy dialogue with the IMF on various issues. The CAS correctly identifies many of the government's mounting economic problems, exacerbated by a global decline in demand for alumina and bauxite, Guinea's two principal exports. Levels of foreign direct investment have failed to reach their potential, although Malaysia Telekom took a controlling stake in the telephone network in 1995. Guinea's military commitments abroad (in ECOMOG operations in Sierra Leone and Guinea Bissau) and the necessity for increased border security have prompted a total increase of 10.4% in military expenditure since 1997. The conflicts in Sierra Leone and Liberia have seen Guinea's refugee population grow to about 490,000, or 6.6% of the country's total population. Both CAS and the SAC documents make reference to Guinea's uneven economic track-record. The challenge for the government will be to maintain its commitment to reform in the midst of these mounting problems.

Agriculture

3. Agriculture is a significant component of the Guinean economy, accounting for around 20% of GDP and providing employment for some 65% of the population. Guinea's climate is ideal for a range of agricultural activity, but only 15% of available land is cultivated and most production is for direct consumption. Output all but stagnated after independence; food production failed to match population growth and many cash-crop plantations were abandoned. Farmers have been slow to react to the post-1984 environment, and food self-sufficiency remains an elusive goal. Fishing contributes less than 1% of GDP but accounts for 6% of exports.
Industrial fishing provides half the 120,000-tonne annual catch, 65% of which is landed by foreign companies. The lack of infrastructure is a constraint on market development. Reform of the agriculture, animal husbandry and fisheries sectors could provide a significant impetus to growth in Guinea. Surprisingly, the CAS makes no mention of this sector while the SAC makes a brief reference to setting up decentralized autonomous agricultural extension systems. We would like to hear more from Staff on the plans for agricultural and related sector reform in Guinea.

Environment:

4. Guinea faces several environmental challenges such as deforestation; inadequate supplies of potable water; desertification; soil contamination and erosion; over-fishing, overpopulation in forest region. We find no mention of the Bank group’s strategy for this sector in the CAS. Similarly, there is no mention of the sharp rural-urban divide in access to drinking water (36% to 72%)-This, again, is a problem that needs to be tackled on a priority basis.

Fourth Structural Adjustment Credit

5. A basic question arises about the proposed decentralization strategy in Guinea, which the SAC, inter alia, proposes to support. While the strategy proposes to introduce accountability for the Prefectural Development Councils, which is welcome, to take the process to its logical conclusion would require that such accountability exists for the higher level institutions as well. How does Staff respond on this point? We think that the medium term vision for decentralization in Guinea is an excellent idea-this is essential for a strategic and well-thought decentralization agenda.

6. On the whole, however, we think the SAC is well-designed and focused. We also think that the triggers are adequate. On the issue of ex-post audit of government procurements (page 25), what “requisite” action on audit findings will be treated as sufficient? What is being done to ensure independence of the Supreme Audit Institution? Is autonomy of institution of audit a constitutional imperative?

7. Subject to the remarks made above, we are happy to endorse the CAS and the SAC.