

Report No. 3150-GUI

# Revolutionary People's Republic of Guinea Country Economic Memorandum

July 20, 1981

West Africa Region

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## CURRENCY EQUIVALENTS

Currency Unit	=	Syli
US\$	=	18.73 Sylis
Syli 1.00	=	US\$0.053
Sylis 1,000	=	US\$53.40
Sylis 1 million	=	US\$53,402

## WEIGHTS AND MEASURES

Metric System

## ABBREVIATIONS AND ACRONYMS

BAP	Brigade Attelee de Production
BCRG	Banque Centrale de la Republique de Guinee
BGCE	Banque Guineenne du Commerce Exterieur
BMP	Brigade Mecanisee de Production
BNDA	Banque Nationale de Developpement Agricole
BNSE	Banque Nationale des Services Exterieurs
CBG	Compagnie des Bauxites de Guinee
CNCIH	Credit National pour le Commerce, l'Industrie et l'Habitat
COFICOM	Coordination Financiere du Commerce
CTS	Complexe Textile de Sanoya
DEG	Distribution d'Eau de Guinee
ECOMA	Entreprise Commerciale d'Arrondissement
ENTA	Entreprise Nationale de Tabacs et Allumettes
ERC	Entreprise Regionale de Commerce
FAC	Ferme Agricole Communale
FAPA	Ferme Agro-Pastorale d'Arrondissement
OBK	Office des Bauxites de Kindia
OCOFI	Office de Coordination Financiere de l'Industrie
ONP	Office National de Promotion des Petites et Moyennes Entreprises
PDG	Parti Democratique de Guinee
PRL	Pouvoir Revolutionnaire Local
RPRG	Republique Populaire Revolutionnaire de Guinee
SNE	Societe Nationale d'Electricite
SOAGRI	Societe Agro-Industrielle de Guinee
UOA	Usine d'Oxygene et d'Acetylene

## GOVERNMENT FISCAL YEAR

January 1 - December 31

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## PREFACE

The last gray cover economic report on Guinea was issued in 1967 (Report No. AF-636). Since then, several economic missions have visited Conakry to maintain our dialogue with the Government and to provide a basis for Bank Group lending operations. In the absence of a recent formal report, the need was felt for an economic memorandum that would have to be descriptive and fairly comprehensive. A basic economic report was considered to be unfeasible at this stage in view of the limited and sometimes unreliable economic data, the state of development planning and investment programming, the superficial knowledge of certain sectors, and the still incipient dialogue with the Government on policy issues and development alternatives.

This economic memorandum is an assessment of Guinea's current economic and financial situation and the policy issues dominating short- and medium-term development prospects. It focusses on the the main bottlenecks to Guinea's development in the context of providing a basis for a sound program of economic growth. Key elements in this program are the revival of the rural sector and the increase of agricultural production and exports, mainly by encouraging smallholder farming, implementation of major revenue earning projects in mining, ore-processing, hydropower generation, and agriculture, and the upgrading of public entities (state enterprises and government) so as to increase their efficiency and their contribution to national economic development. The report is based on the findings of an economic mission that took place in February/March 1980 and was composed of Messrs. Eugene Scanteie (principal author), Joseph Eory, Samud Chhim, and Mrs. Myrna Alexander (consultant); it also incorporates the results of an economic mission which in December 1979 discussed outstanding policy issues with the Government. At the Government's request, a Bank mission again visited Conakry in June 1981 to discuss the final version of this report; the Government's comments are incorporated herein. The report was edited by Michaela Eglin.



<u>AREA</u> 245,900 sq km	<u>POPULATION</u> 5.1 million (mid-1978) Rate of Growth: 2.9% (1970-78)	<u>DENSITY (1978)</u> 20.9 per square km
<u>POPULATION CHARACTERISTICS</u> <sup>1/</sup>		<u>HEALTH</u> <sup>1/</sup>
Crude Birth Rate (per 1,000)	46.0	Population per physician 16,629
Crude Death Rate (per 1,000)	21.0	Population per hospital bed 616
<u>INCOME DISTRIBUTION</u>		<u>DISTRIBUTION OF LAND OWNERSHIP</u>
% of national income, highest quintile	n.a.	% Owned by top 10% of owners n.a.
lowest quintile	n.a.	% Owned by smallest 10% of owners n.a.
<u>ACCESS TO PIPED WATER (1978)</u>		<u>ACCESS TO ELECTRICITY (1978)</u>
Occupied dwellings without piped water (%)	88.0	% of population - total 5.0
- urban	56.0	- rural 2.6
- rural	97.5	
<u>NUTRITION</u> <sup>1/</sup>		<u>EDUCATION (1978)</u>
Calorie intake as % of requirements	84.0	Adult literacy rate % 20.0 <sup>10/</sup>
Per capita protein intake (grams/day)	42.7	Primary school enrollment % 34.0

GNP PER CAPITA IN 1978: US\$262.1

GROSS NATIONAL PRODUCT IN 1978

	<u>US\$ Mln.</u>	<u>%</u>
GNP at Market Prices	1,373	100.0
Gross Domestic Investment	190	13.9
Gross National Savings	114	8.3
Current Account Balance	-76	-5.5
Exports of Goods, NFS	328	23.9
Imports of Goods, NFS	350	25.5

ANNUAL RATE OF GROWTH (% , 1973 prices)

	<u>1973-79</u>	<u>1979</u>
	3.5	0.4
	0.9	8.4
	207.1	6.9
	15.6 <sup>2/</sup>	-7.1 <sup>2/</sup>
	-2.0	-8.0

OUTPUT, EMPLOYMENT AND PRODUCTIVITY IN 1978

	<u>Value Added</u>		<u>Labor Force</u>		<u>V. A. Per Worker</u>	
	<u>US \$ Mln.</u>	<u>%</u>	<u>Thousands</u> <sup>3/</sup>	<u>%</u>	<u>US \$</u>	<u>%</u>
Agriculture	635	43.5	1,875	82.0	339	53.1
Industry	370	25.3	252	11.0	1,468	230.1
Services	454	31.2	160	7.0	2,838	444.8
Total	1,459	100.0	2,287	100.0	638	100.0

GOVERNMENT FINANCE

	<u>General Government</u>			<u>Central Government</u>		
	<u>(US \$ Mln.)</u>	<u>% of GDP</u>		<u>(US \$ Mln.)</u>	<u>% of GDP</u>	
	<u>1978</u>	<u>1975/76</u>	<u>1978</u>	<u>1978</u>	<u>1975/76</u>	<u>1978</u>
Current Receipts	437.5	29.0	30.0	417.6	26.7	28.6
Current Expenditure	261.7	16.7	17.9	239.6	15.1	16.4
Current Surplus	175.8	12.3	12.0	178.0	11.6	12.2
Capital Expenditure	89.9	15.8	6.2	84.4	15.4	5.8

MONEY, CREDIT AND PRICES

	Sept. 1974	1975	1976	1977	1978	Prelim. 1979
		(Million US \$ outstanding end period)				
Money Supply	515.1	528.8	492.6	481.9	480.1	532.9
Bank Credit to Public Sector <sup>5/</sup>	497.6	553.6	592.1	595.7	619.8	866.6
Bank Credit to Private Sector	49.9	51.1	44.8	53.4	56.7	36.9

(Percentage or Index Numbers)

Money as % of GDP	50.3	48.6	39.4	36.7	31.6	33.9
General Price Index (1973 = 100) <sup>4/</sup>	104.2	109.2	115.8	119.9	122.4	125.2
Annual percentage changes in:						
General Price Index <sup>4/</sup>	4.2	4.8	6.0	3.5	2.1	2.3
Bank Credit to Public Sector <sup>5/</sup>	.	11.3	7.0	0.6	4.0	39.8
Bank Credit to Private Sector	.	2.4	-12.3	19.2	6.2	-34.9

BALANCE OF PAYMENTS

	1976	1977	1978
	(Mln. US \$)		
Exports of Goods, NFS	252.6	293.2	327.9
Imports of Goods, NFS	287.3	261.9	350.1
Resource Gap (deficit = -)	-34.7	31.3	-22.2
Interest Payments (net) <sup>6/</sup>	-40.0	-38.9	-43.8
Other Factor Payments (net)	-13.1	-34.4	-42.8
Net Transfers	7.9	15.7	32.8
Balance on Current Account	-79.9	-26.3	-76.0
Direct Private Foreign Investment	n.a.	n.a.	n.a.
Net MLT Borrowing			
Disbursements <sup>7/</sup>	70.0	56.1	113.1
Amortization <sup>6/ 8/</sup>	91.0	122.3	119.2
Subtotal	-21.0	-66.2	-6.1
Other Capital (net) and capital n.e.i.	-0.1	1.7	-3.8
Increase in Reserves (+)	11.0	-2.7	-21.3
Gross Reserves (end year)	53.2	50.5	29.2
Petroleum Imports <sup>9/</sup>	n.a.	n.a.	48.9
Petroleum Exports	-	-	-

RATE OF EXCHANGE

	-----Annual Averages-----					End
	1975	1976	1977	1978	1979	Period
US \$ 1.00 = GS	20.3	21.4	21.1	19.7	19.1	18.7
GS 1.00 = US \$	0.049	0.047	0.047	0.051	0.052	0.053

MERCHANDISE EXPORTS (AVERAGE 1976-78)

	US \$ Mln.	%
Bauxite	204.3	70.2
Alumina	77.5	26.6
Other Commodities	9.4	3.2
Total	291.2	100.0

EXTERNAL DEBT, DECEMBER 31, 1979

	US \$ Mln.
Public Debt, Incl Guaranteed	990
Non-Guaranteed Private Debt	208
Total Outstanding & Disbursed	1,198

NET DEBT SERVICE RATIO FOR 1978

	%
Public Debt Incl. Guaranteed	35.7
Non-Guaranteed Private Debt	14.0
Total Outstanding & Disbursed	49.7

IBRD/IDA LENDING (March 31, 1980) (Million US \$):

	-----Annual Averages-----					End	IBRD	IDA
	1975	1976	1977	1978	1979	Period		
Outstanding & Disbursed						18.7	58.3	24.3
Undisbursed						0.053	-	41.7
Outstanding incl. Undisbursed							58.3	66.0

1/ Most recent estimates (1974-78).

2/ Adjusted for change in terms of trade.

3/ Applying 1980 data for labor force share in total population.

4/ GDP implicit deflator.

5/ Net of Government deposits.

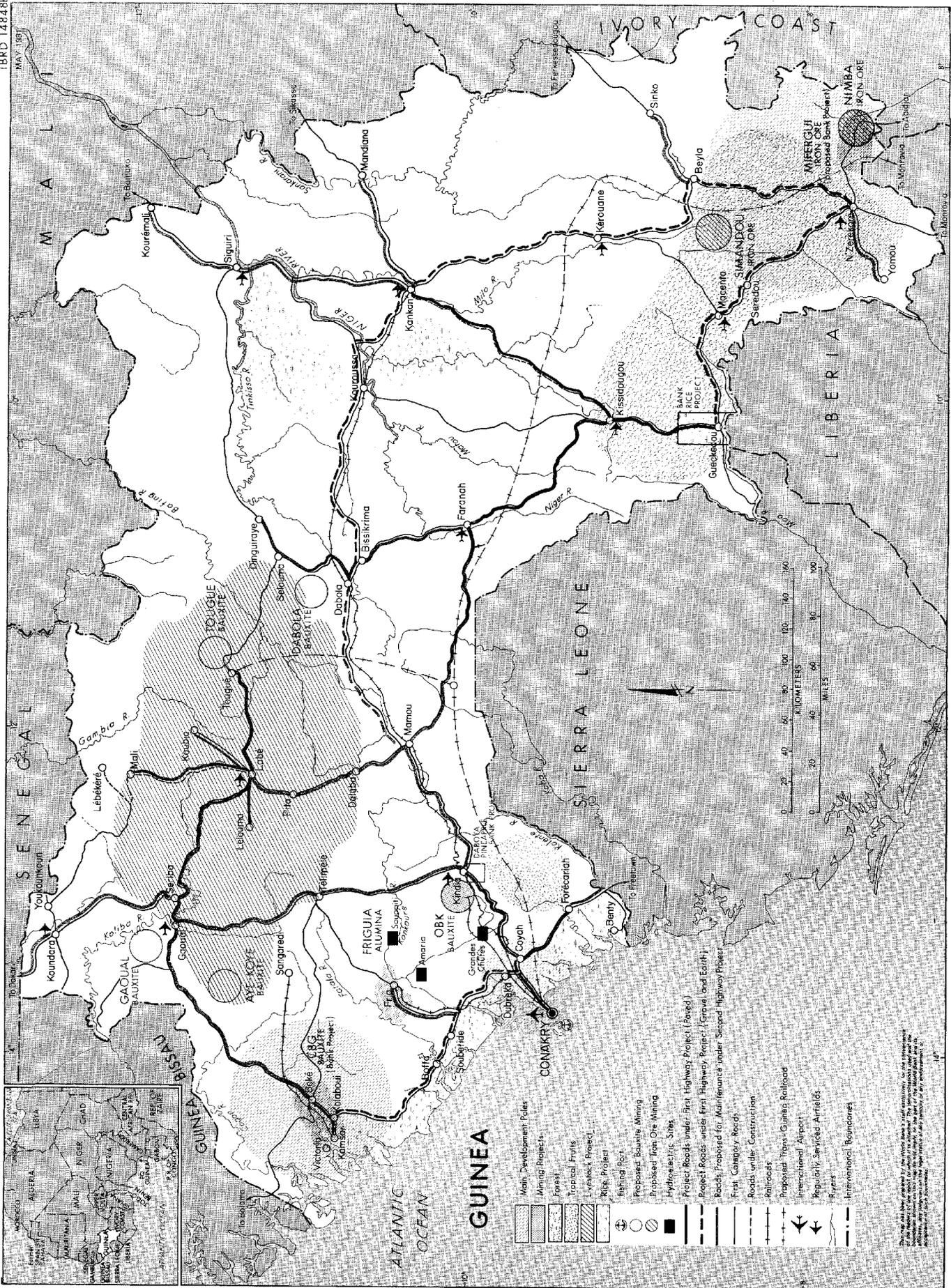
6/ Scheduled Payments.

7/ Of which private US\$5.4 mln. 1977 and US\$8.0 mln. 1978.

8/ Of which private US\$25.3 mln. 1976, US\$24.5 mln. 1977, and US\$24.7 mln. 1978.

9/ Including direct imports of parapublic mining enterprises.

10/ Education sector memorandum (Sept. 1980) provisional estimate.



- Mail Development Pole
- Mining Projects
- Forest
- Tropical Forests
- Wetland Project
- Risk Project
- Fishing Port
- Proposed Bauxite Mining
- Proposed Iron Ore Mining
- Hydroelectric Sites
- Project Roads under First Highway Project (Paved)
- Project Roads under First Highway Project (Gravel/Loam Earth)
- Roads Proposed for Maintenance under Second Highway Project
- First Category Road
- Roads under Construction
- Railroads
- Proposed Trans-Guinea Railroad
- International Airport
- Regularly Served Airfield
- Flights
- International Boundaries

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ECONOMIC SECTOR WORK, PROJECT REPORTS AND MEMORANDA, 1978-80

Economic Sector Work and Sector Memoranda

1. Water Supply (Rapid Assessment, June 1978)
2. Mineral Sector Review (draft, September 1979)
3. IDF Sector Review (draft, February 1980)
4. Survey of the Public Enterprise Sector (Green Cover, June 1980)
5. Transport Sector Memorandum (Yellow Cover, March 1981)
6. Education Sector Memorandum (Green Cover, February 1981)

Appraisal Reports

1. Education Project (August 1978)
2. Water Supply and Sanitation Project (November 1978)
3. Second Highway Project (August 1979)
4. Rice Development Project (August 1979)
5. Livestock Development Project (August 1980)
6. Power Project (September 1980)



## SUMMARY AND CONCLUSIONS

1. With a population of 5.3 million and a GNP per capita of about US\$274 in 1979, Guinea belongs to the least developed countries. Life expectancy at birth is 43 years (among the lowest in the world), infant mortality rates are still high at 30 percent of the 1-4 years age group, and calorie intake is only 84 percent of requirements. About 80 percent of the population is illiterate, and 88 percent is deprived of access to safe water. Most of the population, particularly in rural areas live at the margin of poverty.

2. Guinea has a small and open economy, divided into an agricultural sector that produces largely at subsistence levels, provides the livelihood of over four fifths of the population and contributes almost half of the GDP, and a modern sector comprising on one hand a few mining enclaves (Guinea is the largest bauxite exporter in the world) that generate the quasi-totality of the country's export earnings, and on the other a variety of state enterprises in industry and other sectors using most of the public investments, domestic credit, foreign borrowing, and imports.

3. Guinea like other newly independent nations, experienced problems in managing its economic development process. These difficulties manifest themselves in higher urban incomes, 1/ the development of an extensive, albeit largely inefficient, public enterprise sector, limited planning and economic management capabilities, balance of payments difficulties brought about by an overvalued currency, and problems in reconciling social and economic objectives. The course chosen by Guinea was influenced by the circumstances surrounding its access to Independence. The abrupt departure of the French deprived Guinea of vital financial and technical support, reinforced the socialist development philosophy of self-sufficiency espoused by the ruling Party (Parti Democratique de Guinee, PDG), and contributed to the country's reliance on centrally-planned economies for development assistance. This explains Government's consistent policy since Independence to replace a private market-oriented economy thriving on agriculture with a command economy promoting state ownership of the means of production, collective rather than private activities, and allocation of resources through central decisions rather than market mechanisms. By 1973, the massive investments to create the public sector, largely financed through domestic credit expansion, had led to widespread inflation and balance of payments difficulties. Increasing unavailability of consumer goods to smallholders and unrealistic producer prices forced small farmers to restrict their production to subsistence levels, and led to a probable decline in the per capita incomes in rural areas and to increasing imports of foodstuffs.

4. The strategy employed by the Government under the guidance of the PDG to become economically self-reliant encountered difficulties on several fronts. Domestic investments aimed at creating socio-economic infrastructures and national institutions to replace foreign control failed to raise output and productivity. Overall, they proved unable to generate the resources

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1/ The urban bias may be less pronounced in Guinea than in other developing countries. The Government intends to further reduce it by promoting agricultural development and modernizing the rural sector.

needed for servicing the foreign loans contracted to finance them. Many of the original investments required more imports to ensure continued operations. A case in point are the ambitious education and manpower policies, which swelled modern sector employment and induced excessive government consumption, and in turn generated a higher demand for imported goods and services. Attempts to protect the economy from international inflation while maintaining central control caused price distortions and an over-valued exchange rate and consequently the development of an active parallel market. With respect to the enclave operations, the export earnings of one of them (Debele mine) were mortgaged to meet Guinea's commitments under bilateral clearing arrangements, making it difficult for the Government to establish the terms of exchange, let alone to match imports with centrally-planned needs. In the case of other enclave operations, net foreign exchange benefits provided less balance of payments relief than anticipated, both because debt service obligations and other factor service payments had risen rapidly and because demand had become excessive. Guinea has been unable to meet its foreign commitments even though it has allowed its capital stock to deteriorate.

5. The productive and financial bases for a more dynamic economy have been strengthened since 1973 owing to the opening of two major bauxite mines. Economic activity increased by 21 percent in real terms between 1973-79, at an average rate of 3.2 percent per annum. The rapid real growth of the mining sector at 20 percent per annum increased its contribution to GDP from 4.2 percent in 1973 to 18.5 percent in 1979. Massive investments were also made to mechanize agricultural operations. Still, rural sector output stagnated and its share in GDP decreased from 58 percent to 41 percent between 1973 and 1979. The main reasons for this were the lack of producer incentives, misdirected application of mechanization, drought and crop plagues in some years. Higher bauxite exports and favorable world prices for bauxite and alumina increased government revenues.

6. Over the past few years, the Government has kept the growth of current expenditures at a modest pace and has employed the additional resources to amortize its debt to the banking system and to create a substantial Reserve Fund. This surplus was mainly used to subsidize the operating capital of the public enterprises. Government's improved financial position partly offset credit expansion to public enterprises, and money supply in relation to GDP was reduced, contributing to an estimated 50 percent fall in prices on the parallel market over the past three years and an improvement in the real purchasing power of the majority of Guinea's poor. Preferential access of state trade enterprises to scarce foreign exchange allows them to import goods for resale largely to urban consumers. The substantial trading margins captured in the process are recorded as profits and transferred to the Government's capital budget, but they do not correspond to the real price of foreign exchange and therefore constitute a transfer of income from mining and agriculture to urban inhabitants. The performance of public enterprises in manufacturing, transport, and other sectors is poor. The Government has undertaken an examination of the viability of public enterprises, closing down some of the least effective, rehabilitating others, and even entering into joint-ventures with private investors to create mixed enterprises.

7. In recent years, investment levels were relatively low, particularly because of modest capital inflows from abroad. Much of the substantial debt outstanding was accumulated during the first 15 years following Independence (1958-73). Moreover, a great proportion of new commitments (24 percent over the 1975-79 period) are designated for balance of payments support, current imports etc., rather than for investment. Domestic public savings have been positive since 1973 and allowed Guinea to finance a substantial share of public investment, at the cost, however, of a substantial accumulation of arrears in public debt service. Despite extensive debt rescheduling, arrears reached US\$200 million at the end of 1979, and financed about half of the overall balance of payments deficit of over US\$100 million per annum during the past three years. Gross foreign reserves cover only one month of imports, and debt service, including private debt obligations, exceeded 50 percent of total exports in recent years. Actual service payments represented about 36 percent of total exports over the past four years.

8. Since 1976, as production rose to capacity in Guinea's new mines, there has been little growth in the GDP. In an attempt to cope with excessive domestic demand and to increase production, the Government has taken the first tentative steps towards decentralization and liberalization of the economy, and is making gradual advances in the areas of money, public enterprises, investment planning, foreign exchange management and pricing. The money supply was reduced both in absolute terms and as a proportion of GDP, lowering prices and exchange rates on the parallel market. Annual reviews of public enterprises' performance, current policies to rehabilitate existing enterprises before undertaking new construction and stricter controls on credit expansion are gradually improving the outlook of this sector. The Government has become more sensitive to the need for planning, investment programming, and project preparation, and lately has been accepting UN technical assistance as well as assistance from the Bank Group and other donors through specific projects. Improved external debt management and strengthening of foreign exchange planning now allow better monitoring and management of the balance of payments. There is increased recognition of the need for economic pricing of resources (e.g. electricity, water) and production, including the vital area of pricing agricultural produce so as to encourage small farmers to increase their output. Private trade was legalized in 1979, the Investment Code was recently revised with the intent of promoting private enterprise, and in 1980 a Small and Medium Scale Enterprise Agency (Office national de promotion des petites et moyennes entreprises, ONP) was created, which is already staffed and operational. This Agency was upgraded in 1981 into a Ministry that is actively seeking external financing and is currently preparing a first project. Foreign private financing is actively being sought for investment in mining, ore-processing, manufacturing, hydropower generation, industrial agriculture, etc.

9. Despite some progress, at present, Guinea is confronted with the worst of two worlds: a serious balance of payments problem and stagnation. Its economy can neither generate enough foreign exchange to satisfy total demand for domestic consumption, service external debt and finance required capital and recurrent expenditure of existing and new projects, nor attract sufficient external capital inflows to cover its balance of payments current account deficit and foreign debt amortization. The domestic currency remains seriously overvalued in spite of the relative success of recent monetary

policies, and thus perpetuates a grossly distorted price system and an unattractive environment for producers, affecting output and export performance. The economy is stagnating, essential economic services are curtailed, and arrears on external debt are accumulating. The main productive sectors, agriculture and livestock, produce essentially at subsistence levels because of inadequate producer incentives, inputs, extension services, infrastructures and marketing facilities. Guinea's pace of economic development does not permit an increase in the standard of living of the population nor the generation of domestic savings for self-sustained growth and development.

10. And yet, Guinea has a substantial unrealized potential for development, particularly in agriculture and mining. With 80 percent of the population in the rural sector, any development strategy would have to concentrate on increasing agricultural output. Simple simulation techniques pointed at two major problems during the 1980s: first, the difficulty of increasing private consumption levels, particularly in the rural sector, because of growing public consumption and the investment levels needed to foster development; and second, the continuing balance of payments constraint. Guinea's balance of payments is characterized by the overwhelming importance of exports in generating current revenues. Enclave mining operations produce the bulk of exports but also involve high imports of goods and services, high payments on private debt non-guaranteed, workers' remittances for foreign labor, and other factor payments abroad. In general, owing to high amortization payments capital transactions provide little balance of payments relief. Public borrowing is usually conducted on an ad hoc basis, on hard terms, for purposes that do not reflect sectoral priorities and the need to increase production and exports. Private borrowing and direct investment are slow to take advantage of existing opportunities given the economic climate and uncertainties surrounding specific projects. Mining projects alone--while needed to supply additional foreign exchange resources to other sectors and particularly agriculture--are not able to revitalize the economy. The implementation of major projects could improve the outlook of the balance of payments in the second part of the 1980s, but would also put a serious strain on Guinea's absorptive capacity.

11. To offer smallholders more incentives for increasing production, and in view of the limited resources available during the next years, there is a need to transfer purchasing power from the urban, largely public, sector to the rural sector. Measures to limit future private consumption in urban areas could be accompanied by a stricter control of public spending in the areas of Government's current expenditure (particularly on wages and salaries), public enterprises and public investment, aiming at a more productive use of available resources. Resources thus freed could be channelled to smallholders through adapting the price system, optimizing investment allocation, and improving collection, distribution and marketing facilities. Institutional reforms and the upgrading of human resources would further promote modernization of traditional farming and an increase in its productivity.

12. The modern sector would in this context provide the increased resource base for smallholder development, through investment in the mining, ore-processing and other export-oriented activities (such as industrial agriculture), as well as through rehabilitation of manufacturing, infrastructures and public utilities, and by improving the quality of education.

13. Particularly critical is the need for improved economic management. Planning and administration of the economic and financial system suffer from inadequate data collection and processing facilities, lack of coordination between physical and financial planning, insufficient project preparation and supervision capabilities, and uncertainty surrounding vital external assistance for investment. The difficulty of quantifying effective changes in resource generation and use is considerable in Guinea where a significant part of the economic activity takes place outside official circuits and where, historically, exchanges by the official sector have been largely transacted through clearing agreements.

14. Guinea's development prospects hinge critically upon its success in adapting economic policies to the resource constraint and in effectively recycling resources that will eventually be generated by new export-oriented projects. The lead time needed to revitalize the rural sector, to initiate and implement new major projects, and to apply new economic policies will present Guinea with a difficult transition period during most of the 1980s. Increased foreign assistance, especially on concessional terms, would ease the balance of payments difficulties during the coming years and contribute to a gradual realization of the country's considerable development potential.



## I. INTRODUCTION

1.01 Guinea covers an area of 246,000 km<sup>2</sup>, is well endowed with arable land and mineral resources, and has a promising hydroelectric potential. It is also the world's largest bauxite exporter. A variety of ecological regions and a favorable climate allow diversified rainfed crop production besides cattle raising and forestry. In 1979, the population was about 5.3 million <sup>1/</sup> with an estimated GNP per capita of US\$274. Since Independence in 1958 the Parti Democratique de Guinee under President Ahmed Sekou Toure has dominated the highly centralized politico-economic system. The Guinean ideology favors a direct transition from traditional rural communalism to a modern socialist state emphasizing collective ownership and self-sufficiency. The Government recognizes the need to stimulate economic growth and raise the standard of living of its people, while placing a strong emphasis on political and economic independence and social equity.

### A. Resource Endowment

1.02 Guinea's main ecological regions are:

- (a) Maritime or Lower Guinea: the coastal land covers 18 percent of the country's area. Annual rainfall varies between 2,200 and 4,000 mm. Numerous swamps and mangroves make it the main area for cultivation of bananas and pineapple. It also has a potential for the cultivation of cereals, tubers, vegetables, fruits and coconut.
- (b) Middle Guinea encompasses the upland plateau known as the Fouta Djallon and, to the north, the lowland plains of the Gaoual/Koundara region. It covers 20 percent of the country's area and is cooler and drier than Maritime Guinea, with rainfall varying from 1,500 to 2,000 mm. Middle Guinea has an important foodcrop and livestock production (the tse-tse resistant N'Dama breed).
- (c) Upper Guinea, covering 40 percent of the country's area, has a generally flat to undulating countryside covered with light forest to forest-savannah and rainfall between 1,200 and 1,700 mm. This region has considerable potential for irrigated cultivation along the Niger and its tributaries.
- (d) The Forest Region comprises 22 percent of Guinea's land area in the southeast. It has an equatorial climate with rainfall varying from 1,700 mm in the north to 3,000 mm in the south. Lush tropical forest and mountainous relief make communications difficult. This region has excellent potential for most foodcrops and for export crops such as coffee, cocoa, rubber, and oil palm and possible tropical wood, and is the source of most of Guinea's coffee production.

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<sup>1/</sup> A 1977 "administrative census" estimated total population at 4.5 million.

1.03 Guinea's agricultural production consists of cereals (rice, maize, sorghum, millet, digitaria or fonio), tubers (cassava, yams, sweet potatoes), fruits (citrus, bananas, pineapple, mangoes, avocado), vegetables, coconut, oil palm, coffee, cocoa, rubber and forestry. The area under cultivation is estimated at some 1.4 million ha, of which 1.2 million cultivated by small-holders, and 0.2 million ha by cooperative production brigades. Animal husbandry plays an important role in the rural economy, with some 1.25 million cattle, 0.25 million sheep, and 0.30 million goats. Guinea is one of the few Western African countries where animal husbandry has been substantially integrated into the agricultural production system, cattle being used for draft and manure, and crop residues and by-products of cultivation for feed.

1.04 With respect to mineral resources, bauxite reserves were estimated in 1979 at 6.5 billion tons, or 28.6 percent of the world's known reserves. Considerable high-grade iron deposits (estimated at between 1.3 and 1.8 billion tons), as well as gold, diamond, limestone and granite deposits have been identified. There are good geological prospects for uranium and offshore oil. Numerous rivers harbor an impressive potential for hydroelectric power generation, estimated at 6,000 MW, of which 1,200 MW in identified projects.

1.05 The last census of 1972 recorded a resident population of 4.2 million plus 0.9 million nonresident Guineans living abroad. In 1979, the resident population was estimated to be 5.3 million, of which about 18 percent in urban areas. The next census is planned for 1981. As in most African countries, Guinea's population is young: 44 percent of the population is less than 14 years old. Demographic growth is exceptionally high: 2.9 percent per annum between 1970-78 and 2.6 percent per annum projected through 1990. These figures should however be interpreted with caution, given the inaccuracy of demographic indicators. The most important cities are Conakry (500,000-600,000 inhabitants) and Kankan (more than 80,000 inhabitants). Urban growth is estimated at 6.4 percent per annum.

## B. Situation through 1973

1.06 In 1958, when Guinea opted out of the French Union, the bulk of the population was engaged in traditional agriculture and animal husbandry, particularly production of rice, cassava, maize and cattle. Domestic production satisfied most of the local demand for foodstuffs, food imports representing some 23,000 tons. A number of plantations, mainly for bananas and mining of bauxite, iron ore and diamonds, employed less than 10 percent of the active population, while providing much of the exports and public revenues. Manufacturing industries were virtually non-existent. Bauxite was exported as raw ore, as the Fria alumina processing plant was still under construction.

1.07 Following Independence, an ambitious development program was undertaken, centered on manufacturing industries and transport infrastructure. State enterprises replaced private companies in trade, banking and the transport sector, as well as public utilities and partly mining. New industries

were created and existing private enterprises were nationalized starting in 1967. Expenditures for the massive public investment program, together with the capital requirements and current deficits of public enterprises soon exceeded budgetary savings and external capital inflows. The ensuing financial gap necessitated the expansion of credit, which inflated the money supply. Excessive aggregate expenditures caused rampant internal inflation, the virtual collapse of the national currency, and rapidly rising balance of payments deficits. By 1973, export activities (bauxite, iron ore and diamond mining, banana plantations, etc.) other than alumina production had sharply decreased compared to pre-Independence levels. Alumina production and exports were maintained as the Government supported the operation of the privately owned Fria plant, under existing agreements.

1.08 The serious balance of payments constraints led to cutbacks of imports. Limited access to consumer goods, increasingly unrealistic official producer prices, the sharply reduced purchasing power of the domestic currency and an inefficient marketing and distribution system left few incentives for farmers to produce beyond subsistence needs. As official trading channels became increasingly unable to satisfy the demand for wage goods, a parallel market developed. Basic commodities were rationed, which to some extent allowed for urban wage earners to be supplied at fixed official prices, whereas the demand in rural areas and smaller towns was met at prices much above official ones. Lagging agricultural production also restricted raw material supplies for agroindustries, export crops and food supplies to urban consumers, and called for increased imports of foodstuffs. Given the foreign exchange shortage, this further reduced the availability of other consumer goods in the rural sector.

1.09 In an effort to correct this situation and consistent with its basic philosophy, the Government promoted socialist ventures in agriculture. Poorly conceived and lacking adequate equipment, these ventures fell short of expectations regarding yields. Moreover, as it was becoming impossible for public manufacturing enterprises to buy local raw materials at official prices, they had to sharply cut their processing activities. Lack of foreign exchange for imports of spare parts and other current inputs, as well as for replacement investment, led to the decline of productive capacity to well below installed capacity.

1.10 By 1973, the economy had reached a sad state. Gross Domestic Product (GDP) appeared to have increased at only about 2 percent per annum in constant terms between 1960 and 1973, slower than demographic growth, thus probably lowering average real per capita income. The current account deficit exceeded US\$170 million in 1972/73, or 18 percent of GDP, while the resource gap reached US\$100 million, exports covering barely one third of imports. Money supply amounted to 44 percent of GDP compared to 20-25 percent in other West African countries. Public foreign debt stood at 75 percent of GDP, public debt service obligations at 72 percent of exports. Arrears on debt service were rapidly accumulating and foreign reserves were dwindling.

## II. RECENT ECONOMIC DEVELOPMENTS, 1973-79

### A. Growth, Investment and Savings

2.01 Guinea's balance of payments and public finances have failed to improve significantly since 1973 despite the opening of the Boke and Debele bauxite mines. These new operations and the introduction of a special export tax on minerals at the end of 1974 rapidly increased export earnings and budgetary revenues. However, the additional resources were syphoned off by inefficient public enterprises, heavier import bills for fuel and foodstuffs, higher factor payments abroad, and misguided public investment policies. Agricultural exports drastically diminished and foodstuff imports sharply increased as producers continued to be deprived of incentives and mechanized farms failed to meet production expectations. The increase in modern sector employment due to higher university output inflated import demand. Despite some success with deflationary policies the domestic currency remains seriously overvalued and widespread price distortions prevent an adequate resource allocation and introduction of incentives, and do not give an accurate picture of public sector performance.

2.02 Since 1973, the productive and financial bases for a more dynamic economy have been strengthened. Two new major mining ventures, i.e., Compagnie des Bauxites de Guinee (CBG) at Boke, and Office des Bauxites de Kindia (OBK) at Debele stimulated domestic output and exports. The additional resources and the application of stricter domestic credit guidelines and import controls allowed Guinea to improve its balance of trade, contain inflation and reduce the money supply in relation to GDP. The gross national product (GNP) increased at 3.4 percent per annum between 1973-79 in real terms (Table 1). <sup>1/</sup>

Table 1: OVERALL ECONOMIC GROWTH, 1973-79

	<u>1973</u>	<u>1975</u>	<u>1977</u>	<u>1979</u>	<u>Average Growth Rate 1973-79</u>
	<u>Billion Syllis 1973 Prices</u>				<u>Percentages</u>
GDP	19.4	21.0	22.3	23.5	3.2
GDP <u>less</u> mining	18.6	19.3	20.1	21.1	2.1
GNP	18.4	20.3	21.3	22.6	3.4
	<u>US\$ 1973 Prices &amp; Exchange Rate</u>				
GDP per Capita	210.7	215.4	215.4	215.4	0.4
GNP per Capita	199.9	207.5	206.3	207.0	0.6

<sup>1/</sup> National accounts estimates are tentative. The 1980 economic mission revised the existing methodology and data and produced a new set of national accounts estimates, which are used in this report.

The rural sector accounted in 1979 for 41 percent of total value added, as compared to 58 percent in 1973. Mining output approached installed capacity in 1977. Its contribution to GDP more than quadrupled from 4.2 to 18.5 percent over the last six years (Table 2).

Table 2: GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES  
BY INDUSTRIAL ORIGIN, 1973-79  
(Percentages)

	<u>1973</u>	<u>1975</u>	<u>1977</u>	<u>1979</u>
GDP Current Market Prices	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Agriculture <u>1/</u>	58.1	52.5	46.1	40.6
Mining & Alumina Production <u>2/</u>	4.2	11.7	17.3	18.5
Manufacturing	4.8	4.5	4.4	4.8
Utilities	0.9	0.8	0.7	0.8
Construction	3.4	3.1	2.6	2.4
Transport and Communications	2.9	2.7	2.1	2.2
Commerce	14.4	13.4	15.0	17.7
Banking & Insurance	1.4	1.3	1.5	1.9
Administration	10.0	10.1	10.3	11.3

1/ Including livestock, fishing and forestry.

2/ The rapid increase in the export prices of bauxite and alumina explains why the sector's contribution to the gross domestic product grew faster than its output.

2.03 With the exception of mining, trade, banking and public administration, real growth in the other sectors was below demographic growth, or even negative:

<u>Sector</u>	<u>Average Annual Growth Rates 1973-79 (1973 Market Prices)</u>
Agriculture	-0.7
Mining and Alumina Production	20.0
Manufacturing	0.8
Utilities	5.0
Construction	-5.0
Transport & Communications	-0.8
Commerce	7.2
Banking & Insurance	9.3
Administration	<u>9.3</u>
Overall GDP	<u>3.2</u>

This slow growth is attributable primarily to the low level of fixed capital formation (particularly private investment) and to the misallocation of public investment. The latter focused on mechanizing the rural sector with so far poor results, and on transport infrastructure and industrial projects, whose benefits have yet to materialize. Rural sector output was severely affected not only by the lack of producer incentives, inadequate infrastructure and the neglect of smallholders but also by the 1977-78 drought and a crop plague in 1979. The reduction in value added particularly in the transport sector was mainly due to rising maintenance costs for obsolete equipment, the higher cost of imported inputs and the lack of foreign exchange for investment and operation.

2.04 Compared with other West African countries, investment was rather low during the past six years, averaging 15.2 percent of GDP (14.5 percent at constant 1973 prices). 1/ Public and parapublic investment averaged 10.1 percent of GDP (8.9 percent at constant 1973 prices), while estimated private investment was de facto limited to housing. 2/ Investment in mining was limited to the completion of the CBG and OBK operations (see Chapter III.C) and represented close to 10 percent of total public investment during the 1973-78 period.

2.05 Fixed capital formation between 1973-79 was estimated at Syllis 25.7 billion, of which Syllis 17.1 billion for the public and parapublic sector (Table 3). In addition, Syllis 9.7 billion in financial assistance were disbursed to public enterprises to increase their operating capital. Domestic resources financed 65 percent of total investment, but only 39 percent of public investment. Of the investment plan executed by the central government between 1973-78, 32 percent was financed by domestic sources and 68 percent by external borrowing. The incremental capital-output ratio (ICOR) averaged 4.6 between 1973 and 1979.

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1/ Investment in Senegal reached about 17 percent of GDP, while Ivory Coast reached average investment levels of up to 25 percent of GDP.

2/ Preliminary data for private investment and investment by local administrations as estimated by the 1980 economic mission. Investment by private enterprises in industry, trade, transport, etc. is not documented.

Table 3: INVESTMENT EXPENDITURE AND FINANCING, 1973-79

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Total</u> <u>1973-79</u>
Million Syllis Current Prices								
<u>Total Investment</u>	<u>3,105</u>	<u>3,588</u>	<u>4,074</u>	<u>4,017</u>	<u>2,819</u>	<u>3,751</u>	<u>4,379</u>	<u>25,733</u>
Public and Parapublic	1,961	2,413	2,867	2,777	1,549	2,451	3,039	17,057
- Plan Investment	1,400e	1,784	2,413	2,305	1,075	1,899	2,500 <sup>1/</sup>	13,376
- Regional and Local	284e	289e	294e	297e	309e	309e	309e	2,091
- Public Enterprises	40e	40e	40e	45	15	66	30	276
- Parapublic Enterprises	237	300	120	130	150	177	200	1,314
Private Investment <sup>2/</sup>	1,144	1,175	1,207	1,240	1,270	1,300	1,340	8,676
<u>Total Financing</u>	<u>3,105</u>	<u>3,588</u>	<u>4,074</u>	<u>4,017</u>	<u>2,819</u>	<u>3,751</u>	<u>4,379</u>	<u>25,733</u>
External Public								
Borrowing (gross) <sup>3/</sup>	1,325	1,316	1,425	1,185	757	1,678	1,408	9,094
Government Financing <sup>4/</sup>	359	757	1,282	1,417	627	530	1,401e	6,373
Self-Financing Public								
Enterprises	40e	40e	40e	45	15	66	30	276
Self-Financing Parapublic								
Enterprises	237	300	120	130	150	177	200e	1,314
Private Sector Savings	1,144	1,175	1,207	1,240	1,270	1,300	1,340	8,676
<u>Official Borrowing as Percentage of Plan Investment</u>								
	94.6	73.8	59.1	51.4	70.4	88.4	56.3	68.0

e Estimated

<sup>1/</sup> Budgeted

<sup>2/</sup> Households' capital expenditure for housing, particularly in rural areas.

<sup>3/</sup> Excluding borrowing for balance of payments support, current imports, debt re-scheduling, and food aid.

<sup>4/</sup> Residual, including voluntary labor budgeted as capital investment of local administrations.

Note: Figures were rounded off.

2.06 The pattern of domestic expenditure indicates that consumption may have increased at a slower pace than output between 1973-79, thus allowing higher savings (Table 4).

Table 4: EXPENDITURE ON GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES, 1973-79

(Percentages)

	<u>1973</u>	<u>1975</u>	<u>1977</u>	<u>1979</u>
GDP	100.0	100.0	100.0	100.0
Investment	16.0	17.8	10.6	14.9
Consumption	96.0	87.0	86.9	86.5
Public	(14.2)	(14.2)	(14.3)	(16.4)
Private	(81.8)	(72.7)	(72.6)	(70.1)
Resource Balance	-12.0	-4.7	2.5	-1.4
Gross Domestic Savings	4.0	13.0	13.1	13.5
Gross National Savings	0.1	9.5	8.5	9.3
National Savings Gap (-)	-15.8	-8.3	-2.1	-5.6

Note: Figures were rounded off.

Total consumption increased at 1.9 percent per annum in real terms between 1973-78, as compared with an average 3.2 percent per annum increase of the GDP. Private consumption increased at only 0.7 percent per annum during this period, which would signify a lowering of the average living standard of the population. Government consumption increased at 7.7 percent per annum, reflecting higher outlays for maintenance of existing assets and particularly increased expenditures for wages and salaries at an average rate of 9.3 percent per annum. The latter are due to the hiring by the civil service of recent school graduates who are legally guaranteed employment but could not find it in a sluggish economy (see Chapter III, Section A).

2.07 Domestic savings, negligible prior to the opening of the bauxite mines at Boke and Debele, increased sharply in 1974 and reached an estimated 13.5 percent of GDP in 1979. Similarly, national savings rose from a low level in 1973 to an estimated 9.3 percent of GDP (9.9 percent of the GNP) in 1979. The savings gap moved from 15.8 percent of GDP in 1973 to 5.6 percent in 1979.

B. Development Planning

2.08 Guinea has undertaken three planning exercises since Independence: the 1960-63 Three Year Plan, the 1964-71 Seven-Year Plan, and the 1973-78 Five-Year Plan. (A Fourth Plan, 1981-85 is reportedly being prepared). The latest plan was conceived as an amalgamation of various plans elaborated by the central government, local authorities (regions and PRLs) and individual enterprises, in an attempt to decentralize the planning process and to secure grass roots participation. Its main thrust was directed at "providing the material basis for the independence and the happiness of the Guinean people." In practical terms, this meant:

- (a) emphasizing rural development to ensure Guinea's self-sufficiency in foodstuffs and, as far as possible, the supply of local raw materials for agro-industries;
- (b) relying on joint ventures with foreign investors for the development of new mining operations; and
- (c) continuing to emphasize investment in transport, communications and administrative equipment and infrastructures.

2.09 The central government executes the investment plan. The last development plan was conceived without a macroeconomic framework and financing schedule. It implicitly assumed that most of the financing would come from abroad, emphasized physical goals rather than articulating growth rates and objectives, and established no link between public (domestic) savings and investment targets. As a result of insufficient project preparation, the effort needed to achieve certain goals was underestimated particularly in the rural sector. The reliance on foreign capital for both public and parapublic investment without firm commitments led to the underrealization of the plan and may result in an inappropriate distribution of investment among various sectors. Actual capital expenditure was well below both initial and revised plan targets.

Table 5: DEVELOPMENT PLANS, 1960-78  
(million Syllis current prices)  
Actual Expenditure

	<u>Three-Year Plan</u>		<u>Seven-Year Plan</u>		<u>Five-Year Plan</u>	
	<u>July 1960-July 1963</u>		<u>May 1964-Sept. 1971</u>		<u>Oct. 1973-Dec. 1978</u>	
	<u>Values</u>	<u>%</u>	<u>Values</u>	<u>%</u>	<u>Values</u>	<u>%</u>
<u>Total Capital Expenditure</u>	<u>3,725.5</u>	<u>100.0</u>	<u>8,760.0</u>	<u>100.0</u>	<u>9,865.8</u>	<u>100.0</u>
Rural Development	480.0	12.9	590.0	6.7	2,646.2	26.8
Industry and Energy	632.3	17.0	4,200.0	47.9	3,903.3	39.6
Public Works and						
Transport	1,261.9	33.9	2,900.0	33.1	1,516.5	15.4
Other Sectors	1,351.3	36.3	1,070.0	12.2	1,799.8	18.2

2.10 The Five-Year Plan initially projected a total investment of Syllis 59.4 billion (US\$2.9 billion or 45.3 percent of GDP during this period), of which Syllis 38.4 billion (US\$1.8 billion or 64.6 percent of total) as joint ventures in mining and hydropower generation with foreign investors. Planned public and parapublic investment over the 1973-78 period was subsequently reduced by 39 percent to Syllis 36.1 billion (or 27.5 percent of GDP during this period), by postponing several parapublic mining ventures, i.e., Mifer-gui-Nimba and Simandou iron ore projects, and Dabola and Tougue bauxite projects.

2.11 Outlays under the 1973-78 Investment Plan for new capital assets--two thirds of which in industry, mining and rural development--were Syllis 9.9 billion (Table 6).

Table 6: CENTRAL GOVERNMENT CAPITAL EXPENDITURE  
THIRD DEVELOPMENT PLAN, 1973-78

	<u>Million Syllis at Current Prices</u>	<u>Percentage Distribution</u>	<u>Main Projects</u>
<u>Investment</u>	<u>9,866</u>	<u>73.8</u>	<u>100.0</u>
Agriculture	2,646	26.8	Acquisition of tractors and other equipment for the mechanized brigades (BMP)
Industry and Mining	3,903	39.6	Completion of OBK bauxite, mine, industrial rehabilitation projects.
Public Works and Habitat	940	9.5	Rehabilitation of road network.
Transport and Communications	576	5.8	Acquisition of road transport equipment.
Education, Information and Tourism	612	6.2	
Trade, Banks, Insurance	121	1.2	
Social Development	194	2.0	
Administrative Equipment	874	8.9	
<u>Capital Grants to Public Enterprises</u>	<u>3,504</u>	<u>26.2</u>	Increase of operating capital, mainly of trade enterprises.
<u>Total Expenditure</u>	<u>13,370</u>	<u>100.0</u>	

Note: Figures were rounded off.

The heavy concentration of investment in agriculture and rehabilitation of physical assets of public enterprises did not significantly raise output, public finances and export earnings. Especially in the rural sector massive outlays for the mechanization of plowing were not underpinned by measures to ensure the achievement of production goals or the viability of the operation over several years. And, although over one quarter of total capital expenditure was devoted to rural development (Table 5), Guinea continues to be heavily dependent on imported foodstuffs and suffers from a lack of raw materials. In general, planning has been marred by the advance of projects that lacked preparation or feasibility studies on which to base sound investment decisions.

2.12 Under the Fourth Development Plan (1981-85), projected investment would amount to Syllis 32 billion (US\$1.6 billion) leading to a real growth of GDP of 5 percent per annum during the plan period. Agriculture and industry would grow at an annual rate of 3 percent and 8 percent per annum, respectively. The plan favors agricultural development (Table 7) primarily

Table 7: FOURTH DEVELOPMENT PLAN, 1981-85

	Billion Syllis Constant 1980 prices	As Percent of Total Investment	As Percent of Total Expenditure
<u>Total Investment</u>	32.0	100.0	79.8
Agriculture, water, forestry	8.4	26.2	20.9
Livestock, fishing	1.5	4.8	3.8
Industry	4.6	14.3	11.4
Mining	3.0	9.5	7.6
Energy	2.7	8.3	6.7
Public works	2.7	8.3	6.7
Transport, communications	1.5	4.8	3.8
Urban development	1.5	4.8	3.8
Banking, trade	0.8	2.4	1.9
Education and information	2.3	7.1	5.7
Social development	0.8	2.4	1.9
Administrative Infrastructures	2.3	7.1	5.7
<u>Amortization of Public Debt</u>	6.0		15.2
Reserves	2.0		5.0

through socialist ventures, namely agro-pastoral farms (Fermes agro-pastorales d'arrondissement, FAPAs; see also Chapter III. B) and cooperatives, rather than through smallholder farming. Self-sufficiency in foodstuffs, particularly cereals, is a declared goal. In mining, the immediate goal would be to increase the capacity of existing projects and to prepare projects that involve local processing of ore. There is no specific mention of the Mifergui-Nimba and Konkoure projects and no special allowance for their financing needs is reported. The financing of the plan or specific investments are not completely documented. It should, however, be noted that the provision for debt amortization is not sufficient to cover principal payments on external debt outstanding as of December 31, 1979--and even less so if arrears and new commitments are taken into account. Amortization on debt outstanding at the end of 1979 is projected to reach US\$525 million over the 1981-85 period, i.e., more than Syllis 10 billion, to which arrears add US\$171 million (Syllis 3.3 billion) in due amortization.

### C. The Public Sector

2.13 Guinea's public sector encompasses the central government, 33 administrative regions, 312 districts and 2,409 village authorities (Pouvoirs revolutionnaires locaux, PRL), as well as over 180 public enterprises in total control of banking and insurance, and virtual control of manufacturing, trade, transport and other services. The only important enterprises outside the public sector are CBG and FRIGUIA mining, in which the Government retains 49 percent of the shares. The public sector uses all domestic credit and most of the external borrowing, it is responsible for most of the official imports and agricultural official exports, as well as a good part of the bauxite exports.

2.14 Financial transactions of public entities are handled at the central level by the Ministries of Banks, Finances, Plan and State Control. The public finance picture is derived from budgetary as well as monetary data, investment and financial indicators. The central government budget includes transactions of the social security system, and investment expenditures and foreign borrowing transactions undertaken by the Government on behalf of public enterprises.

#### Consolidated Public Finances

2.15 A tentative consolidation of public sector financial operations during the 1975/76-1979 period (Table 8) shows that fluctuations in both public sector revenues and expenditures largely stem from the inclusion of non-recurrent receipts, such as proceeds from the liquidation of the Stabilization Fund and other exceptional revenues in 1975/76, as well as non-recurrent expenditures, such as capital transfers to public enterprises. Despite a relatively modest investment level, moderately growing current expenditures and quite dynamic revenues, monetary and external

Table 8: CONSOLIDATED OPERATIONS OF THE NON-FINANCIAL PUBLIC  
SECTOR, 1975/76-1979  
(Million Syllis at current prices)

	<u>1975/76</u>	<u>1/ 1977</u>	<u>1978</u>	<u>1979</u>
<u>Central Government</u>	<u>-1,721</u>	<u>-2,852</u>	<u>-2,605</u>	<u>-4,040</u>
Revenue before Taxes & Transfers from NFPE <u>2/</u>	5,493	1,841	3,578	3,217
Expenditure, before Grants & Transfers to Regional Governments & NFPE	7,214	4,693	6,183	7,257
Current Expenditure	4,332	3,618	4,284	4,757
Capital Expenditure	2,882	1,075	1,889	2,500
<u>Regional Governments</u>	<u>95</u>	<u>90</u>	<u>-152</u>	<u>-144</u>
Revenue before Transfers from Central Govt.	699	635	392	337
Expenditure	604	545	544	481
Current Expenditure	484	435	435	371
Capital Expenditure	120	110	109	110
<u>Nonfinancial Public Enterprises</u>	<u>2,120</u>	<u>3,854</u>	<u>4,232</u>	<u>-537</u>
Revenue before Grants & Subsidies	14,504	17,598	24,598	19,220
Expenditure before Taxes & Transfers	12,384	13,744	20,366	19,757
Current Expenditure	11,190	13,231	19,136	18,919
Capital Expenditure	1,194	513	1,230	838
<u>Public Sector Surplus (+) or Deficit (-)</u>	<u>494</u>	<u>1,092</u>	<u>1,475</u>	<u>-4,721</u>
<u>Balancing Item 3/</u>	<u>-3,431</u>	<u>1,171</u>	<u>-3,425</u>	<u>-981</u>
<u>Financing Available</u>	<u>2,937</u>	<u>-2,263</u>	<u>1,950</u>	<u>5,702</u>
External Financing	1,383	94	1,378	1,389
Domestic Financing <u>4/</u>	1,554	-2,357	572	4,313

1/ 15 months.

2/ Nonfinancial public enterprises.

3/ Including, among others, errors and omissions, changes in stocks and changes in accounts receivable of NFPE.

4/ Credit extension by domestic banks (see also table 18).

debt statistics point to a cumulative deficit of the public sector of Syllis 8.3 billion (7.5 percent of GDP on average) over the 1975/76-1979 period. This deficit was caused by heavy net financial outlays to public enterprises and by rising external debt service obligations.

2.16 The overall balance of the non-financial public sector is inconsistent with the financing available because of, among other reasons:

- (a) reporting on payment basis by Government, and on accrual basis by public enterprises;
- (b) failure to consolidate transactions between public enterprises;
- (c) lack of data on changes in stocks and inventories;
- (d) attribution to sales by public enterprises of production for own account and changes in finished goods inventories;
- (e) underreporting of operating expenses and fixed capital investment by public enterprises;
- (f) unreliable documentation of grants and subsidies from the Government to public enterprises.

#### Central Government Finances

2.17 Central government current revenue increased threefold between 1974/75-1979; tax revenue by 2.3 times, non-tax revenue by 5.8 times. This constitutes an average annual increase of over 30 percent. Basically, all additional government revenue originated with the mining sector, either directly (attainment of capacity, favorable world prices, special export tax on minerals) or indirectly (import duties and profits paid by public enterprises on imports financed with foreign exchange generated by the mining sector).

2.18 Tax revenues contributed up to two thirds current revenues, most of which originated with import duties and the special export tax on minerals, while taxes on income and profits provided around 14 percent of current revenues (Table 5.1 in Annex). Fiscal receipts amounted to 20.6 percent of GDP in 1979. The bulk of non-tax revenue came from profits of commercial public enterprises gained from the domestic sales of goods imported with undervalued foreign exchange.

2.19 Current expenditures increased at a moderate pace of 12 percent per annum, reflecting the hiring policy of the civil service, as well as higher outlays for maintenance of government assets and subsidies to local administrations. Gross fixed capital formation was relatively stable. It fell in years when foreign financing was not available, as for example, in 1977. Since 1975/76 the Government has transferred almost Syllis 10 billion to public enterprises to cover working capital so that enterprises could pay off their debts to domestic banks. Total capital outlays, including capital transfers, increased by 3.6 times between 1974/75-1979, and overall expenditure by the central government increased by 2.4 times during this period.

Table 9: BUDGET PERFORMANCE

1975/76-1979  
(billion Syllis current prices)

	<u>1975/76</u> <u>1/</u>	<u>1977</u>	<u>1978</u>	<u>1979</u> Preliminary
Current revenue	8.01	7.65	8.23	9.16
Current expenditure	4.54	3.87	4.72	5.18
Budgetary savings	<u>3.47</u>	<u>3.78</u>	<u>3.51</u>	<u>3.98</u>
Capital Expenditure	<u>4.62</u>	<u>2.23</u>	<u>1.66</u>	<u>8.32</u>
Financing gap	<u>1.15</u>	<u>-1.55</u>	<u>-1.85</u>	<u>4.34</u>
Financing available	<u>1.49</u>	<u>-1.70</u>	<u>-0.62</u>	<u>10.62</u>
Grants and transfers	2.71	0.33	0.65	0.26
Domestic borrowing	-2.60	-2.12	-2.65	8.97 <u>3/</u>
External borrowing <u>2/</u>	1.38	0.09	1.38	1.39
Net errors and omissions	<u>-0.34</u>	<u>-0.15</u>	<u>-1.22</u>	<u>6.28</u> <u>3/</u>

Source: Statistical Annex, Table 5.1.

1/ 15 months.

2/ Medium- and long-term borrowing (disbursements less scheduled amortizations).

3/ Amounts under revision, depending on submission of final monetary statistics for 1979 (table 18).

2.20 The overall budgetary surplus that was generated over the past four years allowed the Government to pay off its domestic debt and to make sizeable deposits with the banking system throughout this period. It is expected that the February 1980 decision to grant Syllis 6.2 billion to public enterprises will wipe out the surplus (see also Section F), thereby rendering the government unable to counter the inflationary pressures of credit expansion to state enterprises.

#### Regional Governments' Finances

2.21 The regional budgets are financed by regional taxes, receipts from regional services and, since 1978, by transfer payments from the central government. These transfers, budgeted at Syllis 226 million in 1978 (37 percent of total revenues of regional governments) and 1979, replaced the regional head tax abolished in 1977. Total revenues of the regional budgets are about Syllis 600 million (US\$30 million) per annum or some 6 percent of central government revenues.

2.22 Regional governments spend 80 percent for current outlays, mainly agricultural and social services. The remainder goes to capital expenditures in agriculture, forestry and fishing. Over the past four years, regional expenditures were kept below revenues, resulting in an average surplus of about Syllis 80 million per annum. Financial operations of the local communities (PRL) are not documented.

#### Finances of Public Enterprises 1/

2.23 There are over 180 public enterprises in Guinea, which are administered by six holding companies. Public enterprises employ 100,000 persons or about 75 percent of total registered wage earners. Between September 1973 and June 1979, they received Syllis 11.6 billion in credit extension by the centrally controlled banking system, Syllis 9.7 billion as capital transfers for operating requirements, as well as marginal current subsidies and transfers. The Government also finances most of their capital expenditures and services the external debt contracted on their behalf. Public enterprises contribute an estimated 25 percent of GDP, excluding important mining and agricultural activities, which are not part of the public enterprise sector. Sales by public enterprises reached about Syllis 24.6 billion in 1979, on an unconsolidated basis, on which an operating surplus of Syllis 4.5 billion was earned, in line with the results of the previous years. Public enterprises contribute an average of Syllis 4.2 billion per annum to the government budget, of which income tax represents Syllis 1.2 billion.

2.24 Public enterprises' net contribution to Government was estimated over the 1976-79 period at Syllis 12.2 billion and was positive in each year except 1979, when the enterprises received an extraordinary grant of Syllis 6.2 billion to enable them to repay debt to the domestic banking

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1/ See also Survey of the Public Enterprise Sector, Report No. 3046-GUI (June 1980).

system (Table 10). Profits were mainly generated by commercial enterprises. In particular, IMPORTEX, which handles most of Guinea's imports, is estimated to account for about half of the annual profits of the public enterprise sector. These are internal bookkeeping figures and probably hide large scale borrowing from domestic banks to finance transfers to the budget (see also para. 2.52).

Table 10: PUBLIC ENTERPRISES' FINANCIAL TRANSACTIONS  
WITH THE GOVERNMENT, 1975/76-1979 <sup>1/</sup>  
(million Syllis at current prices)

	<u>1975/76</u> <sup>2/</sup>	<u>1977</u>	<u>1978</u>	<u>Preliminary</u> <u>1979</u>
<b>Payments to Government by Non-Financial Public Enterprises</b>				
Indirect Taxes	432	650	327	344
Import Duties	1,175	1,106	1,364	1,894
Income Tax	1,006	1,275	2,398	1,170
Transfers in Lieu of Dividends	3,301	2,836	3,099	2,837
<b>TOTAL</b>	<u>5,814</u>	<u>5,867</u>	<u>6,085</u>	<u>6,245</u>
<b>Grants &amp; Subsidies from Government to Non-Financial Public Enterprises</b>				
Balancing Subsidies	64	274	898	1,056
Current Grants	10	10	723	6
Capital Grants	2,362	1,447	612	6,399
<b>TOTAL</b>	<u>2,436</u>	<u>1,731</u>	<u>2,233</u>	<u>7,461</u>
<b>Net Contribution by Non-Financial Public Enterprises</b>	3,378	4,136	3,855	-1,216
<b>Net Contribution by Financial Public Enterprises</b>	462	563	473	591
<b>TOTAL NET CONTRIBUTION TO GOVERNMENT</b>	<u>3,840</u>	<u>4,669</u>	<u>4,328</u>	<u>-625</u>

<sup>1/</sup> Excluding domestic borrowing from the banking system.

<sup>2/</sup> 15 months.

Source: Guinea-Survey of the Public Enterprise Sector, Report No. 3046-GUI (June 1980).

2.25 The main source of the substantial contribution of public enterprises to government revenue is their preferential access to scarce foreign exchange, which enables them to import goods for resale largely to urban consumers and to capture substantial trading margins in the process. Hence there is a transfer of income from mining and agriculture to urban consumers. Another major source is their low level of investment in maintenance and replacement, which frees funds for consumption by the Government. This should not be construed as a deliberate policy of decapitalizing public enterprises, but again is attributable to the lack of foreign exchange.

2.26 Several shortcomings, both internal and external, prevent the effective operation of public enterprises:

- (a) investment planning and project preparation are at times inadequate;
- (b) foreign exchange is lacking and poorly managed with respect to coordinating production and financial targets and import allocations, and incorporating the needs of new investments both for capital imports and operational inputs;
- (c) the national accounting plan needs to be updated by incorporating such features as cost accounting, inventory control, more standardization, upgraded verification of accounts, etc; and
- (d) pricing, employment and wage policies are not always consistent with the needs and development objectives of public enterprises.

#### D. Balance of Payments 1/

2.27 The overall balance of payments deficit averaged Syllis 2.1 billion a year (US\$102 million) over the 1976-79 period. About half of this deficit was financed by accumulating arrears on external public debt service and the rest by allowing a deterioration in the net foreign assets position (Table 11). Given Guinea's centralized system of foreign exchange management, there might be some scope to reduce this deficit through better control and allocation of existing resources. However, the basic problem lies in the disparity between local pricing and the opportunity costs of import substitution, capital investment (in various sectors), technical assistance, etc.

2.28 The current account deficit is a serious problem given the difficulty of finding soft financing abroad: although it declined from its high level in 1972/73 of US\$171 million (over 18 percent of GDP), it averaged US\$71 million thereafter and exceeded US\$100 million in 1979 (about 7 percent of GDP). Despite the sharp fall of agricultural exports, the merchandise trade

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1/ Balance of payments data should be interpreted with caution because of their incompleteness (particularly the absence of data on large unrecorded trade flows and on short-term official capital flows) and the use of unequal data sources. Service on medium- and long-term debt represents scheduled rather than actual payments. The difference between them appears as a financing item (change in arrears).

Table 11: SUMMARY BALANCE OF PAYMENTS ESTIMATES, 1972/73-79

	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u> Preliminary
	-----million US\$ current prices-----						
Trade Balance	-127	-48	-41	-11	61	25	26
Exports	58	113	179	253	293	328	373
Imports	-185	-160	-220	-264	-233	-303	-347
Net Services & Transfers		-33	-53	-68	-87	-101	-130
Government	NA	-7	-20	-34	-35	-37	-58
Private	NA	-26	-33	-34	-52	-64	-72
CURRENT ACCOUNT	-171	-81	-94	-80	-26	-76	-104
Official Capital Movements <u>1/</u>	52	65	40	4	-47	17	15
Private Capital Movements	70	49	27	-25	-17	-20	-14
CAPITAL ACCOUNT	122	114	67	-21	-64	-3	1
Errors & Omissions	54	-71	-4	1	22	-33	-23
OVERALL BALANCE <u>2/</u>	5	-38	-31	100	-69	-113	-126
FINANCING	-5	38	31	100	69	113	126
Change in Arrears	26	30	37	44	52	53	58
Change in Net Foreign Assets	-31	8	-6	56	18	60	68
	-----in percentage of GDP-----						
Current Account Deficit	18.3	7.8	8.3	6.4	2.1	5.2	6.7
Exports	6.2	10.9	15.9	20.4	23.2	22.5	24.2
Imports	19.7	15.5	19.5	21.3	18.4	20.8	22.5
Trade Balance	-13.5	-4.6	-3.6	-0.9	4.8	1.7	1.7

1/ Medium- and long-term.

2/ Equivalent to available financing.

e = Estimates

NOTE: Totals may not add because of rounding.

balance recently recorded surpluses as new export earnings were generated by the CBG and OBK mines, import growth was kept below that of exports, and terms of trade improved by about 30 percent between 1973 and 1978 with the favorable evolution of international markets for bauxite and alumina. Exports grew at an average rate of 34.5 percent a year over the 1973-79 period and imports at 10 percent; the official trade deficit of Syllis 2.6 billion (US\$127 million) in 1972/73 gradually turned into a surplus averaging US\$23 million a year between 1977 and 1979.

Table 12: TERMS OF TRADE, 1973-79  
1973 = 100 percent

	1974	1975	1976	1977	1978	1979 Preliminary
Export Price Index <u>1/</u>	132.3	149.3	201.1	214.3	219.6	227.6
Import Price Index <u>2/</u>	113.3	126.5	151.0	164.3	169.7	201.5
Terms of Trade Index	116.8	118.0	133.2	130.4	129.4	113.0

1/ Merchandise exports.

2/ Goods and nonfactor services.

Source: National accounts estimates implicit deflators for expenditure on GDP.

2.29 Guinea's exports consist of mineral products (bauxite and alumina), agricultural products (mainly coffee, pineapple, palm kernels, bananas, mangoes, quinine, spices), and some agroindustrial products (fruit juices and, until 1974/75, plywood). After remaining stable for over 12 years (1962-1972/73), exports grew rapidly from the previous average annual level of Syllis 1.1-1.3 billion (US\$50-60 million) to Syllis 6.5 billion in 1978, and are estimated to have exceeded Syllis 7 billion (US\$370 million) or 24.2 percent of GDP in 1979 (Table 12). Guinea is the single largest exporter of bauxite in the world. In 1978 it exported 10.5 million tons of bauxite, which constituted 29 percent of total world exports, and over 90 percent of total African exports of bauxite. Some 24 percent of the Guinean bauxite exports originate in the OBK mine at Debele, built with Soviet assistance, and are the object of a bilateral agreement, which determines the export price and the utilization of export proceeds. The remainder is produced by the CBG mine at Boke and exported to North America and Western Europe. At present, both mines operate close to estimated installed capacity, and no major increase in output is expected in the short run. Bauxite exports amounted to Syllis 4.6 billion in 1978 and an estimated Syllis 5 billion in 1979, (US\$233 and US\$260 million, respectively) of which over 80 percent in hard currency. Government's foreign exchange earnings from bauxite exports exceed US\$100 million. Alumina exports of over 650,000 tons in 1979 earned Syllis 1.7 billion, or over US\$90 million, of which about US\$25 million in net foreign exchange.

Table 13: MERCHANDISE EXPORTS, 1957-79

SELECTED YEARS

	<u>1957</u>	<u>1964/65</u>	<u>1972/73</u>	<u>1974/75</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u> <u>prelim.</u>
-----thousand metric tons-----								
Minerals								
Bauxite	375	244	109e	6,512	8,513	9,941	10,456	10,612e
Alumina	-	480	605	617	569	560	610	653
Iron Ore	1,090	716	-	-	-	-	-	-
Diamonds (1000 carats)	80	53	-	-	-	-	-	-
Agricultural Commodities	143	82	41	24	15	17	17	NA
Bananas	91	42	9	1	n	n	n	NA
Coffee	10	5	4	2	1	2	1	NA
Pineapple	2	5	8	8	3	2	2	NA
Palm Kernels	22	25	16	9	7	10	13	NA
Other	18e	5e	4e	4e	4e	3e	1e	NA
-----in million US\$ current prices-----								
Minerals	6	36	41	169	247	278	321	360
Bauxite	2	1	-	98	175	205	233	260
Alumina	-	31	41	72	71	73	88	100
Other	4	4	-	-	-	-	-	-
Agricultural Commodities	15	14	16	10	6	15	7	13e
TOTAL	21	52	58	179	253	293	328	373
-----in percentage of total exports-----								
Minerals	29	69	71	94	98	95	98	97e
Agricultural Commodities	71	31	29	6	2	5	2	3e

e = Estimate.

2.30 Agricultural exports have declined markedly in both absolute and relative terms and amount to only around 11 percent of pre-Independence levels. Banana plantations, abandoned by expatriate farmers, were partially converted to pineapple production. Banana exports, which amounted to about 100,000 tons before Independence, have become negligible. Pineapple production benefitted from a World Bank project at Daboya, which now exports over 500 tons a year of high-quality fresh pineapple to Western Europe and at full development may produce 7,000 tpy of pineapple for export. All other export crops suffered from inadequate inputs (fertilizers, insecticides and fungicides, etc.) inappropriate management and, particularly, inadequate prices and marketing conditions. Lack of producer incentives forced most farmers either to abandon export crops or to resort to smuggling. Palm kernel exports fell by one half, and those of coffee and tropical fruits by more than 90 percent between 1955 and 1978 (Table 13).

2.31 Import statistics are among the most unreliable economic data available in Guinea. The following discussion attempts to isolate the main trends in import transactions rather than to quantify them in a precise way. Imports rose from about Syllis 3.8 billion in 1972/73 to Syllis 6 billion in 1978 and to an estimated Syllis 6.6 billion in 1979 (22.5 percent of GDP), at an average annual rate of about 10 percent (Table 14). The main underlying factors were higher foreign exchange allocations to imports in recent years, higher import requirements of mining operations, increased (both public and private) consumption, and world-wide inflation. Merchandise imports remained stable over the 1973-79 period, although petroleum and food imports increased, while plan and mining imports decreased in real terms.

Table 14: MERCHANDISE IMPORTS, 1972/73-1979

	<u>1972/73</u>	<u>1973/74</u>	<u>1974/75</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>projected</u> <u>1979</u>
	-----million Syllis current prices-----						
Imports, cif	3,823	3,291	4,474	5,641	4,916	5,976	6,634 e
General imports	887	1,346	1,623	2,965	2,812	2,823	3,567 e <u>1/</u>
of which petroleum products	60	64	194	280	378	513	688 e
Plan imports	1,038	900	1,250	1,185	757	1,678	1,410
Mining imports	1,898	981	1,601	1,491	1,347	1,475	1,657

e = Estimated

1/ Including Syllis 100 million private imports.

2.32 Imports are made under several programs:

- (a) by the Government for private and public consumption, including imports on behalf of public enterprises (consumer goods, fuel, foodstuffs, raw and intermediate goods, equipment etc);
- (b) by the Plan within the framework of public foreign borrowing for investment projects, on behalf of both the Government and public enterprises;
- (c) by CBG and Friguia using a part of the foreign exchange proceeds generated by their exports; and
- (d) by residents and non-residents in the private sector, using their own foreign exchange resources.

2.33 General imports, handled exclusively by IMPORTEX, represented about half of total imports in recent years. Imports of foodstuffs and fuel have become more important in the past 2-3 years, owing to the increasing inability of the agricultural sector to supply urban consumers, and to higher demand (and import prices) for petroleum products. Imports of foodstuffs are estimated to have doubled while imports of petroleum products represented over 20 percent of total general imports in 1979, compared with under 5 percent in 1973/74. Imports of petroleum products for general consumption are estimated to have used close to one third of Government's net foreign exchange earnings in 1979. A special import program was in effect between March 1974 and December 1976 with the aim to increase the supply of consumer goods and to place the proceeds into a blocked account at the Central Bank to reduce the money supply. This program accounted for about a third of general imports in 1976 and has not been renewed since.

2.34 Plan imports include external assistance disbursements for investment projects and range between 15 percent and 28 percent of Guinea's total imports (between 29 percent and 59 percent of the general import program). Plan imports also include foodstuff imports financed by grants and other external assistance following the Sahelian drought.

2.35 Imports by parapublic enterprises are synonymous with imports by CBG and FRIGUIA. They amount to about a quarter of total imports, and cover imports of fuel, spare parts for mining operations, as well as foodstuffs and other consumer goods for use by the staff of these companies.

2.36 In the past, imports by individuals and private enterprises were practically limited to imports by non-residents; although the Government in 1977 began to encourage private investment and imports, these efforts have yielded little success so far. Starting June 1, 1979, private imports of consumer goods were legalized and they can be made by both residents and non-residents using their own foreign exchange. We have no information on either the volume or the financing of these imports.

2.37 In recent years there has been a gradual shift of imports from bilateral clearing agreements to market operations in Western Europe and other industrialized countries. The share of imports under bilateral clearing agreements fell from an estimated 61 percent in 1972/73 to 36 percent in 1976 and to 19 percent in 1978. The share of imports from Western European countries in Guinea's total imports increased from 22 percent in 1972/73 to 66 percent in 1978, reflecting policy reorientations, and the association with the EEC under the Lome Convention.

2.38 Factor payments are estimated to have increased more than twofold between 1973/79 and 1979 at an average annual rate of about 18.6 percent. This increase is due to new public debt service obligations (scheduled interest payments almost doubled during this period) and to additional factor payments related to mining--interest on private debt, dividends to foreign partners, workers' remittances abroad, and others. Mining transfers alone averaged Syllis 1.3 billion (US\$64 million) in 1978 and 1979 and were approximately equivalent to the current account deficit. They were almost two and a half times higher in these two years than in 1973/74, following the entry into operation of CBG, and are rising as a result of higher prices for factor services purchased abroad. The increased volume of non-factor services further aggravated the current account deficit.

2.39 The traditional capital account surplus has turned into a deficit since 1976 if one takes into account scheduled amortization of external debt. This can be traced to the completion in 1973/74 of the Boke and Debele bauxite mines--involving both public and private external investment followed by a lull in mining sector investment--and to Guinea's reorientation of its external borrowing policy towards more use of both public and private funds originating in the non-clearing area. These events led to: (a) increased public debt amortizations, from Syllis 0.8 billion in 1972/73 to Syllis 2.3 billion in 1979; (b) a temporary reduction in public borrowing between 1975 and 1978; (c) more use of commercial credits to replace official assistance, which has been slow in responding to changing conditions in Guinea; and (d) virtual disappearance of private foreign investment.

2.40 In most recent years, net official capital flows (disbursements less scheduled amortization) have been marginal. In fact, because of a sizeable capital outflow of Syllis 1 billion (US\$47 million) in 1977, the accumulative flows were actually negative over the 1976-79 period. Thus the overall capital balance recorded an average annual deficit of Syllis 0.5 billion (US\$25 million) over the past few years. Amortization of private debt contracted by CBG and FRIGUIA amounted to about Syllis 0.9 billion (US\$46 million) in 1979 and currently exceeds private capital drawings (Table 11 and Section E).

#### E. External Debt

2.41 Guinea's external borrowing has two special features: one, almost half of the public debt outstanding was committed under bilateral clearing agreements mainly with the Soviet Union, People's Republic of China, and Eastern European countries, and its repayment is to be made in kind, in goods

and services exported to the creditor countries (particularly bauxite and some agricultural products), rather than in cash, as in the case of conventional borrowing; and, two a significant amount of private debt was contracted by the parapublic mining enterprises and is serviced directly out of their export proceeds. The concentration of private debt (non-guaranteed by the Government) in the two parapublic mining companies allows for a more comprehensive description of this debt, which is not the case in most other West African countries.

2.42 At the end of 1979, Guinea's overall external debt outstanding and disbursed including private debt, was estimated to be 78 percent of GNP or US\$1.2 billion (Table 15). Actual service payments on external debt represented 39 percent of total merchandise exports in 1979 (of which 22 percent public and 17 percent private debt non-guaranteed) and used an estimated 19 percent of Government's net hard currency earnings, including factor service income, while scheduled service payments reached 54 percent of the 1979 gross exports and should have used 50 percent of the Government's convertible currency earnings.

2.43 However serious the debt situation might appear, it has improved between 1973 and 1979. Total external debt outstanding and disbursed, including non-guaranteed private debt, was reduced from 103 percent of GDP to 78 percent. The overall debt service ratio is estimated to have declined from 80 percent of merchandise exports to 54 percent. And, the proportion of the external public debt serviced rose from 42 percent to 59 percent. Arrears were kept relatively stable through debt cancellations and the rescheduling of a total of about US\$200 million between 1975 and 1979. 1/

2.44 Almost half of Guinea's public debt outstanding was contracted under bilateral clearing agreements (Table 16), and on the basis of the current distribution of exports to creditors only about 83 percent of this debt could be serviced. Actual service payments use practically all the export earnings under clearing arrangements. Conventional public debt has increased in recent years; new commitments represented three quarters of Guinea's public borrowing between 1975-79. Conventional debt outstanding amounted to 52 percent of GNP at the end of 1979, and scheduled service payments represented 23 percent of Guinea's exports outside bilateral agreements, or US\$72 million in 1979 (47 percent of Government's net export earnings). Actual service payments amounted to 37 percent of obligations. Guinea's heavier reliance on conventional borrowing over the 1975-79 period has led to a net capital outflow towards the clearing area and a doubling of scheduled service payments. Short-term borrowing abroad as reported by the banking system (Table 6.1 in Annex) has increased 3.5 times over the same period, from US\$97 million to US\$342 million. Part of the short-term debt is periodically consolidated into long-term debt, as is the case of the debt contracted with the Soviet Union.

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1/ It is estimated that in 1979 and 1980 Guinea rescheduled some US\$160 million of outstanding medium- and long-term obligations, and that arrears at the end of 1980 represent only about US\$107 million as compared to US\$200 million at the end of 1979.

Table 15: EXTERNAL DEBT AND MACROECONOMIC AGGREGATES  
1973-79

	1973	1974	1975	1976	1977	1978	1979
-----US\$ million-----							
GDP Current Market Prices	938	1,037	1,129	1,241	1,262	1,469	1,540
Exports, Fob	71	129	179	253	293	328	373
External Debt Outstanding	1,085	1,222	1,280	1,331	1,326	1,461	1,550
Public Debt	721	878	957	1,033	1,053	1,213	1,342
- of which disbursed	605	723	761	802	826	907	990
Private Debt (disbursed)	364e	344e	323e	298e	273e	248e	208e
Scheduled Service Payments	n.a.	n.a.	n.a.	131	161	163	204
Public Debt	48	53	73	85	119	117	147
Private Debt	n.a.	n.a.	n.a.	47	42	46	(61)
Actual Service Payments	n.a.	n.a.	n.a.	87	110	111	144
Public Debt	24	22	35	40	68	65	83
Private Debt	n.a.	n.a.	n.a.	47	42	46	61
-----Percentage of GDP-----							
External Debt Outstanding	115.7	117.8	113.4	107.3	105.1	100.1	100.6
Public Debt	76.9	84.7	84.8	83.2	83.4	83.1	87.1
- of which disbursed	64.5	69.7	67.4	64.6	65.5	62.2	64.2
Private Debt (disbursed)	38.8e	33.2e	28.6e	24.0e	21.6e	17.0e	13.5e
-----Percentage of Exports-----							
Ratio of							
Scheduled Service Payments	n.a.	n.a.	n.a.	51.9	54.9	49.7	54.2
Public Debt	67.0	41.0	41.0	33.5	40.6	35.7	37.8
Private Debt	n.a.	n.a.	n.a.	18.4	14.3	14.0	16.4
Ratio of							
Actual Service Payments	n.a.	n.a.	n.a.	34.4	37.5	33.8	38.6
Public Debt	34.3	17.4	19.5	16.0	23.2	19.8	22.3
Private Debt	n.a.	n.a.	n.a.	18.4	14.3	14.0	16.4

e = estimates

Note: Figures were rounded off.

Table 16: EXTERNAL PUBLIC DEBT

	Million US\$			Percentages		
	Total Debt	of which Clearing	Conventional	Total Debt	of which Clearing	Conventional
Debt outstanding 12/31/79	1,342.0	586.6	755.2	100.0	43.7	56.3
- disbursed	990.4	464.9	525.5	100.0	46.9	53.1
- undisbursed	351.6	121.9	229.7	100.0	34.6	65.3
Cumulated Arrears 12/31/79	199.9	87.4	112.5	100.0	43.7	56.3
- principal	171.3	85.7	85.6	100.0	50.0	50.0
- interest	28.7	1.6	27.1	100.0	5.6	94.4
Transactions 1975-79: Yearly Averages						
Commitments	131.3	33.3	98.0	100.0	25.4	74.6
Disbursements	88.7	31.7	57.0	100.0	35.7	64.3
Scheduled Service Payments	106.9	60.7	46.2	100.0	56.8	43.2
Actual Service Payments	58.4	39.2	19.2	100.0	67.1	32.9
Net Public Transfers <u>1/</u>	30.3	-7.5	37.8	100.0	-24.8	124.8

1/ Disbursements less actual service payments.

2.45 During the 1975-79 period, 71 percent of total foreign disbursements financed investment projects. The remainder was applied to balance of payments assistance, general purpose and food aid, debt relief, and current imports. The major sectors benefitting from foreign assistance were manufacturing (24 percent), transport (15 percent) and public utilities (9 percent of total disbursements). Although agriculture received only 5.4 percent of the 1975-79 disbursements, this was a higher share compared to the previous period.

2.46 Outstanding private debt of CBG and FRIGUIA amounted to over US\$200 million at the end of 1979. Service payments came to US\$61 million in 1979, i.e. 19.5 percent of total export earnings of these enterprises, and are expected to decrease in both absolute and relative terms. The external accounts of these enterprises illustrate their importance as the Government's main foreign exchange source (Table 17). Private debt service of the mining companies is guaranteed by their export proceeds and it is not affected by overall balance of payments difficulties.

Table 17: EXTERNAL TRANSACTIONS OF PARAPUBLIC MINING COMPANIES,  
1976-79  
(million US\$ current prices)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u> Preliminary
Exports	211	235	278	313
Imports	-70	-64	-75	-87
Interest Payments	-21	-18	-21	-21
Other factor payments (net)	-13	-34	-43	-50
Current account <u>1/</u>	<u>107</u>	<u>119</u>	<u>139</u>	<u>155</u>
Capital inflows	NA	5	8	32
Amortization	-25	-24	-25	-40
Capital Account <u>1/</u>	<u>-25</u>	<u>-19</u>	<u>-17</u>	<u>-8</u>
Overall balance <u>1/</u>	<u>82</u>	<u>100</u>	<u>122</u>	<u>147</u>

1/ Excluding IBRD debt service paid by CBG on behalf of the Government.

#### Debt Management Issues

2.47 Lagging foreign exchange earnings and the rapid growth of both external debt service obligations and essential import requirements have seriously strained Guinea's balance of payments. This problem was compounded by poor foreign exchange management, leading to the accumulation of US\$200 million in arrears at the end of 1979, US\$112 million of which repayable in hard currency (Table 15). With the exception of the Soviet debt serviced from the OBK's export proceeds, and the debt IBRD serviced by CBG, all other public debt transactions record arrears. Moreover, repayments of conventional loans although greater in absolute terms amounted in 1979 to only 8.4 percent of the gross merchandise exports outside bilateral clearing agreements, as compared to about 28 percent in 1972/73.

2.48 Projected servicing of the outstanding public debt averages US\$145 million per annum over the 1980-82 period, of which US\$71 million for conventional loans repayable in convertible currencies. As no major new export-earning projects can become operational within the next four to five years 1/ and given the present allocation of foreign exchange resources, the accumulation of arrears in public debt is expected to worsen during the coming years. Debt management issues thus appear crucial. The Government suggests that new external commitments consider a grace period of at least five years.

2.49 Guinea's external debt management was handled in the past by several departments, particularly the Central Bank, the Foreign Trade Bank and the Ministry of Planning. In late 1978, the Government decided to centralize debt management, and established an external debt department within the Central Bank. This action, and the World Bank assistance for data collection and staff training, produced positive results. Debt reporting has

1/ The Government hopes to improve the debt service situation through new export-generating projects (e.g., diamonds, gold), development of agro-pastoral farms (see para. 3.14) and encouragement of private agriculture and trade.

significantly improved over the past two years. However, lack of planning, project preparation and evaluation capabilities prevent Guinea from maximizing capital inflows and may lead to a misallocation of resources.

#### F. Money and Credit

2.50 In March 1960 Guinea opted out of the West African Monetary Union (UMOA) and replaced the CFA franc with the Guinean franc, whose value was fixed at 0.0036 grams of fine gold (equivalent to that of the CFA franc) and pegged to the US dollar. A monetary reform in 1972 replaced the Guinean franc with the Syli, at a ratio of ten francs to the Syli. Since 1975 the Guinean syli has been pegged to the SDR at the rate of SDR1=GS24.6853. The evolution of a parallel market exchange rate reflected political uncertainty, unavailability of officially retailed foodstuffs and consumer goods, Government's monetary policies, and the risk element in private trading activities. In recent years, increased resources from the mining sector and associated higher imports together with deflationary monetary policies and trade liberalization caused a significant de facto revaluation of the syli on the parallel market, where it was trading at 20-25 percent of the official value lately, compared to about 10 percent in 1975. The Government has turned down the options of devaluation and "ponction monetaire" (sharp reduction in the money overhang) and preferred to absorb the excess money supply slowly, with some success.

2.51 The Guinean economy does not use the domestic currency uniformly: while the syli is used at parity by the public sector and in the transactions of this sector with rural producers and other private parties, it is greatly discounted on the parallel market; parapublic enterprises operate as enclaves and use foreign currencies in their transactions; as for smallholders, most of them are partly or totally outside market circuits, and produce at subsistence levels. In this context, the linkage between money and credit, and the growth of the economy is necessarily tenuous or sometimes does not even exist.

2.52 Bank credit has been mainly used to finance shortfalls in industrial production and in general the operations of the public sector. Between 1973 and 1979 public enterprises received sylis 11.6 billion (close to US\$600 million) in bank credits (Table 18). The Government does not consider this credit expansion as inflationary since public enterprises are expected to expand their supply of goods and services enough to absorb higher nominal demand. In view of public enterprises' recent performance, this expectation is not justified. Time should be allowed for public enterprises to realize the expected production targets and to improve their use of credits. Further credit expansion to public enterprises would cancel the beneficial effects of Government's deflationary policies, pursued with reasonable success in recent years, which contained demand and restrained prices and exchange rates on the parallel market. While past credit expansion to public enterprises was partially offset by Government's improved position with the banking system, this is not the case anymore. Recent increases in public enterprises' capital granted by the Government (see also Section C, Public Finance) practically wiped out the budgetary surpluses accumulated in the Reserve Fund with the Central Bank. Aware of this situation, the Government adopted

Table 18: MONEY AND CREDIT, 1973-79

	Sept. 1973	Sept. 1974	Dec. 1975	Dec. 1976	Dec. 1977	Dec. 1978	June <sup>1/</sup> 1979
-----Million sylis-----							
Money Supply (M1 + M2)	8,709	10,711	11,150	10,466	9,793	9,096	9,613
Money (M1)	7,469	9,147	9,327	8,221	8,365	6,838	6,609
Currency in Circulation	3,250	3,991	3,641	3,109	1,597	2,076	2,874
Demand Deposits	4,179	5,156	5,686	5,112	6,768	4,807	3,736
Quasi-Money (M2)	1,239	1,564	1,823	2,245	1,427	2,213	3,003
Time Deposits	226	338	541	380	426	176	210
Import prepayments	1,013	1,226	1,282	1,865	1,001	2,037	2,793
Gross Domestic Credit	12,051	13,636	15,306	15,844	17,375	19,885	20,873
Claims Public Sector	11,228	12,599	14,229	14,893	16,290	18,810	20,117
Government	3,872	4,271	3,448	457	336	612	1,182
State Enterprises	7,356	8,328	10,781	14,436	15,954	18,198	18,935
Claims on Private Sector	823	1,037	1,077	951	1,035	1,075	756
Net Foreign Assets	-655	-818	-1,148	-2,337	-2,712	-3,896	-3,731 <sup>2/</sup>
----- (As percentage of GDP) -----							
Money Supply (M1 + M2)	44.9	50.3	48.6	39.4	36.7	31.6	33.0
Money (M1)	38.5	43.0	40.6	31.0	31.4	23.8	22.7
Currency in Circulation	16.9	18.8	15.9	11.7	6.0	7.2	9.9
Demand Deposits	21.5	24.2	24.8	19.3	25.4	16.7	12.8
Quasi-Money (M2)	6.4	7.3	7.9	8.5	5.4	7.7	10.3
Time Deposits	1.2	1.6	2.4	1.4	1.6	0.6	0.7
Import Prepayments	5.2	5.8	5.6	7.0	3.8	7.1	9.6
Net Foreign Assets	-3.4	-3.8	-5.0	-8.8	-10.2	-13.5	-12.8

Note: Total were rounded off.

<sup>1/</sup> December 1979 data are currently under revision.

<sup>2/</sup> Preliminary 1979 data show net foreign assets of sylis 5,194 million (US\$277 million) or 17.7 percent of GDP.

at the 1980 National Economic Conference stringent guidelines to restrict further credit extension to public enterprises. The effectiveness of these guidelines ultimately will depend upon Government's success in introducing institutional reforms and policy changes to increase public enterprises' autonomy and financial responsibility, which are linked to changes in the price system, employment policies etc. A failure to review the preferential supply of urban consumers will result in credit restrictions affecting primarily the more productive sectors of the economy, and particularly the private sector.

2.53 The analysis of the money supply situation in Guinea is contingent upon how one assesses the role of public enterprises. If public enterprises were treated as government extensions their bank deposits would be excluded from the money supply. 1/ Our survey of public enterprises found that their deposits with the banking system could qualify as components of the money supply, given their responsibility and relative autonomy.

2.54 Money supply contracted in both relative and absolute terms in recent years, from syli 11.2 billion (49 percent of GDP) in 1975 to syli 9.6 billion (33 percent of GDP) in 1979 (Table 16). Government's deflationary policies were implemented through the reduction of currency in circulation and demand deposits, especially private, from 41 percent of GDP in 1975 to 23 percent by mid-1979. Quasi-money increased, reflecting greater import prepayments by public enterprises conducting the augmented general import program. The monetary squeeze affected basically the private sector and was reinforced by the reluctance of private depositors to keep their assets with the banking system, fearing a monetary reform or income tax assessments. The liberalization of private trade since 1977 further enhanced the role of convertible currencies as reserve money outside the banking system. Government's goals were to bring down prices on the parallel market and to reduce the gap between official and parallel exchange rates. Deflationary policies were relatively successful in reaching these goals, although the extent of the revaluation of the Syli on the parallel market (where its value doubled over the past four years) was limited by the short supply of officially imported goods.

2.55 Government's success in reducing the money supply and keeping inflation under control during a period of relatively fast economic growth, was further proof of excess liquidity in the economy and reinforced Guinea's determination to continue with a deflationary monetary policy. Further demonetization of the economy should however be carefully assessed, as it might prove counterproductive and hamper economic growth. Credit extension will have to be more directly associated with an increase in production, and should encourage private sector operations, particularly in agriculture and small- and medium- scale enterprises.

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1/ This is how the IMF treats them.

2.56 The deterioration of the net foreign assets position, from minus US\$32 million in 1973 to minus US\$195 million in 1979, indicates the growth of external liabilities and Guinea's inability to build up its foreign exchange reserves (now standing at one month of imports). External liabilities increased by 3.5 times over the past five years, at an average rate of over 27 percent per annum, reflecting the country's balance of payments difficulties.

#### G. Prices

2.57 Information on prices is scant. Neither wholesale nor consumer price indexes have been constructed since Independence. Prices are established by the Government according to social criteria, income distribution and other economic considerations. A comprehensive system of price controls monitors producer prices for agricultural commodities, industrial output and services as well as export prices and domestic prices of essential commodities distributed through official channels. Prices of non-essential goods marketed by public enterprises are determined by adding specified margins to the cif value of imported goods. All prices of goods sold by state enterprises are uniform throughout the country implying cross subsidization of more remote areas. Many goods, including essential foodstuffs, are rationed.

2.58 An analysis of the retail prices of certain essential goods shows significant increases:

	Average Price Increase, Percent Per Annum		
	Official Prices		
	Selected Commodities		
	<u>1957-78</u>	<u>1968-78</u>	<u>1971-78</u>
Rice	6.7	10.3	4.2
Sugar	10.1	14.3	n.a.
Meat	n.a.	n.a.	5.2
Salt	n.a.	8.8	n.a.
Soap	n.a.	7.9	n.a.
Gasoline	n.a.	7.6	n.a.
Textiles	n.a.	7.9-8.5	n.a.

2.59 Frequent scarcities and the prevalence of the extended family system, whereby unofficial transactions of money and goods between relatives take place, have given rise to an active parallel market, where prices are a multiple of the official ones. However, prices on this market reportedly declined in 1977 and have stabilized since 1978, reflecting Government's deflationary policies, the liberalization of private trade, and the increase of imports by non-resident Guineans returning from abroad.

### III. SECTORAL DEVELOPMENTS

#### A. Education and Employment

3.01 Since Independence, Guinea has implemented one of the most far-reaching educational reforms in West Africa, using local languages as the medium of instruction at the primary level, and obliging students to participate in productive work shops, mainly in agriculture. The school system was redesigned to reflect the cultural and social values of a socialist nation. In doing so, Guinea succeeded in rapidly expanding the rates of enrollment and in training a large number of technicians and professionals. Few attempts were made, however, to link the educational expansion with economic objectives or future manpower needs. The sweeping nature of the reform, combined with rapid enrollment growth, has resulted in a low quality of education.

3.02 Total enrollment increased from 45,000 students in 1958 to 363,000 in 1978/79, at an average rate of 11 percent per annum. While the growth of primary school enrollment was not impressive, secondary, technical and higher school enrollments grew rapidly, and the number of students increased from 2,547 in 1958 to 110,686 in 1978/79, i.e. by 43 times at an average rate of 20.9 percent per annum (Table 19). Teaching staff increased at 13.2 percent per annum during this period and local teachers replaced many of the foreign teachers, although in 1977/78 the latter still amounted to 22 percent of total university teaching staff.

Table 19: SCHOOL ENROLLMENT, 1958-78

	<u>1958</u>	<u>1968</u>	<u>1978/79</u>	<u>Growth Rates %</u>	
	Thousands	students		<u>1958-78</u>	<u>1968-78</u>
Enrollment	45.1	174.2	365.2	11.0	7.7
Primary Schools	42.5	144.4	252.1	9.3	5.7
Secondary Schools	2.5	29.1	89.9	19.5	11.9
Higher Education	-	0.6	23.2	n.a	43.1

Source: UNESCO Education: Priorites et Perspectives (July 1980).

3.03 In 1977-79, Guinea's education expenditures accounted for 4.2 percent of GDP, about the average for West Africa, using 24.3 percent of its current budget and 12.9 percent of total public expenditures. Most other

Western African countries devoted a higher percentage of public expenditure to education, ranging from 19 to 20 percent in the Congo, Ghana and Mauritania, to 23 percent in Senegal, Ivory Coast and Sierra Leone, and to over 30 percent in Mali and Benin. <sup>1/</sup> However, a direct comparison is misleading because of the different structure of public expenditure in these countries. Comparable with Guinea's least advanced neighbors, enrollment in primary schools currently accounts for 34 percent of the eligible age group. Enrollment in secondary and technical schools (about 15 percent of the eligible age group) is on a par with the achievement of Guinea's most developed neighbors, while enrollment in higher education (6.9 percent of the eligible age group) greatly exceeds levels attained by other African countries. Foreign assistance to the education sector is relatively limited.

3.04 Particularly disappointing is the meagre success of primary school enrollment and of the adult literacy campaigns in rural areas, which has serious implications for the agricultural sector. In the 7-12 year age group, only 25 percent were enrolled in primary school in the Labe region, 26 percent in the Kankan region and 30 percent in Kindia region, in contrast to 48 percent in Conakry. Only 24 percent of the girls are enrolled in primary schools, as compared with 45 percent of the boys. This situation is due to several factors. Firstly, the extensive use of children (and especially girls) for household chores as well as for agricultural work. Secondly, the resistance of some Muslim groups to secular education. And thirdly, the insufficient financial resources of village authorities (PRLs) in charge of construction and equipment of primary schools. Illiteracy is the greatest obstacle in training farmers to raise agricultural productivity.

3.05 Notwithstanding the Government's achievements, especially in higher education, many problems still need to be resolved. School leavers lack the qualifications needed to find employment in the Guinean economy. While the number of university graduates and, to some degree, technicians greatly exceeds the absorptive capacity of the economy, skilled workers in manufacturing and construction, and agricultural extension workers, as well as administrators and managers, are in short supply. Moreover, raising the quality of education is hampered by the lack of physical facilities (schools, libraries, laboratories), insufficiently trained teaching staff and partly inadequate curricula. <sup>2/</sup>

3.06 Guinea now faces a critical shortage of trained technical staff and administrators, partly because of its reluctance to rely on expatriate staff after Independence and partly because education emphasizes the sciences rather

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<sup>1/</sup> World Bank, Comparative Education Indicators, June 18, 1980, percentage of total public and quasi-public spending devoted to education. Current budget spending for education is about 40 percent in Ivory Coast, but only 22 percent in Senegal, for example.

<sup>2/</sup> For a more complete analysis of the sector, see the report of UNESCO Education: Priorities and Perspectives (July 1980).

than practical training. These shortcomings have affected the country's project preparation, implementation and supervision capacity. This has affected the level of foreign capital assistance and, has required large components of technical assistance. To alleviate this situation, the Government created a Ministry for technical training in 1981, emphasizing training of skilled workers and technicians rather than university graduates.

3.07 Guinea does not have a conventional labor market. Most people are self-employed as subsistence farmers, while the private sector is still embryonic and offers few wage-earning activities. Employment in the public sector is guaranteed by law to all school leavers who have successfully completed 15 years of education. The responsibility for placing eligible graduates is held jointly by the Ministries of Education and Labor. Modern sector employment is, therefore, directly related to policies in the education sector, yet no true correlation exists between the two in terms of planning to gear education in the direction of serving the economy's needs. Out of a total population estimated at 5.1 million inhabitants in 1978, the labor force represented 45 percent, or 2.3 million people. It is estimated that the active population (including students and military) amounts to 70 percent of the total population and that 83 percent of the labor force is self-employed in the rural sector. Out of the remaining 400,000 people, about 140,000 people were employed in the modern public and parapublic sector and enterprises (including mining and related activities) in 1979, of which 28 percent by the civil service (Table 20). The remainder are employed by the formal and informal private sector, self-employed or unemployed.

Table 20: REGISTERED WAGE EARNERS, 1979 <sup>1/</sup>

	<u>Number</u>	<u>Percentage</u>
<u>Total</u>	<u>140,830</u>	<u>100.0</u>
Administration	39,370	28.0
Public and parapublic enterprises	101,460	72.0
- agriculture	33,900	24.1
- mining	11,301	8.0
- manufacturing	7,482	5.3
- construction	12,576	9.0
- transportation	9,353	6.6
- utilities	8,815	6.3
- banking, trade	12,808	9.1
- tourism	3,125	2.2
- other, n.e.i.	2,100	1.5

<sup>1/</sup> Excluding army and police personnel.

3.08 The schedule of wages and salaries for all public employees is fixed by Presidential decree and was not changed between 1965 and July 1980. Prior to the recent wage and salary increase, for which no documentation is yet available, there were seven salary levels, ranging from A (senior managers) to G (unskilled workers). For each level, there is a salary range, usually spanning about 10 grades. Salaries range between syllis 800/month (minimum G level) to syllis 14,000/month (maximum A level). The average salaries (including allowances for under-age children) are estimated to be syllis 3,000-3,500/month (US\$160-180) for the public sector. Salaries in parapublic enterprises tend to be higher. Preferential access of civil servants and public enterprises' employees to scarce imported foodstuffs and consumer goods on the official market tends to increase the purchasing power of their wages and salaries as compared with revenue derived by the rural population from the agricultural sector. Enterprises also pay senior officials housing and transportation allowances. There is little differential in salaries among sectors, which, combined with guaranteed employment, results in weak competition among higher education graduates. Suspension or firing of employees is rare and poor performance can be penalized through non-promotion or other such means. Labor unions were replaced by worker organizations, which delegate worker committees to deal with management. The practically frozen wage schedule and job security have done little to raise productivity in the public sector, or to act as incentive for professional improvement.

3.09 The rising output of the education system puts increasing pressure on the modern sector which, in view of its virtual stagnation over the past six years, can hardly absorb the great number of university and technical school graduates. Although public administration is absorbing a great proportion of the school output (35 percent in 1978), it is unlikely to maintain this pace during the 1980s. Higher education output is projected to reach some 90,000 level B and C graduates between 1980-95, well above the employment opportunities offered by the modern sector. The 1981-85 plan proposes a reduction of enrollment in higher education institutions by over 40 percent, so as to prevent further overstaffing of the public sector. Africanization of mining enterprises offers limited employment opportunities: their expatriate staff amounted to about 300 in 1978. The absence of a labor market outside the public sector might prove to be a hindrance to development of private enterprises and might discourage foreign private investors. Conversely, an active labor market would both stimulate private entrepreneurship and constitute an incentive to students and public sector employees to improve their performance.

#### B. The Rural Sector

3.10 About 83 percent of the population is engaged in agricultural activities. The contribution of agriculture to GDP fell from 58 percent in 1973 to 41 percent in 1979. Agricultural output is estimated to have declined in both relative and absolute terms since 1973. Its smaller shares in GDP is due primarily to the incremental value added of new mining and mining-related activities. Rural sector output (including livestock, forestry and fishing) declined in real terms by an estimated 4 percent per annum between 1973 and

1979. The use of official prices for measuring agricultural output might underestimate the real value added of the sector. The sector is increasingly unable to satisfy domestic demand for foodstuffs, to supply agro-industries, and to export.

3.11 Although practically self-sufficient before Independence, and despite massive investments in mechanized agricultural operations over the past few years, Guinea has had to rely on substantial imports of foodstuffs, estimated to have exceeded 100,000 tons in 1978, including over 90,000 tons of cereals. During the 1975-77 period, the Government created 2,098 mechanized and 2,211 ox-traction production brigades (BMP and BAP), which were given an area of 450,000 ha <sup>1/</sup> and considerable assistance in the form of equipment and support services. Poor performance and, in particular, low yields have limited the contribution of these brigades. The lack of success of mechanization can be attributed mainly to inadequate training, poor soils, a paucity of spare parts and fuel, insufficient maintenance, and the failure to complement mechanized plowing with better agricultural techniques. Weeding and harvesting is still done manually, and limited use is made, for example, of improved seed and fertilizers. Moreover, even mechanical plowing is done improperly and increases the risk of soil erosion. Overall poor crop husbandry and lack of incentive for cooperative members to participate in manual operations are also contributing to the poor performance of the brigades. A main impediment to rural sector development has been the lack of incentive for smallholders and the inability of state enterprises to adequately perform their various roles as transporters, manufacturers, traders, bankers, etc. The drought in 1977-78, and the infestation of crops by insects in 1979 also reduced areas under cultivation and yields. Rice, for example (which is the staple diet of most Guineans) was cultivated on only 400,000-406,000 ha between 1977-79, as opposed to 459,000-473,000 ha in 1973-76, and output fell from over 425,000 tons in 1976 to an estimated 360,000 tons in 1979, forcing the Government to increase its imports to about 67,000 tons in 1978, of which two thirds was provided by food aid programs.

3.12 Agricultural exports sharply declined. At the same time, the opening of the alumina plant at Fria in 1961, and of the bauxite mines at Boke and Debele in 1973-74, caused a structural change in Guinea's export profile. Old plantations were abandoned or mismanaged, new plantations did not materialize because of lack of foreign financing or when created failed to export because of the inefficiency of transport and marketing state enterprises, and, last but not least, smallholders chose not to produce and/or sell their production to state agencies because of lacking incentives. By 1978, agricultural exports reached only 10-11 percent of pre-Independence levels (see also Chapter II, D). Not surprisingly, domestic agro-industries function well below capacity, one of the main reasons being the inadequate supply of agricultural raw materials. This situation is partly attributable to the abandon and neglect of industrial plantations and to the smallholders' limiting themselves to subsistence agriculture.

3.13 Although smallholders are responsible for almost the entire current food production they have been bypassed by Government programs until recently

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<sup>1/</sup> The land is the property of the State.

when the Government expressed renewed interest in this area. 1/ The encouragement of capital intensive plantations through direct or indirect Government subsidies are in direct competition with smallholders, and might further reduce their incentives to produce above subsistence levels. A rural development strategy aimed at rehabilitating smallholder farming would have greater chances of success because of the higher returns traditionally associated with investment in this area, and because even marginal improvements in productivity and yields would generate significant results in view of the size of the sector. Past Bank Group experience in Guinea and other countries shows that farmers' response to such an approach is encouraging. The main focus of agricultural development policies in the coming years should be on provision of proper incentives to smallholders, 2/ and also on low-cost and easily replicable improvements to existing practices: (a) in crop husbandry, introduction of improved varieties, fertilizers and pesticides, improved plant spacing and weeding, transplanting rather than direct seeding of swampland rice, simple water control system (constructed by labor-intensive methods); (b) in livestock production, vaccinations, medicines and mineral licks. It is equally important to broaden the access to primary education with a view to reducing illiteracy rates, which would help raise agricultural productivity. An ongoing study looks at the Government's options in the area of pricing and marketing of agricultural products, consumer goods and agricultural inputs in order to provide more incentives to smallholders to increase production and exports, and to replace imported foodstuffs.

3.14 Nevertheless, the Government continues to emphasize large-scale mechanized operations in its agricultural program. In 1979, it decided to create 320 agro-pastoral farms (FAPAs), staffed by young graduates of the agricultural schools. 3/ These farms, it is hoped, will not only provide a surplus production of cereals, vegetables and livestock but also extension services to the production brigades and private producers. The FAPAs are expected to become self-sufficient within three years and operate henceforth as autonomous enterprises, with employees sharing the risks and the profits. The Government will cover the wages of the agronomists and technicians during the first three years. Although it is too early to judge, there are reasons to be cautious about these expectations, given the FAPAs' inadequate capital and financial means, limited access to foreign assistance for investment and to locally financed imports of spare parts, fertilizers, etc., unseasoned

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1/ See President's speech at the opening of the 1980 National Economic Conference, Horoya, February 16, 1980.

2/ The introduction of incentives is hampered by the complexity of the required marketing, distribution and price adjustments and by Guinea's limited foreign exchange resources. The Government hopes that the liberalization of private trade will facilitate this process.

3/ As far back as 1973 the Government promoted "Socialist Cooperative societies, which should emerge from our schools located in rural centers" (Horoya, June 14, 1973). The addition of a 13th year of study in 200 schools in 1973 was intended to make available 6,000 to 7,000 school graduates to these cooperatives, which could thus absorb part of agricultural faculties' output.

management and technical staff, and past experience in this area both in Guinea and in other countries. In addition to the creation of the FAPAs, the BMP and the BAP are being consolidated into communal farms (Fermes agricoles communales, FAC).

3.15 In the area of industrial plantations, the Government has been promoting several large projects covering almost half a million hectares, for production of rice, soya, cocoa, coffee, palm oil and rubber, in cooperation with foreign firms using advance equipment and production techniques. The most advanced of these projects are the rice/soya plantation envisaged in the Kankan (Upper Guinea) area and involving Western Cereals (USA), the tropical crops plantation projects identified by SOCFINCO (Belgium) in the Forestry Region, and the SAFAL livestock/irrigated crops project in the Faranah area (Upper Guinea). These projects are intended to operate as private or parapublic enclaves, with substantial private financing complemented whenever possible or necessary by official assistance.

3.16 In February 1979, Guinea formed the "Societe agro-industrielle de Guinee" (SOAGRI) with Western Cereals (USA), a joint venture with 80 percent Guinean and 20 percent foreign participation. The immediate objective of the venture is to create a rice plantation on 10,000 irrigated ha, producing and processing an expected 50,000 tpy of rice. This production would substitute current imports and the Government would reallocate foreign exchange currently used for imports of rice to amortize the capital costs of the project, estimated in 1979 at over US\$56 million for this first stage, which would take five to six years to implement. In a second stage, soya production would be developed over a 10-year period, leading to exploitation of 150,000 ha and producing some 300,000 tpy of soya for export. The investment costs for this second stage were estimated at US\$200 million. The agreement creating SOAGRI specifies as its final objective cultivation of 30,000 ha of rice and 150,000 ha of soya within an 11-12 year period after the start of the project. The Government announced its intention to initiate construction work in 1980 despite incomplete documentation of key technical, economic and financial aspects of the project and the serious doubts raised regarding its feasibility.

3.17 SOCFINCO-VAN LANCKER (Belgium) has identified several possible projects, most of them in the Forest Region, for rubber plantations (20,000 ha in the regions of Yomou and Lola), coffee (15,000 ha in the region of Macenta, Lola, N<sup>o</sup>Zerekore and Gueckedou), cocoa (15,000 ha in the regions of Macenta, Lola and N<sup>o</sup>Zerekore), oil palm (20,000 ha in the regions of Yomou and N<sup>o</sup>Zerekore), coconut (8,000 ha in the Forecariah region), livestock ranch (23,000 cattle in the Beyla region), selected seed production (1,510 ha in the Kankan region). Total investment was estimated to be US\$370 million at 1980 prices. Most of the projects would reestablish an export potential as it existed before Independence, and are consistent with Guinea's and the region's proven comparative advantage in tropical crops. The studies are detailed enough to provide both the Government and external financing sources with the main elements needed for a preliminary evaluation of the projects' feasibility.

3.18 The SAPAL project concerns development of a livestock ranch with 30,000 head, industrial poultry farming and irrigation of 20,000 ha for production of vegetables and chicken-feed in the area of Faranah (Upper Guinea).

3.19 Guinea has a considerable potential for the optimization of water resources in the rural sector. While irrigation per se might not be a question of survival as most of the country gets sufficient precipitation for rainfed agriculture, improved water control would increase yields, allow for a greater flexibility in the choice of crops and for more constant production levels. With the exception of the Fouta Djalon and the mountainous south-eastern Guinea, all the other regions offer interesting long-term possibilities for irrigation and/or water control:

- (a) the control of the Upper Guinea rivers of Niger, Tinkisso, Millo, Fie and various tributaries would permit low-cost irrigation projects in the flood plains, for both smallholders and plantations;
- (b) in the Forestry Region, control of rivers and streams would increase production possibilities in the swamplands, mainly for smallholders;
- (c) large areas along the coast in the Maritime Guinea Region would allow extensive cultivation of saline swamp rice and other crops in the coastal marshlands; and
- (d) the plains around Gaoual-Koundara north of Fouta Djalon offer irrigation potential similar (on a smaller scale) to that of Upper Guinea.

Although relatively simpler than similar schemes in Sahelian countries, irrigation in Guinea would still involve significant capital expenditures, such as installation and operation of pumps in Upper Guinea, control of salinity problems in Maritime Guinea, etc. <sup>1/</sup> A careful assessment of the economic and financial viability of these projects is therefore especially important.

### C. Mining

3.20 The mining sector employs 6,400 people in three major enterprises: CBG (compagnie des bauxites de Guinee), OBK (Office des bauxites de Kindia) and FRIGUIA. Total bauxite production exceeds 12 million tons a year (tpy), of which about 2 million tons are transformed into 600,000-650,000 tons of alumina. The mining sector generated 18.5 percent of total GDP in 1979 as compared with 4.2 percent in 1973, and exports of bauxite and alumina in 1979 amounted to US\$360 million, or over 96 percent of total export earnings. Earnings in convertible currency from mining, net of operating costs in foreign exchange and factor payments, amount to over US\$130 million (Table 17). The mining enterprises function reasonably well as enclaves with few linkages with the rest of the Guinean economy.

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<sup>1/</sup> For a more detailed presentation of these issues, see Rice Development Project, SOGREAH Feasibility Study (June 1977).

3.21 The most important Guinean enterprise, CBG, owns and operates the Sangaredi bauxite mine (one of the largest in the world) and the Kamsar crushing, storing and and port-loading facilities. CBG was formed in 1963 as a joint venture between Guinea (49 percent) and the HALCO Consortium (51 percent). Equity participation was subscribed by the Aluminum Company of America (ALCOA), Alcan Aluminum Ltd. (Canada), Harvey Aluminum Werke (West Germany), Pechiney (France), and Montecatini-Edison (Italy). Total investment for the project was estimated at US\$363 million borrowed abroad by HALCO (US\$245 million), the Government (two IBRD loans totalling US\$73.5 million) and CBG (US\$44.5 million). As of October 1979, proven Sangaredi reserves were estimated at 121 million tons of excellent ore with an alumina content of 60.5 percent. Total reserves of the Sangaredi block are estimated to be in the order of 200 million tons of high grade ore, while total reserves of the Boke region are estimated to be as much as 1.75 billion tons. Production started in August 1973. CBG currently has an installed capacity of 9 million tpy, employs 2,100 people (2,750 including the personnel of the Office d'Aménagement de Boke, OFAB), and produces around 8 million tpy of bauxite, bringing in total export earnings of about US\$200 million per annum, of which about half are net foreign exchange earnings of the Government. Identified reserves and existing infrastructures would allow an expansion in the order of 3 million tons per annum. The HALCO partners are actively considering investment to achieve this increase in capacity.

3.22 FRIGUIA owns and operates the Fria-Kimbo mine, Fria alumina plant, and port and railroad facilities. FRIGUIA is a joint venture between Guinea (49 percent) and FRIALCO, a private consortium of aluminum producers from France (Pechiney), USA (Noranda), UK (BACO), Switzerland (Alusuisse), and West Germany (VAW). The company mines about 2 million tons per annum of average-grade bauxite, with 46.5 percent alumina and 2.5 percent silica. Proven reserves amount to 31 million tons; probable reserves within 12 km of the mine are 200 million tons of similar quality ore. Other deposits within 50 km of the mine would add another 215 million tons of probable reserves. The rated capacity of the alumina plant of 700,000 tpy has never been reached since the plant started operating in 1960. Production fluctuates between 600,000-650,000 tons of alumina per annum and it uses 1.9-2.1 million tons of bauxite. The alumina is purchased by the FRIALCO partners at contractual prices indexed to aluminum and international oil prices. FRIGUIA employs approximately 2,000 people and generates gross export earnings of about US\$100 million per annum, of which somewhat less than one fourth are net foreign exchange proceeds of the Government. Plans for an expansion to 1.3 million tpy were submitted by Pechiney in July 1975. FRIALCO partners have expressed interest in this expansion, whose cost is estimated to be over US\$700 million at current prices, but financing has yet to be acquired. A feasibility study is in progress, and is expected to be finalized by end-1980.

3.23 The Debele mine and the Conakry railroad and bauxite-loading port facilities are owned and operated by the state-owned OBK. Built with Soviet assistance at a cost of about US\$100 million, the mine has proven reserves estimated at 31 million tons as of July 1979. Larger deposits are believed to exist in the Kindia plateau area. OBK has a nominal capacity rated at 3-3.5 million tpy, it commenced production in June 1974 and produces around 2.5-2.6 million tons of average grade bauxite with a 48 percent alumina content. The

Soviet Union imports 90 percent of the production. Fifty percent of the export proceeds service medium- and long-term Guinean debt towards the USSR, and 40 percent finance imports from USSR under bilateral clearing agreements, including OBK's own imports. The remaining output of 10 percent is exported to USSR or other Eastern European countries under bilateral agreements. OBK employs 1,700 people and generates exports in the order of US\$50 million per annum.

3.24 Besides the possible expansion of mining operations discussed above, the most advanced mining project is the iron ore mining project of Mifergui-Nimba, close to the Liberian border in southeastern Guinea. Mifergui-Nimba is a joint venture concluded in 1973 between Guinea (50 percent) and several companies from Algeria, Japan, Egypt, Libya, France, Liberia, Romania and Spain, in order to develop and exploit the iron ore deposits at Mt. Nimba. These deposits comprise three major hematite reserves totalling 800 million tons of exceptional high-grade ore, with a 65-67 percent Fe content. Engineering and economic studies concluded on the feasibility of a first project exploiting the Pierre Richaud reserve (300 million tons of ore grading 66.7 percent Fe on the average) at the rate of 15 million tpy. Capital cost was estimated at about US\$1 billion at 1979 prices. Implementation of the Mifergui-Nimba project depends upon a satisfactory resolution of several problems, particularly suitable transport arrangements with LAMCO (Liberia) for the use of their Liberian railroad and port facilities at Buchanan, firm marketing arrangements and securing a valid technical partner. Recent developments point to a possible solution of the transport and technical partner problems, and to the project becoming operational around 1985-86.

3.25 Guinea's rich mineral resources have allowed the identification of a number of possible projects for bauxite mining (Aye-Koye, Dabola, Tougue, and Gaoual), iron ore (Simandou), and limestone (Lebekere, Kindia, Siguiri). A geological survey of uranium deposits is being conducted by COGEMA (France), AGIP (Italy), and PNC (Japan) under the terms of a protocol signed with the Government. Commercial exploitation of diamonds, which was discontinued ten years ago, was scheduled to start again in 1980 with the opening of a mine and a processing plant at Conakry with a capacity of 10,000-20,000 carats/months, in partnership with Charles Anthony Diamonds, Inc. (Salt Lake City, Utah, USA).

3.26 The exploitation of Guinea's ample mineral reserves is hampered by high investment costs and infrastructure needs, by the generally sluggish market for iron ore and bauxite and by similar foreign investment opportunities elsewhere.

#### D. Manufacturing

3.27 The modern manufacturing sector comprises 34 public enterprises under the aegis of the Office de Coordination Financiere de l'Industrie

(OCOFI) and some 26 private enterprises. 1/ While few in number, industrial state enterprises have played a significant role in the development strategies of the Government since Independence. Under the first (1960-63) and second (1964-71) development plans, a considerable share of funds was allocated to finance investments in the industrial sector. It was estimated that over the 1976-79 period, industrial state enterprises accounted for 60 percent of fixed investment of public enterprises and for 67 percent of new foreign borrowing by the Government on behalf of public enterprises.

3.28 Despite Government's emphasis on industrial development, the contribution of manufacturing to production, employment and public finances is not significant (Table 21). In 1979, industrial state enterprises contributed less than 5 percent of GDP, employed about 5 percent of the modern sector labor force and 0.2 percent of Guinea's active population. Private enterprises are as a rule very small, virtually at the artisanal level, and produce textile goods, furniture, cosmetics and foodstuffs for local consumption. 2/ Industrial exports are negligible.

3.29 With few exceptions, industrial state enterprises have operated mostly at 10-30 percent of capacity because of: chronic lack of foreign exchange, which precluded the necessary investment in replacement and maintenance and limited imports of raw material and intermediate goods; inadequate supply of local raw materials, (particularly, agricultural) technical and managerial problems, and marketing conditions. Several enterprises, however, are operating near capacity. For example, ENTA, which manufactures tobacco products and matches, and SOGUIFAB, which produces aluminum goods. These enterprises account for most of the operating profit of the industrial state enterprises (Table 21). On the other hand, agro-industrial enterprises other than ENTA have low capacity utilization (18 percent on average over the past four years). Over 60 percent of state industrial enterprises are located in the Conakry area and account for one half of the sector's employment. The enterprises located in the Maritime Region employ 74 percent of the sector's labor force, those in the Forestry Region 12 percent, Middle Guinea 10 percent, and Upper Guinea 4 percent.

3.30 Since 1975, the Government has been engaged in the rehabilitation of existing industrial facilities. Progress has been slow, being dictated by the availability of external financing for renewal of fixed assets. Out of the 34 manufacturing enterprises, financing was sought for 24 rehabilitation projects, with the following results:

- (a) one enterprise (SIFRA) was rehabilitated and, in the process, converted to a mixed enterprise (SALGUIDIA) (fruit juice and canned fruits);

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1/ Small-scale and traditional manufacturing activities are not evaluated in this section, and their output is not included in the national accounts estimates.

2/ Available statistics pertain solely to state-owned enterprises under OCOFI.

Table 21: INDUSTRIAL STATE ENTERPRISES  
SELECTED INDICATORS, 1979

<u>Subsectors</u>	<u>Number of Enterprises</u> <sup>1/</sup>	<u>Number of Employees</u>	<u>Wages and Salaries (million sylis)</u>	<u>Operating profit (loss) million sylis</u>	
				<u>1978</u>	<u>1979</u> <sup>2/</sup>
Food, Beverages and Tobacco	12	4,347	139.6	271.8	(4.2) <sup>3/</sup>
Chemicals	10	681	22.7	14.6	26.6
Fabricated Metals, Equipment	4 <sup>4/</sup>	746	28.8	75.6	43.7
Wood and Wood Products	4	413	13.6	(16.4)	(15.4)
Non-metallic Mineral Products	3	124	4.4	(30.3)	(33.7)
Textiles, Clothing & Leather	1	250	7.7	0.5	(26.5)
<u>Total</u>	<u>34</u>	<u>6,561</u>	<u>216.8</u>	<u>315.8</u>	<u>(9.5)</u>

<sup>1/</sup> Including enterprises closed for rehabilitation.

<sup>2/</sup> Using 1978 data when 1979 data not available.

<sup>3/</sup> ENTA's cigarette manufacturing operation was closed down for rehabilitation in 1979, while operating costs remained at roughly the previous year's level.

<sup>4/</sup> Seredou wood processing not yet in commercial production.

Sources: Guinea - Survey of the Public Enterprise Sector, Report No. 3046-GUI (June 1980).

(b) rehabilitation is in progress in nine enterprises, including, among others, UOA (oxygen and acetylene), SIPECO (paint factory), and SOBRAGUI (brewery and soft drinks);

(c) financing was acquired for three other enterprises and work should start in 1980, i.e., SONFONIA (furniture factory), CTS (textile mill), and FRUITAGUINEE (soft drinks);

(d) financing is being sought for rehabilitation of another 11 enterprises (construction materials, food processing, agro-industries).

3.31 The Third Development Plan centered on the rehabilitation of existing enterprises rather than the creation of new industrial facilities. Only one new enterprise (ENIPHARGUI, pharmaceutical products) has started operations since 1975, another one (OFFITAB, tobacco products) has been created as a spin-off of ENTA, and seven other projects are well advanced (gari processing, cement production from clinker, quarrying, wood processing, two mechanical repair shops, and quality control testing). These projects represent a total investment of about Sylis 500 million (US\$ 25 million). In addition, Sylis 81 million was spent on an aborted cement plant project at Mali, in the Middle

Guinea region. Several industrial projects are currently being discussed with external financing sources, for shoe manufacturing, compost, jute processing and gari processing, for a total investment of Syllis 817 million (US\$41 million).

3.32 Project ideas and financing are being explored by the Government for several major industrial projects involving a total investment of up to Syllis 10 billion (US\$500 million) concerning a scrap iron factory, a flour mill, a sugar plantation, a cement plant, and a sea-salt factory.

#### E. Energy and Water Supply

3.33 Guinea's energy consumption is supplied by firewood/charcoal (two thirds) and imported petroleum products (one third). Hydroelectricity supplied barely 1 percent of primary energy consumption in 1978 (Table 22). Most of the energy is used for residential (66 percent) and industrial consumption (24 percent), the latter mainly for mining and processing of bauxite.

3.34 Firewood remains the most important fuel source for cooking and other domestic uses, in both rural and urban areas. Its intensive use is leading to a significant depletion of forests, particularly in the Savannah Region of the north. The 1980 Bank economic mission estimated that forestry generated 8.5 percent of Guinea's GDP in 1979, or 20.9 percent of the value added produced by the rural sector, as compared with 0.8 percent of GDP generated by public utilities.

3.35 Guinea imports large quantities of petroleum products. Petroleum imports were estimated to have reached close to 400,000 tons in 1979 and amounted to over US\$70 million, or over 20 percent of total imports. The public sector's imports of refined products use almost one third of its net foreign exchange earnings. Offshore oil exploration of 22,000 km<sup>2</sup> of a sedimentary basin was granted to the Union of Texas, based on a production sharing agreement of 65/35 percent signed in January 1980. A seismic survey was conducted in July 1980. Commercial discovery of hydrocarbons would lead to creation of a joint venture between the Societe Guineene des Hydrocarbures (SGH) and Union of Texas, each holding a 50 percent interest, and production could commence within 10 years of findings. Potential reserves and production are at present unknown. The Government is currently negotiating a concession for offshore petroleum exploration with Canadian interests.

3.36 The Societe Nationale d'Electricite (SNE) supplies Conakry and its suburbs as well as 21 towns and villages. Less than 5 percent of Guinea's total population has access to electrical power, and only 20 percent of Conakry's population are officially served. 1/ Out of a rural population

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1/ It is estimated that the high number of illegal connections raise this figure to 60 percent. See World Bank First Power Project, Staff Appraisal Report (GUI-3055, 1980).

Table 22: PRIMARY ENERGY CONSUMPTION IN 1978

Provisional Estimates

1,000 tons crude oil equivalent

	Total Consumption	of which			
		Residential 1/	Industrial	Transport 1/	Other
Firewood and Charcoal	726	726	-	-	-
Imported Petroleum Products	376	1	259	116	-
Gasoline	61	-	-	61	-
Diesel	52	-	5	47	-
Jet fuel/kerosene	9	1	-	8	-
Fuel oil	254	-	254	-	-
Hydroelectricity 2/	11	4	4	-	3
TOTAL ENERGY CONSUMPTION	1,113	731	263	116	3

1/ Excluding use of petroleum products imported by CBG and FRIGUIA.

2/ Based on SNE's total electricity distribution.

Source: First Power Project, SAR (Report No. 3055-GUI), Staff estimates.

of 4.3 million approximately 400,000 live in communities supplied with electricity, and 110,000 of these are SNE customers. Of the 149 Gwh of electricity generated by SNE for public consumption in 1978, 88 percent was produced by hydroelectric plants and 12 percent by thermal plants using imported diesel fuel. SNE has an installed capacity of about 65 MW, which excludes the installations used by various enterprises, particularly in the mining sector. Unreliability of electricity supply by SNE has been and remains an impediment for industrial activities. Concentration of industrial and commercial demand and of urban population in the coastal area offers some opportunity for substituting locally produced electricity for imported fossil fuels, which would involve moderate transmission costs.

3.37 Guinea's rainfall and topography provide for a theoretical hydro-power capability of about 6,000 MW and average production of up to 35,000 Gwh per annum as identified in an inventory of sites conducted in 1949 by Electricite de France (EDF). Since rainfall is mostly seasonal (June to September), heavy capital investment would be required to construct dams and reservoirs. The Bank is acting as executing agency for a UNDP-financed study leading to the development of a Water Resources Master Plan. In addition to identifying and providing a preliminary evaluation of possible future sources and utilization of hydropower, the Master Plan would cover all major uses of water in agriculture, household supply and river transport.

3.38 The most important hydroelectric site is at Souapiti on the Konkoure river. Construction of a dam and a hydropower plant at this site at a cost of US\$1.4 billion could achieve an installed capacity of 750 MW and an annual production of 3,700 Gwh. This project would sell 63 percent of its production to an aluminum smelter producing 155,000 tons of aluminum per annum, the remainder being destined for local consumption in the Kamsar-Fria-Kindia-Conakry area. The integrated Konkoure project is being evaluated with respect to the feasibility of the aluminum smelter, the alumina supply situation, the cost and demand for power to be generated by the Souapiti dam, the financing and marketing arrangements and the absorptive capacity of Guinea during the construction period, among other issues. As an integrated project, it could have a significant impact on the rest of the economy. However, there is a high risk element connected with investment and operating costs, debt burden, net benefits, as well as the impact of investment decisions and costs of power on the energy sector as a whole. As currently formulated, Konkoure would produce relatively high-cost power, to be sold to the aluminum smelter at rates subsidized by domestic consumers. Marginal costs of electricity for local users are projected at roughly nine times the level of existing SNE tariffs. This might well discourage potential consumers and lead to demand levels below those needed to ensure an adequate return on the project.

3.39 The Souapiti project will affect investment decisions for the entire energy sector. Most of Guinea's industrial and urban consumption is concentrated in the area to be serviced by the Souapiti network, and the volume of production will be high enough to make similar projects over the next 15 to 20 years redundant. Therefore, before a final decision on the Souapiti project is taken, a full assessment of alternative hydroelectric sites and use of other energy sources should be made in the context of formulating a long-term optimum sector plan. Completion of ongoing studies, project preparation should these studies demonstrate the viability of the project, and leadtime for construction period, would take a minimum eight to ten years.

3.40 The sector does not have a price policy. At present, the rationale for pricing is distorted by the overvaluation of the syli. Energy consumption is determined by connection to the network and actual supply rather than by prices. As such, the modern sector and the urban population have preferential access to the use of electricity and petroleum products. SNE tariffs were last revised in 1975. These tariffs when converted at official exchange rates are similar to those in other coastal Western African countries. However, they do not allow full cost recovery, particularly when the real cost of the foreign exchange needed to operate the SNE facility is taken into account. Maintenance has been inadequate primarily because of lack of foreign exchange.

3.41 Guinea is well endowed with surface water resources. Little is known about water resources outside the Conakry area. Most of the rivers tapped are perennial and adequately supply nearby population centers even during the dry season. The rural population obtains its water supply essentially from shallow wells and running streams. They depend heavily on hand dug wells, which often run out of water in the dry season and force the

inhabitants to travel long distances in search of water. Only 11-12 percent of the total population had access to potable water in 1978 (piped systems and hygienical wells), of which 44 percent of the urban population and 2.5 percent of the rural population. Conakry services 52 percent of its population through 6,000 private connections (29 percent) and 100 standposts (23 percent). The Entreprise nationale de distribution d'eau de Guinee (DEG) serves Conakry and four other urban centers. Piped water supply in the remaining Guinean cities is largely limited to areas occupied by public services such as Government, hospitals and schools. The only centers with sanitary sewage systems are Conakry (where most of the system is at present out of order) and the mining towns of Kamsar and Fria. In general, the sector suffers from inadequate investment and maintenance.

#### F. Transportation

3.42 Guinea's transport system consists of about 14,000 km of classified primary, secondary and feeder roads, 1,100 km of railways, two deep water ports and ten airfields. The road system consists of 1,087 km of paved roads, 12,926 km of gravel and earth roads, and an estimated 6,000 km of feeder roads. The central Conakry-Mamou-Dabola-Kankan corridor has traditionally been the main artery of the country. It consists of a 600 km railway, built 70 years ago, paralleled by a highway that is gravelled from Mamou onwards. A secondary route branches southeast from Mamou to Kissidougou and further to N'Zerekore, and a northern route leads east from the port of Kamsar. The Mamou-Kissidougou-Kankan route is almost entirely paved (442 km out of 512 km). Many truckers avoid the direct route Mamou-Dabola-Kankan and detour through Kissidougou to take advantage of this, adding 100 km to their journey. Roads now carry about 80-85 percent of total freight traffic. Railway freight traffic has fallen over the years, from 46,000 tons in 1965 to 27,000 tons in 1973 and 12,500 tons in 1977; in that year the railways carried 417,000 passengers, of which over 90 percent were commuters. The railway's ability to maintain and renew equipment and infrastructure has also declined. The decline in freight traffic started in the early 1960s with the drop in agricultural production and the gradual return of agricultural producers to subsistence farming. Air transport plays a relatively important role in domestic passenger transport. Routes to Kankan, Boke and N'Zerekore account for over 60 percent of total traffic. Overall transport activity suffers from the lack of dynamism of the economy outside enclave mining operations. The main requirements that have been identified are rehabilitation and maintenance, rather than system extension.

3.43 Transport is handled mostly by public enterprises specialized in road transport (COTRA, Cooperative des transporteurs), railroad transport (Office National des Chemins de fer Guineens) and air transport (Air Guinee). COTRA, with a fleet of about 500 trucks, and seven regional branches, is responsible for intra- and inter-regional freight movement by road. Institutional and managerial weaknesses are affecting the performance of these enterprises, exacerbating the problems created by the physical condition of the transport infrastructure, the lack of equipment, and inadequate financing

for current maintenance and operation. The Government has recently created a mixed enterprise (GUINOMAR) for the shipping of bauxite, in partnership with a foreign consortium composed of Navios (USA) and Torvald Klaveness (Norway). In theory all private transporters (exclusively in the road transport sector) have been unionized, and apply a uniform freight tariff, which is fixed by the Government. The share of private road transport in total freight traffic declined from 40 percent in 1972 to 15 percent in 1977. Private transporters operate mainly in rural areas for local collection/distribution traffic, and they also handle most of the passenger transport in the country. The vehicle fleet more than doubled over the 1974-79 period and was estimated at 19,000, or about one vehicle per 290 inhabitants, a low ratio by West African standards. This increase is due to the opening of the borders with neighboring countries in 1977 and the subsequent return of many Guineans from abroad. The passenger car growth is estimated at 21 percent per annum during this period, while the number of vans, trucks and buses increased at 14 percent per annum between 1974-79.

3.44 The last Five-Year Development Plan proposed a total investment in the transport sector of Syllis 8 billion (US\$386 million), placing major emphasis on construction of primary roads and bridges, improvement of road maintenance, as well as of ports, airports, and rail transport. Actual capital expenditure amounted to Syllis 1.5 billion (US\$74 million). <sup>1/</sup> Of the seven major paving projects, only the Kissidougou-Kankan road was completed. Lack of external financing played a major part in the under-realization of the plan targets.

3.45 Several projects are at present under consideration, of which the main ones concern the rehabilitation of Conakry port, Conakry International Airport, and rehabilitation and extension of the road network. Considerable investment has taken place in 1979-80 for the endowment of Air Guinee with a jet fleet (three Boeing planes) for regional routes. The replacement of the domestic fleet is also being considered. Additional infrastructure will be needed for the implementation of the mining projects. In the telecommunications sector, several projects involving both public and private financing are currently rehabilitating and upgrading Guinea's telephone communication system, both domestic and international.

#### G. Trade

3.46 One of Guinea's first priorities after Independence was to acquire control over the commercial sector, in the hope of tapping large trading profits, which had formerly accrued to private interests, and channelling these funds to finance development efforts. Successive nationalizations,

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<sup>1/</sup> Including some investment in urban development, and telecommunications. 62 percent of this investment was in infrastructures, and 38 percent for equipment purchases.

together with attempts to restructure the sector through creation of new enterprises, led to the present system where virtually all foreign and wholesale trade is handled by public enterprises, while retail trade is handled by both public and private enterprises as well as by individuals, following an attempt in 1975 to entirely abolish private trade.

3.47 The public trading system currently consists of an agency holding the monopoly for imports, which also settles inter-enterprise accounts for the purchase of goods and services domestically (IMPORTEX established in 1976), as well as four holding companies supervising the financial, banking and commercial transactions of over 90 public trade enterprises, as follows:

- (a) COFICOM (established 1969) supervising 24 specialized wholesale trade enterprises;
- (b) SERCOM (established 1977 as a spin-off of COFICOM), supervising 52 semi-retail trade enterprises outside the capital city of Conakry 1/;
- (c) COFI-Conakry (established 1978) supervising 12 retail trade enterprises in the Conakry area; and
- (d) SECOMEX (established 1975) supervising three specialized export enterprises.

State retail trade outside Conakry is handled by regional trading enterprises (ERC, Entreprises Regionales de Commerce), which receive goods from SERCOM and sell them to both trading enterprises at the district level (ECOMA, Entreprises Commerciales d'Arrondissement), and trading enterprises at the village level (PRL). The latter can also buy their goods from the ECOMAs. This marketing chain also functions in reverse: the PRLs purchase agricultural produce for sale to the ERCs, which in turn sell it to the export trade enterprises, FRUITEX, PROSECO, or IMPORTEX. Private trade, tolerated since the latter part of 1977, was legalized by a Presidential decree in 1979, which stipulates traders' rights and obligations. Observation in the field suggests that the role of the private trade has been growing rapidly, although there are no statistics to ascertain its share of the domestic market. Replenishment of the foreign exchange used by private traders to import consumer goods is not documented (see also para 2.36), and all major export products remain state monopoly.

3.48 State trade enterprises recorded sales of goods and services of Syllis 21.5 billion, and net profits of Syllis 2.1 billion 2/ in 1979. Although sales appear to be up 50 percent compared with 1976, most (if not all) of this increase is due to the creation of new enterprises (SERCOM and COFI-Conakry) adding new links to the existing trade network. Net profits are relatively stable at about Syllis 2 billion (US\$100 million) per annum (Table 23).

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1/ In 1981, semi-retail and retail trade, previously the function of state enterprises (Entreprises regionales de commerce, ERC and Pouvoirs Revolutionnaires Locaux, PRL), was delegated to private traders.

2/ Non-consolidated data, i.e. excluding inter-company transactions.

Table 23: SALES AND PROFITS OF STATE TRADE ENTERPRISES

1975/76-79

(Non-consolidated)

	<u>1975/76</u>	<u>1/ 1977</u>	<u>1978</u>	<u>1979</u>
	--- million Syllis current prices ---			
<b>Sales of Goods and Services</b>				
COFICOM	7,172	7,011	6,838	6,734
SECOMEX	769	1,058	847	1,065
SERCOM <u>3/</u>	n.a.	2,194	4,631	4,220
COFI-Conakry <u>4/</u>	n.a.	n.a.	n.a.	2,181
IMPORTEX	6,150	6,000	7,512	7,250
<b>Total</b>	<u>14,091</u>	<u>16,263</u>	<u>19,828</u>	<u>21,450</u>
<b>Net Profits</b>				
COFICOM	1,145	568	522	542
SECOMEX	7	122	40	43
SERCOM <u>3/</u>	n.a.	110	134	146
COFI-Conakry <u>4/</u>	n.a.	n.a.	n.a.	71
IMPORTEX	1,442	1,126	1,134	1,271
<b>Total</b>	<u>2,594</u>	<u>1,926</u>	<u>1,830</u>	<u>2,073</u>

- 1/ 15 months.  
2/ Preliminary.  
3/ Created in 1977, as a spin-off of COFICOM.  
4/ Created in 1978, active since 1979.

3.49 A more comprehensive analysis of state trade enterprises should articulate measures to improve their efficiency and eventually delegate some of their functions to other public enterprises and the private sector. Existing evidence suggests that the inefficiency of these enterprises is one of the major causes for the low productivity and yields of both public enterprises and small farmers, as trade enterprises fail to both supply imports and other goods to producers and dispose of their production.

#### IV. DEVELOPMENT PROSPECTS AND POLICY ISSUES

##### A. A Brief Review

4.01 Guinea's pace of economic development is at present unable to raise the standard of living of the population and to generate domestic savings for self-sustained growth and development. This situation is particularly evident in the rural sector where production is well below the existing potential. Empirical observation, project experience and a priori reasoning all support the hypothesis that the foreign exchange constraint is a critical bottleneck in the Guinean economy and should be given major consideration in domestic policy formulation and foreign development assistance. As the foregoing chapters have brought out, the present situation basically resulted from the Government's choice to establish a political and social basis for nationhood within a self-reliant economic system apart from foreign enclave operations which were expected to meet foreign exchange requirements.

4.02 This strategy encountered difficulties on several fronts. Domestically-oriented investment was aimed at establishing socio-economic infrastructures and national institutions to replace foreign economic control, rather than raising output and productivity. In the aggregate, these investments have lacked sufficient resource generating capacity to service the foreign loans contracted to finance them. Many of them resulted in higher import demand to continue operations. Education and manpower policies increased employment in the modern sector and government consumption, and generated a higher demand for imported foodstuffs, consumer goods, petroleum products, and services. The attempt to isolate the Guinean economy from international inflation and to protect its vast parastatal sector from outside competition while maintaining central controls resulted in distorted prices and exchange rates and led to the development of an active parallel market. The rise of the parallel market was, however, unable to prevent the return of the rural economy, essentially to subsistence levels, leading to a deterioration of Guinea's main productive basis and limiting the consumption of most of the population. With respect to enclave operations, the export earnings of one of them were mortgaged to meet Guinea's commitments under bilateral clearing agreements, making it difficult for the Government to establish the terms of exchange, let alone match imports with centrally planned needs. In the case of other enclave operations, net foreign exchange benefits provided less balance of payments relief than anticipated, both because debt service obligations and other factor service payments had risen rapidly, and because demand had become excessive. In effect, Guinea has had to meet its foreign commitments by allowing its capital stock to deteriorate.

4.03 In an attempt to cope with excessive domestic demand and to increase production, the Government has taken the first tentative steps towards decentralization and liberalization of the economy. This effort is particularly visible in the areas of curtailing the money supply and improving the performance of public enterprises, where steps were taken following an extensive

dialogue with the Bank through various missions and informal reports to the Government. However, as Guinea moves towards more liberalized economic arrangements, there is substantial uncertainty as to the magnitude of the foreign exchange constraint and its effects on growth and development. In large part this is because of weaknesses in the planning and administration of the economic and financial system. Equally important is the difficulty of quantifying effective consumption and import demand in a country where a considerable part of the economic activity takes place outside official circuits and where exchanges by the official sector have to a large degree been transacted through clearing agreements.

4.04 To obtain a tentative picture of Guinea's potential for growth and underlying constraints in the absence of planning and investment programming, we applied simple simulation techniques using routine Bank methodology, the best data available for Guinea, and what we regard as plausible relations between growth, investment, consumption, and imports. The outcome of these simulations illustrates Guinea's development problems in the years to come, and outlines some areas where policy changes could significantly improve the short- and medium-term outlook.

#### B. Prospective Trends

4.05 Two scenarios have been designed to allow an assessment of what we regard as minimum growth objectives for the next decade. Their general theme is the rehabilitation of the existing economic potential, particularly in agriculture. They assume a higher agricultural growth than in the past, full utilization of mining sector production capacity, and a rather dynamic growth of other sectors (Table 24). These scenarios exclude new mining, hydroelectric, industrial and agroindustrial projects because of uncertainties related to their timing, costs, and benefits (see paras 4.11 - 4.12).

4.06 Under the first scenario present trends would continue; public consumption would grow at 8 percent p.a. between 1980-85 and at 7 percent p.a. between 1986-90, and investment would be capital-intensive, rising from 15 percent of GDP in 1980 to 20 percent in 1990, about the average level in West Africa, with an ICOR of 5.3. Under the second scenario government consumption is assumed to grow at a slower rate, (5 and 4 percent respectively) and investment to grow at the same rate as the GDP, which implies an ICOR of 4.8.

4.07 The first scenario would result in declining per capita private consumption, which is inconsistent with the proposed growth of the agricultural sector (Table 25). To provide incentives to expand rural output, rural incomes must be raised in real terms, which means that there must be some

Table 24: REFERENCE SCENARIO MAIN ASSUMPTIONS AND INPUTS  
(High and Low Alternatives)

	Inputted Growth percent a year Constant Terms		Assumptions
	1980-85	1986-90	
<u>Gross Domestic Product</u>			
Agriculture	2.6	2.6	Demographic growth to achieve self-sufficiency
Bauxite/alumina	2.4	0.3	Reaching installed capacity by 1985
Diamond Extraction	10.0	10.0	Full rehabilitation by 1981
Manufacturing	4.0	5.0	Rehabilitation of existing enterprises
Utilities	11.7	5.0	Rehabilitation of existing facilities
Construction	6.0	6.0	Following growth in investment
Other Sectors	4.0	5.0	Rates observed in similar countries
<u>Expenditure on GDP</u>			
Investment			
high alternative	5.6	5.9	From 13% of GDP in 1978 to 20% in 1990
low alternative	3.1	3.3	15% of GDP between 1980-90
Government Consumption			
high alternative	8.0	7.0	Trend projection
low alternative	5.0	4.0	Restraint in civil service hiring
Private consumption	NA	NA	Residual
Resource Gap	NA	NA	Residual
Exports			
Agricultural	4.0	4.0	Introduction of incentives to small-farmers
Bauxite/alumina	2.4	0.3	Same as production
Diamonds	10.0	10.0	Same as production
Imports			
Foodstuffs	-	-	Constant 1978 level
Consumer Goods	3.0	3.8	Growing faster than private consumption (E = 1.1)
Capital Goods	5.6	5.9	Growing with investment (E = 1.0)
Fuels	2.8	2.3	Growing with value added in industry (E = 1.0)
Intermediate Goods	2.8	2.3	Idem
NFS	3.1	3.3	Indexed to GDP growth (E = 1.0)
<u>Balance of Payments</u>			
Capital Inflows	NA	NA	Constant at 1979 prices, with high grant element
Private Debt Non-			
Guaranteed	NA	NA	CBG outstanding commitments
Factor Service Payments	NA	NA	Constant in 1979 prices
Grants			Projected UN and EDF indicative programs

E = elasticity.

Table 25: GROWTH, INVESTMENT AND SAVINGS PROJECTIONS

	High Government Consumption and Capital Intensive Investment		Low Government Consumption and less Capital Intensive Investment	
	1980-85	1985-90	1980-85	1985-90
	Annual average growth rates in 1978 terms (percent)			
Gross domestic product	3.1	3.3	3.1	3.3
Gross domestic income	3.4	3.4	3.4	3.3
Consumption	3.1	3.5	3.4	3.9
Public	8.0	7.0	5.0	4.0
Private	1.8	2.2	3.1	3.8
Gross national savings	8.7	2.9	5.2	-2.3
Investment	5.6	5.9	3.1	3.3
Net capital inflow requirements	2.7	8.8	1.3	8.0
Current account balance	2.7	8.8	1.3	8.0
Resource gap	5.6	12.1	3.5	11.3
	5-year ICOR coefficients			
ICOR	5.3	5.6	4.8	4.5

increase in the command of the rural sector over wage goods. The second scenario would provide such an opportunity, allowing private consumption per capita to increase in real terms at an average rate of about 0.8 percent p.a. between 1980-90. The main burden for increasing savings and reducing investments would fall on the public sector. There is limited scope for increasing private savings as a function of income.

4.08 The simulations also highlight the seriousness of the balance of payments constraint. In both scenarios imports grow faster than exports, factor service payments are relatively stable (reflecting the reduced debt service of CBG and FRIGUIA, the increased availability of local skilled labor, and the soft terms of new commitments), and guaranteed external debt remains stable at about US\$190 million p.a. at constant 1980 prices. Direct foreign investments are projected at US\$20 million p.a. Under these circumstances Guinea's resource gap would widen and the deficits in the current account and the overall balance of payments would increase.

4.09 Higher public consumption and investment would result in overall balance of payments deficits of US\$150-200 million through 1985 and close to US\$0.5 billion in 1990, i.e. 9 percent of GDP, while the current account deficit would exceed 12 percent of GDP in 1990. Lower public consumption

and investment would reduce the balance of payments deficit to 7.5 percent of GDP in 1990 (Table 26). Although in both cases the resource gap was deliberately compressed in view of the foreign exchange constraint, deficits still arise because of inelastic factor payments and relatively low capital inflows.

4.10 The overall debt service ratio, which exceeded 50 percent of exports in recent years, would fall to 26 percent in 1985 and 25 percent by 1990, but only if outstanding arrears are not liquidated and the overall gap is not financed. The financing of arrears by the respective donors and of the overall deficit by commercial sources would result in an untenable debt service burden of 56 percent of exports in 1985 and over 80 percent in 1990. Efforts would be required to narrow the gap and to finance at least part of it on concessional terms.

4.11 The implementation of new major projects (particularly in mining, ore processing and hydropower generation) is to some extent outside of Guinea's control since they depend upon the evolution of international markets, decisions of foreign investors, and in some cases the cooperation of neighboring countries. During the implementation stage, the capital inflows associated with these projects would finance their own investments and input needs, which means that these projects would have a neutral impact on the balance of payments. Still, the incomes earned by local labor in construction and other activities would add to consumption and import demand. Since these projects are unlikely to go on stream before 1985, it is this increase in demand that will probably be the main contribution of the large projects in the next five years. Their longer-term impact on the balance of payments would depend upon the financing, marketing and profit distribution arrangements with external lenders and investors. With appropriate conditions and phasing, they could add substantially to Guinea's foreign exchange earning capacity in the late 1980s. Although the big projects will thus not help Guinea's balance of payments deficits in the years to come, they could provide some scope for additional borrowing in the latter part of the decade.

4.12 Failure to implement at least one new major export-earning project, or even substantial delays, would seriously endanger Guinea's chances of economic recovery, depriving it of the resources needed to provide adequate incentives to the rural sector. However, past experience shows that more is needed than a mere increase in the resource base. Policy changes designed to make proper use of the new resources would have to be articulated and tested through pilot operations in a regional or sectoral context prior to the projects' coming on stream. The considerable lead-time needed by such projects calls for immediate action to ensure adequate preparation. Their realization faces constraints linked to Guinea's ability to supply skilled manpower, foodstuffs, housing, transport and communication services, utilities and social services, as well as domestic financing, not to mention external financing. Project preparation should, therefore, include an analysis of Guinea's absorptive capacity in these critical areas to enable the planning of upgrading the necessary facilities.

Table 26: BALANCE OF PAYMENTS PROJECTIONS

(million US\$ at current prices)

	Actual			Projected					
	1972/73	1976	Preliminary 1979	High Alternative			Low Alternative		
				1980	1985	1990	1980	1985	1990
Exports of goods and non-factor services	58	253	373	451	786	1,123	451	786	1,123
Imports of goods and non-factor services	193	287	394	549	981	1,613	544	950	1,525
Resource balance	-135	-34	-21	-98	-195	-490	-93	-164	-402
Net factor service income	-44	-54	-97	-108	-144	-203	-108	-144	-203
Net transfers	8	8	14	28	34	41	28	34	41
Current account balance	-171	-80	-104	-178	-305	-652	-173	-274	-565
Public capital inflows	52	4	15	26	100	146	26	100	146
Private capital inflows	70	-25	-14	11	38	45	11	38	45
Net capital inflows	122	-21	1	37	138	191	37	138	191
Change in reserves ( - = increase)	-5	-11	-34	-19	-21	-31	-18	-19	-28
Gap - change in arrears	26	44	58	-	-	-	-	-	-
- change in bank short-term foreign liabilities	-26	67	102	160	188	492	154	155	402
Errors and omissions	54	1	-23	-	-	-	-	-	-
Memorandum items									
Current account as % of GDP	18.2	6.4	6.8	8.9	9.0	12.1	8.7	8.0	10.5
Overall gap as % of GDP	-	8.9	10.4	8.0	5.5	9.2	7.7	4.6	7.5
Debt service as % of exports of GNFS (gap excluded) <sup>1/</sup>	72.22/	51.9	55.7	48.2	25.9	25.3	48.2	25.9	25.3
Gap service <sup>3/</sup>	-	-	-	1.9	27.7	61.3	1.9	26.0	54.0
Arrears service	-	-	-	2.6	3.8	2.1	2.6	3.8	2.1

<sup>1/</sup> Scheduled

<sup>2/</sup> Public debt only

<sup>3/</sup> Financed on commercial terms

4.13 In summary, the simulations highlight the following:

- (a) overall growth will critically depend on improvements in the rural sector, particularly on the ability of smallholders to increase their production and marketable surpluses;
- (b) current policies of capital-intensive investment, if continued, will not allow for the increase in consumption deemed necessary to provide adequate incentives to producers (except for mining projects and projects where use of non-fungible resources will yield a high economic rate of return);
- (c) high government consumption would increasingly bias income distribution in favor of urban dwellers and directly hinder rural growth;
- (d) the only major untapped reserve for boosting exports and substituting for imports in the short- and medium-run remains agriculture, and particularly smallholders' production as it involves minimum use of both external assistance and imported inputs;
- (e) further relaxation of some command mechanisms could attract badly needed foreign private investment;
- (f) Guinea will continue to have balance of payments difficulties regardless of any measures taken in the near future, which justifies more concessional assistance for both investment and balance of payments support.

### C. Major Constraints

4.14 From the above findings, two interrelated policy issues emerge, which the Government should address: one is Guinea's capacity to generate, manage, and use foreign exchange, the other is the need to revitalize and expand rural production and to transfer more purchasing power from the urban and public sector to rural dwellers. The Government will retain the primary responsibility for initiating and managing the reforms needed and the future course of economic policies, as substantial parts of the economy in manufacturing, agriculture, transports, trade, utilities, banking, etc. will remain wholly or partly in the public sector.

#### Foreign Exchange Shortage

4.15 In the period through about 1990 until a major enclave project comes on stream, Guinea's earnings of foreign exchange will be insufficient to both cover minimum import requirements and service the external debt, given its present structure of production and exports. Thus a relaxation of the foreign exchange constraint enabling Guinea to restore its capacity to borrow abroad

on conventional terms (excluding enclaves) and support a more balanced investment program can hardly be achieved in the short run. The Government could alleviate this constraint by concentrating its efforts on:

- (a) Generation of additional foreign exchange through new exports, import substitution and optimization, and mobilization of new capital inflows;
- (b) Use of foreign exchange to enhance production and exports, and to limit waste and current consumption;
- (c) Management of foreign exchange to ensure better planning, programming and budgeting.

To be successful, these efforts would have to be undertaken simultaneously, and would involve an improvement in the overall resource allocation mechanisms, through domestic resource costing, increased autonomy and responsibility of economic agents, improved planning and its decentralization, encouragement of private initiative and market mechanisms in agriculture, industry, trade and transport.

4.16 Short- and medium-term generation and/or savings of foreign exchange could be enhanced among others through increased exports by smallholders (pineapple, mangoes, coffee, palm kernels), revitalization of existing plantations (pineapple and coconut in particular), import substitution of foodstuffs (primarily rice), increased exports of livestock (selected N'Dama breed) increased reliance on domestic supply of services (skilled labor), improved project preparation and implementation to increase the absorptive capacity for foreign capital, and further liberalization of the economy to attract private investment.

4.17 Economic pricing of resources is imperative if the pervasive distortions throughout Guinea's economy are to be compensated for. Two aspects are crucial in this respect: (a) pricing policies and market mechanisms more conducive to higher production, particularly in the rural sector. It is expected that the ongoing "Producer Incentives Study" (Bank-financed Rice Development Project) will lead to recommendations in this area; and (b) use of shadow-pricing in project selection to ensure compliance with economic efficiency criteria. The use of additional foreign exchange resources that could be generated through the actions described above and through future large mining, ore processing, or agricultural projects, must be subject to a rigorous evaluation and allocation if they are to contribute to the necessary structural changes in the economy. Another urgent task facing the Government is the strengthening of planning and programming capabilities at both national and sector levels.

#### Stagnant Rural Production

4.18 Rural development issues dominate the picture of future economic development. Policies encouraging the transfer of a larger share of the incremental national income to smallholders would raise rural productivity

and output, improve the structure of domestic demand and have positive effects on economic growth and the balance of payments. In most Western African countries it has been found that the rural population is responsive to producer incentives and, compared to urban dwellers, tends to spend a larger part of its income on domestically produced goods. Shifts in income towards smallholders tend to increase exports, reduce imports, and increase demand for local products. Such a policy represents the most significant short-run option for raising output and revenues and reducing the drain on foreign exchange. As discussed in Chapter II, the Government is increasingly recognizing the need to encourage smallholders to produce, but more will have to be done to offer producers adequate incentives. The transfer of incremental income can be achieved through direct measures addressed to smallholders and through broad-based policy changes concerning investment and public consumption.

#### D. Policy Issues

4.19 In the short- and medium-term the stimulation of rural development has the greatest potential for growth. This requires a pooling of resources from the rest of the economy, that is, the revitalization of rural production crucially depends on the prudent use of investment funds, reduction of government consumption and wasteful expenditure, and lastly on effective income redistribution.

##### Optimization of Investment

4.20 The Government should scrutinize the composition of public investment to ensure that the modern sector does not absorb capital that could be more productive elsewhere. This point is important in view of recent patterns observed in investment allocation whereby capital-intensive projects in agriculture, manufacturing, air transports etc., are favored, which leads to high capital/output ratios (ICOR) that are inconsistent with Guinea's critical balance of payments situation. An alternative approach that could reduce investment per unit of incremental GDP would be to rehabilitate existing capital assets, use simpler technologies and more labor-intensive projects, and rely more on private investment. This would leave more resources for private consumption and lower external financing needs as well as imports.

4.21 In the rural sector there is need for improved collection, distribution and marketing facilities, for improved provision of agricultural inputs and extension services to smallholders, and in the longer-run for the upgrading of human resources. Transport, marketing and distribution channels are of critical importance for realizing the production potential of the rural sector. The Government faces a difficult choice in planning investment for infrastructure development: in some cases, development of mining and related projects, though beneficial for the balance of payments, might postpone sine die rural infrastructure investments. Our assessment of the transport sector identified as main bottlenecks the poor condition

of the main port-railway transport corridor Conakry-Kankan, and the limitations of the primary and secondary road system paralleling the Conakry-Kankan railway and branching to the regional centers. The present policies of heavily subsidizing socialist agriculture and allocating scarce imports and credits for its development should be carefully scrutinized given the serious ramifications of tying up large amounts of resources in unproductive ventures. Human resource development is yet another requisite for increased rural productivity. Guinea has made a great deal of progress in bringing education to its rural population, but the educational system does not yet provide adequate access to primary education, and illiteracy rates are still high. Enhancing educational opportunities in rural areas and improving the quality of education would favor the spread of basic literacy and numeracy skills, and facilitate the introduction of more advanced techniques and modern inputs made available by an improved resource base and better resource allocation.

4.22 Projects for mining development clearly deserve urgent action in view of their contribution to the balance of payments and government revenues. The Mifergui-Nimba project appears to be a first priority, as its preparatory studies are well advanced and the remaining technical, managerial and marketing problems reportedly close to being adequately solved. Other projects, particularly the Konkoure project, offer definite long-term opportunities in view of Guinea's resource potential and their possible impact on the economy, and their preparation should continue. However, as their implementation might be delayed by sluggish international markets, the competing claims on Guinean resources, inadequate domestic demand and the need to complete preparation, longer gestation periods might have to be considered. New developments point to the increasing attractiveness of smaller projects (e.g. diamonds and gold) involving lighter investment and quicker returns.

4.23 While smallholder farming must receive high priority, industrial agriculture should by no means be neglected. In fact, the policies and resources to move in both of these directions in the rural sector need not be mutually exclusive. Rehabilitation and growth of agricultural export activities most likely will be achieved through plantation projects. They are easy to identify, prepare and implement and to attract foreign financing, and more likely to achieve success in the critical area of international marketing. Industrial agriculture projects would aim at reestablishing and expanding Guinea's proven export potential for coffee, cocoa, palm, bananas, pineapple, and other tropical fruits, etc., and eventually initiate new exports of such products as livestock, rubber and tropical wood, which are in demand in neighboring countries and on the international market. Recent feasibility studies (see Chapter III. B) identified a significant potential in this field. Its realization is, however, subject to securing international marketing opportunities and associated external financing, and to the availability of adequate transport and export facilities. Active promotion of these projects might attract additional financing from official assistance sources, which would have the effect of softening overall financial terms, bolstering private investors' confidence and diminishing their perception of the risks involved. With the exception of fresh fruits and vegetables, most of the commodities that Guinea could export are subject to stabilization under the Lome Agreement or some other international agreements. The Government should therefore secure market quotas whenever applicable, in anticipation of the projects to be implemented.

4.24 Present use of external official assistance to rehabilitate Guinea's productive facilities in manufacturing, energy, water supply, etc., and infrastructure, and to improve the quality of education and training, should continue in the 1980s. A greater effort should be made to ascertain the recurrent costs of the projects and particularly the foreign exchange needs for imports of spare parts, raw materials, services and technical assistance following the construction period: foreign exchange management aspects (see para. 4.15) should be integrated into the projects' design and take into consideration the country's resources in the short- and medium-term. The economic analysis of these projects will have to include appropriate pricing of output to recover investment outlays as measured by the opportunity costs involved. Complementary investment policies will have to ensure adequate supply and use of production of the new projects. In the human resources sector, more attention should be paid to improving the quality of education than to expanding the volume, particularly with regard to higher education and to upgrading the unskilled labor force.

4.25 Investment volumes for modern sector projects greatly exceed those in other sectors, including smallholder agriculture. This is not a reflection of the order of priorities, but a result of the high capital intensity and indivisibility of modern sector investment. These projects, and specifically those in mining, ore processing, hydropower generation and industrial agriculture, are largely self-contained and use a high proportion of nonfungible external financing. They should not hinder Government's ability to obtain external financing for other investments.

4.26 External financing of investment should continue to play a significant role in the following areas:

- (a) private credits not guaranteed by the Government, and direct investment, leading to the creation of export-oriented enclave production facilities, mainly in mining and mining-related activities, as well as in industrial agriculture;
- (b) official assistance and, when necessary, suppliers' credits for infrastructure development related to the export activities mentioned above, agricultural export projects, rehabilitation of utilities, manufacturing enterprises transport and communications, upgrading of education and training facilities, and last but not least, development of smallholder agriculture.

In both cases, financing terms should ensure adequate financial and economic returns, with particular emphasis on recurrent costs and the foreign exchange constraint.

#### Reducing Wasteful Public Expenditure

4.27 Wasteful expenditure can be traced to two major areas: (a) excessive government consumption; (b) performance of parastatal enterprises. The first one is a direct result of present education and employment policies. Emphasis on general secondary education and higher education has placed

increasing pressure on the civil service and public enterprises as a result of inordinate recurrent expenditures for higher education and wage and salary bills for civil servants. In view of the already poor quality of higher education a reduction in recurrent expenditures would be detrimental. The most feasible approach is an immediate and substantial reduction in the admission levels in universities and general secondary educational institutions. The recent Education Sector Study conducted by UNESCO identified enrollment in agro-zootechnic faculties in particular as excessive. To diversify secondary education more primary education graduates could be directed to skilled workers training. Simulations assuming a slower increase in government consumption (basically in hiring of new employees) indicate that per capita private consumption could be maintained within the economic growth rates projected by the reference scenario.

4.28 As regards the second area, deficit financing of public enterprises drains domestic resources through massive budget and exceptional assistance provided by the central government, credit expansion and preferential use of import allocations and external credits (see Chapter II). Education policies described above would ease some of the pressure on the current expenditures of public enterprises. A good deal remains to be done in improving public enterprises' financial and personnel management, increasing their autonomy and responsibility, and rehabilitating the most viable operations. Introduction of performance criteria and increased competition offered by the private sector could reduce the excessive costs of state enterprises' goods and services, and their drain on scarce resources. The Government has already taken steps to close some enterprises and rehabilitate others.

#### Income Redistribution

4.29 The above policy suggestions indirectly address the stagnation of agriculture. A direct redistribution of income could be achieved by (a) providing incentives to smallholders through adequate pricing and marketing of agricultural produce and consumer goods and (b) reducing demand generated by modern sector employees. The ongoing study on producer incentives and new research that is being conducted through pilot projects are expected to pinpoint the reasons for the low productivity in the rural sector and to lead to appropriate recommendations. Pricing of agricultural products will have to be related to the pricing of foreign exchange (and therefore of exports and imports), to the pricing of goods and services produced by the modern sector, and to wage and interest rate levels. In the marketing area, a thorough analysis of the role of public enterprises should lead to recommendations regarding their organization and implementations with market mechanisms.

4.30 Lastly, modern sector employees have preferential access to and use a disproportionate share of scarce imported and domestically produced goods and services, mostly priced below the true value of resources (particularly foreign exchange). More restrictive education and employment policies could dampen demand somewhat and free incremental income to be redistributed to the rural sector. Broadening the base of the employment pyramid in the modern sector so as to reduce the ratio of professionals to skilled workers could result in lower average incomes for urban dwellers and reduce income disparity between urban and rural sectors.

E. Concluding Observations

4.28 The foreign exchange constraint will remain crucial in the coming years and development of the mining sector will be unable to provide relief in the short run. The failure to change existing policies would result in a growing inability to finance external debt, operate new projects, and import consumer goods directly needed for achieving the producer incentives goal. In turn, this would limit Guinea's access to foreign capital for investment, would prevent efficient operation of projects and would maintain the rural sector at subsistence levels. Economic growth and development would be jeopardized and the standard of living of the poorest would be eroded further.

4.29 Policy changes addressing the issues presented above could create the conditions for sound economic development in line with Guinea's natural and human resource endowment. The lead time required to initiate changes in the rural sector and to implement major new mining projects means that Guinea will have to face a difficult transition period for most of the 1980s. Serious efforts will have to be made to preserve present modest rates of growth and standards of living. Present consumption, both public and private (particularly in the urban sector) would have to be limited to allow for greater investment and future growth. Fiscal austerity and increased public savings, together with the greater participation of the private sector, could gradually enable the realization of Guinea's development potential and lead to improved long-term prospects.

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TABLE 1.1: DEMOGRAPHIC INDICATORS, 1959-80  
SELECTED YEARS  
(THOUSANDS)

	1950	1955	1960	1965	1970	1975	PRELIMINARY 1980
	----	----	----	----	----	----	----
TOTAL POPULATION BY AGE GROUP	2,456	2,725	3,067	3,510	4,069	4,714	5,408
0-14	1,040	1,149	1,290	1,477	1,731	2,034	2,372
15-19	249	279	314	355	405	466	535
20-44	810	906	1,027	1,176	1,348	1,534	1,727
45-64	278	308	350	406	471	544	617
65+	79	83	86	96	114	136	157
TOTAL POPULATION BY AREA	2,456	2,725	3,067	3,510	4,069	4,714	5,408
URBAN	135	228	304	412	563	767	1,033
RURAL	2,321	2,497	2,763	3,098	3,506	3,947	4,375
TOTAL LABOR FORCE BY SEX	1,243	1,366	1,522	1,713	1,940	2,174	2,410
MALE	736	811	908	1,022	1,158	1,303	1,452
FEMALE	507	554	614	691	782	871	958
TOTAL LABOR FORCE BY AGE GROUP	1,243	1,366	1,522	1,713	1,940	2,174	2,410
10-14	121	130	140	152	166	175	184
15-19	192	210	232	255	284	313	344
20-44	674	747	838	951	1,079	1,216	1,356
45-64	215	237	269	309	357	409	458
65+	41	41	43	46	54	61	67
TOTAL LABOR FORCE BY SECTOR	1,243	1,366	1,522	1,713	1,940	2,174	2,410
AGRICULTURE	N/A	N/A	1,342	N/A	1,643	N/A	1,976 <u>1/</u>
INDUSTRY	N/A	N/A	93	N/A	165	N/A	265 <u>1/</u>
SERVICES	N/A	N/A	87	N/A	132	N/A	169 <u>1/</u>

SOURCE: WORLD BANK, EPD (1980)

1/ USING 1978 SECTOR DISTRIBUTION OF LABOR FORCE AS FOLLOWS:

AGRICULTURE 82%  
INDUSTRY 11%  
SERVICES 7%

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TABLE 1.3: EDUCATION SECTOR SELECTED INDICATORS, 1958-1978/79  
SELECTED YEARS

	Enrollment			Indexes (Percentages)			Average Growth Rates (Percentages)		
	1958	1968	1978/79	1958	1968	1978/79	1958-68	1968-78	1958-78/79
NUMBER OF STUDENTS	45,090.0	174,156.0	362,786.0	100.0	386.2	804.6	14.5	7.6	11.0
PRIMARY	42,543.0	144,394.0	252,100.0	100.0	339.4	592.6	13.0	5.7	9.3
SECONDARY	2,547.0	29,118.0	89,947.0	100.0	1,143.2	3,531.5	27.6	11.9	19.5
UNIVERSITY	---	644.0	20,739.0	N/A	100.0	3,220.3	N/A	41.5	N/A
NUMBER OF SCHOOLS	296.0	1,814.0	2,761.0	100.0	612.8	932.8	19.9	4.3	11.8
PRIMARY	287.0	1,560.0	2,370.0	100.0	543.6	825.8	18.4	4.3	11.1
SECONDARY	9.0	252.0	346.0	100.0	2,800.0	3,844.4	39.5	3.2	20.0
UNIVERSITY	---	2.0	45.0	N/A	100.0	2,250.0	N/A	36.5	N/A
NUMBER OF TEACHERS	905.0	5,050.0	10,795.0	100.0	558.0	1,192.8	18.8	7.9	13.2
PRIMARY	843.0	3,894.0	6,608.0	100.0	461.9	783.9	16.5	5.4	10.8
SECONDARY	62.0	1,086.0	3,171.0	100.0	1,751.6	5,114.5	33.2	11.3	21.7
UNIVERSITY	---	70.0	1,016.0	1/	N/A	100.0	N/A	30.7	N/A

SOURCE: UNESCO

1./ 1977/78

NA = NOT APPLICABLE

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TABLE 2.1: GROSS DOMESTIC PRODUCT AT CURRENT MARKET PRICES  
BY INDUSTRIAL ORIGIN, 1973-79  
(IN MILLION SYLIS)

	1973	1974	1975	1976	1977	1978	1979
	-----	-----	-----	-----	-----	-----	-----
GDP AT MARKET PRICES	19,415	21,282	22,950	26,531	26,676	28,773	29,425
	=====	=====	=====	=====	=====	=====	=====
RURAL SECTOR	11,283	11,554	12,044	12,656	12,306	12,528	11,943
	-----	-----	-----	-----	-----	-----	-----
AGRICULTURE	7,920	8,144	8,576	9,137	8,736	8,863	8,177
SMALLHOLDERS, BMP/BAP	7,864	8,087	8,518	9,078	8,676	8,802	8,115
PUBLIC ENTERPRISES	56	57	58	59	60	61	62
LIVESTOCK	915	928	943	957	971	997	1,027
FISHERIES	217	220	223	226	229	235	241
FORESTRY	2,231	2,262	2,302	2,336	2,370	2,433	2,498
INDUSTRIAL SECTOR	2,562	3,679	4,614	6,283	6,655	7,290	7,767
	-----	-----	-----	-----	-----	-----	-----
MINING	811	1,848	2,673	4,230	4,610	4,937	5,444
MANUFACTURING	924	979	1,034	1,109	1,170	1,372	1,400
PUBLIC UTILITIES	166	166	186	208	190	223	223
CONSTRUCTION	661	686	721	736	685	758	700
TERTIARY SECTOR	5,570	6,049	6,292	7,592	7,715	8,955	9,715
	-----	-----	-----	-----	-----	-----	-----
TRANSPORTATION	559	593	608	622	565	705	650
COMMERCE	2,803	2,930	3,071	4,162	3,998	4,855	5,200
BANKING AND INSURANCE	264	277	292	423	405	622	550
ADMINISTRATION	1,944	2,249	2,321	2,385	2,747	2,773	3,315
LESS, INDIRECT TAXES NET OF SUBSIDIES	1,205	1,183	1,537	2,918	3,259	4,097	4,312
GDP AT FACTOR COST	18,210	20,099	21,413	23,613	23,417	24,676	25,113
	=====	=====	=====	=====	=====	=====	=====

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING

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TABLE 2.2: GROSS DOMESTIC PRODUCT AT CONSTANT 1973 MARKET PRICES  
BY INDUSTRIAL ORIGIN, 1973-79  
(IN MILLION SYLIS)

	1973	1974	1975	1976	1977	1978	1979
	-----	-----	-----	-----	-----	-----	-----
GDP AT MARKET PRICES	19,415	20,425	21,021	22,912	22,252	23,506	23,505
	=====	=====	=====	=====	=====	=====	=====
RURAL SECTOR	11,283	11,421	11,705	12,194	11,516	11,564	10,845
	-----	-----	-----	-----	-----	-----	-----
AGRICULTURE	7,920	8,011	8,237	8,675	7,946	7,899	7,079
SMALLHOLDERS, BMP/BAP	7,864	7,954	8,179	8,616	7,886	7,838	7,017
PUBLIC ENTERPRISES	56	57	58	59	60	61	62
LIVESTOCK	915	928	943	957	971	997	1,027
FISHERIES	217	220	223	226	229	235	241
FORESTRY	2,231	2,262	2,302	2,336	2,370	2,433	2,498
INDUSTRIAL SECTOR	2,562	3,104	3,392	3,741	3,743	3,992	4,099
	-----	-----	-----	-----	-----	-----	-----
MINING	811	1,401	1,753	2,078	2,167	2,235	2,418
MANUFACTURING	924	904	856	875	874	988	972
PUBLIC UTILITIES	166	166	186	208	190	223	223
CONSTRUCTION	661	633	597	580	512	546	486
TERTIARY SECTOR	5,570	5,900	5,924	6,977	6,993	7,950	8,561
	-----	-----	-----	-----	-----	-----	-----
TRANSPORTATION	559	570	557	549	483	590	533
COMMERCE	2,803	2,815	2,782	3,670	3,417	4,066	4,262
BANKING AND INSURANCE	264	266	264	373	346	521	451
ADMINISTRATION	1,944	2,249	2,321	2,385	2,747	2,773	3,315
LESS, INDIRECT TAXES NET OF SUBSIDIES	1,205	1,135	1,408	2,520	2,719	3,347	3,444
GDP AT FACTOR COST	18,210	19,290	19,613	20,392	19,533	20,159	20,061
	=====	=====	=====	=====	=====	=====	=====

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TABLE 2.3: IMPLICIT PRICE DEFLATORS FOR GROSS DOMESTIC PRODUCT  
AT MARKET PRICES BY INDUSTRIAL ORIGIN  
(PERCENTAGES)

	1973	1974	1975	1976	1977	1978	1979
	-----	-----	-----	-----	-----	-----	-----
GDP AT MARKET PRICES	100.00	104.20	109.18	115.80	119.88	122.41	125.19
	=====	=====	=====	=====	=====	=====	=====
RURAL SECTOR	100.00	101.16	102.90	103.79	106.86	108.34	110.12
	-----	-----	-----	-----	-----	-----	-----
AGRICULTURE	100.00	101.66	104.12	105.33	109.94	112.20	115.51
SMALLHOLDERS, BMP/BAP	100.00	101.67	104.14	105.36	110.02	112.30	115.65
PUBLIC ENTERPRISES	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LIVESTOCK	100.00	100.00	100.00	100.00	100.00	100.00	100.00
FISHERIES	100.00	100.00	100.00	100.00	100.00	100.00	100.00
FORESTRY	100.00	100.00	100.00	100.00	100.00	100.00	100.00
INDUSTRIAL SECTOR	100.00	118.52	136.03	167.95	177.80	182.62	189.49
	-----	-----	-----	-----	-----	-----	-----
MINING	100.00	131.91	152.48	203.56	212.74	220.89	225.14
MANUFACTURING	100.00	108.30	120.79	126.74	133.87	138.87	144.03
PUBLIC UTILITIES	100.00	100.00	100.00	100.00	100.00	100.00	100.00
CONSTRUCTION	100.00	108.37	120.77	126.90	133.79	138.83	144.03
TERTIARY SECTOR	100.00	102.53	106.21	108.81	110.32	112.64	113.48
	-----	-----	-----	-----	-----	-----	-----
TRANSPORTATION	100.00	104.04	109.16	113.30	116.98	119.49	121.95
COMMERCE	100.00	104.09	110.39	113.41	117.00	119.40	122.01
BANKING AND INSURANCE	100.00	104.14	110.61	113.40	117.05	119.39	121.95
ADMINISTRATION	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LESS, INDIRECT TAXES NET OF SUBSIDIES	100.00	104.23	109.16	115.79	119.86	122.41	125.20
GDP AT FACTOR COST	100.00	104.19	109.18	115.80	119.88	122.41	125.18
	=====	=====	=====	=====	=====	=====	=====

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TABLE 2.4: GROSS DOMESTIC EXPENDITURE AT CURRENT PRICES, 1973-79  
(MILLION SYLIS)

	1973	1974	1975	1976	1977	1978	1979
GDP AT MARKET PRICES	19,415	21,282	22,950	26,531	26,676	28,773	29,425
INVESTMENT	3,105	3,588	4,074	4,017	2,819	3,741	4,379
PUBLIC AND PARAPUBLIC	1,961	2,413	2,867	2,777	1,549	2,441	3,039
PLAN INVESTMENT	1,400	1,784	2,413	2,305	1,075	1,899	2,500 <sup>1/</sup>
REGIONAL	80	85	90	93	105	105	105
LOCAL 2_/	204	204	204	204	204	204	204
PUBLIC ENTERPRISES 3_/	40	40	40	45	15	66	30
PARAPUBLIC ENTERPRISES	237	300	120	130	150	177	200 <sup>4/</sup>
PRIVATE INVESTMENT 5_/	1,144	1,175	1,207	1,240	1,270	1,300	1,340
RESOURCE BALANCE	-2,335	-1,119	-1,085	-742	662	-436	-404
MERCHANDISE EXPORTS (FOB)	1,480 <sup>6/</sup>	2,643 <sup>6/</sup>	3,641 <sup>7/</sup>	5,400	6,200	6,466	7,132
MERCHANDISE IMPORTS (CIF)	3,690 <sup>6/</sup>	3,587 <sup>6/</sup>	4,474 <sup>7/</sup>	5,641	4,916	5,976	6,636 <sup>4/</sup>
NON-FACTOR SERVICES 11_/	-125 <sup>4/</sup>	-175 <sup>8/</sup>	-252 <sup>7/</sup>	-501	-622	-926	-900 <sup>4/</sup>
GROSS DOMESTIC SAVINGS	770	2,469	2,989	3,275	3,481	3,315	3,975
CONSUMPTION	18,645	18,813	19,961	23,256	23,195	25,458	25,450
GOVERNMENT CONSUMPTION	2,756	3,061	3,265	3,199	3,822	4,468	4,831
COMPENSATION OF EMPLOYEES	1,944	2,249	2,321	2,385	2,747	2,773	3,315
CENTRAL GOVERNMENT	1,644	2,040	2,030	2,089	2,421	2,447	3,037
REGIONAL GOVERNMENTS	300	209	291	296	326	326	278
PURCHASE OF GOODS AND SERVICES	812	812	944	814	1,075	1,695	1,516
PRIVATE CONSUMPTION 9_/	15,889	15,752	16,696	20,057	19,373	20,990	20,619
NET FACTOR INCOME FROM ABROAD	-991 <sup>6/</sup>	-852 <sup>6/</sup>	-974 <sup>7/</sup>	-1,134 <sup>12/</sup>	-1,549	-1,709	-1,849 <sup>12/</sup>
NET CURRENT TRANSFER RECEIPTS	250 <sup>4/</sup> <sup>6/</sup>	247 <sup>6/</sup>	153 <sup>7/</sup>	168	331	647	261 <sup>13/</sup>
GNP AT MARKET PRICES	18,424	20,430	21,976	25,397	25,127	27,064	27,576
GROSS NATIONAL SAVINGS 10_/	29	1,864	2,168	2,309	2,263	2,253	2,387
NATIONAL SAVINGS GAP	-3,076	-1,724	-1,906	-1,708	-556	-1,498	-1,992

SOURCE: IBRD

- 1\_/ BUDGETED EXPENDITURE
- 2\_/ PLANNED EXPENDITURE 1973-78 (SEE PUBLIC FINANCES REPORT, 1974)  
SYLIS 1073 MILLION OVER 5.25 YEARS
- 3\_/ AUTOFINANCING ONLY
- 4\_/ ESTIMATED
- 5\_/ HOUSEHOLDS INVESTMENT
- 6\_/ ESTIMATED FROM FISCAL YEARS
- 7\_/ 1974/5
- 8\_/ 1973/74
- 9\_/ RESIDUAL VALUE
- 10\_/ IBRD DEFINITION, INCLUDING NET CURRENT TRANSFER RECEIPTS
- 11\_/ AS NO DATA ARE AVAILABLE FOR NON-FACTOR SERVICES, GOVERNMENT  
NET SERVICES ACCOUNT IS USED AS A SUBSTITUTE APPROXIMATION
- 12\_/ INCLUDING INSURANCE PAYMENTS TO FRIGUIA OF SYLIS 76 MILLION  
IN 1976 AND SYLIS 44 MILLION IN 1972
- 13\_/ TREASURY DATA

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TABLE 2.5: GROSS DOMESTIC EXPENDITURE, AT CONSTANT 1973 PRICES, 1973-79  
(IN MILLION SYLIS)

	1973	1974	1975	1976	1977	1978	1979
GDP AT MARKET PRICES	19,415	20,425	21,021	22,912	22,252	23,506	23,505
INVESTMENT	3,105	3,411	3,540	3,352	2,542	3,027	3,280
PUBLIC AND PARAPUBLIC	1,961	2,236	2,333	2,112	1,272	1,727	1,940
PLAN INVESTMENT	1,400	1,644	1,912	1,681	855	1,256	1,505
REGIONAL INVESTMENT	80	85	90	93	105	105	105
LOCAL INVESTMENT	204	204	204	204	204	204	204
PUBLIC ENTERPRISES	40	40	40	45	15	66	30
PARAPUBLIC ENTERPRISES	237	263	87	89	93	96	96
PRIVATE INVESTMENT	1,144	1,175	1,207	1,240	1,270	1,300	1,340
RESOURCE BALANCE	-2,335	-988	-857	-492	403	-257	-201
MERCHANDISE EXPORTS	1,480	1,998	2,438	2,685	2,893	2,944	3,134
PLUS TERMS OF TRADE ADJUSTMENT		335	440	891	881	866	405
LESS MERCHANDISE IMPORTS	3,690	3,181	3,560	3,726	2,977	3,561	3,306
LESS NON-FACTOR SERVICES	125	140	175	342	394	506	434
GROSS DOMESTIC SAVINGS	770	2,423	2,683	2,860	2,945	2,770	3,079
CONSUMPTION	18,645	18,337	18,778	20,943	20,188	21,602	20,831
GOVERNMENT CONSUMPTION	2,756	2,950	3,052	2,933	3,442	3,918	4,295
COMPENSATION OF EMPLOYEES	1,944	2,249	2,321	2,385	2,747	2,773	3,315
-CENTRAL GOVERNMENT	1,644	2,040	2,030	2,089	2,421	2,447	3,037
-REGIONAL GOVERNMENTS	300	209	291	296	326	326	278
PURCHASE OF GOODS AND SERVICES	812	701	731	548	695	1,145	980
PRIVATE CONSUMPTION	15,889	15,387	15,726	18,010	16,746	17,684	16,536
NET FACTOR INCOME FROM ABROAD	-991	-752	-770	-751	-943	-1,007	-918
NET CURRENT TRANSFER RECEIPTS	250	218	121	111	201	381	130
GNP AT MARKET PRICES	18,424	19,673	20,251	22,161	21,309	22,499	22,587
GROSS NATIONAL SAVINGS	29	1,889	2,034	2,220	2,203	2,144	2,291
NATIONAL SAVINGS GAP	3,076	1,522	1,506	1,132	339	883	989
GROSS DOMESTIC INCOME	19,415	20,760	21,461	23,803	23,133	24,372	23,910
GROSS NATIONAL INCOME	18,424	20,008	20,691	23,052	22,190	23,365	22,992

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TABLE 3.11: BALANCE OF PAYMENTS ESTIMATES, 1962-79  
(IN MILLION DOLLARS)

	1962	1963	1964	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1976	1977	1978	1979 PRELIMINARY
CURRENT ACCOUNT	-1,837	-720	-686	-550	-709	-578	-427	-657	-1,297	-909	-1,713	-3,547	-1,663	-1,906	-1,708	-586	-1,498	-1,984
TRADE BALANCE	-1,637	-597	-403	-312	-222	-59	75	-371	-592	-695	-1,184	-2,620	-981	-823	-241	1,284	490	498
EXPORTS FOB (GOODS)	1,270	1,385	1,280	1,280	1,282	1,257	1,300	1,240	1,340	1,282	1,254	1,203	2,310	3,441	5,400	6,466	6,466	7,132
IMPORTS CIF (GOODS)	-2,746	-1,619	-1,708	-1,592	-1,504	-1,316	-1,225	-1,611	-1,932	-1,977	-2,438	-3,823	-3,291	-4,474	-5,641	-4,916	-5,976	-6,634
GOVERNMENT SERVICES AND TRANSFERS	-NA	180	222	-NA	-119	-404	-736	-764	-722	-1,109								
SCHEDULED INTEREST PAYMENTS	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-232	-308	-485	-446	-470	-70
UNREQUITTED TRANSFERS	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	279	153	331	647	270	270
OTHER SERVICES (NET)	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-175	-252	-501	-622	-924	-900
PRIVATE SERVICES AND TRANSFERS	-NA	-512	-484	-NA	-543	-667	-731	-1,104	-1,266	-1,373								
INTEREST PAYMENTS	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-452	-378	-420	-411
WORKERS REMITTANCES	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-119	-119	-119	-119
INVESTMENT INCOME	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-147	-147	-147	-147
OTHER FACTOR SERVICES	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-440	-440	-440	-440
OTHER RECEIPTS	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	80	80	80	80
CAPITAL ACCOUNT	1,126	766	756	586	667	435	259	748	1,119	1,099	2,095	2,527	2,339	1,357	-450	-1,363	-57	12
PUBLIC SECTOR MLT	1,083	669	538	539	635	435	-NA	431	1,343	1,637	1,296	1,071	1,327	807	92	-955	336	281
DRAWINGS	217	680	585	700	772	804	730	687	1,650	2,290	1,930	1,866	2,172	1,892	1,497	1,072	2,202	2,502
SCHEDULED AMORTIZATIONS	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-256	-487	-653	-684	-795	-845	-1,085	-1,405	-2,067	-1,866	-2,121
PRIVATE SECTOR MLT	44	97	118	47	35	-NA	27	44	69	99	937	1,590	696	289	-540	-404	-329	-140
DRAWINGS	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA
AMORTIZATIONS	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA
PRIVATE SECTOR SHORT-TERM	-NA	-NA	-NA	-NA	-NA	-NA	-NA	273	-593	-439	-88	-134	316	281	-2	36	-74	-129
ERRORS AND OMISSIONS 1./	-150	17	-9	-73	-90	-141	-102	-131	-631	-809	-236	1,121	-1,456	-82	24	455	-660	-635
OVERALL BALANCE	-861	63	61	-37	-130	-284	-270	-40	-809	-619	146	101	-780	-631	-2,134	-1,464	-2,225	-2,407
COUNTERPART ITEMS (SIR ALLOCATION)	-NA	-NA	-NA	-NA	-NA	-NA	-NA	-NA	79	63	63	-NA	-NA	-NA	-NA	-NA	-NA	-NA
EXCEPTIONAL FINANCING (ARREARS)	-NA	-NA	-NA	-NA	-NA	-NA	-NA	77	293	455	468	536	617	747	944	1,089	1,041	1,108
PRINCIPAL	-NA	-NA	-NA	-NA	-NA	-NA	-NA	56	239	378	413	492	566	589	790	1,088	1,050	1,095
INTEREST	-NA	-NA	-NA	-NA	-NA	-NA	-NA	21	43	37	35	44	51	38	194	81	111	13
CHANGE IN NET FOREIGN ASSETS	861	-53	-61	37	130	284	270	-37	447	101	-677	-637	163	-116	1,150	375	1,184	1,299

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1./ RESIDUAL VALUES

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING

TABLE 12: EXPORT TONNAGES, 1965-1979

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
MINERALS (1000 TONS, UNLESS OTHERWISE SPECIFIED)															
BAULITE	457	375	299	300	577	379	44	184	166	244	176	23	17	418	765
COB (TONE)	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
DIR (KINDIA)	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
HALLO (TAMBARAI)	457	375	299	300	577	379	44	184	166	244	176	23	418	765	
SBR (KASRA)	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
ALUMINA	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
FISQUA (FETA)	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
IRON ORE	826	1,030	373	359	267	536	717	605	707	716	440	---	---	---	---
--- GNC (GOMAR)	826	1,030	373	359	267	536	717	605	707	716	440	---	---	---	---
DIMPONS (1000 GRAMS)	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
AGRICULTURAL COMMODITIES (TONS, UNLESS OTHERWISE SPECIFIED)															
COFFEE	9,000	11,000	9,700	10,000	14,000	18,000	8,000	4,000	2,000	4,000	5,000	4,000	---	---	---
--- PANANG	9,000	11,000	9,700	10,000	14,000	18,000	8,000	4,000	2,000	4,000	5,000	4,000	---	---	---
--- PANANG	9,000	11,000	9,700	10,000	14,000	18,000	8,000	4,000	2,000	4,000	5,000	4,000	---	---	---
--- PALM KERNELS	21,000	23,000	21,000	19,000	23,000	23,000	15,000	1,000	24,000	23,000	25,000	19,000	---	---	---
--- MANGROVE	9,000	---	---	---	---	---	---	---	---	---	---	---	---	---	---
--- RUBBER	9,000	---	---	---	---	---	---	---	---	---	---	---	---	---	---
--- KULI JILES (1000 GMS)	971	---	---	---	---	---	---	---	---	---	---	---	---	---	---
--- PLYWOOD (1000 CUBIC METR)	159	---	---	---	---	---	---	---	---	---	---	---	---	---	---

SOURCES: UNKID MONA, GUINEA - ECONOMIC TRENDS AND PROSPECT (1987)  
 MINISTRE DES FINANCES ET DU PLAN - BULLETIN SPECIAL  
 DE STATISTIQUE (1982) MACROECONOMIC FRAMEWORK (1971)  
 UNKID MONA, GUINEA - RECENT ECONOMIC DEVELOPMENTS (1972/73/74/75/76/77/78)  
 I - COMPILED FROM CALENDAR YEAR PRODUCTION DATA  
 C - ESTIMATED  
 SOURCE: 1980

TABLE 3.24: MERCHANDISE EXPORTS, 1956-79  
(MILLION SYLIS, FOB CURRENT PRICES)

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975	1977	1978	1979 PRELIMINARY
TOTAL EXPORTS FOB	510	520	486	597	1,067	1,349	1,084	1,219	1,213	1,280	1,280	1,250	1,300	1,240	1,340	1,282	1,234	1,203	2,310	3,641	5,400	6,200	6,466	7,132 1/2
MINERALS	130	140	96	107	447	859	764	869	903	900	850	840	850	870	990	966	951	851	2,010	3,444	5,274	5,873	6,331	6,882 1/2
ALUMINA	---	---	---	---	240	710	640	720	720	720	810	820	810	850	800	804	899	851	1,319	1,459	1,528	1,540	1,740	1,916
BAUXITE	50	40	40	50	80	40	10	30	20	20	10	10	10	10	100	72	52	---	691	1,985	3,744	4,333	4,591	4,966 1/2
IRON ORE 1/	70	80	40	40	90	60	70	50	90	70	40	10	10	10	100	---	---	---	---	---	---	---	---	---
DIAMONDS 1/	10	20	16	17	17	23	24	19	23	30	10	10	10	10	10	---	---	---	---	---	---	---	---	---
AGRICULTURAL COMMODITIES	380	380	390	490	500	490	320	330	310	350	400	410	450	370	350	303	294	341	300	197	126	327	135	250 1/2
COFFEE	150	140	170	220	210	160	70	80	80	60	130	70	150	130	140	127	128	131	61	53	43	231	37	---
PANANAS	130	110	120	110	110	160	110	100	70	110	100	100	70	80	30	30	114	75	91	80	---	---	---	---
PEANUTS	40	50	50	20	30	40	20	30	30	50	70	70	80	70	70	103	38	127	130	11	25	48	69	---
PAK Kernels	40	50	50	20	30	40	20	30	30	50	70	70	80	70	70	103	38	127	130	11	25	48	69	---
OTHER	50	70	40	70	70	70	50	50	20	20	30	100	80	50	50	13	8	8	8	11	25	29	20	---
MISCELLANEOUS	---	---	---	---	120	---	---	20	---	30	---	---	---	---	---	13	9	11	---	---	---	---	---	---

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1. -- ESTIMATES  
SOURCES: IFRB, GUINEA - ECONOMIC TRENDS AND PROSPECTS (1967)  
IFRB, GUINEA - MEDIUM TERM MACROECONOMIC FRAMEWORK (1977)  
IFRB, GUINEA - RECENT ECONOMIC DEVELOPMENTS (1977)

TABLE 31. MERCHANDISE IMPORTS, 1956-79  
(MILLION SILLIS, CIF CURRENT PRICES)

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1976	1977	1978	1979	PRELIMINARY
TOTAL IMPORTS CIF	640	925	1,200	2,028	1,992	2,159	1,978	1,619	1,708	1,592	1,505	1,616	1,235	1,611	1,932	1,977	2,438	3,623	3,291	4,474	5,141	4,916	5,976	6,634	6,457
GENERAL IMPORT PROGRAM	640	843	970	1,508	972	1,539	1,324	879	948	984	934	912	582	1,131	1,641	1,972	777	887	1,410	1,423	2,213	2,012	2,823	3,427	3,427
FOOD, BEVERAGE, TOBACCO	120	140	182	254	184	187	304	211	284	432	255	232	180	312	381	305	208	228	380	426	370	404	436	464	464
TEXTILES, CLOTHING	130	104	97	52	78	114	128	135	191	126	172	86	57	142	245	203	140	95	267	194	310	380	380	380	380
PETROLEUM PRODUCTS	90	144	193	104	159	344	178	118	137	57	42	113	81	172	235	285	94	60	64	194	194	194	194	194	194
TRANSPORTATION	20	20	33	25	32	344	178	118	137	54	48	24	40	187	310	194	31	31	97	235	340	294	371	371	371
OTHER GOODS	260	348	409	973	305	440	397	227	184	254	208	428	181	238	248	259	234	337	597	245	752	771	56	56	56
SPECIAL IMPORT PROGRAM																									
PLAN IMPORTS 2./		80	330	520	360	360	360	480	500	318	335	241	467	300	73	225	638	1,038	900	1,250	1,185	757	1,478	1,410	1,410
MINING IMPORTS 3./						260	294	260	260	290	236	163	176	180	218	180	1,023	1,898	981	1,601	1,491	1,347	1,475	1,457	1,457
CBD						260	294	260	260	290	282	163	176	180	218	180	758	1,393	411	641	608	505	421	421	421
FRIGOURA						260	294	260	260	290	282	163	176	180	218	180	265	505	570	960	883	842	872	872	872
OTHER IMPORTS 4./	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	100

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SOURCES: (1) IMF REPORTS, 1957-59 (AUGUST 1964, P. 93); 1960-64 (DECEMBER 1965, PP. 44, 73); 1964/65 (OCTOBER 1970, P. 63); 1965/66-1970/71 (JUNE 1972, P. 80); 1971/72 (MAY 1976, P. 51); 1972/73-1974/75 (AUGUST 1977, P. 39); 1976-78 (MAY 1979, P. 50); (2) 1980 MACROECONOMIC FRAMEWORK (1977); (3) STAFF ESTIMATES

1./ FROM IMPORTS IN CFA FRANCIS  
 2./ OBSERVATIONS FOR 57-59 INCLUDE MAJOR INVESTMENTS (EQUIVALENT TO PLAN IMPORTS FOR CONSISTENCY PURPOSES);  
 OBSERVATIONS FOR 60-62 INCLUDE SILLIS 1000 MILLION REPORTED IN 1962 WERE EQUALLY DISTRIBUTED DURING PLAN EXERCISE  
 3./ OBSERVATIONS FOR 60-61 ARE ESTIMATES, AS MINING IMPORTS WERE INCLUDED IN THE GENERAL IMPORTS  
 4./ PRIVATE TRADE, OTHER JOINT VENTURES  
 5./ BIOR, J.P., ROCKEF, EGYPT, 4/4/80 (US\$35 MILLION)

TABLE 4.1: EXTERNAL PUBLIC DEBT OUTSTANDING BY PAYMENT AREAS, 1968-1979  
(IN MILLION US\$)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
DEBT DISBURSED DECEMBER 31	216.4	235.0	314.2	422.1	489.6	604.9	722.7	761.2	802.5	826.4	906.5	990.4
CLEARING 1./	152.4	160.1	212.6	281.6	323.3	387.1	470.0	489.3	510.9	487.8	484.6	464.9
CONVENTIONAL	64.0	74.9	101.6	140.5	166.3	217.8	252.7	271.9	291.6	338.6	421.9	525.5
SUPPLIERS CREDITS	26.4	26.5	28.3	34.7	36.8	63.0	77.5	79.7	88.8	110.6	144.3	186.5
FINANCIAL INSTITUTIONS	0.8	3.7	8.4	11.4	10.4	21.8	17.3	15.5	14.1	12.4	18.5	19.0
MULTILATERAL	1.7	5.2	20.4	44.6	66.7	72.5	70.6	71.6	72.3	82.6	106.1	126.5
BILATERAL	35.1	39.5	44.5	49.8	52.4	60.5	87.3	105.1	116.4	133.0	153.0	193.5
ANNUAL DISBURSEMENTS	28.4	30.9	89.6	94.1	79.2	91.2	110.4	86.9	70.0	50.7	105.1	130.9
CLEARING 1./	17.4	13.0	58.5	54.3	47.6	38.0	77.6	54.8	39.0	7.9	32.8	24.0
CONVENTIONAL	11.0	17.9	31.1	39.8	31.6	53.2	32.8	32.1	31.0	42.8	72.3	106.9
SUPPLIERS CREDITS	4.5	1.5	4.2	7.8	6.8	27.9	16.9	7.1	14.9	22.1	30.8	58.6
FINANCIAL INSTITUTIONS	0.8	3.2	6.1	3.4	---	13.6	---	---	2.4	---	5.2	---
MULTILATERAL	1.7	3.4	15.2	24.2	22.1	6.8	---	3.3	3.0	12.6	25.1	22.7
BILATERAL	4.0	9.8	5.6	4.4	2.7	4.9	15.9	21.7	10.7	8.1	11.2	25.7
ACTUAL SERVICE PAYMENTS	8.0	12.0	14.5	15.2	19.3	24.5	22.4	34.9	40.4	68.5	65.5	82.9
CLEARING 1./	3.7	6.5	7.2	5.5	6.7	8.8	8.2	21.2	24.1	49.6	44.9	56.3
CONVENTIONAL	4.3	5.5	7.3	9.7	12.6	15.7	14.2	13.7	16.3	18.9	20.6	26.6
SUPPLIERS CREDITS	1.1	1.2	3.1	4.2	5.2	5.2	5.1	3.7	6.1	5.8	7.2	11.1
FINANCIAL INSTITUTIONS	---	0.3	1.7	1.8	2.7	2.6	---	0.4	1.0	---	---	---
MULTILATERAL	---	0.5	0.9	2.1	3.5	6.6	7.7	7.8	7.9	8.6	9.9	9.5
BILATERAL	3.2	3.5	1.6	1.6	1.2	1.3	1.4	1.7	1.3	4.5	3.5	6.0
SCHEDULED SERVICE PAYMENTS	10.9	15.2	28.7	35.1	39.6	51.6	53.3	73.4	84.6	118.8	117.0	140.8
CLEARING 1./	3.5	6.6	17.8	20.4	21.0	26.2	28.5	46.4 <sup>1/</sup>	53.9 <sup>1/</sup>	69.0 <sup>1/</sup>	65.6 <sup>1/</sup>	68.7
CONVENTIONAL	7.4	8.6	11.0	14.8	18.6	25.4	24.8	27.0	30.7	49.8	51.4	72.1
SUPPLIERS CREDITS	3.5	3.9	6.3	7.2	9.2	12.1	9.2	9.6	12.9	29.6	24.7	39.7
FINANCIAL INSTITUTIONS	0.1	0.4	1.0	1.8	2.3	2.3	3.1	3.3	2.4	2.1	2.1	2.9
MULTILATERAL	0.2	0.9	1.2	2.1	3.3	5.4	6.7	6.8	6.9	7.2	8.0	8.5
BILATERAL	3.6	3.4	2.5	3.7	3.8	5.6	5.7	7.4	8.4	10.8	16.6	21.0
COMMITMENTS	83.3	31.5	155.4	60.9	28.2	99.6	154.4	149.2	106.1	46.6	181.1	173.5
CLEARING 1./	5.3	15.4	129.3	28.9	17.1	51.8	108.9	82.3	65.8	---	13.4	5.1
CONVENTIONAL	78.0	16.1	26.1	32.0	11.1	47.8	45.5	66.9	40.3	46.6	167.7	168.4
SUPPLIERS CREDITS	3.7	0.2	21.1	16.0	6.8	33.2	6.4	29.0	15.4	25.1	88.9	25.0
FINANCIAL INSTITUTIONS	4.9	8.0	0.5	1.5	4.3	7.7	---	---	2.4	---	5.2	7.1
MULTILATERAL	64.5	---	---	9.0	---	---	8.1	21.0	4.1	8.3	60.2	64.1
BILATERAL	4.9	7.9	4.5	5.5	---	6.9	31.0	17.0	18.4	13.2	13.4	72.2

SOURCE: WORLD BANK

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1./ DEBT REPAYABLE IN GOODS AND SERVICES UNDER BILATERAL CLEARING AGREEMENTS.



TABLE 4.2: SECTOR DISTRIBUTION OF EXTERNAL PUBLIC DEBT 1960-79

	AGRICULTURE FISHING FORESTRY	MINING QUARRYING	MANUFACTURING	UTILITIES ELECTRICITY	TOURISM	TRANSPORTS COMMUNICATIONS	SOCIAL CULTURAL ADMINISTRATION	CURRENT IMPORTS	FOOD AID	ROP. SUPPORTS GENERAL PURPOSE	DEBT REORGANIZATION	SECTORS NOT SPECIFIED	TOTAL
	MILLION US \$												
DEBT OUTSTANDING 31 DEC 79	44.7	144.1	224.9	187.4	32.1	133.1	14.2	90.4	47.1	138.6	194.3	91.1	1342.0
DISBURSED	26.3	144.1	166.0	47.0	18.3	78.7	7.3	36.8	47.1	133.3	194.3	91.1	970.4
UNDISBURSED	18.4	---	58.9	140.4	13.7	54.4	6.9	53.6	---	5.2	---	---	351.6
ANNUAL DISBURSEMENTS													
1960	---	---	---	3.7	---	---	---	---	3.7	---	---	---	7.5
1961	---	---	---	2.5	---	---	---	---	---	---	10.0	---	15.0
1962	---	---	2.8	3.4	---	---	---	1.3	0.8	---	---	---	8.0
1963	---	---	2.4	25.7	---	2.2	---	---	0.8	7.0	---	---	39.7
1964	1.6	1.1	8.8	17.9	---	1.1	---	---	0.7	---	---	---	29.8
AVERAGE 1960-64	0.3	---	2.8	10.6	---	0.7	---	0.3	1.8	1.4	2.0	---	20.2
1965	0.9	---	2.8	12.7	---	7.6	---	---	0.5	1.7	6.4	---	32.6
1966	0.4	1.9	6.5	6.4	---	8.7	---	---	0.3	1.0	4.4	---	30.8
1967	0.2	9.1	4.6	6.7	---	3.6	---	4.3	0.6	1.0	2.9	---	33.1
1968	1.6	9.2	5.2	0.9	---	5.6	0.2	0.2	2.8	3.9	3.2	1.5	28.4
1969	0.2	7.7	2.5	0.9	---	9.9	0.1	0.9	2.2	1.5	3.6	0.5	27.7
AVERAGE 1965-69	0.7	5.6	4.3	5.8	---	9.5	0.1	0.9	2.2	1.5	3.6	0.5	30.5
1970	0.3	49.6	6.7	6.6	---	9.4	---	0.2	5.1	15.7	1.7	0.3	89.6
1971	---	53.6	7.6	---	---	11.0	---	8.2	4.4	9.1	---	0.2	94.1
1972	---	42.5	6.4	1.2	---	2.2	---	---	2.7	10.0	5.2	9.0	79.2
1973	---	18.2	16.3	6.4	---	18.4	---	---	2.6	16.4	10.7	2.2	91.2
1974	---	5.6	24.6	7.7	---	---	---	1.5	6.5	13.4	19.6	31.6	110.4
AVERAGE 1970-74	0.1	33.9	12.3	3.2	---	8.2	---	2.0	4.3	12.9	7.4	8.4	92.9
1975	7.5	---	13.5	8.5	---	6.7	---	3.3	---	3.0	10.5	33.9	96.9
1976	5.7	0.5	25.6	14.9	0.6	7.9	---	2.7	---	12.0	0.5	0.4	70.0
1977	4.4	---	13.0	0.7	0.2	23.4	1.8	5.8	---	20.8	0.2	9.3	60.7
1978	2.1	---	42.0	14.0	6.3	13.1	3.6	11.5	0.3	28.7	17.0	---	130.1
AVERAGE 1975-79	4.8	0.1	21.3	8.3	3.6	13.0	1.7	5.6	1.1	13.2	7.3	8.8	130.9
AVERAGE 1960-79	1.5	9.9	10.2	7.0	0.9	6.8	0.5	2.2	2.4	7.3	5.1	4.5	58.1
PERCENTAGES													
AVERAGE 1960-64	1.5	---	13.9	52.5	---	3.5	---	1.5	8.9	6.9	9.9	---	100.0
AVERAGE 1965-69	12.3	18.4	14.1	19.0	---	17.4	0.7	2.2	7.2	11.9	12.5	1.3	100.0
AVERAGE 1970-74	0.1	36.5	33.2	9.4	4.1	14.9	1.9	6.3	1.2	14.9	8.5	9.3	100.0
AVERAGE 1975-79	2.4	0.1	17.6	12.0	1.5	11.7	0.9	3.8	4.1	12.6	8.6	7.7	100.0
AVERAGE 1960-79	2.6	17.0	17.6	12.0	1.5	11.7	0.9	3.8	4.1	12.6	8.6	7.7	100.0

SOURCE: WORLD BANK

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING

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TABLE 4.3: EXTERNAL DEBT SERVICE RATIOS, 1970-79

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
MILLION US\$										
EXPORTS (GROSS)	54.2	52.1	55.2	71.5	128.8	179.1	252.6	293.2	327.9	373.3
SCHEDULED SERVICE PAYMENTS	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	131.1	161.2	163.0	208.0
PUBLIC DEBT	28.7	35.1	39.6	51.6	53.3	73.4	84.6	118.8	117.0	140.8
PRIVATE DEBT 1_/	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	46.5	42.4	46.0	67.2
ACTUAL SERVICE PAYMENTS	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	86.9	110.9	111.5	150.1
PUBLIC DEBT	14.5	15.2	19.3	24.5	22.4	34.9	40.4	68.5	65.5	82.9
PRIVATE DEBT	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	46.5	42.4	46.0	67.2
PERCENTAGES										
EXPORTS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
SCHEDULED SERVICE PAYMENTS	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	51.9	55.0	49.7	55.7
PUBLIC DEBT	53.0	67.4	71.7	72.2	41.4	41.0	33.5	40.5	35.7	37.7
PRIVATE DEBT	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	18.4	14.5	14.0	18.0
ACTUAL SERVICE PAYMENTS	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	34.4	37.8	34.0	40.2
PUBLIC DEBT	26.8	29.2	35.0	34.3	17.4	19.5	16.0	23.4	20.0	22.2
PRIVATE DEBT	-NA-	-NA-	-NA-	-NA-	-NA-	-NA-	18.4	14.5	14.0	18.0
PUBLIC DEBT ACTUAL PAYMENTS AS OF SCHEDULED PAYMENTS	50.7	44.3	50.4	51.1	42.4	47.5	47.8	57.7	56.0	58.9

1\_/ CBG AND FRIGUIA

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NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING



TABLE 5-1 CENTRAL GOVERNMENT FINANCES, 1966/67-1979  
(IN MILLION SYLLIS CURRENT PRICES)

	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1977	1978	1979
CURRENT REVENUE	1,584.1	1,515.8	1,342.1	1,928.6	2,118.7	2,409.8	2,315.6	2,935.4	2,999.9	8,015.0	7,654.9	8,234.3	9,164.5
TAX REVENUE	1,110.8	1,021.3	1,037.5	1,566.1	1,806.2	2,064.2	2,035.6	2,347.6	2,587.2	5,125.2	4,514.4	5,806.5	6,052.2
TAXES ON NET INCOME AND PROFIT 5./	259.4	333.3	256.2	400.1	310.6	395.1	486.0	850.0	546.4	1,153.9	945.7	1,442.7	1,302.6
SOCIAL SECURITY CONTRIBUTIONS	213.7	117.8	144.6	164.2	190.8	202.9	186.0	186.0	195.6	203.0	122.7	122.7	151.4
PAYROLL TAXES 8./	35.0	31.7	19.9	29.2	33.6	22.3	26.2	47.4	52.8	52.1	38.3	55.7	37.8
TAXES ON GOODS AND SERVICES 31./	100.3	94.3	110.2	160.7	122.0	111.6	283.3	290.9	256.8	340.6	271.7	271.7	123.0
TAXES ON INTERNATIONAL TRADE	435.9	371.2	365.5	649.6	1,101.4	1,101.4	853.1	813.9	1,279.1	3,043.3	2,798.4	3,717.4	4,094.1
IMPORTS	378.3	340.7	333.7	655.8	915.4	843.4	843.4	806.2	854.9	1,542.0	1,320.5	1,414.9	1,997.3
EXPORTS	51.8	30.4	28.4	39.8	35.8	28.0	9.7	7.7	13.6	1,320.5	1,320.5	1,414.9	1,997.3
SPECIAL TAX ON MINERALS	---	---	---	---	---	---	---	---	---	---	---	---	---
OTHER 32./	5.8	1.1	3.4	16.3	121.0	158.0	---	---	---	---	111.3	118.6	126.4
OTHER TAXES 9./	76.5	73.0	140.9	98.0	299.6	230.9	182.8	159.4	165.5	195.0	254.0	196.3	343.3
NON-TAX REVENUE	473.3	494.5	304.6	362.5	312.5	345.6	280.0	587.8	412.7	2,889.8	3,140.5	2,427.8	3,112.3
BENEFITS PUBLIC ENTERPRISES	380.0	330.3	231.0	231.0	231.0	40.0	80.0	358.2	181.7	2,536.3	3,048.2	2,239.8	2,726.6
OTHER	93.3	164.2	73.6	131.5	81.5	305.6	200.0	229.6	231.0	353.5	92.3	188.0	385.7
CAPITAL REVENUE	---	---	---	---	---	---	---	---	---	---	---	---	---
TOTAL REVENUE	1,584.1	1,515.8	1,342.1	1,928.6	2,118.7	2,409.8	2,315.6	2,935.4	2,999.9	8,015.0	7,654.9	8,234.3	9,164.5
GRANTS AND TRANSFERS	233.6	52.6	242.7	27.8	371.6	122.0	263.0	279.0	153.0	2,711.1	331.0	647.0	261.4
DOMESTIC NONRECURRENT RECEIPTS	233.6	52.6	242.7	27.8	371.6	122.0	263.0	279.0	153.0	2,711.1	331.0	647.0	261.4
EXTERNAL GRANTS	---	---	---	---	---	---	---	---	---	---	---	---	---
TOTAL REVENUE AND GRANTS	1,817.7	1,568.4	1,584.8	1,956.4	2,490.3	2,611.8	2,578.6	3,214.4	3,152.9	10,726.1	7,985.9	8,881.3	9,425.9
CURRENT EXPENDITURE	1,540.5	1,701.9	1,642.4	2,055.0	2,292.9	2,611.6	2,629.2	3,010.0	3,263.5	4,542.6	3,872.9	4,723.7	5,177.7
EXPENDITURE ON GOODS AND SERVICES	1,495.5	1,626.0	1,537.7	1,900.9	2,082.7	2,276.6	2,355.8	2,749.0	2,923.7	3,515.1	3,387.7	4,032.9	4,460.2
WAGES, SALARIES	1,029.7	1,114.3	1,103.1	1,278.1	1,375.3	1,507.3	1,552.5	1,829.2	1,869.8	2,464.4	2,156.8	2,410.9	2,840.1
SOCIAL SECURITY	23.8	16.8	---	62.0	90.4	116.8	91.7	210.8	160.2	154.8	264.5	35.8	196.9
GOODS AND SERVICES	442.0	494.9	434.6	560.8	617.0	652.5	711.6	709.0	893.7	895.9	966.4	1,586.2	1,423.2
INTEREST PAYMENTS 19./	33.2	63.0	92.3	138.4	173.0	206.8	231.7	244.0	307.8	484.9	444.7	442.9	476.5
SUBSIDIES AND TRANSFERS 20./ 32./	11.8	12.9	15.4	15.7	37.2	128.2	41.7	17.0	32.0	542.6	40.5	247.9	241.0
CAPITAL EXPENDITURE (NET)	1,440.0	1,179.7	1,060.0	1,060.0	1,060.0	1,479.0	1,350.0	1,450.1	2,255.6	4,622.8	2,227.9	1,663.6	8,323.7
ACQUISITION OF FIXED ASSETS 24./	1,505.0	1,270.0	1,201.0	1,201.0	1,201.0	1,559.0	1,550.0	1,561.1	2,448.5	2,882.1	1,075.4	1,898.8	2,500.0
OF WHICH, TREASURY EXPENDITURE	703.7	741.8	555.4	633.5	625.1	495.2	---	---	---	---	---	---	---
CAPITAL TRANSFERS TO PUBLIC ENTERPRISES	---	---	---	---	---	---	---	---	---	---	---	---	---
LESS, DEPRECIATION PAID BY PUBLIC ENTERPRISES	65.0	90.3	141.0	141.0	141.0	80.0	200.0	111.0	192.9	264.3	251.4	330.5	376.3
VARIATION IN STOCKS	---	---	---	---	---	---	---	---	---	---	---	---	---
TOTAL EXPENDITURE	2,980.5	2,881.6	2,702.4	3,115.0	3,352.9	4,090.6	3,979.2	4,460.1	5,519.1	9,165.4	6,100.8	6,387.3	13,501.4



TABLE 5.1 CENTRAL GOVERNMENT FINANCES, 1966/67-1979  
(IN MILLION SYLIS CURRENT PRICES)

	1966/67	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1977	1978	1979
OVERALL BALANCE	-1,142.8	-1,313.2	-1,117.6	-1,158.6	-862.6	-1,558.8	-1,400.6	-1,245.7	-2,366.2	1,560.7	1,885.1	2,494.0	-4,075.5
CURRENT BALANCE	43.6	-186.1	-300.3	-126.4	-174.2	-201.8	-313.6	-74.6	-263.6	3,472.4	3,782.0	3,510.6	3,986.8
BALANCING ITEM 35..	338.3	57.4	175.2	-797.4	-37.3	459.5	-341.9	-528.3	2,261.8	-346.4	141.6	-1,220.4	-6,288.1
FINANCING	804.5	1,255.8	942.4	1,956.0	899.9	1,099.3	1,742.5	1,774.0	104.4	-1,214.3	-2,026.7	-1,1273.6	10,363.6
FINANCING ABROAD 21/	707.5	610.8	508.4	1,625.0	2,091.8	1,713.2	1,607.2	1,944.8	1,852.9	1,382.6	93.9	1,378.3	1,388.9
LOANS DISBURSED	803.7	729.8	687.1	1,829.5	2,289.9	1,929.8	1,866.4	2,172.3	1,891.6	1,938.9	1,072.0	2,202.4	2,501.9
LESS: SCHEDULED AMORTIZATIONS	96.2	30/	172.6	487.2	652.6	684.1	795.3	844.5	1,085.3	1,696.5	2,067.2	1,865.2	2,220.7
PLUS: INCREASE IN ARREARS	---	30/	76.9	282.7	454.5	467.5	535.1	617.0	746.6	1,140.2	1,089.1	1,041.1	1,107.7
DOMESTIC FINANCING 28..	117.0	645.0	434.0	331.0	-1,191.9	-613.9	135.3	-170.8	-1,448.5	-2,596.9	-2,120.6	-2,451.9	8,974.7
FROM MONETARY AUTHORITIES	160.0	166.0	1,225.0	376.0	-1,779.6	-633.2	400.2	-274.3	-1,149.7	-2,365.1	-1,289.3	-2,845.8	11,093.2
NET BORROWING	431.0	396.0	772.0	528.0	-1,173.0	426.2	426.2	444.7	484.7	2,380.8	1,541.8	1,515.8	1,541.2
CHANGE IN DEPOSITS	-27.0	-230.0	420.0	-1,194.0	-31.0	-549.7	15.6	-719.0	-265.0	445.4	-1,078.5	-3,181.6	4,551.5
REVALUATION HOLDINGS	-NA-	-NA-											
REVALUATION FOREIGN EXCHANGE	-NA-	-NA-											
FROM DEPOSIT MONEY BANKS	-43.0	479.0	-791.0	-45.0	587.7	29.3	-304.9	103.5	-264.1	-95.8	-703.1	359.8	-2,118.5
NET BORROWING	5.0	406.0	-257.0	-56.0	118.9	4.4	47.7	-46.2	57.3	-175.8	89.6	59.8	-248.9
CHANGE IN DEPOSITS	-48.0	73.0	-534.0	11.0	468.8	33.7	-352.6	149.7	-321.4	80.0	-792.7	300.0	-1,869.6
OTHER	---	---	---	---	---	---	---	---	---	---	---	---	---
NET BORROWING FROM ENTERPRISES 29..	---	---	---	---	---	---	---	---	---	---	---	---	---
DEPOSITS WITH GOVERNMENT	-NA-	-NA-											
NET BORROWING FROM HOUSEHOLDS	-NA-	-NA-											
CHANGES IN LIQUIDITY	-NA-	-95.0	-90.0	-74.0	-NA-								

SOURCES: 1966/67-68/69 INF, RECENT ECONOMIC DEVELOPMENTS (JUNE 1972)  
 1969/70-71/72 IRD, THE PUBLIC SECTOR IN GUINEA (MAY 1974)  
 1972/73-78 INF, RECENT ECONOMIC DEVELOPMENTS (JUNE 1979)  
 ALSO: 1980 DEM MISSION (FEBRUARY 1980)  
 1./ OCTOBER 1 - DECEMBER 31 (15 MONTHS)  
 2./ CALENDAR YEARS  
 3./ PERCENTAGE  
 4./ PERCENTAGE OF GROSS DOMESTIC PRODUCT  
 5./ INCLUDE: BUSINESS INCOME TAX, IRC (TAX ON DIVIDENDS),  
 6./ IMPORT PAYMENT OF SYLIS 500 MILLION (MAY 1974)  
 7./ IMPORT PAYMENT OF SYLIS 597 MILLION INCLUDED  
 8./ INCLUDE: VOUCHERS (FORFEITURES) AND TA (APPRENTICESHIP TAX)  
 WHEN AVAILABLE  
 9./ REGISTRATION AND STAMP DUTIES, AND OTHER TAXES  
 10./ RESIDUAL, EXCLUDING DRAWINGS RESERVE FUND  
 11./ IRD, THE PUBLIC SECTOR IN GUINEA: PUBLIC FINANCE AND PLANNING (MAY 1974)  
 12./ MINISTRY OF PLANNING DATA  
 13./ INCREASE IN BALANCES HELD BY CAISSE DE REPERCUSSION (STABILIZATION FUND)  
 14./ INCLUDING: NONRECURRENT RECEIPTS FROM LIQUIDATION OF STABILIZATION FUND  
 OTHERS (SYLIS 235 MILLION) ON TOBACCO (SYLIS 715 MILLION), AND  
 15./ ESTIMATES OF UNREQUITTED TRANSFERS (POF CURRENT ACCOUNT)  
 16./ INCLUDING SYLIS 578 MILLION IN GRANTS RECORDED BY TREASURY AS CURRENT  
 REVENUE  
 17./ NOT INCLUDING BENEFITS OF SYLIS 170.7 MILLION WHICH WERE ACCOUNTED  
 AS BUDGETARY EXPENDITURE IN 1979  
 18./ PAYMENT OF BENEFITS FOR 1979 WILL BE ACCOUNTED EX-POST IN 1980

19./ SCHEDULED PAYMENTS ON EXTERNAL PUBLIC DEBT, CONVERTED FROM CALENDAR YEAR  
 DATA AND ADJUSTED TO ACCOUNT FOR DEBT RESCHEDULING AND CONSOLIDATION  
 20./ INCLUDING MARGINAL AMOUNTS OF LOANS  
 21./ REPORTEDLY INCLUDING CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS  
 22./ INCLUDING SYLIS 226 MILLION FUNDED SUBSIDIZED INVESTMENTS  
 23./ NET LONG-TERM FOREIGN DEBT THROUGH 1980 (BASED ON TOTAL 1979  
 NATIONAL ACCOUNTS GOVERNMENTMENTS WITH SYLIS 400 MILLION)  
 24./ CENTRAL GOVERNMENT AND PUBLIC ENTERPRISES  
 25./ BUDGETED EXPENDITURE  
 26./ EXTRAPOLATED FROM REPORTED EXPENDITURE OF SYLIS 4 BILLION BETWEEN  
 MAY 1, 1968 - SEPTEMBER 30, 1971 (INF, RECENT ECONOMIC DEVELOPMENTS  
 JUNE 1972) AND SYLIS 3010 MILLION BETWEEN MAY 1966 AND APRIL 1968  
 27./ INCLUDING TRANSACTIONS ON BEHALF OF PUBLIC ENTERPRISES  
 28./ INCLUDING REGIONAL AND LOCAL GOVERNMENTS  
 29./ LOANS AND ADVANCE PAYMENTS BY CEG (NET)  
 30./ ASSUMING ACTUAL AND SCHEDULED SERVICE PAYMENTS COINCIDE STARTING IN 1967  
 31./ INCLUDING TAX ON PETROLEUM PRODUCTS (JUNE 1972) FOR 1966/67-1971/72 DATA  
 32./ INF, RECENT ECONOMIC DEVELOPMENTS (JUNE 1979)  
 33./ NET ARREARS FROM DEPRECIATION REPORTED DURING 7 YEAR PLAN AS FOLLOWS:  
 SYLIS 130 MILLION MAY 1966 - APRIL 1968, SYLIS 470 MILLION MAY 1968 -  
 SEPTEMBER 1971 (INF, R.E.D., JUNE 1972)  
 34./ ITEM (NOTE 33): SYLIS 760 MILLION 1966-68  
 SYLIS 770 MILLION 1968-71  
 35./ OVERALL BALANCE LESS OVERALL FINANCING AVAILABLE, INCLUDING EXTERNAL  
 GRANTS 1966/67 - 1969/70, AND VARIATION IN STOCKS, SUM OF BALANCING  
 ITEM 1966/67-78 = SYLIS 159.1 MILLION

NOTE: TOTALS MAY NOT ADD DUE TO ROUNDING  
 September 1980



TABLE 7.1: AREAS UNDER CULTIVATION, 1973-79  
PROVISIONAL ESTIMATES  
(HECTARES)

	1973	1974	1975	1976	1977	1978	1979
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<b>SMALLHOLDERS</b>							
RICE (PADDY)	459,110	463,750	468,430	473,000	402,100	406,120	386,180
FONIO (DIGITARIA)	145,470	146,940	148,420	149,900	135,000	136,350	137,714
MAIZE	57,670	58,250	58,840	59,500	53,600	54,136	41,007
MILLET & SORGHUM (GRAIN)	7,220	7,920	8,000	8,100	7,300	7,573	5,530
GROUNDNUTS (UNSHELLED)	118,780	119,980	121,190	123,000	124,200	125,442	126,696
CASSAVA (FRESH)	85,450	86,310	87,180	88,000	88,900	89,800	67,875
YAM (FRESH)	6,400	6,560	6,630	6,700	6,700	6,700	6,700
SWEET POTATOES	9,050	9,140	9,230	9,400	9,500	9,595	9,595
TARO	4,380	4,420	4,470	4,500	4,550	4,596	4,596
PALM KERNELS	144,000	150,000	156,000	160,000	160,000	160,000	160,000
CITRUS	34,360	34,710	35,060	35,400	34,450	35,098	35,000
ORANGES	25,770	26,033	26,295	26,550	25,838	26,324	26,300
TANGERINES	8,590	8,677	8,765	8,850	8,612	8,774	8,700
BANANAS AND PLANTAINS	20,650	20,860	21,070	21,300	21,500	21,715	21,700
PINEAPPLE	13,890	14,030	14,170	14,300	14,450	14,595	14,595
COFFEE	68,365	69,045	69,745	69,875	70,605	71,315	71,315
<b>MECHANIZED PRODUCTION BRIGADES</b>							
RICE (PADDY)	-	-	10,750	94,250	62,750	41,750	20,750
FONIO (DIGITARIA)	-	-	-	10,447	6,965	4,632	2,322
GROUNDNUTS	-	-	3,282	10,447	6,965	4,632	2,322
CASSAVA (FRESH)	-	-	6,088	10,447	6,965	4,632	2,322
OTHER	-	-	618	10,447	6,965	4,632	2,322

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TABLE 7.2: AGRICULTURAL PRODUCTION, 1973-79  
PROVISIONAL ESTIMATES  
(THOUSAND METRIC TONS)

	YIELDS <sup>1/</sup> KG/HA	1973	1974	1975	1976	1977	1978	1979
<b>SMALLHOLDERS</b>								
RICE (PADDY)	900	413.2	417.4	421.6	425.7	361.9	365.5	347.6
FONIO (DIGITARIA)	500	72.7	73.5	74.2	75.0	67.5	68.2	68.9
MAIZE	1,150	66.3	67.0	67.7	68.4	61.6	62.3	47.2
MILLET AND SORGHUM (GRAIN)	600	4.3	4.8	4.8	4.9	4.4	4.5	3.3
GROUNDNUTS (UNSHELLED)	650	77.2	78.0	78.8	80.0	80.7	81.5	82.4
CASSAVA (FRESH)	5,000	427.3	431.6	435.9	440.0	444.5	449.0	339.4
YAM (FRESH)	7,000	44.8	45.9	46.4	46.9	46.9	46.9	46.9
SWEET POTATOES	6,500	58.8	59.4	60.0	61.1	61.8	62.4	62.4
TARO	6,500	28.5	28.7	29.1	29.3	29.6	29.9	29.9
PALM KERNELS	250	36.0	37.5	39.0	40.0	40.0	40.0	40.0
CITRUS	1,300	44.7	45.1	45.6	46.0	44.8	45.6	45.5
ORANGES	1,300	33.5	33.8	34.2	34.5	33.6	34.2	34.2
TANGERINES	1,300	11.2	11.3	11.4	11.5	11.2	11.4	11.3
BANANAS AND PLANTAINS	4,500	92.9	93.9	94.8	95.9	96.8	97.7	97.7
PINEAPPLE	3,333	46.3	46.8	47.2	47.7	48.2	48.9	48.9
COFFEE	200	13.7	13.8	13.9	14.0	14.1	14.3	14.3
<b>MECHANIZED PRODUCTION BRIGADES</b>								
RICE (PADDY)	400	-	-	4.3	37.7	25.1	16.7	8.3
FONIO (DIGITARIA)	250	-	-	-	2.6	1.7	1.2	0.6
GROUNDNUTS (UNSHELLED)	433	-	-	1.4	4.5	3.0	2.0	1.0
CASSAVA (FRESH)	3,333	-	-	20.3	34.8	23.2	15.4	7.7
OTHER	4,328	-	-	2.7	45.2	30.2	20.1	10.1

<sup>1/</sup> CONSISTENT YIELD ESTIMATES WERE WEIGHTED WITH VARYING AREAS UNDER CULTIVATION TO ACCOUNT FOR TRENDS IN ACTUAL OUTPUT