

**United States of America**  
**Presidential Agribusiness Task Force**  
**To**



**The People's Revolutionary Republic of Guinea**

**July 1983**

THE UNITED STATES  
PRESIDENTIAL AGRIBUSINESS TASK FORCE  
TO  
THE PEOPLE'S REVOLUTIONARY REPUBLIC OF GUINEA

JULY, 1983

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**President Ahmed Sekou Toure greeting Task Force Leader  
Wayne Richardson, Jr.**

## PREFACE

The idea of a Presidential Agribusiness Task Force to assist the People's Revolutionary Republic of Guinea towards sustained improvement in agricultural production was conceived during an exchange of views between President Ahmed Sekou Toure of Guinea and President Ronald Reagan of the United States in Washington, D. C., on June 30, 1982. This discussion followed the 1982 Third World Summit Conference convened in Cancun, Mexico, where President Reagan reiterated U.S. policy and commitment to assist Third World countries in self-sustaining agricultural development.

In February 1983, six American agribusiness executives were invited to Guinea to discuss with Guinean leaders the contributions that private agribusiness systems, management techniques and investment might make to the Guinean economy. I have had the good fortune to guide this Agribusiness Task Force and to be the beneficiary of the welcome, the cooperation, and the efforts on the part of our Guinean hosts to make a thorough examination and to search for constructive approaches.

The findings of the Task Force offer no easy answers. Immediate prospects are few and the preparation of achievable objectives will require careful planning and diligence. Obstacles and constraints to the realization of Guinea's vast potential are massive and obvious. Solutions will be found, however, through the efforts of talented and dedicated people, of whom we came to know many; through careful step-by-step preparation of programs; and, through continuing collaboration with donor agencies and countries concerned with assisting Guinea to achieve its objectives.

This preface is occasion for me to thank President Ronald Reagan for permitting me to be his personal representative for this initiative and to thank President Ahmed Sekou Toure, his Ministers and technical staff, and the people of Guinea for the courtesies and gracious hospitality which they extended. My Task Force colleagues join me in pledging our best efforts on behalf of Guinea's agricultural development.

I wish to express thanks to all of the members of the Task Force. Further, the Task Force members join me in expressing their appreciation to the United States Ambassador to the People's Revolutionary Republic of Guinea, Allen Clayton Davis, and his staff for the sensitivity, imagination, and ceaseless efforts which they contributed to the preparation and the accomplishments of the Task Force visit. Thanks and appreciation also go to Anne Stewart Li who edited this report.

Wayne Richardson, Jr.  
Leader  
Agribusiness Task Force

## EXECUTIVE SUMMARY

The Presidential Agribusiness Task Force (ATF) visited Guinea from February 20 to March 5, 1983. The major objectives of the ATF were to explore means by which U.S. private sector agribusiness firms could assist Guinea through investment and technology transfer to improve its agricultural productivity for export and internal markets. The ATF evaluated six agribusiness investment opportunities and identified the major constraints to private sector investment in Guinea.

Of the six investment opportunities reviewed, only marine fishing at Kamsar for export markets presents an immediate private sector investment opportunity. The production system lends itself to a self-contained enterprise which avoids the problems related to major reliance on internal infrastructure and services. Access to export markets may be assured by the foreign investor and infrastructure and services are available at Kamsar on cost-effective terms.

The other investment opportunities examined have some merit but are not likely to attract private investors at this time for one or more of the following reasons:

- Depressed markets for agricultural commodities (pineapple, coffee, sugar)
- Exposure and vulnerability to the internal economy--in particular currency exchange problems and price control (rice project, marine fishing for internal markets, N'dama cattle for export, pineapple, coffee, sugar)
- Problems related to inadequate internal infrastructure, services, and lines of supply (all products)
- Underdeveloped state of the project or investment concept--lack of market and cost information (N'dama cattle for export)

While these agribusiness opportunities could probably not attract private investment at this time, many can be developed to the stage where future private sector participation is possible. Of particular merit are:

- marine fishing for internal markets
- pilot rice project--import substitution for the Compagnie des Bauxites de Guinee (CBG)

Of the other opportunities, the ATF recommends that technical assistance be provided to the pineapple and coffee industries to prepare for attracting eventual private investment and marketing arrangements.

The concept of commercial export of N'dama cattle to other West African nations is still to be clarified. Further study is required to determine whether such a project is realistic as it conflicts with traditional herding practices.

Future development of a domestic sugar industry must now be viewed as a Government rather than a private investment because of the high initial costs, long-term nature of the investment, and the current low world sugar price. Many countries consider self-sufficiency in sugar to be a national priority as this is an important food source, particularly where transport and storage of perishable foods are inadequate.

There is a potential investment opportunity, identified but not explored by the ATF, in production of specialty crops such as essences, medicinals, spices, and nuts.

The chart shown as Exhibit I presents these opportunities.

The Government of the People's Revolutionary Republic of Guinea needs to find solutions to the major constraints to foreign private sector participation in the economy. The most serious disincentives are:

- inaccessibility to foreign exchange
- unrealistic currency exchange rate
- commodity price control

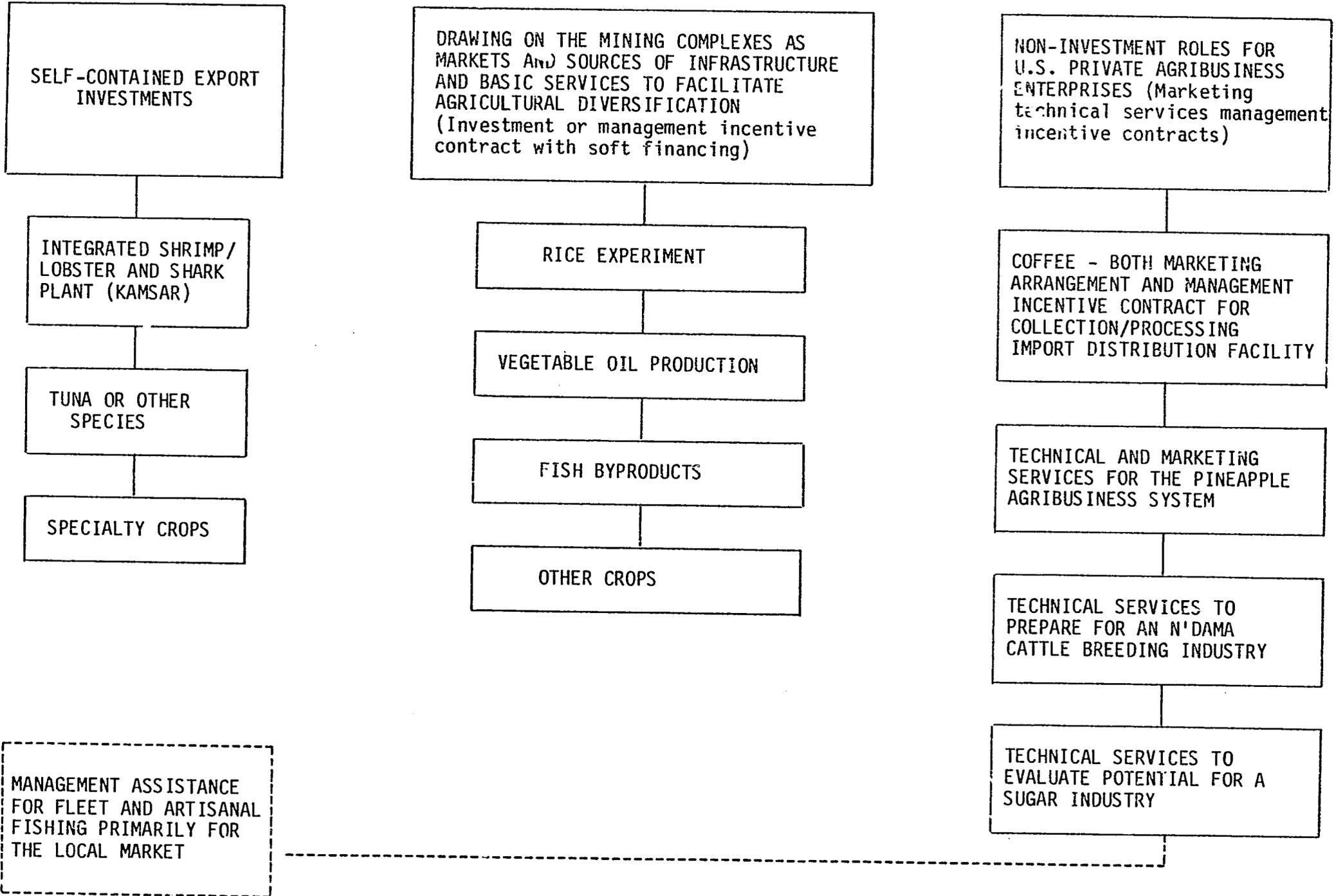
Other notable constraints to foreign private sector investment include:

- underdevelopment of infrastructure and services
- unfamiliarity with Guinea
- lack of current, reliable information for investment appraisal
- unreliability of lines of supply and services
- shortage of experience local technicians and managers
- language barriers

U.S. agribusiness can make substantial contributions to increasing Guinea's agricultural productivity. Finding a means of providing the Government and the private sector in Guinea with a link to U.S. agribusiness expertise should be a priority item in discussions between the United States and Guinean Governments. A thorough, selective public relations program with collaboration by both Governments will bring about awareness of Guinea and its opportunities among the U.S. business community.

EXHIBIT I

POTENTIAL ROLE FOR U.S. PRIVATE AGRIBUSINESS ENTERPRISE IN GUINEA



vi

## 1. INTRODUCTION

### 1.1 PURPOSE OF THE AGRIBUSINESS TASK FORCE TO GUINEA

The Agribusiness Task Force (ATF) was suggested by President Ronald Reagan during a meeting with President Ahmed Sekou Toure of the People's Revolutionary Republic of Guinea in Washington, D. C. in June, 1982. The idea was generated by the concern expressed by President Toure for improving the agricultural productivity of Guinea.

The Agribusiness Task Force, composed of senior U.S. private sector agribusiness executives, visited Guinea from February 20 to March 5, 1983. The objectives of the visit were to:

- Explore opportunities for private investment by U.S. agribusiness firms in Guinea
- Consider how to foster a favorable climate for the investments
- Determine how U.S. agribusiness enterprises might bring technical and management skills to Guinea's efforts to improve production of basic staples and protein for internal consumption
- Seek avenues by which U.S. agribusiness could assist Guinea in preparing to penetrate and maintain a position in export markets.

### 1.2 SCOPE OF WORK

The primary objective of the ATF was to describe the investment climate in Guinea by identifying opportunities and constraints for the U.S. business community, and by fostering an appreciation by leaders in Guinea of how the investment climate will be perceived by potential U.S. investors.

Specific tasks of the ATF were to:

- Prepare an overview of the investment climate as it affects the basis for selection, preparation, and appraisal of specific investments
- Examine specific potential investment areas including:
  - coffee production
  - production and export of pineapple
  - production of high quality N'dama breeding stock for export
  - Atlantic Ocean fishing
  - smallholder cereals and vegetable production
  - sugarcane production and processing
- For each investment opportunity:
  - review the investment environment
  - make preliminary assessment of constraints, risks, potential returns, special needs, etc.
  - indicate how investment might be organized
  - outline specifications, conditions, policy decisions, assurances, need for public services, financial arrangements, incentives, etc., which may be desirable for the investment
  - organize a project summary
- Prepare a brief synopsis of investment constraints which emerge from review of the specific investment ideas
- Discuss findings and conclusions with Guinean officials and potential local enterprise partners.

This report seeks to respond to the concerns outlined in this scope of work. The findings and conclusions of the ATF are preliminary; questions were answered, others were uncovered. This document is a first step towards addressing the key concerns which U.S. business will have regarding agribusiness investment in Guinea.

### 1.3 GUIDELINES

The following guidelines were utilized by the ATF:

- Concentration on a limited number of agricultural production opportunities, so that investment concerns could be more clearly defined through examples
- Consideration of the whole agribusiness system affecting each investment opportunity examined
- Involvement of U.S. and Guinea government leaders and technical specialists in the Task Force deliberations
- Use of selected investment opportunities to illustrate concerns about investment, such as: parallel support needs, constraints, obstacles, and assurances
- Consideration of the effect and contribution each investment will have on the national or regional economies

In addition to the six agribusiness investment opportunities included in the scope of work, the ATF also considered the production of high unit-value specialty crops such as exotic spices, medicinal plants, nuts, etc.

### 1.4 PROCEDURE

#### 1.4.1 Selection of ATF Team Members

The criteria used in selecting ATF team members was that they be agribusiness executives with specialized skills in the products and in the technical areas needed to evaluate potential investments. Priority was also given to selecting team members who are associated with agribusiness enterprises making or promoting similar investments in developing countries.

The ATF team members are:

- Wayne Richardson, Jr., Task Force Leader and Specialist in Agricultural Production  
President, ABA International, Inc.
- Dan Klingenberg, Marketing, Project Appraisal, and Financing Specialist  
Vice President for Agriculture, Chase Manhattan Bank
- Donald Easum, Investment Specialist  
President, African-American Institute
- Waldo Heron, Food Processing Specialist  
President, FOODPRO
- Geoffrey Kean, Logistics, Storage and Handling Specialist  
Advisor, EMCON International
- I. William Lane, Marine Fishing Specialist  
President, Universal Marine and Shark Products
- Howard B. Helman, Executive Assistant to the ATF

Biodata on the ATF team members is attached as Annex A.

#### **1.4.2 The ATF Visit to Guinea**

The ATF visit to Guinea was from February 20 to March 5, 1983. The ATF enjoyed an excellent reception and liberal access to Government officials and Guinean product specialists. The ATF met with President Toure at the beginning and end of the visit. The key discussions of the ATF were chaired by Prime Minister Dr. Lansana Beauvogui. Field visits were organized under the leadership of the Minister of Agriculture, Mr. Toumany Sangare and preparation for participation in each activity was coordinated by the Minister of International Cooperation, Mr. Marcel Cros. The Guinean Ambassador to the United States, Mr. Mamady Conde, acted as special advisor to the ATF. The ATF also met with the Minister of

Industry, Mr. Mamadi Kaba, the Minister of Livestock and Fisheries, Mr. Ibrahima Fofana, the Minister of FAPAs (district agro-pastoral farms), Mr. Senainon Louis Behanzin, the Minister of Mines and Geology, Mr. Ismael Toure, and the Director General of Planning and Statistics, Mr. Thomas Curtis.

The ATF visited:

- N'zerekore in the forest zone to inspect coffee growing and processing
- Faranah to see the AID-financed installations and to observe smallholder cereal (rice and corn) production
- Banian to see the sugarcane applied research and pilot production
- Kindia and Forecariah to observe pineapple research, production, and processing
- Kamsar to see the mining complex, livestock herding, smallholder cereal and vegetable production, fishery operations, and port facilities
- Foulaya to see the agricultural research and training centers

An itinerary of visits is included as Annex B.

### **1.4.3 Methodology**

The findings and conclusions of this report are based on information gathered from on-site visits and most importantly from Guinean Government officials and product specialists. Extensive discussions were held; officials were candid, discussing problems and shortfalls as well as potentials and strengths of the current economic environment.

The ATF visit was timed so the team members would have access to the preliminary findings of the Guinea-World Bank Agricultural Sector Survey (November-December 1982).



## 2. COUNTRY BACKGROUND

### 2.1 GENERAL

Guinea is located on the West Coast of Africa and shares borders with Guinea-Bissau, Senegal, Mali, Ivory Coast, Liberia, and Sierra Leone. Guinea's area is approximately 95,000 square miles with a 185-mile coastline on the Atlantic Ocean.

Guinea has a population of 6.4 million and an annual population growth rate of about 3%. Conakry, with over 500,000 people, is the capital of Guinea.

Major ethnic groups are the Foulah, Malinke, and Soussou. There are also 15 smaller tribes. Several tribal languages are spoken, but French serves as the official language. A majority of the population is Muslim.

The most important sectors in the Guinean economy are agriculture and mining. Eighty percent of the population earn their livelihood from agriculture, although the country is not self-sufficient in food. The export of minerals, particularly bauxite, also gold and diamonds, accounts for 95 percent of export earnings.

The infrastructure in Guinea is generally underdeveloped. The road and railway system is inadequate and poorly maintained. There are only 1,087 kilometers (652 miles) of paved roads. Telecommunications within the country are poor. There are two major seaports, Conakry and Kamsar. There is air transportation to the principal cities.

### 2.2 AGROECOLOGICAL ZONES

Guinea has four agroecological zones which make possible the cultivation of a wide variety of crops.

#### 2.2.1 Lower Guinea (Basse Guinee)

Lower Guinea, consisting of the low-lying coastal strip about 50 miles wide, covers 17% of the area of the country and is occupied by approximately 33% of the population. The climate is tropical with a six month rainy season and a six month

dry season. Rainfall exceeds 3,000 mm annually with humidity of 95% during the rainy season and 63% in the dry season. The temperature ranges between 23 and 32 degrees Centigrade.

Lower Guinea is divided into three sub-agroecological areas. These are the:

- Swampy Area which is located along the coast and is from 6 to 12 miles wide. The soil is clay, mostly saline, which is the combined result of residues and deposits left by brackish ponds and ocean tides. Nevertheless, the land is fertile because of the high acid content of the soil and high water table. Rice is grown successfully and its production is being expanded. Banana plantations which once dominated the area are in decline.
- Eastern Interior which includes the plains and foothills up to the Fouta Djallon. The soils are skeletal and for the most part unsuited for cultivation. In some areas, the soils are somewhat less sandy with a high water table. Oil palm, coconut, and pineapple are grown.

Some of the bottom lands are also suitable for cultivation of a variety of food crops.

- Northwestern Interior which is largely non-arable. There are a few areas where coconut and oil palm are grown. Rich bauxite deposits exist.

### **2.2.2 Middle Guinea (Fouta Djallon or Moyenne Guinee)**

The Fouta Djallon is a collection of upland plateaus and mountains. Fouta Djallon is the source for four of West Africa's major watersheds: the Senegal, Mano, Gambia, and Niger River basins. Covering 23% of the country, the Fouta Djallon has 26% of the population. The climate is sub-tropical with a mean average temperature of 20 degrees Centigrade. The temperature may drop to as low as 1 degree Centigrade during the coldest months. Rainfall varies between 1,500 mm and 2,200 mm annually.

Fouta Djallon is divided into two sub-agroecological areas. These are the:

- Eastern and Western Foothills which comprise the least cultivable area of Middle Guinea. Small-scale production of vegetables, using high concentrations of organic materials, has been somewhat successful.
- High Plateau is fertile, particularly the bottom lands created by tributaries. These fertile lands make possible the intense cultivation of rice, vegetables, and miscellaneous food crops. N'dama cattle, which are resistant to sleeping sickness, are raised in this region. The low-lying western section is suited to the cultivation of food crops, particularly rice and peanuts.

### 2.2.3 Upper Guinea (Haute Guinee)

Upper Guinea, located in the northeast of the country, consists of plateaus at an average elevation of 400 meters. This region covers 39% of the area of Guinea and contains approximately 20% of the population. Upper Guinea is dry in comparison with the rest of the country with rainfall between 1,300 and 1,800 mm annually. Temperatures range from 18 to 35 degrees Centigrade, with significant seasonal fluctuation.

Upper Guinea is divided into four sub-agroecological zones. These are the:

- Alluvial Valleys of the Niger and its tributaries, which are suitable for rice and cotton cultivation. Before this area can realize its agricultural potential, significant investment will be required in irrigation and drainage works.
- Hardpan area of Kankan, Siguiri, and Kouroussa which is comprised of primarily sandy-clay soil, frequently with high concentrations of gravel. This area has limited cultivable lands which are used for food crops, cotton, peanuts, and kenaf.

- Areas west of Dinguiraye and Dabola which has a thin soil cover, but is suitable for the cultivation of peanuts.
- Area south of Faranah and north of Beyla which contains a vast expanse of arable land suitable for the cultivation of food crops.

#### 2.2.4 Forest Region

The Forest Region is characterized by hills and mountains which run north and south. The Forest Region covers 20% of the area of Guinea and is occupied by 21% of the population. This region has great agricultural potential. Rainfall varies between 1,700 mm and 3,000 mm annually and temperatures range from 19 to 29 degrees Centigrade.

The Forest Region is divided into two sub-agroecological areas. These areas contain fertile soils and are suitable for the cultivation of coffee, cocoa, rubber, tea, cinchona, oil palm, and various fruits and vegetables. Rice is also cultivated. The sub-agroecological areas are the:

- Area north from Beyla to Kissidougou which has fertile soils with little gravel.
- Area south of Yonou, N'zerekore, Macenta, and Gueckedou which has fertile soils, some at low altitudes.

### 2.3 AGRICULTURE

Guinea is a country of great agricultural potential, as yet not fully realized. While the great majority of the population is engaged in agriculture, the country cannot feed itself. Food imports accounted for 38% of Guinea's 1982 balance of payment deficit. Imports of rice, the basic staple, rose from 7,000 tons in 1958 to 53,000 tons in 1980. Rice production in Guinea fell approximately 30% between 1976 and 1980.

The major crops cultivated in Guinea are rice, manioc, maize, millet, sorghum, fonio, sweet potatoes, yams, oil palm, coffee, pineapple, citrus fruits, bananas, and a variety of vegetables. Cattle-raising is another important agricultural activity in Guinea.

Fresh-water fish are plentiful in Guinea's rivers, many of which empty into a wide, rich continental shelf which should nourish a large population of marine fish and crustaceans (see Section 5.4).

Agricultural exports currently account for less than 3% of Guinea's foreign exchange earnings, whereas prior to independence agricultural exports generated 75% of foreign exchange earnings. The decline in agricultural productivity can be attributed to many factors but the most important are:

- Lack of incentives to producers
- Underdeveloped export markets for agricultural commodities
- Poor infrastructure
- Insufficient credit for farmers
- Lack of practical extension services geared to current needs of the farmers

### 3. THE ENVIRONMENT FOR AGRIBUSINESS INVESTMENT IN GUINEA

The Government of the People's Revolutionary Republic of Guinea is actively encouraging foreign private investment, particularly in the following areas:

- Mining
- Industry
- Agricultural related enterprises
- Shelter or hotel enterprises

The Investment Code of Guinea encourages foreign investment by granting customs exemptions, fiscal, and other incentives. These benefits are negotiated with the Government on a case-by-case basis. Guinea's leaders have stressed their willingness to negotiate in all areas essential to private investment. A copy of the Investment Code is included as Annex C.

Guinea can boast of several factors in its favor which should appeal to U.S. agribusiness investors. These are:

- Agricultural conditions suited to a variety of crops
- Plentiful water
- Large workforce with favorable wage scale
- Stable government which promotes foreign private investment
- Favorable investment code
- Recent liberalization of internal trade
- Emphasis on education in agriculture
- Successful performance of mixed enterprises in the mining sector

The more sensitive aspects of the agribusiness environment in Guinea are:

- The currency exchange rate
- Physical infrastructure in transport, communications, storage, and distribution
- Access to supplies and materials such as, spare parts, fertilizer, etc.
- Probable need to depend upon public services

- Shortage of experienced local technicians and managers
- Price controls on commodities
- English is not widely spoken

A critical element which may be used in evaluating the agribusiness investment climate in Guinea is to examine the result of such an investment. As the ATF was unable to study an existing private or mixed agribusiness enterprise, it concentrated on examining the potential agribusiness investment opportunities discussed in Section 5.

## 4. WHAT THE AGRIBUSINESS INVESTOR SEEKS AND OFFERS

### 4.1 INVESTMENT CRITERIA

The Government of Guinea wishes to attract private foreign investment. In order to do this, the Government must create an investment climate which a potential agribusiness investor considers favorable. The following sections outline the principal elements for which the potential investor will look.

#### 4.1.1 Basic Elements

- Stable political environment
- Trust and communication between the foreign enterprise and the national host
- Mutual agreement on "the rules of the game" and confidence in their durability
- Acceptance of the private enterprise role in the economy
- Acceptance of the foreign manager and/or technicians and foreign professional staff
- Freedom of movement to, from, and within the country
- Mutually acceptable methods of choosing local partners
- Access as necessary to local public institutions and government bureaucracy but freedom from interference by these institutions
- Protection against arbitrary action or surprise

#### **4.1.2 Production Elements**

- Access to information, research, and the technical products of research
- Sustained sources of raw materials
- Ability to import and export
- Supply of trained and motivated manpower at affordable prices
- Access to basic resources, infrastructure, and services, including:
  - electricity
  - land
  - water
  - food
  - medical care
  - education
  - communications (international and internal)
  - transportation (to, from, and within the country)
  
- Access to external and internal markets

#### **4.1.3 Entrepreneurial Incentives and Benefits**

- Opportunity for return on investment
- Stability in the economic and financial system
- Facilities for capital entry and repatriation
- Ability to estimate production to market costs accurately
- Access to local currency on reasonable terms
- Acceptable exchange rate arrangements
- Transfer of profits with convertibility
- Start-up benefits, such as exemption from customs duties, taxes, and fees
- Favorable world market, if producing for export
- Reduction of "unfair" competition (e.g., subsidized imports, smuggling, favoritism, etc.), if producing for the internal market

The foreign investor or newly-formed enterprise will need an agency or office for assistance in clarifying opportunities and conditions for investment in Guinea, gaining access to information, and facilitating access to Government. The Ministry of International Cooperation is currently undertaking this function. The ATF has been advised that an agribusiness unit is being established within the Presidency. This office must have access to the various ministries interested in production, processing, and export of agribusiness products. The effectiveness of the program in supplying needed information and guidance to potential agribusiness investors and newly-formed agribusiness enterprises will be a major factor in developing investor confidence in Guinea. For U.S. agribusiness firms, this relationship would be complemented by assistance from the U.S. Embassy in Guinea and the Embassy of the People's Revolutionary Government of Guinea in Washington, D.C.

#### **4.2 WHAT THE FOREIGN INVESTOR CAN AND CANNOT CONTRIBUTE**

The foreign enterprise can make significant contributions to Guinea's economy and national development through technology transfer, infusion of capital, increases in productivity, and access to international markets.

The foreign enterprise:

- Cannot assume costs for rehabilitating or maintaining existing public infrastructure, except in limited ways, nor can it assure the reliability of basic services,

but

Can identify infrastructural inadequacies; encourage Government and local institutions to recognize and correct inadequacies; and, contribute to the design and possibly the implementation of solutions

- Cannot alter basic education of populations with which they have relations,

but

Can contribute to awareness of need for specific research, education, and training, and propose pragmatic ways to fill these needs, perform research, and provide training

- Cannot effect structural reform or modification of the social system,

but

Can demonstrate the need for social services, and can sometimes fill or help to fill social service gaps in its immediate operational environment

- Cannot bring about change in local economic practices nor solve basic economic problems,

but

Can motivate its staff to think constructively about solutions in the limited geographic environment in which the enterprise operates.

## 5. EVALUATION OF SPECIFIC AGRIBUSINESS INVESTMENT OPPORTUNITIES

The ATF reviewed six specific agribusiness investment opportunities. In addition to these (coffee, pineapple, N'dama breeding stock for export, sugar, marine fishing, and cereal and vegetable production), the ATF also considered the production of high unit-value specialty crops such as exotic spices, medicinal plants, and nuts.

### 5.1 COFFEE

Coffee is grown in the Forest Region around Kissidougou, Gueckedou, N'zerekore, and Macenta in Lower Guinea. Production is estimated at 14,000 metric tons but only a fraction of this is marketed through official channels. The coffee varieties grown in the Forest Region are robusta and liberica. The ATF visited coffee plantations in N'zerekore, Guecke, Tiecke, and Ganta.

#### 5.1.1 Observations

Coffee is grown primarily on smallholder farms. While some of the areas observed were adequately maintained, most are neglected. The trees are old and need to be replaced or rehabilitated. Most of the trees need pruning. All the beans are harvested at one time irrespective of the degree of ripeness. No sorting or grading is done.

Production of coffee can be substantially increased on existing farms if proper husbandry techniques are applied. Some of these practices can be begun immediately, such as:

- Rehabilitating orchards
- Replacing old trees with seedlings
- Introducing regular use of fertilizer
- Eliminating weeds
- Harvesting only ripe beans
- Improving and maintaining consistent bean quality
- Grading and processing green coffee beans

Guinea has an unfilled 15,000 ton quota under the International Coffee Agreement. Nevertheless, robusta coffee is in excess supply in the world market and many countries have difficulty selling their output. Given the number of producers and size of the excess capacity, world market prospects are not favorable for large-scale expansion of the Guinean coffee industry.

Most of the coffee grown in Guinea is exported illegally through Liberia and the Ivory Coast, especially from the frontier areas. While the official coffee price has risen substantially over the past few years, it is still less than can be earned through illegal export.

### 5.1.2 Strategy

Agro-industrial coffee production in Guinea does not appear to be an attractive investment opportunity at present. Priority should be given to improving production at existing farms and to redirecting export of what is produced. Given current and projected world market conditions, Guinea should concentrate on filling its quota under the International Coffee Agreement and in assisting smallholders to improve their production through price incentives, increased access to inputs and supplies, technical assistance in improved husbandry practices, and marketing services.

A smallholder coffee production improvement program would contain the following elements:

- Increase the price of coffee and assure availability of commodity (barter) goods which can be exchanged for coffee
- Insure availability of critical supplies and materials such as: fertilizer, seedlings, simple tools, etc. in the form of agricultural credit or barter goods for coffee
- Construct a simple processing facility in the Forest Region. Materials and equipment for the processing plant would cost approximately \$200,000 plus local erection costs. This facility would serve as the collection point for coffee from different areas and

would sort, grade, wash, pulp, ferment, rewash, dry, hull, regrade, and bag the green bean for export

- Obtain technical services to organize collection of coffee and distribution of materials such as seedlings and fertilizer. These services should include extension to the smallholder on agricultural practices, which varieties to plant, etc.
- Arrange with an international marketing organization to purchase Guinean coffee

There will be need for a marketing arrangement with one or several coffee exporters and for management assistance in running the processing facility and in distribution and collection. The management service entity would enforce quality control and instill confidence about price and payment for coffee. Operation of the processing facility would be through a marketing cooperative or an association of producers, cooperatives and traders.

### **5.1.3 ATF Recommendations**

- Arrange with a marketing organization for purchase and placement of Guinean coffee in export markets
- Liberalize internal coffee trade for sale to the marketing organization(s)
- Construct a processing facility using modest concessionary financing
- Make available seedlings, fertilizers, tools, etc. in the form of barter goods or agricultural credit
- Enter into a management contract with a company to run the processing facility which would be leased to producers' cooperatives or an association of cooperatives, merchants, and individual producers

## 5.2 PINEAPPLE

Fresh pineapple has been the third major agricultural export from Guinea in recent years but the volume marketed through official channels has declined steadily because of an oversupply in overseas markets and unfavorable producer prices. The volume exported through official channels in 1980 was 1,288 metric tons, down from 3,089 metric tons in 1976.

Pineapple is a luxury item, which during a period of world recession will decline in demand. There is currently an oversupply of pineapples on the world market and several large producing areas such as Thailand, Philippines, Ivory Coast, South Africa, and Hawaii are looking at alternatives to producing pineapple.

### 5.2.1 Observations

The ATF visited the pineapple plantation and smallholder pineapple operations in Daboya and the processing plant at Salguidia.

Guinean pineapples are of fine quality and are being produced with good husbandry practices. The varietal testing research being conducted is impressive and the two varieties produced are well-suited to local conditions and yield high quality fruit. Organization of planting and harvesting operations is good. Some improvements could be made in regard to spacing between plants and laying out rows. In some cases, irrigation appeared to be inadequate. The Guinean pineapple is an excellent product which could compete successfully on the basis of quality for placement as fresh fruit in the world market. Nevertheless, the possibility of developing a significant export market for Guinean pineapple at this time is not good.

The pineapple canning plant at Salguidia is a quality facility providing two lines for production of pineapple in cans or juice and a third line for processing other tropical fruits. The cannery is underutilized because of short supply of fruit. Several steps could be taken to improve efficiency and productivity in this operation, including:

- Improve grading and sorting so that pineapples going to the plant will be sized to be better utilized for slices, the highest value product
- Introduce additional sizes of cans so there would be utilization of the pineapples for high value products (slices or chunks), with less processing as by-product into juice
- Introduce other canned products, such as, chunks and crushed pineapple
- Increase the size of the plantation holdings around the cannery to insure adequacy of supply

### 5.2.2 Strategy

The quality of research and production methods currently used are generally good. The canning plant, though underutilized, is operating adequately. Major improvements are required in handling, sorting, packaging, and transport of fruit.

Some basic questions need to be answered before an evaluation of the pineapple industry in Guinea as an agribusiness investment can be made, including:

- o What is the existing internal and export market for fresh fruit and canned products?
- o Which canned products are in greatest demand?
- o What is the potential export market for fresh and canned products?
- o What price could make Guinean products more competitive?
- o What are actual costs of production and marketing?
- o What are potential competitive advantages of Guinean pineapples?
  - quality
  - proximity to markets in Europe
  - price
- o What is an appropriate size for the Guinean pineapple industry, based on current and potential market size and costs of production?

It appears unlikely that the Guinean pineapple industry can attract private investors at present because of world market conditions. In the meantime, continuing support should be given to research and production efforts at Daboya. Improvements should be made in methods of packaging, handling, and transport for better preservation of fruit quality. Producers' prices should be improved so that Guinea will retain the market share it currently has through sustained supply.

The ATF was impressed by the Guinean technical talent working with pineapple and by the quality of the research and production operations in this young industry.

### **5.2.3 ATF Recommendations**

- Make a coordinated effort over the next two years to prepare for competitive penetration of export markets, including:
  - establishment and implementation of procedures to determine production and marketing costs
  - evaluation of production, warehousing, transport, and marketing practices to establish an effective means of managing and controlling product costs from farm to market
  - arrangement for technical and management services needed to accomplish these steps
- Formulate a schedule of events and a management plan for implementing the recommended modifications to the agribusiness system, including the sequence of steps and the timing for integration of management responsibility

### **5.3 EXPORT OF N'DAMA BREEDING STOCK**

Guinea has approximately 2.3 million head of cattle. The most important breed is the N'dama which is resistant to sleeping sickness. High-quality Guinean N'dama breeding stock could be exported to other humid, tropical West African nations to improve resistance in their herds.

### **5.3.1 Observations**

The ATF visited the SAPAL livestock and farming enterprise in Faranah and the N'dama breeding project and small herders in the Boke area.

In determining whether export of N'dama cattle would be a viable agribusiness investment, consideration was given to how the traditional herding system operates. The cattle herd is not considered a business investment, but a form of savings or wealth. Most herders are also farmers. The herd is a source of working capital and bridge financing. Cattle are rarely slaughtered for family consumption, but part of the herd is used to provide milk for the family. The primary source of meat for the family is other animals.

The herder appreciates quality among his animals and prefers to keep the best animals for his own breeding program. There has been strong pressure to sell animals for slaughter because of shortage of meat in urban population centers. Nevertheless, the herder is not inclined to sell according to market demand, but holds his best cattle and chooses which animals to sell in accordance with pressing financial needs.

The traditional attitudes of the herder discourage a concept of cattle production as an industry stimulated by growth of value rather than numbers. A commercial, export-oriented ranching enterprise, dependent on herders for its animals, should consider what it will take to bring the entrepreneur herder to produce cattle with substantially altered sales practices as a potentially profitable venture.

### **5.3.2 Strategy**

The form of agribusiness investment associated with the export of high-quality N'dama breeding stock is envisioned at present as a central cattle ranch where herders would supply cattle and West African coastal countries would be the major outlet for the export product. The functions of such a cattle ranch would be to:

- Collect and sort animals
- Conduct research and organize information
- Provide services to the herders to assist in improving production, such as:
  - artificial insemination
  - access to quality breeding stock
  - improved availability at the ranch and in the herder communities of forage and supplemental nutrients during the dry season
  - improved animal health diagnosis, treatment, and surveillance
- Serve as a production facility by furnishing a substantial portion of its own cattle supply and assuring a minimum capacity to meet export market demand
- Process cattle by overseeing production and lineage of animals so as to be able to provide the necessary certification as to the breeding characteristics and health of the animals
- Collect market information to be used in making decisions and in finding ways to cooperate with the traditional herders

Several questions regarding the scope and functions of the cattle ranch have deliberately been left unanswered, such as:

- Does the ranch need to be large enough to supply most of the export market for breeding cattle?
- Should the ranch develop other enterprise activities, such as production of cattle and other ruminants as work animals or for meat for urban markets?

Several major questions will need to be answered before this agribusiness investment opportunity can be evaluated. These are:

- What is the market? The market cannot be measured by isolated or spot transactions but by quantity and price levels that will be sustained over time.
- What is the potential for success? The inquiries of the ATF suggest that the current internal market value of a high-quality 2-3 year old heifer is about 10-12,000 sylis; of a 4-5 year old cow, 15,000 sylis. While there would be seasonal variations and distress sales, this price should probably be viewed as a minimum range within which the herders might be willing to sell their animals to the ranch. At the official exchange rate, however, this price would approach the final sales price of breeding cattle in regional export markets. This disparity means that, if there is to be real incentive for the herder to sell and the ranch to buy cattle, a barter arrangement would represent the best means for developing a mutually beneficial business relationship.
- What are the constraints to exporting live animals? If the major market is West Africa, there may be problems regarding health regulations, transport, customs and handling, and access to and conversion of foreign currency. In most countries, there is also a problem of financing, whether public or private, to purchase breeding stock.
- Will the traditional herder cooperate with the central cattle ranch by providing animals, reducing their seasonal movement, upgrading his herd, etc.? The investment opportunity presented herein is not compatible with existing traditional herding methods or marketing practices. Can the traditional herder be convinced to change his ways and interface with a modern, export-oriented N'dama cattle ranch?

In addition to changing the attitudes towards marketing cattle, the ATF has identified three fundamental adjustments to the traditional herding system which would be required. Adoption of these changes would serve to strengthen the relationship between the herder and the central cattle ranch.

- Animal Health Protection

The herder must receive complete animal health protection. While some progress has been made in this area through institution of a national animal disease control program, a breeding stock industry would require complete coverage, constant monitoring, and rapid, quality treatment on a regular basis. This would require both public and private interaction. A program would have to cover a broad geographic area which may extend beyond the borders of Guinea.

- Sedentarization of the Breeding Herd

Migratory herding is inconvenient to a modern system of cattle management which requires control and predictability. Consideration should be given as to what extent cattle could be sedentarized without diminishing production capabilities. While it may continue to be necessary for cattle to migrate to harvest efficiently overall forage resources and to adjust for climatic variation, feeding practices could be modified somewhat by negotiating with other herders and farmers to gain seasonal access to grazing lands. Herders should also take advantage of agricultural by-products as feed sources and should cultivate dry season forage.

- Upgrading Herd

The traditional herder must invest in future upgrading of his herd. Therefore, the N'dama breeding stock export industry will have to provide incentives which will induce the herder to do so and to sell his high-quality animals. Such incentives could consist of:

- Use of desirable barter goods to purchase cattle
- Weighted compensation based on quality of animals

It is the conclusion of the ATF that the disparity between the traditional herding system and the requirements of an export-oriented cattle ranch makes this an opportunity which will take time to prepare. Market research is needed. In many ranching proposals for West African projects, the focus tends to be on the facilities, with only token attention given to the social and economic environment in which the ranch would operate. The market must be defined and the project designed in accordance with identified constraints. Investors should not be overly optimistic about changing traditional patterns of herding but should find ways of encouraging positive adjustments.

### **5.3.3 ATF Recommendations**

The ATF does not have sufficient information to specify the nature of N'dama cattle exporting business nor to indicate the basis on which a private investment could be recommended. There appears to be significant potential in the concept of exporting N'dama cattle to other West African countries but this potential needs to be developed through a continuing support relationship over some period of time. The ATF recommends the following:

- A program to promote growth in export of N'dama breeding cattle should be based on the premise that the agribusiness system will be developed, in part, as the result of substantial support from public-financed programs.
- Public-financed programs will also be needed to bring the breeders in other humid tropical countries to be effective receptors of N'dama breeding cattle.
- Discussions with several donor organizations should begin, looking towards both sequential preparation of public financial support and continuing technical assistance.
- Interested investors should be encouraged to contribute to the design of the agribusiness system. A private investor, working with interested donor organizations, may contribute to simplification and promptness in organizing a basis for investment.

## 5.4 MARINE FISHING

There is an absence of reliable information on the marine resources of Guinea's continental shelf. The large surface of the continental shelf, the major mangrove areas, and the numerous river estuaries which feed that shelf, offer favorable ecological conditions for substantial, varied, and high-quality fishing resources.

There is considerable illegal fishing in Guinean waters. Guinea does not have the patrol equipment to protect against unauthorized harvest of marine resources. Whereas verified information is not available on the size and composition of the licensed catch, as well as that of poachers, the presence of fish resources of interesting size can be deduced from the activities of the fishing canoes and trawlers from Sierra Leone, Senegal, Korea, Italy, the Soviet Union, and elsewhere.

Lobster, shrimp, and shark are present, but the abundance of these species needs to be demonstrated. Other valuable species such as tuna and herring have been heavily fished and the extent of these resources needs to be ascertained. The large quantity of triggerfish in Guinea's waters, estimated at about 500,000 tons, or one-third of total biomass of the species in West African waters, probably indicates over-fishing of other species.

While there is need to get a clearer appreciation of the total marine resources, it would be costly and difficult. The ATF is not recommending major investments in further studies.

### 5.4.1 Observations

The ATF visited the fishing port in Kamsar, and saw the cargo infrastructure of the Compagnie des Bauxites de Guinee (CBG).

Guinea offers desirable conditions for a marine fishing venture at Kamsar because of the infrastructure associated with the mining operations, including the dock and pier facilities, deep sea port, housing, health care, electricity, commissary, shipping, and transport. The mining company at Kamsar currently imports all of the food needed to support the mining community.

The Russians provide most of the fresh fish in Conakry. The government sells the fish at the official price of 20 sylis per kilo. Supplies are exhausted immediately upon arrival and reach only a small segment of the population. In contrast, smoked fish, caught and prepared by local fishermen, sells for about 150 sylis per kilo in Conakry and in the interior.

As is the case for other products, liberalization of internal markets presents difficulties, but possibilities for self-sustaining enterprise are more promising for fish than for other products. The protein deficit in Conakry and the interior may best be addressed in the foreseeable future through harvest of marine resources. The price differential between the official and the parallel market for fish is larger than for most other products. The relatively small quantity of fresh fish traded at the official price and the modest number of beneficiaries means that many would gain while few would be disadvantaged. There would also be employment benefits from both fishing and marketing of fish products.

#### **5.4.2 Strategy**

Marine fishing is a highly attractive foreign investment opportunity. At present, fishing also represents the most promising source for increasing protein in the local diet. Foreign investment for supplying the internal market is unlikely, however, because of the official foreign exchange rate and current marketing practices.

##### **5.4.2.1 Marine Fishing for Export Markets**

The ATF recommends that marine fishing for export markets receive priority attention. A potential foreign investor has been identified who is interested in exporting shrimp, lobster, and shark.

In assessing the attractiveness of such a venture, a foreign entrepreneur would first need to satisfy himself regarding the marine resources in Guinean waters. Such resources are found in several countries; therefore, the advantages of Guinean site would have to be determined by such complementary factors as:

- Terms for negotiating fishing rights
- Sharing of benefits
- Availability of infrastructure and support facilities
- Availability of a dependable, trainable labor force

Another factor important to the investor and also in the best interest of the Government is to upgrade patrol of Guinean waters, thereby reducing poaching and protecting the value of fisheries concessions. New patrol vessels and training of crew and officers are essential. Attention might be given to ways to draw upon U.S. expertise, public and private, for this type of training.

A potential investor should be encouraged to conduct a detailed feasibility study of a self-contained enterprise at Kamsar for export of shrimp, lobster, and shark. Such an operation would generate some quantities of other varieties of fish which could be sold locally. There is also the possibility of selling fish to the mining company at Kamsar.

The ATF believes that financing for the project at Kamsar can be organized if other conditions are in place, including:

- Adequate marine resources
- Reasonable arrangements for protecting fishing rights
- Quality technical and management services
- Autonomy in choice and utilization of local labor

Exploratory discussions have begun with the African Development Bank in Abidjan, the Development Fund of the Economic Community of West African States (Lome), the Islamic Investment Fund (DMI) in Geneva, and the International Finance Corporation (IFC) in Washington, D.C. These discussions have been encouraging. Local currency might be made available through PL480 counterpart funds.

#### **5.4.2.2 Marine Fishing for the Internal Market**

It would be difficult to attract investors interested in supplying fish to the internal markets. This is primarily due to the official currency exchange rate and price controls. The ATF feels that consideration should be given to eliminating the official price for fish.

An approach to consider would be the creation of a mixed enterprise with minimal foreign equity participation, but with expatriate management operating under a performance incentive contract. The enterprise could be created through reorganization of Soguipeche, the national fishery organization. The enterprise would operate autonomously and would make use of talent already present at Soguipeche. It would be desirable for the enterprise to sell for export as well as for the local market. Investment would need to be made in modern equipment and there must be assurance, through firm arrangements made by the Government, for minimum foreign exchange needs for fuel, parts, amortization of equipment, and management service costs.

The venture would require concessionary financing, which is expected to be available once marketing, management, and foreign exchange needs of the enterprise are in place.

Guinea could be outfitted with a modern fleet at a reasonable cost. Shrimp trawlers and other boats of high quality are available for purchase or lease on favorable terms in North America and elsewhere. Many of these boats are relatively new with low fuel consumption, but are currently underutilized as a consequence of the 200-mile limit for national marine resource exploitation. For a cost of about four million U.S. dollars, a fleet of perhaps ten ships could be delivered to Guinea, complemented by a basic supporting infrastructure (including a modest slipway, repair and support facilities, limited freezing and icemaking equipment, spare parts, etc.). This might also include the means for smoking fish. The fleet might be leased initially to reduce the level of investment required until the viability of the operation is demonstrated.

The ATF was impressed with the dedication and interest of senior officials of Soguipeche and of the Ministry of Livestock and Fisheries. The Guinean artisanal fishermen have proven to be adaptable even under difficult operating conditions. It is the opinion of the ATF that these segments could be restructured to respond effectively to the country's needs. The ATF understands that discussions are taking place with the African Development Bank to prepare a project directed to artisanal fishing. The ATF believes an effort to liberalize internal marketing should be attempted for fish products.

#### **5.4.3 ATF Recommendations**

Foreign exchange resources for investment in marine fishing for both export and internal markets may be obtained. For the internal market, this will be through concessionary financing when favorable marketing and operating conditions are put in place. The priority of this opportunity is such that the ATF recommends that necessary adjustments in Guinean resource allocations be made to assure its development. The ATF recommends that:

- Investors be encouraged to set-up one or more self-contained export enterprises. A priority site to consider for such an enterprise is Kamsar
- Government patrol of Guinean waters be upgraded to reduce illegal use and to protect the value of fisheries concessions
- Actions be taken to encourage more commercial and artisanal fishing for the internal markets, including:
  - liberalization of trade in fish within the Guinean economy
  - formation of an autonomous mixed enterprise through reorganization of Soguipeche, to supply fish to both export and internal markets (the export market would generate some of the foreign exchange needed for the company's operations)
  - preparation of the analyses required in seeking concessionary financing for the enterprise

- provision by the Government for the essential foreign exchange requirements of the mixed enterprise for fuel, parts, amortization of equipment, and management services

#### 5.5 SMALLHOLDERS' VEGETABLE AND CEREAL PRODUCTION TO SUBSTITUTE FOR IMPORTS BY MINING ENTERPRISES

Guinea has four mining complexes with substantial populations. They are:

- Compagnie des Bauxites de Guinee (CBG), which exports approximately 9 million metric tons of bauxite annually and accounts for 75 to 80 percent of Guinea's foreign exchange earnings. Fifty-one percent of the equity of CBG is owned by a group of nine, predominately North American, multi-national investors with the remaining 49 percent owned by the Government of Guinea.
- Office de Bauxites de Kindia (OBK), is a state company managed by the Soviets. The OBK produces approximately 2.5 million tons of bauxite annually, most of which is sent to the Soviet Union on a clearing account basis.
- Friguia, located in Fria, produces approximately 650,000 tons of alumina. The company is owned by a French-led consortium of western aluminum companies and by the Government of Guinea.
- Association Pour la Recherche Du Diamant et De L'Or (Aredor) located at Kissidougou, mines gold and diamonds.

The Mifergui-Nimba iron mine, of which U.S. Steel is the lead organization in a consortium of multi-nationals currently negotiating with the Government, may also be in operation by the late 1980s.

CBG, Friguia, and Aredor have generated communities of up to 40,000 people. All of these companies import large quantities of food for employees and their dependents. CBG food imports are valued at 10 million U.S. dollars annually. This amount includes import of 4,000 to 6,000 tons of rice with a market value on the order of 1.0 million U.S. dollars.

Much of the food currently being imported by the mining companies could be produced within Guinea. The opportunity for import substitution has been hampered by problems of organizing production, quality control, collection, post-harvest handling, the general shortage of food within Guinea, but above all by pricing.

### 5.5.1 Observations

The mining companies pay low prices for imported rice because they buy in large quantities by international tender and use negotiated charter shipping from Europe and North America. The landed cost for rice is approximately U.S. \$0.22 per pound or 12 sylis per kilogram at the official rate of 22.182 sylis to one U.S. dollar. CBG allows its employees to purchase rice at cost plus 20 percent. The market price for locally produced rice in rural markets around Kamsar/Boke is 55 sylis per kilogram.

The CBG has indicated an interest in purchasing local food products as a substitute for imports if three basic requirements are met:

- Consistent quality
- Substantial quantity and reliable supply
- Competitive price

Rice and vegetable oil seem to be particularly appropriate for import substitution. Rice is a desirable commodity because it is central to the farm economy and there is a consumer preference for local rice.

### 5.5.2 Strategy

The ATF suggests an initial experiment or pilot project in the Kamsar area to provide rice for CBG. Other products could be tested, using the model developed, and the project could be replicated in other mining communities.

The pilot project would consist of a nucleus farm and rice mill. Most of the rice would be produced by smallholders with the nucleus farm providing about 40% of the mill's requirements. The nucleus farm would also conduct research and provide training, through demonstration, to affiliated farmers in improved methods of production.

Locally produced rice would be purchased by the nucleus farm which would then sell the processed rice to CBG under a requirements contract with payment in dollars or barter goods. The nucleus farm would be the conduit for bringing fertilizer, improved seeds, tools, and basic staples to the producers.

The major questions which need to be answered in order to determine whether such a project is viable are:

- Will production be at a cost which would be competitive with that of imports?
- Can there be an adequate margin or return for the intervening enterprise?

The ATF recommends that a feasibility study be undertaken to determine the design and cost of this pilot project and to estimate the cost of producing rice and the price the enterprise might expect to receive for its rice.

Trade within Guinea would be by barter. Private trade in cereals is not viable if foreign investors must conduct transactions at the official market price. Also use of barter will make available fertilizer, spare parts, tools, and staples which might otherwise be unobtainable.

The CBG does not wish to engage in agricultural production but would encourage an intervening enterprise to substitute for imports where possible. The intervening enterprise would be a private company with Guinean and U.S. investors. It would operate the nucleus farm and rice mill under a financing arrangement which will need to be clarified. Collaboration between the Company and the CBG offers two essential benefits:

- Importation on favorable terms of nitrates which the CBG uses in large quantities for its mining operations
- Ability to provide facilities and services on a cost-effective basis, possibly including transportation, which markedly reduces the investment and management problems for start-up

The pilot project should be of a scale which would keep investment in infrastructure and facilities minimal. The visit of the ATF to Kamsar was too brief to survey possible production sites, but areas visited gave the impression that land holdings of sufficient size might be organized for the nucleus farm and smallholder production. The initial activity would:

- Consist primarily of smallholder production but would also include a nucleus farm, the scale of which should be determined during the feasibility study
- Require local private participation to organize the producers and encourage them to follow recommended agricultural practices
- Rely on increase in yields through improved inputs on traditionally cultivated land area with some minor improvements to permit second cropping in low-lying areas subjected to flooding during the rainy season
- Carefully schedule physical investments for farm equipment, handling and storage facilities, rice milling, limited irrigation facilities, etc. to balance risk, investment, and potential return

There is a fundamental problem of risk management as it relates to the scale of the project and its economic viability. If the project is begun on a modest scale with carefully controlled investments, it is not likely that the initial form will generate a cash flow which would permit recovery of the cost of expatriate management and technical services. On the other hand, given the low base price for rice and the necessity of putting in place a complicated barter system for which the operating cost will be difficult to predict, it is prudent to begin on

a modest scale. A U.S. private agribusiness firm is unlikely to invest in such a project until the organizational and economic framework is successfully demonstrated through a pilot project. It would be desirable to have a potential investor involved in design of the project and in provision of management services.

Possibilities of funding the pilot project should be explored during the feasibility study phase. This is a promising opportunity because of the importance of food production for internal consumption and because the rice will be sold for hard currency. The project would also serve to remunerate local labor; demonstrate that improved technical and management practices make a quantitative difference in agriculture; and, increase the flow of commodities (barter goods) into the local economy. This project is also important because it could be used as a model for other crops. If a way cannot be found to move to and beyond a pilot project for rice production, this will illustrate how critical the foreign exchange convertibility issue is to the development of agricultural production in a potentially rich agrarian economy.

The ATF recommends that a rice production and processing pilot project in Kamsar be given priority attention.

There are some areas for concern in using this model. Barter is a means of entry to the grey zone between the official and parallel market. There is a risk that purchasing rice using desirable barter goods will induce displacement of rice from internal deficit markets to CBG. This may be addressed through the substantial increase in production expected from use of modernizing inputs. However, farmers cannot be expected to substantially increase production unless they are able to realize an equitable return which covers their costs of production and allows for some margin.

It may not be possible to stimulate local production and support an enterprise in the face of a market price of U.S. \$0.22 per pound of rice. Several nations in West Africa have faced the choice of higher internal production costs in lieu of imports. Where these countries have chosen to produce key commodities,

governments have afforded protection or subsidy. In this case, the subsidy appears to fall first upon the industrial enterprise. The ground rules and attendant costs to all parties must be made clear at the outset, so as to avoid undermining this most promising area for stimulating internal food production.

### **5.5.3 ATF Recommendations**

The ATF recommends that ways be found to encourage the development of enterprises which would produce food for the mining companies and thereby earn foreign currency. A pilot project must first be developed to test whether such an enterprise could be profitable for a foreign investor. The proposed pilot project is a nucleus farm with a rice mill which would rely primarily on smallholders for production. The processed rice would be sold to CBG for hard currency. The following steps are recommended:

- Obtain financing for a feasibility study
- Contract with an outside consultant to conduct a feasibility study; the study should detail project design and operation, financial requirements and projected revenues, and an implementation plan for the pilot project
- Encourage the participation of potential investors in project design and analysis
- Establish ground rules for the initial experiment including the form of the enterprise which will manage the pilot project and conditions related to pricing, financing, internal trade, etc.

## **5.6 SUGARCANE PRODUCTION AND PROCESSING**

Guinea imports approximately 4,000 metric tons of sugar per year through official channels. There is also considerable commerce through the parallel market. Sugar supplied through the official market cannot begin to meet demand but the country has been unable to import greater amount because of lack of foreign exchange.

Guinea has the climate and soil conditions which would allow successful production of cane sugar. Guinea's leaders are properly inquiring as to whether it would be appropriate to develop a domestic sugar industry. Many nations set a high priority on becoming self-sufficient in sugar, both to reduce the strain on foreign exchange and to insure an adequate supply of this basic staple. Sugar is particularly valuable as a concentrated source of carbohydrates and calories in countries where transport and storage of perishable foods is inadequate.

Several steps have been taken in Guinea in preparation for sugar production, in particular:

- A small processing plant and sugarcane fields were established at Koba. The plant, built with Chinese assistance, is not currently operating on a commercial basis
- A research station and seed farm is in place at Banian, primarily engaged in identification of cane varieties suitable for Guinea. Expansion of the facility has been suspended
- A feasibility study has been conducted for an agro-industrial sugar complex at Banian

#### **5.6.1 Observations**

The ATF visited the research station and seed farm in Banian. Research has identified several appropriate cane varieties and experimental results are generally favorable. The cane at Banian is currently only rainfed and the cane observed was dried out. Unless provision is made for supplemental irrigation during the dry season, cane growth will be poor. The feasibility study should be modified to include irrigation during the dry season and to reflect the cost and increased yields in the economic evaluation.

The processing facility and sugarcane fields at Koba are not now operational. It is the opinion of the ATF that an investment in rehabilitation is not worthwhile.

### **5.6.2 Strategy**

A sugar industry cannot be developed on a small scale through sequential investments. The installation of a modest-sized processing plant calls for a capacity which would require that Guinea produce for internal consumption and some export. Capital investment required to establish a small-scale cane sugar complex would be approximately 25-30 million U.S. dollars. Because the basic investment in a processing plant and farm equipment is large, there would be a need to divert significant foreign exchange from other projects to cover the cost of amortizing the investment, importing spare parts and supplies, and technical and managerial assistance. The selling price of sugar would have to be adequate so the company could repay its debts and cover ongoing capital and operating costs.

The free market price of sugar is currently extremely low. Therefore, the Government must decide to what extent becoming self-sufficient in sugar is an immediate priority. The first requirement is to have a realistic assessment of the cost and foreign exchange requirements of production and export in comparison with foreign exchange and costs for continued importation. During the first years of developing a cane sugar project, investment of capital and foreign exchange is intensive with payout heavily weighted towards later years. Central to the analysis of when it will be appropriate to consider development of a domestic industry is an appreciation of world market trends. When market conditions improve, investing organizations and suppliers would likely come forward and would be able to organize financing and provide management. Since the majority of consumption would be internal, Guinea would have to assure foreign exchange requirements for the enterprise.

### **5.6.3 ATF Recommendations**

Development of a sugar industry for Guinea does not represent a foreign investment opportunity at present. It may, however, be appropriate at some future date for the Government to sponsor development of a sugar industry to satisfy internal demand. The ATF recommends that:

- Cost for installation of a basic sugar production industry be reevaluated, making provision for dry season irrigation
- A comparative analysis be undertaken of production and marketing costs and foreign exchange implications for domestic production versus continued importation, with particular emphasis on sensitivity to variations of the world market price

## **5.7 ADDITIONAL PRODUCT OPPORTUNITIES**

### **5.7.1 Specialty Crops**

Production of crops which have a high unit market value and can be produced on relatively small land areas should be considered. Such specialty crops require careful control of quality, treatment, and handling to the point of export sale. Examples of specialty crops which could be produced in Guinea include expanded areas of cinchona (raw material for quinine), medicinals, essences, spices, and nuts (cashews and macadamia nuts). Careful attention to market penetration, siting, and organization of production, handling, processing, and market systems is required for each product. Technical assistance will be desirable.

### **5.7.2 Importation and Testing of Seeds and Grafted Plants**

Seed varieties and plant stock and production methods developed through research in other tropical countries should be tried in Guinea. The basic tasks are to:

- Obtain the modest financial resources needed for exchange with research centers and external producers and to import quality seeds and plant stock
- Identify who can manage the testing, seed multiplication, and nursery activities which will be required

- Establish a program which includes station and field testing in suitable locations throughout the country
- Train a modest number of agents and demonstration farmers in field trials, grafting techniques, seed multiplication, etc.

To be included are new varieties for:

- Staples--corn, rice, yams, etc.;
- Fruits--solo papaya, tomatoes, onions, etc.; and,
- Grafted plants--citrus, mango, and avocados.

This work may begin in a small, informal manner; it might be linked with the effort to test, and prepare to introduce, specialty crops.

### 5.7.3 Food Processing

Small- to medium-scale regional processing plants might be viable in Guinea to supply local population centers with food requirements. A processing complex should control or grow at least 40 to 60 percent of its raw materials and buy the balance from nearby farmers who could be supplied with seed, fertilizers, tools, technical assistance, etc. These operations would produce for the domestic market and consequently would not generate foreign exchange needed to attract private investment.

Joint venture agreements or management incentive contracts might be made with the Government contributing the capital, land, buildings, and machinery. Donor financing would be required with a foreign enterprise furnishing technical and managerial skills. This form of import substitution requires careful analysis of comparative costs and foreign exchange savings and assurance about continuing access to foreign exchange. The most evident prospects are: rice drying, sorting and milling; vegetable oil processing; preliminary treatment of coffee beans; and, a small, all purpose fruit and vegetable cannery.

Processing opportunities for export might include: a shrimp and fish freezing plant, a cashew nut processing plant and a fresh fruit and vegetable packing house.

6. PRIMARY CONSTRAINTS TO U.S. PRIVATE-SECTOR INVESTMENT  
IN AGRIBUSINESS IN GUINEA

Investment in Guinea is discouraged by unfavorable world market conditions for many tropical agricultural commodities and by constraints within the economy. Monetary, marketing, and administrative obstacles must be overcome. Information resources, research, and basic services must be developed. Public financing should complement foreign and local private investment in Guinea. The following points summarize the major constraints to U.S. private investment in Guinea.

- Foreign exchange conversion rate. The official rate of exchange in Guinea is 22.182 sylis to 1 U.S. dollar. The parallel or street rate fluctuates between 150 and 200 sylis to 1 U.S. dollar. Private foreign investors will not be willing to make substantial purchases of local goods or services at the official market rate. Until the exchange rate is adjusted, barter will be the most acceptable way of dealing with the internal economy. However, trading by barter is complex and cumbersome and U.S. firms unused to the barter system will be hesitant to engage in this practice unless potential return on investment is significant.
- Underdevelopment of infrastructure and services. The lack of basic infrastructure and services will retard potential investment where an enterprise's reliance on public infrastructure and services is critical to its success. The alternative is for the foreign enterprise to become self-contained by making its own provision for basic services. Again, this option is only open to industries which may expect significant return of its investment to allow for the massive expenditure required.

Of particular importance is the need for collaboration between public and private sources of investment and financing--communication and coordination between the Government and the investor are essential.

- Lack of sufficient information on Guinea. The U.S. business community in Guinea is small and the general businessman in the U.S. is not well-acquainted with local conditions, Government attitudes towards the U.S., or potential opportunities. An effort must be made to increase awareness in the U.S. business community of Guineans receptiveness to U.S. business investment and the potential opportunities for investment.

A strategy is needed for making Guinea known. One step is assisting potential investors within Guinea through providing a point of contact to which they may go for information, access to leaders, and follow-up for investment and administrative actions. Outside Guinea, efforts should be to identify opportunities and determine how to pursue selective businesses in specific markets. This procedure should be complemented by flow of factual information about the investment climate and investment performance. Drawing upon the Guinean Embassy to the U.S. and on U.S. agencies, public and private, the way will be clarified to consider other public relations measures.

- Reliability of supply lines. A foreign enterprise operating in Guinea will be concerned about problems of maintaining lines of supply, obtaining spare parts, and ability to repair and replace equipment to assure timeliness in production and delivery schedules. These problems will cause the foreign enterprise to use forms of investment which will be protected from rather than stimulative of the internal economy.
- Exposure of agribusiness enterprises to the internal economy. Unlike the mining and energy industries, agribusiness activities are most beneficial when they reach into the internal economy. For agribusiness investment to occur, there must be confidence in public services, access to Government agencies, and freedom from unanticipated constraints.

- Shortage of experienced local technicians and managers. Modern agribusiness requires the contributions of many skilled employees. It will not be economical for the foreign enterprise to maintain large numbers of expatriate employees so it is important that there be a source of qualified skilled technicians, supervisory personnel, and managers upon which the enterprise can rely. Of particular concern to the agro-industrial enterprise are artisans, mechanics, equipment operators, agriculturists, supervisory personnel, chemists, accountants, and clerical staff.
- Price control of commodities. Official prices of selected commodities which are below the costs of production will discourage foreign investors from participating in the internal economy.
- Language. While not a major concern, some investors will be reluctant to do business in a country where English is not commonly used. Most U.S. businesses are most comfortable when language of contracts, negotiations, etc. is in English because of the misunderstandings which can result from translations. It is important that U.S. businesses recognize the importance of their local representatives speaking and understanding French.

7. HOW THE UNITED STATES AND PRIVATE-SECTOR AGRIBUSINESS FIRMS CAN ASSIST GUINEA TO IMPROVE ITS FOOD PRODUCTION

The United States and its private agribusiness sector can make significant contributions to Guinea's efforts to improve its agricultural productivity. The ATF was impressed by the commitment of the Guinean Government to finding ways of increasing production of food for the benefit of its people and to expanding the role of agricultural export to diversify the country's economic base. The ATF firmly believes that cooperation between Guinea and the United States related to food production will yield benefits for both nations.

The Government of the United States and the U.S. private agribusiness sector can assist Guinea in:

- Setting goals and providing assistance in planning for agricultural development
- Introduction of new technology including:
  - production and processing techniques
  - improved crop varieties
  - alternative crops
- Conduct and organization of research, including setting pragmatic goals and improving access of farmers to research results
- Preparing to solicit capital--public and private
- Provision of technical and management assistance
- Training, in the U.S. or in-country, of Guinean nationals in managerial and technical skills needed for modern agribusiness development

- Development of market potential for Guinea's products
  
- Utilization of the systems approach to agribusiness development in which all components relevant to project success are analyzed from a multi-disciplinary point of view, including:
  - research
  - production
  - harvesting
  - processing
  - handling and storage
  - transportation
  - financing
  - marketing
  - cost control
  - management
  - rewards

The ATF feels the goal of the Government to attract private investment to Guinea is a sound one. This approach should be complemented by a program to provide continuing access in Guinea to U.S. agribusiness expertise. Also, Guinea should design and implement a public relations program to selectively acquaint potential U.S. investors with Guinea and its opportunities.

## 8. FUTURE PROGRAM

The Government of the People's Revolutionary Republic of Guinea has recently created an office within the Presidency to promote private agribusiness investment. The Guinean Ambassador to the United States, Mr. Mamady Conde, has been appointed to head this unit. The specific functions and responsibilities vested in this office are being developed.

It is the opinion of the ATF that one of the first objectives of the Guinean private agribusiness investment office should be a public relations initiative to acquaint potential U.S. investors with existing and potential opportunities in Guinea.

The ATF recommends that the following sequential steps be taken:

- The ATF Leader, Wayne Richardson, Jr., and another ATF team member visit Guinea in July, 1983, to discuss the findings and conclusions of the ATF report with Government leaders. The various initiatives need to be identified, reviewed, and priorities established for implementation.
- At a mutually agreed time, possibly in August, 1983, a visit be made to the United States by the two senior Guinean technical specialists invited by the ATF. A proposed itinerary will be delivered prior to and finalized during Wayne Richardson Jr.'s visit in July, 1983.
- A workplan be developed for implementation of the priority initiatives recommended in the ATF report.
- The collaboration initiated by the Government with the World Bank, the United States Agency for International Development, and other donors consistent with Guinea's 1981 - 1985 Development Plan be continued, drawing upon recommendations of the World Bank's Agricultural Sector Survey and the ATF report.

- Formulate a program to build a closer relationship with private agribusiness firms, financial institutions, non-profit organizations, research centers, universities, and sources of information and technical services within the United States.
- Develop a program to introduce new crops, seeds, and plant varieties for field testing in Guinea.
- Take steps to reduce major constraints to private foreign investment in agribusiness, in particular to:
  - seek solutions to basic economic and agricultural policy problems
  - continue liberalization of internal marketing and encouragement of investment in agricultural export industries
  - foster development of entrepreneurial skills in the private sector in Guinea by encouraging their participation in new ventures
  - endorse and utilize the agribusiness systems approach in evaluating existing and newly planned projects

The Agribusiness Task Force endorses the plan of the Government of the People's Revolutionary Republic of Guinea to resolve its fundamental economic problems in conjunction with the demonstration of production and use of agribusiness systems techniques of management and implementation. An essential component is the maintenance of the momentum created by the ATF visit through a carefully monitored sequence of progress.

**ANNEX A**

**BIODATA OF AGRIBUSINESS TASK FORCE TEAM MEMBERS**

Wayne Richardson, Jr. - Leader, Agribusiness Task Force

Mr. Richardson is currently President of ABA International, a Hawaiian based agribusiness firm providing consulting and investment advisory services for agribusiness activities throughout the third world. He is the former President of Alexander Baldwin Agribusiness International, C.W. Brewer and Co., Hawaiian Agronomics Company International and numerous of their subsidiary companies involved in investments in sugar, pineapples, nuts, livestock and other tropical products. Mr. Richardson has advised governments, as well as designed and carried out agricultural production investments in over thirty-five countries. He has held several leadership positions in agribusiness societies: Director of the Agribusiness Council, Inc., member of the Nigeria-U.S. Joint Agricultural Consultative Committee, member of the Sudan-U.S. Business Council and President of the American Society of Agricultural Consultants International. Mr. Richardson has also served as a consultant to the United Nations Center for Transnational Corporations.

Dan A. Klingenberg - specialist in marketing and project appraisal

Mr. Klingenberg is the Vice-President for Agriculture of the Chase Manhattan Bank. He has extensive experience in appraisal of agribusiness investments in developing countries as well as in managing agricultural and livestock operations. He has helped organize investments and arrange financing for agriculture and livestock production, processing and marketing projects. Mr. Klingenberg also has distinguished affiliations with such organizations as the American Society of Agricultural Consultants, the Joint Agricultural Consultative Corporation, the International Association of Agricultural Economists and the American Society of Agribusiness Consultants.

Donald B. Easum - specialist in investment climate

Ambassador Easum is President of the African-American Institute, a non-profit organization dedicated to exchange of views between the U.S. and Africa and to broadening personal contacts with leaders of Government and the private sector. He had a distinguished career in the diplomatic corps, attaining the rank of Career Minister after serving as Assistant Secretary of State for Africa and Ambassador to Nigeria and Upper Volta. Ambassador Easum received a Masters in public affairs and a Ph.D. in political science from Princeton University. He is also President of Easum Farms, a family-owned wheat and milo farm in Kansas.

I. William Lane - fisheries specialist

Dr. Lane is President of Universal Marine and Shark Products, Inc., a corporation engaged in shark fishing and processing with current operations in Panama. He has had extensive world-wide experience in commercial fishing and fish processing, including being General Manager of the world's largest fishmeal operation and Director of international fishing for W.R. Grace and Co. Dr. Lane has served as a consultant to several governments in setting up national fishing and fish processing industries and has been a frequent speaker/participant at U.N./FAO Symposia on development of national fishing resources.

Waldo G. Heron - specialist in processing

As President of FOODPRO, a company that provides technical services to the food industry overseas in the fields of canning, freezing and dehydration. Mr. Heron has a great deal of experience in negotiating joint ventures and technical service agreements, supervising preparation of feasibility and marketing studies, designing plant layouts, recommending equipment selection and cost analysis for processing plants. His firm has been active in North Africa, Latin America, Europe and the Far East. Mr. Heron has run coffee, citrus and avocado plantations in Latin America and the U.S. He serves on the Agribusiness Promotion Council established to carry out the U.S. Caribbean Basin Initiative and as President of the American Society of Agricultural Consultants International.

Geoffrey Kean - specialist in logistics, storage and transport

Mr. Kean is the senior advisor to EMCON International, a company which specializes in organizing joint venture investments for agribusiness opportunities in developing countries. They are presently operating a diversified vegetable business in Egypt and are preparing agricultural projects in Morocco and Jamaica. Mr. Kean is also President of Kean & Co., a firm which provides guidance on national and international environmental problems and specializes in recruitment of technical and management personnel to work in the developing countries. Mr. Kean is former Director of International Affairs for IBM.

Howard B. Helman - executive assistant to the Task Force

Mr. Helman has just returned to USAID as Chief of the Project Development Division for Coastal and Central West Africa; previously, he designed agricultural and livestock projects in numerous West African countries and served as AID's liaison with the European Community and the French Ministry of Cooperation on economic assistance to Africa. Mr. Helman is a former Chief Executive Officer of the World Council of Credit Unions and Assistant Director of Technical Assistance of ORT. Mr. Helman has also served as a consultant to the World Bank as loan officer in Central Africa and advisor on technical assistance to the Legal Department.

**ANNEX B**

**SCHEDULE OF AGRIBUSINESS TASK FORCE VISIT TO GUINEA**

## SCHEDULE OF VISITS BY THE AGRIBUSINESS TASK FORCE TO GUINEA

The Task Force arrived Sunday, February 20 and departed Saturday, March 5, 1983.

### Monday, February 21

Overview Meeting chaired by the Prime Minister with the Minister of Agriculture, the Minister of International Cooperation, Ambassador Conde, and Senior Technical Staff.

Organizational Meeting chaired by the Ministry of International Cooperation, with the Minister of Agriculture, Ambassador Conde, and the technical working party.

Luncheon Meeting with President Ahmed Sekou Toure and Senior Ministers

### Tuesday, February 22

Meetings with Ministers involved in Agribusiness Activities

- Minister of Industry
- Minister of Agriculture
- Minister of Livestock and Fisheries
- Minister of FAPAs
- Director General of Planning and Statistics

Meetings with Product-oriented Working Groups

- Pineapples
- Cereals and Vegetables
- Coffee
- Livestock
- Fisheries

Wednesday, February 23 and Thursday, February 24

Travel to the Region of N'zerekore (coffee). (Accompanied by the Prime Minister, the Minister of Agriculture, the Minister of International Cooperation, and Ambassador Conde).

Meeting with Government regional leaders

Travel to Guecke

Travel to Tiecke and Ganta

Visit to Military Coffee Plantation

Visit to Catholic Mission and Farm

Friday, February 25

Travel to Faranah. (Accompanied by the Minister of Agriculture and Ambassador Conde).

Meeting with Governor and regional leaders

Visit to prize rice producing farm

Visit to research center, school, and experiment farm

Visit to pilot sugar research and experiment at Banian

Visit to SAPAL livestock/farming enterprise

Meeting with village smallholder farmers in SAPAL area

Visit to integrated cassava plantation and processing facility at Gari

Saturday, February 26

Visit to Brasserie (Conakry)

Visit to cement factory

Visit to textile factory (Sauoya)

Visit to Daboya pineapple production facility

Visit to Foulaya research center (Kindia)

**Sunday, February 27**

Informal discussions with technical staff from several ministries (working bunch)

**Monday, February 28**

Conakry

Meetings with Minister of Livestock and Fisheries

Meeting with Soguipeche (Marine Fishing)

Attended meeting of President Ahmed Sekou Toure with all licensed local merchants

Travel to Kamsar/Boke

Met with Governor, local leaders, management of Compagnie des Bauxite de Guinee (CBG)

Toured CBG bauxite processing facilities

**Tuesday, March 1 and Wednesday, March 2**

Visit to fishing port, fishing enterprises, and to cargo infrastructure of CBG

Visit to CBG supply and commissary facilities

Visit to CBG personnel support facilities (medical, housing, transport and logistics, etc.)

Meetings with CBG personnel on imports, transport, costs, labor practices and benefits, etc.

Visit to N'Dama breeding project in Boke

Visit with small herders in Boke area

Visit to market center and rice producing facilities in region of Gaoual

**Thursday, March 3**

Travel to Forecariah

Visit to pineapple plantation and Salguidia processing plant

Conakry

Meeting with Vice-Governor of the Central Bank

Visit with Minister of Housing

Visit to Conakry market

**Friday, March 4**

Meeting with the Ministry of Agriculture

Meeting with President Ahmed Sekou Toure, attended by the Prime

Minister, the Minister of Agriculture, the Minister of International  
Cooperation, and Ambassador Conde

Meeting with the Minister of Geology and Mines

**Saturday, March 5**

Synthesis meeting chaired by Prime Minister with participation of  
Ministers of Livestock and Fisheries, International Cooperation and  
Ambassador Conde

**ANNEX C**

**INVESTMENT CODE OF GUINEA**

TRANSLATION

REVOLUTIONARY PEOPLE'S REPUBLIC OF GUINEA

N 008/PRG

WORK--JUSTICE--SOLIDARITY  
PRESIDENCY OF THE REPUBLIC  
SECRETARIAT GENERAL OF THE GOVERNMENT

DECREE

THE PRESIDENT OF THE REPUBLIC,

IN CONSIDERATION OF Constitutional Law No. 4/AN of 10 November 1958 promulgated by Ordinance No. 15 of 12 November 1958;

IN CONSIDERATION OF Law No. 001/AL/75 of 7 January 1975 marking the election of the President of the Republic;

IN CONSIDERATION OF Decree No. 215/PRG of 1 June 1979 nominating the Members of the Cabinet of the President of the Republic;

DECREES

ARTICLE 1 - Law No. 05/APN/80 of 20 February 1980 instituting an Investment Code in the Republic of Guinea is promulgated.

ARTICLE 2 - This Decree will be registered and published in the Official Gazette of the Republic.

Conakry, 6 March 1980

AHMED SEKOU TOURE

## TRANSLATION

REVOLUTIONARY PEOPLE'S REPUBLIC OF GUINEA  
WORK-JUSTICE-SOLIDARITY

NATIONAL POPULAR ASSEMBLY      Law No. 005/APN/80 INSTITUTING  
AN INVESTMENT CODE IN THE  
REVOLUTIONARY PEOPLE'S REPUBLIC OF GUINEA

### THE NATIONAL POPULAR ASSEMBLY

**IN CONSIDERATION OF** Articles 7, 9, 14, and 15 of the Constitution;  
**AFTER** deliberation;  
**ADOPTS** the Law the terms of which follow:

#### TITLE I: SCOPE OF APPLICATION

**ARTICLE 1:** Those investments may benefit from the advantages of this Code which are considered priority investments carrying out one or more priorities of the Economic and Social Development Plan or those whose objective is to promote a special interest for the development of Guinean Economy.

**ARTICLE 2:** Existing enterprises may also benefit from the advantages of this Code upon extension or significant modification of their activity, but only in the proportion of the new investments.

**ARTICLE 3:** The following categories may be accepted as constituting priority undertakings:

- a) Mining industries which engage in the extraction, beneficiation, or transformation of mineral substances;
- b) Industrial enterprises for preparation and mechanical or chemical transformation;
- c) Industries which manufacture and assemble articles and objects for general consumption;
- d) Agricultural and agricultural-engineering enterprises; and
- e) Apartment or hotel enterprises.

#### TITLE II: CONDITIONS OF ACCEPTANCE

**ARTICLE 4:** Those businesses which submit an investment program containing at least the following six provisional documents may be granted benefits under the provisions of this Code:

- a) An investment plan and a financing plan in foreign currency and in Guinean currency;

- b) A production plan indicating volume and value over a total period and over an annual period;
- c) An import and export plan indicating volume and value over a total period and over an annual period;
- d) An employment plan with specifics on the program of professional training and social action and an Africanization plan related to the training program;
- e) A plan of restoration of sites to their natural state in the cases of extractive or forest industries; and
- f) A program of environmental protection and notably a plan for recovery of factory wastes.

**ARTICLE 5:** Any enterprise having for its objective the exploitation of a natural resource should preferably be set up as a Mixed Economy Company governed by a special Agreement.

**ARTICLE 6:** The enterprises mentioned in Article 5 above may benefit from acceptance only if they commit themselves to pass, within a time span to be fixed by an accord, from the phase of transformation of natural resources to a further processed product.

### **TITLE III: APPLICATION FOR ACCEPTANCE**

#### **ARTICLE 7:**

- a) Any enterprise soliciting the granting of acceptance must make such a request before the Minister of Planning;
- b) All requests must be accompanied by a file containing the documents described in Article 4 above;
- c) The decision of acceptance must occur within three (3) months from the date of the presentation of the complete file;
- d) In case of rejection of the application, the applicant will be notified by the Minister of Planning within the same time span.

**ARTICLE 8:** After examination and study, the Minister of Planning will submit the file, with his recommendation, for processing in accordance with the current approval procedure.

### **TITLE IV: SPECIAL ADVANTAGES GRANTED TO INVESTMENTS**

**ARTICLE 9:** All investments accepted under this Code will benefit from exoneration and fiscal relief measures. This regime of privilege is however weighted according to the desirability and the size of said investments, as regards the economic development of the country.

The duration and scope of the privilege will be specified in the text of acceptance.

**ARTICLE 10: CONSTRUCTION OR INSTALLATION PHASE:** All equipment, materials, and raw materials necessary to the design and infrastructure, construction, and to the setting-up as well as in the extension and modernization of existing units will be, upon importation, exempted from customs, duties, and other normally levied taxes.

Equipment, tools, materials, and raw materials which may be furnished by Guinean industry at a price not to exceed 10% above the price (of imports) with equal conditions of quality and delivery time, will however, be excluded from this benefit of exemption.

Unless a waiver is granted by the Minister of Finance after notification from the Minister of Planning, equipment, tools, material and raw materials which have benefited from the regime instituted by this Code may not, for a period of 5 years, be utilized for purposes other than those for which they were imported.

Such a change of purpose will cancel the advantages granted by the acceptance Decree unless they benefit through another accepted undertaking.

**ARTICLE 11: BEGINNING PHASE:** For a period not to exceed 5 years from the date of the first production operation and in keeping with the size of the investment and the nature of its activities, the approved enterprise will be granted a total or partial exemption from import duties placed on raw materials, spare parts, motors, and quarry vehicles used in production.

Identical advantages may be granted in the area of export duties applicable to products manufactured by the enterprise.

**ARTICLE 12: EXPLOITATION PHASE:** During the period of full operation, raw materials which enter directly into the process of fabrication, machines and spare parts, parts of machines entering directly or indirectly into production, motors, quarry vehicles and locomotives will be subject to normal duties.

The list of these articles will be established by agreement before construction and specified after start-up.

**ARTICLE 13:** Articles produced by accepted enterprises will benefit from customs protection throughout the Guinean market.

**ARTICLE 14:** Accepted enterprises belong to two special regimes, called Regime A and Regime B; the enterprises not included in these two categories are governed by common law.

**ARTICLE 15:** The enterprises belonging to Regime A are small and medium-sized enterprises requiring for their acceptance an investment of at least 25 million sylis, effected over a maximum period of 3 years.

**ARTICLE 16:** Fiscal advantages are granted to enterprises belonging to Regime A for a period not longer than 7 years, considering the place of establishment and the nature of their activities.

**ARTICLE 17:** The advantages mentioned in Article 16 above will include, depending on the circumstances:

- a) Total or partial exemption from the tax on industrial and commercial profits and the technical training tax, beginning in the fiscal year in which the first sale (inside or outside Guinea) is made;
- b) Total or partial exemption from the property tax on buildings, the license tax, and the housing tax;
- c) Total or partial exemption from the tax on income from movable assets (bonds, etc.):
- d) Total exemption from the turnover tax and the stamp tax on the portion of the product exported.

This exemption may be total or partial for that portion of the product consumed in Guinea.

- e) Total or partial exemption from the registration fees; and,
- f) Total or partial exemption from the employers' lump sum contribution payment.

**ARTICLE 18:** Firms belonging to Regime B are those whose activities are determined to constitute priority activities for the social and economic development of Guinea.

These enterprises, in consideration of the unusual size of their investments, of the long development period before attaining the normal rhythm of exploitation and the necessity of adopting exceptional measures which their establishment requires, may request their acceptance with a view to concluding with the Guinean Government an Establishing Agreement providing for exemption from certain taxes and duties and the granting of long-term fiscal plan, not to exceed 25 years.

**ARTICLE 19:** For the entire period of effectiveness of the long-term fiscal plan, no taxes and duties applicable to firms benefiting from an Establishing Agreement may undergo modification either in their basis of assessment or their rates, except as concerns their method of collection. Their terms remain fixed as of the date of the Establishment Agreements.

**ARTICLE 20:** For the period of application of the fixed fiscal regime, any legislative or regulatory provision which would be inconsistent with the provisions of the preceding article will not be applicable to firms benefiting from this Code.

**ARTICLE 21:** In case of modification of the common law fiscal regime in a more favorable direction, an enterprise possessing a fixed fiscal regime may request the benefit of such modifications.

**ARTICLE 22:** The ways and means of applications of the provisions foreseen in Articles 18 to 21 will be specified in the Agreement.

## TITLE V: AMORTIZATION PROVISIONS AND RULES OF TRANSFER

ARTICLE 23: The right of transfer of capital and earnings is guaranteed to foreign natural or artificial persons who have proceeded with or participated in the financing of an investment.

The exchange rates of transfer will be established in the Establishment Agreements or in the decree of consent.

ARTICLE 24: Transfers will be carried out through the Central Bank of the Republic of Guinea.

## TITLE VI: OTHER GUARANTEES

ARTICLE 25: An Establishment Agreement fixing and guaranteeing the conditions of creation and operation of the accepted enterprise may be concluded and may contain general guarantees in matters of recruitment and movement of the work force, freedom in employment within the framework of work legislation of the Republic of Guinea, and the renewing of certain authorizations such as the exploitation permit.

ARTICLE 26: Foreign capital invested in Guinea will enjoy the necessary protection and security within the framework of and with respect for the Laws and regulations, so that natural and artificial persons making investments are guaranteed against all despoliation.

## TITLE VII: SANCTIONS

### ARTICLE 27:

- a) If the benefiting enterprise does not respect the basic elements of the program which it has furnished in order to justify its application for acceptance, the Government, upon proposition of the National Committee on Investments, will by Decree withdraw the consent.
- b) The decision to withdraw may not take place until after formal notice by the responsible minister, not followed by corrective action within a span of 60 days and after due verification of serious breaches.

## TITLE VIII: SETTLEMENT OF DISPUTES

ARTICLE 29: All prior provisions contrary to this Code are abrogated.

ARTICLE 30: This Law will be registered and published in the Official Gazette of the Popular Revolutionary Republic of Guinea.

Hereby deliberated and adopted in public session,

Conakry, 20 February 1980

THE PRESIDENT OF THE NATIONAL POPULAR ASSEMBLY,

Damantang CAMARA