The Agency for International Development Presents

Critical Issues
for American Investors in
GUINEA

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EXECUTIVE SUMMARY

Following decades of authoritarian rule and an inefficient, distorted, statist economy, Guinea—a former French colony on Africa's northwest coast—is undertaking a deliberate transition to a democratically elected government and a liberalized, market-based economy.

As part of the transition timetable to popularly elected government, a new democratically oriented constitution was approved overwhelmingly in a national plebiscite in 1990. Municipal elections were held for the first time in 1991 and 1992. In addition, multi-party legislative and presidential elections are also planned by the present mixed civil-military government, which has been in power since 1984. However, the continued uncertainty of the exact date for these has placed a question mark—however temporary—over Guinea's immediate political future.

Far-reaching economic liberalization measures began in 1985 under the broader requirements of an economic structural adjustment program, and the outlook is for the Government's continued implementation of this program. Among the benefits will be greater transparency and equity in the regulations governing private enterprise, and more broadly, a regulatory and legal climate in which private investment can flourish.

The Guinean context for private—including foreign—investment has thus demonstrated continuing improvement. However, the slow pace of reforms in many critical regulatory and other areas, the political uncertainty associated with the delayed national elections, and residual mistrust of the private sector in many quarters of the Government continue to make Guinea a particularly challenging environment for investment; one that offers high risk, but also the potential for attractive returns.

The country's economy is still based largely on near-subsistence agriculture, though recent indicators show steady growth and investment in agriculture. Guinea is also a mineral-rich country, and the commercial exploitation of its huge bauxite reserves, of gold, and of its gem-quality diamond deposits is the single greatest source of export earnings and of government revenues. Many other types of valuable metals and minerals remain unexploited.

The country has a modern investment code which provides a comprehensive set of rights and guarantees necessary for the establishment of private businesses. These include the right to establish an enterprise in virtually any area; to freely repatriate earnings on capital invested; to import and export as required; and to enjoy free competition with both private and state enterprises. The Code also guarantees freedom from expropriation, equal treatment for Guinean and foreign investors, and equal access to the courts.

Particular investment opportunities exist, not only in mining, but also in agriculture and horticulture aimed at the export market, related agro-processing, and possibly fishing and seafood processing. Among the most promising of these investment areas is the rejuvenation of Guinea's former status as a major exporter of pineapples, bananas, coffee, and other tropical products that it enjoyed prior to and immediately after independence. The revival of production of traditional (and nontraditional) agricultural and horticultural products for Western export markets is in its initial stages, but has already demonstrated modest areas of success.

In addition, there are still interesting investment opportunities associated with the purchase and development of the remaining state-owned enterprises (SOEs) that the Government is slowly privatizing, including the state telecommunications company.

Pitfalls and obstacles for private investment in Guinea are still evident. In addition to the problems mentioned previously, the country's physical and other infrastructure are in a deteriorated state, though they are being upgraded and extended through the efforts of the international donor community. Also, the literacy and skills level of the vast majority of Guineans is very low, and it is difficult to find skilled administrators and managers with experience in the private sector. However, Guineans who have lived abroad for a number of years have begun returning to help fill this void.

The Guinean financial sector lacks both depth and breadth, and it is very difficult to obtain long-term financing for productive enterprises from the local commercial banks. Another problem is that the country's currency, the Guinean franc, is not freely convertible (though there are informal and widely accepted mechanisms for getting around this). The official exchange rate for the franc, nonetheless, is not overvalued by more than 5 percent, which is very low compared to neighboring countries in the francophone CFA franc zone.

Also, U.S. businesspeople accustomed to transparency, consistency, and equity in the substance and administration of commercial regulations will find the inconsistency and apparent arbitrariness with which Guinean investment and other regulations are often administered to be a real challenge. However, the World Bank's efforts in organizing public-sector services for private investment are being implemented.

On the positive side, substantial resources are being committed by the international donor community to help Guinea develop and modernize, and the Government appears to be convinced that its announced policies favoring private enterprise should be implemented. The multilateral and bilateral lending agencies, including the World Bank, the African Development Bank, France's CFD, USAID, and others are committing substantial resources. Total flows from these sources (including both loans and grants) have averaged $350 million to $400 million annually for the past few years.

Existing direct foreign investment is represented primarily by the various international consortia of mining companies that, in partnership with the Government, have been exploiting Guinea's bauxite deposits since the mid-1970s. Outside of the mining sector, European investors—particularly from France—already have a substantial presence in the Guinean economy. For the U.S. investor, linking up with these francophone interests, whether European or local, is probably advisable when considering investing in Guinea.

MAKING THE INVESTMENT DECISION

Guinea, one of the poorest countries on the African continent, has the potential to be one of the most prosperous because of its diverse (but largely unexploited) mineral wealth. Guinea's potential for agribusiness development and export and agricultural export is also key, as it enjoys some of the best rainfall and soils in West Africa. It is now emerging from decades of economic mismanagement and autocratic rule. In light of its long-term program of policy and regulatory reforms, Guinea provides opportunities for the foreign investor that represent a high risk, but a potentially high return.

Country Overview

Since 1985, Guinea has been liberalizing its economic and political systems after 28 years of autocratic, one-party rule and a badly failed attempt to implement and sustain a bureaucratically controlled, command economy.

The Government has been implementing difficult but far-reaching economic and financial reforms under a program whose conditions and various long-term and intermediate goals are established by the International Monetary Fund (IMF). One of the major goals of this program is a fully liberalized, market-based economy, characterized by transparent, equitable, and efficiently administered regulations and by private-sector-led economic growth.

The accomplishments of many of these efforts have been impressive, given the dire state of virtually all aspects of the economy in 1985–86. Guinea's forward steps include:

- A massive devaluation of Guinea's hugely overvalued currency in 1986, and a changeover to the Guinean franc (FG) as the country's official currency;
- Adoption by the Government of substantial fiscal restraints;
- Control of growth of the country's money supply,
- A substantial reduction in inflation, from in excess of 70 percent in 1986 to 16 percent in 1992;
- Dismantling of the state-owned banking system and its replacement with privately owned banks;
- Abolition of virtually all price controls;
- Lifting of nearly all trade restrictions;

- Selling off or liquidation of well over half of the more than 130 state-owned enterprises (SOEs) that existed in 1984; and
- Substantial reductions (from 90,000-plus in 1989 to 48,000 in 1992) in the size of the Guinean civil service, which, at the time of the coup, was the single largest employer in the formal economy.

These and other measures have gained the confidence of the international donor community.

Guinea's foreign debt was estimated at nearly $2.6 billion in 1991, but repayments on some of this debt have benefitted from rescheduling agreements through the Paris Club of official creditor nations, the most recent of which was in November 1992. For its part, the French government has provided relief to Guinea for substantial portions of its bilateral obligations.

Guinea is also in political transition, from the one-party state that existed for most of its independence, to a popularly elected democratic government. Elections have been promised by the mixed civilian-military government of Lansana Conte (which seized power in a coup in 1984). Political parties have blossomed in response to their legalization last year as a run-up to these elections. The opposition press is vocal and operates unhindered. However, the election dates have been changed several times already, and there is still no certainty as to exactly when they will take place.

The Economy

The most dynamic and sophisticated segment of the Guinean economy since the 1970s has been the commercial mining industry, particularly the mining of bauxite. Guinea is the world's second-largest bauxite producer. Three "enclave," largely self-sufficient mining operations exploit Guinea's considerable bauxite reserves at three different locations. Two of the operations are international consortia operating in joint partnership with the Government. Guinea produced an estimated 17 million metric tonnes of bauxite in 1991, all of it exported in the form of either crude bauxite or alumina. The output of two of the three operations is primarily for export to consortia members in the United States, Europe, and Canada.

In addition to bauxite, there is commercial mining of gem-quality diamonds in the southeastern part of the country, carried out by a partnership between an international consortium and the Government. There is also commercial mining of gold at one location in the northeastern part of the country by a Belgian-Australian consortium, also in partnership with the Government.

These mining activities account for 22 percent of Guinea's GDP, constitute more than 90 percent of its total recorded export earnings, and account for over 60 percent of government revenues.

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Agriculture employs three-quarters of the Guinean working population. Prior to independence in 1956 and just after, Guinea was a significant exporter of tropical agricultural products, including bananas, pineapples, and coffee. Output of these and other export crops, as well as of standard food crops, has since fallen drastically. Sector productivity suffers badly from lack of inputs (fertilizers and pesticides), lack of knowledge of more productive practices, lack of access to credit, and from the high unit costs of transporting agricultural products to markets because of the country's deteriorated roads and other infrastructure. A large-scale effort, worth approximately $100 million, is being implemented to improve key segments of Guinea's transport infrastructure.

Trends in the Economy and Business

The economy has been growing steadily in the past 6 years at 4.0–4.5 percent per year on average. However, much of this growth has been attributable to substantial inflows of funds from the international donor community in the form of grants and concessionary loans. This inflow may total more than $400 million in 1993.

The consensus in the international development community is that if Guinea is to achieve economic self-sufficiency and solve its critical unemployment problems, the country must, as a first step, greatly boost the productivity of its potentially rich agricultural base and identify export market niches for the output from that sector.

Opposition to continued implementation of the economic and financial reforms remains strong in some quarters. The Government faltered in its implementation of some of the politically more unpopular measures in 1990–91, but standby funding from the IMF was resumed late last year—a clear indication that the Government is pressing ahead with critical changes in the country's economic, regulatory, and legal framework. Increases in government revenues and control of government spending were the key factors in obtaining once again the IMF-World Bank "seal of approval."

The Government acknowledges that the best hope for achieving sustainable economic growth is through encouraging growth in private enterprise, to create badly needed jobs and ultimately, to improve the country's overall standard of living. In a complete turnaround from the policies of the previous regime, which officially abolished all private enterprise, the present government now officially encourages private investment, both domestic and foreign.

However, existing commercial regulations are administered arbitrarily, which is a major obstacle to business, as is corruption among middle- and lower-level officials. Far-reaching reforms in the country's judicial system and in the efficiency and skills level in the civil service are also essential to provide a legal and administrative environment in which commercial activities can be carried on with some confidence, and to create equity in the business environment. A modern Land Tenure and Real Property Code was adopted in 1992 and is now being implemented.

In spite of these difficulties, there is already significant foreign investment in Guinea. Commercial mining of bauxite, gold, and diamonds is the most high-profile example of this. However, private direct investment outside of mining—in areas such as commercial banking and light manufacturing—is growing. French companies are well represented.

How Investment Policies and Regulations Work

Investment policies, as articulated through the Investment Code of 1987, generally include statements of commercial freedoms which match international standards. These include the freedom to import and export as required; to establish operating and employment policies; to freely establish prices; to repatriate earnings on investments; and to compete freely with private and with the remaining state-owned enterprises.

The Code also guarantees freedom from expropriation and fair compensation if expropriation is required in the public interest.

To register a business, the principals must obtain a license (*carte de commerçant*) from the Ministry of Industry and Commerce. The principle steps required are as follows:

- Establishment and registration of a commercial entity with the Commerce and Companies Registry;
- Payment of a capital registration tax;
- Creation of a local bank account;
- Registration with Social Security; and
- Obtaining a technical approval *(agrément)* from the relevant sectoral ministerial office.

Guinea's Associations Law, modeled on those in several francophone European countries, recognizes four basic types of for-profit entities. In all cases, foreign shareholders or partners are required to pay their capital contributions in freely convertible currencies.

Investment incentives are available in the form of duty-free import of capital goods, income tax credits and exemptions, and exemptions from payroll and apprenticeship taxes. To be eligible, at least one-third of the project's financing, including working capital, must be in the form of equity (20 percent for small/medium firms). All areas of economic activity are permitted except trading (generally defined as the purchase and resale of finished products), mining, and the petroleum industry.

Mining activities are covered by a separate law (the *Code Minier*). A permit is required to conduct prospecting activities and to operate a mine. When a commercially viable deposit is found, the Government has the option of taking a share in the resulting operations. In most cases to date, the Government has taken a 49-percent interest.

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The existence of these investment codes notwithstanding, investors will find that their implementation is often inconsistent, and that the process of registering a company, obtaining the necessary permits, and so forth can involve seemingly endless red tape In addition, given the particular traditions of the Guinean civil service, *ad hoc* agreements can often be reached within the context of any particular regulation, as the result of bargaining.

Key Issues for American Investors

Prospective investors should consider the following characteristics of Guinea's economic environment:

✓ A rich and largely untapped resource base

> In addition to its very considerable mineral reserves, Guinea's favorable climate and soil conditions give it considerable agricultural potential, particularly for high-value horticultural products for export to European and other Western markets.

✓ A relatively open, market-based economy

> The economy is moderately liberal with a partially convertible currency that is reasonably stable, few import restrictions, and few price controls.

✓ A moderately liberal investment policy

> There are few apparent restrictions on foreign equity participation and on capital flows out of the country.

✓ Government commitment to economic and regulatory reforms

> Ongoing policy reforms may reduce tariff barriers further and will certainly continue the overall liberalization of the economy.

✓ Strong commercial, other links with French interests

> French and allied European interests are major players in the banking and insurance sectors and are already investing in other sectors as well.

✓ Ready access to attractive export markets

> Guinea enjoys a strategic location for international commerce. In particular, as a signatory to the Lomé Convention, products originating within Guinea can enter the European Community duty-free. As a member of the Economic Community of West African States (ECOWAS), Guinean products also receive favorable tariff treatment in most West African countries. In addition, trading ties with the newly

liberalized Eastern European economies and with the former Soviet Union go back over 30 years—with related business and personal ties being long-established.

✓ Port facilities for international trade

Guinea has one of the finest general cargo ports in West Africa, and its facilities are reasonably well managed.

Major Investment Opportunities and Constraints

A more detailed description of investment opportunities can be found in Chapter 6 of this guide. The following investment areas are worth highlighting, however:

Agriculture and Agro-Processing
Guinea was a major exporter of tropical horticultural products to Europe and other destinations at its independence. Although production of these high-value export crops (bananas, pineapples, coffee, mangoes, and so forth) have since fallen drastically, the revival of this Guinean export sector is just beginning. Production of these traditional export crops, as well as production of new ones, supplying of related infrastructure (cold storage) and services (air cargo), and related agro-processing, represent one of Guinea's most interesting investment opportunities.

Mining
Guinea has considerable mineral wealth that remains largely unexploited.

Fishing
According to a 1982 report by the United Nation's Food and Agriculture Organization (FAO), fish resources off Guinea's coast are among the richest of any comparable area in northwest Africa. To date, however, these remain substantially underexploited. The annual sustainable yield of fish, from shoreline to the 200-mile limit, is estimated to be 180,000 to 220,000 metric tonnes.

Parastatal Organizations
Although more than 100 of Guinea's SOEs have already been privatized, the process privatization continues, and some interesting investment opportunities remain.

1. Guinea: Geographic, Climatic, Demographic, and Social Features

Located on the northwestern Atlantic "bulge" of the African continent, the Republic of Guinea has an area of 95,000 square miles—about the size of Oregon. It is bordered by Liberia, Sierra Leone, Guinea-Bissau, the Ivory Coast (Côte d'Ivoire), Mali, and Senegal.

Geographically, Guinea has four distinct regions. The coastal strip (Lower Guinea), about 50 miles wide, is the location of the country's capital, Conakry. Immediately to the east of the coastal region is the highlands region (Middle Guinea), averaging 1,000 feet above sea level, but with some peaks rising as high as 6,000 feet. Upper Guinea, in the far northeast, is savannah country, while the far southeast is thickly covered with tropical rainforest.

In the Conakry area, temperatures rarely rise above 90 degrees Fahrenheit or below the mid-70s. Humidity is usually 70 to 100 percent, and the annual rainfall averages 160 to 180 inches.

No reliable census of the population is available. Estimates of the current population vary from 5.7 to over 7 million, largely represented by three major ethno-linguistic groups: the Soussous along the coast; the Peuls in the Fouta Djallon highlands; and the Malinké in the northeast savannah. Small forest tribes inhabit the far southeast. Guinea's population is estimated to be growing at the very rapid rate of 2.8 percent per year.

Conakry and its surrounding areas, which contain an estimated 900,000 people, account for approximately 20 percent of the country's total.

French was reinstated as the official language of both government and of instruction in 1984 following a military coup, and is widely used for business in the larger urban areas. Major written languages are French, Arabic, and Peul.

Eighty-five percent of the population is Muslim, with the remainder being Christian (mostly Roman Catholic) and native tribal religions.

Although the Government has committed itself to improving education since it came to power in 1984, according to a 1990 World Bank survey, only 28 percent of children in the eligible age group (7 to 13) were enrolled in primary school. Literacy is commonly estimated at almost 30 percent.

2. Political and Economic Background

For the first 28 years of its independence, Guinea was an autocratic, one-party state with a centralized, command economy. Following a military coup in 1984, however, the country began pursuing substantial political and economic reforms. Popular elections for a legislature and a president are to be held this year, political parties are thriving, and the Guinean press operates unfettered. A far-reaching economic restructuring is also being implemented under the aegis of the International Monetary Fund.

2.1 Recent History

The Republic of Guinea gained its independence in 1958, after 60 years as a French colony. Much of Guinea's post-independence political experience was one of centralized, authoritarian government, with power concentrated in the hands of a single political party, the Parti Democratique de Guinée (PDG). The PDG—and by association, all significant political and economic activity—was dominated by Sekou Toure, the Guinean labor activist and intellectual of the colonial period who most influenced the events leading to independence. M. Toure was in every respect the founding father of the First Guinean Republic.

At independence, Guinea became the only former French colony in Africa to reject membership in the French Community.[1] Although the rejection was based on a popular referendum, this decision fitted well with Sekou Toure's beliefs that the newly independent states of West Africa needed to identify a path to development independent of European and other Western influences.

Accordingly, all of the colonial administrative apparatus was dismantled, the French government abruptly withdrew its administrative personnel, and M. Toure set about constructing a new political, economic, and administrative system. This was to be based on the PDG, which had grown out of the Guinean labor movement in the late colonial period. It was the only nationwide, popularly supported institution that remained at independence.

[1] The French Community, a confederation established by the French government in the wake of the independence of its many African colonies, conferred certain economic advantages, by providing assured markets for many of the newly independent countries' traditional exports. Membership in the Community further tied these countries' economies to the French economy, by tying the value of their respective currencies to that of the French franc.

Under the Toure regime, which lasted until his death in 1984, there was increasing concentration of political and economic power in the "official" (government-run) sector, largely in the hands of M. Toure, his family, and close associates. This era was marked by decades of increasing political repression, which caused an exodus of nearly 2 million Guineans to neighboring African countries and to Europe.

There were increasing distortions to the country's economy, both internally and externally. These were the result of such ill-conceived policies as an overvalued currency and all of the bureaucratic apparatus of a command, centrally controlled economy. By the time of M. Toure's death, the PDG organization had ceased to have any significant grassroots support, and the Guinean economy was in a badly deteriorated state.

A military coup seized power one week after M. Toure's death in 1984. At that time, the CMRN (Comité Militaire de Redressement National) suspended the 1982 constitution, abolished the PDG, and proclaimed The Second Guinean Republic.

2.2 Developments Under the Second Republic

Upon assuming power, the CMRN dissolved the National Assembly, which had been a rubber stamp for the policies of the PDG. It also proclaimed its commitment to badly-needed political and economic reforms. It promised an open, pluralistic society; encouragement of private ownership and of foreign investment; a reduction of the role of the Government in the economy; and reform of the judiciary.

In the first instance, the military regime—in its first incarnation as the CMRN, and since January 1991, as the Conseil Transitoire de Redressement National (CTRN)—has promised an eventual transfer of power to a popularly elected civilian government. Progress toward this goal has been neither smooth nor uniform. There have been several coup attempts, one of which, in July 1985, had violent repercussions.

President Lansana Conte, who led the April 1984 coup as a colonel in the Guinean army, established a constitutional committee in October, 1988. Proposals for a new constitution were put to a popular vote at the end of 1990, and received an overwhelming endorsement, ending the first phase of the transition to a democratically elected government.

The second phase started with the replacement of the CMRN by the CTRN. The latter was established to serve as an interim government until two successive popular elections could be held to elect a legislature and a president. In response to the prospect for popular elections, the number of political parties has proliferated, far exceeding the number originally envisioned by the CMRN's timetable for democratic transition. However, the Parti de l'Unité et du Progres (the PUP, which supports the current government), the Rassemblement du Peuple Guinéen (RPG), and the Union pour la Nouvelle République (UNR) seem to have garnered the bulk of support, and appear to be most serious contenders. All three of these major parties, as well as many of the minor

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groups, generally support the economic reforms of the Second Republic. They also support private investment as the engine of Guinea's future growth.

The exact timetable for the elections has been changed several times as a result of popular demand and other pressures. Most recently, the legislative elections scheduled for December 27, 1992, were postponed to give the Government more time to solicit additional funds from donors to finance polling activities.

Unfortunately, Guinea's political scene running up to the elections has not been completely free of violence. For example, supporters of the PUP clashed in Conakry last June with supporters of the UNR. Supporters of these two factions clashed again the following month in the bauxite port of Kamsar. Political violence has not been evident in the last 6 months, however.

2.3 Economic Background

The Guinean economy is still hobbled by the legacy of economic mismanagement that endured for 25 years under its previous centralized, command economy.

Prior to independence, Guinea's organized economy, which was largely in the hands of French firms, had made the country a major exporter of agricultural products.

Following independence, however, the PDG brought about highly centralized and directive economic control that paralleled the concentration of political power, in the belief that this would hasten and rationalize the overall process of economic development. The policies implemented to achieve centralization extended into every segment of the national economy, and included maintenance of an overvalued exchange rate, rigid restrictions on imported goods, state-controlled marketing and distribution, collective farming, and maintenance of highly subsidized food prices for urban populations.

The centerpiece of this bureaucratically controlled economy was the establishment of a network of state-owned enterprises (SOEs) which set producer prices for both export and domestic food commodities, exercised all purchasing and distribution activities, controlled imports and exports, and assumed all other activities in the organized economy. By 1980, there were 116 such enterprises whose activities were intended to supplant Guinea's private sector.

Because the Government's pricing policies provided inadequate incentives to farmers, Guinea's total real agricultural output grew less rapidly than the population in the decades following independence. The performance of the cash crop sector was especially poor. Banana exports fell from 100,000 metric tones in 1955 to almost zero in 1985. Coffee exports declined by 80 percent from their 1960 level, and pineapple exports fell to 10 percent of their peak in 1971–72.

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By 1980, the public sector had become inflated with large numbers of poorly trained and underused employees. Despite heavy direct investment in agriculture, Guinea became increasingly dependent on imported food. Imports of rice, a staple food, rose from 7,000 metric tones in 1958 to 200,000 metric tones in 1988.

By the early 1980s, some reforms had been instituted. Private domestic trade was being tolerated, and official marketing quotas had been eliminated, except for livestock. Many prices, however, continued to be officially regulated, and marketing reforms failed to revive the economy in the face of a severely overvalued currency (23 *sylis* to the U.S. dollar, versus 400 *sylis* to the U.S. dollar on the black market).

The economy was becoming increasingly dualistic. By the early 1980s, about 80 percent of total urban demand and virtually all demand for marketed consumer goods outside of Conakry was met through the unofficial market.

The unofficial sector obtained its foreign exchange from clandestine exports and remittances from abroad, which it used to purchase imports either smuggled into the country or diverted from the official distribution network to the parallel market, where higher prices prevailed. Fewer and fewer goods flowed through official channels.

2.4 Economic Reforms Since 1984

Following the military coup in 1984 and the establishment of the Second Republic, ambitious and extensive economic and financial reforms were undertaken. These were supported by a structural adjustment credit from the World Bank, several stand-by and structural adjustment facility arrangements with the International Monetary Fund (IMF), and substantial program aid from bilateral donors.

Under the aegis of the IMF, a far-reaching program was established to forge the conditions for economic recovery. The initial phase entailed sweeping reforms, including a massive devaluation of the Guinean currency by 92 percent, extensive privatization or liquidation of SOEs (including the entire banking system), measures to liberalize trade, creation of a commercial banking system, and the abolition of most price controls.

As part of the IMF conditions, the Government also undertook to shed large numbers of employees in the overstaffed public bureaucracies.

Between 1986 and 1988, substantial gains were made; enough to persuade the Paris Club of donor nations to reschedule a total of $359 million of Guinea's external debt, which stood at $2.17 billion in 1989. There was substantial optimism that the groundwork had been laid for the economy to truly take off.

The response to the measures of the second phase of the economic recovery program, initiated in 1988, have been less successful. Between 1988 and 1991, the momentum of the reform process weakened. However, Guinea successfully negotiated an Enhanced

Structural Adjustment Facility (ESAF) in 1991 with the IMF. The ESAF's conditions included the dismissal of large additional numbers of civil servants, reduced subsidies to public utilities, increased Government revenue generation, and further restraint in budget expenditures.

Funds from the ESAF were frozen in early 1992, however, because of temporary Government inability to implement several mandated policy reforms. However, later in 1992, when the Government significantly increased customs revenues and maintained tight budget expenditure controls, the IMF ruled that Guinea once again had demonstrated sufficient progress, and funds were released later last year from the ESAF and from World Bank structural and sectoral reform loans.

Recent forecasts project real growth in GNP to average 5.2 percent per year in the period 1992–1994.

2.5 Current Sociopolitical Conditions

Guinea is undergoing a political and economic transition, from a repressive legacy to liberalization. Such transitions necessarily entail some social stress.

Urban unemployment has increased with the dismissal of thousands of civil servants, most of whom were unproductive. There are also ever-increasing numbers of secondary school and university graduates flooding the job market who are ill-prepared for participation in a private sector-led economy. Unfortunately, few new jobs are being created in the formal private sector.

Inflation—far lower than in past years—was 16 percent last year, down from 26 percent in 1991. These and many other economic difficulties, and uncertainty about the timing of popular elections, have led to mounting tensions, particularly in urban areas. This is exacerbated by rivalry between the newly risen political parties, which has occasionally erupted into violence. There have also been riots periodically by unemployed graduates protesting the shortage of jobs in the formal sector. However, no serious disturbances have occurred in the last 6 months.

By virtue of its enormous, untapped natural resources, Guinea presents an attractive prospect for investment. However, there is a general consensus that the current combination of political instability, social unrest, and unfinished economic and legal reforms make for a somewhat risky climate for foreign investment.

2.6 Recent Developments in International and Regional Relations

Guinea emerged from its relative diplomatic isolation in 1975, when it became a signatory to the Lomé Convention, and joined the Economic Community of West African States (ECOWAS). Diplomatic relations with France were restored at that time.

The death of Sekou Toure in 1984 brought about a substantial shift in Guinea's foreign relations. In addition to entering into negotiations with the major international financial institutions, the Government also began overtures to individual Western governments in the search for direct investment and bilateral aid. Most prominent among these has been France, which has once again assumed some of the roles in Guinea's economy and civil administration that it had at the end of the colonial era.

French was made the official language of instruction after 1985, and many high-level French civil servants serve in an advisory capacity to many Guinean government ministers. French banks have assumed a key role in the nascent private banking sector.

The continuing civil war in Liberia, which has sent thousands of refugees fleeing across the border into southeastern Guinea, is a continuing problem for the Guinean government. At various times, Liberia has accused Guinea of harboring and training guerilla forces. The current situation is one of apparent calm.

3. Economic Performance and Outlook

The first 3 years of structural reforms created the promise of substantial economic growth, based on Guinea's vast natural resources. Optimism has lessened considerably since then, however, as the Government has slowed some implementing requirements for continued IMF stand-by funding, and as the country's political future remains unresolved. Guinea's current standing with the IMF is positive.

3.1 Summary Table of Major Economic Indicators

	1987	1988	1989	1990	1991*	1992*
Percent real GDP growth	3.1	6.0	4.1	4.3	2.4	2.8
Percent real GDP per capita	0.4	3.4	0.7	1.6	–0.4	0.0

Sources: IMF; World Bank
* Estimates

3.2 General Discussion

Under the 3-year economic structural adjustment program that got under way in 1985, Guinea's performance was dramatic. The overvalued Guinean *syli* was replaced with the Guinean franc (FG) and devalued by 1,300 percent. Of the 131 state-owned enterprises in existence in 1984, almost half were sold off or liquidated in this 3-year period, domestic and foreign trade was liberalized, and there was removal of price controls on almost all commodities.

Under the monetary and fiscal restraints imposed by the program, inflation was brought down from over 70 percent in 1985 to 27 percent in 1988 and still lower to 16 percent in 1992.

In addition, the Government abolished a highly unpopular production tax, which required farmers and herders to pay taxes to the Government in kind, a mechanism that created an additional disincentive for agricultural production. It also removed internal barriers to allow for the free movement of goods, and ended enforced marketing through parastatal organizations. These measures stimulated agricultural production, particularly of rice—Guinea's staple food. Small private businesses also began to flourish, and in 1988, the country seemed on the verge of launching significant and sustained economic growth based on the enormous potential of its vast and diverse natural resource endowment.

However, under the second stage of the economic restructuring program (1988 to the present), the momentum of the reform process itself wavered, due to popular dissatisfaction with some of the measures, weakened government commitment, and the lack of administrative capacity and administrative will for the detailed process of implementation. That momentum has picked up again since mid-1992.

A degree of the economic promise of the earlier reform period has dissipated, and progress in output growth in certain sectors of the economy has been disappointing.

- There has been growth in agricultural output, though this has been led by increases in area cultivated rather than by productivity improvements.
- Expansion of industrial and mining output has resulted from the re-activation of surplus capacity, rather than construction of new capacity.
- The most vigorous growth, fuelled by the influx of external financing from international lending agencies, has been in the service sector, providing a boom in transport, trade, utilities and infrastructural improvements and expansions, and other ancillary activities.

3.3 Sector Performance

Mining

The following table demonstrates production of the main components of Guinea's mining sector from 1985 to 1990.

Guinea: Formal Mining Sector Production, 1987–92

	1987	1988	1989	1990	1991[a]	1992[a]
Bauxite ('000 tons)	16,282	16,800	17,500	17,530	13,450	13,300
Alumina ('000 tons)	539	595	624	642	554	650
Diamonds[b] ('000 carats)	210.0	150.1	130.1	146.6	108.5	84.4
Gold[c] ('000 ounces)	86.1	81.7	103.9	124.7	N.A.	N.A.

Sources: World Metal Statistics Yearbook; Guinean Ministry of Plan and Finance (1991 and 1992 only).
[a] Estimates
[b] Aredor only. Artisanal production adds about 50 percent to total.
[c] Including that part of artisanal production sold to the Central Bank.

Although output of the two most important commodities, bauxite and alumina, increased by 26 percent and 10 percent, respectively, between 1985 and 1990, falling world prices in response to weakening global demand has been the single greatest contributor to the serious shortfall in government revenues. Bauxite production fell in the last 2 years because of problems at all three commercial mines.

World prices for bauxite and alumina are uncertain. This factor, coupled with near-term supply constraints in the Guinean mines, implies possible further declines in government revenues.

Agriculture

Although data on the performance of the Guinean agricultural sector are sparse and frequently contradictory, most data confirm that production of many key crops has grown—although not enormously—since the dismantling of the centralized control mechanisms that stultified agriculture until 1985. World Bank estimates are that agricultural output grew by an average of only 2 percent per year in the period 1986–1991. The data also indicate that yields per hectare have stagnated in most instances; output has been achieved through expansion of the areas under cultivation.

Output of several cash crops actually declined in the 1990–91 season. Coffee production fell by over 30 percent, and exports of fruit and vegetables were barely half that of the previous season. Food crops generally performed better, however.

Guinea has the certain potential for near self-sufficiency in food, and there is considerable potential for very substantial expansion of agricultural exports. However, the entire agricultural sector is characterized by subsistence methods, as well as severe infrastructural problems and lack of access to rural credit. For these reasons, it is the target of some of the most heavily financed efforts of foreign donor organizations.

In addition to the problems of unsophisticated methods and low use levels of standard inputs (fertilizers and pesticides), a USAID-financed study of the Guinean agricultural sector[1] identified the main constraints to realizing Guinea's agricultural export potential as the poor state of the country's transport and communications network, produce quality unsuitable for European and other Western markets, and limited cold storage facilities.

Construction

National accounts estimates suggest that construction is currently contributing about 5.8 percent of the Guinean GDP. This level should be maintained over the next several years, as external aid sources continue to invest heavily in expanding and improving the country's badly deteriorated infrastructure.

3.4 Economic Prospects, 1993–1998

The future of the Guinean economy depends most immediately and very heavily on the success of the Government in the continued implementation of democratic and structural economic reforms. This includes continued withdrawal of public entities from involvement in areas of economic activity that can be more efficiently organized and served by the private sector.

[1]Abt Associates, Inc., *Republic of Guinea: Agricultural Sector Assessment* (May 1990), prepared for the U.S. Agency for International Development, USAID/Conakry.

Further legal, policy, and administrative reforms are also needed in many areas if the process of encouraging growth of the private sector and introducing greater fairness and transparency in both the public and private sectors is to be completed. In relation to this, some particularly critical, broad issues that the Government faces in the coming years are the following:

(1) The overriding need to deepen and widen the country's human resources skills base, both in the private sector and in the public administration;
(2) The need to substantially improve domestic revenue mobilization, if the Government is to fulfill its responsibilities in critical areas such as education and other areas to improve the capabilities of the human resource base, improving health services, and curbing population growth;
(3) The urgent need to eliminate the corruption that exists at lower and middle levels of the public administration; and
(4) The need to foster an environment which encourages private savings and productive investment.

Guinea will continue to be heavily dependent on foreign donor expenditures to carry out the restructuring of the economy as a whole, as well as to underwrite the large number of technical assistance and other programs required for improvements and reforms in all sectors of the economy—infrastructure, communications, agriculture, human resources, and so forth.

Most of the "slippage" in the Government's implementation of economic reform measures since 1988 has been reversed, and in 1992, impasses in negotiations with the IMF were resolved, leading to renewed flows of funds. The international donor community recognizes the efforts that Guinea has made to put its economic house in order. Short of an unlikely reversal of government commitment to these reforms in the next 2 years, the continuance of full support of the donor community can be assured.

Unemployment
One of the most compelling reasons for the creation of a viable, market-based economy in Guinea is the failure so far—at least in the formal sector—to create enough jobs to meet demands for additional employment by a population growing at the rate of 2.8 percent per year. Urban unemployment in Guinea is high, and growing.

Inflation
At the time of the initial currency devaluation at the beginning of 1986, following the conversion to the Guinean franc, inflation had reached 71.8 percent, the result of the policy under the First Republic of relying heavily on expansion of the money supply to finance ever-expanding public-sector activities. Under the monetary and fiscal restraints imposed by the economic restructuring program, the rate of inflation has been brought down considerably, as the table below indicates.

Annual Rate of Inflation in Guinea, 1986–92
(percent)

1986	1987	1988	1989	1990	1991	1992
71.8	36.7	27.4	28.2	22.0	26.0	16.0

Sources: IMF, World Bank, USAID

Although not all factors underlying inflation in Guinea are well understood, the continuing pressures on the Government from the international lending community to practice *bona fide* fiscal and monetary restraint will work, in the coming years, to avoid a return to the hyperinflation of the mid-1980s.

Privatization
Privatization of more than 100 of the nearly 131 state-owned enterprises has been one of the Government's high-priority measures and an area in which progress has been notable. Over the past year alone, the Government has completed the privatization of petroleum import and distribution and of most agribusinesses.

A second phase of privatizing of SOEs, including electricity generation/transmission and telecommunications, remains. Continued privatizing of state-owned enterprises remains one of the basic objectives of the World Bank's lending strategy for Guinea, and the Bank's specific program for FY92 included technical assistance for the privatization of some 46 such public enterprises.

Many of the parastatal organizations privatized thus far have represented investment opportunities for foreign firms, which have either acquired joint ownership with Guinean interests or bought them outright. French and German companies provide fierce competition for foreign participation in the privatization program, abetted by promises of direct financial assistance from their governments.

Mobilization of Private Savings and Credit
Promotion of the efficient marshaling of private savings into productive investment is a major ongoing challenge. For a variety of policy, economic, and institutional reasons, the historical savings rate in Guinea is extremely low. Nevertheless, the banking system is extremely liquid, and private investment needs to be increased dramatically.

In addition, the security of collateral to enable lending by commercial banks for privately owned productive enterprises will improve with the new Land Tenure and Real Property Code. The implementation of the code will enable Guineans to obtain clear title to land. This creates the potential for the use of land as collateral on bank loans.

4. Sectoral Analysis of the Economy

In terms of its contribution to GDP, to formal exports, and to government revenues, mining--particularly of bauxite—is the most important sector of the Guinean economy. Agriculture, conducted largely at a subsistence level, employs three-quarters of the population.

4.1 Mining

Guinea has very considerable potential wealth in its mineral and metal reserves. It has one-third of the world's bauxite reserves, one of the very last high-grade iron ore deposits in the world, plus gold, diamonds, and other gemstones and precious metals, as well as deposits of zinc, cobalt, nickel, uranium, and other metals. Only bauxite and diamonds are exploited on a commercial scale, however.

Mining accounts for 22 percent of GDP, constitutes more than 90 percent of the country's total recorded export earnings, and contributes over 60 percent to government revenues.

Bauxite

Bauxite deposits were developed in earnest in the 1970s, with foreign technical assistance and investment, and Guinea is now the world's second-largest bauxite producer. Estimated output in 1991 was 17.05 million metric tonnes.

Bauxite mining takes place at three locations.

The Compagnie des Bauxites de Guinée (CBG) exploits high-grade deposits near Boké in northwestern Guinea. CBG is a joint venture between the Guinean government (49 percent) and HALCO Mining, Inc. The latter is a consortium in which the U.S. companies Alcoa and Reynolds Metals, as well as ALCAN Aluminum of Canada and five European and Australian companies all hold shares. The Boke operation is Guinea's largest, with annual production capacity at over 12 million tons. Most of this is sold to HALCO shareholders on long-term contracts. CBG plans to increase its output to 13 million tons per year by 1996, by opening up a new mine at the nearby Bidi-Koum deposits.

The Guinean government also owns 49 percent of Friguia, a bauxite mining and alumina refining company in Fria, in the western coastal region. This operation is jointly owned with FRIALCO, a five-company consortium that includes the U.S. Noranda Mining. Annual production capacity at Friguia is 700,000 tons of alumina, most of which is sold to FRIALCO partners.

The Kindia bauxite deposits in the southwestern part of the country are mined by the Office des Bauxites de Kindia (OBK), a company entirely owned by the Guinean government, and financed with Soviet loans. Annual production capacity at OBK is estimated to be 3 million metric tonnes, though output has been erratic in recent years because of operating problems. Until now, almost all of OBK's bauxite was exported to the Soviet Union. However, with the break-up of the USSR, the Guinean government has decided to transform the OBK mine into a commercial venture with private partners. CBG is to take over management of OBK's associated economic and social infrastructure.

The governments of Guinea and Iran signed a convention last year for the mining of unexploited reserves in two locations. The convention provides for the creation of a jointly-owned company.

Diamonds
Diamonds are second to bauxite and alumina as Guinea's most important source of mining income. Industrial mining of diamonds is carried out near Banankoro in Guinea's southeast by Aredor, a company in which the Guinean government and an Australian/U.K./Swiss consortium own equal shares. Production is 150,000-200,000 carats annually, 93 percent of which are gem quality—an exceptionally high proportion.

In 1991, the Aredor operations were suspended, and its expatriate staff temporarily sent home, due to a series of violent incidents involving wildcat miners, who were hoping for the suspension of a 1985 decree banning unlicensed diamond mining. Although such artisanal mining of diamonds is illegal, the practice is widespread, producing approximately 100,100 carats annually.

Gold
Guinea's first commercial-scale gold mine started production in 1988, at the Koron deposits near the border with Mali. Société Aurifere de Guinée, which operates the mine, is owned 25.5 percent by Union Minière of Belgium, 25.5 percent by Pancontinental of Australia, and 49 percent by the Guinean government. To date, the mine's output has been disappointing.

Iron
Mount Nimba, in the southeastern part of the country, has exceptionally high-grade iron ore, with proven reserves of 13 million metric tonnes. Although an advanced feasibility study to exploit these reserves has been completed, the only economic way to move the ore to export markets is through Liberia, and the civil war in that country has led to a suspension of plans.

4.2 Agriculture

With its abundance of water and diversity of topography and soils, Guinea has the potential to produce a large variety of agricultural products for local consumption and for export. This potential, however, remains largely unexploited. Most agriculture is at the

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subsistence level. Yields per hectare are low, and the use of standard inputs such as fertilizers, improved seeds, and farm machinery is extremely limited, as is the use of rural credit.

Although agriculture contributes only about 20 percent to Guinea's GDP, it employs three-quarters of its people. Present agricultural output is largely for household consumption, and local trade. Total output has grown slowly for some crops over the last two decades, but this is due to continued expansion of cultivated area, not to increased productivity. From 1960 to 1985, total real agricultural output grew less rapidly than did the population.

Although agricultural exports are slowly rising, the performance of the cash crop sector has been especially poor since independence. At independence, Guinea was a significant exporter of coffee, bananas, pineapples, and other tropical agricultural products, but export levels have since fallen drastically. Banana exports fell from 100,000 metric tonnes in 1955 to virtually zero 30 years later. Coffee exports declined by 80 percent from their 1960 level, to an all-time low (for the country's formal sector) of 50 metric tonnes in 1985. Pineapple exports have recently averaged about 500 metric tonnes a year—a mere 10 percent of their peak export levels in 1971–72.

A recent study[1] identified the development of the agricultural sector as having the greatest potential to increase incomes and living standards for the great majority of the population. To realize this, however, the study recommended stimulation of agriculture to place it on a more commercial level. In this context, the study strongly recommended—among other measures—that the private sector be encouraged to allocate resources in ways that would stimulate growth and improve the sector's productivity.

4.3 Manufacturing

Guinea's formal manufacturing sector is tiny, contributing only about 4 percent to GDP. Under the Toure regime, in which private enterprise was forbidden until the early 1980s, all manufacturing was in the hands of numerous parastatal organizations. As a result of the structural economic adjustment program, many of these SOEs have been liquidated or privatized.

The bulk of the formal industrial sector is now comprised of the nucleus of these privatized SOEs. These firms cover a wide range of activities, including beer and non-alcoholic beverages, fruit-pulp processing, saw milling and plywood manufacture, textile weaving, yoghurt manufacture, paint, bricks, cigarettes, and cement. All of these are examples of now-privatized SOEs, with many foreign companies holding outright ownership or at least a majority interest with Guinean partners.

[1]Abt Associates, *Republic of Guinea: Agricultural Sector Assessment* (May 1990), the Agricultural Policy Analysis Project, Phase II, U.S. Agency for International Development, Washington, D.C.

Guinea's informal, "second" economy has exploded since the mid-1980s, and has grown into a sprawling, energetic, entrepreneurial parallel economy constituted by hundreds of small firms that carry on business largely outside the still-onerous government regulations and bureaucratic red tape. Among the multitude of activities represented are artisanal mining, which involves as many as 10,000 independent miners (despite the fact that informal mining is illegal), a wide variety of transport and other services, and manufacture of a wide range of goods for local consumption, including building materials, furniture, clothing, mattresses, leather products, and oil lamps, and a host of other items responsive to local consumer needs.

As a recent study[2] of Guinea's informal economy noted, however, growth of many of these manufacturing enterprises is held back by the same logistical and infrastructure problems that also plague enterprises in the formal sector: lack of reliable electricity and water supplies; poor roads and other deteriorated transport infrastructure; a system for moving goods and materials that is highly informal, chaotic, and unreliable; and lack of access to long-term credit.

4.4 Fishing

According to a 1982 FAO report, Guinea's waters are among the richest of northwest Africa. Taking the sum total of several studies, the annual sustainable yield of Guinean waters, from the shoreline to the 200-mile limit, is between 180,000 and 220,000 metric tonnes.

Fishing carried on by Guineans is largely artisanal, and exploits only a fraction of this optimally sustainable take. The annual catch—half of which is exported—is estimated at about 100,000 metric tonnes, and is estimated to contribute about 1.5 percent to GDP. Guinea has decided to limited foreign fishing concessions to boats of the European Community only. A protocol to this effect was renewed in 1991.

Small-scale fisheries have been promoted since 1990 by the Office for the Promotion of Artisanal Fisheries (OPPA). OPPA is working with the Brazilian shipyard EBRASA for the delivery of 10 refrigerated fishing boats, and has equipped several dozen others with echo-sounders.

In October, 1992, the Conakry-based Société d'Aquaculture de Crevettes de Koba (SAKOBA) took bids on a $40-million project funded by the African Development Bank to develop the breeding of shrimp at Koba and Tamara. The project calls for a hatchery, a shrimp farm, equipment, a feasibility study, and project management.

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[2] J.E. Austin Associates, *The Republic of Guinea: Private Sector Survey* (August, 1992), prepared for the Bureau for Private Enterprise, U.S. Agency for International Development, Washington, D.C.

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COGIP, Compagnie Guinéene des Produits de la Mer, and SONIT Peche, own cold storage facilities in 14 of the country's prefectures. A number of small fishing companies have also appeared, including Gunamar S.A. and Guinée Marine S.A. In December, 1992, Guinea and Russia announced establishment of Société d'Economie Mixte Guinée-Russe, which plans to develop local fisheries and the import-export trade associated with fishing.

5. Relative Role of the Government and the Private Sector in the Economy

Aside from the regulatory function, the direct role of the Government in the Guinean economy has subsided substantially since the mid-1980s. However, the Government still maintains substantial ownership in the commercial bauxite and other mining operations. Meanwhile, the private sector, though highly unsophisticated, is flourishing in agro-processing, light manufacturing, and other activities, producing products for local markets.

5.1 Strength and Role of the Public Sector

Prior to the early 1980s, the Government made elaborate attempts to regulate virtually every aspect of economic activity. In their heyday, government-owned enterprises enjoyed a monopoly in their fields, ranging from manufacture of cigarettes and cloth, to food distribution. By 1977, the State had monopolized domestic and foreign trade, diamond mining, forestry, trawling, banking, insurance, manufacturing, telecommunications, transport, media, and electric power.

The Government also attempted to set up farming collectives in each region, and to fix producer, consumer, import, and export prices. Finally, the Government also owned or controlled the banks.

Long before the formal dismantling of its apparatus, however, the clumsy and inefficient mechanisms of the statist economy had ceased to have a significant role outside of the mining sector. In response to the distortions, inefficiencies, and shortages induced by the command economy, much of Guinea's economic activity passed into the hands of the informal—albeit illegal—private sector. In the wake of the measures of the structural adjustment program post-1984, the collapse of the State as employer and as a source of finance, and the population's response to it, are the most significant facts of economic life in Guinea in the 1990s. In this sense, Guinea can be said to be at the beginning of a "third republic."

Privatization of SOEs

The selling off and/or liquidation of the majority of the state-owned enterprises (SOEs) has been a keystone of the Government's program to disengage itself from direct involvement in the economy and promote the private sector. The following table demonstrates in numerical terms some of the progress that has been made in this area.

Guinea—State-Owned Enterprises

	1980	1981	1982	1986	1990
Number	131	N.A.	N.A.	101	25
Contribution to GDP	0.25	N.A.	N.A.	N.A.	N.A.
Percentage of Formal Employment	68.8	67.9	67.3	N.A.	N.A.
Number of Employees	108,400	111,800	116,300	N.A.	3,000
Percentage Share of External Debt	1.00	0.90	0.80	1.1	N.A.

These numbers are deceptive, however. Contrary to forming the nucleus of a revived and thriving privately owned manufacturing and marketing sector, the privatization process has not been an unqualified success. A World Bank report on 26 privatized SOEs noted that only ten had begun production by the end of 1990, of which two had since closed down and four were in financial trouble over illegal imports. The Government liquidated five commercial SOEs in 1990: Proseco, Prominex, Libraport, Transmat and ONAH. It also privatized five industrial enterprises: Soguiplast (closed), Usine de Carreaux, Soguirep, Gary de Faranah, and UMC, as well as the transportation company, Entrat. ONAH was replaced by a *société d'economie mixte*, La Société Guinéene des Pétroles, SGP.[1]

Among the industrial sector SOEs removed from public ownership and management by 1993 were the tobacco company ENTAG (now managed by the French tobacco concern Seita); Usine Textile de Sanoyah (80 percent Greek controlled, but not operating); the Mamou fruit preserving plant (55 percent Franco-Swiss; 35 percent private Guinean, 10 percent State); Bonagui (the Coca-Cola franchise owned by Coca-Cola, the Belgian brewery Stella-Artois, and SOFIG); the Sonacag tile factory (majority Italian owned); and Sopag-Nestlé (milk products, especially yogurt).

Parastatals still owned by the Government, but for which privatization is planned, include Air Guinée and the Hôtel de l'Indépendence. Air Guinée, the state-owned airline, was dissolved by decree last September. A new company of the same name is being created from the assets, and the intention of the Government is that all shares in the new airline will eventually be sold to the public. The privatization of the telecommunications network, SATELGUI, is currently Guinea's most important divestiture project. It involves complete rebuilding of the national system, the cost estimates for which vary between $50 million and $60 million.

Despite privatization, SOEs continue to play a significant role in sales and distribution channels for many goods. According to the USAID-sponsored survey of Guinea's private-sector enterprises, 38 percent of firms surveyed reported at least some of the goods that

[1] A Société d'économie mixte whose ownership is 50 percent State and 50 percent AST, a consortium of Agip, Shell, and Total.

they marketed in 1992 were sold to SOEs or to government agencies. The percentage of export-oriented firms that reported some sales to SOEs was higher—48 percent. Sixty percent of agriculture sector firms reported some sales to SOEs or government agencies.

The study also indicated that parastatal enterprises are still sources of inputs for the private sector. The study revealed that, on average, 60 percent of all firms reported that some of their inputs came from parastatal enterprises. Two-thirds of agriculture sector firms reported buying inputs from parastatals, as did 55 percent of agro-processing and manufacturing firms. In the services sector, fewer than 35 percent of all firms obtained inputs from these enterprises.

Participation in the Formal Mining Sector
As discussed in Chapter 4, the Government still maintains substantial holdings in Guinea's formal mining sector, and particularly in the profitable bauxite mining segment. It still owns 100 percent of the OBK bauxite mining operations (though the Government is currently seeking foreign partners for this). It also owns 49 percent of the two other bauxite and alumina producers, Compagnie des Bauxites de Guinée and Société d'Economie Mixte Friguia. It also owns 50 percent of Guinea's commercial diamond mining operation, Aredor-Guinea, S.A., as well as 50 percent of Aurifere de Guinée, the country's principal commercial gold-mining concern.

5.2 Strength and Role of the Private Sector

The dearth of comprehensive and accurate statistics on the Guinean economy make it impossible to determine the relative share of GDP contributed by Guinea's private sector and by the State. However, the 1992 USAID sample-based survey of Guinea's private sector (which excluded the five multinational mining firms) revealed a thriving, albeit highly informal, unsophisticated, and undercapitalized business and commercial community. If primary agriculture and the formal mining sector are excluded, one may summarize Guinea's private sector as the production and commercialization of agricultural products, and the support of that sector with products and services.

The 1992 survey found most private sector activity concentrated in the urban centers of Conakry, Mamou, and Kankan, and that agro-processing and other agriculture-related enterprises dominated their activities. Most products are produced for highly localized markets or for cross-border (and informal; that is untaxed) export opportunities with Guinea's immediate neighbors.

The survey also showed that the typical privately owned enterprise is small, employing fewer than 10 workers. Though the average number of full-time equivalent employees for the firms interviewed was 17.9, 60 percent of the firms sampled employed fewer than 10 people full time; 48 percent employed fewer than 5.

The survey demonstrated that local firms are highly dependent on local inputs. Over 80 percent of private firms in Guinea purchase their raw materials in Guinea, and on average, 75 percent of firms rely on raw materials that come from within the province in which their purchaser operates. The uniformly high average among firms in the survey for locally purchased inputs undoubtedly reflects, at least in part, the very poor state of Guinea's transport and other infrastructure. High transport costs make it uneconomical for firms to "shop around" for better deals outside the immediate vicinity.

Aside from poor transportation facilities, other barriers faced by the typical private sector enterprise in Guinea include the lack of reliable power and water supplies (this was a particular drawback for small manufacturers), lack of access to credit, and a lack of sophistication and knowledge of advanced management techniques on the part of entrepreneurs.

6. Investment Climate and Opportunities

The Government is aware that encouragement of the private sector is essential if long-term economic restructuring is to succeed. Guinea officially welcomes investment, and is slowly implementing reforms to its legal structure, judicial system, commercial regulations, tax structure, and financial sector which will create a more attractive climate for investment. However, these reforms are proceeding slowly. In light of this, and of the current political uncertainty, Guinea must still be characterized as a high-risk, high-return place for investment.

6.1 Background

The Guinean government has taken significant steps to create a favorable climate for investment. These include the drafting of the 1987 Investment Code and separate sectoral codes, an ordinance on activities reserved for Guineans, and implementing regulations.

There are a number of troublesome factors, however, that prospective investors need to take into account.

For investors contemplating sales into the domestic market, there is a general absence of data on incomes, population, demographic characteristics, and potential markets.

While the Government is eager to attract investment, and some of the regulatory and legal apparatus is in place to facilitate investment, the process of legal and other necessary reforms is incomplete. In addition, the administration and implementation of regulations governing investment is weak, due to the lack of training and education of many civil servants, and to the particular traditions within the Guinean bureaucracy, in terms of how individual civil servants carry out their responsibilities. This means that investors are likely to encounter contradictions in the regulations, jurisdictional turf-fighting among agencies involved in the investment approval process, and considerable inconsistency in how the regulations are applied.

Investors already present in Guinea, such as the multinational mining consortia, as a rule have reduced their exposure to these and other uncertainties through partnerships with the Government. In the case of the mining firms, given the importance of infrastructure to their operations, this has included establishment of dedicated railroads, port and handling facilities, telecommunication networks, and so forth.

6.2 Existing Foreign Investment

There is already significant foreign participation in the Guinean economy, particularly by French firms: in the banking and insurance sector, in freight forwarding and shipping, in manufacturing, and in mining.

Existing foreign private investment includes, above all, the multinational mining and metals companies, most of which have been established in Guinea since the 1970s. These include Alcoa, Reynolds, Alcan, Pechiney (France), Vereingte Aluminium-Werke (Germany), Noranda Minerals (Canada), Commonwealth Aluminium (Australia), Alumina S.p.A. (Italy), Billiton International Metals (The Netherlands), Norsk Hydro (Norway) Bridge Oil Ltd., Union Minière (Belgium), Pancontinental Mining Ltd. (Australia), and many others.

In addition, other, non-mining firms well-known in West Africa now have a presence in Guinea. These include the freight forwarder/broker Wiggins; Société Africaine d'Expres et Menutention (SOAEM); SOCOBA; the Swiss-owned Société Africaine de Produits Tropicaux (SAPT); the French-owned construction firm SACOF, Davum (a French-owned air conditioning equipment and construction materials and equipment firm); and the French-owned Société Commerciale des Bois Tropicaux (SCBT).

Specific Examples of Non-Mining Foreign Investment
Win-Export is an export firm created by the Belgian cooperative Epécé, based in Ciney, Belgium, in which a number of financial and commercial investors have a share. In May 1990, it opened its first supermarket in Africa in Conakry. The success of this enterprise has encouraged the firm to open up additional supermarkets in a number of other urban markets in the region.

(The success of a Western-style supermarket in Conakry suggests a level of purchasing power greater than that indicated by Guinea's official figures for per capita income of $450 a year.)

SOFIG (Société Financière et Industriel du Golfe du Guinée) is an investment holding company incorporated in 1986 under Guinean law, but with significant American interests. One of the founders and shareholders in SOFIG is a former Guinean citizen. SOFIG is a vehicle to repatriate funds to Guinea for investments in privatized SOEs, to expand existing enterprises, or for new greenfield projects. SOFIG is permitted to have government or donor assistance. The firm is both highly diversified and has more investments in industries in Guinea than any other single investor. It is a joint shareholder with the IFC in at least one project. Returns on investments have been mixed. The larger the enterprise (beverages, matches, soap, explosives, fishing gear), the less satisfactory the results. Allegedly much of the problem, except for beer, lies with competition from smuggled goods. SOFIG has also invested in construction, real estate, laundry and dry cleaning services, freight forwarding, and a private school. SOFIG officials note that its investments in real estate, beverages, and tobacco have so far carried all of its other investments in Guinea.

6.3 Investment Opportunities

The most dynamic sector for potential investment lies in the continuing public works projects funded by the bilateral and multilateral donor organizations. In terms of direct investment, however, for investors with the capacity to commit themselves for the medium to long term, Guinea presents significant opportunities in areas related to the country's rich natural resource base and its very considerable agricultural potential.

Mining
Guinea's still-largely untapped mineral wealth is one of the country's best investment opportunities. The present commercial mining of bauxite, diamonds, gold, and granite represents exploitation of only a fraction of the commercially viable deposits of metals and minerals. Currently-unexploited reserves include chrome, cobalt, copper, lead, manganese, molybdenum, nickel, platinum, titanium, uranium, zinc, chalk, and graphite.

Agriculture
Because of the diversity of its soil types and climatic ranges, and the absence of risk of drought, Guinea has considerable agricultural potential.

Prior to independence, Guinea was a significant producer and exporter of bananas, pineapples, coffee, and other tropical crops, and investment opportunities lie in the potential for the country to regain this export position. The potential also exists to expand the agricultural base into other, non-traditional horticultural crops that could find a ready export market, particularly in the European Community.

Abetted by considerable investment in research, improved production techniques, and integrated agriculture-based programs by the multinational donor community, locally-owned enterprises have already started the initial stages of revival of some of Guinea's traditional commercial crops, such as coffee, pineapples, and mangoes. In the area of non-traditional crops, Guinea is also on the verge of becoming a significant cotton producer.

Both the Government and the development financing community see the revival and rationalization of Guinean agriculture as key to the country's long-term objective of achieving sustainable economic growth. For this reason, there is considerable direct and indirect support of private sector initiatives in the agriculture sector from these sources. For example, the International Development Agency (IDA) of the World Bank is currently supporting a $20.6-million program to stimulate Guinea's agricultural exports. The specific aim of the program is to encourage private sector interest in production of export crops, particularly soft fruits.

Also, USAID is putting in place a 5-year project to assist Guinea's agricultural sector to develop markets, parallel to other projects to improve the country's road network.

It should be noted, however, that a lack of adequate cold and other storage facilities essential for a horticultural products export industry based on fruits, vegetables, and other perishables is a serious constraint.

Agro-Processing
Processing of native agricultural products is already an important segment of Guinea's small manufacturing base. With a revival and improvement of Guinea's agriculture—particularly of traditional and non-traditional export crops—opportunities in the area of agro-processing will expand.

Parastatal Divestiture
Continued investment opportunities can also be anticipated from the Government's continued divestiture of state-owned enterprises. Some of these companies may have profit potential. Major parastatal organizations now scheduled for privatization include the national telecommunications company SATELGUI; the national electricity company ENELGUI; one of the major Conakry hotels, Hôtel de l'Indépendence; and Air Guinée.

The telecommunications company may be the first of the SOEs to be fully privatized without any participation of the Government.

6.4 Investment Constraints

Although the Government is working hard to improve all aspects of the investment climate in Guinea, the country still provides many obstacles and considerable challenges for the foreign investor.

Poor Infrastructure
In spite of the continuing investment in public works projects, the country's physical and other infrastructure remain, overall, in a badly-deteriorated state. Except for the dedicated roads built by the mining companies and those around Conakry, most of Guinea's road network is in poor condition.

Telecommunications, both domestic and international, can be best described as "difficult."

Incomplete Legal/Regulatory/Judicial Reform
Although the legal and institutional framework to support the private sector is taking shape, the move away from a controlled economy is far from complete, or in many cases, ambiguous. For example, incentive structures overlap and conflict, official attitudes toward private foreign investment are mixed, and procedures for establishing enterprises are inconsistent and plagued by extra-legal barriers.

Guinea has adopted comprehensive regulatory codes covering general investment, as well as sector-specific codes for the mining and petroleum sectors. However, these codes frequently conflict with individual agreements and with the investment incentive structure. In addition, many codes and legislation affecting investment are not effective, because implementing decrees have never been passed.

Considerably more progress is required in reforming other areas of the legal code, and in the reform of the judiciary. Jurisdictional lines among ministries and agencies that are involved in the review and approval of proposed investments require more precise delineation. Reform and upgrading of the skills and competence of the civil service is also required.

Weak Financial Sector
Lending by Guinean commercial banks is concentrated in short-term commercial credit. There is deep-seated reluctance to undertake medium- and long-term lending, especially in rural areas. The present commercial banking community is relatively new to Guinea, being mostly French-affiliated institutions that supplanted the state-owned banks following the Toure regime, and therefore have limited experience with the Guinean market. The reluctance to lend also stems from the absence of a legal framework for banking sureties and for enforcing repayment rights.

Reforms to the Guinean land tenure code passed last year have the potential to boost the financial sector, by making it possible, for the first time, for individuals and entities other than the Government to acquire legal title to land. This adjustment to the law raises the possibility for land to be used as collateral elements on commercial loans. However, recent reports indicate that actual implementation of the revised code is running into problems.

Skills Shortfall of Human Resources Base/Potential Partners
Estimates are that as many as 70 percent or more of Guineans are illiterate. Furthermore, educational standards at all levels are very low and formal business education is almost non-existent. Although international donor efforts in Guinea have placed some emphasis on improving the overall quality and competence level in the civil service, the country has a critical shortage of skilled managers and administrators with private-sector experience.

Although finding a local partner to form a joint venture is highly advisable for foreign investors for many reasons, the majority of Guineans now looking to create business deals have not operated in a western economic context before, and probably do not have the requisite skills and experience to carry out a significant portion of a joint venture enterprise's operations and management.

Corruption
Corruption is widespread among the middle and lower levels of the civil service. The Government officially recognizes corruption as one of the more endemic obstacles to the

country's overall economic development. Foreign investors are likely to encounter this problem in most phases of review and approval of an investment project, as well as all other junctures of enterprise establishment and operation that require oversight of government officials.

6.5 Issues for American Investors

American investors will find Guinea in a state of transition, from a command-control mentality, to one which appreciates the needs and contributions of the private investor to the country's long-term economic well-being. It is also in a state of political transition. The eventual outcome of this transition should be a popularly-elected, democratic government, but the exact timetable for this remains uncertain. For these reasons, prospective investors will find Guinea a particularly challenging environment in which to do business, and should be prepared to commit themselves for the medium and long term.

There is obvious need *and demand* in the country for many, if not most, of the products and services common to the developed world: energy, health, primary goods, capital goods, and consumer goods. Nevertheless, investments should be geared to the development of products for the export market. Investors should remember that Guinea is a signatory to the Lomé Convention, and that exports from it are therefore entitled to enter the European Community duty-free, as long as these products conform to the Convention's definitions of product origination (see Appendix D).

Prospective investors will also find that Guinean officials have already received and turned down numerous investment proposals involving management contracts in which the foreign management has proposed paying itself first from the fee or revenue stream of the enterprise. Similar proposals are not likely to find much favor in the future.

They will also find that foreign investors, civil servants, and bilateral development agencies representing francophone European countries—principally France and Belgium—are already playing a major role in the country's economic development. In this climate, it seems prudent to seek alliances with francophone interests, whether Guinean or foreign, to which the American investor can bring and capitalize on a specific area of technical expertise. This tactic will address the concerns of the Guinean government for the development of the country, take advantage of the greater willingness of francophone interests to accept exposure in Guinea, and provide a learning opportunity for the American investor that is relatively insulated from the country's inherently high risk levels.

7. Regulation of Foreign Investment

In tandem with the implementation of its economic structural adjustment program, the Guinean government has undertaken measures to encourage the private sector. The current investment code more overtly encourages private investment. However, the pace of regulatory, legal, judicial, and other reforms necessary to provide an attractive investment environment continues to make slow progress.

7.1 Government Policy and Regulatory Overview

It is the official policy of the Government to encourage foreign investment, particularly in the privatization of state enterprises. This represents a dramatic change from the policies followed under the First Republic. However, the administrative confusion caused by the unfinished transformation of Guinea's economy, from an extremely statist to a more liberal and transparent one, as well as endemic problems of Guinea's legal system, and of the traditions of public administration, create obstacles for foreign investors.

In 1987, the Government promulgated a new investment code (see Appendix E) which remains in force. The 1987 Code grants foreign companies the same guarantees as Guinean companies. The government has also attempted to institute a *guichet unique*, or "one-stop shop" for the registration of companies, by establishing the National Investment Commission (NIC, or Commission Nationale des Investissements) as its implementing agency. So far, however, the NIC has not proved very effective in this function.

Other critical areas of policy reform include the land tenure system, recently revised to permit Guineans to obtain clear title and use it as collateral.

7.2 Investment and Mining Codes

The 1987 Investment Code guarantees freedom to all investors to import and to export as required, to set their own operating and employment policies (although mining sector firms have generally chosen not to test the limits of this freedom) and to establish prices freely; to repatriate earnings on capital imported in cash or in kind; and to enjoy free competition with both private and state enterprises. The Code also guarantees freedom from expropriation and fair compensation based on international standards if expropriation is required in the public interest. The Code also guarantees equal treatment for Guinean and foreign investors, equal trademark, copyright, and patent protection, and equal access to the courts.

The Mining Code of 1986 requires a permit to conduct prospecting activity or to operate a mine. The Ministry of Natural Resources issues prospector permits and operating permits on the recommendation of the National Director of Mines. A concession is awarded according to an ordinance or a decree. A prospecting permit allows prospecting activity for specified substances within authorized boundaries. Such activity is to be completed during a specified minimum work program with a required minimum financial outlay. The area may not exceed 25 km^2 where geological surveys are available on a scale of at least 1:200,000 or 2,000 km^2 in other areas. Prospecting permit applications are evaluated on the basis of the technical capabilities of the applicant, as well as the commitments made by the applicant regarding work to be accomplished and expenses to be incurred. The permit is valid for two years and can be renewed twice.

When a deposit is found, the State has the option of taking a share in the company. In previous participation agreements, the Government has taken 49 percent. However, officials of the Ministry of Mines, Natural Resources, Energy, and the Environment have recently stated that there is a willingness to reduce this share to as little as 15 percent, in order to attract investors.

7.3 Official Investment Priorities

The main investment priorities for the Government are agriculture, agro-industry, forestry, fisheries, transportation, and tourism. Investment is also welcome in electricity generation/transmission and in telecommunications.

7.4 Establishment of a Business

Guinea introduced an Associations Law in 1985 which it developed based on similar legislation in several francophone countries. Business and association law is thus rooted in the Continental Napoleonic Code rather than in Anglo-Saxon common law. This law recognizes four types of for-profit legal entities:

> *Société Anonyme (S.A.)*, is roughly similar to a common law limited liability corporation. An S.A. requires a minimum of five shareholders and minimum capital of FG15 million. Its shares can be either nominal or bearer, and are freely transferable through public or private offerings.
>
> *Société à Responsabilité Limitée (sarl)*, is also a limited liability company, comprising at least three but no more than 50 associates, with a minimum capital of FG8 million. Any sale of shares is to be approved by at least two-thirds of the ownership interests of the company, and public offerings are not permitted.
>
> *Société en Nom Collectif (SNC)*, is roughly similar to a general partnership, comprising one or more partners, each with unlimited personal liability. Assignment of interests must be unanimously agreed to by all partners.

Société en Commandite Simple (SCS), is roughly equivalent to a limited partnership, with at least one general partner bearing unlimited liability. This partner is the *associé commandité*. There is also at least one partner whose liability is limited to his capital contribution. This partner is the *associé commanditaire*. Assignment of interests may take place only upon unanimous consent, unless the articles of association specify otherwise.

In all four cases, foreign shareholders or partners are required to pay in their capital contributions in freely convertible currencies.

All businesses must obtain a license or *carte de commercant* from the Ministry of Industry, Commerce, and Handicrafts. This requirement can be assumed to cover *all* businesses, including trading in merchandise, trading in real estate, acting as a broker, banking, insurance, services, manufacturing, mining, construction, and shipping. Since October 1989, it is less difficult to obtain prior technical approval or an *agrément* from a sectoral ministry before receiving a license. This once-formidable bottleneck is now apparently a formality which a notary can complete in a few days.

The set of steps to register a company or business thus includes:

- Establishment of the entity, and its registration (except for sole proprietorships) with the Commerce and Companies Registry;
- Payment of the capital registration tax;
- Establishment of a local bank account;
- Registration with Social Security;
- Identification of a place of business; and
- Obtaining the *agrément*.

7.5 Incentives for Investors

To obtain investment incentives, investors may apply to the NIC for "privileged regime" status. To be eligible, at least one-third of a project's financing, including working capital, must be in the form of equity (or 20 percent in the case of small and medium-sized companies). Investors may apply for incentives in all economic areas, except trading (defined as the purchase and resale of finished products), mining, and petroleum.

There are four categories of privileged regime:

- Small and medium-sized firms with an initial capital of FG15–30 million in which foreign participation does not exceed 49 percent;
- Enterprises exporting at least 22 percent of their sales of all goods except bauxite, gold, diamonds, and iron ore;

- Enterprises using more than 70 percent local inputs, as computed on the basis of total production costs (imported inputs that make up less than 70 percent of the value of otherwise locally produced inputs are deemed local for the purpose of calculating the amount of tax incentive); and
- Enterprises located outside Conakry and in which, for a production operation, 90 percent of the personnel work outside Conakry; or for a service operation, in which the headquarters and principal place of business is outside Conakry.

For enterprises falling into at least two of the above categories, the following general incentives are available:

- Duty-free import of capital goods for up to two years from the date of project approval by the NIC;
- Income tax credits worth three times the minimum wage times the number of Guineans employed, phased over five years commencing from start-up or first sale; and 100 percent for the first three years and 50 percent for the remaining 2 years; and
- A 5-year, 100-percent exemption from apprenticeship and payroll taxes, reduced to 50-percent exemption for 3 additional years.

The benefit of the special incentives for each of the four privileged regimes may be calculated precisely. Incentives may be cumulative.

1. Small and medium-sized enterprises: exempt from the minimum alternative tax for 10 years; receive a 33-percent exemption on taxable income for 5 years following the first sale.
2. Exporters: taxable income exemptions equal to the difference between export and local sales, up to a maximum of 60 percent of net income.[1]
3. Local resource user: deduct from net income 20 percent of the value of local inputs, labor not included, for 5 years following first sale.
4. Non-Conakry enterprises: 100 percent income tax exemption for 5 years of operation and a 33-percent reduction in turnover tax.

Finally, the Code provides that investors establishing joint ventures in which the Government of Guinea holds an equity position of at least 25 percent can receive additional incentives under a special contractual arrangement, or Convention, which has been the case with many of the privatizations, and all of the new investments in the banking sector.

[1] If exports equal FG1000 and local sales equal FG600, then 40 percent of net income is not taxable.

7.6 Limitations on Foreign Investment

Formal
Foreign investors are welcome in all sectors of the Guinean economy, except in the media, electricity, water and sanitation services, the postal service and telecommunications, and arms and munitions. (However, as previously noted, the Government is now planning to privatize the state-owned telecommunications company, SATELGUI.)

The Press Ordinance limits direct or indirect foreign ownership to less than 40 percent of equity of companies engaged in publication of daily newspapers or periodicals with general and political information, or in the broadcast of radio or television programs. It further requires that actual management of such businesses be in the hands of Guinean nationals.

Informal
The existence of the investment codes notwithstanding, because of Guinean traditions of public administration, these codes are often not uniformly applied. Rather, individual government administrators often prefer to wield discretionary power. Investment conventions are thus often based on informal, individual decisions specifying tax, customs, labor, and other arrangements.

Prospective foreign investors should also be aware that Guinea's legal and judicial systems, although undergoing reforms, are still rudimentary. For this reason, and because of the ubiquity of the use of political influence and improper payments in the Guinean public administrative structure, legal rights are often difficult to enforce.

There are also residual jurisdictional problems among ministries. The 1987 Investment Code supplants an earlier one, by abolishing requirements for prior "technical agreements" from ministries whose jurisdictions will be affected by an investment project. These later ordinances have not been followed up, however, with specific decrees for their application, so ministries continue to interfere outside the regulations in investment applications.

Although under the law foreigners are as free as Guineans to undertake economic activities, prospective foreign investors are often pressured to take Guinean partners—often linked to politically influential patrons. Beyond this, corruption in general is widespread in Guinea, a problem that is fully acknowledged by the Government, which is making efforts to change the culture of its administrative ranks.

7.7 Acquisition of Real Estate

As mentioned previously, an ordinance concerning the acquisition and registration of real property was signed in March 1992. This Land Tenure Code requires further elaboration by the Government of its implementing regulations before it can become fully effective. Moreover, there appears to be a problem in physically establishing boundaries and ownership. In December 1992, for example, surveyors of one company were confronted by local residents who refused to permit a survey, claiming that all land was already commonly owned and inherited traditionally from ancestors.

7.8 Investment Protection

In 1989, Guinea signed the convention for the Multilateral Investment Guarantee Agency (MIGA), but has not ratified it.

The 1987 Investment Code states that disputes resulting from interpretation of the code shall be settled by competent Guinean jurisdictions in accordance with the laws and regulations. In practice, however, it may prove difficult to obtain a fair and unbiased settlement in such instances.

Disputes between the Guinean State and foreign nationals may be settled by arbitration in accordance with the March 1985 Convention on the Settlement of Investment Disputes between States and Nationals of Other States, adopted under the aegis of the World Bank, and ratified by Guinea in 1986.

Alternatively, disputes can be settled in accordance with the procedures of the International Center for the Settlement of Investment Disputes.

Guinea and the United States have an agreement on private investment guarantees which has been in effect since 1962.

7.9 Issues for American Investors

Guinea's investment code includes statements of general freedoms which match international standards and apply to all business. The brief list of reserved activities and sectors appears to be suggestive rather than prescriptive. If an investor brings a reasonable proposal that appears to forward Guinean development interests, all indications are that it will be seriously entertained.

8. Infrastructure

Virtually all aspects of Guinea's basic infrastructure is in a badly deteriorated state, the legacy of decades of chronic neglect. However, donor organizations are working to make critically needed improvements in all areas.

8.1 Telecommunications

The Guinean telecommunications system is rudimentary and requires considerable upgrading. With a population of approximately 7.5 million, the country has fewer than 18,000 phones in service, most of them in Conakry and other urban centers. Guinea installed its first automatic international exchange system in 1988, a major step forward, but the system as a whole is obsolete. Making and sustaining telephone, telex, and fax connections, both domestically and internationally, remains difficult.

The African Development Bank is considering funding a $13 million telecommunications project for the third quarter of 1993. This envisions a joint venture with private interests, establishment of a transmission system, and making possible the multiplexing of a central telephone exchange and cable network.

As previously noted, the privatization of the Guinean telecommunications network, SATELGUI, is now the Government's most important privatization project, one involving the complete rebuilding of the national system, at a cost estimated between $50 million and $60 million.

8.2 Roads

Guinea's national network—not counting rural bush tracks—consists of about 7,500 miles of roads, only about 800 miles of which are paved. Except for roads built and maintained specifically for the use of the "enclave" bauxite mining operations, most roads and highways in Guinea are badly deteriorated. From May to October during the rainy season, many of the roads and bridges are impassable.

This situation has improved in recent years, as the Government has made the improvement of physical infrastructure one of its development priorities. A multimillion-dollar program of road improvement funded by the World Bank is underway. However, it will take a very long time to bring a significant proportion of Guinea's roads up to a minimally satisfactory level. In the meantime, their inadequate condition is a serious constraint to the movement of goods and people within the country, and contributes to the high unit cost of transport.

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8.3 Railroads

Guinea once had rather extensive railway lines, including a 500-mile link between Conakry and Kankan in Upper Guinea, in the northeastern part of the country. Although all rail lines are in a severe state of disrepair and are non-functioning, the Conakry-Kankan link is currently being renovated under a French aid contract. Work has also begun on a 1,200-kilometer railroad to link Conakry with the iron mines of Simandou and Nimba, near the Liberian border.

There are rail lines in good repair between Friguia and Conakry, and between Boke and the port of Kamsar. However, these are dedicated lines for the transport of bauxite and alumina only.

8.4 Ports

The Port of Conakry is Guinea's main facility for commercial cargo and is under the administration of the Port Autonome de Conakry (PAC). A number of the government agencies concerned with port operations have been privatized, leading to substantial diversity and improvement in the quality of services available. Independent freight handlers and customs agents are available. Containerized cargo, as well as the total tonnage passing through the Port of Conakry have been increasing, though year-to-year levels are heavily a function of levels of bauxite and alumina shipments.

Although subject to silting, Conakry harbor is one of the finest in West Africa, and has 2,450 meters of quays, with eight berths for ocean-going vessels. It can handle vessels of up to 220 meters in length. In addition to break bulk, it has the capacity to handle 50,000 containers a year. Programs to limit silting and increase vessel draft in both the access channel and the Port of Conakry for increased ore handling have been carried out by private contractors.

Six shipping companies call on Conakry port on a regular basis: DELMAS, SOAM, SOCOPAO, RMS, Maersk, and DSS.

There is limited cold storage capacity at the port. This belongs to private businesses, the largest being two fish export firms, COGIP and SOGUIPECHE. Existing cold storage can also handle fresh fruits and vegetables. Three additional cold storage depots are being built outside the port zone by private businesses.

There is a deep water port to the north at Kamsar, but that is used exclusively for handling bauxite shipments from the CBG mine at Boke.

8.5 Air Transport

Guinea has five airfields with permanent runway surfaces, and three with runways longer than 8,000 feet.

Conakry has an international airport (Gbessia) that is served regularly by Aeroflot, Air Afrique, Air Ivoire, Ghana Airways, KLM, Nigeria Airways, Royal Air Maroc, SABENA, and UTA. There are 10 flights to Europe per week.

The intermittently operating state-owned airline, Air Guinée, was reorganized by decree in September 1992 to prepare it for privatization.

In spite of the general underdevelopment of the Guinean economy, air freight capacity and scheduling is increasingly important for the country's small but growing fresh horticulture industry. An increase in shipments of fruit and other perishables, particularly for the European market, can be anticipated, and may offer opportunities for charter operators.

8.6 Energy

The effective installed generating capacity of Guinea's national power system is 68 megawatts. Thirty percent of this is thermally generated, and the remainder is hydroelectric. The enclave mining operations operate their own generating capacity.

Much of Guinea's generating equipment is very old and poorly maintained. Power outages are frequent, even in the urban centers, including Conakry, and many of the more sophisticated enterprises operate their own self-contained generating capacity. The International Development Association (IDA), however, recently announced that it will be the main party among a consortium of donors that will finance a $144 million upgrading and restoration of the entire production and distribution network. The scheme will refurbish the installations of the state power company, Energie Electrique de Guinee (Enelgui), and streamline its management as well, with a view to eventual privatization.

Guinea has enormous potential for hydroelectric power because of the large rivers in the country's interior. Feasibility studies were completed in 1989 for a 230 million kwh hydroelectric plant at Garafiri, but the IDA's recent announcements of its intention to finance a major upgrading of Guinea's existing generating facilities makes the construction of such a plant unlikely in the foreseeable future.

In June 1992, the African Development Bank approved a major project to improve the transmission network in Conakry.

Guinea has no known fossil fuel resources.

8.7 Water and Sanitation

The water supply and sewerage infrastructure in Conakry and in other urban centers is badly deteriorated and insufficient for the city's needs, and water supply shut-offs are frequent. The French development agency, Caisse Francaise de Developpement (CFD), has invested in the rehabilitation of the water system through the private French firms Saur Afrique, SADE, and SATOM.

9. Foreign Trade and Balance of Payments

Guinea, more than most other francophone African countries, and for historical and geopolitical reasons already discussed, has developed a diversified marketing base *not* focused primarily on France or Western Europe, though this may change in the medium term.

9.1 Guinea's Merchandise Trade

Guinea's Merchandise Trade Balance

	1987	1988	1989	1990	1991	1992[a]
Exports, f.o.b.	624	622	699	788	798	798
Imports, f.o.b.	507	605	589	693	728	728
Trade surpluses	117	17	110	95	70	70

All figures in US$ million

[a] Estimate

9.2 Recent Trade Performance

Guinea's merchandise trade balance is largely a reflection of the world bauxite and aluminum market, which has been depressed lately. Merchandise exports have been flat, as the above table illustrates.

Exports

Guinea's exports are made up primarily of minerals. Of *recorded* exports in 1991, bauxite made up 63 percent (in terms of US$ value); alumina, 16 percent; and diamonds and gold, 15 percent (with a good deal more gold exported informally to Mali). The remainder was primarily agricultural products.

Guinea: Principal Exports, 1990
(US$ million)

Bauxite	$448
Alumina	$163
Diamonds	$ 70
Coffee	$ 22

Imports

Guinea: Principal Imports, 1988
(US$ million C.I.F.)

Intermediate goods	$216
Capital goods	$ 84
Petroleum products	$ 67
Food	$ 63

The structure of Guinean imports has shifted since 1988. Figures for the first three quarters of 1990[1] revealed that of the $164 million worth of *registered* imports, about 80 percent were consumer goods, two-thirds of which was staple food items. Only 12 percent were intermediate goods such as construction materials and basic inputs, and 8 percent were capital goods, such as vehicles and equipment.

9.3 Direction of Trade

Exports tend to be directed toward Europe, though regional African markets also represent an important outlet for Guinean products. In general, around 40 percent of goods sold outside the country go to the European Community, while about 30 percent are sold in African markets (of which over two-thirds are sold in West African countries).

[1] Source: BCRG

Guinea—Main Trading Partners
(percent of total US$ value)

Exports to	1987	1991	Imports from	1987	1991
EC	64.4	55.1	EC	72.3	58.6
Belg/Luxem	9.8	12.1	France	35.7	28.6
Spain	12.1	12.0	Belg/Luxem	8.9	6.6
Ireland	9.5	11.8	Germany (W)	6.4	6.4
France	4.8	7.1	Netherlands	3.7	5.6
Italy	10.6	5.0	Italy	5.8	4.7
Germany	11.1	4.7	USA	9.5	16.1
USA	21.9	23.8	Hong Kong	1.7	6.5
Cameroon	4.7	4.6	Japan	2.6	4.3
Brazil	—	4.1	Brazil	0.8	2.7
Total value (US$ million)	$500.4	$637.8	Total Value (US$ million)	$411.6	$604.6

Source: IMF, Direction of Trade Statistics Yearbook, EIU

9.4 Currency Situation and Exchange Rate Policy

The Guinean franc is not freely convertible. A single currency exchange rate is established by the central bank through a weekly fixing held among the commercial banks. The rate against the dollar has varied from FG355 in June 1986 to FG935 in January 1993.

In 1991, the Government decided to permit Guineans to open foreign currency bank accounts for external transactions without being required to state the origins of the money. Within a few days, $80 million had been deposited, about the same amount of money officially in circulation. While this sum equals 20 percent of the money supply in Burkina Faso, the levels of development of the two countries are about equal. One may assume, therefore, that holders of value other than Guinean bank notes are in wide circulation in Guinea, including gold dust, gold chips, and foreign currency.

9.5 Capital Transfers

Capital to the extent of invested amounts and related profits and dividends may be expatriated under the conditions set by the central bank.

9.6 Issues for American Investors

While the Guinean franc is not freely convertible, it *can* be converted. Many Guinean businesspeople maintain active bank accounts outside the country, making it possible to make payments and received funds external of the central bank.

There is also a potential debt and currency swap mechanism through a number of religious and missionary organizations with operations inside the country. With the permission of the central bank, these organizations can collect a payment in Guinean francs locally and remit an agreed-upon amount in hard currency in another country.

A key issue for American investors is not the currency itself, but the ability to collect. Until further reforms in the Guinean legal and court systems have been realized, a primary concern for investors is a creditor's ability to perfect a lien and obtain judgement in a Guinean court.

10. External Debt and Aid

For the time being, Guinea is relying heavily on grants and concessional lending from foreign governments and multilateral donor organizations to enable it to implement the program of monetary, fiscal, policy, and other economic reforms that will make it possible in the long term to achieve sustainable economic growth. Most of this debt—totaling $2.5 billion in 1990—is owned to the very governments and international agencies that are playing an active role the reform program.

10.1 External Debt

Since the 1984 coup, greatly expanded access to Western funding has roughly doubled Guinea's long-term external debt. According to the World Bank, its combined long- and short-term external debt in 1990 was nearly $2.5 billion, and total external debt as a percentage of GNP in that year was 89.7 percent. Guinea's debt service ratio stood at 8.3 percent at the end of 1990.

Official debt from governments and international lending institutions comprises nearly all of this external debt. Sixty-eight percent ($1.44 billion) is owed to bilateral creditors, and of this amount, 70 percent is in the form of concessional loans at below-market rates. Multilateral agencies account for the remaining 32 percent ($682 million) of Guinea's external debt. A tiny fraction is owed to private creditors, including commercial banks.

In theory, such debt levels are a considerable impediment to economic growth. In fact, it is the very considerable inflows of donor funds since 1985 that has accounted for much of the growth in the Guinean formal economy since the mid-1980s. According to figures of the World Bank and of the U.N. Development Program, official development assistance (which includes both grants and loans) in 1989 constituted nearly 70 percent of gross domestic investment (GDI) in that year.

Guinea's major creditors—the major bilateral and multilateral lending agencies—are playing an active role in its ongoing program of economic restructuring, a program whose long-term objective is a healthy, vibrant, market-based economy and an efficient public sector whose need for high levels of assistance lending will be substantially reduced in the long term and eventually expire.

10.2 Rescheduling

Guinea has already benefitted from three re-schedulings. Two of these were with the Paris Club of official creditors in 1986 ($235 million) and 1989 ($124 million), and one was with the London Club of commercial creditors, in April, 1988 (for $43 million, including short-term debt). New discussions on further re-scheduling were opened with the Paris Club in late 1991 and were successfully concluded in November 1992.

11. Labor and Labor Issues

Labor in Guinea is relatively inexpensive, but not well trained. One should plan for lower levels of efficiency in an operation, and difficulty in obtaining and keeping the services of highly skilled employees.

11.1 Background

Guinea has an ample supply of unskilled labor. Although attempts have been made to reform and improve Guinea's education system under the Second Republic, educational standards at all levels are still low. Less than 30 percent of the age-eligible population is enrolled in primary school. These facts, coupled the very high rate of population growth means that unskilled labor is readily available. Productivity levels tend to be low.

As previously indicated, unemployment in the country's formal economic sector is high, especially in urban areas, with ever-greater numbers of workers being laid off from privatized and liquidated state-owned enterprises. Increasing numbers of secondary school and university graduates are being added to this pool. Formal unemployment in Conakry alone, with a population of 900,000, is estimated at over 14,000. In spite of this, well-trained, competent managers and administrators and qualified technical personnel are hard to find.

11.2 Labor Code

Before the country's current Labor Code was put into effect in 1988, all labor was required, legally, to be contracted through the Office National de l'Emploi et de la Main d'Oeuvre (ONEMO). ONEMO is now *de facto* an optional employment referral service, but the application of the law on this point seems variable.

The Labor Code sets forth requirements for employers in many formal sectors, but especially in mining. The guidelines outline wages, holidays, and work schedules, but are less clear on the employer's rights to hire and fire. The Government retains the right to approve hiring and firing of Guinean nationals by the mining companies. Generally, the mining concerns have simply retained excess staff rather than spend time on the official approval process, thus lowering efficiency. The mining sector must also follow guidelines on overtime pay, vacation, and maternity sick leave.

In the transport sector, there is no base salary for drivers. A typical minimum monthly wage would be FG40,000, plus some benefits. These benefits are informal.

There is no statutory minimum wage, though a commission is studying the matter.

For mining companies, the minimum wage varies between FG80,000 and FG100,000 ($85 to $107) per month. In practice, the lowest possible salary at present is about FG45,000 (about $48) per month, plus transportation and other allowances. The employer is supposed to pay 14.8 percent and the employee 3.2 percent of an employees's salary to the Social Security Agency. Employers can also expect to pay for employee's health care, however, since the Social Security system, which is supposed to provide such services, is inadequate. Between 10 and 30 percent of salaries is also withheld by the employer for income tax.

11.3 Labor Unions

Since the Guinean government's changeover from the Soviet model—in terms of the formal organization of labor—the national labor union (*Confederation National des Travailleurs de Guinée*) and independent unions have not yet completely redefined their roles. They become active in labor disputes from time to time, however. Special labor tribunals or government agencies often defend employees' interests on an *ad hoc* basis.

Private sector employees have their own unions which negotiate salaries. In general, private sector wages tend to remain at a slightly higher level than those of civil servants.

11.4 Employment of Expatriates

There are no known restrictions on the employment of expatriates.

11.5 Issues for American Investors

In matters relating to employees, as with all other aspects of an investment project in Guinea, one should expect to assume a personal, hands-on approach for a successful outcome.

In the past, government officials were known to interfere in hiring efforts by private sector entities, with the purpose of securing employment for well-connected individuals, family members, and friends.

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12. Financial Sector and Monetary Policy

During the First Republic, the Guinean banking system consisted almost entirely of a system of state-owned banks. All of these were dismantled in 1985 with the launching of the economic structural adjustment program. There are now six privately owned commercial banks operating in the country. However, the Guinean financial sector remains limited in both scope and depth.

12.1 Overview

Guinea's financial sector consists of the central bank, six commercial banks, two insurance companies, some donor-supported credit unions and mutual savings associations, at least one private investment company, and the informal money-lending and savings market.

Growth in the financial sector has been hampered by the absence of an independent and impartial judiciary, and a legal system which does not offer the usual facilities such as perfection of liens, collateral recovery, and land title registration.

The Government has recently promulgated a number of legal reforms which may assist in the creation of a more viable financial sector in Guinea. One of these changes has been to license private currency exchange bureaus for the first time.

Revisions to the Land Tenure Code enacted last year may also stimulate the financial sector by making it possible to offer land to which one has valid title as collateral on loans. However, according to current reports, these revisions are not yet implemented in regulations.

12.2 Banks

The Guinean banking system was completely overhauled in 1985, with the implementation of the structural adjustment program. At that time, the state-owned banks which had virtually monopolized financial transactions were dissolved, and a new banking law was enacted which allowed for the creation of a private banking system.

The banking system now consists of the country's central bank, which reports directly to the office of the President; six commercial banks (see Appendix B); and several donor-supported pilot credit cooperatives. Some banking experts consider the banking system "overbanked" and overly centralized in Conakry.

The lending culture is highly conservative. Banks generally limit themselves to short-term trade finance, primarily in support of imports of food and consumer goods. Loans are generally not available for manufacturing or other productive enterprises.

This reluctance to extend long-term credit for non-trade financing stems from a number of factors. A high proportion of non-performing loans in existing portfolios has led to a general perception of high risk associated with long-term lending. The sector's conservative lending practices are further exacerbated by the very restricted range of acceptable banking collateral that is available, which itself is a result of the failure of the Guinean system of land tenure to ensure transferability of land rights. Also, the inability to get judgments against delinquent borrowers or to have judgments enforced were—and remain—major problems for banks attempting to recover receivables.

In addition to high loan losses, Guinean commercial banks have experienced high operating costs. Three of the six have serious financial problems; none has achieved acceptable rates of return on their capital.

Three of the new Guinean banks are associated with important French banking groups: Banque National de Paris, Société General, and Credit Lyonnais. The experience and active support of these three major French lending institutions, however, did not prevent the major losses on loans made in the 1985–87 start-up period. Estimates place unpaid loans in the range of 75–80 percent by early 1991, and up to 55 percent after all possible collection actions had been taken.

Adoption by the majority of the Guinean population to a modern banking culture has been slow. In practical terms, for the vast majority of savers, there is no formal institution that will accept their savings, because of the high administrative costs associated with small savings. Historically, interest rates offered by lending institutions have been negative due to interest rate policies of the Government (though the Guinean Central Bank now follows a flexible interest rate policy, designed to encourage savings by maintaining positive real bank deposit rates).

12.3 Non-Bank Financial Institutions

Guinea has virtually nothing in the way of non-bank financial institutions. There are no formal grass-roots deposit and credit organizations, no viable savings and credit cooperatives, no installment sales finance companies, leasing companies, savings and loan associations, or mortgage banks. The only agricultural credit available is from several donor-supported pilot projects attempting to establish cooperative credit structures.

Since last year, the Government has allowed privately held foreign exchange bureaus to operate, subject to certain conditions. In keeping with strict Government policies regarding the outflow of foreign exchange, these institutions cannot issue more than $5,000 or its equivalent to a customer per transaction.

12.4 Insurance Companies

There are two insurance companies, but these have played no role in the development of the local financial market. While they accept premiums, they do not invest funds, but reinsure practically all their policies with affiliated French companies.

UGAR (Union Guinée d'Assurance et de Reassurance) controls 80 percent of the local market, and is an affiliate of Union d'Assurance de Paris.

SONAR (Société Nouvelle d'Assurance et de Reassurance) has the remainder of the market, and is affiliated with several major French insurers.

12.5 Private Investment Companies

There are several private investment groups organized by expatriate Guineans living in France, Senegal, and Côte d'Ivoire.

12.6 Institutional Investors

There are no effective institutional investors in Guinea.

12.7 Capital/Equity Markets

Capital markets are virtually undeveloped in Guinea.

Formal equity markets also have yet to appear. Impediments to the formation of equity markets include a lack of an appropriate legal and regulatory framework, and the fact that, outside of the largely foreign-owned commercial mining sector, private enterprise in Guinea is largely in the hands of the informal sector of the economy.

There are no stock trading companies or exchanges.

12.8 Monetary Policy

In contrast to the uncontrolled growth in the money supply that existed under the First Republic, the present Guinean government is required to retain strict controls under the IMF-imposed conditions of the country's structural adjustment program. Indeed, reducing inflation through monetary policy and through other controls has been one of the major macroeconomic challenges of the Government, and an area in which it has achieved notable success.

However, the fact that so much of the Guinean private sector operates in the "second" or informal, economy has inevitably had a considerable influence on the country's monetary situation. When the Government in 1991 allowed Guineans to open foreign currency accounts for the first time (with no questions asked as to the source of the currency), an

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astonishing $80 million was deposited with local banks in the course of a few days—an amount equal to the amount of money officially in circulation. This provides clear evidence that, not only foreign currency, but probably also gold as well, are circulating widely in the larger Guinean economy, and playing as big a role—if not larger—in commercial transactions than the Guinean franc.

The Guinean franc is not a convertible currency, and export of the currency out of the country is strictly controlled.

13. Taxes and Their Application

Guinea's system of taxation has for decades relied very heavily on taxes levied on the formal mining sector, especially production of bauxite and alumina. Reform of the country's tax structure and improvements in its administration is a high priority for the Government, and for the international donor community.

13.1 Background

Guinea's existing tax structure, which provides an astonishingly wide-ranging system of exemptions, as well as the administration of the tax system, are both badly in need of reform. Currently, some effective reforms are being carried out in the customs service, to improve efficiency and transparency.

With the bulk of Guinea's private enterprise activity operating wholly within the informal sector, however, much of the country's economic activity remains inaccessible as a source of tax revenue for much-needed infrastructural improvements, for eduction, and for other public services. Thus, Guinea's tax system is likely to remain heavily dependent on trade taxes, and on taxes associated with commercial mining activities, for some time to come.

Taxes in Guinea are governed by the *Code des Contributions Diverse*, the *Codes des Douanes*, and the annual Finance Laws.

13.2 Primary Business Taxes

Guinean companies carrying on a trade or business outside Guinea are not taxed in Guinea on the related profits. Foreign companies with activities in Guinea are subject to Guinean corporate tax on Guinean-source profits only.

Impôt sur les BIC, or corporate income tax, is 35 percent for share companies (S.A. and sarl) and 30 percent for other legal entities and for individuals. Deductible expenses include operating expenses, financing costs, and depreciation.

Impôt sur le revenue des valeurs mobilières, or dividends, are taxed at 10 percent for the first 3 years during which an investment is held, and at 20 percent beginning in the fourth year.

Taxes sur le chiffre d'affaires or principal turnover tax, is divided into a non-deductible tax on imports, a tax on domestic sales by producers (deductible for income tax purposes provided the producer has paid the tax on inputs and charged the tax on its own sales), and a non-deductible tax on other domestic sales. (In some cases, such as hotels and restaurants, a rate of 15 percent is applied.)

Alternative minimum tax is applied on companies with annual sales of less than FG5 million (approximately US$5,400). Guinea also applies *special sales taxes* on certain goods and services, such as gasoline, beverages, and tobacco.

Impôt minimum forfaiture, the minimum tax equals 1.25 percent of the previous year's turnover up to FG5 million. All businesses are exempt from this tax in their first year of operation.

Droit d'enregistrement, or tax on the registration of authorized capital was reduced from 5 to 2 percent in 1987.

The *patente* is a tax on the cost of leased land payable at the rate of 10 to 15 percent.

Capital gains are taxed at the regular corporate rate of 35 percent. However, the tax can be deferred if the proceeds are used to acquire new fixed assets in Guinea within the same financial year.

Dividends are subject to a 20 percent withholding tax. For dividends paid during the first 3 years of a corporation's existence, this rate is reduced to 10 percent.

Foreign tax relief. Foreign tax credits are not allowed. Income subject to foreign tax that is not exempt from Guinean tax under the territoriality principle of Guinean tax law is taxable net of the foreign tax.

All business are required to file an annual tax declaration on or before March 31 of each calendar year of operations.

Mineral Industry Taxes

The actual tax system in Guinea's mining sector is closely related to the state's participation in mining operations. The mining law provides for different types of taxes and duties. Fixed duties are collected at the time of issue, renewal, or changing ownership of a title. An annual land use tax of FG5,000–15,000 is imposed, depending on the location of the area and its proximity to existing infrastructure.

The corporate tax is 65 percent and includes a 30 percent tax on profits and a 35 percent tax on dividends. Import taxes are 5.6 percent. *Ad valorem* taxes for industrial minerals are 6 percent of revenue. Duties and export taxes on minerals are 10 percent for precious stones and a cumulative rate of 4 percent for other minerals. A special export tax on minerals also applies according to the type of mineral exported. In addition, each company is required to create a land reclamation fund to be used for site rehabilitation upon termination of operations. A tax exemption is applicable to companies during the research and exploration stage for a period of 2 to 6 years and in the construction stage for a period of 2 to 3 years. Mining policy was under review at the time this information was collected, and may be expected to change.

Sales Taxes

From the standpoint of conducting business, the most important sales tax is one on petroleum products, the *taxe sur les produits petroliers*. This is currently about FG400 per liter ($.43 per liter).

13.3 Taxes on Personal Income

In 1987 the maximum rate of personal income tax was set at 35 percent, applied to annual salaries of FG5 million and more. The rates for some of the middle tax brackets were increased in 1989: up to 30 percent for salaries over FG600,000 and 20 percent in excess of FG150,000. Employers must withhold 20 percent of salaries in excess of FG100,000 per month towards payment of this tax.

In addition to security dues of FG90,000 per employer, employers are subject to a 3 percent "apprenticeship tax," calculated on gross salaries, as well as a 5 percent *versement forfaiture sur les salaires*, or payroll tax on gross salaries less social security contributions. An additional 5 percent of salaries must be set aside for health and workmen's compensation claims.

13.4 Tax Treaties

Guinea has not concluded tax treaties with any other countries.

Appendix A

PRACTICAL INFORMATION FOR BUSINESSPEOPLE

Credit Cards

Credit cards (American Express, Diners Club) are accepted at only the larger hotels in Conakry.

Climate

Guinea has a tropical climate. In the Conakry area, the dusty, dry season (October to May) is warm, sunny, and humid. The rainy season (May to October) is slightly cooler and wet. Temperatures are fairly uniform, rarely rising above 90 degrees Fahrenheit or falling below the mid-70s degrees Fahrenheit. Humidity is usually 70 to 100 percent and the annual rainfall averages 160 to 180 inches.

Corruption

Corruption is a widespread problem, especially among mid-level and lower-level officialdom. Its adverse influence on the development of the private sector is readily acknowledged by the Government, which is trying hard to ameliorate the problem. In a situation in which a bribe is clearly being solicited or in similar circumstances, the best defense is an absolute refusal to cooperate, explaining gently that while one values friendship and would like to accommodate, the laws of the United States provide severe punishments for activities that might be considered entirely appropriate in other countries.

Freedom of Expression

In Guinea, freedom of the press is guaranteed by the constitution, and no attempt is made to infringe on this right. Also, foreign newspapers and magazines are readily available from the larger hotels in Conakry.

Holidays

The following official holidays are observed in Guinea:

New Year's Day	January 1
End of Feast of Ramadan	variable
Tabaski	variable
Labor Day	May 1
Independence Day	October 2
December 25	Christmas Day

Other Muslim holidays are observed as well.

Hotels

There are two hotels in Conakry that meet Western standards of service, comfort, and amenities:

Novotel (Grand Hôtel de l'Indépendence)
B.P. 287
Conakry
Telephone: (224) 44.50.21/44.46.81
Telex: (0995) 22 122

Hotel Mariador
B.P. 627 bis
Conakry
Telephone: (224) 44.27.52/44.40.70
Telex: 22 129 MARSY

Language

French is the official language of government, education, and business, and English-speakers should expect to do business in French. Local languages are widely spoken.

Postal Service

As in most African countries, businesses take delivery of mail by renting post office boxes from the Post Office. Address-based deliveries are customarily made by private messenger.

Taxis

Taxis are readily available at the major hotels in Conakry. It is important to agree with the driver in advance on the exact fare.

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Appendix B

USEFUL ADDRESSES

U.S. Embassy
2d Boulevard and 9th Avenue
B.P. 603
Conakry
Telephone: (224) 44.15.20/21/22/23

Banks

Banque Centrale de la République de Guinée
(Central Bank of Guinea)
12 Boulevard du Commerce
B.P. 692
Conakry
Telephone: (224) 44.17.34/35
Telex: 22225 GE

Banque Internationale pour l'Afrique en Guinée (BIAG)
Boulevard du Commerce
B.P. 1419
Conakry
Telephone: (224) 44.42.65/44.44.42
Telex: 22 180 GE/23 202 GE
(55 percent owned by Zambia-based Méridien banking group; accounts for 30 percent of commercial banking market)

Banque Internationale pour le Commerce et l'Industrie en Guinée (BICI-GUI)
B.P. 1484
Conakry
Telephone: (224) 44.32.50/44.37.35
Telex: (0995) 22 175 Bicigui GE
(A Guinean-French government joint venture, BICI-GUI accounts for 40 percent of Guinea's commercial market; 48.3 percent is held by Banque National de Paris.)

Banque Islamique de Guinée
6ème Avenue
Immeuble KLM
B.P. 1247
Conakry
Telepone: (224) 44.50.71/73/74
Telex: 22184 DMI/GE

Banque Populaire Maroc-Guinéene
Avenue de la République
Immeuble Hadite
Conakry
Telephone: (224) 44.15.99

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Société General de Banques en Guinée (SGBG)
Avenue de la République
Conakry
Telephone: (224) 44.17.41/44.17.46
(35 percent held by Société Generale de Banque, France's second-largest bank; rest owned by other European banks and private Guinean interests. Guinea's third-largest bank)

Union Internationale des Banques en Guinée (UIBG)
Avenue de la République, angle 5ème Boulevard
B.P. 324
Conakry
Telephone: (224) 44.20.96
Telex: 23.135 GE
(51 percent owned by the large French commercial bank Credit Lyonnais; rest owned by private Guinean interests)

Business Services

HSD/CJ Group
FFA Guinea
(correspondent firm of U.S. consulting group Ernst & Young)
Avenue de la République
B.P. 1762
Conakry
Telephone: (224) 44.28.31/44.21.82
Telex: 23 200 Ans bk FFA GE

Price Waterhouse
B.P. 1424
Conakry
Telephone: (224) 44.42.96

Société Guinéenne de Revision et de Conseils
(correspondent firm of U.S. consulting group Coopers & Lybrand)
Immeuble Cherif Diallo
Avenue de la République
B.P. 3017
Conakry
Telephone: (224) 44.33.71
Telex: (0995) 22208

Other Useful Addresses

Port Authority of Conakry
(Port Autonome de Conakry)
B.P. 805
Conakry
Telephone: (224) 44.27.28/44.27.37
Telex: 22 276 PAC GE

Commission Nationale des Investissements
c/o Ministry of Industry and Commerce
B.P. 108 bis
Conakry
Telephone: (224) 44.49.21

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Appendix C

Travel Requirements and Currency Regulations

Entry into Guinea

U.S. nationals entering Guinea are required to have not only a valid passport, but also a visa. Visas can be obtained from a Guinean diplomatic mission or consulate abroad. The Guinean diplomatic mission in the United States is at the following address in Washington, D.C.:

Embassy of Guinea
2112 Leroy Place, N.W.
Washington, D.C. 20008
Telephone: (202) 483-9420

A visa can also be obtained from the following Guinean consular offices in the United States:

Honorary Consul of the Republic of Guinea
3101 Euclid Avenue
Suite 801
Cleveland, OH 44115
Telephone: (216) 431-1726
Fax: (216) 431-7724

Honorary Consul of the Republic of Guinea
1528 Walnut Street
Suite 1201
Philadelphia, PA 19102
Telephone: (215) 790-3220
Fax: (215) 790-3231

On arrival, visitors must be [illegible] to provide evidence of tickets for return or onward travel.

Health Requirements

Individuals arriving from abroad are required to have a certificate for yellow fever. Vaccinations for cholera, typhoid, and polio are also advisable.

Malaria prophylaxis is also advised for 2 weeks prior to arrival, during one's stay in Guinea, and for several weeks after departure. Guinea is in a chloroquine-resistant malaria zone.

Sanitation is poor in Guinea and the local tapwater should not be drunk.

Currency Regulations

There are no restrictions on import of foreign currency, though a declaration form must be filled out on arrival and once again on departure. Guinean currency may be neither imported nor exported. This regulation is strictly enforced.