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Washington, D.C.

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The World Bank
1818 H Street NW
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McNamara Papers

Contacts
Guinea (1963-1980)

THE WASHINGTON POST
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Contacts with member countries, Guinea - Correspondence 01

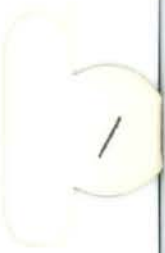
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GUINEA

GUINEA

1. 5/22/68 Ambassador Karim Bangoura
2. 8/16/68 Delegation from Government of Guinea:
Lansana Beavogui, Minister of Foreign Affairs
Ismael Touré, Minister of Economic Development
Ousmane Baldet, Secretary of State for Financial Control,
former Governor of the Central Bank
Mohamed Kassory Bangoura, Ambassador at Large
Karim Bangoura, Ambassador to the United States
Marcel Cros, Director General, OFAB
Kabassan Keita, Engineer, OFAB
3. 3/3/69 Ambassador Bangoura - farewell call
4. 5/28/69 Ambassador Fadiala Keita
5. 7/3/69 Louis-Lasana Beavogui, Minister of Economic Development
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Mrs. Jeanne Martin-Cisse, Minister of Social Affairs
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10. 11/8-12/77 RMcN Notes (*Filed in LMcN office*)
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General Secretary of the Presidency Yattara Seydouba
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Senior Minister of Interior: Moussa Diakite
Senior Minister of Economy and Finance Ismael Toure
Senior Minister for Rural Development N'famara Keita
Minister of Mining and Geology Abraham Kabassan Keita
Minister of Public Works and Urbanism Lamine Toure
Minister of Irrigation, Livestock & Fisheries Louis Holie
Minister of Industry and Energy Mamady Kaba
Minister of Foreign Affairs Fily Cissoko
Governor of the Central Bank Momory Camara
Minister of Rural Development for Boke: Mamadouba Bangoura
Labe: Sekou Cherif
Kindia: Kouramadou Doumbouya

12. 8/8/79 President Sekou-Toure
- 10/24/79 Ambassador Mamedji Lamine Cande
13. 3/24/80 N'Famara Keita, Minister of Energy
Ambassador Mamady L. Conde
Sekou Toure, Technical Advisor to the Minister
14. 11/17/80 Lansana Beavogui, Prime Minister
N'Famara Keita, Minister of Energy
Marcel Cros, Secretary of State for International Cooperation



MAY 15 1968

OFFICE MEMORANDUM

TO: Mr. A. G. El Emary

FROM: Roger A. Hornstein

SUBJECT: GUINEA: Boké Project - Status of Negotiations

DATE: May 15, 1968

A. G. El Emary

McIvor

Collika

Larsen

Div.

Div.

Div.

Div.

Op. Files

Res. Files

1. The following will summarize the progress of negotiations on the Boké Project since the signing of the Memorandum of Understanding of March 29, 1968:

- (a) Financing of the Mining Project. On May 7, we received financial runouts for the mining project, indicating that the total cost of that project would be in the neighborhood of \$92 million. This financial presentation was generally satisfactory, and the Projects Department is proceeding to analyze it in detail and incorporate it into the draft appraisal report. However, we have been informed in the last few days that the capital cost of the mining project is likely to be several million dollars more than the May 7 estimates, and we expect to receive new revisions of the runouts within the next week. Explanations are also awaited on the breakdown of preoperation expenditures of the mine, which are thought to be in the neighborhood of \$11.5 million. ✓
- (b) Financing of the Railway-Port Project. We are awaiting information from AID as to the terms and conditions of their proposed local currency loan. We also expect to receive an explanation from the consulting engineers relating to certain items in the cost estimates, e.g., interest during construction. ✓
- (c) Engineering and Management. We have received within the last day or two certain agreements relating to the construction and operations of both the mining and railway-port projects. This information is now being studied by the Projects and the Legal Departments and is being discussed informally with technical experts of the Halco Group. We are awaiting a draft of another agreement relating to management of the railway-port facilities which has been promised for next week. We are also awaiting the consulting engineers' report on the mining facilities. The consulting engineers are also expected to furnish us with an integrated time schedule for both projects and to come up with suggestions about how savings can be effected by combining some of the contracts for the two projects, e.g., housing. ✓
- (d) Financial Assurances. We have given the Halco Group preliminary comments on the agreement for financial assurances relating to the Bank loan and to a trust agreement which will effectuate the repayments. There are only one or two matters of substance which have not yet been settled, but detailed ✓

legal questions will be discussed over the next 10 days, after our lawyers have had the opportunity to study revised drafts of these agreements which were submitted to us on May 15, Halco will also have to recommend the selection of a trustee, and the trustee and its lawyer would probably want to join in the negotiations. Since the draft financial assurances agreement contemplates that similar security arrangements would be used to secure financing for the mine, it will not be possible to agree upon final wording of the text until lenders to the mining company are identified and brought into the picture. It should also be noted that several exhibits contemplated by these agreements have not been submitted to the Bank; since these are of considerable importance, it is difficult to tell when we would be in a position to complete talks on these agreements.

2. The Halco Group has stated that it would make every effort to get information needed by the Bank to us before the end of this month. Assuming that this is done and no major problems remain unresolved, it is hoped that a draft appraisal report will be ready for consideration by the Working Party early in the week of June 16 and that the report can be submitted for consideration in a Loan Committee meeting during the week of June 23. If this proves possible, negotiations could begin at the beginning of July.

3. The aluminum companies have retained the services of Kuhn, Loeb & Co. to assist them in obtaining the debt financing (currently estimated at \$55 million) required for the mining project. Since Kuhn, Loeb started its work only at the end of April, it is unlikely that we would have any definite information about the sources of the debt financing for some time. I would propose that we be willing to go to the Loan Committee before arrangements are completed for this financing but that before we submit the loan documents to the Executive Directors we should be assured that appropriate finance for the mine has been arranged.

OK
RAHornstein:nfr

cc: Messrs. Knapp
Delaume/Richardson
Higginbottom/Sander
Uhrig
van Helden/Baum
Kreuter

Patt

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. Knapp)

DATE: May 16, 1968

FROM: A. G. El Emary

SUBJECT: Visit of Ambassador of Guinea

You are seeing the Ambassador of Guinea on May 22. The purpose of his meeting with you is to request that necessary steps be taken for the project to go to the Board before the end of June. I explained to him and to the companies' representatives what we are doing to expedite the operation. I also explained to them all our procedure with the loan committee, the preparation of documents, the negotiations, and finally the need for some two weeks between dispatching the papers to the Board and the meeting. The Ambassador, being under some pressure from his Government, does not seem to be convinced.

The attached note from the loan officers summarizes the situation.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

May 21, 1968

Mr. McNamara:

From attached briefing and subsequent information from Mr. El Emary, the following tentative schedule seems to be feasible (barring unforeseeables), assuming (see para 2 of page 2 of attached) that the Halco Group will send the required information to the Bank before the end of May:

- (a) Consideration of appraisal report by working party week of June 16;
- (b) Loan Committee meeting week of June 23;
- (c) Negotiations ^{begin} week of July 1; and
- (d) Board consideration late July or first half of August.

Mr. El Emary advises that this is already a very tight schedule and every effort is being made to keep it.

Mr. El Emary advises against you handing a letter to the Ambassador setting out this tentative schedule.

RS
R.B. Steckhan

OFFICE MEMORANDUM

TO: Files

DATE: May 24, 1968

FROM: A. G. El Emary *ay el s*SUBJECT: Guinea - Boké

The Ambassador of Guinea, Mr. Karim Bangoura, met Mr. McNamara at his office on May 22, 1968 at 3:30 p.m. I was present.

The Ambassador expressed his pleasure at meeting Mr. McNamara for the first time as President of the Bank. Mr. McNamara thanked him.

The Ambassador went on to say that the Boké project for which the Bank is considering a loan is of such importance to Guinea that he would wish that the Bank would expedite the proceedings, so that the Board's approval could be obtained in July. He added that he was not in any way interfering with the Bank's business, but was merely expressing a hope.

He was prompted to express this hope by two things, i.e. the way in which the Bank has been trying to help Guinea, and the eagerness on his and his Government's side to see the project realized. He elaborated on the latter point a good deal. He also added that all the legislation and documents, required from Guinea, have been prepared and copies given to the Bank. He said that the partners are working hard to get all the necessary documents finalized before the end of May, and he was sure, he said, that the financial assurances agreement, the trust agreement, and all other documents would be ready and handed over to the Bank before then. In view of this, he asked Mr. McNamara if he would give him some indication that the loan would be finalized and approved before the end of July. He insisted that a letter from the President of the Bank would appease the atmosphere of unrest felt in Guinea in respect to the project.

In reply, Mr. McNamara said he could not possibly give any assurances or guarantees as to the date on which the Board would approve the loan. He told the Ambassador that on the side of the Bank everything that needed to be done has been done. We are awaiting the work which is being prepared by the companies. Mr. McNamara added that if all the necessary documents are in our hands by the end of May and if they are satisfactory to us, he can see that the loan papers could be ready for Board discussions at the end of July or in the first part of August. He also added that he would be ready to say all this in a letter to the Ambassador, but cautioned him again that such a letter would not in any way constitute a guarantee or an assurance. There are many elements in the project that are not under the control of the Bank, and we depend on the other parties to work them out with us.

Mr. McNamara said that he had had a word with Mr. Harper, President of Alcoa, on the time schedule, i.e. end July or first part of August, which

Mr. Harper finds satisfactory from the point of view of the companies.

In the course of the meeting, Mr. McNamara dictated a letter along the above lines to be sent to the Ambassador.

The Ambassador expressed his gratitude to Mr. McNamara for the promptness of the action.

cc: Mr. McNamara (2)
Mr. Knapp
Messrs. Broches/Delaume
Mr. Chadenet
Mr. Hornstein

ElEmary:jhg

FILES

August 16, 1968

Roger A. Hornstein

GUINEA: Boké Project - Proposed Visit of Delegation to Mr. McNamara

1. On August 13, 1968, the Bank's negotiating group began talks with the delegation of the Government of Guinea which consists of the following members:

Lansana Béavogui, Member of the National Political Bureau,
Minister of Foreign Affairs

Ismael Touré, Member of the National Political Bureau,
Minister of Economic Development

Ousmane Baldet, Secretary of State for Financial Control,
Former Governor of the Central Bank

Mohamed Kassory Bangoura, Ambassador at Large

Karim Bangoura, Ambassador to the United States

Marcel Gros, Director General, OFAB

Kabassan Keita, Engineer, OFAB

2. Negotiations on matters directly concerning the Guinea delegation have proceeded smoothly. The Loan Agreement and the Project Agreement are virtually agreed. The delegation raised a question concerning the administration of OFAB, the agency which will operate the project financed by the Bank; this will have to be resolved in the course of the next week.

3. Discussions with representatives of the Halco group are also proceeding satisfactorily. There are no remaining issues of substance with respect to financial assurances. A President-designate for the reorganized Halco has been named and has been in touch with appropriate members of the staff on various matters. We expect to receive information next week about Halco's efforts to obtain financing for the mining project. Our present position is that if Halco has firm arrangements for standby financing to cover cash needs during the construction period, we would defer settling questions with respect to the obtaining of long-term finance until after consideration of the proposed loan by the Executive Directors; satisfactory long-term financial arrangements would of course be a condition of the effectiveness of the Bank's loan.

President has seen

4. The Bank has just received copies of a draft loan agreement between AID and the Government for the provision of local currency financing for the railway, port and townsite project. This agreement raises certain fairly serious questions which will have to be resolved before the end of negotiations. In addition, AID has still not obtained authorization from the Bureau of the Budget to make available a contingency fund to cover possible overruns in local currency.

5. Assuming that the remaining matters are settled in a satisfactory manner by the week of August 26, it appears likely that the Bank would be able to complete its own reports for the Executive Directors in sufficient time to present the loan on September 24.

RAHornstein:pmc

cc: Mr. McNamara ✓
Messrs. Knapp
Delorme
McIvor
Uhrig
van Helden

Mr. McNamara - to see, please.
RBS 8/21

Wm. Steckman

Files

August 19, 1968

S. Noel McIvor

Guinea

The Guinean Delegation currently here to negotiate the loan for the Boke project visited Mr. McNamara on Friday, August 16. The leader, the Foreign Minister, delivered a long speech in which he requested that the loan be signed early in September. Mr. McNamara, in his reply, said that the Bank was hopeful of being able to sign the loan during September but that this was subject to completion of all the work necessary before signature. He pointed out that the timing in many respects was outside of the Bank's control since it depended on actions of other parties.

cc: Messrs. El Emary o/r
Hornstein

SNMcIvor:ec

President has seen




ROUTING SLIP		Date March 3, 1969	
NAME		ROOM NO.	
Mr. Steckhan			
<i>Mr. McNamara - to see, please.</i>			
<i>RBS 3/3</i>			
To Handle		Note and File	
Appropriate Disposition		Note and Return	
Approval		Prepare Reply	
Comment		Per Our Conversation	
Full Report		Recommendation	
Information		Signature	
Initial		Send On	
REMARKS			
<p>I don't believe Mr. McNamara needs any briefing before his meeting with Ambassador Bangoura this afternoon at 5:00 p.m., but you may wish to give him the attached in case he has a minute to glance at it before the meeting.</p>			
From		Roger Chaufournier	

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 3, 1969

FROM: Roger Chaufourmier SUBJECT: Visit of the Guinean Ambassador

1. I understand that Ambassador Bangoura will visit you this afternoon to say goodbye as he is returning to Guinea where he has been appointed to a post roughly equivalent to that of a Permanent Secretary for Transportation.
2. We do not know of any subject that the Ambassador will bring up. During the period of preparation for the Boké project, Ambassador Bangoura has been our closest contact and, as you know, he has been very instrumental in paving the way for our loan, being always a voice of reason.
3. Mr. Bangoura recognizes that under present conditions there is little we can do about lending to Guinea. He also knows, however, that we are prepared to consider becoming Executive Agent for a UNDP study on the development of the Boké region. The financing and set-up of the study are under consideration at UNDP Headquarters. Such a role would allow us to maintain close contact with Guinea also in other fields besides the execution of our railway lending alone and to follow developments in that country closely.
4. The IMF is presently preparing the sending out of a routine mission for consultations. A decision to that effect will be taken in the Fund tomorrow at the latest. Though it is unlikely that such a visit would lead to a basic change in Guinea, in particular since its Government recently refused the Fund's assistance for a stabilization program, the channel of communication on broad economic issues remains open for the moment.
5. Regarding Mr. Bangoura himself, it is not very clear what responsibilities his new position will entail and Mr. Bangoura is painfully aware of this. Because of the unique role he has played in the recent past and in spite of his rank being second to the Ministers who advise President Sékou Touré, Mr. Bangoura may continue to have direct access to the President and be more influential than some of his peers. On the other hand, President Touré has never let anyone individual acquire a dominant position in his Government and no outsider seems to know what led to the Ambassador's recall from Washington.

MJPaijmans :pmc

President has seen

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Through: Mr. J. Burke Knapp
FROM: Roger Chaufournier

DATE: May 27, 1969

SUBJECT: Visit of the Guinean Ambassador

1. I understand that Mr. Fadiala Keita, who succeeded Mr. Karim Bangoura, whom you met last April, will call on you on May 29.
2. Ambassador Bangoura has returned to Guinea as Secretary of Transport. Ambassador Keita took up his post in Washington two months ago. He is a lawyer by training, having been a member of the Paris Bar, prior to his returning to Guinea after independence in 1958 where he established a private practice. He was successively a Justice of the Supreme Court, President of the Supreme Court and Attorney General until 1967 when he was appointed Ambassador to Moscow, accredited to other socialist countries in Europe as well. This was his last position prior to coming to Washington.

RChaufournier:sm

President has seen.

Briefing Paper

Guinea

1. Previous operations

In 1966 a \$1.7 million Bank loan was granted for the engineering studies related to the Boké project. A \$64.5 million loan for the project itself was made in 1968. Bids have been opened this month and construction is scheduled to start in the fall of 1969.

2. Possible prospective operations

The Government of Guinea has recently drawn the Bank's attention to a road construction project (Kissidougou to the Liberian border) and an irrigation project (Daboya plain). The road project emanates from a UNDP transport study for which the Bank has been Executing Agency. Our possible participation in this project would probably be more limited than the Guineans expect (for reasons of economic justification of the road) and subject to the setting up of a satisfactory road maintenance program. We are now reviewing the final report of the UNDP study. As to the agricultural project, a feasibility study is being carried out by a Yugoslav firm. It will be forwarded to the Bank after completion. Only recently, the former Ambassador from Guinea Mr. Bangoura, now Undersecretary for Transportation in Conakry, wrote to Mr. Knapp to request Bank financing of a study on the expansion of the Conakry port. The request is being reviewed but it is felt that such a study might better be undertaken within the framework of a port study and rehabilitation program Guinea is asking the UNDP to finance.

3. Economic

An economic report on Guinea was circulated to the Executive Directors in September 1967. Its conclusions were negative as to Guinea's eligibility for Bank financing because of excessive indebtedness and unsatisfactory performance. An IMF consultation mission recently visited the country. Its first impressions were that Guinea is plagued with serious balance-of-payments difficulties and faces a general shortage of supplies. The Government has taken some steps to restrain credit expansion and to improve the financial situation of public enterprises. Guinea has requested financial assistance from the Fund. This will not be granted unless a stabilization program is first agreed upon. The IMF cabled on May 23 inviting the Guinean authorities to send a mission to discuss Fund assistance on the basis of suggestions made by the recent Fund mission and which propose measures coming close to a devaluation. No answer from the Guinean authorities has been received as yet.

4. Political

On many occasions, plots against President Sekou Touré's regime have been discovered in the past. Being an extremely able politician, the

President has always survived. He has, however, been very alarmed by the Mali coup which took place in November 1968. Since then, alleged plots have been discovered again in Conakry, one rather serious it would seem and several prominent people have been arrested. The name of Mr. Mamadou Bâ, former Bank staff member who left the Group in early 1969 has been frequently mentioned in this connection, and he has been condemned in absentia.

5. Our policy towards Guinea

The Bank's attitude towards Guinea has been discussed on several occasions. No formal five-year program has been drawn up for this country since it was felt that, subject to new developments, our involvement could better be limited to an advisory role which we expect to play, in first instance, as the Executive Agency for a development study of the Boké region, expected to be financed by the UNDP.

Though performance in Guinea is clearly unsatisfactory and keeps the Bank from operating normally in that country, we will shortly look into the question as to whether there is any possibility for intervening in sectors where proper performance guidelines can be established and adhered to by the Guineans. We will also closely follow the Fund's dealings with the Guinea Government to see if there is any ground for hoping that the past decision concerning Guinea's creditworthiness might be opened for reconsideration in the near future.

Guinea is not a member of IDA though the Board has accepted membership in February 1963.

Western Africa Department

May 27, 1969

Biographical Note on Ambassador Fadiala Keita

Mr. Keita was born in 1927 at Mamou in Guinea. He studied at the Law School of the University of Paris and also at the French National Institute for Oriental Languages. From 1951 to 1955, he practiced as a lawyer in France and subsequently until 1958, in Guinea. At the time of Guinea's independence in 1958, he became a member of the Court of Appeals. In 1961 and 1962 he was President of the Court of Appeals and of the Supreme Court.

From 1962 to 1967, he held the office of Attorney General. In 1967, Mr. Keita was appointed Ambassador to the U.S.S.R. with jurisdiction over most of the Eastern European countries and Finland.

Early this year he became Ambassador to the United States.

Mr. Keita is married and has three children. Mrs. Keita is French born.

May 27, 1969

5

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 1, 1969

FROM: Roger Chaufourmier

SUBJECT: GUINEA - Forthcoming visit of DelegationIntroduction

1. A Guinean delegation led by Mr. Beavogui, Minister of Economic Development will call on you at a date still to be arranged. The Minister will be accompanied by Mr. Karim Bangoura, former Ambassador to Washington, now Secretary of Transport.

Bank Group current posture towards Guinea

2. The conclusions of the last economic report on Guinea (dated September 1, 1967) were negative as to Guinea's eligibility for Bank financing because of excessive indebtedness and unsatisfactory performance. Guinean current service on external public debt represents over 40% of net foreign exchange earnings. External reserves are very low. The pricing policies of the Government have discouraged production, particularly in the agricultural sector. Public enterprises have gone into uneconomic ventures and are in financial straits. The budget has been characterized by chronic deficits. These conclusions remain valid. Guinea's eligibility for IDA financing would be subject to membership and would have to be considered in the light of the policies which the Guinean Government will adopt to redress the economic situation and stimulate economic development. There have been very few indications that the Government was planning to do so, largely because of the tense internal political situation which had made President Touré suspicious of outside advice and reluctant to take any austerity measures on which the opposition would feed. As a result, his dialogue with the IMF which was resumed in January, after much Bank prodding, has led nowhere.

Very recently, however, there have been encouraging signs. The Guinean Government has accepted the IMF invitation to continue discussions of a possible stabilization program -- elements of such a program would include an import surcharge, a ceiling on domestic credit and understandings on external debt management. While we are not in a position now to define what exactly would constitute a satisfactory program for IDA lending, I would think that an agreement with the Fund on a stabilization program would be a major achievement and should permit us to go ahead with a new operation in Guinea. The timing of this operation would allow our investigating the economic situation prior to presentation to the Executive Directors. If Guinea fails to reach an agreement with the Fund, we will have to determine whether Guinea's proposed program constitutes a satisfactory basis for our future operations. This would take time, since we would most likely need to send an economic mission to review the situation. The sending of a mission would in turn require that the program proposed by Guinea give enough promise of improvement, thus justifying the allocation of scarce staff personnel to man such a mission.

President has seen

July 1, 1969

Recommended position with the Delegation

3. I therefore propose that we tell the Guinean delegation that, in view of the announced intention of the Government to take corrective economic measures, we will continue to review projects presented to us. While Guinea's external indebtedness and balance of payments position would not permit the Bank to consider lending at this time, IDA could consider some financing if serious efforts were made by Guinea to restore an adequate basis for economic development. Guinea would be competing with many other claimants on scarce IDA resources, but you would feel justified in recommending IDA assistance to Guinea if it were in support of an effective stabilization and developmental program. We will, therefore, follow closely discussions the Guinean Government will have with the IMF and in the light of the program which emerges, determine what our lending posture will be.

Prospective operations in Guinea

4. The next operation which could be envisaged in Guinea would be construction of selected stretches of the road Kissidougou-N'Zerekore-Liberian border. The feasibility study of this road has been carried out by the French firm Ingeroute in the framework of a UNDP project for which the Bank has been Executing Agency. The final report of Ingeroute is now about to become available and appraisal of a project could probably take place before the end of the year.

From a project point of view, adequate arrangements for road maintenance would, however, be required before further consideration could be given to such a project. The consultants have formulated precise recommendations in this respect. The Guinean authorities claim that a maintenance program is being carried out but this has to be ascertained.

5. In addition, we have been approached for the financing of an irrigation project (Daboya plain). No details on this project are available as yet. The feasibility study is being carried out by a Yugoslav firm and will be forwarded to the Bank after completion.

6. Recently the former Ambassador of Guinea to the United States, Mr. Bangoura, wrote to investigate the possibilities of Bank financing for a study on the expansion of the Port of Conakry. It is felt that this could better be achieved by enlarging the scope of a port study and rehabilitation program Guinea is asking UNDP to finance.

RAdams/RChaufournier:pmc

cc: Mr. Knapp

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 2, 1969

FROM: Roger Chaufourmier *R*SUBJECT: Biographical notes in view of your meeting with a delegation from Guinea

1. Members of the Guinea delegation presently discussing a stabilization program with the IMF will visit you tomorrow at 11:30 a.m. The exact composition of the delegation that will call on you is not yet known, but we understand that the following persons would like to visit you, essentially as a matter of courtesy:

His Excellency Lansana Beavogui, Minister of
Economic Development

His Excellency Karim Bangoura, Secretary of State
for Transportation (former Ambassador to the
United States)

His Excellency Fadiala Keita, Ambassador to the
United States.

2. Please find attached short biographical notes about these persons.

cc: Mr. Knapp

Attachments

RAdams:pmc

Dr. Lansana Beavogui,
Minister of Economic Development

Dr. Beavogui was educated in Guinea and at the University of Dakar where he obtained a degree of medical doctor. He came on the political scene through local politics in the southeastern region of Guinea.

Dr. Beavogui has been Foreign Minister during eight years (1961-1969). In May 1969 he replaced Ismael Touré as Minister of Economic Development. Dr. Beavogui is also a member of the main policy-making body, the National Political Bureau.

Dr. Beavogui has traveled extensively and has paid several visits to the United States. Dr. Beavogui does not speak English.

July 2, 1969

Mr. Karim Bangoura,
Secretary of State for Transportation

Mr. Bangoura, a former schoolteacher, has been a member of the territorial assembly and counselor to the French Union Assembly in Paris. He also held the post of Director of Information.

From February 1963 until March 1969 he was Ambassador of Guinea to the United States. He was considered as one of the senior and most effective African Ambassadors in Washington. He has played a very useful and constructive role in the complicated negotiations for the Boké project.

He left Washington in March 1969 to take up the post of Secretary of State for Transportation.

Mr. Bangoura has a limited knowledge of English.

July 2, 1969

Ambassador Fadiala Keita

Mr. Keita was born in 1927 at Mamou in Guinea. He studied at the Law School of the University of Paris and also at the French National Institute for Oriental Languages. From 1951 to 1955, he practiced as a lawyer in France and subsequently until 1958, in Guinea. At the time of Guinea's independence in 1958, he became a member of the Court of Appeals. In 1961 and 1962 he was President of the Court of Appeals and of the Supreme Court.

From 1962 to 1967, he held the office of Attorney General. In 1967, Mr. Keita was appointed Ambassador to the U.S.S.R. with jurisdiction over most of the Eastern European countries and Finland.

Early this year he became Ambassador to the United States.

Mr. Keita is married and has three children. Mrs. Keita is French born.

July 2, 1969

OFFICE MEMORANDUM

Mr. Mc Namara

TO: Mr. J. Burke Knapp

DATE: July 3, 1969

FROM: Bruce M. Cheek *BMCh*SUBJECT: Guinea - Today's Visit of Delegation

1. The Guineans met with the Fund yesterday, and their key meeting is late this afternoon. Yesterday's discussions were more hopeful than had been expected.

2. The delegation said that Guinea had received very severe treatment from France since independence, and that they were owed \$20 million for military pensions. They asked to be able to borrow from the Fund with this claim as security, which of course was not possible. However, they did appear to be willing to adopt economic reforms. The Fund would not give the large credit which they would like (perhaps \$40 million) but is considering whether to offer them the \$7.6 million first tranche which they might normally expect to receive. The Guineans are apparently not aware of their right to a first drawing on an automatic basis. The Fund is considering two approaches: one is to grant this credit after agreed economic measures have been taken; the other is to grant half of the credit on the basis of a letter of intent, and the other half after measures had been implemented.

cc: Mr. Chaufournier
Mr. Adams

BMCheek:hpb

President has seen

Mr McNamara:
to see please
Lee Yu

OFFICE MEMORANDUM

TO: Files

DATE: July 10, 1969

FROM: Roger Adams

SUBJECT: Meeting of Guinean Delegation with Mr. McNamara on July 3, 1969
at 11:30 a.m.

1. A delegation consisting of:

- Dr. Lansana Beavogui, Minister of Economic Development;
- Mr. Karim Bangoura, Secretary of State for Transportation;
- Mr. Conde Lamine, Secretary of State, Governor of the Central Bank;
- Mr. Fadiala Keita, Ambassador to the United States;
- Mr. Kaba Mamadi, Director of the Studies Department of the Central Bank;

is visiting Washington to discuss the possibilities of IMF assistance to be linked with a program for economic and financial rehabilitation.

2. The delegation explained the purpose of its visit to Washington and expressed the hope that Guinea would continue to benefit from the Bank's support. The Minister stressed the economic potential of the country especially with regard to mining and power. Besides the mining and power projects for which several sources of finance would be available, Guinea has a pipeline of smaller projects, especially in road construction, port improvement and agriculture, for which Bank Group assistance would be welcomed.

3. Mr. McNamara pointed out that in view of Guinea's creditworthiness no Bank financing could be envisaged for the time being. However, IDA financing could be considered if Guinea became a member and were able to show evidence of an improved economic and financial situation. With respect to the latter requirement Mr. McNamara stressed the importance of the delegation's talks with the Fund, the outcome of which would be closely followed in the Bank.

4. Dr. Beavogui asked whether the Bank would be willing to post a resident representative in Conakry to advise the Government on project preparation and to supervise ongoing operations. Mr. McNamara replied that he first would like to investigate to which extent this function could be performed by the Abidjan office with Headquarters support and that in any event such an arrangement would be subject to the start of active lending.

President has seen

-2-

5. Before and after the meeting with Mr. McNamara the delegation called on Mr. Knapp. The discussion centered around Guinea membership in IDA. Mr. Knapp suggested that the delegation be fully briefed on membership procedures and requirements before leaving Washington. He explained the IDA replenishment problems and stressed that many countries will have a claim on limited IDA resources. In this context he reiterated Mr. McNamara's point on the need to improved performance in order to become eligible.

6. Mr. Bangoura briefly outlined the latest project submitted, namely the dredging of the Port of Conakry. Mr. Knapp stated that this project would be carefully studied but that at first sight it appeared to be a maintenance operation, normally not eligible for Bank Group financing.

7. It was agreed that meetings on IDA membership and operational matters would be organized before the delegation left Washington.

Cleared with and cc: Mr. Cheek

cc: Messrs. Chaufournier
Christoffersen (Office of the President)
Paijmans (o/r)

RAdams:lw

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: April 8, 1971

FROM: Roger Chaufourmier *RC*SUBJECT: GUINEA - Briefing paper for your meeting with Ambassador Fadiala Keita

1. The Ambassador will visit you on Monday, April 12 at noon to take leave since he has been recalled to Conakry.

Biography

2. Ambassador Keita was born in 1927 at Mamou in Guinea. He studied at the Law School of the University of Paris and also at the French National Institute for Oriental Languages. From 1951 to 1955, he practiced as a lawyer in France and subsequently, until 1958, in Guinea. At the time of Guinea's independence in 1958, he became a member of the Court of Appeals. In 1961 and 1962 he was President of the Court of Appeals and of the Supreme Court.

3. From 1962 to 1967, he held the office of Attorney General. In 1967, Mr. Keita was appointed Ambassador to the U.S.S.R. with jurisdiction over most of the Eastern European countries and Finland.

4. In 1969 Mr. Keita became Ambassador to the United States. In the fall of 1970 he was recalled to be appointed Director of the Office des Bauxites de Kindia, a Soviet-financed bauxite mining operation set up under arrangements closely similar to those of the Bank-financed Boké operation. Proceeds of this project will be used to pay off Guinea's substantial debts to the U.S.S.R.

5. After the armed attack in Conakry in November last year, the arrival of the newly appointed Ambassador to the U.S. was postponed for unknown reasons and early this year Mr. Keita returned to Washington to maintain contact with the United States. Mr. Keita is married and has three children; Mrs. Keita is French born.

Economic Situation

6. The economic and financial policies followed by the Guinean authorities since Guinea withdrew from the French West African Monetary Union in 1960, have led to the emergence of a large internal and external imbalance. Under pressure from the IMF, the Government introduced a set of tax measures in mid-1969 aimed at improving Government revenues and correcting the balance of payments. This program failed and the present Fund position is that there is need for Guinea to undertake, as early as possible, a comprehensive stabilization effort, aimed at correcting the present financial imbalance, strengthening the balance of payments and reducing heavy reliance on restrictions on trade, payments and transfers

April 8, 1971

for current transactions. Such a program should involve an exchange rate adjustment (parallel market rates are ten times official market rates) and be accompanied by a heavy capital inflow to rebuild the seriously deteriorated capital stock of the country.

7. In November 1969 the Bank sent out an economic mission to determine whether there was sufficient evidence of improvements in policies and prospects of economic performance to justify one or two high priority operations by IDA, such as the rehabilitation of Conakry port on which the Bank Group had made preparatory work. The mission's findings were that the hope we had for a practical improvement in the overall economic situation of Guinea has not materialized and that drawings which were made on the IMF have failed to make a contribution since reform measures agreed to by the Government have not been fully implemented and have largely remained ineffective. Our mission's report is nearing completion.

Bank Group Operations

8. There is no five-year lending program for Guinea in view of its lack of creditworthiness. A letter informing the Government of the Bank's decision, for the time being to limit its financial assistance to the Boké project, is being drafted.

9. The execution of the Boké project is advancing, although not without difficulties, and completion is expected to be about nine months behind schedule.


10. The Boké II extension project (fiscal year 1971 \$9.0 million), designed to meet additional infrastructure requirements following the decision to increase the planned output of the mine from 6 to 9 million tons of bauxite per annum is under consideration and negotiations are tentatively scheduled for May.

MJPaijmans/CRosenblad:pmc

cc: Mr. Knapp

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufournier 

SUBJECT: GUINEA: Visit of Ambassador Keita

DATE: April 12, 1971

In my briefing note to you regarding the visit of Ambassador Keita, I mentioned the decision to limit Bank Group financing to the Boké project. This position is justified by the continued deterioration in the economic and financial situation in Guinea, contrary to the expectation of some improvement, when Guinea renewed relations with the IMF. A moderate improvement would have enabled us to justify a limited program, including financing the improvement of port facilities in Conakry. Such financing would have been in the form of an IDA credit, since Guinea has no margin of creditworthiness for loans to be made on her own credit.

On the other hand, we are now processing a second loan (about \$9 million) for the expansion of the Boké project, under guarantee from the shareholders, similar to those obtained under the same Boké loan.

A letter communicating the Bank's position, addressed to the Minister of Economy, has just been signed by Mr. Knapp. The letter argues that under present circumstances, Bank continued financing of the Boké project constitutes the most important contribution we can make to Guinea's economic development, while expressing the hope that the very substantial benefits Guinea will derive from the project will enable its Government to implement the economic problems which are required for sustained growth. I propose to give a copy of this letter to Ambassador Keita today.

In order not to launch a debate with you during what is envisaged as a courtesy visit, I propose to give a copy of the letter to Ambassador Keita after he sees you, but before he sees Mr. Knapp.

Should the Ambassador raise the question of further lending, you could indicate that the matter could be discussed in some detail with Mr. Knapp whom the Ambassador is visiting at 2:30 this afternoon.

Mr. Knapp is in agreement with this procedure.


cc: Mr. Paijmans

RChaufournier:sm

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: April 12, 1971

FROM: Martijn J. Paijmans SUBJECT: GUINEA - Ambassador's Visit on April 12

1. Ambassador Keita visited Mr. McNamara to take leave since he has been recalled to his country.
2. The Ambassador expressed his appreciation for the way in which the Bank had helped to solve the many difficulties which had emerged during the period of his Washington assignment and he thanked the President for the climate of understanding that had marked his relations with the Bank Group.
3. The Ambassador gave assurances that the Boké project was well on its way towards completion and that the Government, recognizing its importance, would do whatever lies in its power to ensure that the project would be properly carried out. He expressed the wish for a continued fruitful cooperation with the Bank Group.
4. Mr. McNamara expressed his pleasure having met with the Ambassador. He emphasized the Bank's willingness to cooperate with the Guinea Government in an effort to help the country wherever possible; he added, however, that under prevailing economic conditions Bank Group activity in Guinea necessarily had to remain limited.

MJPaijmans:pmc

cc: Mr. Chauffournier

President has seen

April 12, 1971

His Excellency
Mr. Lanzana Beavogui
Ministre du Domaine Economique
Conakry, Guinea

Dear Mr. Minister:

I wish to refer to the letter dated March 17, which we received from your Ambassador in Washington, informing us of a communication from the Guinean Government concerning the Conakry Port Project. The said letter raised some fundamental questions which had to be carefully reviewed, in particular the conclusions of our recent economic mission, whose report is being prepared.

The Ambassador referred to my letter of June 25, 1970 outlining a project for improving the facilities of the port of Conakry. His note confirmed also the contents of your letter of October 19 and the contents of a cable dated December 21 from Secretary of State Bangoura. As was already pointed out to Ambassador Keita these two messages modified considerably the project which had been proposed by the Bank, by requesting the purchase of dredging equipment rather than the financing of the works and, consequently, made the possibility of financing by the Bank unlikely. We feel that these changes, from the Bank's point of view, are such as to raise difficulties with regard to the feasibility of the project in view of institutional problems which will result from the establishment of a new company, its management, the training of its personnel, etc., and in view also of the economic and financial aspects related to the justification of such an infrastructure due to the lack of data available on the volume of dredging in the long run.

In my letter of June 25, I also emphasized the importance we attach to the financial and economic rehabilitation undertaken by the Government of Guinea with the support of the International Monetary Fund.

In fact, the development of the Guinean economy and its financial position have been for a long time a matter of concern for our Group, who, on several occasions, has indicated its willingness to cooperate with the Guinean authorities and the IMF with the view to arriving at a recovery program in the economic, monetary and budgetary fields. It is with this in mind and with the object of granting your country a continued assistance in matters of development that we have undertaken the preparation of some projects and in particular the Port of Conakry Project. It is for the same reason that we sent an economic mission last November to study developments in the Guinean economy and finances since 1967, the date of our last economic report, and to analyze the longer term prospects in the light of the economic and financial policies implemented since that date and for which you have maintained a close coordination with the Monetary Fund.

Following our mission, whose work of analyses is in its final stage, we regret to note that the courageous measures taken by your Government at the end of 1969 have not been carried forward and that the balance of payments, the monetary situation and the public finances have continued to reflect the deterioration which has taken place since 1967. The hope expressed in my letter of June 25, 1970 that through encouraging developments in the situation a basis for cooperation on general economic matters could be found in the immediate future with the Government, has thus far not been confirmed and the present situation makes it extremely difficult for the Bank Group to consider granting in the immediate future financial assistance

in other fields than those in which we are already giving our support. Under the present circumstances, we believe that our participation in the financing of the Boké project represents the most efficient contribution of the Bank to the development of the Guinean economy. The resources in foreign exchange which will be generated therefrom and the corresponding financial benefits to the Guinean Treasury should facilitate the implementation of a vigorous policy of economic and financial recovery without which the potential of the Guinean economy could not be achieved.

We shall send to your Government the conclusions of our economic report as soon as it is finalized with the hope that we can continue the dialogue in which we are already engaged with you on the measures that should be taken to give new impetus to the Guinean economy.

In the meantime, we are continuing the study of the Boké II project and hope to be able to invite your Government to negotiate in the near future a loan for the financing of additional facilities to the first project. This negotiation should give us the opportunity to review the questions I have raised above.

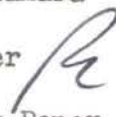
Sincerely yours,

J. Burke Knapp
Vice President

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 7, 1973

FROM: Roger Chaufournier SUBJECT: GUINEA - Briefing Paper

1. This memorandum provides briefing for your meeting with Mr. Ismaël Touré, Minister of Finance and Economic Affairs of the Republic of Guinea, on September 10, 1973, at 6:30 p.m. Mr. Touré has come to Washington to attend the Board meeting of Compagnie des Bauxites de Guinée (CBG), the exploiting company of the Boké Project. The principal question he is likely to raise is the question of Bank participation in the group of projects known as the Trans-Guinean Project (see below paras 4-8). The discussion could be affected by Guinea's dissatisfaction at the absence of an active lending program in Guinea, aggravated by the cancellation of several recent missions (see below para 3).
2. Given Guinea's failure to deal with the serious economic situation, the last CPP meeting in February 1971 decided that Guinea was not creditworthy for Bank lending and that there was no basis for the Bank Group to lend for non-enclave projects. However Guinea asked last year for our assistance in planning and developing its agricultural sector. We have, therefore, been exploring the possibility of finding a small agriculture project, with limited sector objectives and with built-in safeguards, which could be viewed independently of the general problems facing the agricultural sector (see below para 9).

Current Relations with Guinea

3. Our relations with Guinea have recently deteriorated on account of the cancellation at the last minute of successive missions by myself, Mr. Mekki and the Program Division Chief in March, April and May respectively (because of airline difficulties and, in one case, failure to receive Guinea's approval in time). As a result, Guinea refused to accept a mission in July 1973 of the loan officer and country economist, alleging that the cancellation of the three earlier missions demonstrated a lack of Bank interest in helping Guinea. We replied by letter explaining the reasons why the missions had to be cancelled at the last minute, and offering to hold discussions at Guinea's convenience. In a letter dated July 28, 1973, Mr. Ismaël Touré replied in a conciliatory tone. However when Mr. Mekki visited Conakry from August 13 to 17, he found his reception decidedly cool.

President has seen

He found Mr. Ismaël Touré very upset and convinced that the Bank was opposed to lending in socialist countries. ✓

Trans-Guinean Project

4. This project consists of a two-phased exploitation of iron and bauxite deposits at Nimba, Simandou, Tougué and Dabola (see map attached). Phase I would consist of:

(a) exploitation of iron ore deposits at Nimba (20 kilometers from the Liberian border) for shipment through Liberia on the existing LAMCO railway (hereafter called "the trans-Liberia project);

(b) exploitation of bauxite deposits at Tougué and Dabola by construction of a railway of 550 kilometers from Conakry to Tougué and Dabola and a deepwater port at Conakry (hereafter called the Tougué/Dabola project).

Phase II would consist of extension of the railway from Tougué/Dabola to Nimba and Simandou for further exploitation of iron ore deposits (hereafter called the Phase II - Project).

5. In June 1973, we were asked by Guinea what role we would play in financing the project. We replied that we were reviewing a study of the project prepared by Japanese consultants, but that there appeared to be a number of technical questions which would need to be resolved before we could define our position. These questions arise principally from the fact that the study does not contain information on the ore deposits and is primarily directed towards justifying the Phase II project. It appears that the Phase I sub-projects are potentially much more interesting.

6. The Trans-Liberia project is potentially an attractive project provided that:

(a) an arrangement with Liberia for the use of the LAMCO railway and port facilities can be worked out. There are press reports that Liberia and Guinea reached an agreement in mid-July 1973 in which Liberia would subscribe a 5 percent share in MIFERGUI-NIMBA, a mixed corporation set up to exploit the Nimba iron ore reserves;

(b) sales contracts can be negotiated for the purchase of the iron ore; MIFERGUI-NIMBA's shareholders include Nigeria and Yugoslav, Belgian, Swiss, Japanese and Spanish companies, each of

which is said to have an option to purchase ore. In addition, a number of Japanese and Italian steel makers are participating as observers on MIFERGUI-NIMBA's board of directors;

(c) various technical managerial and financial questions can be clarified.

7. Less can be said about the Tougué-Dabola project, as we have little information about it. We have received various reports about the waning enthusiasm of the main private sponsors: Alusuisse in the case of Tougué and a Yugoslav company in the case of Dabola. However it is not impossible that viable projects can be developed, but we would want to reserve our position until we can answer a number of questions, particularly concerning quality and extent of the ore deposits. (Informally we have heard that the quality is mediocre: 42 percent compared to 58 percent at Boké). The capital cost of the project is in the order of US\$300 - 400 million.

8. The Phase II Project on the other hand appears difficult to justify on economic grounds. Thus if it is possible to evacuate ore through Liberia by constructing very limited transport facilities (20 kilometers of railway in the case of Nimba; perhaps 100 kilometers in the case of Simandou), the construction of an additional 550 kilometers railway is unlikely to be justifiable on economic grounds alone. Guinea's postponement of the completed Trans-Guinean railway to a second phase may well constitute a recognition of this fact.

Agriculture Project

9. A project which appears to meet many of the criteria described in para 2 is a pineapple project at Daboya, which was reviewed by a mission to Guinea in February 1973. This project is a scaled-down version of earlier more elaborate schemes which we had criticized. As presently conceived, the project would involve a Government farm of 500 hectares for the cultivation of pineapples, vegetables and avocados under irrigated conditions, together with assistance to 1000 small holder farmers in the area to grow cassava, maize and other crops. In order to review the project in context, we asked the Guinea Government to prepare data on the pineapple sector in Guinea. We understand this information has been prepared, but our initial review of it was prevented by Guinea's refusal to accept a mission in July 1973 (see above para 3). We planned to review the Daboya project during the proposed economic mission (originally scheduled for October 1973) which had to be postponed, again because of Guinea's refusal to accept the July mission. If Guinea approves, we could send this economic mission in January 1974.

Boké Project

10. Construction of the Boké Project (Loans 557-GUI and 766-GUI) is now virtually completed. The first shipment of bauxite was scheduled to take place last month, but it is not known whether the schedule was met.

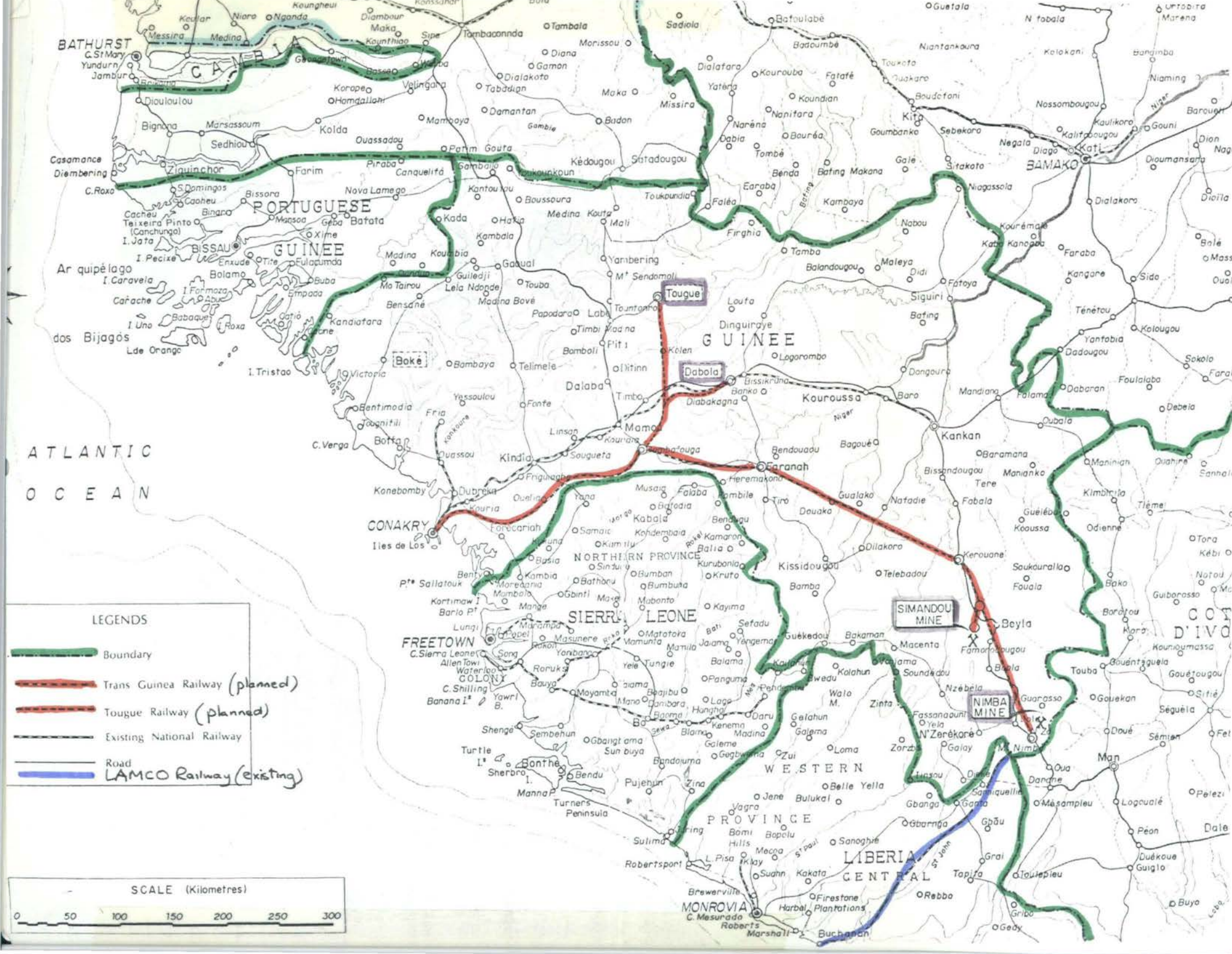
11. One major problem is the deterioration in the project's financial return. The capital cost of the total project has increased from US\$245 million at the time of the 1971 appraisal to about US\$350 million because of delays in construction, currency readjustments and additional works. The most important consequence is a sharp drop in the net cash return to Guinea from the project, particularly in the early years. (The project's financial rate of return has dropped from 21 percent estimated in 1971 to 12 percent.) The Guinea Government has not reacted officially to the change in financial projections, though we do know that there is an awareness of the situation at least up to the level of the Prime Minister, Mr. Beavogui. In anticipation of Guinea's eventual reaction, we have held a number of confidential meetings with the private sponsors to explore their position. They said they were aware of the problem and that, if pressed by Guinea, they would be prepared to make an initial offer of additional tax payments of US\$9 million in the first five years of operation. They acknowledged that this was merely an opening position. We do not plan to intervene in this matter, at least until Guinea has started exploring the question with the private sponsors.

Biographical Information

12. Ismaël Touré is the half brother of President Sékou Touré. Born in 1925, he qualified as an engineer and electrician in France and returned to Africa where he worked in the Meteorological Service. He entered politics in 1956 and became Minister of Works in 1957 when the first Cabinet was formed under Sékou Touré. Over the succeeding 15 years, he held various ministerial positions concerning financial and economic affairs. In June 1972 he became, as one of five "superministers", Minister of Finance and Economic Affairs. ~~He is also IBRD Governor; but, to our knowledge,~~ ^{He is no longer IBRD Governor (Central Ek Governor is)} does not plan to attend the Annual Meeting.

cc: Messrs. Knapp
Cash
Rowe

SDenning:itd



BATHURST
St Mary
Yundurn
Jambur

PORTUGUESE
GUINEE

GUINEE

SIERRA LEONE

WESTERN
PROVINCE

LIBERIA

CENTRAL

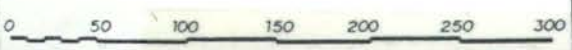
COTE
D'IVOIRE

ATLANTIC
OCEAN

LEGENDS

- Boundary
- Trans Guinea Railway (planned)
- Tougue Railway (planned)
- Existing National Railway
- Road
- LAMCO Railway (existing)

SCALE (Kilometres)



8

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
(through Mr. J. Burke Knapp) *JK*
FROM: Wilfried P. Thalwitz, Acting RVP, W.A. *WZ*

DATE: August 10, 1976

SUBJECT: Your Meeting with the Delegation from Guinea

1. You are to meet with a delegation sent by President Sékou Touré of Guinea this evening at 5:45 p.m. The delegation, composed of Mr. N'Faly Sangaré, Minister of Banks and Governor of the World Bank, and Mr. Mohamed Lamine Touré, Minister of Public Works, has already arrived in Washington and we have discussed with them the current status of our operations in Guinea. They have informed us that they have a personal letter from President Touré which they are instructed to hand over directly to you.
2. The subject of this letter from President Touré remains a matter of some speculation as the delegation was under strict orders not to discuss it with the Bank's staff before seeing you. Through personal and confidential discussions with the two Ministers, however, we have been informed of the probable subject of your meeting.
3. The subject of the letter seems to be the procurement of equipment financed by the First Highway Project (Credit 596-GUI) approved by the Board in December 1975. The project as conceived and negotiated was to be strictly limited to maintenance of some of the priority roads in Guinea's existing network. We felt, and the Guineans agreed, that upgrading to original design standards of Guinea's long-neglected existing roads was the highest priority use of new capital destined for the transport sector. The project thus calls for procurement of maintenance equipment and spare parts and provides for the set-up of a competent, functioning road maintenance organization; it provides as well for the preparation of a second project to be financed about three years after the first and which would also concentrate on maintenance of existing roads.
4. During our normal reviews of the bidding documents prepared by the Government and the project consultants for equipment to be procured under the project, it became evident that the Government was interested in procuring some construction equipment in lieu of the lighter maintenance equipment envisaged for the project by our appraisal team. We listened to the Government's arguments, essentially that the roads to be upgraded were in a worse state of repair than had been thought at appraisal, and agreed with Government in June on a compromise equipment list including some heavier equipment. This latter list formed the basis for the bids which are to be opened at the end of this month. During the June discussions we pointed out to the Government that, provided the bids indicated possible economies through cheaper prices for expanded lots, some increases in the numbers of items to be procured were possible.
5. We were confident that our June discussion had largely resolved the differences we had had with the Government, but apparently the probable availability of some Arab funds for new road construction or the reconstruction of existing roads has moved them to try again to reinforce their equipment fleet with heavier machines. We remain convinced that maintenance should still

be their top priority and would wish to retain the focus of our project on that activity. If necessary, we would be prepared to drop some of the roads destined for upgrading under our project in favor of Arab-financed reconstruction, with other roads to be substituted for them. In addition, we would not be averse to financing some construction/reconstruction ourselves in our second project (FY78/79), provided the priority focus on maintenance were not to be lost in so doing.

6. We would be pleased to meet with the Guinean delegation after their talk with you in order to work out with them a solution acceptable to both sides, taking into account our preoccupations with preservation of the existing road network and showing sympathy for Government's obvious need not to forego all new construction/reconstruction opportunities.

MJCillette:tp

cc. Mr. Chaufournier o/r

OFFICE MEMORANDUM

TO: Western Africa Files

DATE: December 6, 1976

FROM: Xavier de la Renaudière SUBJECT: Visit of Messrs. N'Faly Sangaré, Governor of the Central Bank of Guinea and Mohamed Lamine Touré, Minister of Public Works to Mr. McNamara on August 10, 1976

1. A Guinean delegation consisting of Messrs. N'Faly Sangaré and Mohamed Lamine Touré visited Mr. McNamara on August 10. I attended the meeting. The delegation handed over to Mr. McNamara a letter dated July 31 from President Sekou Toure concerning a highway maintenance project financed by a \$14 million IDA Credit in December 1975. The purpose of the letter was to request a reallocation of the credit funds between the various categories. The proposed reallocation would increase the size of the equipment component of the project at the expense of technical assistance, office equipment and operating funds, all of which the appraisal mission had found necessary to provide to assure the full execution of an integrated maintenance program. The increase in the size of the equipment component would, according to the Guinean government, permit execution of a larger program that would meet the needs of almost all of the country's regions.

2. Mr. McNamara welcomed the delegation and said that the Bank Group would certainly make every effort to implement a project that would meet the development needs of the country. He asked the delegation to discuss with the Western Africa Region all the technical aspects of President Sekou Toure's request. The outcome of these technical discussions was reported to Mr. McNamara in a memorandum from Mr. Thalwitz dated August 12. The Bank Group offered the Guinean government two options: either modest changes in the original project or more radical changes in the orientation of the program away from rehabilitation of trunk roads to maintenance of all types of roads, including secondary and feeder roads. Finally, the government opted for the first alternative, and project implementation is now proceeding satisfactorily on that basis.

cc. Mr. Burmester (re your memo to Mr. Chaufournier of November 18, 1976)
Mr. Chaufournier
Messrs. Gué/Pouliquen
Mr. Gillette

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

June 20, 1977

TO: Mr. Roger Chaufournier
(through Mr. X. de la Renaudière) *AT*

FROM: M.J. Gillette *MJG*

→

The attached letters, exchanged between Mr. Rollins, Group Vice President of US Steel, and Minister Ismael Touré in Guinea last week, reflect the successful outcome of the initial talks on the Nimba Project. Mr. Rabeharisoa was present for the talks and was able to get things back on track after a misunderstanding between Minister Touré and Mr. Rollins threatened to rupture relations. Mr. Rabeharisoa persuaded the US Steel delegation to postpone its departure for a few hours while he arranged for some face saving measures on the Guinean side. Thanks to his good offices, the delegation was received by President Sékou Touré ~~at~~ the end of its stay.

*I'll be interested to hear "de vive voix"
Mr. Rabeharisoa's impressions. Give me
a call.
6/21/77*

R



Banque Mondiale

Conakry, le 15 juin 1977

REPUBLIQUE DE GUINEE
MINISTRE DU DOMAINE
DE
L'ECONOMIE ET DES FINANCES

LE MINISTRE

N° *0020* MDEF-Cob

Monsieur J. Donald ROLLINS

Group Vice-President

Resource Development

U.S. STEEL CORPORATION

Monsieur Le Président,

Ayant pris connaissance de votre lettre du 14 juin 1977 adressée au Président du Comité de Direction de MIFERGUI-NIMBA, nous avons le plaisir de vous informer que nous enregistrons avec satisfaction l'intérêt exprimé par votre Société pour une participation à MIFERGUI-NIMBA.

Votre lettre fera l'objet d'un examen attentif de la part du Gouvernement Guinéen.

D'ores et déjà, nous acceptons le calendrier des négociations proposé et vous donnons une option de trois (3) mois à compter du 14 juin 1977 pour votre décision définitive.

Nous vous prions d'agréer, Monsieur Le Président, l'assurance de notre considération distinguée.

Le Président du Conseil d'Administration
de Miferrui-Nimba



Emmanuel TOURE



*United
States
Steel
Corporation*

600 GRANT STREET
PITTSBURGH, PENNSYLVANIA 15230
TELEX: 866425

J. DONALD ROLLINS
GROUP VICE PRESIDENT
RESOURCE DEVELOPMENT

June 14, 1977

Elhadj Sekou Oumar KEITA
President Steering Committee
MIFERGUI-NIMBA
CONAKRY (Guinea)

Dear Sir,

Further to discussions held in Conakry on June 13, 14 1977 this letter confirms that U.S. STEEL has an interest in continuing negotiations for acquisition of a possible 15 % participation in the MIFERGUI-NIMBA Project.

As concluded during the subject meetings, U.S. STEEL proposes to undertake responsibility for engineering, construction management and operations management. U.S. STEEL also proposes to provide ocean transport, through its subsidiary NAVIOS CORPORATION, for the 50 % of ore production reserved to the Guinean Government. U.S. STEEL's participation and proposals are subject to conclusion and agreement on mutually satisfactory terms and conditions.

..//..

2.

In order to expedite the progress of negotiations, the following schedule is proposed :

1. A technical task force from U.S. STEEL meet in Conakry during the week of July 11, 1977 to discuss all technical aspects of the project concerning geology, mine planning, engineering and logistics. An inspection of the mine site will be included and, if possible will be extended to include the railroad and port facilities in Liberia.
2. A delegation of MIFERGUI-NIMBA representatives shall meet at U.S. STEEL's Headquarters in Pittsburgh during the week of August 1, 1977 to discuss :
 - a) Protection of minority rights pertaining to capital and investment programs, changes in by-laws, and policy decisions relating to profitability of the venture.
 - b) Development of appropriate tax and royalty structure consistent with U.S.A. regulation without prejudice to the Guinean Government.
 - c) Terms and conditions applicable to U.S. STEEL subscription right of share capital.
 - d) Terms and conditions relative to contractual arrangements between U.S. STEEL and MIFERGUI-NIMBA for the services described in paragraph above.



*United
States
Steel
Corporation*

600 GRANT STREET
PITTSBURGH, PENNSYLVANIA 15230
TELEX: 866425

J. DONALD ROLLINS
GROUP VICE PRESIDENT
RESOURCE DEVELOPMENT

3.

- e) Any other matters pertinent to a U.S. STEEL participation in the MIFERGUI-NIMBA Project.

During this visit, the delegation will have the opportunity to inspect the most recent U.S. STEEL iron ore mine and installations in Quebec, Canada, as well as the advanced Research Laboratories located in the Pittsburgh area.

We take this opportunity to thank you for the hospitality and courtesies extended by MIFERGUI-NIMBA and your Government to our delegation. We look forward to the privilege of welcoming your delegation to Pittsburgh.

Yours very truly,

J. Donald Rollins
J. Donald ROLLINS

J. Donald ROLLINS
Group Vice-President
Resource Development



Conakry, le 14 juin 1977

Elhadj Sékou Oumar KEITA
Président du Comité de Direction
MIFERGUI-NIMBA
CONAKRY

Monsieur,

Faisant suite aux entretiens qui ont eu lieu à Conakry les 13 et 14 juin 1977, par la présente, U.S. STEEL confirme son intérêt de continuer les négociations en vue d'une participation de 15 % des actions totales dans le Projet MIFERGUI-NIMBA.

Comme nous l'avons mentionné au cours de ces entretiens, U.S. STEEL vous propose de prendre la responsabilité d'assurer l'engineering, la gestion de la construction, la gestion de l'exploitation. Par ailleurs, U.S. STEEL vous propose aussi d'assurer le transport maritime des 50 % de la production, dont le transport est réservé au Gouvernement Guinéen, par notre filiale de navigation maritime NAVIOS CORPORATION. La participation de U.S. STEEL dans la société ainsi que les propositions ci-dessus sont subordonnées à la conclusion d'un accord dont les termes et conditions sont satisfaisants pour les deux parties.

oo/oo

J. Donald ROLLINS
Group Vice-Président
Resource Development

2.

U.S. STEEL CORPORATION

Afin d'accélérer le déroulement des négociations, nous vous proposons le calendrier ci-dessous :

1. Une mission technique de U.S. STEEL se rendra à Conakry dans la semaine du 11 juillet pour discuter tous les aspects techniques du projet, relatifs à la géologie, au planning de la mine, à l'engineering et la logistique. Au cours de ces entretiens, cette mission visitera le chantier Nimba et si possible les installations ferroviaire et portuaire au Libéria.
2. Une délégation de MIFERGUI-NIMBA se rendra au siège de U.S. STEEL à Pittsburgh dans la première semaine du mois d'août 1977 pour discuter de :
 - a) la protection des droits des partenaires minoritaires, en ce qui concerne le capital social, les programmes d'investissement, les modifications des statuts ainsi que les décisions importantes touchant la rentabilité de la société.
 - b) l'élaboration d'une formule appropriée de taxation et de redevances minière répondant aux besoins de la fiscalité américaine, sans toutefois porter préjudice aux intérêts du Gouvernement Guinéen.
 - c) des termes et conditions à appliquer à U.S. STEEL quant à son droit de souscription du capital social.

..//..

J. Donald ROLLINS
Group Vice-Président
Resource Development

3.

U.S. STEEL CORPORATION

- d) des termes et conditions relatifs au contrat à passer entre U.S. STEEL et MIFERGUI-NIMBA pour les services proposés ci-dessus.
- e) tous autres sujets intéressant la participation de U.S. STEEL dans le projet MIFERGUI-NIMBA.

Au cours de cette visite, la délégation de MIFERGUI-NIMBA aura l'occasion de visiter les plus récentes mines de fer et installations annexes dans la province de Québec au Canada, ainsi que les laboratoires de recherche de pointe situés dans les environs de Pittsburgh.

Nous profitons de cette occasion pour exprimer à MIFERGUI-NIMBA et au Gouvernement Guinéen, nos vifs remerciements pour l'hospitalité et le bon accueil qui nous ont été réservés.

C'est avec plaisir que nous aurons le privilège d'accueillir votre délégation à Pittsburgh.

Veillez agréer, Monsieur, l'expression de notre parfaite considération.

J. Donald ROLLINS

OFFICE MEMORANDUM

TO: Mr. Robert McNamara (through Mr. S. Burmester)

DATE: June 24, 1977

FROM: Roger Chaufournier

SUBJECT: Your Meeting with the Delegation from Guinea

1. A Guinean Delegation invited by the U.S. State Department is in town and has requested a meeting with you on Monday June 27. The delegation which is led by Mr. Lansana Beavogui, Prime Minister, also includes:

- Mr. Mamadi Keita, Minister of Education and Culture;
- Mr. N'Fally Sangare, Minister of Planning and Cooperation;
- Mrs. Jeanne Martin-Cisse, Minister of Social Affairs, former Representative of Guinea to the United Nations and chairperson of the United Nations Security Council.

2. During this visit the delegation may raise the following four points:

a) Bank/IDA lending. Basically the Guinean government is happy with the financial and technical assistance provided by the Bank Group in the preparation and implementation of the Boké bauxite mining project (Bank loans totalling \$73 million) and more recently in the development of road and agricultural projects. In 1975 a \$7 million IDA credit helped finance a pineapple development scheme and in 1976 a \$14 million credit was made to finance a fairly large road maintenance project. Other projects in the field of agriculture, education and infrastructure are under preparation.

b) The delegation may also wish to comment on the efforts made by the Bank to reestablish contact between Guinea and US Steel for the preparation of a large iron-ore project. US Steel is interested in joining and leading a group of steel makers in the development of large deposits of high grade iron ore, which are located near the Liberian border and the existing LAMCO railway.

c) The delegation may wish to allude to the human rights issue which is the main subject of discussion between the Prime Minister and the State Department during his present visit to Washington.

d) Finally, the Prime Minister may indicate the desire of the Guinean government to invite you to visit Guinea at some appropriate later stage.

cc: Mr. Knapp

RRabeharisoa/GBoulch :flm

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: July 6, 1977

FROM: Raymond Rabeharisoa, WA2DC

SUBJECT: Mr. McNamara's meeting with the Guinean Delegation on Monday, June 27, 1977

1. A Guinean delegation visiting Washington at the invitation of U.S. State Department, paid a courtesy call on Mr. McNamara at 5:00 p.m. Monday, June 27, 1977, in his office. Mr. McNamara was accompanied by Mr. Thahane, Executive Director for Guinea, Mr. Chauffournier, Regional Vice President, and Mr. Rabeharisoa, Loan Officer. The delegation, accompanied by His Excellency Daouda Kourouma, Guinean Ambassador to the U.S., was led by the Prime Minister Lansana Beavogui and included the Minister of Education, Mr. Mamadi Keita, the Minister of Planning and Economic Cooperation, Mr. N'Fally Sangaré, and the Minister of Social Affairs, Mrs. Jeanne Martin-Cissé.
2. The Prime Minister began by thanking Mr. McNamara for the cooperation the World Bank is showing toward Guinea. He gave special mention to the Bank's role in helping set up the Mifergui-Nimba Iron Ore Project.
3. The Prime Minister expressed the Government's satisfaction with
 - a) the completion of Boké Bauxite Project approved in 1968 and which is now bringing about US\$70.0 million to Guinea each year; and b) the two ongoing projects: Daboya Pineapple Development and First Highway, being implemented on schedule, due to the determination of both sides to overcome all obstacles.
4. Turning to the future, the Prime Minister made enthusiastic remarks about the role played by the Bank in building up a pipeline of a half dozen projects under preparation and another half dozen identified. He mentioned that two of those under preparation fit in well with the Government's emphasis on rural development.
5. Concerning the Mifergui-Nimba Iron Ore Project, the Prime Minister gave special thanks to the Bank for its consistent advice which proved to be so helpful in creating the company. He also made special mention of the Bank's role in preparing the way for the Government to negotiate fruitfully with U.S. Steel. He pointed out that in doing this, the Bank was not only pushing forward the Mifergui-Nimba Project, but was also opening the door to more mining ventures in Guinea. At this point Mr. McNamara asked about the status of Guinea's negotiations with U.S. Steel. The Loan Officer for Guinea elaborated on the Prime Minister's response by reporting that U.S. Steel in its letter of June 14 to the Government:
 - a) had expressed interest in continuing negotiations for acquisition for a possible 15 percent participation in the Mifergui-Nimba Project;

- b) had announced its decision to send a technical task force of six experts to discuss all technical aspects of the project and to visit the project site;
- c) had invited Mifergui-Nimba representatives to U.S. Steel's Headquarters in Pittsburgh during the week of August 1, to complete negotiations and then to inspect the most recent U. S. Steel mine and installations in Quebec, Canada. The Government had replied agreeing to continue negotiations with U.S. Steel, accepting the schedule they proposed, and offering a three-month option. Thus a final decision should be reached by September 14, 1977.

6. The delegation was encouraged by the tone of the meeting which seems to indicate that Bank Group lending to Guinea would continue. They took the opportunity to renew President Sekou Touré's invitation to Mr. McNamara to visit Guinea at his earliest convenience. Mr. McNamara answered that he would be glad to visit Guinea.

Attachments - 4

cc: Mr. McNamara (through Mr. Burmester), Mr. Thahane
Messrs. Chauffournier
de Azcarate
de la Renaudière
Gué
Gillette
Cash
Bachmann
Payson
Boulch

RRabeharisoa:mmj

//

OFFICE MEMORANDUM

TO: Mr. M.J. Gillette, Division Chief

DATE: December 19, 1977

FROM: Gérard Boulch *G-B.*SUBJECT: GUINEA - Mission to Guinea 1/
Back-to-office Report

1. In the first week of November a mission led by Mr. Bachmann and joined by Mr. Rabeharisoa visited Guinea preceeding Mr. McNamara's visit, in order to discuss the revised Economic Memorandum dated July 1977. For four days it was quite clear that nobody at the ministerial level was willing to take the responsibility of starting the discussions, while the Central Bank was pushing hard to get them going. Finally, on Friday the 4th, Mr. Momory Camara, Governor of the Central Bank, raised the issue during a council of Ministers and President A.S. Touré directed the full council to start discussions, which took place on Saturday the 5th and continued on the following Sunday.

2. It is important to note the composition of the Guinean delegation composed of nine Ministers, including four Senior Ministers, plus the Governor of the Central Bank and the Direction of Economic and Financial Affairs at the presidency. This is the highest level and most comprehensive meeting ever held on economic issues with any outside delegation. It appeared that the report has been thoroughly read and assessed by the Guinean participants who presented first their criticisms of the report, mostly concerning the base year figures of GDP (1975) and expressed their wish to reconcile those figures with their own estimates, taking in account the fact that the methods used in evaluating the GDP differ - Guinea using the socialist national account system and the report using the U.N. national accounting system. However, these criticisms did not invalidate the basic conclusions of the report and a consensus was reached, expressed in a three pages memorandum drafted jointly by the Bank Mission and the Guinean delegation, and carried to Mr. McNamara (in English) and to President Sekou Toure (in French) to be used as a framework for their discussions. This memorandum is added in Annex.

3. Basically the memorandum addresses two problems: (a) the balance of payments and debt situation; and (b) monetary policies. Concerning the first issue, the agreement was complete and stresses the need for orderly debt rescheduling, for which counseling has been requested from the Bank, as well as the need for particular care in securing foreign financing on the best terms possible. During the discussion the Bank delegation stressed, and the Minister of Planning strongly supported, the necessity of coordinating efforts within Government to make sure that precious foreign exchange from exports and from external assistance be used and allocated most efficiently. The Guinean delegation agreed fully and the Minister of the Plan drew the attention of the Bank mission to the fact that rational planning in Guinea is still in its infancy and would need a serious boost in the form of technical assistance which he requested from the Bank; this could take the form of a series of short term missions or even larger staffing of his services with expatriate advisors. Since the allocation of responsibilities is

1/ For an account of Mr. McNamara's visit and its operational conclusions see Mr. Rabeharisoa's Back-to-Office Report dated December 20, 1977.

not yet very clear among the Central Bank, the Plan, the Direction of Economic and Financial Affairs and the Ministry of Technical Cooperation, the Bank mission pointed out that some consolidation and clear definition of roles and responsibilities will have to be established before a line of Bank action could be determined. This point was therefore not included in the memorandum. However, the Government does expect continuing Bank advice on debt rescheduling so as to avoid another disastrous bunching of debt charges and to set up a realistic reimbursement schedule.

4. Concerning monetary policy the Bank mission, though in complete agreement with the basic objectives of the Government, drew its attention to the risks involved in the strong deflationary policy pursued by the Government over the last 2-3 years. This issue consumed the major part of the discussions; it is obviously taken at heart by the Government which explored already various schemes to resolve the problem created by an excessive money supply and practically all ministers intervened in the discussions to request more explanations concerning an eventual monetary reform, its mechanics and its consequences. Of particular concern was the apparent contradiction perceived in a Bank recommendation for an increase in public expenditures and credit on one hand and the reduction of inflationary pressures on the other. This was clarified to the satisfaction of the Government when the Bank mission pointed out that reduction of inflationary pressure through a one time large reduction in money circulation (monetary reform) could create the necessary precondition for following more dynamic current budget policies (without however endangering budgetary equilibrium) and credit policies. The two sets of measures were therefore complementary and not contradictory. Noting that the 1977 accounts were shortly due, the Government decided to request a Bank mission after the National Economic Conference in February 1978 in order to assess the results of its monetary policies and explore the appropriateness of other solutions.

5. Furthermore the Bank mission agreed to review and update the National Account figures incorporated in the report. I discussed these matters extensively with the statistics Division in the Ministry of the Plan and tentatively agreed on a mission addressed exclusively to the reconciliation of the National Account figures in both forms (Socialist method and U.N. method). The Guinean delegation, recognizing the usefulness of the U.N. method, due to its widespread use, decided to keep its accounts in both forms. Early January has been advanced as a possible date for such an exercise, since an agreed upon set of National Accounts will be necessary to evaluate the effectiveness of any proposed set of economic policies to be discussed during the February mission.

6. The Guinean delegation did not agree to have the economic memorandum issued in grey cover, considering that this report based on 1975 estimates did not represent anymore the present situation and may hurt difficult debt rescheduling negotiations in progress.

Cleared with and cc: Mr. Bachmann
cc: Messrs. de la Renaudière, Payson, de Ascarate, Rabeharisoa

GBoulch/rv

DISCUSSION OF DRAFT ECONOMIC REPORT

The following is a translation of a note drafted jointly by the Bank economic mission and a Guinean delegation, after the meeting of November 3, attended by :

- H.E. Moussa DIAKITE
Senior Minister of Interior, Security and Justice
President of the State Committee in charge of relations with Americans and International Institutions
Chairman of the meeting
- H.E. Ismael TOURE
Senior Minister of Economic Affairs and Finance
- H.E. M'Passara KEITA
Senior Minister for Rural Development
- H.E. Abdoulaye TOURE
Senior Minister of Trade
- H.E. M'Faly BANCARE, Minister of Planning
- H.E. Moussy KAH, Minister of Industry and Energy
- H.E. Abraham Kabassou KEITA, Minister of Mine and Geology
- H.E. Mamadou TOURE, Minister of Finance
- H.E. Abdoucar DIALLO, Minister of State Control
- Mr. Henry CANARD, Governor of the Central Bank and Governor of ISEB

- Mr. Saïkou BARRY, Vice Governor of the Central Bank

- Mr. Saïkou DIALLO, Bureau of Economic Affairs, Presidency of the Republic.

The original French version of this document has been forwarded by the Chairman of the meeting to E.L. President Amédé Saïkou TOURE.

Memorandum on the discussion of the report entitled:

"GUINEA, MEDIUM TERM MACRO - ECONOMIC FRAMEWORK"

On Saturday November 5, 1977 a delegation of the World Bank and a delegation of the Republic of Guinea met at the People's Palace to discuss a study prepared by the World Bank, entitled "The Medium Term Macro - Economic Framework of Guinea", July 17, 1977.

The World Bank delegation was led by Mr. Helmut SACHMANN, Senior Economist and the Guinean delegation by (Mr. Cassouba) Moussa DIARRITE, Senior Minister of Interior, Security and Justice, President of the State Committee in charge of relations with Americas and International Organizations.

This report focuses primarily on the evolution of the main economic aggregates and attempts to project the Macro - Economic Framework necessary for economic development under various scenarios. It focuses particularly on:

- 1 - The Balance of Payments and Foreign Debt
- 2 - Monetary Policies.

The discussions reached a general consensus on these two points; based on this consensus, the conclusion emerged that the medium term balance of payment outlook requires urgently the implementation of the ATK-BAYE and MIFREGUI-KIMBA mining projects as the only means to generate sufficient foreign exchange resources for the development of the rural sector. It is the rural sector that is considered by the Government as the highest priority sector.

1- The Balance of Payments and the Foreign Debt :

Both delegations recognize that - even if both these mining projects are implemented - Guinea's foreign exchange resources will not be sufficient until 1983 to :

- a) service the foreign debt in its entirety;
- b) satisfy all legitimate needs for imports of raw materials, spare parts and consumer goods;
- c) finance an acceptable level of investments.

There can be little doubt that Guinea will not be able to meet entirely its foreign debt service obligations, exceeding already now US \$100 million per year. As a consequence, during this difficult period there is urgent need to implement the following policy measures :

- a) pursue debt rescheduling negotiations. These will continue to be carried out bilaterally so as to avoid the negative publicity inherent in any multilateral debt renegotiations;

b) limit as much as possible the use of suppliers credits.
During the year 1976, total commitments of such credits
went from US 895 millions to US 1115 - 1111 million.

1976. 1977.

In conclusion, the two delegations recognize that the present and foreseeable lack of foreign exchange requires a rational, planned and coordinated use of this scarce resource.

07 November 1977.

Mr. ROBERT McNAMARA à CONAKRY

« Pour mieux comprendre le rôle que la Banque Mondiale pourra jouer en Guinée »

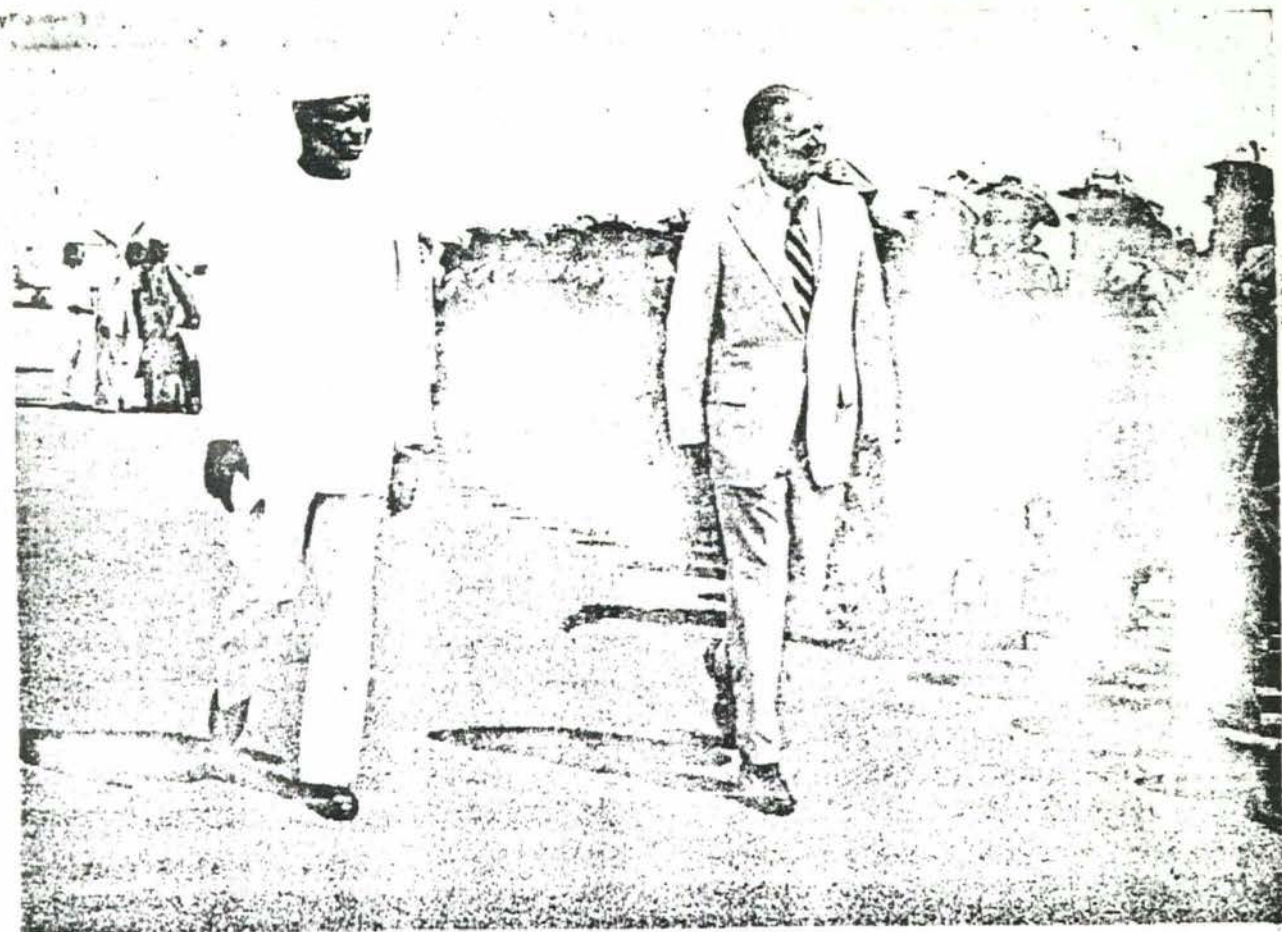
● Il y a longtemps que je désirais connaître la Guinée. Ce vœu se réalise aujourd'hui et je m'en réjouis. Je suis particulièrement heureux de pouvoir rencontrer votre Président Ahmed Sékou Touré et les membres de son gouvernement.

Je me réjouis de l'occasion qui m'est ainsi donnée d'en apprendre davantage sur les objectifs de développement du Peuple guinéen et sur la façon dont la Banque Mondiale peut soutenir les efforts de ce Peuple dans la poursuite de tels objectifs. J'espère pendant ce séjour acquérir une meilleure vision de l'immense potentiel économique de votre pays si riche en ressources humaines et naturelles. J'espère ainsi pouvoir mieux comprendre le rôle que la Banque Mondiale pourra jouer en faveur du progrès économique et social de la Guinée.

Récemment, la Banque Mondiale a beaucoup augmenté son assistance au développement économique de l'Afrique. Au cours de la période quinquennale 1974/1978, ses engagements financiers en Afrique auront atteint près de 7,5 milliards de dollars, contre seulement 800 millions au cours de la période 1964-1968. Comme l'Afrique est un continent où prédominent les petites exploitations agricoles et autres emplois du monde rural, le développement de l'Afrique dépendra principalement de l'effort qui sera fait en faveur des zones rurales, bien qu'il ne faille pas pour au-

tant négliger l'importance croissante des villes dans la vie économique et sociale. A l'heure actuelle l'agriculture et le développement rural reçoivent plus du tiers des financements de la Banque Mondiale; en outre, une grande partie de l'assistance de la Banque aux transports, à l'énergie et à l'infrastructure en général est aussi au service du secteur rural.

En Guinée, la Banque Mondiale a d'abord contribué au développement du secteur minier en finançant le projet de bauxite de Boké. Mais le gouvernement guinéen nous a aussi indiqué la haute priorité qu'il attachait au développement rural et aux infrastructures nécessaires à ce développement rural. C'est pourquoi, plus récemment, nous avons financé des projets agricoles et d'entretien routier. Ce n'est là d'ailleurs qu'un début. Nous voulons non seulement poursuivre nos activités dans le secteur agricole et de l'infrastructure rurale, mais encore nous souhaitons étudier le moyen d'intervenir dans d'autres domaines tels que le développement urbain, l'enseignement et la formation. Nous comptons donc collaborer de façon plus complète à la réalisation des objectifs du gouvernement guinéen qui visent tout à la fois à promouvoir le développement de l'économie et à répartir les bienfaits de ce développement sur l'ensemble des régions de votre pays, qui est si vaste et si varié.



Mr Mc Namara à son arrivée en compagnie du Ministre Moussa Diakité, membre du B.P. du C.C.

Qui est Mr. Robert McNamara ?

● M. Robert S. McNamara est Président de la Banque Internationale pour la Reconstruction et le Développement (Banque Mondiale), de la Société Financière Internationale (S.F.I.) et de l'Association Internationale de Développement (I.D.A.) depuis le 1er avril 1968.

Né le 9 juin 1916 à San Francisco. M. McNamara a fréquenté les établissements d'enseignement public de Piedmont (Californie). En 1937, il sort diplômé de l'Université de Californie où, à la fin de sa seconde année d'études, il avait été élu à « Phi Beta Kappa », Association d'étudiants, à l'échelon national, qui groupe les étudiants les plus brillants de toutes les

Universités américaines). En 1939, il reçoit le diplôme de Master of Business Administration de l'Ecole supérieure d'administration des entreprises de Harvard.

En 1939, il entre au Bureau de San Francisco de la Société d'experts-comptables Price, Waterhouse and Company. Un an plus tard, il retourne à Harvard comme professeur-adjoint d'Administration des entreprises. En même temps, à titre de Consultant au Ministère de la guerre, il est chargé d'établir un système de contrôle statistique pour les Forces aériennes. En 1943 il obtient un congé de l'Ecole de Harvard pour se rendre au Royaume-Uni comme Consultant Civil au Ministère de la

Nos Fédérations accueillent Mr. Robert McNamara



Mme Mc Namara avec un bouquet de fleurs et Mme Andrée Touré, Première Dame de la République

Quatre jours de séjour en République de Guinée ont permis à Mr Robert Mc Namara Président de la Banque Mondiale, à son épouse et à ses proches collaborateurs de vivre les réalités de la Révolution guinéenne, d'apprécier la chaleur de l'hospitalité du Peuple militant.

En effet, arrivé mardi 8 novembre dans notre pays, le Président de la Banque Mondiale a eu à visiter outre la capitale Conakry, six autres Fédérations du Parti Démocratique de Guinée (Boké, Fria, Kindia, Dalaba, Pita et Labé) où un accueil digne de la Révolution guinéenne lui a été

réserve par l'ensemble des militantes et militants. Mais suivons la délégation dans ses déplacements.

CONAKRY

A l'Aéroport international de Gbessia-Conakry Mr Mc Namara et sa suite ont été accueillis dans la mi-journée du mardi 8 novembre par la

Première Dame de la République la camarade Andrée Touré et une importante délégation du B.P. du C.C. conduite par le camarade Moussa Diakité, membre du B.P. du C.C., ministre du Domaine de l'Intérieur, Justice et Sécurité et Président du Comité d'Etat de Coopération avec les pays d'Amérique et les organismes internationaux.

Dans l'après-midi de la même journée alors que Mr Mc Namara et ses proches collaborateurs étaient reçus en audience par le chef de l'Etat, le stratège Président Ahmed Sékou Touré, Mme Margaret Mc Namara visitait en compagnie de Mme Delphine Béavogui épouse du Premier ministre, deux centres de Promotion Féminine dans la Fédération de Conakry I.

Notons qu'au cours de ces visites, Mme Mc Namara s'est déclarée vivement intéressée par les réalisations et a tenu à visiter dans chaque Fédération ces unités socio-économiques.

Cette première journée à Conakry s'est achevée au Palais du Peuple par une soirée culturelle précédée d'un cocktail offert par le gouvernement à l'intention des hôtes et du Corps diplomatique.

KAMSAR et FRIA

Mercredi 9 novembre Le chef de l'Etat le stratège Président Ahmed Sékou Touré en personne a tenu à accompagner son hôte de

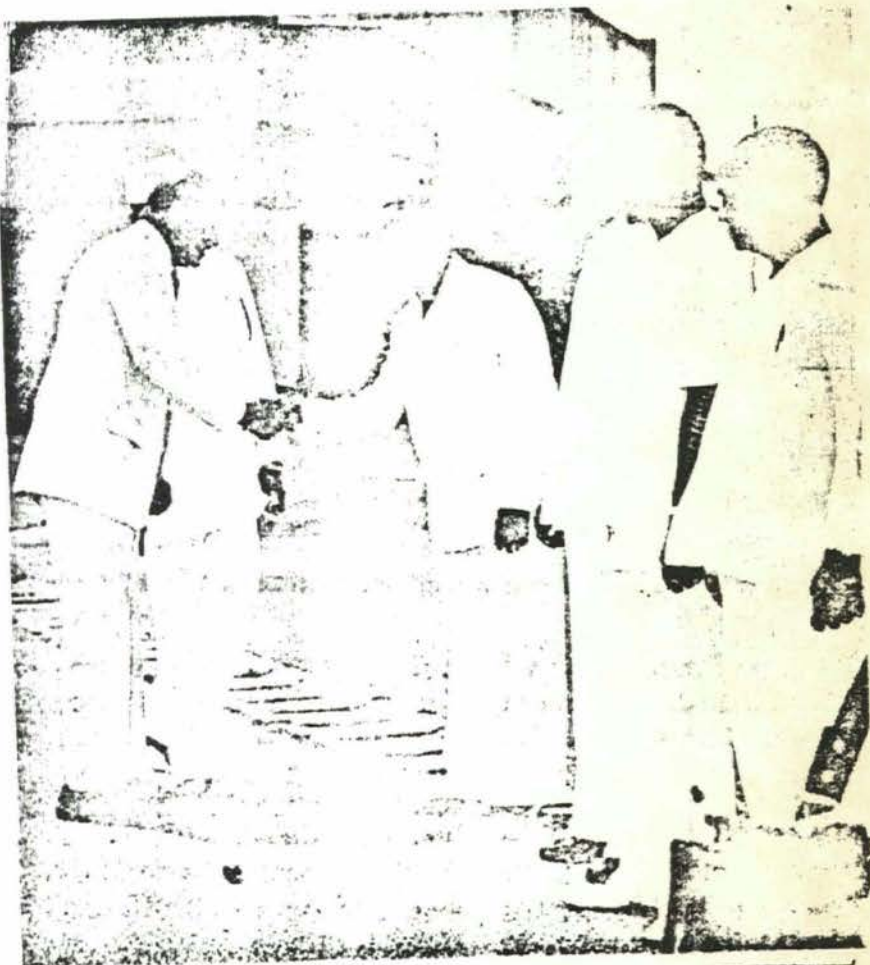
marque dans les deux cités industrielles de Kamsar (Boké) et Fria.

Partie de Conakry à 9 heures, la délégation présidentielle est retournée dans la capitale le même jour à 15 h 30. Ainsi en sept heures environ Mr Mc Namara a pu voir ce qu'une jeune Nation décidée à se construire est capable de faire.

Tous les cadres guinéens ont acquis dans ces Unités industrielles la maîtrise de la technique et de la technologie modernes grâce bien

sûr à la politique nationale du Parti-Etat guinéen.

Quant aux différentes allocutions des autorités politiques et administratives de ces deux centres, elles ont nettement fait ressortir l'idée selon laquelle le Peuple de Guinée est décidé à bâtir son propre destin et que toute aide de n'importe quelle provenance ne serait qu'un supplément qui s'ajouterait aux gros efforts que le Peuple guinéen fournit constamment : il est plus que jamais responsable de son bonheur.



Avec les membres du gouvernement

En tout cas dans ces deux unités industrielles Mr Mc Namara et sa suite ont compris à partir de notre propre organisation du travail que le Guinéen a été responsabilisé.

A Fria par exemple, il a été dit à nos hôtes que sur les 2000 travailleurs, on ne compte plus qu'une trentaine d'expatriés opérationnels.

KINDIA

La visite rendue à cette Fédération par nos hôtes se justifie par l'existence ici de l'Entreprise Nationale Agricole de Daboya, dont le projet a été financé par la Banque Mondiale.

Ce projet est basé sur un système composé d'une plantation industrielle de 420 ha, sous irrigation par aspersion, autour de laquelle gravitent des producteurs d'ananas.

Le camarade Souaré Mamadou Kaba qui en est le Directeur a, après son allocution de bienvenue donné à nos hôtes toutes les explications relatives au fonctionnement de l'entreprise agricole.

Après la visite des champs et de la Cité ouvrière en construction, nos hôtes ont successivement visité l'Institut National de Recherches Fruitières, l'Institut de Biologie Appliquée et la « Voile de la Mariée ». Naturellement les milliers de militantes et militants de Kindia se sont massivement

mobilisés à la Place de l'Indépendance pour exprimer leur joie à la délégation de la Banque Mondiale.

DALABA

Cette Fédération restera très longtemps dans les souvenirs de Mr Mc Namara, son épouse et sa suite. Ici, en effet nos hôtes ont goûté le climat si réputé pour sa similitude avec celui des pays tempérés. Une soirée et une nuit calmes et reposantes ont permis à nos hôtes de constater un net changement de température entre la Basse-Guinée caractérisée par une forte chaleur et la Moyenne-Guinée où il fait assez frais dès le crépuscule.

Le séjour dans cette Fédération a permis à Mme Margaret Mc Namara de visiter également le Centre de Promotion Féminine où elle a apprécié l'effort combien louable des femmes du PDG.

PITA

La très grande mobilisation des militantes et militants de cette coquette ville a fait la fierté du chef de la délégation guinéenne le camarade Moussa Diakité qui a tenu à signifier aux militants et militantes réunis à la Place publique toute la gratitude du Parti-Etat pour le brillant accueil ainsi réservé aux hôtes.

A l'issue de la visite effectuée par la délégation au Centre Régional de Promotion Féminine dirigée par la

camarade Fatou Bayo, Mme Margaret Mc Namara a laissé ses impressions dans le livre d'or en ces termes : « C'est un réel plaisir pour moi d'avoir l'occasion de visiter Pita et d'être témoin de l'hospitalité et de la chaleureuse réception. C'est très intéressant de voir ce que les populations de Pita fournissent comme effort »,

LABE

Enfin l'apothéose ! Labé a-t-on dit a mis le paquet. Dire que les 170.000 militants et militantes s'étaient impeccablement bien tenus dans le stade fédéral n'est pas une exagération. La mobilisation était donc totale.

Au Centre artisanal régional *Aminata Fadiga*, Mr Mc Namara et son épouse ont été habillés en tenues nationales propres à la Moyenne-Guinée : grand boubou leppi et bonnet blanc pour l'un ; pagne leppi et mouchoir de tête pour l'autre.

Pour notre part, nous retenons que Labé aura séduit nos hôtes grâce à ses belles initiatives.

Rentrée le 11 novembre de Labé, la délégation de la Banque Mondiale a quitté Conakry le lendemain dans la matinée après de fructueux entretiens avec le Responsable Suprême de la Révolution et ses proches collaborateurs autour de plusieurs points d'intérêt national et international.

Amirou BARRY

A PRESIDENCY

1. President: A.S TOURE
2. Minister for International Technical Cooperation:
 Abdoulaye DIALLO
3. General Secretary of the Presidency:
 Yattara SEYDOUBA
4. Chief of Protocol: Aly BANGOURA

B POLITICAL BUREAU OF THE CENTRAL COMMITTEE

5. Prime Minister: Lasana BEAVOGUI
6. Senior Minister of Interior: Moussa DIAKITE
7. Senior Minister of Economy and Finance:
 Ismael TOURE
8. Senior Minister of Education: Mamady KEITA
9. Senior Minister for Rural Development:
 N'famara KEITA

C. OTHER SENIOR MINISTERS

10. Senior Minister for Social Affairs:
 El Hadj Saifoulaye DIALLO
11. Senior Minister of Trade: Abdoulaye TOURE

D. TECHNICAL MINISTERS CONCERNED WITH BANK GROUP PROJECTS

12. Minister of Mining and Geology: Abraham Kabassan
 KEITA
13. Minister of Public Works and Urbanism:
 Mohamed LAMINE TOURE
14. Minister of Irrigation, Livestock and Fisheries:
 Louis HOLIE
15. Minister of Industry and Energy: Mamady KABA

...../..

E. OTHER MINISTERS

16. Minister of Information and Ideology: Senainon BEHANZIN
17. Minister of Foreign Affairs: Fily CISSOKO
18. Minister of Planning and Cooperation: N'Faly SANGARE
19. Minister of Social Affairs: Mme Jeanne MARTIN CISSE
20. Minister of Health: Nekoura CAMARA

F. CENTRAL BANK

21. Governor of the Central Bank: Momory CAMARA

G. MINISTERS OF RURAL DEVELOPMENT:

22. Boké: Mamadouba BANGOURA
23. Labé: Sékou CHERIF
24. Kindia: Kouramadou DOUMBOUYA

H. GOVERNORS

regions of

25. Boké: Ibrahima FOFANA
26. Fria: Alexandre Alecaut BANGOURA
27. Kindia: Anésoumane KONDE
28. Labé: Mamadou BARRY
29. Mamou: Ousmane El Hadj SQUARE
30. Pita: Diara TRAORE
31. Dalaba:

I PUBLIC ENTREPRISES OFFICIALS

ENTA (National Match and Cigarette Factory)

36. General Manager: Seny KEITA

1. Ahmed Sékou TOURE

President of the Republic
Secretary General of the PDG (Guinea Democratic Party)

Born: 1922, Faranah (upper Guinea)
Grandson of Almany Samory Touré, famous freedom fighter during the French colonial penetration at the turn of the century.

Married to Andrée Touré

Training: excluded from High school for political reasons, continued his education as an autodidact. He became a middle level civil servant in the postal service and rose to the rank of accountant in the French colonial service.

Political activities:

- 1945: founded the first indigenous Trade Union in Guinea.
- 1946: co-founder of the RDA (African Democratic Union), the first French West-Africa wide political party.
- 1947: Co-director of the Guinean section of the RDA.
- 1951: Secretary General of the coordinating committee of the French West Africa Trade Unions.
- 1952: Secretary General of the PDG, Guinean section of the RDA
- 1953: elected member of the advisory council of the Beyla district
- 1956: elected member of the French National Assembly, representing Guinea;
Elected major of Conakry;
Founded the C.G.T.A. (General Association of Workers, Africa Section) affiliated to the Communist CGT in France.
- 1957: Vice President of the Guinea local Government under French colonial rule;
Elected to represent Guinea in the regional Parliament in Dakar.
- Oct. 1958: Elected Prime Minister at the time of Independence
President of the Trade Unions of French West Africa
- 1961: Elected President of the Republic
Reelected in 1968 and 1974.

In 1960 and 1962, President Sekou Toure attended the UN General Assembly and met with President Kennedy.

2. Abdoulaye DIALLO

Minister for International Technical Cooperation at the Presidency

Born 1917, Dabola (Middle Guinea)

Married

Training: Middle civil servant

Experience:

- Ambassador
- Minister of Telecommunications
- Minister of Development
- Trade Union leader
- Minister of Labour

3. Yattara SEYDOUBA
General Secretary, Presidency of the Republic
- Born 1929, Conakry (costal Guinea)
- Training Middle level civil servant
- Experience:
1946-52 Trade Union leader
1957-61 Youth leader
1964-71 Administrative director, Ministries of Education and Information
1971-75 Director of Cultural Affairs, Presidency
4. Aly BANGOURA
Chief of Protocol and Ambassador
5. Lansana BEAVOGUI
Prime Minister
Member of the Political Bureau of the Central Committee
- Born 1923, Macenta (Forest Region)
- Married
- Training Medical doctor
- Experience:
1952: Secretary General of RDA, Kissidougou section,
1957: Member of local Parliament, under colonial rule.
Since 1957
Minister (Commerce, Industry, Economy, Foreign Affairs)
6. Moussa DIAKITE
Senior Minister, Interior, Security and Justice
Member of the Political Bureau of the Central Committee since 1958
President of State Committee in charge of relations with Americas and International organizations (including IBRD)
- Born 1927, Kankan (Upper Guinea)
- Married Brother in law of President Sekou Touré
- Training Middle level civil servant
- Experience
1946 Co-founder of RDA
Since 1958
Minister (Civil Service, Central Bank, Finance, Justice, Foreign Trade)
7. Ismael TOURE
Senior Minister for Economic Affairs and Finance
Member of the Political Bureau since 1957

Born 1925, Faranah (Upper Guinea)

Widower Brother of President Sekou Touré

Training

Electrical and Mechanical engineer
Meteorologist (France)

Experience

Minister of Public Works
Minister of Development
Minister of Finance

8. Mamady KEITA
Senior Minister for Education and Cultural Affairs
Member of the Political Bureau of the Central Committee

Born 1936 , Kouroussa (Upper Guinea)

Married Brother in law of President Sekou Touré

Training

Professor of philosophy (France and Switzerland)

Experience

Director of the Party Training Centre
Director of the Kankan Polytechnical Institute
Junior Minister of Education
Junior Minister of the Army

9. N'Famara KEITA
Senior Minister for Rural Development
Member of the Political Bureau since 1957

Born 1924, Molata (Coastal Region)

Married Brother in law of President Sekou Touré

Training Middle level civil servant

Experience

Since 1948 leading party official
1956 Mayor of Kindia
1958 Junior Minister of the Army

1960-1968 Minister (Planning, Commerce, Economic Affairs, Local Governments, Transport).

Since 1960

Senior Minister (Social Affairs, Commerce)

10. El Hadj Saifoulaye DIALLO
Senior Minister for Social Affairs

Born 1923 (Middle Guinea)

Married

Training Accountant

Experience

1946 Co-founder of RDA

1956 Mayor of Mamou

Elected member of the French National Assembly, representing Guinea

1958-62 Minister (Justice, Finance, Foreign Affairs)

Mr. Diallo has been very sick recently and spent several months at the

11. Abdoulaye TOURE
Senior Minister of Trade since early 1977
Member of the Central Committee

Born 1923, Kankan (Upper Guinea)

Married

Training Medical doctor (France)

Experience

Mayor

Ambassador

Permanent Representative at the UN

Regional Governor

Minister of Foreign Trade

12. Abraham Kabassan KEITA
Minister of Mining and Geology

Born 1935

Married

Training Civil engineer (France); naval engineer (USSR)

Experience

Deputy director, Port of Conakry

Commander-in-chief and chief of staff, Guinean Navy

Deputy director general, OFAB (Boké Project)

Director general for construction, Boké project

Regional Governor

Minister of Rural Development, Boké region

13. Mohamed Lamine TOURE
Minister of Public Works and Urbanisation
Member of State Committee in charge of relations with America
and International Organizations (including IBRD)

Born 1923, Kankan (Upper Guinea)

Married 2 children, cousin of President Sekou Touré

Training Civil engineer (Paris)

Experience

Chief, Public Works Sub-division, Kankan

Director, Port of Conakry

Director general, National Electricity Company

Minister of Public Works, Mining and Geology

14. Louis HOLIE
Minister of Irrigation, Livestock and Fisheries

Born 1935, near N'Zérékoré (Forest region)

Married

Training Professor of Geography

Experience

1962-65 High School Teacher

1965-71 High School Inspector

1971-72 Minister of Education

Minister of Higher Education

15. Mamady KABA
Minister of Industry and Energy

Born 1925, Conakry (Coastal Region)

Experience

Trade Union official
Labour inspector
Junior Minister of Telecommunication and Commerce
Minister of Transport

16.

Senainon BEHANZIN

Minister of Information and Ideology
Member of Central Committee

Born

1917 Abomey (Benin)

Married

Member of the royal family of Abomey, Benin

Training

Professor of mathematics

Experience

Professor
Administrative director, Ministry of Education
Junior Minister of Ideology

17.

Fily CISSOKO

Minister of Foreign Affairs
Member of the Central Committee

Member of the State Committee in charge of relations with
Americas and International organizations (including IBRD)

Born

1926, Kindia (Coastal region)

Training

High school teacher

Experience

School inspector
High school principal
Ambassador to Tanzania, Congo, Egypt
Chief of Protocol, Presidency
Secretary General of the Presidency

18.

N'Faly SANGARE

Minister of Planning and Cooperation

Vice President of the State committee in charge of relations
with Americas and international institutions (including IBRD)

Born

1933, Kankan (Upper Guinea)

Married

Training

High civil servant

Experience

Minister of Banks
Governor of the Central Bank and Governor of IBRD (until
early 1977)
Director of the Central Bank

19.

Mme Jeanne MARTIN CISSE

Minister of Social Affairs
Member of the Central Committee

Born

1926, Knakan (Upper Guinea)

Training

High School Teacher

Experience

Ambassador
Permanent Representative at the UN
Secretary General of the National Women's Committee and of
the African Women Conference
First Vice President of the National Assembly

20. Kekoura CAMARA
Minister of Health
Member of the State Committee in charge of relations with
Americas and International Organizations including IBRD
Born 1928 Kankan (Upper Guinea)
Married
Training Veterinary doctor (France)
Experience Director of the Nenekaly Condetto biological Institute (ex
Institut Pasteur) at Kindia
Minister of Livestock and Fisheries

21 Momory GAMARA
Governor of the Central Bank
Governor of IBRD
Born 1936, Kissidougou (Forest Region)
Married 4 children
Training Lawyer (Dakar)
Experience Director of Insurances
Director of Banking
Deputy Governor of the Central Bank

22. Mamadouba BANGOURA
Minister of Rural Development: Boké region
Member of the Central Committee
Born 1933 Dubréka (Coastal region)
Married
Training Low level civil servant
Experience Party official
Regional Governor
Minister of Youth
Chief Commander of the militia

23. Sekou CHERIF
Minister of Rural Development: Labé region
Member of the Central Committee
Born 1921, Dabola (Middle Guinea)
Training Middle level civil servant
Experience Mayor, regional Governor

24. Kouramoudou DOUMBOUYA
Minister of Rural Development: Kindia region
Member of the Central Committee
Born 1922, Siguiri (Upper Guinea)
Married
Training Primary school teacher
Experience Inspector of primary education
President of regional parliament
Regional Governor

25. Ibrahim FOFANA
Governor: Boké region
Born 1927, Tougué (Middle Guinea)
Training Lawyer
Experience
Prosecutor
Director general of ENTA (cigarette factory)
President of Apallate Court
Dean of the School of Administration
- 26 Alexandre Alécaut BANGOURA
Governor Fria region
Born 1922 Boké (costal region)
Married 10 children
Training Medical doctor (France)
Experience
Government physician in charge of the Epidemic prevention
division, Ministry of Public Health
Director of Technical Cooperation, Office of the President
27. Ansoumane KONDE
Governor Kindia region
Born 1929, Faranah (Upper Guinea)
Training Middle level civil servant
Experience
Director of Ballay hospital
Administrative secretary, Ministry of Education
Governor since 1968
- 28 Mamadou BARRY
Governor Labé region
Born 1931, Faranah (Upper Guinea)
Training Accountant
Experience
Administrative Secretary, Ministry of Interior
- 29 El Hadj Ousmane SOUARE
Governor Mamou region
Born 1932, Mali (Middle Guinea)
Training Low level civil servant
Experience
Party official
Trade Union official
Ambassador (Nigeria, Benin, Cameroon, Togo)
Permanent Secretary, Ministry of Economy
30. Diarra TRAORE
Governor Pita region
Born 1934, Knakan (Upper Guinea)
Training Military Officer
Experience
Military Attaché
Chief of staff, Guinea Air Force
31. Governor Dalaba region

OFFICE MEMORANDUM

TO: Mr. M. J. Gillette, Division Chief, WA2DC

DATE: December 20, 1977.

FROM: Raymond Rabeharisoa, Loan Officer, WA2DC

SUBJECT: GUINEA - Back to Office Report on Mr. McNamara's visit
To GuineaEconomic Memorandum 1/

1. The ground work for Mr. McNamara's visit to Guinea was established the preceding week, when President Sékou Touré agreed to call an urgent meeting of all principal Guinean Ministers to discuss the Bank's Economic Memorandum with a Bank economic mission. This provided an unprecedented opportunity for the Bank to reach agreement with Government on the list of economic problems requiring most urgent corrective measures (balance of payments, foreign debt and monetary and pricing policies), as well as on sectorial priorities for cooperation between the Government and the Bank: Rural Development, industry, and infrastructure development in that order; however, to provide the necessary foreign exchange for both rural development and the other Government priorities, mining sector development has to come first.

2. The Bank mission drew the Government's attention to the fact that the economic problems mentioned above are also partly the concern of the IMF and that any program of action will have to be coordinated with the Fund. The Government requested the economic mission to come back for detailed discussions in about February 1978 after the 1977 Economic Conference ends.

General Background of the Discussions

3. Mr. McNamara's visit to Guinea provided him with an opportunity to learn about the country in more depth and hear directly from the country officials what their priority needs are. These encounters both in meetings and in field trips were extremely frank and productive and the atmosphere for the trip was warm and hospitable. During his three day visit he met in conference with President Sékou Touré on two occasions and in addition the President accompanied him on his field trips to Boké and Fria. Mr. McNamara's field trips were designed to underline the key sectors of mining and Rural Development. The first day was spent in the visit to Boké and Fria mentioned above and on the second day Mr. McNamara visited the IDA financed project at Daboya. A third field trip, to the Foutadjalon region, was included in his

1/ For a more detailed account of the general economic discussions see Mr. Boulch's Back-to-Office Report dated December 19, 1977.

stay to help Mr. McNamara to deepen his general knowledge and understanding of living conditions in Guinea especially through his discussions with local officials. In his final meeting with President Sékou Touré which followed his field trips, Mr. McNamara responded to the requests and concern of President Touré by presenting his view of how the Bank might be of assistance in Guinea. The following paragraphs summarize these discussions.

Rural Development

4. Having announced that Rural Development is the first priority sector for development, President Sékou Touré outlined his approach to enable Guinea to reach the goals of self-sufficiency and even export capability in primary foodstuffs. His approach is to work with the existing small village farmers by grouping them with technicians and tools to farm 200 ha. per village. He clearly rejected the establishment of state farms, and mentioned that he had in fact turned down proposals from Rumania, Japan and the USSR to develop 20,000; 30,000; and 50,000 ha. of state farms, respectively. President Touré believes that his small farmer approach will increase yields not only at a lower cost but also at a faster rate, than the state farm system. He also felt that this approach was more likely to result in an acceptable distribution of benefits throughout the rural population.

5. Although there may appear at first to be a discrepancy between President Touré's approach and the Bank's traditional approach to rural development, President Touré has in fact taken a step toward the Bank and away from the traditional centralized government approach. Mr. McNamara responded that although the Bank needs to supplement its knowledge of the rural sector in Guinea, he felt it would be possible for the Bank to build on President Touré's proposal. He added that a typical Bank rural development project involves economic and technical, as well as equipment and training components.

6. To develop the Bank's knowledge of Guinea's rural sector, Bank economic missions will continue discussions with the Government on macroeconomic issues such as the rate of exchange, pricing and credit policies, and marketing systems. (The Bank will also review the livestock and rice studies). In addition, the Bank will monitor the implementation of the Daboya project and its expansion to outgrowers, to identify replicable features. The Daboya project was set up as an enclave project because of our limited knowledge of the sector, but even so we have had many implementation problems. Mr. McNamara nevertheless suggested a second Daboya project expanding the number of outgrowers and increasing their output from the present 20 percent of the total output to about 50 percent. This would contribute to President Touré's objective of spreading the benefits of rural development to as much of the country as possible. Since this structure would also be less capital intensive this would increase the return on the First Project.

7. RMWA is cooperating with the Government in reshaping somewhat the Rice and Livestock Projects which were prepared by the Consultants.

Mining

8. Since the mining sector is the only sector able to relax Guinea's foreign exchange constraint within the near future, its development is a prerequisite for development in all other sectors. President Touré, satisfied with the success of the first Bank participation in the mining sector, in the Boké bauxite project, invited Mr. McNamara to consider Bank cooperation in three additional mining projects: Nimba Iron Ore, Ayé-Koyé bauxite, and Fria alumina extension. Mr. McNamara explained that the Bank was willing not only to help finance mining infrastructure as well as mining itself; but is also prepared to help Guinea seek potential partners and financiers from official aid organizations and from the private sector.

Power

9. President Sékou Touré invited the Bank Group to help finance the construction of the Konkouré dams --Souapiti and Koukoutamba. These dams would provide the energy necessary for the possible processing of aluminum at both Ayé-Koyé and Fria. Studies of the Konkouré river dams were carried out by Coyne and Bellier in 1956 before Guinean Independence, and updated by Sicaï in 1976. The Bank has agreed to review these studies, focusing on the economic importance of the mining ventures which these dams would complement; in the meantime Mr. McNamara advised the Government to get on with the preparation of a Power Master Plan indicating investment priorities and timing within the power sector perhaps with assistance from UNDP or the Bank Group.

Transport

10. In the highway subsector, President Touré took an approach similar to that which he took in the rural development sector. He called for the provision and distribution of tools to PRL villages. He felt this was vital to bring about the required development of feeder roads. On the other hand, Mr. McNamara concentrated on the primary road system. He pointed out that the first Bank financed Highway Project has been a rehabilitation project and that the Bank is prepared to continue with this task in future projects. Meanwhile the project is helping to build up the administrative and technical knowledge as well as the implementation capacity of the Ministry of Public Works. He added that the Bank is prepared to finance new road construction if an economic justification for this can be provided. He agreed to involve the villages as much as possible in both rehabilitation and construction by providing them with small tools. At present the Government is discussing possible components of a Second Highway Project with the Bank along these lines.

Education

11. The development of the proposed First Education Project represents a real breakthrough within this sector for the Bank, which has unsuccessfully

attempted to become involved in this sector for the last five years. The recently appraised project proposal addresses itself to manpower development for the modern industrial sector. The project was prepared with PPF financing of US\$70,000 during 1977 and a further advance of US\$220,000 has since been approved.

12. The project is designed to improve the quality of technical education at the skilled worker and lower technical level. It proposes to assist the existing network of polytechnic institutes (12 in 1977) through (i) training and upgrading technical instructors; (ii) improving the training methods and upgrading the curriculum; and (iii) constructing additional training capacity. The trained manpower produced by this project will largely be absorbed by the public works sector, where the Ministry of Public Works is the largest employer. Ongoing or planned Bank assisted projects, such as highway maintenance, electrification, water and sewerage, would in part depend on the project institutions for their trained manpower. The project includes US\$300,000 for preinvestment studies in the education/training sector for detailed design of a follow-up project. The Government has indicated an interest in Bank assistance for educational planning that includes the training needs in the agricultural and industrial sectors. Since the mission agreed with the Government's request we have added a planning component to the project.

Industry

13. President Touré requested that the Bank Group finance a textile plant, a fertilizer plant and a plastics factory. Mr. McNamara noted that the EEC is already involved in the textile plant and the plastics factory, and thus he would rather leave these two projects to the EEC. He acknowledged, however, that Bank Group intervention might be possible if the EEC were not able to meet the Government's needs.

Water Supply and Sanitation

14. President Touré renewed the Government's request for assistance in financing a first Water Supply and Sanitation Project in Conakry. The project will also include a study for provision of safe water to secondary centers in Guinea. About 18 percent of Conakry's 550,000 inhabitants are presently adequately served with potable water; the rest rely on questionable and polluted sources. Cholera outbreaks have occurred in 1971 and 1973 and health conditions in Conakry remain precarious. The project will consist of extending piped and safe water to about 52 percent of the 1982 population through minor reinforcement of production and storage elements, and major extension of the distribution network and basic facilities (standpipes, private connections) to improve accessibility to good quality water. In addition, minor provisions for drainage improvement in flooded areas and for garbage collection will be incorporated to alleviate the present unhealthy situation in Conakry. The Guinean

authorities have welcomed IDA's assistance in the project preparation and appear receptive to suggestions made to them regarding the strengthening of the manpower, financial and organizational aspects of entities responsible for operating the system. Government officials also mentioned that the Bank's assistance in reassessing their policies in the water and power sectors would greatly assist them in reviewing their current approach in the management of other industrial public enterprises. Mr. McNamara noted that a Bank mission will appraise this project in January; he added that the extension of water distribution systems to the secondary centers might need to be done in two or three phases.

Urban Development

15. President Touré expressed concern for the living conditions of the country's urban poor and called for Bank help in rehabilitating the environment of the cities. Mr. McNamara expressed his interest in the Government's concern and noted that the Bank's cooperation with UNDP has already started in this area.

16. Whereas it will focus initially on water supply and sewerage, the Government has also started to examine the housing needs of the urban poor, and has asked the Bank to assist in identifying the most appropriate methods to satisfy this need. At the Government's request, Bank missions visited Guinea last March and June, focussed on housing problems in Conakry, and recommended various low-cost solutions to be examined with the financial assistance of UNDP and UNCF. The Government will launch two small-scale pilot projects, one in upgrading sites and services and a second to examine the feasibility of various housing programs. The Bank will collaborate extensively in project preparation, and may participate in the financing of an eventual project which could include a sites and services component, slum upgrading, employment generation and the provision of social services and community facilities in low income areas. The UNDP and UNCF small-scale pilot projects, recently identified, will start in Spring 1978.

Technical Assistance

17. President Touré called for Bank Group technical assistance to the Ministry of Planning. Mr. McNamara said that once the new organizational set-up is in place and top people have been appointed, technical assistance on a more permanent basis could be envisaged. The Minister of Planning recently approached the Bank for technical assistance to help him reorganize and staff his Ministry, whose role is the establishment of investment priorities and project identification and preparation. The reorganization that will emerge is still unclear-- the creation of the position of chief planner and foreign aid coordinator appears possible. The present arrangements for Guinean relations with foreign aid donors are quite peculiar: about four years ago, a number of State Committees were created, each of which was given

exclusive responsibility to deal with sources of aid located in a particular geographical area (North America, Western Europe, Japan and the Far East, Eastern Europe) including soliciting financial and technical aid and carrying out all necessary discussions and negotiations. Each State Committee is presided over by a senior minister who jealously guards his monopoly of all communication with aid sources in his area, and avoids coordination with other State Committees as much as possible. The World Bank Group is included with most other International Organizations in the North American Committee, presided over by the senior minister in charge of the interior, justice and police. While we would welcome the creation of the position of foreign aid coordinator, we are reluctant to get involved too deeply at this stage and would prefer to limit our involvement to a series of periodic visits by Bank experts who could provide strictly technical advice about possible ways and means of organizing a planning ministry.

Debt Rescheduling

18. Both the Bank and the Government recognize that even under the most favorable circumstances possible, Guinea will not be able to honor all of its debt obligations which will come due in the next several years. We pointed out that the Guinean capacity to borrow will be contingent on its ability to reach satisfactory rescheduling agreements with its creditors. The Bank has provided training to Guinean employees of the Central Bank in debt accounting and we will continue to provide statistical support and advice to the Central Bank on debt management. The help we have provided already has been very useful in clarifying the situation and exposing to the Guineans their options; they have already succeeded in quietly rescheduling some of their debt.

cc: Messrs. Chauffournier, de la Renaudière, Thalwitz, Pouliquen, Koch-Wes
Van Gigch, King, Berg, Whyte, Cole, Brandreth, Dyck
Crosgrove, Singh, Cash, Zymelman,
Ellinger (RMWA), Geli (RMWA), Maffei, Guillou, Boulch
Bachmann, Payson, de Azcarate

Ms. Ono

RRabeharisoa/PGannon/rv

Attachments

64-68 1.7 77 0
 65-73 74. 78 0
 74-78 71. 79 24
 79-83 140. 80 24
 81 35

OFFICE MEMORANDUM

DECLASSIFIED

DEC 04 2012

DATE: August 7, 1979

TO: Mr. Robert S. McNamara
 (through Mr. E. Stern, VPO)

FROM: Roger Chaufoeur, RVP, WAN **WBG ARCHIVES**

STRICTLY CONFIDENTIAL

SUBJECT: GUINEA - Visit of President Sékou Touré

*Not 5 yrs before judgement of 150m for
 1. credit support of primary sector
 v. 2. infra-eds, ed. & utilities
 3. Agric. dev.*

1. President Sékou Touré will visit the United States between August 7 and 9, 1979 at the invitation of the State Department. During his visit he will probably meet President Carter (August 8, 9:30 am) and certainly Secretary of State Vance (August 8, 3:30 pm). He is scheduled to meet with you at Blair House on Wednesday, August 8, at 5 pm. I propose to accompany you to the meeting. You should know that President Sékou Touré has asked to meet with me on Thursday, which I propose to do to pursue discussion of our operations in Guinea in greater detail.

Background

2. Attached are notes on Guinea's recent economic performance and on past and future Bank Group operations in the country. The main development since your visit to Conakry in November 1977 has been the reconciliation of Sékou Touré with his former arch enemies, Houphouet Boigny and Leopold Senghor, at a meeting organized in Liberia by President Tolbert in March 1978. This rapprochement was followed by a series of important political and economic measures which have included: some relaxation of movement of people and trade to and from Guinea; efforts -- so far unsuccessful -- to attract exiled Guineans from abroad; development of political and economic links with France and Germany; and a more forthcoming approach to foreign private investment.

I. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100.

3. The country's economic strategy, however, remains ambiguous. The Government is on the one hand tempted by the dynamic Ivorian model of development; President Sékou Touré has hired Mohammed Diawara, the former Planning Minister of Ivory Coast, as his personal adviser on public investment and agricultural development policies. On the other hand, the Guinean authorities are aware of the difficulty certain socialist countries have experienced in disentangling a tight net of regulations and bureaucratic controls to create a more liberal economic environment. In addition, some Guinean officials may be afraid that economic liberalization would loosen the party's grip and threaten the regime's future.

4. Up to end-FY79, the Bank had committed to Guinea \$73.5 million (two loans for the Boké bauxite project) and IDA \$42.6 million (Daboya pineapple plantation; highway maintenance; education; power engineering and water supply). The Association negotiated in July two more credits totalling \$23.4 million (a rice project and a second highway project). Under active preparation for FY81 are both a livestock and a power project (the latter a follow-up of the power engineering and repair project). The lending program for FY80-84 is \$123 million from IDA and \$50 million from the Bank for the Mifergui-Nimba iron ore project (tentatively scheduled for FY82).

5. Bank Group strategy in Guinea aims at a cautious expansion and diversification of operational activities in three major directions:

(i) Continued support to the mining sector: its development is essential to help resolve present balance of payment, debt and public finance problems. In implementing the Boké bauxite project, the Guinean Government has proved its ability to cooperate effectively with large foreign private investors, while cleverly negotiating arrangements to maximize Government financial benefits from ongoing mining operations (see paragraph 6 d) below on future mining projects).

(ii) Economic and social infrastructure (roads, public utilities, education..): most of our programs in these sectors have begun with small to medium scale operations emphasizing institution building and training, as well as rehabilitation and maintenance of existing facilities. Follow-up operations will build upon the results of the first, continuing the initial rehabilitation programs, and will also include high priority extensions to existing investments. Guinea has in general responded positively to our "gradualist" approach, and project implementation has overall been adequate. President Sékou Touré has often objected to the modest size of our operations, feeling for instance that the first highway maintenance project concentrated too heavily on a small geographic area. The recently negotiated second highway credit, however, was welcomed by Government as having a much broader scope and benefitting larger segments of the population.

(iii) Agricultural development: we started in this sector with a modest semi-enclave pineapple plantation project (Daboya). However the rice development credit negotiated in July 1979 will finance a large pilot project of rainfed rice in Guinea's fertile forest region and also attempts to establish the basis for a broader rice development program (agricultural research in three other regions). In addition, the project includes a review of producer prices and other incentives essential to rehabilitating the smallholder sector paralyzed for twenty years by the prevailing marketing and monetary system and the Government's amateurish approach to rural development (hasty mechanization programs without adequate study of econological, sociological and marketing conditions; poorly managed state farms and cooperatives, etc.). A livestock project to be appraised in October 1979 will finance vaccination campaigns and other veterinary programs, and will upgrade livestock extension services.

Topics for discussion

6. The main topics President Sékou Touré will discuss with the Bank are likely to be:

a) The Government's approach to economic development.

In this regard, the visit of the Guinean President may provide some interesting insight into the new directions of his Government's economic policies.

b) The role the Bank should play in its macroeconomic dialogue with the Government.

Some time ago two Guinean Ministers requested technical assistance from the Bank in the area of investment planning. We are not sure to which extent

these requests had received the full support of the President and we would prefer to test the receptiveness of the country to our advice in key sectors (agriculture, for instance) before embarking on a more ambitious program of technical assistance. In addition, the Government's economic departments have been reorganized so often and so radically over the last few years, and the present structure remains so complex, that there is some doubt as to how effective a Bank-financed technical assistance team could be. It would very much depend on the support the President would personally give to such an effort. To what extent President Sékou Touré takes the initiative, if at all, in raising this issue would be a good indication of the importance he assigns to it.

c) The need to increase IDA lending in agriculture and other high priority sectors.

We are ready to respond positively here. The annual average of IDA lending over the last five years (\$1.9 per capita in current terms) is below what would be justified for a relatively poor African country (GDP per capita: \$230). The level of future IDA lending will largely depend on the success of ongoing projects, progress in sectorial planning and performance, and our assessment of the country's absorptive capacity.

d) Bank activities in the mining sector.

Expansion of Bank lending to mining will depend primarily on market prospects for Guinean minerals and the possibility of negotiating with potential ore consumers strong commercial and financial guarantees similar to those for Boké. In February 1979, President Sékou Touré wrote you a letter indicating his views about the relative importance of various mining projects under consideration by the Bank and/or other foreign donors. In the letter he gave priority to the Ayé-Koyé alumina project over Mifergui Nimba iron ore. We were surprised by the content of the letter, since it did not correspond to earlier messages from Guinea placing greater emphasis on Mifergui-Nimba. Although Ayé-Koyé is apparently supported by a number of Arab countries, we see it as of dubious economic value. Its bauxite reserves have not been adequately explored; the site is a long distance from the coast; and many other bauxite or alumina projects (including possible expansions of Boké and Fria) are likely to be carried out before aluminum producers would seriously consider Ayé-Koyé. 1/ The Mifergui-Nimba iron ore project is at a more advanced stage of preparation with an almost assured market. The project will be viable if: (i) firmer commitments are secured from potential consumers; (ii) a strong mining partner is identified (US Steel showed interest on several occasions, but recently declined to participate; they may be persuaded to reconsider); and (iii) Lamco (presently mining iron ore across the Liberian border from Mifergui-Nimba)

1/ The consultants who carried out the Ayé Koyé feasibility study, on which basis the Bank considered the operation economically unjustifiable, have been asked by the Guinean Government to do some further work on Ayé Koyé, in particular with respect to potential markets for its output. A mineral sector mission is tentatively planned for September 1979 and the status of the project will be reviewed again in light of its findings.

agrees to transport the Guinean output on the existing Liberian railway at a reasonable price. The total cost of Mifergui-Nimba is estimated roughly at \$1 billion with a tentative Bank allocation of \$50 million. A mission is scheduled for October 1979 to discuss with Government Mifergui-Nimba, as well as the findings of the mining sector mission of September.

e) Bank financing for the Konkouré project.

This is a large hydropower project (650 MW; total cost \$565 million) which was identified before Guinea's independence. It has so far been presented to us as a complement to Ayé-Koyé to supply power for a 150,000 ton aluminum smelter, but it could also be an energy source for an aluminum project based on an expansion of the existing alumina plant at Fria (operated by a mixed Government/private company in which US, Canadian, French, British, Swiss and German interests are involved). Completion of the feasibility study of Konkouré, financed by the French Caisse Centrale, is expected shortly. It is too early to pass judgment on this operation. We plan to review it in the context of the upcoming mining sector mission in September.

cc: Messrs. Thalwitz WAPDR, Fuchs IPD, de Azcarate WAN, Payson WA2, Gillette WA2

Xde la Renaudière; llb

GUINEA

OPERATIONAL BRIEFING1. Projects in Execution

Cr. 569-GUI Pineapple Development Project: US\$7.0 million Credit of July 2, 1975; Effectiveness Date: October 22, 1975; Closing Date: June 30, 1981.

The project consists of establishing an irrigated pineapple estate and of providing pineapple growers in its vicinity with supporting services. Due to the poor performance of the contractor, irrigation works were delayed by one year but the use of provisional irrigation facilities minimized the impact of such delays on planting and production targets. Total production in 1977/78 exceeded 1,100 tons of which 580 tons were exported fresh to Paris at premium prices. Measures are being taken to better adapt the quality of this output to the marketing standards of importers and thus increase exports. Works are now completed and irrigation started in December 1978. Bids for the second phase network, which will double the total plantation area to 420 hectares have been awarded and irrigation works commenced in May 1979. Current cost estimates indicate a possible shortfall of about US\$500,000 for financing of foreign exchange costs to complete the project as planned.

Cr. 596-GUI First Highway Project; US\$14.0 million Credit of December 24, 1975; Effectiveness Date: March 19, 1976; Closing Date: December 31, 1979.

Progress on the First Highway Project, a road rehabilitation and maintenance program covering 2,500 km of high-priority roads, is satisfactory although execution was delayed by about one year due to slow tendering and bidding. Training of mechanics and equipment operators is progressing well and the new management measures introduced by the Ministry of Public Works with the help of consultants are effectively controlling the project's financial, equipment and human resources.

Cr. 849-GUI First Education Project; US\$8.0 million Credit of September 28, 1978; Effectiveness Date: January 16, 1979; Closing Date: June 30, 1983.

The project aims at helping alleviate the country's shortage of skilled workers by improving and expanding technical training programs, and at strengthening the country's educational planning and project implementation capacities. Initial progress is satisfactory.

Cr. 870-GUI First Water Supply and Sanitation Project; US\$12.5 million
Credit of January 12, 1979; Effectiveness Date: April 12, 1979.

The project's objectives are to fulfill the immediate water supply and drainage needs of Conakry, provide satisfactory sanitation to most of its population, and strengthen institutions operating in the sector.

Cr. S-22-GUI Power Engineering and Repair Project; US\$1.1 million Credit
of January 12, 1979; Effectiveness Date: April 6, 1979.

The project is intended to complete preparatory work on a large rehabilitation program for the Conakry power system, part of which will be appraised in October 1979 as the Bank Group's First Power Project in Guinea.

2. Lending Program FY80-FY84

Rice Development Project: IDA US\$10.4 million .Co-lender African Development
Fund US\$4.7 million on IDA terms.

The project was negotiated in July and will be presented to the Board in September. Through its national rice development component, the project will: (a) strengthen the Ministry of Rural Development by establishing a specialized unit for the planning and coordination of the country's rice program including consultant assistance and fellowship funds for the training of Guinean cadres; (b) upgrade the country's agronomic rice research in order to provide a testing and demonstration capacity for introducing technical improvements; (c) undertake a pricing study to assist Government to restructure agricultural prices so as to provide appropriate incentives to its rural sector; and (d) prepare for a future agricultural development project in Upper Guinea. The project also contains a pilot project to be carried out in Guinea's Forest Region to test and develop technical improvements to rice cultivation practices of farmers. If the pilot operation is a success, it would constitute the basis for a follow-up project in that area.

Second Highway Project: IDA US\$13.0 million, EEC US\$4.0 million.
Co-lender BADEA US\$6.0 million.

The project, which was negotiated in July and will be presented to the Board in September, constitutes the second phase of a long-term program begun in 1976 with IDA's help to provide an adequate and properly maintained road infrastructure to support Guinea's economic development. It consists of (a) a three-year phase of road rehabilitation (1500 km) and maintenance (4600 km) and 243 man-months of technical assistance to the Ministry of Public Works (MPW) for project implementation and training; and (b) consultant services for preparing a feasibility study and detailed engineering for reconstruction of sections of the Conakry-Mamou road, and training of MPW staff to be the nucleus of a new Studies and Programming Division.

Mifergui-Nimba Iron Ore Project: Total cost US\$1.0 billion. Bank loan of US\$50 million tentatively planned for FY82.

Development of green field hematite deposits totalling 800 million tons at Mt. Nimba, with production of 15 million tpa of exports transported by LAMCO (Liberia) railway and port infrastructures. Joint venture between Guinea (50%) and several companies from Algeria, Japan, Nigeria, Spain, Libya, Rumania, Liberia and Egypt. Problems: (i) Finalizing transport arrangements with LAMCO; (ii) finding a strong management partner; (iii) securing firm marketing arrangements; (iv) reducing the risks incurred in the present financing plan; and (v) clarifying project's operational structure. A Bank mission is scheduled to visit Guinea in October 1979 in order to ascertain progress made on these problems.

Livestock Project: IDA US\$10.0 million

Project aimed at increasing beef production to meet local demand. Will reach 150,000 families whose livelihood depends totally or partially on cattle raising. Research, planning, project evaluation and training facilities will be provided to the Ministry in charge. Appraisal scheduled in October 1979. Present schedule indicates Board presentation in FY81.

First Power Project: IDA US\$25.0 million. Total cost US\$40.0 million

The project will continue and expand rehabilitation efforts being undertaken through the Engineering and Repair Project (Cr. S-22-GUI) regarding Conakry's power generation and transmission facilities. Extensive institution building and planning assistance will be extended. Appraisal mission scheduled October 1979. Present schedule indicates Board presentation in FY81.

Port of Conakry Project: IDA US\$15.0 million.

A preliminary mission is scheduled during FY80 to ascertain the precise scope of a project providing repair and equipment of the commercial port of Conakry, as well as technical assistance. A review of the case for development of the fishing port (suggested by Government) will be made at the same time.

Table 1: BANK GROUP ACTIVITIES, 1968-79
Million US\$ Current Terms

Loan or Credit Number	FY	Credit Purpose	Commitment			Disbursed July 31, 1979	Current Status
			IFRD	IDA	Total		
Ln. 557-GUI	68	Boké Infrastructure	64.5	-	64.5	64.5	Completed
Ln. 766-GUI	71	Boké Expansion	9.0	-	9.0	9.0	Completed
Cr. 569-GUI	75	Daboya Pineapple	-	7.0	14.0	5.6	Comple, FY80
Cr. 596-GUI	75	Highway Maintenance	-	14.0	14.0	12.7	Comple.FY80
Cr. 849-GUI	79	Education (Vocational Training Modern Sector)-	-	8.0	8.0	0.4	Comple.FY83
Cr. 870-GUI	79	Water Supply Rehabilita- tion	-	12.5	12.5	1.0	Comple.FY83
Cr. S-22-GUI	79	Power Engineering Reha- bilitation	-	1.1	1.1	0.4	Comple.FY80
TOTAL			73.5	42.6	116.1	93.6	

Table 2: PROJECTED LENDING PROGRAM
1981-1984

Million US\$ Current Terms					
FY	Credit Purpose	Commitment			Status
		IBRD	IDA	Total	
80	Rice Development I	-	10.4	10.4	Negotiated July 1979 Board Submission 9/16/79
80	Highway Maintenance II	-	13.0	13.0	
81	Power II	-	25.0	25.0	Appraisal FY80
81	Livestock	-	10.0	10.0	
82	Port of Conakry	-	15.0	15.0	Mission FY80
82	Mifergui-Nimba (Iron Ore)	50.0	-	50.0	Mission FY80
83	Rice Development II	-	10.0	10.0	
83	Education II	-	10.0	10.0	
84	Water Supply II	-	15.0	15.0	
84	Highway Maintenance III	-	15.0	15.0	
TOTAL		50.0	123.4	173.4	

G U I N E A

ECONOMIC BRIEFING

1. GDP reached about US\$1.2 billion in 1978, or US\$230 per capita. The rural sector continues to dominate the economy, although its share of GDP fell from 50% in 1963/64 to around 40% in 1976-78, while the contribution of mining doubled, from 11% to 23%, over the last 15 years. With the exception of the mining industry, which has mixed ownership, the modern sector is state owned. Agricultural policies have encouraged collectivization and large-scale mechanized operations.

2. The start up of two mining operations and favorable prices contributed to an acceleration in Guinea's rate of growth and allowed the Government to take some steps to restore financial equilibrium, but public enterprise operations, the restoration of a sound rural economy, and foreign debt remain difficult structural problems:

- economic activity increased between 1973-1977, at an estimated rate of 4.3% p.a. in real terms, and 16% p.a. in current terms, and stagnated in 1978;
- additional foreign exchange earnings were partly used to increase imports and also transformed the balance of trade deficit of over US\$60 million in 1973-1975 into a healthy surplus of about US\$60 million in 1977-78;
- reduced net capital inflows, and negative net services and transfers induced an overall BOP deficit of US\$90 million over the past three years, deficit financed through accumulating arrears on debt service, and the deterioration in the net foreign assets position of the banking system;
- higher bauxite exports and favorable world prices increased Guinea's revenues and allowed the Government to amortize part of its debt with the Central Bank, thereby reducing the money overhang. The money supply, which had reached over 60% of GDP in 1971-72 and 35-36% in 1975, was reduced to about 20% of GDP in 1978, with a positive impact on prices and exchange rates in the parallel market; and
- public enterprise borrowing continued to rise, heavily taxing domestic savings and limiting Guinea's capability to finance infrastructure maintenance and rehabilitation.

3. At the end of 1978, Guinea's outstanding and disbursed external public debt was US\$906 million, of which US\$179 million in arrears (US\$115 million of these were repayable in convertible currency, and US\$64 million were with China and Eastern European countries). Scheduled service payments for public

debt are projected at US\$136 million per year over the 1979-81 period. These payments are expected to absorb about one quarter of budgetary revenues and one third of total exports. Including private debt service (estimated at US\$50 million in 1978), the total debt service ratio would reach 48% of exports.

4. The Government is aware of Guinea's balance of payment and external debt problems and some steps are being taken to cope with them:

- a stricter control of investment projects financed by external credits favors productive projects;
- there is evidence of a more judicious allocation of foreign exchange earnings to productive inputs and essential consumer goods, and the import program was kept virtually stable over the past 3 to 4 years;
- renegotiation of marketing arrangements for mining exports is being considered by the Government to increase foreign exchange earnings from the Kindia bauxite deposits operated in cooperation with the Soviet Union; and
- an external debt department was created in 1979, to which the Bank has provided technical assistance; negotiations for debt rescheduling and some debt relief have been engaged with several creditors.

5. There is little doubt, however, about Guinea's inability to service its debt. Arrears are projected to increase at a rate of about US\$60 million a year over the next three years, unless creditors agree to massive rescheduling or cancellation of substantial amounts of outstanding debt. The Federal Republic of Germany, for example, cancelled US\$21.5 million in arrears, and so did France for an amount of about US\$7 million.

6. Guinea's medium-term growth prospects depend essentially on the pace of development in the mining sector (bauxite and iron ore). Bank projections made in 1977 forecast a real growth of GDP of about 7% a year until 1985. However, possible delays in implementation of the Mifergui-Nimba iron ore project, and our recent conclusion that the Ayé-Koyé bauxite/alumina project is not economical, suggest that a slower rate of growth is now a more realistic possibility.

7. Long-term prospects will depend upon the full realization of Guinea's considerable agricultural resources. A well-conceived program of food and cash crop development could play a major role in fostering economic growth and improving income distribution. However, this would require major changes in policy and drastic reforms in the present organization of the agricultural sector. In spite of encouraging statements by the President and his associates, such revisions may not be forthcoming immediately and it will take a long time before their impact is felt on Guinea's economy.

Guinea's Relations with the IMF

8. On July 6 of this year a standby credit under the first tranche was approved by the IMF in an amount of SDR 2.97 million, which will bring the IMF holdings of the Guinean currency to 125% of quota. At the same time Guinea qualified for drawings under the Trust Fund of SDR 5.7 million, which would bring the total use of Fund credit to SDR 8.7 million.

9. The program agreed with the Guinean Government goes beyond the usual stabilization plan in that the agreed ceilings on credit expansion have been supplemented by undertakings on the part of the Government to review interest rates and pricing policies. Thus the intent of the program is not only to contain demand but to encourage savings and stimulate supply, particularly in the agricultural sector.

10. Guinea's performance under the one-year program which preceded the current program was judged satisfactory by the IMF. However, the Fund has not yet given consideration to possible use of the Extended Facility, nor has the Government made a request. Medium-term program assistance to Guinea, whether from the IMF or the World Bank, would most likely require--among other things--an evaluation of public enterprise operations with attention to their impact on the overall financial equilibrium of the economy, the structure of prices, and the possibilities to improve their efficiency to provide goods and services at reasonable cost.

COMPOSITION OF THE GUINEAN DELEGATION

President Sékou Touré

A Malinke born in Faranah in 1922, President Touré started his political career as an eloquent leader of the civil servants' union in Guinea. Together with Houphouët Boigny he was one of the main forces within the "Rassemblement Démocratique Africain" (RDA), a socialist party active in several French-speaking West African countries which during French colonial rule fought for political independence. In 1958 Sékou Touré opposed General de Gaulle's referendum to remain in or leave the "Communauté de l'Union Française"; Guinea's negative vote led to the country's independence. Since 1958, Sékou Touré has combined the functions of Head of State and Secretary General of the "Parti Démocratique de Guinée" and survived a number of attempted coups. The last of these took place in November 1970 when a group of Guinean exiles and Portuguese mercenaries landed in Conakry attempting to free political prisoners and take over the government. For many years, Touré enjoyed a considerable reputation in black Africa as one of the early fighters for independence and a fierce opponent to economic and political collaboration with France and other Western European countries. He played an important role in the creation of the Organization of African Unity (OAU). President Touré's image was however tarnished by the way he eliminated some of his potential rivals including Diallo Telli, the former Secretary General of the Organization of African Unity. Political unrest in 1977 led by the opposition of market women to the socialization of domestic trade resulted in some liberalization of the economic system which was followed by a policy of reconciliation with other West African leaders (Houphouët Boigny and Senghor). President Touré since then has travelled extensively to gain political support and attract economic assistance from a large number of Western European as well as independent socialist countries. His visit to the US is part of a plan to improve the image of Guinea abroad and demonstrate the country's new desire to open its economy and collaborate with other nations.

Moussa Diakité

Born in 1927, he was also an active union leader with Sékou Touré prior to Guinea's independence. A senior member of the Government and the Party's political bureau since 1958, he was successively Governor of the Central Bank, Minister of Mining, Minister of the Interior, and briefly Minister of Finance before being appointed to his present more modest position of Minister of Housing and Urban Affairs. He remains, however, one of the closest collaborators and most trusted advisors of the President.

Ismael Touré

A half brother of President Sékou Touré, born in 1925, he has been for a long time the senior economic Minister of Guinea. Until early 1979, while Minister of the Economic and Financial Domain, he was also in charge of

Mining, Industry, Energy and Public Works. Generally considered a radical opposed to any kind of liberalization of the country's socialist structure, he was in disgrace for a few months this year before returning to the government in his present position of Minister of Mining and Geology. Ismael Touré frequently dealt with the Bank during preparation and implementation of the Boké project and in discussions of the Mifergui Nimba iron ore project.

Mouctar Diallo

Born in 1929, he was also a close collaborator of Sékou Touré before Guinea's independence together with Moussa Diakité and Ismael Touré. He occupied a variety of relatively less glamorous government positions before being recently appointed Minister of Transport.

Saikou Barry

A relatively young economist trained in Moscow, he has spent most of his career in the Central Bank. Vice Governor in 1976, he became Minister of Trade in 1977 before returning to the Central Bank in his present position of Minister and Governor of the Central Bank.

Soriba Touré

A young financial analyst trained in New York, he was recently appointed to the position of Minister of Economic and Financial Affairs within the President's office. A relative newcomer to the political scene, his functions remain ill-defined; however, his appointment seems to correspond to President Touré's new desire to personally control economic and financial policies.

Marcel Cros

Mr. Cros was well known to the Bank as former **General Manager** of OFAB (Office d'Aménagement de Boké), the government-owned company responsible for developing and managing the port, railroad and housing infrastructure constructed for the Boké bauxite project. Marcel Cros also spent considerable time promoting the Ayé-Koyé alumina project, before being appointed to his present position of Secretary of State in charge of International Cooperation.

Mamadi Lamine Condé

Born in 1941, Mr. Condé received his training in international relations in Washington, DC (Catholic University and John Hopkins). He spent most of his career in the Guinean foreign service occupying a variety of diplomatic posts in New York (United Nations), and in Washington (cultural attaché to the Guinean Embassy). Ambassador to Japan in 1972-79, he was appointed to his present position of Ambassador to the United States in January 1979. He is a pleasant and effective diplomat, who seems to understand the Bank's objectives and procedures very well and has played an important role in recent credit negotiations.

→ 120 ^{Fr} food imports ↓

- low interest
- Tremendous resources
- hard to establish priorities
- Need to help themselves

real
high
waste
poor

→ ^{main} Aye Koa - need strong partner - priority to BK
 → ^{main} Long One - about 29
 → ^{main} ^{main} BK & help other
 → ^{main} tech partner

Energy - Fr study 3/80
 want help from BK (ok after study)

- Small-scale indus.
- [employ prob]
- Agri - "junk" obj -
- "appeal for more BK emphasis"
- [incl proj]

13

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. E. Stern) *RS* DATE: March 24, 1980

FROM: Roger Chaufournier *RC* / WANVP

SUBJECT: GUINEA - Visit of the Minister of Energy

1. Mr. N'Famara Keita, the Guinean Minister of Energy, is in Washington this week and has asked for a meeting with you. The purpose of the visit is to reemphasize the high priority the Guinean Government attaches to the Konkouré hydro power project and to the related aluminum smelter project, to indicate the strong support a number of Arab Funds are giving to Konkouré, and to inform himself of the position of the Bank. A co-donors' meeting is tentatively planned for April 28 - 29.

2. This memorandum summarizes the information available on the Konkouré project, which indicates that the project is likely to yield marginal rates of returns. This memorandum also discusses the Mifergui-Nimba iron-ore project which, in our opinion, may be a more promising industrial operation.

The Konkouré project

3. In its original form, the Konkouré project was part of a larger mining, hydro power and industrial project including: (i) a bauxite mining and alumina refinery project at Aye-Koye (US\$1.1 billion in 1979 prices); (ii) a 800 MW hydro power plant on the Konkouré river (US\$1 billion in 1979 prices); and (iii) an aluminum smelter project (US\$0.6 billion) 1/ with an annual production capacity of 150,000 tons of aluminum. The feasibility study of Aye-Koye and the aluminum smelter plant was prepared by Alusuisse, while the study of Konkouré was prepared by EDF.

4. We have already advised the Guinean Government that the Aye-Koye bauxite/alumina project was not a viable proposition. Ore reserves are adequate and the quality of the ore is average, but mining costs would be high because of the physical characteristics of the ore body. Should future world demand call for an increase in Guinean bauxite/alumina production, other projects -- particularly an extension of the Bank-financed Boke project -- would be far more economical, because of better ore quality and lower capital and operating costs.

1/ These cost estimates are in constant prices and exclude working capital and interest during construction. Translated in current prices and including working capital and interest during construction, the cost of Aye-Koye would be US\$1.5 billion. Calculated on the same basis, the cost of the Konkouré project would also be US\$1.5 billion, while the cost of the aluminum smelter would be around US\$1.1 billion.

5. The alternative of a reduced investment based on the construction of the Konkouré hydro power dam and an aluminum smelter plant without Aye-Koye would be more attractive. The alumina to be processed by the aluminum smelter would be supplied by the existing Friguia plant until the development of additional bauxite and alumina production at Friguia, Boke or even Aye-Koye becomes necessary. However, the Alusuisse feasibility study of the aluminum smelter plant is deficient in several respects. The capital cost of the plant seems to be on the high side, and we do not know whether this is because of the choice of an inappropriate technology or because any large industrial project tends to be more expensive in Guinea than in most other countries. More importantly, EDF based the economic case for Konkouré on a probably unrealistic cross-subsidization mechanism, by which the low price of power delivered to the aluminum smelter would be compensated for by the higher price of power paid by the Guinean public network.

6. Our review of the feasibility study of the hydro power component of the project indicates that the Guinean Electricity authority would need to sell the kwh generated by Konkouré at an average price of 43 mills to achieve a satisfactory rate of return. To that end it should sell its power to the public network at a price of about 100 mills, which is equivalent to the present cost of thermal generation in Guinea. Through this mechanism, the Electricity authority would be able to sell the part of the Konkouré power allocated to aluminum production 1/ at a price of about 16 mills 2/. This price may be low enough to make the aluminum smelter project viable, particularly if its investment cost can be substantially reduced, and the price of aluminum increases in real terms, as present Bank projections seem to indicate.

1/ The smelter would use about 40% of the capacity and 60% of the output produced by Konkouré. The remainder would be allocated to the public network.

2/ Prices paid by aluminum producers throughout the world range from a low 4.75 mills/kwh for hydro electricity in Ghana, to about 40 mills/kwh for thermal power in Australia, and to about 75 mills for thermal power in Japan (where this price is justified by the high value attached to having a secure aluminum supply). The average world price is about 13 mills/kwh. The Bank has participated in financing the Valesul Smelter in Brazil with an electricity price of 14.5 mills and IFC undertook the Alucam Smelter extension project in Cameroon at 12.5 mills. A recent US Government report suggests that producers in the Pacific North Western United States could be willing to pay up to 25 mills/kwh before closing down. Of course, allowance must be made for differences in political and other risks as perceived by the aluminum producers in comparing Guinea with other countries.

7. Despite the obvious practical problems involved in introducing and maintaining differentials of that magnitude between the price paid by the public network and by the aluminum operation, similar cross-subsidization mechanisms are often practiced and could also be considered in the present case. However, two problems need to be resolved. Firstly, the high price of power paid by the public network will not offset the losses on the power sold to the smelter until the public network uses its full share of Konkouré's capacity and output. Present power demand projections indicate that for about ten years the public network would use only a fraction of its ultimate share of Konkouré's output. Secondly, the proposed cross-subsidization mechanism may not be based on an adequate calculation of the opportunity cost of power in Guinea. The case rests on the assumption that, without the Konkouré project, the additional power requirements of the Guinean public network can only be satisfied by thermal generation. Before concurring in this assumption, we would need to know more about alternative sources of power generation in Guinea.

8. A UNDP-financed survey, for which the Bank is Executing Agency, will review the prospects of the Guinean power sector, including the possibility of developing small to medium sized hydro power projects which could satisfy the demand of the public network at a lower cost than thermal generation. The first phase of the UNDP survey will not be completed before early 1982, but preliminary findings could be available, and discussed with the Guineans, much earlier: about six months after consultants have been selected.

9. We could consider broadening the terms of reference of the UNDP survey to cover a review of the demand forecast prepared by EDF and to identify other possible industrial uses for the Konkouré power. The economic justification of the project could be improved by increasing the load on the hydro electric plant during the first ten to fifteen years of capacity surplus. Electric boilers with perhaps 50 MW of load could be used for steam generation at Friguia for alumina production in place of existing fuel oil fired boilers. Furthermore, the traffic on the Boke-Kampsar railway may be sufficient to warrant electrification. These potential load substitutions were not evaluated by EDF in preparing demand forecasts. This work could and should be undertaken promptly to help us refine our judgment on the economic viability of Konkouré.

The Mifergui-Nimba project

10. For several years the Bank has been working on the Mifergui-Nimba iron-ore project. Total cost is estimated at US\$0.8 billion (in 1979 prices 1/), including transport infrastructure, i. e. (a) construction

1/ US\$1.1 billion in current prices including working capital and interest during construction.

of an 18 km connection between the Nimba mining site in Guinea and the existing Lamco railway in Liberia; and (b) substantial improvements of the Lamco railway and port facilities. The project would produce 15 million tons a year of high grade iron ore.

11. The Guineans have done a good job of mobilizing potential shareholders who would purchase the bulk of the project output, but progress has been held up for about two years because of an impasse in the negotiations with Lamco on the rail tariff and other issues. Pending satisfactory resolution of these issues, US Steel, which is considering participation as a major technical partner, is withholding its position.

12. Under these conditions there is not much the Bank can do at the present time, and, unfortunately, the higher priority the Guinean Government attaches to the Konkouré project may contribute to the slow pace of ongoing discussions with Lamco. In addition, it makes it impossible to assemble an adequate financing plan for Mifergui-Nimba since all major donors have been asked to concentrate their assistance on Konkouré.

13. One factor could constitute an inducement for the Guineans to exert a special effort towards resolving outstanding issues that block the progress of the Mifergui-Nimba project. This factor is related to the current prospects of the Carajas project in Brazil, which could produce about 35 million tons of iron ore annually and which, if it comes into being, would delay other iron ore projects for a number of years. Lately, some European producers showed renewed interest in Carajas, mainly on the theory that Carajas will be such a large supplier that they must get their foot in the door to assure themselves of a satisfactory iron ore purchasing position in the future. If Mifergui-Nimba could go ahead shortly, it could be completed quicker than Carajas, could gain marketing acceptance on account of its high quality output and would moreover have a freight advantage over Carajas, because of the short distance between Guinea and Europe.

Conclusion

14. Despite our preference for Mifergui-Nimba and our doubts about the Konkouré project, we are ready to discuss our views with the Guinean Government and potential donors either informally or during the proposed co-donors' meeting. However the Guinean authorities should be advised that our position on Konkouré could not be very encouraging on the basis of present evidence. We shall prepare detailed comments on the Alusuisse feasibility study and make them available to Guinea, as well as to other interested parties subject to the approval of the Guinean Government. We hope that the UNDP-financed survey and revised power demand forecasts will provide the information required to either strengthen the economic justification of the project or propose more economical alternatives.

15. There is always the possibility that at some later stage an aluminum company - anticipating rapid increases in the price of both power and aluminum, eager to diversify its sources of supply and to locate part of its aluminum production near the vast Guinean bauxite deposits -- would react more positively to the Konkouré project than we are able to do right now. In such an event we would be open to discussions with a strong industrial partner who would consider a long-term commitment to buy either the power generated by Konkouré, or the aluminum produced by the smelter at a price that would make the overall project attractive. But this industrial client has not been identified and for the time being we should refrain from raising any hopes that the Konkouré project can be financed and completed in the near future.

cc: Messrs. Koch-Weser, Thalwitz, Fuchs, Cash, de Selliers, Bouhaouala,
Cosgrove, Gilling, Palein, de Azcarate.

XdelaRenaudière:flm

Background of Minister N'Famara Keita

Mr. N'Famara Keita, born in 1924, is the fourth personality in Guinea after President Sékou Touré, Prime Minister Dr. Béavogui and Minister Moussa Diakité.

A member of the Political Bureau since 1957, Mr. N'Famara Keita was Minister for Rural Development prior to the June 1979 cabinet reshuffle when he became Minister of Energy "and Konkouré". He is the brother-in-law of President Sékou Touré with whom he has been associated closely since 1948 as a leading party official.

Other previous positions occupied by Mr. N'Famara Keita were:

1956-58	Mayor of Kindia
1958-60	Minister of the Army
1960-65	Minister in charge of the Zerekore Local Government
1965-69	Minister of Planning and Economic Affairs
1969-72	Minister of "Domaines des Echanges" (including Internal Trade, External Trade and Transport)
1972-79	Minister of Rural Development

14

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. S. Shahid Husain)

DATE: October 15, 1980

FROM: A. David Knox, Vice President, WANA

SUBJECT: GUINEA: Visit of a Government Delegation

1. A delegation composed of Messrs. Lansana Béavogui, Prime Minister of Guinea, N'Famara Keita, Minister of Energy and Konkouré, and Marcel Cros, Secretary of State for International Cooperation, is in Washington and has requested a meeting with you.^{/1} At this stage, we have been given to understand (by the Embassy) only that the delegation would like to discuss possible projects in Guinea, including the proposed Konkouré hydro-power/aluminum smelter complex.

2. Over the past few months, our discussions with the Guineans have focussed mainly on the preparation of the Konkouré project. We are working with Government to finalize the prefeasibility studies for the project. You may wish to take this opportunity to inform Government that we have just reached internal agreement to act as executing agency for a UNDP-financed study of the aluminum smelter. Recently, however, we have learned of a possible breakthrough in the negotiations between Guinea and Liberia's Lamco, which might make it possible to resume work on the Mifergui-Nimba iron ore project which is at a more advanced stage of preparation.

3. The following outlines the main country issues and summarizes information on project issues, including the above two projects:

Country Issues

4. The most urgent economic problems are those regarding Guinea's balance of payments and external debt situation. The Government is aware of these problems and has taken steps to: (a) service the external debt and to contain the increase in the arrears through rescheduling and improved monitoring; (b) restrict external borrowing to productive projects and allocate more judiciously foreign exchange earnings to maximize production; and (c) exercise tighter controls on public enterprises to increase their productivity and relieve the pressure on public finance and balance of payments.

5. Guinea's medium-term growth prospects depend essentially on: (a) its ability to provide incentives to rural producers; (b) providing inputs to agro-industries, and increasing exports; and (c) the pace of mining and related projects, which are needed to produce foreign exchange for development and servicing external debt. Tentative projections point towards a real growth of the GDP around 3% per annum until 1985, and to a

/1 Biographical notes are attached as Annex 1.

significant resource gap throughout the period. Government's liberalization of small-scale commerce to stimulate the flow of consumer goods and the announced policy of promoting peasant farming should provide increased incentives, but major changes in the price and exchange rate system, import and distribution policies, and the organization of the agricultural sector, would be needed in order to foster sustained growth in the rural sector.

6. The Guinean delegation at the Annual Meeting raised the matter of structural adjustment lending. We explained the general nature of these operations and indicated that we would be examining through our normal dialogue how an adequate data base could be developed, and programs and policies formulated to which Government was committed and which could be implemented. It is too early to say whether we could identify the kind of program that would make a SAL possible. Bank involvement in Guinea is, in any case, quite extensive through an active multi-sectoral lending program as explained below.

Project Issues

7. Project implementation has been progressing reasonably well. Indications are that the Rice Development and Highways Projects, which became effective at the beginning of this year, are off to a good start.

8. The FY81 program is well in hand. A Livestock Development Project was approved by the Board on September 9, 1980. Negotiations for a proposed Power Project are scheduled for November 1980. Likewise, in FY82, we should be able to present two projects--one for the development of the Conakry Port and one for Small- and Medium-scale Enterprises.

Possible Projects in the Mining Sector

9. Because of the vital importance of mining in helping alleviate the country's foreign exchange shortage, the Bank Group is also considering further intervention in this sector. Although feasibility studies for the Nimba Iron Ore Mining Project show that it would be an attractive project economically, its implementation depends on a satisfactory solution to several problems, particularly suitable transport arrangements with Lamco (Liberia) for use of their rail and port facilities, firm marketing arrangements, and securing a suitable technical partner. Recent information from Guinea indicates that an ore transport agreement with Lamco may be near. If so, it is hoped that US Steel would come forward and would be an acceptable technical partner. Then, this project could move ahead relatively quickly. Project costs are estimated at US\$1 billion in 1979 prices.

10. The Government is also giving high priority to development of the Konkouré Project, a combined 750 MW hydro-electric dam/plant at Souapiti and a 155,000 ton per year aluminum smelter at Fria (which would utilize about 300 MW of firm power and about 63% of total energy produced) and a transmission network to other industrial and urban areas. The project's total cost is estimated at US\$2.0 billion in 1979 prices, or twice Guinea's GDP.

11. As currently formulated, Konkouré would produce relatively high-cost power, to be sold to the aluminum smelter at rates subsidized by domestic consumers. There could be lower cost alternatives for supplying the domestic power network. Several studies (including a UNDP-financed Water Master Plan, for which the Bank is executing agency) will identify smaller-scale hydro-sites, some of which might provide alternatives to Konkouré. Preliminary estimates have suggested an economic rate of return of about 8-9%--with substantial uncertainty both downwards and upwards. This would not suffice to justify such a large investment. However, if further work demonstrated a significantly higher return, the outlook for the project would improve.

12. Since there is potential for reducing capital and operating costs for the aluminum smelter, we have agreed with the Guineans that this component will be restudied together with finalizing the dam component and preparing an overall study of the integrated project, including its impact on the balance of payments and external debt service. We have recently reached internal agreement that the Bank will be executing agency for the study of the aluminum smelter, for which UNDP financing has been requested. Assuming a favorable outcome of the studies, subsequent steps would be to seek international financing for the dam and then negotiate with potential aluminum sponsors. Work on the dam should not commence until a technical partner is committed. We expect not to reach this commitment point for at least two to three years, depending on external factors such as aluminum prices and investors' decisions. Dam construction would take an estimated six to seven years, leading to an earliest operational date of 1989-90. Currently, the Government hopes that the project would be operational by 1987. Due to its massive size and present marginal nature, we believe that the project should be fully studied before any work is started.

13. We would recommend a Bank position that although we support the long-term development of Guinea's hydro resources, such a large project must be carefully prepared and evaluated, and should not preempt other smaller, but possibly better investments in hydro-power. Nor should Konkouré, because of its apparent appeal to Guinea, be allowed to crowd out the Mifergui-Nimba project. We suggest that: (a) until a decision can be taken to go ahead with Mifergui-Nimba or Konkouré, preparation should continue with both; (b) economically, Mifergui-Nimba would be quicker to implement, would have a higher (14%) rate of return than Konkouré, would be easier to finance because of lower capital costs and could provide a significant stimulus to regional cooperation; and (c) Konkouré is likely to materialize at some time, as energy costs increase, but that given its earlier stage of preparation, it would be of benefit to Guinea to move ahead with Mifergui-Nimba as soon as external circumstances allow, with Konkouré naturally phasing in as feasibility studies and other preparatory work were satisfactorily completed.

attachments

MPalein/IHarvey/rh

Mr. Robert S. McNamara

- 4 -

October 15, 1980

cleared with and cc: Messrs. Fuchs, Scanteie
Eigen, Westebbe

cc: Messrs. El Darwish
Bouhaouala
van Gigh
Pouliquen
Cash
Thiam

Ms. Arpels/Mr. Forget
Messrs. de Selliers
Gilling

Background of the Prime Minister in Charge of Planning
and Statistics, Dr. Lansana BEAVOGUI

Second personality in Guinea after the President Sékou Touré, the Prime Minister is a trained physician. Born in 1923, Dr. Béavogui has been a member of the Political Bureau and of the National Assembly since 1957, and Prime Minister since 1972.

Previous Cabinet Positions

1957-59	Minister of Trade, Industry and Mining
1959-61	Minister of General Economy
1961-69	Minister of Foreign Affairs
1969-71	Minister of Economic Affairs (including the Ministries of Industry, Mines, Public Works).

REVOLUTIONARY PEOPLE'S REPUBLIC OF GUINEA

LENDING PROGRAM FY81-85^{/1}
(US\$ million)

	FY81	FY82	FY83	FY84	FY85	FY81-85
Livestock I	17.5	-	-	-	-	17.5
Power I	28.5	-	-	-	-	28.5
Port	-	7.0	-	-	-	7.0
Industrial Rehabilitation	-	5.0	-	-	-	5.0
Education II	-	-	8.0	-	-	8.0
Daboya II RD	-	-	8.0	-	-	8.0
Oil /3	-	-	5.0	-	-	5.0
S Nimba Iron Ore Mining	-	-	-	50.0/2	-	50.0
Water Supply II	-	-	-	15.0	-	15.0
Rice II	-	-	-	-	15.0	15.0
Livestock II	-	-	-	-	20.0	20.0
Power II	-	-	-	-	18.0	18.0
Petroleum /3	-	-	-	-	5.0	5.0
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TOTAL	46.0	12.0	21.0	65.0	58.0	202.0
	====	====	====	====	====	=====

/1 IDA Credits unless otherwise indicated.

/2 IBRD Loan.

/3 Not counted as project until further processing occurs.

November 13, 1980

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. E. Stern) ^{ES}

FROM: A. David Knox, Vice President, WAN ^{ADK}

SUBJECT: GUINEA - Prime Minister's Visit

DATE: November 13, 1980

Concerning your meeting with the Prime Minister, scheduled for 6.30 p.m. on November 17, I am forwarding you the briefing prepared by the Region for the October 16 visit that was cancelled due to the Prime Minister's hospitalization.

The information contained in the briefing is still relevant. Since then, we have had technical discussions with the Minister of Energy and Konkouré on the Konkouré project (paras 2, 10-13), during which we agreed on the organization of the studies and accepted to act as executing agency for the UNDP-financed study of the aluminum smelter.

While these actions show that we are ready to support large investments in the mining sector if economic and technical studies demonstrate their viability, we still believe that rural development has first priority in Guinea, not only to accelerate economic growth but also to improve income distribution and to generate foreign exchange. Whatever success may be achieved in the mining and associated sectors will not replace the promotion of adequate policies designed to stimulate agriculture. We note that for the time being the rural sector has not witnessed the growth that its potential should allow and that the Government continues to emphasize mechanized collective farming, rather than smallholder cultivation and improvements in the sector's economic and organizational structure.

During future economic and project missions, we shall raise these questions with the Government. However, you may wish to seize the opportunity of the Prime Minister's visit to ask his views on the Government's policies for agriculture. ←

attachments:

cleared with and cc: Messrs. de la Renaudière, Harvey

cc: Messrs. Fuchs	Messrs. van Gigh
El Darwish	Pouliquen
Westebbe	Cash
Bouhaouala	Berg
Ms. Arpels/Mr. Forget	Thiam

MPalein/EScanteie/rh